

Second-Party Opinion

Bank of the Philippine Islands

Sustainable Funding Framework

Evaluation Summary

Sustainalytics is of the opinion that the Bank of the Philippine Islands Sustainable Funding Framework is credible, impactful and aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023, Social Loan Principles 2023, ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories¹ for the use of proceeds are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 8, 9, 11 and 12.



PROJECT EVALUATION AND SELECTION BPI's Sustainable Development Finance Team will handle the selection and evaluation of green projects, with final approval by the head of the team. BPI's Business Banking Marketing, Systems Planning and Product Integration (SPPI), Products and Campaigns Head is responsible for the selection and evaluation of social projects, with the Business Banking Segment Head or the Business Banking Marketing, SPPI, Products and Campaigns Head providing final approval. BPI follows its General Policy and Governing Principles on Responsible Lending to identify and mitigate environmental and social risks. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS - BPI's Sustainable Funding Committee will track, monitor and manage proceeds using an internal register. Pending full allocation, unallocated proceeds will be temporarily held in cash, cash equivalents or transferred to other entities within the BPI Group, as per BPI's liquidity management policies, and will be fully allocated within 36 months of issuance. Sustainalytics considers this to be in line with market practice.



REPORTING BPI will report on allocation of proceeds annually until full allocation on its website or as part of BPI's Annual Integrated Report. The allocation report will include lists of eligible environmental and social projects, allocated amounts, and the remaining balance of unallocated proceeds. Where feasible, BPI will report on impact, including at least one performance indicator for each use of proceeds category. Sustainalytics views BPI's allocation and impact reporting commitments to be in line with market practice.

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

These standards provide guidance to issuers and communicate more specifically on what issuers should do to issue credible green, social and sustainability bonds in ASEAN countries. Sustainalytics is of the opinion that the eligible use of proceeds categories under the Bank of the Philippine Islands Sustainable Funding Framework align with the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards.



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Issuer Location	Makati City, Philippines

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¹ Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Green Buildings, and Small, Medium and Micro-Enterprises Lending

² This document updates the Second-Party Opinion dated June 2020.

Introduction

Bank of the Philippine Islands (“BPI” or “the Bank”) is a universal bank that provides financial products to retail and corporate clients in the Philippines. Together with its subsidiaries (“BPI Group”), the Bank operates in three segments: Consumer Banking, Corporate Banking and Investment Banking. BPI was founded in 1851 and has a total of 19,522 employees as of 2023.³

BPI’s Bank of the Philippine Islands Sustainable Funding Framework dated August 2024 (the “Framework”) updates a previous framework of the Bank dated May 2020.⁴ The Bank intends to use the Framework to issue green, social and sustainability bonds or loans, and use the proceeds to finance or refinance, in whole or in part, existing or future projects intended to contribute to positive environmental and social outcomes and advance the bank’s sustainability goals in the Philippines.

The Framework defines eligibility criteria under the following environmental categories:

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

The Framework defines eligibility criteria under the following social category:

1. Small, Medium and Micro-Enterprises Lending

BPI engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),⁵ Green Loan Principles 2023 (GLP), Social Loan Principles 2023 (SLP),⁶ the ASEAN Green Bond Standards (AGBS),⁷ the ASEAN Social Bonds Standards (ASBS)⁸ and the ASEAN Sustainability Bonds Standards.⁹ The Framework will be published in a separate document.¹⁰

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent¹¹ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

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

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA, ASEAN Green, Social, and Sustainability Bonds Standards.

³ BPI, “2023 Integrated Report”, at: <https://www.bpi.com.ph/about-bpi/investor-relations/integrated-reports>

⁴ BPI, “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>

⁵ The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁶ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁷ 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

⁸ 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>

⁹ 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>

¹⁰ The Bank of the Philippine Islands Sustainable Funding Framework is available on BPI’s website at: <https://www.bpi.com.ph/about-bpi/sustainability/funding-framework>

¹¹ 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.

- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

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 and 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 potential allocation of proceeds but does not guarantee the realised 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 favour 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 Second-Party Opinion.

Sustainalytics' Opinion

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

Sustainalytics considers the Bank of the Philippine Islands Sustainable Funding Framework to be credible, impactful and aligned with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Renewable Energy and Energy Efficiency, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Green Buildings, Small, Medium and Micro-Enterprises Lending – are aligned with those recognized by the GBP, SBP, GLP, SLP, ASEAN SUS, GBS and SBS.¹²
 - BPI has defined a 30-month look-back period for the refinancing of loans under the Framework, which Sustainalytics considers to be aligned with market practice.
 - Under the Renewable Energy category, BPI may finance or refinance the acquisition, development, construction, operation, renovation or maintenance of renewable energy generation projects, including:
 - Solar photovoltaic projects.
 - On-shore wind projects.
 - Geothermal projects with direct emissions below 100 gCO₂/kWh.
 - Run-of-river hydropower facilities without any pondage or artificial reservoir.

¹² Sustainalytics' Second-Party Opinion applies only to the information expressly mentioned in the Framework or communicated by BPI to Sustainalytics up to the Evaluation Date.

- Each new hydropower project will undergo an environmental and social impact assessment conducted by a credible body to ensure that no significant environmental and social risks, negative impacts or controversies have been identified. BPI will exclude new hydropower projects involved in significant environmental or social controversies.
 - Development, operation and maintenance of transmission and distribution (T&D) networks and smart grid projects aimed at connecting renewable energy production units to the general network. The expenditures intended to be financed under this activity may include overground T&D lines, conductors, insulators, transmission lines on high-voltage interconnected systems, distribution systems and distributed assets, including fuses, circuit breakers, disconnectors, reactors, capacitors and transformers. In relation to these activities, BPI has confirmed that:
 - The investments are intended towards: i) exclusively connecting renewable energy to the power grid; and ii) supporting or integrating at least 90% renewable energy.
 - BPI has confirmed to Sustainalytics that it will exclude financing of new T&D network connected to fossil fuel power plants.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category, BPI may finance or refinance development, manufacturing, installation or maintenance of equipment and technology projects that achieve a minimum 15% of energy efficiency improvements, as compared to the pre-retrofit baseline. The expenditures may include:
 - End user energy efficiency products or equipment such as LEDs, smart lighting, building management systems, HVAC systems, and high efficiency motors.
 - Energy-efficient components for T&D infrastructure and smart grids technologies, including communications and sensor technologies, such as wide area monitoring system (WAMS) components and measurement equipment, smart meters used for measuring electricity consumption, monitoring and control automation devices, and big data or computing platforms.
 - BPI has confirmed the exclusion of financing transmission lines that are directly connected to fossil fuel power plants.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Sustainable Water Management category, BPI may finance or refinance investments aimed at designing, development, acquisition, upgrade and maintenance of activities, including:
 - Wastewater collection and treatment systems.
 - Integrated water management and water efficiency systems, including water supply systems, efficient water distribution technologies and management practices, and projects aimed at managing, protecting and restoring the health of aquifers.
 - Sustainable urban drainage systems, including expenditures pertaining to mains rehabilitation, leakage prevention and sewer networks.
 - BPI has confirmed to Sustainalytics that the Framework will exclude financing of: i) treatment of wastewater from fossil fuel operations; ii) treatment facilities or systems powered by fossil fuel; and iii) systems and treatment facilities dedicated to controversial activities having harmful social or environmental impacts.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under Pollution Prevention and Control, the Bank intends to finance or refinance waste collection and upcycling projects as well as projects aimed at sorting and processing of waste.
 - The Bank has confirmed that financing may include projects which: i) ensure products are being put back to their original use with minimal pre-processing; and ii) support source segregation of waste.
 - The Framework excludes financing related to refurbishment, reconditioning and repair of products for the use in extraction of fossil fuels or that inherently rely on fossil fuel.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under Green Buildings, the Bank may finance or refinance development, acquisition and renovation of residential, public and commercial properties according to the following criteria:

- Buildings that have or will receive: i) a design stage certification; ii) a post-construction certification; or iii) an in-use certification from any of the following building certification schemes at the defined threshold level or better:
 - LEED Gold¹³
 - EDGE Certified¹⁴
 - BERDE 4 stars or above¹⁵
 - Sustainalytics considers expenditures towards these activities and the levels selected to be aligned with market practice. Furthermore, the Bank also intends to finance buildings with additional green building certifications. Sustainalytics notes that it is market expectation to specify all eligible schemes and certifications and encourages BPI to report on the specific schemes and certifications it intends to use.
- Under Small, Medium and Micro-Enterprises Lending, BPI may finance or refinance micro, small and medium-sized enterprises (MSMEs) as defined by the Bangko Sentral ng Pilipinas,¹⁶ focusing on MSMEs impacted by natural disasters and pandemics, such as Covid 19. Sustainalytics recognizes the importance of supporting MSMEs in the Philippines and considers BPI's targeted approach to be socially impactful.
- The Framework excludes financing towards fossil fuel related assets and activities as well as activities related to alcohol, gambling, tobacco and weaponry from its green, social and sustainability issuances.
- Project Evaluation and Selection:
 - BPI's Sustainable Development Finance Team (SDF) supported by technical consultants, is responsible for identifying, evaluating and nominating potential green projects. The final approval of these projects is executed by the SDF Team Head.
 - BPI's Business Banking Marketing, Systems Planning and Product Integration (SPPI), Products and Campaigns Head is responsible for identifying, evaluating and nominating potential eligible social projects. Final approval of eligible social projects is given by either the Business Banking Segment Head or the Business Banking Marketing, SPPI, Products and Campaigns Head.
 - The Bank has established policies and processes to identify and manage environmental and social risks associated with the eligible projects. As part of its General Policy and Governing Principles on Responsible Lending, all loan proposals undergo thorough credit evaluation to assess and mitigate potential risks.¹⁷ Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with the requirements of GBP and SBP. For additional detail see Section 2.2.
 - Based on the established process for project selection and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - BPI's Sustainable Funding Committee will track, monitor and manage the proceeds using an internal register.
 - Pending full allocation, unallocated proceeds will be temporarily held in cash, cash equivalents or transferred to other entities within BPI Group as per BPI's internal liquidity management policies, and will be fully allocated within 36 months of issuance. The Bank has confirmed that unallocated proceeds will not be invested in carbon-intensive assets.
 - BPI has confirmed to Sustainalytics that: i) the loans issued under the Framework are or will be typically single-tranche long-term loans and not revolving credit facilities; and ii) in case of multi-tranche facilities, only the tranches meeting the Framework criteria will be labelled as green or social.
 - Based on the management of proceeds process, and disclosure of the temporary use of proceeds, Sustainalytics considers the process to be in line with the market practice.

¹³ LEED: <https://www.usgbc.org/leed>

¹⁴ EDGE: <https://edge.gbci.org/>

¹⁵ BERDE: <https://berdeonline.org/>

¹⁶ BPI uses the definition of MSME of the Philippines' central bank.

Bangko Sentral ng Pilipinas, "Circular No. 625", (2008), at: <https://www.bsp.gov.ph/Regulations/Issuances/2008/c625.pdf>

¹⁷ The potential E&S risks identified by the Bank for the eligible projects include environmental pollution, loss of biodiversity, hazard to human health, safety and security concerns, involuntary resettlement, and harm to indigenous communities and cultural heritage.

- Reporting:
 - BPI commits to report on the allocation and impact of proceeds annually until full allocation and in event of material changes thereafter, on its website or as part of BPI’s Annual Integrated Report.
 - 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.
 - Impact reporting, where feasible, may include performance indicators such as GHG emissions reduced or avoided (in CO₂e), annual energy savings (in kWh, MWh or GWh), reduction in energy demand, level of certification achieved by green buildings, number of waste processed in the facility (in tonnes), annual volume of wastewater treated or avoided (in litres or m³), number and amount of loans made to MSMEs, among others.
 - Based on the commitments to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the BPI Sustainable Funding Framework aligns with Sustainability Bond Guidelines and the four core components of the GBP, SBP, GLP and SLP.

Alignment with ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018

The ASEAN SUS, GBS and SBS provide guidance to issuers and communicate more specifically what issuers should do to issue credible green, social and sustainability bonds in ASEAN countries. Sustainalytics is of the opinion that the Framework aligns with the ASEAN SUS, GBS and SBS. See Appendix 1: Alignment with the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards.

Section 2: Sustainability Strategy of BPI

Contribution to BPI’s sustainability strategy

Established in 2021, BPI’s Sustainability Agenda integrates sustainability principles into the Banks’ strategic objectives, corporate governance and risk management frameworks.¹⁸ BPI’s business strategy, risk management practices and operational processes all include ESG considerations.¹⁹ BPI’s approach to sustainability is guided by two pillars: i) responsible banking; and ii) responsible operations, which integrates sustainability initiatives with economic viability.²⁰

In terms of climate resilience, the Bank invests in renewable energy, energy efficiency, climate resilience and sustainable agriculture projects under its Sustainable Development Finance (SDF) Program. As of 2023, the Bank reported a cumulative disbursement of PHP 277 billion (USD 5 billion) towards renewable energy projects. In addition, BPI Group has committed to reduce its outstanding loans to coal power generation by 50% of its year-end 2020 exposure by 2026, and fully phase out such exposure by 2032.²¹ Further, BPI has set goals to reduce its carbon footprint and align its operations with the global transition towards a low-carbon economy.²²

In addition to its environmental commitments, BPI is focused on promoting financial inclusion as a key component of its sustainability strategy and integrates it in its lending portfolio to enhance access to financial services for underserved communities, particularly in rural areas.²³ In 2023, the Bank launched various initiatives to enhance access to financial services aimed at environmental and social based lending: i) the Green Bond Deal with the International Finance Corporation, investing USD 250 million in green bonds to finance eligible green assets; ii) the PHP 20 billion (USD 350 million) RISE bonds for MSMEs;²⁴ and iii) and the PHP 10 billion (USD 175 million) Green Saver time deposits aimed at financing projects with environmental

¹⁸ Ibid.

¹⁹ BPI, “Integrated Report”, (2023), at: <https://www.bpi.com.ph/about-bpi/investor-relations/integrated-reports>

²⁰ Ibid.

²¹ Ibid.

²² BPI, “Sustainability Agenda”, at: <https://www.bpi.com.ph/about-bpi/sustainability/agenda>

²³ BPI, “Integrated Report”, (2023), at: <https://www.bpi.com.ph/about-bpi/investor-relations/integrated-reports>

²⁴ The BPI RISE Bonds were issued under the Bank’s Php 100 Bn Bond Program, approved by its Board of Directors on May 18, 2022. The BPI RISE Bonds bear an interest rate of 5.75% p.a., payable quarterly, and are currently tradable on the Philippine Dealing & Exchange Corp.

BPI, “BPI Upsizes BPI RISE Bonds Offer to Php 20.3 billion, Completes Issue”, at: <https://www.bpi.com.ph/about-bpi/news/bpi-upsize-bpi-rise-bonds-offer-to-php-20bn-completes-issue>

benefits.²⁵ BPI's SDG-related corporate and SME outstanding portfolio increased by 9.39% between 2022 and 2023, representing a cumulative investment of PHP 827 billion (USD 14.5 billion), and accounting for 52% of the total portfolio. Further, in 2023, BPI disbursed i) PHP 24 billion (USD 4.3 billion) in new loans under its SDF Program, financing renewable energy, energy efficiency, green buildings, and sustainable agriculture projects; ii) PHP 198 billion (USD 35 billion) in new agribusiness loans; and iii) PHP15 billion (USD 2.6 billion) in new microfinance loans through BPI BankO, serving approximately 213,000 SEMEs.²⁶

Sustainalytics is of the opinion that the Bank of the Philippine Islands Sustainable Funding Framework is aligned with the Bank's overall strategy and initiatives and will further BPI's efforts to address its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to generate positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include environmental and social risk management for credit lending; land use and biodiversity issues associated with infrastructure development; effluents and waste generated in construction; predatory lending; business ethics; and community relations.

Sustainalytics is of the opinion that BPI is able to manage or mitigate potential risks through implementation of the following:

- BPI has adopted an Environmental Risk Assessment (ERA) tool to assess and mitigate physical climate and environmental risks associated with its lending and investment activities as well as its administrative operations.²⁷ The ERA tool also utilizes the Philippine government's risk assessment tool for natural hazards - Hazard Hunter PH system of DOST-PHIVOLCS.²⁸
- BPI established an environmental and social ("E&S") due diligence requirement for its investment portfolio in 2023, under which, the assessment focuses on these areas: i) environmental pollution; ii) loss of biodiversity; iii) hazard to human health; iv) workplace safety and security concerns; v) involuntary resettlement; and vi) harm to indigenous communities and cultural heritage. Furthermore, BPI adheres to governing laws and regulations related to effluents and waste generated during construction.²⁹ Additionally, the sustainability initiatives of the Bank's corporate clients are assessed as part of credit evaluation.²⁹ The Bank's E&S screening also extends to business activities in the Philippines Protected Areas to mitigate negative impacts on cultural, historical or other places protected by national laws or international treaties.³⁰ Further, BPI ensures that all loans under the green or social finance portfolio comply with national, local and environmental laws, as applicable.³¹
- With respect to Predatory Lending, the Bank adheres by Bangko Sentral ng Pilipinas' (BSP) circular³² to take into account customers' needs, as well as their financial and risk profiles while offering their products and services. The BSP Circular No. 1133 addresses risks related to predatory lending through several key measures. It mandates that all covered institutions adopt a Fair Treatment of Consumers (FTC) policy, ensuring transparency and fairness in dealing with clients. The circular requires lenders to provide clear, accurate and timely information about loan terms, fees and interest rates. Additionally, it requires lenders to assess the borrower's capacity to repay to mitigate over-indebtedness.
- Regarding risks related to business ethics, the Bank has a Money Laundering, Terrorism and Proliferation Financing Prevention Program (MTPP) to mitigate money laundering and terrorism financing. The MTPP complies with the Philippine's Anti Money Laundering Act (AMLA),³³ the Terrorism Financing Prevention and Suppression Act (TFPSA)³⁴ and Part 9 of the Manual of

²⁵ Ibid.

²⁶ Ibid.

²⁷ BPI, "BPI Environmental Risk Assessment", at: <https://www.bpi.com.ph/about-bpi/sustainability/environment-risk-assessment>

²⁸ HazardHunterPH, at: <https://hazardhunter.georisk.gov.ph/>

²⁹ BPI, "2023 Integrated Report", at: <https://www.bpi.com.ph/about-bpi/investor-relations/integrated-reports>

³⁰ Ibid.

³¹ Bank of the Philippine Islands Sustainable Funding Framework

³² Bangko Sentral ng Pilipinas, "Circular No 1133", at: <https://www.bsp.gov.ph/Regulations/Issuances/2021/1133.pdf>

³³ Government of the Philippines, "Anti-Money Laundering Council", at: <http://www.amlc.gov.ph/laws/money-laundering/2015-10-16-02-50-56/republic-act-9160>

³⁴ Government of the Philippines, "Anti-Money Laundering Council – Republic Act No 10168", at: <http://www.amlc.gov.ph/laws/terrorism-financing/2015-10-16-02-51-58>

Regulations for Banks (MORB).³⁵ Additionally, the Bank has a Code of Conduct in place which includes policies such as Insider Trading Policy, Whistleblower Policy and the Anti-Bribery and Anti-Corruption Policy.³⁶ The Bank provides annual training on these policies for all its employees.

- Regarding community relations, BPI relies on stakeholder engagement to develop partnerships with stakeholders, enhance community participation and use stakeholders' insights to understand risks and opportunities relevant to its operations.³⁷ Further, BPI's CSR implements financial wellness and sustainability programmes through the BPI Foundation and BPI Bayan programmes for local communities.³⁸

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 use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP, SLP, ASEAN SUS, GBS or SBS. Sustainalytics has focused on one below where the impact is specifically relevant in the local context.

Impact of renewable energy projects in the Philippines

Energy demand in Southeast Asia has increased by an average of 3% a year over the past two decades – a trend expected to continue to 2030.³⁹ Fossil fuels still dominate the region's energy mix, making up 83% of it in 2020 compared to the 14.2% share of renewables.⁴⁰ Considering the current policies of countries in the region, the IEA estimates that approximately 75% of the increase in energy demand up to 2030 will be met by fossil fuels, leading to a 35% increase in CO₂ emissions.⁴¹ In the Philippines, energy consumption has been growing at a rate of 4% annually since 2020.⁴² In 2022, the Philippines derived nearly 77% of its energy from fossil fuels: 46.3% from coal, 18.4% from oil, 12.7% from gas and 22.6% from renewable energy sources, such as hydropower, bioenergy, solar and wind.⁴³ Due to the reliance on fossil fuels, 58% of the Philippines' carbon emissions come from the energy sector.⁴⁴ As of 2023, oil and coal continue to be the primary sources of energy in the Philippines at 0.93 and 0.88 exajoules respectively.⁴⁵

The Philippines ratified the Paris Agreement in March 2017 and updated its Nationally Determined Contribution in April 2021 to raise the country's ambition of limiting its GHG emissions to 75% of its business-as-usual projection for 2030.⁴⁶ In 2020, the Philippines' government proposed a new National Renewable Energy Program 2020-2040 to advance the country's efforts in decarbonizing its energy mix and meeting future energy needs, including a target to increase the share of renewable energy in the power generation mix to 50% by 2040.⁴⁷ Achieving the 2040 target would require nearly 74 GW of additional renewable energy capacity and approximately PHP 18 billion (USD 323 million) in predevelopment renewable energy investments.⁴⁸

³⁵ Bangko Sentral ng Pilipinas, "Part Nine – Anti Money Laundering Regulations", at: <https://morb.bsp.gov.ph/part-nine/>

³⁶ BPI, "Integrated Report", (2023), at: <https://www.bpi.com.ph/about-bpi/investor-relations/integrated-reports>

³⁷ BPI, "Integrated Report", (2023), at: <https://www.bpi.com.ph/about-bpi/investor-relations/integrated-reports>

³⁸ Ibid.

³⁹ IEA, "Southeast Asia Outlook 2022", at: <https://iea.blob.core.windows.net/assets/e5d9b7ff-559b-4dc3-8faa-42381f80ce2e/SoutheastAsiaEnergyOutlook2022.pdf>

⁴⁰ ASEAN Centre for Energy, "The 7th ASEAN Energy Outlook 2020-2050", (2022), at: <https://asean.org/wp-content/uploads/2023/04/The-7th-ASEAN-Energy-Outlook-2022.pdf>

⁴¹ IEA, "Southeast Asia Outlook 2022", (2022), at: <https://iea.blob.core.windows.net/assets/e5d9b7ff-559b-4dc3-8faa-42381f80ce2e/SoutheastAsiaEnergyOutlook2022.pdf>

⁴² Enerdata, "Philippines Energy Information", at: <https://www.enerdata.net/estore/energy-market/philippines/>

⁴³ Ritchie, H. et al. (2023), "Philippines: Energy Country Profile", Our World Data, at: <https://ourworldindata.org/energy/country/philippines#how-much-of-the-country-s-energy-comes-from-fossil-fuels>

⁴⁴ OECD, "Clean Energy Finance and Investment Roadmap of the Philippines", (2024) at: <https://www.oecd.org/finance/clean-energy-finance-and-investment-roadmap-of-the-philippines-7a13719d-en.htm>

⁴⁵ Statista, "Primary energy consumption in the Philippines in 2023, by fuel type", at: <https://www.statista.com/statistics/1268062/philippines-primary-energy-consumption-by-fuel-type/#:~:text=The%20primary%20energy%20consumption%20in,by%20coal%20at%200.88%20exajoules.>

⁴⁶ UNFCCC, "Republic of the Philippines Nationally Determined Contribution Communicated to the UNFCCC on 15 April 2021", (2021), at: <https://unfccc.int/sites/default/files/NDC/2022-06/Philippines%20-%20NDC.pdf>

⁴⁷ Government of the Philippines, "2020-2040 Philippine Energy Plan", at: https://www.doe.gov.ph/sites/default/files/pdf/pep/PEP%202022-2040%20Final%20eCopy_20220819.pdf?withshield=1

⁴⁸ Ibid.

Given the importance of expanding renewable energy and reducing the Philippines' dependency on fossil fuels, Sustainalytics considers that BPI's investment in renewable energy projects is expected to help contribute to the country's renewable energy goals and climate targets.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Bank of the Philippine Islands Sustainable Funding Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
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	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.
		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	12. Responsible Consumption and Production	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, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	11. Sustainable Cities and Communities	11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials
Small, Medium and Micro Enterprises Lending	8. Decent Work and Economic Growth	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
	9. Industry, Innovation and Industries	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

Conclusion

BPI has developed the Bank of the Philippine Islands Sustainable Funding Framework under which it may issue green, social, sustainability bonds and loans, and use the proceeds to finance or refinance projects in Renewable Energy, Renewable Energy and Energy Efficiency, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Green Buildings, Small, Medium and Micro-Enterprises Lending. Sustainalytics considers that the eligible projects are expected to provide positive environmental and social impacts.

The Bank of the Philippine Islands Sustainable Funding Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Bank of the Philippine Islands Sustainable Funding Framework is aligned with the overall sustainability strategy of BPI and that the use of proceeds will contribute to advance the UN Sustainable Development Goals 6, 7, 8, 9, 11 and 12. Additionally, 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.

Based on the above, Sustainalytics is confident that BPI is well positioned to issue green, social, sustainability bonds and loans, and that the Bank of the Philippine Islands Sustainable Funding Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023, Social Loan Principles 2023, ASEAN Sustainability Bond Standards 2018 (ASEAN SUS), ASEAN Green Bond Standards 2018 (GBS) and ASEAN Social Bond Standards 2018 (SBS).

Appendix

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

ASEAN Sustainability Bond Standards' Components	Alignment with ASEAN SUS, GBS and SBS	Sustainalytics' Comments
Eligibility	Aligned	<p>The ASEAN SUS, GBS and SBS require that issuers be in or that the proceeds be directed to assets in an ASEAN country.</p> <p>As a Philippine-based institution, BPI meets this requirement.</p>
Use of Proceeds	Aligned	<p>The ASEAN SUS, GBS and SBS require specific clarifications for the exclusion of fossil fuel power generation projects and projects that involve activities that generate negative social impacts, such as those related to adult entertainment, alcohol, gambling, tobacco products and weapons.</p> <p>The Framework has a list of exclusions covering these activities. See Section 1 above.</p>
Process for Project Evaluation and Selection	Aligned	<p>The ASEAN SUS, GBS and SBS require that information regarding project selection and evaluation be clearly communicated to investors before issuance.</p> <p>BPI's Sustainable Development Finance Team (SDF) handles the selection and evaluation of green projects, with final approval by the SDF Head. The Business Banking Marketing, Systems Planning and Product Integration (SPPI), Products, and Campaigns Head is responsible for identifying, evaluating, and nominating social projects, with final approval granted by either the Business Banking Segment Head or the Business Banking Marketing, SPPI, Products, and Campaigns Head. BPI follows its General Policy and Governing Principles on Responsible Lending to identify and mitigate environmental and social risks.</p>
Management of Proceeds	Aligned	<p>The ASEAN SUS, GBS and SBS mandate that proceeds must be appropriately tracked and that temporary investments be disclosed.</p> <p>BPI has established an internal register to track and monitor the allocation and use of proceeds. Pending full allocation, the unallocated proceeds will be temporarily held in cash or cash equivalents, or transferred to other entities within the BPI Group, as per BPI's internal liquidity management policies and will be fully allocated within 36 months of the issuance.</p>
Reporting	Aligned	<p>The ASEAN SUS, GBS and SBS recommend annual reporting on the allocation of funds and the expected impacts.</p> <p>BPI commits to report on allocation and impacts of proceeds annually until full allocation and in event of material changes thereafter, on its website or 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 feasible, impact reporting will include at least one performance indicator for each use of proceed category. Sustainalytics views BPI's allocation and impact reporting commitments to be in line with market practice.</p>
External Review	Aligned	<p>The ASEAN SUS, GBS and SBS encourages, but does not require, external review.</p> <p>For each green, social, and sustainability bond or loan issuance, BPI may engage an external auditor to provide independent verification on reporting and management of proceeds in accordance with the Bank of the Philippine Islands Sustainable Funding Framework.</p>

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