



# AC Energy Green Bond Framework

January 2019



## Introduction

- AC Energy recognizes the importance of creating value not only for our businesses, but also for our stakeholders, the environment, and the communities in which we operate. We strive to integrate sustainability in the core of our corporate strategies to balance our growth aspirations with our environmental and social responsibility.
- AC Energy supports the 10 Principles of the UN Global Compact and our Parent, Ayala Corporation, is a founding member of the UN Global Compact Network Philippines. The Ayala Group is committed to furthering the UN’s Sustainable Development Goals across its various business units.
- At AC Energy, we have chosen to focus on 6 SDGs where we believe we can have a substantial and lasting impact across the markets we operate in.

### AC Energy’s Contribution to the SDGs



- AC Energy has developed a Green Bond Framework (“**Framework**”) under which we intend to issue Green Bonds to fund selected Green Projects within the Group.
- The Framework is intended to govern Green Bond issuances across all AC Energy Group entities, including (but not limited to): AC Energy, AC Energy Finance International (Cayman), and any other entity that may issue Green Bonds from time to time
- The Framework follows the four core components under the ICMA Green Bond Principles (“**GBP**”):



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

### Our Sustainability Activities and Initiatives

AC Energy’s renewable energy assets generated **410.3 GWh** of power and **avoided 196,224 tonnes of CO<sub>2</sub>e emissions** in 2017



400MW solar projects in Vietnam



Reforestation project in Pagudpud through partnership with North Luzon Renewables



Ongoing efforts to develop conservation areas in Pagudpud

## 1

### Use of Proceeds

- AC Energy's 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 SDG's:

*SDG 7 – Affordable and Clean Energy*

*SDG 13 – Climate Action*



### Eligible Green Project Categories

- An amount equal to the aggregate net proceeds from the issuance of every AC Energy Green Bond 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:
  - Development, construction and production of the components, acquisitions and operation of:
    - Solar Energy Projects
    - Wind Energy Projects (onshore and offshore)
    - Geothermal Energy Projects (direct emissions < 100gCO<sub>2</sub>/kWh)
  - Eligible Green Projects may be found throughout the AC Energy Group and AC Energy 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 AC Energy Group investments made during the 2 years prior to the issuance date of the notes and during the life of the notes.

#### Renewable Energy Projects

## 2

### 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 AC Energy's Business Development, Finance and Sustainability teams. Prior to investing in a project in a given region, AC Energy ensures local regulations regarding environmental and social constraints are adhered to.
- A short list of 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. Our Board of Directors and Senior Management are responsible for the approval of assets and projects in accordance with the Framework.

### 3

## Management of Proceeds

- An amount equal to the proceeds will be allocated to finance designated eligible green assets/projects across the AC 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 AC Energy's general funds and will not be directly linked to the performance of any one specific Eligible Green Project.
- We intend to spend an amount equal to the majority of the net proceeds from the sales of the notes within two years of the date of issuance.

### 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 issued Green Bonds and the deployment of an amount equal to the net proceeds.
- The register will include, among others:
  - i. Green Bond details: including ISIN, issue date, maturity date, principal amount and coupon;
  - ii. Eligible Green Project list;
  - iii. Renewable/Green Asset Category;
  - iv. The regions in which the projects are located;
  - v. The amount of net proceeds allocated to the projects;
  - vi. The date of allocation and foreign exchange rates;
  - vii. 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 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 AC Energy's own internal liquidity management policies and may be transferred to other entities within the AC 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.

## 4 Reporting

### A Allocation Reporting

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

- i. A list of approved Eligible Green Projects, including amounts allocated; and
- ii. 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.



### B 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	Example Impact Metric
Renewable Energy	<ul style="list-style-type: none"> <li>■ Energy generated from renewable sources (kWh)</li> <li>■ Greenhouse Gas (GHG) emissions reduced/avoided (tCO<sub>2</sub>e)</li> </ul>