



SUSTAINABLE FINANCE & ESG INVESTMENTS SEED CLASS

BANKS AS DRIVERS OF SUSTAINABILITY

Felipe Calderon, CPA, CMA, PhD

School Head, Washington SyCip Graduate School of Business

Executive Director, Gov. Jose B. Fernandez, Jr. Center for Sustainable Finance

WASHINGTON SYCIP
GRADUATE SCHOOL
OF BUSINESS
24 August 2022

A graphic element in the bottom right corner consisting of overlapping curved shapes in yellow, purple, green, and blue, partially overlapping a dark blue circle.

**ASIAN
INSTITUTE OF
MANAGEMENT**

Felipe Calderon, CPA, CMA, PhD



School Head

**WASHINGTON SYCIP
GRADUATE SCHOOL OF BUSINESS**

Executive Director

**GOV. JOSE B. FERNANDEZ, JR.
CENTER FOR SUSTAINABLE FINANCE**

Agenda

1. Banks as Drivers of Sustainability
2. Sustainability-linked Loans
3. Gender Lens
4. Financing Ecosystem-based Adaptation
5. Global Alliance for Banking on Values

1994–2017

- Regional Director, Loan Underwriting Center, British Columbia
- Area Manager, Special Accounts Department, Western Canada (British Columbia, Alberta, and Manitoba)

About BDC

BDC is the only bank devoted exclusively to entrepreneurs

We offer [business loans](#) and [advisory services](#) to help Canadian businesses grow, both at home and abroad. Through our subsidiary – BDC Capital, we also offer a full spectrum of specialized financing, including venture capital, equity as well as growth and business transition capital.



A financial institution owned by the Government of Canada, [we support more than 42,000 small and medium-sized enterprises](#) across the country, complementing services available from private-sector financial institutions.

Ambitious and innovative entrepreneurs are the engine of our economy and it is our role, as England's development bank, to help them succeed.



Canadian Bankers Association

Banks take environmental protection into account when making lending decisions. In commercial and wholesale banking this means **incorporating environmental due diligence into the lending process**, which may include site visits, assessments of a client's environmental record, or third-party reporting on proposals.



Language of Business (LOB)

Financial Statements

Sustainability Reporting



WASHINGTON SYCIP
GRADUATE SCHOOL
OF BUSINESS

MBA Concentration in Sustainable Finance

1. Special Topics in Sustainability
2. Venture Capital for Impact
3. Sustainable Business Models
4. Sustainable Supply Chain
5. Fintech

Study Tour – University of British Columbia Sauder School of Business





BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1085

Series of 2020

Subject : Sustainable Finance Framework

The Monetary Board, in its Resolution No. 415 dated 19 March 2020, approved the sustainable finance policy framework that sets out the expectations of the Bangko Sentral on the integration of sustainability principles, including those covering environmental and social (E&S) risk areas, in the corporate governance and risk^{IP} management frameworks as well as in the strategic objectives and operations of banks.

Agenda

- 1. Banks as Drivers of Sustainability**
2. Sustainability-linked Loans
3. Financing Ecosystem-based Adaptation
4. Gender Lens
5. ESG Investing
6. Global Alliance for Banking on Values

BANKS AS DRIVERS OF SUSTAINABILITY

Definition of Sustainable Finance

- Sustainable Finance is defined as any form of financial service which integrates **environmental and social considerations** in addition to profitability into lending and investment decisions.
- Banks engaged in sustainable finance are committed to lending and investing in companies that have integrated or intend to integrate the triple bottom line of **people, planet and profit** in their operations.

Operationalizing Sustainable Finance



WASHINGTON SYCIP
GRADUATE SCHOOL
OF BUSINESS

Triodos Bank

Finance change. Change finance

We finance progressive entrepreneurs and influence the banking sector to become more transparent, diverse and sustainable.

How we see impact

Triodos Bank's mission is to make money work for positive social, environmental and cultural change. To make sure our influence in these areas is positive we only invest in sustainable enterprises and we only use the 'real' money entrusted to us by savers and investors.

Harvard Business Publishing Education

- Triodos Bank: Measuring Sustainability Performance (Nov 2015)

Source: <https://hbsp.harvard.edu/product/IMD792-PDF-ENG>

- Finance for a Sustainable Society at Triodos Investment Management: An ESG Portfolio Investment Decision (Oct 2021)

Source: <https://hbsp.harvard.edu/product/IM1191-PDF-ENG>

Negative Criteria

Non-sustainable products and services

- *Fur industry*: all organisations, businesses and activities that hunt or keep animals for their skin or fur, supply services to this industry or sell fur products.
- *Gambling*: all organisations, businesses and activities that design, produce or sell games of chance, supply financial services related to games of chance that qualify as offering short odds.
- *Environmentally hazardous substances*: all organisations, businesses and activities that produce or sell substances that threaten humans and the environment
- *Pornography*: all organisations, businesses and activities that sell pornographic products and, or that operate related shops and meeting places.
- *Tobacco*: all organisations, businesses and activities that produce or sell smoking materials.
- *Weapons industry*: all organisations, businesses and activities that produce and sell weapons and weapons-related services. This includes both conventional weapons, such as pistols and rockets, and non-conventional weapons, such as nuclear, chemical and biological weapons and integral weapon systems.

Negative Criteria

Non-sustainable working processes

- *Intensive agricultural production*:: all organisations, businesses and activities that handle and, or process animals for consumption in an intensive, environmentally damaging way and which do not take due account of animal welfare. Businesses that sell animal products from intensive agricultural production are excluded when they do not offer the consumer a certified organic alternative.
- *Corruption*: all organisations and businesses that have been condemned by a court for frequent and serious corruption, bribery and money laundering and enterprises that have violated structural codes of conduct or treaties in the last three years.
- *Dictatorial regimes*: all organisations and businesses and activities that directly and significantly contribute to, or profit from, human rights violations by a government or other actors.
- *Animal experiment*: all organisations, businesses and activities that use animal experiments for non-medical purposes or sell non-medical products that have been tested on animals.
- *Genetic engineering*: all organisations, businesses and activities that generate products that have been created by means of genetic engineering. All organisations, businesses and activities that sell genetically engineered products are excluded when these products do not have a clear label.

amounts in millions of EUR ¹	2021	2020	2019	2018	2017
Financial					
Equity	1,250	1,208	1,201	1,112	1,013
Deposits from customers	13,285	11,747	10,694	9,564	8,722
Loans and advances to customers	10,168	9,157	8,209	7,267	6,598
Total income	341.9	305.1	292.2	257.1	240.3
Operating expenses	-275.2	-245.4	-234.4	-204.3	-190.2
Impairment result on financial instruments	0.4	-24.2	-3.7	-6.4	-1.8
Value adjustments to participating interests	-	-	-	-	1.3
Operating result before taxation	67.1	35.5	54.1	46.4	49.6
Taxation on operating result	-16.4	-8.3	-15.1	-11.2	-12.2
Net profit³	50.8	27.2	39.0	35.2	37.4



Before receiving a loan, companies applying must fill out an impact assessment, including their mission and values.

“We believe that companies that are socially and environmentally responsible are better companies, are stronger companies, and hopefully will be more profitable and less risky companies,” says Meade.



Environmental commitments

Our goal is to continue to provide clear environmental sustainability leadership in the financial sector. We're committed to action on four fronts:

- ✓ Reducing the negative environmental impact of our operations
- ✓ Helping members and employees act by providing education, products and services that benefit the environment
- ✓ Enabling the community to act by funding projects that reduce negative environmental impact
- ✓ Encouraging governments to implement public policy changes that reduce negative environmental impact.

Carbon neutral

We've been carbon neutral since 2008. Our goal is to measure and reduce our greenhouse gas emissions, then offset emissions through the purchase of carbon offsets from emission-reducing activities that others have undertaken.

Source:

<https://www.vancity.com/AboutVancity/VisionAndValues/ValuesBasedBanking/EnvironmentalSustainability/>

**Green Business
Manager**





It is the Bank's policy to promote sustainable practices that will minimize negative environmental, social and reputation impact of the Bank's financing activities and its clients' operation. The sustainable practices that the bank wishes to pursue aim to encourage borrowers to adhere to the preservation and development of the natural, social, and cultural environment. The bank believes that good sustainable practices eventually pay dividends and are in the best interest of the borrowers.

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

Source: Rizal Commercial Banking Corporation (RCBC)



WASHINGTON SYCIP
GRADUATE SCHOOL
OF BUSINESS

Chat

Please list local banks engaged in sustainable finance.



Agenda

1. Banks as Drivers of Sustainability
- 2. Sustainability-linked Loans**
3. Gender Lens
4. Financing Ecosystem-based Adaptation
5. Global Alliance for Banking on Values

SUSTAINABILITY-LINKED LOANS

Sustainability Linked Loans (SLLs)

A cost efficient way to make sustainable change



What are Sustainability Linked Loans?

Source: HSBC website

Sustainability Linked Loans are made available to:

- ◆ Support the achievement of the borrower's **environmental and social objectives**.
- ◆ Link the borrower's cost of capital to Environmental, Social and Corporate Governance (ESG)/sustainability metrics.

Harvard Business Publishing Education

- Does Sustainability Pay? Barry Callebaut's Sustainability Improvement Loan (Oct 2020)

Source: <https://hbsp.harvard.edu/product/IN1675-PDF-ENG>

Loan Market Association

the authoritative voice
of the EMEA market



Sustainability Linked Loan Principles

Sustainability Linked Loan Principles

– Core Components

The SLLP set out a framework, enabling all market participants to clearly understand the characteristics of a sustainability linked loan, based around the following four core components:

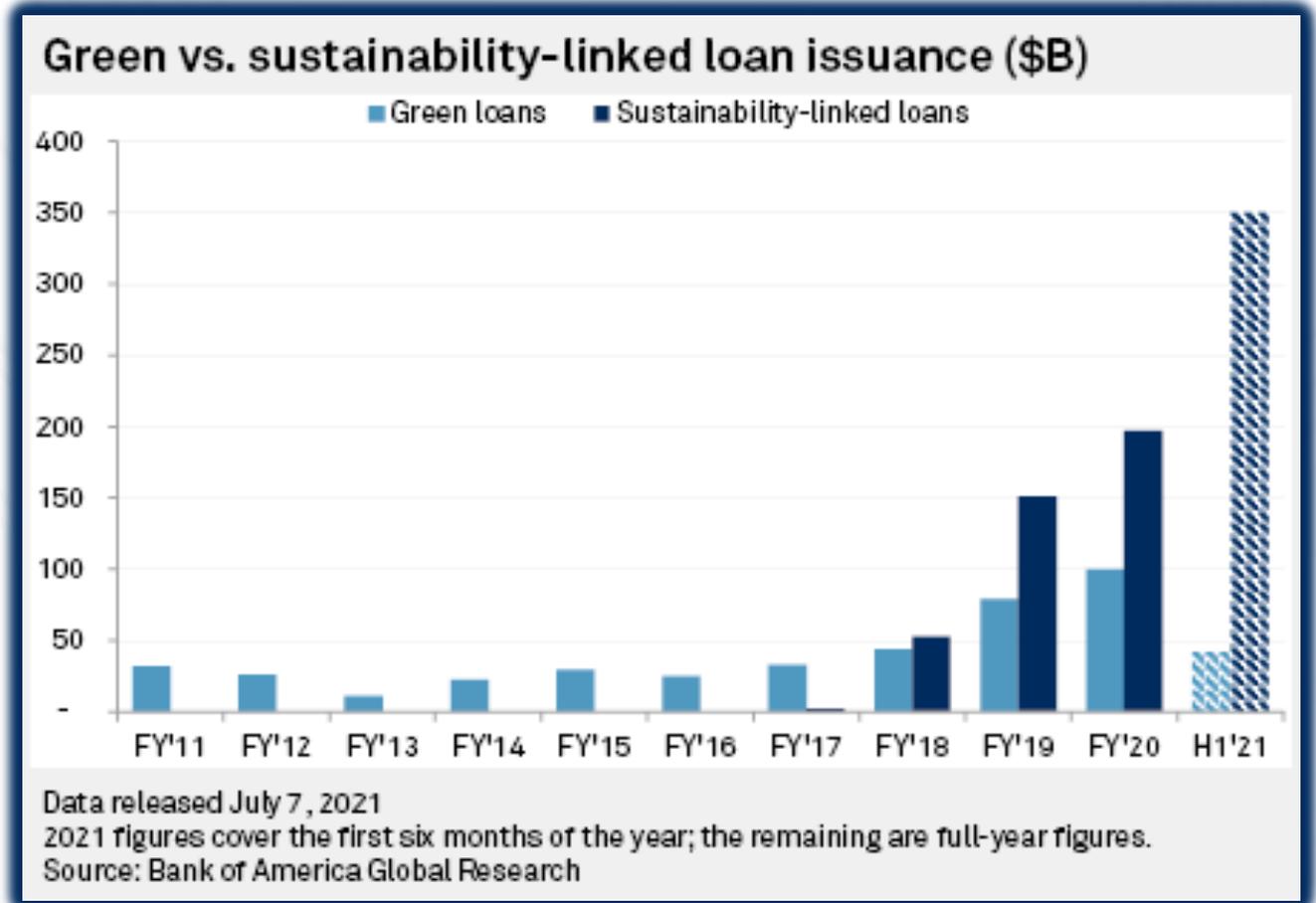
- 1. Relationship to Borrower’s Overall Corporate Social Responsibility (CSR) Strategy**
- 2. Target Setting – Measuring the Sustainability of the Borrower**
- 3. Reporting**
- 4. Review**

Sustainability-linked loan supply outpaces green bonds and loans amid US surge

Author **Sanne Wass**

The product, which gives companies a discounted rate if they meet tailor-made sustainability targets, also continues to thrive in Europe, where uptake has been the highest to date. Sustainability-linked issuance skyrocketed in the European leveraged loan market in the first half of 2021 and is now poised for growth among mid-cap companies and small and medium-sized enterprises, according to the Loan Market Association.

Unlike green debt, which must be used to finance green projects, sustainability-linked loans carry no restrictions on how the proceeds can be used, which makes them a viable option for companies in a broader range of sectors.



Category	Example
Energy efficiency	Improvements in the energy efficiency rating of buildings and/or machinery owned or leased by the borrower.
Greenhouse gas emissions	Reductions in greenhouse gas emissions in relation to products manufactured or sold by the borrower or to the production or manufacturing cycle.
Renewable energy	Increases in the amount of renewable energy generated or used by the borrower.
Water consumption	Water savings made by the borrower.
Affordable housing	Increases in the number of affordable housing units developed by the borrower.
Sustainable sourcing	Increases in the use of verified sustainable raw materials/supplies.
Circular economy	Increases in recycling rates or use of recycled raw materials/supplies.
Sustainable farming and food	Improvements in sourcing/producing sustainable products and/or quality products (using appropriate labels or certifications).
Biodiversity	Improvements in conservation and protection of biodiversity.
Global ESG assessment	Improvements in the borrower's ESG rating and/or achievement of a recognised ESG certification.

Chew's Agriculture signs Singapore's first SME sustainability-linked loan with DBS

Chew's Agriculture aims to meet Humane Farm Animal Care standards to benefit from lower interest rates

Singapore, 29 May 2019 - DBS today announced that Chew's Agriculture, a leading egg producer in Singapore, has signed a 10-year, SGD 27 million sustainability-linked loan with the bank. This marks a milestone for sustainable development in Singapore - it is the nation's first sustainability-linked loan for an SME.



“Under the terms of the loan, Chew’s will enjoy lower interest rates if it meets Humane Farm Animal Care (HFAC) standards^[2] such as providing livestock access to wholesome and nutritious feed, appropriate environmental design, caring and responsible planning and management of livestock, and skilled, knowledgeable conscientious animal care, factors which contribute to more nutritious eggs.”

Groundbreaking ESG Loan for Home Credit Philippines

Deutsche Bank

The short-term loan facility establishes clear metrics and key performance indicators (KPIs) with respect to ESG considerations, as well as concrete targets for those metrics that Home Credit has committed to achieve over the term of the loan.

The primary KPIs focus on expanding credit access to underserved communities in the Philippines, including female and first-time borrowers, and increased provision of financial literacy programs in the Philippines.

https://www.db.com/news/detail/20211222-home-credit-philippines-and-deutsche-bank-sign-groundbreaking-esg-loan?language_id=1



Chat

Please list local banks engaged in sustainability-linked loans.



Agenda

1. Banks as Drivers of Sustainability
2. Sustainability-linked Loans
- 3. Gender Lens**
4. Financing Ecosystem-based Adaptation
5. Global Alliance for Banking on Values

GENDER LENS

IS THE BANKING SECTOR ADEQUATELY SUPPORTING THE LGBTQ+ COMMUNITY?

February 15, 2022

By **Cary Springfield**, *International Banker*

The Canadian lender TD Bank (Toronto-Dominion Bank) also deserves special mention as being among the finance sector's most committed champions of LGBTQ+ visibility. "Whether you're interested in financial planning, wealth strategies, or estate planning advice, TD Wealth understands the unique needs and challenges of the LGBTQ2+ community and is here to help," the bank states on its website. "As members and allies, the inclusive team of Regional Managers, LGBTQ2+ of TD Bank Group can connect you with a TD Wealth advisor and bring the TD services to you to help you reach your financial goals."

Showing up and showing pride



Unbottling the LGBTQ2+ spirit

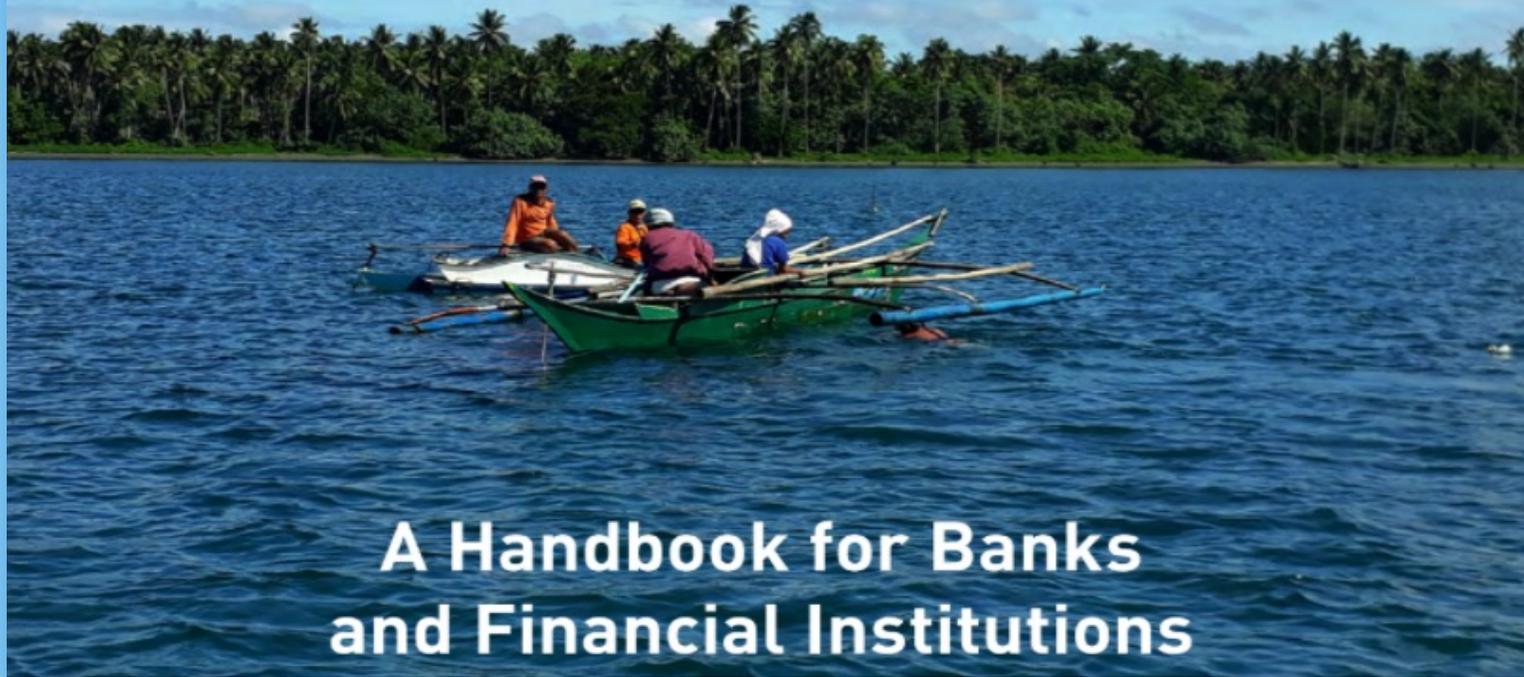
When the founders of Lambda Vodka wanted to turn their passion into a full-time business, they needed more than a bank. They needed a lender that understood and supported the LGBTQ2+ community and wanted to play an active role in helping them succeed.

Agenda

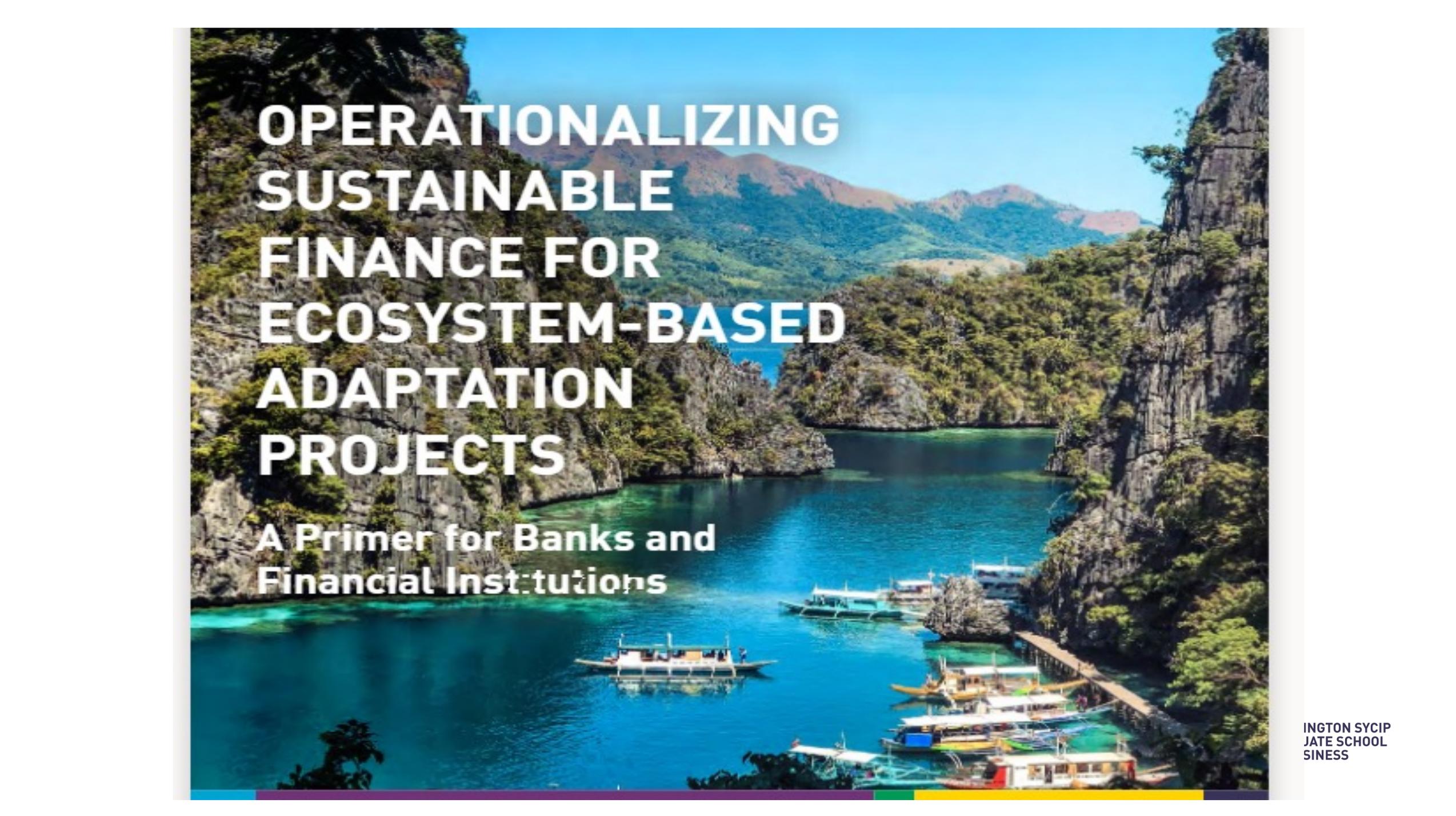
1. Banks as Drivers of Sustainability
2. Sustainability-linked Loans
3. Gender Lens
- 4. Financing Ecosystem-based Adaptation**
5. Global Alliance for Banking on Values

FINANCING ECOSYSTEM-BASED ADAPTATION

FINANCING AND VALUATING ECOSYSTEM-BASED ADAPTATION IN THE PHILIPPINES



**A Handbook for Banks
and Financial Institutions**



OPERATIONALIZING SUSTAINABLE FINANCE FOR ECOSYSTEM-BASED ADAPTATION PROJECTS

**A Primer for Banks and
Financial Institutions**

What is Ecosystem-based Adaptation (EbA)?

- Nature-based solution
- EbA is a nature-based solution for addressing the impacts of climate change on people and their environment.

WEBINAR

Financing and Valuation of Ecosystem-Based Adaptation in the Philippines

18 August 2021 (Wednesday)
3:00PM - 5:00PM (GMT +8) via Zoom

PANELISTS



Paul Lazaro
Senior Vice President
Development Bank of the Philippines



Alfredo Coro II
Vice Mayor
Del Carmen, Surigao del Norte



Lyn Javier
Assistant Governor of Policy and
Specialized Supervision Sub-Sector
Bangko Sentral ng Pilipinas



Alejandro Litovsky
Chief Executive Officer
Earth Security



Jo Ann Eala
Vice President
Bank of the Philippine Islands



MODERATOR
Felipe O. Calderon, CPA, CMA, PhD
Executive Director
Gov. Jose B. Fernandez, Jr.
Center for Sustainable Finance

PRESENTERS



Angela G. Zafra, DBA
Adjunct Faculty
Ateneo de Davao University



Wilfred S. Manuela Jr., PhD
Associate Professor
Asian Institute of Management



Felipe O. Calderon, CPA, CMA, PhD
Executive Director
Gov. Jose B. Fernandez, Jr.
Center for Sustainable Finance

GOV. JOSE B. FERNANDEZ, JR.
CENTER FOR SUSTAINABLE FINANCE

earth security

ASIAN
INSTITUTE OF
MANAGEMENT



WASHINGTON SYCIP
GRADUATE SCHOOL
OF BUSINESS

Why mangroves are important?

- Protect coastlines from the onslaught of storms and wave surges
- Act as breeding and nursery grounds for many fish species. Essential for fish production
- Source of food fish, shrimps and crabs

- *FISH (The Fisheries Improved for Sustainable Harvest) Project*
- *The CRM Interpretive Center, Municipality of Talibon, Bohol*

Sample Cash Flow with Inclusion of EbA Benefits

earth security

Cash Flow	Amount	
Sources of Cash		
Regular revenues	xxx,xxx	900,000
New revenue streams		
Ecotourism	xx,xxx	80,000
Enhanced fish catch	xx,xxx	70,000
Total Sources of Cash	xxx,xxx	1,050,000
Uses of Cash		
Regular expenses	xx,xxx	300,000
Repayment of debt		200,000
Flood damage before savings	xx,xxx	100,000
Cost savings from reduced flood damage	(xx,xxx)	(70,000)
Clean-up expenses before savings	xx,xxx	60,000
Cost savings from reduced clean-up expenses	(xx,xxx)	(30,000)
Total Uses of Cash	xxx,xxx	560,000
Net Cash Flow	xxx,xxx	490,000

Agenda

1. Banks as Drivers of Sustainability
2. Sustainability-linked Loans
3. Gender Lens
4. Financing Ecosystem-based Adaptation
5. **Global Alliance for Banking on Values**

GLOBAL ALLIANCE FOR BANKING ON VALUES

We put finance at the service of people and the planet

The Global Alliance for Banking on Values (GABV) is a network of independent banks using finance to deliver sustainable economic, social and environmental development.

What do you expect from green and inclusive banking?

The financial sector is changing, in a world facing a climate emergency and rising inequality, many banks look, and sometimes are, greener and more inclusive. But why and how they act more responsibly really matters.



Europe ▾

Asia ▾

Africa ▾

North America ▾

Latam ▾

Oceania ▾

3Bank
 Alternative Bank Schweiz
 Banca Etica
 Charity Bank
 Cooperative Bank of
 Karditsa (CBK)
 Credo Bank
 Cultura Bank
 Ecology Building Society
 Ekobanken
 Fiare Banca Etica
 Freie Gemeinschaftsbank
 Genossenschaft
 GLS Bank
 MagNet Bank
 Megabank
 Merkur
 Triodos Bank Belgium
 Triodos Bank Germany
 Triodos Bank Netherlands
 Triodos Bank Spain
 Triodos Bank UK
 49 UmweltBank
 VDK

Bank Muamalat
 Bank of Palestine
 BRAC Bank
 Center-invest Bank
 Dai-Ichi Kangyo Credit
 Cooperative (DKC)
 ESAF Small Finance Bank
 Muktinath Bikas Bank
 NMB Bank
 North East Small Finance
 Bank
 Sanasa Development Bank
 The First Microfinance Bank
 Afghanistan
 The First Microfinance Bank
 Tajikistan
 XacBanc

Centenary Bank
 FINCA DRC
 Grooming Microfinance
 Bank
 LAPO Microfinance Bank
 Opportunity Savings
 and Loans

Amalgamated Bank
 Beneficial State Bank
 Caisse d' économie solidaire
 Desjardins
 City First Bank, NA
 Civic Federal Credit Union
 Clearwater Credit Union
 Decorah Bank and Trust Co.
 Kindred Credit Union
 Lead Bank
 National Cooperative Bank
 Southern Bancorp
 Sunrise Banks
 Vancity
 Verity Credit Union
 VSECU

Banco Ademi
 Banco Codesarrollo
 Banco de Antigua
 Banco Mundo Mujer
 Banco Popular
 Banco Solidario
 BancoSol
 Banfondesa
 Caja Arequipa
 Cooperativa Abaco
 Integral
 Mibanco Colombia
 Visión Banco

Australian Mutual Bank
 Bank Australia
 G&C Mutual Bank
 Teachers Mutual Bank
 Limited

Who are our members?

Source: <https://www.gabv.org/>

Teaching Sustainability Comes with a Price

1. Practice what you preach
2. Bottled water



THANK YOU

SALAMAT

Tagalog / Filipino

شكراً

Arabic

고맙습니다

Korean

धन्यवाद

Hindi

ขอบคุณ

Thai

ありがとう

Japanese

TERIMA KASIH

Malay / Indonesian

ຂອບໃຈ

Lao

谢谢

Chinese