



**20** Southeast Asia  
Fossil Fuel  
**25** Divestment  
Scorecard  
**METHODOLOGY**

**1.5°C**

## SCOPE

This Scorecard assesses the banks with the biggest fossil fuel exposure in Southeast Asia. Aside from the domestic Southeast Asian banks, international and development financial institutions are also included owing to their significant role in the propagation of coal and gas in the region. Financing from subsidiaries, such as investment or commercial banking arms, if any, were attributed to their parent companies. These institutions were then scored based on the cumulative financing of their operations.

Due to the numerous international and domestic financial institutions that have given support to fossil fuels in Southeast Asia, the scope of the Scorecard was narrowed down to the Top 10 international and domestic banks with the highest coal and gas exposures. This Scorecard considered all financing activities and policies announced or adopted from January 1, 2016—in light of the adoption of the Paris Agreement in December 2015—to December 31, 2024.

The Scorecard also only considered the project finance provided by banks to the downstream sector of the coal and gas industry. Based on CEED's financing data, project finance for coal and gas only captures 42.5% and 16.74%, respectively, of total financing for these fossil fuels. However, we opted to forego for this edition financing coursed through general corporate purposes due to the massive size of data and reports that needed to be reviewed further to accurately reflect the banks' overall fossil fuel financing. Financing through shareholding and bondholding are also beyond the scope of this report due to the lack of tools to track those activities. On project finance, this report focused particularly on fossil fuel-based power, including engineering, procurement, and construction of power plants, and project and asset ownership. From 2016 up to last year, we tracked the loans, and equity and bond underwriting services of financial institutions' fossil fuel project financing. We note, however, that this report's data does not differentiate, as of yet, coal financing from multilateral development banks channeled through domestic intermediaries.

## DATA SOURCES

All data and information regarding financial activities and sustainability and climate policies were sourced from publicly available documents, such as annual reports, policy statements, sustainability frameworks, financial statements, and news articles or press releases, among others. We also sourced from the following resources to determine the contribution of the financial institutions to coal and gas:

- London Stock Exchange Group (LSEG) formerly Refinitiv
- Final prospectuses and offer supplements for the issuance of financial instruments
- Urgewald's Global Coal Exit List and Global Oil and Gas Exit List
- Global Energy Monitor

Bank policy trackers such as the Coal Policy Tracker and the Oil & Gas Policy Tracker are also used and applied according to the Southeast Asian context. Policies on fossil fuels divestment.<sup>1</sup>

### Scope

This criterion assesses whether the bank's policies on fossil fuels also apply to its subsidiaries. For one, a commercial bank might have adopted a coal and gas exclusion policy, but its wholly-owned subsidiary investment bank is yet to apply the same to its operations.

<sup>1</sup> References: WFC Fossil Fuel Divestment Scorecard, Insure Our Future's Insurance Scorecard and Unfriend Coal.

**Table 1. Grading for policy scope**

Question: Does the bank apply its policies to all its subsidiaries?	
Grade	Conditions
1	The bank applies its policies to all its subsidiaries.
0.5	The bank committed to gradually apply its policies to its other subsidiaries.
0	The bank will not apply its policies to its other subsidiaries.

## Fossil Fuel Project Financing

This report tracks three kinds of financing for fossil fuels:

- ⦿ Loans – Any form of lending of money to a fossil fuel-related company by a bank from its own funds for the purposes of large-scale business activities (such as the expansion of a facility or new project ventures) or shorter-term requirements (such as working capital) is considered a direct loan. This lending might be done by a single bank or multiple ones in a syndicated set up and/or in the form of an issuance of a corporate loan, or through a credit facility. For the purposes of this grading, all types and possible setups are grouped into a single category of loans.
- ⦿ Underwriting – A bank may securitize, at the request of a client company, the cost of business ventures, projects, large-scale activities or general corporate purposes—that is, it will account, analyze, and determine value and risk of the venture or activity and create priced financial products which can be sold by the requesting company; or it may take on the risk of the venture by buying those securities themselves and immediately selling them in secondary securities markets and to other investors.
  - ⦿ Bond underwriting – When banks help fossil fuel-related companies raise capital by selling debt securities to investors.
  - ⦿ Equity underwriting – When banks help fossil fuel-related companies raise capital by selling shares to investors.

This criterion takes into consideration that financial institutions may limit their lending activities to coal or gas companies, but not necessarily restrict underwriting activities—which creates a loophole for continued support for fossil fuel expansion.

This portion assesses if the bank has committed to, and enacted a policy on stopping financing for coal and gas power plants, as well as restricting support for new coal and gas power plants, including expansion of existing ones.

**Table 2. Grading for coal and gas power plants**

<b>Question: Does the bank exclude financing for coal and gas power plants?</b>	
<b>Grade</b>	<b>Conditions</b>
5	Policy applies to all types of possible financing and prohibits any amount therefor.
4	Policy applies to all types of financing but for at least one type of financing, allows a limited amount with additional restrictions.
3	One type of financing is still allowed, without restriction, while other types covered have limitations. Some exceptions in restriction also exist based on size and revenue of the project.
2	Two types of financing are still allowed, without restriction, while other covered types allow a limited amount. Many exceptions in restriction also exist based on size and revenue of the project.
1	All types of financing are still allowed but subject to certain loose restrictions depending on project specifics. Many exceptions in restriction also exist based on size and revenue of the project.

**Table 3. Grading for new power plant capacity**

<b>Question: Does the bank exclude financing for new capacity of coal and gas power?</b>	
<b>Grade</b>	<b>Conditions</b>
5	Policy applies to all types of possible financing and prohibits any amount therefor.
4	Policy applies to all types of financing but for at least one type of financing, allows a limited amount with additional restrictions.
3	One type of financing is still allowed, without restriction, while other types covered have limitations. Some exceptions in restriction also exist based on size and revenue of the project.
2	Two types of financing are still allowed, without restriction, while other covered types allow a limited amount. Many exceptions in restriction also exist based on size and revenue of the project.
1	All types of financing are still allowed but subject to certain loose restrictions depending on project specifics. Many exceptions in restriction also exist based on size and revenue of the project.

## Fossil Fuel Developers

This criterion takes into account whether the financial institution has committed to refraining support for companies engaged in developing new power plants.

**Table 4. Grading for coal and gas developers**

Question: Does the bank exclude financing to companies engaged in the development of new coal and gas power plants?	
Grade	Conditions
3	The policy excludes companies with plans to develop and/or expand coal and/or gas power plants.
1.5	The bank will exclude companies that derive a significant portion of revenue/power generation from thermal coal.
0	The bank has no policy.

## Phaseout

Recognizing the necessity of phasing out coal and gas power plants to limit global warming below 1.5°C, this portion assesses the policy of the bank on pulling out from present fossil fuel investments and prohibiting future ones. The alignment of the phaseout policy to the 1.5°C pathway of the bank's own country (for international institutions, the pathway of the country it invests in), or generally, phasing out by 2040,<sup>2</sup> is also considered.

**Table 5. Grading for coal and gas phaseout**

Question: Does the bank have a written policy committing to phase out its financing of coal and gas power plants based on the 1.5°C pathway of its own country, or by 2040?	
Grade	Conditions
3	The policy plans for a comprehensive phaseout aligned with the 1.5°C pathway.
2	The policy plans for coal and gas phaseout, but the timing is not aligned with the 1.5°C pathway.
1	The policy plans for coal and gas phaseout, but is selective according to technology and provides no timing.
0	The bank has no policy on coal and gas phaseout.

## Engagement with Fossil Fuel-Related Companies

This criterion assesses the bank's engagement process and strategies with its coal and gas-related customers—mainly, how the financial institution influences and pushes its clients to adopt their operations according to the 1.5°C pathway of the companies' respective countries. For one, some banks have laid out decarbonization targets and deadlines for their existing fossil-fuel related clients to meet to continue availing of the banks' services. The failure of clients to meet such conditions from the banks could result in denial of financial services to them.

<sup>2</sup> According to the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), coal power generation should be phased out by 2040 to keep global warming below 1.5°C.

**Table 6. Grading for engagement strategies**

Question: Does the bank have a written policy on engaging its clients to transition away from fossil fuels, based on the 1.5°C pathway of its own country?	
Grade	Conditions
2	The policy is time-bound and contains clear demands, according to the 1.5°C pathway.
1	The policy has demands, but they are not time-bound.
0	The bank has no policy on its engagement strategy with coal and gas-related companies.

## POLICIES ON PORTFOLIO DECARBONIZATION & CLIMATE ACTION

### Climate Action

In this portion, the efforts of the financial institution to align its business practice with the Paris Agreement are considered. Banks are graded according to the comprehensiveness of their programs and roadmap to decarbonize their portfolios, and per their commitment to change internal and external activities that help the goals of the Paris Agreement. Such activities may include measurement and mitigation of the bank's climate impacts, amending risk management strategies to reflect climate risks, or creating transition pathways for specific sectors, among others.

**Table 7. Grading for Paris-alignment**

Question: Does the bank commit to aligning its business practice with the Paris Agreement?	
Grade	Conditions
2	The bank has a comprehensive program and roadmap to decarbonize its portfolio, and change internal and external business activities which help achieve the target of limiting global warming to 1.5°C.
1	The bank has a written policy of aligning its business practice with the goal of limiting global warming, but lacks a comprehensive decarbonization targets and systems to support activities aligned with Paris Agreement's mitigation goals. <sup>3</sup>
0.5	The bank has a pronouncement of aligning its business practice with the Paris Agreement, but lacks a written policy on this.
0	The bank has no commitment to align with the goals of the Paris Agreement.

### Sustainable or Green Financing

This criterion assesses the initiatives of the bank in supporting climate mitigation and adaptation efforts—whether they have systematic strategies or frameworks to incentivize and ease the funding of such activities.

<sup>3</sup> WorldBank. (2023). "Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment of New Operations." <https://documents1.worldbank.org/curated/en/099220306162369703/pdf/IDU00ef11f9807471044870b9c6041d5dda75c78.pdf>

**Table 8. Grading for sustainable/green financing**

Question: Does the bank commit to aligning its business practice with the Paris Agreement?	
Grade	Conditions
2	The bank has a comprehensive program, strategy or framework for sustainable/green financing that incentivizes and eases funding for climate mitigation and adaptation.
1	The bank has a written policy to support climate mitigation and adaptation projects and activities, but is not systematic.
0.5	The bank has a pronouncement to support climate mitigation and adaptation projects and activities, but has yet to translate this into a written policy.
0	The bank has no strategy or framework to support climate mitigation and adaptation.

## POLICIES ON RENEWABLE ENERGY

### Definition

With the impending energy transition, fossil-based "alternatives," such as liquified natural gas and ammonia co-firing with coal, have risen and are threatening the shift of countries to renewables. Some banks recognize, for one, that LNG is a transition fuel, without taking into consideration the climate impacts of natural gas or the possible fossil-fuel lock in it could create. For this, banks that consider LNG, nuclear, and/or ammonia/hydrogen co-firing in their sustainability and/or transition finance frameworks are penalized.

**Table 9. Penalty for false solutions**

Question: How does the bank define what is sustainable and renewable energy?	
Penalty	Conditions
1	A penalty of (-1) pt. is given to the bank if it includes any of the following in its Sustainability or Transition Finance Framework: <ul style="list-style-type: none"> <li>● Liquified natural gas</li> <li>● Nuclear</li> <li>● Ammonia/Hydrogen</li> </ul>

### Renewables Financing

This criterion assesses the commitment of the bank to augment its support for renewable energy.

**Table 10. Grading for renewables financing**

Question: Does the bank commit to significantly increase its financing of renewable energy?	
Grade	Conditions
2	The bank committed to increasing its RE financing and has set an investment target.
1	The bank committed to increasing its RE financing, but has not set any target.
0	The bank has no commitment to increase renewables financing.

## SCORING FINANCING DATA

Between 2016 and 2024, the top 10 regional and top 10 international banks were identified based on their downstream coal and gas project financing in SEA. For this report, downstream activities refer to power plant projects only. Formulas and scores are applied to separate coal and gas exposures of the banks.

Overall, the Scorecard assesses the exposure of each identified bank on its share of the total value of financing and underwriting of securities provided to coal power plant projects and fossil gas power plant projects. Their score on this criterion is then weighted against their current coal and fossil gas downstream divestment policies, and sustainability policies.

The following threshold ranges for percentage share of financing and scoring are as follows:

Score	Range
5	% Share > 35%
4	35% % Share < 20%
3	20% % Share < 10%
2	5% % Share < 10%
1	5% % Share < 0%
0	% share = 0

The financing percentage share is calculated based on the formulas below.

For SEA-based banks:

$$\% \text{ share} = \frac{\text{bank's Financing}}{\text{SEA banks' Total Project Financing in SEA}}$$

For international banks (those outside of SEA):

$$\% \text{ share} = \frac{\text{Bank's Financing}}{\text{Int'l banks' Total Project Financing in SEA}}$$

Where:

- Bank's Financing = The total downstream coal or gas project financing provided by the bank
- Total Project Financing = The total downstream coal or gas project financing in the region, provided by either SEA (for SEA-based banks) or international banks (for those outside SEA).

Overall Score:

The overall score is computed as follows:

$$OS = S - \frac{0.3D}{5} - \frac{0.1SP}{5}$$

Where:

S = Coal or Gas financing score of the bank being scored

D = Coal or Gas Divestment Policy Score of the bank

SP = Sustainable Policy Score of the bank

The formula is applied to both coal and gas rankings. The coal divestment policy of a bank is scored for financial institutions included in the coal rankings, and the gas divestment policy of a bank is scored for those being considered in the gas rankings. The formula puts more weight on the financing score, placing emphasis on the actual fossil fuel transactions of the bank. This financing score can be partially offset by the divestment and sustainable policies of the bank.

