



Partners Through Generations

Rizal Commercial Banking Corporation

Sustainability Bonds Impact Report

December 31, 2020

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## Foreword

Sustainability used to be an abstract concept for many. The COVID-19 global pandemic, which crippled many economies in 2020, has changed this.

Suddenly, investors and shareholders are no longer just looking at the profit side, but also considering the sustainability aspects of a project or business, such as employee health and safety, as well as client welfare and economic viability.

We at RCBC have been embedding sustainability in our business strategies and operational activities. We subscribed to an Environmental and Social Management System in 2011 and developed our Sustainable Finance Framework in 2019. In fact, just months before a global pandemic was declared by the World Health Organization, we received the Titanium Award at The Asset ESG Corporate Awards 2019 – Benchmark Award for Excellence in Environmental, Social and Corporate Governance — proof that sustainability is not a passing issue for RCBC. The RCBC Board of Directors, which I chair, has always been cognizant of its leading role in institutionalizing the adoption of sustainability principles in the Bank's overall strategy.

The COVID-19 pandemic has only further strengthened our resolve to pursue sustainability and raise stakeholder awareness about values and risk on social and environmental aspects.

With six decades of banking service, RCBC takes pride in being our clients' partners through generations. The challenges of 2020 only deepened this role. The health crisis and the ensuing economic crunch have taught us that



**Helen Y. Dee**

**Chairperson of the Board of Directors**

talk means nothing without tangible action. In the world of sustainable finance, taking action means practising responsible lending and that every decision takes into account the sustainability implication.

While the world continues to grapple with unprecedented challenges due to the COVID-19 pandemic and the economic fallout, RCBC remains steadfast in its commitment to sustainability. Our sustainability goals would not take a backseat to our pursuit of profitable growth. In fact, to be a truly sustainable enterprise, we must further strengthen the fabric that binds our corporate culture and DNA with sustainable principles.

Together as one RCBC, we will prevail over the odds.

2020 will go down in history as the year we may not want to remember, but one we will never forget.

As all businesses adapted to the changing needs of their stakeholders brought about by the global pandemic, we at RCBC also saw the importance of upholding sustainable business practices to ensure stability and resilience, by continuing to sharpen our focus on our sustainability efforts.

As a responsible financial institution, we are committed to uphold and respect social and environmental responsibility in all of our business activities. We recognize that balancing non-financial factors such as environmental and social issues with financial priorities is an essential part of being a good corporate citizen, in addition to being fundamental to risk management and the protection of our investors and shareholders. This is the foundation of our Environmental and Social Management System (ESMS) which has been in place since 2011.

In addition to our ESMS, we have embarked on a number of pioneering initiatives such as the development of our own Sustainable Finance Framework and the issuance of sustainability and green bonds aligned with the ASEAN Green and Sustainability Bond Standards.

Through our ESMS and bond issuances, RCBC helped establish an early support for Bangko Sentral ng Pilipinas (BSP) Circular 1085 which mandates lenders to include environmental and social considerations in their governance frameworks, risk management systems, strategies and operations. Our contributions



**Eugene S. Acevedo**  
**President and Chief Executive Officer**

also helped position the Philippines as a regional leader in sustainable finance, according to the Green Infrastructure Investment Opportunities (GIIO) Report 2020, a report issued by the international non-profit Climate Bonds Initiative (CBI). The country had the third-most investments in the region in the green bond market, at around \$2.6 billion as of August 2020.

RCBC has also been taking on lead roles in financing some of the country's biggest green infrastructure and renewable energy projects. We also publicly announced the defunding of new coal-fired power plants in the country, aligned with the policy decision of the Department of Energy to impose a moratorium on the use of coal and increase the country's dependence on renewable energy. This is a big step forward considering that coal is a major contributor to local pollution and climate

change, accounting for 44% of global CO<sub>2</sub> emissions.<sup>1</sup>

These, and the many recognitions that we have garnered in the areas of environmental and social responsibility, and corporate governance (ESG), are a testament to our ability to put purpose into action, and action into impact.

As the economy gradually rises from the ruins of the pandemic, RCBC will be a strong partner in support of the BSP, not just in rebuilding, but in championing the ESG agenda and sustainable practices.

Now more than ever, integrating sustainability is critical to the success and survival of businesses. RCBC recognizes this and is ready to lead this agenda.

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<sup>1</sup> <https://blogs.imf.org/2020/12/08/a-greener-future-begins-with-a-shift-to-coal-alternatives/>

RCBC has been involved with Environment, Social, and Governance (ESG) principles and initiatives for many years. In 2011 the Bank established the Environmental and Social Management System (ESMS) to monitor the exposure of the Bank's lending activities to environmental and social risks and provide its key stakeholders an ESG scorecard for the Bank.

The ESMS also provides a framework for raising environmental awareness and social responsibility among the Bank's lending personnel and loan clients.

In the current context, the Bank's senior management recognizes the need to affirm and further reinforce RCBC's commitment to ESG principles by not losing sight of managing environmental and social risks while addressing the elevated financial risks from the economic dislocations due to the pandemic.

This perspective is consistent with the Bangko Sentral ng Pilipinas (BSP) Circular No. 1085, dated April 29, 2020 prescribes a Sustainable Finance Framework for financial institutions.

The Bank continues to pursue initiatives and places a priority on banking activities that positively contribute to its ESG footprint.



**Vaughn F. Montes**  
**Independent Director and Chairperson of the**  
**Risk Oversight Committee**



## Introduction to RCBC

Rizal Commercial Banking Corporation (RCBC) started in 1960 as a development bank and received its license as a commercial bank three years later. It expanded its operations in 1989 as a universal bank. RCBC is one of the largest universal banks in the Philippines, with total consolidated resources of Php731 billion as of September 30, 2020.

As a diversified financial services institution, RCBC serves corporate and individual banking needs using various customer channels to offer innovative products and services to its chosen markets. It has an inclusive financial business model that expanded in 2009 when it ventured into the microfinance business via Rizal MicroBank to serve small entrepreneurs.

RCBC is recognized for employing best practices in the areas of environmental and social responsibility, and corporate governance. In August 2020, RCBC was recognized by the Asian Banking & Finance Awards as the Philippines Domestic Initiative of the Year for Sustainable Financing. This was followed by recognition from the Global Banking & Finance Review in December, naming RCBC as the Best Green Bank Philippines 2020. Previous to these, the Bank was awarded “The Asset Benchmarking Award for Excellence in Environmental, Social, and Governance (ESG) – Titanium Award” by The Asset 2019 ESG Corporate Awards. Its landmark Php8.0-billion ASEAN Sustainability Bond, the first ASEAN Sustainability Bond issued in the Philippines, has also earned for RCBC the “Best Issuer for Sustainable Finance – Financial Institution” and “Best Sustainability Bond” in 2019.

In December 2020, RCBC’s rating was upgraded from “A” to “AA” by Morgan Stanley Capital International (MSCI) ESG Ratings, indicating sound business organization and risk mitigation.

## About this Report

In 2019, RCBC developed a Sustainable Finance Framework that maps out its strategy in deploying Sustainable Financing Instruments (SFI) to fund loans and projects that have clear environmental and/or social benefits. SFI includes green bonds, social bonds, sustainability bonds, green loans, and other debt financing instruments. These instruments fund Eligible Green and Social Assets that conform with Sustainable Finance principles such as those of the International Capital Market Association (ICMA) and ASEAN Capital Markets Forum.

Under the framework, RCBC publishes two reports:

- Allocation Report
- Impact Report

Reporting takes place a year following the issuance of the SFI and renewed annually until the net proceeds are fully allocated.

This report also forms part of the disclosure requirements under the BSP Circular 1085 on Sustainable Finance Framework, issued in April 2020. The Circular includes reporting by financial institutions on “products/services aligned with internationally recognized sustainability standards and practices. This shall include the issuance of green, social or sustainability bonds.”

### Allocation Report

The Allocation Report shows how the net proceeds from the SFI are distributed in the Eligible Green and Social Portfolio. Details of the report include:

- Eligible projects
- Eligible Green, Eligible Social, and Total Eligible Sustainable Portfolio amounts and distribution
- SFI amounts and maturity dates
- SFI allocation to Eligible Green and Eligible Social Assets
- Percentage of Eligible Sustainable Portfolio allocated
- Percentage of net proceeds allocated to Eligible Sustainable Portfolio
- Eligible Green, Eligible Social, and Total Eligible Sustainable Portfolio buffers

### Impact Report

The Impact Report shows the aggregated impact of the Eligible Green and Social Portfolio. Details of the report include:

- Relevant indicators such as:
  - Renewable Energy: installed capacity and annual energy generation
  - Energy Efficiency: annual emissions avoided
  - Clean Transportation: type and number of public transportation projects funded



- Sustainable Water Management: annual water supplied, collected, or treated
- Access to Essential Services: number of patients and hospital beds
- Socioeconomic Advancement and Empowerment: loans to underserved individuals
- Employment Generation: loans extended to qualified small and medium enterprises
- Affordable Housing: number of affordable houses financed
- Impact of the Eligible Green and Social Portfolio based on the United Nations Sustainable Development Goals (SDGs)

## RCBC on Sustainable Finance

The Philippines is the fourth most vulnerable to climate change, according to the Global Climate Risk Index 2020 of Germanwatch Institute, which analyzes the extent countries and regions have been affected by weather-related loss events. Under the Paris Agreement on Climate Change, which aims to reduce global warming to 1.5 degrees Celsius, the Philippines committed to reduce 70% of its greenhouse gas emissions by 2030.

RCBC believes the financial services sector plays a vital role in achieving the targets set under the Paris Agreement and in meeting the UN SDGs to support the fight against climate change.

Understanding and managing climate change is prudent risk management at RCBC. As a leading domestic financial institution and a responsible corporate entity, the Bank is committed to doing its part to reduce global warming and support the government in meeting the UN SDGs.

### Sustainable Finance Strategy

RCBC is committed to upholding environmental and social responsibility in all its business activities. It recognizes that balancing financial priorities with non-financial factors, such as environmental and social safeguards, is essential to being a good corporate citizen. This is fundamental, not only to risk management, but also to the larger interest of its stakeholders.

The Bank believes that responsible lending entails having good sustainable practices as well as promoting awareness of environmental and social issues within its organization, among its clients, and in the communities it serves.

### Environmental and Social Management Due Diligence

RCBC has an Environmental and Social Management System (ESMS) that requires all lending relationships or credits, both pipeline and portfolio, to be vetted from an environmental and social risk perspective.

The ESMS entails an environmental and social impact assessment process that systematically identifies and gauges the type and scale of impact a project may have on the environment and on communities. The assessment takes place before a lending decision is made, and continues during the life cycle of the loan agreement with the client.

### Sustainable Finance Risks and Opportunities




RCBC believes that the transition to a low-carbon and climate-resilient future entails risks as well as opportunities.

According to the International Energy Agency, this global transition will require more than EUR30 trillion of investment in clean energy and efficient infrastructure by 2035. To be well-positioned to participate

and finance this transition, RCBC will align its business strategy with national priorities and rebalance its portfolio mix over time for value creation and stakeholder benefit.

It has taken important steps to reduce its corporate carbon footprint and channel funds to sectors that contribute to a low-carbon and climate-resilient future, not only in the Philippines, but also within the ASEAN region. In December 2020, RCBC announced that it will no longer extend financing to new coal-fired power projects in the Philippines. The announcement came after the Philippines’ Department of Energy (DOE) said it is keen on increasing the share of renewable energy as the country’s power source to 43% by 2040 from 29% in 2020.

Below are RCBC’s initiatives to lower its carbon footprint and support sustainable finance activities to help meet the UN SDGs:

<ul style="list-style-type: none"> <li>Transformed its Corporate Head Office in Manila into a LEED Gold-certified building in 2018</li> </ul>	
<ul style="list-style-type: none"> <li>Funded Green Projects that support the UN SDGs, in particular, the Clean Water and Sanitation, Affordable and Clean Energy, Industry, Innovation and Infrastructure, Sustainable Cities and Communities, Climate Action, and Life Below Water goals</li> <li>Channelled more than Php30 billion to projects and loans that contribute to reducing the carbon footprint of the Philippines</li> </ul>	
<ul style="list-style-type: none"> <li>Funded Social Projects that support the UN SDGs, in particular, the Good Health and Well-being, Quality Education, Decent Work and Economic Growth, Reduced Inequalities, and Sustainable Cities and Communities goals</li> <li>Channelled more than Php10 billion to fund projects and loans that provide access to social needs, directly improving the living conditions of Filipinos</li> </ul>	



## RCBC Sustainable Finance Framework

The RCBC Sustainable Finance Framework of April 2019 articulates RCBC's strategy to raise funds and lend to priority sectors. In June 2019, the Bank raised Php8 billion (USD167 million), the first peso-denominated Sustainability Bond under the ASEAN Sustainability Bond Standards, to refinance Eligible Green and Social Assets. In September 2019, it raised an additional USD300 million to fund Eligible Green and Social Assets. Investor response to these landmark transactions was overwhelming. The transactions were oversubscribed in multiples and brought in investors from all major financial centers of the world.












## Eligible Project Categories

RCBC allocates the proceeds of Sustainable Financing Instruments to finance and/or refinance loans to customers or its own operating activities. The allocation of the proceeds is as follows:

- Proceeds of RCBC’s Green Bond or Green Loan go to Eligible Green Categories
- Proceeds of RCBC’s Social Bond or Social Loan go to Eligible Social Categories
- Proceeds of RCBC’s Sustainability Bond go to Eligible Green Categories and Eligible Social Eligible Categories

### Eligible Green Categories

RCBC’s Eligible Green Portfolio is composed of Eligible Green Assets in these categories:

<p><b>RENEWABLE ENERGY</b></p> <p>Projects such as solar, wind, hydropower (25MW and below), geothermal, and biomass (source must be certified as sustainably managed by recognized third-party standards and excludes those that compete with food production)</p>		<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>13 CLIMATE ACTION</p> 
<p><b>ENERGY EFFICIENCY</b></p> <p>Development or production of products or technologies that reduce industrial energy consumption such as improved chillers, transition to fiber networks, improved lighting technology, and reduced power usage in manufacturing operations (excluding fossil fuel-based technologies)</p>		<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 
<p><b>GREEN BUILDINGS</b></p> <p>Buildings that meet recognized standards, such as the Philippines’ BERDE Green Building Rating System (4-star and above), LEED (Gold and above), or those belonging to the top 15% of low-carbon buildings in their respective category and local context</p>		<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 
		<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>13 CLIMATE ACTION</p> 

### CLEAN TRANSPORTATION

Electric vehicles, infrastructure for electric vehicles such as charging stations, as well as public mass-passenger transportation, passenger and freight rail infrastructure (excluding rail transport dedicated to fossil fuels), and non-motorized transportation



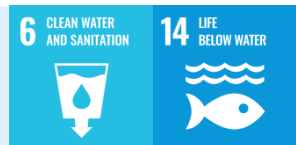
### POLLUTION PREVENTION AND CONTROL

Reduction of air emissions, greenhouse gas control (excluding investments directly linked to fossil fuel technology), soil remediation, waste management (excluding landfills) such as waste prevention, waste reduction, waste recycling and energy- or emission-efficient waste to energy (municipal waste to energy to include emission abatement technology)



### SUSTAINABLE WATER MANAGEMENT

Sustainable infrastructure for clean water, wastewater treatment, sustainable urban drainage systems, and other forms of flooding mitigation











### ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES AND LAND USE

Environmentally sustainable agriculture, environmentally sustainable fishery and aquaculture, environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes



The proceeds may also be used to fund assets or projects in RCBC operations that have positive environmental impact such as the following:

<p><b>RENEWABLE ENERGY</b> Installation of solar panels or other renewable energy equipment</p>		
<p><b>ENERGY EFFICIENCY</b> Purchase and installation of products or technologies that reduce energy consumption in office buildings and facilities, such as improved lighting technology (excluding efficiency improvements in fossil fuel-based technologies)</p>		
<p><b>POLLUTION PREVENTION AND CONTROL</b> Purchase and installation of recycling infrastructure (excluding landfills), including waste minimization, management, recycling, and reuse</p>		
<p><b>GREEN BUILDINGS</b> Construction or lease of office space in buildings that meet recognized standards, such as the Philippines' BERDE Green Building Rating System (4-star and above), LEED (Gold and above), or those belonging to the top 15% of low-carbon buildings in their respective category and local context</p>		

## Eligible Social Categories

RCBC's Eligible Social Portfolio is composed of Eligible Social Assets in these categories:

<p><b>AFFORDABLE BASIC INFRASTRUCTURE</b> Construction, operation or upgrading of basic infrastructure, such as clean drinking water, sewers, and sanitation</p>		<p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 
<p><b>ACCESS TO ESSENTIAL SERVICES</b> Healthcare for the underserved (e.g., hospitals accredited by PhilHealth, elderly care, pharmaceutical manufacturers where at least minimum 80% of the revenues are from the sale of generic medicines, distributors and traders, and drugstores, etc.) and education (schools, universities, vocational training, sheltered workshops)</p>		<p><b>3</b> GOOD HEALTH AND WELL-BEING</p>  <p><b>4</b> QUALITY EDUCATION</p> 
<p><b>EMPLOYMENT GENERATION</b> Loans to SMEs, as defined by the BSP</p>		<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>  <p><b>10</b> REDUCED INEQUALITIES</p> 
<p><b>AFFORDABLE HOUSING</b> Loans for the development or purchase of socialized housing and economic housing, as defined by the Housing and Land Use Regulatory Board of the Philippines</p>		<p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 
<p><b>SOCIOECONOMIC ADVANCEMENT AND EMPOWERMENT</b> Loans to minority, underserved, and low-income individuals, including those disbursed by rural banks (as defined by the BSP's Manual of Regulation for Banks), and cooperatives (as defined by Republic Act 9520)</p>		<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>  <p><b>10</b> REDUCED INEQUALITIES</p> 



## RCBC Sustainability Bonds Allocation Report

### December 31, 2020

ELIGIBLE SUSTAINABLE PORTFOLIO				SUSTAINABLE FUNDING						
	Number of Projects	Amount (Php M)	%	Instrument	Maturity Date	Amount (Php M)	Allocation			
							Green	%	Social	%
<b>Eligible Green</b>	<b>15</b>	<b>32,733</b>	<b>63%</b>	<b>Sustainability Bond (Php)</b>	<b>4-Jun-21</b>	<b>8,000</b>	<b>400</b>	<b>5%</b>	<b>7,600</b>	<b>95%</b>
Renewable Energy	10	19,862	38%	<b>Sustainability Bond (USD)</b>	<b>11-Sep-24</b>	<b>16,000</b>	<b>14,400</b>	<b>90%</b>	<b>1,600</b>	<b>10%</b>
Energy Efficiency	1	5,920	11%							
Clean Transportation	3	6,016	12%							
Sustainable Water Management	1	934	2%							
<b>Eligible Social</b>	<b>9,947</b>	<b>19,432</b>	<b>37%</b>							
Access to Essential Services	27	4,580	9%							
Socioeconomic Advancement and Empowerment	1	1,634	3%							
Employment Generation	802	6,254	12%							
Affordable Housing	9,117	6,965	13%							
<b>Total Eligible Sustainable</b>	<b>9,962</b>	<b>52,165</b>	<b>100%</b>	<b>Total Funding</b>		<b>24,000</b>	<b>14,800</b>	<b>62%</b>	<b>9,200</b>	<b>38%</b>

Percentage of Eligible Sustainable Portfolio Allocated (Usage) 46%

Percentage of Net Proceeds of Sustainable Funding Allocated to Eligible Sustainable Portfolio 100%

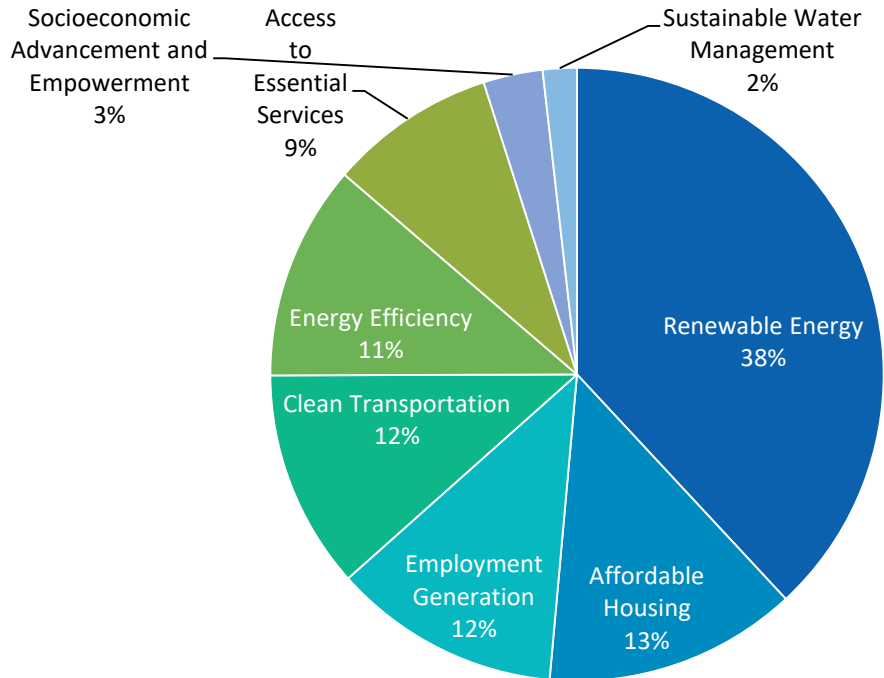
#### Buffer

Eligible Green Portfolio 17,933 55%

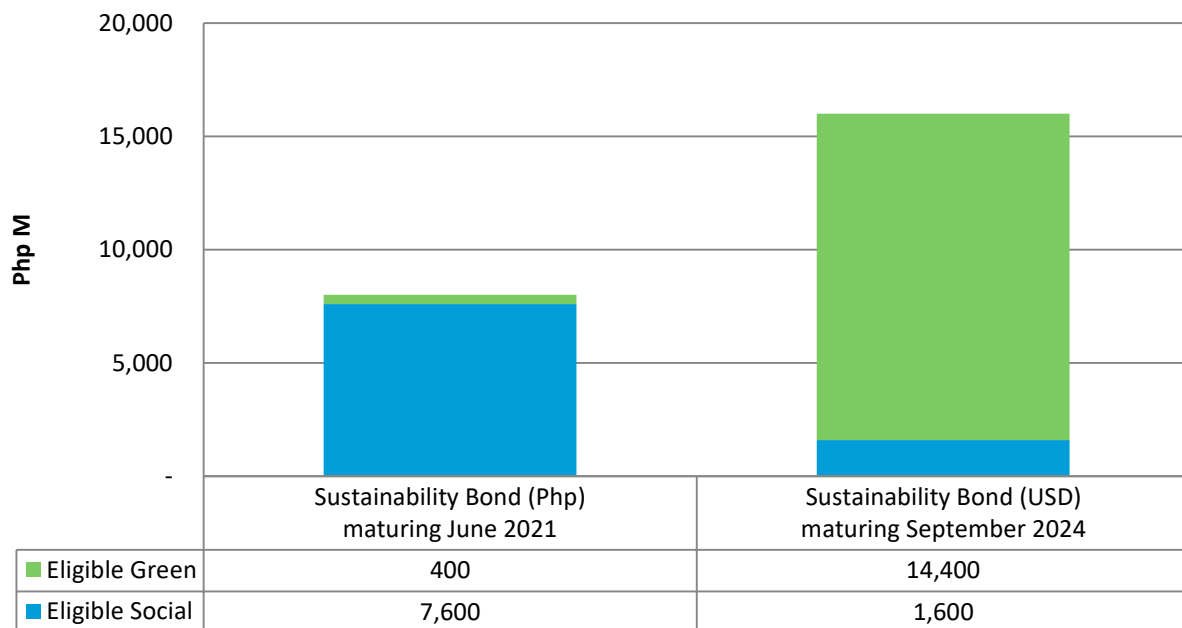
Eligible Social Portfolio 10,232 53%

Total Eligible Sustainable Portfolio 28,165 54%

## RCBC Sustainable Portfolio Distribution December 31, 2020



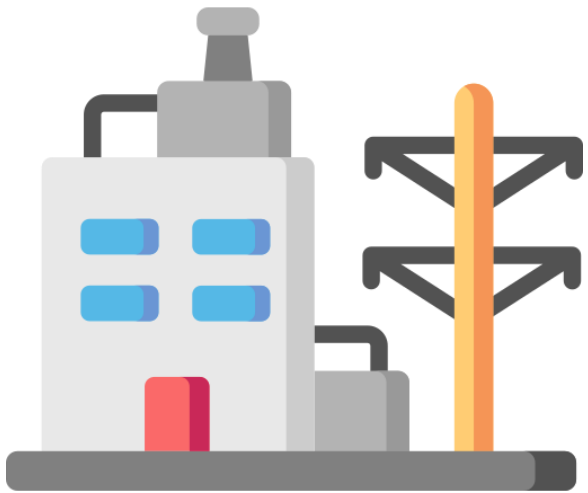
## RCBC Sustainability Bond Issuances



## Total Eligible Sustainable Portfolio as of December 31, 2020

As of December 31, 2020, RCBC's Eligible Green and Social Assets amounted to a total of Php52.165 billion. These assets are all aligned with our Sustainable Finance Framework.

The impact of projects for the aggregated portfolio of Eligible Assets is shown below:



**2,023 MW**

Total renewable energy capacity

**10,111,870 MWh**

Total renewable energy generated per year

**8.3 million tCO<sub>2</sub>**

Total emissions  
avoided per year



**10.1 million cbm**

Total water supplied, collected, or treated per year

**1,927**

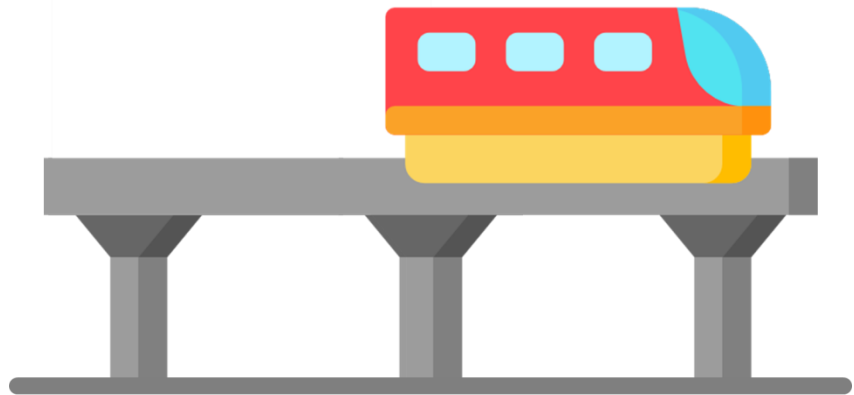
Total households served (billed service connections)



**116**  
Total light rail vehicles

**21 km**  
Total passenger rail track

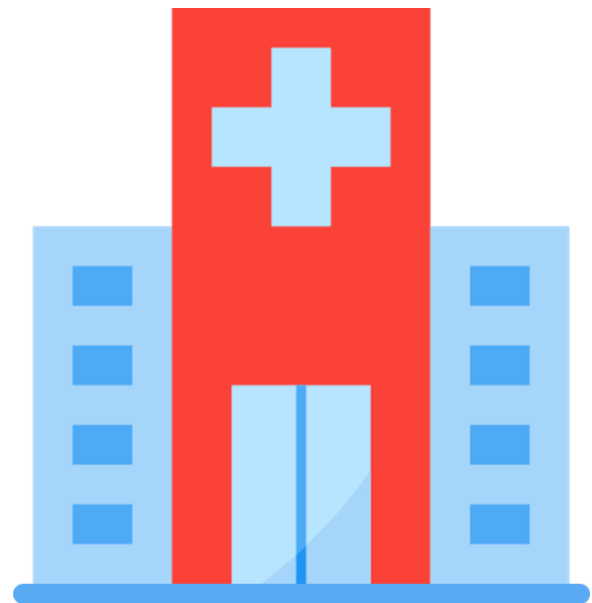
**40.85 million**  
Total passengers per year



**557**  
Total buses

**70 million km**  
Total distance travelled per year

**18 million<sup>2</sup>**  
Total passengers per year



**201**  
Total drugstores carrying generic medicines

**3,298**  
Total hospital beds

**6,356**  
Total children vaccinated per year

**1,264,607**

Total patients treated per year



**148,514**  
Total students per year

<sup>2</sup> Refer to footnote number 5

**200,000**

**Total clients served per year via rural banks and cooperatives**



**Php12 billion**

**Total loans to underserved individuals**



**802**

**Total loans extended to qualified SMEs**



**9,117**

**Total affordable houses financed**

# Contributing to the UN Sustainable Development Goals (SDGs)

RCBC's Eligible Green and Social Assets as of December 31, 2020 address 10 of the 17 UN SDGs, as follows:



# RCBC Sustainability Bonds Impact Report

## December 31, 2020

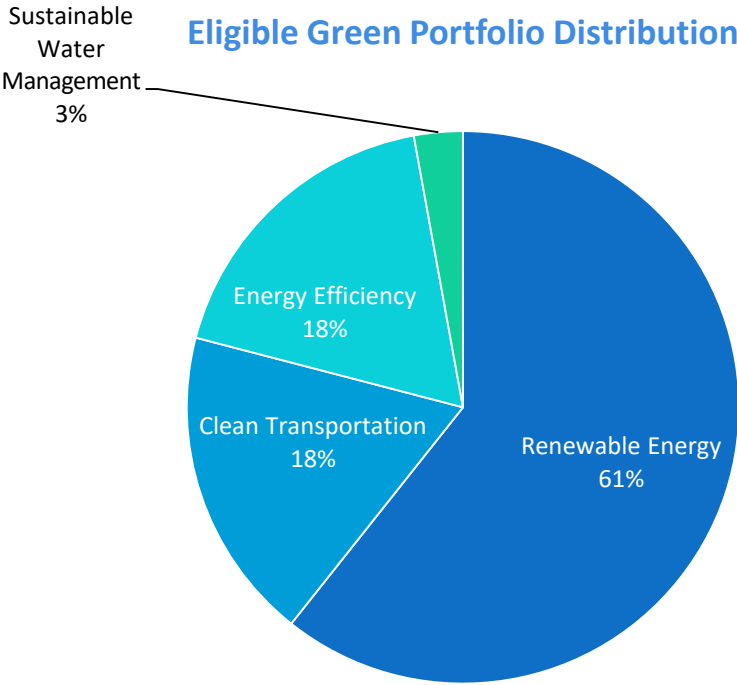
	Number of Projects	Amount (Php M)	%	Impact	SDG Addressed			
<b>Eligible Green</b>	<b>15</b>	<b>32,733</b>	<b>63%</b>					
Renewable Energy	10	19,862	38%	2,023 MW total renewable energy capacity	10,111,870 MWh total renewable energy generated per year	8.3 million tCO <sub>2</sub> total emissions avoided per year	7, 13	
Energy Efficiency	1	5,920	11%		4,000 tCO <sub>2</sub> total emissions avoided per year		7, 9, 11, 13	
Clean Transportation - Rail	1	5,493	11%	116 total light rail vehicles	21 total km of passenger rail track	40.85 million total passengers per year	9, 11, 13	
Clean Transportation - Bus	2	523	1%	557 total buses	70 million km total distance travelled per year	18 million total passengers per year	9, 11, 13	
Sustainable Water Management	1	934	2%	10.1 million cbm total water supplied/ collected/treated per year		1,927 total households served (billed service connections)	6, 14	
<b>Eligible Social</b>	<b>9,947</b>	<b>19,432</b>	<b>37%</b>					
Access to Essential Services - Healthcare	15	2,173	4%	201 total drugstores carrying generic medicines	3,298 total hospital beds	6,356 total children vaccinated per year	1,264,607 total patients treated per year	3
Access to Essential Services - Education	12	2,406	5%			148,514 total students per year	4	
Socioeconomic Advancement and Empowerment	1	1,634	3%	200,000 total clients served per year via rural banks & cooperatives		Php12 billion in total loans to underserved individuals	8, 10	
Employment Generation	802	6,254	12%		802 total loans extended to qualified SMEs		8, 10	
Affordable Housing	9,117	6,965	13%		9,117 total affordable houses financed		11	
<b>Total Eligible Sustainable</b>	<b>9,962</b>	<b>52,165</b>	<b>100%</b>					



## Eligible Green Portfolio

RCBC has 15 projects in its Eligible Green Assets portfolio, amounting to Php32.733 billion as of December 31, 2020.

Projects in the categories Renewable Energy and Energy Efficiency accounted for 61 percent and 18 percent of the Eligible Green Portfolio, respectively. Clean Transportation had an 18 percent share, while Sustainable Water Management projects made up 3 percent.





## Renewable Energy

Renewable Energy	Number of Projects	Amount (Php M)	%	MW total renewable energy capacity	MWh total renewable energy generated per year
Solar Energy	6	12,425	24%	467	720,498
Geothermal Energy	3	5,509	11%	1,531	9,391,372
Hydropower Energy	1	1,929	4%	25	-
<b>Total Renewable Energy</b>	<b>10</b>	<b>19,862</b>	<b>38%</b>	<b>2,023</b>	<b>10,111,870</b>

In 2020, power consumption in the Philippines grew by 6.3% to 106,041 GWh. Of this, the share of coal-fired power plants increased from 52.1% in 2018 to effectively supplying 54.6% of the country's power demand in 2019. The Philippines remains significantly dependent on coal-fired power plants.

To help the country reduce its greenhouse gas emissions by shifting to renewable energy use, RCBC helped fund solar and hydro power plant projects in 2020 involving funds of Php14.4 billion.

In addition, RCBC extended Php5.5 billion in financing support to geothermal power plant projects, (accounting for 30-50% of total project costs) with a total capacity of 1,531 MW and generating total energy of 9,391,372MWh during the year. This corresponds to an estimated 8,264,407 tons of CO<sub>2</sub> avoided per year when compared to coal power.<sup>3</sup>

## Energy Efficiency

Energy Efficiency	Number of Projects	Amount (Php M)	%	Type of energy efficiency
Connectivity Services	1	5,920	11%	With fiber technology

RCBC extended loans of Php5.9 billion to businesses using fiber technology, which is believed to be effective in reducing energy consumption, translating to lower CO<sub>2</sub> emission and heat generation. By extending these loans, RCBC was able to help cut down CO<sub>2</sub> emission by an estimated 4,000 tons per year.<sup>4</sup>

<sup>3</sup> Estimated GHG emissions avoided is calculated as follows:

$$8,264,407 \text{ tons CO}_2 = (0.97 \text{ tons CO}_2 \text{ per MWh} - 0.09 \text{ tons CO}_2 \text{ per MWh}) \times 9,391,372 \text{ MWh generated}$$

<sup>4</sup> The reduction in power consumption, which is the environmental benefit of fiber technology usage in the above assets, is converted into an estimated 4,000 tons of avoided CO<sub>2</sub> emission.

## Clean Transportation

### Clean Transportation – Rail

Clean Transportation - Rail	Number of Projects	Amount (Php M)	%	Total number of light rail vehicles	Total km of passenger rail track	Total number of passengers per year
Passenger Rail Infrastructure	1	5,493	11%	116	21	40.85 million

### Clean Transportation - Bus<sup>5</sup>

Clean Transportation - Bus	Number of Projects	Amount (Php M)	%	Total number of buses	Total km travelled per year	Total number of passengers per year
Public Mass-Passenger Transportation	2	523	1%	557	70 million	18 million

The Philippines will lose Php5.4 billion to traffic daily by year 2035 if there is no effective intervention in Metro Manila, according to the Japan International Cooperation Agency (JICA).

Motor vehicles contribute to 80% of the air pollution in the country, according to the Department of Environmental and Natural Resources. It is also estimated that poor air quality leads to 0.8% to 1.9% loss in GDP due to its adverse effects on employees' health and productivity.

To address this problem, experts recommend the use of a mass transportation system, not only to decongest the roads but also to help lower fuel waste and emissions.

RCBC provided more than Php6 billion for financing passenger rail infrastructure and public mass passenger transportation with total passengers reaching 160 million and 18 million, respectively in 2019. By channeling funds to public transportation systems and high-occupancy vehicles, the Bank helps in lowering fuel waste and CO<sub>2</sub> emissions.

While mass transportation has recognized benefits, it has yet to fully regain public confidence amidst the prevailing COVID-19 pandemic. The implementation of a strict lockdown program from March to May of this year halted public transport in Metro Manila. As the condition transitioned to the General Community Quarantine program beginning June 1, public transport resumed, albeit subjected to safe-distancing requirements. The change has resulted in significant reductions in capacity, making the 2020 impact of clean transportation considerably subdued compared to previous year. As of 3Q2020, the number of passengers for rail infrastructure reached 40.85 million only, versus 2019's 160 million. As of this report's writing, the 2020 passenger count for the bus entities has not been finalized.

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<sup>5</sup> Total number of passengers is attributed to the year 2019, considered to be representative of the asset's impact / capacity under normal circumstances. In accordance with Nordic Public Sector Issuers (NPSI) Position Paper on Green Bonds Impact Reporting (Feb 2020): "When possible, reporting should be normalized to reflect a representative year... Normalization may not be applicable for all project categories, and in the case of clean transportation may be complicated..."

## Sustainable Water Management

Sustainable Water Management	Number of Projects	Amount (Php M)	%	cbm total water supplied/collected/treated per year	Total households served (billed service connections)
Infrastructure for Clean Water, Wastewater Treatment	1	934	2%	10.1 million	1,927

The Philippine government mandates the treatment of wastewater through the Clean Water Act of 2004. This is one way to ensure that bodies of water are protected from pollution and do not become breeding grounds for bacteria that pose a threat to human health.

RCBC helped the country address water pollution problems by funding Php934 million in infrastructure used for clean water and wastewater treatment, serving a total of almost two thousand households.

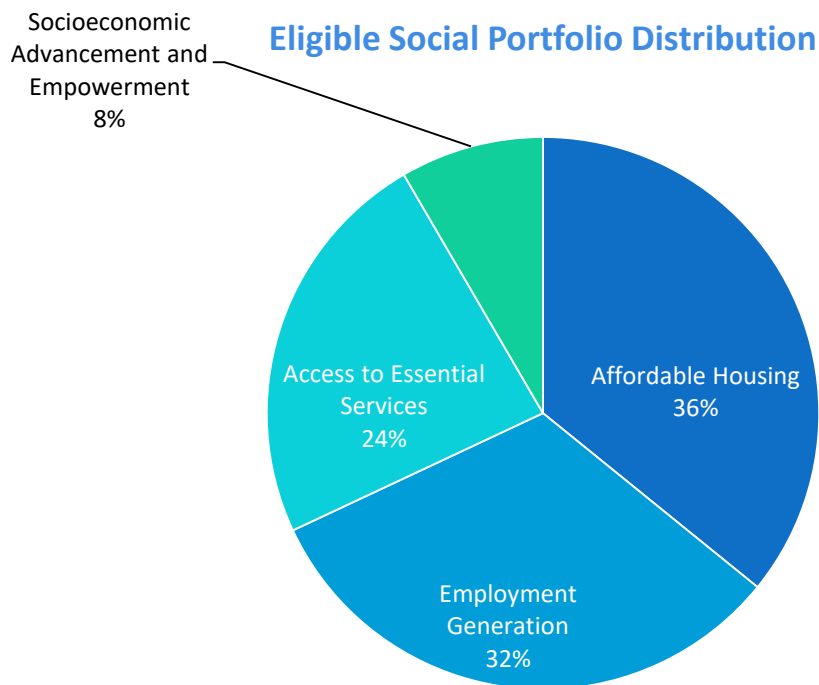


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## Eligible Social Portfolio

RCBC has 9,947 projects in its Eligible Social investment portfolio as of December 31, 2020, amounting to Php19.432 billion.

Affordable Housing and Employment Generation projects accounted for 36% and 32% of the portfolio, respectively. Access to Essential Services comprised 24% while Socioeconomic Advancement and Empowerment had an 8% share.



## Affordable Housing

Affordable Housing	Number of Projects	Amount (Php M)	%	Total number of affordable houses financed
Affordable Housing	9,117	6,965	13%	9,117

As of 2016, it is estimated that around 4.5 million Filipinos do not have shelter. Of this, about 3 million live in Metro Manila. With a backlog of over 6 million housing units from 2001 to 2015, the housing shortfall could reach 12 million by the next decade if no action is taken, according to a 2016 study by the University of Asia and the Pacific.

To help address the country's housing backlog, RCBC extended affordable loans of almost Php7 billion for a total of 9,117 houses as of December 31, 2020.

## Employment Generation

Employment Generation	Number of Projects	Amount (Php M)	%	Total number of loans extended to qualified SMEs
Employment Generation	802	6,254	12%	802

Data from the Department of Trade and Industry show that micro, small, and medium enterprises (MSMEs) account for approximately 99.5% of the establishments in the Philippines, employing 7 out of 10 workers. Despite being the country's economic backbone, MSMEs are still plagued by lack of financial access.

The plight of MSMEs has been compounded by the COVID-19 global pandemic. As of July 2020, underemployment rate was at 17.3%, with 7.1 million underemployed persons. According to the Philippine Statistics Authority, about 500,000 overseas Filipino workers have been displaced, 2 million workers have been affected by temporary business closures, and 180,207 workers have been distressed by businesses that have retrenched or shut down.

Based on the COVID-19 Business Impact Survey conducted by PwC Philippines, 44% of MSMEs needs working capital, while 39% needs cash to finance pressing needs amid the pandemic.

RCBC strongly supports MSME growth and has provided a total of 802 loans amounting to Php6.3 billion as of December 31, 2020.

## Access to Essential Services – Healthcare

Access to Essential Services - Healthcare	Number of Projects	Amount (Php M)	%	Total number of drugstores carrying generic medicines	Total number of hospital beds	Total number of children vaccinated per year	Total number of patients treated per year
Hospitals	12	2,163	4%		3,298	6,356	1,264,607
Generic Medicines	3	10	0%	201			
<b>Total Access to Essential Services - Healthcare</b>	<b>15</b>	<b>2,173</b>	<b>4%</b>	<b>201</b>	<b>3,298</b>	<b>6,356</b>	<b>1,264,607</b>

The provision of healthcare services in the Philippines remains a challenge.

In 2017, the Department of Health (DOH) estimated that 800 Filipinos are vying for one hospital bed, translating to a ratio of 1:800 in Metro Manila. While the country has a Generics Law that aims to provide the general public with more affordable medicines, raising public awareness and funding support is also a challenge.

These and other healthcare-related challenges were exacerbated by the COVID-19 global pandemic in 2020. As of end-December 2020, the total number of cases in the country continued to rise. Around 35,000 additional beds are needed to accommodate the projected peak number of cases, according to the DOH.

In support of the healthcare system in the Philippines, RCBC provided Php2 billion in loans to hospitals and manufacturers of generic medicines. The loans to hospitals financed 3,000 beds, benefiting over one million patients during the year.

## Access to Essential Services – Education

Access to Essential Services - Education	Number of Projects	Amount (Php M)	%	Total number of students per year
Schools	12	2,406	5%	148,514

For school year 2019-2020, approximately 23 million students enrolled in public schools in the Philippines. As of July 2020, the total number of students enrolled in public and private schools has declined to 76% from the previous year while 300,000 students have transferred from private to public schools, and 748 private schools have suspended operations, affecting 3,233 teachers and 40,345 students. These were all due to the COVID-19 global pandemic, which prompted a shift towards distant learning via online classes and web-based platforms.

To help the country cope with the challenges in the education sector, RCBC provided Php2.4 billion in funding support to educational institutions, benefiting close to 150,000 students.

## Socioeconomic Advancement and Empowerment

Socioeconomic Advancement and Empowerment	Number of Projects	Amount (Php M)	%	Total number of clients served per year	Total loans to underserved individuals
Access to Finance: Loans to Cooperatives, Rural Banks	1	1,634	3%	200,000	Php12 billion

Under the Philippine Development Plan (PDP) for 2017-2022, poverty incidence in rural areas should fall to 20% by 2022 from 30% in 2015. Rural banks and cooperatives play a vital role in poverty reduction by providing basic financial services to rural communities, enabling inclusive economic growth.

In support of the country's poverty alleviation program, RCBC extended Php1.6 billion worth of loans to cooperatives and rural banks, serving a total of 200,000 clients.

## Notice of Disclaimer

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