

ASEAN CENTRAL BANKS' AGENDA ON SUSTAINABLE BANKING¹

Acknowledging that climate and environment-related risks are sources of financial risks that need to be managed, **ASEAN central banks and monetary authorities have worked together to develop the “ASEAN Central Banks’ Agenda on Sustainable Banking”**, in line with the key recommendations² from the Report of the Task Force on the Roles of ASEAN Central Banks in Managing Climate and Environment-related Risks. The Agenda proposes seven key recommendations that ASEAN central banks/monetary authorities could consider in driving sustainable central banking practices, in accordance with their respective mandates, with an emphasis on climate and environmental considerations. The recommendations include (i) clear communication strategy, (ii) central bank leadership, (iii) development of ASEAN Green Map, (iv) communication of ASEAN common interests and unique circumstances where appropriate, (v) framework to encourage banks to embed sustainability into their business practices, (vi) feasibility study of a common data collection framework and (vii) capacity building. The details are as follows:

- I. Demonstrate commitment and policy direction in shaping the sustainable banking ecosystem to foster the adoption of sustainable banking practices.** Central banks and/or monetary authorities may develop a clear communication strategy that reflects their policies on sustainable banking and their roles in managing climate and environment-related risks to convey commitment and align industry expectations towards greening the banking system.

- II. Take leadership by integrating sustainability practices into central banks and/or monetary authorities’ strategies and operations.** Central banks and/or monetary authorities may demonstrate firm commitment through their strategies and lead by example, through operational activities such as in currency issuance, reserve management and asset management.

¹ This statement focuses on the climate and environmental aspects of sustainable banking. The sustainable banking agenda constitutes part of wider on-going regional sustainability efforts under the ambit of ASEAN finance ministers and central bank governors track.

² There are seven non-binding recommendations put forth in the Report of the Task Force on the Roles of ASEAN Central Banks in Managing Climate and Environment-related Risks.

- III. Formulate policy action to support the ASEAN Economic Community Blueprint’s sustainable growth agenda.** Central banks and/or monetary authorities, in collaboration with other ASEAN stakeholders, may consider the development of a roadmap or an “ASEAN Green Map” which could be built on existing works of ASEAN sectoral bodies on sustainable finance to ensure comprehensive and unified efforts in greening the financial system at the regional level.
- IV. Communicate ASEAN’s common interests and unique circumstances, where appropriate, at international platforms.** Central banks and/or monetary authorities may use these platforms to communicate ASEAN’s common interests and circumstances in climate-related policy discussions.
- V. Develop frameworks to encourage banks to embed sustainability into their business practices.** Depending on readiness, central banks and/or monetary authorities may collectively explore the development of a common principle-based ASEAN-wide taxonomy and ASEAN Specific green lending principles to encourage the flow of capital towards environmentally sustainable activities. Central banks and/or monetary authorities may also explore the formulation of supervisory guidelines to support the banks in integrating climate and environment-related risks into their risk management framework. These guidelines may incorporate disclosure requirements for banks towards the promotion of transparency in this area. Moreover, central banks and/or monetary authorities may develop the corresponding supervisory approach and tools to consider such risks in the supervisory assessment framework.
- VI. Promote the establishment of a data collection framework to properly monitor risk exposures and assess the vulnerability of the financial sector to climate and environmental-related risks.** Central banks and/or monetary authorities may collectively study the feasibility of designing a data collection framework to enable the effective conduct of risk identification and monitoring, scenario analysis or stress testing.
- VII. Enhance capacity building and awareness of central banks and/or monetary authorities and banks in relation to sustainable banking.** Central banks and/or monetary authorities are encouraged to develop, and support banks in developing understanding and building technical expertise in areas of climate related scenario analysis, disclosure requirements and taxonomy, leveraging on collaboration with the ASEAN Steering Committee on Capacity Building, foreign development partners, climate scientists or academia to improve the assessment of climate and environment-related risks.

As part of the Agenda on Sustainable Banking, ASEAN Central Banks have also agreed to work towards **ASEAN Sustainable Banking Principles** in 2020. The non-binding principles were proposed with an aim to guide ASEAN Central Banks' future related policies and commitments to promote sustainable banking in the region.

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