



SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF ARTHALAND CORPORATION'S GREEN FINANCE FRAMEWORK

November 2019

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (thereafter "Second Party Opinion" or "SPO") on the sustainability credentials and management of potential Green Bonds, Loans² and Private Placements ("Green Financial Instrument" or "Financial Instruments") to be issued by Arthaland Corporation (ALCO) (the "Issuer") in compliance with the Green Finance Framework (the "Framework") created to govern their issuance.

Our opinion is established according to Vigeo Eiris' Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the voluntary guidelines of the ICMA's Green Bond Principles ("GBP") (edited in June 2018), the Green Loan Principles ("GLP") developed by the EMEA Loan Market Association and the Asia Pacific Loan Market Association (revised in December 2018), and the latest version of the ASEAN Green Bond Standards (revised in October 2018).

Our opinion is built on the review of the following components:

- 1) **Issuer:** we assessed the management of potential ESG controversies, and the involvement in 15 controversial activities screened under Vigeo Eiris' methodology³.
- 2) **Issuance:** we assessed the Framework, including the coherence between the Framework and the Issuer's environmental commitments, the Green Financial Instruments' potential contribution to sustainability and its alignment with the four core components of the GBP 2018, the GLP 2018 and with the ASEAN Green Bond Standards (2018).

Our sources of information are multichannel, combining data from (i) public information gathered from public sources, press content providers and stakeholders, (ii) information from Vigeo Eiris' exclusive ESG rating database, and (iii) information provided by the Issuer through document and interviews conducted with the Bank (on behalf of the Issuer) who is working on the first Bond issuance, held *via* a telecommunications system and emails.

We carried out our due diligence assessment from September 30th to November 7th, 2019. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. We consider that the information made available enables us to establish our opinion with a reasonable level of assurance on its completeness, precision and reliability.

VIGEO EIRIS' OPINION

Vigeo Eiris is of the opinion that the Green Finance Framework of ALCO is aligned with the four core components of the GBP (2018) and GLP (2018), and with the ASEAN Green Bond Standards (2018).

Based on our overall assessment, we express a reasonable assurance (our highest level of assurance)⁴ on the Issuer's commitments and on the contribution of the contemplated Financial Instruments to sustainability.

ALCO demonstrates clear commitments in contributing to sustainability by contemplating the Financial Instrument issuance to finance or refinance projects related to green buildings certified according to relevant greening building certifications. Additionally, the Issuer's identification and management of environmental and health and safety risks associated with the Eligible Projects appear to be good. Despite the lack of evidence that human and labour rights risks are managed proactively through audits and controls, the Issuer has committed to exclude from its portfolio any project that would be facing major controversies relating to these

¹ This opinion is to be considered as the "Second Party Opinion" described in the GBP voluntary guidelines (June 2018 Edition) edited by the International Capital Market Association (www.icmagroup.org).

² The "Financial Instrument" is to be considered as the bond, loan or private placement to be potentially issued, subject to the discretion of the Issuer. The name "Green Financial Instrument" has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

³ The 15 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine, and Tobacco.

⁴ Definition of Vigeo Eiris' scales of assessment (as detailed in the Methodology section):

- Level of Evaluation: Advanced, Good, Limited, Weak.
- Level of Assurance: Reasonable, Moderate, Weak.

rights in their construction phase .

1) Issuer (see Part I):

- ▶ As of today, ALCO is not facing any stakeholder-related controversies.
- ▶ The Issuer is not involved in any of the 15 controversial activities screened under our methodology.

2) Issuance (see Part II):

The Issuer has described the main characteristics of the Financial Instruments within a formalized Green Finance Framework which covers the 4 core components of the GBP 2018 (the last updated version was provided to Vigeo Eiris on November 7th, 2019). The Issuer has committed to make this document publicly accessible on ALCO's website before the Financial Instruments' issuance date, in line with good market practices.

We are of the opinion that the Green Finance Framework is coherent with ALCO's main sector sustainability issues, with its publicly disclosed strategic sustainable development priorities, and that it contributes to achieve its sustainable development commitments and targets.

Use of Proceeds

- ▶ The net proceeds of the Financial Instruments will exclusively finance or refinance, in part or in full, projects falling under the Green Project Category ("Eligible Category"), namely: Green Buildings. The Company commits to obtain dual green building certifications. We consider that the Eligible Category is clearly defined.
- ▶ The Eligible Category is intended to contribute to one main environmental objective (Climate change mitigation). The objective is formalised in the Framework at the portfolio level.
- ▶ The Eligible Category is considered to provide clear environmental benefits. The Issuer has committed to assess and, as feasible, quantify the expected environmental benefits of the Financial Instrument issued. An area for improvement consists in defining *ex-ante* quantified environmental or social targets for the Eligible Category.
- ▶ In addition, the Eligible Category is likely to contribute to 2 of the United Nations' Sustainable Development Goals ("SDGs"), namely: Goal 11. Sustainable Cities and Communities, and Goal 13. Climate Action.
- ▶ The Issuer has communicated transparently that the estimated share of refinancing is about 50% of the proceeds for its first issuance, and has committed to report on the share of refinancing at the category level. In case of re-financing, the issuer has communicated that Eligible Green Projects without a specific look-back period will qualify for the Eligible Green Portfolio provided that the assets meet the use of proceeds eligibility requirements. Area for improvement consists in limiting the look-back period to assets which have received the eligible green building certifications in the last 3 years.

Process for Projects Evaluation and Selection

- ▶ The governance and the process for the evaluation and selection of the Eligible Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.
- ▶ The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objective defined for the Eligible category.
- ▶ The identification and management of the environmental and social risks associated with the Eligible Projects are good for both environmental and Health & Safety risks, and limited for human and labour rights risks.

Management of Proceeds

- ▶ The rules for the management and tracking of proceeds are clearly defined, and its verification may be ensured by internal auditor subject to specific audit planning. We consider that they would enable a documented and transparent allocation process.

Reporting

- ▶ The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects.
- ▶ The selected reporting indicators related to relevant environmental benefits are confirmed relevant.

ALCO has committed that its Green Financial Instruments will be supported by external reviews:

- A pre-issuance consultant review: the hereby Second Party Opinion delivered by Vigeo Eiris, covering all the features of the Financial Instruments, based on pre-issuance assessment and commitments, to be made publicly available by the Issuer on its website⁵, before the time of the issuance.
- An annual limited assurance or verification: 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.

This Second Party Opinion is based on the review of the Framework and information provided by the Issuer, according to our exclusive assessment methodology and to the GBP & GLP voluntary guidelines (2018) and to the ASEAN Green Bond Standards (2018).

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has not carried out any audit mission or consultancy activity for ALCO.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Financial Instrument, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. Providing this opinion does not mean that Vigeo Eiris certifies the effectiveness, the excellence or the irreversibility of the assets to be financed by the Financial Instrument. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Financial Instrument, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

Restriction on distribution and use of this opinion: the opinion is provided by Vigeo Eiris to the Issuer and can only be used by the Issuer. The distribution and publication are at the discretion of the Issuer, submitted to Vigeo Eiris for approval.

⁵ <https://www.arthaland.com.ph>

DETAILED RESULTS

Part I. ISSUER

ALCO is a real estate developer in Philippines. The Company owns and develops various projects, including high rise commercial and residential buildings, residential townhouses, subdivisions, resorts, recreational centres, industrial estates, and affordable housing. It has developed the first and the only residential development project in the Philippines that received the LEED Gold certification so far. ALCO is listed in the Philippine Stock Exchange.

Level of ESG performance

As requested by ALCO, this document does not contain information on its ESG performance at company level.

Management of stakeholders-related ESG controversies

As of today, ALCO is not facing any stakeholder-related ESG controversies.

Involvement in controversial activities

The Issuer appear to be not involved in any of the 15 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Part II. ISSUANCE

Coherence of the issuance

Context note: According to the International Energy Agency (IEA) and UNEP, buildings construction (including manufacturing of building materials) and operations accounted for 36% of global final energy use and 39% of the global energy-related GHG emissions in 2017, representing the largest share across sectors globally⁶. As a result, improving the energy efficiency of buildings is the sector's priority in fighting climate change. Since 2015, GHG emissions from the sector globally appear to have levelled off and a clean energy transition will enable a steady decrease in future emissions⁶.

Thus, the sector can play a leading role in improving energy efficiency and cutting down GHG emissions during the various stages of property development, design and management. Real Estate actors should also rely on building energy codes and/or national/international certifications (such as LEED, BREEAM and GRESB, etc.) to improve the overall environmental performance of the buildings that they own and/or manage.

For the Philippines, according to its Intended Nationally Determined Contribution⁷, the country intends to achieve GHG emissions reduction of about 70% by 2030 relative to its BAU scenario of 2000-2030, much of which will come from energy, transport, waste, forestry and industry sectors. As of 2010, residential and commercial sectors accounted for 35.9% of total energy consumption⁸. Thus, energy efficiency of buildings can play an important role for the country to meet its commitments. The Building for Ecologically Responsive Design Excellence (BERDE) Green Building Rating System, established by the Philippine Green Building Council (PHILGBC) in 2009, is recognized by the Philippine government as the National Voluntary Green Building Rating System to promote green building projects in the country⁹.

We are of the opinion that the contemplated Financial Instruments are coherent with ALCO's strategic sustainability priorities and sector issues, and contribute to achieving the Issuer's sustainability commitments.

ALCO appears to acknowledge its role in providing solutions to support society's transition to a low carbon and sustainable economy. It has been developing buildings in accordance with green buildings standards/certification programmes to minimize its impact on climate change and society and offers these real estates to its customers. ALCO is a member of the U.S. Green Building Council (USGBC) and the PHILGBC. It has demonstrated its track record of obtaining dual green certifications – a LEED (Leadership in Energy and Environmental Design) Gold Certification from USGBC and a BERDE Four-star Certification from PHILGBC – for its development projects in the Philippines¹⁰. ALCO also sourced 100% of the electricity for one of its projects from renewable energy source, along with other energy efficiency measures, which helped it obtain EDGE Zero Carbon certification¹¹.

By creating a Framework to issue Green Financial Instruments intended to finance or refinance projects related to green buildings, the Issuer coherently aligns with its sustainability strategy and commitments, and addresses the main issues of the sector in terms of sustainable development.

⁶ <https://globalabc.org/uploads/media/default/0001/01/f64f6de67d55037cd9984cc29308f3609829797a.pdf>

⁷ <https://www4.unfccc.int/sites/submissions/INDC/Published%20Documents/Philippines/1/Philippines%20-%20Final%20INDC%20submission.pdf>

⁸ <https://www.adb.org/sites/default/files/publication/389806/pathways-low-carbon-devt-philippines.pdf>

⁹ <https://berdeonline.org/#about-berde>

¹⁰ <https://www.scmp.com/country-reports/country-reports/topics/philippines-business-report-2019/article/3013811/arthalands>

¹¹ <https://businessmirror.com.ph/2019/10/11/arthaland-office-building-certified-worlds-first-in-zero-carbon-footprint/>

Use of proceeds

The net proceeds of the Financial Instruments will exclusively finance or refinance, in part or in full, projects falling under the Green Project Category (“Eligible Category”), namely: Green Buildings. The Company commits to obtain dual green building certification. We consider that the Eligible Category is clearly defined.

The Eligible Category is intended to contribute to one main environmental objective (Climate change mitigation). The objective is formalised in the Framework at the portfolio level.

The Eligible Category is considered to provide clear environmental benefits. The Issuer has committed to assess and, as feasible, quantify the expected environmental benefits of the Financial Instrument issued. An area for improvement consists in defining *ex-ante* quantified environmental or social targets for the Eligible Category.

The Issuer has communicated transparently that the estimated share of refinancing is about 50% of the proceeds for its first Bond issuance, and has committed to report on the share of refinancing at the category level. In case of re-financing, the Issuer has communicated that Eligible Green Projects without a specific look-back period will qualify for the Eligible Green Portfolio provided that the assets meet the use of proceeds eligibility criteria. Area for improvement consists in limiting the look-back period to assets which have received the eligible green building certifications in the last 3 years.

ALCO Framework				Vigeo Eiris Analysis
Eligible Category	Definition	Eligibility Criteria	Objective and benefits	
Green buildings	<ul style="list-style-type: none"> • <i>Development of new buildings, acquisition and renovation of completed buildings (commercial and residential) compliant with any of the following standards:</i> <ul style="list-style-type: none"> ○ <i>LEED -Gold or higher</i> ○ <i>BERDE - 4-star or higher</i> ○ <i>IFC's EDGE - EDGE Certified or EDGE Compliant</i> ○ <i>Building Research Establishment Environmental Assessment Method (BREEAM) – Excellent or higher</i> ○ <i>Global Real Estate Sustainability Benchmark (GRESB), and</i> ○ <i>other equivalent standards</i> • <i>New and existing commercial and residential buildings that belong to the top 15% of low carbon buildings in their respective category and local context</i> 		<p>Climate change mitigation</p> <p>Reducing GHG emissions of the portfolio</p> <p>Promoting green buildings</p> <p>Waste reduction</p> <p>Increased usage of eco-friendly building materials and green procurement</p>	<p>The definition of this category is clear.</p> <ul style="list-style-type: none"> - The eligible Green Buildings rely on locally and internationally recognized certifications and sector standards. <p>The environmental objective has been formalised in the Framework at the portfolio level.</p> <p>Eligible Green Assets have the potential to provide clear environmental benefits which will be assessed and, where feasible, quantified by the Issuer on a yearly basis after the issuance.</p>

In addition, the Eligible Category is likely to contribute to 2 of the United Nations’ Sustainable Development Goals (“SDGs”), namely: Goal 11. Sustainable Cities and Communities, and Goal 13. Climate Action.

Eligible Green Projects	UN SDGs identified	UN SDGs targets
Green buildings	SDG 11. Sustainable Cities and Communities	11.a
	SDG 13. Climate Action	NA



UN SDG 11 consists in making cities and human settlements inclusive, safe, resilient and sustainable. More precisely, relevant SDG 11 target by 2030 includes:

- 11.a Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning



UN SDG 13 consists in taking urgent action to combat climate change and its impacts. Eligible Projects are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.

Process for Projects Evaluation and Selection

The governance and the process for the evaluation and selection of the Eligible Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.

The process for evaluation and selection of Eligible Projects is reasonably structured.

The evaluation and selection of Eligible Projects is based on relevant internal expertise, with well-defined roles and responsibilities:

- For the purpose of the Financial Instruments, a Sustainability Committee (“the Committee”) will be created. This Committee will be composed of representatives from the following departments:
 - Business and Project Development;
 - Technical Services;
 - Property Management;
 - Finance;
 - Sustainability; and
 - Strategic Funding and Investments.
- The Sustainability Committee will hold regular consultations with other parties within the company or third parties to be nominated as subject matter experts as may be required.
- The initial project evaluation and selection is carried out by the Business Development team based on local market context, cost, and selection criteria between Gold vs Silver LEED certification, etc.
- The selection is further refined based on the (pre)-certification outcomes of chosen green building certification programs, which will require external reviews as per requirements of relevant green building certification programs.

The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:

- The Committee is expected to held monthly meetings.
- The traceability of the decisions appears to be ensured throughout the process, through meeting minutes that will be written for each meeting of the Committee.

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objective defined for the Eligible category.

- The selection is based on the Eligible Category defined in the Use of Proceeds section of the Framework.
- A list of exclusion criteria is defined in Appendix 1 of the Framework, which covers 12 types of projects/activities including fossil fuel power generation; production or trade in weapons and munitions, alcoholic beverages, and tobacco; gambling; and trade in wildlife or wildlife products regulated under CITES, etc.

The identification and management of the environmental and social risks associated with the Eligible Projects are good for both environmental and Health & Safety risks, and limited for human and labour rights risks.

Environmental risks

Risks related to the operation of Green Buildings

- We consider that all relevant ESG risks associated to the Eligible Projects, namely: environmental management and eco-design, GHG emissions, reduction of energy consumption, water consumption and aesthetic landscape, are covered through the green building “in-use” certification processes.
- The Issuer commits, prior to every project, to carry out an Environmental & Social Risk (ESR) assessment.
- For each Eligible Project, an environmental officer will be appointed to ensure that operational risks associated to the project would be correctly mitigated throughout the lifetime of the project.
- According to the company’s Annual Report and information disclosed on its website, ALCO has an established track record of obtaining dual-certification (international and local certifications) for its buildings, namely the U.S. Green Building Council (“USGBC”)’s Leadership in Energy and Environmental Design (“LEED”), and the Philippine Green Building Council (“PHILGBC”)’s Building for Ecologically Responsive Design Excellence (“BERDE”). This shows ALCO’s commitment to properly manage relevant environmental risks and to be subject to both quantitative and qualitative external evaluation.

Risks related to the construction of Green Buildings

- We consider that all relevant ESG risks related to the construction of eligible projects under the “Green buildings” category, namely: Biodiversity Protection, GHG and other atmospheric emissions, Reduction of energy consumption, water consumption and waste and wastewater management on site, are covered through the green building “construction” certification processes and the appointment of an environmental officer.
- We were able to check one example of LEED Weekly Report (in October 2019) for one project developed by ALCO, which covers various environmental aspects required for the LEED certification.

Social Risks

Risks related to the operation of Green Buildings

- We consider that the risks associated with the health and safety of occupants and visitors of Green Buildings assets are covered through the green building “in-use” certification processes.
- Social factors and the respect of fundamental Human and Social rights in the supply chain appear to be checked through ALCO’s Contractor Selection Process, which, according to the Issuer, require contractors to demonstrate, during the prequalification process, appropriate integration of measures to promote occupational health, safety, and welfare.

Risks related to the construction of Green Buildings assets.

- Prior to the actual construction, social factors and the respect of fundamental Human and Social rights in the supply chain are reported to be checked through ALCO’s Contractor Selection Process. In terms of Health and Safety, this process, according to the Issuer, requires contractors to demonstrate appropriate

integration of measures to promote occupational health, safety, and welfare. Additionally, Contractors are required to obtain a license from the Philippine Contractors Accreditation Board (PCAB) upon documentary verification ensuring that the contractors demonstrate the required expertise in terms of construction, safety and health laws¹². Contractors are also required to provide health and safety plans to the Issuer. We were able to check one recent example of Construction Safety and Health Program (i.e. health and safety plan) submitted by the contractor for one project developed by ALCO in the Philippines, which is externally audited. We consider that all relevant H&S risks as well as issues related to working hours are addressed by this plan.

- During the construction period, as per responses provided by ALCO, the Issuer will check all regulatory compliance of the contractors (including provisions for minimum wage, legal working age, labour benefits, etc.) based on their monthly reports on on-site activities, including those related to health and safety of the workers (such as safety awareness and audit, risk assessment, equipment audit, indoor air quality audit, record of accidents etc.). We were able to check one recent example of monthly Health, Safety & Environment (HSE) Report (dated October 17th, 2019) submitted by the contractor for one project developed by ALCO in the Philippines. In addition, the issuer reports that representatives of the Issuer will conduct at least weekly random checks on-site.
- Concerning the grievance system, an official hotline for workers' complaints is operational for one out of five projects. For other projects the issuer reported that workers can report directly either to the Project Manager on-site from the contractor or to the representatives of ALCO when they are present on-site during random checks.
- We were able to check two examples of formal written statements (Affidavit) by the subcontractors (dated June 25th, 2019 and September 19th, 2019, respectively) for one project developed by ALCO, that all applicable wages and benefits that were due at the time of respective statement had been fully paid. We were also able to check one example of Safety Inspection Checklist of a contractor (dated October 21st, 2019) that compliance assessment covers HSE issues as well as welfare facilities of workers/employees.
- Although we have no visibility on the means and controls implemented on the sites to address the risks related to illegal work, child labour or free trade union representation on site, ALCO has committed to set up a controversy check for human and labour rights related to construction of buildings. In case a major controversy identified for a building, the building would cease its eligibility to be included in the green portfolio.

Business ethics

- ALCO has an internal Code of Business Conduct and Ethics which provides guidelines for professional and ethical behaviour and articulates acceptable and unacceptable conduct and practices in internal and external dealings. ALCO reports that trainings are provided to all employees and first time Board directors. ALCO takes a zero-tolerance approach to bribery and corruption. The Whistle Blowing policy and Committee on Decorum and Investigation are referred as internal channels for any related concern.

Management of proceeds

The rules for the management and tracking of proceeds are clearly defined, and its verification may be ensured by internal auditor subject to specific audit planning. We consider that they would enable a documented and transparent allocation process.

The allocation and management of the proceeds are overall clearly defined:

- The allocation of proceeds is managed by ALCO's Strategic Funding and Investments Department.
- The net proceeds from applicable green finance instruments issued under this framework will be deposited in the general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Green Projects as selected by the Sustainability Committee. The proceeds will be managed and distributed in cash.
- 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 proceeds.

¹² Article IV of the Contractor's License Law: R.A. 4566

- ALCO has committed to ensure that the Eligible Green Portfolio always matches or exceeds the balance of net proceeds. The committed maximum period for the allocation of proceeds is 1 year.
- The Sustainability Committee will monitor the eligible asset portfolio on a quarterly basis and update records of any postponement or divestment of projects.
- 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.
- In case of the temporary placements and instruments for unallocated proceeds, the exclusion criteria given in the Framework will apply. If an asset ceases to fulfil the eligibility criteria, the asset will be removed from the Eligible Green Portfolio.

Traceability and verification of both tracking method and allocation of the proceeds, appear to be ensured throughout the process:

- The Strategic Funding and Investments Department is responsible for tracking the allocation of the net proceeds towards Eligible Projects.
- To prevent double counting of eligible projects, ALCO commits to ensure that the same capital investment will not be listed twice in the allocation of net proceeds.
- Verification of the tracking methods of the proceeds may be part of internal audit, subject to the final planning of the internal auditor.

Monitoring & Reporting

The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects.

The Issuer has committed to align its 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).

The Sustainability Manager of the company, who works along with the Sustainability Committee, will be responsible for the monitoring and reporting.

The Issuer has committed to report annually following the issuance of the applicable green finance instrument and until the full allocation of the net proceeds. The report will be made publicly available by the Issuer on its website¹³,

The reporting on the aggregated impact of the Eligible Green Portfolio will be at the category level, wherever feasible:

- Allocation of proceeds: the selected reporting indicators on the fund's allocation are relevant.

Reporting indicators
<ul style="list-style-type: none"> - 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

¹³ <https://www.arthaland.com.ph>

- Environmental benefits: the selected reporting indicators are overall relevant, according to ICMA's "*The Green Bond Principles Impact Reporting Working Group - Suggested Impact Reporting Metrics for Green Building Projects*" (March 2019).

Eligible Category	Environmental benefits indicators	
	Outputs and outcomes	Impact Indicators
Green buildings	- Type of certifications and number of buildings in each type	- Estimated annual reduced and/or avoided emissions in tons of CO ₂ equivalent vs. the city/country benchmark

The Issuer commits to disclose the key methodologies and assumptions used to calculate the benefits of Eligible Projects in the impact report on an annual basis.

For the Eligible Projects, the independent external verification of the reported information on the environmental and social benefits measured will be ensured through the green building certification processes.

Area for improvement includes:

- To report at least for the investors, in case of material developments relating to the Financial Instruments and to the Eligible projects, including in case of ESG controversies or projects modification.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the process and commitments applying to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporation's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues have been adapted, based on our generic Financial Service – Real Estate sector's ESG assessment frameworks and on specific issues considering the Issuer's business activity.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Director of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Director of Sustainable Finance and/or the Director of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company, then the Director of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Ethics, and all consultants have also signed its add-on covering financial rules of confidentiality.

Part I. ISSUER

NB: ALCO's level of ESG performance (i.e. commitments, processes, results of ALCO related to ESG issues), has not been assessed through the complete process of rating and benchmark developed by Vigeo Eiris. For this review, we only assessed the ALCO's management of potential stakeholder related ESG controversies, and its involvement in controversial activities.

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as they are public, documented and traceable.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

15 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The precise nature of the controversial products or services provided by the company.

Part II. ISSUANCE

The Framework has been evaluated by Vigeo Eiris according to the GBP & GLP 2018 and the ASEAN Green Bond Standards (2018), and on our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and of their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds or Loans standards. Vigeo Eiris evaluates the definition of the Eligible Category, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris on its transparency, governance and relevance. The eligibility criteria have been assessed on their explicitness and relevance vs. the intended objectives of the Eligible Projects. The identification and management of the ESG risks associated with the Eligible Projects are analysed based Vigeo Eiris' ESG assessment methodology, international standards and sector guidelines applying in terms of ESG management and assessment.

Management of proceeds

The rules for the management of proceeds and the allocation process are evaluated by Vigeo Eiris regarding their transparency, coherence and efficiency.

Reporting

Monitoring process and commitments, Reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable a transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed. Vigeo Eiris has evaluated the reporting based on its transparency and relevance.

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		

Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Milan, Montreal, Hong Kong, Casablanca, Rabat and Santiago.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com