

# Bank of the Philippine Islands

**Type of Engagement:** Annual Review

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**Engagement Team:**

Akshay Chandrakapure, [akshay.chandrakapure@morningstar.com](mailto:akshay.chandrakapure@morningstar.com)

Sidharth P R, [sidharth.pr@morningstar.com](mailto:sidharth.pr@morningstar.com)

## Introduction

In 2019 and 2023, the Bank of the Philippine Islands (“BPI”, the “Bank” or the “Issuer”) issued a green bond (the “ASEAN Green Bond”)<sup>1</sup> and a social bond (the “BPI RISE Bonds”)<sup>2</sup>, aimed at financing or refinancing existing or future projects that are expected to deliver positive environmental and social outcomes and advance the Bank’s sustainability agenda. In 2024, BPI engaged Sustainalytics to review the projects financed with proceeds from the Green and Social Bonds (the “Nominated Projects”) and provide an assessment as to whether the projects meet the use of proceeds criteria and the reporting commitments outlined in the Bank of the Philippine Islands Sustainable Funding Framework (the “Framework”)<sup>3,4</sup>. Sustainalytics provided a Second-Party Opinion on the Framework in June 2020.<sup>5</sup> This is Sustainalytics’ fifth annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in 2020, 2021, March 2022<sup>6</sup> and March 2023<sup>7</sup>.

## Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

**Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs**

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators (KPIs)
Renewable Energy	<ol style="list-style-type: none"> <li>i. Energy production: solar energy, wind energy, geothermal energy (direct emissions &lt;100 gCO<sub>2</sub>/kWh) and run-of-river hydro energy projects (without pondage)</li> <li>ii. Transmission, distribution, and smart grid projects: investments in the building, operation and maintenance of electric power distribution, transmission networks and smart metering systems that contribute to:</li> </ol>	<ol style="list-style-type: none"> <li>i. GHG emissions reduced or avoided (in tCO<sub>2</sub>e)</li> </ol>

<sup>1</sup> As of year-end 2023, BPI’s USD 300 million ASEAN Green Bond is the sole outstanding green bond issued under the Bank’s Framework.

<sup>2</sup> As of year-end 2023, BPI’s PHP 20.3 billion Reinforcing Inclusive Support for Micro, Small, and Medium Enterprises (RISE) Bonds is the sole outstanding social bond issued under the Bank’s Framework.

<sup>3</sup> Bank of the Philippine Islands, “Bank of the Philippine Islands Sustainable Funding Framework”, (2020), at:

<https://www.bpi.com.ph/content/dam/bau/sustainability/sustainability-together/pdf/BPI%20Sustainability%20Funding%20Framework.pdf>

<sup>4</sup> The two other bonds issued under the Bank of the Philippine Islands Sustainable Funding Framework – the CHF 100 million (USD 113 million) green bond that matured in September 2021 and the PHP 21.5 billion (USD 418.6 million) social bond that matured in May 2022 – are not being considered under the purview of this report.

<sup>5</sup> Sustainalytics, “Second-Party Opinion, BPI”, (2020), at: <https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/bank-of-the-philippine-islands-sustainability-bond-second-party-opinion.pdf>

<sup>6</sup> Sustainalytics, “Annual Review, BPI”, (2022), at:

<https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/bpi-annual-review-2022.pdf>

<sup>7</sup> Sustainalytics, “Annual Review, BPI”, (2023), at:

<https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/bank-of-philippine-islands-annual-review-2023.pdf>

	<ul style="list-style-type: none"> <li>a. connecting renewable energy production units to the general network, and</li> <li>b. improving networks in terms of demand-size management and energy efficiency</li> </ul>	
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>i. Refurbishments or renovation of properties in order to improve energy efficiency in the following (at least 15% improvement or compliance to IFC EDGE standards): <ul style="list-style-type: none"> <li>a. Lighting</li> <li>b. Heating, ventilation, and air-conditioning systems (HVAC)</li> <li>c. High efficiency motors (HEMS)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>i. Annual energy savings (in kWh, MWh, or GWh)</li> <li>ii. Percentage reduction in energy demand</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>i. Wastewater treatment: production and treatment of water</li> <li>ii. Integrated water management: water-efficiency systems</li> <li>iii. Sustainable urban drainage systems: mains rehabilitation, leakage prevention</li> </ul>	<ul style="list-style-type: none"> <li>i. Annual water savings (in l/m<sup>3</sup>)</li> <li>ii. Annual volume of wastewater treated or avoided (in l/m<sup>3</sup>)</li> </ul>
<b>Pollution Prevention and Control</b>	<ul style="list-style-type: none"> <li>i. Waste management and recycling projects</li> </ul>	<ul style="list-style-type: none"> <li>i. Number of tonnes processed in the facility</li> <li>ii. Energy savings attributable to the investment (in kWh, MWh or, GWh)</li> <li>iii. Estimated reduction in CO<sub>2</sub>e emissions (in tCO<sub>2</sub>e)</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>i. Financing or refinancing of development, acquisition, renovation or otherwise completed residential, public, and commercial properties that have or will receive: <ul style="list-style-type: none"> <li>a. a design stage certification,</li> <li>b. a post-construction certification or</li> <li>c. an in-use certification in any of the following building certification schemes at the defined threshold level or better:</li> </ul> </li> <li>ii. Environmental building certification or assessment: <ul style="list-style-type: none"> <li>a. LEED Gold</li> <li>b. EDGE Certified or EDGE Compliant Buildings, as determined by a third party</li> <li>c. Other national equivalent, such as BERDE</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>i. Annual energy avoided, compared to national building requirements (in kWh or MWh)</li> <li>ii. Level of certification or compliance achieved by the green building</li> <li>iii. Annual GHG emissions reduced or avoided (in tCO<sub>2</sub>e)</li> </ul>
<b>MSME Lending</b>	<ul style="list-style-type: none"> <li>i. Loans that BPI has made to micro, small or medium enterprises (MSMEs) that meet qualifications set by government entities, such as</li> </ul>	<ul style="list-style-type: none"> <li>i. Number of loans to MSMEs</li> </ul>

	<p>the Bangko Sentral ng Pilipinas<sup>8</sup> or the Securities and Exchange Commission Philippines<sup>9</sup>.</p> <p>ii. MSMEs disadvantaged by disasters triggered by natural hazards – including but not limited to COVID-19 – with significant consequences on the people, public health, infrastructure, assets, or the economy.</p>	<p>ii. Total amount of loans made to MSMEs</p>
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## Issuer’s Responsibility

BPI is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions of projects, amounts allocated and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from BPI’s Green and Social Bonds. The work undertaken as part of this engagement included collection of documentation from BPI and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by BPI. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings, or conclusions herein due to incorrect or incomplete data provided by BPI.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>10</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. BPI has disclosed to Sustainalytics that the proceeds from the Green and Social Bonds were fully allocated as of 31 December 2023.

<sup>8</sup> The Central Bank of the Philippines defines small and medium enterprises as a business activity or enterprise with total assets, inclusive of those arising from loans but exclusive of the land on which the business entity’s office, plant and equipment are situated, must have a value falling under the following categories: i) micro – not more than PHP 3 million; ii) small – PHP 3 million to PHP 15 million; iii) medium – more than PHP 15 million to PHP 100 million.

Bangko Sentral NG Pilipinas, “332 Mandatory Allocation of Credit Resources to Micro, Small and Medium Enterprises”, (2014), at: <https://morb.bsp.gov.ph/332-mandatory-allocation-of-credit-resources-to-micro-small-and-medium-enterprises/>

<sup>9</sup> The Securities and Exchange Commission Philippines defines MSMEs as: i) micro – total assets and liabilities below PHP 3 million; ii) small – total assets of PHP 3 million to 100 million, or total liabilities of PHP 3 million to PHP 100 million; and iii) medium – total assets of PHP 100 million to PHP 350 million, or total liabilities of PHP 100 million to PHP 250 million.

Securities and Exchange Commission Philippines, “Adoption of Philippine Financial Reporting Standards for Small Entities”, (2018), at: <https://www.sec.gov.ph/wp-content/uploads/2019/11/2018MCno05.pdf>

<sup>10</sup> Sustainalytics’ limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Framework Requirements</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

## Appendices

### Appendix 1: Allocation Reporting

In September 2019, BPI issued ASEAN green bond of USD 300 million, whose proceeds were fully allocated to three renewable energy projects and four green building projects.<sup>11</sup> The table below demonstrates the allocation and impact overview of BPI's portfolio of eligible green projects.<sup>12</sup>

**Table 3: Net Allocation (USD million) as of 31 December 2023 for ASEAN Green Bond**

BOND NAME	Bond Issuance Amount (USD million)	Issue Date	Maturity Date	Net Proceeds Allocated for Renewable Energy Projects (USD million)	Net Proceeds Allocated for Green Building Projects (USD million)	Net Proceeds Allocated (USD million)
ASEAN GREEN BOND	300	10 September 2019	10 September 2024	270.81	29.19	300

In January 2023, BPI issued BPI RISE Bonds of PHP 20.3 billion, whose proceeds were fully allocated to eligible social projects<sup>13</sup>, providing funding for 11,028 MSMEs. The table below demonstrate the allocation and impact overview of BPI's portfolio of eligible social projects.

**Table 4: Net Allocation (PHP billion) as of 31 December 2023 for BPI RISE Bonds**

BOND NAME	Bond Issuance Amount (PHP billion)	Issue Date	Maturity Date	Net Proceeds Allocated (PHP billion)			Net Proceeds Allocated (PHP billion)
				Micro Enterprise	Small Enterprise	Medium Enterprise	
BPI RISE Bonds	20.3	30 January 2023	30 July 2024	7.54	7.59	5.17	20.3

<sup>11</sup> In September 2019, BPI issued two green bonds of USD 300 million and CHF 100 million (USD 113 million). Out of the two bond issuances, one (CHF 100 million) matured in September 2021. The impact reporting under the purview of this report is for the outstanding ASEAN green bond of USD 300 million.

<sup>12</sup> Exchange rate as of 31 December 2023: PHP 55.567 (USD 1)

<sup>13</sup> In August 2020, BPI had issued another social bond (the COVID Action Response Bond, or the "CARE Bond") of PHP 21.5 billion (USD 418.6 million). It matured in May 2022 and is not under the purview of this report. The impact reporting under the purview of this report is for the sole outstanding BPI RISE Bond (social bond) of 20.3 PHP billion.

## Appendix 2: Reported Impact

**Table 5a: Reported Impact for Eligible Renewable Energy Projects**

Project No.	Project Location	Renewable Energy Project	Net Proceeds Allocated (USD million)	Projected GHG Emission Reduction (tCO <sub>2</sub> /year)
1	Indonesia	Geothermal <sup>14</sup>	235.21	271,400
2	Luzon, Philippines	Wind	31.99	52,012
3	Luzon, Philippines	Solar	3.60	1,983
<b>Total</b>			<b>270.81</b>	<b>325,395</b>

**Table 5b: Reported Impact for Eligible Green Building Projects**

Project No.	Project Location	Building Certification	Net Proceeds Allocated (USD million)	Projected GHG Emission Reduction (tCO <sub>2</sub> /year from energy)	Projected GHG Emission Reduction (tCO <sub>2</sub> from materials)	Electricity Savings (MWh/year)
4	Visayas, Philippines	EDGE Compliant	18.00	167	1,044	346
5	Luzon, Philippines	EDGE Compliant	11.19	353	1,016	598
<b>Total</b>			<b>29.19</b>	<b>520</b>	<b>2,060</b>	<b>944</b>

**Table 6: Reported Impact for Eligible Social Projects**

Category	Net Proceeds Allocated (PHP billion)	Number of Accounts	Number of Customers
Micro Enterprise	7.54	8,252	7,663
Small Enterprise	7.59	3,655	2,442
Medium Enterprise	5.17	1,304	923
<b>Total</b>	<b>20.30</b>	<b>13,211</b>	<b>11,028</b>

<sup>14</sup> BPI has confirmed to Sustainalytics that the direct emissions from the geothermal project are found to be less than 100 gCO<sub>2</sub>/kWh.

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