

Today, we start a series of ESG and Sustainability-related articles written by Mr. Winston Andrew L. Peckson. Mr. Peckson currently serves as the Sustainability Consultant of GT Capital Holdings, Inc. He has been with the company since 2016.

GT CAPITAL ADVANCED CORPORATE GOVERNANCE TRAINING

by Mr. Winston Andrew L. Peckson, GT Capital Sustainability Consultant

September 19, 2022

Inspired by its vision *“to be a leading conglomerate, dominant in all sectors invested, most sought strategic partner in the Philippines, as a major contributor to the nation’s sustainable development”*, GT Capital Holdings, Inc. launched its four hour Advanced Corporate Governance Training focused on Sustainability and Climate Change for its group Directors and Senior Management on 31 August 2022 at the Grand Hyatt Manila in Bonifacio Global City, Taguig.

In his opening remarks, GT Capital Chairman Francisco C. Sebastian said, “The governance training topics could not be timelier, especially with the extreme weather events now happening globally. GT Capital recognizes the impact of climate change in the Philippines and our role in the nation’s sustainable development.”

The event started with Mr. Carlos P. Gatmaitan, CEO of the Institute of Corporate Directors, giving an overview about the relevance of Environmental, Social, and Governance (ESG), and the related ESG global trends and initiatives. He also highlighted the questions that the Board of Directors should ask concerning sustainability - “Do we have a clear message on how our long-term strategy considers sustainability risks and opportunities?”

Taking this cue, Dr. Juan M. Pulhin, professor and former Dean of the College of Forestry and Natural Resources in the University of the Philippines, Los Baños, tackled in-depth the following: (1) myths surrounding climate change, (2) the science behind climate change, and (3) the impact of climate change in the Philippines. He noted that climate change is not just an environmental, but an inter-sectoral crisis. Climate change affects the health, food, and water security, natural resources, education, and infrastructure sectors. He added that the Philippines is the 4th most affected country by climate change from 2000 to 2019, according to the Global Risk Index 2021, and is the 8th out of 181 countries with the highest disaster risks, according to the World Risk Index 2021. Dr. Pulhin concluded his presentation by discussing the Philippines Nationally Determined Contribution, which is the Philippines' commitment to reduce greenhouse gas (GHG) emissions by 75% by 2030.

At this juncture, SEC Commissioner Kelvin Lester K. Lee discussed the regulatory landscape and outlook related to climate change. Commissioner Lee shared the Philippine Sustainable Finance Roadmap and the SEC's long-term goals related to sustainability reporting and disclosures. In particular, he described the sustainable bond market and its phenomenal growth, now 20 times larger than 2015 issuances and accounting for 10% of the global capital market, according to Refinitiv, driven by the appetite of ESG investors and the advantages available to issuers. He described the benefits of issuing Green, Sustainable, and Social Bonds which have gained some traction in the local capital market. According to First Metro Investment Corporation, local banks and companies raised USD2.7 billion and Php163 billion in offshore and onshore markets from 2019 to 2022.

Lastly, he shared that to protect investors from greenwashing and assisting them through better informed investment decision-making, the SEC is coming out with

draft rules on sustainable and responsible investment funds, which would improve the comparability between funds and incorporate ESG in the investment process.

Mr. Olivier Trecco of S&P Global then elaborated on climate change as a financial risk and discussed the quantification methodologies of measuring these climate-related risks. He provided an overview on the transition risk analysis based on the current and projected carbon price, and on the physical risk analysis covering hazards, such as temperature extremes, coastal flooding, drought, wildfire, tropical cyclone, water stress, and fluvial flooding using a climate analytics platform. He wrapped up the discussion by sharing case studies focused on the practical application of measuring climate risks.

The event culminated with Professor Colin Hubo, Executive Director of the Center for Social Responsibility of the University of Asia and the Pacific, who laid out the responsibility of the Board of Directors in the face of climate change, which is “the trend”, echoing the message of Professor Pulhin. He pointed out that Boards need to face up to this and identify immediate, practical steps and laid out alternative corporate strategies that boards and senior management need to consider under three scenarios of climate change. He also discussed examples of de-carbonization strategies and underscored that every responsible company should have one. Lastly, he emphasized the role of the Board of Directors in driving climate action, starting with good governance practices, such as taking on the responsibility of ensuring that corporate strategy and risk management integrate climate change into its agenda. This includes acquiring knowledge and competence in this area, providing the “why, how and when” principles that must be laid out in an actionable road map, resulting in strategic and operational KPIs that cover its supply chain as well, and the allocation of resources and oversight on its portfolio management. The consequences of climate change action are not only limited to emerging risks and disruptions, but

opportunities that companies need to consider, mentioning the trillions of dollars in investments required for climate mitigation and adaptation. It will be the new industrial revolution. Companies will need to carefully adapt or face disruption. A few companies have gone ahead and adopted a “net zero” target – to be credible, that would have to be backed up by the boards and corporate strategists coming up with coordinated and well thought of plans, which could very well help ensure their sustainability and prosperity in the long-term. That is the way forward.

Given GT Capital’s mission of ensuring long-term value for its stakeholders in light of climate change, the presentations and participative discussions that follow will inform and influence GT Capital’s corporate policy and decision making, particularly in collaboration with its component companies in setting out strategies and investment thrusts with careful emphasis on emerging risks, disruptions, and opportunities that could unfold in their respective industries. The establishment of a meaningful roadmap will have to be undertaken. Furthermore, top of mind are ensuring the physical and operational resiliency of the group, identifying immediate and practical opportunities in renewable energy, water, and food security, continuous improvements in the way we conduct our businesses, and exploring opportunities for tapping the ESG bond market. We will of course aim for a synergistic business portfolio for the benefit of all our stakeholders to carry on our founder, Dr. George S.K. Ty and the Ty family’s enduring commitment to contribute to the Philippines’ sustainable development and progress.

This sustainability and climate change governance training has its roots in GT Capital’s journey in sustainability management, which began in 2018, resulting in its maiden Sustainability Report, which adheres to the Global Reporting Initiative (GRI) standards in 2019, ahead of the SEC’s requirement for publicly listed companies to produce this disclosure. In 2021, GT Capital released its Integrated Sustainability

Report which was prepared in accordance with the International Integrated Reporting <IR> Framework, on the identified topics material to GT Capital and its stakeholders, following the GRI Standards, Sustainability Accounting Standards Board (SASB), and the United Nations Sustainable Development Goals (UN SDGs). In addition, GT Capital has been rated favorably in its sustainability management and ESG disclosures by various international rating agencies, and is recognized as a Triple Arrow Rated Company by the ASEAN Corporate Governance Scorecard (ACGS).

As part of adapting to the new normal, the training was delivered in a hybrid setup (in-person training with Live Zoom Streaming). In attendance were more than 50 directors and senior management from GT Capital, Metrobank, PSBank, Toyota Motor Philippines, AXA Philippines, and Federal Land. The training was organized by the Institute of Corporate Directors.