



Rizal Commercial Banking Corporation

Green Finance Framework

21 December 2018

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Rizal Commercial Banking Corporation, including all its subsidiaries globally (“RCBC” or the “Bank”) is responsible for the preparation and fair representation of this Green Finance Framework (the “Framework”) as of 21 December 2018.

1. Introduction to RCBC

The Rizal Commercial Banking Corporation (RCBC) was established in 1960 as a development bank and is licensed by the Bangko Sentral ng Pilipinas (BSP) for both commercial and investment banking. It is one of the largest universal banks in the Philippines with total consolidated resources of PHP 554 billion for full year 2017. As a diversified financial services institution, RCBC serves corporate and individual banking needs through the most appropriate vehicles to serve its chosen markets with innovative products and services. With an inclusive financial business model in mind, in 2009 it ventured into the microfinance business to service the smallest entrepreneurs via the Rizal Microbank.

A pioneering financial services organization, RCBC has received numerous awards from various institutions including "Best Banking Group in the Philippines", "SME Bank of the Year", "Overall Best Private Bank in the Philippines", Domestic Retail Bank of the Year; and "Philippines' Overall Best for Interest Rates, and Best Cash Management Bank in the Philippines.

1.1 RCBC's Sustainability Strategy

RCBC is committed to uphold social and environmental responsibility in all its business activities. We recognize that balancing non-financial factors such as environmental and social issues with financial priorities is essential to being a good corporate citizen and is fundamental to risk management and the protection of our investors and shareholders.

RCBC's sustainable finance framework is patterned after International Finance Corporation (IFC) Performance Standards for Environment and Social Sustainability, directives of Environmental Management Bureau and other government agencies, and best practices.

RCBC aims to influence awareness and social responsibility within the organization and with our clients. The bank believes that good sustainable practices is a key pillar of responsible lending which can have an endearing impact on the communities and environment.

2. RCBC's Green Finance Framework

The Green Finance Framework articulates RCBC strategy to deploy Green Financing Instruments ("GFI") to fund loans and projects that have clear environmental benefits. Green Financing Instruments include Green Bonds, Green Loans, and other debt or financing instruments which fund Eligible Green projects that conform to Green Finance principles:

- International Capital Market Association ("ICMA") *Green Bond Principles 2018*;
- ASEAN Capital Markets Forum ("ACMF") *ASEAN Green Bond Standards 2018*;
- Loan Market Association ("LMA") and Asia Pacific Loan Market Association ("APLMA") *Green Loan Principles 2018*

In alignment with the above principles and guidelines, RCBC's Green Finance Framework is structured with the following key pillars:

- I. Use of Proceeds
- II. Process for Project Evaluation and Selection
- III. Management of Proceeds
- IV. Reporting

RCBC may pursue to have some of the green bonds and green loans issued/borrowed under this Framework to also be certified by Climate Bonds Initiative (CBI) against the Climate Bonds Standard.

2.1 Use of Proceeds

RCBC intends to allocate an amount equal to the incremental net proceeds of any GFI to finance and refinance RCBC's loans to customers or its own operating activities in Green Eligible Categories where the net proceeds of RCBC's Green Bond or Green Loan will be allocated to Green Eligible Categories as defined in 2.1.1

2.1.1 Eligible Green Categories

A portfolio of Eligible Green Projects (together forming the "Eligible Green Portfolio") in the following categories would be defined and created:

- **Renewable energy** - renewable energy projects such as solar, wind, hydropower (capacity of 25MW and below), biomass (excluding those that compete with food production) and geothermal
- **Green buildings** - buildings that meet recognised standards, such as Philippines BERDE Green Building Rating System (4-star and above), LEED (Gold and above), or belonging to the top 15% of low carbon buildings in their respective category and local context.
- **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-motorised transportation

The proceeds may also be used to fund the following assets/projects within RCBC's own operations which have positive environmental impact:

- **Renewable energy** – installation of solar panels or other renewable energy equipment
- **Energy efficiency** – 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)
- **Pollution prevention and control** – purchase and installation of recycling infrastructure (excluding landfills), including waste minimisation, management, recycling and reuse

Exclusionary Criteria

RCBC has developed a list of exclusionary criteria on the use of the GFI proceeds (see Appendix 1). In this regard, we commit to not knowingly using the GFI proceeds for the financing of assets/projects included in the exclusionary criteria.

2.2 Project Evaluation and Selection

The selection of Eligible Green Projects will be performed by the business units in nominating a loan or project, and evaluated according to RCBC's Social and Environmental Management System (SEMS) Policy.

RCBC's Social and Environmental Management System (SEMS) is a declaration of our commitment to sustainable development and protection of environmental and social safeguards.

A committee comprising of representatives from Credit Risk, Business, and Sustainability teams would be responsible for the evaluation and approval of Eligible Green Projects. A project would be approved only if it meets the criteria of SEMS and Eligible Green Categories as detailed in 2.1.1.

2.3 Management of Proceeds

The GFI proceeds will be managed by RCBC in a portfolio approach, and would be allocated from Green Bonds or Green Loans to the Eligible Green Portfolio.

RCBC will strive, over time, to achieve a level of allocation for the Eligible Green Portfolio that at least matches or exceeds the net proceeds from its outstanding Green Bonds or Green Loans.

During the life of the GFIs, and upon becoming aware, if a loan ceases to fulfil the eligibility criteria, RCBC will remove the loan from the portfolio and replace it, when necessary, as soon as reasonably practicable.

Any Green Bond or Loan net proceeds that remain unallocated, RCBC will hold the proceeds in cash and/or invest in other short-term liquid instruments.

2.4 Reporting

RCBC intends to report the allocation of the net proceeds to the Eligible Green Portfolio. Reporting will take place a year following the issuance of the applicable GFI and will be renewed annually until full allocation of the net proceeds.

Wherever feasible, RCBC may report on the aggregated impact of the Eligible Green Portfolio on a categorical level. RCBC will align, on a best efforts basis, the reporting with the portfolio approach described in Green Bonds Working Towards a Harmonized Framework for Impact Reporting (December 2015)¹.

The reports can be found here <https://www.rcbc.com/Others/EligibleGreenPortfolio>.

2.4.1 Allocation reporting

The allocation report will provide:

- the amount or the percentage of new financing and refinancing
- the balance of unallocated proceeds
- examples of projects being financed (subject to confidentiality considerations)

2.4.2 Impact reporting






The impact report may provide examples of indicators such as:

- Renewable energy – installed capacity and annual energy generation
- Green buildings – type of certifications and number of buildings in each type
- Clean transportation – type and number of public transportation projects financed

Alignment with United Nations' Sustainable Development Goals (UN SDGs)

In 2015, countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). RCBC Green Finance Framework advances the following SDG goals and targets (not exhaustive):

¹<https://www.ifc.org/wps/wcm/connect/f932dc004ad996538a1fea4fb4720a61/Updated+logo+FINALPROPOSALIRH+CLEAN.pdf?MOD=AJPERES>

Green Bond Principles	SDG	SDG Goal	SDG Target description
Renewable energy		Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green buildings		Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean transportation		Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Energy efficiency		Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution prevention and control		Sustainable cities and communities	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

2.5 External Review

2.5.1 Pre-issuance review

This Green Finance Framework has been reviewed by Sustainalytics, who has issued a Second Party Opinion, which can be found here https://www.rcbc.com/Content/Forms/RCBC_SPO_Final.pdf.

2.5.2 Post-issuance review

RCBC intends to issue a limited assurance report or verification statement for the allocation of the GFI proceeds to the Eligible Green Portfolio, starting one year after issuance and until full allocation.

Appendix 1 - Exclusionary Criteria

The following projects/activities are ineligible for the use of GFI's proceeds:

1. Fossil fuel power generation
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements
3. Production or trade in weapons and munitions
4. Production or trade in alcoholic beverages
5. Production or trade in tobacco
6. Gambling, casinos and equivalent enterprises
7. Trade in wildlife or wildlife products regulated under CITES
8. Production or trade in radioactive materials
9. Production or trade in or use of unbonded asbestos fibers
10. Purchase of logging equipment for use in primary tropical moist forest
11. Production or trade in pesticides/herbicides subject to international phase outs or bans

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