

Second-Party Opinion

BDO Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the BDO Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and the ASEAN Sustainability Bond Standards 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Green Buildings, Clean Transportation, Resource Efficiency and Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Employment Generation, and Food Security – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and the ASEAN Sustainability Bond Standards. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically, SDGs 2, 6, 7, 8, 9, 11, 12, 14 and 15.



PROJECT EVALUATION / SELECTION BDO's Sustainable Finance Desk will be responsible for identifying, qualifying, evaluating and recommending potential projects to be included in the Sustainable Finance Portfolio. The Sustainable Finance Desk is comprised of members from the Lending Group. In addition to being assessed against the eligibility criteria of the Framework, BDO has internal procedures in place to identify and manage environmental and social risks associated with assets financed, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS BDO's Sustainable Finance Desk will be responsible for the management, allocation of proceeds, and tracking of eligible assets through the Sustainable Finance Portfolio. The Bank intends to achieve full allocation within 36 months of issuance. In case any proceeds remain outstanding, they will be held in accordance with the Bank's liquid management policy and invested in short-term liquid instruments. This is in line with market practice.



REPORTING BDO will report its allocation of proceeds on its website on an annual basis until full allocation. The report will contain aggregated details on the allocation of net proceeds. In addition, the Bank is committed to reporting on relevant environmental and social impact metrics. Sustainalytics views BDO's allocation and impact reporting as aligned with market practice.

Evaluation Date	May 19, 2022 ¹
Issuer Location	Makati, Philippines

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Alignment with the ASEAN Sustainability Bond Standards

The ASEAN Sustainability Bond Standards provide guidance to issuers and communicate more specifically on what issuers should do to issue credible green, social and sustainability bonds in ASEAN countries. Sustainalytics is of the opinion that the eligible green and social project categories under the BDO Sustainable Finance Framework align with the ASEAN Sustainability Bond Standards.

¹ This document is an update of a Second Party-Opinion originally published in December 2020.

Introduction

BDO Unibank, Inc. (“BDO” or the “Bank”) is a global bank headquartered in Makati, Philippines and is a member of the SM Group. The Bank provides a variety of banking products and services, including corporate and consumer lending, deposit-taking, foreign exchange, brokering, trust and investments, credit cards, retail cash cards, corporate cash management, and remittances. As of December 2021, BDO has over 1,500 operating branches and more than 4,400 ATMs nationwide, as well as 16 international offices (including full-service branches in Hong Kong and Singapore) in Asia, North America, Europe and the Middle East.² Founded in 1967, the Bank has 38,873 employees in the Philippines and globally as of 2021.³

BDO has developed the BDO Sustainable Finance Framework (the “Framework”) under which it intends to issue sustainable finance instruments (SFI), such as green, blue, social and sustainability bonds and loans, and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to facilitate the transition to a low-carbon economy while advancing socio-economic development in the Philippines. The Framework defines eligibility criteria in six green areas, two blue areas and two social areas:

Eligible Green Categories:

1. Renewable Energy
2. Green Buildings
3. Clean Transportation
4. Resource Efficiency and Pollution Prevention and Control
5. Environmentally Sustainable Management of Living Natural Resources and Land Use
6. Sustainable Water and Wastewater Management

Eligible Blue Categories:

1. Sustainable Water and Waste Water Management
2. Offshore Renewable Energy

Eligible Social Categories:

1. Employment Generation
2. Food Security

BDO engaged Sustainalytics to review the BDO Sustainable Finance Framework, dated May 2022, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)⁴, Green Loan Principles 2021 (GLP), and ASEAN Sustainability Bond Standards (ASEAN SUS).⁵ The Framework has been published in a separate document.⁶

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁷ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

² BDO, Annual Report- Finding Ways”, (2021), at: <https://www.bdo.com.ph/sites/default/files/pdf/BDO-Unibank-2021-Annual-Report.pdf>

³ BDO, “2020 Sustainability Report”, (2020), at: [BDO-2020-Sustainability-Report.pdf](https://www.bdo.com.ph/sites/default/files/pdf/BDO-2020-Sustainability-Report.pdf)

⁴ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>.

⁵ The ASEAN Sustainability Bond Standards are administered by the ASEAN Capital Markets Forum and are available at: <https://www.theacmf.org/initiatives/sustainable-finance/asean-sustainability-bond-standards>.

⁶ The BDO Sustainable Finance Framework is available on BDO’s website at: <https://www.bdo.com.ph/corporate-governance/sustainability>

⁷ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021 as administered by LMA, APLMA, and LSTA; and ASEAN Sustainability Bond Standards as administered by ACMF;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11.3, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of BDO's management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BDO representatives have confirmed (1) they understand it is the sole responsibility of BDO to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BDO.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, BDO is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BDO has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the BDO Sustainable Finance Framework

Sustainalytics is of the opinion that the BDO Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and the ASEAN SUS. Sustainalytics notes that in addition to the GBP, SBP, GLP, the ASEAN SUS, BDO intends to align with the IFC Guidelines for Blue Finance⁸ to guide its blue bonds. Sustainalytics highlights the following elements of BDO's Sustainability Finance Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Green Buildings, Clean Transportation, Resource Efficiency and Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Employment

⁸ International Finance Corporation, "Guidelines for Blue Finance", at: <https://www.ifc.org/wps/wcm/connect/cdbfb6c5-2726-47a6-9374-6a6f86032dd4/IFC-guidelines-for-blue-finance.pdf?MOD=AJPERES&CVID=nWxsyxN>

Generation, Food Security – are aligned with those recognized by the GBP, SBP, GLP and ASEAN SUS. Sustainalytics notes that the bonds and loans financed and refinanced under the Framework are expected to facilitate the transition to a low-carbon economy and advance socio-economic development in Philippines.

- Regarding refinancing, the Bank has incorporated a look-back period of three financial years from the issuance, which Sustainalytics considers to be in line with market practice.
- For the Renewable Energy category, BDO may invest in the development, acquisition, operation⁹ and maintenance of renewable energy generation or transmission infrastructure and technologies related to biomass, biogas, geothermal, hydropower, solar and offshore¹⁰ and onshore wind energy. Sustainalytics considers BDO's renewable energy investments to be in line with market practice, noting the following:
 - Regarding biogas and biomass, life cycle GHG emissions intensity must be below 100 gCO₂e/kWh for electricity generation. BDO clarified that the feedstock may include agricultural waste, excluding waste from palm oil operations. In case of using non-waste biomass as feedstock in the future, BDO has confirmed to Sustainalytics that feedstock used would not originate from land with high biodiversity (within the last 10-15 years), land that has been converted for biomass feedstock production, or feedstock that competes with food security.
 - Geothermal projects are limited to those with direct emissions lower than 100gCO₂/kWh.
 - Hydropower projects will be eligible if they meet one of the following: (i) run-of-river facilities without an artificial reservoir or with low storage capacity, or (ii) projects with life cycle carbon intensity under 50 gCO₂e/kWh or (iii) with power density greater than 10 W/m². All new hydropower plants financed under the Framework will undergo environmental and social impact assessments to ensure there will be no significant risks or controversies surrounding the project. Energy storage systems include power-to-hydrogen through water electrolysis powered by renewables and batteries.
 - Transmission and distribution infrastructure for electricity includes the installation of distributed assets that aim to reduce the curtailment of renewable energy to grid and the development of electrical grid dedicated to connecting renewable energy to the power grid.
 - BDO confirmed that maintenance and operation expenditures are limited to those that extend the life cycle and value of eligible assets mentioned above.
- Under the Green Buildings category, the Bank may finance or refinance the construction or renovation of residential or commercial buildings that use credible third-party certification systems such as BREEAM Excellent or above,¹¹ LEED Gold or above,¹² BERDE 4-star or above¹³ or EDGE certification or above.¹⁴ Sustainalytics considers the referenced certification standards to be credible and the selected levels to be aligned with market practice.
- Within the Clean Transportation category, BDO may finance or refinance the procurement, development and production of electric vehicles, the development of electric vehicle charging stations and electric powered trains or rail lines with a direct emission threshold of under 50 gCO₂/pkm for passenger rail or under 25 gCO₂/tkm for freight rail. Additional expenditures may also include multimodal transportation and infrastructure. Sustainalytics considers these expenses to be in line with market practice, noting the following:
 - For multimodal transportation, BDO may finance projects that improve last mile connectivity through low carbon modes of transportation for passenger and freight transportation. Project examples include electric buses, rail, trams, metros, ferry and

⁹ The Bank has confirmed that eligible operating expenditures will be limited to those directly related to the operation of eligible renewable energy assets as defined by the Framework, including financing feedstock procurement, and qualified operation and maintenance service providers.

¹⁰ Eligible offshore wind energy facilities will not harm marine ecosystems and may include fisheries' sanctuaries, artificial reef elements and other support measures to promote marine biodiversity. BDO has confirmed to Sustainalytics that fisheries' sanctuaries for juveniles of certain marines will be in line with the sustainable fishery/aquaculture practices such as MSC/ASC. In addition, BDO has also confirmed that marine protection measures will be carried out once feasibility and environmental and social impact assessment is conducted.

¹¹ BREEAM: <https://www.breeam.com/>

¹² LEED: <https://www.usgbc.org/leed>

¹³ BERDE: <https://berdeonline.org/>

¹⁴ EDGE: <https://edgebuildings.com/certify/>

- small boats. In addition, BDO may also finance transport terminals for these low carbon transport facilities.
- The Framework excludes investments in freight transportation where fossil fuel freight represents more than 25% of the freight transported (by tonne).
- For the Resource Efficiency and Pollution Prevention and Control category, BDO may finance or refinance projects related to air emissions reduction, soil remediation, waste prevention, reuse, recycling, and development and production of environmentally sustainable products and materials. Additional investments may also include composting of food and agricultural wastes. Sustainalytics considers these investments to be aligned with market practice, noting the following:
- For soil remediation projects, the Bank may finance facilities that manufacture soil remediation products and equipment. The Bank has specified the exclusion of those projects that offset contamination or negative environmental impacts from the Bank's borrowers' own activities.
 - Intended recycling include financing of recycling plants that process scrap metals,¹⁵ plastic¹⁶ and paper.
 - The Bank is also committed to ensuring appropriate segregation of non-recyclable and hazardous materials to ensure its alignment with the waste hierarchy, including the exclusion of recycling of electronic waste. In addition, the Framework limits financing of waste collection vehicles to those that meet one of the following criteria: (i) fully electric, hydrogen and fuel cell light commercial vehicles (ii) hybrid light weight commercial vehicles with direct emissions below 75 gCO₂e/km, based on lab test NEDC procedure; and (ii) commercial heavy trucks with direct emissions below 25 gCO₂/tkm. BDO has confirmed that each waste collection vehicle will meet the criteria, and it will not be at portfolio or fleet level.
 - BDO confirms that eligible reuse projects will result in the products being put back to their original use with very minimal or without any further pre-processing required. Additionally, the Bank confirms the exclusion of products specifically intended for fossil fuel operations or those that are reliant on fossil fuel.
 - Regarding the environmentally sustainable products and materials, BDO may invest in the production of biodegradable packaging certified by Roundtable on Sustainable Biomaterials (RSB).¹⁷ Sustainalytics views RSB as a credible certification that is aligned with market practice.
- For the Environmentally Sustainable Management of Living Natural Resources and Land Use category, the Bank may finance agricultural production, climate smart farm inputs, forestry (including reforestation and preservation of natural resources), and sustainable fishery and aquaculture projects. Sustainalytics notes the following eligibility criteria for this category:
- Sustainable agriculture production must use third-party certification schemes such as USDA Organic¹⁸ and EU Organic.¹⁹ In case of using other certification schemes in the future, Sustainalytics encourages BDO to provide further disclosure on the selected certification schemes prior to the issuance to ensure transparency.
 - Climate smart inputs are aligned with the definition of the UN Food and Agriculture Organization²⁰ and may include biological crop protection and organic fertilizers.
 - Forestry projects will either be subject to environmental management plans for smallholders²¹ or those certified under Forest Stewardship Council (FSC)²², Programme for the Endorsement of Forest Certification (PEFC)²³ or Sustainable

¹⁵ BDO has informed to Sustainalytics that recycling plants for scrap metal would entail those that separate ferrous and non-ferrous metals.

¹⁶ BDO has communicated to Sustainalytics that it intends to limit financing of plastic recycling projects to those only involving mechanical recycling processes.

¹⁷ The Roundtable on Sustainable Biomaterials, at: <https://rsb.org/?msclkid=e8ed6e87c6cc11ec88b92ee2d6d3952a>

¹⁸ USDA Organic Certification, at: <https://www.usda.gov/topics/organic>

¹⁹ EU Organic Certification, at: https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/organics-glance_en

²⁰ Climate Smart Farm Inputs, UN Food and Agriculture Organization, at: <http://www.fao.org/3/ca6043en/ca6043en.pdf>.

²¹ BDO identifies "small scale farmers" as "farmers owning and farming up to 3 hectares."

²² Forest Stewardship Council: <https://fsc.org/en/about-us>

²³ Programme for the Endorsement of Forest Certification: <https://www.pefc.org/>

- Forestry Initiative (SFI).²⁴ Sustainalytics notes that reforestation and afforestation projects will use well-adapted tree species to local conditions and have sustainable management plans in place or have FSC or PEFC certification.
- Aquaculture facilities are those that are certified by the Aquaculture Stewardship Council (ASC),²⁵ and fishery operations will be certified by the Marine Stewardship Council (MSC).²⁶ Sustainalytics considers these certifications to be credible and impactful.
- Within the Sustainable Water and Wastewater Management category, BDO may finance or refinance the construction or upgrade of sustainable water infrastructure to increase water saving and improve water quality. Project examples may include drinking water treatment, desalination plants, wastewater treatment, urban drainage systems, water recycling, rainwater harvesting and flood mitigation projects. In addition, expenditures may also include repair of damaged facilities, equipment and pipes, and retrofit of water supplies to enhance efficiency. Sustainalytics considers these investments to be aligned with market practice, noting the following:
- Eligible drinking water projects include drinking water treatment and storage, as well as eligible water infrastructure upgrades that will target at least 20% water savings per unit of service compared to a documented baseline.
 - BDO has confirmed that intended desalination projects will be powered by low-carbon energy sources, such as renewables or electricity with an average carbon intensity at or below 100 gCO₂e/kWh. Additionally, eligible projects will have an appropriate waste management plan for brine disposal.
 - Wastewater treatment may include the treatment of industrial, agribusiness, commercial, residential or city level wastewater, with the exclusion of the treatment of wastewater from fossil fuel operations.
 - BDO has confirmed to Sustainalytics that the Bank will favour flood mitigation projects following climate impact assessments and adaptation plans.
 - Biogas and heat exchange systems may be installed in wastewater treatment facilities to increase efficiencies by recycling. BDO has confirmed to Sustainalytics that biogas will be produced from wastewater as feedstock and that eligible heat exchange systems will include absorption heat pumps driven by solar-heated water, or geothermal-heated water.
- Under the Employment Generation category, BDO may finance micro, small and medium-sized enterprises (MSMEs) as defined by the Bangko Sentral ng Pilipinas,²⁷ focusing on those that are led or founded by women,²⁸ smallholder farmer associations and cooperatives²⁹ and impacted by disasters and crisis. The Bank may provide loans to MSMEs engaged in production, retail, wholesale and trading. Sustainalytics recognizes the importance of supporting MSMEs in the Philippines and considers BDO's targeted approach as aligned with market practice. (see Section 3: Impact of Use of Proceeds for additional details)
- Under the Food Security category, BDO may provide loans to small-scale farmers³⁰ for financing of equipment, infrastructure and facilities such as warehouses, cold storage or technologies that help prevent food loss and waste, improve productivity and increase market access to small-scale producers in Philippines. Further, BDO has confirmed to Sustainalytics that technologies would not be powered by fossil fuel. Sustainalytics considers the objectives of this category to be credible and impactful.
- Sustainalytics notes that the Framework includes an exclusionary list which further limits financing to activities such as hydroelectric plans with a weir height of more than 50 meters;

²⁴ Sustainable Forestry Initiative, Standards: <https://www.scsglobalservices.com/services/sfi-forestry-certification-services>

²⁵ Aquaculture Stewardship Council: <https://www.asc-aqua.org/>

²⁶ Marine Stewardship Council: <https://www.msc.org/>

²⁷ BDO uses the definition of MSME set by the Bangko Sentral ng Pilipinas, at: <https://www.bsp.gov.ph/Regulations/Issuances/2008/c625.pdf>.

²⁸ MSMEs led or founded by women are based on the following criteria: (i) ≥20% owned by women, and (ii) has ≥1 woman as CEO, COO, president or vice-president; and (iii) has ≥30% of the board of directors composed of women, where a board exists.

²⁹ "Cooperatives" refers to small farmers' associations as defined by the Philippines' Republic Act. No 821, at: <https://www.officialgazette.gov.ph/1952/08/14/republic-act-no-821/>.

³⁰ BDO identifies "small scale farmers" as "farmers owning and farming up to 3 hectares."

production or trade in weapons and ammunition, online gaming and equivalent enterprises, illegal logging, mining and fishing; forced labour and child labour; production of palm oil; fossil fuel power generation or transmission, and activities that support the expansion of fossil fuel-based technologies. Sustainalytics considers this exclusion list to strengthen the Framework.

- Project Evaluation and Selection:
 - The Bank's Sustainable Finance Desk will be in charge of identifying, qualifying, evaluating and recommending potential projects to be included in the Sustainable Finance Portfolio (the "Portfolio"). The Sustainable Finance Desk is comprised of members from the Lending Group, and the Lending Group Head will be responsible for ultimate approval. In addition to being reviewed against the eligibility criteria of the Framework, potential projects will be assessed and evaluated for compliance with relevant environmental and social regulations and standards. The results of this evaluation will be submitted to the credit evaluation and lending units. BDO has internal procedures in place to identify and manage environmental and social risks associated with assets financed, which are applicable to all allocation decisions made under the Framework.
 - The Sustainable Finance Desk will further conduct semi-annual reviews and update the Sustainable Finance Portfolio as may be required, so long as the bonds and loans under the Framework are outstanding.
 - Based on this governance structure and the commitment to continuously review projects, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Bank's Sustainable Finance Desk will manage net proceeds from any SFI and will be responsible for the allocation of proceeds to finance projects and assets in the Sustainable Finance Portfolio.
 - The Sustainable Finance Desk will additionally track the details of outstanding bonds and loans and the use of proceeds financed by any SFIs outstanding. Details may include, issue or disbursement date, the amount outstanding, interest rate and maturity date; brief descriptions of uses of proceeds and corresponding project categories, amounts allocated and environmental or social benefit, as applicable.
 - BDO will aim to include assets that have a duration that equals the full life of the relevant SFI. In case the investment maturity date precedes the life of the SFI, the amounts will be reinvested in the additional assets of the Portfolio.
 - The Bank has confirmed to Sustainalytics its intention to fully allocate net bond proceeds within 36 months of each issuance. In case net proceeds from an SFI's remain outstanding or are pending allocation, proceeds will be held in accordance with BDO's liquidity management policy which allows for investments in short-term liquid instruments.
 - Based on the establishment of a portfolio approach and the handling of unallocated net proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - BDO intends to publish sustainable finance reports on its website within one year of the first SFI issued in the case of a bond, or disbursed in the case of a loan, to be renewed annually and until full allocation or in case of any material changes to past sustainable finance reports.
 - The report will contain aggregated details on the allocation of net proceeds, such as allocated and unallocated amounts, amounts in new assets and assets refinanced, and amounts lent to customers. BDO will report on individual assets financed, subject to confidentiality agreements.
 - The reports will include environmental and social impacts through key impact indicators such as green building certifications obtained, renewable energy generated (in kWh), greenhouse gas emissions avoided (in tCO₂e), water savings (in m³), and the number of individuals benefited.
 - Based on the commitment to report allocation on a project level and disclose the proportional allocation of net proceeds between existing projects, refinancing and new projects, Sustainalytics considers this to be in line with market best practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the BDO Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and ASEAN SUS. For detailed information, please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Alignment with ASEAN Sustainability Bond Standards 2018

The ASEAN Sustainability Bond Standards provide guidance to issuers and communicate more specifically what issuers should do to issue credible green bonds in ASEAN countries. Sustainalytics is of the opinion that the BDO Sustainable Finance Framework aligns with the ASEAN Sustainability Bond Standards 2018 (ASEAN SUS). See Appendix 1: Alignment to the ASEAN Sustainability Bond Standards.

Section 2: Sustainability Strategy of BDO

Contribution of Framework to BDO's sustainability strategy

Sustainalytics is of the opinion that BDO demonstrates a commitment to sustainability through its Sustainability Framework, which the Bank has aligned with the SDGs, and focuses on five key areas: (i) Product Sustainability; (ii) Sustainability Contribution; (iii) Human Capital Sustainability; (iv) Disaster Response Sustainability; and (v) Governance-Based Sustainability. Sustainalytics highlights the following for being particularly relevant to the Framework:

Through the Sustainability Contribution Strategy, BDO aims to support the achievement of the Philippines' national economic goals through financial inclusion and impact financing in infrastructure, eco-friendly solutions, green facilities and disaster resilient initiatives.³¹ BDO has confirmed that by 2021, the Bank had financed 2.2 GW of installed renewable energy capacity translating into approximately 4.2 million tonnes of CO₂ avoided per year. Additionally, the national economic goals are further supported by the Bank's partnership with the International Finance Corporation (IFC). Furthermore, by the end of 2021, BDO-funded sustainable projects accounted for PHP 548 billion (USD 10.75 billion), up from PHP 400.9 billion (USD 7.68 billion) in 2020.

Under the Bank's Product Sustainability strategy, the BDO Foundation, a non-profit organization founded by the Bank, supports social programmes such as making financial education and financial services more accessible to people, especially the underserved.³² BDO is also promoting financial inclusion through its rural bank subsidiary, BDO Network Bank Inc. (BDO Network), by providing loans to MSMEs in underserved areas, of which more than 50% of are women-owned.³³

Sustainalytics is of the opinion that the BDO Sustainable Finance Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental priorities. Sustainalytics recognizes the importance of the above commitments as important contributors to the Bank's sustainability performance and encourages BDO to define timebound and quantifiable sustainability targets.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the GBP, SBP, GLP, SLP and ASEAN SUS to have positive environmental and social impact. However, Sustainalytics recognizes that the eligible projects financed could lead to some environmental and social risks. Examples of these risks include issues involving biodiversity loss, land-use change and occupational health and safety, and public opposition related to large-scale infrastructure and construction projects, expansion of debt burden on vulnerable individuals, as well as the risks associated with being exposed to controversial businesses and projects as a result of the Bank's lending activities. Sustainalytics is of the opinion that BDO can manage and mitigate potential risks through the implementation of the following:

- The Bank's board of directors has oversight over the entire risk management process and ultimate responsibility for all risks taken by the Bank.³⁴ Additionally, the board has constituted a Risk Management Committee as the Board-level committee, responsible for the Bank's risk management systems and policies. Further, the Bank operates an enterprise risk management system to address risk associated with its banking activities, including environmental and social risks.³⁵
- BDO has a Social & Environment Management Systems Policy (SEMS), based on IFC's ESG standards to ensure that environmental and social aspects are considered in the Bank's operations, including

³¹ BDO, "2020 Sustainability Report", (2020), at: <https://www.bdo.com.ph/sites/default/files/pdf/BDO-2020-Sustainability-Report.pdf>

³² BDO, "Corporate Social Responsibility", at: <https://www.bdo.com.ph/corporate-governance/corporate-social-responsibility>.

³³ BDO, "2020 Sustainability Report", (2020), at: <https://www.bdo.com.ph/sites/default/files/pdf/BDO-2020-Sustainability-Report.pdf>

³⁴ BDO, "Enterprise Risk Management", at: <https://www.bdo.com.ph/corporate-governance/enterprise-risk-management>.

³⁵ BDO, "2021 Annual Report", (2021), at: <https://www.bdo.com.ph/sites/default/files/pdf/BDO-Unibank-2021-Annual-Report.pdf>

- the adoption of IFC's exclusion list.³⁶ The SEMS Policy covers all corporate and commercial borrowing accounts and categorizes risks according to their social and environmental impact.³⁷
- The Sustainable Finance Desk³⁸ trains lending and credit officers by conducting training on Environmental Risk Management.³⁹
 - BDO has in place a Code of Conduct and Business Ethics⁴⁰ (the "Code") applicable to all members of the board of directors and Bank employees in their dealings with clients, suppliers, business partners and service providers. The Code covers the Bank's considerations on occupational health, safety and environment, transparency, integrity, accountability, compliance with laws and regulations, standards of behaviour, personal conduct and ethics of doing business.⁴¹
 - The Bank's Corporate Governance Manual⁴² provides guidance and protections for BDO's stakeholders which include, among others, customers, employees, suppliers, financiers, public entities and the community in which the Bank operates.
 - BDO's has established a Consumer Protection Risk Management System to identify, measure, monitor and ensure consumer protection inherent in its operations, including providing clients with clear and concise information on the risks involved, before the client is granted financial products and services.⁴³

Based on these policies, standards and assessments, Sustainalytics is of the opinion that BDO has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by GBP, SBP, GLP and ASEAN SUS. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of renewable energy generation and green buildings in Philippines

As of 2020, the Philippines' power generation mix is met through coal (47%), natural gas (22%), renewable energy (hydro, geothermal, wind, solar, others) (24%), and oil-based sources (6.2%), with a total installed capacity of 23 GW.⁴⁴ The Philippine government has announced the intention to increase the country's energy generation rate to 64% under its Clean Energy Scenario by 2040, but the expected additional demand is 43 GW.⁴⁵ This factor, along with the high percentage of fossil fuel-based energy, indicates the importance of facilitating renewable energy investments to decarbonize the country's energy mix and meet future energy needs. Following this urgent need, the Philippines Government has implemented a public target to install an additional 20 GW of renewable energy facilities by 2040.⁴⁶ Further, in 2021, the Philippines Government proposed a target share of 35% renewable energy in the power generation mix by 2030 and 50% by 2040, to be achieved through the National Renewable Energy Program 2020-2040.⁴⁷

Buildings in the Philippines accounted for 36% of the country's electricity consumption and over 25% of total GHG emissions in 2018.⁴⁸ With this in consideration, there is ample room to implement energy efficiency standards that could bring down GHG emissions from the built environment. To this end, the Philippines Energy Efficiency Roadmap 2017-2040⁴⁹ establishes objectives, policies and programmes relative to the dissemination and expansion of energy efficiency measures across the real estate sector. The increase of

³⁶ IFC, "IFC Exclusion List", (2007), at: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

³⁷ BDO, "2020 Sustainability Report", (2020), at: <https://www.bdo.com.ph/sites/default/files/pdf/BDO-2020-Sustainability-Report.pdf>

³⁸ Ibid

³⁹ BDO has shared with Sustainalytics, in confidence, information regarding its procedures pertaining to Environmental Risk Management.

⁴⁰ BDO, "BDO Code of Conduct and Business Ethics", at:

https://www.bdo.com.ph/sites/default/files/pdf/corporate_governance/BDO%20CODE%20OF%20CONDUCT%20AND%20BUSINESS%20ETHICS.pdf.

⁴¹ BDO, "Corporate Governance Manual", (2020), at: <https://www.bdo.com.ph/sites/default/files/pdf/REVISED-CORGOV-MANUAL.pdf>

⁴² Ibid.

⁴³ Ibid.

⁴⁴ ITA, "Philippines Energy Market", (2020), at: <https://www.trade.gov/market-intelligence/philippines-energy-market#:~:text=The%20current%20energy%20mix%20is,current%20energy%20capacity%20at%2023GW>.

⁴⁵ ITA, Philippines – Country Commercial guide, (2021), at: <https://www.trade.gov/country-commercial-guides/philippines-energy-0>

⁴⁶ Department of Energy, "Renewable Energy Roadmap 2017-2040", at: <https://www.doe.gov.ph/pep/renewable-energy-roadmap-2017-2040>.

⁴⁷ Philippine News Agency, "New RE plan targets 35% share of power generation by 2030", (2021), at: <https://www.pna.gov.ph/articles/1159659>

⁴⁸ ABS-CBN, "Green Buildings' pushed in rapidly urbanizing Philippines", (2018), at: <https://news.abs-cbn.com/video/business/01/09/18/green-buildings-pushed-in-rapidly-urbanizing-philippines>

⁴⁹ DOE, "The Philippines Energy Efficiency Roadmap (2017-2040)", (2017), at:

https://www.doe.gov.ph/sites/default/files/pdf/announcements/epower_fontana_03_04_phillippines_energy_efficiency_roadma_2017-2040.pdf

renewable energy and further development of green buildings will contribute to reaching the national goals set in the Philippines's Intended Nationally Determined Contribution under the Paris Agreement to reduce and avoid emissions by 75% by 2030, relative to a BAU scenario of 2000-2030.⁵⁰

Based on the above, Sustainalytics is of the opinion that BDO's green buildings and renewable energy projects are aligned with the efforts and policies of the Philippines Government and could further advance the reduction of the country's GHG emissions while moving towards a low-carbon economy.

Importance of resource efficiency and pollution prevention and control in the Philippines

The World Bank has estimated that urban waste volumes in the Philippines will increase from approximately 29,315 tonnes per day in 2012 to 77,776 tonnes per day in 2025. This is driven by a projected 47.3% increase in local urban population, as well as a projected doubling of municipal solid waste generation per capita over the same period.⁵¹ To curtail the amount of waste and improve waste management, the Philippines Government introduced the Ecological Solid Waste Management Act of 2000, which mandates that all open dumpsites be converted into sanitary landfills by 2006.⁵² As of 2021, The Philippines' Department of Environment and Natural Resources (DENR) has completed the closure of the 335 open dumpsites all over the country, which is close to 100% of all illegal dumpsites.⁵³ Moreover, the government targets to divert at least 80% of the waste from landfill through reuse, recycling, composting or other resource recovery activities by 2022.⁵⁴

Additionally, an estimated 81% of the global ocean plastic comes from Asian rivers and the Philippines alone contributes to one-third of it. The report stated that Manila's Pasig River alone contributes up to 6.43% of ocean plastic originating from rivers.⁵⁵ This issue can be further mitigated by increasing the recycling rate and improving waste management. An estimate by the Philippines' National Solid Waste Management Commission revealed that approximately 27% of municipal solid waste could be processed through recycling.⁵⁶ This, combined with the high amount of biodegradable materials found in waste means that an estimated 70-80% could be diverted from landfills and reutilized for new materials.⁵⁷

Sustainalytics is of the opinion that the BDO's financing of waste management projects and resource efficiency projects in the Philippines could enhance the value of local waste streams and thus contribute to reduce improper waste disposal.

Importance of sustainable water and wastewater management projects in the Philippines

As of 2020, 771 million people lacked access to safe water and 1.7 billion lacked access to basic sanitation services globally.⁵⁸ In the Philippines, more than 3 million people rely on unsafe and unsustainable water sources and 7 million lack access to improved sanitation.⁵⁹ Sanitation remains a big challenge for the country, especially outside Manila, where there are no significant sewerage systems and septic tank effluent is discharged without treatment, exposing millions to water-related diseases.⁶⁰

To tackle the issue, the Philippine Water Supply and Sanitation Master Plan (PWSSMP) is set to achieve universal access to safe, sufficient, affordable, and sustainable water supply, hygiene and sanitation by 2030, which is linked to the National Water Supply and Sanitation targets (NWSS).⁶¹ According to the 2021 Roadmap, the NWSS has underlined various benchmarks, KPIs and targets in the water and sanitation sector

⁵⁰ Enerdata, "Philippines Energy Information", (2022) at: <https://www.enerdata.net/estore/energy-market/philippines/https%3A/www.enerdata.net/estore/energy-market/philippines/>

⁵¹ Government of the Philippines, "Philippine Solid Waste At a Glance", (2017), at: https://www.senate.gov.ph/publications/SEPO/AAG_Philippine%20Solid%20Wastes_Nov2017.pdf.

⁵² DENR, "General Guidelines in the Closure and Rehabilitation of Open Dumpsters and Controlled Dump Facilities", at: http://nswmc.emb.gov.ph/wp-content/uploads/2018/01/DAO-9_pdf.pdf.

⁵³ Government of the Philippines, "DENR shuts down 100% of all illegally operating dumpsites nationwide", (2021), at: <https://www.enerdata.net/estore/energy-market/philippines/https%3A/www.enerdata.net/estore/energy-market/philippines/>

⁵⁴ OECD, "The Philippines", (2021), at: <https://www.oecd.org/ocean/topics/ocean-pollution/marine-plastics-pollution-Philippines.pdf>

⁵⁵ World Economic Forum, "This team is cleaning one of the world's most polluted rivers. here's how", (2021), at: <https://www.weforum.org/agenda/2021/06/cleaning-most-polluted-river-in-world-philippines/#:~:text=Pasig%27s%20trash%20isn%27t%20just%20a%20Philippine%20problem.%20A,ocean%20plastic%20originating%20from%20rivers%2C%20the%20report%20said>.

⁵⁶ Grace P Sapuay, (2019) "Improving MSW Management through Recycling". Acta Scientific Agriculture, at: <https://actascientific.com/ASAG/pdf/ASAG-03-0581.pdf>.

⁵⁷ Grace P Sapuay, (2019) "Improving MSW Management through Recycling" Acta Scientific Agriculture, at: <https://actascientific.com/ASAG/pdf/ASAG-03-0581.pdf>

⁵⁸ Washdata.org, "Progress on Household, Drinking Water, Sanitation and Hygiene"(2020), at: <https://washdata.org/sites/default/files/2021-07/jmp-2021-wash-households.pdf>

⁵⁹ Water.org, "Philippines' water and sanitation crisis", (2022), at: <https://water.org/our-impact/where-we-work/philippines/>

⁶⁰ ADB, "Philippines: Water District Development Project", (2022), at: <https://www.adb.org/projects/41665-013/main>

⁶¹ Government of the Philippines, "Philippines Water Supply and Sanitation Master Plan", (2021), at: <https://neda.gov.ph/pwssmp/>

for the year 2022 and 2030. The 2022 targets being: 100% Filipino households to have access to improved facilities, 93.4% Filipino households to have access to safe water, zero percent open defecation by Filipino households and 3.32 tonnes of wastewater to be collected and treated.⁶²

Given this context, Sustainalytics is of the opinion that BDO’s investments in drinking water treatment, wastewater treatment, water recycling and urban drainage systems can provide a meaningful contribution to the acute issue of clean water and sanitation in the country and contribute positively to improving access to water and sanitation in Philippines supporting the country in achieving its goals in this area.

Importance of supporting MSMEs and employment generation in Philippines

According to the Philippines’ Department of Trade and Industry 2020 statistics, MSMEs represent 99.51% of businesses operating in the country and employ 62.66% of the active economic population. In terms of value-added to the economy, MSMEs account for 36% of the total value.⁶³ Recognizing the importance of the sector, the Philippine Government’s MSME Development Plan 2017-2022 (MSME-DP) identifies MSMEs as key drivers of inclusive economic growth, and draws a pathway to make them more regionally integrated, resilient, sustainable and innovative.⁶⁴ Despite their importance to the Philippine economy, MSME’s remain highly vulnerable to disruptions due to natural disasters that compromise their product market, labour, business continuity and recovery.⁶⁵ Due to its geography and location, the Philippines is one of the most vulnerable countries to typhoons, earthquakes and floods.⁶⁶

As a relief measure from the COVID-19 pandemic, the Philippines government created a wage subsidy programme for 3.5 million MSME workers, and a loan programme of approximately USD 19.64 million for MSMEs.⁶⁷ This context highlights the importance of financial mechanisms that ensure MSMEs’ ability to respond to disruptive natural events, minimize economic and social impact, and promote business activity and employment generation. BDO’s intention to support employment generation through the financing of MSMEs is thus aligned with the Philippines’ MSME-DP strategy.

Sustainalytics is of the opinion that BDO’s financing of MSMEs owned or led by women and smallholder farmer associations and cooperatives could advance the Philippines’ MSME Development Plan 2017-2022 goals.

Alignment with/contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds and loans issued under the BDO Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Green Buildings	11. Sustainable Cities and Communities	11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

⁶² Government of the Philippines, “National Data Book and Road Map”, (2021), at: <https://neda.gov.ph/pwssmp/>

⁶³ Government of the Philippines, “2020 MSME Statistics”, (2020) at: <https://www.dti.gov.ph/resources/msme-statistics/>

⁶⁴ Government of the Philippines, “Micro, Small and Medium Enterprise Development Plan 2017-2022”, (2018) at: <https://dtiwebfiles.s3-ap-southeast-1.amazonaws.com/e-library/Growing+a+Business/MSME+Development+Plan+2017-2022.pdf>

⁶⁵ Philippine Institute for Development Studies, “Building Philippine MSMEs Resilience to Natural Disasters”, (2015), at: <https://dirp3.pids.gov.ph/webportal/CDN/PUBLICATIONS/pidsdps1520.pdf>

⁶⁶ ADBI, “Natural Disasters, Public Spending, and Creative Destruction: a Case Study of The Philippines”, (2018), at: <https://www.adb.org/sites/default/files/publication/408351/adbi-wp817.pdf>

⁶⁷ Philippine News Agency, “Gov’t finalizing Covid-related support for MSME workers”, at: <https://www.pna.gov.ph/articles/1099663>

Resource Efficiency and Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Environmentally Sustainable Management of Living Natural Resources and Land Use	14. Life Below Water 15. Life on Land	14.7 By 2030, increase the economic benefits to small island developing States and least developed countries from the sustainable use of marine resources, including through sustainable management of fisheries, aquaculture and tourism. 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Employment Generation	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Food Security	2. Zero Hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

Conclusion

BDO has developed the BDO Sustainable Finance Framework under which it may issue SFIs, such as green, blue, social and sustainability bonds and loans, and use the proceeds to finance or refinance in whole or in part, existing or future projects in the following eligible categories: Renewable Energy, Green Buildings, Clean Transportation, Resource Efficiency and Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Employment Generation and Food Security. Sustainalytics considers that the projects funded by the bond or loan proceeds are expected to facilitate a transition to a low-carbon economy while advancing socio-economic development in Philippines.

The BDO Sustainable Finance Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for BDO to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the BDO Sustainable Finance Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 6, 7, 8, 9, 11, 12, 14 and 15. Additionally, Sustainalytics is of the opinion that BDO has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is of the opinion that BDO is adequately positioned to issue sustainability bonds and that the Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2021), and the ASEAN Sustainability Bond Standards (2018).

Appendices

Appendix 1: Alignment with ASEAN Sustainability Bond Standards' Criteria

ASEAN Sustainability Bond Standards' Criteria	Alignment with ASEAN SUS	Sustainalytics' comments on alignment with the ASEAN Sustainability Bond Standards⁶⁸
Eligibility	Yes	The ASEAN SUS requires that issuers must be in or that the proceeds be directed to assets in an ASEAN country. As a Philippine-based institution, BDO meets this requirement.
Use of Proceeds	Yes	The ASEAN SUS offers specific clarifications that fossil fuel power generation projects and projects which involve activities that pose a negative social impact related to adult entertainment, alcohol, gambling, tobacco products and weapon are excluded. BDO has included in its Framework a list of exclusions such as activities including, but not limited to, illegal logging, mining, and fishing; forced labour and child labour; production of palm oil; fossil-fuel power generation or transmission, and activities that support the expansion of fossil fuel-based technologies.
Process for Project Evaluation and Selection	Yes	The ASEAN SUS specifies information that must be clearly communicated to investors before issuance regarding project selection. Within its Framework, BDO has described that the Sustainable Finance Desk will be responsible for reviewing and selecting projects in line with the Framework's eligibility criteria. The Sustainable Finance Desk is comprised of members from the Lending Group, and the Lending Group Head will be responsible for ultimate approval.
Management of Proceeds	Yes	The ASEAN SUS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed. BDO's Framework states that the Sustainable Finance Desk will track the details of the bonds and loans outstanding such as issue or disbursement date, the amount outstanding, interest rate, and maturity date; details of the uses of proceeds financed by any Sustainable Finance Instrument (SFI) outstanding. BDO intends to fully allocate net bond proceeds within 36 months of each issuance. In case net proceeds from an SFI's remain outstanding or are pending allocation, proceeds will be held in accordance with BDO's prudent liquidity management policy which allows for investments in short-term liquid instruments.
Reporting	Yes	The ASEAN SUS requires annual reporting on the allocation of funds and the expected impacts. BDO intends to publish reports on its Sustainable Finance Report. The reports will include aggregated detail on allocations, in addition to environmental and social impact, of assets in the Sustainable Finance Portfolio.
Annual Review		The ASEAN SUS encourages, but does not require, annual reviews. BDO may engage an independent provider on an annual basis to review its progress report and ensure its conformity to BDO Sustainable Finance Framework.

⁶⁸ The ASEAN Sustainability Bond Standards are available at: <https://www.theacmf.org/images/downloads/pdf/ASUS2018.pdf>.

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	BDO Unibank, Inc.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	BDO Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 19, 2022
Publication date of review publication:	December 23, 2020
Original publication date <i>[please fill this out for updates]:</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify):</i> | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Renewable Energy, Green Buildings, Clean Transportation, Resource Efficiency and Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Employment Generation, and Food Security – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and the ASEAN Sustainability Bond Standards. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 8, 9, 11, 12, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input checked="" type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

BDO's Sustainable Finance Desk will be responsible for identifying, qualifying, evaluating and recommending potential projects to be included in the Sustainable Finance Portfolio. The Sustainable Finance Desk is comprised of members from the Lending Group. In addition to being assessed against the eligibility criteria of the Framework, BDO has internal procedures in place to identify and manage environmental and social risks associated with assets financed, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

BDO's Sustainable Finance Desk will be responsible for the management, allocation of proceeds, and tracking of eligible assets through the Sustainable Finance Portfolio. The Bank intends to achieve full allocation within 36 months of issuance. In case any proceeds remain outstanding, they will be held in accordance with the Bank's liquid management policy and invested in short-term liquid instruments. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

BDO will report its allocation of proceeds on its website on an annual basis until full allocation. The report will contain aggregated details on the allocation of net proceeds. In addition, the Bank is committed to reporting on relevant environmental and social impact metrics. Sustainalytics views BDO's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): green building certification obtained, renewable energy generated |

(kWh), number of individuals benefited, etc.

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify): A Sustainable Finance Report
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of

funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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