



**ARTHALAND**  
BUILDING SUSTAINABLE LEGACIES

## **Green Finance Framework**

November 2019

Arthaland Corporation, (“ALCO”) including all its subsidiaries, is responsible for the preparation and fair representation of this Green Finance Framework (the “Framework”) as of 7 November 2019.

## **1. Overview of the company**

ALCO is a world-class boutique real estate developer of enduring and sustainable developments. ALCO has built its mark in the Philippine real estate market by its unwavering commitment to sustainability and innovation, and by developing and managing properties that adhere to the global and national standards in green buildings.

### **Sustainability at ALCO**

Sustainability is at the heart of each ALCO project. ALCO has an established track record of dual-certified sustainable developments, both internationally, with the U.S. Green Building Council (“USGBC”) Leadership in Energy and Environmental Design (“LEED”), and locally, with the Philippine Green Building Council (“PHILGBC”) Building for Ecologically Responsive Design Excellence (“BERDE”), rating programs. All of ALCO’s projects are targeted to achieve dual green building certification, demonstrating the company’s strong commitment to environmentally responsible building practices and environmental objectives such as climate change mitigation.

In addition, ALCO is a member and supporter of the USGBC and the PHILGBC. The company is well known in the industry for its superior design, high quality standards with focus on sustainability, innovation, and excellent property management services.

In September 2019 ALCO’s flagship office development, the Arthaland Century Pacific Tower (“ACPT”), was recognized as the first Net Zero Carbon Project in the world certified under the Excellence in Design for Greater Efficiencies (“EDGE”) Green Building Program of the International Finance Corporation (“IFC”). ACPT has likewise won several awards, including Best Green Development in the Philippines in 2016 and Best Architectural Design in 2018.

ALCO’s flagship residential development, the Arya Residences, is the first and only residential development in the Philippines that received a Gold certification from LEED. Arya is likewise the benchmark project in the PHILGBC’s BERDE program to measure, verify and monitor the environmental performance of residential buildings that exceed existing mandatory regulations and standards in the Philippines.

In addition to Arya and ACPT, ALCO has projects under construction which are LEED pre-certified:

- Cebu Exchange is LEED pre-certified and is currently being built on an 8,440 sqm property located along Salinas Drive across the Cebu IT Park in Cebu City. It will be a 38-storey office building with retail establishments at the ground level and lower floors, one of the largest and tallest office developments in Cebu with total NLA or NSA of almost 90,000 sqm

- Savya Financial Center is a grade-A midrise office development with a fully integrated retail component, envisioned to be the new capital address for business and commerce in Arca South, Taguig City. Both the North and South towers of Savya Financial Center are designed and built with leading edge sustainable building features, qualifying it to be LEED pre-certified Gold

The company is also committed to support renewable energy suppliers by contracting them to supply 100% of ALCO's legally eligible buildings'<sup>1</sup> energy demand with renewable energy. As an example, ALCO Arthaland Century Pacific Tower achieves this through agreement with FirstGen's Pantabangan-Masiway Hydro Electric Power Plant in Nueva Ejica. ALCO aims to have similar arrangements for its upcoming commercial office properties, Cebu Exchange and Savya Financial Center.

ALCO is also actively taking part in preserving and restoring natural landscapes, within and beyond its developments. Key highlight of ALCO's activities is the partnership with the World Wide Fund for Nature Philippines to support its Forests For Water Program, helping ensure the sustainability of water and forest resources. As part of the commitment, ALCO will adopt 10 hectares within the Ipo watershed in Norzagaray, Bulacan and assist in the natural regeneration of existing tree species thereby contributing to the water sustainability for the 12 million residents of Metro Manila.

Apart from planting over 5,000 trees, ALCO will expand its involvement to forest management to ensure that the planted trees will actually grow to provide benefits to the environment.

## **2. Arthaland's Green Finance Framework**

In line with ALCO's approach to sustainability, ALCO has established this Green Finance Framework under which ALCO can issue debt financing instruments including, inter alia, green bond(s), loan(s) and private placement(s) to finance or refinance new and/or existing Eligible Green Projects (henceforth referred to as "Eligible Green Projects") promoting environmental progress.

This Framework outlines the criteria and guidelines for the allocation of proceeds of green financing instruments as per the following standards:

- International Capital Market Association ("ICMA") Green Bond Principles 2018
- ASEAN Capital Markets Forum ASEAN Green Bond Standards 2018
- Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association Green Loan Principles 2018

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

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<sup>1</sup> Current legally eligible buildings are buildings large enough to have a power demand of 1000kVA.



- i. Use of proceeds
- ii. Process for asset evaluation and selection
- iii. Management of proceeds
- iv. Reporting
- v. External review

## I. Use of proceeds

### a) Eligible Green Portfolio

A portfolio of eligible green assets (together forming the “Eligible Green Portfolio”) qualifies uses of proceeds under the categories and eligibility requirements listed in the below table.

The eligible use of proceeds contribute to three main environmental objectives, i.e. climate change mitigation, promotion of green buildings and environmentally sustainable management of land. The eligible use of proceeds also contribute to the UN Sustainable Development Goals (“SDGs”) as listed below (this list is not exhaustive given the interconnectedness of the SDGs). Other environmental benefits include (but are not limited to) water stewardship, waste reduction, increased usage of eco-friendly building materials and green procurement.

Green Bond Principles	Sustainable Development Goals	Eligible use of proceeds
Green buildings	 	<ul style="list-style-type: none"> <li>Development of new buildings, acquisition and renovation of completed buildings (commercial and residential) compliant with any of the following standards: <ul style="list-style-type: none"> <li>LEED -Gold or higher</li> <li>BERDE - 4-star or higher</li> <li>IFC’s EDGE - EDGE Certified or EDGE Compliant</li> <li>Building Research Establishment Environmental Assessment Method (BREEAM) – Excellent or higher, Global Real Estate Sustainability Benchmark (GRESB), and other equivalent standards</li> </ul> </li> <li>New and existing commercial and residential buildings that belong to the top 15% of low carbon</li> </ul>

Green Bond Principles	Sustainable Development Goals	Eligible use of proceeds
		buildings in their respective category and local context

## **b) Exclusionary criteria**

ALCO has developed a list of exclusionary criteria on the use of the Proceeds (see Appendix 1). In this regard, ALCO commits to not knowingly use, allocate and deploy the proceeds in assets/projects related to the exclusionary criteria.

In addition to ALCO's existing processes for identifying and managing social risks, ALCO commits to set up a controversy check for human and labor rights related to construction of buildings. A major controversy identified for a building would cease its green portfolio eligibility.

### **ii. Process for asset evaluation and selection**

Projects financed and/or refinanced through the Framework are evaluated and selected based on compliance with the eligibility criteria by ALCO's Sustainability Committee which is composed of members of the following departments within ALCO: (1) Business and Project Development; (2) Technical Services; (3) Property Management; (4) Finance (5) Sustainability and (6) Strategic Funding and Investments. ALCO's Sustainability Committee will hold regular consultations with other parties within the organization or third parties to be nominated as subject matter experts as may be required.

ALCO's Strategic Funding and Investments Department will allocate the proceeds of the Eligible Green Projects to the Eligible Green Portfolio of products/projects in accordance with the eligible budgetary sections described above.

### **iii. Management of proceeds**

#### **a) Tracking of proceeds**

ALCO intends to allocate the proceeds from Eligible Green Projects to an Eligible Green Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above. To ensure proceeds are allocated in accordance to the Green Finance Framework, ALCO will track investments in eligible projects, managed by the ALCO's Strategic Funding and Investments Department in a portfolio approach. The net proceeds from applicable green finance instruments issued under this framework will be deposited in the general account and an amount that equals or exceeds the net proceeds will be earmarked for allocation to the Eligible Green Portfolio as selected by the Sustainability Committee.

To prevent double counting of eligible projects, ALCO will ensure that the same capital investment will not be listed twice in the allocation of net proceeds.

Eligible Green Projects shall qualify for the Eligible Green Portfolio without a specific look-back period provided the assets meet the aforementioned use of proceeds eligibility requirements.

**b) Use of unallocated proceeds**

Internal monitoring systems will be established and maintained to track and record the allocation of the net proceeds such that it is in line with the use of proceeds section. Any unallocated proceeds may be deployed at the company's discretion in cash or cash equivalent instruments, in accordance with ALCO's Strategic Funding and Investments policy. The exclusionary criteria will equally apply against all temporary investments before the final allocation of funds.

**c) Substitution of assets**

ALCO will strive, over time, to achieve a level of allocation for the Eligible Green Portfolio which, after adjustments for intervening circumstances including, but not limited to, sales and repayments, matches or exceeds the balance of net proceeds from its outstanding green financing. Eligible assets will be added to, or removed, from ALCO's eligible asset portfolio to the extent required.

The Sustainability Committee will monitor the eligible asset portfolio on a quarterly basis, accounting for any postponement or divestment of projects and ensure that the records are updated when necessary. During the life of the applicable green finance instruments, and upon becoming aware, if an asset ceases to fulfil the eligibility criteria, the asset will be removed from the Eligible Green Portfolio.

**IV. Reporting**

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

Wherever feasible, ALCO may report on the aggregated impact of the Eligible Green Portfolio on a categorical level. ALCO will align, on a best efforts basis, the reporting with the portfolio approach described in ICMA's "The Green Bond Principles Impact Reporting Working Group - Suggested Impact Reporting Metrics for Green Building Projects" (March 2019).

**a) Allocation reporting**

The allocation report will provide:

- Amount or percentage of allocation to the Eligible Green Portfolio

- Percentage of net proceeds allocated to financing new and existing projects, including the share of refinancing reported at the category level
- Examples of projects being financed (subject to confidentiality considerations)
- Balance of unallocated proceeds

#### **b) Impact reporting**

Where relevant and possible, ALCO may annually report on the environmental impacts of the projects funded under the Green Finance Framework or refer to future CSR reporting.

The impact report may provide relevant indicators, for example (can be one or more):

- **Green buildings:** type of certifications and number of buildings in each type, estimated annual reduced and/or avoided emissions in tons of CO2 equivalent vs. the city/country benchmark

The impact report will disclose key methodologies and assumptions used to establish the benefits of Eligible Green Projects.

### **V. External review**

#### **a) Second Party Opinion (pre issuance)**

This ALCO's Green Finance Framework has been reviewed by Vigeo Eiris who has issued a Second Party Opinion. The Second Party Opinion as well as the Green Finance Framework will be made available on ALCO's website.

#### **b) Verification (post issuance)**

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

ALCO may opt to have green bonds issued under this Framework certified by Climate Bonds Initiative against the Climate Bonds Standard.

## **Appendix 1 - Exclusionary criteria**

The following projects/activities are ineligible for the use of proceeds under this Framework:

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



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