BANGKO SENTRAL NG PILIPINAS

CIRCULAR LETTER NO. CL-2022-011

OFFICE OF THE GOVERNOR

To : **ALL BANKS**

Subject : **PHILIPPINE SUSTAINABLE FINANCE ROADMAP AND GUIDING PRINCIPLES**

The Bangko Sentral, as provided under Circular No. 1085 dated 29 April 2020 or the Sustainable Finance Framework, recognizes the critical role of the financial services industry in pursuing sustainable and resilient growth by enabling environmentally and socially responsible business decisions consistent with the Government's aspirations for the Filipino people.

In this respect, the Bangko Sentral informs the release of the Philippine Sustainable Finance Roadmap ("Roadmap") and Sustainable Finance Guiding Principles ("Guiding Principles').

The Roadmap *(Annex A)* sets out a comprehensive approach that will serve as the foundation for effective strategies to facilitate the mainstreaming of sustainable finance in the country. The Guiding Principles *(Annex B)* establishes a common understanding among various stakeholders of the economic activities considered 'sustainable.' These documents were developed by the Inter-Agency Technical Working Group on Sustainable Finance or the "Green Force" and launched last 20 October 2021.

All banks are encouraged to explore and consider, where applicable, the strategies, priorities, and principles outlined in the Roadmap and Guiding Principles in developing their approach or actions towards adopting sustainable finance.

BENJAMIN E. DIOKNO
Governor

08 February 2022

The Philippine Sustainable Finance Roadmap

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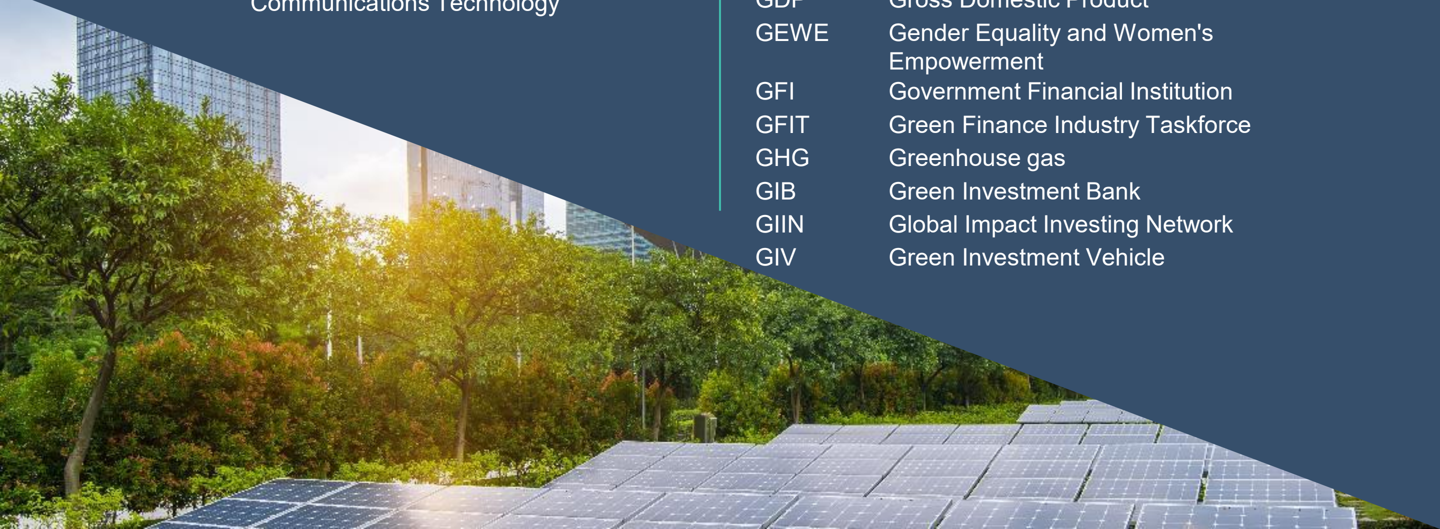
Acronyms & Abbreviations

ACGF	ASEAN Catalytic Green Finance Facility
ACMF	ASEAN Capital Markets Forum
ADB	Asian Development Bank
AMS	ASEAN Member State
ASEAN	Association of Southeast Asian Nations
ASEAN LCEP	ASEAN Low Carbon Energy Programme
ASTI	Advanced Science and Technology Institute
BAP	Bankers Association of the Philippines
BCDA	Bases Conversion Development Authority
BFAR	Bureau of Fisheries and Aquatic Resources
BMB	Biodiversity Management Bureau
BNM	Bank Negara Malaysia
BOC	Bureau of Customs
BOI	Board of Investments
BSP	Bangko Sentral ng Pilipinas
CBI	Climate Bonds Initiative
CCA	Climate Change Adaptation
CCAM-DRR	Climate Change Adaptation, Mitigation, and Disaster Risk Reduction
CCC	Climate Change Commission
CCET	Climate Change Expenditure Tagging
CDA	Cooperative Development Authority
CHED	Commission on Higher Education
CIF	Climate Investment Fund
CIS	Collective Investment Scheme
CMDC	Capital Market Development Council
CMM	Capital Markets Malaysia
COP	Conference of the Parties
DA	Department of Agriculture
DBM	Department Budget and Management
DBP	Development Bank of the Philippines
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
DFA	Department of Foreign Affairs
DICT	Department of Information and Communications Technology
DILG	Department of Interior and Local Government
DOE	Department of Energy
DOF	Department of Finance
DOH	Department of Health
DOJ	Department of Justice
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DOT	Department of Tourism
DOTr	Department of Transportation
DPWH	Department of Public Works and Highways
DRRM	Disaster Risk Reduction and Management
DTI	Department of Trade and Industry
E&S	Environmental and social
EC	European Commission
EE	Energy Efficiency
EE&C Act	Energy Efficiency and Conservation Act
EMB	Environmental Management Bureau
ERDB	Ecosystems Research and Development Bureau
ERM	Enterprise-wide Risk Management
ESG	environmental, social, and governance
ESI	Energy Savings Insurance
ESRMS	Environmental and Social Risk Management System
ETF	Exchange traded fund
ETN	Exchange traded notes
EU	European Union
FCA	Financial Conduct Authority
FDI	Foreign Direct Investment
FINEX	Financial Executives Institute of the Philippines
FPA	Fertilizer and Pesticide Authority
FPRDI	Forest Products Research and Development Institute
FSCC	Financial Stability Coordination Council
FSF	Financial Sector Forum
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEWE	Gender Equality and Women's Empowerment
GFI	Government Financial Institution
GFIT	Green Finance Industry Taskforce
GHG	Greenhouse gas
GIB	Green Investment Bank
GIIN	Global Impact Investing Network
GIV	Green Investment Vehicle



Acronyms & Abbreviations

GOCC	Government-Owned and Controlled Corporations
GRI	Global Reporting Initiative
HEPS	High Energy Performance Standards
HLPF	High-Level Political Forum
HLURB	Housing and Land Use Regulatory Board
HUDCC	Housing and Urban Development Coordinating Council
IACGR	Integrated Annual Corporate Governance Report
IC	Insurance Commission
ICMA	International Capital Market Association
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IHAP	Investment House Association of the Philippines
IIRC	International Integrated Reporting Council
IISD	International Institute for Sustainable Development
IRA	Internal Revenue Allotment
IRENA	International Renewable Energy Agency
ISSB	International Sustainability Standards Board
ITSF	Inter-Agency Technical Working Group for Sustainable Finance
LBP	Land Bank of the Philippines
LFI	Local Financial Institutions
LGU	Local Government Unit
LMB	Land Management Bureau
MAS	Monetary Authority of Singapore
MDA	Mindanao Development Authority
MDB	Multilateral Development Bank
MEPS	Minimum Energy Performance Standards
MGCF	Mongolia Green Finance Corporation
MINDA	Mindanao Development Authority
MMDA	Metropolitan Manila Development Authority
MOF	Ministries of Finance
MOU	Memorandum of Understanding
MRV System	Monitoring, Reporting, and Verification System
MSFI	Malaysian Sustainable Finance Initiative
NAMRIA	National Mapping and Resource Information Authority
NAPC	National Anti-Poverty Commission
NAST	National Academy of Science and Technology
NCCAP	National Climate Change Action Plan
NCMF	National Commission on Muslim Filipinos
NDC	Nationally Determined Contributions
NDRRMP	National Disaster Risk Reduction and Management Plan
NEDA	National Economic and Development Authority
NFSCC	National Framework Strategy on Climate Change
NFV	National Financing Vehicle
NGA	National Government Agency
NGFS	Network of Central Banks and Supervisors for Greening the Financial System
NGO	Non-governmental organization
NICCDIES	National Integrated Climate Change Database and Information Exchange System
NRCP	National Research Council of the Philippines
NREP	National Renewable Energy Program
NWRB	National Water Resources Board
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PAG-ASA	Philippine Atmospheric, Geophysical, and Astronomical Services Administration
PAP	Priority programs and projects
PCG	Partial Credit Guarantee
PCIEERD	Philippine Council for Industry, Energy and Emerging Technology Research and Development
PCIF	Philippine Catastrophe Insurance Facility
PCSD	Palawan Council for Sustainable Development
PCW	Philippine Commission on Women
PDIC	Philippine Deposit Insurance Corporation
PDP	Philippine Development Plan
PEP	Philippine Energy Plan
PhilGuarantee	Philippine Guarantee Corporation
PIF	Project Implementation Fund
PIP	Public Investment Program
PIPOL System	Public Investment Program Online System
PLC	Publicly-listed company
PMS	Presidential Management Staff
PPF	Project Preparation Fund
PPGD	Philippine Plan for Gender-Responsive Development
PPP	Public-Private Partnerships
PPPC	Public-Private Partnership Center
PRA	Prudential Regulation Authority
PSA	Philippine Statistics Authority

Acronyms & Abbreviations

PSE	Philippine Stock Exchange
PSF	People's Survival Fund
R&D	Research and Development
SASB	Sustainability Accounting Standards Board
SBN	Sustainable Banking Network
SC	Securities Commission
SDG	Sustainable Development Goals
SEC	Securities and Exchange Commission
SEI	Science Education Institute
SIF	Sustainable Insurance Forum
SME	Small-to-medium enterprise
SMU	Singapore Management University
SUC	State Universities and Colleges
SUS	ASEAN Sustainability Bond Standards
TCFD	Task Force on Climate-related Financial Disclosures
TRAIN Act	Tax Reform for Acceleration and Inclusion Act
UN	United Nations
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
VNR	Voluntary National Review
WC-CMD	Working Committee on Capital Market Development
WEF	World Economic Forum

Acknowledgements

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This Roadmap was developed by EY, with support from IMC Worldwide Ltd and the International Institute for Sustainable Development (IISD), as part of the UK Government's ASEAN Low Carbon Energy Programme (LCEP). The ASEAN LCEP is an Overseas Development Assistance programme managed by the UK Foreign, Commonwealth, and Development Office.

Foreword

This Roadmap is designed to lay out the high-level action plans of the whole-of-government approach to promote sustainable finance in the Philippines. As sustainable development aims to address a number of components, this Roadmap will be a First Phase focusing more on the transition to a low carbon economy. Other sustainable development challenges will be considered in further roadmaps. In addition, due to lack of available current data within the government on the costs to fund climate mitigation and adaptation projects, as well as costs to achieve the SDGs, the amount of funding needed from private sector and blended finance cannot be determined at this time. This will be addressed in further phases of the Roadmap. Lastly, each agency that is part of the Technical Working Group on Sustainable Finance will create their own detailed strategic plans supporting and operationalizing this Roadmap.

1 Sustainable Finance Overview

The Philippines recognizes the imperative to transform into a more sustainable and environmentally mindful society and move to a more circular economy, "a system in which resources are used to their maximum extent before being disposed of"[1]. This transformation is inevitable as the Philippines is faced with an increasing population, limited availability of natural resources, and extreme vulnerability to climate change. Transitioning to a circular economy will also create opportunities for investments, growth, and employment.

Mobilising finance to support sustainable activities will be critical to the transition towards a circular economy. This roadmap provides details of how the Philippine government will support the ongoing development of the Philippine sustainable finance ecosystem. It outlines specific actions and activities that will be taken forward.

1.1 Definition of Sustainable Finance

Currently, there is no formal definition of sustainable finance in the Philippines. However, there are some international and national definitions which could serve as a reference, for example:

- The UK's Green Finance Strategy includes "Greening Finance" and "Financing Green", referring to strategies to mainstream climate and environmental factors as a financial and strategic imperative and mobilize private finance for clean and resilient growth, respectively

- The European Commission (EC) defines sustainable finance as referring to the process of taking due account of environmental, social, and governance (ESG) considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects"[2]

- The ASEAN Sustainability Bond Standards (SUS) developed based on the International Capital Market Association (ICMA)'s Sustainability Bond Guidelines may provide insights on what can be classified as "sustainable"

[1] Satvinderijit Kaur Singh.

[2] European Commission. Overview of Sustainable Finance.

1 Sustainable Finance Overview

1.1.1 Global

The ICMA published the *Sustainable Finance: High-level Definitions Paper* in May 2020. This document aims to provide a common language and clarity to all market participants and stakeholders. ICMA defined sustainable finance as follows:

> ***"Sustainable Finance incorporates climate, green and social finance while also adding wider considerations concerning the longer-term economic sustainability of the organisations that are being funded, as well as the role and stability of the overall financial system in which they operate[3]."***

There are several financial concepts related to sustainable finance, such as "low-carbon finance", "climate finance" and "green finance". It is commonly understood that each of those concepts represents a subset of sustainable finance. In line with this, the United Nations Environment Programme (UNEP)'s Definitions and Concepts provided a simplified schema for understanding broad terms.

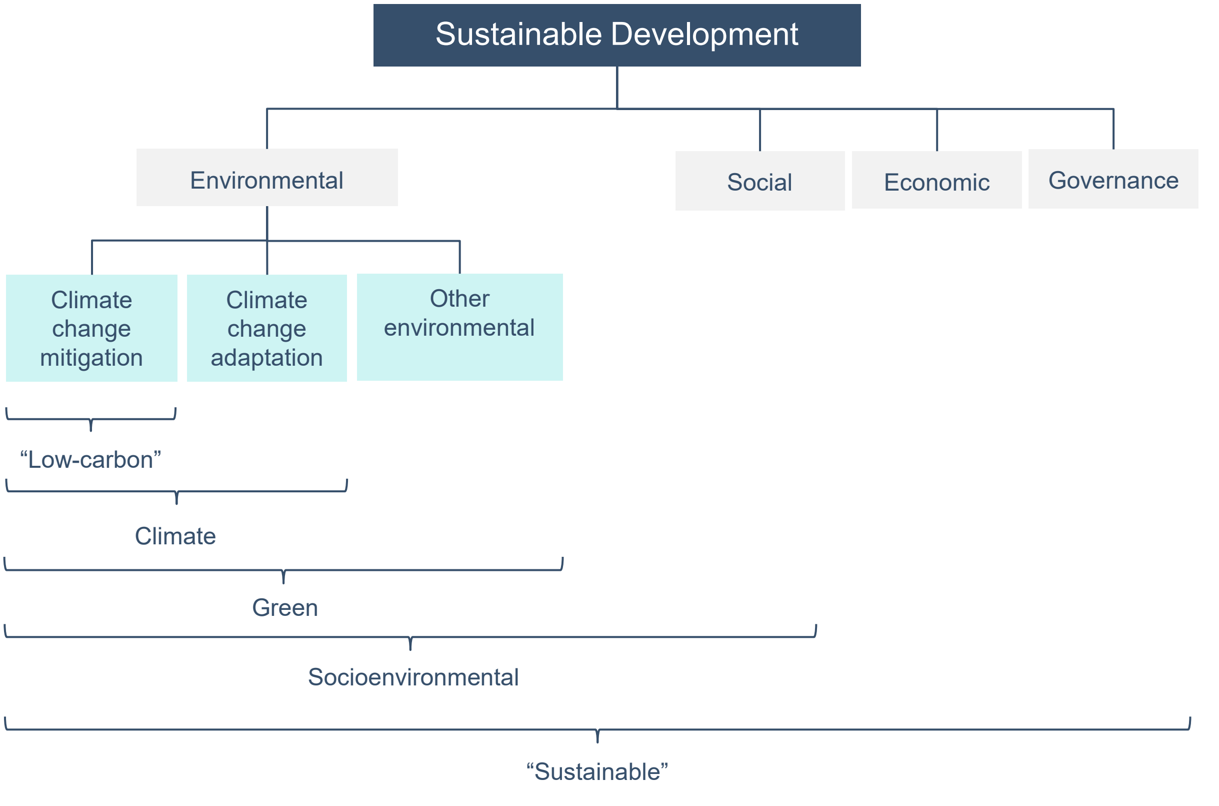

Figure 1. Sustainable development scope[4]

[3] International Capital Market Association. Sustainable Finance: High-level definitions.
[4] 2016. United Nations Environment Programme (UNEP). Definitions and Concepts.

1.1.2 Local

Within the Philippines, the Bangko Sentral ng Pilipinas (BSP) recognizes financial stability concerns arising from climate change and other environmental and social risks that could significantly affect the bank's operations and financial interest. These risks, such as physical and transition risks, could result in significant societal, economic, and financial risks affecting the banks and stakeholders. Furthermore, the BSP acknowledges the important role of the financial industry in achieving sustainable development in the Philippines.

In line with this, the BSP issued the Circular on Sustainable Finance Framework on 29 April 2020. This sets out the expectations of the BSP on the integration of sustainability principles by the banks in the Philippines. Under this framework, it defines sustainable finance as follows:

> ***"Sustainable Finance refers to any form of financial product or service which integrates environmental, social and governance criteria into business decisions that supports economic growth and provides lasting benefit for both clients and society while reducing pressures on the environment. This also covers green finance which is designed to facilitate the flow of funds towards green economic activities and climate change mitigation and adaptation projects[5]."***

Sustainable finance is critical to achieving the global Sustainable Development Goals (SDGs). The SDGs are a universal call to action to end poverty, promote inclusiveness, to build peaceful societies, and to protect the planet[6]. The SDGs are an integration of the three dimensions of sustainable development: economic, social, and environment.

This roadmap will focus on activities related to both the greening of the financial system and the financing of sustainable activities, with a focus on climate change as a critical contributor to achievement of the SDGs.

[5] Bangko Sentral ng Pilipinas. Sustainable Finance Framework.

[6] United Nations. Transforming Our World: The 2030 Agenda for Sustainable Development

Sustainable Finance Overview

1.2 Drivers of Sustainable Finance

The Philippines recognizes its extreme vulnerability to climate change and that long-term aspirations – the Ambisyon Natin 2040, will not be achieved if climate change is not addressed. In line with this, the Philippines has made significant commitments to achieve sustainable development in the country.

United Nations Sustainable Development Goals (SDGs)

In 2015, the Philippines, along with the other 192 Member States of the United Nations (UN), committed to achieve the 17 SDGs, with its 169 targets, under the 2030 Agenda for Sustainable Development.

Figure 2. UN Sustainable Development Goals

With the Philippines' Voluntary National Review (VNR) of the SDGs presented to the 2019 High-Level Political Forum (HLPF) on Sustainable Development, it showed the progress of the Philippines on its SDGs which focused on the following goals:

Goal	Indicator	Baseline	Latest data
4 Quality Education	Primary net enrolment rate (%)	91.0 (2015)	94.2 (2017)
	Primary completion rate (%)	84.0 (2015)	92.4 (2017)
	Secondary net enrolment rate (%)	73.6 (2015)	76.0 (2017)
	Secondary completion rate (%)	74.0 (2015)	84.3 (2017)

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Goal	Indicator	Baseline	Latest data
8 Decent Work and Economic Growth	Annual growth rate of GDP per capita (%)	4.3 (2015)	4.6 (2018)
	Unemployment rate (%)	6.3 (2015)	5.3 (2018)
10 Reduced Inequalities	Growth rate of household income per capita (from 2015 to 2018) (%) Bottom 40% Total Population		 28.3 21.2
13 Climate Action	Number of persons directly affected by disasters	846,651 (2015)	682,315 (2018)
16 Peace, Justice, and Strong Institutions	Proportion of persons who had at least one contact with a public official and who paid or was asked to pay bribe to a public official	2.0 (2016)	1.8 (2017)

In progressing towards achieving the SDGs, the Philippines has made significant progress in areas such as providing access to education for vulnerable groups, promoting decent jobs through Green Jobs Act, providing employment for persons with disability, and empowering poor communities.

In addition, there are also improvements seen in SDG Goal 5: Achieve Gender Equality and Empower All Women and Girls. The table below shows the progress of Goal 5.

Goal	Indicator	Baseline	Latest data
5 Achieve Gender Equality and Empower All Women and Girls	Number of reported gender-based violence cases	60,755 (2016)	39,675 (2018)
	Number of reported abuse cases for women	32,552 (2016)	19,619 (2018)
	Number of reported abuse cases for children	29,349 (2016)	21,751 (2018)
	Proportion of women in managerial positions (%)	46.6	50.5

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Philippine Development Plan (PDP)

In addition, with the commitment to the UN's Sustainable Development Goals and the long-term aspiration – Ambisyon Natin 2040, the Philippines crafted the Philippine Development Plan (PDP) 2017-2022 which aims to build a future of "Matatag, Maginhawa, at Panatag na Buhay" for every Filipino. To ensure the implementation of the PDP 2017-2022, the Philippines, through the Executive Order No. 27 series of 2017, directed the whole of government, including local level, to adopt and disseminate the PDP 2017-2022.

The PDP 2017-2022 aims to lay down the foundation for inclusive growth, a high-trust and resilient society, and a globally competitive knowledge economy by 2022, geared towards achieving the "Matatag, Maginhawa, at Panatag na Buhay" in 2040. Moreover, the overall framework stated three (3) major strategic outcomes - enhancing the social fabric (Malasakit), inequality-reducing transformation (Pagbabago), and increasing growth potential (Patuloy na Pag-unlad). These outcomes will be supported by the foundations of sustainable development, namely, peace and security, strategic infrastructure development, safe and resilient communities, and ecological integrity, clean and healthy environment.

The foundation of ecological integrity, and a clean and healthy environment includes sustaining biodiversity and ecosystem services, improving environmental quality, and increasing resilience of communities and their livelihood. To address conflicting provisions and promote transparency and accountability, this also includes cross-cutting strategies which reviews, codifies, and streamlines existing environment and natural resources policies, rules, and regulations. Cross-cutting strategies also include: (a) streamlining green and climate finance through the formulation of a sustainable finance framework and roadmap; (b) upscaling natural capital accounting including valuation of ecosystem services; and (c) accelerating implementation of sustainable consumption and production.

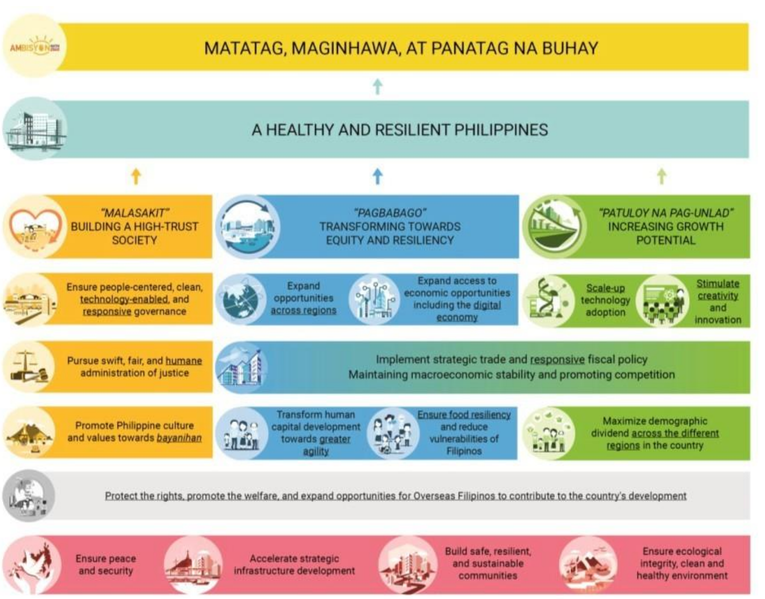

Figure 3. PDP 2017-2022 Strategic Framework

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Importance of action on climate change in meeting the SDGs

Climate change is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and is in addition to natural climate variability observed over comparable time periods[7].

According to the UN, climate change presents the single biggest threat to sustainable development everywhere and its widespread, unprecedented impacts disproportionately burden the poorest and most vulnerable, as well as women and girls. Climate change is a development issue that affects every aspect of sustainable development and the entire 2030 agenda (See figure 4). Figure 5 shows that the other SDGs have direct links to climate change. For instance, building resilient infrastructure, making cities and human settlements inclusive, safe, resilient and sustainable, and valuing unpaid care and promoting shared domestic responsibilities, these will all help in mitigating the worst effects of global temperature rise. Urgent action to halt climate change and deal with its impacts is integral to successfully achieving all SDGs.

The importance of climate action is also demonstrated in the Paris Agreement, where nations will gather at Conference of the Parties (COP26) in November 2021. COP26 aims to “demonstrate the urgency and the opportunities of the journey towards a zero carbon economy and the power of international cooperation to address the gravest challenges the world faces.”

Figure 4. Interconnected nature of the SDGs

[7] United Nations Framework Convention On Climate Change

1 Sustainable Finance Overview

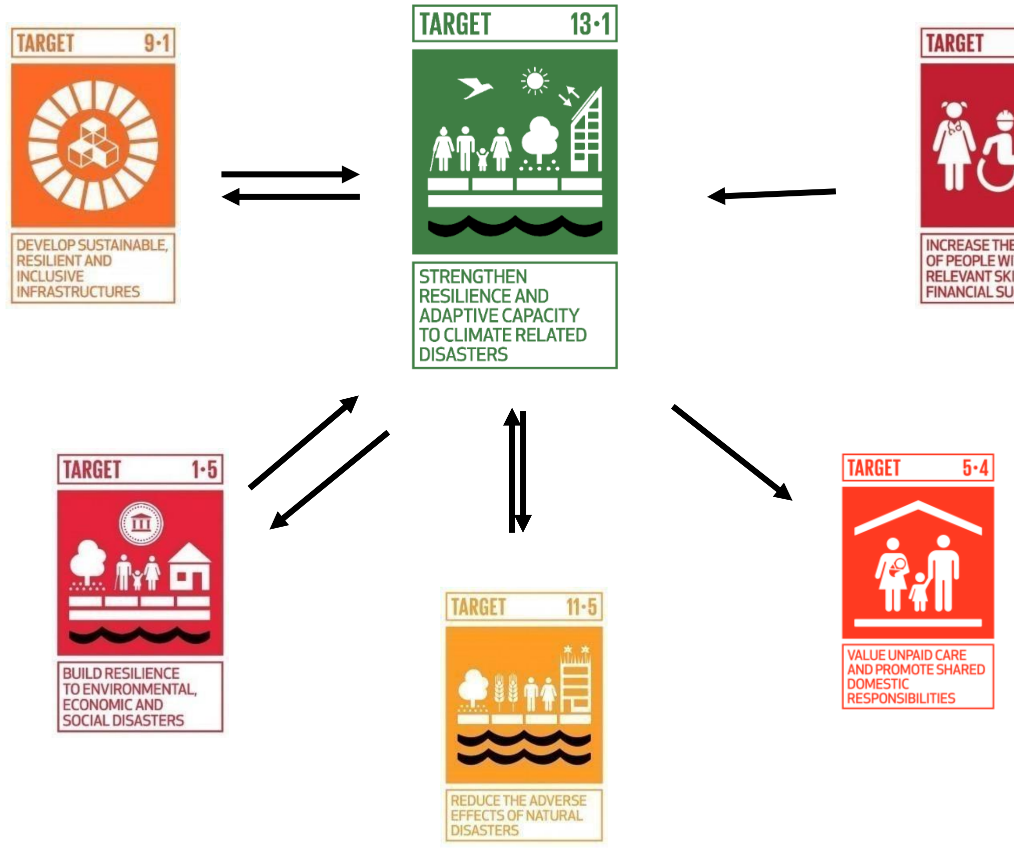

Figure 5. Interlinkages between climate resilience and other SDGs

In line with scaling up climate action, and the recognition that tackling climate change is essential for the achievement of the SDGs, the Philippines has taken a number of actions to address climate change.

Nationally Determined Contributions (NDC)

In April 2021, the NDC was signed by the President and it was subsequently transmitted to the United Nations Framework Convention on Climate Change (UNFCCC) by the Department of Foreign Affairs (DFA). The NDC presents a paradigm shift to a climate-resilient and low-carbon development aligned with national policies and strategies, and premised within the country's sustainable development goals and international commitments.

For national circumstances, the Philippines is considered as a low-middle income developing country with a current population of 108.7 million[1], growing at a projected average rate of 0.84%[8] until 2040. It also experiences around 20 tropical cyclones every year and an almost daily occurrence of seismic shocks which cost the country an average of 0.5% of its Gross Domestic Product (GDP) annually[9]. In addition, loss and damage from extreme weather events are increasing at an unacceptable rate, reaching 4.0% of GDP in 2013 due to Super Typhoon Haiyan and the typhoons in October and November 2020 costing about USD852 million in losses and damages[10].

8 Philippine Statistics Authority
9 National Disaster Risk Reduction and Management Plan (2011)
10 National Disaster Risk Reduction and Management Council

1 Sustainable Finance Overview

In terms of greenhouse gas (GHG) emissions, the Philippines emits an average of 1.98 metric tons of carbon dioxide equivalent per capita in 2020. This is below the global average of four (4) metric tons per capita. The Philippines commits to a projected GHG emissions reduction of 75% representing the country's ambition for GHG mitigation for the period 2020 to 2030. The NDC indicates that the emission reductions will come from the agriculture, wastes, industry, transport, and energy sectors.

The NDC outlines that, enhanced access to climate finance, technology development and transfer, capacity building, and implementation of policies and measures on and the uptake of circular economy and sustainable consumption and production practices are the country's main climate change mitigation actions. The Philippines will undertake adaptation measures across agriculture, forestry, coastal and marine ecosystems and biodiversity, health, and human security and will sustain its adaptation planning and resilience-building.

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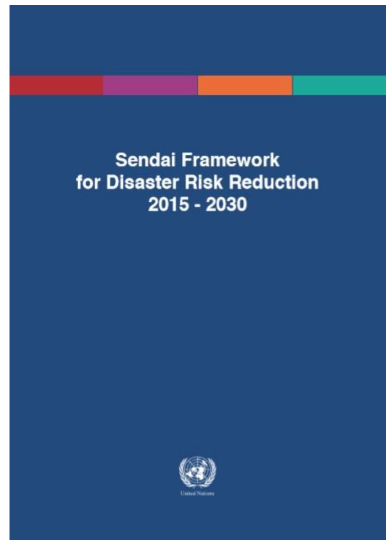
Financial institutions, national and local governments, and corporates, all have an important role to play in facilitating the additional capital required to finance climate change adaptation and mitigation activities. The government has put in place a number of policies and action plans, such as the National Framework Strategy on Climate Change 2010-2022.

Sendai Framework for Disaster Risk Reduction 2015-2030



At the Third UN World Conference on 18 March 2015, the Sendai Framework for Disaster Risk Reduction was adopted. This built upon what was started and achieved with the Hyogo Framework for Action. It observes that disaster risk reduction is a cross-cutting issue in the context of sustainable development, which is a critical element to achieving the SDGs.

The framework advocates for *"The substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries.* [11]*"*

The Sendai Framework outlines seven (7) global targets to be achieved by 2030:

- Reduce global disaster mortality
- Reduce the number of affected people globally
- Reduce direct economic loss in relation GDP
- Reduce disaster damage to critical infrastructure and disruption of basic services
- Increase the number of countries with national and local disaster risk reduction strategies
- Substantially enhance international cooperation to developing countries
- Increase the availability of and access to multi-hazard early warning systems

[11] United Nations Office for Disaster Risk Reduction.

1 Sustainable Finance Overview

National Framework Strategy on Climate Change (NFSCC) 2010-2022

The National Framework Strategy on Climate Change (NFSCC) was adopted in April 2010 to strengthen climate change adaptation and mitigation in the Philippines. In addressing the adverse effects of climate change under adaptation and mitigation, the framework identifies the key result areas to be pursued in key climate-sensitive sectors. The diagram below supports the achievement of the framework's goal and vision.

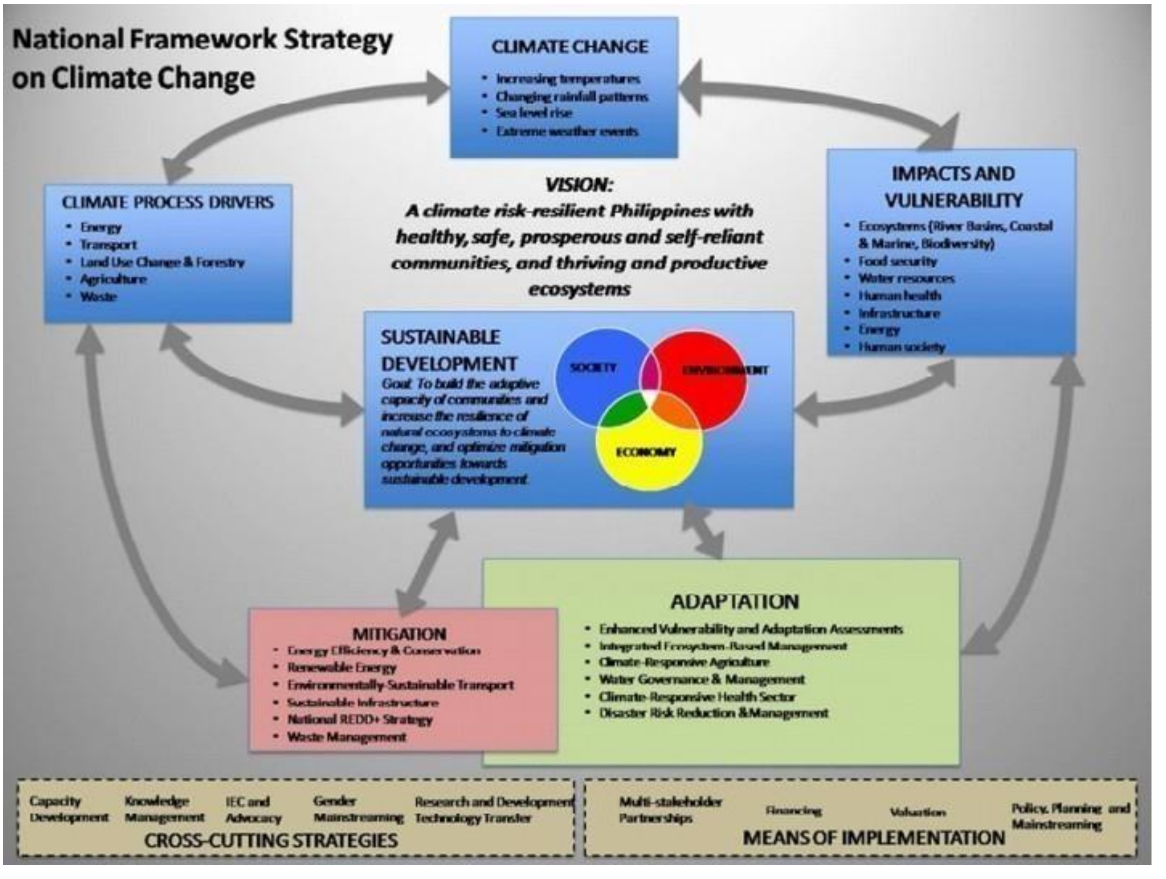


Figure 6. National Framework Strategy on Climate Change[12]

The framework serves as a basis for the national program on climate change and established an agenda upon which the Philippines would pursue a dynamic process of determining actions. It also serves as a guide for the development of the National Climate Change Action Plan (NCCAP) 2011-2028 and PDP 2017-2022.

[12] Climate Change Commission. National Framework Strategy on Climate Change.

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National Climate Change Action Plan (NCCAP) 2011-2028

To provide a comprehensive approach to tackling climate change, the Climate Change Commission formulated the NCCAP which outlined the country's agenda for adaptation and mitigation for 2011 to 2028. The NCCAP is a comprehensive plan providing key actions that:

- enhance adaptive capacity and resilience of communities and natural ecosystems to climate change
- adopt the total economic valuation of natural resources while ensuring biodiversity conservation
- recognize the competitive advantage of putting value on the direct use, indirect use, option to use, and non-use of environment and natural resources, as a short to long-term sustainable development goal.

NCCAP prioritizes the strategic direction across a range of areas such as food security, water sufficiency, ecosystem and environment stability, human security, climate-smart industries and services, sustainable energy, and knowledge and capacity development.[13]

Cabinet Cluster on Climate Change Adaptation, Mitigation and Disaster Risk Reduction (CCAM-DRR) Roadmap (2018-2022)[2]

The CCAM-DRR Roadmap (2018-2022) was drafted by the Department of Environment and Natural Resources (DENR) and Presidential Management Staff (PMS) which aims to achieve "Climate- and Disaster-Resilient Communities Supporting Equitable and Sustainable Development". There are 22 vulnerable provinces, 822 coastal municipalities and the major urban centers (Metro Manila, Cebu, Iloilo and Davao).[14]

The Priority investments for 2019-2022 under the roadmap are:

- Social Enterprise development, Entrepreneurship, and Innovation;
- Integrated Water Resources Management;
- Enhancing Coastal Protection in Selected Areas; and
- Climate Information Services for Decision-Making

[13] Climate Change Commission. National Climate Change Action Plan 2011-2028.
[14] Department of Environment and Natural Resources and Presidential Management Staff. Cabinet Cluster on Climate Change Adaptation, Mitigation, and Disaster Risk Reduction Roadmap.

Figure 7. CCAM-DRR Roadmap Outcomes

Importance of Gender in Sustainable Finance

The UN recognized that gender equality and women's empowerment will make a crucial contribution in achieving the Sustainable Development Goals with the understanding that the achievement of full human potential and of sustainable development is not possible if half of humanity continues to be denied its full human rights and opportunities.

In line with this, the UN will work for a significant increase in investment to close the gender gap and strengthen support for institutions in relation to gender equality and the empowerment of women at the global, regional and national levels.

Research highlights that many investors incorporate gender in their financial analysis and use strategies to advance gender equality as well as financial returns. In relation to sustainable finance, there are private equity investors that apply a gender lens to their clean technology and energy investments. In addition, development banks including the Climate Investment Fund (CIF) and Green Climate Fund (GCF) have adopted gender policies and apply gender criteria in their investment decision-making.[15]

[15] Donor Committee for Enterprise Development. Gender-Responsive Green Growth: Green Finance.

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Sustainable Finance Overview

In the Philippines, the pursuit of gender equality and women's empowerment has achieved major progress. In fact, Philippines ranked 1st for 'gender equality in work' among the Asia Pacific countries in the McKinsey & Company Report in 2018[16] and ranked 16th in the World Economic Forum (WEF) Global Gender Gap Index 2020[17].

The gender related issues and disparities, such as women's limited access to and control over resources and the lack of integration of gender issues, led the Philippine Commission on Women (PCW) to formulate the Gender Equality and Women's Empowerment (GEWE) Plan 2019-2025. This covers four years of the PDP 2017-2022, and the remaining years of the Philippine Plan for Gender-Responsive Development (PPGD) 1995-2025.

GEWE facilitates the implementation of the country's international commitments to gender equality and women's empowerment, particularly the 2030 Global Agenda for Sustainable Development, especially Goal 5 on Gender Equality, and relevant Association of Southeast Asian Nations (ASEAN) declarations and action plans[18].

National Disaster Risk Reduction and Management Plan (NDRRMP) 2011-2018

The NDRMMP is a roadmap on how Disaster Risk Reduction and Management (DRRM) shall contribute to gender-responsive and rights-based sustainable development. Highlights include:

- The need for institutionalizing DRRM policies, structures, coordination mechanisms and programs with continuing budget appropriation on DRR from national down to local levels.

- The importance of mainstreaming DRRM and Climate Change Adaptation (CCA) in the development processes such as policy formulation, socio-economic development planning, budgeting and governance, particularly in the area of environment, agriculture, water, energy, health, education, poverty reduction, land-use and urban planning and public infrastructure and housing, among others.

- Competency and science-based capacity building activities alongside the nurturing of continuous learning through knowledge development and management of good DRRM practices on the ground.

- The inclusion of human-induced disasters that result in internally displaced persons, public anxiety, loss of lives, destruction of property and sometimes socio-political stability.

16 McKinsey & Company
17 World Economic Forum
18 Gender Equality and Women's Empowerment (GEWE) Plan 2019-2025

Gender Lens Investing

The Global Impact Investing Network (GIIN) defines gender lens investing as "investment strategies applied to an allocation or the entirety of an investment portfolio, which seek to examine gender dynamics to better inform investment decisions and/or intentionally and measurably address gender disparities." These are investments made with an intentional approach to look at gender factors in investments, to get better business, social, environmental, and/or investment outcomes. In line with this, ~~a~~ growing evidence shows that to achieve a sustainable future, gender equality and social inclusion cannot be ignored. Applying a gender lens can create additional opportunities across different sectors. The table below shows various examples of gender lens opportunities.

Example opportunities
• Greater gender diversity across all areas and levels can increase problem solving and innovation capacity, resulting in more effective teams and better bottom lines • Involving women can result in effective customer relations, debt collection and elimination of meter bypass. • Integrating a gender lens in Research and Development (R&D) ensures that needs of female customers are also considered. • Gender-specific marketing, sales and distribution can enable companies to reach diverse consumers • Gender-smart operations during storage, transportation, aggregation and processing can help attain efficient logistics in coordination with female (and male) farmers and agents • Gender inclusion in marketing and sales can help agriculture-related companies capture new insights. A gender lens can also increase sales through smarter customer segmentation • Infrastructure features that specifically benefit women: climate-proofed market structures, roads women use for mobility to jobs and access to services, disaster shelters and water & sanitation • Involving women in design of infrastructure to harness women's local knowledge for climate change adaptation • Embedding a gender perspective in transnational smart cities policy level initiatives • Gendered innovation in transport and mobility solutions in smart cities

With the opportunities from gender lens investing, it is proven that applying gender lens results to better outcomes. According to studies by the International Finance Corporation (IFC)[19], emerging market portfolio companies with gender-balanced management teams outperform benchmarks by 25%, while funds with gender-balanced investment teams outperform benchmarks by 20%.

[19] International Finance Corporation (IFC). "Moving Toward Gender Balance in Private Equity and Venture Capital"

Other selected laws, policies, and roadmaps

Other selected Philippine laws, policies, and roadmaps relating to sustainable finance and the reduction of carbon emissions are indicated in the table below.

Law/Policies/ Roadmap	Brief Description
ASEAN Renewable Energy Target	At the 37th ASEAN Ministers on Energy Meeting held on 4 September 2019, the joint ministerial statement outlined ASEAN's renewables target of 23% of primary energy by 2025 in the ASEAN region. More details can be found in Appendix 1.
ACMF: Roadmap for ASEAN Sustainable Capital Markets	The ASEAN Capital Markets Forum (ACMF) is a high-level grouping of capital market regulators from all 10 ASEAN jurisdictions. The Philippines is represented by the Securities and Exchange Commission (SEC). In 2019, the ACMF developed a Roadmap for ASEAN Sustainable Capital Markets comprising actionable recommendations to provide strategic direction and guide ACMF and its members in developing action plans and initiatives across the region, building on its recent efforts in the sustainability sphere. More details of the key recommendations can be found in Appendix 2.
WC-CMD: Report on Promoting Sustainable Finance in ASEAN	In 2020, the WC-CMD Report on Promoting Sustainable Finance in ASEAN was published. This identifies areas on which the Working Committee on Capital Market Development (WC-CMD) members can collaborate to further the sustainable finance agenda. It also addresses opportunities for WC-CMD and ACMF to work together on common areas of interest. More details of the key recommendations can be found in Appendix 3.
Report on The Roles of ASEAN Central Banks in Managing Climate and Environment-related Risks	In 2020, through the collaborative effort among the ASEAN central banks and monetary authorities, the Report on The Roles of ASEAN Central Banks in Managing Climate and Environment-related Risks was published. This assesses the implications of climate and environment-related risks on both financial and monetary stability, the roles and limits of central banks and puts forward a set of non-binding recommendations that can be considered by fellow central banks.

1 Sustainable Finance Overview

Law/Policies/ Roadmap	Brief Description
National Renewable Energy Program (NREP)	Aims to achieve a 15,304 MW renewable energy-based power capacity in the Philippines by 2030
Renewable Energy Act of 2008	Promotes the development, utilization, and acceleration of renewable energy sources
Climate Change Act of 2009	Provides the policy framework to systematically address the growing threats on community life and its impact on the environment The Climate Change Act establishes an organizational structure, the Climate Change Commission, and allocates budgetary resources for its important functions.
Philippine Green Jobs Act of 2016	Aims to foster low-carbon, resilient sustainable growth, and decent job creation by providing incentives to businesses that generate green jobs
People's Survival Fund (PSF)	Established to provide long-term financing for adaptation projects of local government units and communities
Energy Efficiency and Conservation Act (EE&C Act)	Designed to foster the planning, formulation, development, implementation, enforcement, and monitoring of energy management policies and other related energy efficiency (EE) and conservation plans and programs. The Act stipulates that GFIs shall provide lending funds for EE projects at concessional rates and collaborate with the Insurance Commission to ensure availability of guarantee/insurance products to mitigate credit risks associated with EE investments in small-to-medium enterprises (SMEs) and performance risks related to EE solutions developed by technology providers
Philippine Disaster Risk Reduction and Management Act of 2010	Designed to provide for the development of policies and plans and the implementation of actions and measures pertaining to all aspects of disaster risk reduction and management, including good governance, risk assessment and early warning, knowledge building and awareness raising, reducing underlying risk factors, and preparedness for effective response and early recovery
National Internal Revenue Code of 1997 (R.A.11346)	Amended the National Internal Revenue Code of 1997 to effectively impose heavier levies on alcohol, heated tobacco, and vapor products. The law provides additional revenues for the government, which will be used to support sustainable development initiatives. It also includes provisions discouraging bad health habits.

Note: More details regarding other roadmaps of different Philippine agencies can be found in Appendix 4.

1 Sustainable Finance Overview

Recent developments in the Philippines

Various government agencies are involved in promoting sustainability in the Philippines.

On 22 October 2020, Department of Finance (DOF) Secretary Carlos G. Dominguez has called on his fellow fiscal policymakers to act on the climate crisis with the same urgency as the pandemic. He also affirmed the country's solidarity with the European Union in its goal of limiting human activities that exacerbate the climate emergency. During the launch of the 13th Annual Climate Change Consciousness Week held on 19 November 2020, he also urged the Climate Change Commission (CCC) to sustain the call for broader climate justice after consecutive strong typhoons hit the country that claimed dozens of lives and inflicted human, social and economic costs on the Filipino people. According to him, the government's rule should be simple: "projects that are not green and sustainable should not see the light of the day." He also said that the government should ensure that there is coherence between the national and local strategies for adaptation and mitigation, disaster risk reduction and sustainable development in the country to ensure that Filipinos will just not survive, but thrive in the new and resilient economy.

On 27 October 2020, Department of Energy (DOE) Secretary Alfonso G. Cusi declared a moratorium on endorsements for greenfield coal power plants to be able to build more flexible and sustainable power supply mix. Despite being the country with the highest renewable energy share in the total primary energy supply in the ASEAN region as of 2019, the Philippine DOE is still determined to promote renewable energy and accelerate the development of indigenous resources to be able to shift from fossil fuel-based technology to cleaner energy sources and ensure more sustainable growth for the country.

1.3 Scaling Finance for the Sustainable Development Goals

Realizing the international and local commitments all geared towards achieving sustainable development for the Philippines, there is a need for the right scale and mix of financing. To increase government's fiscal space, the Philippine government has promoted economic growth to increase the economic pie and attain inclusive growth, and implemented the Tax Reform for Acceleration and Inclusion (TRAIN) Act that provides income tax cuts for the majority of Filipino taxpayers while raising additional funds to help support the government's accelerated spending on its "Build, Build, Build" and social services programs. There are also non-government resources that can assist to finance the SDGs, such as overseas remittances for long-term investments and business for SDGs and blended financing for SDGs, such as Public-Private Partnerships (PPP), innovative financing, and national government support to local governments[20].

1.3.1 Architecture

In the *Scaling Finance for the SDGs* published by United Nations Global Compact, it provided list of available resources to finance SDGs [21].

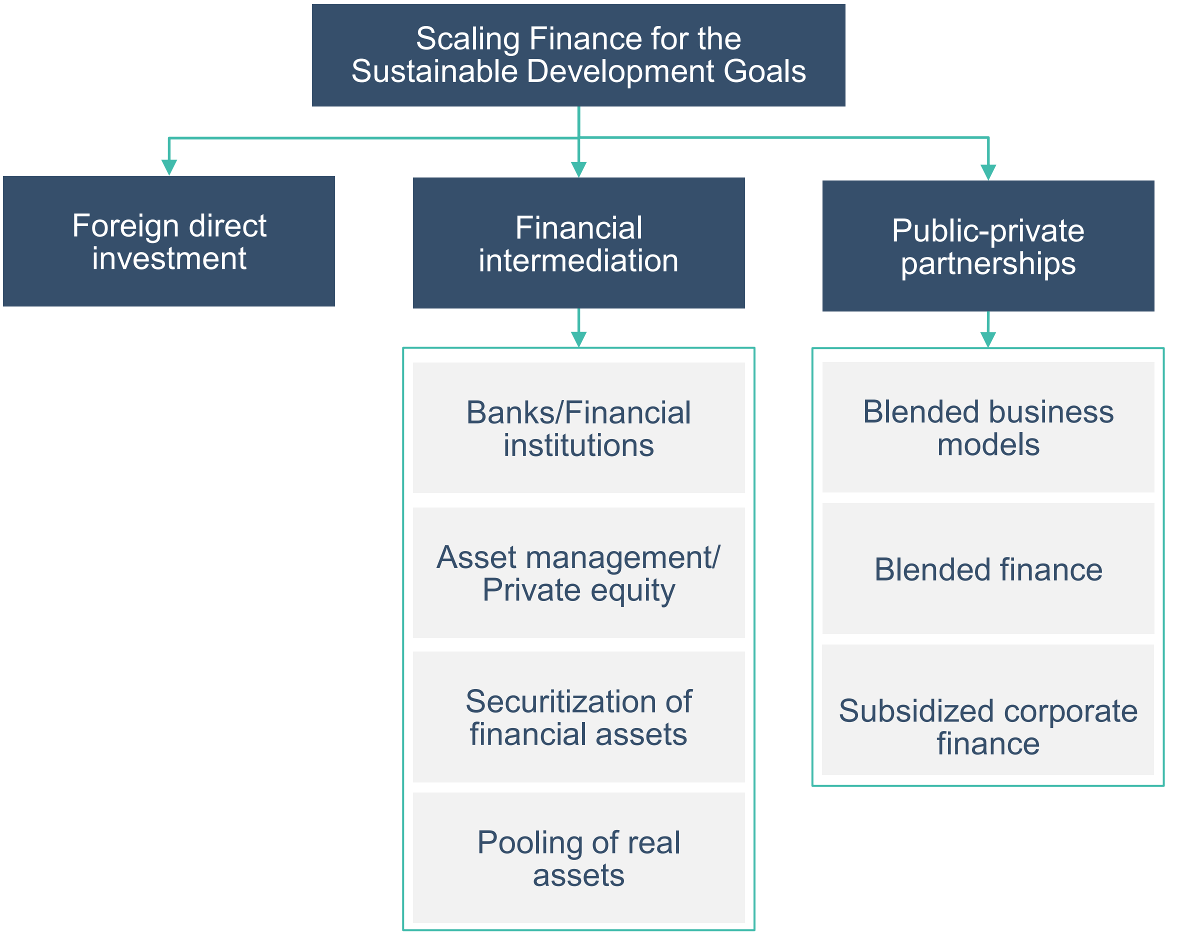

Figure 8. Scaling Finance for the SDGs

20 National Economic and Development Authority. Financing the SDGs: Philippines.
21 United Nations Global Compact. Scaling Finance for the Sustainable Development Goals.

Foreign Direct Investment (FDI)

FDI, which includes equity capital, reinvestment of earnings and other capital, refers to direct investment equity flows from a resident in one economy owning 10% of ordinary shares of voting stock of an enterprise resident in another economy. FDI can provide capital for financing SDGs through equity and bonds of multinational companies and use these to make direct investments in other countries.

Financial Intermediation

Global or local capital markets, such as equity, bond, and repository markets, provide resources for private banks and financial institutions to raise finance relating to SDGs. There are different types of financial intermediation available, from banks/financial institutions, to asset management/private equity, to securitization of financial assets, and pooling of real assets.

Public-Private Partnerships (PPP)

In financing SDGs through public-private partnerships, public financing will play a critical role in attracting private investments. There are various ways that public funds can help companies support their SDG contributions. These include blended business models, blended finance, and subsidized corporate finance.

Public-private partnerships

Blended business models	Consumer incentives and pay-for-performance schemes
Blended finance	Quasi-private financing schemes
Subsidized corporate finance	Capital, guarantees, or insurance

Figure 9. Types of Public-Private Partnerships

1 Sustainable Finance Overview

Climate Finance

The list in Appendix 5, composed mostly of blended finance solutions, outlines the available climate finance drawn from public, private, and other sources of financing[1]that are available for Philippine private and public sector entities.

Sustainable financial products in the market

Financial intermediation by banks or other financial institutions plays a vital role in creating the link between global capital and private financial solutions that are necessary for the realization of the SDGs. Globally, there is a broad list of sustainable financial products available. These include the following:

Green loans
The funds from a bank committed to environmental or climate projects

Social loans
The funds from a bank are committed to social impact projects, such as training people with disabilities to improve employability

Green bonds
The funds from investors committed to environmental or climate projects, such as investing in renewable energy

Social bonds
The funds from a bank are committed to social projects such as affordable basic infrastructure, affordable housing

Blue bonds
The funds are committed to marine or water projects, such as investing in transition to sustainable fish stock

Transition bonds
The funds are committed to climate transition-related projects, such as co-generation plants, carbon capture storage

Sustainability bonds
The funds are committed to social or green impact projects which are aligned with the UN SDG, (i.e., energy efficient, low cost housing)

Sustainability-linked bonds
It is any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ESG objectives

Gender bonds
The funds are committed to specific gender criteria or initiatives designed to improve gender performance

Other related bonds
Green sukuk - Green sukuk are Shari'ah compliant investments in renewable energy and other environmental assets
Pandemic bonds - Specialized bonds aimed at providing financial support during the pandemic

1 Sustainable Finance Overview

1.3.2 Current Landscape

There are a wide range of sustainable financial products. Green, social, and sustainability bonds are some of the most common product. In 2019, USD221.7 billion worth of green bonds were issued globally. Moreover, a total of USD85.2 billion were raised from issuances of sustainability and social bonds. Overall, total bonds issued globally amounted to USD390.5 billion in 2019. In addition, global green bonds issuance exceeded USD1.0 trillion in October 2020 which is considered as the green bond's biggest milestone yet[22].

Locally, since 2016, sustainable bonds amounting to USD4.5 billion have been issued already, with green bonds having the biggest share amounting to USD3.0 billion. Social bonds and sustainability bonds were also issued amounting to USD61 million and USD1.7 billion, respectively.

These figures indicate there is an evident capital market increase not only from a global perspective but also in the local context.

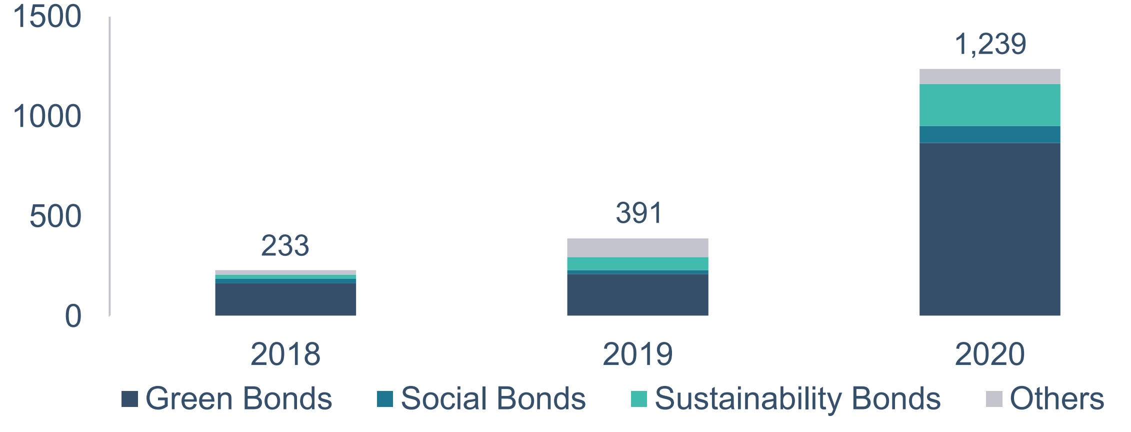

Figure 10. Global Sustainable Bond Issuance (in USD billion)

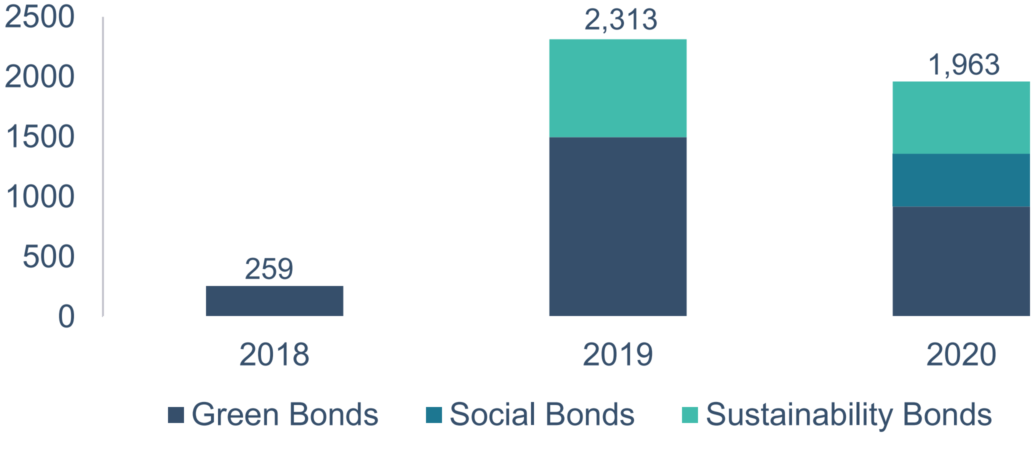

Figure 11. Philippine Sustainable Bond Issuance (in USD million)

[22] BloombergNEF

2 Philippines Sustainable Finance Roadmap

Need for a sustainable finance roadmap

The Philippines needs to foster additional policies and initiatives in order to achieve its international, regional, and local commitments and strengthen the current initiatives in developing sustainable finance. It is also important to show the strong commitment of the Philippines towards achieving sustainable development.

The Philippine Sustainable Finance Roadmap sets out a comprehensive approach that will serve as the foundation for effective strategies to facilitate the mainstreaming of sustainable finance in the Philippines.

2.1 Development Objectives

The roadmap is designed to lay out the strategic action plan of the whole of government to promote sustainable finance in the Philippines and to address climate change and other environmental and social risks. The roadmap will be built and aligned with the previous and current efforts of the government.

The roadmap was prepared to:

- Outline the goals that will support the current initiatives and policies to create a supportive environment for the widespread adoption of sustainable finance in the Philippines
- Determine priority areas and acknowledge basis for improvements relating to sustainable finance
- Provide strategic direction and recommendations to accelerate sustainable finance
- Provide investment and policy signals to support the transition to a sustainable economy

Philippines Sustainable Finance Roadmap

2.2 Details of the Strategic Plans

To ensure alignment of the action plans, the Sustainable Finance Roadmap considers existing national and regional policies and roadmaps, such as the ACMF's Roadmap for ASEAN Sustainable Capital Markets.

In developing the Roadmap, the ITSF identified some of common issues:

- The need for ~~a~~ strong coordinating efforts in the financial ecosystem
- The Lack of awareness of the available resources to finance sustainable activities
- The need for transparency and a sustainable pipeline database

As such, the pillars of the Sustainable Finance Roadmap in the Philippines are:

Pillar A: Creating a conducive environment *(the Policy Pillar)*
This pillar recognizes the importance of creating an environment of transparency and risk management. The Philippines currently needs to strengthen policies to improve transparency on climate-related finance, develop policies to promote sustainability risk management, conduct capacity building to raise awareness regarding sustainable finance, and enhance reporting of green and climate finance flows.

Pillar B: Mainstreaming sustainable finance *(the Financing Pillar)*
This pillar aims to promote sustainable financial products through: incentives and penalties, leverage on available financing, and establishing a sustainable insurance mechanism.

Pillar C: Developing a sustainable pipeline *(the Investment Pillar)*
This pillar acknowledges that in achieving the goals of sustainable finance, a whole of nation effort is needed. This pillar aims to establish a sustainable pipeline database for the public and private sector and monitor progress and provide for regular updating, including linking the sustainable pipeline to SDGs, PDP, and NDC targets.

3 Strategic Plans to Develop Sustainable Finance in the Philippines

The following table lays out the country's strategic plans for implementation.

Pillar A (Policy): Creating a conducive environment	• Integrating sustainability considerations into macroeconomic policies and regulations • Strengthening coordinating efforts within the financial ecosystem • Embedding sustainability into the risk management of the banking, insurance, and asset management sectors • Encouraging sustainability and climate-related disclosures • Conducting capacity building • Joining international initiatives on sustainable finance
Pillar B (Financing): Mainstreaming sustainable finance	• Promoting Sustainable Financial Products • Improving the Sustainable Finance definition and creation of a principles-based taxonomy • Tracking Sustainable Finance flows
Pillar C (Investment): Developing a sustainable pipeline	• Driving sustainable investments • Financing Low Carbon Energy* • Establishing a sustainable pipeline database, both for public and private sector projects • Progress monitoring and regular updating, including linking sustainable pipeline to SDGs, PDP, and NDC targets

In developing the roadmap, the ITSF has carried out a comprehensive review of the sustainable finance landscape in the Philippines to ensure that the plans and recommendations are consistent with current initiatives and policies. Furthermore, the ITSF is continuously conducting stakeholder consultations to seek feedback on the development of relevant policies and initiatives.

The next section provides a more detailed discussion of the strategic plans and recommendations for each pillar.

**For the purposes of this Roadmap, Low Carbon Energy includes energy efficiency, renewable energy (including hydro and energy from waste), natural gas, and nuclear power. It should be noted that natural gas power generation cannot be financed by an ASEAN Green Bond (which excludes all fossil fuels). In addition, financial markets do not necessarily classify it as green. But, they understand the role that it plays in the transition.*

3 Strategic Plans to Develop Sustainable Finance in the Philippines

3.1 Creating a Conducive Environment

Lead agencies: DOF, BSP, and SEC

3.1.1 Policy gap

In order to layout strategic plans under Pillar A (Policy): Creating a Conducive Environment, it is necessary to identify first what are the policy gaps observed in the Philippines. The list below enumerates the priority areas to improve the current policies relating to sustainable finance.

1. Price externalities into the economic and financial system
2. Strong coordination within the financial system
3. Management of climate-related financial risks
4. The need to enhance sustainability reporting requirements
5. Development of capacity building programs that would address the knowledge gaps in the financial system
6. Participation in the international initiatives on sustainable finance that shares best practices and experiences

3.1.2 Integrating sustainability considerations into macroeconomic policies and regulations

The Philippine economy has grown in the past 20 years, which has contributed to the advancement of the Filipino wellbeing. However, with the growth felt in the country, there are also environmental consequences brought about by the Philippines' existing practices. With this, a stable and supportive macroeconomic environment is important to boost the progress towards the international and local commitments, such as the SDGs and the Paris Agreement.

Clearly, sustainable finance initiatives will progress by reforming the economic and financial systems to price externalities and create incentives for markets. The policies may come in various ways: (1) Policy can come at the highest level through legislation, such as the passing of Republic Act No. 9729 or the Climate Change Act of 2009, which includes provisions on carbon target, budgeting and trading schemes; and (2) Policy can come from the collaboration of different government departments/agencies with the goal of introducing policy in their areas within their scope.

Integrating sustainability considerations into macroeconomic policies and regulations, creates an avenue to support the transition to a circular economy which has gained increasing prominence in recent years. The concept of circular economy, an economy in which waste and pollution do not exist by design, products, materials are kept in use, and natural systems are regenerated, contributes to achieving the SDGs and the Paris Agreement[23]. Policy makers can support this shift to circular economy by providing incentives, creating the right set of policies, and providing access to financing.

[23] Ellen Macarthur Foundation.

3 Strategic Plans to Develop Sustainable Finance in the Philippines

In the Philippines, there are several existing policies and regulations integrating sustainability considerations into macroeconomic policies and regulations. For instance, the Philippine Green Jobs Act, which was implemented in 2016, promotes the creation of green jobs. It encourages business enterprises to generate and sustain green jobs through incentives like (1) a special deduction from the taxable income and (2) tax and duty free importations of capital equipment. In addition, the Omnibus Investments Code of 1987 provides fiscal incentives and benefits for the qualified enterprises. The incentives and benefits include the following:

- income tax holiday
- exemption from taxes and duties on imported spare parts
- exemption from wharfage dues and export tax, duty, impost, and fees
- modified duty rate for capital equipment
- tax credits, and
- additional deductions from taxable income.

Although existing macroeconomic policies and regulations include sustainability considerations, there is a need to strengthen these policies and introduce new ones to foster progress in sustainable finance.

Key activities going forward

The ITSF will continue to promote the integration of inclusion and sustainability issues into the macroeconomic policies and regulations. This may include conducting research and analysis to identify risks and barriers that may be used to effectively embed sustainability into policies and regulations.

The ITSF will explore the need to provide support to drive the transition to a circular economy, including the right mix of policies and incentives.

The ITSF will ensure alignment with the recommendations in the WC-CMD's Report on Promoting Sustainable Finance in ASEAN, including developing an approach for a 'Sustainable Finance First for Sustainable Projects' initiative.

3.1.3 Strengthening coordinating efforts across the financial ecosystem

One of the important factors in creating a conducive environment is ensuring that actors in the sustainable finance ecosystem are working together towards achieving the international, regional, and local commitments. The government, financial institutions, capital markets, corporates, and investors need to coordinate and collaborate efforts to align the future initiatives and the Roadmap with the current efforts in sustainable finance.

Government and Regulators

Government intervention can help to facilitate the deployment of sustainable finance by creating a conducive environment, mainstreaming green finance and establishing a pipeline of green projects

Financial institutions

Financial institutions finance economic activities and projects that can contribute to sustainable development and their risk policies may also restrict their ability to finance projects with negative E&S impacts

Debt capital markets

Issuers use sustainable debt instruments, such as green bonds, to raise capital to finance projects that deliver environmental and social benefits

Corporates

Companies raise financing for projects and activities that can contribute to sustainable development and disclosing their sustainability performance inform market participants on corporate sustainability risks

Equity capital markets

Sustainability indices provide visibility to listed companies with leading environment, social, and governance (ESG) performance and are used by investors with ESG strategy to benchmark the performance of their investment portfolios

International organizations

International organizations, such as the donor community, support the development of sustainable finance through voluntary guidelines and initiatives (e.g. green bond labels, initiative on climate-related financial disclosures)

Investors

Investors are integrating ESG considerations into their investment strategy

Figure 12. Sustainable Finance Ecosystem

There is a broad range of initiatives to promote sustainable finance which require the involvement of a variety of actors. Some initiatives may require collaboration between different departments within the government. Others may require collaboration between the public sector, the private sector, and the donor community. Relevant actors from the private sector may include not only firms within the financial sector but also corporates outside the financial sector. This is because the development of sustainable finance requires the greening of the financial system as well as the greening of the economy.

Due to the variety of actors involved in promoting sustainable finance, there is a need for a dedicated entity coordinate the actors and serve as a focal point for all sustainable finance initiatives at the country level. Such an entity would help ensure coherent implementation and execution of a national strategy on sustainable finance.

3 Strategic Plans to Develop Sustainable Finance in the Philippines

In the Philippines, the ITSF was established to support and contribute to the acceleration of the development of a sustainable economy. The ITSF has the function of formulating its own rules and other internal policies on rules of procedure, identifying pipeline of sustainable investments, mobilizing various sources of public and private financing, and harmonizing and coordinating projects and policies across all government agencies, among others.

The below list displays the members of the ITSF:

Bangko Sentral ng Pilipinas (BSP)

Bases Conversion Development Authority (BCDA)

Climate Change Commission (CCC)

Department of Agriculture (DA)

Department Budget and Management (DBM)

Department of Energy (DOE)

Department of Environment and Natural Resources (DENR)

Department of Finance (DOF)

Department of Interior and Local Government (DILG)

Department of Public Works and Highways (DPWH)

Department of Science and Technology (DOST)

Department of Transportation (DOTr)

Department of Trade and Industry (DTI)

Insurance Commission (IC)

Mindanao Development Authority (MDA)

National Economic and Development Authority (NEDA)

Public-Private Partnership Center (PPPC)

Securities and Exchange Commission (SEC)

A "whole-of-government" approach characterized by national and collective commitment to ensure political leadership, espouse good governance as well as policy and program consistency/alignment, and encourage partnerships between the public and private sectors will be essential to realize the green, inclusive, and sustainable growth contemplated in the country's development plan.

3 Strategic Plans to Develop Sustainable Finance in the Philippines

At present, there are existing coordination efforts among financial sector regulators as well as with the private sector through the following:

- Financial Sector Forum (FSF): Established through a master memorandum of agreement (MOA) signed on July 2004, by the financial regulators, including BSP, SEC, IC, and Philippine Deposit Insurance Corporation (PDIC). The FSF is a voluntary endeavor of the four agencies to provide an institutionalized framework for coordinating the supervision and regulation of the financial system while preserving each agency's mandate. The work of the FSF focuses, on broad areas such as (1) harmonization and coordination of supervisory and regulatory methods and policies; (2) reporting and information exchange; (3) consumer protection and education; (4) financial conglomerate supervision; and (5) financial technology.

- Financial Stability Coordination Council (FSCC): formalized on January 2014 through the signing of a Memorandum of Agreement. FSCC is an inter-agency council where the principals from the BSP, the DOF, the SEC, the IC, and the PDIC convene quarterly. These meetings provide the venue to assess possible systemic risks and to decide appropriate macroprudential policy interventions.

- Capital Market Development Council (CMDC): Established in 1992 after a joint manifesto was signed on November 1991, by financial sector regulators, specifically the SEC, the BSP, the DOF, and private-sector organizations, specifically the Bankers Association of the Philippines (BAP), Financial Executives Institute of the Philippines (FINEX), Investment House Association of the Philippines (IHAP), and the Philippine Stock Exchange (PSE). CMDC is a public-private initiative with the objective of recommending policy and legislative reforms for the development of the Philippine capital market. It therefore seeks to identify impediments to the growth of the capital market.

3 Strategic Plans to Develop Sustainable Finance in the Philippines

Establishing a Center of Excellence for sustainable finance

With the establishment of the ITSF, efforts on sustainable finance will be better coordinated going forward. However, policies, knowledge and expertise on sustainable finance may reside in different entities, including public agencies, private companies and academia. To further accelerate efforts to mainstream sustainable finance, the ITSF will assess the need for a Center of Excellence on sustainable finance in the Philippines. Similar bodies exist in other countries to provide coordination, thought leadership and capacity building across the sustainable finance ecosystem. These include:

- UK Green Finance Institute: Established in September 2017 by the UK's Green Finance Task Force. Its objectives are to (i) Convene mission-led coalitions to structure and scale green finance solutions, (ii) Collaborate with regulators & policy makers to support the greening of the financial system, and (iii) Drive global green finance agenda.

- Malaysian Sustainable Finance Initiative (MSFI): Established in August 2020 by Capital Markets Malaysia (CMM) with the support of the UK's ASEAN LCEP to support the Malaysian financial sector in further embracing the tenets of sustainable financing. MSFI is led by a Steering Committee which includes members representing stakeholder groups within the financial sector involved with financing green or sustainable projects. The objective of this initiative is to provide the necessary impetus for industry stakeholders to facilitate capacity building, upskilling, awareness and thought leadership on sustainable finance.

- Centre on Green Finance and Investment: Established in 2016 by the Organization for Economic Cooperation and Development (OECD). Its objectives are to help catalyze and support the transition to a green, low-emission and climate-resilient economy through development of effective policies, institutions and instruments for green finance and investment.

- Singapore Green Finance Centre: Established in October 2020 by Imperial College Business School and the Lee Kong Chian School of Business at Singapore Management University (SMU). Its objectives are to improve environmental risks management, develop financial solutions to promote environmental sustainability, and design policies for a sustainable future.

A similar dedicated Center of Excellence for sustainable finance in the Philippines complements the activities of the ITSF, by providing a centralized knowledge center on sustainable finance, providing policy support and market development through the engagement and participation of a range of different sectors. It could also be the entity that develops and delivers capacity building across the sustainable finance ecosystem, and become a long-term 'repository' for the capacity materials, so they can be made available to a wide range of stakeholders on an ongoing basis.

3 Strategic Plans to Develop Sustainable Finance in the Philippines

COVID-19 Recovery Plan

The Philippines has developed an economic recovery plan focused on reviving the Philippine economy affected by the COVID-19 pandemic, measuring and monitoring economic resilience, and identifying structural reforms needed to withstand the crisis. Sustainable finance will be integral to driving the recovery. The Philippines is expecting to spend USD85.2 billion (PhP4.3 trillion) budget for 2021 focused on reviving the Philippine economy. Linking this to the achievement of climate change goals will help deliver the USD12-15 billion[24] needed to meet the Philippines emission reduction targets.

The ITSF will support the government's economic recovery plan so that it is aligned with the achievement of the SDGs, reflects the Philippines climate change targets and leverages on the opportunities for sustainable finance to drive the economic recovery.

Key activities going forward

The ITSF will continue to coordinate sustainable finance efforts within the Philippines, including coordination with other initiatives such as the COVID-19 recovery plan. In addition, the ITSF will coordinate with donor organizations and other stakeholders in the ecosystem to avoid duplication of efforts.

The ITSF will review and assess the need for establishing a Center of Excellence for sustainable finance, including alignment with the recommendations in the WC-CMD's Report on Promoting Sustainable Finance in ASEAN such as appointing an expert to study the establishment of an entity dedicated to promoting Sustainable Finance for ASEAN.

24 Green Climate Fund Philippines.

3.1.4 Embedding sustainability into the risk management of the financial sector

Climate-related financial risks faced by economies are as follows:

- *Physical risks*: Physical risks result from increasing severity and frequency of climate and weather-related events, which damage property and infrastructure, disrupt supply chains, affect agriculture output and cause loss of life and migration. As a consequence, asset values decrease, expected credit loss increases, companies have lower profits, public finances are impacted and the cost of settling underwriting losses for insurers increases.

- *Transition risks*: Transition risks result from adjustments associated with the low carbon transition, which will require substantial structural changes to the economy (e.g. regulatory and technological changes). With these changes, it is expected that a wide range of asset values will be reassessed, energy prices will change and the profit and creditworthiness of some borrowers will deteriorate. This will in turn lead to credit losses for lenders and market losses for investors. There are also opportunities associated with the low carbon transition for the financial sector, such as the financing of investments in renewable energy, clean transportation and energy efficiency.

In addition to climate related risks, businesses are also exposed to other environmental and social (E&S) risks. These refers to potential financial, legal, and/or reputational impacts of environmental and social issues affecting businesses. Other E&S issues include environmental pollution, hazards to human health, safety and security, labor and working conditions, and threats to community, biodiversity and cultural heritages, among others.

Players in the financial sector, such as banks, insurers and asset managers, need to consider, as part of their risk management processes, how these risks affect their operations and investment returns. There is also increased pressure from investors and regulators for climate-related financial disclosures as they recognize the risk that climate change poses on businesses. Forward looking scenario-based analysis of climate-related risks, which has been recommended by the Task Force on Climate-related Financial Disclosures (TCFD), as well as including assessment of E&S risks in credit risk analysis of banks, could be part of a set of measures to manage those risks.

3 Strategic Plans to Develop Sustainable Finance in the Philippines

In the UK, the Prudential Regulation Authority (PRA) at the Bank of England has published its supervisory expectations regarding how banks and insurers should monitor and manage financial risks from climate change. Measures in the UK PRA's set of expectations include the following:

- Embed considerations of the financial risks from climate change in governance arrangements
- Incorporate financial risks from climate change into existing financial risk management practices
- Use scenario analysis to inform strategy setting, risk assessment and identification
- Develop an approach to disclose the climate-related financial risks

In the Philippines, the BSP, in its Sustainable Finance Framework, requires banks to develop and implement an Environmental and Social Risk Management System (ESRMS) that is commensurate with their size, nature and complexity of operations, and aligned with internationally recognized principles, standards and global practices. The ESRMS shall:

- Define the level of risk appetite of the bank on E&S risk
- Provide clear guidance in assessing E&S risks
- Provide the tools for monitoring and identifying E&S risks
- Integrate E&S risks in stress testing exercises
- Identify the unit or personnel responsible for overseeing the management of E&S risks
- Form part of the enterprise-wide risk management (ERM) system[25]

In addition to efforts to mainstream sustainability in risk management, the government, through its Risk Resiliency Program, supports the CCAM-DRR Roadmap by aiming to strengthen the resilience of natural ecosystems and the adaptive capacity of vulnerable groups and communities to short- and long-term risks through a landscape management approach[26] by focusing initially on highly vulnerable provinces along major river basins to climate risk, investing in mitigation and adaptation projects in these provinces to make them more resilient and improving program convergence planning and budgeting for the projects.

Key activities going forward

The ITSF will review the need to strengthen existing measures, such as the ESRMS, and introduce additional measures, such as supervisory expectations for climate stress tests for firms in the financial sector in order to size their exposure to climate-related financial risks, understand the challenges from those risks to their business models and help them improve the management of those risks.

The ITSF will conduct and continue to develop a program of capacity building relating to Environmental and Social Risk Management System (ESRMS).

[25] Bangko Sentral ng Pilipinas. Sustainable Finance Framework.

[26] Department of Environment and Natural Resources. Managing Climate Risks and the Risk Resiliency Program.

3.1.5 Encouraging sustainability and climate-related disclosures

Sustainability and climate-related disclosures are essential in achieving a sustainable economy. They foster greater transparency on the sustainability performance of companies and the climate-related financial risks and opportunities they are facing, thereby allowing investors (and lenders) to make better informed decisions on the companies they invest into or finance.

At present, there are five (5) more frequently used non-financial reporting frameworks/standards from the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the International Integrated Reporting Council (IIRC), the TCFD, and the UN SDGs.

- GRI Standards provide information on how and what to report on the material impacts of an organization on sustainable development, such as the economic, social, and environmental impacts. Gender related indicators are also integrated in the GRI Standards for consideration by companies in their sustainability reports. There are reporting standards for 33 different sustainability topics under this.
- SASB Standards focus on financially material information ESG issues through indicators and disclosures for 77 industries.
- Integrated Reporting (IR) Framework provides the fundamental concepts, guiding principles, and content that would allow companies to publish an integrated report.
- TCFD Recommendations refer to climate-based reporting focusing on four (4) disclosure areas, namely: (1) governance; (2) strategy; (3) risk management; and (4) metrics and targets.
- UN SDGs refers to a tool that can be used to measure the impact of sustainable development initiatives using the defined indicators per goal.

(More details regarding non-financial reporting frameworks can be found in Appendix 6.)

With various non-financial reporting frameworks/standards, there are recent global efforts to standardise sustainability reporting, and one of the most notable efforts related to these are the actions being made by the IFRS Foundation.

In September 2020, the Consultation Paper on Sustainability Reporting was published by the International Financial Reporting Standards (IFRS) Foundation to identify the demand from stakeholders in the area of sustainability reporting and understand what the Foundation could do in response to that demand. In line with this, in April 2021, the IFRS Foundation published two (2) documents relating to their project on sustainability reporting: (1) a Feedback Statement, which summarises the significant matters raised by respondents to the Consultation Paper on Sustainability Reporting, and (2) an Exposure Draft that outlines proposed targeted amendments to the IFRS Foundation Constitution to accommodate an International Sustainability Standards Board (ISSB) to set IFRS sustainability standards. The IFRS Foundation is continuing their efforts on standardising sustainability reporting.[27]

[27] IFRS Foundation: Sustainability Reporting.

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In November 2020, the UK announced its intention to make TCFD-aligned disclosures mandatory across the economy by 2025, with a significant portion of mandatory requirements in place by 2023. The joint Government Regulator TCFD Taskforce published its interim report with a roadmap towards mandatory climate-related disclosures. The upcoming rules and regulations will capture a significant portion of the economy including listed commercial companies, UK-registered large private companies, banks, building societies, insurance companies, UK-authorised asset managers, life insurers, Financial Conduct Authority (FCA)-regulated pension schemes and occupational pension schemes.

Meanwhile, the TCFD has been garnering a lot of support since it released its Recommendations Report in 2017. As of August 2020, 1,340 organizations, representing a market capitalization of more than USD12 trillion, are TCFD supporters[28].

In ASEAN, sustainability disclosures are currently required for listed companies in six ASEAN countries, i.e. Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. But, there is also a greater demand for climate-related financial disclosures since, as of August 2020, the Securities Commission (SC) Malaysia, Bursa Malaysia, Singapore Exchange Limited, Monetary Authority of Singapore (MAS), the Hanoi Stock Exchange, Ho Chi Minh Stock Exchange, and the Philippine SEC have all pledged their support for the TCFD.

In the Philippines, the SEC issued the Sustainability Reporting Guidelines for the Philippine Publicly-Listed Companies, which is based on the GRI Standards, the SASB Standards, the IIRC Framework, the TCFD Recommendations, and the UN SDGs. The Sustainability Reporting requirement is currently on a “comply or explain” basis for the first three (3) years of implementation and mandatory, thereafter, for publicly-listed companies. The disclosures include climate-related financial disclosures recommended by the TCFD and required by GRI.

Sustainable Finance Framework

The BSP released a policy framework for sustainable finance in April 2020 in recognition of the climate-related financial risk that could impact banks’ operations and financial interest. The Circular No. 1085 outlines the new disclosure requirements that banks should include in their Annual Reports, which include: the bank’s sustainability strategic objectives and risk appetite, overview of its ESRMS, their products/services aligned with internationally recognized sustainability standards and practices, breakdown of their E&S risk exposures per industry or sector, information on existing and emerging E&S risks and their impact on the bank, and other initiatives to promote adherence to internationally recognized sustainability standards and practices. The BSP provided a transitory provision of three (3) years from the effectivity of the Circular for the banks to fully comply with the provisions of the Circular. If a publicly listed bank already complies with the SEC’s reporting requirements, the report submitted to the SEC may also be attached to the Annual Report to be submitted to BSP in order to satisfy the disclosure requirements under Circular No. 1085.

28 Task Force on Climate-related Financial Disclosures. TCFD Supporters.

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Key activities going forward

The ITSF will continue to review the need to enhance reporting requirements (such as requiring all companies to disclose in line with TCFD requirements), and assess companies' capabilities in sustainability and gender reporting to ensure the quality of reporting and facilitate incorporation of E&S performance in lending and investing decision-making, by issuing further guidelines and/or organizing further trainings.

The ITSF will ensure alignment with the recommendations in the ACMF's Roadmap for ASEAN Sustainable Capital Markets to promote corporate sustainability disclosure and institutional investor disclosures.

3.1.6 Conducting Capacity Building

The Government has an essential role to play in ensuring that the workforce's skills meet the demand of the economy. As sustainable finance becomes more and more mainstream, there will be an increasing need for a workforce with knowledge of sustainable finance and, more broadly, sustainable development.

In the private sector, financial institutions and corporates need to understand how ESG considerations integrate with banking, insurance, investment and other economic activities and how private sector finance can align with sustainable development. The development of sustainable finance is also creating a demand for new professional services, such as the external verification of sustainable bonds and ESG rating, and there is a need to train the workforce such that it can provide those new types of services. More broadly, the transition to sustainable development is transforming the economy, and new industries and technologies within the sustainability space (e.g. low carbon energy, electric transport) are emerging. There is a need to educate professionals in the banking industry on green and sustainable activities to reduce their risk perceptions and increase their willingness to finance such activities.

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In the public sector, policy officials from the national government agencies and local government units (LGUs) also need to be equipped with relevant knowledge on sustainable finance so that they can design policies and regulations that can effectively support the development of the sustainable finance market.

There is knowledge gap among market participants that needs to be addressed. For instance, based on the Integrated Annual Corporate Governance Report (IACGR) of publicly-listed companies (PLCs), only 22% disclosed their sustainability impacts and performance[29]. Through capacity building activities, sustainability reporting can be promoted which can help enhance transparency in the sustainable finance ecosystem.

After the release of the Sustainability Reporting Guidelines Memorandum, the SEC started to provide capacity building sessions to PLCs to enable them to report their material non-financial impacts. However, these sessions have mainly been addressing the GRI Standards requirements. Capacity building related to the other standards/frameworks has not been widely disseminated.

In line with this, a list of sustainable finance and development topics has been identified to address the gaps in the market. The ITSF has started the process of capacity building with a series of workshops in 2020/21 (A Learning Map for the capacity building activities can be seen in Appendix 7). This is to help increase awareness relating to sustainable finance, and to sustainable development, as a whole.

[29] Securities and Exchange Commission. Sustainability Reporting Guidelines for Publicly-Listed Companies.

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Below is a list of topics initially agreed to be delivered through capacity building workshops for different groups of the workforce, including national government agencies, local government units, financial institutions and professionals in the private sector. This list is being reassessed constantly to address the knowledge gaps of government, the regulators, and the market.

Topic	Details	Target audience
Introduction to Climate Change	Sustainability, climate change and its impact, and economic view of climate change and knock-on impact	Financial institutions, Local government units, corporates, regulators
Sustainable Finance Bootcamp	Overview of sustainable finance and bond standards and principles, issuance process and experiences	Potential issuers, financial institutions, local government units, regulators
Managing Disclosures	Monitoring tools and TCFD recommendations and guidance	Financial institutions, regulators
Understanding Climate-related Financial Risks	Climate-related financial risks, climate and energy transition scenarios, measurement of climate-related risk, and data for climate-related risk analysis	Financial institutions
Managing Climate-related Financial Risks	Climate-related financial risks, role of central banks and supervisors, supervisory approach, scenario analysis and stress testing, disclosures	Regulators
Role of Central Banks in Managing Climate Change Risks	Policy considerations and monitoring tools	Regulators
Climate Scenario Analysis and Stress Testing	Policy considerations and scenario design and stress testing framework	Regulators
Environmental and Social Risks Management System (ESRMS)	Creation of an ESRMS; Embedding E&S considerations in risk management systems	Financial institutions
Applying Climate Stress Testing	Application of scenario design and stress testing framework	Financial institutions, corporates
Impact Reporting	Guidelines and requirements for measuring and monitoring impacts	Regulators, financial institutions, corporates
Opportunities for Integrating Climate and Gender Finance	Concept of gender-smart investing, intersection of Gender and Climate Finance, case studies and best practices	Regulators, public and private sector companies, banks, investors, multilaterals/ development finance institutions

Strategic Plans to Develop Sustainable Finance in the Philippines

Key activities going forward

The ITSF will continue to explore and develop a program of capacity building that delivers against identified needs, which can be done in coordination with the Center of Excellence. It will also engage with different stakeholders, such as the Commission on Higher Education (CHED), IC, and local universities and Department of Labor and Employment (DOLE), to develop an action plan for building the local workforce's skills in sustainable finance. Consultation with local firms may be conducted in order to identify their current and future needs in terms of skills and expertise in relation to sustainable finance.

The ITSF will ensure alignment with the recommendations in the ACMF's Roadmap for ASEAN Sustainable Capital Markets to promote knowledge transfer, enhance technical competence and increase public awareness.

The ITSF will ensure alignment with the recommendations in the WC-CMD's Report on Promoting Sustainable Finance in ASEAN, including engaging relevant professional bodies and industry associations to develop learning and capacity building programs for key sustainable finance participants, and creating awareness of the impact of sustainable finance for students at all levels.

3.1.7 Joining international initiatives on sustainable finance

Since climate change greatly impacts the financial sector, this serves as a call to action for the financial sector to effectively manage and mitigate the impact of climate and other environment-related risks. This issue is also a global challenge, since no country can address these alone, as issues are interconnected. As such, international collective action is important to drive sustainable finance.

A number of international initiatives in relation to sustainable finance have been established, including the Sustainable Banking Network (SBN), the Coalition of Finance Ministers for Climate Action, Network of Central Banks and Supervisors for Greening the Financial System (NGFS), TCFD, and the Sustainable Insurance Forum (SIF).

Governments and corporates may join and participate in these international initiatives, which generally promote collaboration and sharing of experience and best practices. By joining those international initiatives, governments and companies may enhance their understanding of specific issues, keep up with the latest international trends and best practices related to sustainable finance, and align efforts supporting the development of sustainable finance.

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The Philippines is currently a member of/ supporting the following:

International / Local Initiatives	Member/ Supporter	Brief Description
Sustainable Banking Network (SBN)	BSP	BSP became a member of SBN in 2013, a voluntary community of financial regulatory agencies and banking associations from emerging markets, who are committed to advancing sustainable finance in line with international good practice. Currently, there are 38-member countries in the network and they collectively represent USD 43 trillion (85%) of the total banking assets in emerging markets.
Coalition of Finance Ministers for Climate Action (Helsinki Principles)	DOF	In April 2019, at the 2019 Spring Meetings of the World Bank Group/IMF, the “Coalition of Finance Ministers for Climate Action” was launched, with the Philippines being one of the 26 countries (and the only ASEAN country) that has signed up to date. A set of 6 common principles (“Helsinki Principles”), which promote national climate action especially through fiscal policy and the use of public finance, was also endorsed. The World Bank serves as the secretariat for this coalition.
Network of Central Banks and Supervisors for Greening the Financial System (NGFS)	BSP	In July 2020, the BSP became a member of the NGFS, a group of central banks and supervisors organized to enhance the role of the financial sector in managing risks and facilitate capital for green and low-carbon investments in the broader context of environmentally sustainable development.
Task Force on Climate-related Financial Disclosures (TCFD)	SEC	SEC has become an official supporter of the TCFD in July 2020. This aims to develop voluntary, consistent climate-related financial risk disclosures for use by companies. The work and recommendations of the TCFD will help companies understand what financial markets want from disclosure in order to measure and respond to climate change risks, and align their disclosures with investors’ needs.
Sustainable Insurance Forum (SIF)*	-	The SIF is a network of leading insurance supervisors and regulators that seek to strengthen their understanding of and responses to sustainability issues for the business of insurance. It acts as a global platform for knowledge sharing, research and collective action.

** The Philippines is currently not a member of SIF.*

Key activities going forward

The ITSF will review and assess the need to participate in other international initiatives on sustainable finance, and encourage other relevant agencies or companies to do so.

The ITSF will continue to develop policies to improve transparency on sustainability performance and climate-related finance, review and streamline existing policies and guidelines to improve access to sustainable finance-related and climate-related data from different sectors, and support policy initiatives including stricter enforcement of laws and regulations.

3 Strategic Plans to Develop Sustainable Finance in the Philippines

3.2 Mainstreaming Sustainable Finance

Lead agencies: DOF, BSP, and SEC

3.2.1 Financing gap

The development of sustainable finance has been identified as a key area of action for the Philippines. In order to mainstream sustainable finance in the Philippines, priority areas that needs to be highlighted are listed below.

1. Collaboration between public and private actors to unlock all sources of finance and financial innovation, notably for climate action and resilience
2. Collaboration with multilateral development banks to strengthen regional and country-level synergies
3. Provision of common definition to promote uniformity in the financial system
4. Collection and measurement of data relating to sustainable finance flows

3.2.2 Promoting Sustainable Financial Products

The real economy is being transformed due to sustainability considerations. As a result, the financial services sector is also changing. There is a growing realization that the transition to a low carbon economy cannot be achieved solely through the financing of companies with green activities (e.g. low carbon energy projects, electric vehicles). This process of transforming the market needs to be mainstreamed to meet global sustainability demands.

Globally, there is a wide range of sustainable financial products, including: green loans, social loans, green bonds, social bonds, blue bonds, transition bonds, sustainability bonds, sustainability-linked bonds, gender bonds, and other related bonds. However, green, social, and sustainability bonds are the most common sustainable financial products in the market. In ASEAN, 94 sustainability bonds have been issued for a total amount of USD23.2 billion from 2016 to June 2021.

There are also specific gender-focused products such as gender lens funds, gender equality exchange traded notes (ETNs), gender equality exchange traded funds (ETFs), certificate of deposits with gender focus, gender lens private equity or debt, and gender bonds.

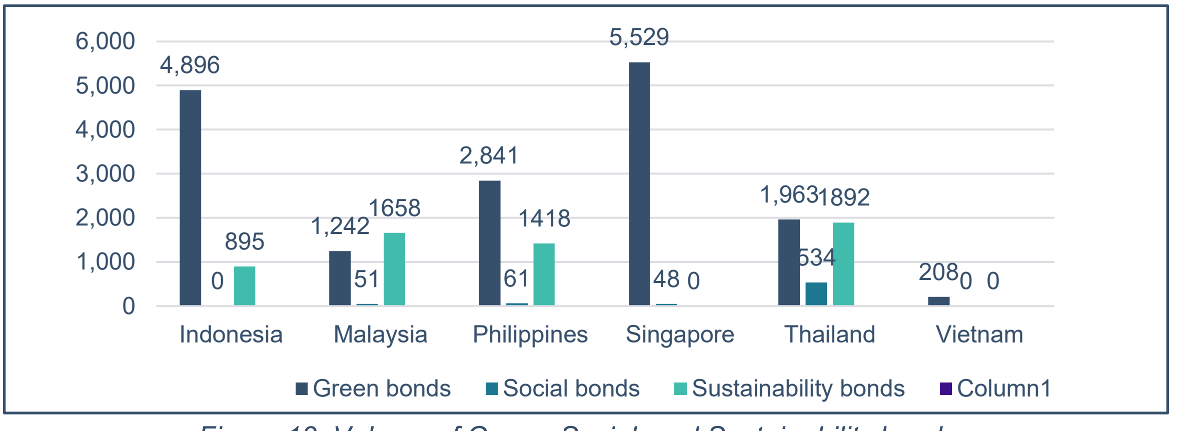


*Figure 13. Volume of Green, Social, and Sustainability bonds issued by ASEAN country (in USD million)**

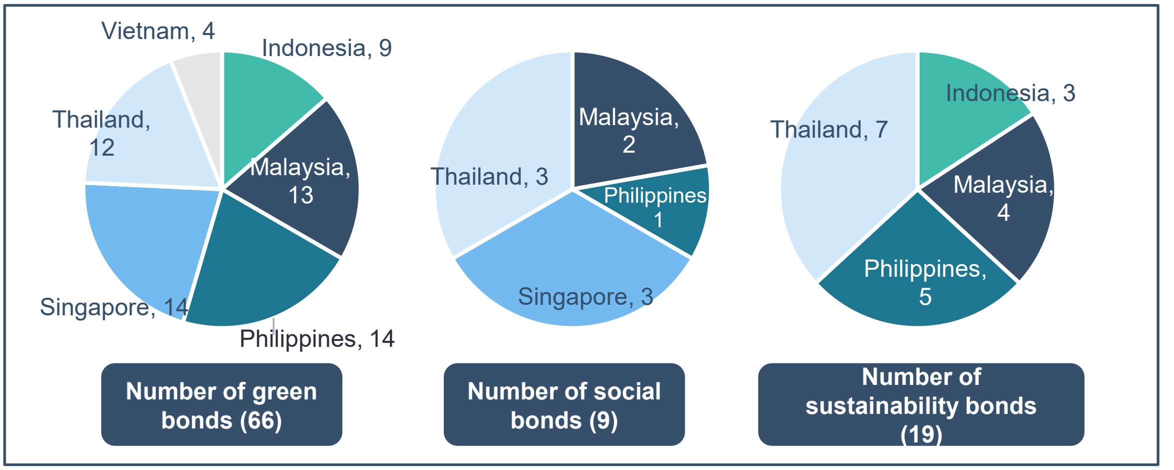
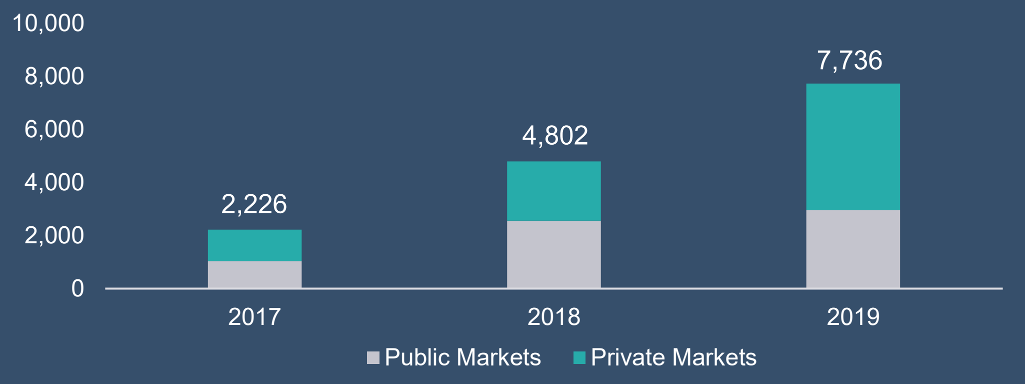


*Figure 14. Number of Green, Social, and Sustainability bonds issued by ASEAN country**

*As of June 2021

Global size of Gender Lens Investing (USD m) [30]



Gender lens investing has gained significant prominence in the recent years. In fact, there is a total of USD7.7 billion investments vehicles in 2019.

In the Philippines, there are currently no financial support measures for the issuance of sustainable financial products. At present, 20 sustainable bonds for a total amount of USD4.3 billion have been listed/issued from 2016 to June 2021 in the Philippines. More Philippine companies are devoting resources for environment-friendly and sustainable initiatives, suggesting that there is room to increase the quantity and volume of sustainable bonds issued in the Philippines. As the demand for sustainable bonds increase, there is a need to focus efforts on increasing the supply of sustainable bonds.

3.2.2.1 Multilateral Blended Finance

Blended finance refers to the *"strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries"*[31]. In mobilizing finance towards the SDGs and the Paris Agreement, multilateral blended finance will contribute a significant role. This serves as a tool that Multilateral Development Banks and development finance institutions with the donor and development partners can use to increase impact of private sector operations and support financing for sustainable development in the Philippines. The figure from Organisation for Economic Co-operation and Development shown in the next page, depicts the interrelationships within blended finance.

[30] Sasakawa Peace Foundation
[31] Organisation for Economic Co-operation and Development (OECD)

Figure 15. Blended Finance[32]

3.2.2.2 The Agri-Agra Reform Credit Act of 2009

Agri-Agra Reform Credit Act of 2009 was implemented to promote equal access to opportunities under an environment of sustained growth and expanding productivity as the key to raising the quality of life for all. In addition, it promotes rural development by enhancing access of the rural agricultural sector to financial services and programs that increase market efficiency and promote modernization in the rural agricultural sector. Currently, the law provides funding for projects that can be considered as eligible projects under the Asean Social Bond Standards.

This law allows the access of the agriculture and fisheries sectors, specifically the farmers, fisherfolk, and agrarian reform beneficiaries, to agriculture, fisheries, and agrarian reform credit, insurance, and financing system in order to improve their productivity. Currently, the Agri-Agra Reform Credit Act is being strengthened to increase institutional capacity of banks to assess and offer lending products to agriculture and fisheries sectors, and develop the financial infrastructure to minimize the impact of the agriculture sector's inherent risks.

3.2.2.3 Market Access

ASEAN Collective Investment Schemes (CIS) and the Streamlined Review Framework for ASEAN Common Prospectus was launched by ACMF to widen access to sustainable financial products. These have been operationalized in Malaysia, Singapore, and Thailand.

A similar framework might be considered to improve market access in the Philippines, which will facilitate cross-border investments and fundraising. Under such a framework, the eligibility criteria for sustainable financial products could be simplified like shortening the application review time for sustainable funds.

[32] OECD (2018), Making Blended Finance Work for the Sustainable Development Goals, OECD Publishing, Paris.

In addition, the use of financial technology plays a vital role in improving market access to sustainable financial products and services since it offers lower costs. This provides reduction in information asymmetries, transparency, and improvement in the capacity of investors to identify and assess risks. With this, it paves the way for more sustainable lending and investments opportunities and increases cross-border participation in sustainable financial products.

3.2.2.4 Incentives

The issuance of sustainable bonds comes with additional costs compared to conventional bonds. These arise from the need to develop a sustainable bond framework, secure an external review to verify the green/sustainable aspect of the bond, track the use of proceeds and prepare post-issuance reporting.

In the Philippines, there are no current incentives given to issuers of sustainable financial products. However, in the ASEAN level, several countries, specifically Malaysia and Singapore, provide grant schemes and tax incentives to alleviate the costs of external review. As such, it paves way to mainstreaming sustainable finance through the reduction of cost on issuing sustainable financial products, allowing it to be competitive.

3.2.2.5 Bond Issuance by the Government

Public sector entities, such as national government, local government entities and state-owned enterprises, can lead by example by issuing sustainable bonds. This contributes to increasing the supply of sustainable bonds, and helps to raise awareness. Moreover, this will encourage banks to develop their capabilities in underwriting sustainable bonds and for institutional investors to improve their ability to assess sustainable bonds. There are also other benefits to issuing sustainable bonds, such as enabling entry of a new set or type of investors and enhancing cooperation between government entities. Issuance of these bonds allow for scale and liquidity and diversification in the green/sustainable bond market. Sustainable bonds allow governments to signal the national importance of the development of the sustainable bond market and demonstrate their commitment to sustainable development. As a way to promote ASEAN standards, all sustainable bonds issued by public sector entities should align with the ASEAN standards.

3.2.2.6 Sustainability Index

A sustainability index serves as an instrument to assess and measure the strategy and performance of companies and also sets as a basis in comparing companies within industries. This will also provide more investment choices for investors and greater profiling.

Currently, the Philippines has no available sustainability index to measure the performance of a certain company in social and environmental aspects. However, FTSE ASEAN Index Series represents stocks from the seven (7) leading ASEAN financial markets: Bursa Malaysia, Hanoi Stock Exchange, Ho Chi Minh Exchange, Indonesia Stock Exchange, the Philippine Stock Exchange, and the Stock Exchange of Thailand.

In April 2016, FTSE Russell launched the FTSE4Good ASEAN 5 Index which constitutes companies with prime ESG practices listed on Bursa Malaysia, Indonesia Stock Exchange, the Philippine Exchange, Singapore Exchange and the Stock Exchange of Thailand. The index methodology is publicly available on FTSE Russell’s website.

3.2.2.7 Resilience Financing

Climate change is expected to lead to the increased frequency of extreme weather events, rising temperatures, sea level rise, and extreme rainfall, with a knock-on impact to infrastructure, the economy and livelihoods. For instance, increased temperatures and increased incidence of drought and severe weather events pose risks to the energy sector by reducing hydropower production, damaging energy infrastructure, increasing incidence of power outages and resultant economic losses, and increasing demand for energy services, particularly cooling.

In the Philippines, Typhoon Rolly, one of the most intense tropical cyclones on record, made landfall in the Philippines on 31 October 2020. It caused widespread interruption to power, water and telecommunications networks, and approximately PhP8.4 billion (USD 174.3 million) in damage to infrastructure such as power, roads, bridges and houses[33]. In particular, the initial cost of the damage to power infrastructure was placed at PhP33.5 million, with 2.909 million households affected[34].

Source: Manila Bulletin, November 27, 2020, Add'l P550 million proposed for repair of typhoon-damaged power lines

With climate-resilient infrastructure gaining greater importance, sustainable finance and suitable insurance mechanisms can be useful tools to support development or re-development of such infrastructure, increasing resilience and the ability for countries and communities to "build back better". In addition, these tools will help reduce risks, reduce social vulnerability, and increase capacity for emergency response and disaster recovery[35].

Private insurance and capital markets could be used in resilience financing. For instance, the world's first sovereign catastrophe bond and first ever multi-peril catastrophe bond were launched by the Mexican government to cover the funding of reconstruction of public assets, infrastructure, and low-income properties damaged by natural disasters. In addition, Caribbean Catastrophe Risk Insurance Facility, a regional catastrophe fund for Caribbean governments, was established to limit the financial impact of hurricanes and earthquakes[36]. In the Philippines, the first Philippine Catastrophe Insurance Facility (PCIF) was established to cover catastrophe risks and manage exposures to catastrophes more effectively.

33 The ASEAN Post
34 Department of Energy
35 University of Massachusetts Boston
36 Marsh & McLennan Companies

3.2.2.8 Green Investment Vehicle (GIV)

Private investment will play a significant role in meeting the needs of the Philippines for a resilient infrastructure and in facilitating its transition to a more sustainable, low carbon economy.

In the Philippines, it is recognized that there has been an increasing issuance of sustainable bonds since 2016. However, it is noticeable that from 2016 to 2020 issuance of sustainable bonds in the Philippines, it was the private sector that contributed 90.0% of the total of USD4.5 million and only 10.0% came from public sector issuers, namely the Development Bank of the Philippines and LandBank of the Philippines.

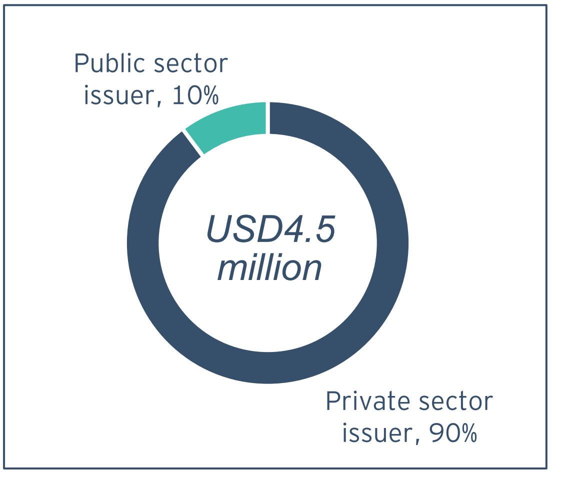


Figure 16. 2016 – 2020 Philippine Bond Issuance by type of issuer

To further mobilise private investments and facilitate wider utilization of sustainable finance, a GIV should be considered. GIVs offer tailored and targeted financial solutions to achieve sustainability objectives that complement existing policies. GIVs can be created and adapted based on specific national and local needs (e.g. emission targets, local community development, reduction of energy costs, green technology development, job creation, etc.) but fundamentally, they leverage limited public funds to mobilise greater amounts of private capital.

GIVs are public entities that act like a private financier, focusing on low-carbon, climate resilient investments. They have been created by national and sub-national institutions. GIVs augment existing government funds with private capital to invest in projects, generally through loans, but the vehicles can utilize their resources in other ways, such as subordinated debt, equity, or even guarantees. This allows the GIVs to direct private and public investments to low carbon projects using techniques that reduce risk (i.e., insurance, guarantees, loan loss reserves and debt subordination) and enable transactions (i.e., co-investing, securitization, warehousing, leasing and on-bill financing) and provide innovative transaction structures. For instance, GIVs invest where there is a clear financing gap by focusing on clean energy or low carbon projects (targeting less commercial technologies) that are not currently financeable but are economically viable.

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Principles of a Green Investment Vehicle:

- ✓ A narrow but flexible mandate focusing on low-carbon, climate-resilient investments
- ✓ Independence
- ✓ Additionality through focus on market gaps (crowding in, never crowding out private investors)
- ✓ Accountability through measurement of impact metrics such as jobs created, private capital mobilized, return on capital, and greenhouse gas reductions achieved
- ✓ Capitalization with at least some public funds
- ✓ Removing barriers to low-carbon, climate-resilient investments to help achieve local
- ✓ Climate and development objectives
- ✓ Designed in service of leveraging private capital

UK Green Investment Bank*

Green Investment Vehicles

- ✓ In the United Kingdom, the Green Investment Bank was created as a means to meet ambitious emissions targets.
- ✓ Priority areas: Offshore wind, waste recycling and bioenergy, energy efficiency, and small-scale renewables
- ✓ National government funding was the main funding source of UK Green Investment Bank.UK GIB directly committed £616m, £723m, and £770m to transactions in 2014, 2015, and 2016, respectively.

Mongolian Green Finance Corporation

- ✓ The Mongolia Green Finance Corporation (MGFC) is a joint public-private sector effort to create a national financing vehicle (NFV) to overcome the existing challenges and constraints of climate change mitigation.
- ✓ It targets the mainstreaming of green, affordable and gender-inclusive financing for households and businesses to switch to low-carbon technologies; and to create an improved policy environment and build the capacity and awareness of stakeholders
- ✓ The Government of Mongolia and a consortium of participating financial institutions co-funded the MGCF in 2019 and, in 2020, the Green Climate Fund approved additional financing.

Note: More information regarding UK GIB and MGFC in Appendix 8.

**The UK GIB was sold to Macquarie in 2017.*

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Key activities going forward

The ITSF will continue to explore a range of initiatives to increase the supply of sustainable finance. This includes:

- **Support for multilateral blended finance:** The ITSF will advocate the use of multilateral blended finance solutions in funding SDG-related activities that cannot be financed on a purely commercial basis.

- **Re-assessment of the Agri-Agra Law.** The ITSF will consider including the Agri-Agra Law in the sustainable finance taxonomy of the country, so that commitments to this can be considered as sustainable financial products. They will also support agricultural and fisheries sectors in exploring specific funding for green projects.

- **Training and guidelines on the issuance of sustainable bonds:** There may be some resistance by issuers to issue sustainable bonds due to their lack of knowledge of the issuance process of sustainable bonds. As mentioned in the previous section, the ITSF has been rolling out training workshops for potential issuers to improve their understanding of sustainable bonds and the associated issuance process.

- **Support to alleviate the issuance costs of sustainable bonds:** The ITSF will explore offering support to sustainable bond issuers to alleviate the costs of issuing a sustainable bond. While such support may not offset the entire additional costs associated with the issuance of sustainable bonds, it would help level the playing field with conventional bonds, which may encourage more issuers to issue sustainable bonds.

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- **Issuance of sovereign bonds, local government bonds, and quasi-government bonds:** The ITSF will explore issuing of sovereign bonds, local government bonds, and quasi-government bonds to show the national importance of the development of the sustainable bond market and display Government's commitment to sustainable development.

- **Tax incentives for sustainable bonds:** Governments can offer tax and other fiscal incentives to issuers of sustainable bonds to encourage the issuance of such bonds. Fiscal incentives include tax credits to bond investors such that the sustainable bond issuers do not have to make interest payments ("tax credit bonds"), cash rebates to the sustainable bond issuers which subsidize the interest payments ("direct subsidy bonds") and tax exemptions for investors on the bonds' interest such that sustainable bond issuers can get lower interest rates ("tax-exempt bonds"). However, tax incentives may distort the market and create a policy risk for the sustainable bond market, as the attractiveness of sustainable bonds may become dependent on the willingness of the government to keep offering those tax incentives.

- **Support for the development of transition, sustainability-linked bonds or loans:** In the financial industry, there is a growing realization that the transition to a low carbon economy cannot be achieved solely through the financing of companies with green activities (e.g. low carbon energy projects, electric vehicles). There is a need to involve more companies in this transition. A new concept called "transition finance" is therefore gaining traction, consisting of financing companies that are currently "brown" but aim to become less "brown" in the future. Moreover, sustainability-linked bonds/loans, where the bonds characteristics depend on the issuer's/borrower's predefined sustainability/ESG objectives, are also increasingly popular instruments. The ITSF should explore the relevance of transition and sustainability-linked bonds/loans for the Philippines market and how it can support their issuance.

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- **Support the development of sustainable insurance products:** Investing in climate-resilient infrastructure is of increasing significance that it is becoming critical for the government to work with the insurance industry to develop strategies that are cost-effective that would provide greater insurance penetration, improve financial protection in the aftermath of an event, and invest in forward-looking initiatives that will reduce future climate-related losses in the country. The ITSF will explore the development of sustainable insurance products.

- **Exploring the establishment of a Green Investment Vehicle** as a mechanism to mobilise private investment in sustainable infrastructure.

The ITSF will ensure alignment with the recommendations in the ACMF's Roadmap for ASEAN Sustainable Capital Markets and WC-CMD's Report on Promoting Sustainable Finance in ASEAN: improving market access for sustainable products and exploring incentives; evaluating whether standards on Transition Bonds and Sustainability-Linked Bonds should be issued.

3.2.3 Improving Sustainable Finance Definition and Creation of Principles-based Taxonomy

As the demand for sustainable finance increases, market participants have called for more uniformity and guidance in identifying sustainable investment assets and eligible economic activities. Having a sustainable finance definition (taxonomy) provides clarity in the sustainable finance ecosystem and enhances standardized technical screening criteria. As a result, sustainable finance taxonomies were developed by EC and Climate Bonds Initiative (CBI). The ICMA has also developed an eligible project categories list.

Aside from this, social bonds were developed to be used as source of funds to achieve a positive social outcome. Social finance, which is also incorporated in sustainability finance, is concerned with addressing and mitigating social issues such as gender equality issues.

At the ASEAN level, the ASEAN Standards introduced by the ACMF provide an indicative list of project categories which are eligible to green, social or sustainability bond financing. These provide broad guidance to the market participants on the definition of green, social, and sustainability projects.

In Indonesia, Malaysia, and Vietnam, governments have provided a list of categories of projects eligible for green financing. In Indonesia and Malaysia, this list is largely aligned with the list of project categories under the ASEAN Green/Social/Sustainability Bond Standards. In Vietnam, the State Bank of Vietnam has defined categories of green projects through its Green Project Catalogue. In Malaysia, through its Bank Negara Malaysia's (BNM's) Guiding Principles, it provides guidance for financial institutions in identifying and classifying economic activities that could contribute to climate change objectives. In Singapore, the Green Finance Industry Taskforce (GFIT), convened by the Monetary Authority of Singapore (MAS), issued a proposed taxonomy for Singapore-based financial institutions to identify activities that can be considered green or transitioning towards green. In the Philippines, the SEC has issued Guidelines on the Issuance of Green, Social, and Sustainability Bonds under the ASEAN Bonds Standards.

There has been some work undertaken on developing a green taxonomy in the Philippines. This shows the representative sectors and sub-sectors with corresponding environmental objectives patterned after the European Union's (EU's) green finance taxonomy. Moving forward, this can be further developed and aligned with Philippine objectives and definitions, such as the Climate Change Commission's chosen five leading industries and inclusion of other assets or activities as they become common practice and are consistent with market standards.

Progressively, a taxonomy which covers, not only green projects, but also sustainable economic activities is required in the Philippines to remove ambiguity and avoid fragmentation and facilitate capital flows. This will also protect the investors against the risk of greenwashing and, ultimately, assist investors to make investment decisions in line with their sustainability preferences. Adopting a taxonomy can provide a foundation for sustainable finance policies and sustainable financial products.

The ITSF favors a principles-based instead of a prescriptive taxonomy to ensure that it can easily be adapted to reflect future developments in definitions as to what is considered sustainable.

The Guiding Principles will be a general guidance in nature - but positive in tone (similar to BNM's Guiding Principles 1 to 4, see Appendix 9), but will have detailed guidance notes that will provide examples on what are and are not included in each Guiding Principle (positive and negative lists that are not meant to be exhaustive).

Key activities going forward

The ITSF will explore the development of a Guiding Principle document that will serve as a common language as to what projects will be considered as sustainable. The Guiding Principle document will be aligned with the SEC Guidelines on the Issuances of Green, Social, and Sustainability Bonds. This will also include an assessment of its advantages and disadvantages, as well as how it aligns with the EU and other taxonomies being developed in other jurisdictions.

The ITSF will ensure alignment with the recommendations in the ACMF's Roadmap for ASEAN Sustainable Capital Markets, WC-CMD's Report on Promoting Sustainable Finance in ASEAN, to develop a common taxonomy, and the work of the ASEAN Taxonomy Board

3.2.4 Tracking Sustainable Finance Flows

The coordination of the participants will be vital in tracking sustainable finance since there is a need to ensure effective unification and cooperation among the departments and local government units. Appropriate monitoring and evaluation systems, processes, and resources are required to properly collect and measure data, and strengthen compliance reporting and monitoring frameworks. In addition, ensuring the alignment of incentives, measuring results, proper valuing of assets, and effectively managing risks will only be possible with sufficient sustainable finance information.

Tracking sustainable finance flows will help reduce information gaps and mismanagement of data and information and it will promote transparency in the sustainable ecosystem.

Recently, there is has been increased focus on sustainable asset tagging, which could be greatly beneficial to financial institutions, such as banks. This would help banks measure the performance of sustainable loans compared to non-sustainable ones, including the corresponding collateral assets. Tracking sustainable finance flows will be easier with the promotion of sustainable asset tagging, and has the ability to attract additional investors.

Tracking sustainable finance flows needs to be a national agenda. Proper guidance and measurement tools should be made available for financial institutions for them to better evaluate their current and prospective portfolio.

3 Strategic Plans to Develop Sustainable Finance in the Philippines

At present, there is no shared data collection mechanism in the Philippines that would track sustainable finance flows coming from both the public and private sector. However, there are database systems launched in the Philippines that the ITSF can leverage. For instance, NEDA launched the Public Investment Program Online (PIPOL) System which is an online database system accessible to authorized Public Investment Program (PIP) Focals of the National Government Agencies (NGAs), Government-Owned and Controlled Corporations (GOCCs), Government Financial Institutions (GFIs), Other National Government Offices and Instrumentalities, State Universities and Colleges (SUCs) and the NEDA Secretariat, that manages data entry and updates on priority programs and projects (PAPs) under the PIP. This serves as an instrument to allow online submission by agencies to information regarding their priority PAPs, including program/project details and status update and assist NEDA in generating reports.

There is also an on-going implementation of the National Integrated Climate Change Database and Information Exchange System (NICCDIES) which serves as the primary enabling platform of the CCC in consolidating and monitoring data and information on climate change and climate action from sources and actors coming from both the public and private sector and other stakeholders. The NICCDIES supports and strengthens the country's institutional approach in both national and international reporting processes. The primary components of NICCDIES include: GHG inventory, Measurement, Reporting, and Verification (MRV) System for climate change mitigation, national and local climate change action plans, climate finance, including Climate Change Expenditure Tagging (CCET) and climate reports. Specifically, the CCET helps identify financing gaps on different sectors and further facilitate the mobilization of existing climate financing schemes. This tool enables the government and local and international climate watchdogs to track and monitor climate expenditures down to the municipality/city level and provides transparency for public scrutiny[37].

Key activities going forward

The ITSF will assess the need to enhance the PIPOL System and review the need for creating additional mechanisms, tools and methodologies to properly collect and measure data (including impact measurement) related to sustainable finance flows. This could be a function of the Center of Excellence. In addition, the ITSF will determine if any enhancements are needed in the CCET.

[37] Climate Change Commission

3 Strategic Plans to Develop Sustainable Finance in the Philippines

3.3 Developing a Sustainable Pipeline

Lead agencies: DOF, NEDA, and implementing agencies

3.3.1 Investment gap

Information on investment opportunities that are easily available for the investors and issuers is an effective way of mainstreaming sustainable finance. This provides connectivity and access to the participants who are interested in sustainable investment opportunities. However, this area has to be improved since there are still investment gaps observed in the Philippines which are listed below.

1. Acceleration of greener and more sustainable investment demand
2. Establishment of sustainable pipeline database for public and private sectors
3. Development of a progress monitoring and updating system

3.3.2 Driving sustainable investments

Globally, there is widespread recognition of ESG investments, which is also considered as one of the fastest-growing investment areas in the world. There was a 25% increase to USD23 trillion in ESG investments from 2015 to 2017 globally[38]. At the ASEAN level, there are already various ESG investment developments and policies. In the Philippines, with the threats of climate change and Philippines being a vulnerable country, the national government has recognized the importance of sustainable investments in the country. In line with this, government is continuously deploying various initiatives to further increase sustainable investments.

For instance, the DOF and DOE recognizes the LGUs as a driving factor for sustainable investments and low carbon energy development in the coming years. In order to help LGUs to invest in sustainable projects, capacity building activities, led by DOF, will be developed to outline the benefits of sustainable finance and present how LGUs can access sustainable financial products. Furthermore, the DOE is leading capacity building activities on renewable energy (RE) development and utilization to LGUs. This includes workshops and trainings promoting RE development and adopting and implementing local legislations that would help ease the entry of RE investments.

In addition, CBI, supported by the ASEAN Catalytic Green Finance Facility (ACGF), the Asian Development Bank (ADB), and the Philippine SEC, published the Green Infrastructure Investment Opportunities: Philippines 2020 Report which aims to help meet the growing demand for green investment opportunities in the Philippines and to support the country's transition to a low carbon economy[39].

[38] Bloomberg. Global sustainable investments grow 25% to $23 trillion.

[39] Climate Bonds Initiative

3 Strategic Plans to Develop Sustainable Finance in the Philippines

On 14 December 2018, the PPP governing board issued a resolution titled "Safeguards in PPP: Mainstreaming Environmental, Displacement, Social and Gender Concerns" that aims to prevent negative impacts on people and environment in the implementation of PPP projects. The scope of the safeguards addressed issues relating to environmental impacts of proposed projects, climate change, indigenous peoples and vulnerable groups and gender. The PPP Center also drummed-up support for more green projects that have climate resiliency components to address the threat of climate change in the country.

The unpredictable impact of climate catastrophes and a public health crisis, such as COVID-19, require all stakeholders to focus on sustainable and responsible investment. This will support organizations' recovery and resiliency. Sustainable investments can lower costs and boost revenues, and even create industries and jobs and open investment opportunities. Investing in sustainable products will also lower the volatility of the organizations' performance and enhance their risk management. With this, the ITSF is looking at various ways to support and increase sustainable investments to build a resilient economy.

With the growing awareness of the need to accelerate the low carbon transition and drive sustainable investments, a number of countries have adopted net zero targets. This includes the United Kingdom which has a target of hitting net zero carbon emissions by 2050 in support of its 2016 Paris Agreement commitment. This target is enshrined in law via the UK's Climate Change Act. Going forward, all investments in infrastructure will need to be aligned with the net zero target. This creates a huge pipeline and massive opportunity for sustainable finance to support the development of this infrastructure. It has been estimated that the net zero target is expected to drive GBP50-70 billion per year of sustainable investment[40]. In addition, the UK published its Clean Growth Strategy in 2017. This aims to grow national income while cutting GHG emissions. This will help increase country's productivity, create jobs, and protect the environment. The UK low carbon economy could grow by an estimated 11% per year between 2015 to 2030 and could deliver between GBP60-170 billion of export sales of goods and services by 2030[41].

Key activities going forward

The ITSF will explore what it can learn from the UK (and other countries) net zero target framework and the opportunities it provides to drive sustainable finance.

In addition, the ITSF will explore two specific activities to increase sustainable investments: (1) establishment of a sustainable pipeline database and (2) progress monitoring and regular updating.

40 UK's Committee on Climate Change.

41 Ricardo Energy and Environment for the Committee on Climate Change

3.3.3 Financing Low Carbon Energy

Transiting to low carbon energy is a key for sustainable growth, and is related to SDG 7 "Affordable and clean energy". Sustainable finance includes financing of such projects.

In the Philippines, over 50% of GHG emissions came from the energy sector. As such, deploying low carbon energy and improving energy efficiency is critical to reducing emissions in this sector. A crucial aspect in increasing the deployment of these technologies is financing.

Low carbon energy

Action in the energy sector is key to achieving the Philippines climate change targets. Attracting finance to deliver the expected growth in low carbon energy is critical. In the current NREP 2011-2030, the DOE targets to raise installed generation capacity in 2030 to almost 3 times the level in 2010, from 5,438 MW to 15,304 MW. Geothermal and hydropower are projected to continue to be the major source of renewable energy and accounts for 80% of total renewable energy installed capacity.

In the DOE's Philippine Energy Plan 2017-2040 (PEP), a nine-point Energy Agenda outlines the current policy of adopting a technology neutral approach for an optimal energy mix. However, with developments at the international level such as the Paris Agreement and the Nationally Determined Contribution (NDC) target which help achieve the goal of limiting global average temperature increase, as well as the regional ASEAN target of securing 23% of its primary energy from renewable sources by 2025 and the goal of governments to "Build Back Better" as a result of the pandemic, greater development of low carbon energy needs to continue to be encouraged.

Key to meeting the low carbon energy targets is the implementation of the current set of policies and regulations to support the deployment of low carbon energy and provide confidence to investors. While some of these have been implemented (e.g. NREP, net metering), others are only partially implemented or being drafted (e.g. renewable portfolio standards, green energy auction program).

In addition the Philippines should look at additional measures that may be needed to drive the deployment of low carbon energy. For example, the DOE has conducted a study on the development of a voluntary market for renewable energy (over and above what will be deployed under the existing NREP). The study provides recommendations on the design of the voluntary renewable energy market and the policy changes and enhancements needed to facilitate the voluntary purchase of renewable energy by consumers.

Energy Efficiency (EE)

The EE&C Act No. 11285 (Republic Act (RA)11285) is a national law enacted in April 2019 with a purpose to standardize and regulate the use of EE and conservation measures throughout the Philippines. It mandates the Department of Energy's creation of a National Energy Efficiency and Conservation Plan, as well as mandating all Government Agencies to implement EE&C in their facilities, and all LGUs to create local EE&C plans that identify EE&C opportunities which must be implemented.

3 Strategic Plans to Develop Sustainable Finance in the Philippines

The Act also mandates GFIs to set aside funds for lending to EE&C projects at concessional rates, as well as to ensure availability of compatible guarantee or insurance products that would mitigate credit risks associated with EE&C investments in SMEs, and performance risks related to EE&C solutions.

Currently, there is a lack of commercially-attractive EE financing in the Philippines, caused by traditional asset-based corporate lending practices of Local Financial Institutions (LFIs) versus the project-based financing needed for EE Projects. LFIs require their loans to be 100% secured by marketable collateral with a value greater than the loan amount. This is problematic for EE Projects, since there is very little collateral value in its equipment after being retrofitted in a facility; rather, their value is limited to the ongoing cash flow that it can generate over its assets' useful life of 10 to 25 years. Since LFIs generally do not assign any value to the future cash flow of EE Projects, this requires borrowers (e.g. Facility Owners/Project Hosts, ESCOs, etc.) to finance them from existing lines of credit or by securitizing them with additional marketable collateral or repayment guarantees, all of which are very unattractive to the borrower.

All of the primary banks in the Philippines have plenty of funds to lend but are not receiving many requests for EE financing, due mostly to their unattractive lending terms. This is related primarily to their difficult collateral requirements and high interest rates. LGUs for example have limited capacity to provide required collateral which are currently allocated from their Internal Revenue Allotment (IRA) and therefore new credit enhancement (de-risking) products are needed to help banks overcome the collateral barrier.

EE finance mechanisms and instruments can facilitate the flow and transfer of EE capital, often blending public and private finance to increase impact and de-risk EE investments. A range of instruments and mechanisms, can be selected, combined and tailored to best support the particular needs of the market.

The following table presents recommended EE finance instruments and timelines for implementation in the Philippines, listed in order of priority (with the top five in bold) based on assessments of ease of implementation, alignment, potential impact and stakeholder buy-in. The financing instruments are briefly described below, and in more detail in **Appendix 10**.

EE Finance Options	Short-term	Medium-term	Long-term
Strengthening existing EE Lending Programmes			
Partial Credit Guarantee (PCG)			
Energy Efficiency Technology List			
Revolving Fund			
Energy Savings Insurance (ESI)			
Super ESCO/GEPSC			
Budget Financing with Capital Recovery			
Credit Line			
Concessional Loans			

In addition to the sustainable financial products in section 3.2.2, other recommended financing instruments or mechanisms for EE are listed below:

- **Strengthening EE Lending Programmes** currently run by GFIs through technical assistance, could facilitate wider EE loan uptake. This would involve working with GFIs and ESCOs to identify and evaluate specific barriers to loan access, and providing targeted capacity building, including in the assessment of EE projects.
- **Partial Credit Risk Guarantee** covers the credit risk of lenders by providing partial guarantees on loans to EE projects, promising to reimburse a portion of the losses incurred. The Philippine Guarantee Corporation (PhilGuarantee) is a government guarantee agency that can provide credit guarantees on loans to private sector borrowers by commercial banks, but further expansion of coverage is needed for other banks (GFIs) and borrowers (such as LGUs).
- **Energy Efficiency Technology Lists** stimulate EE market development by promoting and providing information on certified EE technologies, stimulating changes in consumer buying habits and product manufacturing. Lists are often used alongside fiscal incentives to further encourage EE product purchases.
- A **Revolving Fund** is created using budget funds and/or IFI loans. Financing is provided typically to the public agencies, on a revolving basis whereby repayments are used to finance additional projects.
- **Energy Savings Insurance** covers the performance risk of EE Projects against any shortfalls in savings versus the related debt service payment levels to be made to an LFI. This assures Facility Owners and LFIs that the new cash flow from the EE Project will repay the related loan and thereby eliminates the risk for LFIs to accept the future cash flow generated as the source of loan repayment.
- A **'Super ESCO**' is a special type of public ESCO. Established by the government, it functions as an ESCO for the public sector market, whilst also supporting the capacity development and project development activities of existing private sector ESCOs.
- Under a **Budget Finance with Capital Recovery** approach, financing is provided by the government through the Department of Budget and Management, with possible combination of international finance and donor funds. Funds are repaid through savings generated by the investment project in the form of reduced budgetary outlays for energy bills of the public entity in future years.
- A **Credit Line** is a pre-set borrowing limit, at fixed agreed terms, which the borrower can draw on at their discretion.
- **Concessional loans** (or 'soft loans') have more generous terms than those of the market (e.g., lower interest rates and/or longer grace periods). Concessional loans are often deployed within broader mechanisms, such as credit lines and revolving funds, to deliver affordable support.

Key activities going forward

The ITSF will coordinate and assess the need to enhance the low carbon and energy efficiency policies in the Philippines to ensure that it is on track to meet its international and regional commitments, as well as alignment with current policies.

The ITSF will assess the need to support the development of Energy Efficiency financing products.

3.3.4 Financing other SDGs

Since the adoption of the SDGs, the Philippine government has been setting up policies and enabling environment for their implementation. In line with this, sustainable finance will play a significant role in financing projects relating to achieving the SDGs. The following sections lay out the targets and plans that need~~s~~ financing to be able to achieve the SDGs.

Good Health and well-being

Philippine Health Agenda 2016-2022, under the motto “All for Health towards Health for All”, aims to ensure financial protection for the poorest people, deliver better health outcomes, and build health service delivery networks for more responsiveness. This could be delivered through the ACHIEVE Strategy.

- Advance quality, health promotion, and primary care
- Cover all Filipinos against health-related financial risk
- Harness the power of strategic human resource for health development
- Invest in eHealth and date for decision-making
- Enforce standards, accountability, and transparency
- Value all clients and patients, especially the poor, marginalized, and vulnerable
- Elicit multi-sectoral and multi-stakeholder support for health

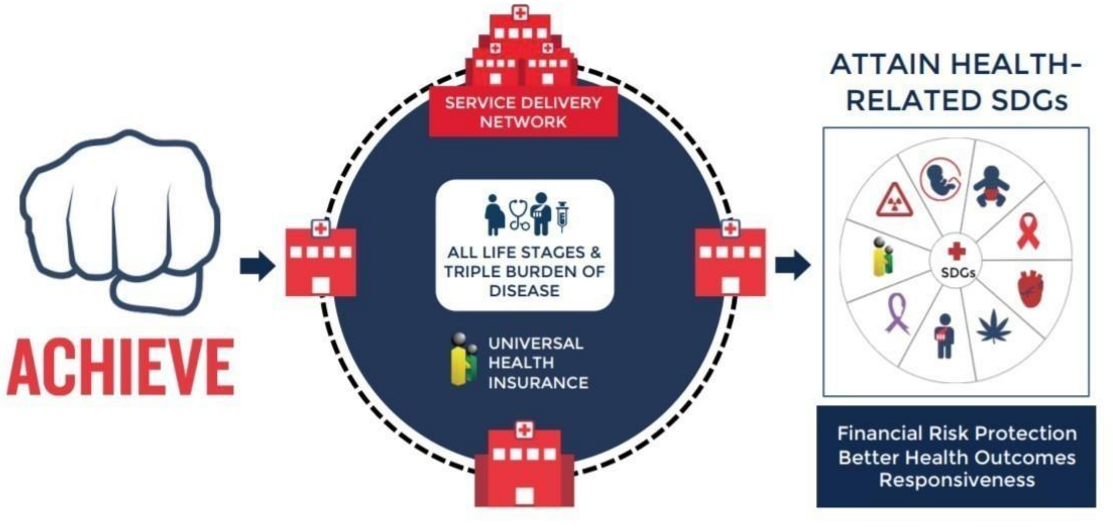


Figure 17. Attaining Health-related SDGs

In addition, National Objectives for Health Philippines 2017-2022 indicates that Private: Out-of-pocket contributed 54.2% of the PhP630.9 billion health expenditure in 2016. Heavy reliance on out-of-pocket payments is considered one of the challenges. Other challenges include fragmentation in health financing, limited financial coverage in health, and low absorptive capacity of Department of Health (DOH). Thus, sustainable investments for health secured, efficiently used and equitably allocated for improved outcomes is one of the priority objectives included in the National Objectives for Health Philippines 2017-2022.

Quality Education

In the 2019 Voluntary National Review, it provided status of Goal 4 indicators in the Philippines. It indicated that the net enrollment rates increased to 94.2% and 76.0% respectively. The table below shows a more detailed assessment of the Goal 4 status.

Indicator	Baseline		Actual	
	Data (%)	Year	Data (%)	Year
Primary				
Net enrolment rate	91.0	2015	94.2	2017
Completion rate	84.0	2015	92.4	2017
Cohort survival rate	87.5	2015	93.7	2017
Dropout rate	2.7	2015	1.6	2017
Secondary				
Net enrolment rate	73.6	2015	76.0	2017
Completion rate	74.0	2015	84.3	2017
Cohort survival rate	81.6	2015	85.6	2017
Dropout rate	6.6	2015	5.2	2017

With the improvement in the indicator, more work is still needed to achieve the 2030 targets. This includes ensuring lifelong learning opportunities for all through achieving quality accessible, relevant, and liberating basic education for all and improving the quality of higher and technical education and research for equity and global competitiveness.

Key activities going forward

The ITSF will coordinate and assess the need to revisit the policies and financing in the Philippines that would enable it to achieve the SDGs, as well as alignment with current policies.

3.3.5 Establishing a sustainable pipeline database

With the increasing interest of sustainable products, investors experience challenges regarding the lack of awareness of the investable projects. This results in investors not pushing through with the investment. To address this,, the ASEAN Capital Markets Forum is collaborating with the WC-CMD to develop a database for sustainable product investments.

The coordination of all participants in the sustainable finance ecosystem will be vital in developing the sustainable pipeline since there is a need to ensure effective unification and cooperation among the market participants. Appropriate monitoring and evaluation systems, processes, and resources are required to verify all the sustainable projects and products. To facilitate sustainable investments, the creation of a sustainable pipeline database is required to improve knowledge, reduce search costs, and strengthen linkages among various aspects in the sustainable ecosystem.

Development of SDG Indicator 5.c.1 methodology, which measures the proportion of countries with systems to track and make public allocations for gender equality and women’s empowerment, were identified as relevant and applicable to national budget tracking efforts and establishes the international standard for gender responsive budgeting.

At present, there is no shared sustainable pipeline database in the Philippines that would provide detailed information on sustainable investment opportunities from both the public and private sector. Long-term sustainable investment planning would give rise to the need for a uniform and consistent information system. The information will be useful to assess and better understand the investment needs and how it matches against the available opportunities.

Key activities going forward

The ITSF will review and assess the need for establishing a sustainable pipeline database for both public and private sector projects.

The ITSF will ensure alignment with the recommendations in the ACMF's Roadmap for ASEAN Sustainable Capital Markets and WC-CMD's Report on Promoting Sustainable Finance in ASEAN of developing a public database of sustainable products, projects and investors.

3.3.6 Progress monitoring and regular updating

Progress monitoring and regular updating plays an important role in mainstreaming sustainable finance. This ensures efficient integration and collaboration among the market participants. Furthermore, it acts as an instrument to effectively plan, budget, and implement sustainable initiatives and programs.

Currently, there is no progress monitoring and updating of all the efforts and initiatives relating to sustainable investments in the Philippines. Leveraging on all on-going activities and initiatives to promote investments, the governments may identify and create a progress monitoring and updating system of sustainable investments. Such a system would include sustainable investments that contribute to meet the country's NDCs under the Paris Agreement, the UN SDGs, National Climate Change Action Plan, and the Philippine Development Plan. The system of sustainable investments may be publicly released by the government in order to showcase sustainable investment opportunities. The publication of the pipeline may help local and international investors to identify investment opportunities in sustainable infrastructure projects in the Philippines, thereby potentially attracting private capital into the country. Information provided may include the project name, the project type and the sector, the project location, the name of the sponsor, the projected start date of construction, the projected start date of operation and the estimated total project cost.

In addition, the government and market players, whether financiers, investors, or developers should have regular meetings or conferences to present the current initiatives and efforts of each market participant. Moreover, they should also discuss the issues and bottlenecks encountered to mainstream sustainable finance.

Key activities going forward

The ITSF will evaluate and assess the need to establish a progress monitoring and updating system for both public and private sector projects.

3 Strategic Plans to Develop Sustainable Finance in the Philippines

Summary of key activities going forward

Pillar A (Policy): Creating a conducive environment	
Integrating sustainability considerations into macroeconomic policies and regulations	The ITSF will continue to promote the integration of inclusion and sustainability issues into the macroeconomic policies and regulations. This may also include conducting research and analysis to identify risk and barriers that may be used to effectively embed sustainability into policies and regulations. The ITSF will explore the need to provide support to drive the transition to a circular economy, including the right mix of policies and incentives. The ITSF will ensure alignment with the recommendations in the WC-CMD's Report on Promoting Sustainable Finance in ASEAN, including developing an approach for a 'Sustainable Finance First for Sustainable Projects' initiative.
Coordinating efforts within the Philippine government	The ITSF will continue to coordinate sustainable finance efforts within the Philippines, including coordination with other plans such as the COVID-19 recovery plan. In addition, the ITSF will coordinate with donor organizations and other stakeholders in the ecosystem to avoid duplication of efforts. The ITSF will review and assess the need for establishing a Center of Excellence for sustainable finance, including alignment with the recommendations in the WC-CMD's Report on Promoting Sustainable Finance in ASEAN such as appointing an expert to study the establishment of an entity dedicated to promoting Sustainable Finance for ASEAN.
Embedding sustainability into the risk management of the banking, insurance and asset management sectors	The ITSF will monitor and assess the need for similar measures, such as supervisory expectations or climate stress tests for firms in the financial sector in order to size their exposure to climate-related financial risks, understand the challenges from those risks to their business models and help them improve the management of those risks. The ITSF will conduct and continue to develop a program of capacity building relating to Environmental and Social Risk Management System (ESRMS).
Encouraging sustainability and climate-related disclosures	The ITSF will continue to review the need to enhance reporting requirements (such as requiring all companies to disclose in line with TCFD requirements), and assess companies' capabilities in sustainability and gender reporting to ensure the quality of reporting and facilitate incorporation of E&S performance in lending and investing decision-making, by issuing further guidelines and/or organizing further trainings. The ITSF will ensure alignment with the recommendations in the ACMF's Roadmap for ASEAN Sustainable Capital Markets and to promote corporate sustainability disclosure and institutional investor disclosures.

**Highlighted are focus areas for the short-term (6 months to 12 months)*

3 Strategic Plans to Develop Sustainable Finance in the Philippines

Summary of key activities going forward

Conducting Capacity Building	The ITSF will continue to explore and develop a program of capacity building that delivers against identified needs. It will also engage with different stakeholders, such as the CHED, IC, and local universities, to develop an action plan for building the local workforce's skills in sustainable finance. Consultation with local firms may be conducted in order to identify their current and future needs in terms of skills and expertise in relation to sustainable finance. The ITSF will ensure alignment with the recommendations in the ACMF's Roadmap for ASEAN Sustainable Capital Markets to promote knowledge transfer, enhance technical competence and increase public awareness. The ITSF will ensure alignment with the recommendations in the WC-CMD's Report on Promoting Sustainable Finance in ASEAN, including engaging relevant professional bodies and industry associations to develop learning and capacity building programs for key sustainable finance participants, and creating awareness of the impact of sustainable finance for students at all levels.
Joining international initiatives on sustainable finance	The ITSF will review and assess the need to participate in other international initiatives on sustainable finance, and encourage other relevant agencies or companies to do so. The ITSF will continue to develop policies to improve transparency on sustainability performance and climate-related finance, review and streamline existing policies and guidelines to access to sustainable finance-related and climate-related data from different sectors, and support policy initiatives including stricter enforcement of laws and regulations.
Pillar B (Financing): Mainstreaming sustainable finance	
Promoting Sustainable Financial Products	The ITSF will review and assess the need for further measures to promote sustainable financial products, through financial support or tax incentives, training and guidelines or issuance of sovereign sustainable bonds to stimulate the market for sustainable financial products The ITSF will ensure alignment with the recommendations in the ACMF's Roadmap for ASEAN Sustainable Capital Markets and WC-CMD's Report on Promoting Sustainable Finance in ASEAN of improving market access for sustainable products and exploring incentives, as well as evaluating whether standards on Transition Bonds and Sustainability-Linked Bonds should be issued.
Improving Sustainable Finance definition and creation of Principles-based taxonomy	The ITSF will explore the development of a Guiding Principle document that will serve as a common language as to what projects will be considered as sustainable. The Guiding Principle document will be aligned with the SEC Guidelines on the Issuances of Green, Social, and Sustainability Bonds. This will also include an assessment of its advantages and disadvantages, as well as how it aligns with the EU and other taxonomies being developed in other jurisdictions.

**Highlighted are focus areas for the short-term (6 months to 12months)*

Summary of key activities going forward

	The ITSF will ensure alignment with the recommendations in the ACMF's Roadmap for ASEAN Sustainable Capital Markets, WC-CMD's Report on Promoting Sustainable Finance in ASEAN of examining a common taxonomy, and the work of the ASEAN Taxonomy Board.
Tracking Sustainable Finance flows	The ITSF will review and assess the need for creating additional mechanisms, tools and methodologies to properly collect and measure data (including impact measurement) related to sustainable finance flows. This could be a function of the Center of Excellence. In addition, the ITSF will look on the enforcement of CCET.
Pillar C (Investment): Developing a sustainable pipeline	
Driving sustainable investments	The ITSF will explore what it can learn from the UK (and other countries) net zero target and the opportunities it provides to drive sustainable finance.
Financing low carbon energy	The ITSF will coordinate and assess the need to enhance the low carbon and energy efficiency policies in the Philippines to ensure that it is on track to meet its international and regional commitments, as well as alignment with current policies. The ITSF will assess the need to support the development of Energy Efficiency financing products
Financing other SDGs	The ITSF will coordinate and assess the need to revisit the policies and financing in the Philippines that would enable it to achieve the SDGs, as well as alignment with current policies.
Establishing a sustainable pipeline database, both for public and private sector projects	The ITSF will review and assess the need for establishing a sustainable pipeline database for both public and private sector projects. The ITSF will ensure alignment with the recommendations in the ACMF's Roadmap for ASEAN Sustainable Capital Markets and WC-CMD's Report on Promoting Sustainable Finance in ASEAN of developing a public database of sustainable products, projects and investors.
Progress monitoring and regular updating, including linking sustainable pipeline to SDGs, PDP, and NDC targets	The ITSF will evaluate and assess the need to establish a progress monitoring and updating system for both public and private sector projects.

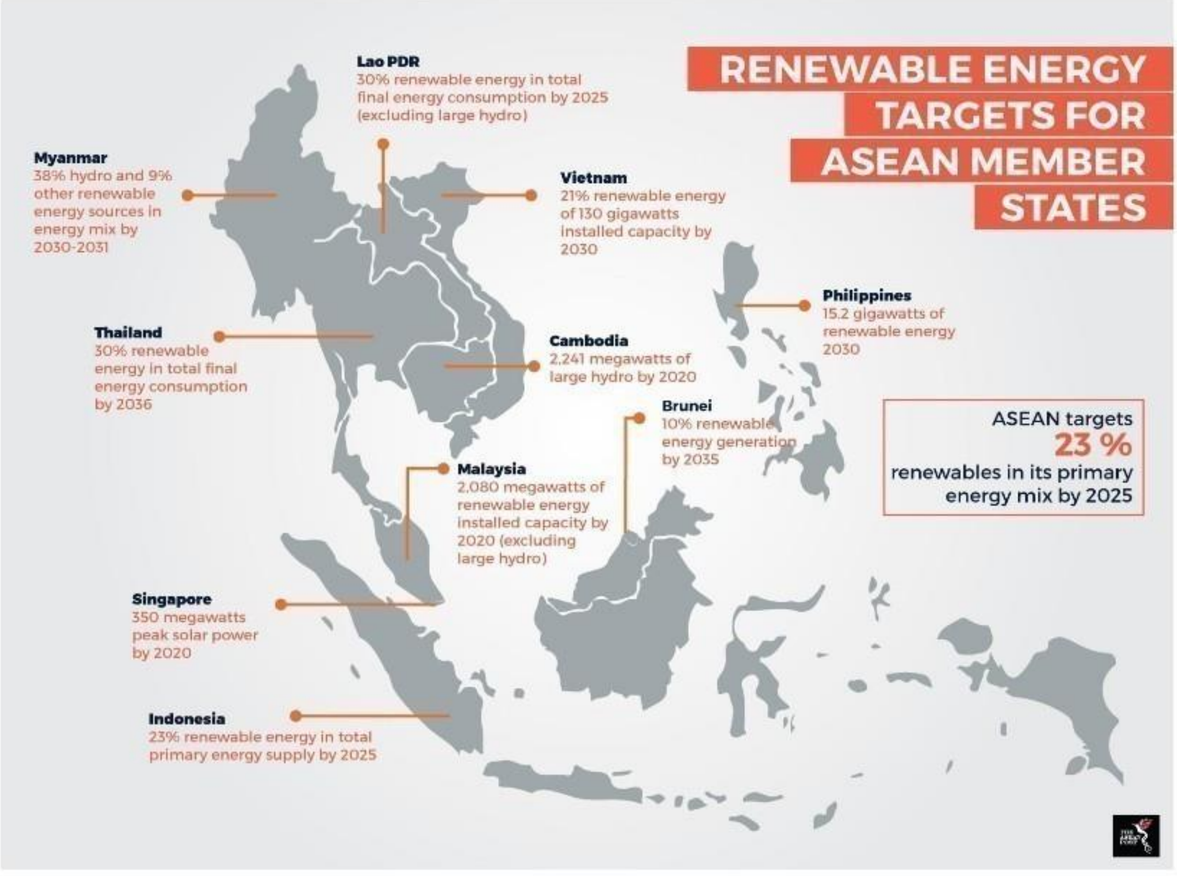
Appendix

Appendix

Appendix 1. Joint Ministerial Statement of the 37th ASEAN Ministers on Energy Meeting (Point 27)[1]

The Ministers and International Renewable Energy Agency (IRENA) discussed the role of ASEAN in the global energy transition and welcomed the areas of focus proposed by IRENA for 2020 to implement the ASEAN-IRENA Memorandum of Understanding (MOU) on renewables development signed in October 2018, not only to assist the region to meet its aspirational target of 23% renewables share but also to address the challenge of transformation towards clean and sustainable energy. These focus areas include the update of the ASEAN Renewable Energy Outlook, to provide an analysis of the deployment potential of renewable energy technologies in power and end-use sectors by 2050 and associated costs and benefits to enable the region's clean energy transition; support for accelerated deployment of sustainable and modern bioenergy; webinars on various renewable energy policy and technology topics as well as country roadmaps for at least two ASEAN Member States.

Renewable Energy Targets for ASEAN Member States [2]



[1] Joint Ministerial Statement of the 37th ASEAN Ministers on Energy Meeting. https://asean.org/storage/2019/09/AMEM37_JMS-Final.pdf
[2] The ASEAN Post, https://theaseanpost.com/article/renewable-energy-cooperation-asean

Appendix

Appendix 2. Summary of Key Recommendations in the Roadmap for ASEAN Sustainable Capital Markets [1]

Priority Area I: Strengthening Foundations	
Promoting Corporate Sustainability Disclosures*	ACMF will continue to work with the exchanges to promote sustainability reporting by listed corporates using the three major international standards: GRI, SASB, and IIRC. In the longer term, the feasibility of adopting a single standard that is globally accepted will be evaluated in consultation with the exchanges and other stakeholders.
Promoting Institutional Investor Disclosures*	ACMF will work with institutional investor associations to develop national stewardship codes (or equivalent) with sustainability elements. Individually, ACMF members will engage asset managers on the latter's investment and risk management practices to highlight the importance of ESG integration.
Examining a Common Taxonomy	ACMF will continue to monitor the ongoing taxonomy work by various institutions such as the EC, CBI, and ICMA prior to adopting a common taxonomy. ACMF will prioritise its engagement with ASEAN central banks and other authorities on the issue of adopting a single financial sector taxonomy that best suits the region's needs.
Exploring Transition Standards	ACMF is of the view that there is merit in introducing transitional standards – starting with the bonds market – to recognise companies that want to raise capital and invest in measures to transition to more sustainable practices. ACMF will evaluate how transitional standards can be introduced, and examine the suitability of adopting for ASEAN any transitional standards that emerge internationally.
Priority Area II: Catalysing Products and Enabling Access to Under-served Areas	
Developing Sustainable and Responsible Fund Standards*	ACMF will explore the feasibility of developing sustainable and responsible fund standards. ACMF will consult with fund managers in the region on technical requirements and feasibility considerations.
Improving Market Access for Sustainable Products*	ACMF will review its existing schemes and evaluate the feasibility of introducing 'green lanes' to expedite cross-border green, social and sustainability bond issuance and distribution of sustainable funds, without compromising regulatory standards. ACMF will also explore its cross-border regulatory frameworks to include alternative markets, such as crowdfunding for environmental and social purposes.
Developing ESG Indices	ACMF will continue to engage with leading index providers to explore the introduction of more focused sustainability-related indices according to level of interest and demand (e.g. low carbon transition, climate change). ACMF will consider developing an ESG scorecard or enhance economic, environmental and social considerations in the ASEAN Corporate Governance Scorecard to increase the visibility of small and medium-sized companies with strong ESG performance.

*Focus areas for the short-to-medium term

[1] ASEAN Capital Markets Forum. Roadmap for ASEAN Sustainable Capital Markets.

Appendix

Using Digital Technology to Facilitate Cross-border Participa-tion in Sustai-nable Products	ACMF intends to deepen its knowledge on how technology can be used to develop sustainable finance solutions. ACMF members could explore partnering – as a group – with traditional finance or FinTech players, to broaden cross-border retail access to sustainable financial products.
Exploring Incentives	ACMF will work closely with the WC-CMD to analyse the feasibility, desirability, and impact of introducing domestic tax breaks and exemptions. Such tax incentives do not have to be uniform across ASEAN and have to take into account domestic priorities and market structure.
Priority Area III: Raising Awareness & Capacity Building	
Enhancing Technical Competence	ACMF will partner with stakeholders including financial sector players (such as fund managers, banks, insurance companies, exchanges) as well as multilateral institutions to build comprehensive capacity on technical competence.
Promoting Knowledge Transfer*	ACMF will consider redesigning its website to act as a 'one-stop' knowledge hub to raise awareness and educate participants on sustainable finance-related issues. ACMF intends to explore utilising other social media platforms to disseminate sustainability information. ACMF will collaborate with Multilateral Development Banks (MDBs) to seek support in the expansion of knowledge-based capacity-building platforms as well as other international and domestic sustainable finance initiatives.
Increasing Public Awareness	ACMF will collaborate with players like ASEAN-based exchanges to organise sustainable finance outreach programs. ACMF will consider implementing initiatives to raise awareness regarding sustainable finance to broaden the knowledge base and openness towards sustainable products among investors. ACMF will also explore collaborations with non-governmental organizations (NGOs) to build public awareness around sustainable financing. Many NGOs have developed expertise in their respective areas and possess deep technical insights on challenges, bottlenecks, and opportunities for the capital market regulators and governments.
Priority Area IV: Increasing Connectivity	
Developing a Public Database of Sustainable Products, Projects and Investors	A proposed initiative under WC-CMD is to build a database on the pipeline of infrastructure projects in the region with a green indicator, so that investors can obtain detailed information on investment opportunities. Moving forward, ACMF will engage WC-CMD in jointly developing and expanding this database to include a broader variety of sustainable products for investment.
Leveraging Multilateral and Philanthropic Efforts	ACMF will continue to strengthen relationships with multilateral development organisations and also build new relationships with philanthropies to create a stronger and more connected sustainable finance ecosystem.
Coordinating Efforts with Public & Financial Sectors*	ACMF will coordinate with central banks, other domestic financial regulators, and finance ministries to ensure alignment and successful implementation of the Roadmap.

*Focus areas for the short-to-medium term

Appendix

Appendix 3. Summary of Key Recommendations in the WC-CMD's Report on Promoting Sustainable Finance in ASEAN

Pillar	Recommendations
Policy	WC-CMD should work together with Member State of ASEAN (AMS) Ministries of Finance (MOFs) and other relevant ministries or government agencies (where applicable) to develop an approach for a 'Sustainable Finance First for Sustainable Projects' Initiative.
	WC-CMD should work together with AMS MOFs and other relevant ministries or government agencies (where applicable) to identify sustainable projects intended to be funded through the national budget and review how they can be instead financed using a combination of public, private and developmental Capital.
	WC-CMD should work together with AMS MOFs and other relevant ministries or government agencies (where applicable) to develop a framework to apply a strategic and structured approach to financing sustainable projects where the use of a combination of public, private and developmental capital is considered in a systematised way rather than on a project by project basis. The issuance of sovereign, local and government linked bonds that can provide value for money should be considered as part of this framework.
	Explore developing a toolkit for issuing SDG Bonds for policy banks and lending institutions in ASEAN that can be used to engage and encourage these institutions to issue SDG Bonds
Co-ordination	Enhance the existing collaboration between WC-CMD and ACMF (the Joint ACMF and WC-CMD Sustainable Finance Working Group) by having a more structured engagement platform. An independent and dedicated secretariat should be appointed to support this working group. MDBs or regional institutions can host the secretariat or alternatively, the secretariat can be funded by MDBs or developmental aid. With the increased resources, the reconfigured working group should engage more with banking and insurance regulators
	Request for the ASEAN Secretariat to appoint an expert to study the establishment of an entity dedicated to promoting Sustainable Finance for ASEAN
Awareness and Education	The Joint ACMF and WC-CMD Sustainable Finance Working Group should develop an outreach programme with NGOs for the general public.
	The Joint ACMF and WC-CMD Sustainable Finance Working Group should engage relevant professional bodies and industry associations to develop learning and capacity building programmes for key sustainable finance participants
	The Joint ACMF and WC-CMD Sustainable Finance Working Group to collaborate with ministries of education, learning institutions and the relevant stakeholders (which could include the relevant ASEAN sectoral bodies) to create awareness of the impact of sustainable finance for students at all levels.

Appendix

Appendix 3. Summary of Key Recommendations in the WC-CMD's Report on Promoting Sustainable Finance in ASEAN

Pillar	Recommendations
Building demand and supply and creating a virtuous cycle	Collaborate with ACMF to determine the most appropriate sustainable taxonomy for ASEAN to adopt, taking into consideration global developments and ASEAN's strategic goals, with priority given to the approach for a green taxonomy
	Collaborate with ACMF to promote sustainability disclosures. In the long term, determine if a particular standard can be adopted for ASEAN and the extent of the adoption (i.e. mandatory or voluntary)
	Evaluate whether standards on Transition Bonds and Sustainability-Linked Bonds should be issued
	Explore development of platforms to provide information regionally on investment opportunities and investors. This should be done together with partners from the developmental and/or private sectors
	Explore, with ACMF and other relevant bodies, the establishment of a regional crowdfunding or impact investing platform for sustainable projects including co-funding/co-financing structures
	Explore, with other relevant ASEAN Committees, the creation of an intra-ASEAN sustainability corridor that will allow investments flowing through that corridor to enjoy relief from individual AMS foreign exchange rules
	Explore, with MDBs, the private sector and other relevant bodies, new and innovative credit and currency de-risking mechanisms

Appendix

Appendix 4. List of Roadmaps of different Philippine agencies

Government Institution	Published Roadmap/Development Plan
Advanced Science and Technology Institute (ASTI)	Connecting ICT in South East Asia and Europe
Bangko Sentral ng Pilipinas (BSP)	National Strategy for Financial Inclusion 2015 BSP Digital Payments Transformation Roadmap 2020-2023
Biodiversity Management Bureau (BMB)	Philippine Biodiversity Conservation Priorities National Wetland Action Plan National Recovery Plan for the Philippine Crocodile, 2005-2008 National Ecotourism Strategy and Action Plan 2013-2022 The National Wetlands Action Plan for the Philippines 2011-2016 Coral Triangle Initiative National Plan of Action Sustainable Use and Protection of Philippine Peatlands National Biodiversity Strategy and Action Plan (Parts 1-3) The Verde Framework Philippine Plant Conservation Strategy and Action Plan Philippine Biodiversity Strategy and Action Plan 2015-2028
Board of Investments (BOI)	Aerospace Automotive Chemicals Electric Vehicles Electronics Footwear Furniture Iron and Steel Manufacturing Petrochemicals Pharmaceutical Plastics Shipbuilding Tool and Die 2018 Mango Seed Oil Processed Fruit and Beverage Animation Downstream Oil Game Development Global In-House/Shared services Hotel Accomodation Infrastructure The Philippine IT-BPM Sector Roadmap 2022 Real Estate Telecommunications Infrastructure
Bureau of Agricultural Research	Climate Change Research, Development and Extension Agenda and Program for Agriculture and Fisheries Philippine Rainfed Agriculture Research, Development and Extension Program Framework and Action Agenda
Bureau of Customs (BOC)	Philippine Export Development Plan 2018-2022 Strategic Transformation Plan 2017-2021
Bureau of Fisheries and Aquatic Resources (BFAR)	Comprehensive National Fisheries Industry Development Plan (CNFIDP)

Appendix

Government Institution	Published Roadmap/Development Plan
Bureau of Plant Industry	Philippine Cacao Industry Roadmap 2017-2022 Philippine Coffee Industry Roadmap 2017-2022
Bureau of Soils and Water Management Soil and Water Resources	Research and Development Roadmap 2016-2022
Climate Change Commission (CCC)	National Climate Change Action Plan 2011-2028
Commission on Higher Education (CHED)	Roadmap for Public Higher Education Reform 2011-2016
Commission on Population and Development	Philippine Population Management Program Directional Plan 2011-2016 Philippine Population Management Program Directional Plan 2017-2022
Cooperative Development Authority (CDA)	Philippine Cooperative Development Plan 2018-2022
Department of Agriculture (DA)	Philippine Abaca Industry Roadmap 2018-2022 Philippine Banana Industry Roadmap 2019-2022 Philippine Mango Industry Roadmap 2017-2022 Philippine Rubber Industry Roadmap 2017-2022
Department of Budget and Management (DBM)	National Climate Change Expenditure Tagging Typology Code Manual
Department of Education (DepEd)	ICT Infrastructure Roadmap ICT Information Systems Roadmap
Department of Energy (DOE)	Philippine Energy Plan 2007-2014 Philippine Energy Plan 2012-2030 Philippine Energy Plan 2016-2030 Sectoral Plans and Roadmaps 2017-2040 Mindanao Energy Plan 2018-2040
Department of Health (DOH)	National Objectives for Health 2017-2022
Department of Information and Communications Technology (DICT)	Philippine Roadmap for Digital Startups Philippine ICT Roadmap 2006-2010 National Cybersecurity Plan 2022 National Broadband Plan
Department of Interior and Local Government (DILG)	Caraga Roadmap for Peace 2016-2022
Department of Justice (DOJ)	DOJ Development Plan 2011-2016 DOJ Development Plan 2017-2022
Department of Public Works and Highways (DPWH)	Philippine Sustainable Sanitation Roadmap 2010
Department of Tourism (DOT)	National Tourism Development Plan 2016-2022
Department of Trade and Industry (DTI)	Greening the Philippine Manufacturing Industry Roadmap
Ecosystems Research and Development Bureau (ERDB)	2011 – 2016 Integrated Environment and Natural Resources

Appendix

Government Institution	Published Roadmap/Development Plan
Environmental Management Bureau (EMB)	National Solid Waste Management Strategy 2012-2016
Fertilizer and Pesticide Authority (FPA)	Strategy Map 2019-2022
Forest Products Research and Development Institute (FPRDI)	Philippine Bamboo Industries Roadmap 2017-2040 Philippine Furniture Industry Roadmap 2012-2030
Housing and Land Use Regulatory Board (HLURB)	National Urban Development and Housing Framework
Housing and Urban Development Coordinating Council (HUDCC)	Philippine Development Plan on Shelter 2011-2016
Intellectual Property Office of the Philippines	National Intellectual Property Strategy 2020-2025
Land Management Bureau (LMB)	Land Sector Development Framework: 2030 Vision for the Land Sector in the Philippines
Maritime Industry Authority	Philippines Maritime Industry Development Plan 2019-2028
Metropolitan Manila Development Authority (MMDA)	NCR Regional Development Plan 2017-2022
Mindanao Development Authority (MINDA)	Mindanao 2020 Peace and Development Framework Plan 2011-2030
National Academy of Science and Technology (NAST)	NAST Strategic Plan 2014-2019
National Anti-Poverty Commission (NAPC)	Sambayanihan Serbisyong Sambayanan: The NAPC Five-Year Development Plant (2019 - 2023) Coconut Road Map
National Commission on Muslim Filipinos (NCMF)	NCMF Information Systems Strategic Plan 2016-2017
National Economic and Development Authority (NEDA)	Philippine Development Plan 2017 - 2022
National Mapping and Resource Information Authority (NAMRIA)	Modernization of the Philippine Geodetic Reference System Strategic Plan 2016-2020
National Research Council of the Philippines (NRCP)	NRCP Programs and Projects 2012 NRCP Programs and Projects 2013 NRCP Programs and Projects 2014 NRCP Programs and Projects 2015
National Water Resources Board (NWRB)	Integrated Water Resources Management for Poverty Alleviation and Economic Development in the Pampanga River Basin 2011 Groundwater Management Plan for HUCs (Iloilo) 2013 Groundwater Management Plan for HUCs (CDO) 2014 Investment Needs for Resource Assessment Capability in the Philippines 2012

Appendix

Government Institution	Published Roadmap/Development Plan
National Youth Commission	Philippine Youth Development Plan 2017-2022
Palawan Council for Sustainable Development (PCSD)	ECAN Zones Management Plan for El Nido Municipality 2006
Philippine Atmospheric, Geophysical, and Astronomical Services Administration (PAGASA)	PAGASA Modernization Roadmap
Philippine Commission on Women (PCW)	Integrating Environmental Governance in Women's Economic Empowerment Initiatives 2012 Women's Empowerment, Development, and Gender Equality Plan 2013-2016
Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development	Biodiversity R&D Roadmap 2017-2021 Ocean Environmental Services - Coral Reefs and Coral Reef Associated Habitats R&D Roadmap 2017-2022 Climate Change R&D Roadmap 2017-2021 Harmful Algal Blooms R&D Roadmap 2017-2021 Watershed R&D Roadmap 2017-2021 Harmonized National R&D Agenda - Agriculture, Aquatic, and Natural Resources Sector 2017-2022 Other R&D Roadmaps 2017-2021
Philippine Council for Health Research and Development	Philippines eHealth Strategic Framework and Plan 2014-2020
Philippine Council for Industry, Energy and Emerging Technology Research and Development (PCIEERD)	Biotechnology R&D Roadmap 2013-2019 Disaster Risk Reduction S&T Roadmap 2014-2016 Electronics R&D Roadmap 2012-2017 Energy Roadmap 2013-2020 S&T Water Environment Roadmap 2011-2016 Genomics R&D Roadmap 2012-2018 Advanced Materials R&D Roadmap 2014-2017 Metals and Engineering Roadmap 2011-2016 Mining and Mineral Sector Draft Roadmap 2013-2016 Photonics Sectoral Plan 2014-2020 Land Transport S&T Roadmap 2014-2020
Philippine Statistics Authority (PSA)	PSA Strategic Plan 2016-2020
Public-Private Partnership Center (PPP Center)	Local PPP Strategy PPP Talk: Climate-Resilient Infrastructure - Protecting the Filipinos' Future Safeguards in PPP: Mainstreaming Environmental Displacement, Social and Gender Concerns
Science Education Institute (SEI)	S&T Human Resource Development Plan 2017-2022
Securities and Exchange Commission (SEC)	Capital Market Development Plan (CMDP) Blueprint Narrative 2013-2017

Appendix

Appendix 5. Available Climate Finance [1]

- Green Climate Fund (GCF)
- Green Climate Fund (GCF) - Project Preparation Facility
- Green Climate Fund (GCF) - Readiness Programme
- Climate Investment Funds (CIF) - Clean Technology Fund (CTF)
- Global Environment Facility (GEF) Trust Fund
- Global Environment Facility (GEF) - Small Grants Program
- Climate Investment Funds (CIF) - Pilot Program for Climate Resilience (PPCR)
- Climate Investment Funds (CIF) - Scaling up Renewable Energy in Low Income Countries Program (SREP)
- Climate Investment Funds (CIF) - Forest Investment Program (FIP)
- Multilateral Fund for the Implementation of the Montreal Protocol
- Global Climate Partnership Fund (GCPF)
- Adaptation Fund
- Adaptation Fund - Readiness Grants
- Global Climate Change Alliance (GCCA+)
- IRENA/ADFD Project Facility
- Special Climate Change Fund (SCCF)
- Global Facility for Disaster Reduction and Recovery (GFDRR)
- Canadian Climate Fund for the Private Sector in Asia II
- Dutch Fund for Climate and Development
- Adaptation for Smallholder Agriculture Program (ASAP)
- Future Carbon Fund
- Climate Change Fund
- Asia-Pacific Project Preparation Facility
- Sustainable Development Goals Fund (SDG Fund)
- Capacity-Building Initiative for Transparency (CBIT)
- NAMA Facility
- Pilot Auction Facility for Methane and Climate Change Mitigation (PAF)
- Nitric Acid Climate Action Group (NACAG)
- Asia Pacific Disaster Response Fund (APDRF)
- Climate Services for Resilient Development Partnership
- Clean Energy Fund
- Water Financing Partnership Facility (WFPF)
- Urban Climate Change Resilience Trust Fund (UCCRTF)
- Integrated Disaster Risk Management Fund
- Climate Change Technical Assistance Facility (CCTAF)
- Spanish Cooperation Fund for Technical Assistance
- Asian Clean Energy Fund
- Asia Pacific Climate Finance Fund (ACliFF)
- Canadian Climate Fund for the Private Sector in Asia
- Carbon Capture and Storage Fund (CCSF)
- Urban Environmental Infrastructure Fund (UEIF)
- Canadian Cooperation Fund on Climate Change
- Green Building EDGE Program
- Le Fonds Français pour l'Environnement Mondial
- The Global Innovation Lab for Climate Finance
- The Carbon Fund - The Carbon Initiative for Development (Ci-Dev)
- The European Union's Technical Assistance Facility (TAF) for the Sustainable Energy for All (SE4ALL)
- The Weather Risk Management Facility (WRMF)
- The Readiness Fund - The Carbon Initiative for Development (Ci-Dev)
- 2nd Danish Cooperation Fund for Renewable Energy and Energy Efficiency in Rural Areas (DREEERA2)
- Energy Sector Management Assistance Program (ESMAP)

[1] NDC Partnership

Appendix

Appendix 6. Comparison of different non-financial reporting frameworks[1]

	1997 YEAR OF LAUNCH; GEOGRAPHIC SCOPE (Global); **GRI** FRAMEWORK: GRI Standards; TARGET REPORTERS: All companies	2010 YEAR OF LAUNCH; GEOGRAPHIC SCOPE (Global); **IIRC** FRAMEWORK: Integrated Reporting Framework; TARGET REPORTERS: Public companies
	www.globalreporting.org	www.integratedreporting.org
PURPOSE:	*Help organizations report on economic, environmental & social impacts considering a wide range of interests.*	*Establish Guiding Principles and Content Elements allowing companies to produce "integrated reports."*
AUDIENCE:	**Broad set of stakeholders**	**Investors**
WHERE TO REPORT:	*Corporate sustainability report*	*Stand-alone integrated report*
FOCUS AREAS: ENVIRONMENT, SOCIAL, GOVERNANCE		
INFORMATION TO REPORT:	• **General disclosures:** Organization's profile, strategy, ethics and integrity, governance, stakeholder engagement practices, and reporting process. • **Economic:** Performance, market presence, indirect economic impacts, procurement practices, anti-corruption and anti-competitive behavior. • **Environment:** Materials, energy, water and effluents, biodiversity, emissions, effluents and waste, environmental compliance, and supplier environmental assessment. • **Social:** Employment labor/management relations, occupational health and safety, training and education, diversity and equal opportunity, nondiscrimination, freedom of association and collective bargaining, child labor, etc.	• **Organizational overview** and external environment. • **Governance structure:** How it supports ability to create value in the short, medium & long term. • **Business model** of the organization. • **Risks and opportunities** that affect the ability to create value over the short, medium & long term; how those issues are dealt with. • **Strategy** and resource allocation. • **Performance:** Extent to which objectives were achieved for the period; outcomes and their effect on capitals. • **Outlook:** Challenges and uncertainties likely to be encountered; implications for the business model and future performance. • **Basis of presentation:** How the organization determines what to include in its integrated report.
PRESCRIPTIVE OR FLEXIBLE:	**Prescriptive**	**Flexible**
SECTOR FOCUS:	Agnostic (+ some sector-specific guidance)	Agnostic

[1] The Conference Board

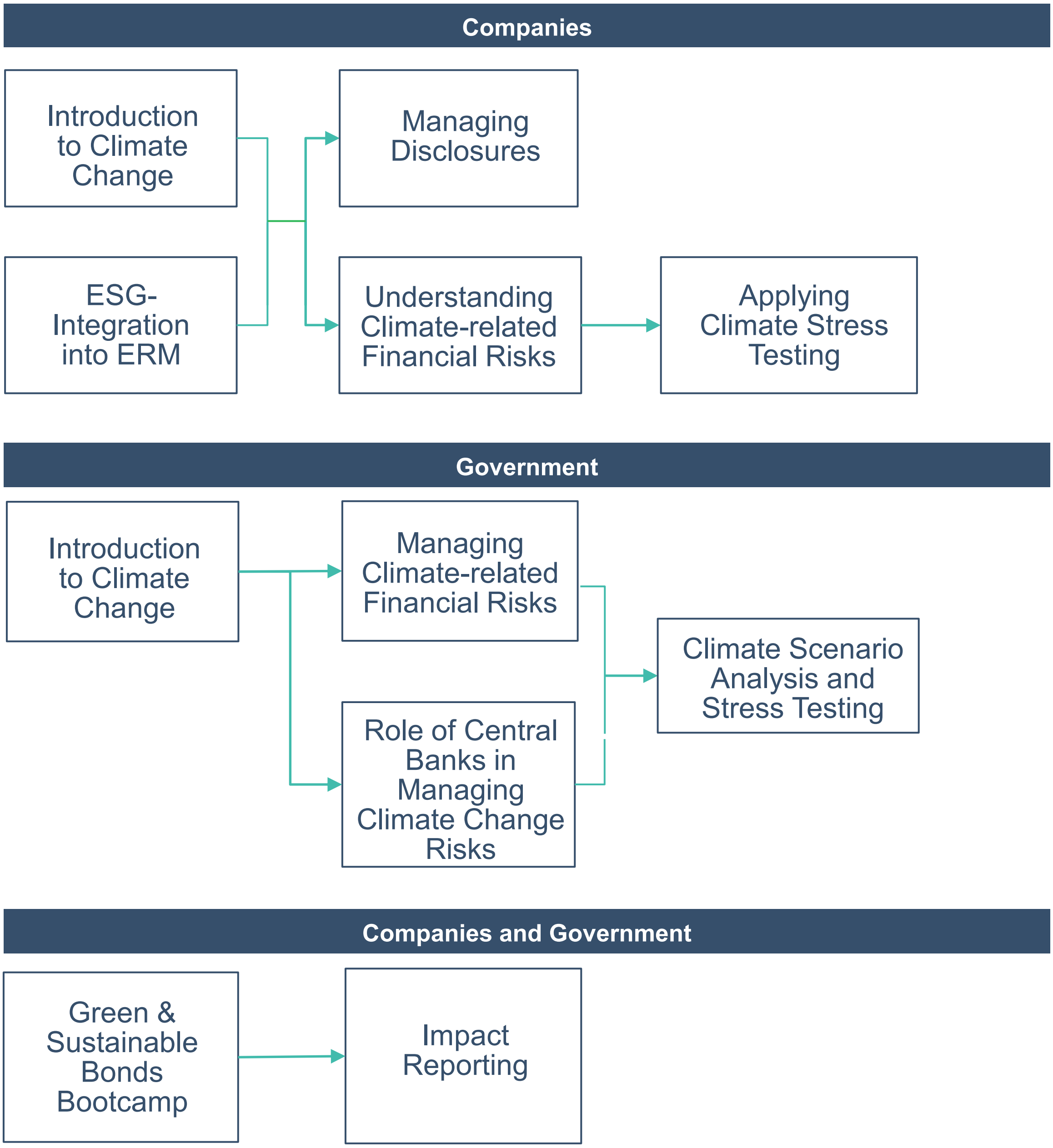
Appendix

Appendix 6. Comparison of different non-financial reporting frameworks

	2012 YEAR OF LAUNCH · GEOGRAPHIC SCOPE (US) **SASB** FRAMEWORK: Sustainability Accounting Standards TARGET REPORTERS: Public companies in US exchanges	2017 YEAR OF LAUNCH · GEOGRAPHIC SCOPE (Global) **TCFD** FRAMEWORK: Task Force on Climate-related Financial Disclosures TARGET REPORTERS: All companies
	www.sasb.org	www.fsb-tcfd.org
PURPOSE:	*Facilitate disclosure of material sustainability information in SEC filings.*	*Encourage firms to align climate-related risk disclosures with investors' needs.*
AUDIENCE:	**Investors**	**Investors, lenders, insurers**
WHERE TO REPORT:	*SEC Form 10-K, 20-F filings*	*Annual financial filings (e.g., annual report)*
FOCUS AREAS: ENVIRONMENT SOCIAL GOVERNANCE	E S G	E G
INFORMATION TO REPORT:	• **Environment:** Corporate impacts on the environment. • **Social capital:** Human rights, protection of vulnerable groups, local economic development, access to and quality of products, and services, affordability, responsible marketing, and customer privacy. • **Human capital:** Issues affecting employee productivity (e.g., employee engagement, diversity, and incentives and compensation). • **Business model and innovation:** Impact of sustainability issues on innovation and business models, and the integration of these issues in a company's value-creation process. • **Leadership and governance:** Management of issues inherent to the business model or common practice in the industry that are in potential conflict with the interests of broader stakeholder groups.	• **Governance:** Governance around climate-related risks and opportunities. • **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material. • **Risk management:** How the organization identifies, assesses, and manages climate-related risks. • **Metrics and targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
PRESCRIPTIVE OR FLEXIBLE:	**Prescriptive**	**Flexible**
SECTOR FOCUS:	Specific	Agnostic (+ some sector-specific guidance)

Appendix

Appendix 7. Capacity Building Learning Map



Appendix

Appendix 8. Examples of Green Investment Vehicle

UK Green Investment Bank's Green Purposes
The protection of enhancement of the natural environment
The reduction of greenhouse gas emissions
The advancement of efficiency in the use of natural resources
The protection or enhancement of biodiversity
The promotion of environmental sustainability

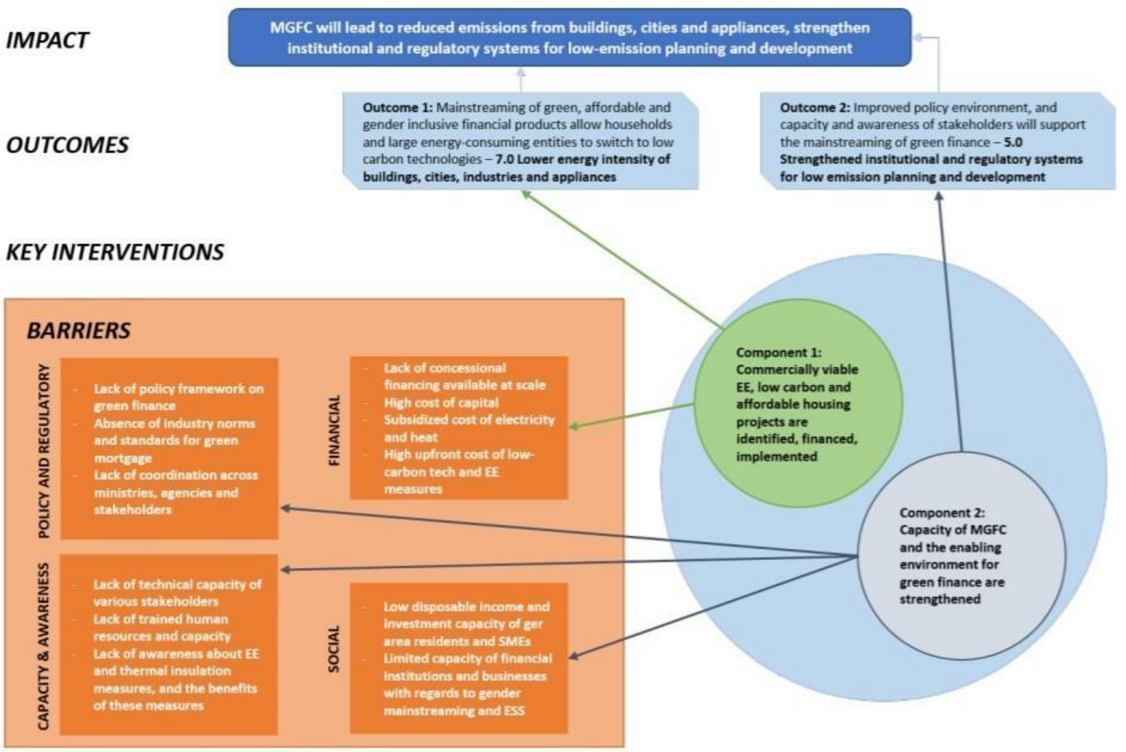
UK GIB's Selected Transactions Closed in 2015-16				
Project name	**Sector**	**Description**	**Direct investments (£m)**	**Fund investments (£m)**
Rampion offshore wind farm	Offshore wind	The project is a joint venture with E.ON and Enbridge and is expected to generate 1,333 Wh of renewable energy annually, enough to power approximately 300,000 homes, and reduce greenhouse gas emissions by the equivalent to taking over 75,000 cars off the road for the lifetime of the project.	GIB investment: 306.5 Total transaction size: 1,184.7	-
Belfast energy from waste plant	Waste and bioenergy	GIB committed £47m of equity to a new £107m energy from waste plant, which will be fueled by feedstock derived from household and commercial waste, in Belfast. It will generate approximately 61 GWh of renewable electricity annually – enough to power more than 14,500 homes.	GIB investment: 47.1 Total transaction size: 107.3	-

Appendix

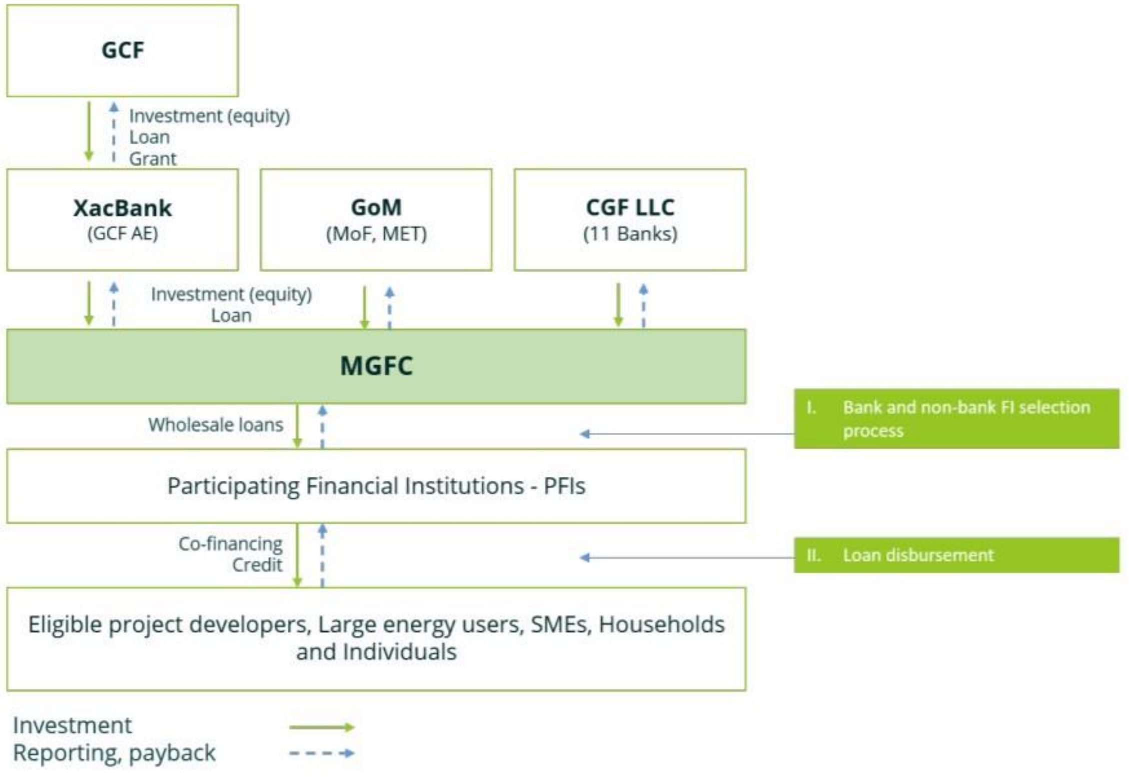
Selected Transactions Closed in 2015-16 (Cont'd)				
Project name	**Sector**	**Description**	**Direct investments (£m)**	**Fund investments (£m)**
Sheffield CHP plant	Energy efficiency	UK GIB's third party fund managers invested in 12 projects. These included combined heat and power (CHP) plants in Sheffield using waste wood as a fuel source.	-	GIB investment: 14.6 Total transaction size: 30.0 Fund manager: Equitix
Blackcraig wind farm	Onshore renewable	GIB, together with Kohlberg Kravis Roberts & Co (KKR), committed £82.7m finance to the 52.9 MW Blackcraig wind farm in Dumfries and Galloway via the Temporis-managed lending Programme.	-	GIB investment: 49.5 Total transaction size: 103.8 Fund manager: Temporis

Appendix

Mongolia Green Finance Corporation (MGFC)



MGFC's Theory of Change



MGFC's Funds Flow Diagram

Appendix

Appendix 9. Bank Negara Malaysia (BNM) Principles-based Taxonomy

Guiding Principle 1 (GP1): Climate change mitigation

The objective of climate change mitigation is to reduce GHG in the atmosphere. An economic activity can be considered to meet climate change mitigation if it makes substantial contribution towards the following:

- Avoid GHG emissions;
- Reduce GHG emissions; or
- Enable others to avoid or reduce GHG emissions

Examples of economic activities that can be considered as meeting GP1 include, but are not limited to the following:

a. Increase contribution of renewable energy in power generation
   E.g. Solar farm, biogas power plant, hydro power plant
b. Optimize energy consumption
   E.g. Promote energy efficient and energy savings based projects
c. Encourage low carbon mobility
   E.g. Energy efficient vehicles and transport
d. Promote green buildings
   E.g. Adoption of green technology in the construction, management, maintenance and demolition of buildings

Reduction of emissions can be performed via several mechanisms, such as increasing energy efficiency, use of renewable forms of energy and carbon capture and storage technology.

Guiding Principle 2 (GP2): Climate change adaptation

The objective of climate change adaptation is to increase resilience in order to withstand the negative physical effects of current and future climate change. An economic activity can be considered to meet climate change adaptation through the following:

- Implement measures to increase own resilience; or
- Enable other economic activities to adapt to climate change.

Examples of economic activities that can be considered as meeting GP2 include, but are not limited to the following:

a. Implement measures to increase own resilience
   E.g. Implement early warning system to reduce risk of flooding
b. Contribute to the adaptation of other economic activities to mitigate physical effects of climate change
   E.g. Develop flood sensor technology

Guiding Principle 3 (GP3): No significant harm to the environment

An economic activity is generally location specific and interacts directly or indirectly with the surrounding environment. While an economic activity may contribute towards climate risk mitigation and adaptation, the overall business may bring about unintended harm to the broader environment which may precipitate permanent adverse impacts to the climate. Therefore, there must be adequate consideration directed at the impact on the wider ecosystem where the economic activity takes place.

Appendix

To align with the broader environmental objectives, the following criteria should be considered for the overall business:

a. Prevent and control pollution (air, water and land);
b. Protect healthy ecosystem and biodiversity; and
c. Sustainable and efficient use of energy, water, and other natural resources.

Guiding Principle 4 (GP4): Remedial efforts to promote transition
In supporting the transition efforts towards a low carbon and climate resilient economy, supervised institutions are expected to take into account the remedial efforts and improvement programs undertaken by the businesses. This include commitment or willingness demonstrated by businesses through development of action plans, implementation of remedial measures and transition towards sustainable practices which may indirectly contribute to climate change mitigation and adaptation.

Guiding Principle 5 (GP5): Prohibited activities
Supervised institutions should verify and ensure that the economic activities are not illegal and does not contravene environmental laws. This includes, but is not limited to the National Policy on the Environment, National Forestry Act 1984, Fisheries Act 1985, National Parks Act 1980, Environmental Quality Act 1974 and its Regulations and Orders. Examples of prohibited activities are as follows (non-exhaustive):

a. Illegal waste management including release of untreated toxic and
b. hazardous industrial waste (generate, storage, treatment and disposal);
c. Operations which use fire for land clearance;
d. Operations involving illegal deforestation;
e. Activities within, adjacent to, or upstream of designated protected areas and habitats of rare/endangered species; and
f. Operations which practice drift net fishing or fishing with the use of explosives.

Appendix 10. Financing instruments for energy efficiency

- **Existing EE Lending Programmes.** In the Philippines, Government Financial Institutions (GFIs) already have existing lending programmes for EE projects, offering loans to both EE and renewable energy projects. Barriers to accessing these loans should be evaluated, ideally based on private sector feedback, including loan terms and application requirements. Support to GFIs could be provided to strengthen their existing EE lending programmes through technical assistance, for example through building their capacity to evaluate EE projects and bringing down the costs of energy audits. This could involve working with ESCOs and GFIs to understand what the specific issues are and where additional capacity is needed.

- **Partial Credit Risk Guarantee (PCG).** A PCG covers the credit risk a lender assumes that the borrower will not make its agreed loan payments. To reduce this risk, a PCG can assume a portion of this credit risk (typically around 80%) by providing a guarantee to the lender to cover the PCG's portion of losses incurred by the lender. The Philippine Guarantee Corporation (PhilGuarantee) is a government guarantee agency that has the authority to provide credit guarantees on loans to private sector borrowers by commercial banks, but is prohibited from guaranteeing loans by LGU borrowers. To do this, the government needs to authorize PhilGuarantee to expand its current PCG coverage to include all types of banks (including GFIs) and borrowers (such as LGUs).

- **Energy Savings Insurance (ESI) Product.** An ESI covers the performance risk of EE Projects against any shortfalls in savings versus the related debt service payment levels to be made to a Local Financial Institution (LFI). This assures Facility Owners and LFIs that the estimated new cash flow from the EE Project will be sufficient to repay the related loan and thereby eliminates the risk for LFIs to accept the future cash flow generated from EE Projects as the primary source of loan repayment from Facility Owners. It is needed to establish energy savings as a reliable new future cash flow, which LFIs are willing to accept as a source of loan repayment and increased credit capacity for a borrower, as well as a basis to reduce collateral requirements. It is also needed to instill confidence with Facility Owners that estimated future cash flows from EE Projects will be realized. A grant from an international donor, financial institution or development bank could be used to design/implement an ESI, to be made available to all LFIs in the Philippines, mitigating their performance risk against any shortfalls in savings versus the debt service payment levels to be made by the borrower.

- **Revolving Fund** for EE Project Preparation and Implementation with terms and conditions attractive to public and private project developers or facility owners will provide a needed push to accelerate the deployment of EE projects in the country.
    - A Project Implementation Fund (PIF) is needed for loans to both public and private sector with soft(er) terms and conditions compared to current financing packages of LFIs. Specifics will be determined in the study to be done for the PPF and PIF

- A Project Preparation Fund (PPF) is needed for Energy Audits to determine the EE potential in an establishment. At present, this front-end cost is advanced by the project host/facility owner or ESCO and does not offer immediate opportunity for recovery until after project operationalization. It is proposed that the PPF be made available in blended terms (e.g. 50% grant and 50% interest-free loan that may be capitalized when the project reaches implementation). The PPF will run out in due time, hence, it is suggested that a prior study be made on what the size of the PPF should be to make it last until such time that facility owners in both public and private sector reach a level of confidence that using their own resources is good investment as must have been proven by successful prior projects.

Possible sources of revolving fund:

- ***Official Development Assistance (ODA).*** Negotiations for ODA typically take at least 2 years to conclude. ODAs also require sovereign guarantee. At this point in time, since the current National Administration only has about one year left in office before the next election, it may not be a practical option to pursue.

- ***Internally-generated fund of GFIs.*** GFIs (e.g. DBP and LBP) have plenty of funds intended for lending to EE projects but have been barely lent-out for reasons mentioned in earlier sections. While their financing packages have specific terms and conditions laid out, it may be possible to convince them to re-formulate the use of these funds and make their terms and conditions for EE lending aligned to the intent of the Revolving Fund which is to cover both the PPF and PIF. The BSP may provide the needed influence to convince the GFIs towards this shift.

- **Energy Efficiency Technology List.** Technology lists are a useful tool to stimulate market development and transformation by addressing information barriers around EE. Energy technology lists are particularly relevant for promoting standardised equipment and components that have clear-cut and easily defined benefits for energy efficiency, compared to similar alternatives. Trusted lists reduce transaction costs for buyers, sellers, and governments, and stimulate changes in consumer buying habits and product manufacturing. Technology lists reduce uncertainty in the supply chain by communicating better purchase options to buyers and highlighting to sellers preferred decision choices. Regardless of level of ambition (e.g. Minimum Energy Performance Standards (MEPS) and High Energy Performance Standards (HEPS), use of technology lists places a marker in the sand which stimulates product innovation which in turn delivers efficiency improvements to all plant supplied to the market, i.e. delivers market transformation. Technology lists can be used by financial institutions and other EE implementing agencies to verify the technical viability of EE technologies when considering projects, helping de-risk investment decisions and providing a basis to soften lending terms for EE. Technology lists used alongside fiscal incentives can accurately target specific products in the market. For example, fiscal incentives coupled with the technology lists can be used to encourage the purchase of EE products at times when financial barriers might otherwise inhibit action.

Appendix

- **Super ESCO/GESPC.** A 'Super ESCO' is a special type of public ESCO. Established by the government, it functions as an ESCO for the public sector market (hospitals, schools, municipal utilities, government buildings, and other public facilities), whilst also supporting the capacity development and project development activities of existing private sector ESCOs. The government capitalises the super ESCO with sufficient funds to undertake large-scale public sector projects and to leverage commercial financing. A primary function of the super ESCO is to facilitate access to project financing by developing relationships with local or international financial institutions. The super ESCO may also provide credit or risk guarantees for ESCO projects, or act as a leasing or financing company to provide ESCOs and/or customers with EE equipment on lease or benefit-sharing terms.

- **Budget Financing with Capital Recovery.** Under this approach, financing is provided by the government through the Department of Budget and Management, with possible combination of international finance and donor funds. This funding covers the investment costs of the EE projects in both central and municipal buildings and facilities. The funding recipient 'repays' the funds using the savings generated by the investment project in the form of reduced budgetary outlays for energy bills of the public entity in future years ('budget financing'). The size of the outlay is usually based on the amount of energy cost savings. The flow of funds to pay for EE improvements follows the same oath as the normal appropriations from the department. The repayment to the department could be complete or partial; the partial approach encourages municipal utilities and public agencies to participate in the program because they retain a share of the savings achieved.

- **Credit Line** A credit line is a pre-set borrowing limit, at fixed agreed terms, which the borrower can draw on at their discretion. The borrower can take money out as needed until the limit is reached, and in the case of an 'open line' as money is repaid, it can be borrowed again. EE credit lines are funds typically extended to FIs at concessional rates by donors/governments at pre-agreed terms, which FIs can draw down upon and on-lend to borrowers for EE projects. The funds can be used to facilitate softer local FI loan rates. Concessional donor funding is provided to local banks, who blend it with their own more expensive finance, and consequently can offer borrowers cheaper loans. It can also partially offset the costs incurred by participating FIs in establishing EE lending as a new business line, and transaction costs relating to the evaluation of EE projects, helping build the track record and technical expertise of FIs in this area.

- **Concessional Loans.** Concessional loans (or 'soft loans') "are loans that are extended on terms substantially more generous than market loans. The concessionality is achieved either through interest rates below those available on the market or by grace periods, or a combination of these" [1]. Concessional loans are often deployed within broader mechanisms, such as credit lines and revolving funds, to deliver affordable support.

[1] OECD (2003). Glossary of Statistical Terms: Concessional Loans
https://stats.oecd.org/glossary/detail.asp?ID=5901

Appendix 11. Gender impact metrics to investments[1]

Criterion	Challenge indicator
A. Entrepreneurship	
Share of women ownership	Percentage of female ownership
Business founded by a woman	Percent of company founder(s) who are female
B. Leadership	
Share of women in senior management	Percent of senior management who are female
Share of women on the Board	Percent of board who are female
Share of women on the Investment Committee	Percent of IC who are female
C. Employment	
Share of women in the workforce	Percent of employees – Full-Time Equivalent (FTE) who are female
Quality indicator beyond compliance	Investee has initiative in place to specifically advance women in the workforce
D. Consumption	
Product or service specifically or disproportionately benefits women	Investee's product or service specifically or disproportionately benefits women
Product or service specifically or disproportionately benefits women	Percent of customers who are Female
E. Indirect investments (investments through financial intermediaries)	
Financial intermediary meets one of the direct criteria	Share of financial intermediary or fund's portfolio that meets at least one of the direct criteria

Appendix 12. Collection timeframe for gender impact indicators[1]

Product	Timing
Direct debt	At signing
Direct equity	At close of funding round
Guarantees	At signing
On-lending (direct and indirect)	At signing
Funds	At close of funding round

[1] 2X Challenge Criteria

The Philippine Sustainable Finance Guiding Principles

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Acknowledgements

These Guiding Principles were developed through discussion and consultation with members of the Philippines Inter-Agency Technical Working Group for Sustainable Finance (ITSF).

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1 Introduction to the Philippine Sustainable Finance Guiding Principles

1.1 Objective of the Sustainable Finance Guiding Principles

The Guiding Principles have been developed to establish a common understanding among various stakeholders of the economic activities in the Philippines that can be considered to be 'sustainable.' The Guiding Principles are aligned with the on-going efforts of the government to respond to the call for a more sustainable economy.

The Guiding Principles have been developed to provide principles-based guidance on identifying economic activities that contribute to supporting sustainable development, with a focus on addressing the impacts of climate change, and to encourage the flow of capital to these activities.

A principles-based approach seeks to set principles that specify the intention of regulation, rather than set rules detailing requirements for any target user. This approach also follows the current practices within the ASEAN Region to use a principles-based approach in developing national taxonomies.

1.2 Methodology in arriving at the Sustainable Finance Guiding Principles[1]

1. Define the strategic goals of the Sustainable Finance Guiding Principles
2. Identify environmental and social objectives relevant to the Philippines' sustainable development priorities and agenda
3. Create guiding principles that are aligned with other taxonomies and definitions on investments considered to be sustainable
4. Identify a sample of investments to provide guidance on how to operationalize the GP

[1] A number of Guiding Principles will overlap due to the interlinked nature of sustainable development

1.3 Target users of the Sustainable Finance Guiding Principles

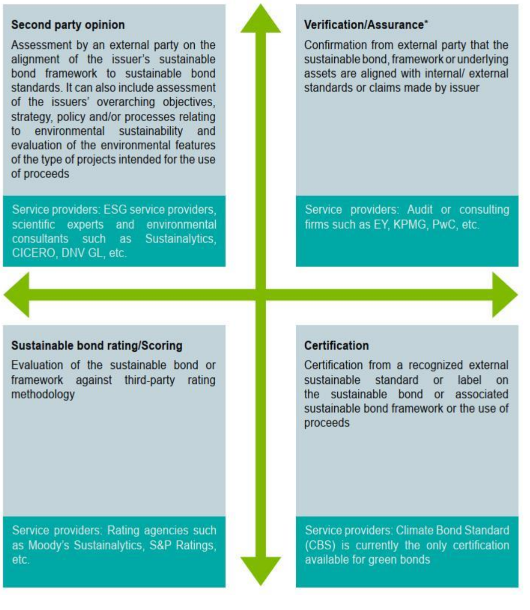
Target users	Potential uses
Policy makers	• Identify relevant and additional areas where to focus investment to accelerate the achievement of the SDGs • Facilitate the development of a pipeline of sustainable projects in accordance with national priorities for sustainable development • Serve as reference for policymakers as they develop strategies to achieve national sustainable development commitments, such as those in the country's Nationally Determined Contribution (NDC) targets and Sustainable Development Goal (SDG) agenda, and improve associated systems for tracking and measuring finance flows
Financial Regulators	Help with the sustainable development of the financial sector by: • Supporting regulatory interventions (e.g., incentives, guidance and capacity building, etc.) based on the guiding principles to encourage banks to lend to eligible sustainable projects or economic activities aligned with the sustainable guiding principles • Assisting in the development of new climate- or sustainability-related reporting or disclosure guidelines for financial market actors or enhancing existing ones • Gauging financial flows toward sustainable development priorities at the transaction-level, investment and lending portfolio, institutional, and national levels • Protecting reputation of the financial sector/institution by preventing "green-washing" or "sustainability washing"
Banks and financial institutions	• Create and structure sustainable financial products (such as loans, credits, and guarantees) more easily • Support financing and investment decisions (e.g. asset acquisition, project financing and lending activities) • Understand and disclose exposure to sustainable investments and lending, as well as other exposures, as required by regulators • Can be used as a tool for evaluating existing products or exposure of banks and/or financial institutions (e.g., reorienting capital flows, increasing transparency and supporting risk management in a more holistic way)
Investors	• Identify opportunities that comply with sustainability criteria for high-impact investments • Disclose exposure to sustainable investments, as required by regulators

1.3 Target users of the Sustainable Finance Guiding Principles

Target users	Potential uses
Green/sustainability bond issuers and other relevant users, such as certifiers and verifiers	• Identify eligible activities that can contribute to economic inclusion, climate change mitigation and adaptation, natural resource conservation, pollution control and prevention, and projects that address specific social issues.
Non-financial institutions (MSME and large enterprises)	• Enable them to translate long-term climate transition and environmental objectives into tangible business strategies • Communicate the degree of performance of their economic activities to financial institutions, stakeholders and other non-financial institutions • Compile disclosures against the sustainable finance guiding principles regarding capital expenditure, operational expenditure and turnover • Use as support on the basis of being taxonomically and thematically aligned

In the application of the Guiding Principles, from an investment perspective by government agencies, financial institutions and non-financial institutions, it is recommended that external reviews are used to ensure that the investments are aligned with the Principles. These external reviews will be most critical when investments fall under Guiding Principle 6: Promoting Transition to a Lower Carbon Economy, to ensure that the transition objectives are achieved.

External reviews can take a number of forms. However, the most common types of external reviews with these types of investments take the form of (1) second party opinion and (2) verification or assurance.



1.4 Introduction to Sustainability

The terms “sustainability” or “sustainable development” has been in existence for nearly 35 years. It was one of the key concepts that emerged from a report commissioned by the United Nations and led by Gro Harlem Brundtland, the former Prime Minister of Norway, to how the world should address the key challenges of increasing environmental threats and pervasive poverty in low-income countries.

Sustainability, in simple terms, is meeting human needs, while staying within the ecological limits of the planet. From a business perspective, it is measured as different aspects with each aspect having specific quantitative and qualitative metrics that companies can report on.

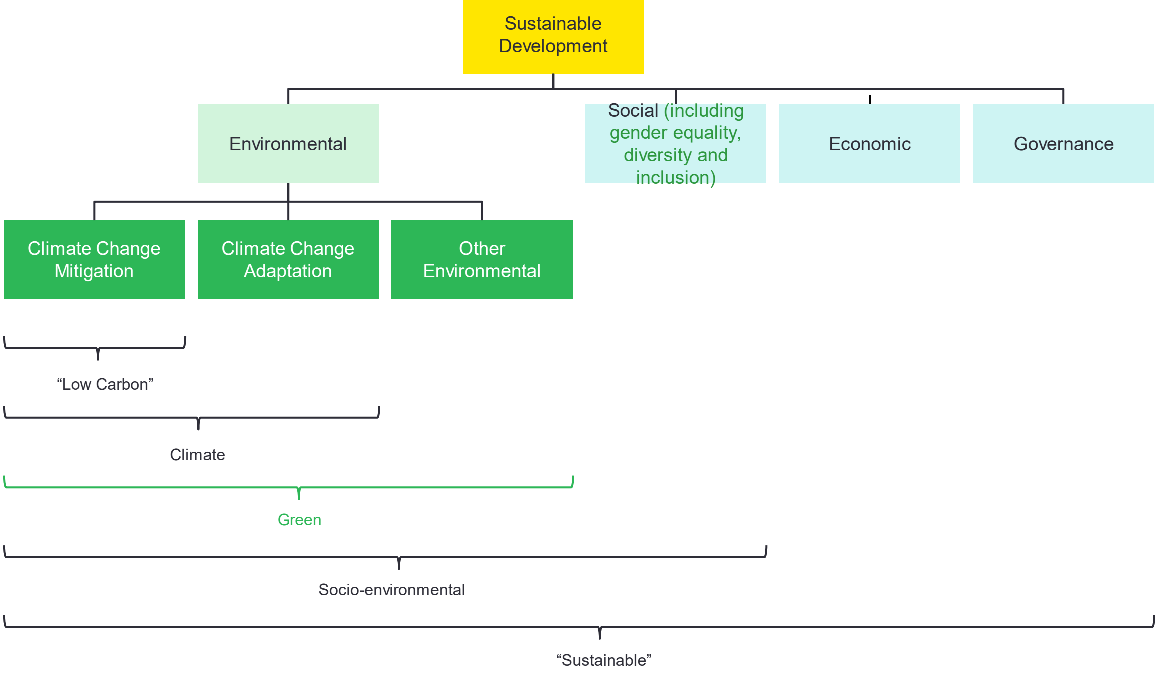


Figure 1. Sustainable development scope[2]

The interconnected nature of Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) under the 2030 Agenda for Sustainable Development covers social, economic, and environmental sustainability. These goals are highly interconnected and cannot be considered separately.

An SDG model developed by Carl Folke and his team from the Stockholm Resilience Center shows the SDGs clustered into four layers: (1) biosphere, (2) society, (3) economy and (4) partnership. A stable biosphere is needed to build a functioning society, which in turn will build an economy that works for all.

[2]2016. United Nations Environment Programme (UNEP). Definitions and Concepts.

1 Introduction to the Philippine Sustainable Finance Guiding Principles

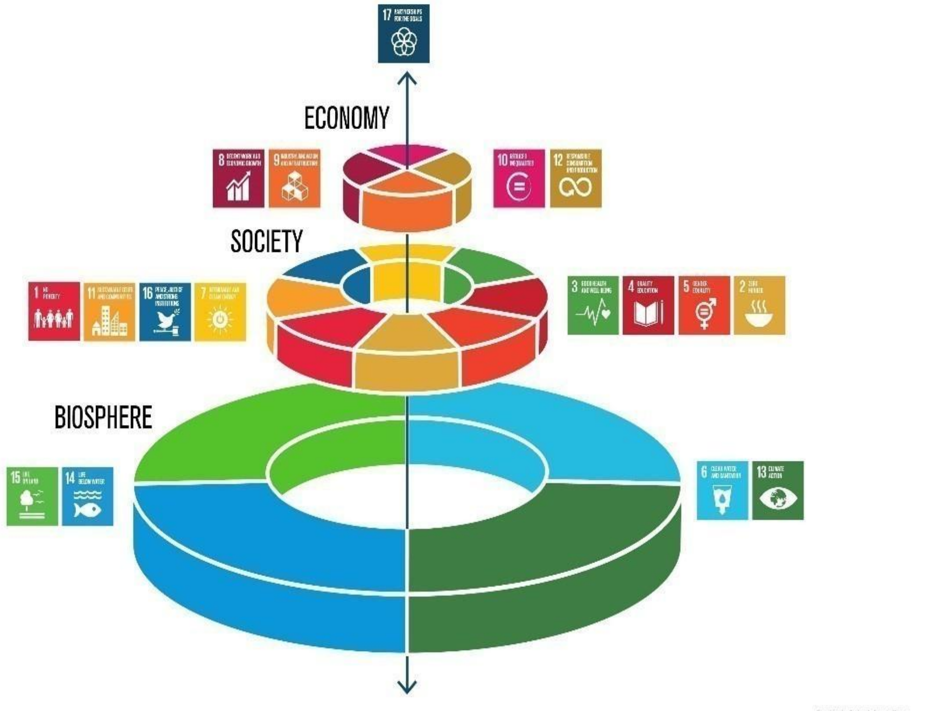


Figure 2. Interconnected nature of the SDGs[3]

Layers	Description
Biosphere	• Foundation of economies and societies and basis of all SDGs • Protecting the biosphere is an essential precondition for social justice and economic development. • Goals related to life on land, life below water, clean water and sanitation and climate action should be achieved to be able to attain the remaining goals.
Society	• The goal addressing the societal issues, call for the eradication of poverty, and the improvement of social justice, peace and good health, gender equality, diversity and inclusion. • Social development depends upon a protected biosphere. • The goals on clean energy, no poverty, zero hunger, peace and justice, sustainable cities, education, gender equality and good health are the foundation for the goals related to the economy.
Economy	• Building on the biosphere and society, the economic goals direct attention towards industry, innovation and infrastructure; reduced inequalities, responsible consumption and production; and decent work and economic growth that is decoupled from environmental degradation.

[3] Stockholm Resilience Centre

1 Introduction to the Philippine Sustainable Finance Guiding Principles

The Emergence of Environmental, Social, and Corporate Governance (ESG)

The World Economic Forum releases an annual Global Risks Report. The risks reported have changed significantly from 2012 to 2021. From being mostly economic in nature in 2012, they have now shifted to mostly environmental in nature by 2021.

	1ST	2ND	3rd	4th	5th
2021	Extreme weather	Climate action failure	Human Environmental damage	Infectious diseases	Biodiversity loss
	1ST	2ND	3rd	4th	5th
2020	Extreme weather	Climate action failure	Natural disasters	Biodiversity loss	Human-made environmental disasters
2019	Extreme weather	Climate action failure	Natural disasters	Data fraud or theft	Cyberattacks
2018	Extreme weather	Natural disasters	Cyberattacks	Data fraud or theft	Climate action failure
2017	Extreme weather	Involuntary migration	Natural disasters	Terrorist attacks	Data fraud or theft
2016	Involuntary migration	Extreme weather	Climate action failure	Interstate conflict	Natural catastrophes
2015	Interstate conflict	Extreme weather	Failure of national governance	State collapse or crisis	Unemployment
2014	Income disparity	Extreme weather	Unemployment	Climate action failure	Cyberattacks
2013	Income disparity	Fiscal imbalances	Greenhouse gas emissions	Water crises	Population ageing
2012	Income disparity	Fiscal imbalances	Greenhouse gas emissions	Cyberattacks	Water crises

Figure 2. Top Global Risks by Likelihood[4]

	1ST	2ND	3rd	4th	5th
2021	Infectious diseases	Climate action failure	Weapons of mass destruction	Biodiversity loss	Natural resource crises
	1ST	2ND	3rd	4th	5th
2020	Climate action failure	Weapons of mass destruction	Biodiversity loss	Extreme weather	Water crises
2019	Weapons of mass destruction	Climate action failure	Extreme weather	Water crises	Natural disasters
2018	Weapons of mass destruction	Extreme weather	Natural disasters	Climate action failure	Water crises
2017	Weapons of mass destruction	Extreme weather	Water crises	Natural disasters	Climate action failure
2016	Climate action failure	Weapons of mass destruction	Water crises	Involuntary migration	Energy price shock
2015	Water crises	Infectious diseases	Weapons of mass destruction	Interstate conflict	Climate action failure
2014	Fiscal crises	Climate action failure	Water crises	Unemployment	Infrastructure breakdown
2013	Financial failure	Water crises	Fiscal imbalances	Weapons of mass destruction	Climate action failure
2012	Financial failure	Water crises	Food crises	Fiscal imbalances	Energy price volatility

Figure 3. Top Global Risks by Impact[4]

Economic | Societal | Geopolitical
Environmental | Technological

[4]World Economic Forum. The Global Risks Report 2021, 16th Edition.

1.5 The Importance of addressing climate-related financial risks

Climate change is a pressing issue that poses a threat to the global economy and will have an impact across many economic sectors. Climate change presents a range of potential risk across businesses which in turn can affect the global economy. Climate change may directly cost the world economy by USD7.9 trillion[5] by mid-century as higher drought and flooding and crop failures hinder growth and threaten infrastructure. For example, climate change may cause extreme weather events that can disrupt business operations which may negatively impact the ability to serve the client and may also adversely affect the value of the investments. Sectors and communities must increase efforts on enhancing resilience for future climate-related risks. Additionally, long-term changes in environment conditions for slow-onset impacts must be communicated, and their implication for sustainable development.

According to the Intergovernmental Panel on Climate Change (IPCC), *"Anthropogenic greenhouse gas emissions have increased since the pre-industrial era, driven largely by economic and population growth, and are now higher than ever. This has led to atmospheric concentrations of carbon dioxide, methane and nitrous oxide that are unprecedented in at least the last 800,000 years. Their effects, together with those of other anthropogenic drivers, have been detected throughout the climate system and are extremely likely to have been the dominant cause of the observed warming since the mid-20th century."* Thus, it can be concluded that the emissions of carbon dioxide and other greenhouse gases is the primary driver of climate change.

Each country's share of CO2 emissions

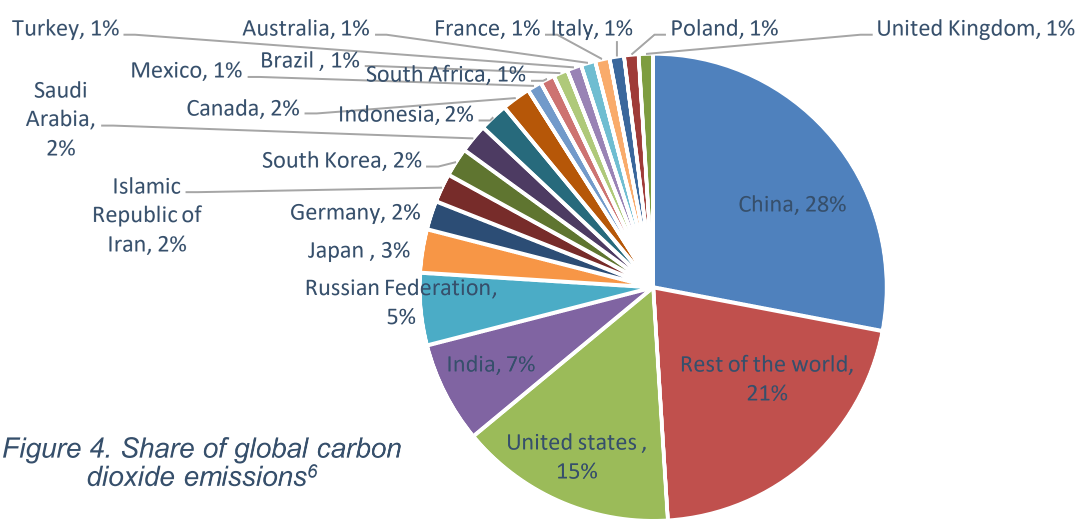


Figure 4. Share of global carbon dioxide emissions[6]

The chart above shows that developed countries and major emerging countries contribute to a large and growing share of global emissions, which needs to be slowed down and reversed. In addition, developed nations typically have higher carbon dioxide emissions per capita. For example, in 2015, the US emitted 15.53 metric tons of carbon dioxide per capita, while China emitted 6.59 metric tons per capita. And, when compared with the per capital emissions of the Philippines of 1.33 metric tons per capita in 2019, based on the Our World in Data site, we clearly see the significant difference between per capita emissions of developed countries with developing countries.

[5] Economist Intelligence Unit
[6] 2020 Union of Concerned Scientists, Earth Systems Science Data 11, 1783-1838, 2019

1 Introduction to the Philippine Sustainable Finance Guiding Principles

The Economist Intelligence Unit's (EIU) Climate Change Resilience Index assessed the preparedness of the world's largest economies and established that based on the current trends, climate change would bring down three percent of global GDP by 2050.

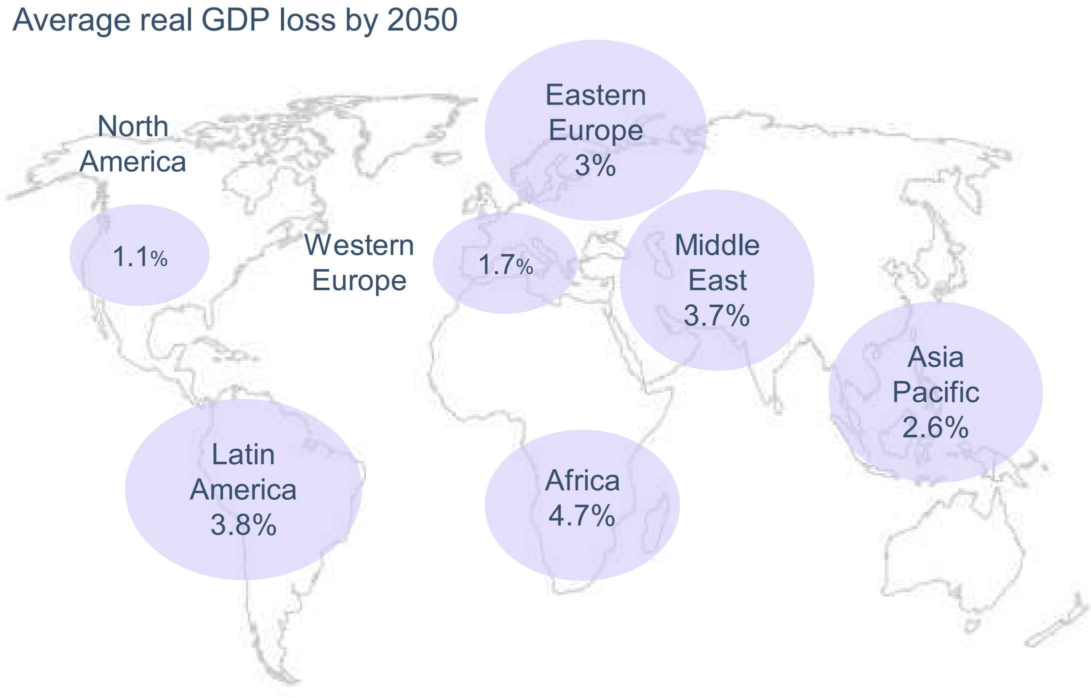


Figure 4. Economic impacts of climate change[7]

Climate change remains an issue and has affected people's well-being across sectors while further pushing more into poverty. For example, it has forced people to deal with the impacts of forest and biodiversity loss and navigate the challenges of forced evacuations and food insecurity during disasters. According to the World Bank, if climate change remained to be ignored, around 132 million people would be pushed into poverty for the next 10 years. In their study, annual cost of natural disasters, mainly on infrastructure damage, are about USD18 billion for low- and middle-income countries. And, more expansive disruptions are triggered, which cost firms and households around USD390 billion annually.

For the most vulnerable countries, climate change impacts health systems, critical infrastructure, livelihood, food, agricultural outputs, etc., with these being overloaded or wiped out, and renders emergency funding more challenging, with a more constrained fiscal space, thus, leading to an increase in the economic vulnerabilities of its people and its communities.

As the Philippines lies in the world's most cyclone-prone region, the country is highly vulnerable to the impacts of climate change. According to Asian Development Bank on their study related to the economics of climate change, the country is projected to lose 6.0% GDP annually by 2100 if the country disregards climate change risks.

[7] Economist Intelligence Unit

1 Introduction to the Philippine Sustainable Finance Guiding Principles

Reflecting the financial and pervasive impacts of climate change, the Task Force on Climate-Related Financial Disclosures (TCFD) has established recommendations for disclosing information in relation to the climate-related risks and opportunities to promote sustainable development. It outlines two categories of climate-related risks: (1) risks related to the physical impacts of climate change and (2) risk related to the transition to a lower-carbon economy.

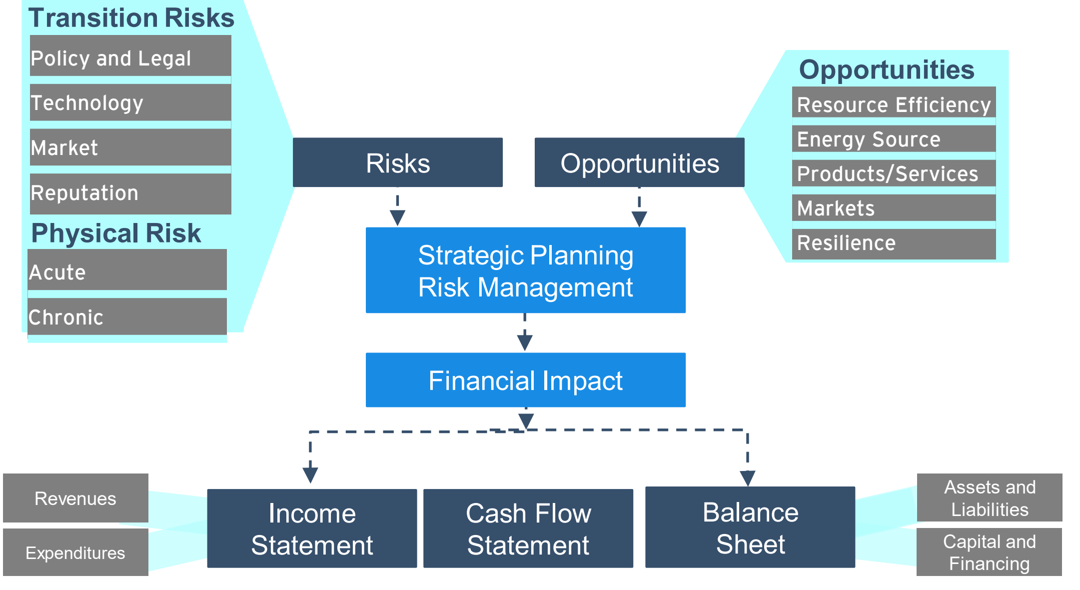


Figure 5. Overview of climate-related risks and opportunities[8]

- *Physical risks*: Physical risks result from increasing severity and frequency of climate and weather-related events, which damage property and infrastructure, disrupt supply chains, affect agriculture output and cause loss of life and migration. As a consequence, asset values decrease, expected credit loss increases, companies have lower profits, public finances are impacted and the cost of settling underwriting losses for insurers increases.

- *Transition risks*: Transition risks result from adjustments associated with the low carbon transition, which will require substantial structural changes to the economy (e.g. regulatory and technological changes). With these changes, it is expected that a wide range of asset values will be reassessed, energy prices will change and the profit and creditworthiness of some borrowers will deteriorate. This will in turn lead to credit losses for lenders and market losses for investors. There are also opportunities associated with the low carbon transition for the financial sector, such as the financing of investments in renewable energy, clean transportation and energy efficiency.

[8] Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017)

1 Introduction to the Philippine Sustainable Finance Guiding Principles

1.6 Applicability of Sustainable Development Goals (SDGs) to the Guiding Principles

In 2015, the Philippines, along with the other 192 Member States of the United Nations (UN), committed to achieve the 17 Sustainable Development Goals (SDGs), with its 169 targets, under the 2030 Agenda for Sustainable Development.

In line with this, the Guiding Principles considers and aligns with all the SDGs. A high level overview on the applicability of SDGs against each Guiding Principle is presented below. In particular, SDG 17 (Partnerships for the Goals) is considered for all the Guiding Principles, given the need for all national and international stakeholders to come together to mobilize and deploy greater use of sustainable finance to contribute towards achievement of the SDGs.

Sustainable Development Goals		Guiding Principles					
		GP1	GP 2	GP3	GP4	GP5	GP6
SDG 1	No Poverty	■		■		■	
SDG 2	Zero Hunger			■		■	
SDG 3	Good Health and Well-Being			■			
SDG 4	Quality Education			■			
SDG 5	Gender Equality	■	■	■	■	■	■
SDG 6	Clean Water and Sanitation					■	■
SDG 7	Affordable and Clean Energy	■	■		■	■	
SDG 8	Decent Work and Economic Growth			■			
SDG 9	Industry, Innovation and Infrastructure	■	■	■	■	■	
SDG 10	Reduced Inequalities			■		■	
SDG 11	Sustainable Cities and Communities	■			■	■	■
SDG 12	Responsible Consumption and Production	■		■	■		■
SDG 13	Climate Action	■	■	■	■	■	■
SDG 14	Life Below Water	■		■			■
SDG 15	Life On Land	■		■	■		■
SDG 16	Peace, Justice and Strong Institutions				■		
SDG 17	Partnerships for the Goals	■	■	■	■	■	■

Guiding Principle 1: Climate Change Mitigation and Adaptation
Guiding Principle 2: Promoting Transition to a Low Carbon Economy
Guiding Principle 3: Resilient Food Systems
Guiding Principle 4: Sustainable Cities
Guiding Principle 5: Sustainable and Resilient Infrastructure for Inclusive Growth and Poverty Reduction
Guiding Principle 6: Environmental Management and Conservation

1.6 Applicability of Sustainable Development Goals (SDGs) to the Guiding Principles

Similarly, SDG 5 (Gender Equality) is mainstreamed across all the Guiding Principles; gender equality is essential for a prosperous and sustainable world as it affects all aspects of sustainable development.

Mainstreaming a gender lens across all types of sustainable finance activities can be measured through a range of indicators that vary depending on the type of activity being assessed. The "2X Challenge – Financing for Women" provides a harmonized set of indicators that could be used broadly with only minor adjustments to reflect the specificities of the underlying entity. The indicators are organized across five categories.

1. Entrepreneurship (related to the company as well as its supply chain)
• *Percent of female ownership*
• Percent of company founder(s) who are female

2. Leadership
• Percent of senior management who are female
• Percent of Board who are female
• Percent of investment committee who are female

3. Employment
• Percent of full-time employees who are female
• Initiative in place to specifically advance women in the workforce (Y/N)

4. Consumption
• Product or service specifically or disproportionately benefits women (Y/N)
• Percent of customers who are female

These metrics can be used as entry points to design gender mainstreaming measures across the ensuing Guiding Principles and the suggested activities within them.

In addition, SDG 13 (Climate Action) has also been considered for all the Guiding Principles, given the perceived urgency of climate change and each of the other Principles consider investments that can also be related to addressing climate change.

Guiding Principle 1: Climate Change Mitigation and Adaptation
Guiding Principle 2: Promoting Transition to a Low Carbon Economy
Guiding Principle 3: Resilient Food Systems
Guiding Principle 4: Sustainable Cities
Guiding Principle 5: Sustainable and Resilient Infrastructure for Inclusive Growth and Poverty Reduction
Guiding Principle 6: Environmental Management and Conservation

1.7 The Importance of Nature-Based Solutions (NbS)

A key factor in addressing the identified global risks and achieving the SDGs is having healthy ecosystems in place, since they are the foundation of resilient and healthy communities

Nature based Solutions (NbS) is an umbrella concept covering a wide-range of ecosystem-related approaches.

The current Global Standard on NbS was issued by the International Union for Conservation of Nature (IUCN). It defines NbS as "actions to protect, sustainably manage and restore natural or modified ecosystems that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits[9]," which was based on the 2016 World Congress Resolution defining, for the first time, the use of nature for simultaneous benefits to human well-being and biodiversity.

A number of the Guiding Principles make reference to specific nature-based solutions addressing a multitude of societal challenges, including climate resilience, coastal resilience, water management, air quality, biodiversity enhancement, urban regeneration, green space management, health and well-being, social justice and social cohesion, knowledge building for urban transformation, new economic opportunities and green jobs and participatory planning and governance.

Some examples of NbS are:

- Drought risk mitigation (Examples: wetland conservation and restoration or forest management to increase water yield)
- Urban water and storm water management (Examples: green roofs, the establishment of greenspaces and urban parks)
- River/Inland flood risk mitigation (Examples: reforestation, restoring floodplains)
- Agricultural productivity (Example: restoration of degraded grassland and/or cropland)
- Coastal protection (Example: restoration of coastal wetlands, such as mangroves)

[9] WCC-2016-Res-069-EN, Defining Nature-based Solutions, https://portals.iucn.org/library/sites/library/files/resrecfiles/WCC_2016_RES_069_EN.pdf.

Other definitions of NbS are outlined in Appendix D.

2 Guiding Principles on the Assessment of Economic Activities

2.1 Guiding Principle 1: Climate Change Mitigation and Adaptation

Based on the Nationally Determined Contribution (NDC) submitted to the UNFCCC in April 2021, the Philippines is committing to a GHG emissions reduction and avoidance of 75%, wherein 2.71% is unconditional[10] and 72.29% is conditional[11]. Unconditional targets are set within the energy and transport sectors while conditional targets, contingent on access to means of implementation from developed country parties, may come from the industry, waste, and agriculture sectors.

As defined in the Climate Change Act of 2009, as amended, climate change mitigation is the human intervention to address anthropogenic emissions by sources and removals by sinks of all greenhouse gas (GHG), including ozone-depleting substances and their substitutes. The objectives of climate change mitigation are to (1) avoid GHG emissions, by promoting "green" activities that have very low, if not zero, emissions, and (2) reduce GHG emissions.

Climate change adaptation is defined as the adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities. The objectives of climate change adaptation are to (1) increase resilience to withstand the impacts of climate change, and (2) enable other economic activities to adapt to climate change. The National Adaptation Plan (NAP) will guide the fit-for-purpose identification of climate change adaptation measures of the country, which will then direct the updating of the National Climate Change Action Plan (NCCAP).

Examples of economic activities under Guiding Principle 1 include, but are not limited to the following:

A. Optimize energy consumption
E.g. promoting energy efficiency projects; facilitating access to finance for energy efficiency products aimed at women/SMEs

B. Encourage the use of renewable energy/clean energy
E.g. expand capacity of renewable energy generated, financing for solar farms; promote off-grid renewable energy solutions, green cookstoves etc. aimed at the unserved

C. Promote green buildings
E.g. use of products and systems that are energy efficient and low carbon building materials; encourage green construction jobs for women

D. Foster low carbon mobility
E.g. establish public walking and cycling infrastructure; use of energy efficient transportation; use of an electric vehicle; implement women-friendly road infrastructure design

[10] Unconditional refers to policies and measures which can be undertaken using nationally mobilized resources.
[11] Conditional refers to policies and measures which require support or the means of implementation under the Paris Agreement

2 Guiding Principles on the Assessment of Economic Activities

2.1 Guiding Principle 1: Climate Change Mitigation and Adaptation

Examples of economic activities under Guiding Principle 1 include, but are not limited to the following: (continued)

E. Adapt economic activities to mitigate physical effects of climate change

E.g. flood sensor technology, providers of cooling systems for buildings; fertilizing crops with appropriate amount of nitrogen; reducing solid waste sent to landfills; tax incentives or carbon pricing to control emissions; micro insurance schemes that benefit women

F. Increase resilience

E.g. early warning systems to reduce risk of climate change, raising building heights above projected sea level rise, installing more efficient cooling facilities to address increasing temperatures; climate change education and capacity building including specific sessions aimed at women community leaders; green financing; green inclusive financing (e.g., microfinance targeting women and women led businesses to finance climate resilience construction costs.); implementation of integrated water resource and coastal zone management; use of and access to climate change and climate risk information in planning processes to assist in the development of green or blue infrastructure or climate-smart agriculture

G. Reforestation and afforestation

2 Guiding Principles on the Assessment of Economic Activities

2.2 Guiding Principle 2: Promoting Transition to a Low Carbon Economy

The objective of this principle is to accelerate the orderly transition towards a lower carbon economy from economic activities that are highly emissions-intensive, in line with the Paris Agreement and commitments made by the Philippines Government. Under the Paris Agreement countries have committed to "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development." This means not just financing green activities, but also funding the shift towards decarbonization across the economy.

Examples of economic activities under Guiding Principle 2 include, but are not limited to the following. All of the following financing activities should intentionally incorporate a gender lens in their design. In addition, all financing activities provided below should be able to consider shifts in employment as a result of the decarbonization of the highly emissions-intensive economic activities (i.e., consider green jobs12 related to these activities).

A. Finance activities that lead to achievement of the Paris Agreement goals and the Philippines GHG reduction target/NDC

B. Finance an entity that is proactively pursuing the transition, with concrete action plans or medium to long-term goals/targets, aligned with the Paris Agreement and Philippines GHG reduction target/NDC

E.g. Financing for entity working on R&D aiming at low carbonization or decarbonization

C. Finance an entity with a medium-term target for reducing GHG emissions towards the reduction target of the Philippines based on the Paris Agreement and that has been achieving its target or has been making an effort to achieve it in the future

[12] Green jobs per RA 10771 Green jobs refer to employment that contributes to preserving or restoring the quality of the environment, be it in the agriculture, industry or services sector. Specifically, but not exclusively, this include jobs that help to protect ecosystems and biodiversity, reduce energy, materials and water consumption through high efficiency strategies, decarbonize the economy, and minimize or altogether avoid generation of all forms of waste and pollution. Green jobs are decent jobs that are productive, respect the rights of workers, deliver a fair income, provide security in the workplace and social protection for families, and promote social dialogue.

2 Guiding Principles on the Assessment of Economic Activities

2.2 Guiding Principle 2: Promoting Transition to a Low Carbon Economy

Examples of economic activities under Guiding Principle 2 include, but are not limited to the following. (continued)

D. Finance a project in a GHG emitting industry or sector that achieves or implements the level of best performance of low GHG emissions in line with a reputable global or regional standard for the sector or industry

E.g. financing to install cutting-edge high-efficiency power generators, financing to significantly decrease the GHG emissions and improve energy efficiency in an existing facility, financing directed towards a BAT(Best Available Technology) project, financing a new business that decreases the GHG emissions of a whole supply chain or city

E. Finance a project relating to or contributing to products with the level of best performance of low GHG emissions in line with a reputable global or regional standard for such a sector or industry

E.g. production of highly efficient motors and projects related with its value chain and production of items regarded as "top-runner" in terms of efficiency

F. Finance an activity, entity or project that would contribute to GHG reduction throughout the lifecycle of a product

2 Guiding Principles on the Assessment of Economic Activities

2.3 Guiding Principle 3: Resilient Food Systems[13]

A key characteristic of a sustainable food system is resilience, which is defined by the Food and Agricultural Organization of the UN as "protecting, restoring and improving livelihood systems in the face of threats that impact agriculture, nutrition, food security and food safety." Climate change, which has brought about typhoons, floods and droughts, has impacted food systems. This has made it more critical for our food systems to adapt and be more resilient.

Food system resilience is the capacity to provide food security over a period of time despite disturbances. Food system resilience can be broken down into various components: (1) robustness, or the capacity to withstand the disturbance in the first place before any food security is lost; (2) redundancy, or the extent to which elements of the system are replaceable, affecting the capacity to absorb the perturbing effect of the disturbance and avoid as much food insecurity as possible; (3) the flexibility and thus rapidity (or food system reactivity) with which the food system is able to recover any lost food security; and (4) resourcefulness and adaptability, which determines just how much of the lost food security is recovered.[14]

Examples of economic activities under Guiding Principle 3 include, but are not limited to the following:

A. Ensure food availability and accessibility, health and nutrition
E.g. addressing supply chain issues, initiating and maintaining community-based or local food growing, supporting systems that optimize production, reducing food loss and waste, financial assistance to farmers, and fisherfolks, targeting women farmers with training, technology, access to finance and facilitating joint land ownership, promoting nutrition and health, promotion of climate-resilient seedlings and crops; inclusion of female fisherfolks

B. Create environmentally responsible food systems
E.g. supporting sustainable intensification of food systems, encouraging ecologically sensitive food production and urban renewal, avoiding overfishing and overhunting, minimizing use of pesticides, synthetic fertilizer, hormones and antibiotics in food production, furtherance of organic farming, avoiding use of plastic in food packaging

C. Provide access and transfer of knowledge, skills and technology
E.g. investing in developing agricultural and entrepreneurial capacities of farmers and research and development, which will provide new knowledge to the farmers, small and medium-sized enterprises, as well as more effective practices and new technologies, providing localized and gender-responsive agricultural training and education to female farmers and fisherfolks, access to agricultural technology that improves efficiency in food production and increases agricultural yield; transfer of climate-friendly technologies;

[13] UN Global Compact. Food and Agriculture Business Principles
[14] Food system resilience: Defining the concept

2 Guiding Principles on the Assessment of Economic Activities

2.3 Guiding Principle 3: Resilient Food Systems[15]

Examples of economic activities under Guiding Principle 3 include, but are not limited to the following: (continued)

D. Adapt economic activities to the resilience of the food system

E.g. community grain fund system, accelerate and scale up technical and financial support for sustainable land and integrated water resource management practices that can be readily adopted, implement local plans for natural resource and rehabilitation management, provide incentives for smallholder farmers to adopt productive, sustainable and resilient agricultural practices, provision of climate or weather-based index insurance for farmers

[15] UN Global Compact. Food and Agriculture Business Principles

2.4 Guiding Principle 4: Sustainable Cities[16]

Cities are the source of competitive advantage and they have the critical role in the world's future. Increased urbanization comes with complex issues ranging from resource allocation, environmental protection, and good governance. To achieve sustainable development, it is crucial that we are able to build and manage our urban spaces sustainably.

Sustainable cities are compact, mixed urban forms dedicated to achieving social development (e.g., green housing and buildings, education and health, green public transportation), economic development (e.g., technology and innovation), environmental management (e.g., waste and recycling management, energy efficiency), and urban governance (e.g., strengthening of civil and political rights, support of local, national, regional and global links), collectively.

Examples of economic activities under Guiding Principle 4 include, but not limited to the following:

A. Create smart and intelligent cities

E.g. Inclusive smart city solutions, technological advancement, use of big data and machine learning-based urban planning tools

B. Promote clean cities

E.g. promotion of sustainable consumption and production practices, pollution prevention and waste minimization and more efficient waste management within a particular urban area or city; communication campaign aimed at women on waste recycling and prevention.

C. Promote healthy urban densification

E.g. promotion of inclusive and efficient mobility, 15/20-minute neighborhoods, implement energy efficiency features in housing projects and infrastructure development, use of renewable energy, empowerment towards household-level RE-sourced power generation and usage, intermodal transport schemes, ecosystem conservation areas, land-use planning for urban ecosystems that intentionally incorporate gender analysis in urban design, circular economy

D. Foster resilient cities

E.g. Gender-smart financing mechanisms to support investment in resilient infrastructure, supporting capacity development of cities while promoting gender equality

[16] UN Global Compact. Cities for the Future: Innovative and Principles-based Approaches to Urban Equity, Sustainability and Governance

2 Guiding Principles on the Assessment of Economic Activities

2.4 Guiding Principle 4: Sustainable Cities[17]

Examples of economic activities under Guiding Principle 4 include, but not limited to the following: (continued)

E. Peaceful and inclusive cities

E.g. integrate peace-conducive economic development framework, design safe streetlighting and other safety features to safeguard against gender based violence against women, create a program which promotes sanctuaries of peace and development in local communities, promoting ethics in the use of ICT through campaign that discourage or reject pro-violence discourse, setting up collaborative organizations and promoting the exchange of information between local, regional, national and international administrations, controlling small/light arms trafficking

F. Adapt economic activities to make cities and communities sustainable

E.g. ensure access for all to adequate, safe, climate-resilient and affordable housing and basic services and upgrade slums, provide an allocated safe space and services to street vendors and markets especially for women e.g., women toilets, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management, observance of green building standards

[17] UN Global Compact. Cities for the Future: Innovative and Principles-based Approaches to Urban Equity, Sustainability and Governance

2 Guiding Principles on the Assessment of Economic Activities

2.5 Guiding Principle 5: Sustainable and Resilient Infrastructure for Inclusive Growth and Poverty Reduction

Sustainable and resilient infrastructure investments must not only provide users with affordable and reliable facilities, it must also promote economic activities for private sector involvement and employment and ensure women and marginalized groups are able to gain more equal access to infrastructure resources and services. Increased infrastructure investment alleviates poverty by increasing employment and income opportunities.

Examples of economic activities under Guiding Principle 5 include, but not limited to the following:

A. Decrease production costs

E.g. infrastructure decreasing transport costs and decreasing spoilage, such as construction of railways, and roads; provide basic infrastructure services to home based workers in the informal sector (majority of whom are women), such as water and electricity

B. Increase production capacity

E.g. infrastructure expanding production capacity, such as energy infrastructure which is inclusive and a critical input to modern production processes, or telecommunications infrastructure or road infrastructure; use of electric pumps in well irrigation

C. Improve access to key facilities

E.g. infrastructure that provides improved access to health, education, childcare and other key facilities, such as construction of rural roads; construction of bridges that transport farm inputs and outputs; infrastructure in line with requirements of RA 344, "An Act to enhance the mobility of disabled persons by requiring certain buildings, institutions, establishments and public utilities to install facilities and other devices"; infrastructure that are responsive and sensitive to all (e.g. women, gender groups, differently-abled)

D. Connect economic activities and markets

E.g. infrastructure that better connects markets and economic facilities, such as transport and communications infrastructure, designed in line with women's specific transport needs; affordable housing infrastructure including the promotion of joint land titling for men and women

E. Resilient infrastructure

E.g. investments in mitigation and incident planning for transport infrastructure, maintenance, rehabilitation, and retrofitting of existing infrastructure; ensuring climate resilient design for new infrastructures including incorporation of women friendly design.

2 Guiding Principles on the Assessment of Economic Activities

2.6 Guiding Principle 6: Environmental Management and Conservation

Environmental management and conservation are practices of preventing unwanted stimuli to the broader environment and preserving natural resources. Economic activity may overlap with climate change mitigation and adaptation, however, economic activity under environmental management and conservation considers the impact on the wider ecosystem. This may include areas in pollution prevention and control, natural resource resilience, and biodiversity. The objectives of environmental management and conservation are to (1) prevent and control pollution, (2) ensure a healthy ecosystem and biodiversity and (3) promote resource resilience through resource efficiency, circular economy and waste management.

As women are disproportionately impacted by climate change and disproportionately involved in environmental management and conservation at the grassroots level, an intentional effort to explicitly support, train and empower women's conservation groups should be made across all activities in this Principle. Examples of economic activities under Guiding Principle 6 include, but are not limited to the following.

A. Promote air, water, and land pollution control measures, including integrated waste management aimed at improving environmental quality.

E.g. Establish public walking and cycling infrastructure, use of energy efficient transportation; establishment and promotion of mass transportation and interconnectivity of different mass transportation infrastructures; clean up drives on river basins; rehabilitation of water bodies; promote land clean up and remediation, use of systems and technologies to manage eligible ecosystems

B. Promote protection, restoration and sustainable use of terrestrial and aquatic ecosystems (i.e., freshwater, coastal, and marine environment)

E.g. Promote maintenance and/or restoration of mangroves and other coastal wetlands

C. Use of endemic species in reforestation and afforestation activities

D. Promote circular economy by undertaking life cycle assessments, promoting use of eco-labelled products and sustainable packaging, implementing extended producer responsibility, and recovering wastes for other useful purposes

E. Support the Philippine Economic-Environmental and Natural Resources Accounting and payment for ecosystem services

Guiding Principles on the Assessment of Economic Activities

2.7 Guiding Principle 7: Prohibited Activities

Economic activities must not be illegal under Philippines law and must not breach environmental laws and regulations[18]. In addition, they should not (1) negatively impact the socio-economic well-being of communities in the long-term, (2) negatively impact the mitigation and adaptation efforts of others or (3) negatively impact the other principles, where applicable.

Examples of prohibited activities include, but are not limited to the following:

A. The open burning of solid waste

B. Open dumping, burying of biodegradable or non-biodegradable materials in flood prone areas

C. Importing of toxic wastes misrepresented as "recyclable" or "with recyclable content"

D. Discharging or depositing of water pollutant to the water body, or such which will impede natural flow in the water body

E. Constructing or operating landfills or any waste disposal facility on any aquifer, groundwater reservoir, or watershed area and or any portions thereof

F. Single-use plastic

G. Use of exotic and/or bio-invasive plant species in any reforestation and afforestation activity

[18] Includes, but is not limited to the following: Philippine Environmental Code, National Building Code, Expanded National Integrated Protected Areas System, Clean Air Act, Ecological Solid Waste Management Act, Revised Forestry Code, Strategic Environment Plan for Palawan Act, Toxic Substances, Hazardous and Nuclear Waste Control Act, and Philippine Clean Water Act

Appendix

Appendix

A – Examples of economic activities that are considered as sustainable and environmentally friendly

As the Sustainable Finance Guiding Principles is meant to be utilized as a long-term guidance document, the context of the examples included in the list below may differ in the future.

Sector	Economic Activities	Guiding Principles	2009 Philippine Standard Industrial Classification (PSIC)
Agriculture	• Reduction in Carbon Footprint of Agricultural Products (e.g. use of pest-resistant crops or biocontrol agents)	Resilient Food Systems	**Section A/ Division 01/ Group 015:** Agriculture, Forestry and Fishing/ Crop and Animal Production, Hunting and Related Service Activities/ Support Activities to Agriculture and Post-harvest Crop Activities
	• Carbon sequestration measures (Nature-based solutions) (e.g. use of organic fertilizers and biochar)	Climate Change Mitigation and Adaptation	**Section A/ Division 01/ Group 015:** Agriculture, Forestry and Fishing/ Crop and Animal Production, Hunting and Related Service Activities/ Support Activities to Agriculture and Post-harvest Crop Activities
Waste	• Solid waste subsector (e.g. composting of organic waste)	Sustainable Cities/ Environmental Management and Conservation	**Section E/ Division 38/ Group 382:** Water Supply; Sewerage, Waste Management and Remediation Activities/ Waste Collection, Treatment and Disposal Activities; Materials Recovery/ Waste Treatment and Disposal
	• Wastewater sub-sector (e.g. expand coverage of sewerage and septage treatment facilities in line with the implementation of the National Sewerage and Septage Management Program (NSSMP))	Sustainable Cities/ Environmental Management and Conservation	**Section E/ Division 37/ Group 370:** Water Supply; Sewerage, Waste Management and Remediation Activities/ Sewerage/ Sewerage
Industry	• Increase Cullet Use in Glass Production	Sustainable Cities	**Section C/ Division 23/ Group 231:** Manufacturing/ Manufacture of Other Non-metallic Mineral Products/ Manufacture of Glass and Glass Products
	• Refrigeration and Air Conditioning Sector – Low Global Warming Potential Refrigerants and Destruction Facility	Climate Change Mitigation and Adaptation	**Section D/ Division 35/ Group 353:** Electricity, Gas, Steam and Air Conditioning Supply/ Electricity, Gas, Steam and Air Conditioning Supply/ Steam, Air Conditioning Supply and Production of Ice
Transportation	• Rail Projects under the Build-Build-Build (BBB) Program	Sustainable Infrastructure	**Section H/ Division 49/ Group 491:** Transportation and storage/ Land Transport and Transport via Pipelines/ Transport Via Railways
	• Bus Rapid Transit (BRT) Projects in Cebu and Quezon Avenue	Sustainable Infrastructure	**Section H/ Division 49/ Group 492:** Transportation and storage/ Land Transport and Transport via Pipelines/ Transport Via Buses
Energy	• Implementation of aspiration target at least 15,000MW additional RE capacity by 2030	Climate Change Mitigation and Adaptation	**Section D/ Division 35/ Group 351:** Electricity, Gas, Steam and Air Conditioning Supply/ Electricity, Gas, Steam and Air Conditioning Supply/ Electric Power Generation, Transmission and Distribution
	• Integration of structural adaptations into the structural design/strengthening of energy infrastructures	Climate Change Mitigation and Adaptation	**Section D/ Division 35/ Group 351:** Electricity, Gas, Steam and Air Conditioning Supply/ Electricity, Gas, Steam and Air Conditioning Supply/ Electric Power Generation, Transmission and Distribution

Source: https://psa.gov.ph/classification/psic/ ; 2nd Multi-Stakeholder Consultation for the First Philippine Nationally Determined Contribution (NDC), Annex B

Appendix

B – Climate Risk Assessment

Climate risk assessment using scenario analysis

Scenario analysis is a well-established method for developing strategic plans that are flexible and robust to a range of plausible future states. Scenario analysis can help to better frame strategic issues, assess the range of potential management actions that may be needed, engage more productively in strategic conversations, and identify indicators to monitor the external environment. Importantly, climate-related scenario analysis can provide the foundation for more effective engagement with investors on an organization's strategic and business resiliency.[19]

The most significant effects of climate change are most likely to arise over the medium to longer term. The magnitude and timing of these effects, though, are not certain. Understanding these climate-related risks and opportunities would help organizations plan effectively. An anticipation of the possible outcomes and implications would also be helpful in addressing the uncertainty of the effects of climate change.

Key challenges of climate risk assessment

Key challenges of climate risk assessment include the following:

Coordination
Climate risk analysis requires a range of expertise from across different disciplines; at organizational level it requires coordination among business owners, credit risk management and leadership. Ownership and governance, as well as differences in techniques and skill sets, can lead to coordination challenges.

Limited internal data
Oftentimes, there is a lack of historical data to assess the impact of climate risk. In addition, no long-term policy experiments have occurred at the scale that would be required for a 2°C transition.

Long-run effects
Specific transition risks may not materialize over the one- to five-year periods that organizations (especially banks) typically use to conduct business planning and stress testing exercises.

Lack of systematic and consistent framework
Given the complexity of the interacting factors within the scenario generation models, the lack of regulatory requirements and the novelty of the topic, most institutions do not have a structure in place to develop an approach that can be used in a systematic manner.

Dynamic relations across sectors
In some industries early producers of low-carbon electric vehicles may possess a competitive advantage if a transition scenario materializes. In other industries, this may merely temporarily slow a continuing decline in demand from policy-related costs and less competitive prices.

Lack of capacity and knowledge
Most institutions lack the internal capacity and knowledge to understand the global climate models, which are used in climate stress testing exercises

[19] Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017)

Appendix

B – Climate Risk Assessment

National Climate Risk Management Framework (NCRMF)

The NCRMF was created to harmonize and integrate the efforts of various sectors and stakeholders on climate risk management, the ultimate objective of which is to come up with a climate action planning system founded on a unified and integrated science and risk-based approach with a strong risk database, information and analytics system that is readily available. Activities identified in the framework are: (1) a national stocktake of existing government actions at both national and local levels, to ascertain the current state in relation to climate risk information, tools and methodologies, and allow the identification of gaps, to arrive at the minimum acceptable standards for climate risk data and assessment methodologies; (2) climate risk evaluation, to understand the risk profiles and ranking to determine appropriate options for policy and action; and (3) climate risk management action formulation, to identify the activities, projects, actions that would address the identified risks. With this standardized guidance, it is envisioned that stakeholders will be able to identify interventions that complement the actions of government, all leading towards greater resilience of the economy.

Appendix

C – Sustainable Finance Guiding Principle references

Bank Negra Malaysia (BNM) Principles-based Taxonomy

Guiding Principle 1 (GP1): Climate change mitigation
The objective of climate change mitigation is to reduce GHG in the atmosphere. An economic activity can be considered to meet climate change mitigation if it makes substantial contribution towards the following:
- Avoid GHG emissions;
- Reduce GHG emissions; or
- Enable others to avoid or reduce GHG emissions

Examples of economic activities that can be considered as meeting GP1 include, but are not limited to the following:
a. Increase contribution of renewable energy in power generation
   E.g. Solar farm, biogas power plant, hydro power plant
b. Optimize energy consumption
   E.g. Promote energy efficient and energy savings based projects
c. Encourage low carbon mobility
   E.g. Energy efficient vehicles and transport
d. Promote green buildings
   E.g. Adoption of green technology in the construction, management, maintenance and demolition of buildings

Reduction of emissions can be performed via several mechanisms, such as increasing energy efficiency, use of renewable forms of energy and carbon capture and storage technology.

Guiding Principle 2 (GP2): Climate change adaptation

The objective of climate change adaptation is to increase resilience in order to withstand the negative physical effects of current and future climate change. An economic activity can be considered to meet climate change adaptation through the following:
- Implement measures to increase own resilience; or
- Enable other economic activities to adapt to climate change.

Examples of economic activities that can be considered as meeting GP2 include, but are not limited to the following:
a. Implement measures to increase own resilience
   E.g. Implement early warning system to reduce risk of flooding
b. Contribute to the adaptation of other economic activities to mitigate physical effects of climate change
   E.g. Develop flood sensor technology

Source: Bank Negara Malaysia, Climate Change and Principle-based Taxonomy, https://www.bnm.gov.my/documents/20124/938039/Climate+Change+and+Principle-based+Taxonomy.pdf

Appendix

C – Sustainable Finance Guiding Principle references

Bank Negra Malaysia (BNM) Principles-based Taxonomy

Guiding Principle 3 (GP3): No significant harm to the environment

An economic activity is generally location specific and interacts directly or indirectly with the surrounding environment. While an economic activity may contribute towards climate risk mitigation and adaptation, the overall business may bring about unintended harm to the broader environment which may precipitate permanent adverse impacts to the climate. Therefore, there must be adequate consideration directed at the impact on the wider ecosystem where the economic activity takes place.

To align with the broader environmental objectives, the following criteria should be considered for the overall business:

a. Prevent and control pollution (air, water and land);
b. Protect healthy ecosystem and biodiversity; and
c. Sustainable and efficient use of energy, water, and other natural resources.

Guiding Principle 4 (GP4): Remedial efforts to promote transition

In supporting the transition efforts towards a low carbon and climate resilient economy, supervised institutions are expected to take into account the remedial efforts and improvement programs undertaken by the businesses. This include commitment or willingness demonstrated by businesses through development of action plans, implementation of remedial measures and transition towards sustainable practices which may indirectly contribute to climate change mitigation and adaptation.

Guiding Principle 5 (GP5): Prohibited activities

Supervised institutions should verify and ensure that the economic activities are not illegal and does not contravene environmental laws. This includes, but is not limited to the National Policy on the Environment, National Forestry Act 1984, Fisheries Act 1985, National Parks Act 1980, Environmental Quality Act 1974 and its Regulations and Orders. Examples of prohibited activities are as follows (non-exhaustive):

a. Illegal waste management including release of untreated toxic and
b. hazardous industrial waste (generate, storage, treatment and disposal);
c. Operations which use fire for land clearance;
d. Operations involving illegal deforestation;
e. Activities within, adjacent to, or upstream of designated protected areas and habitats of rare/endangered species; and
f. Operations which practice drift net fishing or fishing with the use of explosives.

Source: Bank Negara Malaysia, Climate Change and Principle-based Taxonomy, https://www.bnm.gov.my/documents/20124/938039/Climate+Change+and+Principle-based+Taxonomy.pdf

Appendix

C – Sustainable Finance Guiding Principle references

Developing a National Green Taxonomy: A World Bank Guide

Existing Green Taxonomies from other countries	Topic	Description
Bangladesh Taxonomy	Environmental objectives	• Air pollution prevention • Renewable energy and energy efficiency • Water conservation and wastewater management • Waste management • Recycling and manufacture of recycled products • Manufacture of green products (e.g., green bricks) • Other (e.g., control of toxic and ozone-depleting substances)

	Principles	• Contribute to:
		  • Environment Conservation Rules, 1997
		  • Perspective Plan of Bangladesh 2010–21
		  • National Sustainable Development Strategy 2010–21, and
		  • the 6th and 7th Five-Year Plans

China Taxonomy	Environmental objectives	• Energy saving • Pollution prevention and control • Resource conservation and recycling • Clean transportation • Clean energy • Ecological protection and climate change adaption
	Principles	• Conforming to national conditions: focusing on improving the ecological environment and easing pressure on resources and following the lead of national industrial policy at the current stage • Highlighting environmental benefits: supporting projects with marked environmental benefits and positive spillover effects • Being simple and clear: taking into account that most capital market practitioners are not environmental professionals and, hence, employing definitions and a classification method that are easy to follow and apply • Making continuous adjustments: timely updating the catalogue according to technological advancements, policy adjustments, standard updates, and changes in resource and environmental conditions • Keeping in line with international practice: referring to international standards and practices when developing domestic definitions and a classification method to facilitate international cooperation in green finance.
Mongolia Taxonomy	Environmental objectives	• Climate change mitigation and adaptation • Pollution prevention • Resource conservation • Livelihood improvement
	Principles	• Contribute to national policies and targets • Address environmental challenges • Cover high-emitting, key economic sectors • Align with international standards and good practices • Comply with ESG standards • Continues review and development
CBI Taxonomy	Environmental objectives	• To deliver a low-carbon economy in line with the Paris Agreement
	Principles	• The CBI taxonomy identifies the assets and projects needed to deliver a low-carbon and climate-resilient economy and specifies GHG emissions and related screening criteria consistent with the sub-two-degree Celsius global warming target set by the Conference of the Parties (COP) 21 Paris Agreement.

Source: World Bank, Developing a National Green Taxonomy, https://documents1.worldbank.org/curated/en/953011593410423487/pdf/Developing-a-National-Green-Taxonomy-A-World-Bank-Guide.pdf

Appendix

C – Sustainable Finance Guiding Principle references

Developing a National Green Taxonomy: A World Bank Guide

Existing Green Taxonomies from other countries	Topic	Description
EU Taxonomy	Environmental objectives	• Climate change mitigation • Climate change adaptation • Sustainable use and protection of water and marine resources • Transition to a circular economy, waste prevention, and recycling • Pollution prevention and control • Protection of healthy ecosystems

	Principles	• To be environmentally sustainable, an activity must do the following:
		  • Substantially contribute to achieving one or more of the environmental objectives outlined in the proposed Taxonomy Regulation
		  • Do no significant harm (DNSH) to any of the other listed environmental objectives
		  • Be carried out in compliance with minimum social safeguards
		  • Comply with the technical screening criteria, which, in effect, define what it means to “substantially contribute” and DNSH to achieving an environmental objective

Source: World Bank, Developing a National Green Taxonomy, https://documents1.worldbank.org/curated/en/953011593410423487/pdf/Developing-a-National-Green-Taxonomy-A-World-Bank-Guide.pdf

Appendix

C – Sustainable Finance Guiding Principle references

Concept Paper on Climate Finance Transition Principles (Study Group on Environmental Innovation Finance in Japan organized by the Ministry of Economy, Trade and Industry, March 2020)

1. Background

In order to solve the urgent challenge of climate change, it is important to create a proper environment for adopting measures against climate change, as the Paris Agreement enters into the implementation phase this year. Japan, having reduced its GHG (Green House Gases) emissions for five consecutive years and by 12% compared to the level in FY2013, needs to reduce emissions even further.

As a tremendous amount of green investments is required globally to achieve the Paris Agreement goals, especially in emerging countries including those in Asia, it is critically important to promote such investment flows. In addition to accelerating current measures such as promoting green bonds, the following perspectives are important to reduce GHG emissions globally:

- Facilitating investments into a wider range of areas (including energy, components, raw material, and service) which can contribute to a low-carbon economy, considering the high demand for investment.
- As international trade is expanding and division of labor is deepening, there have been cases that countries that expand the ratio of service sector are reducing GHG emissions domestically but instead have been importing products that embed CO2 emissions from other countries, thus not necessarily ensuring a reduction of GHG emissions at the global level. Therefore, in order to actually reduce GHG emissions worldwide, it is necessary to aim at low-carbonizing all industries and sectors globally in an inclusive way, not leaving out GHG emitting industries and sectors(i.e., industries and sectors for which de-carbonization is technologically or economically insoluble in the foreseeable future).
- With respect to GHG emitting industries and sectors, it is vital to promote finance in areas where proper measures are adopted or improvements are made towards lowering emissions.
- Promoting long-term research and development (R&D) towards low/de-carbonization.
- Accelerating the reduction of GHG emissions throughout the entire global value chain and the life cycle of a product. *(The former refers to GHG emission reduction by providing materials, products and services with excellent environmental performance to global markets. The latter refers to GHG emission reduction through the entire life cycle of products and services including from raw material procurement to manufacturing, distribution, use, disposal and recycling, rather than just a part of the life cycle such as the use phase.)*

Accordingly, it is imperative to promote financing for these areas (including by transition bond, transition loan etc.) by developing a new set of standards for climate transition towards the Paris Agreement goals.

Source: World Bank, Developing a National Green Taxonomy, https://documents1.worldbank.org/curated/en/953011593410423487/pdf/Developing-a-National-Green-Taxonomy-A-World-Bank-Guide.pdf

Appendix

C – Sustainable Finance Guiding Principle references

Concept Paper on Climate Finance Transition Principles (Study Group on Environmental Innovation Finance in Japan organized by the Ministry of Economy, Trade and Industry, March 2020)

Extract from paper

2. Concept

In addition to promoting financing for an already de/low-carbonized activity, for instance in the area of renewable energies, it is important to promote financing for transition actions towards the de/low-carbonization of GHG emitting industries and sectors as well, as a part of climate finance contributing to the mitigation of climate change.

Climate transition finance should be defined as financing (initial investment or refinancing) for businesses on a transition path towards achieving the ambition of the Paris Agreement and the reduction target of each country based on the Paris Agreement.

While green investments expand across borders worldwide, transition pathways aligned with the Paris Agreement may differ from region to region and from country to country, depending on its industrial structure, and/or the role it plays in the overall global value chain.

Therefore, we propose that, in developing the concept of “financing for a transition”, (1) international principles should adopt an inclusive and flexible approach that can be applied to various circumstances of countries and regions without excluding specific sectors/industries or technologies from its scope, and (2) further details should be considered by each country or region based on its respective circumstances.

3. Proposal for international principles

Based on the ideas described in 1 and 2 above, we propose the following as a basis for drafting international principles on transition finance that can be applied flexibly. Since the following only covers the contents of our proposed general principles, further details for practical use should be discussed by respective countries or regions.

Standard for alignment with the Paris Agreement

- It should be finance for a transition towards achieving the Paris Agreement goals and the reduction target of each country based on the Paris Agreement.

Standards for business entities

- It should be finance for a business entity that is proactively pursuing a transition towards achieving the Paris Agreement goals and the reduction target of each country, including for example by providing a mid- to long-term vision or an action plan, taking into account long-term environmental impacts (it is preferable if an entity has been working on concrete measures such as R&D aiming at low- and/or de-carbonization).

Source: Concept Paper on Climate Transition Finance Principles, https://www.meti.go.jp/press/2019/03/20200331002/20200331002-2.pdf

Appendix

C – Sustainable Finance Guiding Principle references

Concept Paper on Climate Finance Transition Principles (Study Group on Environmental Innovation Finance in Japan organized by the Ministry of Economy, Trade and Industry, March 2020)

- It should be finance for an entity that has a mid-term target for reducing GHG emissions towards the reduction target of each country based on the Paris Agreement and that has been achieving its target or has been making an effort to achieve it in the future.

Standards for Projects

- It should be finance for a project in a GHG emitting industry or sector that achieves or implements the level of best performance of low GHG emissions in line with a reputable global or regional standard for such a sector or industry.

  E.g., investment towards a BAT(Best Available Technology) project, capital investment to significantly improve energy efficiency and decrease the CO2 emissions of existing facilities, investment in a new business to decrease the CO2 emissions of a whole supply chain or cities, and capital investment in installing cutting-edge high- efficiency power generators or

- It should be finance for a project relating to or contributing to products with the level of best performance of low GHG emissions in line with a reputable global or regional standard for such a sector or industry.

  E.g., production of highly efficient automobiles and projects related with its value chain and production of items regarded as “top-runner” in terms of efficiency, etc.

Whether the standards for business entities and the standards for projects should be both satisfied depends on asset classes or designs of each financial instrument. Considering the fact that the intent of business entities plays a vital role in a transition, it is important to take into consideration business entities’ proactive stance or action to pursuing a transition (for example by providing a medium to long term vision or action plan).

Other points which can be taken into account

- Contribution to a global reduction of GHG emissions where a business operates in the global value chain.
- Contribution to GHG reduction throughout the life cycle of a product.
- Contribution to or influence on other SDGs or other environmental objectives

Source: Concept Paper on Climate Transition Finance Principles, https://www.meti.go.jp/press/2019/03/20200331002/20200331002-2.pdf

Appendix

D – Other Definitions of Nature-based Solutions

Other definitions of NbS follow:

- The European Commission defines NbS as “Solutions that are inspired and supported by nature, which are cost-effective, simultaneously provide environmental, social and economic benefits and help build resilience. Such solutions bring more, and more diverse, nature and natural features and processes into cities, landscapes and seascapes, through locally adapted, resource-efficient and systemic interventions.”

- The World Wide Fund for Nature (WWF) defined NbS for climate as “Ecosystem conservation, management and/or restoration interventions intentionally planned to deliver measurable positive climate adaptation and /or mitigation benefits that have human development and biodiversity co-benefits managing anticipated climate risks to nature that can undermine their long-term effectiveness.”

- For the Nature-based Solutions Initiative (NbSI) based at the University of Oxford, NbS “involve working with nature to address societal challenges, providing benefits for both human well-being and biodiversity. Specifically they are actions that involve the protection, restoration or management of natural and semi-natural ecosystems; the sustainable management of aquatic systems and working lands such as croplands or timberlands; or the creation of novel ecosystems in and around cities. They are actions that are underpinned by biodiversity and are designed and implemented with the full engagement and consent of local communities and Indigenous Peoples.