

ASSESSMENT

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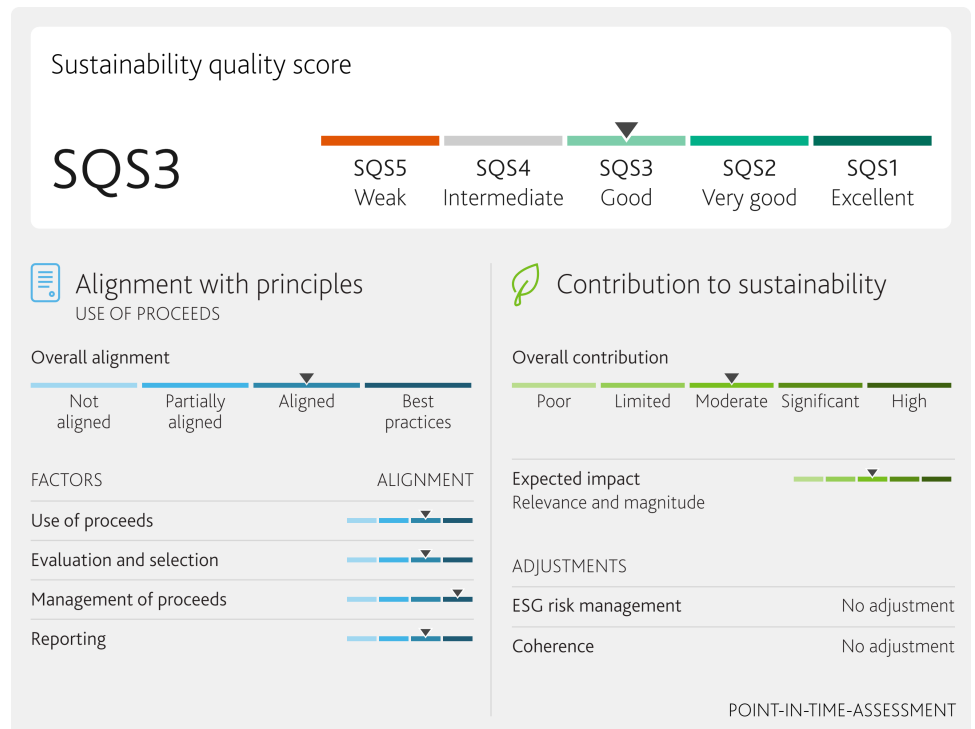
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Land Bank of the Philippines

Second Party Opinion – Sustainable Finance Framework Assigned SQS3 Sustainability Quality Score

Summary

We have assigned an SQS3 Sustainability Quality Score (good) to Land Bank of the Philippines' (LBP) sustainable finance framework dated November 2023. LBP has established its use-of-proceeds framework to finance seven eligible green categories and five eligible social categories. LBP has described the main characteristics of the sustainable financing instruments within a formalized financing framework that is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (including the June 2022 Appendix 1), Social Bond Principles (SBP) 2023 and Sustainability Bond Guidelines 2021, and the Loan Market Association, the Asia Pacific Loan Market Association, and the Loan Syndications and Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2023 and Social Loan Principles (SLP) 2023. The framework also demonstrates a moderate contribution to sustainability. In addition, the framework is aligned with the ASEAN Green Bond Standards (ASEAN GBS) 2018, as detailed in Appendix 3.



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of LBP's sustainable finance framework, including the framework's alignment with the ICMA's GBP 2021 (including the June 2022 Appendix 1), SBP 2023 and Sustainability Bond Guidelines 2021, and the LMA/APLMA/LSTA's GLP 2023 and SLP 2023. Under its framework, the bank plans to finance projects in seven green categories and five social categories, as outlined in Appendix 2 of this report. We have also provided a supplementary opinion on the framework's alignment with the ASEAN GBS 2018. We performed a full review in the context of the standard, covering all four core components. The assessment is solely based on information provided by the issuer. Our supplementary opinion does not constitute a verification, certification or audit, is distinct from the Alignment with Principles Score, has no influence on the expressed Sustainability Quality Score and does not express an opinion on any financial instrument's compliance with Shariah law.

Our assessment is based on the last updated version of LBP's framework dated 8 November 2023, and our opinion reflects our point-in-time assessment¹ of the details contained in this version of the framework, as well as other public and nonpublic information provided by the bank.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](#), published in October 2022.

Issuer profile

Land Bank of the Philippines (LBP) is a wholly government-owned bank, with a policy role as a specialized financial intermediary for the country's agricultural development and land reform programs. LBP was the largest lender to local government units in the Philippines as of year-end 2022. The bank provides commercial banking, financing, leasing, real estate, insurance brokering and other related services to individual, commercial, corporate and institutional clients.

LBP's vision is to be at the forefront of nation-building through the promotion of financial inclusion, digital transformation and sustainable development that benefits all citizens. The bank is the largest formal credit institution in the rural areas of the Philippines, and provided financial services to more than three million farmers and fishers in 2022. As of year-end 2022, LBP was the second-largest bank in the Philippines in terms of total assets and deposits, and fourth largest in terms of total loans and capital.

Strengths

- » Transparent project selection and evaluation process, including continued monitoring of the eligibility of assets throughout the life of the instrument
- » Measurable project benefits, which will be quantified in future impact reporting

Challenges

- » Some eligible categories lack granular details on thresholds or specific assets to be financed
- » Inclusion of landfill projects in the pollution prevention and control category, which may have significant negative externalities
- » No commitment to commission an independent audit of the tracking and allocation of funds, and an independent impact assessment on environmental benefits by a qualified third-party reviewer, at least until full allocation and in case of significant changes

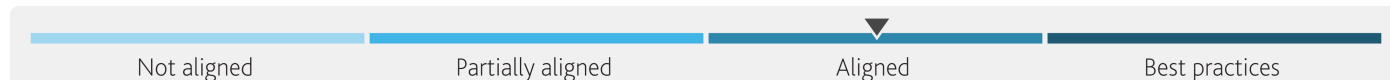
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Alignment with principles

LBP's sustainable finance framework is aligned with the four core components of the ICMA's GBP 2021 (including the June 2022 Appendix 1), SBP 2023 and Sustainability Bond Guidelines 2021, and the LMA/APLMA/LSTA's GLP 2023 and SLP 2023. Additionally, the framework is aligned with the ASEAN GBS 2018, as detailed in Appendix 3.

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| <input checked="" type="checkbox"/> Social Loan Principles (SLP) | <input type="checkbox"/> Sustainability-Linked Bond Principles (SLBP) | <input type="checkbox"/> Sustainability Linked Loan Principles (SLLP) |

Use of proceeds



Clarity of the eligible categories – ALIGNED

LBP has clearly communicated the nature of the expenditures and the exclusion criteria for the eligible categories. The eligibility criteria for nearly all project categories have been defined; however, the eligibility criteria for some of the green categories lack specific technical thresholds and details on the types of projects, such as for the sustainable water management, pollution prevention and control, and people centric urban development categories. The target populations for the social projects could also be more clearly defined. The bank has identified the location of eligible projects to be within the Philippines.

Clarity of the environmental or social objectives – ALIGNED

The bank has clearly outlined relevant environmental and social (E&S) objectives associated with most of the eligible categories. The bank has referenced the United Nations' (UN) Sustainable Development Goals (SDGs) in articulating the objectives of the eligible categories, and the objectives are coherent with these recognized international standards.

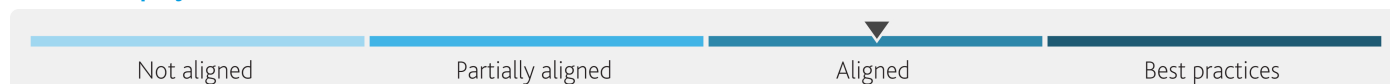
Clarity of expected benefits – ALIGNED

The bank has identified relevant expected E&S benefits for most of the eligible categories. However, the expected environmental benefit of eligible landfill projects under the pollution prevention and control category is considered partially relevant. The benefits identified are measurable and will be quantified in the impact reporting. The bank has communicated to us that it will communicate the estimated share of refinancing in the allocation report and will disclose the lookback period to investors only on demand.

Best practices identified - use of proceeds

- » Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting

Process for project evaluation and selection



Transparency and quality of process for defining eligible projects – BEST PRACTICES

LBP's decision-making process for the selection and evaluation of projects is structured and outlined in its framework, which will be publicly available. The selection of eligible green and social projects will be performed by the relevant business and lending units, based on approved lending programs that align with the eligibility criteria outlined in the framework. The bank has communicated to us that the approval of nominated projects is conducted by the credit committee, the investments and loans committee, and the board of directors. LBP's lending program management group — which comprises representatives from the bank's programs management department II and environmental programs management department (EPMD) — will oversee the development, management and supervision of the approved projects to ensure compliance with existing program management policies. The bank has shared that the

EPMD will monitor the E&S compliance of projects on a regular basis, with the frequency varying from one to two years, depending on the project's environmental risk categorization.

The bank has confirmed that the evaluation, selection and monitoring of projects is traceable through its loan approval process. In the event a loan no longer fulfills the eligibility criteria, the bank will replace the loan with an eligible one.

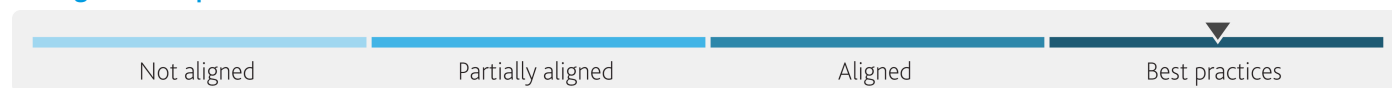
Environmental and social risk mitigation process – ALIGNED

The bank will ensure that for all financed projects, E&S risks are monitored, identified and managed appropriately in line with its internal lending operations policy, such that the projects are compliant with the applicable E&S regulations. Approved projects, as well as their collateral, will be subject to E&S assessments, including climate change vulnerability assessments. According to the bank, the EPMD will review the E&S compliance of all financed projects regularly, with high-risk projects requiring a site assessment every year, medium-risk projects requiring one every two years and low-risk projects requiring a document-based assessment every two years.

Best practices identified - process for project evaluation and selection

- » The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- » There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- » The process for project evaluation and selection is traceable
- » Material environmental and social risks for most project categories are identified
- » ESG controversies are monitored

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

LBP has defined a clear process for the management and allocation of proceeds in its framework, which will be publicly available on the firm's website. All relevant details regarding the allocation process are defined and disclosed in the framework. Net proceeds will be managed by the bank in a portfolio approach, where the green, social and sustainability financing instruments will be allocated toward their respective eligible green, social, and combined green and social objective portfolios. The bank has communicated to us that each portfolio will be tracked and updated at least annually so that it at least matches the net proceeds from its outstanding financing instruments, and proceeds will be allocated within 12 months from issuance.

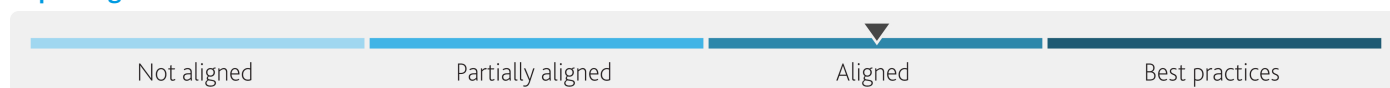
Management of unallocated proceeds – BEST PRACTICES

Temporarily unallocated proceeds will be held in cash or invested in short-term liquid instruments. According to the bank, these instruments will be government securities with maturities of one year or less, and will comply with the exclusion criteria specified in the framework. The bank has also confirmed to us that temporarily unallocated proceeds will not be allocated to greenhouse gas (GHG)-intensive activities, high environmental impact activities or controversial activities. In the event that a project is postponed, canceled or otherwise becomes ineligible, the bank will replace that project with an eligible project(s) as soon as reasonably practicable.

Best practices identified - management of proceeds

- » Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- » Short allocation period, for example typically less than 24 months
- » Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- » Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting



Transparency of reporting – ALIGNED

LBP will report annually on the use of proceeds under its framework, until the full allocation of the net proceeds, and this reporting will be made publicly available on the firm's website. The bank has communicated to us that reporting will also be done on a timely basis in case of significant events. The reporting will cover examples of projects being financed, the balance of unallocated proceeds, and aggregate impact at the category level. The bank has confirmed to us that the reporting will include the aggregate amount allocated to the eligible categories and the share of refinancing. LBP has identified relevant E&S reporting indicators for the eligible categories, and has clearly disclosed these indicators in its framework. For the food security category, the bank has communicated to us that the impact indicators will be the number of stakeholders supported in their production, processing, marketing of high-value crops such as banana, cacao, cassava, coffee, oil palm, rubber, vegetables, among others; the number of small rice and corn farmers assisted; and the number of individual small farmers, particularly the beneficiaries of agrarian reform, assisted in crop production.

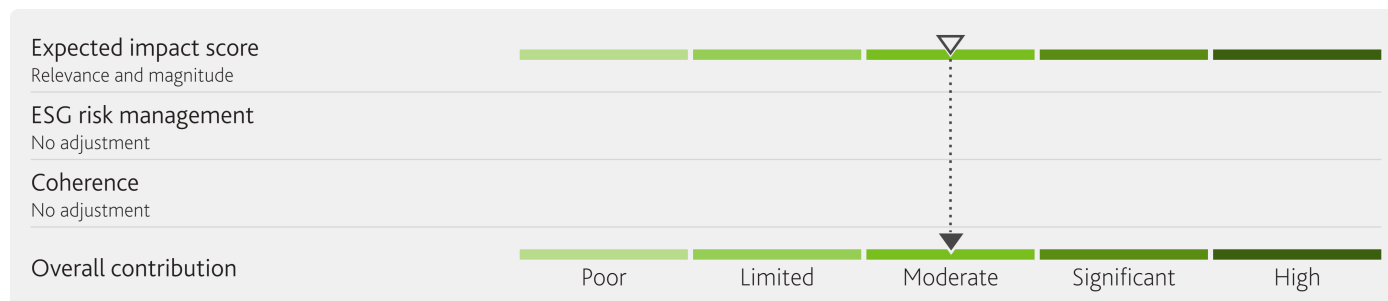
The bank has not committed to an annual independent verification of the tracking and allocation of proceeds to eligible projects and the projects' reported benefits at least until full allocation of proceeds and in case of significant changes. However, the bank has expressed within the framework that it may engage an independent external party to provide a limited assurance report or verification statement for the allocation reporting.

Best practices identified - reporting

- » Reporting covers material developments and issues related to the projects or assets
- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories

Contribution to sustainability

The framework demonstrates a moderate overall contribution to sustainability.

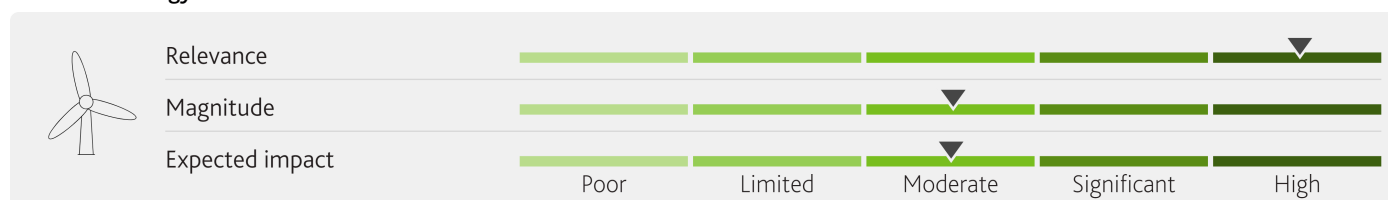


Expected impact

The expected impact of the eligible project categories on E&S objectives is moderate. We have weighted the eligible categories based on LBP's expected proceeds distribution for its upcoming transaction and weightage within LBP's current portfolio as provided by the bank, to assess the overall expected impact. In line with this, we have assigned the highest weights to affordable housing, food security, renewable energy, access to essential services, and socioeconomic advancement and empowerment. A detailed assessment by eligible category is provided below.

As a wholly government-owned policy bank, LBP typically directs financing to sectors that are important for the country's socioeconomic development or are key to national strategy. In this regard, most of the activities below are largely relevant to LBP's business.

Renewable energy



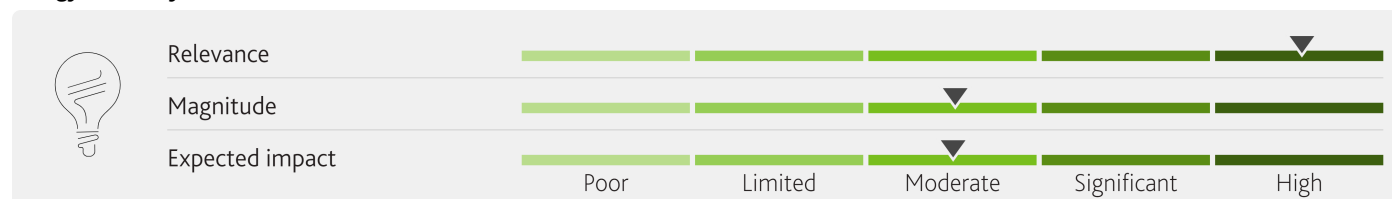
Projects financed under this category are highly relevant. The decarbonization of the electricity mix is a key challenge for the Philippines, where most of the electricity is still generated from fossil fuels, with significant reliance on coal². The country's National Renewable Energy Program (NREP) 2020-40 aims for a 35% renewable energy share in power generation by 2030 and 50% by 2040, with targets set for installed capacity of each of the eligible technologies included in LBP's framework³. LBP has shared with us that the eligible technologies will be solar, wind, ocean, hydropower, biomass, geothermal and renewable energy based cogeneration.

Although this category includes renewable electricity generation from wind, solar and ocean energy, which we expect to generate a highly positive long-term impact on climate change mitigation, several other eligible projects lack clear thresholds and technologies.

For biomass projects, while the framework states that feedstock that does not compete with food production will be used, specific certifications for the feedstock demonstrating compliance with best practice standards are not required for eligibility. Lack of visibility into the types of feedstock that can be used could lead to projects being associated with significant biodiversity implications as well as implications for food production. There is also a lack of criteria for biomass projects in terms of GHG emissions reduction relative to fossil fuels. For hydropower, while eligibility is limited to plants with a generation capacity of not more than 25 MW, the eligible technology is not specified and plants could include the construction of artificial reservoirs, which could entail significant negative E&S externalities. A threshold on required power density and life cycle GHG emissions has also not been defined. However, LBP has shared with us that a majority of the hydropower projects in the pipeline are run-of-river hydropower projects which do not utilize dams, which we expect will not be associated with significant negative E&S externalities. For geothermal projects, a life cycle emissions threshold has also not been defined to exclude highly GHG-emitting geothermal plants.

While several of the eligible projects may be associated with potential significant negative impacts and lock-in effects, we expect a significant proportion of the financing under this category will be directed toward run-of-river hydropower not utilizing dams, and solar, in line with LBP's existing financing among the eligible technologies and projects in the pipeline. Thus, we consider the overall magnitude to be moderate.

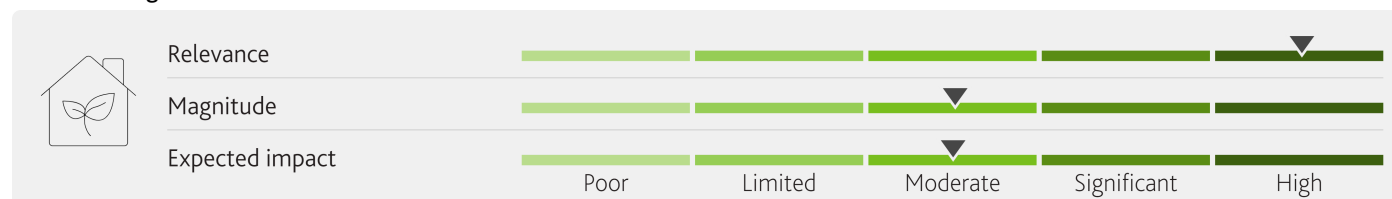
Energy efficiency



Increasing energy efficiency in the industrial sector plays a key role in the country's decarbonization road map. The industrial sector consumes around 29% of the Philippines' total energy use⁴, and the government expects the sector to see sustained growth given the implementation of national programs to boost manufacturing and construction⁵, making improvement in energy efficiency highly relevant.

We expect the projects under this category to have an overall moderate positive impact on climate change mitigation. While the framework specifies that energy-efficiency projects will be used to reduce industrial energy consumption, it lacks specific details on the types of projects and sectors that are eligible for financing, as well as the energy-efficiency improvement thresholds that would apply. However, the framework does have certain exclusion criteria, which include coal and diesel power generation projects, which provides reasonable assurance that eligible projects will not lead to significant lock-in effects.

Green buildings

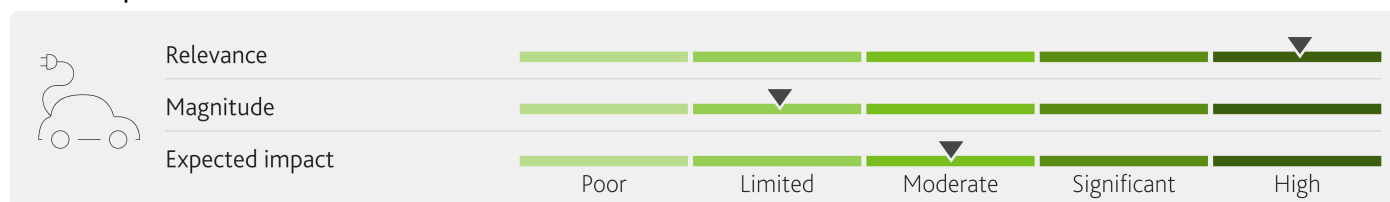


Decarbonization of the building sector is important to achieve overall emissions reduction in the Philippines. Energy consumption by the sector accounts for 20% of the Philippines' total energy consumption⁶, and energy demand is likely to increase with rapid growth in population and increasing urbanization.

As the framework does not include a comprehensive list of eligible building certifications, our assessment applies only to the building certifications listed in the framework, namely BERDE Green Building Rating System (4 stars and above) and LEED (Gold and above). LBP has communicated to us that the criteria included in the framework relating to "the top 15% of low carbon buildings in the Philippines within the respective building category", will not be applied.

We expect the eligible projects to have a moderately positive impact on reducing carbon emissions or resource usage, or both. Green buildings in the Philippines are still not commonplace despite the growth in certified buildings in recent years. Thus, certified buildings are likely to drive higher standards for buildings' energy efficiency and natural resource usage beyond the business-as-usual scenario in the country. Given that operational energy constitutes a large proportion of the total life cycle carbon emissions of buildings in the Philippines, the energy performance requirements of the building certification schemes are critical to reducing buildings' environmental impact. However, the eligibility criteria specified under the BERDE Green Building Rating System does not necessarily correspond with an improvement in the energy consumption of buildings as energy consumption reduction beyond regulatory requirements is not a mandatory component and may not always be achieved with the eligibility criteria defined. Importantly, the construction of new buildings will generate a larger carbon footprint and greater E&S externalities than the retrofitting of existing buildings.

Clean transportation

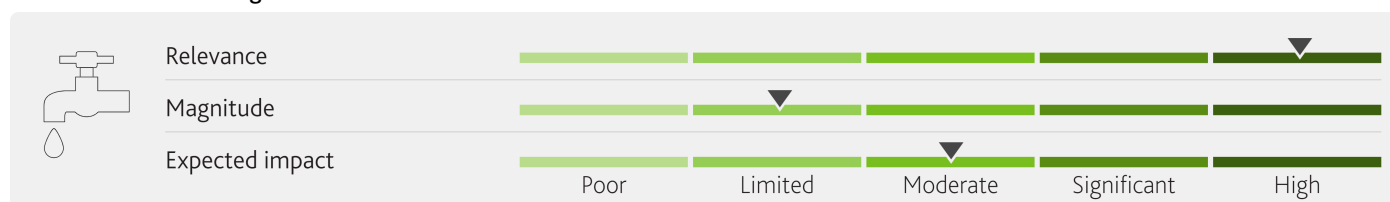


Road transport accounts for close to 90% of total transport GHG emissions in the Philippines⁷, and the level of emissions and air pollution is likely to increase significantly in the next few decades given the rate of economic development and population growth in the country, which makes the provision of low-carbon transport highly relevant. The development of mass public transportation in the country is also important because existing infrastructure is relatively limited and continued underdevelopment will contribute to increasing individual vehicle ownership. Existing public transportation modes that use diesel engine public utility vehicles (PUVs), such as jeepneys, account for a large majority of the soot mass in Metro Manila⁸.

We expect the financing of electric vehicles and non-motorized means of transportation to have a positive long-term environmental impact with no lock-in effects. However, LBP has shared with us that it does not expect most of the proceeds to be allocated to zero-emission public transportation modes as its current portfolio mainly consists of fossil fuel-powered public transportation. Given the lock-in effects associated with these projects, we consider the overall magnitude to be limited.

The bank has shared with us that public transportation projects will entail the upgrade or replacement of jeepneys or public utility buses, in line with the requirements under the Philippines' PUV modernization program. PUVs that are older than 15 years must be upgraded or replaced, and based on LBP's exclusion criteria, if the PUVs are not electric, they must meet the Euro 4 emissions standard. Although the financed jeepneys or buses may not be electric, they will support emissions reduction as traditional PUVs do not meet the Euro 4 emissions standard. However, they may still not comply with the latest European road vehicle emissions standard currently in effect, Euro 6, which was introduced in 2014, and the bank has not specified a requirement to meet the latest standard over time. Rail projects will also be eligible under this category, although the eligible technology and GHG emissions threshold are not specified. While there are clear benefits in the development of public transportation in the Philippines compared with the use of individual vehicles, the projects could entail negative impacts and lock-in effects if they are not zero-emission transportation modes, particularly as the bank has not prescribed a timeline for projects to be zero-emissions in line with international standards.

Sustainable water management



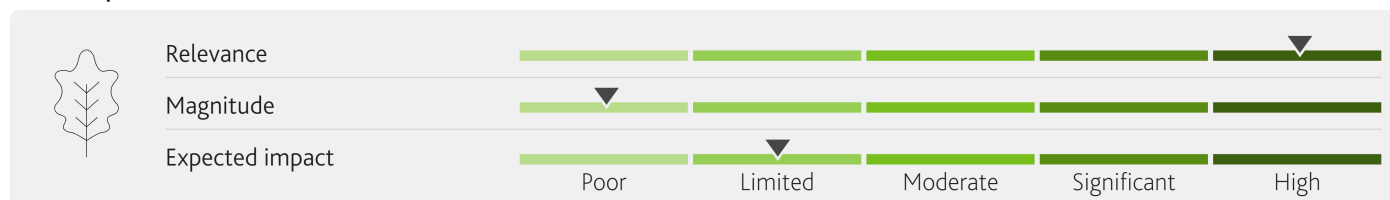
Wastewater management and sustainable water management have implications on a population's health and the country's ability to manage water stress. A significant proportion of the population in the Philippines lacks access to safe and reliable water, and household sanitation facilities⁹. Furthermore, the Philippines is among the most vulnerable countries with regard to climate-driven natural disasters, and water stress and flooding in the country are both likely to become more severe as rainfall variability increases^{10,11}.

We consider this category to have an overall limited magnitude, because it includes eligible desalination projects. The bank has shared that desalination plants will be eligible under this category. While desalination plants will help improve access to clean water — particularly given the Philippines' susceptibility to droughts — significant negative externalities exist for such assets because they are highly energy-intensive and discharge harmful residue, and no eligibility criteria have been set with regard to carbon intensity, energy efficiency, feedwater intake and brine management.

The bank also plans to finance projects relating to water collection, storage and treatment. Based on the related loan program defined in the framework, we expect the eligible projects to be water and wastewater treatment plants. However, we have limited visibility into the specific project types, eligible technologies and technical thresholds to fully evaluate the extent to which the

projects can contribute to the stated environmental objective, as well as potential E&S externalities associated with the projects. Infrastructure relating to flood protection and drought resilience is also eligible under this category. Although the projects are likely to support climate change adaptation in the Philippines, we lack visibility into the specific types of projects that will be implemented. Furthermore, such projects are likely to have negative environmental externalities typically associated with the large-scale construction involved for climate change adaptation projects.

Pollution prevention and control

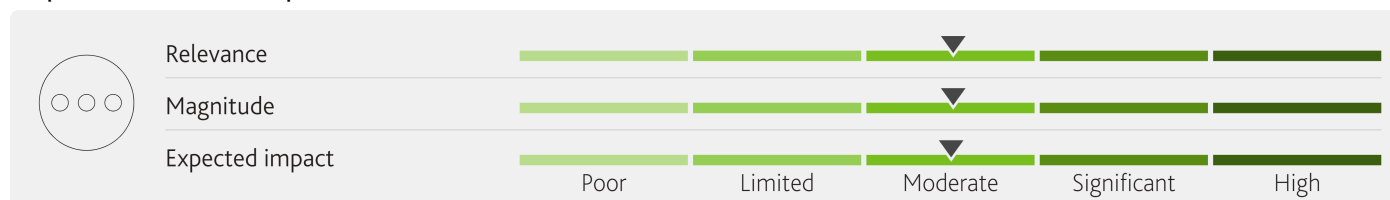


Solid waste generation in the Philippines has increased over the years, fueled by rapid population growth and urbanization, and compounded by improper waste segregation, such that existing landfills are insufficient to meet future waste disposal needs¹². Waste has been a core environmental problem for the country, making waste management a priority for the government, with reuse and recycling being the primary focus as existing landfills approach full capacity.

We consider the overall magnitude of this category to be poor. LBP has shared that landfills are eligible under this category. Landfills are a key component of the Philippines' national plans for solid waste management, and can support the reduction in open dumping and waste picking in the country, which are associated with significant environmental and health concerns. However, in managing waste in accordance with the waste hierarchy, the disposal of waste should be the last resort, and the bank has not specified that eligible projects in this category will follow the waste hierarchy to minimize resource loss in the process. Furthermore, landfills can result in significant negative E&S impacts, including soil and groundwater contamination and substantial GHG emissions, and landfill gas capture systems are not required for eligible projects.

Waste-to-energy projects are also eligible under this category. While they can help reduce reliance on landfills, energy recovery from waste is the last option in the waste hierarchy before disposal. The facilities could also contribute to environmental externalities if they are not designed properly, and the bank has not set any eligibility thresholds based on market standards related to plant efficiency, ash recovery, average carbon intensity, and waste sources and management. We also lack visibility into the types of materials that will be recycled in recycling facilities, as well as the eligible recovery rate and mode of recycling, which could be associated with different environmental outcomes and potential negative environmental externalities.

People centric urban development

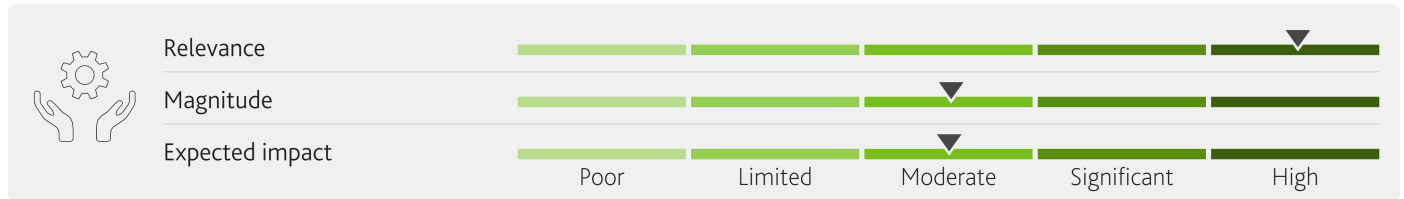


Smart cities are broadly defined as cities that leverage digital infrastructure to address urban challenges¹³. Smart cities are increasingly core to countries' development plans, as urbanization continues at a rapid pace, whereby technological and digital solutions can be implemented to address the challenges that come with a growing population and increasing population density. The Philippines has seen significant urbanization in recent decades, and most of its population will likely reside in urban areas by 2050¹⁴. While projects under this category would support the development of smart cities in the Philippines, in which local government units play a significant role¹⁵, the projects will mainly target social objectives, according to LBP. Thus, we consider the relevance of this category to environmental objectives to be moderate.

We expect the magnitude of the projects to be moderate. Given that we do not have visibility into the specific types of applications, the potential projects to be financed under this category are broad, limiting our visibility into the extent of the potential positive outcome. However, based on the example loan program defined in the framework, we expect the eligible projects to involve

communication technology infrastructure and digital applications focusing on IoT and AI implementation to increase interconnectivity of industries and communities, and we do not expect the projects to involve large-scale construction. The introduction of web-based services and improvement in efficiency of systems could help reduce resource use and are unlikely to entail significant E&S externalities.

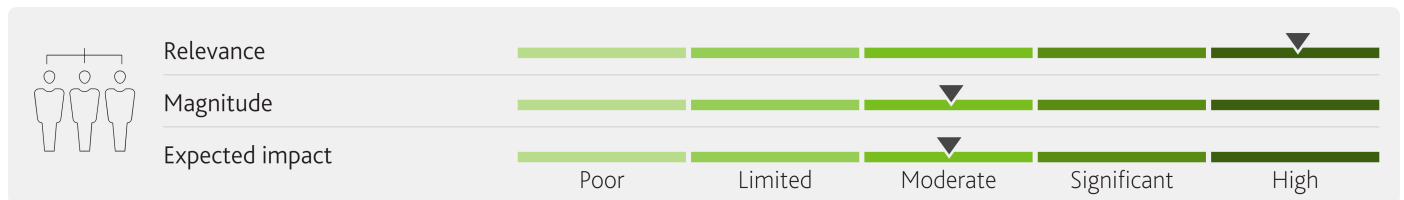
Access to essential services



Access to basic healthcare remains a key challenge in the Philippines, particularly in rural areas, where healthcare facilities are largely remote and lack resources. In terms of education, despite the implementation of free education at the primary and secondary levels, barriers to access, such as geographic isolation and lack of transportation, still exist for a significant proportion of the population. Besides accessibility, the conditions of existing facilities and inadequate availability of resources also pose challenges to the delivery of quality services.

We consider the magnitude of this category to be moderate. The lack of a clearly defined target population limits visibility into the extent of the category's contribution to the stated social objectives. Eligible projects also include financing for private and public facilities. While the private sector plays a key role in increasing the availability of healthcare and education in the country, we have limited visibility into the types of private facilities that will be financed under the framework, and the extent to which the projects will contribute to universal health coverage or access to education, particularly in terms of affordability of the services for the general public. However, given LBP's policy role, we expect the eligible projects to be largely aligned with national health and education development plans, and mainly involve government-related educational institutions and healthcare providers, which deliver services to the general public.

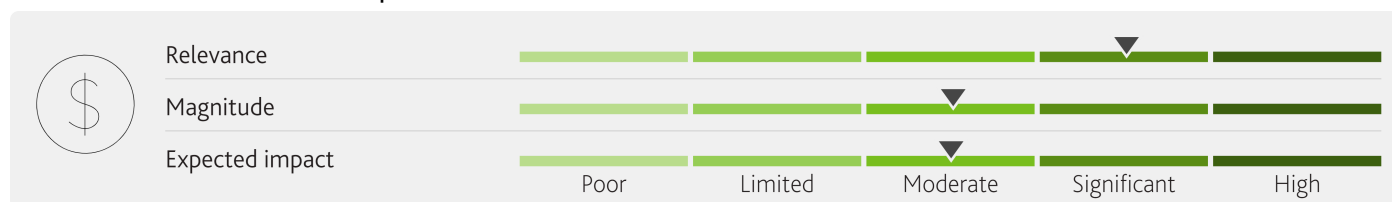
Employment generation including through SME financing and microfinance



Increasing the provision of financing for micro, small and medium-sized enterprises (MSMEs) is highly relevant in the Philippines as it can drive employment generation and could help address the large informal economy in the country. MSMEs play a significant role in the Philippines' economy, accounting for a large majority of the country's business entities and generating almost two-thirds of the country's total employment¹⁶. However, smaller firms typically face a large financing gap with limited access to formal financing.

We consider the magnitude of this category to be moderate. Eligible projects will provide financing for MSMEs, as defined by the Philippines' central bank. Although financing of MSMEs could support employment generation and also prevent job losses, there is a lack of visibility into the traceability of proceeds for end use and the extent to which the projects will contribute to the stated social objective. The bank has shared with us that small business owners are required to have completed financial literacy training provided by the Department of Trade and Industry, prior to loan application, which could help reduce the risk of overindebtedness. However, it is unclear whether the bank will provide other relevant capacity building training, such as business operating practices, which could help further empower the business owners.

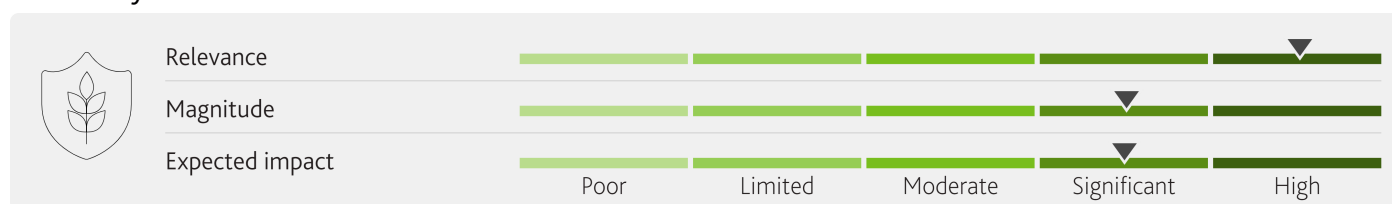
Socioeconomic advancement and empowerment



Financial inclusion in the Philippines remains low despite accelerated progress in recent years, driven by the coronavirus pandemic¹⁷. Those with lower incomes often face difficulties in accessing financial services because of factors such as lack of necessary documentation and proof of regular income, which is a particular issue in the country given the significant number of people working in the informal sector. However, because the objective of the eligible loans is not clearly defined, we consider the relevance of this category to be significant.

While the framework details that loans will be targeted at minority, underserved and low-income individuals, the bank has not specified the eligibility thresholds that will apply to ensure that loans will be provided to the most vulnerable groups. Additionally, the types of eligible activities to be financed have not been defined. However, based on the examples of eligible activities that LBP has shared with us, we expect a large proportion of proceeds under this category to go toward helping smallholder farmers purchase agricultural equipment for their farming activities. LBP has defined smallholder farmers as those with not more than five hectares of land under their management. The bank has also shared that it has procedures in place to ensure that proceeds are not used for potentially controversial activities. Thus, we consider the magnitude of this category to be moderate.

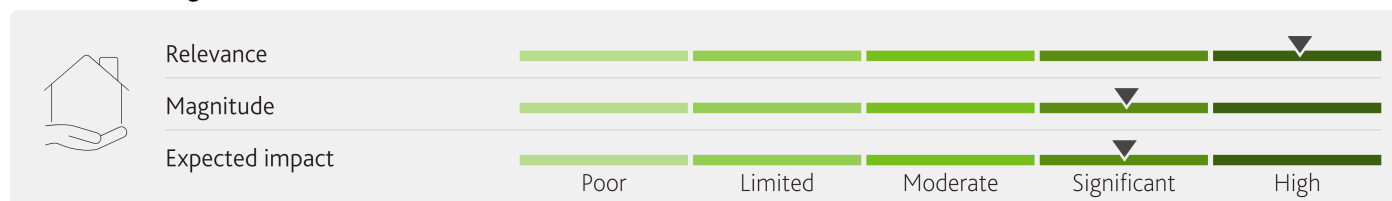
Food security



As an agriculture bank, LBP plays a key role in supporting the Philippines' national agriculture programs and is the country's largest lender to the agriculture sector. Agriculture plays a critical role for inclusive growth within the Philippines as it is a key driver of the economy in rural areas where a majority of Filipinos live¹⁸. While agriculture remains a significant source of employment in the country, the number of workers in the sector has been declining, with falling incomes among the drivers of the trend¹⁹.

We consider the magnitude of this category to be significant. While the bank's definition of the target population and eligible use of proceeds lack specificity regarding eligibility thresholds, we expect the loans to be directed to smallholder farmers for their farming activities, based on the scope of the bank's existing loan programs and the eligibility criteria published on its website. The bank has also communicated to us that financing under this category will be targeted at farmers and fishers, small business owners and migrant workers in the agriculture sector who have limited access to traditional banking services. According to the bank, low-income farmers have a high need for assistance, especially because they rely heavily on middle men to sell their produce. Eligible projects could increase agricultural productivity and hence incomes of the target population.

Affordable housing



Obtaining affordable financing for housing is a particularly pressing challenge in the Philippines. The proportion of urban population living in slums averaged around 37% in 2020²⁰. Rapid urbanization and population growth have further increased the demand for housing, particularly in urban areas, and the country faces a growing challenge to address housing backlog²¹.

We consider the magnitude of this category to be significant. Financing programs for low-income housing could help alleviate the large housing backlog in the country. The target population includes both homebuyers and property developers who meet the respective eligibility criteria for purchasing or developing economic and socialized housing as defined by the Department of Human Settlements and Urban Development. Socialized housing is primarily targeted at low-income families and is generally the most affordable type of housing. These housing projects are required to abide by national housing design and construction standards, and must include basic services such as electricity and water, and be located near areas where schools, work and livelihood are accessible, to the extent possible. The bank has shared with us that its loans for socialized housing are set at a margin slightly below the market rate to promote greater affordability. Although the bank has processes in place to help ensure the affordability of loans to clients at the application stage, it does not actively engage clients in financial literacy education which could help reduce the risk of client overindebtedness in the future.

ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score. LBP's lending policy requires all of the bank's financed projects to meet applicable E&S laws and regulations. The bank also conducts environmental risk assessments, including assessing climate change vulnerability, and social risk assessments for all of its financed projects, which are aligned with the Philippine central bank's requirements for banks' integration of E&S risk into their operations (Bangko Sentral ng Pilipinas Circular No. 1085, s. 2020 on Sustainable Finance Framework).

Coherence

We have not applied a negative adjustment for coherence to the expected impact score. The projects to be financed under the framework align with the sustainability priorities of LBP, which, as a policy bank wholly owned by the Government of the Philippines, is integral in supporting the policy objectives of the national government. These include the Philippine Development Plan, the Philippine Sustainable Finance Roadmap and commitment to the UN SDGs. The bank is a key lender to local government units and serves as the distribution arm of the government's various Social Protection Programs.

Appendix 1 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The 12 eligible categories included in LBP's framework are likely to contribute to 11 of the UN SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 1: No Poverty	Affordable housing Socioeconomic advancement and empowerment	1.4: Ensure all have equal rights to economic resources, access to basic services, property ownership and finance
GOAL 2: Zero Hunger	Food Security	2.3: Double agricultural productivity and incomes of small-scale farmers through equal access to resources and opportunities
GOAL 3: Good Health and Well-being	Access to essential services	3.8: Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all
GOAL 4: Quality Education	Access to essential services	4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
GOAL 6: Clean Water and Sanitation	Sustainable water management	6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing hazardous chemicals and materials
GOAL 7: Affordable and Clean Energy	Renewable energy	7.2: Increase substantially the share of renewable energy in the global energy mix
	Energy efficiency	7.3: Double the global rate of improvement in energy efficiency
GOAL 8: Decent Work and Economic Growth	Employment generation including through the potential effect of SME financing and microfinance	8.3: Promote policies that support productivity, job creation, entrepreneurship, innovation, and encourage the growth of SMEs
GOAL 9: Industry, Innovation and Infrastructure	Employment generation including through the potential effect of SME financing and microfinance	9.3: Increase SMEs' access to finance, and their integration into value chains and markets, particularly in emerging markets
GOAL 11: Sustainable Cities and Communities	Affordable housing	11.B: Increase number of cities with plans towards inclusion, resource efficiency, and climate change and disaster resiliency
	Clean transportation	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
	People Centric Urban Development	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated, and sustainable human settlement planning and management in all countries 11.B: Increase number of cities with plans towards inclusion, resource efficiency, and climate change and disaster resiliency
GOAL 12: Responsible Consumption and Production	Pollution prevention and control	12.4: Achieve environmental management of chemicals and all wastes, and reduce their release to air, water and soil 12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse
GOAL 13: Climate Action	Renewable energy	UN SDG 13 consists of taking urgent action to combat climate change and its impacts from their operations and value chains. Financial institutions can contribute to this goal by investing in reducing GHG emissions.
	Green Buildings	

The UN SDGs mapping in this SPO takes into consideration the eligible project categories and associated sustainability objectives/benefits documented in the bank's sustainable finance framework, as well as resources and guidelines from public institutions, such as the ICMA's SDG Mapping Guidance, and the UN SDG targets and indicators.

Appendix 2 - Summary of eligible categories in Land Bank of the Philippines' framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Renewable energy	renewable energy projects such as solar, wind, ocean, hydropower (capacity of 25MW and below), biomass (excluding those that compete with food production) and geothermal [e.g. loans for the Renewable Energy Lending Program, and investments into LANDBANK's own operations which have positive environmental impact]	Climate change mitigation	- Total Energy produced (MWh)
Energy efficiency	development, production or installation of products or technologies that reduce industrial energy consumption, such as improved chillers, improved lighting technology and enhanced battery capacity [e.g., loans for Go Green Program]. This also includes investments into LANDBANK's own operations, such as purchase and installation of products or technologies that reduce energy consumption in office buildings and facilities, such as improved lighting technology (excluding efficiency improvements in fossil fuel-based technologies)	Climate change mitigation	- Total Energy saved (kWh)
Green buildings	commercial and residential buildings that meet recognized standards such as Philippines BERDE Green Building Rating System (4 stars and above), LEED (Gold and above) or belonging to the top 15% of low carbon buildings in their respective categories and local context	Climate change mitigation	- Total number of GREEN buildings constructed
Clean transportation	electric vehicles, infrastructure for electric vehicles such as charging stations, as well as public mass-passenger transportation, passenger, and freight rail infrastructure (excluding rail transport dedicated to fossil fuels), and non-motorized transportation [e.g., Public Transport Financing Program]	Climate change mitigation Pollution prevention and control	- Volume of passengers served - Number of old vehicles replaced
Sustainable water management	construction, operation or upgrading of infrastructure for water collection, storage, treatment or distribution or upgrade of infrastructure for flood protection or drought resilience [e.g., loans for Water Program for Everyone (H2OPE)]	Pollution prevention and control	- Number of connections served - Number of beneficiaries from service connection
Pollution prevention and control	construction or upgrading of recycling infrastructure such as waste minimization, waste prevention, recycling, and reuse. Also included are energy/emission-efficient waste-to-energy power plants that use environmentally friendly technologies, including investments for LANDBANK's own operations. Development or production of value-added products from waste and remanufacturing, Metro Manila Waste Water Management Project and Solutions in Terminating Pollution for Manila Bay Lending Program dubbed as "STP for Manila Bay"	Pollution prevention and control Natural Resource Conservation	- Number of STPs established
People Centric Urban Development	to improve quality of life living in urban areas, to provide convenience while conserving limited resources for sustainable and greener environments. [e.g., Smart in City Development Lending]	Natural resource conservation Access to essential services	- Number of communities developed into SMART cities
Access to essential services	healthcare (public hospitals, elderly care, and the like) and education (public schools, universities, vocational training, sheltered workshops) [e.g., loans for Health Progressive Lending for Upgraded Services (PLUS) program]	Access to essential services	- Population to have access to health services/facilities - Number of hospital beds added
Employment generation including through the potential effect of SME financing and microfinance	loans to micro, small, and medium enterprises as defined by the Bangko Sentral ng Pilipinas Manual of Regulation for Banks [e.g. loans for Access of Small Enterprise to Sound Lending Opportunities Program, agricultural credit support project (predicated towards poverty reduction)]	Employment generation	- Number of assisted small and medium enterprises
Socioeconomic advancement and empowerment	loans to minority, underserved, and low-income individuals, for example, smallholder farmers and fishers [e.g., loans for LGU program, including programs for gender equality]	Socioeconomic advancement and empowerment	- Number of assisted Local Government Units - Number of LGU projects - Number of jobs generated - Number of beneficiaries from developmental projects
Food security	growing and processing raw produce such as rice, vegetables, fruits as well as farming and fishing for underserved populations	Food security	- No. of stakeholders supported their productions, processing, marketing of high-value crops such as banana, cacao, cassava, coffee, oil palm, rubber, vegetables, among others - No. of small rice and corn farmers assisted - No. of individual small farmers, particularly the agrarian reform beneficiaries (ARBs) assisted in crop production
Affordable housing	loans to development or purchase of "Socialized Housing" and "Economic Housing" as defined by the Housing and Land Use Regulatory Board of Philippines [e.g., loans for Housing Opportunities Made Easy (HOME) Program]	Affordable housing	- Number of houses/ condominium units constructed

Appendix 3 - Alignment with the ASEAN Green Bond Standards

We have provided a supplementary opinion on the framework's alignment with the ASEAN GBS 2018, as defined in the Scope section. This appendix covers requirements in the ASEAN GBS 2018 that extend beyond the requirements in the GBP 2021 (including the June 2022 Appendix 1). Commensurate requirements that exist in both have been assessed in the Alignment with Principles section. As detailed in this appendix, we consider the framework to be aligned with the ASEAN GBS 2018.

Issuer and issuance

- » In line with the requirements, the issuer is based in an ASEAN member country, and the instruments issued under this framework will originate from an ASEAN member country.

Use of proceeds

- » In line with the requirements, fossil fuel power generation projects are excluded from financing under the framework.

Process for project evaluation and selection

- » In line with the requirements, the process for project evaluation, the use of proceeds and the external review report on the process will be made publicly available through a website at the time of issuance and throughout the tenure of the instruments.

Reporting

- » In line with the requirements, the issuer will provide annual reporting to investors through a website designated by the issuer, throughout the tenure of the instruments issued under this framework.

Endnotes

- 1 Point-in-time assessment is applicable only on date of assignment or update.
- 2 [Philippines](#), International Energy Agency, accessed on 6 December 2023
- 3 [National Renewable Energy Program 2020-2040](#), National Renewable Energy Board, 2021
- 4 [Energy Efficiency](#), Department of Energy, accessed on 6 December 2023
- 5 [Energy Efficiency and Conservation Roadmap \(2023-2050\)](#), Department of Energy, 2023
- 6 [Guidelines on Energy Conserving Design of Buildings](#), Department of Energy, 2020
- 7 [Philippines Country Climate and Development Report - Transport](#), The World Bank Group, 2023
- 8 [Philippines Country Climate and Development Report - Transport](#), The World Bank Group, 2023
- 9 [Philippines' water and sanitation crisis](#), Water.org, accessed on 6 December 2023
- 10 [Philippines](#), World Bank Group Climate Change Knowledge Portal, accessed on 6 December 2023
- 11 [Philippine Water Supply and Sanitation Master Plan 2019-2030](#), National Economic and Development Authority, 2021
- 12 [Performance Audit Report - Solid Waste Management Program](#), Commission on Audit, April 2023
- 13 [ASEAN Smart City Planning Guidebook](#), Association of Southeast Asian Nations, March 2022
- 14 [Philippines](#), United Nations Human Settlements Programme, accessed on 6 December 2023
- 15 [DOST Framework for Smart Sustainable Communities and Cities](#), Philippines Department of Science and Technology, 2021
- 16 [2022 Philippine MSME Statistics](#), Department of Trade and Industry, accessed on 6 December 2023
- 17 [\\$300 Million ADB Loan to Boost Philippines' Financial Inclusion Goals](#), Asian Development Bank, October 2023
- 18 [Sector Assessment \(Summary\): Agriculture and Natural Resources](#), Asian Development Bank
- 19 [PH farms getting empty: Agriculture job loss a worrying trend](#), Philippine Institute for Development Studies, December 2022
- 20 [Population living in slums \(% of urban population\) - Philippines](#), The World Bank, accessed on 6 December 2023
- 21 [UN-Habitat Philippines Country Report 2023](#), United Nations Human Settlements Programme, 2023

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