



*In Conversation with*  
*Ms. Chuchi G. Fonacier*  
*Deputy Governor Financial Supervision Sector,*  
*Bangko Sentral ng Pilipinas*  
*(September 2023)*

**1. When and why did your institution join the NGFS?**

It was in early 2019 when we first learned about the NGFS. At that time, we were developing a high-level policy aimed at signalling to the market that the Bangko Sentral ng Pilipinas (BSP) is now looking on sustainable finance because of the significant impact of climate and other environment-related risks to stability of individual financial institutions and the entire financial system.

We were overwhelmed by the breadth, depth, and rapidly evolving nature of this topic. Climate risks do not only concern the supervisory function but also monetary policy and internal operations of the Bank. We know that we need to fast track our work, but at the same time we need to study and learn about the relevant standards and be abreast of the developments in the international arena. By joining the NGFS, we aim to learn from the best and to contribute the best that we can.

The BSP was approved as a plenary member of the NGFS in July 2020. We believe that the NGFS membership will provide a platform for the BSP to strengthen its collaboration with other supervisory authorities and central banks as well as with multilateral financial institutions and international standard setting bodies in contributing to initiatives aimed at reducing the impact of climate and other environment-related risks. It also offers a venue for peer-learning and knowledge-sharing that will inform the strategy setting and policy development in the Philippine financial system.

**2. Can you share with us the key elements of the Bangko Sentral ng Pilipinas's climate strategy and how it fits into the broader national strategy in your jurisdiction?**

The BSP adopted the broad concept of sustainability to guide our strategy as a supervisor, a government agency, and an organisation.

As a **supervisor**, we provide an enabling regulatory environment for sustainable finance. Since April 2020, we have issued sustainability-related guidelines geared towards deepening understanding and

managing of climate, environment, and social risks and at the same time increasing opportunities for financing green or sustainable projects, including transitional activities to decarbonisation.

As a **government agency**, we are part of the whole-of-government team or what we called the “Green Force” that is tasked to support and contribute to the acceleration of the development of a sustainable economy by identifying pipeline of sustainable investments, mobilizing financing sources, and harmonizing and coordinating policies and projects across all government agencies, among others.<sup>1</sup> The Green Force has released the Philippine Sustainable Finance Roadmap and the Sustainable Finance Guiding Principles in October 2021. We ensure that our efforts and regulations are aligned with the Roadmap and supportive of the country’s climate strategies and targets and sustainable development goals.

Lastly, as an **organisation**, we must take the lead and be an example to our supervised entities. We have invested in the Green Bond Fund of the Bank of International Settlements. We are now a signatory of the UN-supported Principles for Responsible Investment.<sup>2</sup> We also issued our maiden sustainability report which describes how the BSP embeds green practices and sustainability principles in its operations. These actions form part of the BSP’s 11-point Sustainable Central Banking Strategy<sup>3</sup> that will guide our efforts for the next two to three years, in line with our roles as an “enabler”, “mobiliser” and “doer” in the sustainability front.

### 3. To which extent did the Bangko Sentral ng Pilipinas leverage the work of the NGFS in its own domestic journey? Any concrete examples?

The NGFS is instrumental in the BSP’s work on sustainable finance. In knowledge-building and policy formulation, we seek insights from the NGFS publications and engagements with other central banks and supervisors during workstreams meetings to be apprised of best practices and key developments in the climate arena. We benefitted from the recommendations contained in the *NGFS Guide for Supervisors*<sup>4</sup> as this reinforced the BSP’s approach to issuing regulations<sup>5</sup> that expects banks to embed climate as well as environmental and social (E&S) risk considerations in their existing corporate governance, risk management systems, strategy, and operations.

The *NGFS Technical Document on Environmental Risk Analysis*<sup>6</sup> is also one of our key references in developing the supplemental guidelines for banks regarding the implementation of an Environmental and Social Risk Management System<sup>7</sup>.

The *NGFS Climate Scenarios* are also utilised in the climate transition risk stress testing we are conducting in collaboration with a development partner. Parallel to this, a pilot vulnerability assessment exercise is being conducted involving volunteer mid- to small-sized banks. I think it is also worth sharing that the BSP conducted separate studies on the impact of extreme weather episodes<sup>8</sup> and biodiversity loss<sup>9</sup> on the Philippine banking system.

---

<sup>1</sup> Philippine Sustainable Finance Roadmap.

<sup>2</sup> [www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=6824](http://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=6824)

<sup>3</sup> [www.bsp.gov.ph/StrategicPrograms/SCBS-final%20\(1\).pdf](http://www.bsp.gov.ph/StrategicPrograms/SCBS-final%20(1).pdf)

<sup>4</sup> [www.ngfs.net/sites/default/files/medias/documents/ngfs\\_guide\\_for\\_supervisors.pdf](http://www.ngfs.net/sites/default/files/medias/documents/ngfs_guide_for_supervisors.pdf)

<sup>5</sup> The BSP issued sustainability-related regulations as embodied in Circular Nos. 1085, 1128 and 1149.

<sup>6</sup> [www.ngfs.net/sites/default/files/medias/documents/overview\\_of\\_environmental\\_risk\\_analysis\\_by\\_financial\\_institutions.pdf](http://www.ngfs.net/sites/default/files/medias/documents/overview_of_environmental_risk_analysis_by_financial_institutions.pdf)

<sup>7</sup> [www.bsp.gov.ph/Regulations/Issuances/2022/M-2022-042.pdf](http://www.bsp.gov.ph/Regulations/Issuances/2022/M-2022-042.pdf)

<sup>8</sup> [www.bsp.gov.ph/Media\\_And\\_Research/WPS/WPS202003.pdf](http://www.bsp.gov.ph/Media_And_Research/WPS/WPS202003.pdf)

<sup>9</sup> [www.bsp.gov.ph/Pages/MediaAndResearch/PublicationsAndReports/Discussion%20Papers/DP202303.pdf](http://www.bsp.gov.ph/Pages/MediaAndResearch/PublicationsAndReports/Discussion%20Papers/DP202303.pdf)

The NGFS' efforts to investigate the potential effects of climate change on the conduct of monetary policy<sup>10</sup> likewise provided the BSP with insights that are useful in our assessments of how we can systematically integrate climate risks into our current monetary policy framework. In our June 2022 Economic Newsletter, we discussed our initial thoughts on the linkage of climate change and monetary policy, key challenges, and action plans to enhance our approach in this area.<sup>11</sup>

Lastly, we also considered the *NGFS Guide on Climate-related Disclosure*<sup>12</sup> in the development of our maiden sustainability report<sup>13</sup> which was issued in June 2023.

#### 4. One last word?

On behalf of the BSP, I would like to thank the NGFS for inviting me to take part in this interview. I truly commend the extraordinary and relentless efforts of the NGFS in pioneering works that enable central banks worldwide to gain momentum and make decisive actions toward managing climate and environmental risks.

With respect to the BSP's sustainable finance journey, we are set to embark on critical actions that will accelerate our country's climate response. We will initiate consultative discussions with financial sector players related to the issuance of the Philippine Sustainable Finance Taxonomy Guidelines, and subsequently on the adoption of the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards. Complementary to this, the BSP will issue regulations that aim to incentivise the financing of sustainable projects, including climate mitigation and adaptation projects. We will also publish this year the results of the pilot climate transition risk stress testing exercise. This will inform the climate stress testing guidelines for banks as well as the enhancement to prudential reports to facilitate data collection and surveillance analysis. The BSP will also promote how the green finance element can be integrated into our financial inclusion policies and initiatives to empower MSMEs and vulnerable groups, and strengthen their climate resilience and operational sustainability.

As we gradually mature in this journey, I hope that one day, the BSP can add to the growing body of knowledge and experience that the NGFS members have built through the years. The BSP will remain an active part of this network. Let us keep this momentum and continue taking solid actions to contribute to achieving our global climate goals<sup>14</sup>. More power to the NGFS!

<sup>10</sup> [www.ngfs.net/sites/default/files/medias/documents/climate\\_change\\_and\\_monetary\\_policy.pdf](http://www.ngfs.net/sites/default/files/medias/documents/climate_change_and_monetary_policy.pdf)

<sup>11</sup> [www.bsp.gov.ph/Media\\_And\\_Research/Publications/EN22-03.pdf](http://www.bsp.gov.ph/Media_And_Research/Publications/EN22-03.pdf)

<sup>12</sup> [www.ngfs.net/sites/default/files/medias/documents/guide\\_on\\_climate-related\\_disclosure\\_for\\_central\\_banks.pdf](http://www.ngfs.net/sites/default/files/medias/documents/guide_on_climate-related_disclosure_for_central_banks.pdf)

<sup>13</sup> [www.bsp.gov.ph/Media\\_And\\_Research/Media%20Releases/2023\\_07/BSP%20Sustainability%20Report%202022.pdf](http://www.bsp.gov.ph/Media_And_Research/Media%20Releases/2023_07/BSP%20Sustainability%20Report%202022.pdf)

<sup>14</sup> BSP's Statement of Contribution to COP26: [www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?Itemid=6019](http://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?Itemid=6019)