

ASEAN Sustainability Bond 2023 Impact Report

BDO Unibank Inc.

About the Report

This report is BDO Unibank Inc.'s first ASEAN Sustainability Bond Impact Report outlining the environmental and social performance of financed projects from its ASEAN Sustainability Bond proceeds from January 2022.

This report has been prepared following ASEAN Guidelines on Sustainability Bond Standards, International Capital Market Association (ICMA) Harmonized Framework for Impact Reporting, and aligned with the United Nations Sustainable Development Goals (SDGs) targets and the BDO Sustainable Finance Framework.

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Executive Summary

The Philippines is a member state of the Association of Southeast Asian Nations (ASEAN) and a developing country with a population of 115 million. The country is rich in natural resources and is composed of a predominantly young working class. Following the successful acceptance of the ASEAN Green Bonds Standards in August 2018, the Securities and Exchange Commission (SEC) issued rules on the issuance of social and sustainability bonds in accordance with ASEAN standards. ASEAN Sustainability (SUS) Bonds is a type of bond that is used to finance both environmental and social projects that bring positive benefits to target beneficiaries.

BDO Unibank, Inc. (BDO) issued its first ASEAN Sustainability Bond in January 2022 and successfully raised PhP 52.7 billion for the Peso-denominated Fixed-Rate bond with a tenor of two years and a fixed rate of 2.9% per annum under its PhP 365 billion Bond Program. The Bond is the largest issuance for any Philippine financial institution or company to date, and it was oversubscribed by over 10 times its original target of PhP 5 billion. BDO's use of proceeds support a diverse range of sustainability initiatives that improve food security, generate employment, finance renewable energy, develop green buildings, improve sustainable water and wastewater management, enhance resource efficiency, pollution prevention and control.

This report presents the details and impact of 28 projects which were financed using PHP35.75 billion of the PHP52.7 billion proceeds. Of the 28 projects, 18 are under the green eligible categories, while 10 are under the social eligible categories of the BDO Sustainable Finance Framework (SFF). These projects have directly contributed to:

- reduction in greenhouse gas (GHG) emissions;
- increased access to affordable, safe, nutritious, and sufficient food;
- increased production of Fair-Trade certified products;
- more beneficiaries of agricultural projects;
- creation of jobs and support for micro, small, and medium enterprises (MSME);
- increased renewable energy generation
- water savings

The impacts disclosed in the report follow the metrics identified by the Harmonized Framework for Impact Reporting issued by the International Capital Markets Association (ICMA) in June 2023. The data presented are based on the latest available information as of September 2023 and varies depending on the nature of the financing. Based on a study conducted by S&P Global Marketing Intelligence¹ on Environmental Performance Disclosures in ASEAN, the region faces challenges in measuring environmental impacts and evaluating risks due to limited environmental information despite regulatory push for enhanced disclosure requirements. This impact report aims to fill in some of the gaps in data, to encourage more financial institutions and the private sector to finance environmental and social activities that can mitigate the impacts of climate change.

¹ [Data Stories: Where Does ASEAN Stand on Environmental Performance Disclosure? | S&P Global Market Intelligence \(spglobal.com\)](https://www.spglobal.com/marketintelligence)



Introduction

BDO Unibank, Inc. is a full-service universal bank in the Philippines. It provides a complete array of industry-leading products and services including Lending (corporate and consumer), Deposit-taking, Foreign Exchange, Brokering, Trust and Investments, Credit Cards, Retail Cash Cards, Corporate Cash Management, and Remittances in the Philippines. Through its local subsidiaries, the Bank offers Investment Banking, Private Banking, Leasing and Finance, Rural Banking, Life Insurance, Insurance Brokerage, and Online and Traditional Stock Brokerage Services.

BDO's institutional strengths and value-added products and services hold the key to its successful business relationships with customers. Its branches remain at the forefront of setting high standards as a sales and service-oriented, customer-focused force. The Bank has the largest distribution network with 1,650 branches and banking offices and 4,655 ATMs nationwide. BDO has 16 international offices (including full-service branches in Hong Kong and Singapore) spread across Asia, Europe, North America, and the Middle East.

The Bank also offers digital banking solutions to make banking easier, faster, and more secure for its clients.

Through selective acquisitions and organic growth, BDO has positioned itself for increased balance sheet strength and continuing expansion into new markets. As of December 31, 2022, BDO is the country's largest bank in terms of total resources, customer loans, deposits, assets under management and capital, as well as branch and ATM network nationwide.

BDO is a member of the SM Group, one of the country's largest and most successful conglomerates with businesses spanning retail, mall operations, property development (residential, commercial, hotels and resorts), and financial services. Although part of a conglomerate, BDO's day-to-day operations are handled by a team of professional managers and bank officers. The Bank has one of the industry's strongest Board of Directors, composed of professionals with extensive experience in various fields that include banking and finance, accounting, law, business, gender, and the environment.

BDO ASEAN Sustainability Bond

As part of its PHP365 billion Bond Program, BDO Unibank issued the ASEAN Sustainability Bond in 2022 and successfully raised PHP52.7 billion for its Peso-denominated Fixed-Rate bond with a tenor of two years and a fixed rate of 2.9% per annum.

P52.7 billion
raised for the ASEAN
Sustainability Bond in
2022

Project Assets Selection

The Php52.7 billion ASEAN Sustainability Bond proceeds were allocated to selected project assets from the Institutional Banking Group’s Sustainable Finance Portfolio that finance project assets with social or green impact availed from the year 2020. Project assets were selected based on the eligible categories under the Bank’s Sustainable Finance Framework (Green, Social Financing).

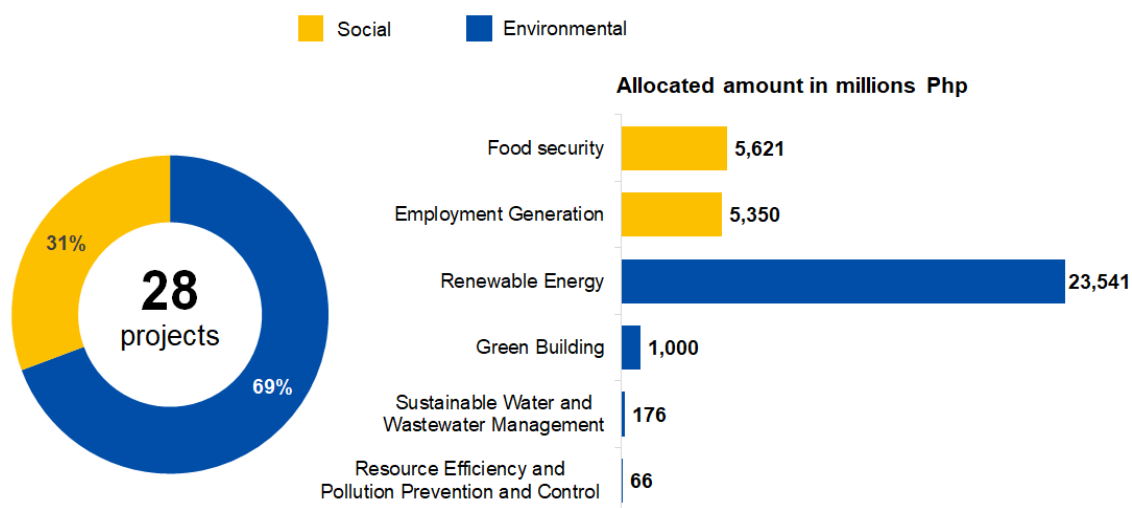
The use of proceeds for the bond contributes to economic development and is aligned with the development and climate change mitigation and adaptation priorities and commitments of the Philippine government.

BDO ASEAN Sustainability Bond Allocation

Eligible Sustainable Finance Projects








As of 2023

In 2022, the ASEAN Sustainability Bond proceeds were allocated to **28 projects** with a total allocated amount of **P35.75 billion**, equivalent to **68%** of the total proceeds raised.






Alignment to Sustainable Development Goals and Impact Metrics

Green Financing

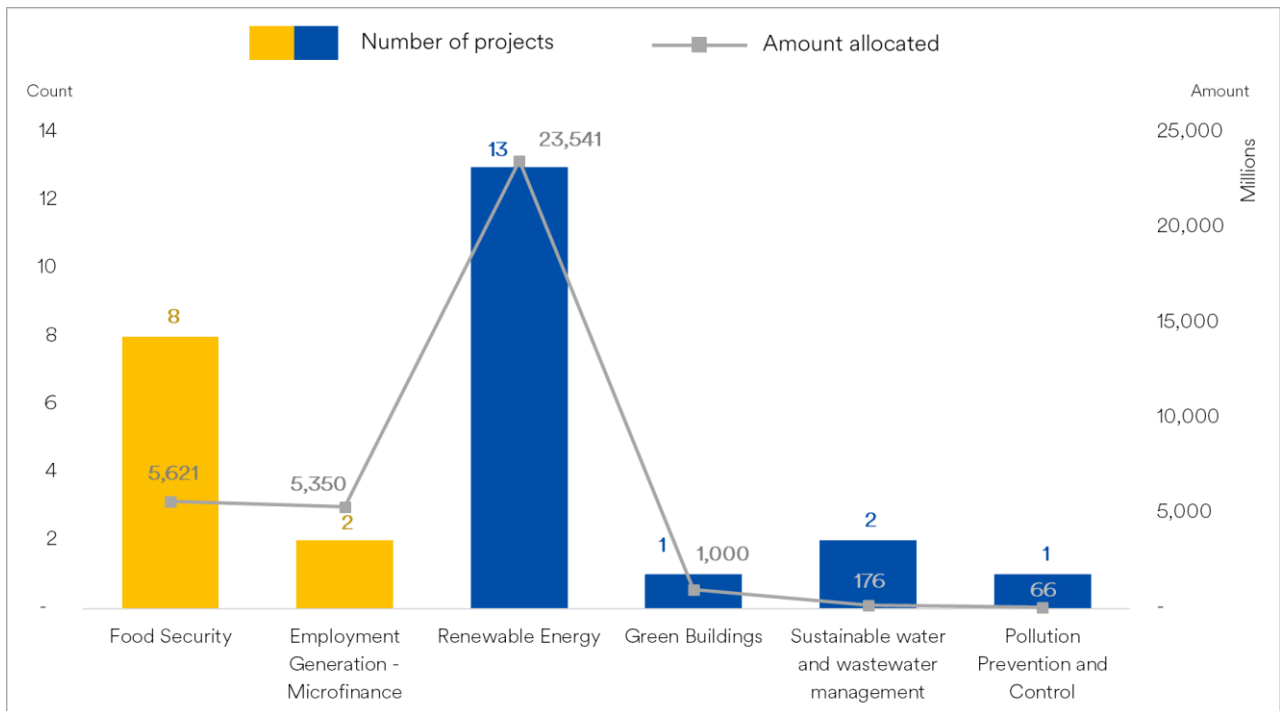
Sub-Category	SDG Addressed	Count of Projects	Amount (in Php)	%	Impact Metrics ²
Renewable Energy	 	14	23,541,475,200	65.84 %	<ul style="list-style-type: none"> • Annual renewable energy generated • Renewable energy capacity added • Annual GHG emissions reduced/avoided
Green Buildings	 	1	1,000,000,000	2.80%	<ul style="list-style-type: none"> • Gross building area • Energy use reduction • Carbon reductions per square meter per annum • % of CO2 reduced/avoided per year • Water efficiency per square meter • Annual water savings • Waste minimized, reused, recycled
Sustainable water and wastewater management	 	2	176,150,000	0.49%	<ul style="list-style-type: none"> • Annual absolute (gross) water savings • No. of people with access to clean drinking water • Volume of clean drinking water • No. of people or enterprises benefitting from measures to mitigate the consequences of floods, etc.
Pollution prevention and control		1	65,578,005	0.18%	<ul style="list-style-type: none"> • Waste prevented, minimized, reused or recycled • Annual GHG emissions reduced
Subtotal		18	24,783,203,205	69.32%	

*Impact metrics were based on International Capital Market Association's (ICMA) Harmonized Framework for Impact Reporting

Sub-Category	SDG Addressed	Count of Projects	Amount (in Php)	%	Impact Metrics ²
Food Security	 	8	5,621,178,563	15.72%	<ul style="list-style-type: none"> • Increased production of Fair-Trade certified products • Access to affordable, safe, nutritious, and sufficient food • People benefiting from agricultural projects and/or using improved farming/fishing technology • Hectares of land/water cultivated/developed which increased production
Employment Generation		2	5,350,000,000	14.96%	<ul style="list-style-type: none"> • Jobs created, supported, and/or retained • Number of microfinance/SME loans
Subtotal		18	10,971,178,563	30.68%	

2

² Impact metrics were based on International Capital Market Association's (ICMA) Harmonized Framework for Impact Reporting

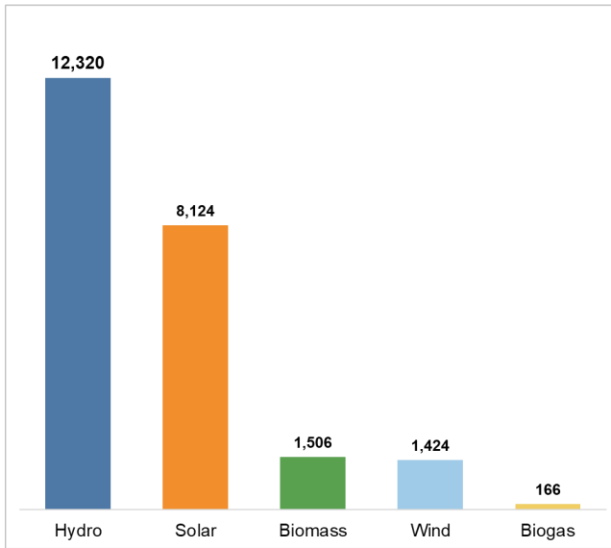


GREEN PROJECTS

Renewable Energy

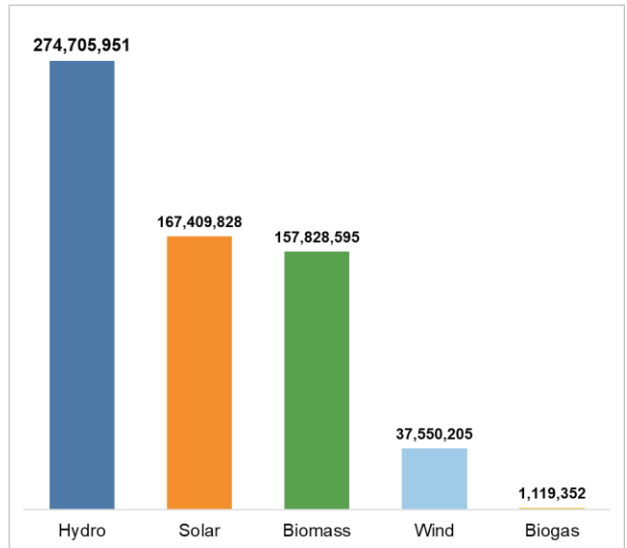
The Philippines has a growing demand for clean energy, with a national renewable energy target of 35% of the energy mix by 2030, and 50% by 2040. BDO's ASEAN Sustainability Bond finances the expansion of renewable energy sources such as hydro, solar, wind, biomass, biogas and biogas power, reducing greenhouse gas emissions and promoting sustainable energy practices.

Allocated amount in millions Php



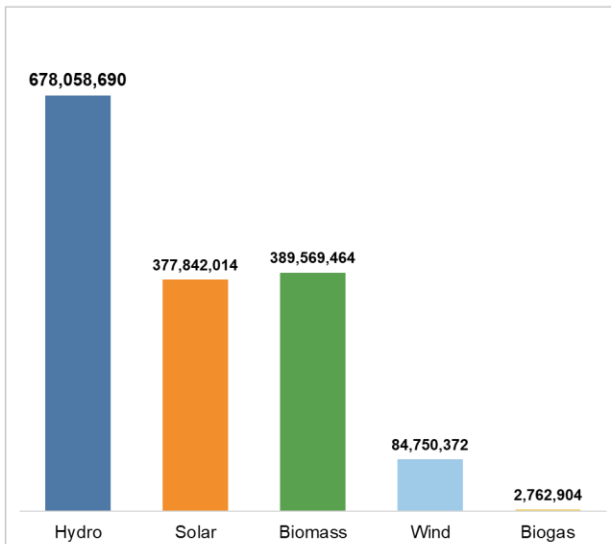
Total amount allocated: ₱23.54 billion

Annual GHG Emissions Reduced in tonnes CO2e



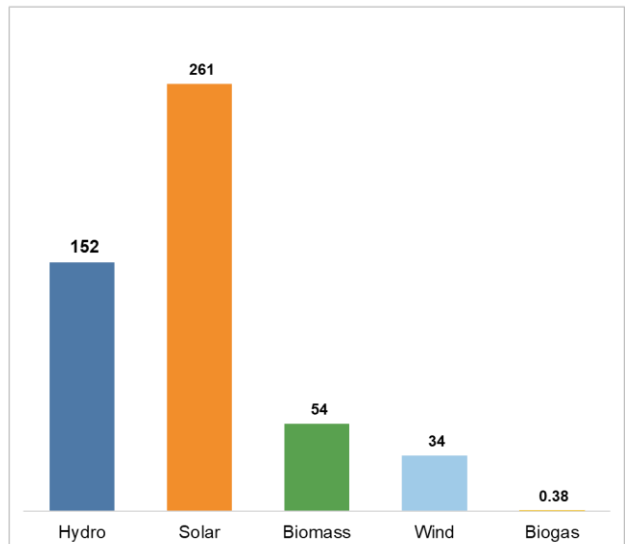
Annual GHG Emissions Reduced in tonnes CO2e: 638.61 million

Annual renewable energy generation in MW (electricity)



Total annual renewable energy generation: 1,532,983,444 MW

Renewable energy capacity added in MW



Total renewable energy capacity added: 502 MW

Impact metrics were based on International Capital Market Association's (ICMA) Harmonised Framework for Impact Reporting

Hydro

Allocated amount in millions ₱12,320	Renewable energy capacity added 152 MW	Annual GHG Emissions Reduced in CO2e 274,705,951 tonnes	Annual renewable energy generation (electricity) 678,058,690 MW
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Solar

Allocated amount in millions ₱8,124	Renewable energy capacity added 261 MW	Annual GHG Emissions Reduced in CO2e 167,409,828 tonnes	Annual renewable energy generation (electricity) 377,842,014 MW
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Biomass

Allocated amount in millions ₱1,506	Renewable energy capacity added 54 MW	Annual GHG Emissions Reduced in CO2e 157,828,595 tonnes	Annual renewable energy generation (electricity) 389,569,464 MW
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Wind

Allocated amount in millions ₱1,424	Renewable energy capacity added 34 MW	Annual GHG Emissions Reduced in CO2e 37,550,205 tonnes	Annual renewable energy generation (electricity) 84,750,372 MW
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Biogas

Allocated amount in millions ₱166	Renewable energy capacity added 0.38 MW	Annual GHG Emissions Reduced in CO2e 1,119,352 tonnes	Annual renewable energy generation (electricity) 2,762,904 MW
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Green Buildings

Green buildings are one of the ways to create sustainable communities as part of improving the built environment and are aligned with the Philippine Development Plan 2023-2028 section 2.3: Establish Livable Communities. Green practices are essential to ensuring that, as the economy grows, the demand for natural capital is equally recognized.

Green building construction or retrofit maximizes energy efficiency and lessens the impact of construction on the environment. The creation of sustainable infrastructure, which is crucial for urban growth and climate change resilience, can be facilitated via sustainability bonds. An allocation of PhP1 billion is allocated on green buildings.

Impact of projects financed



176,757 Gross building area
with primary and secondary energy
use
75.7 kwh per sqm per annum
0.59 % of energy use reduced/
avoided



112 kg Carbon reductions
per sqm per annum

Equivalent to
19,859 CO₂
reduced/ avoided per year
0.78% CO₂
reduced/ avoided per year



0.68 cu.m. per sqm/annum
Water efficiency
120,654 cu.m
Annual water savings

*Impact metrics were based on International Capital Market Association's (ICMA) Harmonised Framework for Impact Reporting

Pollution Prevention and Control

Waste Management and Resource – Efficiency

The Philippine Development Plan 2023 – 2028 acknowledges that local capacity constraints continue to impede effective solid and hazardous waste management. The ASEAN Sustainability Bond supports projects that reduce resource consumption and pollution. Proceeds were allocated to waste management trucking facilities, as well as other waste management process, and control equipment and facilities with a project lifetime of four years. The additional trucking facilities help reach more households and collect more waste from communities.

Impact of projects financed



2,100 tonnes
Additional waste collected
per day



75,298.43
Annual GHG emissions
reduced

Sustainable Water and Wastewater Management

The ASEAN Sustainability Bond has financed projects that improve water quality, promote water conservation, and enhance wastewater treatment facilities.

The proceeds were allocated to sustainable water management projects with project lifetimes of 10 to 25 years to benefit 100,000 consumers, households, and commercial establishments, while also mean to mitigate the consequences of floods and other natural hazards.

Impact of projects financed



1,231,200.00 cu.m
annual absolute (gross)
water savings

356
provided with access to
clean drinking water

+ 4 million liters per day
clean drinking water

*Impact metrics were based on International Capital Market Association's (ICMA) Harmonised Framework for Impact Reporting

SOCIAL PROJECTS

Employment Generation – Microfinance

Micro, Small, and Medium-sized Enterprises (MSMEs) financing is one of the key pillars in the Bangko Sentral ng Pilipinas National Strategy for Financial Inclusion (NSFI). Financing is critical for programs that support job creation and increased productivity, such as MSME loans and access to technology programs that provide displaced, underprivileged, and unemployed workers with opportunities for online employment, as well as online entrepreneurship.

The shift of Increased demand for delivery, transportation, and warehouse jobs has resulted in the shift to digital transactions. The use of proceeds led to job creation in the C & D market goods and services, as well as microfinancing for low-income individuals to start MSME businesses.

Impact of projects financed



70,655 jobs created, supported and/or retained



488,450 microfinance or MSME loans provided

Food Security

Financing is key to guarantee effective access to varied, quality food via the provision for national and communal irrigation, machineries and equipment, cold storage facilities, food packaging and processing, warehouses, post-harvest centers, rice seeds, crop insurance and production subsidies to small and medium farmers for basic food products.

Food and Beverage

An allocation of PhP3.5 billion is used to finance business expansion, investments, and/or acquisition, refinancing and other general corporate purposes for clients engaged in food and beverage businesses.

Impact of projects financed



↑ 200 tons of coconut production per day
production resulting to 750 tons coconut production per day



↑ 2.7 million Lkg
bags

Agriculture and Fisheries

The allocated amount of PhP 2.12 billion was used to finance business expansion, investments, and/or acquisitions, refinancing and other general corporate purposes.

Specifically, the financed projects were used for the purpose of the following:

- 1) provide additional access to affordable, safe, nutritious, and sufficient food;
- 2) create employment from agricultural projects and/or using improved farming/fishing technology;
- 3) cultivate additional hectares of land/ water cultivated /developed to increase production; and
- 4) increase production of Fair-Trade certified products.

Impact of projects financed



↑ 1.5M cans per day in canning capacity
from 750K cans per day
Pro-rated increase of: 685,345 cans per day
1,000 people
Pro-rated: 910 people
360 metric tonnes
Pro-rated: Additional 273 metric tons per day



5,200,000.00
individuals provided access to food from Davao Region



312,000 MT
Total bananas produced
6,500 employees
provided employment
6,600 hectares
Total planted area
331,000 MT
Total bananas produced in 2022 up from
312,000 MT
Total bananas produced in 2019



3,640,000 birds
harvested annually
1,680,000 incremental increase
in annual bird harvests
↑ 1,680,000 additional birds
additional to
1,960,000 birds harvested annually



10,200 metric tons
of total fish catch annually
19 hectares
Total poultry farm
↑ 1,017 metric tons
9,183 metric tons of fish catch after purchase of new vessel

ANNEXES

ANNEX A.

References, Abbreviations and Definition of Terms

These accounts were selected based on the following reporting criteria/framework/policies.

1. Bangko Sentral ng Pilipinas (BSP) Circular 1085
2. BSP Circular 1159
3. Department of Finance (DOF) Sustainable Finance Framework
4. Green Bond Principles (ICMA)
5. Social Bond Principles (ICMA)

The following definition of terms shall apply, unless the context otherwise requires:

- a. **ACMF** refers to the ASEAN Capital Markets Forum
- b. **ASEAN** refers to the Association of Southeast Asian Nations
- c. **ASEAN Sustainability Bond** refers to bond which comply with both the ASEAN GBS and the ASEAN SBS, where the proceeds will be exclusively applied to finance or refinance a combination of both Green and Social Projects that respectively offer environmental and social benefits.
- d. **Issuer** refers to a corporation that issues ASEAN Social Bond and includes both an ASEAN Issuer and a Non-ASEAN Issuer.
- e. **Sustainability Bond Guidelines (SBG)** refers to the voluntary process guidelines issued by the International Capital Market Association (ICMA), as revised from time to time, that recommend transparency and disclosure, and promote integrity in the development of the social bond market
- f. **Gross Building Area (GBA)** - corresponds to the total floor area contained in a building measured to the external walls.
- g. **Energy Use** refers to the annual energy input to the building in order to satisfy the energy needs associated with a typical use of the building and by the building services that provide an enabling environment in the building"
- h. **Primary Energy Use** is energy from renewable and non-renewable sources used in buildings and which has not undergone any conversion or transformation process
- i. **Final Energy Use** is the total energy consumed by end-users in their building assets. It is the energy which reaches the final user's asset and excludes the energy used by the energy sector itself.

ANNEX B.

BDO Sustainability Philosophy

We seek to achieve strategic resilience by incorporating sustainability in the way we do business. We aim to embed sustainability principles in everything we do — from making decisions to assessing relationships to creating products.

BDO Sustainability Framework

The BDO Sustainability Framework defines the strategies that serve as guideposts in its journey towards, sustainability, anchored on the United Nations 17 Sustainable Development Goals (SDGs):



Product Sustainability Strategy

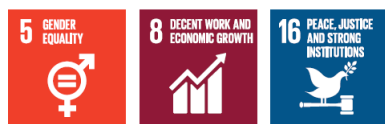
We create products and services which anticipate the evolving needs of our customers and support sustainable development goals.

We develop our capabilities to understand our customers and reach the underserved markets with relevant products and services that meet their unique needs and ways of doing business.



Sustainability Contribution Strategy

We support the achievement of national economic goals through financial inclusion and impact financing in infrastructure, eco-friendly solutions, green facilities, and disaster resilience initiatives.



Human Capital Sustainability Strategy

We develop leaders in the sustainability movement. We aim to grow a “can lead” workforce that adopts a sustainability mindset and thrives with innovative thinking and customer-focused attitude.



Disaster Response Sustainability Strategy

We leverage our resources towards the relief, rehabilitation, and recovery of disaster-stricken communities.



Governance-Based Sustainability Strategy

We continuously enhance our corporate governance framework to sustain superior business performance anchored on the principles of accountability, transparency, integrity, and fairness, together with our partners.

ANNEX C.

BDO Sustainable Finance Framework

The use of proceeds for BDO's ASEAN Sustainability Bond are based on two categories and contribute to the following SDGs and Targets:

Economic Dimension

BDO contributes to the country's sustained economic growth through the delivery of various banking products and services that help create a dynamic business environment, promote local and foreign investments, and accelerate economic activity

Environmental Dimension

BDO is a pioneer in promoting Renewable Energy, Energy Efficiency, and Green Building project financing, having instituted the Sustainable Energy Finance (SEF) Program in 2010 in partnership with the International Finance Corporation (IFC), the private bank arm of the World Bank Group.

As of December 31, 2022, BDO's total Sustainable Finance to date is at P781 billion, including 58 renewable energy projects. The Bank's SEMS Policy draws from global and local regulatory standards, including those by the IFC, the Environmental Management Bureau, and the Department of Environment and Natural Resources (DENR).

Social Dimension

BDO empowers Filipino consumers, including the rural underserved and unserved segments, through financial products and services that provide accessibility, convenience, affordability, and reliability to meet their unique needs.

Governance Dimension

At BDO, corporate governance is about effective oversight, doing the right thing, and providing sustainable value creation to promote the best interest of our various stakeholders. The Bank continually enhances its corporate governance framework to sustain superior business performance anchored on the principles of fairness, integrity, transparency, accountability, and performance. These principles are consistently applied throughout the institution to support our corporate objective of delivering long-term value. BDO's strong reputation is built on a culture of ethics and responsible business conduct, underpinned by a well-structured and effective system of governance.


Use of Proceeds




The net proceeds of the raised capital for the ASEAN Sustainability Bond will be used on eligible green, blue, sustainability and social category projects based on the ICMA Green Bond Principles, ASEAN Green Bond Standards, ASEAN Sustainability Bond Standards, LMA, APLMA Green Loan Principles, ICMA Social Bond Principles, ICMA Sustainability Bond Principles, ASEAN Green, Social, Sustainability Bond Standards, and IFC Guidelines for Blue Finance.



Eligible green projects require environmental benefits such as a reduced carbon footprint and vulnerability of communities to climate change. Eligible social projects require positive social outcome for the impoverished, excluded, marginalized, vulnerable, disabled, undereducated, underserved and unemployed populations.

All designated green and social projects shall provide clear environmental and social benefits, which will be assessed and quantified by the Bank.



Environmental Use of Proceeds Categories

Category	Eligibility Criteria
<p>Renewable Energy</p> 	<p>Acquisition, development, operation, or maintenance of new and ongoing renewable energy generation or transmission projects supporting infrastructure, including the following technologies:</p> <ul style="list-style-type: none"> • Biomass and biogas projects that meet the following criteria: <ul style="list-style-type: none"> ○ For electricity generation-Lifecycle GHG emission intensity below 100gCO₂e/kWh ○ Production of biomass feedstock does not take place on land with high biodiversity (at least within last 10-15 years) ○ Land with a high amount of carbon has not been converted for biofuel feedstock production; and/or ○ No competition with food • Geothermal (< 100gCO₂/kWh) • Hydro projects that meet one of the following criteria: <ul style="list-style-type: none"> ○ Run-of-river without an artificial reservoir or with low storage capacity, or ○ Life cycle carbon intensity of <50gCO₂e/kWh, or ○ Power density greater than 10 W/m²: • Solar • Wind sources • Offshore renewable energy facilities Offshore wind energy facilities that do not harm marine ecosystems and may include fisheries' sanctuaries for juveniles of certain marines, substantial artificial reef elements and other additional measures promoting marine biodiversity. • Ancillary services, including: <ul style="list-style-type: none"> ○ Engineering ○ Construction ○ Transmission and distribution such as: <ul style="list-style-type: none"> ▪ Construction of substation and distribution network that aim to reduce the curtailment of renewable energy into the grid ▪ Electrical grid development and maintenance, which is dedicated to connect renewables to the power grid ○ Installation ○ Maintenance of power plants aimed at enhancing the life or value of the asset ○ Power-to-hydrogen energy storage (the process must be through water electrolysis to be considered as eligible)
<p>Green Buildings</p>	<p>Construction or the renovation of residential or commercial buildings that earn or have earned regional, national, or internationally recognized standards or certifications.</p> <p>Such standards and certifications include Building Research Establishment Environmental Assessment Model (BREEAM) 'Excellent' or above; LEED</p>

Category	Eligibility Criteria
	<p>‘Gold’ or above; Philippine Green Building Rating System (BERDE) ‘4-star’ and above; and/or IFC EDGE Qualification.</p>
<p>Clean Transportation</p> 	<p>Financing procurement or development of transportation vehicles and manufacturing facilities such as:</p> <ul style="list-style-type: none"> • Electric vehicles such as electric buses, rail, trains, metros, ferry, and small boats • Multi-modal, transport terminal • Railways provided that: <ul style="list-style-type: none"> ○ Individual rail that meets universal CO₂ direct emissions threshold of <50gCO₂/ p-km (passenger) or <25gCO₂/t-km (freight), or ○ Freight rail that meets the threshold <50 gCO₂/t-km • Electric vehicle charging and battery charging stations
<p>Resource Efficiency and Pollution Prevention and Control</p> 	<p>Soil remediation, waste prevention, or waste management, which includes re-use and recycling projects.</p> <p>Development and production of environmentally sustainable products such as:</p> <ul style="list-style-type: none"> • Recycling of metals, paper, and plastics • Waste collection vehicles that would meet one of the following criteria: <ul style="list-style-type: none"> ○ Light trucks such as: <ul style="list-style-type: none"> ▪ Zero direct emissions vehicles – fully electric vehicles, including battery electric vehicles (BEV), hydrogen and fuel cell vehicles (FCEV) ▪ Hybrids, including traditional hybrids, and plug-in hybrid electric (PHEVs) ▪ Hybrids at or below the threshold of 75 gCO₂/km or 120.70 gCO₂/mile, based on lab test NEDC procedure ○ Heavy trucks at or below the threshold of 25 gCO₂/tkm or 40.23 gCO₂/tmi • Biodegradable packaging whose process has been certified by the Roundtable on Sustainable Biomaterials (RSB) • Projects that support recycling of food and agricultural wastes through composting.
<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p>	<p>Eligible projects include financing of:</p> <ul style="list-style-type: none"> • Environmentally sustainable agriculture that meet third-party certifications such as USDA Organic or EU Organic • Climate smart farm inputs aligned with UN FAO, such as biological crop protection and organic fertilizer • Forestry (at least FSC/PEFC/SFI certified) and smallholders should have sustainable forest management plan in place • Sustainable fishery, aquaculture (must be MSC/ASC certified)

Category	Eligibility Criteria
	<ul style="list-style-type: none"> • Reforestation and preservation of natural landscapes that meet the following criteria: <ul style="list-style-type: none"> ○ Reforestation/afforestation should use tree species that are well adapted to the site conditions ○ With sustainable management plan in place, preferably with FSC/PEFC certification
Sustainable Water and Waste Water Management 	<p>Sustainable infrastructure for:</p> <ul style="list-style-type: none"> • New drinking water treatment and storage that documents at least 20% water savings (e.g. Reduction of non-revenue water) per unit of service compared to a documented baseline • Rehabilitation of existing water infrastructure that documents at least 20% water savings per unit of service compared to a documented baseline • Desalination plants that help groundwater depletion and wetlands and avoid hypersaline pollution of environment (e.g. ISO standard 23446) • New or expansion of water treatment infrastructure • Waste water treatment, including industrial, agribusiness, commercial, residential, or city level • Biogas and heat exchange systems to increase efficiency and effectiveness • Sustainable urban drainage systems • Retrofit water supply projects and existing water treatment infrastructure • Water recycling • Rainwater harvesting or other forms of flooding mitigation provided that adaptation and management response plans are in place

Social Use of Proceeds Categories

Category	Eligibility Criteria
Employment Generation 	<p>Through the potential effect from financing micro, small and medium enterprises (MSMEs) that fall within the scope of prescribed regulations enforced by the Bangko Sentral ng Pilipinas, including those which are female-led or founded, smallholder farmer associations and cooperatives engaged in production, retail, wholesale, and trading.</p> <p>Additionally, MSMEs that have been impacted by disasters or crises with significant consequences on infrastructure, economy or public health.</p>
Food Security 	<p>Eligible projects include provision of loans to small-scale farmers or financing of infrastructure, equipment, facilities or technology aimed at reducing food loss and waste, improving productivity and access to markets of small-scale producers or supporting farmers to food security.</p>

Exclusion List

The following activities do not qualify under the Sustainable Finance Framework:

- ❖ Production or trade in weapons and munition
- ❖ Online gaming and equivalent enterprises
- ❖ Hydroelectric plant with weir height >50m
- ❖ Illegal logging, illegal mining, illegal fishing, forced labor and child labor
- ❖ Production of tobacco products and palm oil
- ❖ Fossil-fuel power generation or transmission, and activities dedicated to support expansion of fossil fuel-based technologies

ANNEX D.

The ASEAN Sustainability Bond

The ASEAN Sustainability Bond Standards

The ASEAN Sustainability Bond Standards (ASEAN SUS) are intended to guide the issuance of ASEAN Sustainability Bond.

ASEAN Sustainability Bond are bond whose proceeds will only be used to finance or refinance a combination of Green and Social Projects that provide environmental and social benefits.

Certain Green Projects are understood to have social co-benefits, and certain Social Projects may have environmental co-benefits. The Issuer should determine whether a use of proceeds bond is a Green Bond, Social Bond, or Sustainability Bond based on its primary objectives for the underlying projects.



Sustainable Finance in the Philippines

According to the Securities and Exchange Commission's (SEC) sustainable finance market update for September 2023, the total ASEAN-labelled Green, Social, and Sustainability Bonds issued amounted to US\$41.33 billion dollars of which US\$10 billion or 24% were issued by Philippine companies.

\$10 billion
total ASEAN-labelled Green, Social, and Sustainability Bonds issued in the Philippines

Based on the number of issuers by industry, the banking sector has the most number with seven issuances, followed by real estate, renewable energy, and electric utilities by two issuances. The other issuers are single entities from the consumer services, water utilities, supranational, and the national government.

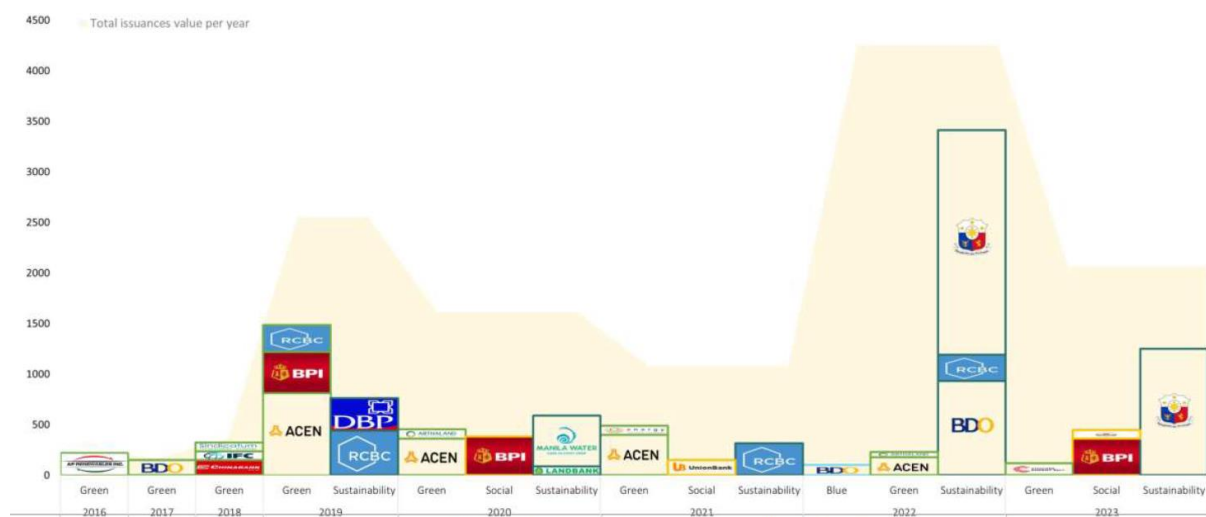


Figure 1 Philippine Green, Social, and Sustainability Bond Issuances (in Mn USD)

* Includes Green Bonds that are issued prior to the release of the SEC GSS Bond Guidelines and Sustainability and Blue Bonds that are not ASEAN-labelled.

ANNEX E.

Philippines Environmental and Social Situationer

Environmental Landscape

The Philippines' Nationally Determined Contribution supports the country's national development objectives and priorities. Among those identified are sustainable industrial development, poverty eradication and inclusive growth, energy security, and social and climate justice, and the transformation of its socio-economic sectors towards a climate and disaster-resilient and low carbon economy.

Energy

The Philippines has committed to achieving 75% reduction and avoidance of GHG emissions by 2030. In response the government has promulgated policies to ramp efforts towards greening the grid.

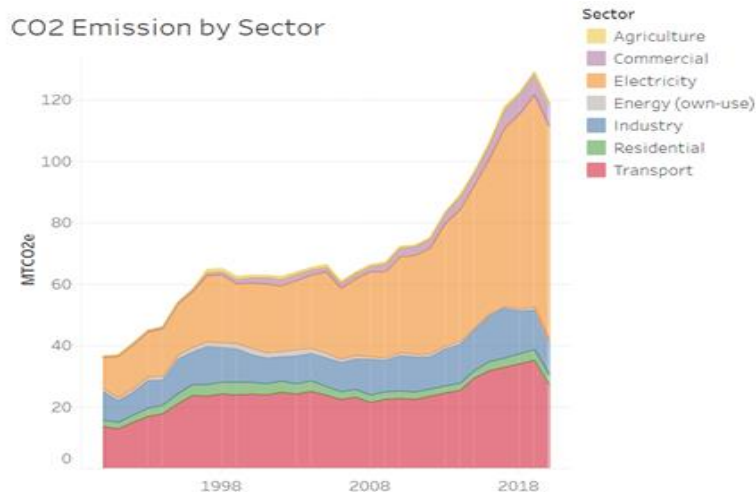


Figure 2 CO₂ Emission by Sector

Based on the total emission by source presented by Department of Energy, the CO₂ Emission by Sector indicates that there is an increasing emission as the years progress. The top sources of emission come from the electricity, transport, industry, and commercial sector.

The National Climate Change Action Plan 2011-2028 established the seven thematic areas of government action to address climate change, namely food security, water sufficiency, ecological and environmental stability, human security, climate-smart industries and services, sustainable energy, and knowledge and capacity development, which are pursued coherently with the Sustainable Development Goals and the Sendai Framework for Disaster Risk Reduction.

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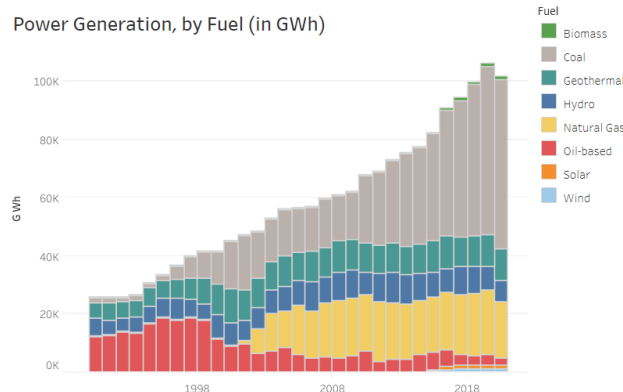


Figure 3 Power Generation, by Fuel(in GWh)

Renewable Energy in the Philippines remains primarily sourced from coal³. The PDP indicates that the Philippines has a share of 23.5% of renewables in electricity production by 2020.

³ [Power Statistics | Department of Energy Philippines \(doe.gov.ph\)](http://www.doe.gov.ph/power-statistics)

Water

The Philippine government has committed to the Global Water Resiliency Agenda at the UN Water Conference in 2023. The country commits to accelerate action towards attaining universal, adequate, affordable and equitable access to safe drinking water and sanitation services. The Bank supports this agenda through its Sustainable Finance issuances, in the Blue Bonds and the ASEAN Bonds.

The quality of water deteriorates as a result of practices from commercial and industrial establishments that increase pollution load to any form of water body through its effluents. Due to low dissolved oxygen (DO) levels in water, abnormal shifts in temperature, deteriorating water quality, or disease-causing organisms fish kills are increasing which also cause a lower yield in fisheries productivity.

Social Landscape

Poverty and Employment

Based on the Preliminary Results of the Family Income and Expenditure Survey (FIES) in 2021, poverty incidence among population, defined as the proportion of Filipinos whose per capita income cannot sufficiently meet the individual basic food and non-food needs, was recorded at 18.1 percent. This translates to around 19.99 million Filipinos who lived below the poverty threshold of about PhP 12,030 per month for a family of five. The subsistence incidence, defined as the proportion of Filipinos whose income is not enough to meet even just the basic food needs, slightly increased to 5.9 percent in 2021. The year-on-year gain in employment was driven by the services sector.

The top five sub-sectors with the highest increase on the number of employed persons from April 2022 to April 2023 were the following: Wholesale and retail trade; repair of motor vehicles and motorcycles (914 thousand); Accommodation and food service activities (379 thousand); Administrative and support service activities (345 thousand); Transportation and storage (321 thousand); and Other service activities (242 thousand). Over the same period, the five sub-sectors with annual declines in employment were as follows: Agriculture and forestry (-290 thousand); Manufacturing (-204 thousand); Construction (-65 thousand); Electricity, gas, steam, and air conditioning supply (-18 thousand); and Activities of extraterritorial organizations and bodies (-3 thousand).

Food Security

The World Food Programme Philippines conducted a survey to better understand the food security situation of Filipino households. The results of the study show the situation of food insecurity in the Philippines as of October 2022. The results showed that among their respondents, 1 out of 10 households are currently food insecure. The same study indicates that 52% of household income is spent on food, with 76% of the respondents experiencing an increase in their spending on food within the past year. The situation for agricultural households is even more dire. Agricultural households spend about 66% of their income on food, a greater proportion compared to other households⁴.

Several regions in the Philippines are experiencing food insecurity. The need is exacerbated with the underlying socioeconomic conditions and high exposure to natural disasters. The Mindanao island group is which has the highest agricultural production but experience the highest food insecurity.

⁴ WFP Philippines – Food Security Monitoring - October 2022. Retrieved from <https://www.wfp.org/publications/wfp-philippines-food-security-monitoring-october-2022>