

Environmental Protection and Management

Fostering a Greener, Healthier Environment



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JOMARAY Pulp Packaging Industries
2010 SME Maka-kalikasan Awardee

The recognition from LANDBANK for protecting the environment and promoting environmental programs through the course of our business operations came as a surprise to us. JOMARAY have been around to serve our patrons and clients while significantly conserving and safeguarding the environment. Our gratitude to LANDBANK for the financial support to our recycling plant.

LANDBANK is committed to support and actively promote environmental protection and sustainable development. Its Corporate Environmental Policy conveyed the Bank's advocacy to take part in the protection of the environment and promotion of sustainable development through integration of effective environmental management practices into its operations, services and decisions.

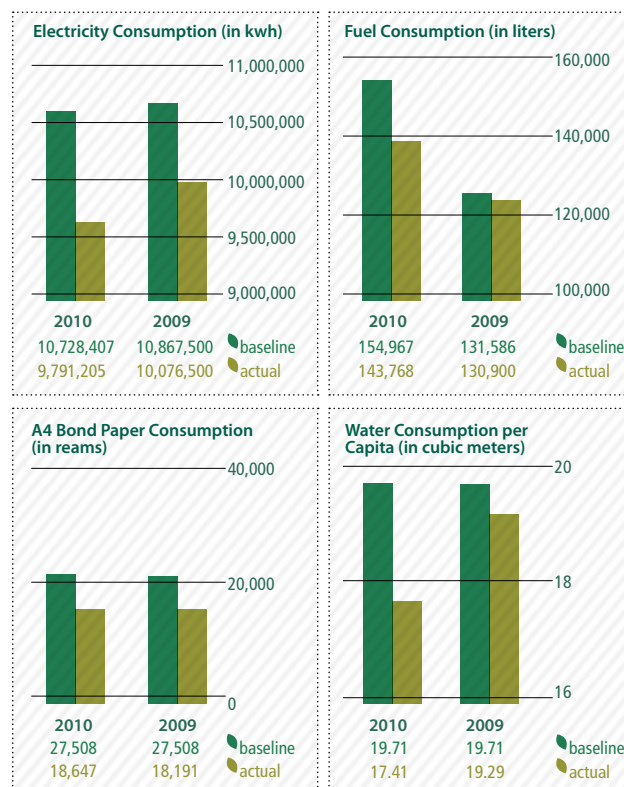
The creation of an Environmental Unit which was later on upgraded to Environmental Program and Management Department designated an organic unit within the Bank to pursue this commitment.

Environmental Management System

The Environmental Management System (EMS) provided LANDBANK a framework for handling its environmental issues. It brings together the Bank's business processes, as well as the environmental aspects and impacts of its activities, products and services.

To support the implementation and continual improvement of LANDBANK's EMS, various in-house environmental programs and initiatives are being implemented such as electricity, water, paper and fuel conservation programs.

Results of EMS Implementation at the Head Office



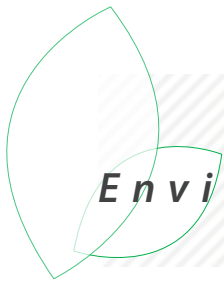
LANDBANK EMS Milestones

January 2003	The Bank's Corporate Environmental Policy was established.
June 2005	LANDBANK Head Office's EMS was certified to be compliant with ISO 14001 international standards.
April 2008	Implementation of EMS Good Practices nationwide took effect through LANDBANK Executive Order No. 20, Series of 2008.
August 2008	ISO 14001:2004 certificate was expanded to include 10 pilot branches in NCR.
August 2010	Additional eight provincial branches in Luzon, Visayas and Mindanao were issued with ISO 14001:2004 certificate.

Total Savings from 2009-2010	In Units	In ₱ Million	Benefit to Environment
Electricity	1,728,202 kwh	13.50	Reduced 789.79 metric tons of CO2
Water	7,278 m3	0.62	Conserved fresh / potable water
A4 Bond Paper	18,178 reams	2.25	Saved 742 trees
Fuel (Diesel and Gasoline)	11,885 liters	0.62	Reduced 25.03 metric tons of CO2

Notes:

- Baseline data for 2010 electricity consumption was adjusted to exclude consumption at the 10th and 12th floors of the LANDBANK Plaza.
- Baseline data for 2010 fuel consumption was adjusted to reflect additional vehicles acquired by the Bank.
- Minimal increase in paper consumption is within the target set by the Bank.



Environmental Protection and Management

LANDBANK voluntarily implements the Greenhouse Gas (GHG) Accounting and Reporting Program. The program aims to determine the carbon footprint of LANDBANK or the total GHG emission of its operations. LANDBANK's GHG Accounting and Reporting Program was implemented in 2010. The Bank initially computed the direct (Scope 1) and indirect (Scope 2) GHG emissions of its Head Office and branches particularly from the use of service vehicles and consumption of purchased electricity, respectively.

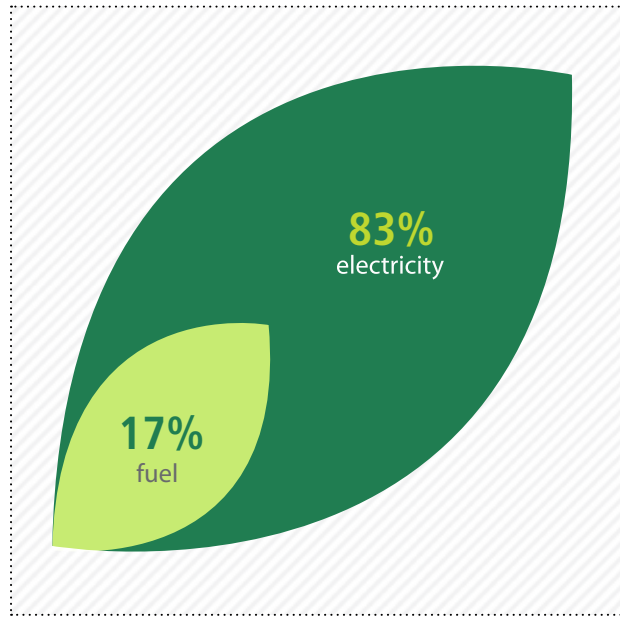
By knowing the major sources of LANDBANK's carbon footprint, the Bank was able to determine and continuously identify programs and projects to reduce or offset its GHG emissions.

To further enhance its GHG inventory, LANDBANK is currently in the process of covering all units nationwide for its Scope 1 and Scope 2 emissions and is studying the inclusion of other indirect GHG emissions (Scope 3) from business travels and employees commuting to work.

Source of Emission	Equivalent GHG Emission (in metric tons CO ₂)		
	Fuel (Scope 1)	Electricity (Scope 2)	Total Per Source
LANDBANK Plaza/Head Office	374.59	4,539.38	4,913.97
LANDBANK Branches * * covers 324 reporting branches/field offices	1,776.58	6,221.24	7,997.82
Total per Scope	2,151.17	10,760.62	
Total Carbon Footprint of LANDBANK			12,911.79



LANDBANK's Carbon Footprint



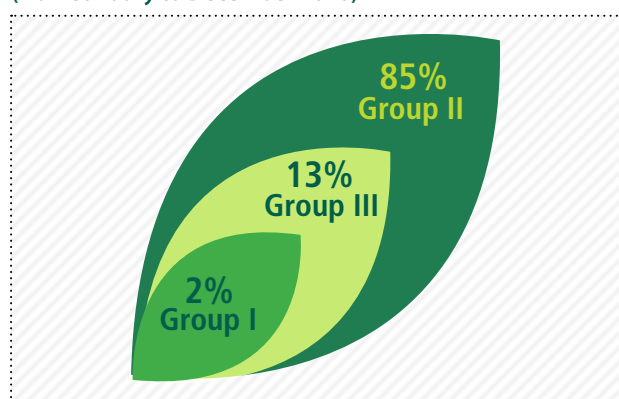
Implementing Environmental Due Diligence in Credit Delivery

The Credit Policy Issuance (CPI) 2009-02 aims to ensure that all projects financed by LANDBANK and all collaterals being offered as securities are environmentally sound and compliant with environmental laws and regulations.

The Bank's environmental due diligence (EDD) is embedded in its credit delivery starting from loan packaging until its full payment.

While all financed projects are covered by the EDD, detailed environmental assessment includes only the projects that fall within the environmental impact groupings per Department of Environment and Natural Resources (DENR) Administrative Order No. 2003-30 or the Implementing Guidelines of the Philippine Environmental Impact Statement (EIS) System.

Projects Assessed Per EIS Grouping (from January to December 2010)



Projects	2010	2009
GROUP I Environmentally Critical Projects	8	12
GROUP II Projects located in Environmentally Critical Areas (ECAs)	299	268
GROUP III Non-environmentally critical project in non-environmentally critical area	45	61
GROUP IV Co-located project under one or more proponents/locators which are located in a contiguous area	0	3
TOTAL	352	344

Of the projects requiring detailed environmental assessment for 2010, 224 projects or 64 percent are fully compliant with environmental laws and regulations while 128 projects or 36 percent are being assisted and guided by LANDBANK to comply with the different environmental requirements and standards.

The EDD system helps LANDBANK clients mitigate risks associated with possible imposition of fines and penalties or closure due to environment-related violations. At the same time, the Bank's role as a funder that promotes environmental stewardship and socially responsible development is reinforced as the policy guarantees that project proponents are compliant with Philippine environmental laws and standards.

To recognize the clients' efforts in environmental protection and responsible operations, LANDBANK included environmental criteria in the annual search for outstanding clients and gave special awards for best environmental practices:

1. Best in Environmental Protection Award under the Gawad sa Pinakatanging Kooperatiba or Gawad PITAK;
2. SME Maka-kalikasan Award under the Gawad Entrepreneur; and
3. Most Environment-Friendly Project under the Countryside Loan Fund (CLF) Award.

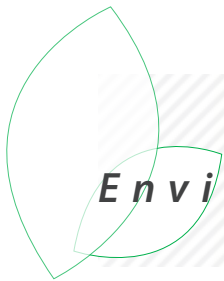


Financing and Managing Climate Change and Environmental Projects

In 2009 and 2010 LANDBANK extended ₱4.7 billion loans to environment-related projects to promote cleaner production and environment friendly business practices.

LANDBANK accesses long-term development funds from international partners namely the World Bank (WB), Asian Development Bank (ADB), Japan International Cooperation Agency (JICA) and Kreditanstalt für Wiederaufbau (KfW) of Germany, among others. These funds were on-lent to its mandated clients to finance services and manufacturing that generates employment and address problems on water, solid waste management, sanitation and sewerage facilities, and renewable energy, among others.

Ongoing foreign-funded projects are given on the next page.



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Foreign Funds for the Environment

Project	Features	Status / Impact as of end-2010
WB-Support for Strategic Local Development and Investment Project	JPY 11.7 billion loan fund to improve public service provision and management intended for LGUs implementing strategic infrastructure investments	<ul style="list-style-type: none"> • ₱2.3 billion funded 64 projects for drainage/sanitation, water system, shoreline protection, construction of slaughterhouse, public market, among others • ₱60.0 million approved for 1MW mini-hydro power plant project and ₱293 million for landfill project
WB-Manila Third Sewerage Project	US\$64 million loan to Manila Water Company, Inc. to increase coverage and effectiveness of sewerage service delivery, as well as, to establish financial and technical viability of new approaches for sewerage management in Metro Manila	<ul style="list-style-type: none"> • 68,910 water connections with sewage treatment completed • 3.79 million meters³ of sewage treated prior to disposal • 333,157 septic tanks de-sludged; 731,188 meters³ septage treated prior to disposal • 306.84 tons of Biochemical Oxygen Demand removed in 2010
KfW-Community Based Forest & Mangrove Protection Program	EUR 2.4 million loan fund for relending to eligible Panay and Negros LGUs for infrastructure / livelihood activities supportive of Natural Resource Management	<ul style="list-style-type: none"> • ₱39.6 million initially disbursed for construction of fish market, inland resort and purchase of heavy equipment
KfW-Credit Line for Energy Efficiency and Climate Protection	EUR 2.0 million loan to reduce direct consumption of primary energy/ direct greenhouse gas (GHG) emissions for clients' environmental projects	<ul style="list-style-type: none"> • 120 LBP personnel participated in four briefings aimed at enhancing capacity for evaluating renewable energy projects
Ozone Depleting Substance (ODS) Phaseout Investment Project	<p>\$10.58 million grant from Multilateral Fund of Montreal Protocol, co-implemented with DENR</p> <p>Aimed to phase out chlorofluorocarbon (CFC) consumption according to the Montreal Protocol phase-out schedule</p>	<ul style="list-style-type: none"> • 2,563 ODP tons of CFC phased out under the project benefiting 17 enterprises from the manufacturing sector and 2,294 refrigeration and mobile air conditioning service shops
Project Preparation Fund (PPF) for Renewable Energy	<p>US\$ 321,300 Global Environment Facility from United Nations Development Programme (UNDP) implemented by Department of Energy under the Capacity Building to Remove Barriers towards Renewable Energy Development (CBRED), with LANDBANK as Program and Fund Manager</p> <p>Aimed to finance project preparation activities such as market assessment, technical data gathering, feasibility study preparation, etc. for renewable energy projects</p>	<ul style="list-style-type: none"> • Supported project preparation of three mini-hydro projects with projected power capacity of 16MW and equivalent GHG to be reduced of 76,382tCO₂e

Renewable Energy for Wisser and Accelerated Resources Development (REWARD)

The REWARD Program is the Bank's financing assistance in response to the government's call to promote the development of renewable energy and biofuels projects in the country. It aims to lessen dependence on imported fuels and enhance the quality of the environment, as well as employment in the community.

Type of Project	No. of Projects	Total Project Size/Capacity
Biofuel	4	125,000 liters per day of fuel grade ethanol
Hydro Power	5	764.6 MW
Biomass	7	17.195 MW
TOTAL	16	

Carbon Finance Support Facility (CFSF)

Clean Development Mechanism (CDM) is a program of the United Nations Framework Convention on Climate Change which allows developing countries like the Philippines to sell their carbon credits or certified emission reduction (CER) from CDM projects to developed countries in order to meet their GHG emission reduction targets as agreed in the Kyoto Protocol. CFSF aims to assist clients in every step of the CDM project cycle including financing with the end-view of generating and monetizing carbon credits to serve as an additional revenue stream.

LANDBANK is the first financial institution in the Philippines to engage as a Coordinating and Managing Entity (C/ME) for two CDM Programme of Activities (PoAs). As a C/ME, LANDBANK prepares the CDM Project Activity – Design Documents, provides assistance and facilitates CDM project application, validation, monitoring and verification, as well as financing.

At present, it has two PoAs:

- Methane Recovery and Combustion with Renewable Energy Generation from Anaerobic Animal Manure Management Systems (Animal Waste-to-Energy); and
- Landfill Gas Recovery and Combustion with Renewable Energy Generation from Sanitary Landfill Sites (Landfill Gas-to-Energy).

Emission Reduction Purchase Agreement with the World Bank / International Bank for Reconstruction and Development was signed in January 2010 for the sale and purchase of carbon emission reduction (CERs) from the above PoAs. The CERs will be generated from the 41 pig farms and two sanitary landfills that have signified their interest to join the CFSF program.



Biotech Farms in Koronadal, South Cotabato



Marcela Farms in Bohol

Assistance to Indigenous Peoples (IPs) for Environment Protection and Eco-Biodiversity

This LCDFI program focuses on organizing and providing alternative livelihood to indigenous peoples' communities to prevent encroachment and degradation of forest resources. Eight institutional partners participated in this program, benefiting 1,600 IPs.