

Sustainable Finance Framework




27 FEBRUARY 2024



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Rizal Commercial Banking Corporation ("RCBC" or the "Bank") is responsible for the preparation and fair representation of this Sustainable Finance Framework (the "Framework") as of 27 February 2024.

1. Introduction

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. In support of financial inclusion, RCBC's business model expanded in 2010 when the Bank ventured into the microfinance business via Rizal Microbank (a thrift bank subsidiary).

In 2022, RCBC became the fifth largest private universal bank in the Philippines with total resources of USD 21 billion (including subsidiaries and affiliates) and net income of USD 216 million. RCBC is listed in the Philippine Stock Exchange. As a diversified financial services institution, the Bank serves corporate and individual banking needs through the most appropriate vehicles to serve its chosen markets with innovative products and services while strongly advocating digital transformation and sustainability.

RCBC has been recognized by Asiamoney as "Asia's Best Digital Bank" for four consecutive years. In the sustainability front, RCBC has received numerous awards from various

institutions including "Best Sustainability Bond for the PHP 17.87B ASEAN Sustainability Bond, 2022" by the Asset Publishing and Research Ltd (APRL), "Excellence in Sustainable Banking Awards, 2022" by the Global Brand Awards, "The Asset Benchmarking Award for Excellence in Environmental, Social, and Governance (ESG) – Platinum Award, 2022" by the Asset ESG Corporate Awards, "Best Bank for Sustainable Development Philippines, 2023" by the Global Banking & Finance Awards, "3G Eco-Friendly Financial Services Award 2023" at the 8th Global Good Governance Awards, "Top Community Centric Companies in Asia, 2023" at the Asia Corporate Excellence & Sustainability Awards, and "The Asset Benchmarking Award for Excellence in Environmental, Social, and Governance (ESG) – Platinum Award, 2023" by the Asset ESG Corporate Awards.

RCBC is majority-owned by the Yuchengco Group of Companies, recognized as one of the oldest and largest conglomerates in Southeast Asia.



1.1 RCBC's Sustainability Strategy

RCBC aligns its business strategy to support the development needs of the environment and society, as articulated in the United Nations (UN) Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change. RCBC institutionalizes awareness of environmental and social (E&S) issues within the organization, with its clients, and communities served. The Bank believes that sustainable practices are key pillars of responsible lending which delivers meaningful impact on the environment and communities.

RCBC strongly supports the BSP's call for banks to be enablers of environmentally and socially

responsible business decisions. The Bank's Environmental and Social Management System (ESMS) Policy aligns with the International Finance Corporation (IFC) Performance Standards for Environment and Social Sustainability, the directives of the Philippines' Environmental Management Bureau and other government agencies, and best practices. The ESMS Policy requires all lending relationships/credits, both pipeline and portfolio, to be vetted from an E&S perspective.



2. RCBC's Sustainable Finance Framework

The Sustainable Finance Framework articulates RCBC's strategy to deploy Sustainable Financing Instruments (SFI) to fund loans and projects that have clear environmental and/or social benefits. SFIs include Green Bonds (and its subset of Blue Bonds¹), Social Bonds, Sustainability Bonds, Green Loans, Blue Loans, Social Loans, and other debt financing instruments² which fund Eligible Green and Social Assets that conform to the following Sustainable Finance principles and guidelines:

International Capital Market Association (ICMA) Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1), Social Bond Principles ("SBP") 2023, Sustainability Bond Guidelines 2021, The Green Bond Principles Harmonised Framework for Impact Reporting 2023, The Social Bond Principles Harmonised Framework for Impact Reporting for Social Bonds 2023

ASEAN Capital Markets Forum (ACMF) ASEAN Green Bond Standards 2018, ASEAN Social Bond Standards 2018, ASEAN Sustainability Bond Standards 2018

Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications and Trading Association (LSTA) Green Loan Principles 2023 and Social Loan Principles (SLP) 2023

Securities and Exchange Commission Philippines (SECP) Guidelines on Eligible Blue Projects and Activities for the Issuance of Blue Bonds in the Philippines³

International Finance Corporation (IFC) Guidelines for Blue Finance⁴

¹ ICMA GBP 2021 Appendix 1 (June 2022) Note 3: The ICMA GBP recognizes "Blue Bonds", "Blue Financing" or similar terminologies as Green Bonds as long as they align with the GBP – these refer to bond issuances geared towards the sustainable use, conservation or restoration of marine resources, coastal climate change adaptation, marine value chain and transport.

² With the exception of "Due Bills", Debt instruments as defined under Sec 179 of Republic Act 9243, "An Act Rationalizing the Provisions on the Documentary Stamp Tax of the National Internal Revenue Code of 1997": <https://www.officialgazette.gov.ph/2004/02/17/republic-act-no-9243/>

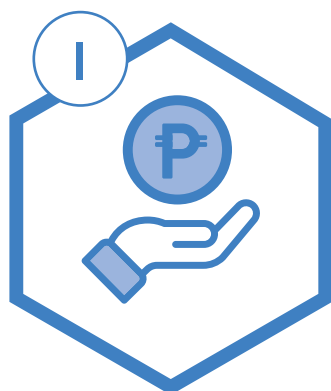
³ Aligned with the requirements of ICMA Sept 2023 Practitioner's Guide on Bonds to Finance the Sustainable Blue Economy

⁴ Ibid



Under this Framework, RCBC can issue green, blue, social or sustainable debt instruments. This Framework supersedes RCBC's Green Finance Framework issued in December 2018 and Sustainable Finance Framework issued in April 2019.

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



USE OF PROCEEDS



**PROJECT EVALUATION
& SELECTION**



**MANAGEMENT
OF PROCEEDS**



REPORTING

Following key recommendations under the ICMA principles, this Framework includes pre-issuance and post-issuance external review.

RCBC may pursue to have some of the green bonds and 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

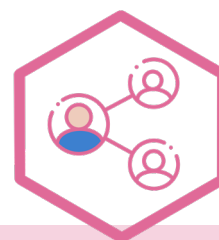
RCBC intends to allocate an amount equal to the incremental net proceeds of any SFI to finance and/or refinance RCBC's loans to customers or its own operating activities in Eligible Green Categories with an identified subset of Eligible Blue Categories, and/or Eligible Social Categories where:



The net proceeds of RCBC's Green Bond or Green Loan will be allocated to Eligible Green Categories and Eligible Blue Categories as defined in 2.1.1 and 2.1.1a, respectively;



The net proceeds of RCBC's Blue Bond or Blue Loan will be allocated to Eligible Blue Categories as defined in 2.1.1a



The net proceeds of RCBC's Social Bond or Social Loan will be allocated to Eligible Social Categories as defined in 2.1.2

The net proceeds of RCBC's Sustainability Bond will be allocated to Eligible Green Categories (with subset of Eligible Blue Categories) and Eligible Social Categories as defined in 2.1.1, 2.1.1a and 2.1.2, respectively.

For the avoidance of doubt, loans that are sanctioned for general corporate purposes must be for businesses with at least 90% of the asset or revenue derived from the Eligible Green, Blue, or Social categories at the time of consideration.

Where the use of proceeds is for refinancing of operational expenditures, a maximum look-back period of three years from the SFI issuance date shall be applied.



2.1.1 Eligible Green Categories

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

CATEGORY	CRITERIA	ALIGNMENT WITH UN SDGs
Renewable Energy	<p>Projects aiming at developing the generation and use of renewable energy such as:</p> <ul style="list-style-type: none"> Solar energy - Photovoltaic (PV) and Concentrated Solar Power⁵ (CSP) Wind energy (onshore and offshore) Hydro energy⁶ Bioenergy for electricity generation (limited to life-cycle emissions of <100g CO₂e/kWh)⁷ Geothermal energy for electricity generation (limited to direct emissions of <100g CO₂e/kWh) Fuel cell and other energy storage systems for renewable energy projects/assets and/or battery facilities that result in substantial greenhouse gas emission reductions in transport, stationary and off-grid energy storage and other industrial applications (e.g. battery storage, hydrogen storage, flywheels, compressed air energy storage, pumped hydropower storage) Green hydrogen facilities, including electrolyzers powered by renewable energy and equipment for the production and use of hydrogen powered by renewable energy 	

⁵ Per CBI taxonomy, "facilities shall have no more than 15% of electricity generated from non-renewable sources."

⁶ Meeting any of the following criteria:

(i) Run-of-river without artificial reservoir or with low storage capacity; OR

(ii) If operational after 2019, (a) Life-cycle carbon intensity is below 50 gCO₂e/kWh; OR (b) Power density is greater than 10 W/m²; OR

(iii) For hydropower facilities that became operational before 2019, (a) Life-cycle carbon intensity is below 100 gCO₂e/kWh; OR (b) Power density is greater than 5 W/m²

⁷ Subject to the following requirements and thresholds: (i) Biomass/fuel that is derived from sources of high biodiversity, competes with food sources or that depletes carbon pools is excluded; (ii) Total methane emissions ≤1,285g CH₄/tonne of waste input; (iii) Wood must be segregated before or after processing and sent to an eligible EFW (Energy from Waste) or composting plant; (iv) Monitoring, sampling and control is carried out in accordance with BSI PAS (British Standard Institution's Publicly Available Specification) 110 guidance or equivalent national or state standard or guidance; and (v) The solid and liquid products are not landfilled and replace non-waste materials in the market




CATEGORY	CRITERIA	ALIGNMENT WITH UN SDGs
Green Buildings	<p>Projects aiming at the construction of buildings - data centers and offices - that have achieved or are expected to achieve any of the below certifications and/or criteria:</p> <ul style="list-style-type: none"> • LEED V4.0 or V4.1 (Gold, Platinum) • Green Globes (3 or 4 Globes) • BREEAM (Excellent or Outstanding) • BCA Green Mark GoldPlus or better • NABERS 4.5 stars or better • IFC's EDGE (EDGE Certified, EDGE Advanced, Zero Carbon) • Philippines BERDE Green Building Rating System (4-star and above) • Data centers with a design average annual Power Usage Effectiveness (PUE) at or below 1.4 	
Clean Transportation	<p>Projects⁸ aiming at developing or manufacturing low-carbon passenger, freight transportation and/or related infrastructure:</p> <ul style="list-style-type: none"> • Passenger non-public transportation (e.g., passenger cars and commercial vehicles): Zero direct emissions (fully electric or hydrogen) or hybrid vehicles with tailpipe emissions of below 50g CO₂e/passenger-km • Passenger public transportation (e.g., light rail transit, metro, tram, trolleybus, bus and rail): Zero direct emissions (fully electric or hydrogen) or hybrid vehicles with tailpipe emissions of below 50g CO₂e/passenger-km • Freight rail (trains)⁹: Zero direct emissions (fully electric or hydrogen) or hybrid vehicles with tailpipe emissions at or below 25gCO₂/t-km (tonne-kilometer) • Road freight¹⁰: Zero direct emissions (fully electric or hydrogen) • Development, manufacturing, recycling of rechargeable batteries and fuel cell for clean transportation 	

⁸ Emission intensity thresholds for hybrid vehicles will be in accordance to the Worldwide Harmonized Light Vehicle Test Procedure (WLTP)

⁹ Excluding rail transport dedicated to fossil fuels.

¹⁰ Excluding road freight dedicated to fossil fuels.



CATEGORY	CRITERIA	ALIGNMENT WITH UN SDGs
	<ul style="list-style-type: none"> Low carbon transportation infrastructures, including EV charging infrastructure, expansion of metro or train network and station upgrades, hydrogen fuel, Information and Communications Technology (ICT) such as smart cards, smart load pricing/charging, etc. 	
Energy Efficiency	<p>Projects aiming at developing/manufacturing infrastructure, equipment and technology which yield an energy efficiency improvement of minimum 20% as compared to baseline or market average:</p> <ul style="list-style-type: none"> Smart grids technologies¹¹ Waste heat recovery technologies¹² Energy management systems (such as improved chillers, transition to fiber networks, improved lighting technology and reduced power usage in manufacturing operations) Building technologies (such as LED lighting, smart meters for households and replacement of boilers) to improve energy performance Fiber optic connection lines in replacement of legacy copper technologies for broadband networks 	
Pollution Prevention and Control	<p>Projects aiming at developing/manufacturing infrastructure, transport¹³, equipment, and technology for:</p> <ul style="list-style-type: none"> Recycling¹⁴ of materials, including the prevention, collection, segregation, treatment and processing waste¹⁵ Reuse of materials, including refurbishing or repairing products for reuse Waste Management¹⁶ (excluding landfills) such as waste prevention, waste reduction, material recovery with emission abatement technologies¹⁷ 	

¹¹ Including advanced metering infrastructure with smart power meters and substations, automation devices and intelligent appliances

¹² Including aquifer thermal energy storage systems or related innovative cooling systems and Organic Rankine Cycle which aids in waste heat recovery

¹³ Vehicles to be used or purchased for waste transportation will meet the Clean Transportation criteria, namely: Zero direct emissions (fully electric or hydrogen) or hybrid vehicles with tailpipe emissions at or below 25gCO₂/t-km (tonne-kilometer)


¹⁴ Recycling of plastics will be done mechanically

¹⁵ For clarification purposes, this will exclude waste from electrical and electronic equipment and hazardous waste. Waste hierarchy (reduce and reuse are always preferred over recycling) should be observed for any project related to recycling.

¹⁶ Sources of waste include residential waste (e.g. entail food scraps, paper, glass etc.) and industrial waste (e.g. paper, cardboard, food by products, packaging materials, scrap metals coming from manufacturing and processing operations).

¹⁷ Includes dust suppression and carbon capture technologies. Carbon capture technologies include nature-based solutions, such as addition of biochar, and development of projects, that naturally sequester carbon including habitat restoration, conservation of coastal or marine habitats, afforestation, or reforestation. Projects will (i) Have a sustainable forest management plan in place; (ii) the plant and tree species used for afforestation and reforestation will be native or well adapted to local conditions; and (iii) the Framework excludes the conversion of natural land.



CATEGORY	CRITERIA	ALIGNMENT WITH UN SDGs
Environmentally Sustainable Management of Living Natural Resources and Land Use	<p>Projects and investments aiming at:</p> <ul style="list-style-type: none"> Sustainable agriculture¹⁸ practices, including the following activities: <ul style="list-style-type: none"> Environmentally sustainable agriculture that meet third-party certifications such as USDA Organic or EU Organic Climate-smart agriculture methods aligned to UN FAO such as green organic fertilizers (microbial fertilizers), biostimulants, biopesticides, or agricultural robots, manure, compost, soil recovery and restoration of degraded pasture, crop rotation for carbon sequestration and nitrogen accumulation, in (i) individual farm specific interventions (smallholder farmers¹⁹), and (ii) commercial agricultural units Sustainable crop yield intensification methods such as precision agriculture, perennial crops, and controlled environment agriculture (indoor agriculture and vertical farming) Sustainable protein and fats such as Research and Development (R&D) and/or production of plant-based, fermented or cultivated proteins and feed supplements²⁰ Environmentally sustainable forestry²¹, including afforestation or reforestation, and preservation or restoration of natural landscapes that meet the following criteria: (i) Reforestation/afforestation should use tree species that are well-adapted to the site conditions and (ii) With a sustainable management plan in place, preferably with FSC/PEFC/SFI certification 	 

¹⁸ Defined as third-party certified organic farming

¹⁹ Defined as per the Philippine Republic Act no. 7607, 1992. In the Philippines, a small farmer refers to a person dependent on small-scale subsistence farming as their primary source of income and whose sale, barter or exchange of agricultural products do not exceed a gross value of PHP 180,000 (USD 3,211) per annum based on 1992 constant prices. Government of the Philippines, "Republic Act no. 7607, June 04, 1992: An Act Providing a Magna Carta of Small Farmers", at: <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/2/3536> OR Food and Agriculture Organization definition of smallholder farmers, that defines smallholder farmers as those with agricultural land holdings below 2 hectares for the Asia-Pacific region, at "Asia and Pacific Commission on Agricultural Statistics", at: https://www.fao.org/fileadmin/templates/ess/documents/meetings_and_workshops/APCAS23/documents_OCT10/APCAS-10-28_Small_farmers.pdf

²⁰ Production and processing of plant-based meat alternatives will require (i) evidence of life-cycle emissions to be significantly below average emissions from meat counterparts; and (ii) having a recognized and credible third-party certification for procurement of all ingredients, such as Roundtable on Sustainable Biomaterials (RSB) or Roundtable on Responsible Soy (RTRS).

²¹ Defined as Programme for the Endorsement of Forest Certified (PEFC), Forest Stewardship Council (FSC) or Sustainable Forestry Initiative (SFI) certified forestry, or other equivalent standards



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 minimization, management, recycling and reuse



Green Buildings

Construction or lease of office space in buildings that meet recognised standards, such as:

- LEED V4.0 or V4.1 (Gold, Platinum)
- Green Globes (3 or 4 Globes)
- NABERS 4.5 stars or better
- BREEAM (Excellent or Outstanding)
- BCA Green Mark GoldPlus or better
- IFC EDGE (EDGE Certified, EDGE Advanced, Zero Carbon)
- Philippines BERDE Green Building Rating System (4-star and above)



2.1.1a Eligible Blue Categories

A portfolio of Eligible Blue Assets (together forming the "Eligible Blue Portfolio") in the following categories would be defined and created as a subset of Eligible Green Categories:



CATEGORY	CRITERIA	ALIGNMENT WITH UN SDGs
Marine Ecosystem Management	<p>Projects and investments aiming at:</p> <ul style="list-style-type: none"> Conserving, improving, and restoring marine and coastal ecosystems²² Information systems, technology, and instruments deployed for measuring, tracking, and reporting physical and chemical indicators of the water body²³ 	
Fisheries, Aquaculture, and Seafood Value Chain	<p>Projects and investments aiming at:</p> <ul style="list-style-type: none"> Developing traceability systems to ensure sustainability of operations, facilities and supply chains in the fishing industry Improving fisheries in sustainable production that meet, keep, or exceed the Marine Stewardship Council (MSC) Fisheries Standards²⁴, Aquaculture Stewardship Council (ASC) standards 	

²² Including (i) Marine Protected Areas established, or management strengthened; (ii) Critical ecosystems (e.g., mangrove forests, coral reef, seagrass meadow, coastal wetland, river embankment, or salt marsh) sustainably managed, conserved or restored; (iii) Invasive species eradication or control programs implemented; (iv) Management, monitoring and enforcement systems utilizing high-level and digital technologies developed for monitoring of coastal or marine areas under conservation or restoration (including data management tools)

²³ Excluding (i) equipment dependent on fossil fuel; and (ii) systems or measures that provide water for fossil fuel operations, fracking and mining

²⁴ The MSC Fisheries Standard is used to assess if a fishery is well-managed and sustainable: <https://www.msc.org/standards-and-certification/fisheries-standard>



CATEGORY	CRITERIA	ALIGNMENT WITH UN SDGs
Sustainable Aquatic and Marine Tourism	<p>Sustainable marine tourism projects and investments, including²⁵:</p> <ul style="list-style-type: none"> In-site marine conservation areas in the vicinity of certified²⁶ sustainable tourism areas contributing to conservation or restoration of habitats, ecosystems and species²⁷ 	
Sustainable Water Management	<p>Projects aiming at developing/ manufacturing infrastructure, equipment and technology for:</p> <ul style="list-style-type: none"> Sustainable infrastructure for clean water²⁸ Wastewater treatment Sustainable urban drainage systems and other forms of flooding mitigation^{29/30} Increase of water-use efficiency³¹ such as digital water metering, smart control center, leakage prevention and irrigation system to promote water saving recovery Restoration of hydro-ecological systems³² 	

²⁵ Financing will not be used for resorts, hotels, boat operators, sailing schools and diving centers. Destination development with negative ESG impacts within protected areas, including involuntary displacement of local communities, air pollution or water pollution, will also be excluded.

²⁶ Certifications include Global Sustainable Tourism Council (GSTC) accredited certification bodies such as EarthCheck, Green Destinations, and Vireo Srl

²⁷ The tourism sites need to have (i) a clear set of activities aimed at avoiding direct negative impacts on biodiversity, including an analysis of the carrying capacity of the area, (ii) partnership agreements with conservation management entities, local NGOs or communities to contribute to the conservation, (iii) a biodiversity information and awareness plan linked to specific impacts arising from tourism activities, and (iv) a clear framework for the continuous monitoring and measuring of the effectiveness of the conservation

²⁸ Including (i) Water purification treatment; (ii) Water filtration systems; (iii) Desalination systems; (iv) R&D for Nanotechnology; (v) Water recycling system; (vi) Drinking water treatment

²⁹ This requires (i) a vulnerability assessment - an assessment or diagnosis of realized climate impacts and potential climate risks; and (ii) an adaptation plan - a management response plan to the conclusions and findings of the vulnerability assessment, noting how identified climate risks will be addressed.

³⁰ This refers to pumping stations or draining structure projects which could help reduce the likelihood of flooding in an area. Other examples include non-structural flood mitigation tools such as storm/flood water warning systems, development of floodplain mapping, and flood forecasting models.

³¹ Excludes deployment of systems and measures to enable water efficiency gains in hard-to-abate industries.

³² For conservation or restoration of natural landscapes, (i) the hydro-ecological flora and fauna used for restoration will be native or well adapted to local conditions; and (ii) there will be a sustainable management plan for restoration projects.



2.1.2 Eligible Social Categories

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


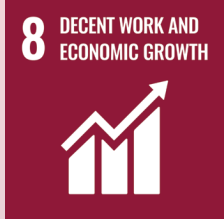


CATEGORY	CRITERIA	ALIGNMENT WITH UN SDGs
Affordable Basic Infrastructure	Construction, operation, or upgrading of basic infrastructure, such as clean drinking water, sewers, and sanitation for communities from rural areas ³³ .	
Access to Essential Services	<p>Loans to the following essential services in the Philippines:</p> <ul style="list-style-type: none"> Healthcare (including affordable/generic medicines) Hospitals, clinics or healthcare centers providing free or subsidized care, including those accredited by PhilHealth Facilities which support the well-being of vulnerable and disadvantaged communities³⁴, such as elderly/disabled care homes or hospices, with provisions for free or subsidized care or recognized/accredited by the Department of Social Welfare and Development Pharmaceutical manufacturers (minimum 90% of revenues to generic medicines) Education <ul style="list-style-type: none"> Public and Private institutions – where private institutions are considered, these include enterprises that serve vulnerable populations and charge a nominal fee that is affordable to all in local context Development and operation of programs, facilities and institutions for vocational training, including sheltered workshops³⁵ 	

³³ Areas identified as rural are defined by the Philippine Statistics Authority (PSA) (1980 Census of Population and Housing): <https://www.psa.gov.ph/classification/psgc>

³⁴ Vulnerable, disadvantaged and elderly communities as defined by the Department of Social Welfare and Development: https://www.dswd.gov.ph/issuances/MCs/MC_2020-004.pdf

³⁵ A sheltered workshop is a place of employment that provides opportunities for individuals who are developmentally, physically, or mentally impaired. It serves to prepare individuals for work in the general economy and includes services such as basic training, specific job skill training and providing work experience.



CATEGORY	CRITERIA	ALIGNMENT WITH UN SDGs
Employment Generation	Loans to micro, small, and medium enterprises (MSME) as defined by the BSP ³⁶ , including those that promote women entrepreneurship, and/or small-scale food production	 
Affordable Housing	Loans to the development or purchase of "Socialized Housing" and "Economic Housing" as defined by the Department of Human Settlements and Urban Development (DHSUD) of the Philippines ³⁷	
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> Loans to entities which improve access to financial services for minority, underserved, and low-income individuals or MSMEs, including rural and cooperative banks as defined by the Philippine Central Bank's Manual of Regulation for Banks Loans to cooperatives as defined by the Republic Act 9520 	

Exclusionary Criteria

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

³⁶ BSP's 2020 Manual of Regulations for Banks defines Small and Medium Enterprises as business activity or enterprise with total assets having value under the following categories: Micro (not more than PHP 3,000,000), Small (more than PHP 3,000,000 to PHP 15,000,000), Medium (more than PHP 15,000,000 to PHP 100,000,000). As the BSP may amend thresholds, this is subject to change without further notice.

³⁷ DHSUD is the central housing authority in the Philippines. It consolidated the duties and functions of the Housing and Urban Development Coordinating Council (HUDCC) and the Housing and Land Use Regulatory Board (HLURB), except for adjudication. DHSUD Department Order No. 2022.003 Series of 2022 sets the price ceiling for economic housing to PHP 2,500,000 while a tiered classification is provided for Socialized Housing from the DHSUD site: <https://dhsud.gov.ph/price-ceilings-hred-faqs/>. As DHSUD may amend thresholds, this is subject to change without further notice.

2.2 Project Evaluation and Selection

The selection of Eligible Green (with subset of Blue Assets) and Social Assets will be performed by the business units in nominating loans or projects in accordance with the Eligible Green, Blue or Social Categories in 2.1.1, 2.1.1a and 2.1.2, and evaluated according to RCBC's ESMS Policy. The Philippines Standard Industrial Classification (PSIC) system was also utilized to identify certain green, blue and social assets.

RCBC's ESMS is a declaration of the Bank's commitment to sustainable development and protection of environmental and social safeguards.

A committee composed of representatives from Credit Risk, Business, and Sustainable Finance teams would be responsible for the evaluation and approval of Eligible Green (with subset of Blue) and Social Assets. A project would be approved only if it meets the criteria of ESMS and Eligible Green (with subset of Blue) or Social Categories as detailed in 2.1.1, 2.1.1a and 2.1.2.

2.3 Management of Proceeds

a. Tracking of proceeds

The SFI proceeds will be managed by RCBC's Balance Sheet Management Team and Sustainable Finance Division using a portfolio approach, and would be allocated as follows:

- Green Bonds or Green Loans to the Eligible Green Portfolio
- Social Bonds or Social Loans to the Eligible Social Portfolio
- Blue Bonds or Blue Loans to the Eligible Blue Portfolio
- Sustainability Bonds or Sustainability Loans to both Eligible Green Portfolio and Eligible Social Portfolio



RCBC will aim to achieve and maintain, on a best-efforts basis, a level of allocation for the Eligible Green, Blue, and Social Portfolio that at least matches or exceeds the net proceeds from its SFIs.

During the life of the SFIs, if an asset ceases to fulfill the eligibility criteria, RCBC will remove the relevant asset from the relevant asset portfolio and replace it with eligible asset(s) at least equivalent in amount to the asset that was removed, when necessary, as soon as reasonably practicable.

To prevent double counting, RCBC will ensure that any Eligible Green, Blue, and Social Assets (especially those with more than one affiliation with the Use of Proceeds category) will not be listed more than once in either the Eligible Green Portfolio (with subset of Blue) or Social Portfolio.

b. Allocation of proceeds

RCBC is committed to allocating all proceeds from the SFIs to Eligible Projects on a best-efforts basis within two years from issuance date of the SFIs in accordance with the evaluation and selection process set out above.

c. Use of unallocated proceeds

For any SFI net proceeds that remain unallocated, RCBC will hold the proceeds in cash or cash equivalents.



2.4 Reporting

RCBC intends to report on the allocation of proceeds in a Limited Assurance Report while the impact of proceeds through a separate Impact Report, both of which will be published on the Bank's website on an annual basis until full allocation. Reporting will take place a year following the issuance of the applicable SFI and will be renewed annually until full allocation of the net proceeds.

RCBC will align, on a best-efforts basis, the reporting with the portfolio approach described in The Green Bond Principles Harmonized Framework for Impact Reporting (June 2023)

and The Social Bond Principles Harmonized Framework for Impact Reporting for Social Bonds (June 2023).

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

2.4.1 Allocation Reporting

The allocation report will provide:

- breakdown of proceeds according to eligible assets
- the balance of unallocated proceeds
- examples of projects being financed (subject to confidentiality considerations)

2.4.2 Impact Reporting

The impact report may provide relevant indicators, for example:

Eligible Green Categories	
CATEGORY	IMPACT REPORTING INDICATORS
Renewable Energy	<ul style="list-style-type: none"> • Installed capacity (kW/MW) • Annual generation of renewable energy in MWh/GWh (electricity) and GJ/TJ (other energy) • Annual reduction/avoidance of greenhouse gas emissions or annual absolute (gross) greenhouse emissions from the project in tons CO₂e
Green Buildings	<ul style="list-style-type: none"> • Type of green building certifications and number of buildings certified for each certification type • Annual reduction/avoidance of greenhouse gas emissions or annual absolute (gross) GHG emissions from the project in tons CO₂e • Annual energy savings in MWh/GW (electricity savings) and GJ/TJ (other energy savings) • Annual production of green building materials/products (units/year)



CATEGORY	IMPACT REPORTING INDICATORS
Clean Transportation	<ul style="list-style-type: none"> • Type and number of public transportation projects financed • Total distance travelled and passengers catered • Annual GHG emissions reduction/avoidance in tonnes of CO₂e • Increase percentage of recycled rechargeable batteries and fuel cells
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy savings in MWh/GWh (electricity savings) and GJ/TJ (other energy savings) • Annual reduction/avoidance of greenhouse gas emissions or annual absolute (gross) greenhouse emissions from the project in tons CO₂e • Percent reduction in energy demand
Pollution Prevention and Control	<ul style="list-style-type: none"> • Annual absolute amount of waste that is separated, collected, treated or disposed of, or reused or recycled in (tons/year) and/or % of total waste • Annual pollution reduction (tons/year) • Annual use of alternative low carbon and organic materials (tons/year)
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Avoided and/or sequestered GHG emissions (tCO₂/year) • Increase in area under sustainable forest management (ha) • Number of research published or size of research funding



Eligible Blue Categories

CATEGORY	IMPACT REPORTING INDICATORS
Marine Ecosystem Management	<ul style="list-style-type: none"> • Maintenance/safeguarding/increase of protected area/other effective area-based conservation measure/habitat in km² and in % for increase • Absolute number of predefined target organisms and species per km² (bigger fauna) or m² (smaller fauna and flora) before and after the project
Fisheries, Aquaculture, and Seafood Value Chain	<ul style="list-style-type: none"> • Increase in % of certified sustainable fisheries/aquaculture • Increase in tonnes of sustainable seafood production • Reduction of chemicals, anti-microbials or pesticides per ton of fish
Sustainable Aquatic and Marine Tourism	<ul style="list-style-type: none"> • Maintenance/safeguarding/increase of protected area in the vicinity of certified sustainable tourism areas/ other effective area-based conservation measure /habitat in km² and in % for increase
Sustainable Water Management	<ul style="list-style-type: none"> • Total water supplied (m³/year) • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m³/a and p.e./a and as % • Annual water saving (m³/year) • Number of research published or size of research funding



Eligible Social Categories

CATEGORY	IMPACT REPORTING INDICATORS
Affordable Basic Infrastructure	<ul style="list-style-type: none"> • Increase in water supply, sanitation service and/or sewer coverage (in terms of number and percentage of households (HHs)) • Percentage increase in coverage/number of households with access to quality drinking water compliant with the Philippine National Standards for Drinking Water (PNSDW)
Access to Essential Services	<p>Healthcare:</p> <ul style="list-style-type: none"> • Number of patients receiving medical/healthcare treatment • Number of children vaccinated • Number of hospital beds provided • Number of elderly/disabled benefitting from healthcare programmes • Reduction in out-of-pocket healthcare expenses for the underserved and disadvantaged communities <p>Education:</p> <ul style="list-style-type: none"> • Number of students enrolled
Employment Generation	<ul style="list-style-type: none"> • Total loans extended to qualified MSMEs • Number of MSMEs financed • Number of employees benefitted • Number of jobs created
Affordable Housing	<ul style="list-style-type: none"> • Number of affordable houses financed • Loan amount to beneficiaries
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> • Number of clients served per year via rural banks and cooperatives • Total approved loans to women per year via financing project • Total approved loans to low-income borrowers per year via financing project • Number of cooperative clients served

2.5 External Review

2.5.1 Pre-issuance review

This Sustainable Finance Framework has been reviewed by Sustainalytics, who has issued a Second Party Opinion, which can be found here (<https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects>).

2.5.2 Post-issuance review

RCBC intends to issue a limited assurance report or verification statement for the allocation of the SFI proceeds to the Eligible Green (with subset of Blue) and Social Portfolio, starting one year after issuance and until full allocation.



Appendix 1 - Exclusionary Criteria

The following projects/activities are ineligible for the use of SFI's proceeds and temporary allocation of investments under this Framework:

1. Fossil fuel power generation, as well as activities that are knowingly and intentionally dedicated to support the expansion or transport of fossil fuel-based technologies and materials.
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. Production or trade in palm oil
7. Gambling, casinos and equivalent enterprises
8. Trade in wildlife or wildlife products regulated under CITES
9. Production or trade in radioactive materials
10. Production or trade in or use of unbonded asbestos fibers
11. Purchase of logging equipment for use in primary tropical moist forest
12. Production or trade in pesticides/herbicides subject to international phase outs or bans
13. SMEs that knowingly and intentionally engage in child labour, forced labour, unfair labour practices, conflict minerals and predatory lending



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