



Cooperation in Achieving Sustainability Goals

**Asian Bankers Association
Policy Advocacy Committee Meeting
August 3, 2022**

PRESENTATION OBJECTIVE



- Provide updates on RCBC's implementation of the regulatory **Sustainable Finance Framework**
- Relate these to emerging challenges in achieving the **UN Sustainable Development Goals (SDGs)**

BANGKO SENTRAL NG PILIPINAS (BSP) CIRCULARS 1085 AND 1128

“Part of the role of the [Bangko Sentral ng Pilipinas (BSP)] is to create an enabling policy environment to channel financing to sustainable investments and projects.” - Lyn Javier, Assistant Governor, BSP/Central Bank of the Philippines

April 2020: BSP Circular 1085 (Sustainable Finance Framework)	October 2021: BSP Circular 1128 (Environmental and Social Risk Management Framework)
<ul style="list-style-type: none">• Incorporated into the Manual of Regulations for Banks (MORB)• Requires banks to integrate sustainability principles in their corporate governance and risk management frameworks• Provides a three-year transition period for banks to be fully compliant	<ul style="list-style-type: none">• Supplements BSP Circular 1085• Requires management to integrate E&S risks in the risk management frameworks, particularly credit risk and operational risk• Prescribes the development of E&S-related targets / goals



Activities to help address Emerging Challenges in Achieving the UN SDGs: RCBC's Sustainability Journey

ACTION AGAINST CLIMATE CHANGE

- **2021 and 2022 Reports of the Secretary-General to the UN Economic and Social Council**
 - 2021 Report: emphasizes the need for urgent attention to **UN SDG 13 (Climate Action)** as it “puts the achievement of many SDGs at risk” and indicates that the achievement of **UN SDG 7 (Affordable and Clean Energy)** is essential in attaining UN SDG 13 or pursuing the fight against climate change.
 - 2022 Report: re-emphasized the importance of **Climate Action** given projected rebounds of global energy-related CO₂ emissions and the need to “capitalize on the opportunity afforded by [post-pandemic] recovery to adopt low-carbon, resilient and inclusive development pathways that will reduce carbon emissions”



EMBEDDING AWARENESS AND EMBRACING TRANSPARENCY

Support for climate action and the UN SDGs can take place only when there is stable foundation in terms of knowledge-building, awareness strategy, and commitment to transparency. RCBC hence embarked on the following activities over the past year:

- **Launch of Sustainability e-learning program**
 - Developed as an annual exercise starting 2021, with **Climate change** as the pilot central theme
 - Serves as the immersion tool in understanding the Bank's role and the individual's responsibility toward his/her community and environment
 - Seeks to promote the value of environmental protection and social responsibility as part of performance evaluation metrics (as also required by Circulars 1085 and 1128).

WHAT IS SUSTAINABILITY

"Development that meets the needs of the present without compromising the ability of future generations to meet their own needs"



We need to learn Sustainability.
Now, more than ever. Find out why.

Access the Sustainability and its Key Components elearning 2021	Due Date: October 29, 2021 Required for ALL employees including those hired as of Sept 16, 2021.
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EMBRACING TRANSPARENCY

- **Enhanced reporting on sustainable finance**
 - RCBC continued to publish its Annual Sustainability Report (ASR) and Impact Report in compliance with regulatory requirements for publicly-listed companies and the Bank's Sustainable Finance Framework
 - As in previous years, the Impact Report was released together with the Impact Report video which highlights the Bank's commitment in supporting projects that have clear E&S benefits
 - **2021's theme: "Innovations that Deliver"**

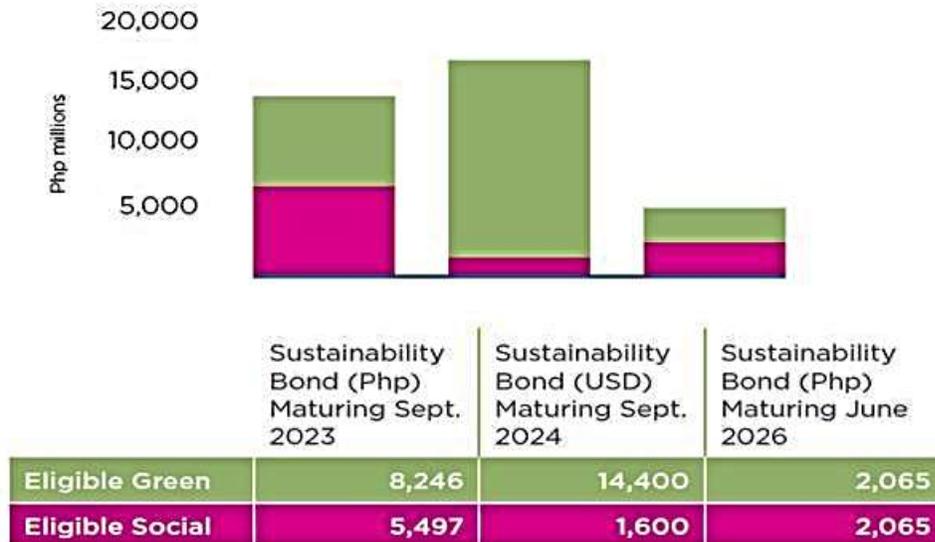


EMBRACING TRANSPARENCY: DISCLOSURE HIGHLIGHTS

- Since the creation of RCBC's Sustainable Finance Framework in 2019 until March 2021, RCBC has raised around USD1.1B in green and sustainability bonds.
 - RCBC's sustainable portfolio has also moved toward a 70:30 mix in terms of the ratio of green to social portfolio as of end-2021, versus a 60:40 mix in 2020.
 - This is indicative of the Bank's stronger support for green projects after it **declared to no longer fund the construction of new coal power projects starting Dec 2020**.

RCBC SUSTAINABILITY BOND ISSUANCES

As of December 31, 2021



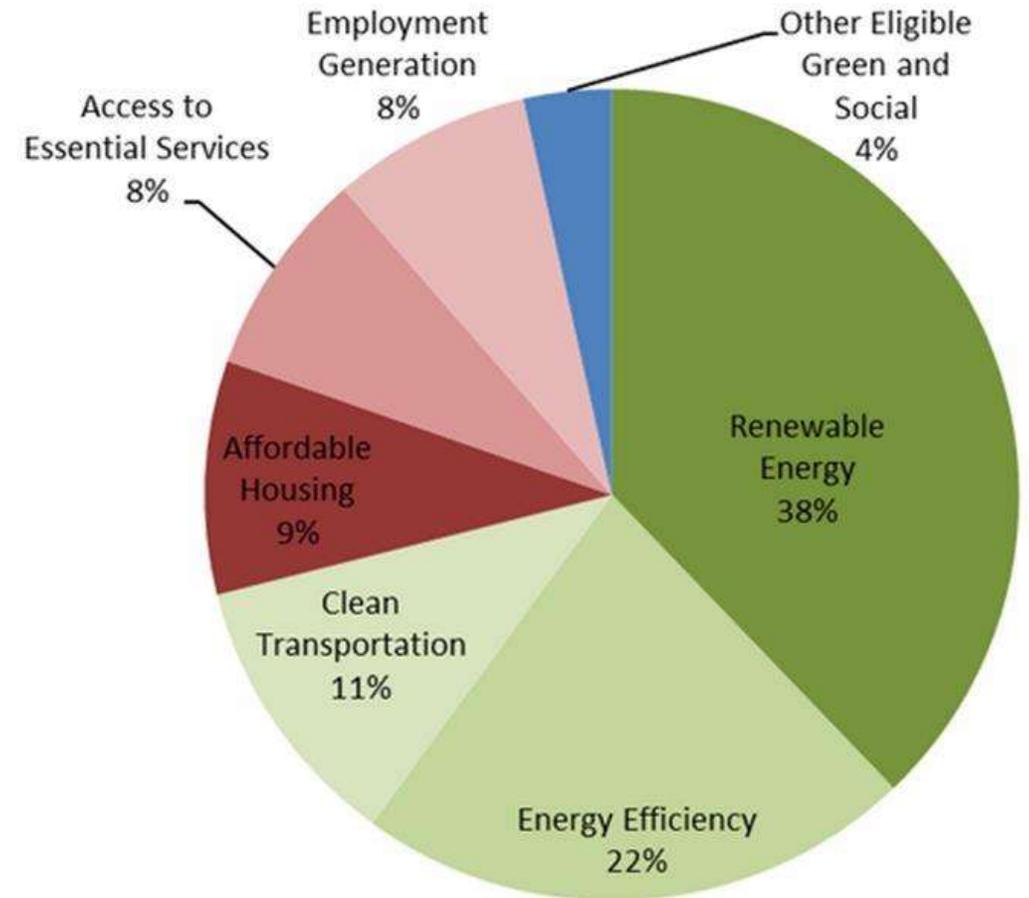
EMBRACING TRANSPARENCY: DISCLOSURE HIGHLIGHTS(Continued)

- In February 2022, RCBC launched the country's first green time deposit to promote environmental awareness while saving funds
 - Within the same month, RCBC raised Php14.75B ASEAN Sustainability Bonds in support of the continued growth in the Bank's sustainable assets.



EMBRACING TRANSPARENCY: DISCLOSURE HIGHLIGHTS(Continued)

- The Bank's sustainable portfolio grew from 10% of total loan portfolio in 2020 to 12% as of end-2021, higher than the 7% share of coal exposures.
 - Renewable Energy (RE) and Energy Efficiency projects dominate the Bank's Php67B sustainable portfolio, increasing from 49% of RCBC's total sustainable portfolio in 2020 to 60% in 2021.
 - The Bank has supported around 3 gigawatts (GW) of RE projects (solar, wind, hydro-power and geothermal) since 2012; Pipeline RE projects: twelve projects with combined capacity of about 1.6 GW in 2022 and 2023.
 - RCBC's Php42B erstwhile investments in coal exposure will taper off and remain in the Bank's books only until 2031.



Total sustainable portfolio contributes to 11 UN SDGs

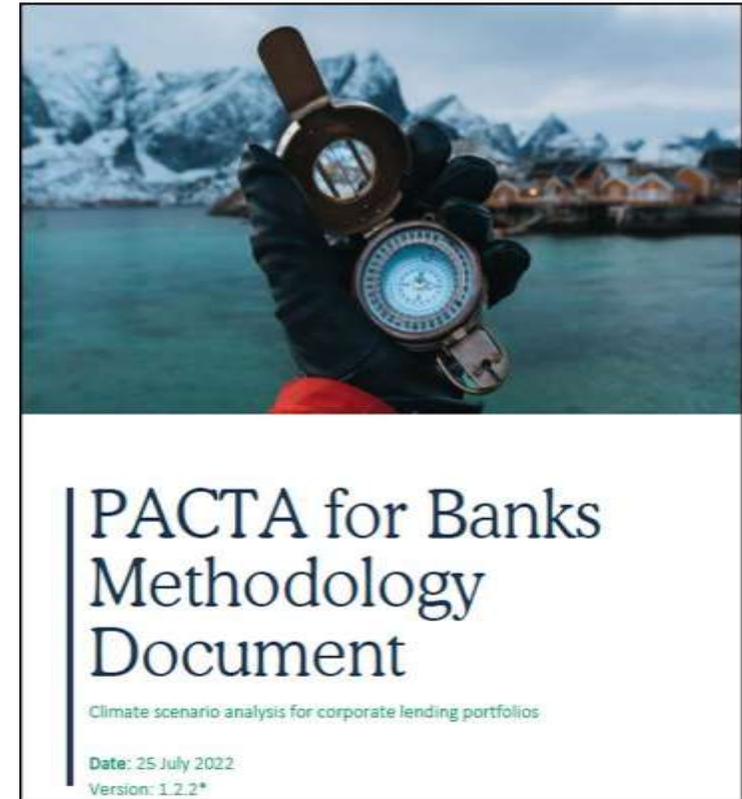




2021 Impact Report Video

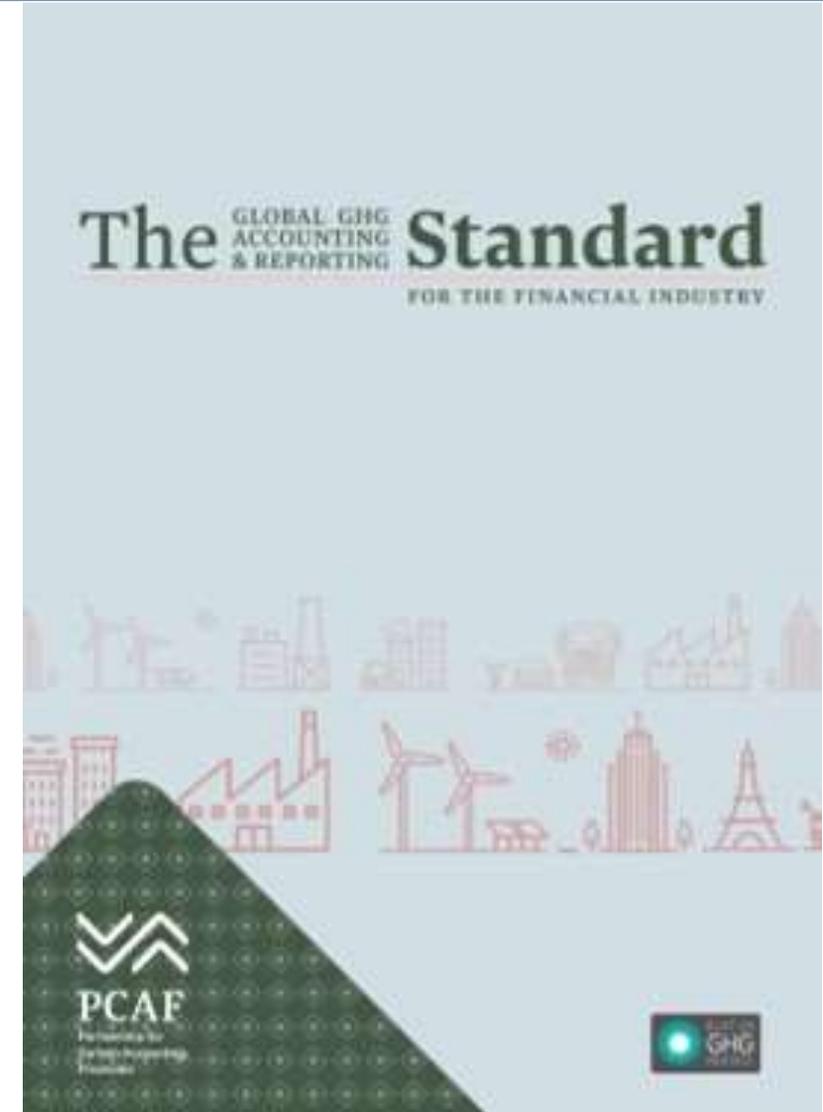
CLIMATE RISK ANALYSIS

- **June 2022 Climate Risk Report of the Alliance for Green Commercial Banks: scenario-based methods are now commonly used in climate risk measurements for banks' stress test and sensitivity analysis exercises.**
 - Carbon emission indicators have also become benchmark measures for transition risk
- **RCBC's sustainability initiatives, as follows, are aligned with these observed global trends on climate risk analysis for banks**
 - In January 2021, RCBC entered into an advisory engagement with the International Finance Corporation (IFC) for the use of the **Paris Agreement Capital Transition Assessment (PACTA) tool** and related methodology
 - Results of the PACTA evaluation are based on **climate scenarios** and will provide an **assessment of transition risk**



CLIMATE RISK ANALYSIS (Continued)

- In September 2021, RCBC became the first Philippine bank to participate in the **Partnership for Carbon Accounting Financials (PCAF)**, an initiative among financial institutions worldwide to enable harmonized assessments and disclosures of GHG emissions financed by loans and investments
 - **decisive step in understanding the climate impact of the businesses that the Bank supports.**
 - RCBC commits to disclose the GHG emissions of its portfolio within three years from joining the organization
 - The data can eventually be used as the **foundation for emission reduction targets for a proper portfolio mix.**



CLIMATE RISK ANALYSIS (Continued)

PACTA Methodology

- RCBC portfolio should follow the Sustainable Development Scenario (SDS) in a given region
 - SDS: required change in production level to limit the activity's impact on global warming to below 2°C



RCBC's progress:

- Scenario Analysis (Power Portfolio)
 - Feb 2021 to Dec 2021
- Stress Test Modules
 - Ongoing

Results: To be reported to the BSP on or before May 2023

PCAF GHG Emission Calculations

- RCBC to measure and disclose portfolio greenhouse (GHG) emissions within three (3) years of signing the Commitment (Sept 2021 to 2024)
 - PCAF has an emission factor database that can help financial institutions get started with estimating the financed emissions of its portfolio.



RCBC's progress:

- Data Gathering (PCAF formula)
 - Ongoing (requires engagement of Relationship Managers)
- Choice of Asset Class
 - With preliminary computations on business loans

Results: To be disclosed in RCBC's Sustainability Report by 2024

Beyond compliance, RCBC's pioneering activities aim to stimulate best practices in understanding **portfolio climate risk within the Philippine banking industry, and in effect, strengthen support for the call of **UN SDG 13 for climate action**.**



Summary



ACTIVITIES TO HELP ADDRESS EMERGING CHALLENGES IN ACHIEVING THE UN SDGs



Action Against Climate Change

Embedding Awareness and Embracing Transparency

- Launch of Sustainability e-learning program
- Increased visibility to clients and suppliers
- Enhanced reporting on sustainable finance

Climate Risk Analysis via PACTA and PCAF



Q&A





END OF PRESENTATION