



Green Finance Framework

NOVEMBER 2022



The 120 MW Alaminos Solar and 40 MW Battery Storage project in Alaminos is a hybrid development that is the first of its kind in the Philippines

About ACEN

ACEN is the listed energy platform of the Ayala Group. The company has ~3,700 MW of attributable capacity in the Philippines, Vietnam, Indonesia, India, and Australia, with a renewable share of 93%, which is among the highest in the region.

ACEN's aspiration is to be the largest listed renewables platform in Southeast Asia, with a goal of reaching 20 GW in renewables capacity by 2030.

In 2021, ACEN announced its commitment to achieve Net Zero greenhouse gas emissions by 2050. This will involve the early retirement of its remaining coal plant by 2040 and transition the company's generation portfolio to 100% renewable energy by 2025.

Through a strong Environmental, Social, and Governance (ESG) performance that is focused on its employees, communities, and partners, ACEN aims to provide long-term value towards a sustainable and inclusive future.

Our ESG Approach

Net Zero
company by
2050

Renewable Energy
Capacity
~3,500 MW

Renewable Energy
by 2025
100%

ENVIRONMENTAL

ACEN aspires to be a Net Zero company by 2050.

- We have ~3,500 MW of renewable energy capacity across the Asia Pacific.
- We are committed to transition the company's generation portfolio to 100 percent renewable energy by 2025.
- Our Environmental and Social Policy is a pillar of how we develop and operate our plants.

SOCIAL

ACEN invests in its people and communities.

- We create programs and benefits that support the development of the entire organization.
- We partner with our host communities, local leaders and organizations to develop programs that would help address social needs.
- We continue to partner with our customers, suppliers, employees, and communities in prioritizing health and safety, environmental protection, labor and ethical business practices.

GOVERNANCE

ACEN integrates sustainability into its culture, decisions and actions.

- We are committed to transparency, accountability, and ethical business conduct, in full compliance with applicable laws and regulations.
- We embed sustainability in the way we work and in our strategic planning, capital allocation, business development and operations.
- Our board and governance structure provides effective oversight over strategic decisions, and appropriate monitoring of performance.

Our ESG Performance

While we develop clear metrics and targets to track and communicate our sustainability performance, just as we have for financial performance, we continue to drive company-wide support to Environmental, Social and Governance (ESG) standards and practices across the organization starting from the top management, permeating across the organization.

100% Renewables by 2025

Read more: <https://www.acenrenewables.com/sustainability/esg/>

Total Renewables Capacity

~3,500 MW

Renewables Share

93%

Emissions Avoided

4.2 MILLION mt co2e

Investments in Renewable Energy

₱71.4 BILLION

Environment

Read more: <https://www.acenrenewables.com/sustainability/esg/environment/>

Forest Protected

1,903 ha

Trees Planted

574,120

Water Recycled/ Returned

99 %

Upcycled Plastics

37,517 Kilograms

Social

Read more: <https://www.acenrenewables.com/sustainability/esg/social/>

Investment in Communities

₱89 MILLION

Taxes Paid to Local Govt.

₱3 BILLION

Jobs Created

over 7,500

Employee Diversity

27% Female

Governance

Read more: <https://www.acenrenewables.com/sustainability/esg/governance/>

Board Diversity

45% Female

Independent Directors

36%

Leadership Positions

35% Female

Reported Incidents of Corruption

0



Green Finance Leadership

The Philippines is a regional leader in sustainable finance, according to a report by the international nonprofit Climate Bonds Initiative (CBI) in 2020. Through several well-received debt capital market issuances, Ayala's energy group: ACEN and AC Energy and Infrastructure Corp. (ACEIC) have both contributed to the country's sustainable financing achievements. ACEIC retains its place as one of the Philippines' largest issuers of green bonds, with four tranches of outstanding green bonds, ranging from US\$75 million to as large as US\$400 million.



In 2019, ACEIC made its debut in the debt capital markets and raised US\$410 million in Green Bonds, the first publicly syndicated US dollar Green Bonds in Southeast Asia which were CBI-certified, a sign of best practice in the market in terms of ESG commitment. The International Finance Corporation and the Asian Development Bank are anchor investors. The issuance has since been increased to US\$470 million.

At the latter part of the year, ACEIC had another offering – the world's first US dollar-denominated perpetual fixed-for-life green notes at an aggregate principal amount of US\$400 million certified under the ASEAN Green Bonds Standard and successfully listed in the Singapore Exchange. Currently, US\$213 million of the bonds remain outstanding.

In November 2020, ACEIC successfully issued US dollar-denominated senior perpetual fixed-for-life (non-deferrable) green bonds at an aggregate principal amount of US\$300 million as part of a liability management deal. This represents the first Philippine fixed-for-life perpetual bond offering since November 2019 and the first public green bond out of the Philippines in 2020.



SGX listing of ACEIC's maiden green bonds in 2019

Most recently, in September 2021, ACEN, through its subsidiary ACEN Finance Limited, issued its maiden green bond: senior guaranteed undated, fixed-for-life notes worth US\$400 million. As a result, the fresh capital ACEN was able to raise in 2021 alone reached close to US\$1 billion, which includes close to US\$600 million from its stock rights offering, follow-on offering, and an investment from GIC's Arran earlier that year.



Our Green Financing Framework

ACEN has developed a Green Financing Framework under which we intend to secure Green Bonds and Green Loans to fund selected Green Projects within the Group.

The Framework is intended to govern Green Finance issuances across all energy group entities, including, but not limited to: ACEIC, AC Energy Finance International (Cayman), ACEN, ACEN Finance Limited and any other entity that may issue Green Bonds and Green Loans from time to time.

The Framework follows the four core components under the ICMA Green Bond and Green Loan Principles:



Green Loan Principles
Supporting environmentally sustainable economic activity

1. Use of proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

USE OF PROCEEDS

The ACEN Green Financing Framework is guided by the Ayala group's broader strategic focus on sustainability. Specifically, the framework is designed to help meaningfully contribute to the below United Nation Sustainable Development Goals (UN SDGs):



Eligible Green Project Categories

An amount equal to the aggregate net proceeds from the issuance of every ACEN Green Bond and Green Loans will be used to finance or

refinance, in whole or in part, new or existing "Eligible Green Projects"; that is, qualifying assets and projects which meet the criteria outlined below, which involve the development, construction and production of the components, financing (including refinancing and financing costs), acquisitions, and operation of the following renewable energy projects:

- Solar energy projects
- Wind energy projects (onshore and offshore)
- Geothermal energy projects (direct emissions <100g CO₂/kWh)
- Hydro power (meeting one of the following criteria: (i) run-of-river without artificial reservoir or low storage capacity, (ii) power density greater than 10 W/m², or (iii) life-cycle carbon intensity below 50 g CO₂e/kWh, and projects that have undergone environmental and social impact assessment with no significant controversies or expected negative impact identified).
- Battery energy storage solutions (BESS) projects directly linked to renewable sources

Eligible Green Projects may be found throughout the energy group and the group reserves the right to choose the most efficient way of transferring cash between Group entities to fund Eligible Green Projects.

Eligible Green Projects may include the energy group's investments made during the 3 years prior to the commencement date of the financing or issuance of the Green Bonds or Green Loans and during the life of the Green Bonds or Green Loans. Net proceeds from the financing may also be used to refinance eligible projects that are financed by the previous Green Bonds or Green Loans issuances and other financing initiatives of the energy group.

[ACEN's 120 MW Alaminos solar farm in Laguna](#)

PROCESS FOR PROJECT EVALUATION AND SELECTION

The Eligible Green Projects are identified and selected according to the criteria outlined above and via a process that involves participants from various functional areas including the Group's Business Development, Finance and Sustainability teams. Prior to investing in a project in a given region, the Group ensures local regulations regarding environmental and social constraints are adhered to, in line with the with the energy group's Environmental & Social policy.

Shortlisted projects are reviewed for approval by our senior management on an at least an annual basis, until all proceeds are accounted for and thereafter in the event of material developments. ACEN's Board of Directors and Senior Management are responsible for the approval of assets and projects in accordance with the Framework.

MANAGEMENT OF PROCEEDS

An amount equal to the proceeds will be allocated to finance designated eligible green assets/projects across the energy group, selected in accordance with the Eligibility Criteria, and using the evaluation and selection process mentioned above.

Payment of principal and interest on the Green Bonds will be made from the Group's general funds. For Green Loans, payment of debt service will be made in accordance with the terms of the Green Loan Facility as agreed between the borrowing entity within the energy group and the Lender which may or may not be directly linked to the performance of any one specific Eligible Green Project of said Borrowing Entity.

We intend to spend an amount equal to substantially all of the net proceeds from the issuances within three years of the date of issuance.

Payment of principal and interest will be made from the general funds of the Borrowing Entity within the energy group which may or may not be linked to the performance of a specific Eligible Green Project of said Borrowing Entity.



ACEN's 81 MW North Luzon Renewables wind farm in Ilocos Norte, Philippines

Tracking of Proceeds

We will monitor the allocation of an amount equal to the proceeds via internal information systems.

A register will be created to facilitate the monitoring and reporting of the Green Bonds and Green Loans, and the deployment of an amount equal to the net proceeds.

The register will include, among others:

- Green Bond details: including ISIN, issue date, maturity date, principal amount and coupon;
- Green loan amounts, tenor and currency
- Eligible Green Project list;
- Renewable/Green Asset Category;
- The regions in which the projects are located;
- The amount of net proceeds allocated to the projects;
- The date of allocation and foreign exchange rates;
- Environmental certification of the project (if applicable)

Use of Unallocated Proceeds

Pending any allocation or reallocation, an amount equal to the net proceeds from the notes and loans may be invested in cash or cash equivalents, or used to repay existing borrowings under general credit facilities of the AC Energy Group.

These funds will be managed according to ACEN's own internal liquidity management policies and may be transferred to other entities within the energy group.

Substitution of Assets

We will allocate an amount equal to the net proceeds to assets or projects that comply with the Eligibility Criteria as soon as reasonably practicable, reallocating to replacement assets or projects in the event that a previously allocated asset or project is sold or no longer eligible.

REPORTING

Where relevant and possible, we will also report on selected impact metrics (per project or in aggregate for all projects financed by the Proceeds), as outlined below:

Allocation Reporting

At least annually, until an amount equal to the net proceeds has been allocated, and thereafter, in the event of material changes, ACEN will provide information on the allocation of an amount equal to the net proceeds of the notes on our website and/or in our Integrated Reports. The information will contain at least the following details:

- A list of approved Eligible Green Projects, including amounts allocated; and
- Remaining balance of unallocated proceeds.
 - Where possible, we will also provide additional information, case studies, or examples of selected projects, subject to considerations such as confidentiality agreements.
 - The annual reporting will be reviewed and approved by our senior management.
 - For each Green Bond issuance, we intend to engage an external auditor to provide independent verification on our reporting and management of proceeds in accordance with this Framework.

Impact Reporting

Where relevant and possible, we will also report on selected impact metrics (per project or in aggregate for all projects financed by the Proceeds), as outlined below:

Eligibility Criteria	Sample Impact Metric
Renewable Energy	Energy generated from renewable sources(kWh) Greenhouse Gas (GHG) emissions reduced/avoided (tCO2e)



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