

# Second-Party Opinion

## RCBC Sustainable Finance Framework



### Evaluation Summary

Sustainalytics is of the opinion that the RCBC Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023, Social Loan Principles 2023, ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories<sup>1</sup> for the use of proceeds are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, Social Loan Principles ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14 and 15.



**PROJECT EVALUATION AND SELECTION** RCBC’s Sustainable Finance Committee will be responsible for evaluating and approving eligible projects in line with the Framework’s eligibility criteria. RCBC will undertake environmental and social risk assessments that adhere to its internal policies where relevant. Sustainalytics considers the risk management systems to be adequate and the project evaluation and selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** RCBC’s Balance Sheet Management Team and Sustainable Finance Committee will be responsible for management and tracking of proceeds using a portfolio approach. RCBC intends to fully allocate proceeds within two years of issuance on a best-efforts basis. Pending allocation, proceeds will be temporarily held in cash or cash equivalents. This is in line with market practice.



**REPORTING** RCBC intends to report on the allocation of proceeds and corresponding impact on its website on an annual basis until full allocation. Allocation reporting may include a breakdown of proceeds according to eligible assets, the balance of unallocated proceeds and the proportion of proceeds for financing versus refinancing. Impact reporting will include relevant impact metrics. Sustainalytics views the allocation and impact reporting as aligned with market practice.

**Evaluation Date** February 14, 2024

**Issuer Location** Makati, Philippines

### Report Sections

Introduction.....	2
Sustainalytics’ Opinion .....	3
Appendices .....	20

**For inquiries, contact the Sustainable Corporate Solutions project team:**

**Mousumi Bej (Mumbai)**  
Project Manager

**Abhishek Patane (Mumbai)**  
Project Manager  
abhishek.patane@morningstar.com

**Sumaiya Waheed (Mumbai)**  
Project Support

**Poonam Tarekar (Mumbai)**  
Project Support

**Prashant Pandey (Mumbai)**  
Project Support

**Ankita Mani (Mumbai)**  
Project Support

**Nishant Bhagchandani (Mumbai)**  
Client Relations  
susfinance.apac@sustainalytics.com  
(+852) 3008 2391

### Alignment with the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards

The ASEAN SUS, GBS and SBS provide guidance to issuers and communicate more specifically on what issuers should do to issue credible green, social and sustainability bonds in ASEAN countries. Sustainalytics is of the opinion that the eligible green and social project categories under the RCBC Sustainable Finance Framework align with the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards.

<sup>1</sup> Renewable Energy; Green Buildings; Clean Transportation; Energy Efficiency; Pollution Prevention and Control; Environmentally Sustainable Management of Living Natural Resources and Land Use; Marine Ecosystem Management; Fisheries, Aquaculture and Seafood Value Chain; Sustainable Aquatic and Marine Tourism; Sustainable Water Management; Affordable Basic Infrastructure; Access to Essential Services; Employment Generation; Affordable Housing; and Socio-Economic Advancement and Empowerment.

## Introduction

Rizal Commercial Banking Corporation (“RCBC” or the “Bank”) provides financial products and services, including investment banking, retail banking, corporate banking, foreign exchange, wealth management and other services in the Philippines, the United States and other countries in Europe and Asia.<sup>2</sup> The Bank is headquartered in Makati city, Philippines, and has a total asset value of USD 21 billion as of December 2022.

RCBC developed the Rizal Commercial Banking Corporation Sustainable Finance Framework (the “Framework”) under which it intends to issue bonds,<sup>3</sup> loan agreements,<sup>4</sup> other relevant debt instruments,<sup>5</sup> and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to create positive environmental and social impacts, such as reducing environmental footprint, advancing employment generation and improving access to essential services for vulnerable groups in the Philippines.

The Framework defines eligibility criteria in fifteen areas:

1. Renewable Energy
2. Green Buildings
3. Clean Transportation
4. Energy Efficiency
5. Pollution Prevention and Control
6. Environmentally Sustainable Management of Living Natural Resources and Land Use
7. Marine Ecosystem Management
8. Fisheries, Aquaculture and Seafood Value Chain
9. Sustainable Aquatic and Marine Tourism
10. Sustainable Water Management
11. Affordable Basic Infrastructure
12. Access to Essential Services
13. Employment Generation
14. Affordable Housing
15. Socio-Economic Advancement and Empowerment

RCBC engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),<sup>6</sup> Green Loan Principles 2023 (GLP), Social Loan Principles 2023 (SLP),<sup>7</sup> ASEAN Sustainability Bond Standards 2018 (ASEAN SUS), ASEAN Green Bond Standards 2018 (GBS) and ASEAN Social Bond Standards 2018 (SBS).<sup>8</sup> The Framework has been published in a separate document.<sup>9</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>10</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

<sup>2</sup> RCBC, “2022 Annual Report”, at: [https://www.rcbc.com/uploads/media/RCBC-2022-Annual-Report\\_V2.pdf](https://www.rcbc.com/uploads/media/RCBC-2022-Annual-Report_V2.pdf)

<sup>3</sup> RCBC has communicated to Sustainalytics that secured bonds may be issued under the Framework. RCBC has confirmed to Sustainalytics that the type of secured bond, i.e. secured green collateral bond or secured green standard bond, will be specified as per the voluntary process guidelines published in the June 2022 (Appendix 1) of the GBP 2021, and that there will be no double counting of the green projects and any other outstanding green financing.

<sup>4</sup> RCBC has communicated to Sustainalytics that loans will not include multi-tranche loans or revolving credit facilities.

<sup>5</sup> Other relevant debt instruments include: i) debentures, certificates of indebtedness deposits and substitute debt instruments; ii) certificates or other evidences of deposits; iii) certificates or other evidence of deposits drawing interest with a specific maturity date; iv) orders of payment of any sum of money otherwise than at sight or on demand; and v) promissory notes, whether negotiable or non-negotiable, except bank notes issued for circulation.

<sup>6</sup> The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>7</sup> The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

<sup>8</sup> The ASEAN Sustainability Bond Standards (ASEAN SUS), ASEAN Green Bond Standards (GBS), and ASEAN Social Bond Standards (SBS) are administered by the ASEAN Capital Markets Forum and are available at: <https://www.theacmf.org/sustainable-finance/publications>

<sup>9</sup> The RCBC Sustainable Finance Framework will be available on Rizal Commercial Banking Corporation’s website at: <https://www.rcbc.com/sustainability>

<sup>10</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA and LSTA; and ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018, and ASEAN Social Bond Standards 2018, as administered by ASEAN Capital Markets Forum (ACMF).
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of RCBC's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. RCBC representatives have confirmed (1) they understand it is the sole responsibility of RCBC to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and RCBC.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that RCBC has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the RCBC Sustainable Finance Framework

Sustainalytics is of the opinion that the RCBC Sustainable Finance Framework is credible and impactful and aligns with the four core components of ICMA's GBP, SBP, LMA's GLP and SLP, and ASEAN's SUS, GBS and SBS. Sustainalytics notes that in addition to these principles, RCBC intends to align the Framework with the IFC Guidelines for Blue Finance,<sup>11</sup> and the Securities and Exchange Commission Philippines (SECP) Guidelines, and the ICMA September 2023 Practitioner's Guide on Bonds to Finance the Sustainable Blue Economy. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories - Renewable Energy; Green Buildings; Clean Transportation; Energy Efficiency; Pollution Prevention and Control; Environmentally Sustainable Management of Living Natural Resources and Land Use; Marine Ecosystem Management, Fisheries, Aquaculture and

<sup>11</sup> The IFC "Guidelines for Blue Finance" aim to provide a list of eligible use of proceeds to support private investments aligned with the GBP and GLP. IFC, "Guidelines Blue Finance: Guidance for financing the Blue Economy, building on the Green Bond Principles and the Green Loan Principles", (2022), at: <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-guidelines-for-blue-finance.pdf>

Seafood Value Chain, Sustainable Aquatic and Marine Tourism, Sustainable Water Management, Affordable Basic Infrastructure, Access to Essential Services, Employment Generation, Affordable Housing and Socio-Economic Advancement and Empowerment - are aligned with those recognized by the GBP, SBP, GLP, SLP, ASEAN SUS, GBS and SBS.

- RCBC has defined a look-back period of three years for the refinancing of operating expenditures under the Framework, which Sustainalytics considers to be in line with market practice.
- Sustainalytics notes that RCBC has committed to ensuring that no double accounting of financed or refinanced projects and assets will occur across all allocation and impact reporting commitments made under the Framework.
- Under the Renewable Energy category, RCBC may finance or refinance the acquisition, development, construction, operation, renovation or maintenance of renewable energy generation projects, including:
  - Solar photovoltaic and concentrated solar heat and power generation (CSP). For CSP, Sustainalytics notes that most of the electricity (more than 85%) generated is derived from solar energy.
  - On- and offshore wind projects.
  - Hydropower projects financed under the Framework meeting one of the following criteria:
    - Hydropower facilities that became operational after the end of 2019: i) run-of-river without an artificial reservoir or with low storage capacity; or ii) having life-cycle carbon intensity less than 50 gCO<sub>2</sub>e/kWh; or iii) power density of more than 10 W/m<sup>2</sup>.
    - Hydropower facilities that became operational before the end of 2019: i) run-of-river without an artificial reservoir or with low storage capacity; or ii) having life-cycle emissions less than 100 gCO<sub>2</sub>e/kWh; or iii) power density below 5W/m<sup>2</sup>.
    - Sustainalytics notes that all new hydropower projects will undergo an environmental and social impact assessment<sup>12</sup> to ensure that no significant environmental and social risks, negative impacts or controversies have been identified. The Bank will exclude financing of new hydropower projects involved in significant environmental or social controversies under the Framework.
  - Bioenergy projects, including electricity generation from: i) non-waste biomass, such as oilseed crops, sugar crops, starch crops and wood pellets; ii) waste biomass, such as forestry and agricultural residues, for example, wood chips, sawdust straw, cane trash, sugarcane bagasse, corn cobs, fish residues from certified aquaculture, used cooking oil, palm oil mill effluents (POME), domestic or industrial wastewater, and sewage sludge. RCBC has confirmed to Sustainalytics that:
    - The life cycle emissions intensity of bioenergy production processes will be below 100 gCO<sub>2</sub>/kWh.
    - Biomass will be of sustainable origin and will be certified by internationally accepted certification schemes, such as the Roundtable on Sustainable Biomaterials Standard,<sup>13</sup> Round Table on Responsible Soy,<sup>14</sup> Roundtable on Sustainable Palm Oil (RSPO),<sup>15</sup> Forest Stewardship Council,<sup>16</sup> International Sustainability and Carbon Certification Plus,<sup>17</sup> and SBP for wood pellets.
    - Fish residues used as feedstock will be sourced from aquaculture sources certified by MSC, BAP (minimum 2 stars) or Global GAP for aquaculture.
    - Used cooking oil (UCO) will be procured sustainably and will not compete with food needs. Sustainalytics views activities that divert UCO oil for reuse to have potential positive environmental impacts. Nonetheless, Sustainalytics encourages RCBC to implement source tracing measures on UCO to prevent the inclusion of any virgin products.

<sup>12</sup>RCBC has communicated to Sustainalytics that i) hydropower projects with capacities of over 1 MW will undergo third party environmental and social impact assessment in line with the regulations in the Philippines; and ii) hydropower projects with capacities of 1 MW or below will undergo ESMS assessment conducted by RCBC as per its ESMS policy to address environmental and social risks prior to lending.

Republic of Philippines' "Revised Guidelines for Coverage Screening and Standard Requirements- EMB Memorandum Circular 005", (2014), at: <https://eia.emb.gov.ph/wp-content/uploads/2016/06/Revised-Guidelines-for-Coverage-Screening-and-Standardized-Reqts.pdf>

<sup>13</sup> Roundtable on Sustainable Biomaterials Standard: <https://rsb.org/>

<sup>14</sup> Round Table on Responsible Soy: <https://responsiblesoy.org/certificacion?lang=en>

<sup>15</sup> RSPO: <https://rspo.org/certification>

<sup>16</sup> Forest Stewardship Council: <https://fsc.org/en/fsc-standards>

<sup>17</sup> ISCC: <https://www.iscc-system.org/certification/certificate-database/all-certificates/>

- Domestic or industrial wastewater will exclude wastewater from fossil fuel operations.
- RCBC has confirmed to Sustainalytics that production of non-waste biomass does not take place on land with high biodiversity, nor on land with high amounts of carbon converted to biofuel feedstock production; a food security impact assessment (FSIA) will be conducted to demonstrate no competition with food and feed.
- Sustainalytics notes the Framework's exclusion of peat, feedstock with 10% or more of non-certified oil, energy crops, and waste biomass sourced from non-RSPO certified palm oil operations.
- Geothermal projects with direct emissions below 100 gCO<sub>2</sub>/kWh.
- Fuel cells and energy storage systems, including battery storage, hydrogen storage, flywheels, compressed air energy storage and pumped hydropower storage.
  - The Bank has confirmed that energy storage projects financed under the Framework will be connected to renewables.
  - Sustainalytics notes that all new pumped hydropower projects will undergo an environmental and social impact assessment conducted to ensure that no significant environmental and social risks, negative impacts or controversies have been identified, and that the Framework will exclude new pumped hydropower projects involved in significant environmental or social controversies.
- Production of hydrogen through electrolysis powered by renewable energy, and equipment for the production and use of hydrogen powered by renewable energy.
- Sustainalytics considers expenditures under this category to be aligned with market practice.
- Under the Green Buildings category, RCBC may finance or refinance the planning, designing, construction, operation, maintenance, renovation, acquisition and ownership of residential, commercial and retail buildings according to the following criteria:
  - Buildings that have achieved or are expected to achieve one of the following minimum certification levels: i) LEED (Gold or above);<sup>18</sup> ii) Green Globes (3 or 4 Globes); iii) BREEAM (Excellent or above);<sup>19</sup> iv) BCA Green Mark (Gold Plus or above);<sup>20</sup> v) NABERS (4.5 stars or above);<sup>21</sup> vi) EDGE (Certified, or above);<sup>22</sup> or vii) Philippines BERDE Green Building Rating System (4 star or above).<sup>23</sup> Sustainalytics considers these certification schemes to be credible and the levels selected as aligned with market practice.
  - Development, construction and operation of data centres with annualized PUE equal to or lower than 1.4 for data processing, hosting and other related activities.
  - Sustainalytics considers expenditures towards these activities to be aligned with market practice.
- Under Clean Transportation category, RCBC may finance or refinance projects aimed at:
  - Development or manufacturing of: i) zero direct emissions vehicles, including passenger public and non-public vehicles, rail freight and road freight; and ii) Hybrid vehicles including passenger public and non-public vehicles, and rail freight; in accordance with the following criteria:
    - For hybrid vehicles, Sustainalytics notes that the following emissions thresholds will be met: i) passenger non-public vehicles such as passenger cars and commercial vehicles will meet a tailpipe emissions threshold of below 50 gCO<sub>2</sub>e/km; ii) passenger public vehicles including light rail transit, metro, tram, trolleybus, bus and rail will meet a tailpipe emissions threshold of less than 50 gCO<sub>2</sub>e/pkm; and iii) freight rails at or below 25 gCO<sub>2</sub>/tkm.
    - The Bank has confirmed that the emissions intensity thresholds of hybrid passenger vehicles will be based on the Worldwide Harmonised Light Vehicle Test Procedure (WLTP), which uses real-world driving data to replicate actual driving conditions.
  - Development, acquisition, operation, maintenance and upgrade of associated infrastructure, including EV charging infrastructure and expansion of metro or train

<sup>18</sup> LEED: <https://www.usgbc.org/leed>

<sup>19</sup> BREEAM: <https://bregroup.com/products/breeam/>

<sup>20</sup> BCA Green Mark: <https://www1.bca.gov.sg/buildsg/sustainability/green-mark-certification-scheme>

<sup>21</sup> NABERS: <https://www.nabers.gov.au/ratings>

<sup>22</sup> EDGE: <https://edgebuildings.com/certify/certification/>

<sup>23</sup> BERDE: <https://berdeonline.org/>

- network and station upgrades, hydrogen fuel; ICT such as smart cards, smart load pricing or charging; development, manufacturing, or recycling of rechargeable batteries and fuel cells. RCBC has confirmed to Sustainalytics that:
- The Framework excludes investments in: i) new construction and existing road infrastructure retrofits, including roads and bridges; ii) parking facilities; and iii) fossil fuel stations or other assets that prolong fossil fuel lock-in.
  - Procurement or production of battery components dedicated to or intended for ICE and CNG passenger cars and supply chain, or not intended for electric vehicle batteries and renewable energy storage.
- Sustainalytics notes the following exclusions in this category under the Framework:
    - Investment in fossil fuel-based transportation, supporting systems and infrastructure, and transportation dedicated to fossil fuel transport.
    - Investment in systems and infrastructure dedicated to the transportation of fossil fuels.
    - Freight trucks and tank containers dedicated to the transport of fossil fuels or fossil fuels blended with other fuels.
    - Rail lines and operations where fossil fuels account for more than 50% of freight (by tkm).
  - Sustainalytics considers expenditures towards these activities to be aligned with market practice.
- Under the Energy Efficiency category, RCBC may finance or refinance development or manufacturing of equipment and technology projects that achieve a minimum 20% of energy efficiency improvements as compared to the baseline or market average, which may include:
    - Smart grids technologies, including advanced metering infrastructure with smart power meters and substations, automation devices and intelligent appliances. RCBC has further confirmed the exclusion of financing transmission lines that are directly connected to fossil fuel power plants.
    - Waste heat recovery technologies such as aquifer thermal energy storage systems, innovative cooling systems and organic rankine cycle. RCBC has confirmed the exclusion of technologies that are inherently reliant on fossil fuels as an energy source.
    - 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 for broadband networks which replace the legacy copper technologies.
    - The Bank has confirmed to exclude energy-efficient technologies designed or intended for processes that are inherently carbon intensive, powered by fossil fuels, and production processes in heavy industries, to be financed under the Framework.
    - Sustainalytics considers investments under this category to be aligned with market practice.
  - Under the Pollution Prevention and Control category, RCBC may finance or refinance development or manufacturing of equipment, technologies or infrastructure, in accordance with the following criteria:
    - Collection, treatment and processing of waste, and recycling of i) residential and non-hazardous industrial wastes, such as food scraps, paper, glass, plastic, cardboard, food by products, packaging materials, scrap metals and post-consumer wastes; and ii) collection, transport,<sup>24</sup> sorting from material recovery facilities, including shredding or baling. The activities under this expenditure support waste segregation at source.
    - RCBC has confirmed to Sustainalytics that the expenditures will be limited to mechanical plastic recycling facilities and production of plastics in primary forms, meeting all of the following criteria: i) production with at least 90% of recycled, renewable or bio-based input that is RSB-certified; ii) at least 90% not intended for single-use consumer products; and iii) all products are recyclable.
    - Material reuse through refurbishment and repair, including post-industry and post-consumer waste (diverted from landfills), such as packaging material, paper, glass, plastic and metal. Sustainalytics notes the following confirmed by RCBC:
      - The activity results in products being put back to their original use, with no or minimal pre-processing requirements.

<sup>24</sup> Sustainalytics notes that the vehicles used or purchased for waste transportation will meet the criteria under the Clean Transportation category.

- The Framework excludes financing related to refurbishment, reconditioning, and repair of products for the use in extraction of fossil fuels or that inherently rely on fossil fuel.
- Emission abatement technologies that maintain the quality of effluents within acceptable levels, such as dust suppression and carbon capture, in accordance with the following criteria:
  - 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. Sustainalytics notes the following under this activity: i) projects should 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.
  - RCBC has confirmed the exclusion of investments in R&D and commercial scale carbon capture and storage and dust suppression applied to “hard-to-abate” industrial activities that are inherently carbon intensive and where captured carbon is intended for enhanced oil recovery.
- Sustainalytics notes that the Framework criteria excludes investment in products that would enable energy efficiency for fossil fuel-derived thermal power generation or internal combustion engine vehicles and energy efficiency in the fossil fuel value chain.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under Environmentally Sustainable Management of Living Natural Resources and Land Use category, RCBC may finance or refinance the following:
  - Sustainable agriculture practices including climate smart agriculture methods, such as no-till farming systems, crop rotation, drip irrigation, interventions to eliminate synthetic fertilizers or minimize their use, precision agriculture, perennial crops, procurement and use of green organic fertilizers (microbial fertilizers), biopesticides, green ammonia-based fertilizers and biostimulants,<sup>25</sup> integrated crop management using agricultural robots, manure, compost, soil recovery and restoration of degraded pasture.
    - Crop rotation for carbon sequestration and nitrogen accumulation in individual farm-specific interventions (smallholder farmers) or commercial agricultural units, also meeting the criteria in the subsequent items.
    - Agricultural robots used in combination with sustainable farming techniques, such as precision farming and crop rotation for harvesting or weeding and sustainable crop management, including IoT, drones, satellite images, big data, and sensors for optimizing precision agriculture. RCBC has confirmed that pesticide application through robots will be excluded under the Framework.
    - Smallholder farmers<sup>26,27</sup> that have sustainable forest management processes in place.
    - Large-scale agricultural operations that meet one of the following certifications: i) Rainforest Alliance Sustainable Agriculture Standard;<sup>28</sup> ii) Roundtable on Sustainable Biomaterials Standard;<sup>29</sup> iii) Roundtable on Responsible Soy;<sup>30</sup> iv) Roundtable on Sustainable Palm Oil;<sup>31</sup> v) USDA

<sup>25</sup> Biostimulants that help plants absorb nutrients and improve plant health, reducing reliance on fertilizers.

<sup>26</sup> RCBC has confirmed to Sustainalytics that it follows the definition of small farmer as per the Philippine Republic Act no. 7607, 1992 or as per the FAO’s definition. 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>

<sup>27</sup> Alternatively, RCBC may follow the FAO definition of smallholder farmers: those with agricultural land holdings below 2 ha for the Asia-Pacific region. FAO, “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](https://www.fao.org/fileadmin/templates/ess/documents/meetings_and_workshops/APCAS23/documents_OCT10/APCAS-10-28_Small_farmers.pdf)

<sup>28</sup> Rainforest Alliance Sustainable Agriculture Standard: <https://www.rainforest-alliance.org/resource-item/rainforest-alliance-sustainable-agriculture-standard-introduction/>

<sup>29</sup> Roundtable on Sustainable Biomaterials Standard: <https://rsb.org/>

<sup>30</sup> Roundtable on Responsible Soy: <https://responsiblesoy.org/?lang=en>

<sup>31</sup> Roundtable on Sustainable Palm Oil: <https://rspo.org/as-an-organisation/certification/>

- Organic;<sup>32</sup> and vi) EU Organic.<sup>33</sup> Sustainalytics views the selected certification schemes as credible and aligned with market practice.
- RCBC has confirmed to Sustainalytics the exclusion of industrial-scale livestock production units or livestock management projects for industrial-scale meat processors or producers.
  - RCBC has confirmed to Sustainalytics that manufacturing, purchase or distribution of inorganic or synthetic fertilizers, pesticides and herbicides is excluded.
- Sustainable crop yield intensification methods such as precision agriculture, perennial crops, indoor agriculture and vertical farming, including acquisition, expansion or management of facilities, such as green houses and shade houses. RCBC has confirmed the following:
    - Energy efficiency and water efficiency of indoor agriculture projects will be ensured.
    - Crops cultivated under covered operations shall follow natural cycles, or if grown outside their natural cycle, operations shall rely on electricity or low-carbon energy sources for heating.
  - Sustainable protein and fats, such as plant-based, fermented or cultivated proteins and feed supplements, in accordance with the following criteria:
    - R&D of plant-based meat alternatives and lab-grown cultivated meat.
    - Manufacturing and processing of plant-based meat alternatives that ensure: i) evidence of life cycle emissions to be significantly below average emissions from meat counterparts;<sup>34</sup> and ii) having a recognized and credible third-party certification for procurement of all ingredients (such as RSB or RTRS).
  - Sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes, in accordance with the following criteria:
    - The investments will be limited to i) projects that have a sustainable forest management plan in place, certified under PEFC, FSC or SFI; and ii) plant and tree species used for afforestation and reforestation will be native or well adapted to local conditions.
    - Sustainalytics notes that the Framework excludes the conversion of natural land and investments in commercial forests that are not certified under PEFC, FSC, or SFI.
  - Sustainalytics considers expenditures towards these activities to be aligned with market practice.
- Under the Marine Ecosystem Management category, RCBC may finance or refinance projects and investments aimed at:
    - Conserving, improving and restoring marine and coastal ecosystems. Examples include activities related to: a) marine protected areas or strengthened management of such areas; b) mangrove forests, coral reefs, seagrass meadows, coastal wetlands, river embankments and salt marshes; c) invasive species eradication or control programmes; and iv) management, monitoring and enforcement systems using digital technologies, such as data management tools.
    - Measuring, tracking and reporting physical and chemical indicators of water bodies through installed information systems, technology and instruments. Examples may include wireless sensor networks, nano sensors, such as metal oxide semiconductor sensors and IoT sensors. RCBC has confirmed the exclusion of: equipment dependent on fossil fuels and systems or measures that provide water for fossil fuel operations, fracking and mining.
    - Sustainalytics considers expenditures towards these activities to be aligned with market practice.
  - Under the Fisheries, Aquaculture and Seafood Value Chain category, RCBC may finance or refinance projects and investments aimed at:
    - Developing traceability systems that ensure sustainable and transparent operations, facilities and supply chains, such as software that digitally captures and conveys data from ASC-certified farms and feed sources to their origin.

<sup>32</sup> USDA Organic: <https://www.usda.gov/topics/organic>

<sup>33</sup> EU Organic: [https://agriculture.ec.europa.eu/farming/organic-farming/organic-logo\\_en](https://agriculture.ec.europa.eu/farming/organic-farming/organic-logo_en)

<sup>34</sup> Average life cycle emissions of meat varieties in kgCO<sub>2</sub>e/kg, specifically for: i) Beef (beef herd) is 99.5; ii) Lamb and mutton is 39.7; iii) Beef (dairy herd) is 33.3; iv) Farmed prawns is 26.9; v) Cheese is 23.9; vi) Farmed fish is 13.6; vii) Pork is 12.3; and viii) Poultry is 9.9.

EU Platform on Sustainable Finance, "Technical Working Group", (2022), at: [https://finance.ec.europa.eu/system/files/2022-03/220330-sustainable-finance-platform-finance-report-remaining-environmental-objectives-taxonomy-annex\\_en.pdf](https://finance.ec.europa.eu/system/files/2022-03/220330-sustainable-finance-platform-finance-report-remaining-environmental-objectives-taxonomy-annex_en.pdf)



- Improving sustainable production of fisheries certified by the Marine Stewardship Council (MSC)<sup>35</sup> and Aquaculture Stewardship Council (ASC).<sup>36</sup>
- Sustainalytics considers expenditures towards these activities to be aligned with market practice.
- Under the Sustainable Aquatic and Marine Tourism category, RCBC may finance or refinance projects and investments, including:
  - In-situ marine conservation in the vicinity of certified<sup>37</sup> sustainable tourism areas. RCBC has communicated to Sustainalytics that this includes development, operation and maintenance of the conservation areas.<sup>38</sup>
  - Additionally, RCBC has confirmed to Sustainalytics that it will exclude financing towards resorts, hotels, boat operators, sailing schools and diving centres. Development leading to negative ESG impacts in protected areas, including involuntary displacement of local communities, air pollution or water pollution, will also be excluded.
  - Sustainalytics considers expenditures towards these activities to be aligned with market practice.
- Under the Sustainable Water Management category, RCBC may finance or refinance investments aimed at manufacturing of infrastructure, equipment and technology for projects which may include:
  - Sustainable infrastructure for clean water, including,
    - Water purification treatment, water filtration systems, water recycling system and drinking water treatment.
    - RCBC has communicated to Sustainalytics that expenditures related to nanotechnology will be used for water purification and wastewater treatment to improve efficiency of desalination and water purification processes and disinfect water. RCBC has confirmed to Sustainalytics that expenditures related to nanotechnology are restricted to R&D. Furthermore, RCBC has confirmed that all desalination facilities will have appropriate waste management plans for brine disposal, will be powered by low-carbon sources and use electricity with an average carbon intensity lower than 100 gCO<sub>2</sub>e/kWh.
  - Construction, upgrade and operation of wastewater treatment facilities, including industrial, agricultural, commercial and residential facilities. RCBC has confirmed to Sustainalytics that eligible wastewater treatment facilities will exclude the treatment of wastewater from fossil fuel operations. Furthermore, all desalination facilities financed under the Framework will have appropriate waste management plans for brine disposal and will be powered by low-carbon sources, such as renewables; and use electricity with an average carbon intensity lower than 100 gCO<sub>2</sub>e/kWh. Additionally, desalination facilities will be located away from sensitive habitats and intact coastal ecosystems.
  - Sustainable urban drainage systems and other forms of flood mitigation projects, such as storm or flood water warning systems; flood prevention projects, such as wetlands, retention, berms, lagoons, sluice gates; heavy rain drainage system; pumping stations or draining structure equipment; development of floodplain mapping and flood forecasting models. RCBC has confirmed to Sustainalytics that flood mitigation and defence systems will be supported by a vulnerability assessment and adaptation plan to identify and responsibly manage the identified risks.
  - Projects to increase water use efficiency, such as digital water metering, smart control centres, leakage prevention and irrigation systems to promote water saving recovery.
  - Restoration of hydro-ecological systems. RCBC has confirmed to Sustainalytics that: i) the hydrological flora and fauna used for restoration of biological diversity will be native or well adapted to local conditions; and ii) the project will be accompanied by a sustainable forest management plan, preferably certified under credible certification schemes.

<sup>35</sup> Marine Stewardship Council, at: <https://www.msc.org/>

<sup>36</sup> Aquaculture Stewardship Council, at: <https://asc-aqua.org/>

<sup>37</sup> This includes certifications from the Global Sustainable Tourism Council (GSTC), such as EarthCheck, Green Destinations and Vireo Srl. Sustainalytics has not opined on these certifications.

<sup>38</sup> RCBC has confirmed that in accordance with the EU Taxonomy Regulation Delegated Act 2022, the tourism sites need to have: a) a clear set of activities aimed at avoiding direct negative impacts on biodiversity, including an analysis of the carrying capacity of the area; b) partnership agreements with conservation management entities, local NGOs or communities to contribute to the conservation; c) a biodiversity information and awareness plan linked to specific impacts arising from tourism activities; and d) a clear framework for the continuous monitoring and measuring of the effectiveness of the conservation.

- Sustainalytics considers such expenditures to be aligned with market practice.
- Sustainalytics notes that the Bank may finance or refinance projects or assets within its own operations as per the Renewable Energy, Energy Efficiency, Pollution Prevention and Control and Green Buildings categories above. Sustainalytics considers these expenditures to be aligned with market practice.
- Under the Affordable Basic Infrastructure category, RCBC may finance or refinance construction, development or upgrades to infrastructure for clean drinking water, sewers and sanitation services for communities in rural regions of the Philippines.<sup>39</sup> RCBC has confirmed that such infrastructure will be accessible to all regardless of ability to pay. Sustainalytics considers expenditures under this category to be socially impactful.
- Under the Access to Essential Services category, RCBC may finance or refinance loans related to healthcare and education as per the following criteria:
  - Healthcare
    - Hospitals, clinics and healthcare centres, including facilities accredited by the Philippines Health Insurance Corporation (PhilHealth).<sup>40,41</sup> RCBC has confirmed that such healthcare facilities will be accessible to all regardless of ability to pay. Sustainalytics considers such expenditures to be socially impactful.
    - Construction of care facilities, care homes or hospices for vulnerable and disadvantaged communities, such as the elderly or people with disabilities as defined by the Department of Social Welfare and Development,<sup>42</sup> including: i) public care facilities; ii) private care facilities and social welfare and development agencies accredited or recognized by the Department of Social Welfare and Development (DSWD);<sup>43</sup> and iii) operating expenses and working capital expenses related to the care facilities. RCBC has confirmed that the care facilities will be accessible to the target population, as defined above, with provisions of free and subsidized care services. Sustainalytics considers such expenditures related to public and private care facilities to be socially impactful.
    - Research, development and manufacturing of generic pharmaceutical medicines, which includes financing for manufacturers that derive a minimum of 90% of their revenue from manufacturing generic medicines, in accordance with the Philippines' Republic Act for Providing for Cheaper and Quality Medicines (the Republic Act No. 9502).<sup>44</sup> The Act requires manufacture of essential drugs and medicines indicated for the treatment of chronic illnesses and life threatening conditions, prevention of diseases, and vaccines subject to price regulation to ensure access to affordable and quality drugs and medicines. RCBC has confirmed that such drugs and medicines will be accessible to all regardless of ability to pay. Based on the provision of affordability and accessibility of the essential medicines to all, Sustainalytics considers this expenditure to be socially impactful.

<sup>39</sup> These include areas identified as rural areas defined by the Philippines Statistics Authority (1980 Census of Population and Housing), at: <https://psa.gov.ph/content/rural-area>

<sup>40</sup> The National Health Insurance Program, administered by PhilHealth based on Republic Act No. 7875, mandates to provide health insurance coverage and ensure affordable, acceptable and accessible health care services for all citizens of the Philippines; at:

[https://www.philhealth.gov.ph/about\\_us/mandate.php](https://www.philhealth.gov.ph/about_us/mandate.php)

PhilHealth, "About Us", at: [https://www.philhealth.gov.ph/about\\_us/](https://www.philhealth.gov.ph/about_us/)

<sup>41</sup> RCBC has communicated to Sustainalytics that healthcare facilities include both public and private healthcare facilities.

<sup>42</sup> Government of the Philippines, Department of Social Welfare and Development, "Memorandum Circular No.4", at:

[https://www.dswd.gov.ph/issuances/MCs/MC\\_2020-004.pdf](https://www.dswd.gov.ph/issuances/MCs/MC_2020-004.pdf)

<sup>43</sup> Sustainalytics notes that the Republic Act No. 9994 or the Expanded Senior Citizens Act of 2010 provides indigent senior citizens in the Philippines with social protection through additional government assistance to augment subsistence and medical needs, which applies to care facilities and social welfare and development agencies accredited or recognized by the Department of Social Welfare and Development. The DSWD provides auxiliary social services to persons with disabilities, including medical assistance. Indigent senior citizens are defined as per the laws of the Philippines as senior citizens who are: i) 60 years old and above indigent senior citizens who are frail, sickly, bedridden or with a disability; ii) have no permanent source of income; iii) no regular support from family or relatives; and iv) no pension from GSIS, SSS, PVAO or other insurance agencies.

Government of the Philippines, Department of Social Welfare and Development (DSWD), "Citizen's Charter Handbook 7<sup>th</sup> Edition 2023", at:

<https://www.dswd.gov.ph/wp-content/uploads/2023/03/DSWD-CITIZENS-CHARTER-2023-7TH-EDITION-Final.pdf>

<sup>44</sup> Philippines Republic Act No. 9502, at: <https://www.fda.gov.ph/wp-content/uploads/2021/03/RA-9502-Cheaper-Medicines-Act.pdf>

- Education
  - Development of public and private educational facilities, such as schools and universities, where private institutions include enterprises that serve vulnerable populations<sup>45</sup> and charge a nominal fee that is affordable to all in the local context. RCBC may also finance operation of education programmes, institutions and facilities for vocational training, including sheltered workshops<sup>46</sup> dedicated to students experiencing learning poverty<sup>47</sup> in the Philippines. Sustainalytics considers that investments in activities enabling access to education for those who have been identified as needing the greatest support to be socially impactful.
- Under the Employment Generation category, RCBC may finance or refinance the provision of loans to micro, small and medium-sized enterprises (MSMEs) in the Philippines, as defined by Bangko Sentral ng Pilipinas<sup>48</sup> and the Philippines Republic Act No. 9501 (Magna Carta for Small Enterprises),<sup>49</sup> including MSMEs led or founded by women<sup>50</sup> to promote women entrepreneurship and small-scale food production, among others. In terms of responsible lending practices, RCBC has communicated to Sustainalytics that RCBC's ESMS policy requires all lending transactions be assessed for environmental and social risks and outlines requirements against child labour and forced labour in accordance with the IFC's Exclusion List.<sup>51</sup> Sustainalytics considers expenditures under this category to be socially impactful.
- Under the Affordable Housing category, RCBC may finance or refinance loans for the development and purchase of 'socialized and economic' housing units for the low-income and average income earners in the rural and urban areas in accordance with the Implementing Rules and Regulations (IRR) BP 220 of the Philippines' Department of Human Settlements and Urban Development.<sup>52</sup> As per the IRR BP 220, the economic and socialized housing units must be within the affordability level of the average and low-income earners, which is 30% of the gross family income as determined by the National Economic and Development Authority. Sustainalytics notes that the role of RCBC is limited to providing financing to affordable housing developers for the development and purchase of affordable housing units as described above, and it does not have control over the detailed criteria for determining the low-income and average-income earners deemed eligible for the affordable housing units. Sustainalytics recognizes the expected benefits from expenditures in this category, however, Sustainalytics considers it to be best practice to establish mechanisms to ensure just and equitable access to affordable housing. Sustainalytics encourages RCBC to report on the positive social impact of its financing allocated to below-median income populations, to the extent possible.
- Under Socio-economic Advancement and Empowerment category, RCBC may finance or refinance the provision of:
  - Loans to entities, including rural and cooperative banks, as defined by the Philippines Central Bank's Manual of Regulation for Banks<sup>53</sup> and Philippines' Republic Act No.

<sup>45</sup> RCBC has communicated to Sustainalytics that vulnerable groups include students who are academically able and come from poor families (as per the Republic Act 10931), learners with disabilities and learners under difficult circumstances (as per the Republic Act 10533).

<sup>46</sup> RCBC defines a sheltered workshop as 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.

<sup>47</sup> The World Bank, "Philippines Learning Poverty Brief (June 2022)", at:

<https://documents1.worldbank.org/curated/en/099000207152223103/pdf/IDU002b5536c0db4104ec3087d809906ec2eae56.pdf>

<sup>48</sup> MSMEs as defined by the Bangko Sentral ng Pilipinas, at: <https://www.bsp.gov.ph/Regulations/Issuances/2008/c625.pdf>

<sup>49</sup> Government of Philippines, "Republic Act No. 9501", at: <https://www.officialgazette.gov.ph/2008/05/23/republic-act-no-9501/>

<sup>50</sup> MSMEs led or founded by women are based on the following criteria: i)  $\geq 20\%$  owned by women, and ii) has  $\geq 1$  woman as CEO, COO, president or vice president; and iii) has  $\geq 30\%$  of the board of directors composed of women, where a board exists.

<sup>51</sup> IFC, "IFC Exclusion List", at: <https://www.ifc.org/content/dam/ifc/doc/mgrt-pub/ifc-exclusion-list.pdf>

<sup>52</sup> Government of Philippines, Department of Human Settlements and Urban Development, "Rules and Regulations BPP 220", at: [https://dhsud.gov.ph/wp-content/uploads/Laws\\_Issuances/02\\_IRR/Revised\\_IRR\\_BP220\\_2008.pdf](https://dhsud.gov.ph/wp-content/uploads/Laws_Issuances/02_IRR/Revised_IRR_BP220_2008.pdf)

<sup>53</sup> Government of Philippines, "Manual of Regulations", at:

<https://www.bsp.gov.ph/SitePages/Regulations/RegulationsList.aspx?TabId=4#:~:text=The%20Manual%20of%20Regulations%20for,provisions%20of%20Republic%20Act%20No.>

9520,<sup>54</sup> which improve access to financial services for minorities,<sup>55</sup> underserved populations,<sup>56</sup> low-income individuals<sup>57</sup> and MSMEs.<sup>58</sup>

- Loans to cooperatives as defined by the Philippines' Republic Act No.9520.<sup>59</sup>
- RCBC has communicated to Sustainalytics that RCBC's ESMS policy requires all lending transactions be assessed for environmental and social risks and outlines requirements against child labour and forced labour in accordance with the IFC Exclusion List.<sup>60</sup> Furthermore, Sustainalytics notes that the Framework's exclusionary criteria excludes activities such as fossil fuel operations, weapons, tobacco, palm oil, etc. (see Appendix I of the Framework), which also applies to activities and loans under this category. In terms of responsible lending practices, RCBC has communicated to Sustainalytics that the Bank has policies in place to mitigate risks of over indebtedness in line with all applicable directives of the Bangko Sentral ng Pilipinas.<sup>61</sup>
- Sustainalytics notes that cooperatives are recognized to have been proven to promote the economic and social development of all people including women, youth, older persons, persons with disabilities and indigenous people through social inclusion and the eradication of poverty and hunger.<sup>62</sup> The UN General Assembly's resolution 76/135 acknowledges the importance of cooperative enterprises for the support of socially inclusive policies that drive inclusive development, particularly in developing countries, because cooperatives often serve the socially excluded and vulnerable sectors of the population that traditional profit-driven businesses may not be best placed to address.<sup>63</sup> The significant potential contribution of co-operatives towards the socio-economic development in the Philippines is recognized by the government of Philippines. Cooperatives in the Philippines are considered to be potent grassroots organizations in providing small- and micro entrepreneurs with access to finance through deposit mobilization and capital formation, which they often cannot access from formal financial institutions. Financing micro and small cooperatives<sup>64</sup> is considered to have a significant effect in improving the socio economic development of the rural and agricultural economy in the Philippines.<sup>65</sup> <sup>66</sup> Furthermore, Sustainalytics notes the difference in the types of the cooperatives in terms of various factors such as asset size, revenue, etc., across other regions globally, as compared to cooperatives in the Philippines, this indicates the importance of financing cooperatives in the Philippines considering the overall small size of cooperatives and the context of

<sup>54</sup> Republic of Philippines, Cooperative Development Authority, "Republic Act 9520", at: <https://cda.gov.ph/issuances/republic-act-9520/#:~:text=Declaration%20of%20Policy,economic%20development%20and%20social%20justice>.

<sup>55</sup> RCBC has confirmed that minorities are defined as individuals with disabilities, single mothers and women entrepreneurs.

<sup>56</sup> RCBC has confirmed that underserved are defined as financially excluded underserved and unserved segments including senior citizens, migrant workers and their families, people with disabilities, indigenous people, forcibly displaced persons, those who are excluded due to their religious beliefs and other marginalized segments.

Government of Philippines, "National Strategy for Financial Inclusion 2022-2028", at: <https://www.bsp.gov.ph/Pages/InclusiveFinance/NSFI-2022-2028.pdf>

<sup>57</sup> RCBC has confirmed that low-income individuals are those whose monthly income are greater than or equal to PHP 10,957 (USD 197) but less than PHP 21,194 (USD 380.5) as defined by the Philippine Institute for Development Studies (PIDS), at: <https://pids.gov.ph/details/news/in-the-news/how-much-does-the-middle-class-contribute-to-taxes>

<sup>58</sup> RCBC has confirmed that MSMEs as defined by the Bangko Sentral ng Pilipinas, at: <https://www.bsp.gov.ph/Regulations/Issuances/2008/c625.pdf>

<sup>59</sup> Republic of Philippines, Cooperative Development Authority, "Republic Act 9520", at: <https://cda.gov.ph/issuances/republic-act-9520/#:~:text=Declaration%20of%20Policy,economic%20development%20and%20social%20justice>

<sup>60</sup> IFC, "IFC Exclusion List", at: <https://www.ifc.org/content/dam/ifc/doc/mgrt-pub/ifc-exclusion-list.pdf>

<sup>61</sup> Bangko Sentral ng Pilipinas, at: <https://www.bsp.gov.ph/>

<sup>62</sup> UNGA, "Cooperatives in social development: Report of the Secretary-General", (2023), at: <https://social.desa.un.org/publications/cooperatives-in-social-development-2023-report>

<sup>63</sup> UNGA, "Resolution adopted by the General Assembly on 16 December 2021", (2022), at: <https://documents.un.org/doc/undoc/gen/n21/401/05/pdf/n2140105.pdf?token=xZgwcxvScgP8jjAFqN&fe=true>

<sup>64</sup> The Republic Act 6938 defines cooperatives as follows: i) micro cooperatives are cooperatives with asset value of PHP 3 million or less; ii) small cooperatives as cooperatives with asset value of more than PHP 3 million, but less than PHP 15 million; iii) medium cooperatives as cooperatives with asset value of more than PHP 15 million but less than PHP 100 million; and iv) large cooperatives as cooperatives with asset value of PHP 100 million or more.

<sup>65</sup> Eulogio, T., et al., "Cooperatives in the Socio-economic Development of the Philippines", Cooperative Development Authority, Philippines, (2017), at: [https://cda.gov.ph/wp-content/uploads/2021/01/2017-07-21-Paper\\_Adm\\_Eloy.pdf](https://cda.gov.ph/wp-content/uploads/2021/01/2017-07-21-Paper_Adm_Eloy.pdf)

<sup>66</sup> Cooperative Development Authority, "Cooperatives in the Socio-economic Development of the Philippines", at: <https://cda.gov.ph/updates/cooperatives-in-the-socio-economic-development-of-the-philippines/>

Philippines' as a lower-middle income economy.<sup>67, 68, 69, 70</sup> In the Philippines, Sustainalytics notes that the micro, small and medium cooperatives together make up 96% of all cooperatives in absolute numbers but only 28% by asset size as per the government's definition classifying cooperatives.<sup>71</sup> Based on the above, Sustainalytics considers financing micro, small and medium cooperatives or entities, including large cooperatives, to be socially impactful and encourages the Bank to prioritize financing micro-, small- and medium-sized entities or cooperatives in the Philippines to maximize social impact.

- Project Evaluation and Selection:
  - RCBC has communicated to Sustainalytics that its Sustainable Finance Committee will be responsible for evaluating and approving eligible projects in line with the Framework's eligibility criteria. The committee comprises members from the Credit Risk, Business and Sustainable Finance teams.
  - The Bank has an Environmental and Social Management System (ESMS) to identify and manage environmental and social risks associated with eligible projects and assets. The ESMS also requires all lending customers, both pipeline and portfolio, to be evaluated against the environmental and social risks identified. The ESMS updates covering the Bank's portfolio are submitted to the Bank's risk oversight committee on a monthly basis.
  - Based on the establishment of the Committee and the presence of risk management systems, Sustainalytics considers RCBC's project evaluation and selection process to be in line with market practice.
- Management of Proceeds:
  - RCBC's Balance Sheet Management Team and Sustainable Finance Division will be responsible for the management and tracking of proceeds using a portfolio approach.
  - RCBC intends to fully allocate the proceeds within two years of issuance on a best-effort basis. Pending full allocation, RCBC will hold an amount equivalent to the unallocated proceeds in cash or cash equivalents.
  - For deposits issued under the Framework: i) an amount cap for deposits will apply to ensure that the deposit amount will not exceed the amount of loans at any point in time and the matured loans in the underlying portfolio will be replenished; ii) proceeds from the deposits will be fully allocated to eligible projects before the maturity of the deposits; and iii) RCBC has confirmed that no double allocation of proceeds from deposits and other instruments issued under the Framework.
  - Sustainalytics notes that 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 raised from its sustainable finance debt instruments.
  - RCBC has confirmed to Sustainalytics that secured bonds may be issued under the Framework and that RCBC will avoid double counting of allocated proceeds and its associated impact.
  - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.

<sup>67</sup> Sustainalytics notes the discrepancies in the sizes of the of financial cooperatives in terms of asset sizes across regions, including Europe, where the aggregate asset size is EUR 712.7 billion as of 2020.

McKillop, D., et al. "Cooperative financial institutions: A review of the literature ", National Library of Medicine, United States Government, Published 18 May 2020, at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7233224/>

<sup>68</sup> Cooperative Development Authority, " Cooperatives in the Socio-economic Development of the Philippines", at: <https://cda.gov.ph/updates/cooperatives-in-the-socio-economic-development-of-the-philippines/>

<sup>69</sup> Ibid. Sustainalytics further notes the discrepancies in the sizes of the cooperatives across regions globally. For example, the 300 largest cooperatives and mutuals in the world had a total turnover of USD 2.018 trillion in 2016. In the EU there are around 131,000 cooperatives, with more than 4.3 million employees and an annual turnover of USD 992 billion as of 2015. On contrary, cooperatives in the Philippines amounted to an aggregate of approximately USD 5.1 billion (PHP 285,672.93 million) in 2015 in asset value and generated a total business volume of approximately USD 577.27 million (PHP 322,697.5 million) in 2015. This indicates the wide difference between the business and sizes of cooperatives in the Philippines and the other regions, where for example, average annual turnover of cooperatives in the EU was approximately USD 7.6 billion, whereas the average annual generated business volume of cooperatives in Philippines was approximately USD 58,749 in 2015-. EU, "Briefing: Cooperatives: Characteristics, activities, status, challenges", (2019) at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/635541/EPRS\\_BRI\(2019\)635541\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/635541/EPRS_BRI(2019)635541_EN.pdf)

<sup>70</sup> The Philippines is classified as a lower-middle income economy by the World Bank as of 2024. The World Bank, "World Bank Country and Lending Groups: lower-middle income economies (\$1,136 to \$4,465)", at: <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>

<sup>71</sup> Cooperative Development Authority, " Cooperatives in the Socio-economic Development of the Philippines", at: <https://cda.gov.ph/updates/cooperatives-in-the-socio-economic-development-of-the-philippines/>

- 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 its website on an annual basis until full allocation.
  - Allocation reporting may include the total amount of proceeds allocated to eligible assets and the balance of unallocated proceeds.
  - RCBC may align its impact reporting with the ICMA Harmonised Framework for Impact Reporting.<sup>72</sup> This may include impact indicators such as installed capacity (kW/MW); type of green building certifications and number of buildings certified for each certification type; type and number of public transportation projects financed; percentage of reduction in energy demand; annual pollution reduction (tonnes/year); avoided or sequestered GHG emissions (tCO<sub>2</sub>/year); maintenance, safeguarding, increase of protected area, other effective area-based conservation measures or habitat in km<sup>2</sup> and in percentage of increase; increase in tonnes of sustainable seafood production; percentage of licensed or certified sustainable tourism areas within the vicinity of marine conservation areas; annual water savings (m<sup>3</sup>/year); number of avoided oil spill incidents; increase in water supply; sanitation services or sewer coverage (in terms of number and percentage of households); number of hospital beds provided; number of jobs created; loan amount to beneficiaries; and number of cooperative clients served.
  - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

#### **Alignment with Sustainability Bond Guidelines 2021**

Sustainalytics has determined that the RCBC Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.

#### **Alignment with ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018**

The ASEAN SUS, GBS and SBS provide guidance to issuers and communicate more specifically what issuers should do to issue credible green, social and sustainability bonds in ASEAN countries. Sustainalytics is of the opinion that the Framework aligns with the ASEAN SUS, GBS and SBS. See Appendix 2: Alignment with the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards.

## **Section 2: Sustainability Strategy of RCBC**

#### **Contribution to RCBC's sustainability strategy**

RCBC demonstrates a commitment to sustainability by incorporating sustainable practices in its lending decisions, which focuses on economic, environmental, and social impacts. RCBC aligns its business strategy with the UN SDGs and the goals of the Paris Agreement.<sup>73</sup>

Since 2011, RCBC has been implementing its Environmental and Social Management System (ESMS), which requires all lending relationships or credits to undergo an environmental and social risk assessment. The ESMS assessment takes place before a lending decision is made and continues during the life cycle of the loan agreement.

In 2020, the Bank made a commitment to cease all funding to construction of new coal power plants in the Philippines. In terms of its sustainable finance portfolio, RCBC has invested a total of PHP 51,160 million (USD 911.6 million) in green projects as of 2022.<sup>74</sup> Of RCBC's total sustainable finance portfolio, 38% is invested in renewable energy as of 2022, with a total renewable energy capacity of 610 MW leading to 824,921 tCO<sub>2</sub>e of emissions reportedly avoided.<sup>75</sup> The Bank targets to increase its renewable energy portfolio by 10-15% per annum in the next two years. As of 2022, RCBC's investments in clean transportation account for 13% of its total sustainable investments with 120 light rail vehicles and 540 clean energy buses being

<sup>72</sup> ICMA, "Harmonised Framework for Impact Reporting", (2022), at: [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds\\_June-2022v2-020822.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022v2-020822.pdf)

<sup>73</sup> RCBC, Sustainability and Impact Report, (2022), at: [https://www.rcbc.com/uploads/media/RCBC-2022-SIR-\[P\].pdf](https://www.rcbc.com/uploads/media/RCBC-2022-SIR-[P].pdf)

<sup>74</sup> Ibid.

<sup>75</sup> Ibid.

deployed for public transportation. In 2022, the Bank invested in sustainable water management projects leading to 64.60 million m<sup>3</sup> of wastewater being treated.<sup>76</sup>

In 2022, RCBC invested PHP 20,044 million (USD 357.2 million) in social projects involving affordable housing, employment generation, access to essential services and socio-economic advancement and empowerment. A total of 1,640 affordable housing units have been financed, 703 loans extended to SMEs to support their recovery from the COVID-19 pandemic impacts, 1,503 hospital beds added and PHP 4,699 million (USD 83.7 million) provided as loans to minority, underserved and low-income individuals in 2022. To improve access to financing, RCBC launched the Diskar Tech mobile application that targets the underbanked and individuals in disadvantaged communities. RCBC also launched ATM Go<sup>77</sup> a handheld ATM in 82 provinces of the country for the underbanked.<sup>78</sup>

Sustainalytics is of the opinion that the RCBC Sustainable Finance Framework is aligned with RCBC's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving emissions, effluents and waste generated in construction; land use and biodiversity loss associated with large-scale infrastructure development; occupational health and safety; human and labour rights issues; bribery, corruption and business ethics and risks related to responsible lending.

Sustainalytics is of the opinion that RCBC is able to manage and mitigate potential risks through implementation of the following:

- RCBC has implemented Environmental and Social Management System (ESMS). Its ESMS policy provides guidelines for environmental assessments, minimum standards for labour and working conditions, resource efficiency, community health and safety, and cultural heritage preservation. The ESMS policy is enforced by a team of environmental and social risk officers. In line with its ESMS policy, RCBC has implemented an environmental risk categorization mechanism to carry out due diligence for its borrowers. The Bank assigns Environmental Risk Category (ERC) on a scale of high, medium and low to accounts, credit proposals and credit approvals. The ERC classification is then validated by environmental and social risk officers and further reviewed as part of the Bank's internal audit.<sup>79</sup>
- Regarding land use and biodiversity and emissions, effluents and waste issues, RCBC conducts Environmental and Social Due Diligence (ESDD) either through site visits or desktop reviews for the projects it is investing in. RCBC communicates the significance of its ESDD to clients and stakeholders, encouraging their involvement in activities aligned with RCBC's sustainability standards. In addition, RCBC's ESMS policy provides guidelines for environmental assessments, which applies to biodiversity and emissions effluents and waste issues through its ERC classification and due diligence process.<sup>80</sup>
- For worker health and safety, RCBC engages in worker training and incident investigations. The Bank's safety officers are trained and certified on basic occupational, safety and health, and first-aid by the Philippine Red Cross. The Bank has procedures to safeguard against recognized workplace hazards like fire, earthquakes, robberies and other natural disasters. Safety training addressing specific work-related hazardous situations is provided to workers, including simulation of bank robberies. RCBC's requires its suppliers to follow sustainability standards and the laws of the Philippines. The Bank's ESMS takes into account worker health and safety issues within the credit proposals by applying the ERC classification and due diligence process.
- For human and labour rights issues, RCBC follows existing local and regional labour laws and standards in relation to human rights. Following the four principles of the International Labour Organization,<sup>81</sup> RCBC integrates: i) freedom of association and effective recognition of the right to collective bargaining; ii) elimination of forced or compulsory labour; iii) abolition of child labour; and

<sup>76</sup> Ibid.

<sup>77</sup> ATM Go is the Philippines first community-based and bank-agnostic automated teller machine (ATM).

<sup>78</sup> RCBC, Sustainability and Impact Report, (2022), at: <https://www.rcbc.com/uploads/media/2022-RCBC-Sustainability-Report.pdf>

<sup>79</sup> RCBC, Sustainability and Impact Report, (2022), at: <https://www.rcbc.com/uploads/media/2022-RCBC-Sustainability-Report.pdf>

<sup>80</sup> Ibid.

<sup>81</sup> International Labour Organisation, at: <https://www.ilo.org/global/lang-en/index.htm>

iv) elimination of discrimination in employment and occupation. In line with the Bank's ESMS policy, all credit proposals are screened using applicable environmental and social risk issues, including human and labour rights issues. The Bank's ESMS policy, ERC classification and due diligence process, in accordance with IFC's Performance Standards, takes into account issues pertaining to labour and working conditions.<sup>82</sup>

- Regarding risks related to bribery, corruption and business ethics, the Bank's Code of Conduct applies to all employees and defines expected behaviours within and outside the Bank, including interactions with clients and associates. Any breaches of the Code of Conduct are subject to disciplinary action. Anti-corruption policies are embedded in the code, requiring employees to avoid any misuse of the Bank's resources for personal gain. The Bank levies penalties for policy violations, and cases are handled through established procedures and laws.<sup>83</sup> The Bank's due diligence process, which includes facility inspections for new vendors, aims to prevent and mitigate negative impacts in the supply chain, including covering bribery and corruption risks. RCBC also has a Money Laundering and Terrorist Financing Prevention Program (MLPP) to maintain ethical and professional standards and prevent inadvertent use of the Bank for illicit activities, encompassing processes such as know-your-customer procedures, record keeping and retention, training, risk profiling and management of covered and suspicious transaction alerts, in line with relevant laws and regulations, including the Anti-Money Laundering Act of 2001,<sup>84</sup> the Terrorism Financing Prevention and Suppression Act of 2012,<sup>85</sup> and BSP Circular No. 706.<sup>86, 87</sup>
- To address risks related to responsible lending and to promote transparency, the Bank regularly informs customers about product characteristics, including interest rates, fees, and general terms and conditions, in line with regulatory requirements. Regarding over-indebtedness, the Bank has a Credit Risk Database (CRD), which uses a statistical scoring model that assesses the capacity of SMEs to repay their loan.<sup>88</sup>

Based on these policies, standards and assessments, Sustainability is of the opinion that RCBC has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP, SLP, ASEAN SUS, GBS or SBS. Sustainability has focused on one below where the impact is specifically relevant in the local context.

#### Impact of renewable energy projects in the Philippines

The Philippines ratified the Paris Agreement in March 2017 and updated its Nationally Determined Contribution in April 2021 to raise the country's ambition of limiting its GHG emissions by 75% relative to its business-as-usual projection for 2030.<sup>89</sup> To achieve this target, the Philippines needs to significantly decarbonize its energy sector to shift away from its heavy reliance on fossil fuels. In 2022, the Philippines derived nearly 77% of its energy from fossil fuels: 46.3% from coal, 18.4% from oil, 12.7% from gas and 22.6% from renewable energy sources, such as hydropower, bioenergy, solar and wind.<sup>90</sup> Due to the reliance on fossil fuels, 58% of the Philippines' carbon emissions come from the energy sector.<sup>91</sup>

The Philippines government proposed a new National Renewable Energy Program 2020-2040 to advance the country's efforts in decarbonizing its energy mix and meeting future energy needs, which includes a target of

<sup>82</sup> RCBC, Sustainability and Impact Report, (2022), at: <https://www.rcbc.com/uploads/media/2022-RCBC-Sustainability-Report.pdf>

<sup>83</sup> RCBC, Code of Business Conduct and Ethics, at: <https://www.rcbc.com/corporate-governance>

<sup>84</sup> Anti-Money Laundering (AML) in the Philippines, at: [https://sanctionsanner.com/Aml-Guide/anti-money-laundering-aml-in-the-philippines-407#:~:text=Anti%2DMoney%20Laundering%20Act%20of%202001%20\(AMLA\),the%20profits%20of%20illegal%20activities.](https://sanctionsanner.com/Aml-Guide/anti-money-laundering-aml-in-the-philippines-407#:~:text=Anti%2DMoney%20Laundering%20Act%20of%202001%20(AMLA),the%20profits%20of%20illegal%20activities.)

<sup>85</sup> Terrorism Financing Prevention and Suppression Act, at: <https://ihl-databases.icrc.org/en/national-practice/terrorism-financing-prevention-and-suppression-act-2012-0>

<sup>86</sup> Republic of the Philippines, Circular No. 706, at:

[https://lawphil.net/administ/bsp/cir\\_706\\_2011.html#:~:text=Risk%20Management%20%2D%20All%20covered%20institutions,well%20as%20to%20ensu re%20effective](https://lawphil.net/administ/bsp/cir_706_2011.html#:~:text=Risk%20Management%20%2D%20All%20covered%20institutions,well%20as%20to%20ensu re%20effective)

<sup>87</sup> RCBC, Sustainability and Impact Report, (2022), at: <https://www.rcbc.com/uploads/media/2022-RCBC-Sustainability-Report.pdf>

<sup>88</sup> RCBC, Sustainability and Impact Report, (2022), at: <https://www.rcbc.com/uploads/media/2022-RCBC-Sustainability-Report.pdf>

<sup>89</sup> UNFCCC, "Republic of the Philippines Nationally Determined Contribution Communicated to the UNFCCC on 15 April 2021", (2021), at: <https://unfccc.int/sites/default/files/NDC/2022-06/Philippines%20-%20NDC.pdf>

<sup>90</sup> Ritchie, H. et al. (2023), "Philippines: Energy Country Profile", Our World Data, at: <https://ourworldindata.org/energy/country/philippines#how-much-of-the-country-s-energy-comes-from-fossil-fuels>

<sup>91</sup> OECD, "Clean Energy Finance and Investment Roadmap of the Philippines", (2024) at: <https://www.oecd.org/finance/clean-energy-finance-and-investment-roadmap-of-the-philippines-7a13719d-en.htm>



increasing the share of renewable energy in the power generation mix to 50% by 2040.<sup>92</sup> Achieving the 2040 target would require nearly 74 GW of additional renewable energy capacities and approximately PHP 17.9 billion (USD 323.4 million) in predevelopment renewable energy investments.<sup>93</sup>

Given the importance of expanding renewable energy and reducing the Philippines' dependency on fossil fuels, Sustainalytics considers that RCBC's investment in renewable energy projects is expected to help contribute to the country's renewable energy goals and climate targets.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the RCBC Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Clean Transportation	11. 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	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Production and Consumption	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment
Environmentally Sustainable Management of Living Natural Resources and Land Use	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Marine Ecosystem Management	14. Life below water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts,

<sup>92</sup> Government of the Philippines, "2020-2040 Philippine Energy Plan", at: [https://www.doe.gov.ph/sites/default/files/pdf/pep/PEP%202022-2040%20Final%20eCopy\\_20220819.pdf?withshield=1](https://www.doe.gov.ph/sites/default/files/pdf/pep/PEP%202022-2040%20Final%20eCopy_20220819.pdf?withshield=1)

<sup>93</sup> Ibid.

		including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
Fisheries, Aquaculture and Seafood Value Chain	14. Life below water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
Sustainable Aquatic and Marine Tourism	14. Life below water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
Sustainable Water Management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
Affordable Basic Infrastructure	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Access to Essential Services	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal 4 effective learning outcomes
Employment Generation	5. Gender Equality	5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life
	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

Socio-Economic Advancement and Empowerment	10. Reduced Inequalities	10.3 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
--	--------------------------	--

## Conclusion

RCBC has developed the RCBC Sustainable Finance Framework, under which it may issue bonds, loan agreements, debentures and other instruments (see Introduction) to finance projects under the eligible use of proceed categories, namely: Renewable Energy; Green Buildings; Clean Transportation; Energy Efficiency; Pollution Prevention and Control; Environmentally Sustainable Management of Living Natural Resources and Land Use; Marine Ecosystem Management; Fisheries, Aquaculture and Seafood Value Chain; Sustainable Aquatic and Marine Tourism; Sustainable Water Management; Affordable Basic Infrastructure; Access to Essential Services; Employment Generation; Affordable Housing; and Socio-Economic Advancement and Empowerment. Sustainalytics considers that the eligible projects are expected to provide positive environmental and social impacts.

The RCBC Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Sustainalytics considers that the RCBC Sustainable Finance Framework is aligned with the Bank's core business model and that the use of proceeds categories are expected to help the advancement of UN Sustainable Development Goals SDGs 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14 and 15. Additionally, Sustainalytics is of the opinion that RCBC follows adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that RCBC is well positioned to issue or obtain the said sustainable finance instruments and that RCBC Sustainable Finance Framework is robust, transparent and in alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2023, Social Loan Principles 2023, ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018.

## Appendices

### Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

#### Section 1. Basic Information

Issuer name:	Rizal Commercial Banking Corporation
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	RCBC Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 14, 2024
Publication date of review publication:	Not applicable.

#### Section 2. Review overview

##### SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
  - Use of Proceeds
  - Process for Project Evaluation and Selection
  - Management of Proceeds
  - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones:

##### ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Certification
- Verification
- Scoring/Rating
- Other (please specify):

##### Does the review include a sustainability quality score?

- Of the issuer
- Of the project
- Of the Framework
- Other (please specify):

No scoring

### ASSESSMENT OF THE PROJECT(S)

**Does the review include:**

- The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
- The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
- The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

### ISSUER'S OVERARCHING OBJECTIVES

**Does the review include:**

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

### CLIMATE TRANSITION STRATEGY

**Does the review assess:**

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

**Overall comment on this section:**

## Section 3. Detailed Review

### 1. USE OF PROCEEDS

**Does the review assess:**

- the environmental/social benefits of the project(s)?
- whether those benefits are quantifiable and meaningful?
- for social projects, whether the target population is properly identified?

**Does the review assess if the issuer provides clear information on:**

- the estimated proceeds allocation per project category (in case of multiple projects)?
- the estimated share of financing vs. re-financing (and the related lookback period)?

**Overall comment on this section:**

The eligible categories for the use of proceeds Renewable Energy, Green Buildings, Clean Transportation, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Marine Ecosystem Management, Fisheries, Aquaculture, and Seafood Value Chain, Sustainable Aquatic and Marine Tourism, Sustainable Water Management, Affordable Basic Infrastructure, Access to Essential Services, Employment Generation, Affordable Housing, and Socio-Economic Advancement and Empowerment are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, Social Loan Principles ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards. Sustainalytics considers that investments in the eligible categories is expected to lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, and 15.

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

**Does the review assess:**

- whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones.
- whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

**Overall comment on this section:**

RCBC's Sustainable Finance Committee will be responsible for evaluating and approving eligible projects in line with the Framework's eligibility criteria. RCBC will undertake environmental and social risk assessments that adhere to its internal policies where relevant. Sustainalytics considers the risk management systems to be adequate and the project evaluation and selection process to be in line with market practice.

## 3. MANAGEMENT OF PROCEEDS

**Does the review assess:**

- the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- the intended types of temporary investment instruments for unallocated proceeds?
- Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

**Overall comment on this section:**

RCBC's Balance Sheet Management Team and Sustainable Finance Committee will be responsible for management and tracking of proceeds using a portfolio approach. RCBC intends to fully allocate proceeds, within two years of issuance on a best-efforts basis. Pending allocation, proceeds will be temporarily held in cash or cash equivalents. This is in line with market practice.

## 4. REPORTING

**Does the review assess:**

- the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- the frequency and the means of disclosure?

the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

**Overall comment on this section:**

RCBC intends to report on the allocation of proceeds and corresponding impact on its website on an annual basis until full allocation. Allocation reporting may include a breakdown of proceeds according to eligible assets, the balance of unallocated proceeds, and the proportion of proceeds for financing versus refinancing. Impact reporting will include relevant impact metrics. Sustainalytics views the allocation and impact reporting as aligned with market practice.

## Section 4. Additional Information

**Useful links** (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

**Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:**

**Additional assessment in relation to the issuer/bond framework/eligible project(s):**

### ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

- i. Second-Party Opinion: An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. Certification: An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Social Bond Scoring/Rating: An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

## Appendix 2: Alignment with the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards, and ASEAN Social Bond Standards

ASEAN Sustainability Bond Standards' Criteria	Alignment with ASEAN SUS, GBS and SBS	Sustainalytics' comments on alignment with the ASEAN Sustainability Bond Standards, <sup>94</sup> ASEAN Green Bond Standards, <sup>95</sup> and Social Bond Standards <sup>96</sup>
Eligibility	Yes	The ASEAN SUS, GBS and SBS requires that issuers must be in or that the proceeds be directed to assets in an ASEAN country. As a Philippine-based institution, RCBC meets this requirement.
Use of Proceeds	Yes	The ASEAN SUS, GBS and SBS offers specific clarifications that fossil fuel power generation projects and projects which involve activities that pose a negative social impact related to adult entertainment, alcohol, gambling, tobacco products and weapon are excluded. RCBC has outlined in its Framework a list of exclusions. See Appendix 1 of the Framework.
Process for Project Evaluation and Selection	Yes	The ASEAN SUS, GBS and SBS specifies information that must be clearly communicated to investors before issuance regarding project selection. RCBC's Sustainable Finance Committee will be responsible for evaluating and approving eligible projects in line with the Framework's eligibility criteria. The Bank has an Environmental and Social Management System (ESMS), in place to identify and manage environmental and social risks associated with the projects and assets that may be financed under the Framework.
Management of Proceeds	Yes	The ASEAN SUS, GBS and SBS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed. RCBC's Balance Sheet Management Team and Sustainable Finance Division will be responsible for the management and tracking of proceeds using a portfolio approach.
Reporting	Yes	The ASEAN SUS, GBS and SBS recommends annual reporting on the allocation of funds and the expected impacts. RCBC intends to report on the allocation and the impact of proceeds in a Limited Assurance Report which will be published on its website on an annual basis until full allocation.
External Review		The ASEAN SUS, GBS and SBS encourages, but does not require, external review.

<sup>94</sup> The ASEAN Sustainability Bond Standards are available at: <https://www.theacmf.org/images/downloads/pdf/ASUS2018.pdf>.

<sup>95</sup> The ASEAN Green Bond Standards are available at: <https://afcw.asean.org/wp-content/uploads/2020/05/4.1-ASEAN-Green-Bond-Standards.pdf>

<sup>96</sup> The ASEAN Social Bond Standards are available at: <https://www.theacmf.org/images/downloads/pdf/ASBS2018.pdf#:~:text=To%20support%20ASEAN%E2%80%99s%20sustainable%20development%20needs%2C%20the%20ACMF,GBS%29%20that%20were%20first%20introduced%20in%20November%202017.>



## Disclaimer

**Copyright ©2024 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [contact@sustainalytics.com](mailto:contact@sustainalytics.com)

