

Second-Party Opinion

Bank of the Philippine (BPI) Islands Sustainable Funding Framework



Evaluation Summary

Sustainalytics is of the opinion that the Bank of the Philippine Islands' Sustainable Funding Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018, Green Bond Principles, Green Loan Principles, ASEAN Green Bond Standards and ASEAN Social Bond Standards. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds (i) Renewable Energy, (ii) Energy Efficiency, (iii) Sustainable Water and Wastewater Management, (iv) Pollution Prevention and Control, (v) Green Buildings, and (vi) MSME Lending, are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental and social impacts and advance UN Sustainable Development Goals 6, 7, 8, 9, 10, 11, and 12.



PROJECT EVALUATION /SELECTION BPI's Sustainable Development Finance Team ("SDF") is responsible for initial project selection and evaluation for green projects. All eligible green projects are subject to approval by the SDF Head. BPI's Business Banking Strategy and Portfolio Analytics Group is similarly responsible for initial project selection and evaluation of social projects. Approval of eligible social projects is conducted by either Business Banking Segment Head or the Strategy and Portfolio Analytics Head. BPI's Sustainable Funding Committee convenes semi-annually to evaluate alignment with eligibility criteria. Sustainalytics considers BPI's project selection process in line with market practice.



MANAGEMENT OF PROCEEDS BPI established a register to track and monitor the allocation and use of proceeds for the green and social bond transactions. Pending full allocation, amounts equal to the net proceeds may be invested in cash or cash equivalents, or used to repay existing borrowings of the BPI Group. Unallocated proceeds will be managed in accordance with BPI's internal liquidity management policies. Sustainalytics views this process as aligned with market practices.



REPORTING BPI has committed to disclose an annual allocation report as part of BPI's Annual Integrated Report. The allocation report will include lists of eligible green and social projects, allocated amounts, and the remaining balance of unallocated proceeds. Where relevant and feasible, BPI will disclose impact metrics on the environmental outcomes of green and social projects through KPIs tailored for each project category. Metrics will be disclosed as part of the same BPI Annual Integrated Report. Sustainalytics views BPI's allocation reporting commitments to be in line with market practice and encourages BPI to disclose impact reporting on an annual basis.

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Issuer Location	Makati, Republic of the Philippines

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Alignment with the ASEAN Green, Social, and Sustainability Bond Standards

The ASEAN Green, Social, and Sustainability Bond Standards provide guidance to issuers and communicate more specifically about what an issuer should do to issue credible green, social, and sustainability bonds within Southeast Asia. Sustainalytics is of the opinion that the eligible green and social project categories under the Bank of the Philippine Islands Sustainable Funding Framework align with the ASEAN Green, Social, and Sustainability Bond Standards.

Introduction

Bank of the Philippine Islands (“BPI”, “the bank” or the “company”) provides various financial products to retail and corporate clients in the Philippines. Together with its subsidiaries, BPI operates three segments: Consumer Banking, Corporate Banking, and Investment Banking. BPI was founded in 1851 and is headquartered in Makati City, the Philippines.

BPI has developed the Bank of the Philippine Islands Sustainable Funding Framework (the “Framework”) under which it intends to issue sustainability bond(s) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that will deliver positive environmental and social outcomes and advance the bank’s sustainability mission. The Framework defines eligibility criteria in six areas:

1. Renewable Energy
2. Energy Efficiency
3. Sustainable Water and Wastewater Management
4. Pollution Prevention and Control
5. Green Buildings
6. MSME Lending

BPI engaged Sustainalytics to review the Bank of the Philippine Islands Sustainable Funding Framework, dated May 2020,¹ and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG),² the Green Loan Principles (“GLP”),³ the ASEAN Green Bond Standards (AGBS),⁴ the ASEAN Social Bonds Standards (ASBS)⁵, and the ASEAN Sustainability Bonds Standards.⁶ This Framework has been published in a separate document.⁷

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁸ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

¹ This SPO is an updated version of a previous SPO (dated May 2019). It has been updated to incorporate additional eligible Use of Proceeds category, MSME Lending and reflect the broadening of the framework from green to include social principles.

² The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Green Loan Principles are administered by the International Capital Market Association and are available at: https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

⁴ The ASEAN Green Bond Standards are administered by the ASEAN Capital Markets Forum, and are available at: http://www.theacmf.org/ACMF/upload/ASEAN_Green_Bond_Standards.pdf

⁵ The ASEAN Social Bonds Standards are administered by the ASEAN Capital Markets Forum, and are available at: <https://www.theacmf.org/images/downloads/pdf/ASBS2018.pdf>

⁶ The ASEAN Sustainability Bonds Standards are administered by the ASEAN Capital Markets Forum, and are available at: <https://www.theacmf.org/initiatives/sustainable-finance/asean-sustainability-bond-standards>

⁷ The Bank of the Philippine Islands Sustainable Funding Framework is available on Bank of the Philippine Islands’ website at: <https://www.bpiexpressonline.com/>.

⁸ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the ICMA Green Bond Principles 2018, ICMA Social Bond Principles 2018, ICMA Sustainability Bond Guidelines 2018, ASEAN Green, Social, and Sustainability Bonds Standards;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

This SPO is an updated version of an SPO (dated May 2019). It has been updated to incorporate an additional eligible Use of Proceeds category, MSME Lending and reflect the broadening of the framework from green to include social principles.

As part of this engagement, Sustainalytics held conversations with various members of BPI's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BPI representatives have confirmed (1) they understand it is the sole responsibility of BPI to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BPI.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BPI has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Bank of the Philippine Islands Sustainable Funding Framework

Sustainalytics is of the opinion that the Bank of the Philippine Islands Sustainable Funding Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 (GBP 2018) and Social Bond Principles 2018 (SBP 2018). Sustainalytics highlights the following elements of BPI's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Sustainable Water and Wastewater Management, (iv) Pollution Prevention and Control, (v) Green Buildings, (vi) MSME Lending – are aligned with those recognized by the GBP 2018 and SBP 2018. These categories are among those recognized by the GBP, GLP, AGBS and ASBS. Sustainalytics believes that the eligible green and social projects will support the growth of renewable energy, as well as improved energy efficiency. Similarly, Sustainalytics considers that the projects contemplated will provide quality improvements in the standards on the built environment in the Philippines

- and provide significant economic support to MSMEs including, but not limited to, those affected by natural and/or health disasters such as coronavirus disease 2019 (COVID-19).
- Sustainalytics positively notes that the net proceeds of any BPI green, social and/or sustainability bonds and/or loans will not be used to finance and/or refinance fossil fuel-related assets and activities or activities related to alcohol, gambling, tobacco, or weaponry.
 - BPI limits refinancing to financing originally made within two and a half years of the issue date of each relevant Green, Social, or Sustainability Bond, which is aligned with market practice. BPI does not disclose a period in which it intends to allocate the full proceeds.
 - BPI's Green Buildings eligibility criteria are based on third-party certification standards such as LEED "Gold" standard or above, IFC's EDGE Certified or EDGE Compliant Buildings standard, or any other national equivalent such as BERDE 4 Stars or above, indicating a strong alignment with both local and green finance market standards. Sustainalytics assessed the certifications and considers these schemes to be credible and ensuring the proper integration of environmental consideration during all stages of a building's lifecycle. (See Appendix 2 for additional details on the certification schemes.)
 - BPI's framework includes two principal activities under the Pollution Prevention and Control category, namely waste management and recycling. BPI has confirmed to Sustainalytics that its waste management projects follow the waste hierarchy, and excludes financing of landfill operations. Recycling activities do not include e-waste recycling. Sustainalytics encourages BPI to provide further disclosure on nominated projects and impact achieved in its annual reporting.
 - The Renewable Energy category includes investments in waste biomass to energy projects, using only animal manure as feedstock. Sustainalytics notes that the Bank explicitly excludes palm oil operations and encourages the Bank to favor projects which are sourced by well-managed agricultural production.
 - The MSME Lending category includes business loans to Micro, Small or Medium Enterprises (MSMEs) as defined by the Philippine Central Bank⁹ or the Securities and Exchange Commission¹⁰ and/or MSMEs affected by natural and/or health disasters, including but not limited to, coronavirus disease 2019 (COVID-19).
 - Sustainalytics considers the Philippines to be an economically disadvantaged country and thus considers the criterion to be sufficiently targeted.
 - Regarding MSMEs affected by natural and/or health disasters, Sustainalytics recognizes the importance of ensuring business and employment continuity to address the adverse impact of natural and/or health disasters, and encourages BPI to transparently disclose the MSMEs financed, and report on the impact achieved (please see Section 3: Impact of Use of Proceeds for additional details).
 - Project Evaluation and Selection:
 - BPI's green project evaluation and selection process is executed through the Sustainable Development Finance Team ("SDF"), responsible for the initial identification, evaluation, and nomination of potential green projects. Final sign-off on green projects is to be performed by the SDF Team Head.
 - BPI's social project evaluation and selection process is executed through BPI's Business Banking Strategy and Portfolio Analytics Group. Approval of eligible social projects is performed by either the Head of Business Banking Segment or the Head of Strategy and Portfolio Analytics.
 - BPI's Sustainable Funding Committee (SFC) convenes on a semi-annually to validate compliance of the projects with the initial eligibility criteria. Sustainalytics assesses this process to be aligned with market practices.

⁹ The Central Bank of the Philippines defines Small and Medium Enterprises as business activity or enterprise with total assets having value under the following categories: Micro (less than Php1,500,001), Small (Php1,500,001-Php15,000,000), Medium (Php15,000,001-Php60,000,000). Further details available at: <http://www.bsp.gov.ph/regulations/regulations.asp?type=1&id=1150>.

¹⁰ The SEC defines Small-sized entities as: Small-sized entities: total assets of between PHP 3 million to and 100 million, or total liabilities between PHP 3 million to PHP 100 million, and Medium-sized entities as: total assets of more than PHP 100 million to PHP 350 million, or total liabilities of more than PHP 100 million to PHP 250 million. More details available at: <http://www.sec.gov.ph/wp-content/uploads/2018/03/2018MCNo5.pdf>

- Management of Proceeds:
 - BPI confirmed that a dedicated register will be established to monitor and track the allocation and use of proceeds. The register will include relevant green and social bond and loan transaction details along with an eligible green and social project list and other details.
 - Pending full allocation, the unallocated proceeds will be managed according to BPI's internal liquidity management policies, be invested in cash or cash equivalents, or used to repay credit facilities within BPI or its subsidiaries.
 - Sustainalytics views this process to be in line with market practices.
- Reporting:
 - BPI commits to disclose an annual allocation report as part of BPI's Annual Integrated Report. The allocation reporting will include information relative to the list of approved eligible green and social projects, the allocated amounts, as well as the remaining balance of unallocated proceeds. BPI intends to have its allocation reporting externally audited, which is in line with market best practices.
 - With regards to impact reporting for green projects, BPI will report where feasible and possible, on the environmental outcomes of its investments with KPIs tailored for each eligible green project category, such as GHG emissions reduced or avoided (in CO_{2e}), annual energy savings (in kWh/MWh/GWh), level of certification achieved by the green building, number of waste processed in the facility (in tonnes), annual volume of wastewater treated or avoided (in l/m³), among others.
 - With regards to impact reporting for social projects, BPI will report where feasible and possible, on the social impact of its investments. Impact metrics to be measured and reported on include number of loans made to MSMEs and total monetary amount of loans made to MSMEs.
 - Sustainalytics views BPI's allocation reporting commitments to be in line with market practices and encourages BPI to disclose impact reporting on an annual basis.

Alignment with Sustainability Bond Guidelines 2018, Green Loan Principles and ASEAN Green, Social and Sustainability Bond standards

Sustainalytics has determined that BPI's Sustainable Funding Framework aligns to the four core components of the Green Bond Principles (2018), Social Bond Principles (2018), Green Loan Principles, and ASEAN Green Bond Standards (AGBS), ASEAN Social Bond Standards (ASBS) and ASEAN Sustainability Bond Standards (ASUS).

The AGBS, ASBS and ASUS provide guidance to issuers and communicate more specifically what an issuer should do to issue a credible green and social bond within Southeast Asia. Sustainalytics is of the opinion that BPI's Sustainable Funding Framework aligns with the AGBS, ASBS and ASUS. For detailed information please refer to Appendix 1: Alignment to the AGBS, ASBS and ASUS.

Section 2: Sustainability Strategy of BPI

Contribution of Framework to BPI's sustainability strategy

BPI has confirmed to Sustainalytics that the company has committed to support and integrate sustainable finance into its core banking operations and investments. BPI has invested in renewable energy, energy efficiency and green buildings projects through (i) loans, (ii) leasing operations, and (iii) trade finance. Sustainalytics highlights that to date, BPI has allocated PHP 88.62 billion (USD 1.75 billion) to its renewable energy portfolio and PHP 24.98 billion (USD 492.63 million) to climate resilience projects.¹¹ Similarly, BPI confirmed to Sustainalytics that the company implemented a 15% energy efficiency target based on the ESCO standards in the Philippines, however, BPI has not set a timeline for the delivery of the environmental objective.

In recent years BPI has taken several steps to further support SMEs and Self-Employed Micro Entrepreneurs (SEMEs) access to credit facilities and financial services generally. In 2018, BPI launched the BPI Business Banking group, a team dedicated to supporting the needs of providing targeted financial advisory to SMEs.¹² BPI's investment in SME services through its Business Banking group has resulted in a reported increase of 6% in Business Bank portfolio loans from 2018, and a doubling of submitted SME loan applications.¹³ BPI

¹¹ BPI Integrated Report 2019, p. 18, available at: <https://www.bpi.com.ph/about/investor-relations/integrated-reports>.

¹² BPI Integrated Report 2019, p. 24, available at: <https://www.bpi.com.ph/about/investor-relations/integrated-reports>.

¹³ BPI Integrated Report 2019, p. 18, available at: <https://www.bpi.com.ph/about/investor-relations/integrated-reports>.

Direct BankO¹⁴ (Banko) branches that focus on microenterprises have likewise expanded from 9 pilot branches in 2016 to 300 by the end of 2019.¹⁵ Furthermore, BPI reports more than 100,000 self-employed micro-entrepreneurs (SEMEs) have been supported by its Banko group, and a total of PHP 11.13 billion (USD 219.63 million) in microfinance loans have been disbursed.¹⁶

Sustainalytics considers BPI to be well positioned to issue green, social, or sustainability bonds and loans and believes this can help advance the Bank's sustainability strategy. Furthermore, Sustainalytics is of the opinion that BPI's Sustainable Funding Framework is aligned with the company's overall sustainability strategy and initiatives and will further the company's action on its key environmental and social priorities.

Well positioned to address common environmental and social risks associated with the projects

While the eligible use of proceeds categories are aligned with those recognized as impactful by the GBP, SBP, GLP, AGBS, ASBS and ASUS, Sustainalytics acknowledges that the Eligible Projects bear environmental and social risks related to biodiversity and land use change for large scale renewable energy plants, transmissions systems, and building projects, as well as community relations risks, pollution and health and safety.

Sustainalytics highlights the following measures that BPI has taken to mitigate the named risks:

- BPI confirmed to Sustainalytics that all loans in the Sustainability Portfolio are subjected to (i) a technical and financial evaluation conducted by third-party trained & accredited consultants or other third-party consultants engaged by the borrower and the lender as part of the loan application process.
- Certain eligible projects financed are required to submit (ii) an Environmental Clearance Certificate¹⁷ or a Certificate of Non-Coverage¹⁷ (or similar) issued by the respective regional office of the Philippines Department of Environmental & Natural Resources, as applicable.¹⁸
- BPI has a Stakeholder Engagement policy in place to identify how the Bank's business impacts different stakeholders (clients, communities, non-government, and civil society groups) and to comply with regulatory agencies.¹⁹
- BPI's Enterprise Risk Management (ERM) framework enables the Bank to identify, measure, control, and monitor its significant financial and non-financial risks and mitigate such risks.²⁰

Based on these policies, standards and assessments, Sustainalytics is of the opinion that BPI has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are impactful and aligned with those recognized by GBP, GLP, SBP, AGBS, ASBS and ASUS. Sustainalytics has focused on four below where the impact is specifically relevant in the local context.

Importance of renewable energy production and GHG emission reduction from buildings

BPI has confirmed to Sustainalytics that the largest portion of the green transactions' proceeds will be allocated towards the financing and refinancing of renewable energy production projects and green buildings. Currently, the Philippines derives more than 74% of its energy requirements from fossil fuels (natural gas and coal), 16%²¹ from hydropower sources, and the remaining 10% from geothermal sources.²² The high percentage of fossil fuel based energy indicates the importance to foster renewable energy to decarbonize the countries energy system. Moreover, the country has implemented a public target to install additional 4.7 GW of renewable energy facilities by 2030.²³

¹⁴ BPI Direct Banko (Banko) is BPI's subsidiary focusing on promotion of financial inclusion by providing access loan products to fund the operations or grow the businesses of self-employed microentrepreneurs (SEMEs).

¹⁵ BPI Integrated Report 2019, p. 25, available at: <https://www.bpi.com.ph/about/investor-relations/integrated-reports>.

¹⁶ BPI Integrated Report 2019, p. 20, available at: <https://www.bpi.com.ph/about/investor-relations/integrated-reports>.

¹⁷ Environmental Compliance Assistance Center (ECAC), "How to Apply", at: http://ecac.emb.gov.ph/?page_id=270/#ecc

¹⁸ DENR, at: <https://www.denr.gov.ph/>

¹⁹ BPI, "Stakeholder Engagement", at: <https://www.bpiexpressonline.com/p/1/2251/stakeholder-engagement>

²⁰ BPI, "Enterprise Risk Management", at: <https://www.bpiexpressonline.com/p/1/815/enterprise-risk-management>

²¹ IRENA, "Executive Summary. Renewable Energy Market Analysis. Southeast Asia", (2018), at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Jan/IRENA_Market_Southeast_Asia_2018_summary.pdf?la=en&hash=13DB344A7F8C8EBE30E2EB1A4CAFEC9A63BDED11

²² DOE, "Summary of installed capacity, dependable capacity, power generation and consumption in the Philippines", (2019), at: https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/01_2018_power_statistics_as_of_29_march_2019_summary.pdf

²³ Climate Action Tracker, "Philippines", at: <https://climateactiontracker.org/countries/philippines/>

Separately, according to studies conducted by the International Finance Corporation, buildings in the Philippines consumed 36% of the country's electricity in 2018 and accounted for more than 25% of total GHG emissions,²⁴ mostly due to insufficient energy efficiency standards. However, the country outlined the Philippines Energy Efficiency Roadmap 2017 – 2040.²⁵ The roadmap provides implementation objectives, policies and programs relative to the dissemination and expansion of energy efficiency measures across the real estate sector. It is in this sense that Sustainalytics considers that BPI's energy efficiency projects are aligned with the efforts and policies of the Philippines government, and create the context for the generalization of environmentally conscious buildings contributing to the reduction of the country's GHG emissions.

Importance of Sustainable Water and Wastewater Management projects in the Philippines

Current statistics from the Philippines' Environmental Management Bureau indicate that only 10% of the country's wastewater is treated, and 58% of the groundwater is contaminated.²⁶ The major sources of water pollution is inadequately treated domestic wastewater or sewage (48%) and agricultural wastewater (37%), which are also the main cause for waterborne diseases. In Metropolitan Manila, the capital city and second largest metropolitan region in the Philippines, only 11% of the 14 million inhabitants are connected to a sewerage system,²⁷ 85% of the people are served by two million septic tanks, while the remaining 4% have no access to toilets.

Given the context, Sustainalytics is of the opinion that BPI's financing of Sustainable Water & Wastewater Management projects can provide a meaningful contribution to the acute issue of untreated wastewater and groundwater pollution. Sustainalytics therefore considers that the proposed projects will help the Philippines to increase clean water access.

Importance of Pollution Prevention and Control in the Philippines

The World Bank estimated that urban waste volumes in the Philippines will increase from an estimated 29,315 tonnes per day in 2012 to 77,776 tonnes per day in 2020. This is driven by a projected 47.3% increase in local urban populations, as well as a projected doubling of municipal solid waste generation per capita over the same time period.²⁸ The Ecological Solid Waste Management Act of 2000 dictates that all open dumpsites must be converted into sanitary landfills by 2006.²⁹ However, per 2018 there were still more than 425 illegal dumpsites across the country, with 139 sanitary landfills in operation handling waste streams from just 308 of the 1,634 local government units.³⁰ Consequently, between 70% to 90% of the waste dumped illegally in the Philippines will end up in the ocean, making the country the third largest ocean polluter in the world.^{31,32} Sustainalytics is of the opinion that the financing of waste management projects in the Philippines will enhance the value of local waste streams and thus contribute to reduce improper waste disposal.

Importance of supporting MSMEs

The Philippines Department of Trade and Industry statistics show that MSMEs represent 99.52% of businesses operating in the country and employ 63.19% of the economic active population.³³ In terms of value added to the economy, MSMEs account for 35.7% of total value.³⁴ Recognizing the importance of the sector,

²⁴ ABS-CBN, "Green Buildings' pushed in rapidly urbanizing Philippines", at: <https://news.abs-cbn.com/video/business/01/09/18/green-buildings-pushed-in-rapidly-urbanizing-philippines>

²⁵ DOE, "The Philippines Energy Efficiency Roadmap (2017-2040)", (2017) at: https://www.doe.gov.ph/sites/default/files/pdf/announcements/epower_fontana_03_04_phillippines_energy_efficiency_roadma_2017-2040.pdf

²⁶ WIPO, "Wastewater Management in the Philippines", (2015), at: https://www.wipo.int/edocs/mdocs/mdocs/en/wipo_ip_mnl_15/wipo_ip_mnl_15_t4.pdf

²⁷ World Population Review, "Manila Population", at: <http://worldpopulationreview.com/world-cities/manila-population/>

²⁸ Government of the Philippines, "Philippine Solid Waste At a Glance", (2017), at: https://www.senate.gov.ph/publications/SEPO/AAG_Philippine%20Solid%20Wastes_Nov2017.pdf

²⁹ DENR: <http://nswmc.emb.gov.ph/wp-content/uploads/2018/01/DAO-9.pdf>

³⁰ ECO-Business, "Philippines central government on solving plastic trash problem: 'We've done all we can'", (2018), at: <https://www.eco-business.com/news/philippines-central-government-on-solving-plastic-trash-problem-weve-done-all-we-can/>

³¹ Philstar, "Philippines 3rd largest contributor to ocean plastic", (2018), at: <https://www.philstar.com/headlines/2018/06/15/1824813/philippines-3rd-largest-contributor-ocean-plastic>

³² Ocean Conservancy and McKinsey & Co., "Stemming the Tide: Land-based strategies for a plastic-free ocean", at: <https://oceanconservancy.org/wp-content/uploads/2017/04/full-report-stemming-the.pdf>

³³ DTI Philippines, "MSME Statistics", at: <https://www.dti.gov.ph/resources/msme-statistics/>

³⁴ WTO, "MSME Development Programs in the Philippines", at: https://www.wto.org/english/forums_e/business_e/session1_1clavesillas_wto_djtc_final_main.pdf

the Philippine government’s MSME Development Plan 2017-2022 (MSME-DP) identifies MSMEs as key drivers of inclusive economic growth, and draws a pathway to make them more regionally integrated, resilient, sustainable, and innovative.³⁵ Despite their importance to the Philippine economy, MSMEs remain highly vulnerable to disruptions due to natural disasters that compromise their product market, labour, business continuity and recovery.³⁶ Due to its geography and location, the Philippines is one of the most vulnerable countries to typhoons, earthquakes, and floods.³⁷

BPI intends to provide loans to MSMEs affected by natural and/or health disasters, including but not limited to, coronavirus disease 2019 (Covid-19). MSMEs have been particularly affected by the Covid-19 pandemic of 2020, with the Philippine government instituting a wage subsidy program for 3.5 million MSME workers, and a loan program of approximately USD 19.64 million for MSMEs.³⁸ This context highlights the importance of financial mechanisms that ensure MSMEs’ ability to respond to disruptive natural events, minimize economic and social impact, and promote business activity in the areas they operate. The Bank’s focus on supporting MSMEs is aligned with the Philippines’s MSME-DP strategy to make MSMEs more capable of coping and overcoming negative effects of natural hazards. Sustainalytics further recognizes the importance of ensuring business and employment continuity to address the adverse impact of Covid-19, and the role that financial institutions such as BPI play in this regard.

Sustainalytics is of the opinion that Bank of the Philippine Islands’ MSME lending through the Framework can assist Philippines in achieving MSME Development Plan 2017-2022 goals and improve resiliency and business continuity of MSMEs.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
Pollution Prevention and Control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
	12. Responsible Production and consumption	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, while increasing resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes,

³⁵ Government of the Philippines, “Micro, Small and Medium Enterprise Development Plan 2017-2022”, (2018) at: <https://dtiwebfiles.s3-ap-southeast-1.amazonaws.com/e-library/Growing+a+Business/MSME+Development+Plan+2017-2022.pdf>

³⁶ Philippine Institute for Development Studies, “Building Philippine MSMEs Resilience to Natural Disasters”, (2015), at: <https://dirp3.pids.gov.ph/webportal/CDN/PUBLICATIONS/pidsdps1520.pdf>

³⁷ ADBI, “Natural Disasters, Public Spending, and Creative Destruction: a Case Study of The Philippines”, (2018), at: <https://www.adb.org/sites/default/files/publication/408351/adbi-wp817.pdf>

³⁸ Philippine News Agency, “Gov’t finalizing Covid-related support for MSME workers”, at: <https://www.pna.gov.ph/articles/1099663>

		with all countries taking action in accordance with their respective capabilities.
MSME Lending	<p>8. Decent Work and Economic Growth</p> <p>9. Industry, Innovation and Infrastructure</p> <p>10. Reduced Inequalities</p>	<p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <p>9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p> <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>

Conclusion

Bank of the Philippine Islands has developed the Bank of the Philippine Islands Sustainable Funding Framework which it will use to finance and/or refinance a broad range of projects and assets related to (i) Renewable Energy, (ii) Energy Efficiency, (iii) Sustainable Water & Wastewater Management, (iv) Pollution Prevention and Control, (v) Green Buildings, and (vi) MSME Lending. Sustainalytics is of the opinion that BPI’s eligible green and social project categories have a positive environmental and social impact, contributing to a reduction of the Philippines’ environmental footprint and provide benefits to local economies through the support of MSMEs. Sustainalytics considers that the Framework is aligned with the GBP, SBP, GLP, AGBS, ASBS and ASUS.

BPI’s processes for project selection and evaluation, management of proceeds and reporting are in line with market practices. Furthermore, Sustainalytics believes that BPI’s Sustainable Funding Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 8, 9, 10, 11 and 12. Sustainalytics is of the opinion that BPI has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that BPI is well-positioned to issue green, social and/or sustainability bonds and that BPI’s Sustainable Funding Framework is robust, transparent, and aligned with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2018).

Appendices

Appendix 1:

ASEAN Green Bond Standards' Criteria	Alignment with ASEAN GBS	Sustainalytics' comments on alignment with the ASEAN Green Bond Standards³⁹
Eligibility	Yes	The AGBS requires that issuers must be located in or that the proceeds be directed to assets in an ASEAN country. As a Philippine-based institution, the Bank of the Philippine Islands qualifies.
Use of Proceeds	Yes	The AGBS offers specific clarification that fossil fuel power generation projects are excluded. BPI in its framework states that 'The net proceeds of any BPI Green Bond and/or Loan shall not be used towards financing and/or refinancing of fossil fuel related assets and activities'.
Process for Project Evaluation and Selection	Yes	The AGBS specifies information that must be clearly communicated to investors before issuance regarding project selection. Within its framework, Bank of the Philippine Islands has described that BPI's Sustainable Development Finance Team ("SDF") is responsible for the initial project selection. All selected projects are to be approved by the SDF Head and reviewed and confirmed by the Chairman of the Sustainable Funding Committee ("SFC"), when the latter committee convenes semi-annually to evaluate alignment with eligibility criteria.
Management of Proceeds	Yes	The AGBS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed. Within its framework, Bank of the Philippine Islands disclosed that it established a register to track and monitor the allocation and use of proceeds for the green bond transactions. Pending full allocation, the unallocated proceeds will be managed in accordance with BPI's internal liquidity management policies, be invested in cash or cash equivalents, or used to repay credit facilities within BPI or its subsidiaries.
Reporting	Yes	The AGBS requires annual reporting on the allocation of funds and the expected impacts. Bank of the Philippine Islands states that it will provide an annual allocation report until full allocation and where relevant and possible reports on the impact of the use of proceeds.
Annual Review	Yes	The AGBS encourages, but does not require, annual reviews. Bank of the Philippine Islands states that for each Green Bond issuance, it intends to engage an external auditor to provide independent verification on our reporting and management of proceeds in accordance with this Framework

ASEAN Social Bond Standards' Criteria	Alignment with ASEAN SBS	Sustainalytics' comments on alignment with the ASEAN Social Bond Standards⁴⁰
Eligibility	Yes	The ASBS requires that issuers must have a geographical or economic connection to the ASEAN region. As a Philippine-based institution, the Bank of the Philippine Islands qualifies.
Use of Proceeds	Yes	Projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry are excluded from the ASEAN SBS. BPI in its framework states that the net proceeds of any BPI Social and Sustainability Bond and/or Loan shall not be used towards financing and/or refinancing of activities related to alcohol, gambling, tobacco, and weaponry.

³⁹ The ASEAN Green Bond Principles are available at: <http://www.theacmf.org/ACMF/upload/GREENBONDACMF.pdf>

⁴⁰ The ASEAN Social Bond Standards are available at: <https://www.theacmf.org/images/downloads/pdf/ASBS2018.pdf>

Process for Project Evaluation and Selection	Yes	The ASBS specifies information that must be clearly communicated to investors before issuance regarding project selection. Within its framework, Bank of the Philippine Islands has described that Business Banking Strategy and Portfolio Analytics Group is responsible for the initial project selection. All selected projects are to be approved by the Business Banking Segment Head or the Strategy and Portfolio Analytics Head. The Sustainable Funding Committee convenes semi-annually in order to evaluate alignment with eligibility criteria.
Management of Proceeds	Yes	The ASBS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed. Within its framework, Bank of the Philippine Islands disclosed that it established a register to track and monitor the allocation and use of proceeds for the green bond transactions. Pending full allocation, the unallocated proceeds will be managed in accordance with BPI's internal liquidity management policies, be invested in cash or cash equivalents, or used to repay credit facilities within BPI or its subsidiaries.
Reporting	Yes	The ASBS requires annual reporting on the allocation of funds and the expected impacts. Bank of the Philippine Islands states that it will provide an annual allocation report until full allocation and where relevant and possible reports on the impact of the use of proceeds.
Annual Review	Yes	The ASBS encourages, but does not require, annual reviews. Bank of the Philippine Islands states that for each Green Bond issuance, it intends to engage an external auditor to provide independent verification on our reporting and management of proceeds in accordance with this Framework

ASEAN Sustainability Bond Standards' Criteria	Alignment with ASEAN SUS	Sustainalytics' comments on alignment with the ASEAN Sustainability Bond Standards⁴¹
Eligibility	Yes	The ASUS requires that issuers must have a geographical or economic connection to the ASEAN region. As a Philippine-based institution, the Bank of the Philippine Islands qualifies.
Use of Proceeds	Yes	Projects must not be used for ineligible projects specified by the AGBS (i.e. fossil fuel generation projects) as well as the ASBS (i.e. projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry). BPI in its framework states that: the net proceeds of any BPI Green Bond and/or Loan shall not be used towards financing and/or refinancing of fossil fuel related assets and activities', and the net proceeds of any BPI Social and Sustainability Bond and/or Loan shall not be used towards financing and/or refinancing of activities related to alcohol, gambling, tobacco, and weaponry.
Process for Project Evaluation and Selection	Yes	The ASUS are aligned with the process for project evaluation and selection requirements of both the AGBS and ASBS. Within its framework, Bank of the Philippine Islands has described that Business Banking Strategy and Portfolio Analytics Group is responsible for the initial project selection. All selected projects are to be approved by the Business Banking Segment Head or the Strategy and Portfolio Analytics Head. The Sustainable Funding Committee convenes semi-annually in order to evaluate alignment with eligibility criteria.
Management of Proceeds	Yes	The ASUS are aligned with the management of proceeds requirements of both the AGBS and ASBS. Within its framework, Bank of the Philippine Islands disclosed that it established a register to track and monitor the allocation and use of proceeds for the green bond transactions. Pending full allocation, the unallocated proceeds will be managed in

⁴¹ The ASEAN Sustainability Bond Standards are available at: <https://www.theacmf.org/images/downloads/pdf/ASUS2018.pdf>

		accordance with BPI's internal liquidity management policies, be invested in cash or cash equivalents, or used to repay credit facilities within BPI or its subsidiaries.
Reporting	Yes	The ASUS are aligned with the reporting requirements of both the AGBS and ASBS. Bank of the Philippine Islands states that it will provide an annual allocation report until full allocation and where relevant and possible reports on the impact of the use of proceeds.

Appendix 2: Comparison of green building certification schemes

	LEED ⁴²	EDGE ⁴³	BERDE ⁴⁴
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	EDGE (or "Excellence in Design for Greater Efficiencies") is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.	BERDE (Building for Ecologically Responsive Design Excellence) is administered by the Philippine Green Building Council (PhilGBC) and is recognized by the Philippine Department of Energy. In 2009, the scheme was developed in line with the World Green Building Council's Quality Assurance for Green Building Rating Tools methodology.
Certification Levels	Certified Silver Gold Platinum	Certified/ non-certified	1 Star 2 Stars 3 Stars 4 Stars 5 Stars
Areas of Assessment: Environmental Project Management	Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.	Management is part of the Core Framework of EDGE ⁴⁵	Management is part of the Core Framework of BERDE.
Areas of Assessment: Environmental Performance of the Building	Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority	1. Climatic Conditions of the Location Monthly average wet and dry bulb temperature; Monthly average outdoor wind velocity; Monthly average outdoor humidity, Solar radiation intensity; Annual average rainfall; Carbon dioxide intensity of the electricity grid; Average cost of energy (by fuel type) and water.	Core Framework: <ul style="list-style-type: none"> • Energy Efficiency and Conservation • Water Efficiency and Conservation • Waste Management • Use of Land and Ecology • Green Materials • Transportation • Indoor Environmental Quality • Emissions



⁴² Website available at: <https://new.usgbc.org/leed>

⁴³ Website available at: <https://www.edgebuildings.com/marketing/edge/>

⁴⁴ Website available at: <https://berdeonline.org/>

⁴⁵ EDGE Methodology Report available at: <https://www.edgebuildings.com/wp-content/uploads/2018/10/181018-EDGE-Methodology-Version-2.pdf>

		<p>2. Building Type and Occupant Use</p> <p>Homes: for both apartments and houses (assumptions for area and occupancy are based on income categories); Hotels: for both hotels and resorts (assumptions for area, occupancy and the type of support services are based on the star rating of the property); Offices: assumptions are based on occupancy density and hours of use; Hospitals: assumptions are based on the type of hospital (e.g., nursing home, private or public hospital, clinic or diagnostic center); Retail: assumptions are based on the type of retail building (e.g., department store, mall, supermarket, light industry or warehouse); Education: assumptions are based on the type of educational facility (e.g., pre-school, university or sports facility), as well as occupancy density and hours of use.</p> <p>3. Design and Specifications Thermal properties of the building envelope; Window to Wall Ratio; Building Orientation</p> <p>4. Calculation of the End Use Demand Overall energy demand in buildings; heating ventilation and air conditioning demand; virtual energy for comfort, energy demand for hot water requirements; lighting energy demand; water demand in buildings; estimations on rainwater harvesting or recycled water onsite; embodied energy in building materials.</p>	
<p>Requirements</p>	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>To achieve the EDGE standard, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.</p>	<p>Minimum requirements + Points Projects applying for BERDE Certification must comply with the minimum requirements before an assessment can begin. Afterwards, the project is analyzed on the 9 areas of assessment and receives points depending on performance. The distribution of points for the areas of assessment is different depending on the certification type (BERDE GBRS New Construction, BERDE GBRS Operations and BERDE GBRS Renovations). Based on the total number of points, a</p>

			certain number of stars are awarded to the project. The minimum rating for a project to be certified is 51 points (1 Star).
Performance Display			<p>☆☆☆☆☆ 1 Star</p> <p>☆☆☆☆☆ 2 Stars</p> <p>☆☆☆☆☆ 3 Stars</p> <p>☆☆☆☆☆ 4 Stars</p> <p>☆☆☆☆☆ 5 Stars</p>
Accreditation	LEED AP BD+C LEED AP O+M	As of May 2019, accreditation for the EDGE certification was provided by 637 independent EDGE experts worldwide.	Certified BERDE Assessors (CBA) trained and certified by TUV Rhineland
Qualitative considerations	Widely recognised internationally, and strong assurance of overall quality.	Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.	BERDE puts more emphasis on water savings than LEED and is less stringent about energy requirements than BREEAM. Unlike most other schemes, BERDE has points which account for heritage conservation. BERDE is mainly used in the Philippines.

Appendix 3: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Bank of the Philippine Islands
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Bank of the Philippine Islands Sustainable Funding Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 18, 2020
Publication date of review publication:	Updated version of a Second Party Opinion provided in May 2019.

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible use of proceeds categories – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Sustainable Water and Wastewater Management, (iv) Pollution Prevention and Control, (v) Green Buildings, (vi) MSME Lending – are aligned with those recognized by the GBP 2018 and SBP 2018. These categories are recognized as impactful by the GBP, GLP and AGBS. Sustainalytics believes that the eligible green and social projects will support the growth of renewable energy, as well as improved energy efficiency. Similarly, Sustainalytics considers that the projects contemplated will provide quality improvements in the standards on the built environment in the Philippines and provide relevant economic support to MSMEs including but not limited to those affected by natural and/or health disasters such as coronavirus disease 2019 (COVID-19).

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |

- | | |
|--|---|
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

BPI's Sustainable Development Finance Team ("SDF") is responsible for initial project selection and evaluation for green projects. All eligible green projects are subject to approval by the SDF Head. BPI's Business Banking Strategy and Portfolio Analytics Group is responsible for initial project selection and evaluation of social projects. Approval of eligible social projects is conducted by either Business Banking Segment Head or the Strategy and Portfolio Analytics Head. BPI's Sustainable Funding Committee convenes semi-annually to evaluate alignment with eligibility criteria. Sustainalytics views this process to be in line with market practices.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available Other (please specify):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

BPI confirmed that a dedicated register will be set-up to monitor and track the allocation and use of proceeds. The register will include relevant green and social bond transaction details along with eligible green and social project lists and other details. Pending full allocation, the unallocated proceeds will be managed according to BPI's internal liquidity management policies, be invested in cash or cash equivalents, or used to repay credit facilities within BPI or its subsidiaries. Sustainalytics views this process to be in line with market practices.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

BPI has committed to disclose an annual allocation report as part of BPI's Annual Integrated Report. The allocation report will include lists of eligible green and social projects, allocated amounts, and the remaining balance of unallocated proceeds. Where relevant and feasible, BPI will disclose impact metrics on the environmental outcomes of green and social projects through KPIs tailored for each project category. Metrics will be disclosed as part of the same BPI Annual Integrated Report. Sustainalytics views BPI's allocation reporting commitments to be in line with market practice and encourages BPI to disclose impact reporting on an annual basis.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Sustainability Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Number of beneficiaries
- Target populations Other ESG indicators (please specify): reduction in energy demand (%), level of certification achieved by the Green Building, annual water savings (l/m³), annual volume of wastewater treated or avoided (l/m³).

Frequency:

- Annual Semi-annual
- Other (please specify): irregular, where relevant and feasible

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.bpi.com.ph/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

Sustainalytics

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