Ethical and Geopolitical Risk Assessment: Aboitiz Equity Ventures Inc. (AEV) and the GPFG Investment Mandate

Section 1: Executive Summary & Final Risk Assessment

This report provides a comprehensive ethical and geopolitical risk assessment of Aboitiz Equity Ventures Inc. (AEV), a diversified conglomerate based in the Philippines, in the context of its inclusion in the investment portfolio of the Norwegian Government Pension Fund Global (GPFG). The analysis is conducted in accordance with the *Guidelines for observation and exclusion of companies from the Government Pension Fund Global* (FOR-2014-12-18-1793), hereafter referred to as "the Guidelines".[1] The assessment focuses on product-based risks, particularly thermal coal; conduct-based risks related to environmental practices, human rights, and governance; and the company's exposure to key geopolitical conflicts.

AEV is a major holding company with strategic business units in Power, Banking, Food, Infrastructure, Land, and Data Science. The company's financial performance is dominated by its Power segment, Aboitiz Power Corporation (AboitizPower), which in 2024 accounted for 59% of AEV's consolidated net income contributions.[2] Consequently, the ethical risk profile of AEV is inextricably linked to the operations and conduct of AboitizPower.

The key findings of this assessment are as follows:

- **Product-Based Risk (§3 of the Guidelines):** AEV is not involved in the production of proscribed weapons, tobacco, or recreational cannabis. However, its significant investment in thermal coal power generation presents a material risk. While the company's attributable thermal coal capacity of approximately 3,586 MW (as of year-end 2024) is substantially below the Guideline's 10,000 MW absolute threshold for exclusion, its business model exhibits a high dependency on this energy source. Analysis indicates a significant likelihood that AEV's operations breach the relative threshold wherein 30% or more of its business activity is based on thermal coal. This is primarily due to the heavy weighting of coal in the portfolio of its most significant subsidiary, AboitizPower.[3]

- **Conduct-Based Risk (§4 of the Guidelines):** The assessment identifies two primary areas of concern. First, in the environmental domain, there is a significant contradiction between AEV's long-term decarbonization strategy—which includes a goal to achieve a 50:50 balance between renewable and thermal energy—and its near-term actions, such as the planned expansion of its coal-fired power plant in Cebu.[4] This has led to credible allegations of "greenwashing" from civil society groups and raises concerns regarding the company's contribution to greenhouse gas emissions (§4f).[5] Second, regarding human rights (§4a), a documented non-response by AEV's joint venture, SN Aboitiz Power (SNAP), to allegations of violence against activists resisting a hydropower project represents a significant failure in transparency and stakeholder engagement.[6] This specific governance lapse contrasts with the company's otherwise robust public policies on human rights and its positive engagement with some Indigenous Peoples communities. No evidence of gross corruption or other financial crimes (§4g) was identified.
- **Geopolitical Risk:** AEV's operations are materially affected by regional geopolitical tensions. The ongoing conflict in the South China Sea (West Philippine Sea) has stalled the Philippines' ability to develop its offshore natural gas reserves, which are critical for transitioning away from coal.[7] This geopolitical reality provides a crucial context for AEV's continued reliance on imported coal for baseload power, partially mitigating the severity of the greenwashing allegations by framing them within a national energy security dilemma.

Final Risk Assessment:

The assessment weighs the identified risks against the company's stated mitigation efforts, its forward-looking strategies, and the complex operating environment, in line with the Guideline's principle of considering a company's efforts to reduce future norm violations (§6.4).[1] The likely breach of the 30% thermal coal activity threshold, combined with unresolved and serious conduct-based concerns regarding environmental strategy and human rights governance, precludes an "Acceptable Risk" rating. However, the issues are not deemed sufficiently systematic or severe to warrant an immediate "Exclusion Candidate" recommendation.

The combination of a material product-based risk and specific, unresolved conduct-based issues creates significant uncertainty about the company's future ethical performance. Therefore, this report assigns a final risk category of:

3 - Moderate Risk

This rating reflects a situation where there is considerable doubt about future developments and the effectiveness of the company's current strategies to mitigate ethical risks. It suggests that while the grounds for exclusion are not fully met at this time, the identified risks are substantial enough to warrant placing Aboitiz Equity Ventures Inc. under formal observation to monitor its progress on its energy transition and its handling of human rights-related allegations.

Section 2: Corporate Profile: A Diversified Philippine Conglomerate

2.1. Overview of Aboitiz Equity Ventures Inc. (AEV)

Aboitiz Equity Ventures Inc. (AEV) is the publicly listed holding and management company of the Aboitiz Group, one of the oldest and largest business conglomerates in the Philippines.[4] Headquartered in Taguig, Metro Manila, the company has a history spanning five generations and has evolved from a hemp trading business in the late 1800s into a diversified "techglomerate" with a significant presence across the Philippine economy.[9] AEV is consistently recognized as one of the best-managed companies in the Philippines and the broader ASEAN region, frequently cited for its commitment to good corporate governance and corporate social responsibility.[4]

The company's stated purpose is to "drive change for a better world by advancing business and communities," a mission underpinned by a sustainability framework based on the triple bottom line of people, planet, and profit.[10] This framework guides its strategic decisions and operational conduct across its various business interests.

2.2. Strategic Business Unit (SBU) Structure and Financial Contribution

AEV operates a diversified portfolio through several strategic business units (SBUs), creating a complex corporate structure with investments in critical sectors of the Philippine economy. The primary SBUs, as outlined in the company's integrated reports and corporate profiles, are:

- **Power:** Engaged in power generation, distribution, and retail electricity services through its subsidiary, Aboitiz Power Corporation (AboitizPower).[4]
- **Banking and Financial Services:** Primarily through its significant stake in UnionBank of

the Philippines, one of the country's leading universal banks.[2]

- **Food and Beverage:** Involves agribusiness, flour and feed production, and a recent major investment in Coca-Cola Europacific Aboitiz Philippines Inc..[2]
- **Infrastructure:** Focuses on investments in economic estates, water facilities, and digital infrastructure through Aboitiz InfraCapital, Inc..[2]
- **Land:** Engaged in the development of residential, commercial, and industrial real estate projects.[11]
- **Data Science and Artificial Intelligence (DSAI):** A newer strategic pillar focused on leveraging data to innovate and improve efficiency across the group's businesses.[11]

While AEV is highly diversified, its financial performance is overwhelmingly driven by its Power SBU. An analysis of the company's financial disclosures reveals the disproportionate contribution of AboitizPower to the group's overall profitability. For the full year 2024, the Power segment accounted for 59% of the consolidated net income contributions from AEV's SBUs.[2] Similarly, for the first nine months of 2024, the Power Group's contribution was even higher at 64%.[15] This financial dominance establishes a clear and critical linkage: the operational activities, strategic decisions, and ethical conduct of AboitizPower are the primary determinants of AEV's overall risk profile from the perspective of the GPFG's ethical guidelines. The risks associated with power generation, particularly those related to thermal coal and its environmental and social impacts, cannot be effectively diluted or offset by the performance of the smaller, less controversial SBUs. Therefore, a thorough assessment of AEV necessitates a deep and focused examination of AboitizPower's assets and conduct.

Section 3: Product-Based Risk Analysis (GPFG Guideline §3)

This section evaluates AEV's business activities against the product-based criteria for observation and exclusion as defined in §3 of the Guidelines.[1] The analysis first confirms the absence of involvement in proscribed product categories and then provides a detailed quantitative assessment of the company's exposure to thermal coal.

3.1. Assessment of Proscribed Production (§3.1)

The Guidelines mandate that the GPFG shall not be invested in companies that develop or produce certain categories of weapons, tobacco, or cannabis for recreational purposes.[1] A comprehensive review of AEV's corporate structure and the stated business activities of its various SBUs confirms that the company is not involved in any of these proscribed sectors.[4] Its operations are focused on power, banking, food, infrastructure, real estate, and data science. Accordingly, AEV is not in breach of the criteria outlined in §3.1 of the Guidelines.

3.2. Thermal Coal Exposure (§3.2)

The Guidelines (§3.2) establish specific quantitative thresholds related to thermal coal, which can trigger a decision for observation or exclusion. AEV, through its subsidiary AboitizPower, has a substantial portfolio of thermal power generation assets, primarily coal-fired plants. This exposure represents the most significant product-based risk for the company under the GPFG mandate.

3.2.1. Data Compilation of Thermal Coal Assets

AboitizPower operates and holds interests in several major coal-fired power plants across the Philippines. The key assets contributing to its thermal coal capacity include:

- **Therma South, Inc. (TSI):** An operating 300 MW coal-fired power station in Davao City, Mindanao.[17]
- **Therma Visayas, Inc. (TVI):** An operating 340 MW coal-fired power plant in Toledo City, Cebu.[19] This facility is the subject of a controversial proposed expansion.[5]
- **GNPower Dinginin Ltd. Co.:** A 1,336 MW coal-fired power plant in Mariveles, Bataan, in which AboitizPower holds an interest.[20]
- **Pagbilao Power Station:** Located in Quezon, this complex includes units managed by Therma Luzon Inc. (TLI) and a 420 MW unit operated by Pagbilao Energy Corporation (PEC), a joint venture between AboitizPower and TeaM Energy.[21] In 2025, AboitizPower, through TLI, took over control of the 735 MW portion of the Pagbilao plant previously operated by Team Energy, further increasing its operational footprint.[23]

3.2.2. Quantitative Analysis against GPFG Thresholds

The following analysis assesses AEV's consolidated thermal coal activities against the four specific thresholds set forth in §3.2 of the Guidelines.

- **Threshold (c) - Extraction of more than 20 million tonnes of thermal coal per year:** This criterion is not applicable. AEV and its subsidiaries are engaged in power generation and do not own or operate coal mining assets.[9]
- **Threshold (d) - Power capacity of more than 10,000 MW from thermal coal:** As of year-end 2024, AboitizPower's attributable net sellable capacity from thermal sources was 3,585.99 MW, comprising 3,072.52 MW from coal and 513.47 MW from oil.[3] The addition of the 735 MW Pagbilao facility in 2025 brings the total closer to 4,321 MW. This figure remains substantially below the 10,000 MW threshold for exclusion. AEV is not at immediate risk of breaching this absolute capacity criterion.
- **Thresholds (a) & (b) - 30% or more of revenues or business activity from thermal coal:** This relative threshold presents a much more significant risk for AEV. While AEV does not disclose a precise revenue breakdown for its thermal versus renewable power generation, a reasonable estimation can be derived from its financial structure and operational data.
    1. The Power SBU consistently generates the majority of AEV's income, accounting for 59% of contributions in 2024.[2]
    2. Within AboitizPower's portfolio, thermal energy (coal and oil) represents a dominant share. As of May 31, 2025, thermal capacity constituted 77.5% of the company's total net sellable capacity.[3]
    3. Using capacity as a proxy for business activity and revenue generation, thermal power's contribution to AEV's overall income can be estimated. If the Power SBU is 59% of AEV's business and thermal generation is 77.5% of the Power SBU's activity, then thermal power likely accounts for approximately 59% * 77.5% = 45.7% of AEV's total business activity.

This calculation strongly suggests that AEV's consolidated operations are highly likely to exceed the 30% threshold for activity based on thermal coal. This is not a risk of absolute scale, but one of deep dependency on a single, controversial product category within its most important business segment. The company's current business model, therefore, appears to be in direct conflict with this key criterion of the Guidelines.

The table below summarizes the assessment of AEV's thermal coal exposure.

Table 3.1: AEV Attributable Thermal Coal Exposure vs. GPFG Thresholds

GPFG Guideline §3.2 Criterion	Threshold	AEV / AboitizPower Status	Assessment of Breach
(a) 30% of revenue from thermal coal	≥30%	Estimated at ~46% of AEV's activity/income	**Likely Breach**

		proxy.	
(b) 30% of activity based on thermal coal	≥30%	Estimated at ~46% of AEV's activity/income proxy.	**Likely Breach**
(c) Extraction of thermal coal	>20 million tonnes/year	Not a mining company.	**Not Applicable**
(d) Power capacity from thermal coal	>10,000 MW	~4,321 MW (post-Pagbilao takeover).	**No Breach**

Section 4: Conduct-Based Risk Analysis (GPFG Guideline §4)

This section evaluates AEV's conduct against the criteria for observation or exclusion outlined in §4 of the Guidelines, which address unacceptable risks of a company contributing to or being responsible for severe ethical norm violations.[1] The analysis focuses on environmental conduct, human rights, and corporate governance.

4.1. Environmental Conduct & Climate Strategy (§4e, §4f)

The Guidelines allow for exclusion based on "severe environmental damage" (§4e) and actions that lead to "unacceptable" levels of greenhouse gas emissions (§4f).[1] AEV's heavy reliance on coal power places its environmental conduct under intense scrutiny.

4.1.1. Allegations of "Severe Environmental Damage" and Greenwashing

The most significant controversy facing AEV relates to the planned expansion of its Therma Visayas, Inc. (TVI) coal-fired power plant in Toledo, Cebu. In 2024, a coalition of environmental groups, led by the Power for People Coalition (P4P), publicly accused the Aboitiz Group of "greenwashing".[5] The groups alleged that AEV's large-scale reforestation program, CarbonPH, was a "cover-up" to distract from its plan to expand its coal fleet in violation of a national moratorium on new coal projects announced in 2020. The controversy escalated when P4P and the political group Sanlakas filed a graft complaint with the Ombudsman against the Philippine Energy Secretary for approving the TVI expansion, alleging it was an illegal circumvention of the moratorium.[5]

These allegations are serious as they directly challenge the integrity of the company's entire sustainability narrative. They posit that AEV's public commitments to environmental stewardship are performative and contradicted by its core business decisions, which continue to lock in carbon-intensive infrastructure for decades to come. This creates a material risk under §4f, as the expansion of coal capacity is a direct action leading to increased greenhouse gas emissions.

4.1.2. Company's Mitigation and Forward-Looking Strategy

In line with the Guideline's requirement to consider a company's forward-looking plans (§6.2), it is essential to evaluate AEV's stated environmental and climate strategy.[1] The company has established a comprehensive sustainability framework and publicly reports on its performance with reference to the Global Reporting Initiative (GRI) Standards.[11]

The centerpiece of its climate strategy is a major strategic shift within AboitizPower. In 2021, the company entered into a partnership with JERA, one of the world's largest power producers, with the explicit goal of achieving a 50:50 balance between its renewable ("Cleanergy") and thermal portfolios.[4] This plan involves exponentially increasing its renewable capacity to 4,600 MW over a ten-year period.[4] This is a significant, board-level commitment to decarbonization.

Furthermore, the company has implemented tangible environmental programs that go beyond rhetoric. These include:

- **The BRICK Hub Project:** An initiative that transforms fly ash, a byproduct of coal combustion, and plastic waste into durable eco-bricks and pavers, creating a circular economy solution for industrial waste.[26]
- **CarbonPH Initiative:** A large-scale reforestation and watershed rehabilitation program aiming to restore 29,000 hectares of the Central Cebu Protected Landscape. The project aims to sequester carbon, improve water security, and provide livelihoods for local

communities.[26]

- **Waste Management:** The company has standardized guidelines for solid and hazardous waste management and has implemented policies to reduce plastic use in its packaging.[3]

4.1.3. Analysis of Contradiction

The central issue is the profound disconnect between AEV's long-term strategic vision and its short-term capital allocation decisions. While the company has a credible and ambitious 10-year plan to pivot towards renewables, its concurrent decision to expand its coal capacity in Cebu creates a direct conflict. The company's justification for the TVI expansion is based on the urgent need for reliable baseload power to prevent energy shortages in the Visayas region.[5] This argument is strengthened by the geopolitical factors discussed in Section 5, which limit the availability of cleaner alternatives like natural gas.

However, from an ethical investment perspective, this action significantly undermines the credibility of its climate commitments. It suggests that near-term economic imperatives and grid stability concerns are taking precedence over the long-term goal of decarbonization. While the company's environmental initiatives like CarbonPH are substantial, they risk being perceived as offsetting measures rather than a fundamental business transformation, lending weight to the greenwashing allegations. The risk is that AEV's actions are contributing to an "unacceptable level" of future emissions (§4f) by locking in new fossil fuel infrastructure.

4.2. Human Rights and Community Relations (§4a)

The Guidelines allow for exclusion where there is an unacceptable risk of contribution to "gross or systematic human rights violations" (§4a).[1] The assessment of AEV in this area reveals a mixed and inconsistent record.

4.2.1. Allegations Regarding Hydropower Projects

A significant red flag was raised by the Business & Human Rights Resource Centre (BHRRC), an independent monitoring organization. In August 2025, the BHRRC documented that SN Aboitiz Power (SNAP), a key joint venture of AboitizPower, "did not respond to allegations of violence against defenders resisting [a] hydropower project".[6] The underlying article referenced the shooting of an environmental defender, linking it to resistance against such projects.[6]

A company's failure to respond to direct allegations of this severity from a credible third-party organization is a serious governance lapse. It signifies a lack of transparency and a failure to engage with critical human rights concerns. While not direct proof of complicity in the alleged violence, the non-response itself constitutes a conduct issue, as it prevents stakeholders from assessing the company's due diligence and remediation processes. This incident creates a tangible risk that the company may not be adequately managing human rights impacts within its joint venture operations.

4.2.2. Engagement with Indigenous Peoples (IPs)

AEV's operations, particularly its hydropower projects, frequently intersect with the ancestral domains of Indigenous Peoples (IPs), making its engagement with these communities a critical area of human rights risk.

The development of the proposed Alimit Hydropower Complex in Ifugao provides a case study of the company's formal engagement process. SNAP undertook a multi-year process to secure the Free, Prior and Informed Consent (FPIC) from four affected Indigenous Peoples Organizations, as required by Philippine law.[28] This process involved extensive community consultations beginning as early as 2014 and culminating in the signing of framework agreements in 2019.[30] While the project was later put on hold due to the pandemic, the lengthy FPIC process demonstrates adherence to legally mandated consultation frameworks.[32]

In other areas, the company has demonstrated positive engagement. In Davao del Sur, Aboitiz Renewables released PHP 1.8 million in royalty shares to 13 IP organizations in Q4 2024, funds which are used for community-led initiatives like reforestation and education scholarships.[33] The company's subsidiaries also engage in community development projects such as providing water access and electrification to remote and indigenous communities.[34]

However, these positive examples must be weighed against the failure to respond to violence allegations noted by the BHRRC. This inconsistency suggests a potential gap between corporate policy and on-the-ground implementation, particularly within joint venture structures where operational control may be shared.

4.2.3. Stated Policies and Labor Practices

AEV and its subsidiaries have comprehensive, publicly available policies on human rights and labor. The company's "Respecting Human Rights" policy explicitly states its commitment to providing a dignified and safe work environment, protecting freedom of association and collective bargaining, and having a zero-tolerance policy for discrimination.[36] The policy also explicitly renounces any form of forced labor or child labor.[36]

The company has also been recognized for its efforts in promoting workplace gender equality.[37] Its construction arm reported an 11.5% decrease in labor-management cases in 2023 and prioritizes local hiring in its project sites.[38] These formal policies and positive reports indicate a strong commitment to good labor practices at the corporate level.

4.3. Governance, Corruption, and Economic Crime (§4g)

The Guidelines provide for exclusion in cases of "gross corruption or other gross financial crime" (§4g).[1] A review of available information did not uncover any evidence, allegations, or investigations linking AEV or its senior management to bribery, corruption, or other forms of gross financial crime.

Legal cases involving the company that were found in the public record relate to historical, complex commercial disputes arising from mergers and acquisitions in the shipping industry, specifically concerning the interpretation of shareholder and share purchase agreements.[39] These are civil matters and do not involve allegations of criminal corruption.

A significant mitigating factor is the prominent public role of AEV's President and CEO, Sabin Aboitiz, as the head of the Private Sector Advisory Council (PSAC) to the Philippine President.[41] In this capacity, Mr. Aboitiz has publicly advocated for systemic reforms to

reduce corruption in the Philippines, championing the E-Governance Act to digitize government operations and enhance transparency.[41] This high-profile, public anti-corruption stance makes it highly improbable that the company would be involved in the kind of gross corruption that would trigger exclusion under the Guidelines.

Section 5: Geopolitical and Operational Risk Exposure

Aboitiz Equity Ventures Inc. operates exclusively within the Philippines, a country situated in a region of significant and escalating geopolitical tension.[24] This context creates substantial external risks that directly influence the company's strategic decisions, operational security, and ethical challenges.

5.1. South China Sea Conflict and Energy Security

The most critical geopolitical factor affecting AEV is the territorial dispute between the Philippines and China in the South China Sea (locally known as the West Philippine Sea). This conflict has a direct and profound impact on the Philippine energy sector. The country's primary domestic source of natural gas, the Malampaya field, which supplies about 30% of the electricity for the main island of Luzon, is nearing depletion.[8]

The Philippines has significant potential for new natural gas discoveries in areas like the Reed Bank, located within its Exclusive Economic Zone. However, exploration and development activities in these areas have been effectively stalled for years due to persistent harassment and intimidation by Chinese coast guard and maritime militia vessels.[7] China refuses to recognize the 2016 Permanent Court of Arbitration ruling that affirmed the Philippines' sovereign rights, creating a high-risk environment that deters private sector investment in offshore gas projects.[7]

This geopolitical stalemate has created a national energy security crisis. With domestic gas declining and new exploration blocked, the Philippines is forced to rely heavily on imported fossil fuels to meet its baseload power demand.[8] This has made imported coal the most viable and reliable option for large-scale power generation. This situation creates a direct causal link between the geopolitical conflict and AEV's continued strategic reliance on its coal-fired power plants. The company's decision to expand its coal capacity in Cebu, while ethically problematic from a climate perspective, can be understood as a pragmatic response to a national energy security dilemma that has been directly exacerbated by the South China Sea conflict. This context is essential for a nuanced and "generous" assessment of the company's conduct.

5.2. National Grid Vulnerability

A second layer of geopolitical risk stems from the ownership structure of the National Grid

Corporation of the Philippines (NGCP), the sole operator of the country's power transmission system. The State Grid Corporation of China (SGCC), a Chinese state-owned enterprise, holds a 40% stake in NGCP.[8]

This ownership stake is a source of significant strategic concern in both Manila and Washington. There are fears that in a time of crisis or heightened conflict, Beijing could leverage its influence over the NGCP to disrupt or disable the Philippine power grid, causing widespread paralysis.[8] This represents a systemic operational risk for all power producers in the country, including AboitizPower. While AEV is not responsible for this situation, its entire power generation and distribution business is exposed to this critical infrastructure vulnerability. Any escalation of tensions with China could have immediate and severe consequences for the company's ability to operate.

5.3. Domestic Political and Regulatory Environment

The domestic political environment in the Philippines is often characterized by what observers term "political noise".[44] However, the country's business community, including major infrastructure and utility players like AEV, has demonstrated a high degree of resilience in navigating these dynamics. For investors, the key concerns are stability and predictability in the regulatory environment.[44]

The Philippines continues to face a significant infrastructure deficit, which has been a major constraint on economic growth.[45] This long-term challenge also represents a significant growth opportunity for AEV, particularly for its Infrastructure SBU. The government's focus on addressing this gap through public-private partnerships could provide a stable pipeline of projects for the company in the coming years. However, the country's high vulnerability to climate change and extreme weather events poses a constant threat to infrastructure assets, requiring significant investment in climate resilience.[45]

Section 6: Synthesis and Recommendation

6.1. Holistic Risk Synthesis

The risk assessment of Aboitiz Equity Ventures Inc. reveals a complex and often contradictory profile. On one hand, AEV is a well-managed, strategically important company in the Philippines with robust corporate governance policies on paper and a public commitment to a long-term sustainable transformation. On the other hand, its current operations present clear and material conflicts with the GPFG's ethical Guidelines.

The **product-based risk** is significant. The company's business model is heavily dependent on thermal coal, and it is highly likely that it breaches the Guideline's 30% threshold for business activity derived from this source. While it does not breach the absolute capacity limit of 10,000 MW, its proportional reliance on coal is a core feature of its current profitability and a primary source of ethical risk.

The **conduct-based risks** are the most concerning. The decision to expand the TVI coal plant while simultaneously promoting an ambitious decarbonization strategy lends significant credibility to allegations of greenwashing. This action represents a tangible contribution to future greenhouse gas emissions and calls into question the sincerity of the company's climate commitments. Furthermore, the documented failure of its joint venture, SNAP, to respond to serious allegations of violence against project opponents is a material governance failure. It suggests that the company's human rights policies may not be effectively implemented or enforced across all its operations, creating an unacceptable risk of contributing to norm violations.

These risks are, however, contextualized by the **geopolitical environment**. The conflict in the South China Sea provides a compelling, if not complete, explanation for the Philippines' and AEV's continued reliance on coal for energy security. This external pressure complicates a simple condemnation of the company's energy strategy.

6.2. Application of the "Generous Assessment" Principle

The user query requires a "generous" assessment, giving the company the "benefit of the doubt." Applying this principle involves weighing the negative findings against the company's positive attributes and mitigating circumstances.

- **Positive Attributes:** AEV has a strong public commitment to sustainability, detailed in its "OneNewAboitiz Sustainability Framework".[27] Its partnership with JERA to achieve a 50:50 renewable-thermal mix is a concrete, forward-looking strategy that aligns with the Guideline's emphasis on future risk reduction.[4] The company's CEO is a public advocate against corruption.[41]
- **Mitigating Circumstances:** The geopolitical reality of the South China Sea conflict creates a genuine national energy security dilemma that constrains the company's ability

to transition away from coal as quickly as might be desired.[8]

However, the "benefit of the doubt" cannot extend to ignoring clear evidence of risk. The breach of the 30% thermal coal threshold appears likely based on available data. The greenwashing allegation is not merely speculative; it is based on the concrete action of building a new coal unit. The non-response to human rights allegations is a documented fact from a credible source.[6] These are not minor issues; they are "quite serious" and touch upon the core criteria of the Guidelines.

6.3. Final Recommendation and Justification

Synthesizing these factors leads to the following conclusion regarding the appropriate risk category:

- **Category 4 - Acceptable Risk:** This is inappropriate. The likely breach of a key product-based threshold and the unresolved conduct-based issues are too significant to be considered acceptable.
- **Category 1 - Exclusion Candidate:** This is premature. The company does not appear to be engaged in the kind of *systematic* and *gross* violations that typically lead to a direct exclusion recommendation. It has a plausible, if challenged, long-term transition plan, and the Guidelines provide for observation as a step prior to exclusion in cases of doubt.[1]
- **Category 2 - High Risk:** This is a plausible rating. The combination of issues, particularly the new coal construction and the human rights governance failure, could be interpreted as creating an "unacceptable risk" of future norm violations.
- **Category 3 - Moderate Risk:** This rating is the most appropriate and balanced conclusion. It acknowledges the severity of the identified risks without dismissing the company's stated commitments and the complex operating environment. A "Moderate Risk" rating aligns with the GPFG's own criteria for placing a company under *observation* when "there is doubt about whether the conditions for exclusion have been met, about the future development of the situation, or where observation is deemed appropriate for other reasons" (§6.5).[1]

The combination of a likely breach of the 30% thermal coal activity criterion with the serious and unresolved conduct-based issues creates precisely this state of doubt. The Fund should formally monitor whether AEV's actions begin to align with its long-term strategy and whether it addresses the governance gaps revealed by the BHRRC report.

Therefore, the final recommended risk category for Aboitiz Equity Ventures Inc. is **3 - Moderate Risk**.

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