



SUSTAINABLE FINANCE FRAMEWORK

A black and white photograph of a tall, modern skyscraper with a distinctive top section. The building has "UNIONBANK" written on its facade. The sky is cloudy. A dark horizontal bar is visible at the top of the image.

INTRODUCTION TO UNIONBANK

UnionBank is a publicly listed universal bank headquartered in the Philippines, catering to a wide range of clients, including retail and corporate customers, micro, small and medium enterprises (“MSMEs”), and government institutions. UnionBank is committed to empowering the different sectors of the country to encourage inclusive development and positive change.

UnionBank has strong presence in key customer segments and in emerging cities, including rural areas through our subsidiaries and affiliates. UnionBank owns 99.79% of CitySavings Bank, Inc., a thrift bank, and 51% of PETNET Inc. (also known as PERA HUB), the largest Western Union agent network in the country.

UnionBank strives to be a change-maker in the era of digitalization. With our stakeholders in mind and guided by years of experience, openness to novel ideas, and compulsion to innovate, UnionBank is focused on holistic and inclusive solutions with sustainability at the forefront. UnionBank continues to power the future of banking by co-creating innovations for a better world, delivering on our promise of environmental and social responsibility, all while espousing our core values of *Integrity*, *Magis*, and *Ubuntu*.

INTRODUCTION TO UNIONBANK

INTEGRITY

“I do the right thing at all times. I am trustworthy, transparent, and authentic. I treat everyone with respect. I am fair, honest, and accountable for all my actions.”

MAGIS

“I am obsessed with the customer. I continuously innovate. I learn fast to build capabilities. I achieve great results with an agile mindset.”

UBUNTU

“I collaborate. I seek to understand through courageous conversations. I give feedback, real-time, and on-demand. I communicate clearly and openly.”

SUSTAINABILITY POLICY

UnionBank’s Chairman provides sustainability direction and our Sustainability Policy guides decision-making at all levels, providing a frame of reference for our contributions to sustainable development, while managing risks and opportunities of a changing world.

UnionBank is committed to:

- Uphold, protect, and respect the environment, human rights, and labor standards
- Contribute to enhancing positive social and environmental impact
- Provide products and services that contribute to the wellbeing of people, the environment, and the economy, reduce or avoid unsustainable practices, and demonstrate positive impact to the most important issues of the business
- Implement inclusive business programs and initiatives
- Engage internal and external stakeholders for continuous improvement and to promote cooperation
- Foster in-house learning, management capacity, and leadership on sustainability issues
- Comply with all national laws and regulations
- Communicate transparently about our sustainability performance

SUSTAINABILITY FRAMEWORK

APPROACH

PRIORITIES



PEOPLE

UnionBank cultivates an agile and non-discriminatory workspace for a future-ready, interdisciplinary workforce

Notable initiatives include:

- Comprehensive talent development and employee engagement programs
- Each UnionBanker is considered a sustainability champion and encouraged to participate in sustainability initiatives

- Employee Experience
- Labor Standards and Human Rights
- Diversity and Inclusion
- Customer Experience
- Community Engagement
- Employee Volunteerism
- Socioeconomic Compliance



PLANET

UnionBank strives to minimize environmental footprint and effectively manage facilities and resources

Notable initiatives include:

- Our headquarters, UnionBank Plaza, has been powered 100% by renewable energy since 2017
- All branches are LEED-compliant (22 of which are LEED-certified)
- 47 branches of The Ark, Southeast Asia’s first fully-digital bank branch, and currently developing The Ark 2.0, powered by 5G and Internet of Things

- Environmental Compliance
- Climate Change
- Risk Management for Sustainability Management



PURPOSE

UnionBank is focused on promoting financial literacy and inclusion while bringing accessibility and banking convenience to the underserved and unbanked

Notable initiatives include:

- Project i2i, serving Filipinos isolated from mainstream payment networks by extending inter-island banking connectivity through a network of over 700 rural banks
- UnionBank GlobalLinker, allows MSMEs to build and create online stores free of charge, deepen supply chains, and gain access to overseas markets

- Inclusive Prosperity
- Financial Performance
- Sustainable Finance
- Indirect Economic Performance
- Business Ethics
- Anti-Corruption Practices
- Procurement Practices
- Risk Management
- Information Security

Our major shareholder, Aboitiz Equity Ventures, is the first registered local supporter of the International Task Force on Climate-Related Financial Disclosures. Aligned with the Aboitiz Group’s sustainability thrust of *Advancing Business and Communities*, UnionBank invests in sectors, individuals, and initiatives that contribute to the UN Sustainable Development Goals (“SDGs”).

UnionBank supports the SDGs through initiatives of the Bank, many of which are tied to broader programs in the Aboitiz Group and in support of the national agenda of the government. Ultimately, UnionBank promotes long-term economic growth by increasing capacity of individuals and organizations in wealth management, and empowering small-scale businesses and entrepreneurs.

OVERVIEW OF SUSTAINABLE FINANCE FRAMEWORK

This Sustainable Finance Framework (the “Framework”) fulfils the requirements of the following guidelines, each of which is current as of the Framework’s publishing date. It is UnionBank’s intention to follow best market practice as standards develop.

- ICMA Green Bond Principles (“ICMA GBP”)¹
- ICMA Social Bond Principles (“ICMA SBP”)¹
- ICMA Sustainability Bond Guidelines (“ICMA SBG”, and together with the ICMA GBP and ICMA SBP, the “ICMA Principles”)¹
- ASEAN Green Bond Standards (“ASEAN GBS”)²
- ASEAN Social Bond Standards (“ASEAN SBS”)²
- ASEAN Sustainability Bond Standards (“ASEAN SUS”, and together with the ASEAN GBS and ASEAN SBS, the “ASEAN Standards”)²
- LMA, APLMA, and LSTA Green Loan Principles (“GLP”)³

UnionBank developed the Framework pursuant to which UnionBank and/or its subsidiaries may raise financing for specific assets and projects that catalyze positive environmental and/or social benefit.

The Framework enables UnionBank and/or its subsidiaries to raise the following types of financing for specific assets and projects that catalyze positive environmental and/or social benefit (“Sustainable Finance Instruments”).

- Green Bonds, in accordance with ICMA GBP and ASEAN GBS
- Social Bonds, in accordance with ICMA SBP and ASEAN SBS
- Sustainability Bonds, in accordance with ICMA SBG and ASEAN SUS
- Green Loans, in accordance with GLP

The Framework details the following components in compliance with the ICMA Principles, ASEAN Standards, and the GLP.

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

1. The ICMA Principles are voluntary process guidelines widely accepted as the principal reference for the issuance of green, social, and sustainability bonds in the global capital markets. The International Capital Market Association (“ICMA”) serves as Secretariat, assumes administrative duties, and provides guidance for the governance of the ICMA Principles (<https://www.icmagroup.org/green-social-and-sustainability-bonds/>).

2. The ASEAN Capital Markets Forum developed the ASEAN Standards in collaboration with ICMA and based on the ICMA Principles with the objective of facilitating the sourcing green, social, or sustainability financing for sustainable regional growth and meet investor interest for such investments (<https://www.theacmf.org/initiatives/sustainable-finance>).

3. The Loan Market Association (“LMA”), Asia-Pacific Loan Market Association (“APLMA”), and the Loan Sales and Trading Association (“LSTA”) jointly developed the GLP to provide consistent methodology for use across the green loan market and seek to promote market integrity by clarifying the instances in which a loan may be categorized as “green”. The GLP build on and refer to ICMA GBP, with a view to promoting consistency across financial markets (<https://www.lma.eu.com/documents-guidelines/documents/category/green--sustainable-finance>).

1. USE OF PROCEEDS

The net proceeds amount from Sustainable Finance Instrument(s) completed pursuant to the Framework will be earmarked exclusively to finance new assets and projects, or refinance outstanding assets / projects, qualifying under one of the following (the “Eligible Assets”).

- Lending or any other debt instrument with a defined use of proceeds aligned with any of the use-of-proceeds categories outlined below (the “Eligible Categories”), or which will be made to project(s) deriving at least 90% of revenue from activities aligned with the Eligible Categories
- Lending or any other debt instrument labelled as ‘green’, ‘social’, or ‘sustainability’ to indicate alignment with accepted market principles and guidelines, which may include the ICMA Principles, the ASEAN Guidelines, or the GLP
- Operating or capital expenditure of UnionBank or its subsidiaries aligned with the Eligible Categories

Environmental Use of Proceeds Categories

Net proceeds from Green Bonds or Green Loans pursuant to the Framework will be earmarked to Eligible Assets qualifying under any of the following environmental use of proceeds categories.

Net proceeds from Sustainability Bonds pursuant to the Framework will be earmarked to Eligible Assets qualifying for any of the following use of proceeds categories or any of the use of proceeds categories under ‘Social Use of Proceeds Categories’.

<i>Environmental Project Category</i>	<i>Eligibility Criteria</i>	<i>Alignment with SDGs</i>
Renewable energy	<p>Acquisition, development, operation, or maintenance of new and ongoing renewable energy generation or transmission projects and supporting infrastructure, including the following technologies:</p> <ul style="list-style-type: none"> • Offshore or onshore wind • Solar • Tidal • Hydro (≤ 25 MW or run-of-river without pondage) • Geothermal ($\leq 100\text{gCO}_2/\text{kWh}$) • Biofuels and biomass ($\leq 100\text{gCO}_2/\text{kWh}$, certified sustainably managed by recognized standards, excluding projects competing with food production, and ensuring biofuel production does not take place on land with high biodiversity or carbon storage value, support projects that has substantial reduction of life-cycle emissions relative to fossil fuel baseline by 50% for existing facilities, and by 60% versus baseline for new installations) <p>Supporting infrastructure may include:</p> <ul style="list-style-type: none"> • Applications • Associated equipment • Appliances • Energy storage 	

1. USE OF PROCEEDS

<i>Environmental Project Category</i>	<i>Eligibility Criteria</i>	<i>Alignment with SDGs</i>
<i>Energy efficiency</i>	<p>Acquisition, development, operation, or maintenance of energy efficient technology that results in energy consumption improvement or emissions mitigation of at least 15% relative to the baseline, such as:</p> <ul style="list-style-type: none"> • Energy-efficient appliances and products that conform to the relevant Philippine National Standards and conform to the applicable Product Certification Scheme⁴ • Smart grids • Standby generators that run on renewable energy • Use of energy efficient hardware in data centers • Digitalization and deployment of infrastructure or other network solutions (including Internet of Things, high-speed networks, data analytics, and cloud computing) 	 
<i>Pollution prevention and control</i>	<p>Acquisition, development or maintenance of waste management projects, which may include the following and specifically excluding the creation or expansion of landfills:</p> <ul style="list-style-type: none"> • Preventing or reducing waste from the source • Waste sorting and transportation that are electric and/or individual or freight rail that meets universal CO₂ direct emissions threshold of <75g CO₂/p-km (passenger) and <25g CO₂/t-m (freight), respectively • Design, manufacture, and distribution of implements and equipment for waste recycling • Support processes in plastic and glass recycling 	
<i>Sustainable water and wastewater management</i>	<p>Acquisition, development, operation, or maintenance of projects that improve water quality, efficiency and conservation, which may include:</p> <ul style="list-style-type: none"> • Increasing water-use efficiency through water recycling, treatment, reuse • Wastewater treatment systems • Water capture, storage, and drainage infrastructure, including storm water management systems, water distribution systems, aquifer storage, and sewerage • Water metering activities to support conservation initiatives • Water irrigation systems 	 

4. The Bureau of Philippine Standards implements two Mandatory Product Certification Schemes: the Philippine Standard (PS) Quality and/ or Safety Certification Mark Licensing Scheme and the Import Commodity Clearance Certification (ICC) Scheme. Products covered by the mandatory certification list issued by the Department of Trade and Industry, whether locally manufactured or imported, are not allowed to be distributed in the Philippine market without the necessary PS or ICC marks.

1. USE OF PROCEEDS

**Environmental
Project Category**

Eligibility Criteria

**Alignment
with SDGs**

Acquisition, development, or renovation of the following:

- Residential or commercial property qualifying for any of the following environmental building certifications:

Certification	Minimum Level
LEED Leadership in Energy and Environmental Design	Gold
BREEAM Building Research Establishment's Environmental Assessment Method	Excellent
BERDE Philippine Building Council (Established Member of the World Building Council)	4-Star
EDGE International Finance Corporation Excellence in Design for Greater Efficiencies	Certified or compliant as determined by a third party

- Residential or commercial property belonging to the top 15% of low carbon buildings in the relevant category and in the local context

Capital improvements to residential or commercial property leading to improved energy efficiency or reduced emissions of at least 20% compared to the baseline such as the following:

- Energy efficient systems/technologies, such as heating, ventilation, air conditioning, cooling, lighting and electrical equipment
- Systems to reduce water use or promote water reuse
- Advanced building management systems to reduce energy and water use or maintenance cost



Green Buildings

1. USE OF PROCEEDS

Social Use of Proceeds Categories

Net proceeds from Social Bonds pursuant to the Framework will be earmarked to Eligible Assets qualifying under any of the following social use of proceeds categories.

Net proceeds from Sustainability Bonds pursuant to the Framework will be earmarked to Eligible Assets qualifying for any of the following use of proceeds categories or any of the use of proceeds categories under 'Environmental Use of Proceeds Categories'.

Environmental Project Category

Eligibility Criteria

Alignment with SDGs

Access to essential services

Acquisition, development or maintenance of the following products and facilities:

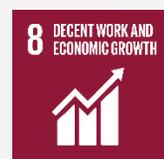
- Healthcare
 - Public or private hospitals, clinics, or healthcare centers providing free or subsidized care such as those accredited by PhilHealth
 - Facilities providing programs which support the well-being of vulnerable and disadvantaged communities, such as elderly / disabled care homes or hospices, and as these communities are defined by the Department of Social Welfare and Development and the National Economic Development Authority
 - Pharmaceutical manufacturers (with at least 80% of revenue from affordable / generic medicine), distributors and traders
 - research and development of essential drugs including rare diseases and vaccine for COVID-19 already in clinical stages
 - COVID-19 testing kits, medication, and/or vaccines to alleviate the virus' effects
 - Inventory, manufacturing, or modification of machinery relating to the production of health, safety, and hygiene supplies

- Education extended to populations unable to acquire a degree from universities
 - Schools and universities offering vocational, non-degree and technical programs accredited by the Technical Educational and Skills Development Authority (TESDA)
 - Vocational training, programs, non-degree and technical education offered by institutions or are school-based programs accredited by TESDA



Financing extended to the following MSMEs:

- MSMEs meeting the qualifications set by government entities such as the Bangko Sentral ng Pilipinas or the Securities and Exchange Commission
- MSMEs impacted by disasters with significant consequences on public health, infrastructure, or the economy, such as, but not limited to, COVID-19



Employment generation

1. USE OF PROCEEDS

<i>Environmental Project Category</i>	<i>Eligibility Criteria</i>	<i>Alignment with SDGs</i>
<p><i>Socioeconomic advancement and empowerment</i></p>	<p>Financing promoting participation and integration of underserved individuals and communities into the market and society at-large, which may include the underbanked, minority, indigenous, low-income, or disabled persons, and non-professional Overseas Filipino Workers and their families. Such financing, includes the following:</p> <ul style="list-style-type: none"> • Loans to individuals serviced by rural or thrift banks as defined by the Bangko Sentral ng Pilipinas • Loans promoting entrepreneurship among females <p>Loans to first-time buyers of motorcycles and other light vehicles from low-income areas as defined by the Philippine Statistics Authority, excluding vehicles used in environmentally unfriendly sectors such as the extraction, refining, or transportation or fossil fuels</p>	 

Any such financing and re-financing activity will, at all times, be consistent with UnionBank’s Sustainability Policy and other internal environmental and social guidelines.

UnionBank commits to not knowingly use, allocate, and earmark net proceeds from Sustainable Finance Instruments to fossil fuel power generation or transmission, and activities dedicated to support the expansion of fossil fuel-based technologies.

2 Project Evaluation and Selection

UnionBank has established a Sustainable Finance Taskforce (the “Taskforce”), responsible for the following tasks relating to the maintenance of the Framework and compliance of all Sustainable Finance Instruments pursuant to the Framework.

- Review and validation of selected Eligible Assets based on the eligibility criteria described more fully under ‘Use of Proceeds’
- Monitor all Eligible Assets for required exclusion or replacement
- Manage any future updates of the Framework and Second Party Opinion (or successor external review or certification)

The Taskforce is chaired by UnionBank’s Chief Financial Officer and includes senior-level individuals from UnionBank’s specialist teams such as Treasury, Corporate Banking, and Sustainability Group. UnionBank’s Chief Financial Officer will ensure the Taskforce is comprised of members with varied and sufficient subject matter expertise.

The Taskforce will screen potential Eligible Assets against the eligibility criteria. Once screened and eligibility is confirmed, Eligible Assets will be classified under one of the following pools.

- Green Asset Portfolio, comprising Eligible Assets that qualify under any of the Environmental Use of Proceeds Categories identified above
- Social Asset Portfolio, comprising Eligible Assets that qualify under any of the Social Use of Proceeds Categories identified above

To the extent UnionBank earmarks net proceeds from Sustainable Finance Instruments to Eligible Assets from its subsidiaries, the amount of such Eligible Assets recognized in the Green Asset Portfolio or the Social Asset Portfolio will be adjusted for UnionBank’s pro-rata equity ownership in the relevant subsidiary.

The Taskforce will meet periodically to ensure the aggregate amount in the Green Asset Portfolio and the Social Asset Portfolio is equal to or greater than the aggregate amount of net proceeds from Sustainable Finance Instruments.

UnionBank intends to complete allocation within 24 to 36 months for Sustainable Financing Instruments with medium-term maturities.

Should changes become necessary to the Green Asset Portfolio or to the Social Asset Portfolio, the Taskforce will be responsible for ensuring the relevant classification(s) are updated. For instance, if an Eligible Asset is terminated (as would be the case if a loan is repaid and not refinanced or securities are sold) or if the asset no longer meets the eligibility criteria, the Taskforce will remove the relevant asset from the Green Asset Portfolio or the Social Asset Portfolio, substituting it with Eligible Asset(s) at least equivalent in amount to the asset that was removed.

The Taskforce will provide semi-annual reports to UnionBank’s Board of Directors on the Green Asset Portfolio and the Social Asset Portfolio.

3. Management of Proceeds

Each Sustainable Finance Instrument will have an amount equal to net proceeds reported in UnionBank's Sustainable Finance Register (the "Register").

UnionBank will track receipt and earmarking of net proceeds through the Register, in addition to classification of Eligible Assets to either of the Green Asset Portfolio or the Social Asset Portfolio as more fully described under 'Project Evaluation and Selection'.

Net proceeds awaiting earmarking will be temporarily invested in the following.

- Cash or cash equivalents
- Investments in accordance with UnionBank's corporate treasury policy (in particular subject to the fossil-fuel exclusion criteria outlined above)
- Temporary reduction of UnionBank's short-term indebtedness

To assist with allocation and impact reporting, UnionBank will ensure the Register will contain at least the following information for all transaction(s) pursuant to the Framework.

- Relevant terms / details for each Sustainable Finance Instrument such as: (a) pricing, settlement and maturity dates; and (b) currency of denomination and amount outstanding
- Details of Eligible Assets earmarked such as: (a) relevant environmental or social project category; and (b) the applicable SDG(s) each Eligible Asset helps fulfill

4. Reporting

UnionBank will release a Sustainable Finance Allocation and Impact Report ("Report") on or before the first anniversary of the first Sustainable Finance Instrument completed pursuant to the Framework.

UnionBank will make Reports available at least annually thereafter until net proceeds from Sustainable Finance Instruments then outstanding are fully earmarked to Eligible Assets.

UnionBank undertakes to disclose should material amendments be required to past Reports.

Allocation Reporting

Reports will contain the following information on the Sustainable Finance Instruments, the Green Asset Portfolio, and the Social Asset Portfolio.

- Amounts and corresponding percentage shares of (a) net proceeds earmarked to Eligible Assets, and (b) net proceeds yet to be earmarked
- Of net proceeds earmarked to Eligible Assets, amounts and corresponding percentage shares of (a) financing of new assets / projects, and (b) refinancing of outstanding assets / projects
- Of net proceeds earmarked to Eligible Assets, amounts and corresponding percentage shares in (a) the Green Asset Portfolio, and (b) the Social Asset Portfolio
- Of net proceeds earmarked to Eligible Assets, amounts and corresponding percentage shares in (a) each Environmental Project Category, and (b) each Social Project Category
- Of net proceeds earmarked to Eligible Assets, amounts and corresponding percentage shares aligned with each SDG
- Brief descriptions of key Eligible Assets to provide context to the readers of the Report, subject to confidentiality and competition considerations

4. Reporting

Should an Eligible Asset contribute to more than one eligible use of proceeds category, UnionBank will attribute the relevant amounts to the relevant eligible categories to eliminate the risk of double counting.

Impact Reporting

Reports will likewise contain the following information.

- Environmental and/or social benefit resulting from net proceeds earmarked to Eligible Assets
- Methodologies and underlying assumptions relating to both Environmental Impact Indicators and Social Impact Indicators

Should an Eligible Asset comprise a portion of a larger transaction, Reports will detail impact relating to UnionBank's pro-rata share of such asset / project financed or refinanced.

The following sample reporting indicators have been observed from other leading companies and are consistent with ICMA guidance for reporting of environmental and social impact⁵. UnionBank intends to adhere to prevailing market practice for impact reporting.

Environmental Impact Indicators

Environmental Project Category

Sample Impact Indicators

Environmental Project Category	Sample Impact Indicators
Renewable energy	<ul style="list-style-type: none"> • Annual generation of renewable energy in MWh/GWh (electricity) and GJ/TJ (other energy) • Annual reduction / avoidance of greenhouse gas emissions or annual absolute (gross) greenhouse emissions from the project in tons CO₂ equiv. • Capacity of renewable energy project(s) constructed, rehabilitated, or served by transmission systems in MW/GW
Energy efficiency	<ul style="list-style-type: none"> • Annual energy savings in MWh/GW (electricity savings) and GJ/TJ (other energy savings) • Annual reduction / avoidance of greenhouse gas emissions or annual absolute (gross) greenhouse emissions from the project in tons CO₂ equiv.
Pollution prevention and control	<ul style="list-style-type: none"> • Annual absolute amount of waste that is separated, collected, treated (including composted) or disposed of, or reused or recycled in tons p.a. and/or percentage of total waste
Sustainable water and wastewater	<ul style="list-style-type: none"> • Absolute amount of potable water distributed in m³ before and after the project in m³ • Absolute amount of wastewater treated, reused, or avoided before and after the project in m³ • Number of individuals or percentage of population provided access to clean or potable water and sanitation services
Green buildings	<ul style="list-style-type: none"> • Gross floor area of qualifying properties • Annual energy savings in MWh/GW (electricity savings) and GJ/TJ (other energy savings) • Annual reduction / avoidance of greenhouse gas emissions or annual absolute (gross) GHG emissions from the project in tons CO₂equiv.

5. ICMA periodically updates guidance documents outlining frameworks for impact reporting on projects to which green, social, and sustainability bond proceeds are allocated (<https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/>).

4. Reporting

Social Impact Indicators

Social Project Category	Sample Impact Indicators
Access to essential services	<ul style="list-style-type: none"> • Number and/or patient capacity of hospitals and other healthcare facilities constructed or upgraded • Number of patients served at hospitals and other healthcare facilities constructed • Number of individuals benefiting from improved healthcare measured by material increase in hospital beds per 1,000 persons or working operating rooms per 100,000 inhabitants • Volume of health safety equipment produced • Volume of vaccines, testing kits, or medicine distributed, or persons obtaining vaccines, testing kits, or medicine (such medicine helping address immediate wide-spread health crisis, or prevalent illnesses) • Number of students enrolled or receiving vocational training
Employment generation	<ul style="list-style-type: none"> • Number of micro, small, and medium-enterprises financed • Number of employees indirectly supported • Number of jobs created • Number of jobs retained
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> • Number of underserved individuals or communities financed • Profile of underserved individuals or communities financed • Program types offered to advance socio-economic position of underserved individuals or communities • Profile of participants of such programs to advance socio-economic position of underserved individuals or communities

5. External Review

Sustainalytics has completed a review of the Framework and issued a second party opinion indicating the Framework’s alignment with relevant standards referenced therein, including the ICMA Principles.

An independent, external party will be engaged to verify allocation of net proceeds to the Green Asset Portfolio and the Social Asset Portfolio.

The Second Party Opinion (or successor external review or certification) and Reports will be available on UnionBank’s corporate website: <https://www.unionbankph.com/>.