**SUSTAINABLE FINANCE FRAMEWORK**

**Bank’s Board-Approved Transition Plan**

Considering the broad spectrum of Sustainable Finance and the complexity of its adoption to the strategic objective, risk management, governance and operations of the bank, we are still on the stage of evaluating our response and roadmap for transition and integration to sustainable finance. The bank is still on the process of understanding the intricacies of its impact on itsc business, risk universe, strategic objective and direction.

Transition Plan - Too Soon

As the DOF and BSP has just launched on October 20, 2121 the Philippine Sustainable Finance Roadmap (PSFR) which is the first phase focused on transition to a low-carbon economy, which, shall serve as the guiding principle and foundation for data collection, prudential reporting as well as other information relevant to the analysis of environmental, social, governance risk and sustainable finance, requiring small banks, like LIPAB, to come up with a transition plan may be too soon.

During the launching of the PSFR, the media reported that BSP Governor Diokno disclosed that the BSP is set to release the second issuance on the Sustainable Finance Framework, which aims to provide granular expectations in managing environmental and social risks concerning credit and operational risk areas of banks.

On another note, BSP Governor Diokno in his speech before the Chamber of Thrift Banks on October 12-14, 2021 Annual Convention stated that BSP is yet to carry out capacity-building programs to develop the capabilities of banks, with the assistance of developmental institutions and training partners. According to the Governor, it is seen as a key to enable more banks to integrate sustainability principles into their strategic objectives, corporate governance, risk management systems, and operations.

Considering that we have to align our transition plans with the regulatory directives, it will be prudent to wait for the upcoming directives to ensure that our transition plan is aligned with the expectations of the BSP.

At this point, the bank shall await for the capacity-building programs to be launched by the BSP and shall commit to participate in training programs to fully understand the framework, its policy direction and proper transition and integration of sustainable finance appropriate to our size and business model.