FAIR FINANCE ASIA

FAIR FINANCE ASIA PHILIPPINES
Building a responsible financial sector in Asia

FAIR FINANCE ASIA PHILIPPINES
BANK POLICY ASSESSMENT 2020

Fair Finance Asia Briefing Papers

Fair Finance Briefing Papers are written to generate data-driven evidence, contribute to public debate, and to invite feedback on sustainable finance policy issues.

About FFA Philippines

Fair Finance Asia- Philippines is a member of Fair Finance Asia, a regional network of Asian civil society organizations committed to ensuring responsible banking and sustainable finance across Asia. The coalition is formed by five Philippines-based organizations that advocate for the effective adoption of environmental, social, and governance (ESG) criteria in banking to mitigate the negative effects of irresponsible investments. We work with civil society, regulators, and financial institutions to build the capacity of banks to implement ESG policies, enable CSOs to effectively advocate for sustainable finance, and develop impactful, evidence-based research and case studies for awareness-raising on sustainable finance among consumers.

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FAIR FINANCE ASIA

FAIR FINANCE ASIA PHILIPPINES

EXECUTIVE SUMMARY

The Bangko Sentral ng Pilipinas (BSP) released the BSP Sustainable Finance Framework (SFF) in 2020, which sets out the BSP's expectation on the integration of sustainability principles including those covering environmental, social, governance (ESG) risk areas in the corporate governance and risk management frameworks, as well as in the strategic objectives and operations of banks. The release of this framework is an opportunity to help the banks review and assess their strategies to align with ESG standards, especially with the COVID-19 pandemic reframing the Philippines' approach to development.

In support of the BSP SFF, the Fair Finance Philippines (FFP), a coalition of civil society organizations committed to ensuring responsible banking and sustainable finance, supports the BSP SFF by conducting evidence-based research and providing recommendations to financial institutions and regulators. One of FFP's major activities is the FFA Policy Assessment, which examines the responsible investment and policies of Philippine banks using the Fair Finance Guide International (FFGI) Methodology. The FFGI Methodology assesses only publicly available bank policies on areas such as climate change, corruption, gender equality, human rights, labor rights, nature, tax, arms, consumer protection and financial inclusion.

The 2020 FFA Philippines Policy Assessment is the second assessment conducted by FFP which assesses 5 Philippine banks, namely: 1) Banco de Oro Unibank, Inc. (BDO), 2) Land Bank of the Philippines (LBP), 3) Metropolitan Bank and Trust Company (MBTC), 4) Bank of the Philippine Islands (BPI) and 5) Rizal Commercial Banking Corporation (RCBC). These banks were the 5 banks scored during the first policy assessment in 2019 to track any progress or change in the policies and scores of those banks.

The banks were scored according to the scope and content of their policies in each theme. Further, banks were given opportunities to review their scores and provide feedback which were included in the final report.

The Philippine banks were ranked after averaging the eleven policy themes assessed. RCBC placed first with a score of 3.7 out of 10, followed by BDO with 3.0 out of 10, BPI and LBP with 1.8 out of 10, and MBTC 1.1 out of 10.

Overall, results show that Philippine banks have slightly improved in the integration of sustainability principles in their bank policies compared to their 2019 assessment scores. However, there are several points in banking policies that have room for improvement, with the lowest scores in the policy assessments falling under nature, climate change, tax, gender equality, and human rights.

Among Asian countries, the Philippines ranks second on the nine mandatory themes of the FFGI Methodology. The nine themes are climate change, corruption, gender equality, human rights, labor rights, nature, tax, and arms. The Asian countries scored are countries from the FFA country members: Cambodia, India, Indonesia, Japan, Philippines, Thailand, and Vietnam. Although ranked second, Philippine banks are still far from achieving an average above 5 out of 10, indicating that there is a need for the banks to further improve their policies and become leaders in sustainable finance in Asia.

The FFGI Methodology Policy Assessment, which is aligned with the BSP SFF, presents an opportunity for banks to identify their areas for improvement and improve compliance on the integration of sustainability principles. Given these, the 2020 FFP Policy Assessment presents the following recommendations:

1. Banks should address immediate improvements, such as translation of terms and conditions in local languages, to secure easily attainable policy improvements, allowing banks to focus resources in addressing complex policy themes.

2. Banks should consider adopting stronger social policies in line with the FFGI indicators on gender equality, human rights, and labor rights. In these themes, there are areas of improvement which can be addressed immediately, such as developing a zero-tolerance policy towards all forms of gender-based discrimination in employment and occupation as well as its customers and third parties, developing due diligence processes, and committing to IFC Performance Standards. Further, banks should adhere to the United Nations Guiding Principles on Business and Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work.

3. Banks should contribute as little damage as possible to the environment and swiftly transition to climate-resilient investments. Some approaches include using the ecosystem-based adaptation (EbA), an initiative that uses the ecosystem to help adapt to the negative effects of climate change, and signing on to the Equator Principles, a common baseline and risk management framework for financial institutions to identify, assess, and manage environmental and social risks in financing projects.

4. Regulators should monitor compliance and look out for greenwashing activities by strengthening the implementation climate of the Sustainable Finance Roadmap. This can be done through partnership with CSOs and stakeholders to monitor the banks' progress in attaining sustainability objectives.

FOREWORD

Bernadette Victorio

Programme Lead, Fair Finance Asia

Since 2018, when Fair Finance Asia (FFA) was launched, significant progress has been achieved collectively in steering the regional financial sector towards greater transparency and accountability on sustainability issues. Over the course of these four and a half years, new initiatives and commitments have been on the rise including the announcement of net zero targets by high level leaderships of national governments and private sector companies, as well as the increased progress towards the development of sustainability and green finance frameworks by financial regulatory bodies across Asia.

The Bangko Sentral ng Pilipinas (BSP) has been notably demonstrating increased leadership in this area, having published its Sustainable Finance Roadmap and Guiding Principles in 2020, which sets out broad expectations on how to embed sustainability principles in the corporate and risk governance frameworks, business strategies, and operations of Philippine banks. In line with the release of its roadmap and guiding principles, an Inter-Agency Technical Working Group on Sustainable Finance was also established in order to coordinate broader policy development and implementation with the Philippine Department of Finance and other relevant national stakeholders. Furthermore, early in 2022, BSP also launched its Environmental and Social Risk Management, or ESRM framework, which sets out BSP's specific expectations on the management of environmental and social (E&S) risks in relation to credit and operational risks by Philippine banks, taking into account the size, risk profile and complexity of their operations. The ESRM framework is set to begin implementation in 2023. However, while all of these new developments and progress at the Philippine national level are certainly welcome and highly encouraging, there are still areas that require further review and improvement.

Firstly, none of these initiatives are mandatory, as of yet. For the Philippines, being one of the most vulnerable nations to climate change, it is imperative to accelerate climate action by ensuring a swift shift to renewable sources of energy, and implementing a highly coordinated nationwide action towards adaptation that takes into account the rights and well-being of local communities. Here, the private financial sector has a profoundly significant role to play in filling the finance gap for an overall just transition, that leaves no one behind. However, there needs to be a level playing field that sets out clear environmental and social safeguards for them to meaningfully contribute to transformative change. The BSP is already laying the foundation for those safeguards by putting key guidelines and processes in place to steer the Philippine banking industry towards sustainability, so ensuring that effective enforcement mechanisms that will induce urgent and mandatory compliance would be the strategic and logical next step.

Secondly, there is still very limited consultations and public engagement when developing these national guidelines and action plans. In many other countries in Asia and the ASEAN, there is a growing trend of providing a space for broader stakeholders, community representatives, and civil society partners to share feedback and insights on national sustainability roadmaps and green finance frameworks. FFA, both at the regional level and through our local coalitions, actively take advantage of such opportunities, and is very much looking forward to collaboratively engaging with the BSP and the Inter-Agency Technical Working Group on Sustainable Finance, moving forward. Asian civil society organizations (CSOs) don't only have an important stake in these discussions as representatives of local community voices, CSOs also bring the lens of an independent monitoring body to track the progress of the commitments made and initiatives being implemented in the sustainable finance ecosystem.

And thus, this latest assessment report by Fair Finance Philippines (FFP) plays a critical role in benchmarking the banking sector's performance in integrating into their policies, key themes such as climate change, human rights, gender equality, and transparency and accountability – all very important priorities also embedded within the Philippine Sustainable Finance Roadmap and Guiding Principles. The FFP team deserves full credit for this great work that catalyzes greater transparency in the Philippine banking sector, and an important reference point on whether Philippine banks are, in fact, aligning themselves with BSP's sustainability agenda. Only in its second annual publication (first one in 2019), this report demonstrates modest, but positive signs of progress nonetheless, across the scores of all the banks assessed. From here, it's critically important to ensure that continued and accelerated progress is demonstrated, and that the dialogue between key Philippine financial sector actors and the local civil society progress to more synergistic and inclusive partnerships towards their shared sustainability goals.

LIST OF ABBREVIATIONS AND ACRONYMS

BDO	Banco de Oro Unibank, Inc.
BHR	Business and Human Rights
BPI	Bank of the Philippine Islands
BSP	Bangko Sentral ng Pilipinas
BBB	Build, build, build
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
DENR	Department of Environment and Natural Resources
DOF	Department of Finance
DOLE	Department of Labor and Employment
EbA	Ecosystem-based adaptation
ECC	Environment Certificate of Compliance
ESG	Environmental, Social and Governance
ESRMS	Environmental and Social Risk Management System
FFA	Fair Finance Asia
FFP	Fair Finance Philippines
FFGI	Fair Finance Guide International
GHG	Greenhouse gas
GPFI	Global Partnership for Financial Inclusion
GP	Guiding Principles
GRI	Global Reporting Initiative
ILO	International Labor Organization
IIRC	International Integrated Reporting Council
LBP	Land Bank of the Philippines
LCEP	Low Carbon Energy Programme
MBTC	Metropolitan Bank and Trust Company
MTPP	Money Laundering and Terrorist Financing Prevention Program
NCWS	New Centennial Water Source
PCAF	Partnership for Carbon Accounting Financials
PD	Presidential Decree
PEISS	Philippine Environmental Impact Statement System
PLCs	Publicly Listed Companies
PWD	Persons With Disabilities
RA	Republic Act
RCBC	Rizal Commercial Banking Corporation
SASB	Sustainability Accounting Standards Board
SEC	Securities and Exchange Commission
SDGs	Sustainable Development Goals
SFF	Sustainable Finance Framework
TCFD	Task Force on Climate-related Financial Disclosure
TIN	Tax Identification Numbers
TI	Transparency International
UBs	Universal Banks
UFA	Universal Financial Access
UN	United Nations
UNGP	United Nations Guiding Principles

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INTRODUCTION

The Bangko Sentral ng Pilipinas (BSP) released the BSP Sustainable Finance Framework (SFF) when the COVID-19 pandemic was in its early months in 2020. BSP Governor Benjamin Diokno explained that this was an opportune time for BSP to release its framework because banks were reviewing and assessing their strategies with the ongoing pandemic crisis (Bangko Sentral ng Pilipinas, 2021a). The SFF sets out the BSP's expectation on the integration of sustainability principles, including those covering environmental, social, governance (ESG) risk areas in the corporate governance and risk management frameworks, as well as in the strategic objectives and operations of banks. Furthermore, it encourages banks to design sustainable finance instruments in order to mobilize funds towards green and/or sustainable projects that aim to minimize the negative impact of climate change and other environmental and social issues (BSP, email correspondence, 2021).

In support of the BSP SFF, Fair Finance Philippines (FFP)[1] - a coalition of civil society organizations (CSOs) - conducts a number of evidence-based research and case studies for awareness raising among consumers. One of its major activities is the bank policy assessment wherein it examines the qualities of financial institutions by looking at their finance and investment policies. On October 23, 2020 and December 29, 2020, FFP launched its first bank policy assessment and scorecard, respectively.

1 FFP is composed of five CSOs, namely: 1) The Initiatives for Dialogue and Empowerment Through Alternative Legal Services (IDEALS), 2) Asian NGO Coalition for Agrarian Reform and Rural Development (ANGOC), NGO Forum on ADB (the Forum), Freedom from Debt Coalition (FDC) and the World Wide Fund for Nature Philippines (WWF-Philippines), specifically its sustainable finance team.

FFP assessed 5 major Philippine banks, namely: 1) Banco de Oro Unibank, Inc. (BDO), 2) Land Bank of the Philippines (LBP), 3) Metropolitan Bank and Trust Company (MBTC), 4) Bank of the Philippine Islands (BPI) and 5) Rizal Commercial Banking Corporation (RCBC). It used the Fair Finance Guide International (FFGI) Methodology to assess banks' policies on critical areas such as climate change, corruption, gender equality, human rights, labor rights, nature, tax, arms, consumer protection and financial inclusion. To determine the scores for these themes, the FFGI Methodology considers both the content and scope of policies. These were derived from annual reports, sustainability reports, banking policies and other information publicly disclosed by the banks. The highest score for each theme is 10 and 1 being the lowest. Based on the overall findings, the average score of the 5 banks was 1.7 out of 10. It is worth noting that all 5 banks scored almost 0 in the climate policies theme, despite the country being one of the most climate-vulnerable in the world (Fair Finance Asia, 2020).

Two years into the pandemic, it is interesting to know the current Philippine banks' policies and practices and how they can help to play a positive role in the economy and society. It should be noted that the FFGI Methodology can provide a broad overview of banks policies' alignment with international standards on a variety of sustainable issues. By using the FFGI Methodology, stakeholders can understand the extent to which financial institutions take sustainability seriously, and provide Philippine banks guidance on how to further improve their policies and practices.

Thus, FFP conducted the second policy assessment this year covering the 5 banks scored during the first policy assessment to track any progress or change in the policies and scores of those banks. In doing so, FFP believes

that this kind of ranking assessment can stimulate a healthy competition among the banks to implement sustainable finance initiatives that will benefit the country.

Overview of Philippine Sustainable Finance Regulations

It is important to keep in mind that sustainable finance regulations and disclosures are relatively new in the Philippine context. Stakeholders, including banks, are just beginning to build capacity to integrate non-financial considerations such as environment, social, and governance (ESG) factors in their operations and risk management systems. This section will tackle the recent major policy developments from regulators specifically on sustainability, sustainable finance, and increasing mandatory disclosures.

As previously mentioned, the BSP released the SFF last 29 April 2020. The policy is voluntary, but uses strong language to set down expectations of the BSP from banks to integrate Environmental and Social risks in their policies and frameworks. It also provides that banks must submit a 3-year board-approved transition plan to the BSP within 6 months (October 2020). The transition plans are not publicly accessible (BSP, 2020).

Another important policy is on Sustainability Reporting for all publicly listed companies (PLCs) by the Securities and Exchange Commission (SEC), which was released on February 15, 2019. The policy provides PLCs with guidelines on how they can "assess and manage performance across economic, environmental and social aspects" of their operations. The disclosure is mandatory, and failure to comply or explain results in an incomplete annual report submission. Incomplete submissions make the PLCs liable for penalties and fines (Securities and Exchange Commission, 2019).

The guidelines builds upon four (4) global sustainability frameworks, namely: the Global Reporting Initiative's (GRI) Sustainability Reporting Standards, the International Integrated Reporting Council's (IIRC) Integrated Reporting (IR) Framework, the Sustainability Accounting Standards Board's (SASB) Sustainability Accounting Standards, and the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). It does not mandate PLCs to strictly adopt any of the frameworks. Instead, the guidelines set out a general sustainability reporting structure wherein PLCs have the discretion to report on impacts and transactions that material to their core business (SEC, 2019).

Our **company** is a sustainable business.	We conduct our businesses in an **ethical** and **responsible** manner.	Corporate Governance
	We manage our **key impacts**.	Economic Environmental Social
	Our products and services create **value to society**.	Contribution to Sustainable Development

Figure 1. Sustainability Reporting Framework for PLCs (SEC, 2019,p.9)

The first round of sustainability reporting was supposed to be due this April 15, 2020. However, due to the coronavirus pandemic, the SEC extended the reporting deadline to June 30, 2020 (SEC, 2019). The 2020 sustainability or integrated reports of MBTC, BDO, BPI and RCBC are publicly available.

The Sustainability Reporting Framework for PLCs applies to all universal banks (UBs), because it is mandatory for

UBs to be publicly listed within 1 year from the start of their operations. The sustainability reports of banks can be found uploaded on their websites.

On January 27, 2021, the SEC issued its Memorandum Circular No. 4, Series of 2019 which contained the new guidelines on the disclosure of beneficial ownership. Similar to sustainability reporting, this disclosure is mandatory and must be made within 30 days from the issuance of the company's Certificate of Registration. The information required includes the full names, country of residence, nationality, and tax identification numbers (TIN), or in the absence of such TIN, the passport numbers of their nominators or principals and the person on whose behalf the corporation was registered. For existing corporations, the policy also requires mandatory disclosure of Nominators/Principals/Persons on Whose Behalf One Acts as Director/Trustee/Shareholder. All covered corporations are also required to keep up-to-date records of beneficial ownership in their principal office. The records must reflect available/updated information on beneficial ownership within 3 days from the time the information becomes available. Under the policy, the duty to disclose belongs to the directors/incorporators/trustees/shareholders and their nominees. Directors/incorporators/trustees/shareholders and nominees of foreign corporations are not covered by this circular. The deadline for submission for the 1st round of disclosures has been extended from May 14, 2021 to July 31, 2021 due to the pandemic.

Further on June 10, 2021, the SEC issued a notice to all SEC-covered financing and lending companies to formulate and implement a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MTPP). The covered companies were required to submit their MTPP to the SEC by June 21, 2021. The SEC noted that strict compliance was expected.

On October 20, 2021, the Secretary of Finance Carlos Dominguez launched the Sustainable Finance Roadmap (Roadmap) and the Sustainable Finance Guiding Principles (Guiding Principles). The development of both initiatives was supported by the United Kingdom Government's ASEAN Low Carbon Energy Programme (LCEP).

WHAT IS TAXONOMY FOR SUSTAINABLE FINANCE?

A taxonomy for the financial sector is new:

- classification and categorisation
- description of a list of activities or companies or projects to be financed
- a clear definition of what is e.g.:
  - Climate mitigation aligned with Paris Agreement
  - Contributing to environmental recovery
  - Socially responsible activities
  - Environmentally and socially sustainable
  - What is contributing to climate change or human rights abuses ("harmful")

TWO MAIN KINDS OF TAXONOMY	
PRESCRIPTIVE TAXONOMY	**GENERAL OR "PRINCIPLE-BASED" TAXONOMY**
A prescriptive taxonomy provides detailed technical screening criteria and descriptive conditions to define terms and provisions in the taxonomy.	A General or Principle-based taxonomy lays out general objectives and principles instead of outlining specific definitions in a taxonomy. Compared to prescriptive taxonomies, they tend to focus more on intent rather than detailed terminologies

The Roadmap focuses on the environment.

The Guiding Principles is a principle-based taxonomy.

From the following policies, the fast progress and increasing traction of sustainability regulations in the country is apparent, together with the contrasting policy approaches of the BSP and the SEC, who have consistently adopted a more voluntary and a more mandatory approach, respectively. More sustainability regulations and related disclosures are expected to be promulgated in the succeeding years as part of the efforts of the Philippine financial sector and its regulators to remain globally competitive.

Additionally, with the creation of the Inter-Agency Task Force for Sustainable Finance and the whole-of-government approach, more government financial institutions such as state pension funds and public development banks, and regulators such the BSP, the Department of Finance (DOF), the SEC, and the insurance commission can be reasonably expected to take a more active role in pursuing sustainable finance in the Philippines (DOF, 2021a).

STATEMENT OF THE PROBLEM

The Bangko Sentral ng Pilipinas (BSP) signed the BSP Circular No. 1085 on Sustainable Finance Framework (SFF) on April 29, 2020. The SFF requires banks to establish their own Environmental and Social Risk Management System (ESRMS) and include their sustainability initiatives in their annual reports (BSP, 2020). This is a crucial policy precisely because banks, as funders and sources of capital, are important players in order to achieve sustainable development. Banks can help to shift resources and the flow of funds away from irresponsible businesses.

In line with the BSP SFF, it is interesting to examine the qualities of financial institutions by examining their finance and investment policies on critical areas such as climate change, human rights, gender equality, etc. In doing so, consumers and policyholders can demand more sustainable investments from their banks. Specifically, the study aims to answer the following questions:

1. What are the current finance and investment policies of Banco de Oro Unibank, Inc. (BDO), Land Bank of the Philippines (LBP), Metropolitan Bank and Trust Company (MBTC), Bank of the Philippine Islands (BPI) and Rizal Commercial Banking Corporation (RCBC) on critical areas such as climate change, corruption, gender equality, human rights, labor rights, nature, tax, arms, consumer protection and financial inclusion?
2. What are the recommendations to improve bank policies on sustainable finance?

SCOPE AND LIMITATIONS OF THE STUDY

The study is focused on assessing the qualities of financial institutions by examining their finance and investment policies. The rationale behind it is that the finance and investment policies of these banks can ensure company resilience and infrastructure development while also supporting a just transition to a low-carbon economy. This goal is in line with the SFF of BSP, wherein the second phase regulation is focused on enabling a transition to a low carbon economy while safeguarding financial stability (BSP, 2020).

One major limitation of this study is that it only covers 5 Philippine banks. A total of 524 banks supervised by BSP were recorded in 2021. The classification of these banks are as follows: 46 universal and commercial banks, 48 thrift banks, 430 rural banks (BSP, 2021b). Nevertheless, the study decided to cover the top Philippine banks in terms of total assets according to the BSP data as of June 30, 2021 (BSP, 2021c). These are 1) BDO, 2) LBP, 3) MBTC, 4) BPI and 5) RCBC.

Another major limitation of this study is that it uses the Fair Finance Guide International (FFGI) Methodology as the methodological framework. The FFGI Methodology was developed by Profundo to assess financial institutions' investment and lending policies. One important limitation of the FFGI Methodology is that it does not assess practices of banks. Therefore, the FFGI Methodology should be complemented with other methodological approaches, which FFP does by conducting in-depth case studies on various topics related to bank financing and other practices, though not covered in this report. Another important limitation of the FFGI Methodology is that it focuses more on financing of companies. It does not examine how banks deal with private customers and small businesses (Profundo, 2020).

Lastly, the study relies on news articles, press releases and other public information as prescribed by the FFGI Methodology. The Methodology only considers publicly available policies. Press releases and other informal sources may be considered only if they were released within 1 year of the ongoing research- in this case dated no earlier than September 2019 (Profundo, 2020). Also, it is important to take note that the Section 27 of the Republic Act (RA) No. 7653, or The New Central Bank Act, prohibits BSP personnel from releasing bank-specific information, such as information on the operations of the bank, to the public (The LawPhil Project, 2021).

METHODOLOGICAL FRAMEWORK

In addition to this, the FFGI Methodology assesses bank policies in 3 dimensions. The first dimension is the theme. The FFGI is composed of 23 themes, which are related to sustainability issues or sectors. The second dimension is the content, which refers to the level of adherence to international standards evaluated in specific "assessment elements". These assessment elements are the principles that the FFGI Methodology expects to see in bank policies. Principles can be applied by financial institutions for their financial and investment services. What is important here is how they apply these principles in their financing activities. The third dimension is scope, which refers to the types of investments and financial services the policy applies.

The report covers 11 themes including the mandatory themes of Climate change, Corruption, Gender equality, Human rights, Labor rights, Nature, Tax, Transparency and Accountability, and Arms and the operational themes of Consumer Protection and Financial Inclusion. All coalitions and organizations using the FFGI Methodology must, as the name suggests, score the mandatory themes. Meanwhile, the operational themes are selected depending on the relevant issues in a particular context. In this case, Consumer Protection and Financial Inclusion were optionally scored due to the fact that the Philippines is still largely unbanked. According to the 2019 Financial Inclusion Survey, BSP noted that 51.2 million Filipino adults are still unbanked in 2019. Lack of enough money remains the topmost reason for not having an account (BSP, 2019).

CROSS-CUTTING THEMES	SECTOR THEMES	OPERATIONAL THEMES
Animal Welfare	Arms*	Consumer Protection*
Climate Change*	Financial Sector	Financial Inclusion*
Corruption*	Fisheries	Remuneration
Gender Equality*	Food	Transparency & Accountability*
Health	Forestry	
Human Rights*	Housing & Real Estate	
Labor Rights*	Manufacturing	
Nature*	Mining	
Tax *	Oil & Gas	
	Power Generation	

*Themes that are scored for the 2020 Policy Assessment

Table 1. FFGI Methodology Dimension: Themes

In addition to this, the 2020 FFP bank policy assessment only considers publicly available policies such as 2020 annual and sustainability reports of banks. The current available information on bank websites is also included. The FFGI Methodology uses only publicly available documents in order to advocate for more transparency. The FFP collected all publicly available bank policies and used them in the assessment from September 2021 to November 2021. The coalition then solicited comments/feedback from banks via email. Banks were given two weeks to respond to the drafts. After soliciting comments from banks, the coalition incorporated these comments in the policy assessment draft and shared it with banks in December 2021. The finalization of assessment and score and its launch are scheduled in the first half of 2022.

It should be noted that press releases and other informal sources may be considered only if they were released within 1 year of the ongoing research – in this case dated no earlier than September 2019.

Figure 2. Policy Asessment Process

FINDINGS AND RESULTS

The 2020 FFP bank policy assessment covered the 5 banks during the 1st policy assessment to track any progress or change in the policies and scores of those banks. These banks are BDO, BPI, LBP, MBTC and RCBC. The assessment examines these banks' finance and investment policies on 11 critical areas. For purposes of discussion and mapping of the key themes, they are grouped under 3 categories typically used to frame and classify sustainability risks and impacts: Environment, Social and Governance.

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Nature Climate Change	Gender Equality Human Rights Labor Rights Arms Financial Inclusion	Corruption Tax Consumer Protection Transparency and Accountability

Table 2. Environmental, Social and Governance Dimensions

Table 3 summarizes the average scores of Philippine banks and their 2019 average scores from the 2019 FFP Policy Assessment. Based on the table, one can see that 4 out of 5 of the Philippine banks have slightly improved in the integration of the sustainability principles in their policies.

Scores are given on a scale of 0 to 10, rounded to one decimal point

Environment

Regarding the environment, nature and climate change are important areas wherein one can examine how they are affected by banks' finance and investment policies.

NATURE

The Philippines is rich in natural resources such as agricultural lands, diverse flora and fauna, extensive coastlines, and rich mineral deposits. In order to protect these natural resources, the Philippine government implemented a number of laws. One of these is the Philippine

	NATURE	CLIMATE CHANGE	GENDER	HUMAN RIGHTS	LABOR RIGHTS	ARMS	FINANCIAL INCLUSION	CORRUPTION	TAX	CONSUMER	TRANSPARENCY	2020 AVERAGE
MBTC	0	0.2	0.3	1	0.7	0	3.8	2.9	0	2.1	0.9	1.1
RCBC	3.8	2.5	1.2	2.1	5.2	5.4	6.2	4.2	1.8	5.2	2.6	3.7
LBP	0.3	0.6	0	1.7	0	0	6.5	4.2	1.8	2.9	1.3	1.8
BPI	0	0.4	2.3	0	0.3	0	5.4	4.2	0.6	3.8	2.2	1.8
BDO	0	0.4	1.7	2.7	2.3	7	6.5	5	1.2	3.3	2.7	3.0
AVERAGE PER THEME	0.82	0.82	1.1	1.5	1.7	2.48	5.68	4.1	1.08	3.46	1.94	2.3

Table 3. Philippine banks' policy assessment results

Environmental Impact Statement System (PEISS) which was implemented in 1978 through the passage of the Presidential Decree (PD) Number (No) 1586. The main goal of PEISS is "to ensure a rational balance between socio-economic development and environmental protection for the benefit of present and future generation" (PD No 1586, Section 1; Department of Environment and Natural Resources Administrative Order Number 2003-30, Section 1). The Department of Environment and Natural Resources (DENR) is given the task to implement the PEISS through the Environmental Management Bureau (EMB) and its regional offices (DENR AO No 2003-30, Sec. 1). In general, only projects that pose significant impact to the environment are required to secure the Environment Certificate of Compliance (ECC) from DENR-EMB (DENR AO No 2003-30, Sec.4). The issuance of ECC is important for project implementation because it implies that the proposed project will not cause significant negative impact to the environment (DENR EMB, 2019).

One of the major ongoing government projects required to secure ECC is the New Centennial Water Source (NCWS), or also known as the Kaliwa Dam Project (KDP) (Metropolitan Waterworks and Sewerage System, 2019). It is one of the flagship projects in Duterte's Build, Build, Build (BBB) program (National Economic and Development Authority, 2020). It is a 60-meter high dam and a 27.70-kilometer raw water conveyance tunnel. The project locations are Barangay Pagsangahan, General Nakar and Barangay Magsaysay, Infanta, both in Quezon Province. The KDP is a Chinese-funded project worth P12 billion and is being implemented by the Metropolitan Waterworks and Sewerage System (MWSS) (MWSS, 2019). The DENR EMB issued the ECC for KDP on October 11, 2019.

The caveat here, however, is that the House committee on indigenous cultural communities and indigenous peoples (IP) approved the issuance of a resolution asking MWSS and other involved agencies to stop KDP construction. This is because of the absence of Free Prior and Informed Consent (FPIC) from the affected IP communities. The FPIC is a right given to IPs that allows them to give or withhold consent to a project like KDP that may affect them or their territories.

In examining banks' finance and investment policies on nature, Philippine banks rate low in nature policies. LBP and RCBC are the only Philippine banks with specific policies regarding the protection of the environment for the company they finance. LBP commits to comply with the Equator Principles, but the bank is not yet a signatory of it. On the other hand, RCBC uses International Finance Corporation performance standards, specifically 3 (Resource Efficiency and Pollution Prevention), 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources) and 8 (Cultural Heritage) for environmental protection. Figure 3 below illustrates the scores of Philippine banks regarding nature policies.

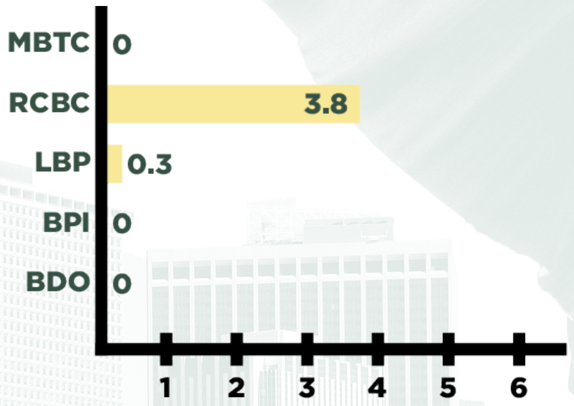

Figure 3. Nature Theme Scores of Philippine Banks Against Fair Finance Guide (out of 10)

CLIMATE CHANGE

The Philippines is one of the countries most vulnerable to climate change. According to a study conducted by ValueChampion, a Singapore-based financial technology company, the Philippines ranked as the third most vulnerable country in the region to climate change in 2019. The vulnerability to climate change can be explained due to the riskiest 10-year (1999-2018) Climate Risk Index score, above average annual temperature, and sea level rises along with increased likelihood of severe weather. As a consequence, the country will experience costlier and more dangerous storms, droughts and heatwaves.

The result of such study is also confirmed by Global Climate Risk Index 2021. In this case, David Eckstein, Vera Kunzel, and Laura Schafer (2021) ranked countries and regions which have been affected by impacts of climate related extreme weather events (e.g., storms, floods, heatwaves, etc.). The most affected countries during this period are Puerto Rico, Myanmar and Haiti. They are followed by the Philippines, Mozambique and the Bahamas. The table below illustrates the 10 most affected countries over the period 2000-2019, including the losses in millions, losses per unit GDP.

CRI 2000-2019 (1999-2018)	COUNTRY	CRI SCORE	FATALITIES	FATALITIES PER 100,000 INHABITANTS	LOSSES IN MILLION US$ PPP	LOSSES PER UNIT GDP IN %	NUMBER OF EVENTS (2000-2019)
1	Puerto Rico	7.2	149.9	4.1	4 150.0	3.7	24
2	Myanmar	10.0	7 056.5	14.4	1 512.1	0.8	57
3	Haiti	13.7	274.1	2.8	392.5	2.3	80
4	Philippines	18.2	859.4	0.9	3 179.1	0.5	317
5	Mozambique	25.8	125.4	0.5	303.0	1.3	57
6	The Bahamas	27.7	5.4	1.6	426.9	3.8	13
7	Bangladesh	28.3	572.5	0.4	1 860.0	0.4	185
8	Pakistan	29.0	502.5	0.3	3 771.9	0.5	173
9	Thailand	29.8	137.8	0.2	7 719.2	0.8	146
10	Nepal	31.3	217.2	0.8	233.1	0.4	191

Table 4. The Long-Term Climate Risk Index (CRI): The 10 countries most affected from 2000 to 2019 (annual averages) (Source: Eckstein, Kunzel, and Schafer, 2021, p. 13).

The Philippine banks scored very low in climate policies, despite being one of the most vulnerable countries to climate-related weather events. Four Philippine banks scored below 1 in climate policies, while RCBC got the highest score of 2.5 out of 10.

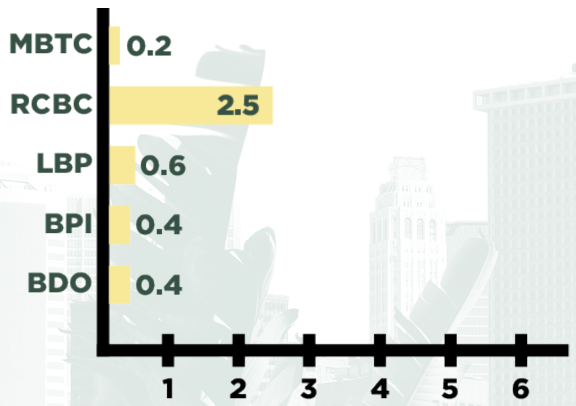

Figure 4. Climate Change Theme Scores of Philippine Banks Against Fair Finance Guide (out of 10)

Banks should swiftly transition to climate-resilient investments. One of the important assessment elements here is to make coal-fired power generation unacceptable. The conventional coal fuel cycle is "among the most environmentally destructive activities on earth" (Natural Resources Defense Council, 2007, p.1). Philippine banks have different policies concerning coal. BDO has no specific policy against fossil fuels. LBP supports the government efforts to address the effects of global warming by providing credit assistance to projects that help promote climate change adaptation and mitigation and harness the vast potential of renewable and alternative energy resources from the environment. In line with this, LBP introduced the Renewable Energy Lending Program to enhance access to financing for renewable energy projects. However, LBP's policy does not mention a shift by financing companies to switch from fossil fuels to renewable energy (LBP, 2020).

On the other hand, BPI is still funding coal projects. It aims to reduce its coal loans by half by 2026 and divest by 2037 (Bank of the Philippine Islands, 2021). In the case of RCBC, its coal financing policy only considers new financing of coal-fired power plants as unacceptable. However, there is no clear policy about existing coal financing (Rizal Commercial Banking Corporation, 2020a). Lastly, both BDO and MBTC do not have specific policies on coal.

RCBC received additional scores in climate policies. This is because of the bank's policy commitment to disclose the greenhouse gas (GHG) emissions of its portfolio within 3 years from joining the Partnership for Carbon Accounting Financials. (PCAF). A disclosure within 3 years will be crucial to maintain this score for assessments conducted after 2024 (RCBC, 2020a).

Social

The social impacts of banks' financing activities can be examined in areas such as gender equality, human rights, labor rights, arms and financial inclusion.

GENDER EQUALITY

Having women in leadership roles is good for business. A Harvard Business School report on the male-dominated business industry "found that the more similar the investment partners, the lower their investments' performance" (Kemp, 2020). Meanwhile, "firms that increased their proportion of female partner hires by 10% saw, on average, a 1.5% spike in overall fund returns each year and had 9.7% more profitable exits" (Kemp, 2020), presenting a business case for increasing women's employment and ensuring workplace diversity.

Unfortunately, some of the Philippine banks remain heavily dominated by men. One of the important assessment elements in gender equality is the number of women in senior level positions, specifically among the Board of Directors, Executive Positions and Senior Management. According to the FFGI Methodology, banks can gain a full score if all three senior level positions reach the 30% threshold (Profundo, 2020). It should be noted that only BDO received a full score for this specific assessment element. BDO has 3 (or 30%) women out of 10 in the Board of Directors as of October 29, 2021. In the Senior Management Team, there are 6 (or 67%) women out of 9. In the Executive Committee, there are 3 (or 43%) women out of 7 (Banco De Oro, 2020a).

On the other hand, both BPI and RCBC received a half score regarding the number of women in senior level positions. In the case of BPI, 1 out of 3 indicators reached the 30% threshold. BPI has 20% of the Board of Directors and 54% of Senior Management composed of women. In the Executive Committee, 14% are women. RCBC, similarly, was given a half score because 2 out of 3 indicators reached the 30% threshold. RCBC has 4 (or 26%) women out of 15 in the Board of Directors. In the Senior Management, there are 8 (or 38%) of women out of 21. In the Advisory Board members, there is 1 (or 33%) woman out of 3.

The caveat here, however, is that the other two banks assessed failed to reach the 30% threshold. LBP has 22% of women in the Board of Directors (2 out 9) and 17% of women in the top management team (1 out of 6) as of September 2021. MBTC has only 1 woman out of 12 (or 8%) in the Board of Directors as of October 29, 2021. All senior advisers are men. With regard to the Principal officers, there are 292 (or 51%) women out of 572 (Metropolitan

Bank and Trust Company, 2020). From this one can infer that both banks – specifically in their leadership roles – are still dominated by men.

The figure below shows the overall scores of Philippine banks in gender equality policies. It is worth noting that gender equality is not only measured by the number of leadership positions held by women, but also by how the banks ensure equality for all genders down and across the value chains of their operations and businesses they finance.

In this theme, BPI has the highest score in gender policies. BPI is the only bank with an explicitly gender-sensitive zero tolerance policy commitment towards all forms of gender-based discrimination in employment and occupation (BPI, 2017).

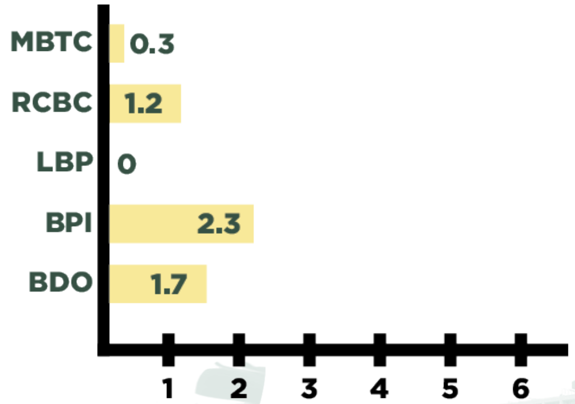

Figure 5. Gender Equality Theme Scores of Philippine Banks Against Fair Finance Guide (out of 10)

HUMAN RIGHTS

The United Nations (UN) issued the Guiding Principles (GP) that define the responsibilities of governments and businesses in 2011. There are three pillars of the UNGP on Business and Human Rights (BHR). The first pillar says that governments should ensure businesses do not violate anyone's human rights. In doing so, they should implement laws that prevent human rights violations. They should also make sure that these laws are properly implemented (United Nations, 2011).

The second pillar says that businesses should refrain from violating human rights wherever and however they do business. Meaning, it is not enough for companies to simply follow the law where they operate or audit a few of their suppliers. Most importantly, companies should know their human rights impacts and take concrete steps to improve them (UN, 2011).

The third pillar of the Guiding Principles is about what happens when something goes wrong. If a company abuses human rights, governments should make sure that the court system or some other legitimate process allows victims to file a complaint and that the complaint is investigated and settled (UN, 2011).

Unfortunately, in the Philippines, there are no laws or policies explicitly incorporating and/or adopting the UNGP BHR. This explains why all five Philippine banks do not have a specific policy which respects human rights as described in the UNGP BHR. The figure below shows the overall score of Philippine banks in human rights policies. For this theme, BDO has the highest score with 2.7 out of 10. It is important to take note that the assessment also looks into the investment and finance policies being implemented by the banks to encourage or require the companies and projects it finances to integrate policies which prevent human rights violations (Profundo, 2020). The UNGP on BHR highly encourages that companies have to perform human rights due diligence, which means talking to the people whose lives they might be affecting. In this case, BDO got the highest score in human rights policies. BDO received multiple half scores in the assessment elements (e.g. due diligence processes, respect of human rights, remediation of any adverse impacts on human rights, effective grievance mechanisms) because of its policy commitment to uphold the UN Global Compact Principles (BDO, 2020b).

After BDO, RCBC had the second highest score in human rights policies. In this case, it is worth noting that RCBC got a half score in one of the assessment elements because of the due diligence expectation.[2] To get a full score, this element on due diligence is looking for encouragement or requirement for companies or projects to have a publicly available policy commitment to respect human rights (RCBC, 2020b).

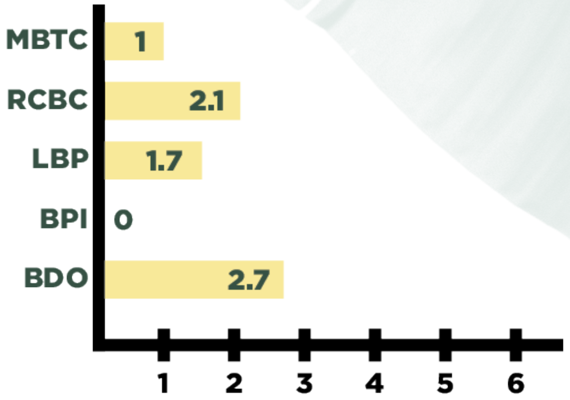

Figure 6. Human Rights Theme Scores of Philippine Banks Against Fair Finance Guide (out of 10)

LABOR RIGHTS

Figure 7 shows that RCBC has the highest score in labor rights policies. The bank adheres to the IFC Performance Standard 2, also known as Labor and Working Conditions. In effect, RCBC has policies which encourage or require companies it finances to uphold the freedom of association, ensure equal treatment for migrant workers, and prohibit all forms of forced and compulsory labor including child labor. Other than these, the bank has policies which require companies to have a comprehensive health and safety policy, a clear management system to monitor

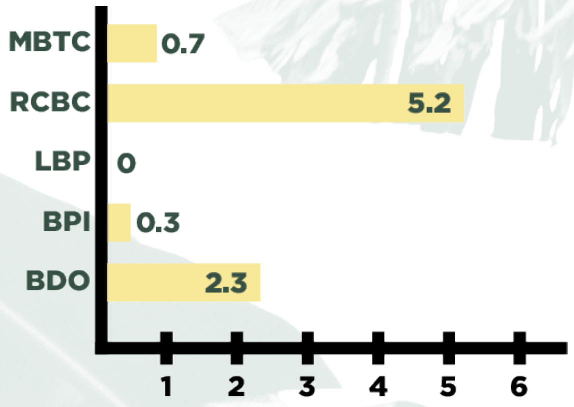

Figure 7. Labor Rights Theme Scores of Philippine Banks Against Fair Finance Guide (out of 10)

compliance with norms on labor law, and a detailed procedure on how to deal and process employees' complaints (RCBC, 2020b).

Aside from the IFC standards, the FFGI Methodology uses the International Labor Organization (ILO) Fundamental Principles and Rights at work as one of the major components in assessing banks in terms of labor rights policies. Hence, bank policies should mention at least four topics and /or corresponding ILO conventions. These are: 1) Freedom of association and the effective recognition of the right to collective bargaining; 2) Elimination of all forms of forced or compulsory labor; 3) Effective abolition of child labor; and 4) Elimination of discrimination in respect of employment and occupation (International Labor Organization, 2021). In this particular assessment element, RCBC got a full score precisely because the bank adheres to the Department of Labor and Employment (DOLE) which follows ILO Declaration on Fundamental Principles and Rights at Work (RCBC, 2020b). Nevertheless, the FFP notes that to maintain this score in future assessments, RCBC should have a clear policy affirming its commitment to at least 3 of 4 fundamental rights.

BDO has the second highest score of 2.3 out of 10 in labor rights. The bank got a full score for upholding the ILO Fundamental Principles and Rights at Work even without expressly mentioning

2 According to the 2020 Annual Report of RCBC, due diligence "is expected of an organization to prevent the use of and combat all forms of child labor and forced or compulsory labor within its activities. It is also expected to avoid contributing to, becoming complicit in, or becoming linked to, the use of child labor and forced or compulsory labor through its relationships with others (e.g., suppliers, clients)" (p.10).

them. Also, BDO is committed to uphold the UN Global Compact Principles. Thus, BDO has policies which encourages companies it finances to recognize the right to collective bargaining, prohibit compulsory labor and child labor and discrimination in respect of employment (BDO, 2020b).

It is important to take note that RCBC's score is higher than BDO precisely because the IFC Performance Standard 2 is able to cover a number of assessment elements being examined by the FFGI Methodology. Unfortunately, LBP got zero because they have no publicly-disclosed policies on labor rights.

ARMS

The Philippines is the first Southeast Asian country to sign the Arms Trade Treaty (ATT) that established criteria for when the transfer of conventional arms may be lawful (Department of Foreign Affairs, 2021). By conventional arms, this means that arms other than weapons of mass destruction. It should be noted that the Arms Trade Treaty does not cover every single conventional weapon, but it does cover the vast majority (e.g. hand grenades, anti-personnel mines) (Kimball, 2017). The country is also a signatory to the 17 Sustainable Development Goals (SDGs). One of the SDGs is SDG16, which is a global goal to promote peace, justice and strong institutions by significantly reducing illicit financial and arms flows (UN, n.d.-a).
Figure 8 shows that BDO has the highest score in arms policies with 7 out of 10. In 2010, BDO implemented the Social and Environmental Management Policy (SEMS), which is co-developed with IFC. The SEMS policy prohibits financing in any activity involving "production or trade in weapons and munitions" (BDO, 2020a, p.60-61). In the same way, RCBC does not provide or trade in weapons and munitions precisely because the bank subscribes to the IFC Exclusion List (RCBC, 2020b). However, banks such as MBTC, LBP and BPI have no existing policies against arms. This means that these banks have no explicit stand whether they are financing or not in arms-related activities.

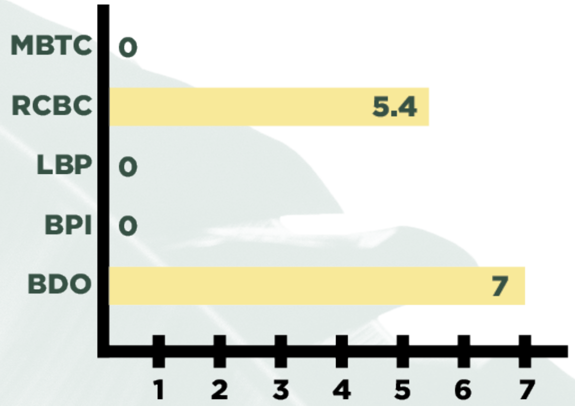

Figure 8. Arms Theme Scores of Philippine Banks Against Fair Finance Guide (out of 10)

FINANCIAL INCLUSION

Financial inclusion is integral to achieving sustainable development by ensuring that individuals and businesses have access to quality financial products and services. Access to credit allows people to "secure homes, invest in education and skills, get loans for health or medicine, bridge fluctuations in income generation and expenses, and start and expand businesses" (Profundo, 2020). Financial inclusion is seen as a key contributor to overall economic growth and reducing inequalities (UN, n.d.-b).

In 1995, the Philippines adopted the Copenhagen Declaration on Social Development, wherein it recognized the role of financial inclusion and access to credit for poverty alleviation (UN, n.d.-c). The Philippines is one of the first members of the Alliance for Financial Inclusion (AFI) and one of the early adopters of the Maya Declaration in 2011, a global commitment for financial inclusion. The Philippines is also one of the 25 focus countries of the Universal Financial Access 2020 (UFA2020) initiative by the World Bank, with the goal of securing a transaction account or electronic financial instrument for adults worldwide (World Bank, 2018). The Philippines also participates in initiatives by financial inclusion platforms such as the Global Partnership for Financial Inclusion (GFPI). In 2020, the Philippines ranked 8th among 55 countries on financial inclusion according to the Global Microscope report.

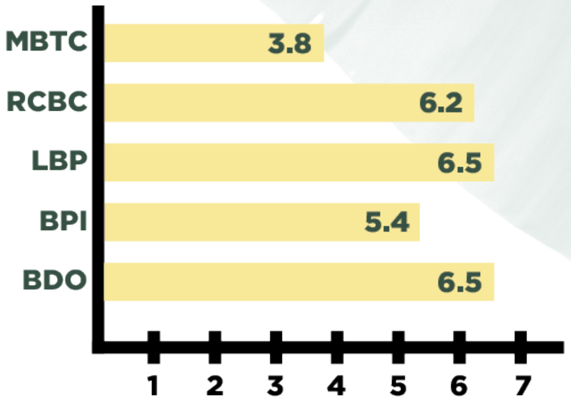

Figure 9. Financial Inclusion Theme Scores of Philippine Banks Against Fair Finance Guide (out of 10)

LBP and BDO have the highest scores in financial inclusion, followed closely by RCBC and BPI while MBTC lagged behind. LBP, BDO, RCBC and BPI have explicit policies, services and products that target marginalized groups. All five banks offered branchless, cashless (e-money) and mobile banking services, which became crucial during the pandemic for personal banking and commercial transactions.

However, all five banks continue to implement a minimum balance for opening and maintaining a bank account, increasing barriers for those who are unable to obtain one. Further, the banks' terms and conditions are written in English, making it difficult for those who are not proficient in the language to understand their policies. An initiative from RCBC providing information in Filipino and Bisaya through their virtual bank is a good start (Fenol, 2021). However, it is important to note that the country has eight major languages. These are Tagalog, Cebuano, Ilocano, Hiligaynon or Ilonggo, Bicolano, Waray, Pampango, and Pangasinense (GOVPH, n.d.).

Accessibility of policies in local languages and reducing barriers to credit are important specifically in the case of LBP because it has a social mandate to provide financial inclusion programs for farmers and fisherfolk.

Governance

Regarding governance, banks' commitments on this dimension can be examined in areas like corruption, tax, consumer protection and transparency and accountability.

CORRUPTION

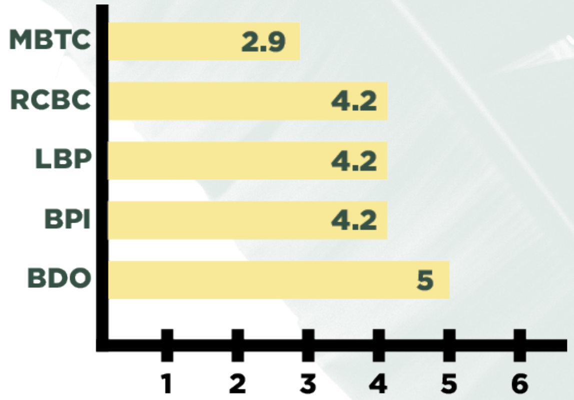

Figure 10. Corruption Theme Scores of Philippine Banks Against Fair Finance Guide (out of 10)

Corruption – the abuse of power for private gain, weakens rule of law, questions the legitimacy of governments, and undermines the trust in political systems. Not only does it demoralize citizens, but it also negatively affects the economy through capital flight and expenditure of scarce public funds on prestige projects instead of crucial investments supporting the development of its people. Corruption leads to large-scale plundering of natural resources and in a climate of corruption, these environmentally damaging projects often end up moving public funds into private hands (Profundo, 2020).

In 2006, the Philippines ratified the UN Convention Against Corruption (UNCAC) to address corruption and money laundering and facilitate international cooperation and asset recovery (UN, n.d.-d). The country is also a member of the Asia/Pacific Group on Money Laundering (APG), which aims to implement international standards against money laundering, terrorist financing and financing of weapons of mass destruction. According to the Transparency International (TI) 2020 Corruption Perceptions Index, the Philippines ranks 115 out of 180 countries, which assesses countries on different sectors of corruption such as bribery, diversion of public funds, nepotistic appointments, excessive red tape, among others.

Overall, banks' scores were largely attributed to their internal anti-corruption and bribery policies in place, focusing on the conduct of their employees against any form of solicitation. However, there is a need for banks to improve their anti-corruption policies on partners and third parties, specifically on companies they invest in. For example, there are no requirements for companies to fully disclose their ultimate beneficial owner(s). Banks do not require companies to have anti-corruption policies in their procurement and operations or ask companies to implement mechanisms to ensure that immediate action is taken in case there are reports of corruption. Among the five banks, only BDO has a corporate policy on bribery for partners and other third parties (BDO, 2020b).

TAX

While tax is not explicitly stated in the 17 SDGs, there are many global goals which cannot be achieved without effective tax policies and practices. For example, SDG 16 is a global goal which aims to build strong institutions by promoting accountability, transparency and good governance. This would also imply transparent and corruption free tax practices for companies. Another example is SDG 17, which is a global goal to improve domestic resource mobilization which includes the capacity of developing countries to improve their tax and revenue collection. SDGs 1 and 10 are global goals in eliminating poverty and inequality, respectively. These cannot be achieved without tax revenues collected from companies to finance public provisions such as health, education, infrastructure and social security. Thus, effective and corruption free tax policies and practices are important (UN, n.d.-a).

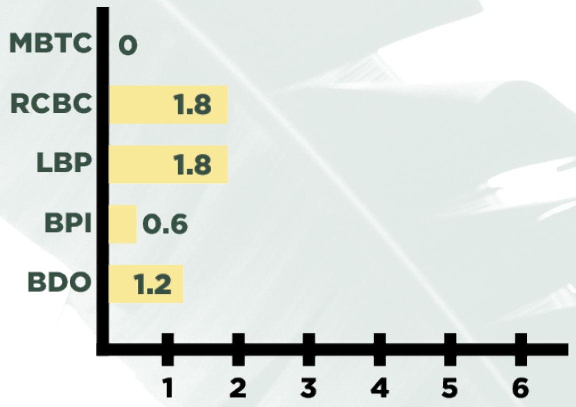

Figure 11. Tax Theme Scores of Philippine Banks Against Fair Finance Guide (out of 10)

Unfortunately, Figure 11 shows that Philippine banks scored very low in tax policies. RCBC and LBP received the highest score of 1.8 out of 10 in tax policy ratings. While all of the five sampled banks mentioned policies on tax, these were often lacking in content and scope. The policies, if any, pertained mostly to tax and profit reporting. In addition to this, all of them do not have policies which encourage the companies and projects they finance to integrate tax policies. For instance, they do not have policies which require companies to disclose their revenues, subsidies and tax payments to the government. This is a crucial concern because all companies do have the responsibility to pay tax in every country precisely because they benefit from public provisions. This is contrary to companies' Corporate Social Responsibility (CSR) principles (Profundo, 2020).

CONSUMER PROTECTION

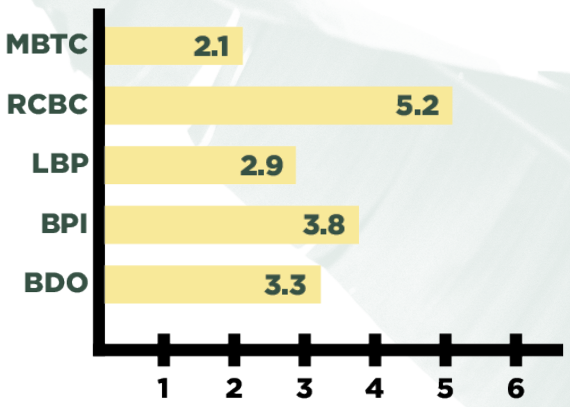

Figure 12. Consumer Protection Theme Scores of Philippine Banks Against Fair Finance Guide (out of 10)

Consumers are essential to the financial market. Financial service providers have the responsibility to provide quality services and information that is "clear, sufficient, reliable, comparable and timely, suitable in these respects for the consumer to compare and contrast and to make an informed decision" (Consumers International, 2011, p.1).

The lack of consumer protection poses severe consequences such as the risk of financial crisis due to lack of transparency of banks, affecting not only individuals but society as a whole. Some of the most recurrent practices violating consumers' rights include limited complaint mechanisms, lack of transparency of financial services, protection against fraud, and transparency against over-indebtedness (Profundo, 2020).

The UN Guidelines for Consumer Protection (UNGCP) provides guidance for financial services to establish consumer protection and enable complaints-handling mechanisms (UN, n.d.-e). Consumers International's (2013) Report on Responsible Lending notes that lenders' business practices should protect consumer interests and hold the lenders accountable for the quality of loans they make. In the context of human rights, financial services should look at the UN Convention on the Rights of Persons With Disabilities, which states that private facilities open to the public should include accessibility options for those with disabilities (UN, n.d.-f).

In figure 12, RCBC led with a score of 5.2, while the remaining banks followed closely behind. RCBC, BDO, BPI, and LBP guarantee the client's data protection from disclosing to other parties without consent and have publicly available consumer protection policies on the risks of products and services, while MBTC shares customer data within the Metrobank group and third-party service providers.

Although there are efforts by the banks to protect their client's interests, such as the availability of complaints mechanisms, there are many areas for improvement. No banks have policies to protect consumers against over-indebtedness. In case of robbery, theft or fraud, the banks do not provide clear reporting mechanisms and policies, and if there are any, these are only limited to credit card theft. Meanwhile, in terms of accessibility and non-discrimination, all banks do not have a concrete policy for non-discrimination when dealing with clients, and there is no policy committed to provide accessibility for persons with disabilities (PWDs) in all physical branches and online/electronic platforms.

TRANSPARENCY & ACCOUNTABILITY

Transparency and accountability are important because "people whose lives are influenced by economic activities are unable to defend their legitimate interests if they are not fully informed on the social, economic and environmental advantages, as well as the costs and risks connected to that activity" (Profundo, 2020, p.259).

The Philippines' bank secrecy laws have been criticized to be so stringent that it impedes supervision (Business World, 2021). Even given this, there have been other efforts for greater transparency in

the financial sector. In fact, the BSP has been lobbying for the amendment of Republic Act 1405 in order to ease bank secrecy laws (BSP, 2021d).

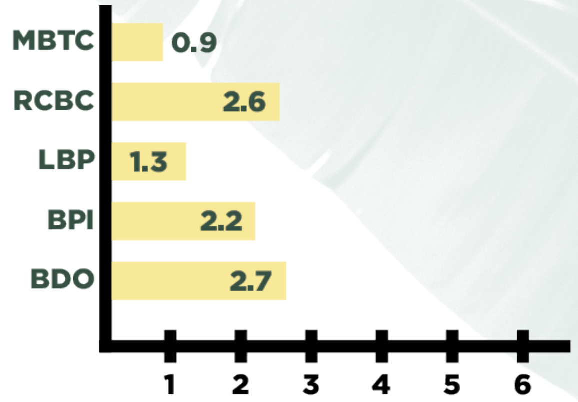

Figure 13. Transparency & Accountability Protection Theme Scores of Philippine Banks Against Fair Finance Guide (out of 10)

As publicly listed companies, banks are required to submit their respective annual reports to the SEC. Given the issuance of the SEC Memorandum Circular No. 4, Series of 2019, banks are also mandated to submit Sustainability Reporting documents which includes non-financial and sustainability issues. Although the SEC guidelines take into consideration the globally accepted frameworks, it does not prescribe for PLCs to subscribe to any particular framework. Therefore, a sustainability report complying with the SEC circular is not automatically compliant with the GRI standards. Although this might affect the assessment made in this study which uses the GRI standards, this does not have a significant effect on the assessment scores as the FFGI Methodology utilizes other international standards and initiatives.

However, even given these efforts for sustainability reporting, the five banks still scored low in transparency and accountability. Although four out of the five banks have improved scores compared to the study last year, the scores still reflect that there is much important and relevant information which is not disclosed to the public or to any regulatory body. In most of the elements for assessment, there is no available information disclosed to the public, thus most of the banks were not given scores at all. For example, there is no available information on the names of governments and of companies on which the banks invest. While RCBC was given a point because it reported its subsidiaries, however, there is no list of companies RCBC invests in as part of asset management.

CONCLUSION AND RECOMMENDATIONS

BANK	2020 RANK	2019 RANK	RANK	2020 AVG SCORE (/10)	2019 AVG SCORE (/10)	SCORE CHANGE (%)
RCBC	1	1	=	3.7	2.9	+25.9%
BDO	2	2	=	3.0	1.8	+65.6%
BPI	3 / 4	4	↑	1.8	1.3	+34.6%
LANDBANK	3 / 4	3	↓	1.8	1.7	+2.9%
Metrobank	5	5	=	1.1	0.6	+80.0%

Table 5. 2020 Philippine bank ranking and scores for the eleven themes assessed. (rounded to one decimal point)

Overall, the 2020 FFP Policy Assessment shows that some Philippine banks have slightly improved in the integration of sustainability principles in their bank policies. One of the major factors of this overall improvement is the passage of the BSP SFF on April 29, 2020. The BSP SFF aimed to set the stage for the adoption of sustainability principles in the operations of financial institutions in the country by 2022.

Compared to the first policy assessment in 2019, banks showed remarkable improvements in the areas of financial inclusion, consumer protection, arms, and transparency and accountability. However, the assessment shows several areas of improvement in banking policies among the Philippine banks. Most notably, these fall under nature, climate change, tax, gender equality, and human rights. Some banks even scored zero on some of these themes. These issues need to be urgently addressed, especially climate change, as the Philippines remains one of the most vulnerable countries to extreme weather events.

THEMES	AVG SCORE	RANK
Financial Inclusion	5.68	1
Corruption	4.1	2
Consumer Protection	3.46	3
Arms	2.48	4
Transparency	1.94	5
Labor Rights	1.7	6
Human Rights	1.5	7
Gender Equality	1.1	8
Tax	1.08	9
Climate Change	0.82	10/11
Nature	0.82	10/11

Table 6. Philippine bank policy average scores, from highest to lowest

Meanwhile, banks should continue improving on the themes where they scored relatively well such as financial inclusion, anti-corruption, and consumer protection. There are opportunities to further strengthen these by addressing key gaps, some of which have been identified in the respective sections of this paper.

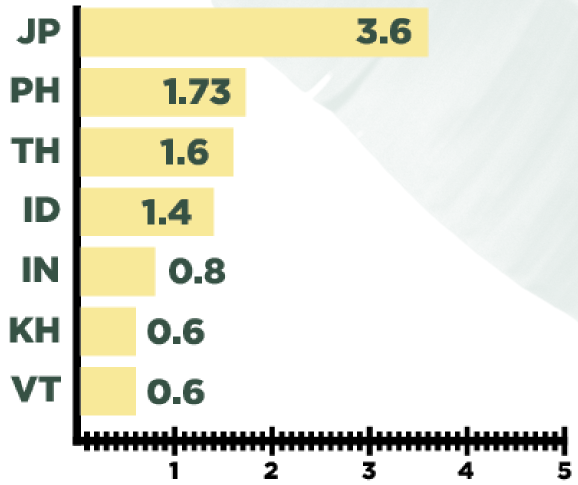

Figure 14. Average scores per country for the nine mandatory themes assessed

Compared to other Asian banks scored using the FFGI Methodology, the Philippines has moved up in rank, second only to Japan. However, this is not an indication for banks to become lenient, but instead to further improve their policies and become the lead on sustainable finance in Asia.

The FFGI Methodology Policy Assessment, which is aligned with the BSP SFF, presents an opportunity for banks to identify their areas for improvement and improve compliance on the integration of sustainability principles. Given these, the 2020 FFP Policy Assessment proposes the following recommendations:

First, banks should address immediate improvements, such as the translation of bank terms and conditions to the local languages. Since there is interest to implement this, the next step is to mention it in the bank policy, which guarantees that the bank will include it in its operations. In doing so, banks can secure easily attainable policy improvements and focus their resources on addressing more complex policy themes which require further consultations and deliberation with stakeholders.

Second, banks should consider adopting stronger social policies in line with the FFGI indicators on gender equality, human rights, and labor rights. In this year's assessment, banks scored an average of 1.1 out of 10 on gender equality, 1.5 out of 10 on human rights, and 1.7 out of 10 in labor rights. There are areas of improvement in these themes which can be addressed immediately, such as developing a zero-tolerance policy towards all forms of gender-based discrimination in employment and occupation as well as its customers and third parties, developing due diligence processes, and committing to IFC Performance Standards.

Further, banks should respect human rights as described in the United Nations Guiding Principles on Business and Human Rights, and adhere to the ILO Declaration on Fundamental Principles and Rights at Work, namely: 1) the freedom of association and the effective recognition of the right to collective bargaining, 2) the elimination of forced or compulsory labor, 3) the abolition of child labor, and 4) the elimination of discrimination in respect of employment and occupation.

Third, Philippine banks should focus on ensuring that they contribute as little damage as possible to the environment and swiftly transition to climate-resilient investments. Delaying critical climate interventions leads to more severe and extreme weather events. With the Philippines listed as one of the most vulnerable countries affected by climate change, there is greater impetus to prevent this from happening.

The Philippine Sustainable Finance Guiding Principles mention the importance of nature-based solutions (DOF, 2021). One approach is the ecosystem-based adaptation (EbA), "an initiative that uses biodiversity and ecosystem services as part of an overall adaptation strategy to help people and communities adapt to the negative effects of climate change at local, national, regional and global levels" (UN, n.d.-g). Examples include the protection of coastal habitats, reforestation, and building of green spaces. A study by the AIM Gov. Jose B. Fernandez Jr. Center for Sustainable Finance found that Philippine banks still have a low level of awareness towards EbA or nature-based solutions; this is an opportunity for banks to evaluate the feasibility of this approach as their entry point into sustainable finance (Zafra et al., 2021).

Another approach banks can consider is strengthening its climate-resilient investments by signing on to the Equator Principles (n.d.), which is "a common baseline and risk management framework for financial institutions to identify, assess and manage environmental and social risks in financing projects". This allows financial institutions to ensure that the projects it finances are "socially responsible and reflects sound environmental management practices" (Equator Principles, n.d.).

Lastly, regulators should carefully monitor compliance and look out for greenwashing activities. Greenwashing happens when a company provides misleading information about its sustainable initiatives to increase their sales. To address this, the BSP should strengthen the implementation climate of the country's Sustainable Finance Roadmap. However, the question remains on how to monitor its implementation. One solution is to partner with CSOs and other stakeholders to help monitor Philippine banks' progress in attaining sustainability objectives.

Banks commit to sustainability and inclusivity, as evidenced in their policies. This is complemented by regulatory bodies such as the BSP developing sustainable finance frameworks and guidelines as well as the growing interest by civil society and the private sector in sustainable initiatives. With the increased traction and support from various stakeholders, there is opportunity to further strengthen banks' capacity to enhance their understanding of ESG in operations and risk management systems. Initiatives on sustainable finance in recent years helped shape this, but a lot remains to be done. FFA calls for greater collaboration between banks and stakeholders, including regulators and civil society organizations, to push this agenda forward.

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