

Sustainable Finance

Climate change is real and its impact presents a clear and present danger to humanity. The Philippine archipelago is highly vulnerable to the impact of climate change. According to Global Climate Risk Index 2018, the Philippines is the fifth most vulnerable to climate change. Communities living in our coastal areas risk flooding due to rising sea level. Increasing frequency of extreme weather events, i.e. erratic and high rainfall, severe typhoons or rising temperatures causing drought are threatening normal life and endangering fragile ecosystems.

Under the Paris Agreement on Climate change, Philippines have committed to reduce 70% of its greenhouse gas emissions by 2030 to reduce global warming to 1.5 degrees. We believe that the financial services sector has the opportunity to play a key role in this major global initiative and therefore must spearhead the fight against climate change.

At RCBC we believe that understanding the effects of and managing climate change is prudent risk management. As a leading Domestic Financial Institution and a responsible corporate entity, we are committed to doing our part to reduce the impact of global warming and support the Government in its commitment to Sustainable Development Goals.

RCBC SUSTAINABLE STRATEGY

RCBC is committed to uphold social and environmental responsibility in all its business activities. We recognize that balancing non-financial factors such as environmental and social issues with financial priorities is essential to being a good corporate citizen and is fundamental to risk management and the larger interest of our investors and shareholders.

RCBC aims to embed awareness of environment and social issues within the organization, with our clients and in the communities that we serve. The bank believes that good sustainable practices is a key pillar of responsible lending which can have a meaningful impact on the communities and environment.

SOCIAL AND ENVIRONMENT MANAGEMENT DUE DILIGENCE

The SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) of RCBC requires all lending relationships/credits, both pipeline and portfolio, are vetted from a social and environmental risk perspective.

The social and environmental impact assessment process is a systematic way of identifying and assessing the type and scale of impact a project may have on the environment and the communities. The SEMS assessment takes place before a lending decision is made and continues during the life cycle of the loan agreement with the client.

We have conducted social and environment due diligence reviews on our investments in fossil fuel fired power plants. We will continue to engage our clients, share best practices and support their efforts to seek solutions that reduce the impact on the environment.

RISK AND OPPORTUNITIES

We believe in understanding, measuring and mitigating the risks associated with transition to low carbon and climate resilient future. We will align our business strategy with national priorities and overtime rebalance our portfolio mix that creates value and benefits our stakeholders.

We are also cognizant of the opportunities that will arise as we transition to this new world order. According to the International Energy Agency a global transition to meet this goal will require more than €30 trillion to be invested in clean energy and efficient infrastructure by 2035. We want to be well positioned to participate and finance this transition.

We have taken important first steps to reduce our corporate carbon footprint, finance the flow of funds into low carbon and climate resilient future not only in the Philippines but also within ASEAN. Our contribution to lower our carbon footprint, support sustainable finance initiatives and Sustainable Development Goals in the following ways:

- RCBCs Corporate Head Office in Manila is located in a LEED Gold certified building
- Funded projects that support UN Sustainable Development Goals. Specifically, Clean Water and Sanitation, Affordable and Clean Energy, Decent Work and Economic Goals, Reduce Inequality, Sustainable Cities and Communities, Responsible Consumption and Production and Life on Land.
- Participated in 14 renewable energy and energy efficiency financing deals including direct financial support to South East Asia's largest solar power plant and served as the biggest funder to the 132.5MW solar farm in Cadiz City, Negros Occidental, Philippines
- Channeled more than P13Billion to fund projects and loans that provide access to social needs directly improve living conditions of Filipinos

We have voluntarily placed several economic sectors on our funding exclusion list. We will not finance (new) projects to fund Tobacco, Alcohol and Gaming investments. Our existing exposure to these sectors remains considerably small relative to our total loans.

NEXT STEPS

RCBC has recently issued a Sustainable Finance Framework which articulates our strategy to prioritize fund raising and lending to priority sectors. Earlier this year the Bank raised Peso 15 Billion (USD 290 Million) under its Green Finance Framework. The issue was the first green bond from the Philippines under the ASEAN Green Bond Standards and proceeds were utilized to fund eligible green assets.

The world faces unprecedented challenges on account of climate change. Achieving global goals requires the participation of all sectors of civil society. We are ready to do our part.