FairFinance Philippines

Comments on BSP's proposed Sustainable Finance Taxonomy Guidelines

October 6, 2023

PREFACE

Fair Finance Philippines

Fair Finance Philippines (FFPh) is a coalition comprising three (3) local civil society organizations (CSOs)[1] and two (2) regional CSO networks[2]. FFPh's mission is to promote sustainable finance nationally, focusing on critical issues such as agrarian rights, gender equality and just energy transition, among others. We advocate for the comprehensive integration of environmental, social, and governance (ESG) criteria by Philippine financial sector actors in their policies, operations, and funding decisions. Given the Philippines' climate change vulnerability risks, we emphasize the urgency of climate action.

Fair Finance Asia

FFPh is a member of Fair Finance Asia (FFA), a regional network of Asian CSOs dedicated to ensuring that financial institutions in the region prioritize the social and environmental well-being of local communities. In FFA, we believe that financial institutions have a crucial role in ensuring that financial institutions operating in the region uphold the social and environmental rights and well-being of local communities. FFA calls for enhanced cross-border sustainable finance policy coordination in Asia, emphasizing inclusivity and multi-stakeholder involvement, including CSOs representing community voices.

FFA collaborates with CSO coalitions in Bangladesh, Cambodia, India, Indonesia, Japan, Laos, Pakistan, the Philippines, Thailand, and Vietnam. Our network comprises over 90 allied organizations with diverse expertise in sustainability and financial sector advocacy. These coalitions lead national initiatives, synchronized under the FFA regional umbrella.

FFA operates within the framework of Fair Finance International (FFI), which extends its footprint to ten (10) other countries globally, including Belgium, Bolivia, Brazil, Colombia, Germany, the Netherlands, Norway, Peru, South Africa, and Sweden. FFI's assessment reports on national financial institutions' policies and practices are integral to FFA's advocacy toolkit for sustainable finance and responsible investments.

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[1] Asian NGO Coalition Coalition for Agrarian Reform and Rural Development (ANGOC), Initiative for Dialogue and Empowerment through Alternative Legal Services Inc. (IDEALS), and Freedom from Debt Coalition

[2] NGO Forum on Asian Development Bank (the Forum) and World Wide Fund

Through cross-collaboration, FFA facilitates initiatives promoting sustainable financing, knowledge exchange, and the strengthening of evidence against harmful investments to hold financial institutions accountable. By connecting national, regional, and global perspectives, the Fair Finance network collectively advises and advocates for meaningful changes in the financial sector, benefiting citizens and communities.

Fair Finance Philippines Comments to the Proposed Philippine Sustainable Finance Taxonomy Guidelines

This document represents the valuable collaborative efforts of the FFPh coalition, showcasing our constructive comments on the proposed Philippine Sustainable Finance Taxonomy Guidelines. Through the comments, we hope to materialize public participation, particularly by the communities coalition members represent who are likely to be affected by the Philippine Sustainable Taxonomy. This collaborative endeavor involved the dedicated teams at the FFPh secretariat, the Initiative for Dialogue and Empowerment through Alternative Legal Services, Inc. (IDEALS), and the Just Energy Transition CSO specialist, Oxfam Pilipinas (OPH). We extend our gratitude to the FFA Executive Team, under the leadership of Bernadette Victorio, for their guidance and support throughout this process.

Our comments embody the collective knowledge and insights derived from the diverse areas of advocacy the coalition members pursue. To enhance clarity and facilitate your review, we have organized each comment with a header, offering a succinct preview or summary of its content, followed by the substantive content of the comment itself. Please note that some comments may relate to multiple consultation questions, reflecting the interconnected nature of sustainable finance issues.

Finally, it is important to note that while we have endeavored to provide insights into various consultation questions, our focus has been primarily centered on those areas where we believe we can make material contributions in the most effective manner. Consequently, not all consultative questions have been addressed in this document, as we have prioritized those areas where our expertise and experience allow us to make meaningful contributions.

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The Proposed Philippine Sustainable Finance Taxonomy Guidelines, a commendable result of meticulous research.

Fair Finance Philippines (FFPh) extends its sincere appreciation to the Bangko Sentral ng Pilipinas (BSP) for its commendable dedication in conducting an exhaustive study on sustainable finance taxonomy. The BSP's resolute commitment, as exemplified through its Financial Sector Forum (FSF) and the proposed Philippine Sustainable Finance Taxonomy Guidelines (SFTG) it produced, is indicative of its unwavering resolve to implement its Sustainable Central Banking (SCB) program towards a responsible and sustainable financial sector in the Philippines. This comprehensive exploration of existing sustainable finance practices and taxonomy stands as a pivotal milestone in the development of robust guidelines, which have the potential to transform the financial landscape into a green.

We are happy to submit our comments and actively participate in shaping the proposed Philippine SFTG. This collaborative endeavor underscores the significance of engaging diverse stakeholders in sculpting the trajectory of sustainable finance in our nation. We firmly believe that this collective collaboration, enriched by a multitude of perspectives, will facilitate the creation of inclusive and effective guidelines. Ultimately, these guidelines aim to establish a dynamic and efficacious Philippine sustainable finance taxonomy.

As we scrutinize the outcomes of this rigorous study, we acknowledge the promising elements that have surfaced. The BSP's unwavering commitment to align the Philippine financial sector with international best practices in sustainable finance is evident in these guidelines. These guidelines have the potential to substantially enhance the integration of environmental, social, and governance (ESG) factors within the financial sector, thereby contributing to both economic growth and sustainability.

While we acknowledge the significant progress achieved, FFPh holds dear the principle of continual enhancement. In this spirit, we respectfully submit this commentary document to illuminate specific areas where we believe the guidelines can be further fortified. Our intent is to provide constructive contributions to the development of these guidelines, ensuring that they serve as a robust framework for sustainable finance in the Philippines. We firmly believe that, through collaborative efforts and persistent refinement, we can collectively realize the aspiration of a more sustainable future for our nation. We hope that the BSP finds value in the comments and suggestions embodied herein.

Inclusivity, governance, prioritization, and dynamic nature as the four most important design considerations for the Philippine Sustainable Finance Taxonomy Guidelines

FFPh places significant emphasis on certain design considerations, prioritizing the following aspects, while still valuing all design considerations in the development of the SFTG:

1. **Inclusivity**: We recognize the diversity among stakeholders, encompassing both the private and public sectors, as well as communities, each with varying levels of capacity, knowledge, and ability to adhere to the standards delineated by the SFTG.

2. **Governance**: In line with the principle of inclusivity, it is imperative to adopt a comprehensive and inclusive approach that involves all stakeholders in the formulation of consensus and the establishment of definitions. While certain sectors, such as the public sector and banking and financial institutions, may directly benefit from the SFTG, it is crucial that the guidelines incorporate insights from all stakeholders. This approach ensures that the SFTG encompasses a wide array of scenarios and considerations, minimizing potential confusion in its practical application.

3. **Prioritization**: The development of the SFTG should be firmly grounded in the context and priorities of the Philippines. It is essential to align these guidelines with global, national, and subnational policies, trends, and needs, including but not limited to the Philippine Nationally Determined Contributions (NDCs), Sustainable Development Goals, Paris Agreement and other international agreements such as those established by the United Nations General Assembly and the United Nations Framework Convention on Climate Change (UNFCCC). This alignment ensures that the SFTG remains relevant and responsive to overarching policy objectives.

4. **Dynamic Nature**: Recognizing that the transition to sustainability is an evolving process, the SFTG should remain adaptable. It should be open to incorporating insights derived from regular implementation reviews and feedback from a diverse set of stakeholders. This adaptability ensures that the SFTG remains a dynamic and effective tool for guiding sustainable finance practices.

In conclusion, these prioritized considerations underscore FFPh's aspiration to have a comprehensive and effective SFTG. By placing inclusivity, governance, prioritization, and adaptability at the forefront of the design process, it is hoped that the guidelines will give birth to a model Philippine Sustainable Finance Taxonomy that is not only robust but also reflective of the diverse needs and contexts within the Philippines.

Oxfam Pilipinas Assessment Standards

FFPh introduced the assessment standards utilized by one of its coalition members, OPH, which serves as the specialist CSO within the coalition, focusing on international just energy transition.

OPH upholds robust safeguarding standards that are rigorously adhered to by both its staff and partners. While these standards may not explicitly address climate change, they encompass vulnerable sectors, with a primary focus on mitigating vulnerabilities exacerbated by climate change impacts.

Furthermore, Oxfam Confederation[3] demonstrates a conscientious approach to environmental responsibility by developing a comprehensive tool for calculating its carbon footprint. Within OPH, this tool is seamlessly integrated into the Country Operational Report. It meticulously calculates emissions across various categories, including energy consumption in buildings and vehicles, business travel, capital goods, and transport and distribution, all while emphasizing emissions reduction strategies.

In the realm of resilience and humanitarian actions, the organization relies on well-established risk assessment standards sanctioned by relevant government agencies and international platforms. For Disaster Risk Reduction initiatives, OPH collaborates with partner local government units (LGU) and employs risk assessment tools provided by Operation Listo. In the context of climate adaptation planning, the organization utilizes the "LGU Guidebook on the Formulation of Local Climate Change Action Plan (LCCAP),"[4] thoughtfully developed by the Local Development Academy of the Department of Interior and Local Government (DILG).

In the event of humanitarian response efforts, OPH efficiently deploys its Rapid Damage Assessment and Needs Analysis (RDANA) tool. Moreover, when

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[3] The Oxfam Confederation Oxfam is a global movement of people who are fighting inequality to end poverty and injustice. Across regions, from the local to the global, they work with people to bring change that lasts. Their work is grounded in the commitment to the universality of human rights. Website: https://www.oxfam.org/en

[4] *Enhanced LGU Guidebook on the Formulation of Local Climate Change Action Plan (LCCAP) Book 4*. (2017). Local Government Academy. https://cdn.lga.gov.ph/publication/attachments/1590498166.pdf last accessed October 5, 2023

conducting joint assessments in conjunction with other organizations, the organization adopts a collaborative approach, using a Joint Rapid Assessment and Needs Analysis tool that is collectively defined and agreed upon within humanitarian consortiums such as the Philippine INGO Network and Humanitarian Country Team (HCT).

Fair Finance Guide Methodology 2023

In addition to Oxfam Assessment Standards, FFPh also introduces the Fair Finance Guide International (FFGI) Methodology as a valuable standard assessment tool. The FFG Methodology, recently updated to the 2023 edition, serves as the cornerstone for Fair Finance International's collaborative efforts with civil society organizations in evaluating financial institutions' ESG (Environmental, Social, and Governance) criteria within their finance and investment policies.

This innovative tool is meticulously designed to assess financial institutions across three key categories: cross-cutting themes; sector themes; and operational themes. Comprising twenty-one essential elements, the FFG Methodology empowers us to comprehensively evaluate and enhance the policies of financial institutions. It plays a pivotal role in promoting ethical and responsible finance practices, ultimately driving positive change in the financial industry.

CROSS CUTTING THEMES

- Climate change
- Corruption
- Gender equality
- Health
- Human rights
- Labour rights
- Nature
- Tax
- Animal welfare

SECTORAL THEMES

- Arms
- Financial sector
- Fisheries
- Food
- Forestry
- Housing and real estate
- Manufacturing industry
- Mining
- Oil and gas
- Power generation

OPERATIONAL THEMES

- Consumer protection
- Financial inclusion
- Remuneration
- Transparency and accountability

The FFGI methodology (2023) is publicly available in digital format online at https://fairfinanceguide.org/media/498182/ffgi-policy-assessment-methodology-2023-ffi_final.pdf.

List of Excluded Activities

While Appendix 1 serves as a valuable reference, we underscore the importance of extending its coverage to encompass the following critical facets[5]:

1. Use, production, development, maintenance, testing, stockpiling of and trade in anti-personnel landmines, including key components of landmines;
2. Use, production, development, maintenance, testing, stockpiling of and trade in cluster munitions, including key components of cluster munitions;
3. Use, production, development, maintenance, testing, stockpiling of and trade in nuclear weapons, including key components of nuclear weapons, in or to countries that have not ratified the Non-Proliferation Treaty;
4. Use, production, development, maintenance, testing, stockpiling of and trade in chemical weapons, including key components of chemical weapons;
5. Use, production, development, maintenance, testing, stockpiling of and trade in biological weapons, including key components of biological weapons;
6. Use, production, development, maintenance, testing, stockpiling of and trade in lethal autonomous weapons systems (LAWS), including components designed for LAWS;
7. Supply of arms and weapon systems, military transport systems, and other military goods to countries that are under a United Nations or relevant multilateral arms embargo;
8. Supply of arms and weapon systems, military transport systems, and other military goods is unacceptable if there is an overriding risk that the arms will be used for serious violation of international human rights and humanitarian law; and
9. Supply of arms and weapon systems, military transport systems, and other military goods to countries that spend a disproportionate part of their budget on purchases of arms.

Moreover, we emphasize the imperative consideration of long-term socio-economic well-being, specifically addressing issues such as displacement affecting indigenous peoples and communities, ensuring fair and inclusive processes, incorporating gender and identity considerations, and formulating

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[5] Laplane, J., L. van Loenen and J.W. van Gelder (2023, February), Fair Finance Guide Methodology 2023, Amsterdam, The Netherlands: Profundo. https://fairfinanceguide.org/media/498182/ffgi-policy-assessment-methodology-2023-ffi_final.pdf last accessed October 5, 2023

comprehensive transition plans for workers and communities within the context of renewable energy development. This aligns with the four Just Energy Transition (JET) principles advocated for.

Furthermore, FFPh suggests the inclusion of a clear definition and scope delineation for what are considered conflict minerals and strongly recommends the incorporation of the Renewable Energy Act into the Association of Southeast Asian Nations (ASEAN) Taxonomy Appendix F.

Lastly, we wish to share for kind consideration of SFS the recently released FFI exclusion list tracker that is accessible by going to: https://financialexclusionstracker.org/. This tracker provides a list of companies that have been publicly excluded by financial institutions, for reasons ranging from human rights violations to environmental impact and other sustainability issues. It also includes specific categories of themes, beyond arms, and business practices that are considered red lines for financing.

SFTG adequately prioritizes mitigation and adaptation for initial coverage but we hope that it can incorporate in its language the urban sector as a priority sector, Carbon Capture, Utilization, and Storage (CCUS) as one of the enabling sectors, and forestry and coastal ecosystem as key sectors.

While not explicitly outlined in the country's Nationally Determined Contributions (NDC) at present, it is imperative for the urban sector, closely intertwined with construction and real estate activities in the ASEAN taxonomy, to emerge as a priority sector. This strategic consideration is underscored by the fact that other priority sectors, such as transportation, waste management, and energy, will inevitably contribute to and intersect with the urban sector. Furthermore, as the SFTG encompasses industries, micro, small, and medium-sized enterprises (MSMEs), and private sector entities, it becomes apparent that a multitude of relevant activities fall under the purview of the urban sector.

In this context, the inclusion of capacity-building and development as an enabling sector assumes paramount importance, particularly in light of the "Green Jobs Act." This step is instrumental in fortifying the "just transition" components of "sustainable investments." For FFPh, this aligns seamlessly with our community outreach and empowerment initiatives, encompassing re-skilling and upskilling programs, as well as endeavors aimed at enhancing women's economic empowerment.

Additionally, it is worth noting that the SFTG proposes enabling sectors, defined as those that enhance the performance of other sectors and activities without posing inherent risks to environmental objectives. These sectors encompass ICT, professional, scientific, and technical activities, as well as CCUS. The consideration of CCUS as an enabling sector raises concerns regarding the sustainability aspect of the SFTG, as it may inadvertently promote the continued use of fossil-fuel-based sources, potentially exacerbating greenhouse gas (GHG) emissions.

Furthermore, with regard to adaptation efforts, it is recommended to prioritize forestry and coastal ecosystems as key sectors. This strategic focus holds direct relevance to the advancement of renewable energy sourcing and development, as these ecosystems play a vital role in bolstering sustainability and resilience within the broader sustainability framework.

A dynamic period rather than a static 5-year period.

The timeline for compliance should be tailored to individual companies, considering their classification and scale of operation, rather than being solely sector-based. A fixed 5-year period may prove to be excessively protracted, particularly for larger companies, given their presumed advanced capabilities in anticipatory planning. In line with the SFTG's core design principle of inclusivity, it is imperative to formulate distinct timelines for different company tiers, with large enterprises distinguished from medium-sized and small/micro businesses. These tailored timelines would enable each company level to effectively implement remedial measures for transitioning (RMT).

Moreover, it is recommended to incorporate a provision that automatically excludes activities causing harm, especially when a company is unable to commit to the stipulated RMT within the prescribed target period. This measure ensures that non-compliant activities are promptly addressed and aligns with the overarching sustainability objectives of the SFTG.

Additional considerations in the proposed essential criteria.

While the current framework provides a foundational focus on critical social aspects encompassing human rights, labor rights, children's rights, rights of migrant workers, and indigenous peoples' rights, it is imperative to expand its scope to encompass other vital elements. These should include gender considerations and diverse identities, encompassing aspects like women's rights and LGBTQIA+ rights, as well as the rights of other marginalized communities. This broader perspective should also extend to sectors that directly engage with resources, including but not limited to farmers, fisherfolks, and various urban and rural, formal and informal groups.

Furthermore, for a more comprehensive and inclusive approach, we recommend consulting the sectoral considerations outlined in the FFGI Methodology (2023), which has already proven its applicability and effectiveness in evaluating banking and financial institutions. Incorporating these cross-cutting, sectoral, and operational themes will further enhance the taxonomy's robustness and relevance.

Lastly, it may be more helpful if the discussion on MSS goes as far as listing the relevant international treaties that are applicable to institutions within the Philippines or within the reach of Philippine jurisdiction. The FFGI Methodology may be of help as it has already listed the various international conventions and treaties underpinning its assessment framework.

A clear definition of substantial and carbon lock-in for improved comprehension and transparency.

In the context of Environmental Objective 1, considering option B within the amber category is a positive step, especially in light of the current lack of clarity surrounding the concept of "carbon lock-in." It is essential to provide a more comprehensive understanding of this term to foster greater clarity and understanding and to enhance the guidelines' effectiveness.

As for Environmental Objective 2, there appears to be an assumption within the amber category that adaptation activities are contingent upon mitigation and decarbonization goals. FFPh finds an opportunity to emphasize the importance of adaptation activities as stand-alone strategies. While it is valuable to align adaptation efforts with emissions reductions and seek mitigation co-benefits, the amber classification can also focus on "remediation" measures that will prevent “maladaptation”, or unintended consequences, promoting resilience and sustainability.

To promote better comprehension and transparency, providing clear definitions and unpacking terms like "substantial" and "carbon lock-in" is beneficial, enabling a more constructive and visual framework for intervention classification.

There is room for further enhancement to ensure inclusivity and practicality by adding a few guiding questions to the essential criteria.

The guiding questions across the three Essential Criteria demonstrate clarity and usability for organizations aiming to align with sustainable finance principles. However, there is room for further enhancement to ensure inclusivity and practicality.

Under the "Promotion and protection of human rights" criteria, it is commendable that labor and discrimination policies are addressed. Nevertheless, for a more comprehensive approach, it is advisable to expand the scope to encompass gender considerations as well. This can be achieved by including the following questions:
d. Does the Company have a policy that recognizes and respects the rights, capacities, and leadership of women, persons with disabilities, and other diverse gender identities?
e. Does the Company have safeguarding, grievance, and other feedback mechanisms and/or platforms for individuals experiencing injustices negatively affecting their rights?

Similarly, within the "Impact on people living close to investments" category, there is an opportunity for improvement to enhance practicality. To this end, it is suggested to incorporate the following question:
d. Does the Company have grievance and other stakeholder feedback mechanisms and/or platforms to solicit insights and proactively resolve conflicts stemming from possible impacts of investments/interventions?

By integrating these adjustments, the Minimum Social Safeguard Criteria will be further refined to be both reasonable and practical while promoting a more comprehensive and inclusive approach to sustainable finance.

Aside from the additional guiding questions, FFPh submits for consideration the following to be tucked in as an integral part of the three (3) MSS criteria:

1. Promotion and Protection of Human Rights
    a. Companies should have a policy commitment to meet their responsibility to respect human rights
2. Prevention of Forced Labour and Protection of Children's Rights
    a. Companies should have a human rights due diligence process to identify, prevent, mitigate and account for how they address their impact on human rights
3. Impact on People living Close to Investments

a. Companies should have processes to enable the remediation of any adverse human rights impact that they cause or contribute to.
b. Companies should establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted.

An Observation of a Principle-Based Taxonomy.

The proposed guidelines encompass seven core principles, each delineated with its objectives and illustrative examples of economic activities falling within their purview. Guiding Principles 1 and 2 are exclusively dedicated to climate-related issues, specifically addressing Climate Change Mitigation and Adaptation, as well as Promoting the Transition to a Low-Carbon Economy. Principle 3 pertains to the domain of Resilient Food Systems, while Principles 4 and 5 underscore the significance of Sustainable Cities and Resilient Infrastructures for Inclusive Growth and Poverty Reduction. Principle 6 undertakes the responsibility for Environmental Management and Conservation. Finally, Principle 7 elucidates prohibitions and delineates activities outside the ambit of the guiding principles.

A salient attribute of these Guiding Principles is their adherence to a principle-based approach, eschewing prescriptive measures in favor of a focus on intent rather than rigid definitions. This approach empowers financial institutions to adapt these principles in a manner aligned with their specific operational contexts. By doing so, it facilitates the redirection of attention and financial resources toward economic activities deemed "sustainable."

The adoption of a principles-based taxonomy carries with it both advantages and limitations. On a positive note, such an approach offers enhanced flexibility, affording banks the latitude to concentrate on the desired impact, promoting the financing of activities articulated within the taxonomy, and mitigating the risk of "creative compliance" practices, where banks technically adhere to regulatory rules while circumventing their intended purpose.[6]

The inherently less prescriptive nature of principles-based frameworks is also purportedly more "future-proof"[7] and less prone to frequent updates compared to rules-based approaches, which tend to be contingent upon specific contextual factors. However, the inherent openness of principles-

[6] Creative Compliance refers to practices where entities conform to regulatory requirements in a way that meets the letter of the rules but circumvents their underlying intent.
[7] "Future-proof" implies that a system or framework is designed to remain effective and relevant even as conditions and contexts change over time.

based regulations poses challenges in terms of guaranteeing the taxonomy's efficacy, as overly vague principles can impede a comprehensive assessment of an activity's contribution to sustainable finance objectives and the attainment of related targets.

Furthermore, principles-based regulations pose operationalization and verification challenges concerning institutions' adherence to the principles they profess to uphold. To circumvent these challenges, regulators must meticulously monitor compliance and vigilantly guard against instances of "greenwashing," whereby companies, in response to the burgeoning demand for environmentally responsible business practices, portray themselves as more environmentally friendly than they genuinely are, potentially eroding investor trust in the taxonomy's robustness.

Inclusive Sustainable Finance with clear and due consideration to MSMEs.

There exists a prevalent perception that the sustainable finance taxonomy may be more readily adhered to by large corporations possessing advanced capabilities and intricate internal systems, which are inherently aligned with established international standards. However, it is imperative that the SFTG function as an instrument that not only accommodates but actively fosters the growth and adaptability of MSMEs in alignment with the overarching objectives and targets of the SFTG.

To this end, the BSP, and/or the other most relevant regulatory bodies, should be equipped with the capacity to institute mechanisms and fortify the implementation of existing policies that actively bolster the inclusivity of MSMEs within the sustainable finance framework. This encompasses avenues such as the Green Jobs Act and other similar initiatives that offer incentives to business enterprises, thereby motivating and enabling MSMEs to actively participate in sustainable finance practices. In doing so, the SFTG can be a powerful catalyst for enhancing the sustainability landscape, ensuring that even smaller businesses play an integral role in achieving its overarching goals and aspirations.

The proposed Philippine SFTG reflects the unique sustainability challenges and opportunities facing the Philippines, but FFPh would like to see more.

The proposed Philippine SFTG effectively addresses sustainability challenges by shedding light on the repercussions of climate change and the depletion of natural resources. Specifically, the SFTG is firmly grounded in an analysis of climate risk dimensions and their impact on financial markets, recognizing the concurrent increase in GHG emissions alongside a significant decline in poverty levels. Furthermore, the SFTG takes into account the partially conditional NDC targets, which hold the potential to catalyze fresh strategies and opportunities for advancing and scaling sustainable finance within the financial sector.

It is worth noting that the proposed SFTG underscores the insufficiency of current financial commitments to combat the formidable challenges posed by climate change. Consequently, there is a pressing need to mobilize additional funds from a spectrum of sources, including public, private, national, and transnational, to bolster mitigation and adaptation efforts aimed at addressing climate change. In particular, the financial sector is called upon to rapidly enhance its capacity to facilitate climate and disaster-related financing.

However, an area where the SFTG may benefit from improvement is reinforcing the narrative that bridges the gap from contextual analysis to the identification of practical solutions and strategies.

FFPh also echoes the sentiment of Sustainable Finance expert Dr. Felipe Calderon, who heads the Asian Institute of Management Gov. Jose B. Fernandez, Jr. Center for Sustainable Finance when in his previous engagements with FFPh, he pointed out that the "limited" gender lens in the sustainable financing issuances of the BSP and the current proposed SFTG. While the proposed guidelines mentioned Gender Equality in line with SDG 5 in Section 1.6 Applicability of SDGs to the Guiding Principles, the guidelines can be strengthened by expanding its gender lens to include the LGBTQIA+ community.

It is also important to note that despite climate change concerns being a major driver for adopting sustainability practices in the Philippines, there is no strict mention of financing fossil fuels in the principles. Guiding Principle 7, which gives a list of excluded activities, does not include it in its examples. In general, civil society and sustainability advocates across the globe have pushed to define and ban the financing of harmful activities with negative environmental and social impacts but have been met with resistance, as these activities still contribute much to the economy and financing. It is worth considering, however, that the creation of a “harmful” taxonomy would allow us to identify and act on sustainability-related risks and potential stranded assets that could hurt the financial stability of a bank or investor.

Neither do the Guiding Principles have a strong “do no harm” emphasis to prevent greenwashing from companies that may fit one sustainability principle but harm others. While it does state under Principle 7 that activities must not “negatively impact the other principles, where applicable,” it does not delve into this more throughout the document.

Going beyond environmental principles, the Guiding Principles can benefit from the integration of more principles that highlight social and governance criteria, which go hand in hand with environmental concerns. While the BSP has moved towards requiring banks to report sustainability practices and encouraging investments in sustainable economic activities, there are no strict definitions or laws that oblige them to do the latter yet. There is also the question of monitoring and receiving input from other stakeholders in terms of the financial sector’s use of the taxonomy. Existing guidelines would benefit from a fuller engagement with civil society, which has a strong community base and a deep understanding of how ESG principles are felt on the ground.

A compendium of risks and the role of CSOs in addressing risks associated with unsustainable investments and activities.

In the pursuit of a more comprehensive and effective sustainable finance taxonomy, it is advisable for the Financial Sector Forum (FSF) to maintain a repository of documented risks based on real-world perspectives and practical case studies. These invaluable resources should be periodically referenced, especially when regulatory concerns arise. CSOs, with their extensive fieldwork and experience, can contribute significantly, particularly concerning the MSS and social aspects outlined in the guiding questions.

Moreover, this approach aids in the thorough evaluation of specific RMTs. By considering a wide spectrum of risks, the taxonomy can better ensure that RMTs are designed to mitigate the maximum range of potential challenges, thereby bolstering their effectiveness in addressing unsustainable investments and activities. This collaborative and inclusive strategy aligns with the overarching goal of enhancing the taxonomy's ability to safeguard against associated risks.

Final thoughts, the role of CSOs and next steps

As mentioned, CSOs can contribute significantly in the MSS and social aspects outlined in the guiding questions with their extensive fieldwork and experience. However, the role of the CSOs can be taken even further. CSOs represent the voice of the communities they work with. Hence, we find it proper to reiterate and emphasize the importance of continuous and meaningful dialogue that involves CSOs in the future. To further enhance transparency and inclusivity in the process of developing the Philippine Sustainable Finance Taxonomy, FFPh most respectfully request clarification on the following points:

1. We hope we can be informed about details regarding the timeline for the next stages. Understanding the schedule will help FFPh plan our engagement effectively.
2. We are interested in learning more about how decisions are made in terms of accepting or discarding inputs from CSOs. Transparency in this aspect will help build trust in the consultation process.
3. We inquire further if there are plans for additional opportunities for FFPh or other CSOs to engage or provide further input if needed. Knowing when and how CSOs can contribute in subsequent rounds of discussions will ensure that valuable insights are not overlooked.

By addressing these points, we hope to foster a more open and collaborative environment that promotes effective partnership between CSOs and the initiative, ultimately leading to more informed and inclusive decision-making.