



2018

# Sustainability Report





## About the Report 102-54

This report is BDO Unibank, Inc.'s (BDO) maiden Sustainability Report outlining the Bank's economic, environmental, social, and governance performance from January to December 2018. It is a substantiation of BDO's commitment to the United Nations Sustainable Development Goals (SDGs), the principles of the United Nations Global Compact (UNGC), and the Greenhouse Gas (GHG) Protocol. This report has been prepared in accordance with the GRI Standards: Core option. It has completed the GRI Materiality Disclosures Service which confirms that disclosures 102-40 to 102-49 of the GRI 102: General Disclosures 2016 were correctly located in both the GRI Content Index (see pages 52 to 54) and in the pages of this report. It is printed on eco-friendly paper made of pure elemental chlorine free (ECF) pulp.

## Contact Information

### COMPANY HEADQUARTERS

BDO Unibank, Inc.  
BDO Corporate Center, 7899 Makati Avenue  
Makati City 0726, Philippines  
+63 (2) 840-7000  
[www.bdo.com.ph](http://www.bdo.com.ph)

### INVESTOR AND SUSTAINABILITY INQUIRIES

BDO Unibank, Inc. welcomes inquiries from analysts, investors, and the financial community.

### BDO Investor Relations and Corporate Planning

4/F South Tower, BDO Corporate Center  
7899 Makati Avenue, Makati City 0726, Philippines  
Telephone: +63 (2) 840-7000 locals 36069,  
34809, 33581  
E-mail: [irandcorplan@bdo.com.ph](mailto:irandcorplan@bdo.com.ph)

### BDO Compliance Office - Sustainability Unit

14/F North Tower, BDO Corporate Center  
7899 Makati Avenue, Makati City 0726, Philippines  
Telephone: +63 (2) 840-7000 local 35315  
E-mail: [sustainability@bdo.com.ph](mailto:sustainability@bdo.com.ph)



**2018 SUSTAINABILITY REPORT**

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# Corporate Mission

To be the preferred bank in every market we serve.

# Corporate Vision

To be the leading Philippine bank and financial services company that empowers customers to achieve their goals and aspirations, combining our entrepreneurial spirit, international perspective, and intense customer focus to deliver a personalized banking experience that is easy, straightforward, and convenient, while taking pride in building long-term relationships and finding better ways to deliver offerings of the highest standard.

## Core Values



### Commitment to Customers

We are committed to delivering products and services that surpass customer expectations in value and every aspect of customer service, while remaining prudent and trustworthy stewards of their wealth.



### Commitment to a Dynamic and Efficient Organization

We are committed to creating an organization that is flexible, responds to change, and encourages innovation and creativity; we are committed to the process of continuous improvement in everything we do.



### Commitment to Employees

We are committed to our employees' growth and development and we will nurture them in an environment where excellence, integrity, teamwork, professionalism, and performance are valued above all else.



### Commitment to Shareholders

We are committed to providing our shareholders with superior returns over the long term.

# BDO's Footprint

BDO 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, corporate cash management, and remittances in the Philippines. Through its local subsidiaries, the Bank offers leasing and financing, investment banking, private banking, rural banking, life insurance, insurance brokerage, and stock brokerage services.

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. Further, the Bank has one of the industry's strongest Board of Directors, composed of professionals with extensive experience in various fields that include banking, accounting, finance, law, risk management, and retailing/marketing.

**1,309**  
Branches

**484**  
Cash Deposit  
Machines

**4,325**  
Automated Teller  
Machines (ATMs)



**₱572 billion**

(US\$10.9 billion)

Market Capitalization

**₱147 billion**

(US\$2.8 billion)

Direct Economic  
Value generated

**129**

Newly opened  
Branches

**₱3 trillion**

(US\$57.5 billion)

Total Assets

**₱2 trillion**

(US\$38.4 billion)

Gross Customer  
Loans

**₱2.4 trillion**

(US\$46 billion)

Deposit Liabilities

**₱328.1 billion**

(US\$6.2 billion)

Capital Base

**₱32.7 billion**

(US\$622.1 million)

Net Income

Sustainable Energy  
Finance (SEF)

**₱36.9 billion**

(US\$701.8 million)

Total SEF Projects  
funded to date

**₱8 billion**

(US\$152.2 million)

Total SEF Projects  
funded in 2018

Closing Rate: US\$1 = P52.58



## Message from the Chairperson

“Underpinning BDO’s growth is our purposeful approach to develop products and services that create stakeholder value and promote sustainable growth.”

Teresita T. Sy

## Dear Stakeholders,

The role of the banking industry has evolved beyond financing to facilitating economic growth. The lines between business performance and sustainable development have blurred. Impact investments, which give due importance to both financial and non-financial performance indicators, have become a critical part of the banking industry today.

Global economies are faced with the devastating effects of climate change and the widening gap in social and economic opportunities. As the country's leading bank, we recognize our role in promoting equitable access for all, particularly the underserved sectors of our society. Within our service philosophy of "We Find Ways," we assess all our business opportunities for how we can create positive impact on important economic, environmental, and social issues.

Over the years, BDO has fostered a culture of innovation and inclusion. Our unwavering passion to meet the unique needs of our customers and reach the unbanked segments inspired us to challenge conventional banking practices. Underpinning BDO's growth is our purposeful approach to develop products and services that create stakeholder value and promote sustainable growth. As such, we aim at the specific needs of market segments crucial in accelerating economic activity.

As a demonstration of our commitment to achieving sustainable development, we took a leadership role in hosting the first Global Reporting Initiative (GRI) Sustainability Summit in the country on October 8, 2018 at the Conrad Hotel Manila. We brought together the captains of Philippine business to discuss how the agenda of business can be interwoven with sustainability to pursue a common measurement on how we are performing. Additionally, the newly launched targets surrounding the 17 United Nations Sustainable Development Goals allow businesses to align their sustainability initiatives with specific objectives and assess their measurable impact. The formation of this global framework represents a very opportune time for BDO to intensify its commitment to sustainability and to define its strategic role in shaping the country's path towards inclusive economic growth.

We recognize that the indicators of a sustainable future remain fluid. As such, the Board and management continue to define and refine BDO's sustainability principles to guide our journey in the years ahead.

We thank all our stakeholders for continually choosing BDO as your reliable partner for progress.

Yours truly,



**Teresita T. Sy**

Chairperson



## Message from the President and CEO

“At BDO, we are steadfast in our commitment to break boundaries and find ways to substantially contribute to our country’s path towards economic inclusion and sustainable growth.”

Nestor V. Tan

## Dear Stakeholders,

Over the years, our passion to surpass the expectations of our customers has served as our driver to challenge conventional banking practices and offer out-of-the-box banking solutions. We continue to reinvent ourselves and change how our customers view us, from simply a financial service provider to their partner in achieving their aspirations. We have introduced changes such as extending banking days and hours to meet the needs of entrepreneurs, doing weekend banking to support retail activities, lowering initial deposit requirements to encourage more financial inclusion, opening branches in underserved areas to allow easier access and greater convenience, and offering affordable and flexible terms to support consumer needs, among others. These simple innovations allowed us to better serve the unique needs of our diverse customers.

As we continue to enhance our product and service capabilities, we have expanded our reach, achieving one of the biggest banking footprints in the country. We are now strongly positioned to develop our capabilities to help the underserved and unserved markets.

Banking and financial services play a critical role in helping drive sustainable development. Our ability to provide financial access to the majority of the population is vital in creating a more equitable society. By leveraging on our resources, we strive to be our country's partner for social progress.

2018 marks a milestone in BDO's journey towards creating a sustainable future with the publication of our maiden Sustainability Report. BDO's Sustainability Philosophy pursued through five strategies guides us in our path towards sustainability. It also highlights our impact on key economic, environmental, and social issues we face today.

The clarity of the targets surrounding the 17 United Nations Sustainable Development Goals enables us to focus our initiatives on impact investing and align ourselves with the global standards of responsible investments and the principles of the United Nations Global Compact.

We thank our Board of Directors and our shareholders for their support, and our customers and our communities for trusting us to be their partner for development. At BDO, we are steadfast in our commitment to break boundaries and find ways to substantially contribute to our country's path towards economic inclusion and sustainable growth.

Sincerely,



**Nestor V. Tan**

President and Chief Executive Officer

# BDO's Path in Creating Shared Value

Creates jobs

**36,387** Employees

**60%** of Senior Officers  
are women

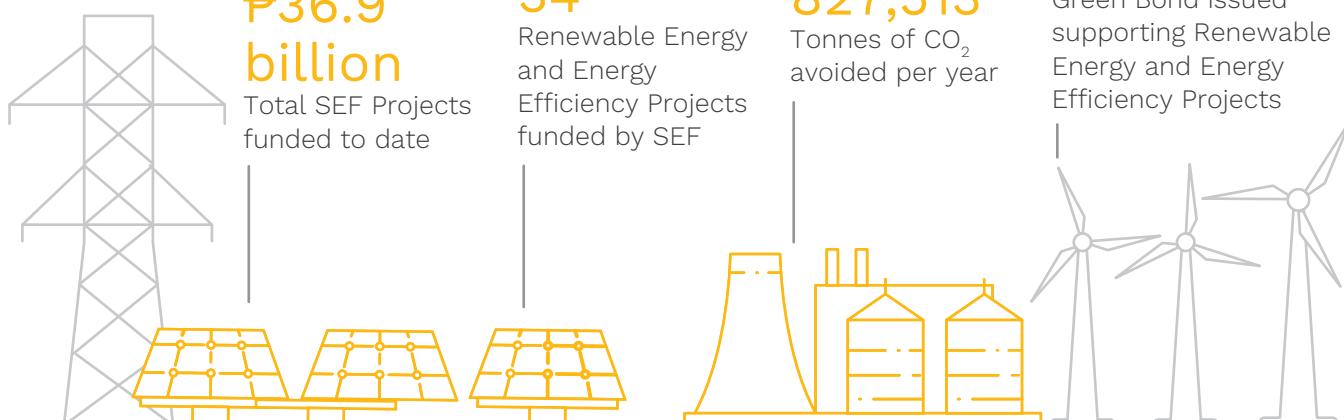
**13** Average number of  
employees in a local branch

**37** Women in top  
management positions



**US\$150  
million**

Green Bond issued  
supporting Renewable  
Energy and Energy  
Efficiency Projects

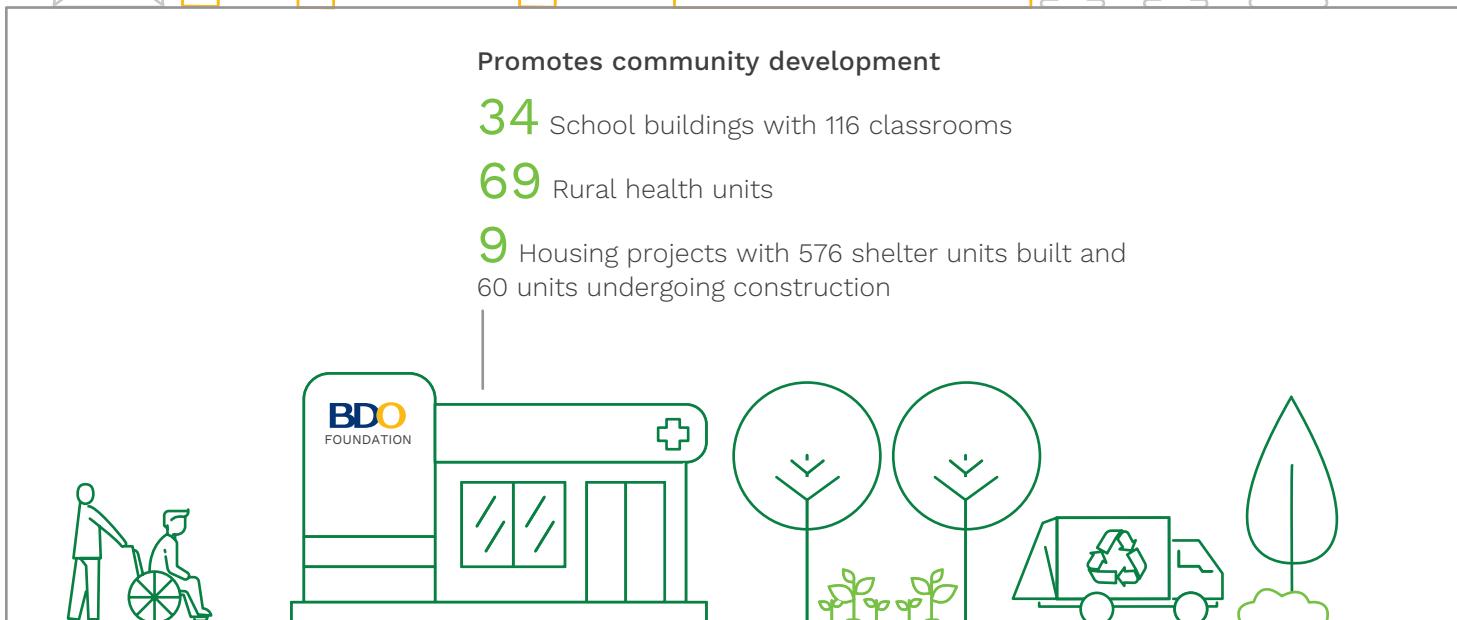


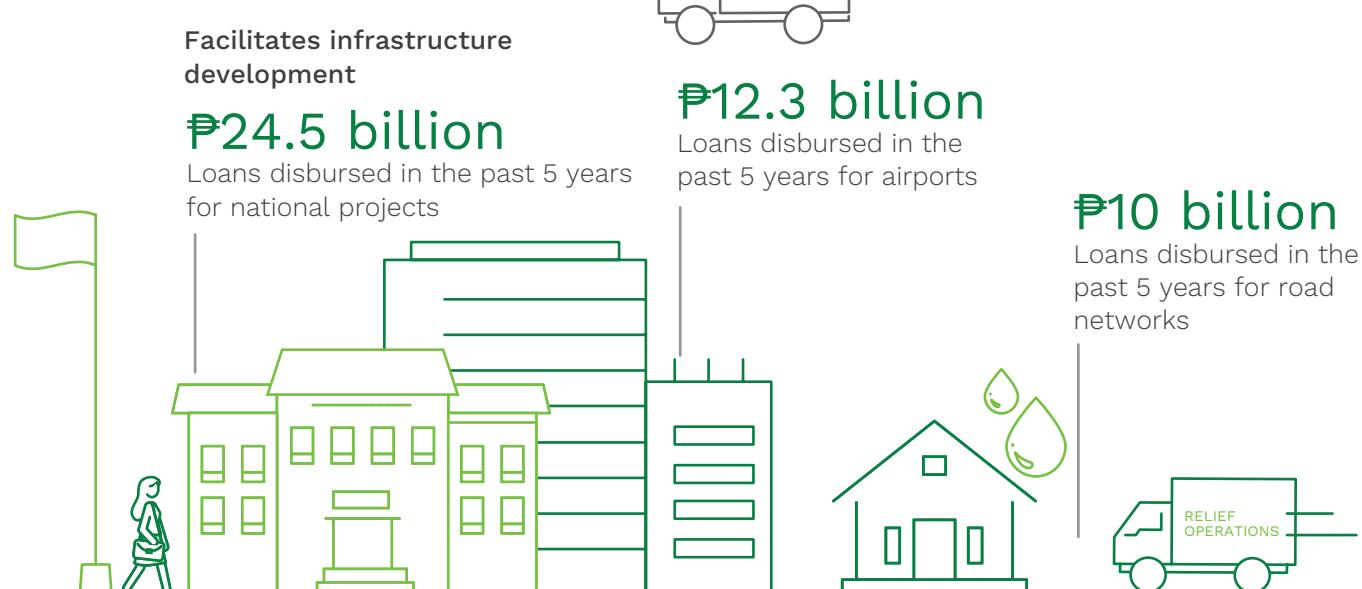
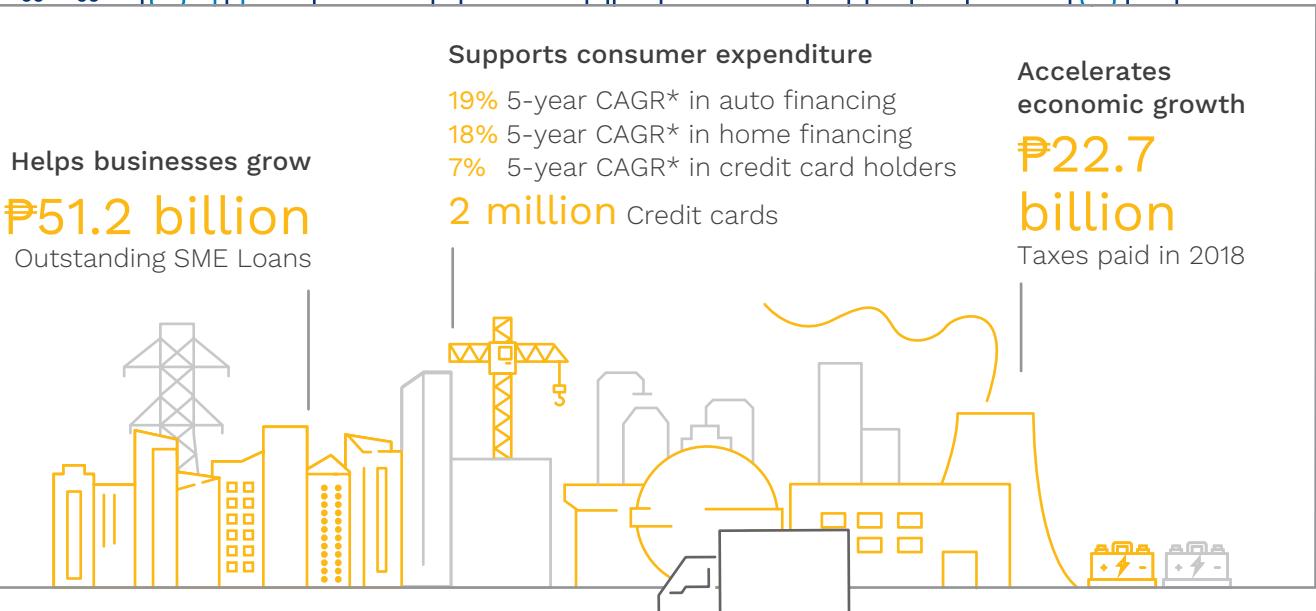
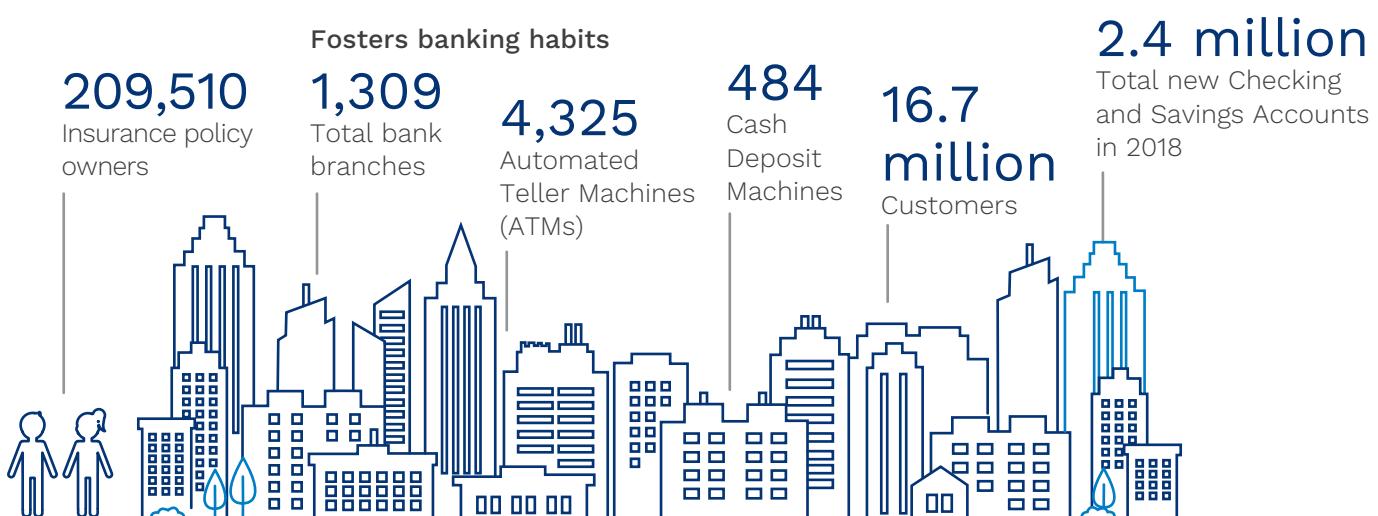
Promotes community development

**34** School buildings with 116 classrooms

**69** Rural health units

**9** Housing projects with 576 shelter units built and 60 units undergoing construction





\* Compound Annual Growth Rate

# In Support of the United Nations Sustainable Development Goals

<p><b>1 NO POVERTY</b></p> <p><b>₱22.7 billion</b> in Government taxes in 2018</p> <p>Target 1.1: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than US\$1.25 a day.</p> 	<p><b>2 ZERO HUNGER</b></p> <p><b>471,199</b> Relief packs distributed</p> <p>Target 2.1: By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.</p> 	<p><b>3 GOOD HEALTH AND WELL-BEING</b></p> <p><b>69</b> Rural health units rehabilitated</p> <p>Target 3.3 By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.</p> 	<p><b>4 QUALITY EDUCATION</b></p> <p><b>116</b> Classrooms built</p> <p>Target 4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant effective learning outcomes.</p> 
<p><b>5 GENDER EQUALITY</b></p> <p><b>60%</b> of Leadership roles is held by women in 2018</p> <p>Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p> 	<p><b>6 CLEAN WATER AND SANITATION</b></p> <p><b>₱2.1 billion</b> Loan disbursement for water treatment facilities</p> <p>Target 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p> 	<p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p> <p><b>569 MW</b> Renewable Energy Projects funded by SEF</p> <p>Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.</p> 	<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p> <p><b>49%</b> of Employees is part of Collective Bargaining Agreement</p> <p>Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities and equal pay for work of equal value.</p> 

## 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

₱36.9 billion

Total SEF Projects funded to date

Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.



## 10 REDUCED INEQUALITIES

₱9.43 million

Funding released for teachers in Mindanao

Target 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.



## 11 SUSTAINABLE CITIES AND COMMUNITIES

9

Housing projects with

576

shelter units built

Target 11.3: By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.



## 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Publication of 2018  
BDO Sustainability Report

Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.



## 13 CLIMATE ACTION

US\$150 million

Green Bond issuance with IFC as sole investor

Green Facility with JBIC

Target 13.2: Integrate climate change measures into national policies, strategies and planning.



## 14 LIFE BELOW WATER

₱20.2 million

Funds raised for World Wide Fund for Nature (WWF) through ATM donations to date

Target 14.2: By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.



## 15 LIFE ON LAND

₱147.8 million

Savings on paper costs through digital banking transactions

7,242

Trees saved from being cut down through digital banking

Target 15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.



## 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

ESG Platinum Award

The Asset

Among the Top 20 publicly listed companies in the country with the highest corporate governance scores based on the ASEAN Corporate Governance Scorecard

Target 16.6: Develop effective, accountable and transparent institutions at all levels.



## 17 PARTNERSHIPS FOR THE GOALS

GRI Sustainability Summit Philippines Co-Lead Presenter

Target 17.16: Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries.



# Banking on Sustainability

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## BDO Sustainability Philosophy

We seek to achieve strategic resilience by incorporating sustainability in the way we do business.

We aim to embed sustainability principles when making decisions, assessing relationships, and creating products.

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## Alignment to the United Nations Global Compact Principles

BDO supports the principles of the United Nations Global Compact. The Bank upholds:

- Corporate governance
- Climate-friendly solutions and opportunities for business
- Access to clean, renewable, and reliable energy sources and services
- The adoption of instruments that help quantify, manage, and report on the carbon footprint of its businesses
- The responsibility to protect the dignity of every person and uphold human rights
- The recognition of the role of women in achieving economic growth and poverty reduction
- The elimination of all forms of forced and compulsory labor, and child labor

BDO's commitment to sustainability is fostered at the Board level. It anchors its sustainable development strategy to the United Nations Sustainable Development Goals (SDGs). The Bank also upholds the 10 Principles of the United Nations Global Compact.

## BDO's Sustainability Leadership Team

<b>Board Oversight</b>	<b>Executive Committee</b> Teresita T. Sy Jesus A. Jacinto, Jr. Nestor V. Tan Josefina N. Tan	Antonio N. Cotoco Guia C. Lim Mario B. Palou Edmundo S. Soriano
	<b>Vicente S. Pérez, Jr.</b> Independent Advisor to the Board of Directors	
<b>Advisors</b>	<b>Mario A. Deriquito</b> President BDO Foundation	
	<b>Kristin Koleen D. Palaganas</b> Vice President Corporate Affairs and Sustainability Group SM Investments Corporation	
<b>Policy Development</b>	Group Heads and Subsidiary Presidents and CEOs	
<b>Implementation Team Lead</b>	<b>Federico P. Tancongco</b> Senior Vice President Chief Compliance Officer	
	<b>Maria Carmela M. Guerrero</b> First Vice President Chief Sustainability Officer	
<b>Support Units</b>	Compliance Office	
	Investor Relations and Corporate Planning Group	
	Marketing Communications Group	

"The clarity of the targets surrounding the 17 United Nations Sustainable Development Goals enables us to focus our initiatives on impact investing and align ourselves with the global standards of responsible investments and the principles of the United Nations Global Compact."

**Nestor V. Tan**  
President and  
Chief Executive Officer

## Reporting Process

102-46



## BDO Sustainability Framework

The Bank's Sustainability Framework defines the strategies that serve as guideposts in its journey towards sustainability.

### 1 Product Sustainability Strategy

We create products and services that 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.



### 2 Sustainability Contribution Strategy

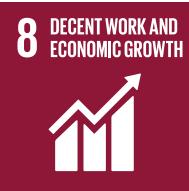
We support the achievement of national economic goals through financial inclusion and impact financing in infrastructure, eco-friendly solutions, green facilities, and disaster resilience initiatives.



### 3 Human Capital Sustainability Strategy

We develop leaders in the sustainability movement.

We aim to grow a “can lead” workforce that adapts a sustainability mind-set and thrives with innovative thinking and customer-focused attitude.



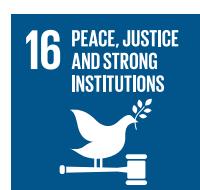
### 4 Disaster Response Sustainability Strategy

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



### 5 Governance-Based Sustainability Strategy

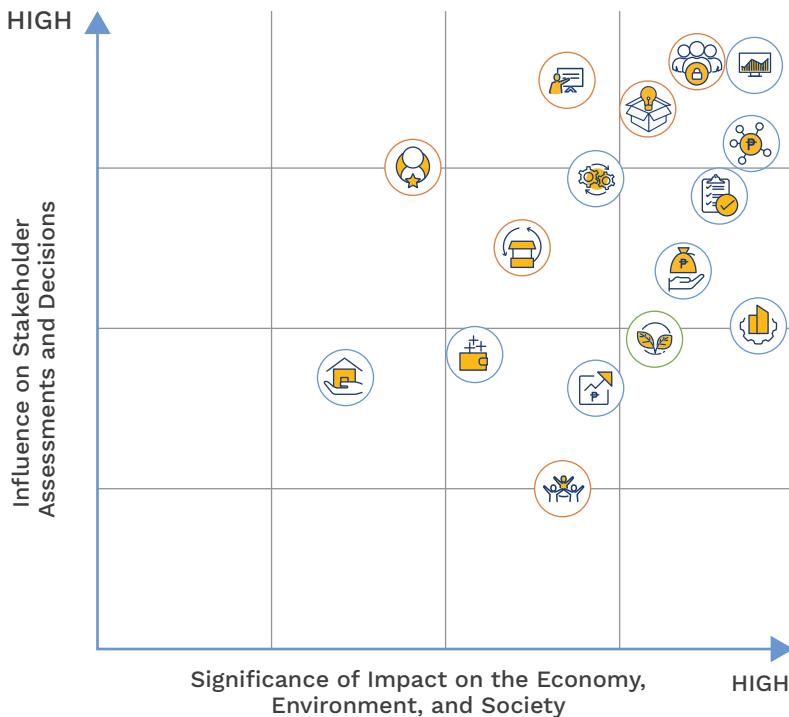
We continuously enhance our corporate governance framework to sustain superior business performance anchored on the principles of accountability, transparency, integrity, and fairness, together with our partners.



## Materiality 102-46, 102-47

Material Topic	Topic Boundary
 <b>Economic Performance</b> How BDO delivers sustainable returns to its shareholders and attains consistent market growth	Within BDO and with key stakeholders
 <b>Banking Network and Access</b> How BDO's wide reach and online services provide convenient and reliable access to its customers	
 <b>Innovative Customer-Focused Products and Services</b> How BDO innovates to meet the needs of its customers and unbanked members of society	
 <b>Development of Commercial Banking Products and Services</b> How BDO provides a full range of banking products and services to help grow and expand businesses	Within BDO and with customers
 <b>Development of Investment Banking Products and Services</b> How BDO provides access to capital and anticipates clients' funding requirements thereby helping address the private sector's need for capitalization	
 <b>Development of Wealth Management and Advisory Products</b> How BDO meets its fiduciary obligations and helps promote financial wellness and literacy to its customers	
 <b>Development of Insurance Services</b> How BDO helps its clients achieve financial security and peace of mind by offering accessible insurance solutions to protect their assets and productive capacity	
 <b>Green Financing</b> How BDO provides financing in eco-friendly solutions and green facilities to promote clean energy	Within BDO and with partners and customers
 <b>Financing for Developmental Projects</b> How BDO facilitates funding to large-scale development projects that support national economic growth	
 <b>MSME Financing</b> How BDO creates financial products to help micro, small, and medium enterprises grow	Within BDO and with partners, customers, and regulators
 <b>Employee Integrity and Development</b> How BDO develops a "can lead" mind-set able to innovate and maintain a customer-focused attitude	Within BDO
 <b>Employee Development and Training</b> How BDO retains and develops employees, recognizes achievements, and provides long-term professional growth	
 <b>Community Involvement</b> How BDO uplifts the lives of its communities through social development and disaster resilience programs	Within BDO and with host communities
 <b>Regulatory and Legal Compliance</b> How BDO complies with legal requirements and other relevant regulatory bodies	Within BDO and with regulators
 <b>Corporate Governance and Business Ethics</b> How BDO operates on principles of accountability, transparency, integrity, and fairness	Within BDO
 <b>Customer Rights, Privacy, and Welfare</b> How BDO protects the information of its customers, complies with the Data Privacy Act, and protects the welfare of its customers	Within BDO and with regulators and customers

## Our Materiality Matrix



### Key Themes

- Economic Performance
- Customer Rights, Privacy, and Welfare
- Banking Network and Access
- Innovative Customer-Focused Products and Services
- Regulatory and Legal Compliance
- Employee Development and Training
- Corporate Governance and Business Ethics
- Development of Commercial Banking Products and Services
- Financing for Developmental Projects
- Employee Integrity and Development
- MSME Financing
- Green Financing
- Development of Investment Banking Products and Services
- Development of Wealth Management and Advisory Products
- Community Involvement
- Development of Insurance Services

## Stakeholder Engagement

102-40, 102-42, 102-43, 102-44

Stakeholder Group	Relevance	Channels of Engagement	Relevant Topics	Our Commitment
Shareholder or Investor	<ul style="list-style-type: none"> <li>■ Providers of resources essential to BDO's goal to deliver results, enhanced economic returns, and shared value</li> </ul>	<ul style="list-style-type: none"> <li>■ Annual Stockholders' Meeting</li> <li>■ Investor meetings</li> </ul>	<ul style="list-style-type: none"> <li>■ Economic Performance</li> </ul>	<ul style="list-style-type: none"> <li>■ Provide transparent and timely disclosures</li> </ul>
Employee	<ul style="list-style-type: none"> <li>■ Proponent of BDO's vision, mission, and objectives</li> </ul>	<ul style="list-style-type: none"> <li>■ Face-to-face meetings</li> <li>■ Annual performance appraisals</li> </ul>	<ul style="list-style-type: none"> <li>■ Employee Integrity and Development</li> </ul>	<ul style="list-style-type: none"> <li>■ Roll out leadership development programs, awards, and recognition for employees</li> </ul>
Customer or Client	<ul style="list-style-type: none"> <li>■ Patrons of BDO's products and services</li> </ul>	<ul style="list-style-type: none"> <li>■ Customer touchpoints</li> <li>■ Regular visits and briefings</li> </ul>	<ul style="list-style-type: none"> <li>■ Banking Network and Access</li> <li>■ Customer Rights, Privacy, and Welfare</li> </ul>	<ul style="list-style-type: none"> <li>■ Constantly monitor and upgrade systems and provide timely feedback to customer concerns</li> </ul>
Creditor	<ul style="list-style-type: none"> <li>■ Source of assets that support BDO's business</li> </ul>	<ul style="list-style-type: none"> <li>■ Regular correspondence and updates</li> </ul>	<ul style="list-style-type: none"> <li>■ Corporate Governance and Business Ethics</li> <li>■ Financing for Developmental Projects</li> </ul>	<ul style="list-style-type: none"> <li>■ Meet contractual obligations</li> </ul>
Service Provider or Supplier	<ul style="list-style-type: none"> <li>■ Suppliers and service providers vital to BDO</li> </ul>	<ul style="list-style-type: none"> <li>■ Vendor accreditation process</li> <li>■ Regular correspondence</li> </ul>	<ul style="list-style-type: none"> <li>■ Corporate Governance and Business Ethics</li> </ul>	<ul style="list-style-type: none"> <li>■ Uphold policy on supplier accreditation</li> </ul>
Regulator or Policy Maker	<ul style="list-style-type: none"> <li>■ Driver of regulations and policies that aid BDO in achieving its goals</li> </ul>	<ul style="list-style-type: none"> <li>■ Formal and informal correspondence</li> <li>■ Regular audit</li> </ul>	<ul style="list-style-type: none"> <li>■ Regulatory and Legal Compliance</li> <li>■ Corporate Governance and Business Ethics</li> </ul>	<ul style="list-style-type: none"> <li>■ Comply with applicable laws and regulations, provide regulators with timely disclosures, and ensure quality of financial reports</li> </ul>
Community Beneficiary	<ul style="list-style-type: none"> <li>■ Partners in community development and local economic growth</li> </ul>	<ul style="list-style-type: none"> <li>■ Community engagement dialogues</li> <li>■ Meetings for program implementation</li> </ul>	<ul style="list-style-type: none"> <li>■ Community Involvement</li> <li>■ Banking Network and Access</li> </ul>	<ul style="list-style-type: none"> <li>■ Engage host communities in the design and implementation of social development programs</li> </ul>
Analyst or Research Organization and Media	<ul style="list-style-type: none"> <li>■ Partners in accurate reporting, upholding transparency and integrity</li> </ul>	<ul style="list-style-type: none"> <li>■ Analysts' briefings</li> <li>■ Media events</li> </ul>	<ul style="list-style-type: none"> <li>■ Economic Performance</li> <li>■ Innovative Customer-Focused Products and Services</li> </ul>	<ul style="list-style-type: none"> <li>■ Provide transparent and timely disclosures and updates</li> </ul>

# Economic Impact

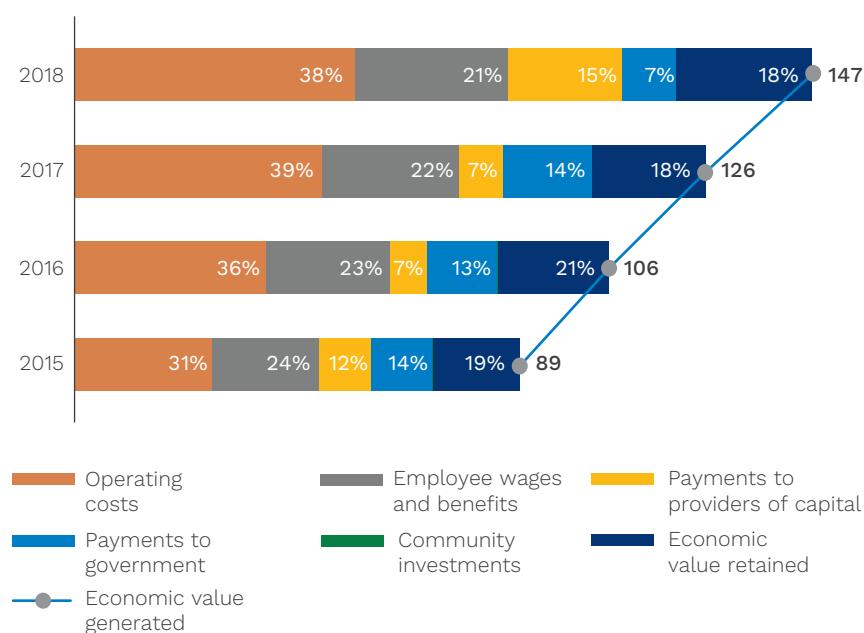
BDO has, over the years, strengthened its position as the country's leading full-service bank with capabilities to serve every Filipino's banking needs. The Bank continues to expand its business franchise through sustained branch expansion focused on provincial areas, as well as increased market coverage to include the unbanked and underserved segments of the population in support of financial inclusion. These initiatives have allowed BDO to increase the economic value it generates, boosting economic activity in the country.

## Economic Value Table Brief

BDO's direct economic value generated grew from P89 billion in 2015 to P147 billion in 2018, for a CAGR\* of 18%. Economic value distributed likewise rose from P71 billion in 2015 to P120 billion in 2018, representing CAGR of 19% during the period. Bulk of economic value distributed in 2018 was accounted for by wages and benefits, totaling P30 billion, benefitting the Bank's more than 36,000 employees, and supporting their growth and development. As well, the Bank increased its payments to the government from P12 billion in 2015 to P23 billion in 2018, duly contributing its share in nation-building. Further, payments to suppliers and third-party service providers (embedded in other operating costs) generate positive social and economic contribution to the communities where these businesses operate.

**ECONOMIC VALUE TABLE**

Figures in ₱ billion



\* Compound Annual Growth Rate



Photo by Joel Escala, BDO employee

## Sustainability Strategies and Performance

# Product Sustainability Strategy



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

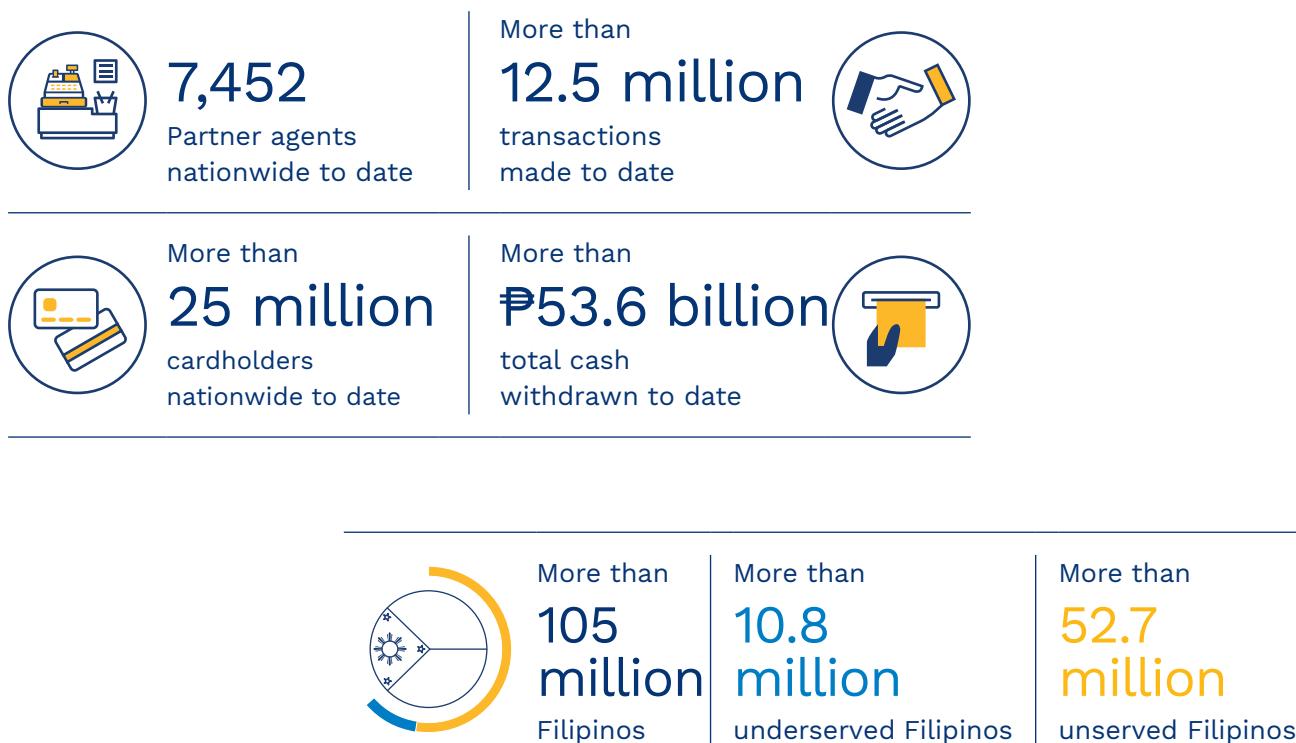
We develop our capabilities to understand our customers and reach the underserved markets with relevant products and services that meet their unique needs and ways of doing business.



BDO strives to help Filipinos attain their aspirations. To achieve this, the Bank introduced innovative banking practices such as extended banking days and hours to meet the needs of entrepreneurs, lowered minimum initial deposits to encourage a greater majority to engage in banking transactions, offered affordable and flexible consumer loan packages to support consumer spending, established bank branches in malls for customer convenience, and promoted online banking for efficient transactions. Despite making great strides with such innovations, more than 50% of the population remains unserved. BDO takes an out-of-the-box approach to reach this untapped segment.

## Reaching the Underserved Market

To improve the lives of the rural underserved and unserved segments, BDO focused on accessibility, convenience, affordability, and reliability to meet their unique needs. In 2014, BDO launched CASH AGAD, a solution that allows all debit and prepaid cardholders to perform banking transactions through the use of a Point of Sale (POS) terminal deployed in partner agents such as sari-sari stores, pawnshops, grocery stores, among others. This is very useful for people residing in remote areas, some of whom have to ride a boat or travel far by land just to withdraw from an ATM.



We are driven to empower our customers to achieve their goals.

## Serving Overseas Filipino Workers

As they strive to provide a better life for their families, the over 4-million strong Overseas Filipino Worker (OFW) community has become the backbone of the Philippine economy — sending back their hard-earned income abroad as remittance. BDO cemented its commitment to helping OFWs achieve a rewarding homecoming through the creation of the BDO Kabayan Savings account — a savings product designed for OFWs and their families with easier requirements for account opening and maintenance. Importantly, OFWs are encouraged to remit and save regularly through the incentive of free life and accident insurance.

To address limited financial literacy within the OFW community, BDO and its partners engage in year-round grassroots marketing programs to help OFWs and their families understand the importance of financial management and facilitate account opening where they are: from Pre-Departure Orientation Seminars before the OFW leaves the Philippines, to community events in the provinces where most OFW beneficiaries live. These grassroots programs are proven to increase account opening and average daily balance of Kabayan Savings account holders.

**351**

Remittance  
partners



**Over 1.8 million**

BDO Kabayan Savings  
account holders



**22**

International  
offices



**19**

Major provinces  
served

**More than 4 million**  
Overseas Filipino Workers

**More than 200**  
countries with OFW presence

### OFW Regional Origin

**13%** NCR

**55%** Balance Luzon

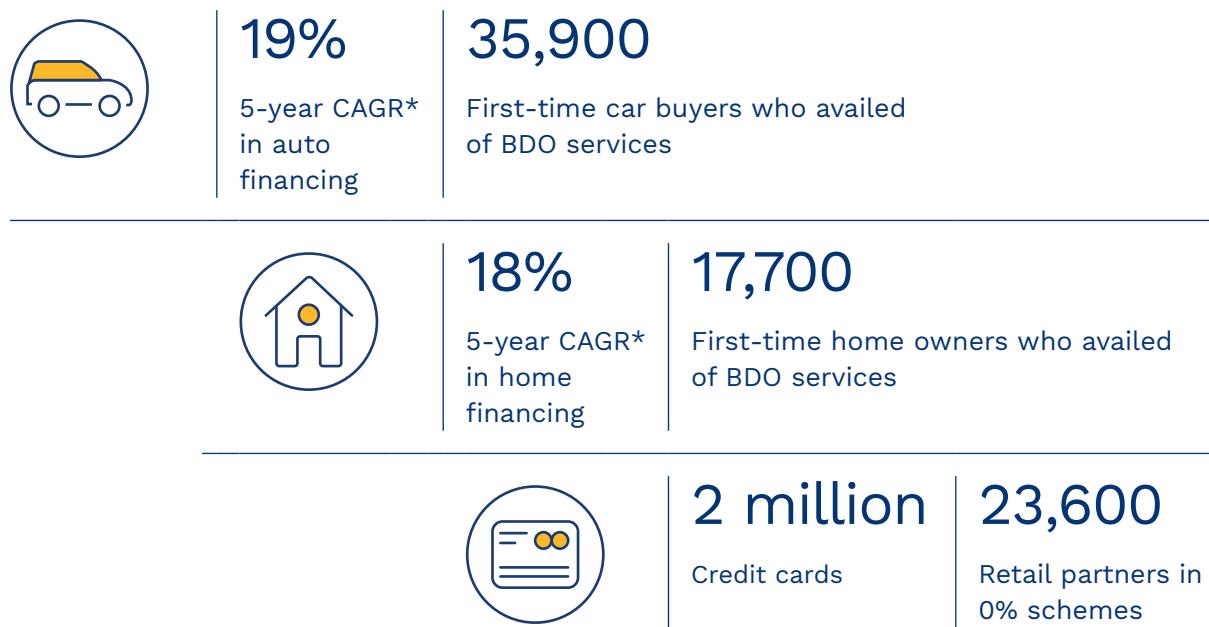
**16%** Visayas

**16%** Mindanao



## Empowering the Filipino Consumer

To help accelerate economic activity and augment the financial capabilities of the middle market, BDO modified various standard bank products to give customers more flexible options. The Bank forged tie-ups with car dealerships, home developers, and retail stores to offer competitive rates and faster service.



## Cultivating the Culture of Responsible Investing (Environmental, Social, and Governance)

As the global approach to investments focuses more on sustainability, BDO strives to raise the same consciousness in the Philippine market. In 2015, the Bank launched the country's first ESG-themed Unit Investment Trust Fund (UITF) which invests in companies that demonstrate notable sustainability practices.



\* Compound Annual Growth Rate

In Focus

# Promoting Financial Inclusion



BDO Foundation recently launched its program on financial inclusion to help improve the financial literacy of underserved Filipinos. Under this program are two focus areas: financial education and capability-building for small entrepreneurs. It also extended its financial education program to farmers trained under SM Foundation's Kabalikat sa Kabuhayan farmers' training program.

To achieve a wider reach, BDO Foundation partnered with the Bangko Sentral ng Pilipinas (BSP) and the Department of Education (DepEd) to introduce a financial education program for public school teachers, non-teaching personnel, and students. This initiative supports DepEd's efforts to strengthen financial education in its K to 12 curriculum. It also contributes to the pillar on Financial Education and Consumer Protection of the BSP's National Strategy for Financial Inclusion.

For better comprehension and retention, BDO Foundation supplements its financial training with financial literacy videos which were produced in collaboration with the BSP and DepEd. The first batch completed in 2018 focused on the topic of savings. This will be followed by videos on financial management, investments, the responsible use of credit, and how to avoid scams, which are targeted for release in 2019.

Lastly, BDO Foundation expanded its scope by partnering with the Philippine Army, Overseas Workers Welfare Administration (OWWA), and the BSP to include additional lessons on budgeting, loans, debt management, and retirement planning.

Through this advocacy, BDO Foundation hopes to promote financial inclusion, particularly among educators, soldiers, OFWs, and the Filipino youth. It strives to contribute to the long-term development of a financially literate citizenry and nation-building.

## Financial Inclusion

5

Financial education videos produced

150,000

Students engaged

3,000

Teachers engaged



# 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.



In support of the government’s “Build, Build, Build” campaign, BDO leverages its resources to finance strategic development projects that accelerate economic activity and attract local and foreign investments to promote sustained growth for the country.

## Boosting Philippine Tourism through Infrastructure Development

Tourism remains one of the biggest potential growth drivers of the Philippine economy. The government continues to invest in programs and development for the Philippines to be a preferred tourist destination.

Having adequate and strategically located airports across the Philippine islands is one of the requisites to supporting the growth of tourism. In the Visayas region, Cebu serves as the gateway to renowned island resorts and diving spots. Prior to its privatization, the Mactan Cebu International Airport (MCIA) was servicing close to 9 million passengers annually, but with infrastructure that was designed to handle traffic of just 4 to 5 million passengers.

BDO facilitated the country’s first airport redevelopment and expansion project in Cebu through a P12.4-billion Term Loan Facility. This model serves as the premier Public-Private Partnership (PPP) airport project in the country. With the recent opening of Terminal 2 of the MCIA, the airport capacity has more than tripled to 12.5 million passengers a year. The facility is also now connected to 32 domestic destinations and 22 international destinations with eight Philippine-based airlines and 17 foreign airlines.

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Over 10 million  
additional travelers served

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Increased  
accessibility in the Visayas

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Catalyst for  
Cebu's  
commercial activities

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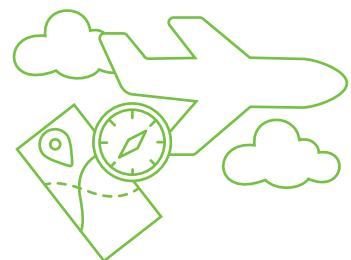
Project Finance  
Deal of the Year

– The Asset

---

Best Transport  
Deal, Philippines

– The Asset



## Linking Gateways through Efficient Road Networks

Metro Manila is the nucleus of economic, social, and political developments in the country. It also serves as the hub that connects the northern and southern parts of Luzon. In recent years, economic growth has created challenges, particularly the fluid passage of people and goods. Under the government's "Build, Build, Build" program, the construction of road networks in tactical locations has taken top priority.

BDO advanced the construction of the Skyway Stage 3 extension aimed at connecting two of the country's busiest gateways, the South Luzon Expressway (SLEX) and the North Luzon Expressway (NLEX). The objective of the project is to decongest Metro Manila and stimulate the growth of trade and industry in southern, central, and northern Luzon, necessary to support an anticipated upturn in the logistics industry and the growth of import and export businesses.

Augmenting the NLEX route is the Tarlac-Pangasinan-La Union Expressway (TPLEX) which serves as a vital link to the northernmost provinces of the Philippines. BDO also served as the joint lead facilitator of the P11.5-billion development of an 88.5-kilometer road from Tarlac to La Union.

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**118.1 km**

of road network development

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**₱14.6 billion**

Financing facilitated

---

**8 million**

Vehicles serviced by TPLEX in 2018

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**2.5 hours**

of travel time avoided by passing through TPLEX



## Harnessing Renewable Sources of Energy

The devastating effect of climate change has taken center stage in the global arena in recent years. International agencies have campaigned to prioritize the mitigation of the environmental effects of industrialization. Under the Paris Agreement, 175 states committed to strengthen the global response to the threat of climate change.

In the context of sustainable development and efforts to address environmental concerns, BDO serves as one of the pioneers in instituting Sustainable Energy Finance in partnership with the International Finance Corporation as an effective approach to harnessing renewable sources of energy.

Sustainable Energy Finance strategies to address environmental concerns include:

- Reinforcing current Social and Environmental Management System (SEMS) Policy in lending operations
- Integrating environmental risk management in responsible finance
- Accelerating low carbon energy through Green Finance

### Renewable Energy Project and MW Capacity



Total 569 MW

### Environmental and Social Benefits



₱36.9 billion

Total SEF Projects funded to date

34

SEF Projects funded to date

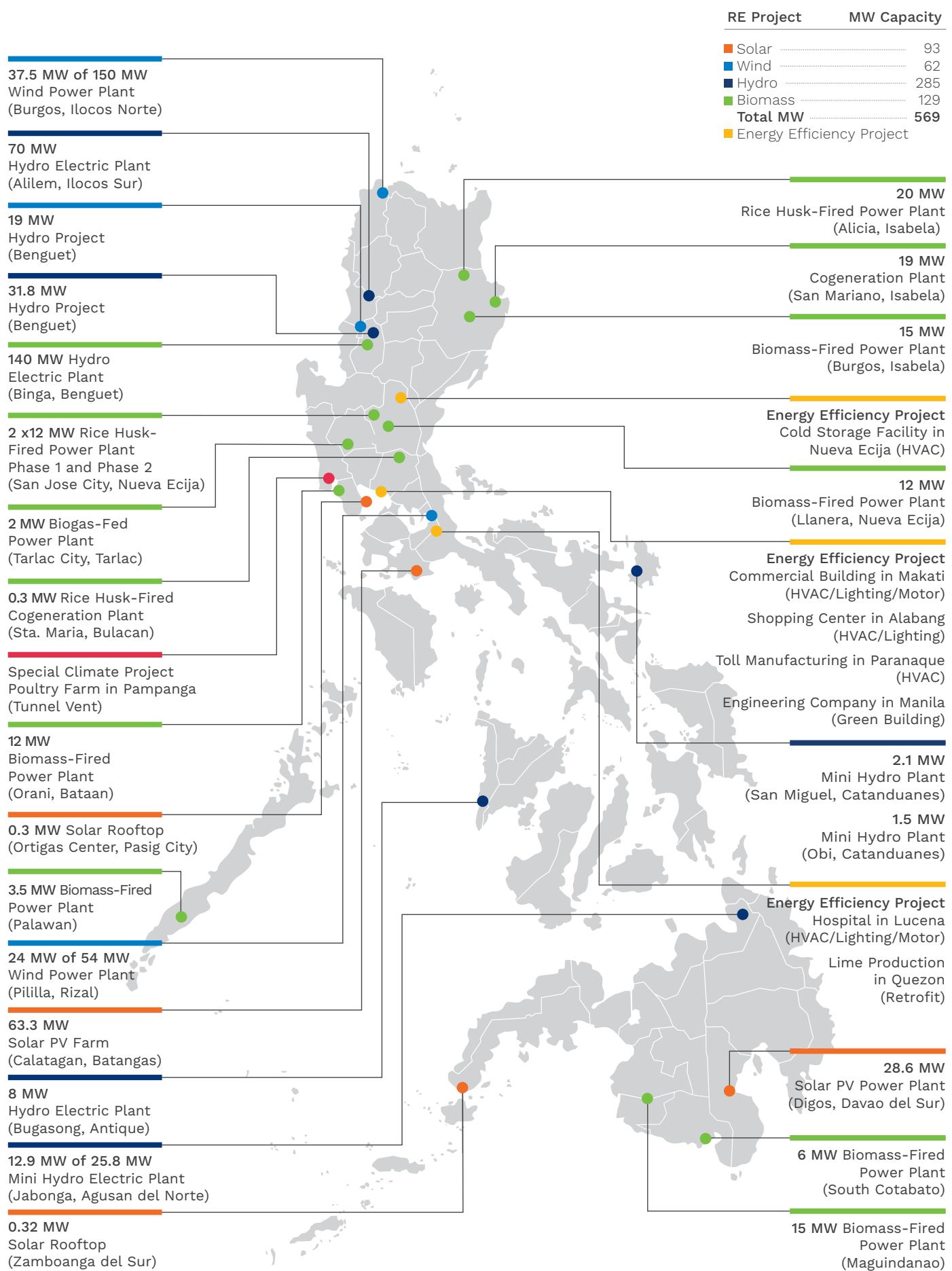
₱8 billion

SEF Projects funded in 2018

7

SEF Projects funded in 2018

# The BDO Sustainable Energy Finance Project Map



## Wind



Alternergy Wind One Corporation | Pililla Rizal Wind Farm

### Technology

**54 MW** Wind Farm

### Energy generation

**146,642** MW/year

### GHG avoidance

**64,927** tonnes

of CO<sub>2</sub> per year equivalent  
to 62.8M pounds of  
coal burned

### Investment cost

**₱7.6 billion**

(partially financed by BDO SEF)

### Value of energy generation

**₱1.1 billion**/year

## Solar



Solar Philippines Energy, Inc. | Calatagan Solar PV Farm

### Technology

**63 MW**

Solar Photovoltaic Project

### Energy generation

**87,643** MW/year

covering the needs of  
220,000 households

### Investment cost

**₱4.9 billion**

### Value of energy generation

**₱761.6 million**/year

## Biomass



San Jose City I-Power Corporation | Rice Husk-Fired Power Plant

### Technology

**12 MW**

Rice husk-fired power plant

### Energy generation

**74,880** MW/year

### GHG avoidance

**31,285** tonnes

of CO<sub>2</sub> per year equivalent  
to reducing GHG emissions  
generated by 2,589 homes

### Investment cost

**₱1.1 billion**

### Value of energy generation

**₱411.8 million**/year

## Hydro



Sunwest Water and Electric Company | Mini Hydro Power Plant

### Technology

**8 MW**

Mini Hydro Power Plant

### Energy generation

**30,080** MW/year

### GHG avoidance

**16,993** tonnes

of CO<sub>2</sub> per year equivalent  
to reducing GHG emissions  
generated by 3,639 passenger  
vehicles

### Investment cost

**₱1.3 billion**

### Value of energy generation

**₱158.3 million**/year

In Focus

# BDO Sustainable Corporate Initiatives

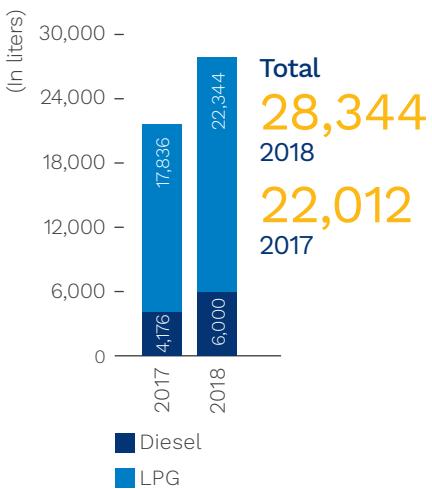


Photo by Giancarlo S. Valera, BDO Camera Club

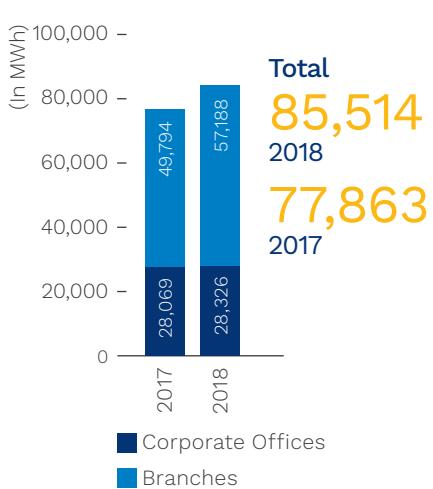
The **BDO Corporate Center Ortigas** has earned a certification on Leadership in Energy and Environmental Design (LEED) in 2018, making it the first high-rise office-commercial building in the Philippines to achieve a LEED Gold Certification under the "New Construction Category." Various sustainable methods were implemented in the construction including the installation of automated monitoring and control systems such as CO<sub>2</sub> sensors, occupancy sensors, daylight dimming, and timer switches. The same consciousness is practiced across BDO offices nationwide, incorporating environment-friendly designs and programs to achieve eco-efficient operations.

## Consumption and Emissions

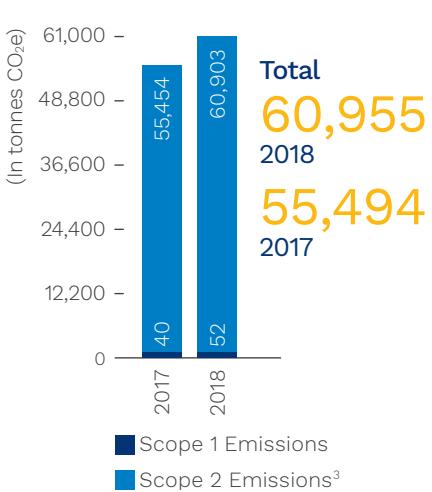
### FUEL CONSUMPTION<sup>1</sup>



### ELECTRICITY CONSUMPTION



### GHG EMISSIONS<sup>2</sup>



### WATER CONSUMPTION



BDO is committed to measuring its resource consumption and managing its own carbon footprint. The Bank's fuel, electricity, and water consumption increased by 29%, 10%, and 19% respectively, from the previous year owing to increased usage due to augmenting company operations. Meanwhile, total greenhouse gas (GHG) emissions generated from its fuel and electricity consumption grew by 10% from the 2017 level.

<sup>1</sup> Limited to BDO Corporate Center Makati only

<sup>2</sup> Calculated using the operational approach based on the GHG Protocol

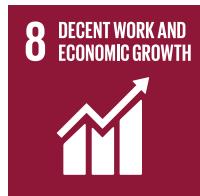
<sup>3</sup> Scope 2 Emissions were calculated using the 2015-2017 National Grid Emission Factors provided by the Department of Energy

# Human Capital Sustainability Strategy



We develop leaders in the sustainability movement.

We aim to grow a “can lead” workforce that adapts a sustainability mind-set and thrives with innovative thinking and customer-focused attitude.



## Employee Profile

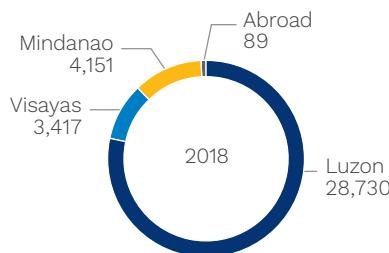
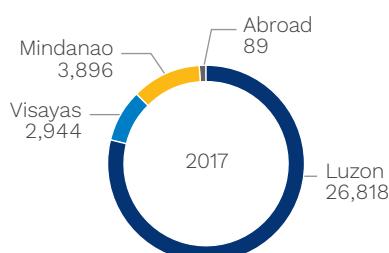
### BY GENDER

	Employee Count		New Hires		Employee Separations	
	2017	2018	2017	2018	2017	2018
Male	7,794	8,539	882	1,291	532	533
Female	25,953	27,848	3,963	4,015	2,007	2,098
TOTAL	33,747	36,387	4,845	5,306	2,539	2,631

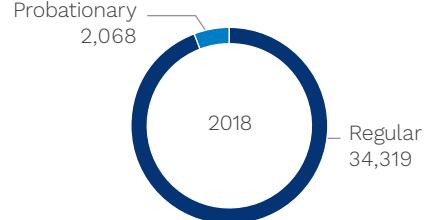
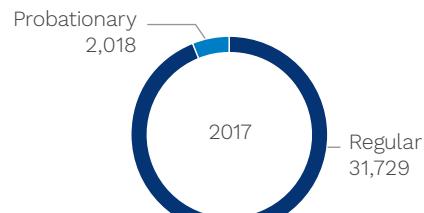
### BY AGE

	Employee Count		New Hires		Employee Separations	
	2017	2018	2017	2018	2017	2018
<30	15,965	17,189	4,056	4,141	1,661	1,701
30-50	16,106	17,230	758	1,132	741	783
>50	1,676	1,968	31	33	137	147
			Hiring Rate	15%	Turnover Rate	7%

### EMPLOYEE COUNT BY REGION



### EMPLOYEE COUNT BY EMPLOYMENT STATUS



60% of Senior Officers are women

49% of total employees are covered by collective bargaining  
102-41

### AVERAGE TRAINING HOURS

	Per Employee	By Gender		By Rank		
	2017	Male	Female	Rank-and-File	Junior Officers	Senior Officers
2017	39.5	55.6	57.0	66.5	49.1	32.2
2018	46.1	57.0	57.7	68.4	67.3	49.2

### PERFORMANCE ASSESSMENT

	% over Total Eligible Employees	By Gender		By Rank		
	2017	Male	Female	Rank-and-File	Junior Officers	Senior Officers
2017	100%	100%	99%	97%	100%	100%
2018	99%	99%	99%	97%	100%	100%

## **Providing Equal Opportunity**

BDO is committed to fair employment practices without undue prejudice to race, gender, ethnic origin, religion, age, or sexual orientation. Employees are treated with respect, dignity, and fairness.

The Bank ensures that employment practices and policies are in compliance with labor laws, regulations, and standards in the countries where it operates. Employees are selected, engaged, compensated, and promoted, as the case may be, based on the merits of qualification and performance.

## **Employee Rights and Welfare**

BDO is committed to promoting the physical, social, and mental well-being of its employees. It maintains a positive, harmonious, and professional work environment with due importance accorded to the occupational health and safety of employees and related external parties.

The Bank abides by all regulations defined by the Department of Labor and Employment (DOLE), including health and safety standards for its employees. BDO completed the DOLE inspection and was found compliant with both the General Labor Standards and the Occupational Health and Safety Standards.

BDO supports the rights of its employees to participate in a Collective Bargaining Agreement (CBA). It enjoys a constructive relationship with its duly recognized employee representative group.

BDO is an apolitical and non-partisan organization. It partners with government agencies and associations as a co-champion in the promotion of social development and environmental sustainability.

## **Employee Training and Development**

BDO pursues an empowering work environment for its employees to demonstrate their full capability and talents. All BDO bankers receive a variety of training including Officer Development Program, Manager Development Program, and other targeted training programs.

## **Employee Assessment and Professional Advancement**

Every year, all BDO bankers undergo an assessment process that encourages open communication between supervisor and team member. The Bank prioritizes internal candidates for opportunities within the organization, including job rotation, to develop the skills necessary for a well-rounded banker.

BDO strives to build long-term relationships with its employees. It offers career development options and provides multiple training opportunities to equip its team members for professional advancement.

## Cultivating the “Can Lead” Culture of Excellence and Innovation

The capacity of BDO to innovate and anticipate transformations in the banking industry starts from its people's passion for excellence and innovation. At the core is BDO's commitment to its customers – to provide them with the highest level of customer service. This is summed up in BDO's service philosophy of “We Find Ways.”

### Customer-Focused

Everything each BDO banker does must have the customer's objective and interest in mind. It redefines the Bank's role beyond simply providing financial services to fulfilling the objectives of the customers.

**5,195**

Recipients of the Smart  
Frontliner Award since 2014



## Out-of-the-Box Thinking

Every BDO banker is encouraged to challenge conventional banking practices, beliefs, and processes if there is a better way to achieve the client's objectives, without compromising quality, ethics, or good governance.

## Right Attitude

All BDO bankers are encouraged to go the extra mile to meet the client's objectives. This is demonstrated in every BDO banker's customer service attitude. Incorporated in BDO's human resource trainings is the development of values such as integrity, team spirit, hard work, and service. Complementing BDO's commitment to build long-term relationships with its customers is the Bank's efficient business processes and seamless digital tools.

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1,001

Recipients of the Product Excellence Award since 2014



## Excellent Execution

As the largest full-service financial institution in the Philippines, BDO is committed to doing it right, on time, and according to expectations every day.



## Fostering the Spirit of Volunteerism, Social Responsibility, and Environmental Consciousness



The spirit of volunteerism and social responsibility is alive in each BDO banker. Working together, the BDO team raises funds and builds multi-purpose halls all over the country to promote community spirit and unity.

9

Multi-purpose centers built to date

₱19 million

Total funds donated by BDO Group employees to date

7,457

BDO volunteers mobilized to date

₱110 million

Total funds raised in 2018 from various sources

698

BDO volunteers mobilized in 2018

# Disaster Response Sustainability Strategy



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



## Disaster Response

**240** Relief operations conducted to date

**471,199** Families served to date

**35** Relief operations conducted in 2018

**46,970** Families served in 2018



## Rural Health Units

**69** Rural health units rehabilitated to date

**4.4 million** Beneficiaries to date

**25** Rural health units rehabilitated in 2018

**1.4 million** Beneficiaries in 2018

## School Buildings

**34** School buildings constructed to date

**116** Classrooms constructed to date

**32,657** Student beneficiaries to date

**2** School buildings constructed in 2018

**4** Classrooms constructed in 2018

**300** Student beneficiaries in 2018

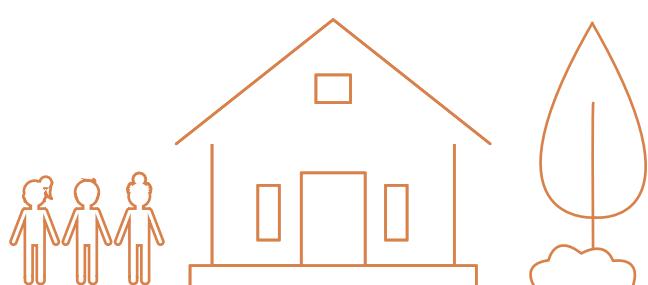


## Resettlement Homes

**9** Housing projects initiated to date

**636** Resettlement homes

**576** Families benefitted to date



BDO pursues its corporate citizenship initiatives through BDO Foundation, the Bank's corporate social responsibility arm. Backed by the BDO community, the Foundation develops and implements programs designed to address the needs of the underprivileged and underserved members of society. Its advocacies fall under two pillars: disaster response, which includes relief, rehabilitation, and reconstruction programs; and financial inclusion, which was launched in 2018.

## Disaster Response

Leveraging the wide network of BDO branches and satellite offices across the country, the Foundation mobilizes BDO volunteers to mount relief work in communities affected by natural or man-made disasters. Branch officers and staff visit disaster-stricken barangays and distribute relief packs containing food, rice, and water to affected residents.

## Rehabilitation of Rural Health Units

BDO Foundation determines the long-term work that needs to be done as part of its disaster response advocacy, of which the rehabilitation of rural health units is a high priority. The rehabilitation includes various units and spaces for mothers and infants, children, senior citizens, persons with disabilities, and other patients. New furniture is installed. The Foundation also builds play areas for children complete with books and toys, waiting lounges for the comfortable use of senior citizens, and breast-feeding stations for nursing mothers.

## School Building Program

In support of the Adopt-A-School program of the Department of Education and as part of the Foundation's rehabilitation and reconstruction program, BDO Foundation constructs new school buildings in areas affected by natural disaster or armed conflict. In 2018, the Foundation constructed a two-storey, four-classroom school building for Nanapun Elementary School in Marawi City, Lanao del Sur, and a technical-vocational education and training (TVET) building for the Don Bosco Training Center in Mati City, Davao Oriental.



## Resettlement Homes

BDO Foundation also builds typhoon-resilient homes for families displaced by disasters. The Foundation partnered with the United Nations Human Settlements Program (UN-Habitat) for the construction of houses in Barangay Cabalawan, Tacloban City for families affected by Typhoon Yolanda. Of the total 100 targeted homes, 40 houses have been turned over to members of the Villa de Tacloban Homeowners Association Inc., while the remaining 60 units are in various stages of construction.



# 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.



## Good Governance for a Sustainable Future

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.

### Our Board of Directors

The diversity in skills, experience, gender, sexual orientation or preference, age, education, race, business, and other related experiences is one of the key contributors to our successful Board oversight. We view this wide range of experiences and backgrounds as an essential element in maintaining strategic guidance and perspective for our growing business.

### Board Structure

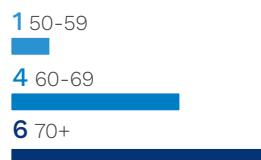
The Board is composed of 11 members aided by 5 Advisors. The members of the Board are all professionals with expertise in banking, accounting and finance, law, merchandise marketing, strategy formulation, bank regulations, and risk management. It is led by a Non-Executive Chairperson with 5 Independent Directors, 3 Non-Executive Directors, and 2 Executive Directors who are the Vice Chairman and the President & CEO. Independent Directors make up 45% of the members of the Board which exceeds the requirement of the Securities and Exchange Commission and the Bangko Sentral ng Pilipinas. Non-Executive Directors including Independent Directors now comprise 82% of Board strength, more than the requirement of the BSP of at least majority of the Board. This provides independent and objective judgment on significant corporate matters and ensures that key issues and strategies are objectively reviewed, constructively challenged, thoroughly discussed, and rigorously examined.

## Board Snapshot

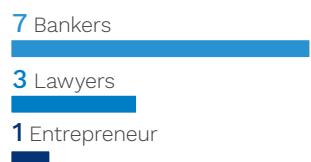
### Director Diversity



### Director Age



### Skills, Experience & Background



## Our Directors

Name and Age	Role	Tenure	Independent	Nationality
<b>Teresita T. Sy</b> , 68	Chairperson	1st term: 28; 2nd term: 11		Filipino
<b>Jesus A. Jacinto, Jr.</b> , 71	Vice Chairman	22		Filipino
<b>Nestor V. Tan</b> , 60	President & CEO	20		Filipino
<b>Christopher A. Bell-Knight</b> , 74	Director	1st term: 5; 2nd term: 5		Canadian
<b>Jose F. Buenaventura</b> , 84	Director	5	●	Filipino
<b>Jones M. Castro, Jr.</b> , 69	Director	6	●	Filipino and American Lead
<b>Antonio C. Pacis</b> , 78	Director	14		Filipino
<b>Dioscoro I. Ramos</b> , 60	Director	3	●	Filipino
<b>Josefina N. Tan</b> , 73	Director	1st term: 4; 2nd term: 11		Filipino
<b>Jimmy T. Tang</b> , 83	Director	34	●	Filipino
<b>Gilberto C. Teodoro, Jr.</b> , 54	Director	4	●	Filipino

## Our Advisors

Name	Role	Independent	Nationality
<b>George T. Barcelon</b>	Advisor	●	Filipino
<b>Corazon S. de la Paz – Bernardo</b>	Advisor		Filipino
<b>Vicente S. Pérez, Jr.</b>	Advisor	●	Filipino
<b>Jose T. Sio</b>	Advisor		Filipino
<b>Harley T. Sy</b>	Advisor		Filipino

## Board Committees

The Board has established 9 committees to help in discharging its duties and responsibilities. These committees derive their authority from and report directly to the Board. Their mandates and scopes of responsibility are set forth in their respective Terms of Reference, which are subjected to annual review and may be updated or changed in order to meet the Board's needs or for regulatory compliance. The number and membership composition of committees may be increased or decreased by the Board as it deems appropriate, consistent with applicable laws or regulations specifically on the majority membership and chairmanship of independent directors in various committees. Seven of the 9 Board committees namely Risk Management, Board Audit, Corporate Governance, Related Party Transactions, Information Technology Steering, Nomination, and Compensation are chaired by Independent Directors.

## THE BOARD OF DIRECTORS

- Responsibility for good governance lies with the Board.
- It is responsible for providing effective leadership and overall direction to foster the long-term success of the Bank.
- It oversees the business affairs of the Bank, reviews the strategic plans and performance targets, financial plans and budgets, key operational initiatives, capital expenditures, acquisitions and divestments, annual and interim financial statements, and corporate governance practices.
- It oversees management performance, enterprise risk management framework, internal control system, financial reporting and compliance, related party transactions, continuing director education, and succession plans for the Board and CEO.
- It considers sustainability issues related to the environment and social factors as part of its sustainable banking practices.

### Executive Committee

- Acts as the main approving body for Bank exposures, particularly approval and confirmation of credit proposals, credit policies, write-offs, resolutions of remedial/problem accounts, leases and acquisitions of branch sites investment, and acquisitions
- Approves loans and credit facilities, leases and sale of acquired assets, within its Board-delegated authority
- Performs oversight on the Bank's sustainability program

### Corporate Governance Committee

- Primarily tasked to assist the Board in formulating governance policies and overseeing the implementation of governance practices
- Conducts the performance evaluation of the Board of Directors, its committees, executive management, peer evaluation of directors, and self-evaluation of its performance
- Oversees education programs for directors and key officers

### Risk Management Committee

- Responsible for the development of the Company's risk policies, sets the risk appetite, and defines the appropriate strategies for identifying, quantifying, managing, and controlling risk exposures
- Oversees the implementation and review of the risk management plan on an integrated enterprise-wide basis. It is also responsible for reassessing the continued relevance, comprehensiveness, and effectiveness of the risk management plan and revises it when needed

### Nominations Committee

- Leads the process for identifying and recommending possible Director candidates as well as positions requiring appointment by the Board of Directors
- Responsible for considering succession planning and the skills and competencies of the currently serving directors, the gaps in skills and competencies identified, and the search for candidates who are aligned with the Company's directions to fill the gaps

### Audit Committee

- Oversees the financial reporting process, internal control and risk management systems, internal and external audit functions, and compliance with governance policies, applicable laws, and regulations

### Related Party Transactions Committee

- Assists the Board in its oversight of the conduct of all Related Party Transactions (RPTs) to protect the interests of the Company and its stakeholders.
- Ensures proper disclosure of all approved RPTs in accordance with applicable legal and regulatory requirements, and confirmation by majority vote on the Annual Stockholders' Meeting of the Company's significant transactions with related parties

### Trust Committee

- Reviews and approves transactions between trust and/or fiduciary accounts, accepts and closes trust and other fiduciary accounts, and approves the investment, reinvestment, and disposition of funds or property
- Reviews the Trust and Investment Group's overall performance, profile of funds and accountabilities under its management, industry position, and the risk management reports

### Information Technology Steering Committee

- Provides oversight and governance over the Bank's Information Technology functions, including approvals of IT-related policies and practices of the Bank and applicable guidelines
- Responsible for understanding, managing, and mitigating technology risks that confront the Bank and its subsidiaries, ensuring that the risks are properly managed and mitigated, and monitoring of IT performance including status of major IT projects and issues

### Compensation Committee

- Provides oversight on directors' compensation and remuneration of senior management and other key personnel, ensuring that the compensation scheme is consistent with the Bank's culture and strategy, effectively aligned with prudent risk taking and commensurate with corporate and individual performance
- Ensures consistency of the compensation policies and practices across the group

Further information regarding BDO's Board and Committees can be found in the Annual Report and at [www.bdo.com.ph](http://www.bdo.com.ph).

## **Corporate Policies**

### **Code of Ethics**

The BDO Code of Ethics is the ethical standards of the Company's officers and employees in all their activities. It outlines the principles and policies that govern the activities of the institution and sets forth the rules of conduct in the workplace and the standards of behavior of its directors, officers, and employees in their activities and relationship with external stakeholders.

### **Data Privacy**

BDO implements strict compliance with data privacy and protection laws. All sensitive and confidential information obtained in the course of employment, directorship, engagement of services, or other work or business-related relationship with BDO must not be divulged unless authorized in accordance with internal and regulatory requirements, and must not be used for any personal or financial gain. This is in compliance with the applicable information security risk policies of BDO and the data privacy and protection laws enjoined.

### **Internal Fraud, Breach of the Code, or Other Unethical/Illegal Activities**

BDO believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the industry. Any director or employee who becomes aware of any violations of law, regulations, or policies should report the same to appropriate authorities, with protection from reprisal and discrimination. Reporting of violations should be done in good faith and without malice. This is embodied in the BDO Policy of Disclosure of Sensitive/Confidential Matters to Management that governs the policies and procedures in the handling of whistleblower cases.

### **Acceptance/Solicitation of Gifts, Bribery, and Corruption**

Employees, suppliers, partners, and other third parties must avoid giving or receiving gifts or entertainment if these might improperly influence the recipient's decision-making or might be perceived to do so. They must not also offer or take any form of illegal or improper payment.

### **Anti-Money Laundering and Counter Terrorist Financing**

The Bank seeks to prevent money laundering, combat terrorist financing, and stop the flow of funds by detecting and reporting money laundering and terrorist financing red flags, and establishing policies and guidelines as articulated in a Board-approved Money Laundering and Terrorist Financing Prevention Program Manual (MLPP) aligned with anti-money laundering laws and BSP regulations, with which frontliners and responsible bank officers comply. The Bank's MLPP supports the conduct of proactive and targeted monitoring initiatives to identify suspected money launderers and terrorists as well as terrorist-related transactional activities.

Further information regarding BDO's corporate policies can be found in the Annual Report and at [www.bdo.com.ph](http://www.bdo.com.ph).

# GRI Content Index



Materiality  
Disclosures  
BDO Unibank, Inc.

Mar 2019  
Service

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

GRI Standard	Disclosure	Page Number(s), Direct Answer and/or URLs	Reason for Omission
<b>GRI 101: Foundation 2016</b>			
<b>General Disclosures</b>			
GRI 102: <b>General Disclosures 2016</b>	<b>Organizational Profile</b>		
102-1	Name of the organization	2, 6	
102-2	Activities, brands, products, and services	6, 25-28, 30-34	
102-3	Location of headquarters	2	
102-4	Location of operations	6	
102-5	Ownership and legal form	6	
102-6	Markets served	6-7, 12-15	
102-7	Scale of the organization	6-7, 12-13	
102-8	Information on employees and other workers	38	
102-9	Supply chain	51	
102-10	Significant changes to the organization and its supply chain	None to report.	
102-11	Precautionary Principle or approach	29, 32	
102-12	External initiatives	14-15	
102-13	Membership of associations	55	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	8-11	
<b>Ethics and Integrity</b>			
102-16	Values, principles, standards, and norms of behavior	5, 51	
<b>Governance</b>			
102-18	Governance structure	48-50	
<b>Stakeholder Engagement</b>			
102-40	List of stakeholder groups	21	
102-41	Collective bargaining agreements	38	
102-42	Identifying and selecting stakeholders	21	
102-43	Approach to stakeholder engagement	21	
102-44	Key topics and concerns raised	21	
<b>Reporting Practice</b>			
102-45	Entities included in the consolidated financial statements	BDO Unibank, Inc. (parent) and subsidiaries.	
102-46	Defining report content and topic Boundaries	17, 20	
102-47	List of material topics	20	
102-48	Restatements of information	Not applicable.	
102-49	Changes in reporting	Not applicable.	
102-50	Reporting period	2	
102-51	Date of most recent report	2	
102-52	Reporting cycle	Annual.	
102-53	Contact point for questions regarding the report	2	
102-54	Claims of reporting in accordance with the GRI Standards	2	
102-55	GRI Content Index	52-54	
102-56	External assurance	Not applicable.	

## Material Topics

GRI Standard	Disclosure		Page Number(s), Direct Answer and/or URLs	Reason for Omission
<b>Economic Performance</b>				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	20 16-21 17	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	22	
<b>Indirect Economic Impacts</b>				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	20 16-21 17	
GRI 202: Indirect Economic Impacts 2016	203-1 203-2	Infrastructure investments and services supported Significant indirect economic impacts	30-34, 44-46 28, 44-46	
<b>Energy</b>				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	20 16-21 17	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	36	
<b>Water</b>				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	20 16-21 17	
GRI 303: Water 2016	303-1	Water withdrawal by source	36	
<b>Emissions</b>				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	20 16-21 17	
GRI 305: Emissions 2016	305-1 305-2	Direct (Scope 1) GHG emissions Energy indirect (Scope 2) GHG emissions	36 36	
<b>Employment</b>				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	20 16-21 17	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	38	

GRI Standard	Disclosure		Page Number(s), Direct Answer and/or URLs	Reason for Omission
<b>Training and Education</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	20	
	103-2	The management approach and its components	16-21	
	103-3	Evaluation of the management approach	17	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	38	
<b>Local Communities</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	20	
	103-2	The management approach and its components	16-21	
	103-3	Evaluation of the management approach	17	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	44-46	

#### G4 Sector Disclosures: Financial Services

	Disclosure		Page Number(s), Direct Answer and/or URLs	Reason for Omission
<b>Product Responsibility</b>				
Product Portfolio	G4-DMA	Disclosure of management approach	16-21	
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	25-28, 30-31	
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	32-34	
Active Ownership	G4-DMA	Disclosure of management approach	16-21	
	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	32-34	

# Membership in Associations

ACI Philippines  
Association of Bank Compliance Officers  
Association of Bank Remittance Officers  
Association of Credit Executives in the Tourism Industry  
Association of Philippine Correspondent Bank Officers  
Australian - New Zealand Chamber of Commerce Philippines  
Bankers Association of the Philippines  
Bank Marketing Association of the Philippines  
Bank Security Management Association  
Bankers Institute of the Philippines  
British Chamber of Commerce of the Philippines  
Clearing Officers Club  
Credit Card Association of the Philippines  
Dutch Chamber of Commerce in the Philippines  
Employers Confederation of the Philippines  
European Chamber of Commerce of the Philippines  
Financial Executives Institute of the Philippines  
French Chamber of Commerce in the Philippines LE Club  
Fund Managers Association of the Philippines  
German Club  
German-Philippines Chamber of Commerce & Industry  
Information Systems and Control Association

Institute of Internal Auditors - Philippines  
Israel Chamber of Commerce of the Philippines  
IT & Business Processing Association of the Philippines  
Korean Chamber of Commerce Philippines  
Makati Business Club  
Management Association of the Philippines  
Money Market Association of the Philippines  
National Association of Securities Brokers Salesmen  
Nordic Business Council of the Philippines  
People Management Association of the Philippines  
Philippine Association of National Advertisers  
Philippine Association of Stock Transfer and Registry Agencies  
Philippine Chamber of Commerce & Industry  
Philippine-Netherlands Business Council  
The American Chamber of Commerce of the Philippines  
The Canadian Chamber of Commerce of the Philippines  
The Japanese Association Manila  
The Japanese Chamber of Commerce and Industry of Cebu  
The Japanese Chamber of Commerce and Industry of the Philippines  
The Philippine-Japan Society  
Trust Officers Association of the Philippines

# Major Awards

**Best Domestic Bank**  
2018 Asiamoney Best Bank Awards

**Best Bank in the Philippines**  
Euromoney Awards for Excellence 2018

**Best Bank in the Philippines**  
FinanceAsia 2018 Country Awards

**Strongest Bank in the Philippines**  
The Asian Banker Strongest Banks by Balance Sheet List 2018

**Best Domestic Bank in the Philippines**  
The Asset Triple A Country Awards 2018

**Corporate Social Responsibility Program of the Year (Gold Award)**  
Asian Banking & Finance Retail Banking Awards 2018

**BDO Foundation for the program “Typhoon Haiyan” (Category: Social Empowerment)**  
Enterprise Asia’s Asia Responsible Entrepreneurship Awards (AREA) 2018

**BDO Foundation: Highly Commended Initiative in Social Responsibility**  
The Asset Corporate Awards 2018

**#24 on 500 World's Best Employers List**

**#140 on 250 World's Best Regarded Companies List**  
2018 Forbes Global 2000

**Among Top 20 listed Philippine companies with the highest corporate governance scores based on ASEAN Corporate Governance Scorecard**

**BDO**