**Second-Party Opinion**

**Bank of the Philippine Islands Green Finance Framework**

**Evaluation Summary**

Sustainalytics is of the opinion that the Bank of the Philippine Islands Green Finance Framework is credible and impactful and aligns with the components of the Green Bond Principles 2018, the Green Loan Principles and the ASEAN Green 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 & Wastewater Management, (iv) Pollution Prevention & Control, (v) Green Buildings are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that the Eligible Green Projects will contribute to the reduction of the Philippines’ environmental footprint and advance the UN Sustainable Development Goals 6, 7, 9, 11 and 12.

**PROJECT EVALUATION / SELECTION** BPI’s Sustainable Energy Finance and Specialized Lending Unit Team (together “SEF/SLT”) are responsible for the initial project selection. All selected projects are to be approved by the SEF/SLT Head and Vice Chairman of the Green Finance Committee (“GFC”), while the latter committee convenes semi-annually in order to evaluate alignment with eligibility criteria. This process is in line with market practices.

**MANAGEMENT OF PROCEEDS** BPI 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. Sustainalytics views this process as aligned with market practices.

**REPORTING** BPI has committed to disclose an annual allocation report as part of BPI’s Integrated Annual and Sustainability Report. The (i) allocation report will include the list of Eligible Green Projects, allocated amounts and the remaining unallocated proceeds. Where relevant and feasible, BPI will disclose (ii) impact reporting on the environmental outcomes of Eligible Green Projects through a series of KPIs tailored for each Eligible Green Project Category, as part of the same BPI Integrated Annual and Sustainability Report. 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 the ASEAN Green Bond Standards**

The ASEAN Green Bond Standards provide guidance to issuers and communicate more specifically about what an issuer should do to issue credible green bonds within Southeast Asia. Sustainalytics is of the opinion that the Eligible Green Project Categories under the Bank of the Philippine Islands Green Finance Framework align with the ASEAN Green 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 Green Finance Framework (the "Framework") under which it intends to issue green bonds and green loans and use the proceeds to finance and/or refinance in whole or in part, existing and/or future projects that will deliver positive environmental outcomes and which advance the company’s sustainability mission. The Framework defines eligibility criteria in five areas:

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

BPI engaged Sustainalytics to review the Bank of the Philippine Islands Green Finance Framework dated May 2019 and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 ("GBP")1 and the Green Loan Principles ("GLP")2, as well as the ASEAN Green Bond Standards (AGBS)3. This Framework has been published in a separate document.4

As part of this engagement, Sustainalytics exchanged information 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 BPI’s green bonds and green loans. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Bank of the Philippine Islands Green Finance Framework and should be read in conjunction with that Framework.

---

1 The Green Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/
3 The ASEAN Green Bond Standards are administered by the ASEAN Green Bond Standards, and are available at: http://www.theacmf.org/ACMF/upload/ASEAN_Green_Bond_Standards.pdf
4 The Bank of the Philippine Islands Green Finance Framework is available on BPI’s website at: https://www.bpi.com.ph/
Section 1: Sustainalytics’ Opinion on the Bank of the Philippine Islands Green Finance Framework

Summary

Sustainalytics is of the opinion that the Bank of the Philippine Islands Green Finance Framework is credible and impactful, and aligns with the components of the GBP, GLP and AGBS. Sustainalytics highlights the following elements of the Bank of the Philippine Islands Green Finance Framework.

Use of Proceeds:

- The Bank of the Philippine Islands intends to finance projects aligned with the Green Finance Framework categories—(i) Renewable Energy, (ii) Energy Efficiency, (iii) Sustainable Water & Wastewater Management, (iv) Pollution Prevention and Control, (v) Green Buildings. These categories are recognized as impactful by the GBP, GLP and AGBS. Sustainalytics believes that the Eligible Green 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.
- Sustainalytics positively notes that the net proceeds of any BPI Green Bond and/or Loan will not be used towards financing and/or refinancing of fossil fuel related assets and activities aligned with the AGBS.
- BPI limits refinancing to financing originally made within two and a half years of the issue date of each relevant Green Bond, which is aligned with market practice. BPI does not disclose a period in which it intends to allocate the full Use of 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, indicating a strong alignment with both local and green finance market standards. Sustainalytics made an assessment of 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 confirmed to Sustainalytics that its waste management projects follow the waste hierarchy.

Project Selection Process:

- BPI’s project evaluation and selection process is executed through the Sustainable Energy Finance and Specialized Lending Unit Team (“SEF/SLT”) responsible for the initial identification, evaluation and nomination of potential projects. Final sign-off is to be performed by the SEF/SLT Head along with the Vice-Chairman of the Green Finance Committee, which meets semi-annually to validate compliance of the projects with the initial eligibility criteria. Sustainalytics assesses this process to be aligned with market practices.

Management of Proceeds:

- 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 bond transaction details along with Eligible Green 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 Sustainability Report. The (i) allocation reporting will include information relative to the list of approved Eligible Green 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 the (ii) impact reporting, 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 CO₂e), 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. 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 Green Bond Principles 2018, Green Loan Principles and ASEAN Green Bond Standards**

Sustainalytics has determined that BPI’s green bonds and green loans align to the components of the GBP, GLP and AGBS 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

The AGBS provide guidance to issuers and communicate more specifically what an issuer should do to issue a credible green bond within Southeast Asia. Sustainalytics is of the opinion that the Bank of the Philippine Islands Green Finance Framework aligns with the AGBS. See Appendix 1: Alignment to the AGBS.

### Section 2: Sustainability Performance of the Issuer

#### Contribution of the framework to the issuer’s sustainability mandate

BPI has confirmed to Sustainalytics that the company has committed to support and integrate sustainability finance into its core banking operations and investments. BPI has invested in renewable energy projects, energy efficiency projects and green buildings projects through (i) loans, (ii) leasing operations, and (iii) trade finance. Sustainalytics highlights that BPI has already allocated around PHP 125 billion (USD around 2.4 billion) in cumulative disbursements to its Energy and Climate Resilience Portfolio strictly to renewable energy, energy efficiency and climate resilience projects. Similarly, BPI confirmed to Sustainalytics that the company implemented a 15% energy efficiency target based on the ESCO standards in the Philippines, without however offering a timeline on the delivery of the environmental objective. As such, Sustainalytics considers BPI to be well positioned to issue green bonds and loans and believes that green bond/loan issuance can help advance the Bank’s sustainability strategy.

#### 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, GLP and AGBS, 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 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.
- Additionally, all eligible projects financed are required to submit (ii) an Environmental Clearance Certificate or a Certificate of Non-Coverage (or similar) issued by the respective regional office of the Philippines Department of Environmental & Natural Resources.

Sustainalytics is of the opinion that BPI’s loan screening process helps the company to mitigate environmental risks related to the Use of Proceeds and encourages BPI to also include screening of social aspects.

### Section 3: Impact of Use of Proceeds

All five use of proceeds categories are recognized as impactful by GBP. Sustainalytics has focused on three below where the impact is specifically relevant in local context.

---

5 BPI 2018 Integrated Annual and Sustainability Report available at: [https://www.bpi.com.ph/about/investor-relations/annual-reports](https://www.bpi.com.ph/about/investor-relations/annual-reports)
8 Website available at: [https://www.denr.gov.ph/](https://www.denr.gov.ph/)
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% from hydropower sources, and the remaining 10% from geothermal sources. 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.\(^9\)

Separately, according to studies conducted by the International Finance Corporation, buildings in the Philippines consumed 36% of the country’s electricity and accounted for more than 25% of the total GHG emissions, as of 2018,\(^12\) mostly due to insufficient energy efficiency standards. However, the country outlined the Philippines Energy Efficiency Roadmap 2017 – 2040,\(^13\) implementing 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, 58% of the groundwater is contaminated.\(^14\) 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 the capital city and second largest metropolitan region in the Philippines, the Metropolitan Manila, only 11% of the 14 million inhabitants are connected to a sewerage system,\(^15\) 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 by 165% from 2012 to 2020 to 77,776 tonnes per day from an estimated 29,315 tonnes (2012) largely due to a projected 47.3% increase in local urban populations, as well as a projected doubling of municipal solid waste generation per capita.\(^16\) The Ecological Solid Waste Management Act of 2000 dictates that all open dumpsites must be converted into sanitary landfills by 2006,\(^17\) there are still more than 425 illegal dumpsites across the country, while the 139 sanitary landfills in operation handle waste streams from just 308 of the 1,634 local government

---


\(^11\) Climate Action Tracker Philippines; accessed December 2018; https://climateactiontracker.org/countries/philippines/


units. 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. 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.

**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 green bond advances the following SDG goals and targets:

<table>
<thead>
<tr>
<th>Use of Proceeds Category</th>
<th>SDG</th>
<th>SDG target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy</td>
<td>7.</td>
<td>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainable Water &amp; Wastewater Management</td>
<td>6.</td>
<td>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.</td>
</tr>
<tr>
<td>Pollution Prevention &amp; Control</td>
<td>11.</td>
<td>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. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</td>
</tr>
<tr>
<td>Green Buildings</td>
<td>9.</td>
<td>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, with all countries taking action in accordance with their respective capabilities.</td>
</tr>
</tbody>
</table>

**Conclusion**

Bank of the Philippine Islands has developed the Bank of the Philippine Islands Green Finance 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 and (v) Green Buildings. Sustainalytics is of the opinion that BPI’s Eligible Green Project Categories have a positive environmental impact and contribute to a reduction of the Philippines’ environmental footprint. Sustainalytics considers that the Framework is aligned with the GBP, GLP and AGA.

BPI’s processes for project selection and evaluation, management of proceeds and reporting are in line with market practices. Additionally, Sustainalytics highlights that BPI uses internationally recognized third-party green building certification schemes such as LEED and IFC’s EDGE scheme.

Based on the above, Sustainalytics considers that the Bank of the Philippine Islands Green Finance Framework is robust, transparent and in alignment with market practices and the GBP, GLP and AGA.

---


## Appendix 1: Alignment to the ASEAN Green Bond Standards

<table>
<thead>
<tr>
<th>ASEAN Green Bond Standards’ Criteria</th>
<th>Alignment with ASEAN GBS</th>
<th>Sustainalytics’ comments on alignment with the ASEAN Green Bond Standards&lt;sup&gt;20&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>Yes</td>
<td>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.</td>
</tr>
<tr>
<td>Use of Proceeds</td>
<td>Yes</td>
<td>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’.</td>
</tr>
<tr>
<td>Process for Project Evaluation and Selection</td>
<td>Yes</td>
<td>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 Energy Finance and Specialized Lending Unit Team (together “SEF/SLT”) are responsible for the initial project selection. All selected projects are to be approved by the SEF SLT Head and Vice Chairman of the Green Finance Committee (“GFC”), while the latter committee convenes semi-annually in order to evaluate alignment with eligibility criteria.</td>
</tr>
<tr>
<td>Management of Proceeds</td>
<td>Yes</td>
<td>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.</td>
</tr>
<tr>
<td>Reporting</td>
<td>Yes</td>
<td>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.</td>
</tr>
<tr>
<td>Annual Review</td>
<td>Yes</td>
<td>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.</td>
</tr>
</tbody>
</table>

<sup>20</sup> The ASEAN Green Bond Principles are available at: [http://www.theacmf.org/ACMF/upload/GREENBONDACMF.pdf](http://www.theacmf.org/ACMF/upload/GREENBONDACMF.pdf)
## Appendix 2: Comparison of green building certification schemes

<table>
<thead>
<tr>
<th>LEED²¹</th>
<th>EDGE²²</th>
<th>BERDE²³</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Background</strong></td>
<td>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.</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Certification Levels</strong></td>
<td>Certified Silver Gold Platinum</td>
<td>Certified/ non-certified</td>
</tr>
<tr>
<td><strong>Areas of Assessment: Environmental Project Management</strong></td>
<td>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.</td>
<td>Management is part of the Core Framework of EDGE²⁴</td>
</tr>
<tr>
<td><strong>Areas of Assessment: Environmental Performance of the Building</strong></td>
<td>Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority</td>
<td>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. 2. Building Type and Occupant Use Homes: for both apartments and houses (assumptions for area and occupancy are based on income categories); Hotels: for both hotels</td>
</tr>
</tbody>
</table>

---

²¹ Website available at: [https://new.usgbc.org/leed](https://new.usgbc.org/leed)
²² Website available at: [https://www.edgebuildings.com/marketing/edge/](https://www.edgebuildings.com/marketing/edge/)
²³ Website available at: [https://berdeonline.org/](https://berdeonline.org/)
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., preschool, university or sports facility), as well as occupancy density and hours of use.

3. Design and Specifications
Thermal properties of the building envelope; Window to Wall Ratio; Building Orientation

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.

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Prerequisites (independent of level of certification) + Credits with associated points</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

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 certain number of stars are awarded to the project. The minimum rating for a project
## Performance Display

<table>
<thead>
<tr>
<th>Accreditation</th>
<th>LEED AP BD+C</th>
<th>LEED AP O+M</th>
<th>As of May 2019, accreditation for the EDGE certification was provided by 637 independent EDGE experts worldwide.</th>
<th>Certified BERDE Assessors (CBA) trained and certified by TUV Rheinland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualitative considerations</td>
<td>Widely recognised internationally, and strong assurance of overall quality.</td>
<td>Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.</td>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3 Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

<table>
<thead>
<tr>
<th>Issuer name:</th>
<th>Bank of the Philippine Islands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</td>
<td>[specify as appropriate]</td>
</tr>
<tr>
<td>Review provider’s name:</td>
<td>Sustainalytics</td>
</tr>
<tr>
<td>Completion date of this form:</td>
<td>June 2019</td>
</tr>
<tr>
<td>Publication date of review publication:</td>
<td>[where appropriate, specify if it is an update and add reference to earlier relevant review]</td>
</tr>
</tbody>
</table>

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:

- ☒ Use of Proceeds
- ☒ Process for Project Evaluation and Selection
- ☒ Management of Proceeds
- ☒ Reporting

ROLE(S) OF REVIEW PROVIDER

- ☒ Consultancy (incl. 2nd opinion)
- □ Certification
- □ Verification
- □ Rating
- □ Other (please specify):

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 five eligible use of proceeds categories (i) Renewable Energy, (ii) Energy Efficiency, (iii) Sustainable Water & Wastewater Management, (iv) Pollution Prevention and Control and (v) Green Buildings are aligned with those recognized as impactful by the Green Bond Principles 2018, the Green Loan Principles and the ASEAN Green Bond Standards. Sustainalytics believes that the Eligible Green 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.

**Use of proceeds categories as per GBP:**

- ☒ Renewable energy
- ☒ Energy efficiency
- ☒ Pollution prevention and control
- ☐ Environmentally sustainable management of living natural resources and land use
- ☐ Clean transportation
- ☐ Terrestrial and aquatic biodiversity conservation
- ☐ Climate change adaptation
- ☒ Sustainable water and wastewater management
- ☒ Green buildings
- ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs
- ☐ Other (please specify)

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION
Overall comment on section (if applicable):

BPI’s Sustainable Energy Finance and Specialized Lending Unit Team (together “SEF/SLT”) are responsible for the initial project selection. All selected projects are to be approved by the SEF/SLT Head and Vice Chairman of the Green Finance Committee (“GFC”), while the latter committee convenes semi-annually in order to evaluate alignment with eligibility criteria. This process is in line with market practices.

**Evaluation and selection**

- ☒ Credentials on the issuer’s environmental sustainability objectives
- ☒ Documented process to determine that projects fit within defined categories
3. MANAGEMENT OF PROCEEDS

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 bond transaction details along with Eligible Green 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.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds

Additional disclosure:

- Allocations to future investments only
- Allocation to individual disbursements
- Disclosure of portfolio balance of unallocated proceeds

Additional disclosure (please specify):

- Allocations to both existing and future investments
- Allocation to a portfolio of disbursements
- 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 Integrated Annual and Sustainability Report. The (i) allocation report will include the list of Eligible Green Projects, allocated amounts and the remaining unallocated proceeds. Where relevant and feasible, BPI will disclose (ii) impact reporting on the environmental outcomes of Eligible Green Projects through a series of KPIs tailored for each Eligible Green Project Category, as part of the same BPI Integrated Annual and Sustainability Report. 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.

**Use of proceeds reporting:**
- [ ] Project-by-project
- [X] On a project portfolio basis
- [ ] Linkage to individual bond(s)
- [ ] Other (please specify):

**Information reported:**
- [X] Allocated amounts
- [ ] Green Bond financed share of total investment
- [X] Other (please specify): list of eligible green projects, and the remaining unallocated proceeds.

**Frequency:**
- [X] Annual
- [ ] Semi-annual
- [ ] Other (please specify):

**Impact reporting:**
- [ ] Project-by-project
- [X] On a project portfolio basis
- [ ] Linkage to individual bond(s)
- [ ] Other (please specify):

**Frequency:**
- [ ] Annual
- [ ] Semi-annual
- [X] Other (please specify): irregular, where relevant and feasible

**Information reported (expected or ex-post):**
- [X] GHG Emissions / Savings
- [X] Decrease in water use
- [X] Energy Savings
- [X] 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)
Means of Disclosure

☐ Information published in financial report  ☐ Information published in sustainability report

☐ Information published in ad hoc documents  ☒ Other (please specify): Integrated Annual and Sustainability Report

☐ 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:

☐ Consultancy (incl. 2nd opinion)  ☐ Certification

☐ Verification / Audit  ☐ Rating

☐ Other (please specify):

Review provider(s): Date of publication:

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

i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer’s adviser for its Green 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 Green Bond Principles. In particular, it can include an assessment of the issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental 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 environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally 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 Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognized external green 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 Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as
a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.
Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the “Opinion”) are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings, nor publicly released without the “Green Bond Framework” in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds’ use of proceeds.

The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.
Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world’s leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the “Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the “Largest Approved Verifier for Certified Climate Bonds” by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com