



Partners Through Generations

Rizal Commercial Banking Corporation

Sustainability Report 2020

## Contextual Information

Company Details	
Name of Organization	Rizal Commercial Banking Corporation
Location of Headquarters	Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Rizal Commercial Banking Corporation
Business Model, including Primary Activities, Brands, Products, and Services	Rizal Commercial Banking Corporation (RCBC or the Bank) is a universal bank in the Philippines that provides a wide range of banking and financial products and services. The Bank offers commercial, corporate, and consumer lending products, cash management products, treasury products, and remittance services. The Bank and its subsidiaries are engaged in all aspects of traditional banking, investment banking, retail financing (auto, mortgage/housing loans, credit cards, and microfinance loans), remittance, leasing, foreign exchange, and stock brokering.
Reporting Period	January 1, 2020 – December 31, 2020
Highest Ranking Person responsible for this report	Eugene S. Acevedo President and CEO

Rizal Commercial Banking Corporation (RCBC) started in 1960 as a development bank and received its license as a commercial bank three years later. It expanded its operations in 1989 as a universal bank. RCBC is one of the largest universal banks in the Philippines, with total consolidated resources of Php772 billion as of December 31, 2020.

As a diversified financial services institution, RCBC serves corporate and individual banking needs using various customer channels to offer innovative products and services to its chosen markets. It has an inclusive financial business model that expanded in 2009 when it ventured into the microfinance business via Rizal MicroBank to serve small entrepreneurs.

RCBC employs best practices in the areas of environmental and social responsibility, and corporate governance. In August 2020, RCBC was recognized by the Asian Banking & Finance Awards as the Philippines Domestic Initiative of the Year for Sustainable Financing. This was followed by recognition from the Global Banking & Finance Review in December, naming RCBC as the Best Green Bank Philippines 2020. Previous to these, the Bank was awarded “The Asset Benchmarking Award for Excellence in Environmental, Social, and Governance (ESG) – Titanium Award” by The Asset 2019 ESG Corporate Awards. Its landmark Php8.0-billion ASEAN Sustainability Bond, the first ASEAN Sustainability Bond issued in the Philippines, has also earned for RCBC the “Best Issuer for Sustainable Finance – Financial Institution” and “Best Sustainability Bond” in 2019.

In December 2020, RCBC’s rating was upgraded from “A” to “AA” by Morgan Stanley Capital International (MSCI) ESG Ratings, indicating sound business organization and risk mitigation. The rating upgrade has placed RCBC in a Leader ESG ranking (MSCI ESG ratings of AA and AAA).

## Materiality Process

### **Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.**

#### **Significant economic, environmental, and social impacts of the organization:**

As one of the largest banks in the Philippines, RCBC recognizes its role in maintaining stability in the financial services sector in support of the economy, while ensuring that the welfare of the environment and communities are sustained. This is the Bank's response to the BSP's call for financial institutions to be enablers of environmentally and socially responsible business decisions, as articulated in the BSP Circular 1085 on Sustainable Finance Framework (issued in April 2020).

By investing in its employees and pushing for digital transformation, RCBC is able to provide products and services that enable its customers to recover from the changing environment brought about by the global pandemic, build resilience, and identify new opportunities. By adopting an inclusive financial business model, RCBC is able to respond to the needs of the SME, the underserved, and the unbanked sectors. In 2020, the combination of RCBC's inclusive financial business model and drive toward digital transformation became instrumental in the distribution of the government's Social Amelioration Program funds amidst the prevailing pandemic. Internally, the implementation of work arrangement changes to protect the health and safety of its employees, while actively pursuing customer engagement activities facilitated prompt response to the extraordinary needs of its manpower complement and customers while coping with the restrictions of the pandemic. These are notable illustrations of RCBC's impact, where economic, social, and environmental activities are effectively intertwined.

By being an early adopter of sustainable banking practices, RCBC contributes in addressing the increasing concern on the environment and society. This has stimulated an encouraging trend in the Environmental, Social, and Governance (ESG) space within the banking industry, providing an early support for BSP Circular 1085.

In this report, topics considered material are those relevant to and centered on the above significant impacts.

#### **Information that substantively influences the assessments and decisions of stakeholders, including investors:**

Information instrumental to assessments and decisions of stakeholders are largely focused on the customer and the need to foster customer trust. This includes data on customer engagement/customer satisfaction, customer privacy, upholding the rights of the customer, data security, and business ethics.

Assessments relevant to the customer can only be meaningful when RCBC, as a financial institution, is stable and responsive to changing times. Given this, information on economic data/results is substantively influential, as well as the means to achieve such results through investments in human resources, talent training and development, technological advancements, and commitments to ESG principles.

With RCBC's own Sustainable Finance Framework in place, information on customer operating metrics that impact the environment and society also become substantively influential.

As a responsible financial institution, information on compliance with all relevant laws and regulations is

**Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.**

material.

**Matters that substantively affect the organization's ability to create value over the short, medium and long term:**

RCBC is able to create value through its products and services. The ability to offer and continually develop these products and services is anchored on the Bank's financial capacity to recover from the impact of the global pandemic, management and talent support, resilience in operations, and efficient supply chain. Given this, matters pertaining to economic results and financial well-being, protection for the health and safety of employees, human resource support and talent pipeline, adaptability of operations to crisis/changing circumstances, and supplier actions are considered material as these may substantively affect RCBC's ability to create value over the short, medium, and long-term.

## Material Topics

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## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure (January 1 – December 31, 2020)	Amount (consolidated)	Units
Direct economic value generated (revenue)	2020: 37.913 billion 2019: 35.858 billion 2018: 26.495 billion	Php
Direct economic value distributed:		
a. Total operating costs	2020: 27.720 billion 2019: 24.292 billion 2018: 20.908 billion	Php
b. Employee wages and benefits	2020: 6.626 billion 2019: 6.833 billion 2018: 6.562 billion	Php
c. Payments to suppliers, other operating costs	2020: 14.362 billion 2019: 12.092 billion 2018: 10.122 billion	Php
d. Dividends given to stockholders	2020: 1.076 billion 2019: 864 million 2018: 863 million	Php
e. Taxes given to government	2020: 5.563 billion 2019: 4.435 billion 2018: 3.308 billion	Php
f. Investments to community (e.g. donations, CSR)	2020: 93 million 2019: 68 million 2018: 53 million	Php

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to economic value generated & distributed by the organization)
Stockholders	<ul style="list-style-type: none"> <li>- Financial performance/health: Revenue, operating costs, remaining value retained in the company for liquidity and future investments</li> <li>- Fiscal and risk management to enhance profitability and bank operations</li> <li>- Regulatory compliance with BSP, SEC and PSE and international best practices</li> <li>- Economic contribution to the country</li> <li>- Dividends given to them</li> <li>- Community investments</li> </ul>
Loan/Fund Providers & Creditors/Depositors	<ul style="list-style-type: none"> <li>- Equitable interest rates and sound financial advice</li> <li>- Value creation: financial contribution and impact to UN SDGs</li> </ul>
Customers/Clients	<ul style="list-style-type: none"> <li>- Evidence of financial capacity</li> <li>- Reliability of operations, unusual decline in financial results</li> </ul>
Employees	<ul style="list-style-type: none"> <li>- Equitable wages and benefits</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>- Payments made</li> </ul>

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to economic value generated & distributed by the organization)
Government	- Taxes paid
Community	- CSR - Community investments with positive impact - Periodic partnerships and sponsorships - Participation in and support of worthy causes

What is the impact and where does it occur? What is the organization's involvement in the impact?
<p>The impacts are the following:</p> <ul style="list-style-type: none"> <li>- Value generation for stakeholders</li> <li>- Assurance on financial well-being for customers, employees</li> <li>- Benefits to the environment and society through lending activities (visit <a href="http://www.rcbc.com/sustainability">www.rcbc.com/sustainability</a> and download our Impact Report)</li> <li>- Promotion of fiscal growth through taxes contribution</li> </ul> <p>These occur in the primary business operations and supply chain, and are caused by the organization.</p>
Management Approach to Impact
<p>With an inclusive financial business model in mind, we provide banking and financial products and services, creating wealth for our stakeholders through i) the revenue we generate, ii) the economic value we distribute in the form of employee wages and benefits, payments made to suppliers, dividends given to stockholders, taxes paid to the government, iii) our investments in local communities.</p>

What are the risks identified?
<p>Revenue generation may be disrupted by unforeseen change in circumstances or pronounced crisis that alters customer behaviour or adversely affects employee welfare.</p> <p>Revenue generation involves lending to the energy sector whose operations are highly associated with climate-related risks due to significant GHG emissions. Lending to this sector includes both short-term and long-term transactions, and mixture of both renewable and non-renewable energy. Financing support to sectors that impact climate change leads to vulnerability toward transition risks, as acknowledged by BSP Circular 1085.</p>
Management Approach to Risks
<p><i>RCBC: A Domestic Systemically Important Bank (DSIB)</i></p> <p>A bank's distress or failure is more likely to damage the local economy or financial markets if its activities comprise a large share of the domestic activity. The distress or failure of a large bank is also more likely to damage confidence in the financial system as a whole. Financial distress at one institution can materially increase the likelihood of distress at other institutions given the network of contractual obligations in which they operate. The more difficult it is for its activities to be quickly replaced by other banks, the greater the chance that its distress or failure will cause disruption to the financial markets.</p>

The larger the bank is, the greater are the costs and time needed to resolve the bank's financial distress.

As a DSIB, RCBC is required to have higher loss absorbency (HLA), considering that the failure of a DSIB is expected to have a greater impact on the domestic financial system and economy. The HLA requirement is to be met with Common Equity Tier 1 (CET1). This is to ensure a maximum degree of effective loss absorbing capacity.

Accordingly, RCBC is required to have additional 1.5% Common Equity Tier 1 (CET1) capital. As of December 31, 2020, the Bank's CET1 ratio is 12.28% (solo) and 12.64% (consolidated), both of which are above the 10% total CET1 requirement. RCBC's capital base was strengthened by the issuance of the USD300 million Additional Tier 1 (AT1) in August 2020. RCBC's AT1 issuance re-opened the US dollar AT1 bond market in Southeast Asia.

RCBC includes in its Internal Capital Adequacy Assessment Process (ICAAP) document, concrete and reasonable recovery plans which shall be implemented in case of any breach in the HLA capital requirement. The recovery plans include guidelines and action plans, consisting of specific initiatives, to be taken to improve capital position and to restore its financial condition to viable levels in cases of significant deterioration in certain scenarios.

#### *Business Continuity Program*

RCBC has a comprehensive Crisis Management Framework in place that is meant to prepare the Bank for an event-led disruption in operations. The Crisis Management Team (CMT), headed by the President, oversees this framework, and is responsible for synchronizing all efforts in the Bank, to limit losses and to recover operations as fast as possible. The Bank has a dedicated "Business Resiliency Unit" under the Risk Management Group, to ensure readiness for any disaster/crisis. This unit coordinates with all groups to build a bank-wide Business Continuity Plan (BCP), identifying critical products/services and required operational support for continuity of operations. The BCP details resources needed – such as people, processes, IT systems, and other equipment; as well as contingency procedures to guide all units on how to respond, recover, resume, and restore operations following the disaster/crisis.

#### *Disaster Preparedness: RCBC Response to Natural Calamities and Cyber Attacks*

In accordance with the Disaster Recovery Plan (DRP), the Bank has identified disaster and emergency assistance as one of the key areas of operations in light of the considerable challenges that natural calamities pose to the country. The DRP was executed during critical events of 2020 such as volcanic activities of Taal, earthquakes in Mindanao, and the onslaught of Typhoons Ulysses (international name Vamco) and Typhoon Rolly (international name Goni). Preparedness plans include provisions for survival kits, activation of the Bank's call tree, and identification of key areas for relocation and evacuation.

The Bank has set up a backup Data Center outside of Metro Manila in preparation for the "Big One" event. This ensures that IT infrastructure will continue to provide nationwide support in the event that the anticipated earthquake hits Metro Manila.

Several table top exercises on Pandemic Crisis and Cyber Security are held annually to apprise and prepare all concerned parties and promote awareness on measures to be taken in case such threats become real events.



### *Pandemic Preparedness: RCBC Response to the COVID-19 Situation*

As early as January 2020, the Bank activated its Pandemic and Infectious Disease Plan as part of the Business Continuity Enterprise Plan. It defined control operations and precautionary measures needed at each stage of a pandemic, mostly based on the experience with 2004 SARS Outbreak and 2009 H1N1. As the *Enhanced Community Quarantine (ECQ)* was lifted, the “new normal” under the *General Community Quarantine (GCQ)* meant a transitory environment that required the Bank to prepare a Business Recovery Plan. This plan would be the guide on how to operate during the transition toward recovery and thrive in the new normal.

The Bank’s plans and strategies were recalibrated and priorities were reset to respond to the COVID-19 situation. To survive the crisis, the Bank set up “Defense Strategies”:

- i. Protect the Lives of Employees and Customers:
  - a. Clustering – To ensure continuity of business operations, the organization created clusters (each operating independently) and split-site operations were established. There would be a cycle of reporting at the office (on-site) and work-from-home. This rotation was supplemented with a “No crossover” policy between sites, floors, and branches, and virtual meetings were observed in lieu of physical gatherings.
  - b. Health and Safety Protocols – Identified as an essential industry, the Bank had to ensure that operations were in line with health protocols to protect both employees and customers. Protective equipment and resources were deployed to employees. Signs and posters were placed in common areas to remind everyone of the required safety protocols. Acrylic panels were used in the Branches and other customer facing offices. Prescribed health protocols were institutionalized in all bank premises.
  - c. Employee Health Protocols – In coordination with the Bank’s health insurance partner, employees were given access to a hotline for tele-consultation for medical assessment, COVID-19 related medical inquiries, and scheduling of COVID-19 tests. Daily health checklists and updates on tracking and tracing of the health condition of employees supported the Bank’s thrust to keep the organization safe. These protocols helped protect those reporting for work, but more importantly helped employees navigate through the worry of how to work amidst COVID-19.
- ii. Defend Against Loan Defaults – As governments sought to contain the pandemic crisis with lockdowns and quarantines, and with the economy declining, the risk of deterioration in portfolio quality was high. During the quarantine, loan account officers continued to stay in touch with the customer. Lending officers were also given supplementary training to prepare for more intensive credit assessment and collection. The Bank assessed the impact of the strict quarantine measures on the industries where its borrowers are in and their ability to recover.
- iii. Customer Engagement – The Bank responded quickly to concerns during quarantine with important advisories on branches operations, waived fees, and payment holidays. The digital way, was the main path to effective customer engagement during the crisis, making it an opportune time to communicate our strategy of digital transformation. All Branch sales personnel had to become digital ambassadors, handholding their valued customers in transitioning to online banking.
- iv. Streamline Operations – The Bank’s priorities were clear. Its direction was to tighten overall

spending. The quarantine accelerated the shift to digital channels. A review of branch operations and re-engineering of the processes led to streamlining parts of the business. Repetitive manual tasks were automated through robotic process operations.

Looking beyond the limitations, towards a view of recovery, an “Attack Strategy” was also put in place:

- i. The organization needed to adapt to new priorities and this required learning new ways of doing business. All corporate lending officers had to be re-trained on collection and refinancing, to engage customers on the payment holidays mandated by the government and the Bank’s credit relief programs. Branch sales personnel, faced with the challenge of servicing customers in quarantine, needed to improve their proficiency on the Bank’s digital products to migrate their customers to digital platforms.
- ii. Go Digital – The Bank’s digital plan was set in motion in 2019 with the re-launch of the RCBC online retail mobile app. The pandemic accelerated the acceptance and use of the new mobile app with the expanded array of features: the ability to open Time Deposit accounts, make payments through QR codes, transfer funds, send cash through remittance centers, and deposit checks without visiting the branch, get cash without ATM card, and convert card purchases to installments.
- iii. Financial Inclusion – The Bank’s strategies incorporate a long-term view, particularly in nation building. RCBC responds to the needs of the unbanked and underserved Filipinos, also in support of BSP’s advocacy for financial inclusion:
  - a. Rizal MicroBank – The Bank’s thrift bank subsidiary offers traditional and digital products and services to micro and small business enterprises.
  - b. DiskarTech – The Bank launched a mobile-based application which is the country’s first financial inclusion accelerator app to serve unbanked and underserved Filipinos.
  - c. ATM Go – Handheld ATM terminals were instrumental to the government’s distribution of Social Amelioration Program (SAP) funds. The government partnered with RCBC to help distribute cash assistance to families greatly affected by the quarantine in provinces and remote locations where there are no bank branches.

#### *Financial Support: Payment Accommodations and Fee Waivers*

RCBC has given a 60-day payment holiday to consumer loan and credit card customers (beyond the initial 30 days required under the Bayanihan Act).

To encourage clients to bank safely from home, RCBC has waived fees for digital transfers done via RCBC Online Banking to accounts in RCBC and other banks for the duration of the ECQ until January 31, 2021. Transfer fees for InstaPay done via DiskarTech have been waived until end-2021. Fees to send cash online for pick up in RCBC ATMs have been waived as well.

#### *Sustainable Finance*

The bank believes in understanding, measuring, and mitigating the risks associated with transition to a low-carbon and climate-resilient future. RCBC will align our business strategy with national priorities and over time rebalance our portfolio mix that creates value and benefits our stakeholders.

Important first steps have been taken to reduce corporate carbon footprint and finance the flow of

funds into a low-carbon and climate-resilient future not only in the Philippines but also within ASEAN.

RCBC has taken on a leading role in developing Sustainable Finance.

The RCBC Sustainable Finance Framework of April 2019 articulates RCBC's strategy to raise funds and lend to priority sectors. In June 2019, the Bank raised Php8 billion (USD167 million), the first peso-denominated Sustainability Bond under the ASEAN Sustainability Bond Standards, to refinance Eligible Green and Social Assets. In September 2019, it raised an additional USD300 million to fund Eligible Green and Social Assets. Investor response to these landmark transactions was overwhelming. The transactions were oversubscribed in multiples and brought in investors from all major financial centers of the world.

#### **What are the opportunities identified?**

- A. Drive Toward Digital Transformation
  - Development of digital finance as financial inclusion tools; partnerships in support of the national strategy for financial inclusion
  - Digital transformation within RCBC's own operations
- B. Drive Toward Leadership in the Area of Sustainable Banking and Sustainable Finance
  - Alignment with the Department of Energy's moratorium on the use of coal-fired power
  - Support for BSP Circular 1085: Sustainable Finance Framework
  - Support for the Paris Agreement and the fight against climate change

#### **Management Approach to Opportunities**

- A. Digital Transformation
  - 1. Digital Transformation Toward Inclusiveness and Accessibility
    - Aimed at reaching the retail grassroots and designed to serve the unbanked and underserved segment, DiskarTech is the country's first financial inclusion accelerator virtual bank. The mobile-based DiskarTech app offers vital financial services needed by the unserved and underserved consumers in every barangay and enables them to be part of the local banking ecosystem. DiskarTech allows users to open a digital savings account that requires no initial deposit or maintaining balance, and has no dormancy fees. It also offers digital financial services like bills payment, cash in, cash withdrawal, airtime and gaming e-load, fund transfers, telemedicine, and insurance, among others. The Bank, through its DiskarTech Lite Disbursement Platform, is one of the financial service providers of the Department of Social Welfare and Development's (DSWD) for the digital disbursement of the second tranche of the SAP.
    - RCBC's handheld automated teller machine service, ATM Go, is an industry leader. It has been endorsed by DSWD as an offsite payment facility for the continued disbursement of its conditional-cash-transfer project *Pantawid ng Pamilyang Pilipino Program* and social pension for indigent senior citizens. RCBC is the first private universal bank permitted to aid in the efforts of the agency. These small devices can be found in groceries, cooperatives, and rural banks in the provinces. In this time of crisis, delivering meaningful financial transactions is critical in easing the burden of many Filipinos. RCBC continues to create banking innovations that can help surmount the challenges of

quarantine restrictions and health risks.

- To help customers bank from home, the Bank developed new features in the RCBC Mobile App, creating a fully digital end-to-end customer experience. Among these innovations that no longer require branch visits are:
  - QR code-based payments, and real-time transfers via PESONet and InstaPay
  - Send Cash service through M Lhuillier, LBC, and Bayad Center outlets
  - Check deposits by taking a photo
  - Cardless cash withdrawals from any RCBC ATM
  - Payment requests from other RCBC clients
  - Conversion of credit card purchases into installments
- In 2020, the Bank launched RCBC Touch, its first fully-automated online account opening platform, allowing for an end-to-end digital on-boarding process for any type of deposit account.
- With the restricted living conditions, RCBC has provided safe, fast, and easily accessible online solutions, resulting to the following, among others:
  - Php1.58 billion worth of new-account deposits were raised from the new RCBC OneAccount deposit product, launched in 2020. The shift to digital banking via RCBC Touch supported the onboarding of new-to-bank clients.
  - Online subscriptions in UITF investments via RCBC's digital channels surged 336%, predominantly in the young adult and the aged client segments.
  - Electronic fund transfers by corporate clients surged 281%, driven by the ECQ and by RCBC's robust corporate online banking platform.

## 2. Digital Transformation in RCBC Operations

- RCBC accelerated its digital plans which began in 2019. Industrial engineers redesigned the Bank's main businesses to innovate customer experience. Manual tasks have been handed over to virtual robots, cutting down turnaround time radically. The shift to digitization means less reliance on physical branches. Since 2019, the Bank has closed 30 branches and uprooted dozens of ATMs.

## B. RCBC Participation in Sustainability Programs

### 1. No More Funding for Dirty Coal

- In December 2020, RCBC announced that it will no longer extend financing to new coal-fired power projects in the Philippines. The announcement came after the Philippines' Department of Energy (DOE) said it is keen on increasing the share of renewable energy as the country's power source to 43% by 2040 from 29% in 2020.<sup>1</sup> RCBC supports this target through its twelve renewable energy projects (with combined capacity of about 400MW) comprising its pipeline financing as of 1Q2021.
- As of the end of December 2020, RCBC's Eligible Sustainable Portfolio accounted for approximately 10% of total loan portfolio, higher than the 8% share of coal exposures.

### 2. Support for BSP Circular 1085: Sustainable Finance Framework

- During the CEO Sustainable Finance Dialogue Forum held in July 2020, RCBC President and CEO Eugene Acevedo presented recommendations to optimize existing bank units, while sharing RCBC's current practices to meet the Circular's requirements. The Forum

<sup>1</sup> Department of Energy presentation, Energy Forum, 4 December 2020

was hosted by the World Wide Fund for Nature (WWF) Philippines and the Bankers Association of the Philippines (BAP) to encourage banks to integrate ESG principles in their corporate strategy, risk management, and overall operations framework.

- RCBC has demonstrated its leadership in Sustainable Finance through its Environmental and Social Management System (ESMS) since 2011 and its own Sustainable Finance Framework since April 2019. With the ESMS and its own Sustainable Finance Framework already embedded in RCBC's risk management systems, RCBC can be considered well-placed in complying with the salient provisions of BSP Circular 1085.

3. Philippines as a Signatory to the Paris Agreement

Following its Board approval in September 2020, RCBC entered into an agreement with International Finance Corporation (IFC) and 2 Degree Investing Initiative (2DII) in January 2021 to build capacities in the application and use of Climate Scenario Analysis in support of the fight against climate change. The first to be conducted by IFC and 2DII in Asia, the capacity-building agreement provides tools consistent with the objectives of the Paris Agreement under which 195 countries (including the Philippines) have committed to work toward limiting the increase in the global average temperature to well below 2°C, compared to pre-industrial levels. The results of the advisory engagement will enable RCBC to assess and monitor its portfolio sensitivity to transition risks.

## Governance

### **Sustainable Finance in RCBC**

(visit [www.rcbc.com/sustainability](http://www.rcbc.com/sustainability) and download our Impact Report)

The Philippines is the fourth most vulnerable country to climate change, according to the Global Climate Risk Index 2020 of Germanwatch Institute, which analyzes the extent countries and regions have been affected by weather-related loss events. Under the Paris Agreement on Climate Change, which aims to reduce global warming to 1.5 degrees Celsius, the Philippines committed to reduce 70% of its greenhouse gas emissions by 2030.

RCBC believes the financial services sector plays a vital role in achieving the targets set under the Paris Agreement and in meeting the UN Sustainable Development Goals (SDGs) to support the fight against climate change.

Understanding and managing climate change is prudent risk management at RCBC. As a leading domestic financial institution and a responsible corporate entity, the Bank is committed to doing its part to reduce global warming and support the government in meeting the UN SDGs.

RCBC's perspective is consistent with the BSP Circular 1085, which recognizes financial institutions as enablers of environmentally and socially responsible business decisions.

## Strategy

### **RCBC Sustainable Finance Strategy**

RCBC is committed to upholding environmental and social responsibility in all its business activities. It recognizes that balancing financial priorities with non-financial factors, such as environmental and social safeguards, is essential to being a good corporate citizen. This is fundamental, not only to risk management, but also to the larger interest of its stakeholders.

The Bank believes that responsible lending entails having good sustainable practices as well as promoting awareness of environmental and social issues within its organization, among its clients, and in the communities it serves.

### **Sustainable Finance Risks and Opportunities**

RCBC believes that the transition to a low-carbon and climate-resilient future entails risks as well as opportunities.

According to the International Energy Agency, this global transition will require more than EUR30 trillion of investment in clean energy and efficient infrastructure by 2035. To be well-positioned to participate and finance this transition, RCBC will align its business strategy with national priorities and rebalance its portfolio mix over time for value creation and stakeholder benefit.

The bank has taken important steps to reduce its corporate carbon footprint and channel funds to sectors that contribute to a low-carbon and climate-resilient future, not only in the Philippines, but also within the ASEAN region. In December 2020, RCBC announced that it will no longer extend financing to new coal-fired power projects in the Philippines. The announcement came after the Philippines'

Department of Energy (DOE) said it is keen on increasing the share of renewable energy as the country's power source to 43% by 2040 from 29% in 2020.<sup>2</sup> RCBC supports this target through its twelve renewable energy projects (with combined capacity of about 400MW) comprising its pipeline financing as of 1Q2021.

Below are RCBC's initiatives to lower its carbon footprint and support sustainable finance activities to help meet the UN SDGs:

<ul style="list-style-type: none"> <li>- Transformed its Corporate Head Office in Manila into a LEED Gold-certified building in 2018<sup>3</sup></li> </ul>	   
<ul style="list-style-type: none"> <li>- Funded Green Projects that support the UN SDGs, in particular, the Clean Water and Sanitation, Affordable and Clean Energy, Industry, Innovation and Infrastructure, Sustainable Cities and Communities, Climate Action, and Life Below Water goals</li> </ul>	     
<ul style="list-style-type: none"> <li>- Funded Social Projects that support the UN SDGs, in particular, the Good Health and Well-being, Quality Education, Decent Work and Economic Growth, Reduced Inequalities, and Sustainable Cities and Communities goals</li> </ul>	    

<sup>2</sup> Department of Energy presentation, Energy Forum, 4 December 2020

<sup>3</sup> The RCBC Plaza in Makati City received a Leadership in Energy and Environmental Design (LEED) Gold certification on May 26, 2018, making it the first multi-tenanted building in the Philippines to achieve such kind of green building certification.

## **RCBC Sustainable Finance Framework**

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In August 2020, RCBC was recognized by the Asian Banking & Finance Awards as the Philippines Domestic Initiative of the Year for Sustainable Financing. This was followed by recognition from the Global Banking & Finance Review in December, naming RCBC as the Best Green Bank Philippines 2020. Previous to these, the Bank was awarded "Best Issuer for Sustainable Finance – Financial Institution", and "Best Sustainability Bond" by The Asset Asian Awards for its Php8 billion ASEAN Sustainability Bond, the first ASEAN Sustainability Bond issued in the Philippines and upsized from the target offering of Php5 billion.

The world faces unprecedented challenges on account of climate change and achieving global goals requires the participation of all sectors of civil society. We are ready to do our part.

### **Eligible Project Categories**

RCBC allocates the proceeds of Sustainable Financing Instruments to finance and/or refinance loans to customers or its own operating activities. The allocation of the proceeds is as follows:

- Proceeds of RCBC's Green Bond or Green Loan go to Eligible Green Categories
- Proceeds of RCBC's Social Bond or Social Loan go to Eligible Social Categories
- Proceeds of RCBC's Sustainability Bond go to Eligible Green Categories and Eligible Social Eligible Categories

## **Risk Management**

### **Environmental and Social Management System (ESMS)**

It is the Bank's policy to promote sustainable practices that will minimize negative environmental, social and reputation impact of the Bank's financing activities and its clients' operations. The sustainable practices that the Bank wishes to pursue aim to encourage borrowers to adhere to the preservation and development of the natural, social, and cultural environment. The Bank believes that good sustainable practices eventually pay dividends and are in the best interest of the borrowers.

The ESMS of RCBC requires that all lending relationships/credits, leasing or other financial assistance to any corporate or legal entity, both pipeline and portfolio, are vetted from an environmental and social risk perspective.

The environmental and social impact assessment process is a systematic way of identifying and



assessing the type and scale of impact a project may have on the environment and communities. The ESMS assessment takes place before a lending decision is made, and continues during the life cycle of the loan agreement with the client. The ESMS assessment is done at least annually.

### **RCBC Compliance with BSP Circular 1085 (Sustainable Finance Framework)**

With the ESMS and its own Sustainable Finance Framework already embedded in RCBC's risk management systems, RCBC can be considered well-placed in complying with the salient provisions of BSP Circular 1085. There are, however, E&S stress test requirements that RCBC needs to address within the three-year transitory period allowed by the Circular. In light of this, following its Board approval in September 2020, RCBC entered into an agreement with IFC in January 2021, engaging IFC and think tank 2 Degree Investing Initiative (2DII) to build capacities in the application and use of Climate Scenario Analysis. This advisory engagement is the first to be conducted by IFC and 2DII in Asia.

The Climate Finance Scenario Analysis will enable RCBC to assess the alignment of its corporate loan portfolio with different climate scenarios across a set of key climate-relevant sectors and technologies. This will be done through the implementation of the Paris Agreement Capital Transition Assessment (PACTA) tool and related methodology, developed by 2DII. The PACTA assessment is consistent with the objectives of the Paris Agreement under which 195<sup>4</sup> countries (including the Philippines) have committed to work toward limiting the increase in the global average temperature to well below 2°C, compared to pre-industrial levels.

The results of the advisory engagement with IFC and 2DII will provide tools to assess and monitor RCBC's portfolio sensitivity to transition risks. These, in turn, will be integrated into the Bank's stress testing results that will be reported to the BSP in compliance with BSP Cir. 1085.

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<sup>4</sup> <https://www.britannica.com/topic/Paris-Agreement-2015>

## Financial Intermediation

### Loan Portfolio

The concentration of credit as to industry as of December 31, 2020 follows<sup>5</sup>:

Economic Activity	Amount (Php M)	%
Consumer	139,128	31%
Electricity, gas and water	67,530	15%
Real estate, renting and other related activities	60,878	14%
Wholesale and retail trade	51,086	11%
Manufacturing (various industries)	50,020	11%
Financial intermediaries	34,008	8%
Transportation and communication	25,494	6%
Other community, social and personal activities	5,289	1%
Agriculture, fishing, and forestry	4,427	1%
Hotels and restaurants	4,132	1%
Mining and quarrying	1,010	-
Others	5,661	1%
<b>Total</b>	<b>448,663</b>	<b>100%</b>

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to loan portfolio)
Management	<ul style="list-style-type: none"> <li>- Credit risk of the portfolio</li> <li>- Profitability of the portfolio</li> <li>- Transition risk of the portfolio</li> </ul>
Stockholders	<ul style="list-style-type: none"> <li>- Credit risk of the portfolio</li> <li>- Profitability of the portfolio</li> </ul>
Customers/Clients	<ul style="list-style-type: none"> <li>- Support for financing</li> </ul>
Government/Regulators	<ul style="list-style-type: none"> <li>- Credit risk of the portfolio</li> <li>- Compliance with laws and regulation</li> </ul>
Community, inc. environmental NGOs	<ul style="list-style-type: none"> <li>- Reduction of environmental and social impacts from our clients' operations</li> </ul>
Public, inc. media	<ul style="list-style-type: none"> <li>- Reduction of environmental and social impacts from our clients' operations – potential reputational impact</li> </ul>

<sup>5</sup> Notes to Financial Statements, December 31, 2020

**What is the impact and where does it occur? What is the organization's involvement in the impact?**

RCBC provides banking and financial products and services. The Bank offers commercial, corporate, and consumer lending products, among others. The role of banks as financial intermediaries and as capital raising agents directly affects the promotion of economic development. While this occurs in the primary business operations, and is caused by the organization, potential environmental and social impacts are linked through the Bank's business relationship with its clients.

**Management Approach to Impact****Environmental and Social Management System (ESMS):**

It is the Bank's policy to promote sustainable practices that will minimize negative environmental, social and reputation impact of the Bank's financing activities and its clients' operation. The sustainable practices that the Bank wishes to pursue aim to encourage borrowers to adhere to the preservation and development of the natural, social, and cultural environment. The Bank believes that good sustainable practices eventually pay dividends and are in the best interest of the borrowers.

The ESMS of RCBC requires that all lending relationships/credits, leasing or other financial assistance to any corporate or legal entity, both pipeline and portfolio, are vetted from an environmental and social risk perspective.

The environmental and social impact assessment process is a systematic way of identifying and assessing the type and scale of impact a project may have on the environment and communities. The ESMS assessment takes place before a lending decision is made, and continues during the life cycle of the loan agreement with the client. The ESMS assessment is done at least annually.

**What are the risks identified?**

Our clients' operations may have negative environmental and social impacts.

**Management Approach to Risks****Environmental and Social Management System (ESMS):**

The ESMS of RCBC is implemented to safeguard our lending operations from exposure to activities with identified E&S risks. We aim to develop environmental awareness and social responsibility in our lending personnel, and ultimately, our clients. We work alongside our customers and as needed advise them on how to reduce their impact on the environment and communities.

The ESMS Policy is a declaration of our commitment to sustainable development and management of E&S issues by integrating this in the lending process from initiation, evaluation, approval, documentation, implementation, and monitoring of loan accounts. The ESMS Policy goes through a comprehensive review process on a regular basis with latest revisions made effective and re-issued in January 2020. The ESMS Policy is published on the Bank's Online Library to ensure that all employees (from senior management to rank and file) and those with direct contracts with RCBC are familiar with the environmental, social and risk management policies of the Bank. The ESMS Policy adheres to the guidelines of the Department of Environment and Natural Resources (DENR). Through its Environmental Management Bureau (EMB), the DENR identified thresholds on E&S risk categories for industries such as oil and gas, mining, agriculture, forestry projects, steel, and infrastructure projects. RCBC's ESMS policy

is aligned with these DENR-EMB guidelines.

All credit proposals for loans and other credit accommodations from RCBC need to go through E&S risk and impact assessment. Only activities or projects which pass the E&S risk and impact assessment shall be eligible for financing and are screened using the applicable requirements – the Exclusion List (for environmentally and socially sensitive sectors), applicable national (DENR-EMB guidelines) and international laws / IFC Performance Standards on environment, biodiversity, deforestation, marine environment, water risk (Philippine Clean Water Act), pollution prevention (Philippine Clean Air Act), indigenous peoples (The Indigenous Peoples Rights Act) and protection of cultural heritage, health, human and labour rights, safety and social issues and any standards established therein. Environmental Risk Categories are assigned, and credit approvals obtained in accordance with requirements depending on the risk category. Applicable environmental covenants are incorporated in the loan/credit agreement and these are periodically evaluated and monitored to ensure they are complied with for the entire duration of the loan.

There are 8 Performance Standards to benchmark projects or business activities on:

1. Assessment and Management of Environmental and Social Risks and Impacts
2. Labor and Working Conditions
3. Resource Efficiency and Pollution Prevention
4. Community Health, Safety, and Security
5. Land Acquisition and Involuntary Resettlement
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Indigenous Peoples
8. Cultural Heritage

We integrate E&S Due Diligence (ESDD) as part of standard due diligence. We explain the importance of the E&S due diligence process to our clients and other stakeholders, and require them to engage in activities that meet our sustainability standards. Transactions which have potential E&S concerns are escalated for higher level review and discussion.

ESDD site visits have indicated positive progress in terms of addressing E&S risks due to continued monitoring. These have resulted to substantial positive outcomes such as:

- Addressing specific risks identified during the ESDD site visits;
- Follow-up ESDD site visits have resulted in clients taking action on identified E&S risks and taking action to reduce the level of risk and avoid future potential violations;
- ESDD site visits have resulted not only in the reduction of E&S risks and avoiding potential violations but also significant reductions in environmental pollution

We conduct environmental and social due diligence reviews on our investments in fossil fuel-fired power plants. We will continue to engage our clients, share best practices, and support their efforts to seek solutions that reduce their impact on the environment and communities.

To ensure faithful compliance with the set guidelines, the Bank appointed an Environmental and Social Risk Officer (ESRO) and created a Sustainable Finance Unit that oversees the effective implementation of the ESMS Policy and Sustainable Finance Framework. We have hired subject matter experts and

regularly train frontline staff on our E&S standards.

All of these create long term solutions to environmental and sustainability issues – mitigating negative impacts on the environment and affected communities, and enhancing positive sustainable development impacts.

#### **What are the opportunities identified?**

##### **Sustainable Finance:**

The role of banks as financial intermediaries and as capital raising agents directly affects the promotion of economic development. This role should include the promotion of sustainable business practices and sustainable finance.

#### **Management Approach to Opportunities**

##### **RCBC Sustainable Finance Strategy:**

As a responsible financial institution, RCBC is committed to uphold environmental and social responsibility in all its business activities. We recognize that balancing non-financial factors such as environmental and social safeguards with financial priorities is essential to being a good corporate citizen, and is fundamental to risk management and the larger interest of our stakeholders.

We are aligning our business strategy to support the development needs of society, as articulated in the UN SDGs and the Paris Agreement. We aim to embed awareness of environmental and social issues within the organization, with our clients, and in the communities that we serve. The Bank believes that good sustainable practices are a key pillar of responsible lending which can have a meaningful impact on the environment and communities.

Our sustainable portfolio is growing and continues to be ahead of our erstwhile investments in coal and other fossil fuel energy assets. The Bank's Eligible Sustainable Portfolio accounted for approximately 10% of total loan portfolio as of end-Dec 2020, higher than the 8% share of coal exposures. We aim to maintain and increase positive investment ratio of our sustainable portfolio to coal. We subscribe to an exclusion list under our Sustainable Finance Framework, allowing us to focus on sectors that have environmental and social benefits.

##### **RCBC Compliance with BSP Circular 1085:**

The Climate Finance Scenario Analysis advisory engagement with IFC and 2DII will enable RCBC to assess the alignment of its corporate loan portfolio with different climate scenarios across a set of key climate-relevant sectors and technologies. This will be done through the implementation of the Paris Agreement Capital Transition Assessment (PACTA) tool and related methodology, developed by 2DII.

The results of the advisory engagement with IFC and 2DII will provide tools to assess and monitor RCBC's portfolio sensitivity to transition risks. These, in turn, will be integrated into the Bank's stress testing results that will be reported to the BSP in compliance with BSP Cir. 1085. Compliance will be completed within the 3-year transitory period allowed by the Circular.

## Procurement Practices

### Proportion of Spending on Local Suppliers

Disclosure (January 1 – December 31, 2020)	Quantity	Units
Percentage of procurement spending (actual payments) used for significant locations of operations that is spent on local suppliers	94.97	%

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to proportion of spending on local suppliers)
Management	<ul style="list-style-type: none"> <li>- Local sourcing can be a strategy to help ensure supply</li> </ul>
Community	<ul style="list-style-type: none"> <li>- Payments to locally-based suppliers – economic inclusion as positive impact</li> <li>- Local sourcing can support a stable local economy and maintain community relations</li> <li>- By supporting local suppliers, an organization can indirectly attract additional investment to the local economy</li> </ul>

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impact of our practice of spending on local suppliers is economic inclusion. This occurs in the supply chain and local community. This is caused by the organization, and is linked to impacts through the Bank's business relationship with local suppliers.
Management Approach to Impact
RCBC supports the local economy and community. We select locally-based suppliers and promote economic inclusion when selecting suppliers.

What are the risks identified?
Limiting procurement to only local suppliers may lead to higher costs; other suppliers must be considered to validate market prices.
Management Approach to Risks
RCBC follows a standard procurement procedure in purchasing the best resources at reasonable prices. This procedure is reviewed and revised as necessary.

What are the opportunities identified?
Supporting local suppliers can indirectly attract additional investments to the local economy, making their prices lower and supply readily available. In addition, it could lead to job generation. The creation of new businesses could be a potential source of new clients for the Bank.
Management Approach to Opportunities
RCBC supports the local economy and community. We select locally-based suppliers and promote economic inclusion when selecting suppliers.

## Business Ethics

### Training on Anti-corruption Policies and Procedures

Disclosure (January 1 – December 31, 2020)	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners <sup>6</sup> to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of management that have received anti-corruption training	100 <sup>7</sup>	%
Percentage of employees that have received anti-corruption training	100	%

### Incidents of Corruption

Disclosure (January 1 – December 31, 2020)	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to business ethics and anti-corruption)
Stockholders	<ul style="list-style-type: none"> <li>- How the company ensures that it has the necessary capability to fight against corruption</li> <li>- How serious the organization is on combatting corruption</li> <li>- Advocate of transparency and accountability</li> <li>- Timely and transparent disclosures on governance</li> <li>- Enforcement of policies on anti-corruption , AMLA and Fraud</li> </ul>
Loan/Fund Providers & Creditors/Depositors	<ul style="list-style-type: none"> <li>- How the company ensures that it has the necessary capability to fight against corruption</li> <li>- How serious the organization is on combatting corruption</li> <li>- Protection of deposits and loans/credits provided</li> </ul>
Customers/Clients	<ul style="list-style-type: none"> <li>- How the company ensures that it has the necessary capability to fight against corruption</li> <li>- How serious the organization is on combatting corruption</li> <li>- Protection of deposits</li> </ul>
Employees	<ul style="list-style-type: none"> <li>- How the company ensures that it has the necessary capability to fight against corruption</li> <li>- How serious the organization is on combatting corruption</li> <li>- Protection of employees</li> </ul>

<sup>6</sup> In the context of this Sustainability Report, the term 'business partners' includes suppliers and customers/clients.

<sup>7</sup> Via regular and compulsory "eLearning" courses and examinations for all employees and those with direct contracts with RCBC.

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to business ethics and anti-corruption)
Government/Regulators	<ul style="list-style-type: none"> <li>- Transparency and accountability of the Bank</li> <li>- Compliance with rules and regulations set by BSP, SEC and PSE</li> <li>- Regular conduct of internal and external audits</li> <li>- Monitoring of ethics and compliance of the Bank</li> <li>- How the company ensures that it has the necessary capability to fight against corruption</li> <li>- How serious the organization is on combatting corruption</li> </ul>
Public, inc. media	<ul style="list-style-type: none"> <li>- How the company ensures that it has the necessary capability to fight against corruption</li> <li>- How serious the organization is on combatting corruption – potential reputational impact for public legal cases regarding corruption</li> </ul>

What is the impact and where does it occur? What is the organization's involvement in the impact?
<p>RCBC's cultivation of corporate culture is strongly founded on honesty and integrity. The impacts of training on anti-corruption policies and procedures, and disclosing on how the company responds to incidents of corruption are the following:</p> <ul style="list-style-type: none"> <li>- Increased capacity to prevent and combat corruption</li> <li>- Awareness of how serious the organization is on combatting corruption</li> </ul> <p>These occur in the primary business operations, and are caused by the organization.</p>
Management Approach to Impact
<p>We conduct regular trainings and examinations to ensure that all employees (from senior management to rank and file) and those with direct contracts with RCBC are familiar with the Bank's anti-corruption policies and procedures. New employees are oriented about the Bank's anti-corruption policies during their New Employee Orientation Program.</p>

What are the risks identified?
<p>The risk of employees engaging in corrupt activities cannot be completely eliminated. Actual incidents of corruption may harm the Bank's reputation.</p>
Management Approach to Risks
<p>RCBC strictly implements anti-corruption policies to prevent any corruption incident. The Bank conducts trainings and examinations to ensure that all employees (from senior management to rank and file) and those with direct contracts with RCBC are familiar and reminded of the Bank's anti-corruption policies and procedures. From the first day that an employee is hired, RCBC discusses with the employee the Bank's Code of Conduct, including the anti-corruption policies and procedures. With this, Management ensures that all employees know and understand the policies and procedures, which should be followed throughout their tenure with the institution.</p>



Regular corporate announcements remind employees of warning signs associated with illegal, unethical, or questionable activities/transactions. Employees are reminded to immediately report (confidentially and without risk of reprisal) any suspicious behavioral traits, warning signs, and other legitimate concerns through the whistleblowing channel of the Yuchengco Group of Companies (YGC).

Sanctions are imposed on erring employees. If an employee violates the company's anti-corruption policies, Management will take Legal action against them.

**Adherence to the Code of Conduct:**

All employees are governed by the Bank's Code of Conduct, which revolves around the Core Values of the company. It is designed to serve as a guide to employees on how they should conduct themselves within and outside the Bank premises and in dealing with clients/customers and co-associates.

Adherence to this Code is the responsibility of each and every associate. It is administered uniformly throughout the Bank and is independent of the practices of other banks. It is a condition for continuous employment. Any breach of this Code may result in disciplinary action ranging from reprimand to termination of employment, depending on the gravity of the offense, after the observance of due process.

The Code of Conduct is divided into five parts as follows:

- A. Treatment of Clients
- B. Treatment of Bank Assets
- C. Treatment of Others
- D. Conflict of Interests
- E. Knowledge, Understanding & Compliance

**Anti-Corruption Policies:**

Under Part D of the Code of Conduct on Conflict of Interests, to avoid conflict of interest, employees are to conduct business transactions for the Bank in accordance with Bank policy and avoid direct or indirect use of the Bank's goodwill, reputation, funds and property or other resources for personal gain. This involves, among other things, accepting gifts, entertainment or favors from customers or suppliers; outside employment; outside directorship; and receiving commissions or benefits from customers or suppliers.

**Gifts and Entertainment.** The Bank does not allow solicitation of gifts, directly or indirectly, from customers or suppliers. Under no circumstance do employees accept, directly or indirectly, payments, loans, kickbacks, special privileges or services in exchange for favors.

**Favors.** The Bank does not buy business. This is obtained on the merits of the Bank's products, services and people. It does not bend rules nor offer money, illegal or inappropriate favors of unusual value to obtain or retain business. In this regard, any and all significant donations or contributions to or through a customer for whatever purpose using Bank property or funds should be with the prior authorization of the concerned Group Head. Should said donation or contribution be through the purchase of a raffle or lottery ticket, any prize or winnings therefrom, regardless of whether the ticket is in the employee's possession or in the employee's name, must be turned over to the Bank.

**Receiving Commissions or Benefits.** Employees must avoid situations which may unduly influence the relationships with customers or suppliers in a position to transact business with the Bank. Employees must make sure that the procedures laid down in providing customer services or in purchasing goods and services are strictly followed. Employees who have a direct hand in choosing companies from which purchases of the Bank's business requirements are to be made, are discouraged to use said authority to obtain commissions or leverage to purchase the same item/s for personal interests at terms not otherwise available to his/her colleagues or the public. Suppliers and customers are chosen based on merit and not on what can be gained from them.

The Code of Conduct is a main topic included in the Bank's Employee Orientation Program which is held on a regular basis.

The Bank provides penalties for violations of its Code of Conduct. Administrative cases are handled in accordance with the Bank's Administrative Cases Procedure and existing laws. The Personnel Evaluation and Review Committee acts as an independent body in the evaluation and review of cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee and ensures that the appropriate preventive, corrective and disciplinary measures are imposed on cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee.

**Use of Insider Information:**

There are laws that prohibit the use of inside information when buying, selling or trading publicly traded securities, including RCBC securities. Inside information can take many forms, but always includes information which is not available to the public and which might influence an investor's decision to buy, sell or hold securities in a company.

Under the Code of Conduct, employees are prohibited from buying, selling or trading RCBC securities or the securities of other companies about which employees have inside information, until that information becomes public. In addition, this information should not be shared with anyone else, including family members or friends or anyone about trading in any securities based on this information.

**Whistleblowing Policy:**

The Bank's Whistleblowing Policy is a key element in safeguarding the Bank's integrity. It aims to enhance the Bank's transparency and system for combating practices that might damage its activities and reputation. Protecting the integrity and reputation of the Bank requires the active support of its stakeholders, particularly its employees.

The following are the basic principles and system protection of the Bank's Whistleblowing Policy:

1. Employees and other stakeholders must be provided with alternative and sufficient channels for whistleblowing and communication. In certain instances, they must be able to bypass the main channels for whistleblowing if these prove inappropriate;
2. Employees and other stakeholders making the report in good faith should at all times be protected against reprisals;
3. Identity of the whistleblower making the report in good faith should remain confidential and anonymous;

4. Reported incidents shall be verified in an appropriate manner, and if confirmed, the Bank must take the necessary actions;
5. The rights of any person implicated in any report must be respected.

Reports of any actual or suspected criminal activities, unlawful acts or omissions, fraud, violations of the Code of Conduct and other bank policies, danger to health and safety, improprieties or malpractice in the workplace, including those relative to matters of financial reporting, internal control and/or auditing may be sent through the Yuchengco Group of Companies' (YGC) Open Communication system at [www.rcbc.com/TalktoUs](http://www.rcbc.com/TalktoUs) - a confidential and anonymous reporting system for the YGC.

#### **Anti-Money Laundering Act (AMLA):**

The Bank's Money Laundering and Terrorist Financing Prevention Program (MLPP) is a comprehensive and risk-based policy geared toward the promotion of high ethical and professional standards and the prevention of the of the Bank being used, intentionally or unintentionally for money laundering and terrorist financing. The MLPP is consistent with the Anti-Money Laundering Act of 2001, as amended, The Terrorism Financing Prevention and Suppression Act of 2012, and BSP Circular No. 706, as amended. The MLPP is updated at least once every two years. This covers policies on Know Your Customer procedures, Record Keeping and Retention, Training, Risk Profiling and Covered and Suspicious Transaction Alerts Management. Central to improving the Bank's compliance to AML/CFT related regulations is the revision of the MLPP at least once every two years. The revised MLPP addresses the requirement outlined in new regulations and addresses changes in Bank practices considered significant as part of its ongoing process of re-framing the Bank's Compliance Program.

#### **Internal Audit:**

To ensure that regular checks are in place, RCBC applies a defined risk assessment methodology of its business units and prioritizes the audit between one to three years based on the derived level of risk. The audits are conducted using a systematic risk-based approach to evaluate and improve the effectiveness of governance, risk management and control systems and processes. This approach generally includes an assessment of a unit's compliance with the Bank's Code of Conduct, policies and documented procedures as well as anti-money laundering activities.

#### **Related Party Transactions:**

In July 2019, the Board approved the revised Policy on Related Party Transactions (RPT) following SEC Memorandum Circular No. 10, series of 2019 or the "Rules on Material Related Party Transactions for Publicly-listed Companies" issued on April 27, 2019. The said policy defines "related party transactions" as transactions or dealings with related parties of the Bank, including its trust department, regardless of whether or not a price is charged. These shall include, but not limited, to the following:

- On- and off-balance sheet credit exposures and claims and write-offs;
- Investments and/or subscriptions for debt/equity issuances;
- Consulting, professional, agency and other service arrangements/contracts;
- Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements);
- Construction arrangements/contracts;
- Lease arrangements/contracts;

- Trading and derivative transactions;
- Borrowings, commitments, fund transfers and guarantees;
- Sale, purchase or supply of any goods or materials; and
- Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

The term “related parties” under the Bank’s updated RPT Policy has been expanded in scope as it broadens the definition of “close family members” to include relatives of the Bank’s Directors, Officers and Stockholders<sup>8</sup> within the 4<sup>th</sup> degree of consanguinity or affinity, legitimate or common-law. Related parties also include corresponding persons in affiliated companies, those with direct or indirect linkages with the Bank, members of the Bank’s Advisory Board and subsidiaries of related parties.

The Bank constituted the Related Party Transactions Committee and RPT Management Committee to review and approve, as the case may be, related party transactions.

The RPT Committee reviews material RPTs to ensure that they are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, and collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. On favorable review, the RPT Committee endorses material RPTs to the Board for approval.

All material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the independent directors voting to approve the material RPT. In case that a majority of the independent directors’ vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. Material RPTs approved by the Board shall be submitted to the Stockholders for confirmation during the Annual Stockholders Meeting.

On the other hand, the RPT Management Committee reviews and approves proposed RPTs below the materiality threshold or those that do not require Board approval to ensure that said RPTs are conducted in the regular course of business and not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances. On favorable review, the RPT Management Committee approves the non-material RPT and submits the same to the BOD for confirmation.

Transactions with related parties involving amounts of at least Pesos: Ten Million (Php10,000,000.00) are considered as material RPTs. The said threshold shall not apply to DOSRI loans and other credit accommodations and guarantees, and other transactions requiring Board approval under the regulations, i.e., cross-selling, outsourcing, etc., which are always considered “material” regardless of amount. Where the amount involved in the transaction is at least 10% of the combined assets of the RCBC Group, the transaction shall be accompanied by a fairness opinion issued by an external independent party to be appointed by the Board of Directors.

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<sup>8</sup> For stockholders, close family members refer to relatives 2<sup>nd</sup> degree relatives of consanguinity and affinity.

To ensure that conflict of interest is managed, interested directors and officers shall abstain from discussion, approval and management of such transaction or matter affecting the company. In case they refuse to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.

Reporting and investigation of abusive RPTs shall be handled following the Bank's existing Code of Conduct and Whistleblowing Policy. The grievance procedure under the Corporate Governance Manual shall apply to stockholders, including minority stockholders, who wish to report or express legitimate concerns on abusive RPTs.

#### **What are the opportunities identified?**

RCBC's reputation risk may be reduced if the Bank is continuously able to prevent any form of corruption. A stellar reputation can result to increased trust and generate new business opportunities.

#### **Management Approach to Opportunities**

We continuously conduct trainings and provide regular and compulsory "eLearning" courses and examinations to ensure that all employees (from senior management to rank and file) and those with direct contracts with RCBC are familiar with and reminded of the Bank's anti-corruption policies and procedures. Management reiterates via corporate announcements the importance and significance of the Bank's Code of Conduct, including anti-corruption policies.

# ENVIRONMENT

## Resource Management

### Energy Consumption Within the Organization

Disclosure (January 1 – December 31, 2020)	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	1,534 <sup>9</sup>	GJ
Energy consumption (electricity)	RCBC Plaza: 2,705,090 A.T. Yuchengco Centre: 1,198,028 Branches: 12,298,282	kWh

### Reduction of Energy Consumption

Disclosure (January 1 – December 31, 2020)	Quantity	Units
Energy reduction (renewable sources)	0	GJ
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	- <sup>10</sup>	GJ
Energy reduction (electricity)	5,798,721	kWh

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to energy consumption)
Management	- Efficiency of managing resources
Stockholders	- Profitability of the organization - Efficiency of managing resources
Suppliers	- How much energy is used by the organization - Also, the supplier's actions can affect the organization's ability to operate, implement its strategies, and achieve its objectives
Community, inc. environmental NGOs	- Extent of energy consumption alongside scarcity of supply
Public, inc. media	- Extent of energy consumption alongside scarcity of supply – potential reputational impact

<sup>9</sup> This pertains to generator sets which make use of diesel.

<sup>10</sup> Energy reduction for diesel will be provided in the next submission.

**What is the impact and where does it occur? What is the organization's involvement in the impact?**

The impact occurs on how we efficiently manage energy consumption in our own operations. Reduction in consumption/energy savings can be seen as contributory to possibly reducing the country's significant reliance on fossil fuel-based energy.

**Management Approach to Impact**

RCBC's Corporate Head Office in Manila is located in a LEED Gold certified building.<sup>11</sup> We continue to uphold principles behind our green building certification. In May 2020, the Bank issued mandatory measures to strengthen our commitment on environmental responsibility and resource efficiency. These include switching to LED lighting systems and energy-saving mechanisms in the elevators.

The extraordinary impact of the COVID-19 pandemic brought the country under a State of Calamity for a period of six (6) months from March 16, 2020. This resulted to multiple government restrictions throughout the island of Luzon (including Metro Manila) and imposed community lockdowns (ECQ, MECQ, and GCQ)<sup>12</sup> leading to drastic reduction of commercial electricity usage.

The Bank created minimum of two clusters per Business Unit (BU) where the clusters strictly report in different work sites (primary office site, alternate site, and work-from-home for mobile workers). During Community Quarantine (ECQ, MECQ, and GCQ), maximum of 20% Head Office employees were allowed to work on-site as part of the Bank's Pandemic and Infectious Disease Plan with the primary objective of protecting lives of employees and customers, while 80% of Head Office employees were in a work-from-home status as part of the Business Continuity Plan. As a consequence of these lockdown measures, the Bank's energy consumption has declined from 2019 to 2020.

As the world starts to rebuild amidst the COVID-19 pandemic and electricity demand growth steadily recovers to normal capacity, we continue to assess unique challenges and urgent opportunities learned in 2020 to improve energy consumption going forward.

**What are the risks identified?**

The emission of greenhouse gases from the generation of electricity contributes to global warming, and climate change. Global warming needs to be kept below 1.5 °C by year 2030 to avoid irreversible impacts.<sup>13</sup> Inefficient management of energy use can also lead to higher operating costs, revocation of LEED certification, and inability to be benchmarked against other banks that have set sustainability goals and programs on energy conservation.

**Management Approach to Risks**

In response to the challenges posed by the pandemic, we have instituted mandatory cost control measures, effective May 2020, which were in support of minimizing GHG impacts, energy efficiency, energy conservation, and recycling. These include adopting the following in our day-to-day operations:

Power and Lights:

<sup>11</sup> The RCBC Plaza in Makati City received a Leadership in Energy and Environmental Design (LEED) Gold certification on May 26, 2018, making it the first multi-tenanted building in the Philippines to achieve such kind of green building certification.

<sup>12</sup> Enhanced Community Quarantine (ECQ), Modified ECQ (MECQ), and General Community Quarantine (GCQ).

<sup>13</sup> IPCC SR15 Summary for Policymakers 2018, p. 7: Future climate-related risks (...) are larger if global warming exceeds 1.5°C before returning to that level by 2100 than if global warming gradually stabilizes at 1.5°C. (...) Some impacts may be long-lasting or irreversible, such as the loss of some ecosystems (high confidence).

- Change of lights to LED
- Turning off lights when not in use – when the sun is out, when the workstation is empty, during lunch break, before and after office hours
- Installation of energy-saving mechanisms in the elevators

**Employee Activities:**

- Holding External/ internal trainings and meetings through virtual setting
- Minimizing overtime work and introduction of work processes and behaviour to hasten completion of work within regular working hours but without sacrificing quality and control
- Suspension of organization and holding of events

**Other Operating Expense:**

- Turning off aircon units at the lobby of the Business Centers after banking hours while the rest of the aircon units are turned off at 6:00pm
- Regular cleaning of aircon filters
- Limiting the printing and photocopying of documents to the absolute necessary

Aside from initiatives practiced internally to address risks in electricity consumption, efforts to address global warming are ingrained in a larger scale in RCBC's Sustainable Finance Framework. The Framework articulates our intention to bolster funding for projects that have clear environmental and/or social benefits. This includes investments in Renewable Energy as a means to counter global warming.

In December 2020, our President and CEO Mr. Eugene Acevedo announced that RCBC will no longer extend financing to new coal-fired power projects in the Philippines. The announcement came after the Philippines' Department of Energy (DOE) said it is keen on increasing the share of renewable energy as the country's power source to 43% by 2040 from 29% in 2020.<sup>14</sup> RCBC supports this target through its twelve renewable energy projects (with combined capacity of about 400MW) comprising its pipeline financing as of 1Q2021.

**What are the opportunities identified?**

Managing and reducing energy consumption opens up the following opportunities:

- Reduced direct environmental impact;
- Lower operational costs;
- Hedging against future electricity rate hikes;
- Increased shareholder value;
- Improved market competitiveness among tenants; and
- Improved reputation, competitiveness, credibility, and overall bank image on good sustainability practices.

**Management Approach to Opportunities**

We continue to support the principles behind our LEED certification. We promote energy conservation measures in our day-to-day operations.

We have been taking on lead roles in financing major renewable energy projects, raising sustainable financing instruments and supporting the DOE's move toward reducing the country's reliance on fossil fuel-based energy by RCBC's declaration of no longer lending to new coal-fired power projects.

<sup>14</sup> Department of Energy presentation, Energy Forum, 4 December 2020



### Water Consumption Within the Organization

Disclosure (January 1 – December 31, 2020)	Quantity	Units
Water withdrawal	0	Cubic meters
Water consumption	RCBC Plaza: 46,330 A.T. Yuchengco Centre: 7,657 Branches: 193,040	Cubic meters
Water recycled and reused	0	Cubic meters

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to water consumption)
Management	- Efficiency of managing resources
Stockholders	- Profitability of the organization - Efficiency of managing resources
Suppliers	- How much water is used by the organization - Also, the supplier's actions can affect the organization's ability to operate, implement its strategies, and achieve its objectives
Community, inc. environmental NGOs	- Extent of water consumption alongside scarcity of supply
Public, inc. media	- Extent of water consumption alongside scarcity of supply – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impact occurs on how we efficiently manage water consumption in our own operations. Reduction in consumption/water savings can be seen as contributory to preserving water as a limited resource.
Management Approach to Impact
Our Corporate Head Office in Manila is located in a LEED Gold certified building. <sup>15</sup> We continue to uphold principles behind our green building certification. In May 2020, the Bank issued mandatory measures to strengthen our commitment on environmental responsibility and water resource efficiency.

<sup>15</sup> The RCBC Plaza in Makati City received a Leadership in Energy and Environmental Design (LEED) Gold certification on May 26, 2018, making it the first multi-tenanted building in the Philippines to achieve such kind of green building certification.

**What are the risks identified?**

The inefficient and improper use of water can lead to negative environmental impacts, in light of water being recognized as a limited resource. It can also lead to higher operating costs, revocation of LEED certification, and inability to be benchmarked against other banks that have set sustainability goals and programs on water conservation.

**Management Approach to Risks**

In response to the challenges posed by the pandemic, we have instituted mandatory cost control measures, effective May 2020, which were in support of water conservation. These include adopting the following in our day-to-day operations:

- Water conservation. RCBC Plaza and A.T. Yuchengco Centre have bathrooms which have low flow faucets and sensors.
- Prompt reporting. Instances of leaking faucets or any defective plumbing fixtures are reported to the Facilities and Records Management Department (FARMD) / Landev for immediate repairs.

Aside from initiatives practiced internally to address risks in water consumption, efforts to address the need to consume water as a limited resource are ingrained in a larger scale in RCBC's Sustainable Finance Framework. The Framework articulates our intention to bolster funding for projects that have clear environmental and/or social benefits. This includes investments in Sustainable Water Management through which efficient water treatment and consumption are promoted.

**What are the opportunities identified?**

Managing and reducing water consumption opens up the following opportunities:

- Reduced direct environmental impact;
- Lower operational costs;
- Hedging against future water rate hikes;
- Increased shareholder value;
- Improved market competitiveness among tenants; and
- Improved reputation, competitiveness, credibility, and overall bank image on good sustainability practices.

**Management Approach to Opportunities**

We continue to support the principles behind our LEED certification. We promote water conservation measures in our day-to-day operations.

### Materials Used by the Organization

Disclosure (January 1 – December 31, 2020)	Quantity	Units
Materials used by weight or volume <sup>16</sup>		
• Renewable	152,104	kg/liters
• non-renewable	261	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services <sup>17</sup>	92	%

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to materials used by the organization)
Management	- Efficiency of managing resources
Stockholders	- Profitability of the organization - Efficiency of managing resources
Suppliers	- How much resources are used by the organization - Also, the supplier's actions can affect the organization's ability to operate, implement its strategies, and achieve its objectives
Community, inc. environmental NGOs	- Environmental effects of materials used and practices employed by suppliers
Public, inc. media	- Environmental effects of materials used and practices employed by suppliers - potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impact is considered indirect as RCBC is not engaged in the manufacturing business. Impact is considered through RCBC's choice of its suppliers.
Management Approach to Impact
We ensure that suppliers uphold sustainability standards and practices including compliance to Philippine laws. Environmental performance is observed during site visits. We influence suppliers to be sustainable through supplier accreditation processes, among other approaches.

<sup>16</sup> This includes printed forms, check books, check vouchers, envelopes, and tempus calendars procured from suppliers.

<sup>17</sup> This includes printed forms, check books, check vouchers, envelopes, and tempus calendars procured from suppliers.

**What are the risks identified?**

An organization might be involved with negative environmental impacts as a result of its business relationships with other parties – in this case, suppliers. If not managed effectively, this can also lead to higher operating costs and inability to be benchmarked against other banks that have set sustainability goals and programs in its supply chain.

**Management Approach to Risks**

Due diligence prevents and mitigates negative impacts in the supply chain. Suppliers are assessed for a range of criteria. We initiate due diligence as early as possible in the development of a new relationship with a supplier. Impacts may be prevented or mitigated at the stage of structuring contracts or other agreements, as well as via ongoing collaboration with suppliers.

**What are the opportunities identified?**

There are opportunities to improve our existing supply chain procedure to avoid negative environmental impacts. Improvements can include changing the organization's procurement practices, adjusting performance expectations, capacity building, training, changes to processes, as well as terminating supplier relationships.

**Management Approach to Opportunities**

We continue to improve our existing supply chain procedure to avoid negative environmental impacts. We employ sustainability related questionnaires in the accreditation/vetting process of vendors. Furthermore, the Yuchengco Group of Companies (YGC) holds information campaigns geared towards vendors regarding YGC's sustainability initiatives.

## Ecosystems and Biodiversity (Whether in Upland/Watershed or Coastal/Marine)

Disclosure (January 1 – December 31, 2020)	Quantity <sup>18</sup>	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
Habitats protected or restored	-	ha
IUCN <sup>19</sup> Red List species and national conservation list species with habitats in areas affected by operations	None	

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to ecosystems and biodiversity)
Government – DENR	<ul style="list-style-type: none"> <li>- Compliance with environmental laws and regulation</li> <li>- Reduction of environmental impacts</li> <li>- Concern for environmental protection</li> </ul>
Community, inc. environmental NGOs	<ul style="list-style-type: none"> <li>- Reduction of environmental impacts</li> <li>- Concern for environmental protection</li> </ul>
Public, inc. media	<ul style="list-style-type: none"> <li>- Reduction of environmental impacts and concern for environmental protection – potential reputational impact</li> </ul>

What is the impact and where does it occur? What is the organization's involvement in the impact?
<p>RCBC's operational sites are not in, or adjacent to, protected areas, areas of high biodiversity value, protected or restored habitats, or areas where IUCN Red List species and national conservation list species have habitats. The operational sites of our clients, however, may be such, and our clients' operations may have negative environmental impacts. This is linked to impacts through the Bank's business relationship with its clients.</p>
Management Approach to Impact
<p><b>Environmental and Social Management System (ESMS):</b></p> <p>It is the Bank's policy to promote sustainable practices that will minimize negative environmental, social and reputation impact of the Bank's financing activities and its clients' operation. The sustainable practices that the Bank wishes to pursue aim to encourage borrowers to adhere to the preservation and development of the natural, social, and cultural environment. The Bank believes that good sustainable practices eventually pay dividends and are in the best interest of the borrowers.</p> <p>The ESMS of RCBC requires that all lending relationships/credits, leasing or other financial assistance to any corporate or legal entity, both pipeline and portfolio, are vetted from an environmental and social risk perspective.</p>

<sup>18</sup> Refer to discussion of impact.

<sup>19</sup> International Union for Conservation of Nature

**What are the risks identified?**

The operational sites of our clients may be in, or adjacent to, protected areas, areas of high biodiversity value, protected or restored habitats, or areas where IUCN Red List species and national conservation list species have habitats. As a consequence, our clients' operations may have negative environmental impacts.

**Management Approach to Risks****Environmental and Social Management System (ESMS):**

The ESMS Policy of RCBC subscribes to IFC's Performance Standards which include the evaluation of the impact of a borrower's business on ecosystems and biodiversity (IFC Performance Standard number 6):

1. Assessment and Management of Environmental and Social Risks and Impacts
2. Labor and Working Conditions
3. Resource Efficiency and Pollution Prevention
4. Community Health, Safety, and Security
5. Land Acquisition and Involuntary Resettlement
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Indigenous Peoples
8. Cultural Heritage

We will continue to engage our clients, share best practices, and support their efforts to seek solutions that reduce their impact on the environment and communities.

**What are the opportunities identified?****Protection of Ecosystems and Biodiversity:**

The role of banks as financial intermediaries and as capital raising agents directly affects the promotion of economic development. This role should include the promotion of sustainable business practices and the protection of ecosystems and biodiversity.

**Management Approach to Opportunities****RCBC Sustainable Finance Strategy:**

As a responsible financial institution, RCBC is committed to uphold environmental and social responsibility in all its business activities. We recognize that balancing non-financial factors such as environmental and social safeguards with financial priorities is essential to being a good corporate citizen, and is fundamental to risk management and the larger interest of our stakeholders.

We are aligning our business strategy to support the development needs of society, as articulated in the UN SDGs and the Paris Agreement. We aim to embed awareness of environmental and social issues within the organization, with our clients, and in the communities that we serve. The Bank believes that good sustainable practices are a key pillar of responsible lending which can have a meaningful impact on the environment and communities.

RCBC's Sustainable Finance Framework supports financing for environmentally sustainable management of living natural resources and land use under its Eligible Green Categories.

## Environmental Impact Management

### Air Emissions

#### GHG

Disclosure (January 1 – December 31, 2020)	Quantity	Units
Direct (Scope 1) GHG Emissions	0	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions	11,652 <sup>20</sup>	Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)	0	Tonnes

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to management of GHG emissions)
Stockholders	- Compliance with environmental laws and regulation – potential reputational impact that may lead to divestment
Government – DENR	- Compliance with environmental laws and regulation - Reduction of environmental impacts - Concern for environmental protection
Community, inc. environmental NGOs	- Reduction of environmental impacts - Concern for environmental protection
Public, inc. media	- Reduction of environmental impacts and concern for environmental protection – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
GHG emissions result from RCBC's consumption of electricity produced by the country's power generation entities.
Management Approach to Impact
<p>Our Corporate Head Office in Manila is located in a LEED Gold certified building.<sup>21</sup> We continue to uphold principles behind our green building certification. In May 2020, the Bank issued mandatory measures to strengthen our commitment on environmental responsibility and resource efficiency. These include switching to LED lighting systems and energy-saving mechanisms in the elevators.</p> <p>The extraordinary impact of the COVID-19 pandemic brought the country under a State of Calamity for a period of six (6) months from March 16, 2020. This resulted to multiple government restrictions throughout the island of Luzon (including Metro Manila) and imposed community lockdowns (ECQ, MECQ, and GCQ) leading to drastic reduction of commercial electricity usage.</p> <p>The Bank created minimum of two clusters per Business Unit (BU) where the clusters strictly report in different work sites (primary office site, alternate site, and work-from-home for mobile workers). During Community Quarantine (ECQ, MECQ, and GCQ), maximum of 20% Head Office employees were allowed to work on-site as part of the Bank's Pandemic and Infectious Disease Plan with the primary objective of</p>

<sup>20</sup> RCBC Plaza, A.T. Yuchengco Centre, and Branches; emission factor for electricity at 0.7122 kgCO<sub>2</sub>e/kWh from DOE (<https://www.doe.gov.ph/electric-power/2015-2017-national-grid-emission-factor-ngef>); emission factor for diesel at 0.0741 tonnes CO<sub>2</sub>e/GJ from ADB (<https://www.adb.org/sites/default/files/institutional-document/296466/guidelines-estimating-ghg.pdf>)

<sup>21</sup> The RCBC Plaza in Makati City received a Leadership in Energy and Environmental Design (LEED) Gold certification on May 26, 2018, making it the first multi-tenanted building in the Philippines to achieve such kind of green building certification.

protecting lives of employees and customers, while 80% of Head Office employees were in a work-from-home status as part of the Business Continuity Plan. As a consequence of these lockdown measures, the Bank's GHG emissions resulting from electricity consumption declined.

As the world starts to rebuild amid the COVID-19 pandemic and electricity demand growth steadily recovers to normal capacity, we continue to assess unique challenges and urgent opportunities learned in 2020 to improve energy consumption (and resulting GHG emissions) going forward.

### **What are the risks identified?**

The emission of greenhouse gases from the generation of electricity contributes to global warming, and climate change. Global warming needs to be kept below 1.5 °C by year 2030 to avoid irreversible impacts. Inefficient management of energy use can also lead to higher operating costs, revocation of LEED certification, and inability to be benchmarked against other banks that have set sustainability goals and programs.

### **Management Approach to Risks**

In response to the challenges posed by the pandemic, we have instituted mandatory cost control measures, effective May 2020, which were in support of minimizing GHG impacts, energy efficiency, energy conservation and recycling. These include adopting the following in our day-to-day operations:

#### **Power and Lights:**

- Change of lights to LED
- Turning off lights when not in use – when the sun is out, when the workstation is empty, during lunch break, before and after office hours
- Installation of energy-saving mechanisms in the elevators

#### **Employee Activities:**

- Holding External/ internal trainings and meetings through virtual setting
- Minimizing overtime work and introduction of work processes and behaviour to hasten completion of work within regular working hours but without sacrificing quality and control
- Suspension of organization and holding of events

#### **Other Operating Expense:**

- Turning off aircon units at the lobby of the Business Centers after banking hours while the rest of the aircon units were turned off at 6:00pm
- Regular cleaning of aircon filters
- Limiting the printing and photocopying of documents to the absolute necessary

Aside from initiatives practiced internally to address risks in electricity consumption, efforts to address global warming are ingrained in a larger scale in RCBC's Sustainable Finance Framework. The Framework articulates our intention to bolster funding for projects that have clear environmental and/or social benefits. This includes investments in Renewable Energy as a means to counter global warming.

In December 2020, our President and CEO Mr. Eugene Acevedo announced that RCBC will no longer extend financing to new coal-fired power projects in the Philippines. Coal-fired power plants are known to release more GHG per unit of energy produced than other electricity sources. The announcement came after the Philippines' Department of Energy (DOE) said it is keen on increasing the share of renewable energy as the country's power source to 43% by 2040 from 29% in 2020.<sup>22</sup> RCBC supports

<sup>22</sup> Department of Energy presentation, Energy Forum, 4 December 2020



this target through its twelve renewable energy projects (with combined capacity of about 400MW) comprising its pipeline financing as of 1Q2021.

#### **What are the opportunities identified?**

Managing and reducing GHG impacts including those from electricity consumption opens up the following opportunities:

- Reduced direct environmental impact;
- Lower operational costs;
- Increased shareholder value;
- Improved reputation, competitiveness, credibility, and overall bank image on good sustainability practices.

#### **Management Approach to Opportunities**

We continue to support the principles behind our LEED certification. We promote energy conservation measures in our day-to-day operations.

We have been taking on lead roles in financing major renewable energy projects, raising sustainable financing instruments and supporting the DOE's move toward reducing the country's reliance on fossil fuel-based energy (thus decreasing GHG emissions) by RCBC's declaration of no longer lending to new coal-fired power projects.

### Air Pollutants

Disclosure (January 1 – December 31, 2020)	Quantity <sup>23</sup>	Units
NO <sub>x</sub>	-	kg
SO <sub>x</sub>	-	kg
Persistent organic pollutants (POPs)	-	kg
Volatile organic compounds (VOCs)	-	kg
Hazardous air pollutants (HAPs)	-	kg
Particulate matter (PM)	-	kg

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to management of air pollutants)
Stockholders	- Compliance with environmental laws and regulation – potential reputational impact that may lead to divestment
Government – DENR	- Compliance with environmental laws and regulation - Reduction of environmental impacts - Concern for environmental protection
Community, inc. environmental NGOs	- Reduction of environmental impacts - Concern for environmental protection
Public, inc. media	- Reduction of environmental impacts and concern for environmental protection – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
As RCBC is engaged in traditional banking, it does not generate air pollutants in its operations. Our clients, however, may be doing so in their operations, and have negative environmental impacts as a consequence. This is linked to impacts through the Bank's business relationship with its clients.
Management Approach to Impact
<b>Environmental and Social Management System (ESMS):</b>  It is the Bank's policy to promote sustainable practices that will minimize negative environmental, social and reputation impact of the Bank's financing activities and its clients' operation. The sustainable practices that the Bank wishes to pursue aim to encourage borrowers to adhere to the preservation and development of the natural, social, and cultural environment. The Bank believes that good sustainable practices eventually pay dividends and are in the best interest of the borrowers.  The ESMS of RCBC requires that all lending relationships/credits, leasing or other financial assistance to any corporate or legal entity, both pipeline and portfolio, are vetted from an environmental and social risk perspective.

<sup>23</sup> Refer to discussion of impact.

**What are the risks identified?**

Our clients may be generating air pollutants in their operations. This has negative implications on the environment.

**Management Approach to Risks****Environmental and Social Management System (ESMS):**

The ESMS Policy of RCBC subscribes to IFC's Performance Standards which include the evaluation of the borrower's practices to promote resource efficiency and pollution protection (Performance Standard number 3):

1. Assessment and Management of Environmental and Social Risks and Impacts
2. Labor and Working Conditions
3. Resource Efficiency and Pollution Prevention
4. Community Health, Safety, and Security
5. Land Acquisition and Involuntary Resettlement
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Indigenous Peoples
8. Cultural Heritage

We will continue to engage our clients, share best practices, and support their efforts to seek solutions that reduce their impact on the environment and communities.

**What are the opportunities identified?****Environmental Protection:**

The role of banks as financial intermediaries and as capital raising agents directly affects the promotion of economic development. And this role needs to include the promotion of sustainable business practices, pollution prevention and control, and environmental protection.

**Management Approach to Opportunities****RCBC Sustainable Finance Strategy:**

As a responsible financial institution, RCBC is committed to uphold environmental and social responsibility in all its business activities. We recognize that balancing non-financial factors such as environmental and social safeguards with financial priorities is essential to being a good corporate citizen, and is fundamental to risk management and the larger interest of our stakeholders.

We are aligning our business strategy to support the development needs of society, as articulated in the UN SDGs and the Paris Agreement. We aim to embed awareness of environmental and social issues within the organization, with our clients, and in the communities that we serve. The Bank believes that good sustainable practices are a key pillar of responsible lending which can have a meaningful impact on the environment and communities.

RCBC's Sustainable Finance Framework supports financing for Pollution Prevention and Control under its Eligible Green Categories.

## Solid and Hazardous Wastes

### Solid Waste

Disclosure (January 1 – December 31, 2020)	Quantity	Units
Total solid waste generated	RCBC Plaza: 1,921,786 A.T. Yuchengco Centre: 29,835	kg
Reusable	0	kg
Recyclable	RCBC Plaza: 266,299	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	RCBC Plaza: 1,655,487 A.T. Yuchengco Centre: 29,835	kg

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to solid waste management)
Stockholders	- Compliance with environmental laws and regulation – potential reputational impact that may lead to divestment
Government – DENR	- Compliance with environmental laws and regulation - Reduction of environmental impacts - Concern for environmental protection
Community, inc. environmental NGOs	- Reduction of environmental impacts - Concern for environmental protection
Public, inc. media	- Reduction of environmental impacts and concern for environmental protection – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
RCBC's ability to properly manage solid waste impacts the communities within the proximity of its operations, and the overall environmental welfare of the society.
Management Approach to Impact
RCBC minimizes the impact of its operational solid waste through pollution prevention measures. Compliance with Philippine Environmental Laws is adhered to across the organization.

What are the risks identified?
The generation, treatment, and disposal of waste, including its improper transportation, can pose harm to human health and the environment.
Management Approach to Risks
RCBC Plaza's Solid Waste Management Plan includes reducing material costs and environmental impacts thus educating and encouraging tenants to reduce, reuse, and recycle for long-term purposes to minimize ecological impacts.
Solid wastes are hauled by a third party; total amounts are then recorded and tabulated.

### **What are the opportunities identified?**

Managing and reducing solid waste opens up the following opportunities:

- Reduced direct environmental impact;
- Lower operational costs;
- Hedging against future hikes in costs of materials used and garbage hauling costs;
- Increased shareholder value;
- Improved market competitiveness among tenants; and
- Improved reputation, competitiveness, credibility, and overall bank image on good sustainability practices.

### **Management Approach to Opportunities**

We promote materials conservation and solid waste management measures. Employees are urged to follow these practices, among others:

- Make use of scratch paper and double-sided printing.
- Cut down on plastic waste. Choose to use a glass or mug over the ease of buying disposable, single-use plastic cups or bottles.
- Segregate waste. Only dispose of food waste in the pantry waste bin.

RCBC's support for potential financing requirements also helps promote environmental responsibility for proper waste management. The Bank's Sustainable Finance Framework includes waste management (excluding landfills), such as waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy (municipal waste to energy to include emission abatement technology) under the Eligible Green Categories.

### Hazardous Waste

<b>Disclosure (January 1 – December 31, 2020)</b>	<b>Quantity<sup>24</sup></b>	<b>Units</b>
Total weight of hazardous waste generated	-	kg
Total weight of hazardous waste transported	-	kg

<b>Which stakeholders are affected?</b>	
<b>Stakeholder</b>	<b>Issues That Influence Their Assessments and Decisions (in relation to hazardous waste management)</b>
Stockholders	- Compliance with environmental laws and regulation – potential reputational impact that may lead to divestment
Government – DENR	- Compliance with environmental laws and regulation - Reduction of environmental impacts - Concern for environmental protection
Community, inc. environmental NGOs	- Reduction of environmental impacts - Concern for environmental protection
Public, inc. media	- Reduction of environmental impacts and concern for environmental protection – potential reputational impact

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>
As RCBC is engaged in traditional banking, it does not generate hazardous waste in its operations. Our clients, however, may be doing so in their operations, and have negative environmental impacts as a consequence. This is linked to impacts through the Bank's business relationship with its clients.
<b>Management Approach to Impact</b>
<p><b>Environmental and Social Management System (ESMS):</b></p> <p>It is the Bank's policy to promote sustainable practices that will minimize negative environmental, social and reputation impact of the Bank's financing activities and its clients' operation. The sustainable practices that the Bank wishes to pursue aim to encourage borrowers to adhere to the preservation and development of the natural, social, and cultural environment. The Bank believes that good sustainable practices eventually pay dividends and are in the best interest of the borrowers.</p> <p>The ESMS of RCBC requires that all lending relationships/credits, leasing or other financial assistance to any corporate or legal entity, both pipeline and portfolio, are vetted from an environmental and social risk perspective.</p>

<sup>24</sup> Refer to discussion of impact.

**What are the risks identified?**

Our clients may be generating hazardous waste in their operations. This has negative implications on the environment.

**Management Approach to Risks****Environmental and Social Management System (ESMS):**

The ESMS Policy of RCBC subscribes to IFC's Performance Standards which include the evaluation of the borrower's practices to promote resource efficiency and pollution protection (Performance Standard number 3):

1. Assessment and Management of Environmental and Social Risks and Impacts
2. Labor and Working Conditions
3. Resource Efficiency and Pollution Prevention
4. Community Health, Safety, and Security
5. Land Acquisition and Involuntary Resettlement
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Indigenous Peoples
8. Cultural Heritage

Under Performance Standard number 3, the borrower's operations are assessed in terms of compliance with environmentally sound disposal of hazardous and non-hazardous wastes.

We will continue to engage our clients, share best practices, and support their efforts to seek solutions that reduce their impact on the environment and communities.

**What are the opportunities identified?****Environmental Protection:**

The role of banks as financial intermediaries and as capital raising agents directly affects the promotion of economic development. And this role needs to include the promotion of sustainable business practices, pollution prevention and control, and environmental protection.

**Management Approach to Opportunities****RCBC Sustainable Finance Strategy:**

As a responsible financial institution, RCBC is committed to uphold environmental and social responsibility in all its business activities. We recognize that balancing non-financial factors such as environmental and social safeguards with financial priorities is essential to being a good corporate citizen, and is fundamental to risk management and the larger interest of our stakeholders.

We are aligning our business strategy to support the development needs of society, as articulated in the UN SDGs and the Paris Agreement. We aim to embed awareness of environmental and social issues within the organization, with our clients, and in the communities that we serve. The Bank believes that good sustainable practices are a key pillar of responsible lending which can have a meaningful impact on the environment and communities.

## Effluents

Disclosure (January 1 – December 31, 2020)	Quantity <sup>25</sup>	Units
Total volume of water discharges	-	Cubic meters
Percent of wastewater recycled	-	%

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to management of effluents)
Stockholders	- Compliance with environmental laws and regulation – potential reputational impact that may lead to divestment
Government – DENR	- Compliance with environmental laws and regulation - Reduction of environmental impacts - Concern for environmental protection
Community, inc. environmental NGOs	- Reduction of environmental impacts - Concern for environmental protection
Public, inc. media	- Reduction of environmental impacts and concern for environmental protection – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
As RCBC is engaged in traditional banking, it does not generate effluents in its operations. Our clients, however, may be doing so in their operations, and have negative environmental impacts as a consequence. This is linked to impacts through the Bank's business relationship with its clients.
Management Approach to Impact
<p><b>Environmental and Social Management System (ESMS):</b></p> <p>It is the Bank's policy to promote sustainable practices that will minimize negative environmental, social and reputation impact of the Bank's financing activities and its clients' operation. The sustainable practices that the Bank wishes to pursue aim to encourage borrowers to adhere to the preservation and development of the natural, social, and cultural environment. The Bank believes that good sustainable practices eventually pay dividends and are in the best interest of the borrowers.</p> <p>The ESMS of RCBC requires that all lending relationships/credits, leasing or other financial assistance to any corporate or legal entity, both pipeline and portfolio, are vetted from an environmental and social risk perspective.</p>

<sup>25</sup> Refer to discussion of impact.



<b>What are the risks identified?</b>
Our clients may be generating effluents in their operations. This has negative implications on the environment.
<b>Management Approach to Risks</b>
<b>Environmental and Social Management System (ESMS):</b>  The ESMS of RCBC requires that all lending relationships/credits, leasing or other financial assistance to any corporate or legal entity, both pipeline and portfolio, are vetted from an environmental and social risk perspective.  The environmental and social impact assessment process is a systematic way of identifying and assessing the type and scale of impact a project may have on the environment and communities. The ESMS assessment takes place before a lending decision is made, and continues during the life cycle of the loan agreement with the client. The ESMS assessment is done at least annually.  We will continue to engage our clients, share best practices, and support their efforts to seek solutions that reduce their impact on the environment and communities.
<b>What are the opportunities identified?</b>
<b>Environmental Protection:</b>  The role of banks as financial intermediaries and as capital raising agents directly affects the promotion of economic development. And this role needs to include the promotion of sustainable business practices, pollution prevention and control, and environmental protection.
<b>Management Approach to Opportunities</b>
<b>RCBC Sustainable Finance Strategy:</b>  As a responsible financial institution, RCBC is committed to uphold environmental and social responsibility in all its business activities. We recognize that balancing non-financial factors such as environmental and social safeguards with financial priorities is essential to being a good corporate citizen, and is fundamental to risk management and the larger interest of our stakeholders.  We are aligning our business strategy to support the development needs of society, as articulated in the UN SDGs and the Paris Agreement. We aim to embed awareness of environmental and social issues within the organization, with our clients, and in the communities that we serve. The Bank believes that good sustainable practices are a key pillar of responsible lending which can have a meaningful impact on the environment and communities.

## Environmental Compliance

### Non-compliance with Environmental Laws and Regulations

Disclosure (January 1 – December 31, 2020)	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	1	#

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to environmental compliance)
Management	<ul style="list-style-type: none"> <li>- Monetary fines</li> <li>- Non-monetary sanctions</li> </ul>
Stockholders	<ul style="list-style-type: none"> <li>- Compliance with environmental laws and regulation – potential reputational impact that may lead to divestment</li> </ul>
Customers/Clients	<ul style="list-style-type: none"> <li>- Interruption of business /operations due to breach of environmental laws/regulations</li> <li>- Reputational impact</li> </ul>
Employees	<ul style="list-style-type: none"> <li>- Interruption of business /operations due to breach of environmental laws/regulations</li> <li>- Reputational impact</li> </ul>
Government – DENR / Regulators	<ul style="list-style-type: none"> <li>- Compliance with environmental laws and regulation</li> <li>- Ability to conform to certain performance parameters</li> <li>- Concern for environmental protection</li> </ul>
Community, inc. environmental NGOs	<ul style="list-style-type: none"> <li>- Reduction of environmental impacts</li> <li>- Concern for environmental protection</li> </ul>
Public, inc. media	<ul style="list-style-type: none"> <li>- Compliance with environmental laws and regulation, ability to conform to certain performance parameters, and concern for environmental protection – potential reputational impact</li> </ul>

What is the impact and where does it occur? What is the organization's involvement in the impact?
RCBC's ability to conform to performance standards, environmental laws and regulations impacts the communities within the proximity of its operations, and the overall environmental welfare of the society.
Management Approach to Impact
RCBC is committed to comply with all environmental laws and regulations, and conform to performance standards.

**What are the risks identified?**

With the scale of operations of a major universal bank such as RCBC, there may be a possibility that certain requirements on environmental compliance may not be addressed on a timely manner. This notwithstanding, RCBC remains committed to comply with all environmental laws and regulations as well as fulfil any penalty that may arise from non-compliance.

Non-compliance within an organization can indicate the ability of management to ensure that operations conform to certain performance parameters. In some circumstances, non-compliance can lead to clean-up obligations or other costly environmental liabilities.

**Management Approach to Risks**

RCBC is committed to comply with all environmental laws and regulations, and conform to performance standards.

**What are the opportunities identified?**

The strength of an organization's compliance record can also affect its ability to expand operations or gain permits.

**Management Approach to Opportunities**

RCBC is committed to comply with all environmental laws and regulations, and conform to performance standards.

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee Data

Disclosure (as of December 31, 2020)	Quantity	Units
Total number of employees	5,887	#
a. Number of female employees	3,743	#
b. Number of male employees	2,144	#
Attrition rate <sup>26</sup>	9.42%	rate
Ratio of lowest paid employee against minimum wage	1.0547	ratio

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to employee hiring)
Management	<ul style="list-style-type: none"> <li>- Direct cost implications either in terms of reduced payroll or greater expenses for the recruitment of employees</li> <li>- Efficiency of employees</li> <li>- Quality of service provided by employees</li> </ul>
Stockholders	<ul style="list-style-type: none"> <li>- Direct cost implications either in terms of reduced payroll or greater expenses for the recruitment of employees</li> <li>- Efficiency of employees</li> <li>- Quality of service provided by employees</li> </ul>
Employees	<ul style="list-style-type: none"> <li>- Satisfaction among employees</li> <li>- Equity in the workplace</li> </ul>
Customers/Clients	<ul style="list-style-type: none"> <li>- Efficiency and quality of service provided by employees – sufficient number of employees</li> </ul>
Government – DOLE	<ul style="list-style-type: none"> <li>- Protection of employees</li> </ul>
Community	<ul style="list-style-type: none"> <li>- Optimal use of available labor and talent in different regions</li> </ul>
Public, inc. media	<ul style="list-style-type: none"> <li>- Ability to attract diverse, qualified employees; inclusive recruitment practices; satisfaction among employees; equity in the workplace – potential reputational impact</li> </ul>

<sup>26</sup> Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

### Employee Benefits

<b>List of Benefits (January 1 – December 31, 2020)</b>	<b>Y/N</b>	<b>% of female employees who availed for the year</b>	<b>% of male employees who availed for the year</b>
SSS	Y		
Maternity/Paternity	Y	7.6%	2%
Sickness	Y	1%	1%
Salary Loan	Y	67%	33%
PhilHealth	Y	40%	1%
Pag-ibig Loan	Y	69%	31%
Parental leaves	Y	0.7%	0%
Vacation leaves	Y	60%	33%
Sick leaves	Y	40%	21%
Medical benefits (aside from PhilHealth)	Y	62%	35%
Housing assistance (aside from Pag-ibig)	Y	0.0005%	0.0005%
Retirement fund (aside from SSS)	Y	5.40%	6.34%
Further education support	N		
Company stock options	N		
Telecommuting	N		
Flexible-working Hours	N		

<b>Which stakeholders are affected?</b>	
<b>Stakeholder</b>	<b>Issues That Influence Their Assessments and Decisions (in relation to employee benefits)</b>
Stockholders	- Satisfaction among employees – efficiency and quality of service provided by employees
Employees	- Satisfaction among employees - Organization's investment in human resources - Quality of benefits - Protection of employees' well-being - Employee engagement and retention - Work life balance - Understanding of Bank's mission, vision, and strategies
Government – DOLE	- Protection of employees
Community	- Organization's investment in human resources, and the quality of benefits, which allow members of the community to decide whether to work for the organization – the organization's ability to attract talent / potential employees in the community can affect its ability to operate, implement its strategies, and achieve its objectives
Public, inc. media	- Satisfaction among employees, organization's investment in human resources, and the quality of benefits – potential reputational impact

**What is the impact and where does it occur? What is the organization's involvement in the impact?**

The impacts are satisfaction among employees and equity in the workplace. These occur in the primary business operations, and are caused by the organization.

**Management Approach to Impact****Our Most Important Asset: Our People**

In support of the Bank's growth strategy and plans, the Human Resources Group (HRG) is committed to organizational capability building and continues to lead programs and initiatives on talent management and development, leadership continuity, retention programs, employee well-being as well as corporate social responsibility.

We invest in human resources. The quality of benefits for full-time employees is a key factor in retaining employees.

**Compensation and Rewards Program:**

RCBC commits to pay its employees, salaries/compensation consistent with job performance and the requirements of the law and one that is competitive with the banking industry. The Bank gives importance to equitable pay differentials for different types of work and hence pays within an established salary structure for the different job levels. The Bank likewise provides officers with incentives and rewards for contribution to the business objectives of the Bank.

1. The Bank implements and maintains a sound **Compensation and Incentive Program** with the following objectives:
  - a. To establish a basis for determination and management of compensation, salary increase and performance incentives.
  - b. To provide financial incentives through the proper administration of salaries and other means of compensation for each individual to motivate them to do their best on their job.
  - c. To maintain competitive salary levels/structures consistent with those in the banking industry.
  - d. To ensure retention and attraction of performing and key talents in the organization.
2. To guide the Bank in managing the compensation levels of its employees, a salary structure was designed and developed using the following parameters:
  - a. **Job Evaluation.** Job Evaluation is a systematic procedure for analyzing, measuring and classifying positions in terms of common job elements or factors found in every position. The current salary structure is based on the existing job grading system for Officer levels ranging from First Officer up to Senior Executive Vice President. The Human Resources Group (HRG) has the responsibility of ensuring that jobs are rated properly and continuously as they change over time due to reconfiguration of functions or reorganizations.
  - b. **Target Market Group.** The salary structure was based on market data of banks deemed as peers by RCBC. Data on these peer banks are obtained from industry and national surveys conducted by private consultancy companies and trade and employee associations.
  - c. **Target Positioning Objective.** In terms of target positioning objectives, the Bank

receives instruction from management on the desired positioning in relation with the Target Market Group or the banking industry in general. This positioning is targeted at both the market's guaranteed pay and total annual cash compensation.

3. The salary structure is reviewed regularly by HRG to maintain its relevance and competitiveness internally and externally.
4. In case surveys and studies reveal that the salary structure is grossly sliding off as compared to the industry or its Target Market Group, it is incumbent upon HRG to come up with recommendations to correct the disparity and to discuss said recommendations with management.
5. Final approval of recommendations with regard to changes in the compensation structure and policies will need to be secured from the Corporate Governance Committee.
6. Administration, implementation and maintenance of the Bank's Compensation and Incentive Program shall be the direct responsibility of HRG, particularly by its Group Head, Department Head for Compensation and Benefits and Department Head for Career Management.
7. The Compensation and Incentive Program shall be composed of:
  - a. **Basic Pay.** This refers to the employee's monthly take-home pay, exclusive of overtime pay.
  - b. **Guaranteed Pay.** This is part of the annual compensation supplementary to the Basic Pay such as the 13th month pay.
  - c. **Variable Pay.** This refers to additional incentives, Merit Increase (for Officers) and Promotional Increase (for Non-Officers and Officers), given to eligible employees based on their contributions to the Bank's overall objectives.

#### **Employee Retention:**

Recognizing the continuing competition for talent, HRG's retention programs have helped keep the Bank's attrition rate at 9.42% which is below industry level.

#### **Employee Engagement:**

Certain RCBC units provide employee satisfaction survey to the teams that they are servicing. The survey reflects the employee's assessment of the unit's delivery of service and the areas for improvement.

**What are the risks identified?**

While we constantly improve our employee benefit packages, employees may deem those of other companies to be more attractive.

**Management Approach to Risks**

We invest in human resources. The quality of benefits for full-time employees is a key factor in retaining employees. RCBC has 17<sup>th</sup> month pay for rank and file employees, a benefit that is superior to other peer banks. We constantly improve our employee benefit packages to keep them competitive, in order to retain employees and attract new applicants. Promotion is based on full-year performance and accomplishments are measured through predefined Key Results Areas (KRAs). While not all non-officer employees are members of the RCBC Employees Association, they are covered by the Collective Bargaining Agreement (CBA).<sup>27</sup> In December 2016, the Bank (not including its subsidiaries) and the RCBC Employees Association agreed on the 3-year economic provisions and the 5-year non-economic terms of the collective bargaining agreement for the period 01 October 2016 to 30 September 2021.

**What are the opportunities identified?**

Equitable gender choice for parental leave and other leave entitlements can lead to the improved recruitment and retention of qualified employees. It can also boost employee morale and productivity.

**Management Approach to Opportunities**

We immediately adopt all new benefits as mandated by law. For example, we have implemented the new maternity leave benefit, applicable to all employees, announcing it through our internal network messaging platform. With this, our employees know that we are immediately compliant with the new benefits and we encourage qualified employees to avail of these.

<sup>27</sup> The formal grievance escalation and reporting is covered under the bank's Collective Bargaining Agreement.



## Employee Training and Development

Disclosure (January 1 – December 31, 2020)	Quantity	Units
Total training hours provided to employees	177,786	Hours
a. Female employees	113,720	hours
b. Male employees	64,066	hours
Average training hours provided to employees	30.20	hours/employee
a. Female employees	30.38	hours/employee
b. Male employees	29.88	hours/employee

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to employee training and development)
Stockholders	- Organization's investment in training, and the degree to which the investment is made across the entire employee base – efficiency and quality of service provided by employees
Employees	- Talent acquisition and development: organization's investment in training, and the degree to which the investment is made across the entire employee base
Customers/Clients	- Efficiency and quality of service provided by employees – properly trained employees
Community	- Organization's investment in training, and the degree to which the investment is made across the entire employee base, which allow members of the community to decide whether to work for the organization – the organization's ability to attract talent / potential employees in the community can affect its ability to operate, implement its strategies, and achieve its objectives
Public, inc. media	- Organization's investment in training, and the degree to which the investment is made across the entire employee base – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
When an employee stops learning, their development is held back. Thus, we commit to provide as many programs as possible for each employee to undergo. The impact is the development of employees. This occurs in the primary business operations, and is caused by the organization.
Management Approach to Impact
<p><b>Our Most Important Asset: Our People</b></p> <p>In support of the Bank's growth strategy and plans, the Human Resources Group (HRG) is committed to organizational capability building and continues to lead programs and initiatives on talent management and development, leadership continuity, retention programs, employee well-being as well as corporate social responsibility.</p> <p>We invest in training and developing employees, and upgrading employee skills. We are fully committed to providing learning and development opportunities across all job levels. Management has introduced and offered various training programs and seminars. In 2020, learning sessions were mostly done on-line and there were more than 5,700 attendees.</p>

## **Investment in People: Learning and Development**

RCBC is committed to provide a strong learning and development platform for all employees across all job levels. HRG continued to strengthen the talent pipeline and brought further competencies on the job by facilitating various training programs and seminars benefiting 5,729 (internal classroom attendees) attendees addressing the competencies of Leadership, Customer Service, Sales Planning and Management, Product and Technical Knowledge, Risk Management, AML/Compliance while, a total of 41 employees were enrolled in a number of specialized/IT external training programs. 607 employees were also sent to various external training programs. HRG also conducted Coaching workshops as we promote a coaching and mentoring culture across the organization.

The Bank's effort to provide careers to new graduates and to ensure an effective talent development resulted to deployment of 16 graduates of the 11<sup>th</sup> batch of the Officers Development Program (ODP) to junior officer positions across the Bank. HRG, in partnership with Operations Group, graduated 3 trainees for the 8<sup>th</sup> batch of the General Operations Learning and Development (GOLD) Program for Customer Support Services Segment and graduated 8 trainees for the 2<sup>nd</sup> batch of General Operations Learning and Development (GOLD) Program for Branch Support Services Segment. The 7-month GOLD program aims to develop a pool of junior officers with strong operations background and risk orientation for both head office and branch operations.

HRG in collaboration with management continues to subscribe to the Bank's Succession Planning Program. This is to ascertain that the organization has a deep bench of internal candidates ready to assume higher leadership responsibilities. Hence, the 8<sup>th</sup> batch of the Middle Management Development Program (MMDP) was conducted. This is a 6-month internal training program which aims to accelerate the development of our next generation of leaders. The MMDP was designed in partnership with the De La Salle University, Center for Professional Development in Business, Ramon V. Del Rosario College of Business. 17 RCBC officers attended this together with 5 officers from other YGCs.

As the Bank is committed to up-skill the knowledge and skills of its employees so that they are ready to face the changes in the business landscape, the following new programs were launched for the different groups:

For the Retail Banking Group, the BRM (Business Relationship Manager) Masterclass was launched. It is intended to provide product certification, and equip the BRMs to shift to Digital Selling with the inclusion of Virtual Selling Program. 23 BRMs attended 1 run of the BRM Masterclass.

For the Corporate Banking Group, AGILE was launched. This program aims to help the learner: A - adapt to new modalities, G - gather information and data efficiently, I - increase stress threshold, L - leverage on the brand and E - excel in details, to be more equipped, resilient and agile individual. 110 participants attended 4 runs.

For the Wealth Management Group, 38 participants attended 2 runs of the Digital Sales and Service 101 for WMG. The program is aimed to equip our WMG RMs with the knowledge and skills to increase their confidence in conducting their sales calls virtually.

Senior Leaders also attended the A2E (Ability to Execute Covid Edition). It is a capability building program that aims to provide skills and knowledge to apply key execution capabilities effectively and to develop techniques to pivot to the new normal. 30 participants from the YGC attended, 11 are from

RCBC.

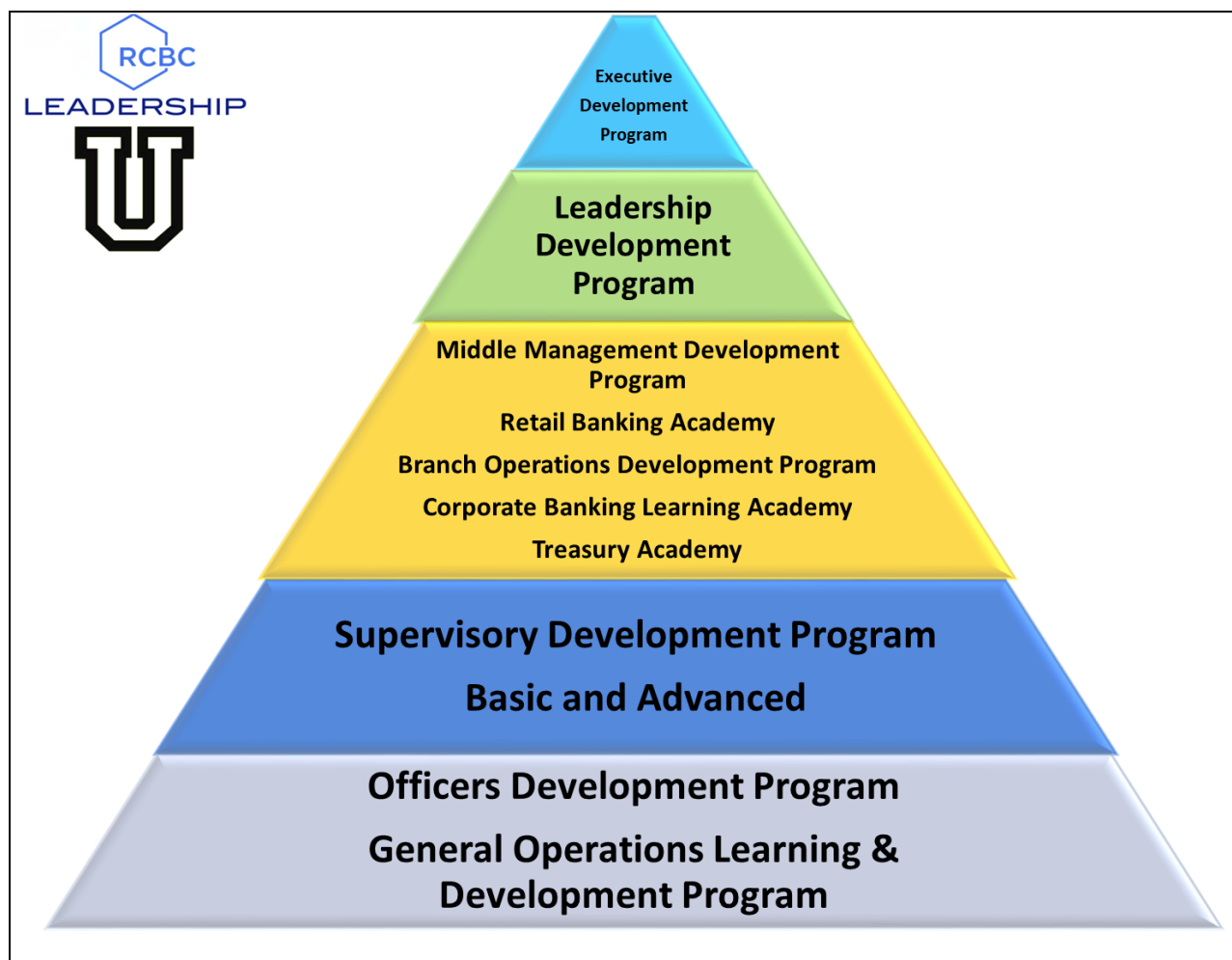
To raise the Bank's capability to address and mitigate Money Laundering and Terrorist Financing concerns, the Bank set out to attain certification with ACAMS or the Association of Certified Anti-Money Laundering. ACAMS is the largest international membership organization dedicated to enhance the knowledge and expertise of financial crime detection and prevention professionals. The CAMS credential is internationally recognized by private institutions, governments and law enforcement, and thus carries the gold standard in AML Certifications. 10 select bank officers began their review for ACAMS in 2019. They took and passed their certification exam in 2020.

The Branch Operations Orientation Training Camp (BOOT Camp) was launched in September 2018. This is a 5-day program for all new branch hires or branch transferees. Modules include Risks and Controls, Supervisory Development Program, Effective Business Communication and Effective Leadership in Customer Service. In 2020, 11 runs were conducted, covering 419 attendees.

For the Corporate Banking Group, the Core Credit Course was launched in 2019. This is a 10-day program for Relationship Managers aimed at standardizing and improving knowledge on Financial Analysis and Projections, and Credit Fundamentals. Apart from CBG and SMEBG Relationship Managers, the program was offered to Credit Officers and Auditors. A total of 102 participants attended 4 runs in 2020.

The Bank has likewise offered the 8<sup>th</sup> and 9<sup>th</sup> run of the Corporate Banking Learning Academy, (Marketing Assistant Track) an 8-day training program which aims to develop capable and credible marketing assistants. There were a total of 23 marketing assistants who graduated from the program in 2020. RBG BRO Sales Bootcamp is a 15-day training program aimed at providing Branch Relationship Officers with product certification and sales skills. A total of 120 BRO's attended the 5 runs in 2020.

In 2020, we also launched 5 e-Learning programs which included AMLA 1022, Business Etiquette, RPT eLearning, Introduction to Trade, Info Sec and Data Privacy 2020.



#### **What are the risks identified?**

While we invest in the development of its employees, the risk of employees leaving RCBC and possibly transferring to another company cannot be completely eliminated. There may be foregone costs, and opportunity costs as another employee who would decide to stay in RCBC could have been trained instead.

#### **Management Approach to Risks**

We enforce employee training bond agreements, under which an employee will have their training paid for by the Bank, but only if they remain with the company for a predetermined minimum amount of time.

**What are the opportunities identified?**

Programs for upgrading employee skills allow an organization to plan skills acquisition that equips employees to meet strategic targets in a changing work environment. The abundance of skilled employees enhances the organization's human capital and contributes to employee satisfaction, which correlates strongly with improved performance.

**Management Approach to Opportunities**

We have strengthened the talent pipeline and brought further competencies on the job by facilitating various training programs and seminars and allocating budget for these. We continuously evaluate and update training programs in relevant topics such as, but not limited to, leadership, customer service, sales, technical knowledge, risk management, etc. The Human Resources Group disseminates across the organization its catalogue of trainings and seminars.

### Labor-Management Relations

<b>Disclosure (January 1 – December 31, 2020)</b>	<b>Quantity</b>	<b>Units</b>
% of employees covered with Collective Bargaining Agreements	35	%
Number of consultations conducted with employees concerning employee-related policies	2,000 est.	#

<b>Which stakeholders are affected?</b>	
<b>Stakeholder</b>	<b>Issues That Influence Their Assessments and Decisions (in relation to labor-management relations)</b>
Stockholders	- Satisfaction among employees – efficiency and quality of service provided by employees
Employees	- Approach to communicating significant operational changes - Negotiations for determining working conditions and terms of employment or for regulating relations between employers and workers
Government – DOLE	- Protection of employees
Community	- Approach to communicating significant operational changes, and negotiations for determining working conditions and terms of employment or for regulating relations between employers and workers, which allow members of the community to decide whether to work for the organization – the organization's ability to attract talent / potential employees in the community can affect its ability to operate, implement its strategies, and achieve its objectives
Public, inc. media	- Approach to communicating significant operational changes, and negotiations for determining working conditions and terms of employment or for regulating relations between employers and workers – potential reputational impact

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>
The impact is the welfare of employees. This occurs in the entire organization, and is caused by the organization.
<b>Management Approach to Impact</b>
RCBC has a union of rank and file employees, which negotiates with Management for a Collective Bargaining Agreement every 5 years. This shows that, hand in hand, Management and the union regularly evaluate and update the salaries and benefits of employees. Every negotiation in, at least, the past 15 years have been peaceful and fruitful.

**What are the risks identified?**

The risk in collective bargaining negotiations is the potential failure to come up with an agreement between parties.

**Management Approach to Risks**

Management maintains a harmonious relationship with the union. On a daily basis, Management is open to consultation and discussion regarding various topics that the union wants to tackle. As a result, when the CBA negotiations happen, a lot of issues have already been resolved leaving only the most significant items to be discussed during the meetings.

**What are the opportunities identified?**

Management treats every issue raised by an employee as an opportunity to explain to them the nuances of the situation they are faced with. Management also relishes the opportunity to show employees that its actions and decisions are done for the benefit of the organization.

**Management Approach to Opportunities**

Management takes the views of workers into account when making specific decisions. Therefore, meaningful consultations, together with timely processing of relevant information, are needed to make an informed decision that is both fair and just.

### Diversity and Equal Opportunity

<b>Disclosure (as of December 31, 2020)</b>	<b>Quantity</b>	<b>Units</b>
% of female workers in the workforce	63.58	%
% of male workers in the workforce	36.42	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

*\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

<b>Which stakeholders are affected?</b>	
<b>Stakeholder</b>	<b>Issues That Influence Their Assessments and Decisions (in relation to diversity and equal opportunity)</b>
Stockholders	- Equity in the workplace, elimination of gender bias, and equal opportunity, which attract talent / potential employees – the organization’s ability to attract talent / potential employees can affect its ability to operate, implement its strategies, and achieve its objectives
Employees	- Equity in the workplace - Elimination of gender bias - Equal opportunity
Government – DOLE	- Protection of employees
Community	- Equity in the workplace, elimination of gender bias, and equal opportunity, which allow members of the community to decide whether to work for the organization – the organization’s ability to attract talent / potential employees in the community can affect its ability to operate, implement its strategies, and achieve its objectives
Public, inc. media	- Inclusive recruitment practices, equity in the workplace, equity in the workplace, elimination of gender bias, and equal opportunity – potential reputational impact

<b>What is the impact and where does it occur? What is the organization’s involvement in the impact?</b>
The impact is equal opportunity for all which could lead to better employee satisfaction and higher retention rate. This occurs in the primary business operations, and is caused by the organization.
<b>Management Approach to Impact</b>
RCBC gives equal opportunity for all. When an organization actively promotes diversity and equality at work, it can generate significant benefits for both the organization and workers, such as access to a larger and more diverse set of potential workers. As the numbers show, RCBC employs more women than men. This shows the opportunity we give to all as we actively promote diversity and equality at work.



**What are the risks identified?**

Promoting diversity does not necessarily lead to inclusion and equal opportunity. The presence of individuals from underrepresented groups within the organization does not guarantee that they will feel fully included and valued.

**Management Approach to Risks**

RCBC gives equal opportunity for all, not only in hiring, but also in advancement and attaining positions of senior leadership. Promotion is based on performance, as accomplishments are measured through predefined Key Results Areas (KRAs).

**What are the opportunities identified?**

When an organization actively promotes diversity and equality at work, it can generate significant benefits for both the organization and workers. For example, the organization can gain access to a larger and more diverse set of potential workers. These benefits also flow through to society in general, as greater equality promotes social stability and supports further economic development.

**Management Approach to Opportunities**

RCBC gives equal opportunity for all. When an organization actively promotes diversity and equality at work, it can generate significant benefits for both the organization and workers, such as access to a larger and more diverse set of potential workers.

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

Disclosure (January 1 – December 31, 2020)	Quantity	Units
Safe Man-Hours	12,000,000 <sup>28</sup>	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	3	#

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to occupational health and safety)
Stockholders	- Health, safety, and minimal harm – potential reputational impact that may lead to divestment
Employees	- Health - Safety - Minimal harm
Government – DOLE	- Protection of employees
Community	- Health, safety, and minimal harm, which allow members of the community to decide whether to work for the organization – the organization’s ability to attract talent / potential employees in the community can affect its ability to operate, implement its strategies, and achieve its objectives
Public, inc. media	- Health, safety, and minimal harm – potential reputational impact

What is the impact and where does it occur? What is the organization’s involvement in the impact?
The impact of RCBC’s ability to uphold occupational health and safety in the workplace is the protection of employees. This occurs in the primary business operations, and is caused by the organization.
Management Approach to Impact
<p><b>Health and Wellness:</b></p> <p>We give importance and commit to upholding occupational health and safety in the workplace through worker training and incident investigations. We have safety officers, certified Basic Occupational, Safety and Health personnel, and first-aiders trained by the Philippine Red Cross.</p> <p>RCBC is committed to maintain a safe and healthy working environment. Procedures are in place to protect all associates from generally recognized workplace hazards such as fire, earthquake, robberies and other natural and man-made calamities. The Bank has various substance abuse and health &amp; safety policies, as well as inspection and search procedures.</p>

<sup>28</sup> Estimated at 6,344 employees working 8 hours per day over 243 working days

### 1. Substance Abuse and Health & Safety Policies

Employees who work while under the influence of drugs or alcohol present a safety and operational hazard to themselves and their colleagues as well as pose a risk to the trustworthy and professional image of the Bank. The Bank also promotes the health and safety of its employees and their families, thus, the enactment of the following policies:

- RCBC's Drug-Free Workplace Policy & Programs
- Policy Against Alcohol Abuse
- Policy on Off-Duty Substance Abuse
- Family Welfare Policy
- TB Workplace Program
- HIV/AIDS Workplace Program

### 2. Inspection & Search Procedures

Employees are mandated to notify security personnel if they see anything suspicious, including the presence of strangers and unattended bags or packages on the premises.

Employees are likewise mandated to subject themselves, their personal belongings and the Bank assets under Bank custody to intensive inspection and search procedures by security personnel, upon entering, while within and upon leaving Bank premises.

Bank premises include parking lots, whether owned or leased by the Bank. Personal belongings shall mean pockets, bags, storage media, cars and any other personal property that may be used as repository of cash, jewelry, documents, keys, data and other valuable items.

### 3. Employee Welfare and Well-Being

In 2020, the Human Resources Group conducted the following activities to sustain the promotion of health, safety and welfare of RCBC employees.

- Maintained its partnership with Maxicare, the Bank's HMO provider, in giving health and medical services in accordance to the benefits being enjoyed by employees. Services provided include:
  - Hospitalization, emergency care and other medical services with 9,275 availments for employees and 1,891 availments for dependents in 2020;
  - Executive Check-Up for employees with total cost of Php8.43 million in 2020;
  - Outpatient consultation services for employees with 2,209 availments in 2020;
- The Bank also partnered with Sunlife Grepa Financial Inc. in utilizing the clinic located at the RCBC Plaza and serviced more than 575 availments in 2020. Moreover, there is a clinic set-up at the A. T. Yuchangco Centre in BGC to give free check-up and consultation services to more than 282 employees at said location.
- The Bank also provided the following benefits to employees:
  - COVID-19 related undertakings – Activities performed by the Bank to support employees during the pandemic in compliance with the laws and regulations

enacted during this period:

- Robust information drive via release of critical / necessary advisories in line with the pandemic;
  - Purchased and distributed of face masks to affected employees assigned in the head office and the branches;
  - Implementation of policies on self-quarantine and travel bans;
  - Printed and distribute of IATF (Inter-Agency Task Force) IDs and facilitated the issuance of Rapid Passes to employees that are part of the Bank's skeletal work force;
  - Provided special allowances to employees during the Enhanced Community Quarantines;
  - Released the Bank's Mobile and Remote work policy wherein employees were issued laptops and/or allowed to bring home their computers to be able to work from home;
  - Implementation of the relevant provisions of the Bayanihan to Heal as One and Bayanihan to Recover as One Acts
  - Released procedures on how to avail COVID-19 testing as part of employees' hospitalization benefit;
  - Launched the online Daily Health Checklist for contact tracing.
- Department of Labor and Employment (DOLE) certified Basic Occupational Safety and Health Seminar;
  - Philippine Red Cross certified first aid training;
  - Basic training course for Pollution Control;
  - Pollution Control training course for Managing Heads;
  - Safety and life support trainings, fire and earthquake seminars and drills for employees;
  - Pre-employment physical and medical examination for new hires;
  - Random drug testing for employees;
  - Vaccination – Implemented flu vaccination to employees;
  - Maintenance of operational breastfeeding stations for nursing associates;
  - Sports and wellness – To promote physical fitness, the Bank sponsored various sports activities participated by employees from Head Office and Metro Manila business centers.
  - Precautionary measures – Since Management recognizes the precarious situation of employees in areas affected by natural calamities and manmade adversities, it has always been keen on immediately issuing work suspension orders in such perilous areas during fortuitous events.
  - All associates are covered with a life insurance policy inclusive of accidental death, total and permanent disability and burial assistance benefits.

The Bank spent more than Php95.93 million in 2020 for health benefits of employees and their dependents.

**What are the risks identified?**

While banking is considered a low risk industry in terms of workplace conditions and industrial safety standards, potential harm may be suffered by workers in specific hazardous situations (e.g., bank robbery).

**Management Approach to Risks**

We provide employees with the requisite training and exposure to combat inherent risks involved in the workplace. We provide regular Basic Occupational, Safety and Health and first aid training on a regular basis. We provide safety training to workers, including training on specific work-related hazardous situations. We train branch personnel how to respond to hazardous situations with simulation training programs such as mock bank robberies.

**What are the opportunities identified?**

Given the changing business landscape, regulatory environment, and the Bank's strategic direction, there arise opportunities to improve our training programs and safety drills.

**Management Approach to Opportunities**

We continue to update training programs to adapt to the changing business environment.

### Labor Laws and Human Rights

<b>Disclosure (January 1 – December 31, 2020)</b>	<b>Quantity</b>	<b>Units</b>
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

<b>Topic</b>	<b>Y/N</b>	<b>If Yes, cite reference in the company policy</b>
Forced labor	Y	All newly hired employees sign a contract stating that they agree to the terms and conditions of their employment. We do not employ forced labor.
Child labor	Y	Our Recruitment Policy requires that we hire college graduates, at the minimum. We do not employ child labor.
Human Rights	Y	Existing Philippine laws set expectations and standards that disallow violations of and promote human rights. We abide by these laws.

<b>Which stakeholders are affected?</b>	
<b>Stakeholder</b>	<b>Issues That Influence Their Assessments and Decisions (in relation to labor laws and human rights)</b>
Stockholders	- Abolition of child labor, elimination of forced labor, and upholding human rights – potential reputational impact that may lead to divestment
Employees	- Abolition of child labor - Elimination of forced labor - Upholding human rights
Government – DOLE	- Protection of employees
Community	- Abolition of child labor, elimination of forced labor, and upholding human rights, which allow members of the community to decide whether to work for the organization – the organization’s ability to attract talent / potential employees in the community can affect its ability to operate, implement its strategies, and achieve its objectives
Public, inc. media	- Abolition of child labor, elimination of forced labor, and upholding human rights – potential reputational impact

<b>What is the impact and where does it occur? What is the organization’s involvement in the impact?</b>
The impact of RCBC’s ability to conform to labor laws and human rights is the protection of employees. This occurs in the primary business operations, and is caused by the organization.
<b>Management Approach to Impact</b>
We give importance to and uphold labor standards and human rights in the workplace. Employees can be certain that RCBC follows existing labor laws and standards and protects human rights at all times.

<b>What are the risks identified?</b>
Child labor results in under-skilled and unhealthy workers for tomorrow and perpetuates poverty across generations, thus impeding sustainable development. Likewise, forced labor is not only a serious violation of a fundamental human right; it also perpetuates poverty and is a hindrance to economic and human development.
<b>Management Approach to Risks</b>
To demonstrate that RCBC does not engage in child labor or forced labor, per policy, the Bank hires college graduates for its entry level positions.

<b>What are the opportunities identified?</b>
The abolition of child labor and forced labor is necessary for both economic and human development.
<b>Management Approach to Opportunities</b>
Due diligence is expected of an organization in order to prevent the use of and combat all forms of child labor and forced or compulsory labor within its activities. It is also expected to avoid contributing to, becoming complicit in, or becoming linked to the use of child labor and forced or compulsory labor through its relationships with others (e.g., suppliers, clients).
At RCBC, we give importance to and uphold labor standards and human rights in the workplace.

## Supply Chain Management

Do you have a supplier accreditation policy?

RCBC has a supplier accreditation policy and other procurement/supplier policies. See attached policies.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	Y	Supplier Management: Policies on Supplier Blacklisting 2. If supplier commits a violation against YGC <sup>29</sup> PSS <sup>30</sup> policies on Code of Ethics, supplier will be blacklisted, regardless if supplier has more than one product or service used by YGC.
Health and safety	Y	Supplier Management: Policies on Supplier Blacklisting 3. Supplier shall also be blacklisted if the following offenses are committed: e. Failure to meet safety policies leading to loss of life, injury or damage to property

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to supply chain management)
Stockholders	- Reduction of negative environmental and social impacts in the supply chain – potential reputational impact that may lead to divestment
Suppliers	- Procurement policies
Community	- Reduction of negative environmental and social impacts in the supply chain and concern for environment and society
Public, inc. media	- Reduction of negative environmental and social impacts in the supply chain and concern for environment and society – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impact of RCBC's ability to ensure that suppliers uphold sustainability standards is the reduction of negative environmental and social impacts in the supply chain.
Management Approach to Impact
We ensure that suppliers uphold sustainability standards and practices including compliance to Philippine laws. Environmental performance is observed during site visits. We influence suppliers to be sustainable through supplier accreditation processes, among other approaches.

<sup>29</sup> Yuchengco Group of Companies

<sup>30</sup> Procurement Shared Services



**What are the risks identified?**

An organization might be involved with impacts as a result of its business relationships with other parties – in this case, suppliers.

**Management Approach to Risks**

Due diligence prevents and mitigates negative impacts in the supply chain. These include impacts the organization either causes or contributes to, or that are directly linked to its activities, products, or services by its relationship with a supplier.

Suppliers are assessed for a range of criteria, including incidents (such as of bribery, coercion, and corruption).

We initiate due diligence as early as possible in the development of a new relationship with a supplier. Impacts may be prevented or mitigated at the stage of structuring contracts or other agreements, as well as via ongoing collaboration with suppliers.

**What are the opportunities identified?**

There are opportunities to improve our existing supply chain procedure to avoid negative environmental and social impacts. Improvements can include changing the organization's procurement practices, adjusting performance expectations, capacity building, training, changes to processes, as well as terminating supplier relationships.

**Management Approach to Opportunities**

We continue to improve our existing supply chain procedure to avoid negative environmental and social impacts. We employ sustainability related questionnaires in the accreditation/vetting process of vendors. Furthermore, the Yuchengco Group of Companies (YGC) holds information campaigns geared towards vendors regarding YGC's sustainability initiatives.

## Relationship with Community

### Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people?	Mitigating measures (if negative) or enhancement measures (if positive)
Rizal MicroBank (RMB) Micro & Small Business Loans & Savings Products	Available in 21 RMB branches – all of which are located outside Metro Manila	Rizal MicroBank is RCBC's vehicle for providing much-needed services to the unbanked and underserved segments of the country's population.	Yes. RMB serves the unbanked and underserved markets in the Philippines.	<p>RMB offers traditional and digital products and services to micro and small business enterprises.</p> <p>In June 2020, RMB launched "Bankgo ng Bayan" and was able to implement its initiatives and acquire relevant data that will testify to the relevance of an agency banking program for the unbanked and underserved market. The services include: account opening, cash-in/deposit, cash-out/ withdraw, bills payment, loan referral and micro insurance availment.</p>
DiskarTech – a Financial inclusion mobile-based application	Mobile-based	An inclusion application that mainly targets class C, D, and the unbanked sector	Yes. DiskarTech is an inclusion application that targets the unbanked and underserved Filipinos nationwide, especially those who live in grassroot communities.	DiskarTech is the country's first and only Taglish financial inclusion super mobile app. It has an all-in-one online banking service which offers financial services such as savings, transfers, withdrawals & deposits, bills payment, insurance, and loans. It also allows users to avail

Operations with significant (positive or negative) impacts on local communities	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people?	Mitigating measures (if negative) or enhancement measures (if positive)
				telemedicine services, buy prepaid load and has can earn easy money via successful referrals.
Go Digital	Mobile-based	An inclusion application that mainly targets class C, D, and the unbanked sector	Yes. Go Digital is an inclusion application that targets the unbanked and underserved sector.	Go Digital is an online retail mobile app which has the ability to send and receive cash through several remittance partners (i.e. LBC, MLhuillier and Bayad Center) which are accessible to millions of Filipinos in far-flung areas.
ATM Go	Handheld ATM terminals	<p>An inclusion application that mainly targets class C, D, and the unbanked sector</p> <p>This was instrumental to the government's distribution of Social Amelioration Program (SAP). The government has partnered with RCBC to help distribute cash assistance to families greatly affected by the ECQ in provinces and remote locations where there are no bank branches.</p>	Yes. ATM Go is an inclusion application that targets the unbanked and underserved sector.	ATM Go product enables RCBC to serve communities to remote provinces. ATM Go has aided government disbursement efforts.

*\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

Certificates	Quantity <sup>31</sup>	Units
FPIC process is still undergoing	-	#
CP secured	-	#

Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to significant impacts on local communities)
Stockholders	- Reduction of negative impacts on local communities – potential reputational impact that may lead to divestment
Community	- Reduction of negative impacts on local communities - Concern for society - Continuous enhancement of community relations
Public, inc. media	- Reduction of negative impacts on local communities and concern for society – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impacts of RCBC's concern for society are the reduction of negative impacts on local communities and positive community engagement. We empower communities and families towards financial inclusion. Our presence in communities facilitates access to capital in the local economy, spurring economic growth and employment generation. These all occur in the primary business operations, and are caused by the organization.
Management Approach to Impact
In light of the pandemic, we aimed to create a net positive impact to the communities we serve and focused on mass market digitization with the following innovations to address the needs of the unbanked and underserved Filipinos and in support of BSP's advocacy for financial inclusion: <ul style="list-style-type: none"> <li>- Diskartech – the Bank launched a mobile-based application which is the country's first financial inclusion accelerator app to serve unbanked and underserved Filipinos. We also pioneered the Philippines' first Taglish inclusion in the mobile app to make it simple and convenient yet safe and secure digital way of doing financial transactions.</li> <li>- ATM Go – handheld ATM terminals which are instrumental in the government's distribution of Social Amelioration Program (SAP). The government has partnered with RCBC to help distribute cash assistance to families greatly affected by the ECQ in provinces and remote locations where there are no bank branches.</li> <li>- Go Digital – the Bank's digital plan was set in motion in 2019 with the re-launch of the RCBC online retail mobile app. The pandemic accelerated the acceptance and use of the new mobile</li> </ul>

<sup>31</sup> The operations of RMB and the mobile-based DiskarTech do not affect IPs.

app with the expanded array of features Go Digital has the ability to send and receive cash through several remittance partners (i.e. LBC, MLhuillier and Bayad Center) which are accessible to millions of Filipinos in far-flung areas.

In June 2020, RMB, launched “Bankgo ng Bayan” after receiving BSP Approval for the pilot run. RMB was able to implement its initiatives and acquire relevant data that will testify to the relevance of an agency banking program for the unbanked and underserved market. The services include: account opening, cash-in/deposit, cash-out/ withdraw, bills payment, loan referral and micro insurance availment.

#### **What are the risks identified?**

Engaging the unbanked and underserved towards financial inclusion may expose us to credit risk and other types of risk which traditional risk tools may ordinarily not be able to adequately manage.

#### **Management Approach to Risks**

We mitigate the risk of default and other risks by performing additional Know Your Customer (KYC) and credit risk assessment procedures on clients.

#### **What are the opportunities identified?**

A significant percentage of the country’s population are still unbanked and underserved, thus there are opportunities to create more products and services that will address these sectors.

#### **Management Approach to Opportunities**

We continue to grow our commercial and SME loans segments to address the needs of small and medium entrepreneurs.

We have also planned activities to increase our presence in local communities and to take advantage of partnerships to broaden our network.

We endeavour to continue our digitization innovation and efforts until majority of Filipinos have digital access to critical financial services especially reaching out to the unbanked and underserved in far-flung provinces.

## Customer Management

### Customer Satisfaction

Disclosure (January 1 – December 31, 2020)	Score	Did a third party conduct the customer satisfaction study?
Customer satisfaction	None <sup>32</sup>	N/A

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to customer satisfaction)
Stockholders	<ul style="list-style-type: none"> <li>- Customer satisfaction and upholding the rights of customers – potential reputational impact that may lead to divestment</li> </ul>
Customers/Clients	<ul style="list-style-type: none"> <li>- Customer protection and satisfaction</li> <li>- Integrity and honesty of the Bank and its employees</li> <li>- Professionalism and efficiency of senior management and bank employees</li> <li>- Easy account opening/loan application requirements and processes</li> <li>- Accessibility of ATM and branch network</li> <li>- Continuous service, process and technology improvements</li> <li>- Fast complaints resolution</li> <li>- Upholding the rights of customers</li> </ul>
Government/Regulators	<ul style="list-style-type: none"> <li>- Customer satisfaction</li> <li>- Upholding the rights of customers</li> </ul>
Community	<ul style="list-style-type: none"> <li>- Customer satisfaction and upholding the rights of customers, which allow members of the community to decide whether to patronize the products and services of the organization – the organization's ability to attract potential customers in the community can affect its ability to implement its strategies and achieve its objectives</li> </ul>
Public, inc. media	<ul style="list-style-type: none"> <li>- Customer satisfaction and upholding the rights of customers – potential reputational impact</li> </ul>

<sup>32</sup> The new Customer Care project has already been implemented in Q4 2020; further enhancements and features are targeted to be added until Q3 2021.

**What is the impact and where does it occur? What is the organization's involvement in the impact?**

RCBC's ability to uphold the rights of its customers will positively influence customer satisfaction. This occurs in the primary business operations, and is caused by the organization.

**Management Approach to Impact**

We regularly monitor feedback from traditional and social media to identify customer concerns. This includes monthly social listening reports and real time alerts, and monthly traditional media reports. We also implement customer research for major initiatives (e.g., brand refresh, new website design, and new application design). In addition, we follow a review and approval process for communication materials, including clearing initiatives with Consumer Protection, Legal, and Compliance Groups. An assessment of RCBC's reputation risk is also reported regularly to the Risk Oversight Committee of the Board of Directors.

RCBC also provides its financial customers with accessible means for resolving complaints with their financial transactions. Guided by the Bank's complaints handling and escalation procedure, Consumer Assistance Officers (CAOs) are designated to handle customer complaints in various units, offices and business centers. RCBC has a dedicated Customer Care Department where customers can conveniently lodge their complaints, inquiries, and requests. All Bank personnel that interact with customers are equipped with the knowledge on the structure and implementation of the Bank's complaints handling mechanism. All CAOs submit a complaints report to the Bank's Consumer Protection Department (CPD) on a monthly basis. Subsequently, CPD submits a monthly consolidated complaints report to the Risk Oversight Committee.

**What are the risks identified?**

There is reputation risk arising from negative public opinion in case there are unsatisfied customers whose concerns are not resolved within an ideal timeframe.

**Management Approach to Risks**

We strive to constantly improve our service to avoid unsatisfied customers. A customer service hotline is available for clients to inquire and report concerns and issues regarding our products and services.

**What are the opportunities identified?**

A high level of customer satisfaction can result in higher revenue through an increase in the number of new customers, and deepening of relationships with existing customers (cross-selling).

**Management Approach to Opportunities**

We continuously conduct trainings and provide regular and compulsory "eLearning" courses and examinations to ensure that all relevant customer-facing employees are familiar with and reminded of the Bank's Consumer Protection Program.

We strive to continuously improve our service and implement enhancements in our customer feedback mechanisms and platforms.

## Health and Safety

Disclosure (January 1 – December 31, 2020)	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	N/A <sup>33</sup>	#

\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to health and safety)
Stockholders	- Customer satisfaction and upholding the rights of customers – potential reputational impact that may lead to divestment
Customers/Clients	- Customer satisfaction - Upholding the rights of customers
Government/Regulators	- Customer satisfaction - Upholding the rights of customers
Community	- Customer satisfaction and upholding the rights of customers, which allow members of the community to decide whether to patronize the products and services of the organization – the organization's ability to attract potential customers in the community can affect its ability to implement its strategies and achieve its objectives
Public, inc. media	- Customer satisfaction and upholding the rights of customers – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
As they are financial in nature, RCBC's banking products and services do not pose a risk to health and safety. The products and services of our clients, however, may potentially do so, and have negative impacts to their customers and society as a consequence. This is linked to impacts through the Bank's business relationship with its clients.
Management Approach to Impact
<b>Environmental and Social Management System (ESMS):</b>  It is the Bank's policy to promote sustainable practices that will minimize negative environmental, social and reputation impact of the Bank's financing activities and its clients' operation. The sustainable practices that the Bank wishes to pursue aim to encourage borrowers to adhere to the preservation and development of the natural, social, and cultural environment. The Bank believes that good sustainable practices eventually pay dividends and are in the best interest of the borrowers.  The ESMS of RCBC requires that all lending relationships/credits, leasing or other financial assistance to any corporate or legal entity, both pipeline and portfolio, are vetted from an environmental and social risk perspective.

<sup>33</sup> No recorded complaints attributed to Health and Safety for the year 2020



<b>What are the risks identified?</b>
The products and services of our clients may potentially pose a risk to the health and safety to their customers. This has negative implications on society.
<b>Management Approach to Risks</b>
<b>Environmental and Social Management System (ESMS):</b>  The ESMS Policy of RCBC subscribes to IFC's Performance Standards which include the evaluation of the borrower's practices to promote health and safety (Performance Standard number 2). Under: <ol style="list-style-type: none"> <li>1. Assessment and Management of Environmental and Social Risks and Impacts</li> <li>2. Labor and Working Conditions</li> <li>3. Resource Efficiency and Pollution Prevention</li> <li>4. Community Health, Safety, and Security</li> <li>5. Land Acquisition and Involuntary Resettlement</li> <li>6. Biodiversity Conservation and Sustainable Management of Living Natural Resources</li> <li>7. Indigenous Peoples</li> <li>8. Cultural Heritage</li> </ol> <p>Under Performance Standard number 2, the borrower's operations are assessed in terms of effective promotion of safe and healthy working conditions.</p> <p>We will continue to engage our clients, share best practices, and support their efforts to seek solutions that reduce their impact on the environment and communities.</p>

<b>What are the opportunities identified?</b>
<b>Promotion of Sustainable Business Practices:</b>  The role of banks as financial intermediaries and as capital raising agents directly affects the promotion of economic development. And this role needs to include the promotion of sustainable business practices, health, and safety.
<b>Management Approach to Opportunities</b>
<b>RCBC Sustainable Finance Strategy:</b>  As a responsible financial institution, RCBC is committed to uphold environmental and social responsibility in all its business activities. We recognize that balancing non-financial factors such as environmental and social safeguards with financial priorities is essential to being a good corporate citizen, and is fundamental to risk management and the larger interest of our stakeholders. <p>We are aligning our business strategy to support the development needs of society, as articulated in the UN SDGs and the Paris Agreement. We aim to embed awareness of environmental and social issues within the organization, with our clients, and in the communities that we serve. The Bank believes that good sustainable practices are a key pillar of responsible lending which can have a meaningful impact on the environment and communities.</p>

## Marketing and Labelling

Disclosure (January 1 – December 31, 2020)	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	N/A <sup>34</sup>	#

\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to marketing and labelling)
Stockholders	- Customer satisfaction and upholding the rights of customers – potential reputational impact that may lead to divestment
Customers/Clients	- Customer satisfaction - Upholding the rights of customers
Government/Regulators	- Customer satisfaction - Upholding the rights of customers
Community	- Customer satisfaction and upholding the rights of customers, which allow members of the community to decide whether to patronize the products and services of the organization – the organization's ability to attract potential customers in the community can affect its ability to implement its strategies and achieve its objectives
Public, inc. media	- Customer satisfaction and upholding the rights of customers – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impacts of RCBC's ability to uphold the rights of its customers to the security of its products and services are customer protection and customer satisfaction. These occur in the primary business operations, and are caused by the organization.
Management Approach to Impact
We uphold the rights of customers to safety and security from probable negative impacts of its products and services. This includes customer access to accurate and adequate information on the positive and negative economic, environmental, and social impacts of the products and services they consume – both from a product and service labelling and a marketing communications perspective.

<sup>34</sup> No recorded complaints attributed to Marketing and Labelling for the year 2020

**What are the risks identified?**

The display and provision of information and labelling for products and services are subject to many regulations and laws. Non-compliance can indicate either inadequate internal management systems and procedures or ineffective implementation.

**Management Approach to Risks**

Fair and responsible marketing communications, as well as access to information about the composition of products, and their proper use and disposal, help customers make informed choices. This is supported by the Bank's Consumer Protection Framework which details effective internal controls on product and service labelling and marketing communications.

Units of the Bank that develop and provide products and services to the customers as well as those who prepare advertising materials for external distribution ensure that advertising and promotional/marketing materials comply with the following requirements:

- No false, misleading or deceptive statements
- Visible, easily readable and understandable
- Disclosure of clear, accurate, updated and relevant information about the product or service
- Balanced and proportional (reflecting both advantages and risks of the product or service)
- Key information is prominent and not obscured
- Print is of sufficient size and clearly legible
- Targeted according to the specific groups of clients or customers to whom products are marketed

Business units that develop products and provide services coordinate with the Bank's Learning and Development Department (LDD) on the design and execution of product/service programs. Bank staff, specifically those who interact directly with customers, receive adequate training suitable for the complexity of the products or services they sell. All Bank personnel that interact with customers are equipped with the knowledge on the structure and implementation of the Bank's complaints handling mechanism.

**What are the opportunities identified?**

Continuous improvements on marketing and labelling to further lessen complaints can lead to higher customer satisfaction and new business opportunities.

**Management Approach to Opportunities**

We continue to implement regular updates of communication materials, including website and point-of-sale materials.

## Customer Privacy

Disclosure (January 1 – December 31, 2020)	Quantity	Units
No. of substantiated complaints on customer privacy*	4	#
No. of complaints addressed	3	#
No. of customers, users and account holders whose information is used for secondary purposes	635,535	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to customer privacy)
Stockholders	- Customer satisfaction and upholding the rights of customers – potential reputational impact that may lead to divestment
Customers/Clients	- Customer satisfaction - Upholding the rights of customers
Government/Regulators	- Customer satisfaction - Upholding the rights of customers
Community	- Customer satisfaction and upholding the rights of customers, which allow members of the community to decide whether to patronize the products and services of the organization – the organization's ability to attract potential customers in the community can affect its ability to implement its strategies and achieve its objectives
Public, inc. media	- Customer satisfaction and upholding the rights of customers – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impacts of RCBC's ability to uphold the rights of its customers to privacy are customer protection and customer satisfaction. These occur in the primary business operations, and are caused by the organization.
Management Approach to Impact
We uphold the rights of customers to privacy. We respect consumer privacy and take reasonable measures to ensure the security of personal data that we collect, store, process or disseminate.

**What are the risks identified?**

Losses of customer data and breaches of customer privacy can result from non-compliance with existing laws, regulations and/or other voluntary standards regarding the protection of customer privacy.

**Management Approach to Risks**

To protect customer privacy, we limit collection of personal data, collect data only by lawful means, and are transparent about how data is gathered, used, and secured. We do not disclose or use personal customer information for any purposes other than those agreed upon, and we communicate any changes in data protection policies or measures to customers directly.

Under the supervision of the Chief Compliance Officer (CCO), the Bank's Data Protection Officer (DPO) is accountable for ensuring compliance with applicable laws and regulations for personal data protection. The DPO develops, maintains, and promotes the effective implementation of the Bank's Data Privacy Policy. The DPO regularly reports to the Audit and Compliance Committee (ACC) of the Board of Directors. The ACC performs oversight functions over the Compliance Office, and consequently, over the DPO. The revised Data Privacy Policy was approved by the ACC and confirmed by the Board in June 2020.

**What are the opportunities identified?**

Continuous improvements to customer privacy measures can result to higher customer satisfaction and retention which could translate to new business opportunities.

**Management Approach to Opportunities**

We continuously conduct trainings and seminars to equip employees (from senior management to rank and file) and those with direct contracts with RCBC and educate them about the importance of customer privacy. Awareness campaigns are implemented regularly through the issuance of data privacy bulletins.

We conduct Privacy Impact Assessments for new projects involving the processing of personal data. We also review data sharing, data protection, and outsourcing agreements especially when dealing with third party service providers/vendors.

## Data Security

Disclosure (January 1 – December 31, 2020)	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	1 <sup>35</sup>	#

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to data security)
Stockholders	- Data security and customer privacy – potential reputational impact that may lead to divestment
Customers/Clients	- Data security: reliability and security of electronic banking channels - Customer privacy
Government/Regulators	- Data security - Customer privacy - Compliance with laws and regulation - Ability to conform to certain performance parameters
Community	- Data security and customer privacy, which allow members of the community to decide whether to patronize the products and services of the organization – the organization's ability to attract potential customers in the community can affect its ability to implement its strategies and achieve its objectives
Public, inc. media	- Data security and customer privacy – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impact of RCBC's ability to properly manage and protect sensitive information is secure data. This occurs in the primary business operations, and is caused by the organization.
Management Approach to Impact
<p>We place the highest importance on keeping data secure, aiming to reduce disruptions to operations as a consequence of information security incidents. Concretely, this aim expands to the following objectives:</p> <ul style="list-style-type: none"> <li>- To protect the information assets that support the Bank's operation;</li> <li>- To provide management an accurate view of significant current and future information security risks and assist them to make well-informed risk management decisions about the extent of the risk, risk appetite and risk tolerance;</li> <li>- To provide an end-to-end guidance on how to manage information security risks, beyond purely technical control measures;</li> <li>- To establish a risk profile to better understand the Bank's full exposure, and better utilize its resources;</li> <li>- To integrate the management of information security risk into the overall enterprise risk management of the Bank; and</li> <li>- To implement and continuously improve a sound framework for the identification, measurement, control, monitoring, and reporting of key risks faced by the Bank.</li> </ul>

<sup>35</sup> This is a potential (not actual) data breach incident. RCBC has responded swiftly by reporting the incident to the National Privacy Commission (NPC). In that notification, we emphasized that actual loss of data was unlikely.

**What are the risks identified?**

Information Security Risk is the risk of loss resulting from information security/cyber security breaches. Data breaches, including leaks, thefts and losses of data may occur in the primary business operations.

**Management Approach to Risks**

RCBC has zero tolerance for information security/cyber security breaches. We shall protect our information assets to ensure that breaches do not cause material damage to our liquidity and capital position, and reputation.

Our information security objectives are achieved through the following exercises of information security risk management:

- Identification of information assets including both hardware and software that are considered essential to the Bank;
- Assistance to business units in identifying risks in information assets being handled; and
- Implementation of risk assessment to determine current information security risks and threats present in the information assets, determine acceptable risk levels, and implement preventive measures to mitigate potential high risks.

**What are the opportunities identified?**

Given the changing business landscape and regulatory environment, there arise opportunities to improve our Information Security Program to uphold data security and customer privacy.

**Management Approach to Opportunities**

We continuously conduct trainings and seminars to equip employees (from senior management to rank and file) and those with direct contracts with RCBC on the importance of data security.

We continue to update our Information Security Program to adapt to the changing business environment.

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

#### Key Products and Services and Societal Value / Contribution to UN SDGs

##### RCBC Sustainable Finance Framework

(visit [www.rcbc.com/sustainability](http://www.rcbc.com/sustainability) and download our Impact Report)

The RCBC Sustainable Finance Framework of April 2019 articulates RCBC's strategy to raise funds and lend to priority sectors. In June 2019, the Bank raised Php8 billion (USD167 million), the first peso-denominated Sustainability Bond under the ASEAN Sustainability Bond Standards, to refinance Eligible Green and Social Assets. In September 2019, it raised an additional USD300 million to fund Eligible Green and Social Assets. Investor response to these landmark transactions was overwhelming. The transactions were oversubscribed in multiples and brought in investors from all major financial centers of the world.

In August 2020, RCBC was recognized by the Asian Banking & Finance Awards as the Philippines Domestic Initiative of the Year for Sustainable Financing. This was followed by recognition from the Global Banking & Finance Review in December, naming RCBC as the Best Green Bank Philippines 2020. Previous to these, the Bank was awarded "Best Issuer for Sustainable Finance – Financial Institution", and "Best Sustainability Bond" by The Asset Asian Awards for its Php8 billion ASEAN Sustainability Bond, the first ASEAN Sustainability Bond issued in the Philippines and upsized from the target offering of Php5 billion.

The world faces unprecedented challenges on account of climate change. Achieving global goals requires the participation of all sectors of civil society. We are ready to do our part.

##### Eligible Project Categories














RCBC allocates the proceeds of Sustainable Financing Instruments to finance and/or refinance loans to customers or its own operating activities. The allocation of the proceeds is as follows:

- Proceeds of RCBC's Green Bond or Green Loan go to Eligible Green Categories
- Proceeds of RCBC's Social Bond or Social Loan go to Eligible Social Categories
- Proceeds of RCBC's Sustainability Bond go to Eligible Green Categories and Eligible Social Eligible Categories



## Eligible Green Categories

RCBC's Eligible Green Portfolio is composed of Eligible Green Assets in these categories:

<p><b>RENEWABLE ENERGY</b></p> <p>Projects such as solar, wind, hydropower (25MW and below), geothermal, and biomass (source must be certified as sustainably managed by recognized third-party standards and excludes those that compete with food production)</p>	<div>7 AFFORDABLE AND CLEAN ENERGY</div>  <div>13 CLIMATE ACTION</div> 
<p><b>ENERGY EFFICIENCY</b></p> <p>Development or production of products or technologies that reduce industrial energy consumption such as improved chillers, transition to fiber networks, improved lighting technology, and reduced power usage in manufacturing operations (excluding fossil fuel-based technologies)</p>	<div>7 AFFORDABLE AND CLEAN ENERGY</div>  <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div>  <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div>  <div>13 CLIMATE ACTION</div> 
<p><b>GREEN BUILDINGS</b></p> <p>Buildings that meet recognized standards, such as the Philippines' BERDE Green Building Rating System (4-star and above), LEED (Gold and above), or those belonging to the top 15% of low-carbon buildings in their respective category and local context</p>	<div>7 AFFORDABLE AND CLEAN ENERGY</div>  <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div>  <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div>  <div>13 CLIMATE ACTION</div> 
<p><b>CLEAN TRANSPORTATION</b></p> <p>Electric vehicles, infrastructure for electric vehicles such as charging stations, as well as public mass-passenger transportation, passenger and freight rail infrastructure (excluding rail transport dedicated to fossil fuels), and non-motorized transportation</p>	<div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div>  <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div>  <div>13 CLIMATE ACTION</div> 

### **POLLUTION PREVENTION AND CONTROL**

Reduction of air emissions, greenhouse gas control (excluding investments directly linked to fossil fuel technology), soil remediation, waste management (excluding landfills) such as waste prevention, waste reduction, waste recycling and energy- or emission-efficient waste to energy (municipal waste to energy to include emission abatement technology)



### **SUSTAINABLE WATER MANAGEMENT**

Sustainable infrastructure for clean water, wastewater treatment, sustainable urban drainage systems, and other forms of flooding mitigation



### **ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES AND LAND USE**



Environmentally sustainable agriculture, environmentally sustainable fishery and aquaculture, environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes




## Eligible Social Categories









RCBC's Eligible Social Portfolio is composed of Eligible Social Assets in these categories:

<p><b>AFFORDABLE BASIC INFRASTRUCTURE</b> Construction, operation or upgrading of basic infrastructure, such as clean drinking water, sewers, and sanitation</p>	<p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 
<p><b>ACCESS TO ESSENTIAL SERVICES</b> Healthcare for the underserved (e.g., hospitals accredited by PhilHealth, elderly care, pharmaceutical manufacturers where at least minimum 80% of the revenues are from the sale of generic medicines, distributors and traders, and drugstores, etc.) and education (schools, universities, vocational training, sheltered workshops)</p>	<p><b>3</b> GOOD HEALTH AND WELL-BEING</p>  <p><b>4</b> QUALITY EDUCATION</p> 
<p><b>EMPLOYMENT GENERATION</b> Loans to SMEs, as defined by the BSP</p>	<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>  <p><b>10</b> REDUCED INEQUALITIES</p> 
<p><b>AFFORDABLE HOUSING</b> Loans for the development or purchase of socialized housing and economic housing, as defined by the Housing and Land Use Regulatory Board of the Philippines</p>	<p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 
<p><b>SOCIOECONOMIC ADVANCEMENT AND EMPOWERMENT</b> Loans to minority, underserved, and low-income individuals, including those disbursed by rural banks (as defined by the BSP's Manual of Regulation for Banks), and cooperatives (as defined by Republic Act 9520)</p>	<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>  <p><b>10</b> REDUCED INEQUALITIES</p> 

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<p><b>RCBC as a Universal Bank contributes to the following UN SDGs:</b></p>	 <p><b>Decent Work and Economic Growth.</b> We provide and expand access to banking and financial services for all.</p> <p><b>Industry, Innovation and Infrastructure.</b> Our banking products increase access to financial services.</p> <p><b>Reduced Inequalities.</b> Our loan products empower and promote economic inclusion.</p>	<p>Banks are custodians of public money. Given the banking sector's systemic importance, it is important that credit risk, market risk, and other bank risks are properly managed to mitigate against bank failure.</p>	<p>We identify, measure, control, and monitor the risk inherent to our business activities or embedded in our products and portfolios. We continually develop an efficient and effective risk management infrastructure, and we comply with regulations on risk and capital management.</p>
<p><b>Thriving in the New Normal Through Digital Innovations:</b></p> <ul style="list-style-type: none"> <li>- <b>DiskarTech</b> – A mobile-based application which is the Philippines' first financial inclusion accelerator virtual bank</li> <li>- <b>Go Digital</b> – A mobile app with the expanded array of features: <ul style="list-style-type: none"> <li>o Ability to open</li> </ul> </li> </ul>	 <p><b>No Poverty.</b> The pandemic highlighted the challenges of financial inclusion and we responded swiftly through digitization which provided access to unbanked and underserved Filipinos. DiskarTech opened more than 1.5 million new accounts while the ATM Go enabled RCBC</p>	<p>Engaging the unbanked and underserved towards financial inclusion may expose us to credit risk and other types of risk which traditional risk tools may ordinarily not be able to adequately manage.</p>	<p>We mitigate the risk of default and other risks by performing additional Know Your Customer (KYC) and credit risk assessment procedures on clients.</p>

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<p>Time Deposit accounts,</p> <ul style="list-style-type: none"> <li>○ Make payments through QR codes,</li> <li>○ Transfer funds via InstaPay and PESONet,</li> <li>○ Send cash through remittance centers,</li> <li>○ Deposit checks without visiting the branch,</li> <li>○ Get cash without ATM card,</li> <li>○ Convert card purchases to installments,</li> <li>○ Opening trust accounts,</li> <li>○ Investments and foreign exchange will soon be added into the mobile app.</li> </ul> <p>- <b>ATM Go</b> – These are handheld ATM terminals which were instrumental to the government’s distribution of Social Amelioration Program (SAP) funds. The program helped distribute cash assistance to families greatly affected by the ECQ in provinces and remote locations where there are no</p>	<p>to serve communities to remote provinces.</p> <p><b>Gender Equality.</b> Our digital innovations improve the economic lives of poor women, working class women and members of female-headed households.</p> <p><b>Decent Work and Economic Growth.</b> We provide and expand access to banking and financial services for all.</p> <p><b>Industry, Innovation and Infrastructure.</b> Our banking products increase access to financial services.</p> <p><b>Reduced Inequalities.</b> Our loan products empower and promote economic inclusion and empowerment of women.</p> <p><b>Partnerships for the Goals.</b> We partnered with the Department of Social Welfare and Development (DSWD) for the purpose of facilitating distribution of the Social Amelioration Emergency Subsidy of the National Government pursuant to Republic Act No. 11469 or the Bayanihan To Heal as One Act.</p>		


Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<p>bank branches.</p> <p><b>Thriving in the New Normal Through Serving Amid the Pandemic:</b></p> <ul style="list-style-type: none"> <li>- CARE Program or the COVID-19 Assistance and Recovery Enhancement Program</li> </ul>	 <p><b>No Poverty.</b> CARE helps customers' business thrive amid the pandemic and defend against loan defaults through credit relief actions such as payment deferral with the freezing of loan account status and moving of maturity date equivalent to the payment deferral date.</p> <p><b>Decent Work and Economic Growth.</b> CARE promotes economic growth, full and productive employment, decent work for all.</p> <p><b>Industry, Innovation and Infrastructure.</b> CARE helps maintain employment, increases the access of small and medium enterprises to financial services and affordable credit.</p> <p><b>Reduced Inequalities.</b> CARE empowers and promotes economic inclusion. Ensures equal opportunities and reduce inequalities of outcome by providing immediate relief to customers through payment holidays.</p> <p><b>Partnerships for the Goals.</b> In compliance with Republic Act 11469 also known as "Bayanihan to Heal as One Act and Bayanihan</p>	<p>Business lockdowns and quarantines have caused financial stress to the bank customers which may lead to potential loan and deterioration in overall loan portfolio quality.</p>	<p>The CARE Program entails supplementary training to the relationship managers for intensive credit assessment and collection. The objective of the CARE Program is to provide immediate relief to customers through payment holidays while giving the bank time to assess the impact through various sensitivity analyses and restructuring options.</p>

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<p>to Recover as One Act”, we did not charge or apply interest on interest , penalties or any other fees that may be associated with the non-payment of any amount on due date during the duration of the ECQ.</p> <p><b>Deposits</b></p> <ul style="list-style-type: none"> <li>- Savings Accounts <ul style="list-style-type: none"> <li>o FlexiSavers</li> <li>o iSave</li> <li>o Basic Savings</li> <li>o GoSavers</li> <li>o SSS Pensioner</li> <li>o Regular Savings ATM/Passbook</li> <li>o eWoman Savings</li> <li>o Dragon Peso/ Dollar Savings</li> <li>o Foreign Currency</li> </ul> </li> <li>- Checking Accounts <ul style="list-style-type: none"> <li>o Regular Checking</li> <li>o Dragon Checking</li> <li>o eWoman Checking</li> <li>o CheckLite</li> </ul> </li> <li>- Time Deposit</li> <li>- Foreign Currency</li> </ul> <p><b>Loans</b></p> <ul style="list-style-type: none"> <li>- Corporate Loans</li> <li>- Home Loans</li> <li>- Auto Loans</li> <li>- Personal Loans</li> </ul> <p>In December 2020, RCBC announced that it will no longer extend financing to</p>	    <p><b>No Poverty.</b> We offer inexpensive, easy to open, and customizable deposit accounts.</p> <p><b>Good Health and Well Being.</b> We offer account types that come with free personal accident insurance, free hospitalization benefit, and free life insurance.</p> <p><b>Gender Equality.</b> We offer eWoman Savings and eWoman Checking accounts especially designed for women. These come with free life insurance coverage.</p> <p><b>Reduced Inequalities.</b> GoSaver is a savings account for kids and teens. SSS Pensioner is a savings account for those looking for a convenient way to access their pension.</p>     <p><b>Decent Work and Economic Growth.</b> We provide and expand access to banking and financial services for all. We lend to corporations and SMEs which promotes sustained, inclusive, and</p>	<p>Banks are custodians of public money. Given the banking sector’s systemic importance, it is important that credit risk, market risk, liquidity risk, and other bank risks are properly managed to mitigate against bank failure.</p> <p>Banks are custodians of public money. Given the banking sector’s systemic importance, it is important that credit risk and other bank risks are</p>	<p>We identify, measure, control, and monitor the risk inherent to our business activities or embedded in our products and portfolios. We continually develop an efficient and effective risk management infrastructure, and we comply with regulations on risk and capital management.</p> <p>We identify, measure, control, and monitor the risk inherent to our business activities or embedded in our products and portfolios. We continually develop</p>

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
new coal-fired power projects as the Philippines moves to cleaner energy sources.	<p>sustainable economic growth, full and productive employment, and decent work for all</p> <p><b>Industry, Innovation and Infrastructure.</b> Our loan products increase access to financial services.</p> <p><b>Reduced Inequalities.</b> Our loan products empower and promote economic inclusion. We lend to the underserved and low-income individuals which promotes socioeconomic advancement and empowerment.</p> <p><b>Sustainable Cities and Communities.</b> Our personal loan products increase access to safe and affordable housing and transport.</p>	properly managed to mitigate against bank failure.	an efficient and effective risk management infrastructure, and we comply with regulations on risk and capital management.
Credit Cards	<div> <div>2 ZERO HUNGER</div> <div>3 GOOD HEALTH AND WELL-BEING</div> <div>4 QUALITY EDUCATION</div> </div> <p><b>Zero hunger.</b> RCBC Bankard Diamond Mastercard has a built-in program, the Diamond Cares Program, where for every Php100 charged to the card, RCBC Bankard automatically donates Php0.20 to support Gawad Kalinga's (GK) Kusina ng Kalinga (KnK).</p> <p><b>Good Health and Well Being.</b> Red Cross is an RCBC Bankard Rewards Program beneficiary. Cardholders earn rewards points for their qualified purchases, and can donate the peso value of their rewards points to our partner</p>	Engaging in the credit card business exposes us to credit risk and other types of risk which traditional risk tools may ordinarily not be able to adequately manage.	We mitigate the risk of default and other risks by performing additional KYC and credit risk assessment procedures on clients.



Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Micro & Small Business Loans & Savings Products	<p>non-government organization.</p> <p><b>Quality Education.</b> AY Foundation and SOS Children's Village are RCBC Bankard Rewards Program beneficiaries. Cardholders earn rewards points for their qualified purchases, and can donate the peso value of their rewards points to our partner non-government organizations.</p>  <p><b>No Poverty.</b> Rizal MicroBank's (RMB) loan and savings products cater to the underserved &amp; small businesses in the country. RMB studies each business carefully to make certain that the additional working capital has a positive effect on cash flow, potentially reducing or eliminating poverty.</p> <p><b>Decent Work and Economic Growth.</b> Correlated to helping reduce poverty, RMB's loans products provide additional funds to small businesses which in return further employs underserved individuals, thus, increasing employment.</p> <p><b>Industry, Innovation and Infrastructure.</b> RMB's products increase access to financial services, including affordable credit.</p>	<p>Engaging the unbanked and underserved towards financial inclusion may expose us to credit risk and other types of risk which traditional risk tools may ordinarily not be able to adequately manage.</p>	<p>We mitigate the risk of default and other risks by performing additional KYC and credit risk assessment procedures on clients.</p>

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<p><b>Sustainable Finance Framework</b></p> <p>Our Sustainable Finance Framework strategy is to deploy Sustainable Financing instruments to fund all types of Loans that have clear environmental and/or social benefits which are classified as Eligible Green and Social Assets.</p>	<p><b>Reduced Inequalities.</b> Regardless of financial status, RMB's loan and savings products cater to underserved individuals not covered by commercial banks.</p> <p><b>Partnerships for the Goals.</b> In compliance with Republic Act 11469 also known as "Bayanihan to Heal as One Act and Bayanihan to Recover as One Act", we did not charge or apply interest on interest, penalties or any other fees that may be associated with the non-payment of any amount on due date during the duration of the ECQ.</p>  <p><i>Download our Impact Report from <a href="http://www.rcbc.com/sustainability">www.rcbc.com/sustainability</a>. This report presents our Sustainable Finance Framework's impact and contribution to the UN SDGs.</i></p>	<p>Banks are custodians of public money. Given the banking sector's systemic importance, it is important that credit risk and other bank risks are properly managed to mitigate against bank failure.</p>	<p>We identify, measure, control, and monitor the risk inherent to our business activities or embedded in our products and portfolios. We continually develop an efficient and effective risk management infrastructure, and we comply with regulations on risk and capital management.</p> <ul style="list-style-type: none"> <li>- Management of Credit Risk and Other Bank Risks</li> <li>- Environmental and Social Management</li> </ul>

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
			<p>System (ESMS)</p> <p>Through our ESMS and bond issuances, we helped establish an early support for BSP Circular 1085.</p>

# Code of Ethics for Suppliers



## Bribes, Kickbacks & Gifts from Suppliers

1. Suppliers shall not offer bribes or kickbacks to employees or family members in exchange for any business favor.
2. Suppliers shall not accept solicitation of gifts from YGC employees for themselves.
3. Sponsorship by suppliers of a planning session or a sporting event shall be acceptable subject to:
  - approval from 2 Senior Officers (SVP or higher)
  - allow equal opportunity for other suppliers to sponsor
  - should be fitting and moderate to the event sponsored



## Bribes, Kickbacks & Gifts from Suppliers

4. Solicitation of gifts for the company shall be allowed for Christmas and special company activities only. The solicitation shall be approved by a Senior Officer (SVP or higher).
5. If the gift is perishable (food), Administration shall distribute the perishable gift to employees for consumption.



# Policies on Entertainment & Business Meals

1. Entertainment and business meals from suppliers for procurement personnel are generally not allowed.

Exceptions are the following:

1. Site visits
2. Social event of suppliers where customers are invited to attend
3. Social event of supplier to discuss business with supplier's partners
4. Official group visits to suppliers where benefit is for the group (not individual)
5. Product launches or updates
6. All other exceptions shall be cleared and approved by the PSS GM



## Policies on Conflict of Interest

1. Suppliers shall treat personal purchases of employees as ordinary business transactions without preferential discounts. However, if YGC is able to negotiate for discounted prices, employees can ride on the YGC discount for personal purchases.
2. A supplier shall immediately disclose to PSS if a YGC employee is a close friend or relative by consanguinity or affinity within the 3<sup>rd</sup> civil degree (spouse, child or parent, brother, sister, uncle, aunt or cousin).
3. Supplier shall disclose if a YGC employee has an interest in a supplier as owner or part owner or investor. An exception are holdings in a publicly listed company in the form of stocks, bonds or other securities that is less than 5% of the value of the class of security.





## Policies on Conflict of Interest

4. Supplier shall not employ a YGC employee as consultant director or employee of his company.



## Policies on Whistleblowing

1. Suppliers shall report to the CEO, COO, CFO or PSS GM suspected or actual occurrence of illegal or fraudulent, serious wrongdoing or misconduct or unethical behavior of co-suppliers or YGC employees.
2. Any whistleblowing report which prove to be false and made in bad faith shall constitute a serious offense and shall subject the Whistleblower to Blacklisting.
3. Whistleblower who made the report in good faith or gives evidence in an investigation shall be protected from harassment or delisting from the Accredited Suppliers List.
4. A Supplier who retaliates against the Whistleblower who reported a violation in good faith shall be subjected to Blacklisting.



## Policy on Confidentiality

1. Suppliers with access to non-public information shall not disclose such information to other parties without the written consent of a Senior Officer (SVP or higher) of the YGC Member.



# Sanctions

1. Those found in violation of the Code of Ethics for Suppliers shall be permanently Blacklisted and delisted from the Accredited Suppliers List.
2. If the YGC member suffers a loss, remedies (i.e. legal case) against the erring supplier shall be pursued.



# Supplier Management



# Policies on Supplier Accreditation/Re-Accreditation

1. Accreditation of suppliers shall be selected based on endorsement by YGC Procurement Heads or Officers of YGC as well as recommendations made by YGC Officer-in-charge of projects or PSS GM.
2. The PSS GM shall assess the need to accredit new suppliers which may arise from any of the following:
  - a. Accredited suppliers can no longer meet the increasing needs of YGC
  - b. New requirements brought about by new technology, products, or new projects
  - c. Additional suppliers required in a category
  - d. Suppliers offering lower prices, better quality or better service



## Policies on Supplier Accreditation/Re-Accreditation

3. All suppliers applying for accreditation shall submit the minimum required documents in electronic format to PSS.
4. One time suppliers of transactions below P100k need not undergo the accreditation process. BUs that wishes to tap their services for transactions amounting to P100k and above shall submit a Waiver to Use a Non-Accredited Supplier form to be signed by a Senior Officer (SVP or higher). A repeat request for the same supplier shall not be allowed, unless the supplier undergoes and passes the accreditation process.



# Policies on Supplier Accreditation/Re-Accreditation

5. The PSS GM and Evaluation Officer shall undertake the financial evaluation of the supplier including gross financial contracting capacity.

Formula:  $(\text{Current Asset} - \text{Current Liabilities}) \times (\text{duration of accreditation in years})$

6. Supplier showing negative equity in the Balance Sheet and continuous losses in the Income Statement based on the submitted audited FS but are recommended to be tapped by BU (with appropriate justification) shall be subject to the following conditions:
  - No down payment
  - Monitoring of YGC purchases





## Policies on Supplier Accreditation/Re-Accreditation

7. New suppliers of repetitive transactions and prospective big ticket items costing P1M and up shall be visited by the PSS Manager or PSS GM prior to accreditation to determine their capability to supply the requirements of BU's.
8. For suppliers who are service providers, a customer reference site shall be visited.
9. Exceptions to site visitation policy are traders and emergency requirements which have to be supplied immediately by the supplier. In this case, the supplier's site visit shall be scheduled after the transaction with the BU's.
10. PSS shall monitor frequency of "Emergency" requirements from unaccredited suppliers.



## Policies on Supplier Accreditation/Re-Accreditation

11. A Waiver to Use Non Accredited Supplier shall be signed by a Senior Officer or Group Head (SVP or higher) for approval by the PSS GM.
12. All suppliers for accreditation shall be recommended for approval by the PSS Manager and approved by PSS GM. A list of newly accredited suppliers shall be presented to the PSS Board.
13. A Conditional Accreditation (good for one year) shall be issued by PSS to a supplier if the supplier is new and BU's have limited or no experience with the supplier.
14. A two year accreditation shall be issued to a supplier if BU's have multiple transactions with the supplier and past performance is satisfactory.



## Policies on Supplier Accreditation/Re-Accreditation

15. In cases of re-accreditation, a three year accreditation shall be issued to suppliers with satisfactory past performance. If performance is not satisfactory and supplier is still being used by the BU's, a conditional re-accreditation shall be issued good for one year only.
16. The accreditation of suppliers specifies the product and/ or service that a supplier can render. If another product or service shall be rendered by a supplier, the supplier shall request PSS for the inclusion of the new product/ service that the supplier intends to offer to BU's. Same evaluation guidelines on capability shall be followed.



## Policies on Supplier Accreditation/Re-Accreditation

17. Once a supplier is accredited, all dealings with YGC are deemed confidential. A Confidentiality Agreement shall be signed by the supplier.
18. Standard turn-around-time for accreditation of suppliers shall be three weeks upon submission by supplier of required complete documents.
19. Reciprocal business with YGC shall be a factor in selecting suppliers who will service the requirements of YGC.



## Policies on Accredited Suppliers List

1. The review of the Accredited Suppliers List shall be conducted annually.
2. The use of non-accredited or non-registered suppliers shall be prohibited. Employees of BU's have no authority to commit the corporation to purchase from non-accredited or non-registered suppliers and shall be held personally liable. Purchases from public markets (such as Divisoria) and provincial areas shall be registered with the PSS.



## Policies on Supplier Performance Evaluation

1. Supplier Performance Evaluation Scorecard shall be accomplished by the concerned BU's annually. This shall be submitted to PSS for central recording and monitoring.
2. BU's shall refrain from dealing with suppliers that have unsatisfactory performance rating and negative feedback based on previous performance evaluation.
3. In cases where suppliers with unsatisfactory ratings and negative feedback are to be contracted by BU's, end-users shall justify the proposed engagement and seek approval from the YGC PSS GM (Supplier Management Committee)
4. Suppliers that receive unsatisfactory performance rating and negative feedback shall be given appropriate sanctions until improvements are noted by the PSS.



## Policies on Supplier Performance Evaluation

5. An Incident Report (IR) shall be prepared by the BU to report incidents which have negative impact to the company or project, including but not limited to :
- Product misrepresentation or unauthorized product substitution of inferior brand
  - Not fulfilling contractual obligation, commitments, agreements
  - “Ghost” deliveries of products
  - Deliberate alteration of official transactional documents
  - Violation of guidelines regarding ethical procurement practice

The IR shall be submitted to the PSS.



## Policies on Supplier Performance Evaluation

6. PSS shall block the erring supplier and inform all BU's not to allow the same to participate in any bidding or transaction while investigation of the received IR is taking place. Concerned suppliers shall be informed via e-mail.
7. PSS with concurrence from the PSS Board (Supplier Management Committee) shall have the right to shorten, extend or terminate the sanction imposed on an erring supplier as deemed necessary for the benefit of the company.
8. Prior to lifting of blocking of filed IR's, suppliers shall be required to present improvements in their organization, process and related matters to avoid recurrence of the IR and to promote continuous improvement.
9. Commendation from BUs of suppliers with highly satisfactory performance shall be submitted to PSS for notation.





## Policies on Supplier Blacklisting

1. The PSS Board shall approve the blacklisting of suppliers as well as lifting of blacklisted suppliers.
2. If supplier commits a violation against YGC PSS policies on Code of Ethics, supplier will be blacklisted, regardless if supplier has more than one product or service used by YGC.
3. Supplier shall also be blacklisted if the following offenses are committed:
  - a. Integrity issues such as: dishonesty i.e. willful action of the supplier to defraud any YGC Member; connivance with YCG personnel to commit fraud; payment of commissions or gratuity in any form in cash or in kind; submission of fake corporate documents; misuse of YGC funds (down payment); willful use of inferior/ unapproved materials



## Policies on Supplier Blacklisting

- b. Abandonment of project with or without down payment
- c. Failure to meet contractual commitments, e.g off standard deliveries
- d. Failure to meet corrective actions
- e. Failure to meet safety policies leading to loss of life, injury or damage to property
- f. Unjustified delays in the completion of delivery of ordered products/ services
- g. Failure to improve unsatisfactory performance for 2 consecutive years
- h. Failure to submit audited financial statements for 2 consecutive years



## Policies on Supplier Blacklisting

- i. Failure to submit Close-out documents within 60 days from deadline date
  - j. Inability to make payments to suppliers
  - k. Distressed companies
  - l. Companies in the negative list
  - m. With pending legal case filed by YGC Member against the supplier
  - n. Upon instruction from Senior Management or as approved by the IT Council Head for IT suppliers
4. If the supplier is blacklisted, there will be no temporary lifting even if sole supplier. Erring suppliers with current transactions with YGC shall be Watchlisted or Restricted . No future projects shall be granted to such supplier but handling shall be Confidential in coordination with YGC PSS GM.



## Policies on Contractor Contracts

1. There shall be a 25% cap per year on total contracts acquired by General contractors YGC-wide
2. General contractors who will exceed the cap shall no longer be invited in biddings to be conducted within the year.

