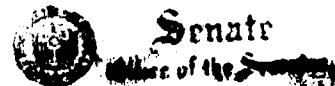


SEVENTEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



16 JUL 19 AIO 30

SENATE

S.B. No. 436

RECEIVED BY: *J.*

Introduced by SENATOR LOREN LEGARDA

AN ACT ESTABLISHING ENVIRONMENTAL UNITS IN EVERY BANKING INSTITUTION TO ASSESS THE ENVIRONMENTAL COMPONENT OF LOAN APPLICATIONS

Explanatory Note

This bill seeks to establish an environmental unit in lending institutions both public and private that will ensure that any loan or related funding applications is in compliance with environment laws. Moreover, monitoring of the project's compliance is continuous until such time when the account is fully paid or the collaterals are released or substituted.

The environmental unit shall be composed of three functional units:

1. Environmental Review and Assessment Unit tasked to ensure the environmental soundness of the project and the account's compliance with environmental laws, thereby avoiding environmental risks;
2. Environmental Policy, Planning and Systems Management Unit tasked to develop/ enhance the lending institutions internal policy to effectively implement the above corporate environmental policy; and
3. Environmental Program Management Unit tasked to develop/ manage grant-assisted environmental programs and assist project management units in developing environment-related lending facilities that will provide services/ support to the bank and its clients.

This proposed measure shall complement the current environmental laws and shall contribute to their sound implementation through the proposed mechanism in place at the initial stage of the project – that is, before it is actualized through funds. The enactment of this measure will help facilitate sustainable development and likewise encourage sound business management.

As the Asian Development Bank (ADB) has asserted in its study in corporate responsibility for environmental performance, "though governments must continue to play a central role in maintaining environmental quality, it is also clear that this traditional focus does not attempt to work directly with the most active financier and player in the development equation – the private sector. While the governments determine the rules under which businesses act, the firms themselves use natural resources, make products, and generate pollution. Thus, a sustainable future for the region is not possible without the active engagement of the private sector." (ADB 2005)

In view of the foregoing, the passage of this bill is earnestly sought.

LOREN LEGARDA
Senator

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Be it enacted by the Senate and House of Representative of the Philippines in Congress assembled:

1 **SECTION 1. Declaration of Policy.** - It is hereby declared the policy of the
2 State to strike a balance between economic development and environmental
3 protection. In this regard, lending institutions are encouraged to adopt a
4 corporate environmental policy to support environmental protection and
5 sustainable development and to mitigate credit risks arising from adverse
6 impact of loans and other projects for financing in the environment.
7 Pursuant to this policy, loan evaluation, approval and release shall take into
8 consideration the borrower's compliance with applicable environmental
9 laws.

10
11 **SEC. 2.** There shall be created an in-house environmental unit in every
12 lending institution tasked to ensure that any loan or related funding
13 applications of any natural or juridical entity have complied with the
14 Environmental Impact Statement System under Presidential Decree No.
15 1586.

16
17 **SEC. 3.** Lending institutions shall ensure that projects subject of financing
18 applications and collateral offered as security shall conform to
19 environmental laws. Compliance of projects and collaterals with
20 environmental laws shall be among the basis for approval of environmental
21 units of loan accounts with environmental impact.

22
23 **SEC. 4.** Lending institutions shall encourage continuous compliance with
24 environmental laws. Account officers (AOs) shall continue to monitor
25 compliance of projects and collaterals until such time that the account is
26 fully paid or the collaterals are released or substituted. The AOs shall look
27 into reported complaints against client's projects/collateral.

28
29 Clients shall be required to submit copies of the periodic monitoring reports
30 of the Department of Environment and Natural Resources of their projects/
31 collateral.

32
33 **SEC. 5.** The environmental unit of every lending institution shall prepare an
34 environmental assessment report for all projects and loans with

1 environmental impact. The report shall be integrated into the project
2 proposal and/or loan application.

3
4 **SEC. 6.** The environmental unit shall be composed of three (3) functional
5 units, to wit:

- 6
7 a) Environmental Review and Assessment Unit, which is tasked to
8 ensure the environmental soundness of the project and the account's
9 compliance with environmental laws, thereby avoiding environmental
10 risks;
- 11 b) Environmental Policy, Planning and Systems Management Unit,
12 which is tasked to develop/ enhance the lending institutions internal
13 policy to effectively implement the above corporate environmental
14 policy; and
- 15 c) Environmental Program Management Unit, which is tasked to
16 develop/manage grant-assisted environmental programs and assist
17 project management units in developing environment-related lending
18 facilities that will provide services/ support to the bank and its
19 clients.

20
21 **SEC. 7.** The non-compliance of borrowers with applicable environmental
22 laws shall be considered a condition for default.

23
24 **SEC. 8. Separability Clause.** - If any provision or part hereof is held
25 invalid or unconstitutional, the provisions not otherwise affected thereby
26 shall remain valid and subsisting.

27
28 **SEC. 9. Effectivity Clause.** -This Act shall take effect fifteen (15) days after
29 its publication in at least two (2) newspapers of general circulation.

30
31 Approved,