

DBP ASEAN SUSTAINABILITY BONDS

Allocation of Proceeds
and Impact Report





Message from the Chairman and President & CEO

Sustainability has always been paramount in the way we do things in DBP. We have always endeavored to integrate environmental, social, and economic considerations as part of our key operational goals. We do this for our people's future -- to help achieve our collective national vision of sustainable growth and progress.

The DBP ASEAN Sustainability Bonds were issued in November 2019 under the Bank's Sustainability Finance Framework. This issuance was a historic milestone for DBP, as this was the first ever listing of the Bank at the Philippine Dealing and Exchange Corp. (PDEX). Beyond this, however, the success of this maiden issuance also offered more compelling evidence that in addition to investor trust and confidence in DBP, there is strong interest in investing in capital that is environmentally and socially-aligned.

Rest assured that DBP's Sustainability Financing Framework, under which the Bank intends to issue social, green, and sustainability bonds, ensures that proceeds shall be used to fund undertakings that contribute to economic inclusion, climate change mitigation and adaptation, natural resource conservation, pollution control and prevention, and projects that address specific social issues.

DBP will also continue to align itself with global initiatives on sustainable development that promote the pillars of profit, planet, people partnership, and peace. In September 2019, DBP became one of the Founding Signatories of the United Nations Principles for Responsible Banking, a landmark global agreement outlining guidelines for sustainability in the financial sector. DBP remains committed to strategically align its business with the Sustainable Development Goals and the Paris Agreement on Climate Change, even as its Sustainability Financing Framework is already aligned with the ASEAN Green Bond Principles and Social Bonds Principles.

As the country's premiere development financial institution, DBP will remain a catalyst for wealth creation, alongside the protection of our environment and the promotion of the social well-being of the Filipino.

EMMANUEL G. HERBOSA
President and CEO

ALBERTO G. ROMULO
Chairman

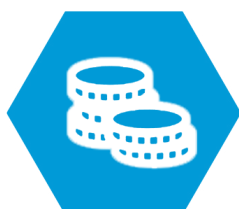
About this Report

This report presents the allocation of proceeds of the DBP ASEAN Sustainability Bonds per use of category as defined in the DBP Sustainable Financing Framework ("Framework") and the environmental and social performance indicators of the Eligible Assets included in the portfolio.

DBP Sustainability Framework Summary

The DBP Sustainability Framework was developed guided by the ICMA Green Bond Principles 2018 (GBP), Social Bond Principles 2018 (SBP), the Sustainability Bond Guidelines (SBG), the corresponding ASEAN Standards, and the guidelines issued by the Philippine Securities and Exchange Commission on the issuance of sustainability bonds. Sustainalytics, an independent global ESG (environmental, social and governance) research and ratings provider gave the Second Party Opinion on the Framework, concluding that the eligible categories for the use of proceeds are aligned with the GBP, SBP, SBG, and the corresponding ASEAN standards.

Pillar



Use of Proceeds

Proceeds raised through the DBP ASEAN Sustainability Bond program will be used to finance or refinance, in part or in full, new and/or existing green or social assets or a combination of both green and social ("sustainability") assets that are related to the Bank's various sustainability programs. These include:

- Connecting Rural Urban Intermodal Systems Efficiently (CRUISE)
- Financing Utilities for Sustainable Energy Development (FUSED)
- Water for Every Resident (WATER)
- DBP Program Assistance to Support Alternative Driving Approaches (PASADA)
- Sustainable Agribusiness Financing Program (SAFP)
- Green Financing Program (GFP)
- Lending Initiative for Sanitation (LINIS)
- Strategic Healthcare Investments for Enhanced Lending & Development (SHIELD)
- Contract To Sell (CTS) Financing Facility
- Sustainable Enterprises for Economic Development (SEED)
- Energy Efficiency Savings Program (E2SAVE)



Process for Asset Evaluation and Selection

The Lending Program Management Group (LPMG) shall be responsible for evaluating and selecting the assets eligible for financing using proceeds from the bonds; and ensure conformance with the Eligibility Criteria set out in the Framework.

The Development Advocacy Committee (DAC) has the ultimate responsibility and shall approve any revisions to the Framework.

¹ Available at <https://www.dbp.ph/wp-content/uploads/2019/10/Framework.pdf>

² Available at https://www.dbp.ph/wp-content/uploads/2019/10/DBP-SPO-Update_Final.pdf



Management of Proceeds

Proceeds will be allocated only for environmental and social uses identified as eligible based on the approved criteria above and in accordance with the exclusionary criteria specified in the Framework.

DBP will track the receipt of proceeds, ensuring that all Eligible Assets in the Sustainability Bonds are appropriately identified, with monitoring reports provided and made available to the investing public as necessary.



Reporting

DBP commits to provide investors with information on both the allocation of proceeds and the non-financial impact of the Eligible Assets included in its portfolio of bonds issued under the Framework, at least on an annual basis, through its website and, if feasible, incorporated within the Annual Report and/or Sustainable Development Report for the applicable year.

The Allocation of Proceeds Report shall contain the total amount of proceeds allocated to Eligible Assets, the allocated amounts to eligible assets per use of proceeds category, and the amount of unallocated proceeds and where these have been invested.

DBP will determine a range of impact indicators to measure the green and/or social impact of different types of Eligible Assets. The Bank may use available data permitted to be disclosed by borrowers. Reported metrics may be supplemented with qualitative information as appropriate.

Allocation of Proceeds Report

DBP ASEAN Sustainability Bonds

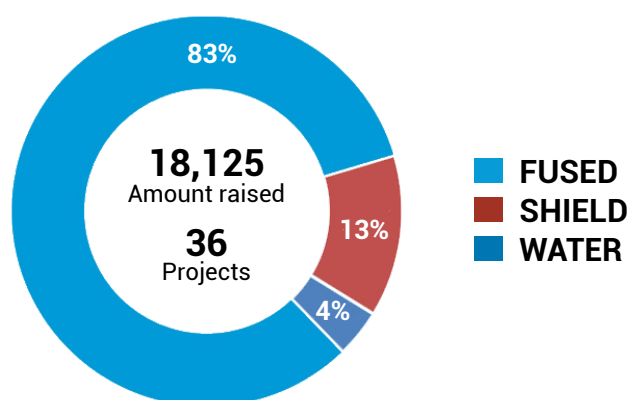
In PHP Millions

as of 11 September 2020

In November 2019, DBP raised P18.125 billion in its inaugural Series A Fixed Rate DBP ASEAN Sustainability Bonds.

As of 11 September 2020, DBP's Eligible Sustainable Portfolio amounts to Php19.529 billion.

All of the Sustainability Bond proceeds have been allocated to Eligible Sustainable Assets under DBP's Eligible Loan Programs. Funds were allocated to the 3 DBP Loan Programs, namely: 1) Financing Utilities for Sustainable Energy Development (FUSED), 2) Strategic Healthcare Investments for Enhanced Lending and Development (SHIELD); and 3) Water for Every Resident (WATER).



Eligible Loan Program	Eligible Sustainable Portfolio			Sustainable Financing		Breakdown of Allocation of Proceeds per Loan Program			% of net Proceeds of DBP ASEAN Sustainability Bonds allocated to Eligible Sustainable Portfolio
	No. of Projects	Amount (in PHP millions)	%	Instrument	Amount (in PHP millions)	No of Projects	Amount (in PHP millions)	%	
FUSED	15	14,980	77%	Series A DBP ASEAN Sustainability Bonds Maturity Date: 11 November 2021		15	14,976	83%	
SHIELD	14	2,429	12%			14	2,429	13%	
WATER	8	2,120	11%			7	720	4%	
TOTAL	37	19,529	100%		18,125	36	18,125	100%	100%

DBP Sustainable Finance Impact Report

Environmental Lending Programs

1. Financing Utilities for Sustainable Energy Development (FUSED) Program

FUSED is DBP's platform program for the power-generation and distribution sectors, aimed at contributing to increased access to electricity services. Aligned with the Philippine Energy Plan 2012-2030 of the Department of Energy (DOE), the program is envisioned to fund Php 58.0 Billion of the estimated investment requirement for power generation and power distribution. The program caters to among others, the development and construction of renewable energy resources (hydro, wind, solar, biomass, geothermal, and other emerging technology) to address power supply system constraints.

2. Strategic Healthcare Investments for Enhanced Lending and Development (SHIELD) Program

The DBP (SHIELD) Program was developed to extend credit to both public and private healthcare investment projects that promotes availability, accessibility, and affordability of healthcare services to target communities. Eligible projects to be financed under the program include construction of healthcare facility building, including annex and support facilities, as well as expansion and/or rehabilitation works on these infrastructures. The program also finances the acquisition of modern healthcare equipment, purchase of medical inventories and working capital requirements to ensure continuous and quality delivery of services.

3. Water for Every Resident (WATER) Program

The WATER Program is DBP's umbrella program for the financing of water supply projects. It aims to contribute in financing the provision of safe and affordable water supply in order to help achieve inclusive growth and poverty reduction. At the end of the WATER Program by 2025, it is expected to have at least funded Php 25 Billion of the estimated investment requirement of the water supply sector as defined in the Philippine Water Supply Sector Roadmap prepared by the National Economic and Development Authority (NEDA).



Eligible projects that can be financed are the following:

- Source development for distribution or for bulk water supply.
- Water transmission and/or distribution system rehabilitation, expansion and upgrading.
- Development/installation of water treatment facilities/equipment.
- Investment for Non-Revenue Water reduction or other efficiency-enhancing measures, such as but not limited to computerization of accounts, billing and collection system, installation of energy-saving equipment.
- Purchase of necessary tools and equipment such as but not limited to generator sets, service vehicles, trucks, water leak detector including construction or rehabilitation of existing non-network facilities (e.g. office building, warehouse) to improve efficiency and service delivery.
- Investment for Climate Change Adaptation Technologies (e.g. rainwater collection system)

Eligible borrowers that can avail of the WATER Program are as follows:

- Private Corporations
- Water Districts
- Local Government Units
- Other Water Service Providers
- Private Financial Institutions/Micro Finance Institutions

United Nations Sustainable Development Goals

Program	Category	SDG
FUSED	<ul style="list-style-type: none"> Renewable Energy 	Goal 7 : Affordable and Clean Energy Goal 13 : Climate Action
SHIELD	<ul style="list-style-type: none"> Access to Essential Services Employment Generation Socio-economic Advancement and Empowerment 	Goal 3 : Good Health and Well Being
WATER	<ul style="list-style-type: none"> Sustainable Water and Waste Water Management Affordable Basic Infrastructure 	Goal 3 : Good Health and Well Being Goal 6 : Clean Water and Sanitation

FUSED Program

The FUSED Program helps to increase the share of renewable energy in the global energy mix by funding investment requirements for renewable energy projects and other plans that will expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all. The program also ensures universal access to affordable, reliable and modern energy services, especially to the off-grid areas where renewable energy is one of the main sources of electricity. Further, as the program supports the Republic Act No. 9513 or the Renewable Energy Act, it improves the institutional capacity on climate change mitigation through the effective reduction of harmful emissions and helps in achieving economic development while protecting health and the environment.

SHIELD Program

The SHIELD Program supports investments in the health care sector through financing of new hospitals, clinics, and pharmacies, among others to facilitate access to health services including medicines and vaccines especially in far flung areas. Supporting these ventures contributes to making healthcare available and accessible up to the poorest sectors of society. These investments under the program are expected to contribute to the National Government's plan of ensuring functional and efficient network of healthcare providers and improvement in the health-seeking behavior of the people, especially the most vulnerable. This is also aligned with one of the targets under Sustainable Development Goal No. 3, which is to 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 by 2030.

WATER Program

The WATER Program is aligned to comply with United Nations Sustainable Development Goals (SDG) No. 3 – Good Health and Well Being and No. 6 – Clean Water and Sanitation. The WATER Program aims to finance the development, construction and improvement of water supply facilities in the country. This is DBP's contribution in providing potable water supply country-wide, specially to the unserved areas. By financing the improvement of water supply facilities, the program also contributes to the improvement of health and hygiene in the country thus resulting to reduced occurrence of waterborne diseases.

Performance Indicators and Actual Impact

as of December 31, 2019

FUSED Program

The Sustainability Bonds portfolio consists of fifteen (15) renewable energy projects (e.g. hydro, solar, and wind) under the FUSED Program. However, 4 of these projects are still under construction thus, did not contribute to the actual impacts of the performance indicators below.

Project	No. of Projects	Approved Loan Amount (PHP B)	Capacity (MW)	Annual power generated (MWh)	Tons of CO ² emissions avoided (tons)	Fuel oil replaced (Barrels)	FOREX savings (USD\$ M)
Hydro	7	5.37	54.10	49,763.33	24,586.42	93,910.79	5.95
Solar	6	10.15	205.46	194,429.98	91,741.89	366,918.25	23.24
Wind	2	5.15	104.00	215,072.90	97,664.60	405,874.51	25.71
TOTAL	15	20.67	363.56	459,266.21	213,992.91	866,703.55	54.90

SHIELD Program

Breakdown per service capability of Eligible Assets under the SHIELD program is as follows:

Service Capability	No. of Account	Total Bed Capacity	Loan Amount
Level 2	11	885	2,715.75
Level 3	2	50	487.00
Other Health Facility	1	154	92.00
TOTAL	14	1,089	3,294.75

Further, eight (8) of the accounts are new hospitals and 6 are with existing facilities prior to the financing support under the program. As of December 31, 2019, only 1 is still undergoing construction while the rest are already operational. Actual number of patients served by these operational health facilities totaled 373,396 for the year 2019, with total indigent patients served at 4,565 and pregnant women served at 342. Actual bed capacity financed under the program is 654 out of the 1,089 total actual bed capacity, of which 568 bed capacity are in start-up health facilities and additional 86 bed capacity in existing healthcare facilities. The financed projects also contributed to generating 1,146 employment as of December 31, 2019.

Indicator	Actual
1. Actual number of patients served	373,396
a. Indigent in-patients served	4,565
b. Pregnant women served	342
2. Bed Capacity increased	654
3. Employment Generation	1,146



WATER Program

As of December 2019, four (4) projects out of the seven (7) Eligible Assets under the WATER program are operational; the other (3) projects are under construction. The development impact of these four (4) projects are as follows:

Project Type	No. Projects	Approved loan Amount (PHPMM)	Performance Indicators	
			Total Volume of Water Produced (m ³ /year)	Total Service Connections
Bulk Water Project	2	355.00	4,502,638	
Water Supply Project	4	1,577.06	1,430,380	17,400
NRW Reduction Project	1	230.00		
TOTAL	7	2,162.06	5,933,018	17,400

DBP ASEAN Sustainability Bonds

Summary of Performance Indicators and Actual Impacts as of 31 December 2019

In November 2019, DBP raised P18.125 billion in its inaugural Series A Fixed Rate DBP ASEAN Sustainability Bonds. One hundred percent (100%) of the proceeds were allocated to new and existing 36 projects under 3 DBP Program Loans namely: FUSED, SHIELD, and WATER.

FUSED	Allocated Amount (in millions PHP)	Sub category	No. of Projects	Performance Indicators ¹				
				Total Renewable Energy Capacity (MW)	Annual Power Generated (MWh)	Tons of CO2 emissions avoided (tons)	Fuel oil replaced (Barrels)	FOREX savings (USD\$ M)
	14,976	HYDRO	7	54.1	49,763.33	24,586.42	93,910.79	5.95
		SOLAR	6	205.456	194,429.98	91,741.89	366,918.25	23.24
		WIND	2	104	215,072.90	97,664.60	405,874.51	25.71
		TOTAL	15	363.56	459,266.21	213,992.91	866,703.55	54.90

SHIELD	Allocated Amount (in millions PHP)	Service Capability	No of Projects	Total Bed Capacity	Performance Indicators ²			
					Actual number of Patients Served		Bed Capacity Increased	Employment Generation
	2,429	Level 2	11	885	Indigent In -Patients served	Pregnant Women Served		
		Level 3	2	50				
		Other Health Facility	1	154				
		TOTAL	14	1,089	4,565	342	654	1,146

WATER	Allocated Amount (in millions PHP)	Project Type	No. of Projects	Performance Indicators ³	
				Total Volume of Water Produced (m ³ /year)	Total Service Connections
	720	Bulk Water Project	2	4,502,638	-
		Water Supply Project	4	1,430,380	17,400
		NRW Reduction Project	1	-	-
		TOTAL	7	5,933,018	17,400

¹ 4 projects are still under construction as of report date

² 1 project is still under construction as of report date

³ 3 projects are still under construction



**REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Sector
Cluster 1 – Banking and Credit**

The Board of Directors

Development Bank of the Philippines
Sen. Gil Puyat corner Makati Avenue
Makati City, Republic of the Philippines

and Holders of Series A Fixed Rate ASEAN Sustainability Bonds

Limited Assurance Report on the Allocation of Proceeds Report

Conclusion

We have performed limited assurance procedures on the Allocation of Proceeds Report of the Development Bank of the Philippines ("DBP" or the "Bank") ASEAN Sustainability Bonds as at September 11, 2020.

Based on our procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Allocation of Proceeds Report of the DBP ASEAN Sustainability Bonds as at September 11, 2020 are not, in material respects, prepared in accordance with the Eligible Criteria as described in the DBP's Sustainability Financing Framework (hereafter the "Framework").

Basis for Conclusion

We are independent auditors of the Bank as required by laws of the Republic of the Philippines and the applicable rules and regulations.

This Limited Assurance Report was conducted in accordance with Philippine Standards on Assurance Engagements (PSAE 3000 – 3402).

Our responsibilities under these standards are further described in the *Auditors' Responsibilities on the Limited Assurance Report* section of our report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide the basis for our conclusion.

Subject Matter Information

The scope of our work is limited to assurance over the application of the Eligibility Criteria in the Allocation of Proceeds Report as at September 11, 2020 covering the Bank's Php18.125 Billion Series A Fixed Rate ASEAN Sustainability Bonds.

Reporting Criteria

The reporting criteria are the Eligibility Criteria described in the Framework. The Allocation of Proceeds Report needs to be read and understood together with the Eligibility Criteria as described in the Framework.

Responsibilities of Management and Those Charged with Governance for the Allocation of Proceeds Report

Management is responsible for the preparation of the Allocation of Proceeds Report, which includes allocation of proceeds to the Eligible Green and Social Portfolio or Eligible Assets, in accordance with the Eligibility Criteria as described in the Framework, and for such internal control as management determines necessary to enable the preparation of the Allocation of Proceeds Report that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Bank's reporting process.

Auditors' Responsibilities on the Limited Assurance Report

Our objective is to plan and perform the procedures in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion. Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. The level of assurance obtained in engagements with a limited level of assurance is therefore substantially less than the assurance obtained in audit engagements. Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Allocation of Proceeds Report. The materiality affects the nature, timing and extent of our procedures and the evaluation of the effect of identified misstatements on our conclusion.

As part of our procedures in accordance with PSAE, we exercise professional judgment and maintain professional skepticism throughout our work.

Approach

The procedures we performed were based on our professional judgment and we believe that the procedures performed and the assurance evidence obtained are sufficient and appropriate to provide a basis for our conclusion.

Our work included, among other things, the following procedures:

General Procedures

- Identified possible material misstatement that may occur in the Allocation of Proceeds Report;
- Considered the internal control relevant to our review in order to determine assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the Bank's internal control;

- Reviewed the second opinion from Sustainalytics, which addresses the applicability of the Eligibility Criteria used in the preparation of the Eligible Assets in the Allocation of Proceeds Report, and identified key and relevant matters therefrom in designing and performing assurance procedures;
- Reviewed the application of the Eligibility Criteria used in determining Eligible Assets;
- Evaluated relevant documents pertinent to the Eligible Assets to determine whether the information is plausible in line with the Eligibility Criteria of the Framework; and
- As necessary, interviewed relevant staff and officers of the Bank responsible in preparing, managing and reporting of the Eligible Assets.

Specific Procedures

- Validated the total amount of proceeds used to finance/refinance Eligible Assets in accordance with the Eligibility Criteria in the Framework;
- Checked the consistency of the reported amounts in the Allocation of Proceeds Report versus the Bank's internal reports;
- Reviewed if there are duplication on the reported Eligible Assets; and
- Checked the allocated amounts per use of proceeds category.

Restriction of Use of Limited Assurance Report

Our limited assurance report is intended solely for the Board of Directors of DBP and the Holders of Sustainability Bonds issued by the Bank and should not be distributed to other parties and used for other purposes. We do not therefore accept or assume responsibility for any other purpose or to any other person or organization.

COMMISSION ON AUDIT



MARILYN C. BRIONES
Supervising Auditor

November 6, 2020