

More Risks or More Opportunities?

DOMESTIC AND INTERNATIONAL ENERGY TRANSITION IMPLICATIONS ON THE FIDUCIARY RESPONSIBILITIES OF CORPORATE DIRECTORS IN THE PHILIPPINES

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Transcript

Paris Alignment Prospects for Leading Philippine Banking Institutions

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What are the climate and environmental risks in the Philippines? Take note, there is a second word there, environmental risks. We lie along the Pacific Ring of Fire; we feel 100 to 150 earthquakes per year or, on average, 20 earthquakes per day—a lot of which we don't think because they happen over 100 kilometres underground. We are also located along the typhoon belt and experience 20 to 25 typhoons per year with 3.44 mm of seawater level rise.

Business plans are designed to be more resilient. Many technological innovations are being used to protect the physical designs and assets and protect the human resource. When all things fail, when they're not safe, for instance, redesign an already existing building, we run to insurance.

To see how we are right in the centre or the epicentre of these environmental risks. I differentiated from climate because the climate is more of typhoons and flooding. Still, when you talk of earthquakes and volcanic eruptions, that is not due to climate. That is because we are in the Pacific Ring of Fire.

There is a system that we have been espousing; it is an online system called HazardHunter. You can use your smartphones to hop into identifying where you are located to find out how exposed you are to earthquakes, typhoons, flooding, and volcanic eruptions. This is owned and maintained regularly by no less than PHIVOLCS and PAGASA-DOST.

We encourage other banks to use this for their portfolio - your assets and your client's assets. Because of this Hazard Hunter system, we've practically mapped the whole country, so we have our hazard assessment for 1,647 cities and municipalities. Assets of the bank and our clients have been mapped, and we're almost done with the retail side. This system is free and available online, very Philippine-focused.

This is our commitment; BPI has mentioned this during the annual shareholders meeting last April 2021, so we know that we can be halving our coal portfolios, so we're committing to this really halving our coal portfolio by 2026 and actually by the end of 2032, we should be out, entirely out of our coal exposures. And this is our way of supporting the Paris Climate Agreement to target less than 1.5 degrees centigrade.

Further, we're the first bank to do all of this reporting from GRI to data reporting to SASB. We are the first bank in Southeast Asia to offer a bond and fetched a negative yield. Additionally, we have a partnership with IFC, and we comply with the gold standards they taught us. By the end of 2020, 47% of our portfolio supports the UN SDGs. Last May, we're the first bank to pledge to TCFD, joining seven out of 12 supporters from the Ayala group.

We are proud to share that we have made it mandatory for employees to take sustainability training. The top management decided to make it compulsory across the company. We aim to have sustainability as part of the KRA of every employee at the bank by next year. It is also essential to have an SDG champion. For us, it's our Chairman Jamie Augusto Zobel de Ayala, who was awarded in 2017. You need an advocate, and better if it comes from top management espousing sustainability. Thus, it is not hard for the bank to go forward and sustain environmental initiatives. We explore partnerships, we work with other stakeholders, and we appreciate their hard work.

There are four types of loans that the BPI helps clients do, and these are for both big and small companies. We don't scrimp on the free technical consultations given by IFC; we subsidise. Our experience is this: we can say that all clients who have done any of these four—from energy-efficiency and renewable, climate resilience or green buildings and then sustainable agriculture. The clients we have assisted and have followed and implemented the recommendations by BPI and IFC technical consultants have all succeeded. We have over 354 projects done to date already.

This is the vision of BPI to be an inclusive, innovative, and trusted leader in responsible banking. We recognise how important it is to incorporate sustainability in our products and services, value our stakeholders, and manage our resources.

This is the formula that we've been giving out; up to the fourth box, ESG is familiar to everyone. The last E or the second E, which we branded as E2 to differentiate it from the first E, is economic. We do this, of course; as a bank, we'd like to make sure that the projects that we support for our clients ensure technical and financial delivery; because of that, we know very well that we are not just espousing ESG. So it's not enough to comply with the technical requirements, the eligibility requirements, under E, under S and G.

We have to make sure that the projects that we support that we fund as a bank is making money will be profitable because that is the only way that the project becomes sustainable. Otherwise, the task becomes a charity. As a private bank, the project must sustain itself financially for economic sustainability. That makes our formula unique. We make sure that as we do ESG, we have a second E. To share the formula, ESG + E where economic sustainability is represented by economic goals and standards incorporated in the core business strategy.

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