

Bank of the Philippine Islands

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Introduction

In August 2024, the Bank of the Philippine Islands (“BPI”) issued a sustainability bond¹ (the “2024 Sustainability Bond”) and raised PHP 33.7 billion to finance or refinance projects supporting renewable energy generation, energy efficiency and MSME lending. In February 2025, BPI engaged Sustainalytics to review the projects financed with proceeds from the 2024 Sustainability Bond (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether BPI complied with the reporting commitments in the Bank of Philippine Islands Sustainable Funding Framework (the “Framework”).² Sustainalytics provided a Second-Party Opinion on the Framework in August 2024.³

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and BPI’s reporting based on whether they:

1. Meet 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
Renewable Energy	<ul style="list-style-type: none"> Energy Production: solar energy, wind energy, geothermal energy (direct emissions <100 gCO₂/kWh) and run-of-river hydro energy projects (without pondage) Transmission, distribution and smart grid projects: investments in the building, operation and maintenance of electric power distribution, transmission networks and smart metering systems, including but not limited to connecting renewable energy production units to the general network 	<ul style="list-style-type: none"> Greenhouse Gas (GHG) emissions reduced or avoided (tCO₂e)
Energy Efficiency	<ul style="list-style-type: none"> Energy-efficient buildings: refurbishments or renovation of properties in order to improve energy efficiency (at least 15% improvement), including but not limited to: i) lighting, ii) heating, ventilation and air-conditioning (HVAC) systems, iii) high efficiency motors (HEMS), Transmission, distribution and smart grid projects: investments in the building, 	<ul style="list-style-type: none"> Annual energy savings (kWh/MWh/GWh) Reduction in energy demand (%)

¹ The Sustainable, Environmental, and Equitable Development (SEED) Bond, labelled as an ASEAN Sustainable Bond, is the only outstanding sustainability bond issued under the BPI’s Framework.

² BPI, “Sustainable Funding Framework 2024”, (2024), at: <https://www.bpi.com.ph/content/dam/bau/sustainability/sustainability-together/pdfs/2024/BPI%20Sustainability%20Funding%20Framework.pdf>

³ Sustainalytics, “Second-Party Opinion: Bank of the Philippine Islands Sustainable Funding Framework”, (2024), at: <https://www.bpi.com.ph/content/dam/bau/sustainability/sustainability-together/pdfs/2024/Bank%20of%20the%20Philippine%20Islands%20Second%20Party%20Opinion%202024.pdf>

	operation and maintenance of electric power distribution, transmission networks and smart metering systems, including but are not limited to: i) improvement of networks in terms of demand-size management and energy efficiency, ii) communications and sensor technologies, such as wide area monitoring system (WAMS) components and measurement equipment, iii) advanced and smart meters, iv) monitoring and control automation devices and v) big data and/or computing platforms	
MSME Lending	<ul style="list-style-type: none"> Loans that BPI has made to entities doing business as micro, small or medium Enterprises that meet qualifications set by government entities, such as the Bangko Sentral ng Pilipinas (BSP) or the Securities and Exchange Commission (SEC) of the Philippines. MSMEs disadvantaged by disasters triggered by natural hazards and pandemics, such as but not limited to, Covid-19, with significant consequences on the people, public health, infrastructure, assets or the economy 	<ul style="list-style-type: none"> Number of loans to MSMEs Total amount of loans made to MSMEs

Issuer's Responsibility

BPI is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and 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 2024 Sustainability Bond. 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,⁴ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures 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 2024 Sustainability Bond were fully allocated as of August 2024.

⁴ 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

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of projects or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	BPI reported on at least one KPI per use of proceeds category.	None

Appendices

Appendix 1: Allocation of Proceeds

Table 3: Allocation of proceeds from the 2024 Sustainability Bond

Use of Proceeds Category	Sub-Category	Location	Project Description	Amount Allocated (PHP billion)
Renewable Energy	Solar	Luzon	The projects include operation of a 261 MW DC solar power plant, expansion of a 35.38 MWp solar farm, and installation of a 4,336.5 kWp rooftop solar power systems.	10.6
	Hydro	Visayas	This project includes 8MW run-of-river mini hydro power.	0.13
	Solar	Visayas	This project includes installation of a 1.08MWp rooftop solar PV system.	0.03
	Solar	NCR	This project includes installation of 187.6 kWp roof solar PV system.	0.02
	Solar	NCR/Luzon	This project includes installation of a 256.59 kWp solar rooftop system.	0.01
Energy Efficiency ⁵	Energy Efficiency Equipment	NCR	These projects include the construction of cold storage facility with energy efficient refrigeration equipment.	0.29
	Energy Efficiency Equipment	Luzon		0.26
MSME Lending	Micro enterprise	Philippines	These projects include MSME lending in the Philippines region.	0.85
	Small enterprise	Philippines		3.28
	Medium enterprise	Philippines		18.23
Total Allocated Proceeds				33.7
Total Unallocated Proceeds				0
Total Net Proceeds Raised				33.7

⁵ BPI has informed Sustainalytics that the energy efficiency equipment includes energy-efficient refrigeration systems for cold storage facilities, achieving at least a 15% improvement in energy efficiency.

Appendix 2: Reported Impact

Table 4: Reported environmental impact of eligible renewable energy projects from the 2024 Sustainability Bond

Use of Proceeds Category	Sub-Category	Location	GHG Emissions Reduction (in tCO ₂ /year)
Renewable Energy	Solar	Luzon	63,687.83
	Solar	Luzon	2,504.08
	Solar	Luzon	2,504
	Hydro	Visayas	2,343
	Solar	Visayas	306
	Solar	NCR	135
	Solar	NCR/Luzon	135
	Solar	Visayas	124
	Solar	Luzon	37
Total			82,506.45

Table 5: Reported environmental impact of eligible energy efficiency projects from the 2024 Sustainability Bond

Use of Proceeds Category	Location	GHG Emissions Reduction (in tCO ₂ /year)	Energy Savings (vs. baseline value) %	Electricity Savings (in MWh/year)
Energy Efficiency	NCR	141	18%	324
	Luzon	1,661	73%	3,819

Table 6: Reported social impact of eligible MSMEs lending projects from the 2024 Sustainability Bond

Use of Proceeds Category	Sub-Category	Number of MSME Accounts	Number of MSME Customers
MSMEs Lending	Micro enterprise	1,840	1,735
	Small enterprise	1,633	949
	Medium enterprise	3,946	1,219

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