

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 2018, Green Loan Principles 2020, 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 the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 8, 11, 12 and 15.



PROJECT EVALUATION / SELECTION BDO Sustainable Finance Desk will be responsible for identifying, qualifying, evaluating and recommending potential projects to be included in the Sustainable Finance Portfolio. In addition to being assessed against the eligibility criteria of the Framework, projects will undergo a risk assessment of their environmental and social impact. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS BDO will manage net proceeds using a portfolio approach, and in case any proceeds remain outstanding these will be held in accordance with the Bank's liquid management policy and invested in short-term liquid instruments. The Sustainable Finance Desk will be in charge of the management and allocation of proceeds. 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	December 23, 2020
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 about what an issuer should do to issue credible green, social, and sustainability bonds within Southeast Asia. Sustainalytics is of the opinion that the eligible green and social project categories under the BDO Sustainable Finance Framework aligns with the ASEAN Sustainability Bond Standards.

Introduction

BDO Unibank, Inc. (“BDO”, or the “Bank”) is a global bank based in the Philippines. The Bank provides a variety of banking products and services, including corporate and consumer lending, deposit-taking, foreign exchange, brokering, trust and investments, credits cards, corporate cash management, and remittances. BDO has over 1,300 operating branches and more than 4,000 ATMs nationwide.¹ BDO is headquartered in Makati, the Philippines, and it is a member of the SM Group.

The Bank has developed the BDO Sustainable Finance Framework (the “Framework”) under which it intends to issue Sustainable Finance Instruments (SFI), such as green, social and sustainability bonds, loans and other debt financing instruments, and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects. Eligible projects are expected to reduce Philippines’ environmental footprint and assist the transition towards a low-carbon economy while advancing the socio-economic development of the Country. The Framework defines eligibility criteria in six green areas and two social areas:

Green Eligible 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

Social Eligible Categories:

1. Employment Generation
2. Food Security

BDO engaged Sustainalytics to review the BDO Sustainable Finance Framework, dated December 2020, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG),² the Green Loan Principles 2020 (GLP),³ and ASEAN Sustainability Bond Standards.⁴ This Framework has been published in a separate document.⁵

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

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

The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA, Green Loan Principles 2020 as administered by LMA, 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.

¹ BDO, “About BDO”, at: <https://www.bdo.com.ph/mobile/about-bdo>.

² The Sustainability Bond Guidelines 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/>

³ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁴ 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>

⁵ The BDO Sustainable Finance Framework is available on BDO’s website at: <https://www.bdo.com.ph/corporate-governance/sustainability>

⁶ 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.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, 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 their 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 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.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realized allocation of the bond 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 favor 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 Green Bond Principles 2018 (GBP), the Social Bond Principles 2020 (SBP), the Green Loan Principles 2020 (GLP) and the ASEAN Sustainability Bond Standards 2018 (ASEAN SUS). Sustainalytics highlights the following elements of BDO's 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 Generation, and Food Security – are aligned with those recognized by the GBP, SBP, GLP and ASEAN SUS. Sustainalytics believes that BDO's investments can be expected to reduce Philippines' environmental footprint and assist the transition towards a low-carbon economy while advancing the socio-economic development of the country.

For the "Renewable Energy" category, BDO intends to invest in the development, acquisition, operation and maintenance of renewable energy generation or transmission infrastructure and technologies related biomass, biogas, geothermal, hydropower, solar, and wind energy. BDO applies the following criteria

- Regarding biogas and biomass, life-cycle GHG emissions intensity must be below 100gCO₂e/kWh for electricity generation. BDO clarified that that the feedstock may include agricultural waste, excluding waste from palm oil operations. In case of using non-waste biomass as feedstock in 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 biofuel feedstock production, nor does it compete with food security.

- Geothermal projects must have direct emissions lower than 100gCO₂/kWh;
 - Run-of-river hydro projects must have a capacity under 25 MW or without pondage;⁷
 - Energy storage systems include power-to-hydrogen through water electrolysis, 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.
- For the “Green Buildings” category, the Bank will finance the construction or renovation of residential or commercial buildings that use credible third-party certification systems such as BREEAM “Excellent” or above, LEED “Gold” or above, “BERDE “4-star” or above and/or EDGE Certification or above. Sustainalytics considers the referenced certification standards to be credible and the selected levels to be aligned with market practice and having a positive impact (see Appendix 1 for additional details on the certification schemes).
 - For the “Clean Transportation” category, BDO intends to finance the procurement, development and manufacturing facilities of electric vehicles, the development of electric vehicle charging stations and electric powered trains or rail lines with a direct emission threshold of under 75g CO₂/p-km (passenger) or under 25g CO₂/t-km. Freight rail may be qualified if the overall portfolio on average meets the established threshold of 25g CO₂/t-km. Sustainalytics notes this thresholds as aligned with market practice.
 - For the “Resource Efficiency and Pollution Prevention and Control” category, BDO plans to invest in the development and production of environmentally sustainable products and materials, soil remediation, waste prevention, re-use, and recycling.
 - Intended recycling projects include financing of recycling plants that process metals, plastic and paper. The Bank is committed to ensuring appropriate segregation of non-recyclable and hazardous materials to ensure its alignment with the waste hierarchy.
 - Regarding the environmentally sustainable products and materials, BDO intends to invest in the production of biodegradable packaging certified by Roundtable on Sustainable Biomaterials (RSB). Sustainalytics views RSB as a credible certification that is aligned with market practice (see Appendix 2 for an overview of the scheme).
 - For the “Environmentally Sustainable Management of Living Natural Resources and Land Use” category, the Bank intends to 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 Organic, EU Organic or other equivalent national standards. For further information on these certifications refer to Appendix 3. 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 Organization⁸ and may include biological crop protection and organic fertilizers.
 - Forestry projects will either be subject to environmental management plans for smallholders or those certified under Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) or Sustainable Forestry Initiative (SFI). Sustainalytics notes that reforestation/afforestation projects will use well adapted tree species to local conditions and have sustainable management plans in place or with FSC or PEFC certification. Refer to Appendix 4 for eligible certification schemes.
 - Aquaculture facilities are those that are certified by the Aquaculture Stewardship Council (ASC), and fishery operations will be certified by the Marine Stewardship Council (MSC). Sustainalytics considers these certifications to be credible and impactful. Refer to Appendix 3 for an analysis of these certifications.

⁷ BDO has confirmed to Sustainalytics that for all new run-of-river projects and Environmental and Social Impact Assessment will be performed and verified by the Philippines regulatory agency, the Department of Environment and Natural Resources – Environmental Management Bureau.

⁸ Climate Smart Farm Inputs, UN Food and Agriculture Organization, at: <http://www.fao.org/3/ca6043en/ca6043en.pdf>.

- For the “Sustainable Water and Wastewater Management” category, the Framework includes the financing of infrastructure such as wastewater treatment, urban drainage systems, water recycling, rain harvesting and flood mitigation projects. BDO has confirmed to Sustainalytics that the Bank will favor flood adaptation projects following climate impact assessments and adaptation plans to ensure net positive impact, which Sustainalytics consider to be in line with market practice.
- BDO’s social eligible categories include the following:
 - For the “Employment Generation” category, BDO intends to finance micro, small and medium-sized enterprises (MSMEs) defined by the Bangko Sentral ng Pilipinas,⁹ focusing on those that are led or founded by women, smallholder farmer associations and cooperatives¹⁰ and impacted by disasters and crises. Sustainalytics recognizes the importance of supporting SMEs in Philippines and considers BDO’s targeted approach as aligned with market practice. (see Section 3: Impact of Use of Proceeds for additional details)
 - For the “Food Security” category, BDO intends to provide loans to small-scale farmers¹¹ for the financing of equipment and facilities that help prevent food loss and waste, improve productivity and increase market access to small-scale producers. 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; illegal logging, mining, and fishing; forced and child labor; 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 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. To qualify against the criteria of the evaluation and selection process, projects should meet the requirements to ensure that potential environmental and social risks can be mitigated. These include conformance with local and global standards and evaluation of a project’s impact on human rights, labor, health, safety, and community development.
- The Sustainable Finance Desk will further conduct semiannual reviews and update the Portfolio as may be required so long 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 Portfolio.
- The Sustainable Finance Desk will additionally 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 SFIs outstanding, including brief descriptions of uses of proceeds and corresponding project categories, amounts allocated and amounts pending allocation, amounts in new assets and assets refinanced, amounts lent to customers and environmental or social benefit, as applicable.

⁹ BDO’s definition of MSME is based the parameters set by the Bangko Sentral ng Pilipinas which identifies a company’s size based on total assets, such that: Micro - not more than Php 3Mn (USD 60,000), Small – from Php 3Mn to Php 15Mn (USD 60,000 – 300,000), and Medium - from Php 15Mn to Php 100Mn (USD 300,000 to 2 million). At: http://www.philexport.ph/barterfli-philexport-file-portlet/download/export_laws/RA9501_Magna_Carta_for_MSMEs.pdf.

¹⁰ “Cooperatives” refers to small farmers’ associations as defined by the Republic Act. No 821, at: <https://www.officialgazette.gov.ph/1952/08/14/republic-act-no-821/>.

¹¹ BDO identifies “small scale farmers” as “natural persons dependent on small-scale subsistence farming as their primary source of income and whose sale, barter or exchange of agricultural products do not exceed one hundred eighty thousand pesos (Php180, 000) per annum based on 1992 constant prices” as per the Philippine Republic Act 7607. At: <https://ap.fttc.org.tw/article/600>.

- BDO will aim to include assets that have a duration of that equals the full life of the relevant SFI. The Bank has confirmed to Sustainalytics that eligible investments for refinancing are those within three years prior to the issuance of the 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 prudent liquidity management policy which allows for investments in short-term liquid instruments.
- Based on the establishment of a portfolio and the handling of unallocated net proceeds, Sustainalytics considers this process to be in line with market practice.

Reporting:

- BDO intends to publish on its website Sustainable Finance Reports 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 certification obtained, renewable energy generated (kWh), greenhouse gas (GHG) emissions avoided (tCO₂e), water savings (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 ASEAN Sustainability Bond Standards 2018

The ASEAN Sustainability Bond Standards provide guidance to issuers and communicate more specifically what an issuer should do to issue a credible green bond within Southeast Asia. Sustainalytics is of the opinion that the BDO Sustainable Finance Framework aligns with the ASEAN Sustainability Bond Standards 2018 (ASEAN SUS). See Appendix 5: Alignment to the ASEAN Sustainability Bond Standards.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the BDO Sustainable Finance Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020). For detailed information please refer to Appendix 6: Sustainability Bond/ Sustainability Bond Programme External Review Form.

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 the Bank's Sustainability Framework, which the Bank has aligned with the SDGs, and which centers around five key areas: (i) Product Sustainability Strategy; (ii) Sustainability Contribution Strategy; (iii) Human Capital Sustainability Strategy; (iv) Disaster Response Sustainability Strategy; and (v) Governance-Based Sustainability Strategy. Sustainalytics highlights the following for being particularly relevant to the Framework:

Through the Sustainability Contribution Strategy, BDO aims to support the transition to clean and renewable energy sources and funding climate-smart infrastructure projects. Since 2010, the Bank has financed 2.1 GW of installed renewable energy capacity translating into approximately 3.9 million tonnes of CO₂ avoided per year.¹² Furthermore, in 2019 BDO issued a green bond to finance renewable energy, green buildings, and energy-efficient equipment in the Philippines.¹³ This area is further supported by the Bank's partnerships with the International Finance Corporation ("IFC") through which it is advancing the Sustainable Energy Finance Program. This program is targeted at expanding the Bank's reach in financing renewable energy projects.¹⁴

¹² BDO, "2019 Sustainability Bond", at: <https://www.bdo.com.ph/sites/default/files/pdf/BDO-2019-Sustainability%20Report.pdf>.

¹³ CBI, "Green Bond Fact Sheet", (2019), at: <https://www.climatebonds.net/files/files/2018-01%20PH%20BDO%20Unibank.pdf>.

¹⁴ BDO, "About BDO", at: <https://www.bdo.com.ph/mobile/about-bdo>.

By the end of 2019, BDO's green financing accounts for about 10% of its total loan portfolio inclusive of all industries.¹⁵

Under the Product Sustainability Strategy, one of the main focus areas is to promote financial inclusion. This initiative is carried out in part by BDO Foundation, a non-profit organization founded by the Bank, which supports social programmes such as making financial education and financial services more accessible to people, especially the underserved.¹⁶ The BDO Foundation's flagship financial education programme, the Financial Literacy Program for Schools, is run in collaboration with the Department of Education and the Bangko Sentral ng Pilipinas. Additionally, in collaboration with Cardinal Agri Products, Inc., BDO aims to uplift Filipino farming communities, protect the environment, and provide affordable loans.¹⁷ 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. Most of BDO Network's MSME clients are first-time borrowers from a financial institution, and its aim is to continue expanding its coverage of this segment.

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-mentioned commitments by BDO as important contributors to the Bank's sustainability performance and encourages the BDO define timebound and quantifiable sustainability targets.

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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the GBP, SBP and ASEAN SUS to have positive environmental and social impact, Sustainalytics recognizes that environmental and social risks could be associated with the financing provided. Examples of these risks include occupational health and safety, biodiversity loss, land-use change 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 Board of Directors assumes oversight over the entire risk management process, and it has the ultimate responsibility for all risks taken by the Bank.¹⁸ Additionally, The Risk Management Committee of the Board has overall responsibility for the Group's risk management systems and sets risk management policies across the full range of risks to which the Group is exposed. The Bank operates an enterprise risk management system to address the risks it faces in its banking activities.
- The Sustainable Finance Desk¹⁹ trains lending and credit officers by conducting trainings on Environmental Risk Management.²⁰
- BDO has in place a Code of Conduct and Business Ethics²¹ (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 and accountability, and compliance with laws and regulations.²²
- The Bank's Corporate Governance Manual²³ includes 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 Consumer Protection Framework establishes minimum safeguard standards concerning providing clients with clear and concise information, including the risks involved, before the client is granted financial products and services.²⁴

¹⁵ BDO, "Compliance with Leading Practices Corporate Governance", at:

<https://www.bdo.com.ph/sites/default/files/pdf/2019%20Compliance%20with%20Leading%20Practices%20on%20Corporate%20Governance.pdf>.

¹⁶ BDO, "Corporate Social Responsibility", at: <https://www.bdo.com.ph/corporate-governance/corporate-social-responsibility>.

¹⁷ BDO, "2019 Sustainability Bond", at: <https://www.bdo.com.ph/sites/default/files/pdf/BDO-2019-Sustainability%20Report.pdf>.

¹⁸ BDO, "Enterprise Risk Management", at: <https://www.bdo.com.ph/corporate-governance/enterprise-risk-management>.

¹⁹ BDO, "2019 Sustainability Bond", at: <https://www.bdo.com.ph/sites/default/files/pdf/BDO-2019-Sustainability%20Report.pdf>.

²⁰ BDO has shared with Sustainalytics, in confidence, information regarding its procedures pertaining to Environmental Risk Management.

²¹ 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.

²² BDO, "Compliance with Leading Practices Corporate Governance", at:

<https://www.bdo.com.ph/sites/default/files/pdf/2019%20Compliance%20with%20Leading%20Practices%20on%20Corporate%20Governance.pdf>.

²³ BDO, "Corporate Governance Manual", at: <https://www.bdo.com.ph/sites/default/files/pdf/REVISED-CORGOV-MANUAL.pdf>.

²⁴ BDO, "Compliance with Leading Practices Corporate Governance", at:

<https://www.bdo.com.ph/sites/default/files/pdf/2019%20Compliance%20with%20Leading%20Practices%20on%20Corporate%20Governance.pdf>.

- The Bank regularly monitors for exposure to specific industries such as “production or trade in weapons and munitions, online gaming and equivalent enterprises, hydroelectric plants with weir height more than 50 meters, illegal mining, illegal fishing and child labor” or those deemed to have adverse environmental and social effects to the community.²⁵
- BDO has a Social & Environment Management Systems Policy (SEMS Policy) to ensure that environmental and social aspects are considered and incorporated into the “day-to-day operations of the Bank”. The SEMS Policy covers all corporate borrowing accounts and categorizes them according to their social and environmental impact.²⁶

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 or SBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of renewable energy generation and GHG emission reduction from buildings

Currently, the Philippines’ power generation mix is met through coal (47%), natural gas (22%), renewable energy (hydro, geothermal, wind, solar) (24%), and oil-based sources (6.2%) with a total installed capacity of 23 GW.²⁷ While the government has announced its intention for the Philippines to increase its energy self-sufficiency rate to 64% under its Clean Energy Scenario by 2040, it is expected that an additional 43 GW of power will be needed by then.²⁸ 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 has implemented a public target to install additional 20 GW of renewable energy facilities by 2040.²⁹

According to studies conducted by the IFC, buildings in the Philippines accounted for 36% of the country’s electricity consumption and over 25% of total GHG emissions in 2018.³⁰ 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 government elaborated the Philippines Energy Efficiency Roadmap 2017–2040.³¹ The roadmap establishes objectives, policies and programs relative to the dissemination and expansion of energy efficiency measures across the real estate sector. Both the increase of renewable energy and further development of green buildings will contribute to reaching the national goals set in its Intended Nationally Determined Contributions under the Paris Agreement of reducing 70% of GHG emissions by 2030 relative to its BAU scenario of 2000-2030.³²

Sustainalytics considers that BDO’s green buildings and renewable energy projects are aligned with the efforts and policies of the Philippines Government, and further advance the reduction of the country’s GHG emissions.

Importance of pollution prevention and control and circular economy 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.³³ To curtail the amount of waste and improve waste management, the Philippines Government introduced the Ecological Solid Waste Management Act of 2000. This legal Framework mandated

²⁵ BDO, “Compliance with Leading Practices Corporate Governance”, at:

<https://www.bdo.com.ph/sites/default/files/pdf/2019%20Compliance%20with%20Leading%20Practices%20on%20Corporate%20Governance.pdf>.

²⁶ BDO, “Corporate Profile”, at: <https://www.bdo.com.ph/about-bdo/corporate-profile-032112>.

²⁷ ITA, “Philippines Energy Market”, (2020) <https://www.trade.gov/market-intelligence/philippines-energy-market#:~:text=The%20current%20energy%20mix%20is,current%20energy%20capacity%20at%2023GW.>

²⁸ Ibid.

²⁹ Department of Energy, “Renewable Energy Roadmap 2017-2040”, at: <https://www.doe.gov.ph/pep/renewable-energy-roadmap-2017-2040>.

³⁰ ABS-CBN, “Green Buildings’ pushed in rapidly urbanizing Philippines”, at: <https://news.abs-cbn.com/video/business/01/09/18/green-buildings-pushed-in-rapidly-urbanizing-philippines>

³¹ 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

³² UNFCCC, “Republic of the Philippines Intended Nationally Determined Contributions”, (2015), at:

<https://www4.unfccc.int/sites/submissions/INDC/Published%20Documents/Philippines/1/Philippines%20-%20Final%20INDC%20submission.pdf>.

³³ 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.

that all open dumpsites be converted into sanitary landfills by 2006.³⁴ However, as of 2018, there were still more than 425 illegal dumpsites across the country with 139 sanitary landfills in operation handling waste streams from just 308 of the 1,634 local government units.³⁵ Difficulties to fully implement the Framework are attributed by a lack of budget resources, finding suitable land, and a lack of technical expertise.³⁶

Additionally, an estimated 70-90% of the waste dumped illegally in the Philippines ends up in the oceans every year, making the country the third-largest ocean polluter in the world.^{37,38} This issue can be further mitigated with increasing the recycling rate and improving waste management. An estimate by the National Solid Waste Management Commission revealed that approximately 27% of municipal solid waste could be processed through recycling. 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.³⁹

Sustainalytics is of the opinion that the BDO's financing of waste management projects and circular economy in the Philippines will 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

Current statistics from the Philippines' Environmental Management Bureau indicate that only 10% of the country's wastewater is treated, and 58% of the groundwater is contaminated.⁴⁰ The major sources of water pollution are attributed to inadequately treated domestic wastewater or sewage (48%) and agricultural wastewater (37%), which are also the leading cause of waterborne diseases. In Metropolitan Manila, the capital city and second-largest metropolitan region in the Philippines, only 11% of the 14 million inhabitants are connected to a sewerage system,⁴¹ 85% of the people are served by two million septic tanks, while the remaining 4% have no access to toilets.

Estimates suggest the total cost due to the health impacts of inadequate wastewater management systems in the country total USD 1.4 billion a year.⁴² A multi-stakeholder approach and collaboration is required to advance a comprehensive sanitation agenda. Given this context, Sustainalytics is of the opinion that BDO's financing of wastewater treatment, water recycling and urban drainage systems can provide a meaningful contribution to the acute issue of untreated wastewater and groundwater pollution.

Importance of supporting MSMEs and employment generation

The Philippines Department of Trade and Industry statistics show that MSMEs represent 99.52% of businesses operating in the country and employ 63% of the active economic population.⁴³ In terms of value-added to the economy, MSMEs account for 35% of the total value.⁴⁴ 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.⁴⁵ Despite their importance to the Philippine economy, MSMEs remain highly vulnerable to disruptions due to natural disasters that compromise their product market, labour, business

³⁴ 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.

³⁵ ECO-Business, "Philippines central government on solving plastic trash problem: 'We've done all we can'", (2018), at: <https://www.eco-business.com/news/philippines-central-government-on-solving-plastic-trash-problem-weve-done-all-we-can/>.

³⁶ Gamaralalage, D., et al., (2016) "Barriers for Implementation of the Philippine National Solid Waste Management Framework in Cities", Institute for Global Environmental Strategies, at:

<https://www.jstor.org/stable/pdf/resrep02912.pdf?refreqid=excelsior%3Ae0eacb55aca2e8fc4283a532cbf9853f>.

³⁷ Philstar, "Philippines 3rd largest contributor to ocean plastic", (2018), at: <https://www.philstar.com/headlines/2018/06/15/1824813/philippines-3rd-largest-contributor-ocean-plastic>.

³⁸ Ocean Conservancy and McKinsey & Co., "Stemming the Tide: Land-based strategies for a plastic-free ocean", at: <https://oceanconservancy.org/wp-content/uploads/2017/04/full-report-stemming-the.pdf>.

³⁹ Grace P Sapuay, (2019) "Improving MSW Management through Recycling". Acta Scientific Agriculture, at: <https://actascientific.com/ASAG/pdf/ASAG-03-0581.pdf>.

⁴⁰ WIPO, "Wastewater Management in the Philippines", (2015), at:

https://www.wipo.int/edocs/mdocs/mdocs/en/wipo_ip_mnl_15/wipo_ip_mnl_15_t4.pdf

⁴¹ World Population Review, "Manila Population", at: <http://worldpopulationreview.com/world-cities/manila-population/>

⁴² IFC, "Expanding Access to Improved Sanitation for the Poor: Insight from the Philippines", (2018), at:

[https://www.ifc.org/wps/wcm/connect/a1773942-07dc-4141-92b2-](https://www.ifc.org/wps/wcm/connect/a1773942-07dc-4141-92b2-59beaf2a2543/SanitationSummary_FINAL_Jan+2018.pdf?MOD=AJPERES&CVID=m44HPRY)

[59beaf2a2543/SanitationSummary_FINAL_Jan+2018.pdf?MOD=AJPERES&CVID=m44HPRY](https://www.ifc.org/wps/wcm/connect/a1773942-07dc-4141-92b2-59beaf2a2543/SanitationSummary_FINAL_Jan+2018.pdf?MOD=AJPERES&CVID=m44HPRY).

⁴³ DTI Philippines, "MSME Statistics", at: <https://www.dti.gov.ph/resources/msme-statistics/>

⁴⁴ WTO, "MSME Development Programs in the Philippines", at:

https://www.wto.org/english/forums_e/business_e/session1_1clavesillas_wto_djtc_final_main.pdf

⁴⁵ 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>

continuity and recovery.⁴⁶ Due to its geography and location, the Philippines is one of the most vulnerable countries to typhoons, earthquakes, and floods.⁴⁷

Furthermore, MSMEs have been particularly affected by the Covid-19 pandemic and the Philippine’s government has instituted a wage subsidy program for 3.5 million MSME workers, and a loan program of approximately USD 19.64 million for MSMEs.⁴⁸ 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 MSME’s is thus aligned with the Philippines’s MSME-DP strategy to make MSME’s more capable of coping and overcoming negative effects of natural hazards.

Sustainalytics is of the opinion that BDO’s financing of MSME’s, in particular, those that have been funded by women, are female-led or represent smallholder farmer associations and cooperatives will, advance the Philippines’ MSME Development Plan 2017-2022 goals.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances 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	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
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
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	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
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	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons

⁴⁶ Philippine Institute for Development Studies, “Building Philippine MSMEs Resilience to Natural Disasters”, (2015), at: <https://dirp3.pids.gov.ph/webportal/CDN/PUBLICATIONS/pidsdps1520.pdf>

⁴⁷ 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>

⁴⁸ Philippine News Agency, “Gov’t finalizing Covid-related support for MSME workers”, at: <https://www.pna.gov.ph/articles/1099663>

		with disabilities, and equal pay for work of equal value
Food Security	2. Zero Hunger	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment

Conclusion

BDO has developed the BDO Sustainable Finance Framework under which it intends to issue Sustainable Finance Instruments (SFI), such as green, social and sustainability bonds, loans and other debt financing instruments, and use the proceeds to finance projects that are expected to reduce the Philippines’ environmental footprint and assist the transition towards a low-carbon economy while advancing the socio-economic development of the Country. Sustainalytics considers that the projects funded by the SFIs are expected to reduce Philippines’ environmental footprint and assist the transition towards a low-carbon economy while advancing the socio-economic development of the Country.

The BDO Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting 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, 11, 12 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 funded by the use of proceeds.

Based on the above, Sustainalytics is confident that BDO Unibank, Inc. is well-positioned to issue sustainability bonds and that the BDO Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 (GBP), the Social Bond Principles 2020 (SBP), the Green Loan Principles 2020 (GLP) and the ASEAN Sustainability Bond Standards 2018 (ASEAN SUS).

Appendices

Appendix 1: Comparison of Green Building Certification Schemes

	LEED ⁴⁹	EDGE ⁵⁰	BERDE ⁵¹	BREEAM ⁵²
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	EDGE (or “Excellence in Design for Greater Efficiencies”) is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.	BERDE (Building for Ecologically Responsive Design Excellence) is administered by the Philippine Green Building Council (PhilGBC) and is recognized by the Philippine Department of Energy. In 2009, the scheme was developed in line with the World Green Building Council’s Quality Assurance for Green Building Rating Tools methodology.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, BREEAM can be used for new, refurbished and extension of existing buildings.
Certification Levels	Certified Silver Gold Platinum	Certified/ non-certified	1 Star 2 Stars 3 Stars 4 Stars 5 Stars	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding
Areas of Assessment	<p>Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.</p> <p>Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority</p>	<p>Management is part of the Core Framework of EDGE⁵³</p> <ol style="list-style-type: none"> 1. Climatic Conditions of the Location 2. Building Type and Occupant Use 3. Design and Specifications 4. Calculation of the End Use Demand 	<p>Management is part of the Core Framework of BERDE.</p> <p>Core Framework:</p> <ul style="list-style-type: none"> ☒ Energy Efficiency and Conservation ☒ Water Efficiency and Conservation ☒ Waste Management ☒ Use of Land and Ecology ☒ Green Materials ☒ Transportation ☒ Indoor Environmental Quality ☒ Emissions 	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation
Requirements	Prerequisites (independent of level of certification) + Credits with associated points	To achieve the EDGE standard, a building must demonstrate a minimum 20% reduction in operational energy	Minimum requirements + Points Projects applying for BERDE Certification must comply with the minimum requirements	Prerequisites depending on the levels of certification, and credits with associated points.

⁴⁹ Website available at: <https://new.usgbc.org/leed>

⁵⁰ Website available at: <https://www.edgebuildings.com/marketing/edge/>

⁵¹ Website available at: <https://berdeonline.org/>

⁵² BREEAM, “Rating Benchmark”, at: https://www.breeam.com/BREEAMIntNDR2016SchemeDocument/content/03_scoringrating_all/rat_benmks_all.htm.

⁵³ EDGE Methodology Report available at: <https://www.edgebuildings.com/wp-content/uploads/2018/10/181018-EDGE-Methodology-Version-2.pdf>

	<p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>consumption, water use and embodied energy in materials as compared to typical local practices.</p>	<p>before an assessment can begin. Afterwards, the project is analyzed on the 9 areas of assessment and receives points depending on performance. The distribution of points for the areas of assessment is different depending on the certification type (BERDE GBRs New Construction, BERDE GBRs Operations and BERDE GBRs Renovations). Based on the total number of points, a certain number of stars are awarded to the project. The minimum rating for a project to be certified is 51 points (1 Star).</p>	<p>This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p>
<p>Qualitative Considerations</p>	<p>Widely recognized internationally, and strong assurance of overall quality.</p>	<p>Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.</p>	<p>BERDE puts more emphasis on water savings than LEED and is less stringent about energy requirements than BREEAM. Unlike most other schemes, BERDE has points which account for heritage conservation. BERDE is mainly used in the Philippines.</p>	<p>Widely accepted within the industry. Sustainalytics considers BREEAM Very Good (provided a minimum score of 70% is achieved in the energy category), Excellent and Outstanding to be representative of best practice.</p>
<p>Performance Display</p>				

Appendix 2: Overview of the Roundtable on Sustainable Biomaterials

	Roundtable on Sustainable Biomaterials ⁵⁴
Background	The Roundtable on Sustainable Biomaterials (RSB) is an international initiative that promotes and supports the sustainability of biomaterials production and processing, bringing together companies, farmers, NGOs and inter-governmental agencies. While the RSB was set up in 2007 as a means of ensuring the sustainability of liquid biofuels for transport, in 2013, it expanded its scope to include biomaterials.
Clear positive impact	Promoting sustainable biomaterials.
Minimum standards	The RSB sets minimum requirements in the areas of legality, planning, monitoring and continuous improvement, GHG emissions, human and labour rights, rural and social development, local food security, conservation, soil, water and air management, use of technology, inputs and management of waste, land rights and chain of custody. The RSB standard requires that biofuels achieve 50% lower lifecycle GHG emissions compared with a fossil fuel baseline. Each Principle also includes type of feedstock as a specific indicator of compliance.
Scope of certification or programme	The RSB certification addresses key risks such as human and labour rights, supply chain, resource management and land and biodiversity use through its criteria.
Verification of standards and risk mitigation	Certified entities undergo a self-assessment process and, afterwards, receives a visit from a third-party auditor. Annual audits will also take place after the validation.
Third-party expertise and multi-stakeholder process	RSB is a full member of the ISEAL Alliance and respects its Codes of Good Practice for multi-stakeholder sustainability standards. RSB's benchmarks are available with Rainforest Alliance, the Sustainable Agriculture Network, the Forest Stewardship Council, Bonsucro and the IFC Performance standards.
Performance Display	
Qualitative considerations	The RSB certification is considered strong by organisations such as WWF, IUCN and NRDC. In 2017, RSB certified 50 industrial facilities and 56,784 hectares of farmland.

⁵⁴ RSB, "About certification" at: <https://rsb.org/certification/about-certification/>.

Appendix 3: Summary of agricultural sustainability certifications and Fishery and Aquaculture Certifications

	USDA Organic⁵⁵	EU Organic⁵⁶	Marine Stewardship Council⁵⁷	Aquaculture Stewardship Council⁵⁸
Background	The USDA Organic label is a US certification system overseen, administered and enforced by the National Organic Program of the United States Department of Agriculture. The US Organic label is regulated by the US Organic Foods Production Act of 1990 and involves input from the National Organic Standards Board (a Federal Advisory Committee made up of 15 members of the public) and the public.	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.	Marine Stewardship Council (MSC) is a non-profit organisation founded in 1996 that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.
Clear positive impact	Promoting sustainable farming practices that improve water quality, conserve energy, increase biodiversity and contribute to soil health.	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.
Minimum standards	The USDA Organic seal sets strict production and labeling requirements: <ul style="list-style-type: none"> • produced without genetic engineering, ionizing radiation or sewage sludge • produced using allowed substances based on a comprehensive list of authorized synthetic and non-synthetic substances overseen by a USDA NOP authorized agent 	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.	A minimum score must be met across each of the performance indicators. As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based. Certification may be granted with a "variance" to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticised for weakening the standard and overriding the consultations involved in the standard-setting process.
Scope of certification or programme	The USDA Organic system addresses key risks such as substance use through the regulation of synthetic and non-synthetic substances to preserve soil quality and in line with	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the	The MSC standard consists of a fisheries standard and a chain of custody standard. The Fishery Standard assesses three core	ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding

⁵⁵ U.S. Department of Agriculture, USDA Organic: <https://www.usda.gov/topics/organic>

⁵⁶ European Commission, Organics at a glance: https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/organics-glance_en

⁵⁷ Marine Stewardship Council, at: <https://www.msc.org/standards-and-certification/fisheries-standard>.

⁵⁸ Aquaculture Stewardship Council, at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>.

	federal guidelines on animal raising practices, pest and weed control and the use of additives.	maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).	principles: sustainable fish stocks, minimising environmental impact and effective fisheries management; collectively, these account for the major environmental and social impacts. The Chain of Custody standard addresses certified purchasing; product identification; separation; traceability and records; and good management.	both environmental and social performance. Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.
Verification of standards and risk mitigation	The USDA seal has a twofold enforcement mechanism, one by Organic Certifiers and one by the USDA Agricultural Marketing Services. The two bodies undergo audits to ensure compliance with criteria and continuous improvement at least once a year or unannounced.	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI), carry out assessments in line with the MSC standard and ISO 17065. Certification is valid for up to five years.	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI), carry out assessments in line with the ASC standard and ISO 17065. Major non-compliances must be remedied within three months.
Third party expertise and multi-stakeholder process	The USDA Organic seal is organized by the National Organic Program which develops the rules and regulations for the production, handling, labeling and enforcement of all USDA organic products. This process receives input from the national Organic Standards Board (a Federal Advisory Committee made of 15 members of the public) and the general public.	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission’s typical legislative approach.	Aligned with the UN Code of Conduct for Responsible Fishing and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO) and International Social and Environmental Accreditation and Labelling (ISEAL)	Developed in line with United Nation’s Food and Agriculture Organization (UN FAO) and International Labour Organization (ILO) principles. Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.
Performance Display				
Third-party verified and/or Qualitative Considerations	80 certifying agents are USDA accredited and authorized to certify operations under the USDA organic standards. 48 of the 80 certifying authorities are US based and 32 are in foreign countries. Most certifying agents are directly accredited by the USDA	Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.	The MSC label is the most widely recognised sustainable fisheries label worldwide and is generally accepted to have positive impacts on marine environments. Proponents of the label cite the transparent science-based process	Widely recognised and modeled on the successful MSC certification. Some criticism has been focused on the ability to certify with a “variance”, in which certain aspects of the standard can be interpreted or waived

	<p>National Organic Program, with an additional 21 members being officially authorized through recognition agreements between US and other governments.</p>		<p>for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch; protecting marine mammals and endangered species; follow-up on conditions; crew safety; and live tracking of supply chains.</p>	<p>during the audit procedure. While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>
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Appendix 4: Overview and Assessment of Forestry Certifications

	FSC ⁵⁹	PEFC ⁶⁰	SFI ⁶¹
Background	Founded in 1993 after the 1992 Earth Summit in Rio failed to produce any international agreements to fight against deforestation, FSC aims to promote sustainable forest management practice.	PEFC was founded in 1999 in response to the specific requirements of small and family forest owners as an international umbrella organisation providing independent assessment, endorsement and recognition of national forest certification systems.	In 2005, the PEFC recognized the SFI standard with an aim to advance sustainable forestry and responsible purchasing globally. The SFI program has on-product labels to help consumers interact with the forestry supply chain by supporting responsible forestry. The SFI standards pertain to - Forest Management Standard, Fiber Sourcing Standard and Chain-of-Custody Standard
Basic Principles	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations 	<ul style="list-style-type: none"> • Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and non-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements 	<ul style="list-style-type: none"> • To practice sustainable forestry that integrates a land stewardship ethic and conservation of ecosystem services • To protect and maintain forest productivity and health • To protect water resources and biological diversity • To manage the visual impacts of forest operations, and to provide recreational opportunities for the public • To manage and protect integrity of forests and lands of special significance (ecologically, geologically or culturally important) • To use and promote sustainable forestry practices that are both scientifically credible and economically, environmentally and socially responsible • To avoid Controversial Sources including Illegal logging in Offshore Fiber Sourcing as well as sourcing from countries that do not have effective social laws. • To comply with applicable federal, provincial, state, and local forestry and related environmental laws, statutes, and regulations • To support advances in sustainable forest management through forestry research as well as improve the practice of sustainable forestry through training and education programs

⁵⁹ Forest Stewardship Council, at: <https://www.fsc.org/en>.

⁶⁰ Programme for the Endorsement of Forest Certification, at: <https://www.pefc.org/>.

⁶¹ Sustainable Forestry Initiative, at: <https://www.sfiprogram.org/>

			<ul style="list-style-type: none"> To broaden the practice of sustainable forestry on public lands through community involvement as well as the understanding of the standard by documenting certification audits and making the findings publicly available. <p>To continually improve the practice of forest management</p>
<p>Governance</p>	<p>The General Assembly, consisting of all FSC members, constitutes the highest decision-making body.</p> <p>At the General Assembly, motions are proposed by one member, seconded by two more and deliberated and voted on by all members. Members are entitled to vote to amend the bylaws, initiate new policies and clarify, amend or overturn a policy decision by the board.</p> <p>Members apply to join one of three chambers – environmental, social or economic – that are further divided into northern and southern sub-chambers.</p> <p>Each chamber holds 33.3% of the weight in votes and within each chamber the votes are weighted so that the North and South hold an equal portion of authority, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p> <p>The votes of all individual members in each sub-chamber represent 10% of the total vote of the sub-chamber, while the votes of organizational members make up the other 90%.</p> <p>The members vote for the board of directors, which is accountable to the members. There is an international board elected by all members and a US board elected by the US-based members.</p>	<p>PEFC’s governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders.</p> <p>Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p> <p>The Board of Directors supports the work of the GA and together the GA and the Board make the formal approval of final draft standards. Standards are developed by working groups.</p> <p>In general, PEFC’s governance structure is more representative of industry and government stakeholders than of social or environmental groups, which gives industry and governments more influence in the decision-making process. However, the organisation does include stakeholders from all sectors.</p>	<p>The SFI program is operated by SFI Inc., a fully independent non-profit charitable 501(c) (3) organization.</p> <p>SFI Inc. is governed by an 18-member board of directors made up of three chambers with equal membership: environmental, social and economic. This multi-stakeholder board of directors is the sole governing body over all aspects of the SFI program, including the SFI 2010-2014 Standard, chain-of-custody, labeling and claims, marketing and promotion.</p> <p>The SFI has an External Review Panel, comprising environmental, conservation and forestry experts. This panel annually reviews the program’s progress and releases a report publicly.</p> <p>There are thirty-seven SFI Implementation Committees across North America that operate at the regional, state and provincial level to help promote the SFI Standard through targeted local actions. They involve public agencies, universities, local forestry associations, landowners, loggers, partnerships with conservation groups, and other community-based organizations.</p>
<p>Scope</p>	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social and environmental interests have equal</p>	<p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC</p>	<p>SFI Standards promote sustainable forest management in North America and responsible procurement of forest products around the world.</p> <p>The SFI Forest Management Standard particularly applies to</p>

	weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	Code for good practice for standardization (Guide 59) ⁶² and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	organizations in the United states and Canada and the Fiber Sourcing Standard as well as the Chain-of-Custody standard apply to any organization globally.
Chain-of-Custody	<ul style="list-style-type: none"> • The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards. • CoC standard includes procedures for tracking wood origin. • CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products. • CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC. 	<ul style="list-style-type: none"> • Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004, respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC. • Only accredited certification bodies can undertake certification. • CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. • The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials. • The CoC standard includes specifications for the physical separation of certified and non-certified wood. • The CoC standard includes specifications about procedures for dealing with complains related to participant’s chain of custody. 	<ul style="list-style-type: none"> • Any entity harvesting, transporting, handling or processing forest based products can use CoC certification to track and communicate forest fiber content using one of the following optional approaches for chain of custody: physical separation, average percentage or volume credit method. • These entities shall obtain an independent, third-party certification by an SFI certification body to the requirements set out in this standard if they choose to utilize an SFI CoC label or claim. • Quality or environmental management systems (ISO 9001: 2008) or environmental management system (ISO 14001:2004) can be used to meet minimum requirements for the management system. <p>This standard shall be used together with the requirements specifying the origin, which is to be verified by the CoC. Usage of labels and claims based on the implementation of this standard shall follow ISO 14020:2000 (Environmental labels and declarations)</p>
Non-Certified Wood Sources	<p>FSC’s Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems and documentation to avoid sourcing materials from controversial sources, including:</p> <p>a. Illegally harvested wood, including wood that is harvested without legal authorisation; from protected areas; without payment of appropriate taxes and fees; using fraudulent papers and</p>	<p>The PEFC’s Due Diligence System requires participants to establish systems to minimise the risk of sourcing raw materials from:</p> <p>a. forest management activities that do not comply with local, national or international laws related to workers’ health and labor and indigenous peoples’ property, tenure and use rights.</p> <p>b. operations and harvesting, including land use conversion,</p> <ul style="list-style-type: none"> o management of areas with designated high 	<p>SFI requires program participants to:</p> <p>a. Comply with applicable federal, provincial, state, and local forestry and related environmental laws, statutes, and regulations such as - The Clean Water Act, The Endangered Species Act, The Species at Risk Act, The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) etc.</p>

⁶² ISO, “ISO/IEC Guide 59:2019”, (2019), at: <https://www.iso.org/standard/23390.html>.

	<p>mechanisms; in violation of CITES requirements; and others,</p> <p>b. wood harvested in violation of traditional and civil rights,</p> <p>c. wood harvested in forests where high conservation values are threatened by management activities,</p> <p>d. wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</p> <p>e. wood from management units in which genetically modified trees are planted.</p>	<p>environmental and cultural values,</p> <ul style="list-style-type: none"> o protected and endangered species, including CITES species, o health and labour issues, o indigenous peoples' property, tenure and use rights, o payment of royalties and taxes. <p>c. genetically modified organisms,</p> <p>d. forest conversion, including conversion of primary forests to forest plantations.</p>	<p>b. Avoid controversial sources including Illegal Logging and Fiber Sourced from Areas that do not have Effective Social Laws pertaining to: workers' health and safety, fair labor practices, indigenous peoples' rights, anti-discrimination and anti-harassment measures, prevailing wages and workers' right to organize.</p> <p>Document information that includes knowledge about direct suppliers' application of the principles of sustainable forestry.</p>
<p>Accreditation/ Verification</p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment and upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). A certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial and that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>	<p>All SFI certifications require independent, third-party audits and are performed by internationally accredited certification bodies.</p> <p>Accredited certification bodies are required to:</p> <ul style="list-style-type: none"> • maintain audit processes consistent with the requirements of ISO 17021:2006 conformity assessment – requirements for bodies providing audit and certification of management systems; and • conduct audits in accordance with the principles of auditing contained in the ISO 19011:2002 Guidelines for Quality and/or Environmental Management Systems Auditing.
<p>Conclusion</p>	<p>Sustainalytics views both FSC and PEFC as well as the PEFC-affiliated scheme SFI as being credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices⁶³ and both have also faced criticism from civil society actors.^{64,65} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are equal or similar to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>		

⁶³ FESPA, "FSC, PEFC and ISO 38200" (2018), at: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>.

⁶⁴ Yale Environment 360, "Greenwashed Timber: How Sustainable Forest Certification Has Failed" (2018), at: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>.

⁶⁵ EIA, "PEFC: A Fig Leaf for Stolen Timber" (2017), at: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>.

Appendix 5: 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 Standards⁶⁶
Eligibility	Yes	The ASEAN SUS requires that issuers must have a geographical or economic connection to the ASEAN region. As a Philippine-based institution, BDO meets this requirement.
Use of Proceeds	Yes	Projects must not be used for ineligible projects specified by the AGBS (i.e., fossil fuel generation projects) as well as the ASBS (i.e., projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry). BDO has included in its Framework a list of exclusions such as activities including, but not limited to, illegal logging, mining, and fishing; forced and child labor; 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 are aligned with the process for project evaluation and selection requirements of both the AGBS and ASBS. Within its Framework, BDO has described that the Sustainable Finance Desk will be in charge of identifying, qualifying, evaluating and recommending potential projects to be included in the Sustainable Finance Portfolio. The Lending Group Head will be responsible for ultimate approval.
Management of Proceeds	Yes	The ASEAN SUS are aligned with the management of proceeds requirements of both the AGBS and ASBS. 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 are aligned with the reporting requirements of both the AGBS and ASBS. BDO intends to publish reports on its Sustainability Report or on a 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.

⁶⁶ The ASEAN Sustainability Bond Standards are available at: <https://www.theacmf.org/images/downloads/pdf/ASUS2018.pdf>.

Appendix 6: 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:	December 23, 2020
Publication date of review publication:	

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 |

ROLES 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 the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 8, 11, 12 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 Sustainable Finance Desk will be responsible for identifying, qualifying, evaluating and recommend potential projects to be included in the Sustainable Finance Portfolio. In addition to being assessed against the eligibility criteria of the Framework, projects will undergo a risk assessment of their environmental and social impact. 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 checked="" 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 will manage net proceeds using a portfolio approach, and in case any proceeds remaining outstanding these will be held in accordance with the Bank's liquid management policy and invested in short-term liquid instruments. The Sustainable Finance Desk will be in charge of the management and allocation of proceeds. 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 checked="" 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 allocation 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 bonds | <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): amounts in new assets and assets refinanced, and amounts lent to customers. BDO will also endeavor to provide information on individual assets financed if practicable. | |

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 bonds | <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:

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

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): A Sustainable Finance Report |
| <input type="checkbox"/> 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

Types of Review provided:

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

Review providers:

Date of publication:

ABOUT ROLES 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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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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