

Citicore Energy REIT Corp.

Type of Engagement: Green Bond Pre-Issuance Review

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Introduction

In September 2022, Citicore Power, Inc. (“Citicore” or the “Group”) developed the Citicore Power, Inc. Green Financing Framework¹ (the “Framework”) under which all Citicore Group entities, including Citicore Energy REIT Corporation (CREIT), may issue green bonds and loans aimed at financing or refinancing renewable energy, forestry and sustainable water, and wastewater management projects in the Philippines. Sustainalytics provided a Second-Party Opinion on the Framework in the same month.

In September 2022, CREIT engaged Sustainalytics to review the renewable energy projects (the “Nominated Projects”) that will be funded through the 2022 CREIT Green Bond issuance and provide an assessment as to whether the projects comply with the Use of Proceeds, Project Selection, and Management of Proceeds sections of the Framework.

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects that will be funded through the 2022 issuance for compliance based on whether:

1. The Nominated Projects are aligned with the Use of Proceeds Eligibility Criteria outlined in the Framework; and
2. The commitments to select projects, manage proceeds on allocation and impact in order to ensure that these commitments are aligned with the ones described in the Framework.

The Use of Proceeds Eligibility Criteria is summarized in Appendix 1, the Nominated Projects are listed in Appendix 2 and Sustainalytics’ findings are summarized in Appendix 3.

Issuing Entity’s Responsibility

CREIT is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including a description of the Nominated Projects within each eligible category. This information was provided to Sustainalytics to support its review. CREIT is also responsible for confirming to Sustainalytics that processes for project selection and management of proceeds for the 2022 CREIT Green Bond issuance will remain aligned with the commitments described in the Framework.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the 2022 CREIT Green Bond issuance. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from relevant employees of CREIT that the use of proceeds, processes for project selection and management of proceeds for the green bond issuance will remain aligned with the commitments described in the Framework.

Sustainalytics has relied on the information and the facts presented by CREIT with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by CREIT.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the pre-issuance review.

¹ The Citicore Power, Inc. Green Financing Framework is available on Citicore’s website at: <https://www.citicorepower.com.ph/>

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, CREIT's 2022 Green Bond issuance is not aligned with their existing Framework.

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: CREIT’s Use of Proceeds Eligibility Criteria

The Framework defines eligible projects in three use of proceeds categories. Specifically, for the Renewable Energy category, the Framework defines the following eligibility criteria:

Use of Proceeds	Eligible Criteria
Renewable Energy	<p>Expenditures related to the development and acquisition of the following renewable energy project(s) which may include supporting infrastructure(s) such as grid networks and battery energy storage system involving:</p> <ul style="list-style-type: none"> • Solar (including AgroSolar projects) • Offshore wind • Run-of-River hydro (facility in operation in 2020 or after) <ul style="list-style-type: none"> ○ Conduct of environmental and social risk assessment with no significant risk or negative impact identified ○ A power density > 10W/m² OR ○ GHG emissions intensity < 50g CO₂e/kWh

Appendix 2: Summary of the Nominated Projects to be Financed through the 2022 Green Bond Issuance

Use of Proceeds Category	Number of Projects
Renewable Energy	2

Details of the projects

1. Tuy Ground-Mounted Solar

Location: Tuy, Batangas
Targeted installed capacity: 567 MW

Project Description:

The Tuy Ground-Mounted Solar project includes expenditures related to land acquisition costs, where CREIT will lease the acquired land to a Citicore subsidiary that will operate the agro-solar project.³ The agro-solar initiative involves the use of unutilized or underutilized agricultural land for the dual purpose of renewable energy generation and sustainable agricultural production.⁴ Sustainalytics notes that the leasing agreement restricts the use of land for agro-solar projects and will not be used for any other purposes. In the event of future green bond or loan issuances under the Framework by Citicore, CREIT has confirmed to Sustainalytics that the same asset value of the land will not be financed again by any other group entity.

2. AFAB Solar Rooftop

Location: Mariveles, Bataan
Installed capacity: 6.64 MW

Project Description:

The AFAB Solar Rooftop project includes expenditures related to the acquisition of solar panels and associated equipment including inverters, transformers and converters. CREIT has confirmed to Sustainalytics that financing excludes equipment that runs on fossil fuel.

³ Given the regulatory context of the Philippines, which limits REIT businesses from generating revenue from power generation, Citicore has structured its business model in a way that enables the Group to engage in both the REIT and renewable energy power generation business. This enables CREIT to be the lessor of the land to a Citicore subsidiary, which will operate the solar project. Given this context, Sustainalytics considers the financing of land acquisition aligned with the Framework's use of proceeds criteria. More information on the regulatory context of REIT business in the Philippines can be found via the Securities and Exchange Commission Philippines, "The Real Estate Investment Trust Act of 2009", at: <https://www.sec.gov.ph/wp-content/uploads/2020/02/2020MCNo01-1.pdf>

⁴ Under the solar panels, smallholder farmers from Citicore's host communities will utilize the land to grow select high-value crops, such as French bean and arugula. More information about the agro-solar initiative can be found at: <https://citicorepower.com.ph/sustainability/environmental/citicore-agro-solar-projects/>

Appendix 3: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects proposed to be funded by the green bond issuance in 2022 (Appendix 2) to determine if the projects aligned with the Use of Proceeds Eligibility Criteria outlined in the Framework (Appendix 1).	All projects reviewed (Appendix 2) complied with the Use of Proceeds Eligibility Criteria.	None
Project Selection and Management of Proceeds Criteria	Verification of the Nominated Projects proposed to be funded by the green bond issuance in 2022 to determine if the commitments under processes for project selection and management of proceeds were consistent with the Framework.	CREIT has also confirmed to Sustainalytics that the processes for project selection and management of proceeds for the 2022 issuance are consistent with the commitments described in the Framework.	None

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