

BDO Energy Transition Finance Statement

08 September 2022

PREFATORY

Whereas,

BDO recognizes that the banking industry plays a critical role in the Philippines' committed transition to a low-carbon economy, a transition that will require providing access to affordable, reliable, sustainable and clean energy.

BDO believes that this transition is a journey that requires adopting a balanced approach, which must acknowledge the difficult trade-offs that need to be made along the way between national economic development that depends on affordable and reliable energy, and the relentless pursuit of the broader goal of climate sustainability.

In the context of the foregoing, BDO supports the Paris Agreement of 2015 and the Philippines' Nationally Determined Contribution (NDC) and declares its approach to energy transition finance.

DECLARATIONS

On Coal-Related Financing and Divestment

- BDO will continue its current practice of not lending to new coal-fired power plant capacity, a practice in place since 2019.
- BDO commits to reduce its coal exposure by 50% by 2033, while ensuring that its coal exposure does not exceed 2% of its total loan portfolio by 2033. The Bank will likewise continue to fund more renewable energy projects under its Sustainable Finance program. New coal exposure refers to exposure to new capacity, while coal exposure refers to the term loans and does not include short-term working capital. Ultimately, BDO does not intend to finance any new capacity that will increase harmful greenhouse gas (GhG) emissions in the environment.
- However, in a situation where the Philippine government implements provisional emergency measures to address an energy crisis, or to the extent that the country's energy resources can no longer meet its energy demand, BDO may reconsider extending capital for coal projects, in the interest of advancing the country's social goals.
- The Bank anticipates that its position on energy security in general, and on coal-related financing in particular, will evolve along the way in response to the country's economic realities, taking into consideration government's energy-related priorities and programs.
- BDO will continue to apply enhanced Environmental and Social risk assessment and due diligence of customers with coal and fossil fuel investments among their businesses.

On Funding Renewable Energy Alternatives

- BDO will continue to expand its Sustainable Finance initiatives, in place since 2010, towards funding new and existing renewable energy projects to increase their capacity, and contribute to the country's avoidance of GHG emissions.

On Energy Transition Support to Affected Customers and Communities

- BDO will support its customers' transition to reduced carbon emissions by providing access to capital so they may invest in innovative technologies that will lessen their greenhouse gas emissions, or adapt their business to renewable energy alternatives.
- BDO will provide access to capital required by persons and businesses in communities negatively affected (e.g. loss of jobs and/or livelihood) by the energy transition to low carbon emissions.

On Climate-Related Disclosures and Transparency

- BDO supports the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD).

Approved by the BDO Board of Directors
26 August 2022