



Partners Through Generations

Rizal Commercial Banking Corporation

Sustainability Report 2022

## 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 <a href="http://www.rcbc.com">www.rcbc.com</a>
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, 2022 – December 31, 2022
Highest Ranking Person responsible for this report	Eugene S. Acevedo President and CEO

RCBC started operations in the province of Rizal and was incorporated on September 23, 1960 under the name Rizal Development Bank. RCBC received approvals from the Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank in 1963 under its present name and then as a universal bank in 1989. For over sixty years, the Bank has been a pillar of the banking industry in the Philippines with a wide range of services in investments, microfinancing and overseas remittances among many others.

RCBC is majority owned by a Filipino conglomerate known as the Yuchengco Group of Companies (YGC), a premier business organization in the Philippines covering over 60 businesses involved in a wide range of financial and non-financial services. YGC is recognized as one of the oldest and largest conglomerates in Southeast Asia.

RCBC ranks as the fifth largest private universal bank in the Philippines with total resources of Php 1.2 trillion (including subsidiaries and affiliates) and net income of Php 12.1 billion as of December 31, 2022. The Bank recorded an increase in asset volume of 23%. RCBC is listed in the Philippine Stock Exchange.

As a diversified financial institution, RCBC serves corporate and individual banking needs through multiple customer channels offering innovative products and services to various markets. RCBC's inclusive financial business model expanded in 2010 when it ventured into the microfinance business via Rizal MicroBank (RMB, the thrift bank subsidiary) to serve the unbanked and underserved segments of the country's population. RMB is one of the youngest affiliates of YGC. RMB mainly provides loans to microenterprise and small business operators as well as agricultural value chain players.

RCBC aligns its business strategy to support the development needs of the environment and society, as articulated in the United Nations (UN) Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change. RCBC institutionalizes awareness of environmental and social (E&S) issues within the organization, with its clients, and communities served. The Bank believes that sustainable practices

are a key pillar of responsible lending which delivers meaningful impact on the environment and communities. In December 2020, RCBC committed to cease funding of the construction of new coal power plants in the country. The Bank's remaining exposure to coal-fired power projects will be zeroed out by 2031, as disclosed in RCBC's 2021 Sustainability Report and re-confirmed by RCBC's President and Chief Executive Officer (CEO) Eugene S. Acevedo through a press release in March 2022.

RCBC was recognized for its digital and innovative solutions and aggressive business growth in 2022: i) "Asia's Best Digital Bank" for three consecutive years by Asiamoney; ii) "The Best Financial Inclusion Initiative" by the Asian Banker Financial Technology Innovation Awards for two consecutive years; iii) "The Best SME Bank" by the Asian Banker Philippines Awards; iv) "The Best Retail Bank" and v) "The Best Corporate Bank in the Philippines" both by the Global Banking Finance Awards.

On the sustainability front, RCBC has won a total of 12 awards since 2019. Among the recent accolades the Bank received are: i) "Best Sustainability Bond" by The Asset Publishing and Research Ltd. in January 2022 for the Php17.9 Billion ASEAN Sustainability Bond issued in March 2021 ; ii) "Best Bank for Sustainable Development" by the Global Banking & Finance Awards in April 2022 and March 2023; iii) "Excellence in Sustainable Banking Awards" by the Global Brand Awards in June 2022; and iv) "the Asset Benchmarking Award for ESG – Platinum Award" by The Asset 2022 ESG Corporate Awards in January 2023.

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## 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 the Philippines, along with the rest of the world, moved toward the long-awaited recovery from the impact of the COVID-19 pandemic, the banking industry gathered momentum in adapting to a renewed competitive atmosphere throughout the year 2022. For RCBC, the resurgence of normality encouraged the following focus areas:

- **Strategic digitalization.** The Bank relentlessly pursued and launched digital product/service innovations for stronger customer experience, for safeguarding against cyber-security threats/fraud, and for sustaining operational efficiencies.
- **Revitalized financial inclusion model.** RCBC embraced a customer-centric culture and continued to widen its reach while tapping advanced technology to make the RCBC banking experience more accessible to the agricultural communities (through RMB), to SMEs, to far-flung areas, and to micro-entrepreneurs throughout the country.
- **Sharpening the saw.** RCBC cultivated a transformational journey for its people through customer-centric and digitalization training programs, the development of sustainability eLearning materials that promote depth in understanding the UN SDGs, and the continual application of appropriate due diligence tools as well as the sharing of RCBC's sustainability practices in various platforms.

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:** Data on the following have remained essential as the economy restarts and businesses restore their pre-pandemic strength:

- **Information in fostering customer trust given the unabated dependence on digital banking.** Examples are data on customer engagement/customer satisfaction, customer privacy, upholding the rights of the customer, data security, risk management of cyber-security threats/fraud, and business ethics.
- **RCBC's transparency.** This includes all of the Bank's disclosures (e.g. financial results, workforce readiness program, talent acquisition, training and development, technological advancements, risk management strategies, implementation of ESG best practices).
- **RCBC's compliance.** This covers documents / processes to address the requirements of BSP Circulars (including all subsequent updates on such) and all relevant laws and regulations.

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

As the year 2022 ushered in a period of recovery, the following remain fundamental to the Bank's ability to create value over the short, medium, and long-term:

- RCBC's agility amidst an evolving environment, its economic results and financial well-being
- Ensuring the welfare of employees and clients at all times
- Talent retention, investments in human resources
- Adaptability and readiness of operations in responding to crisis/changing circumstances, innovations; and
- Supplier actions / alignment of sustainability principles

## Material Topics

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## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure (January 1 – December 31, 2022)	Amount (consolidated)	Units
Direct economic value generated (revenue)	2022: 44.454 Billion 2021: 36.394 Billion 2020: 37.913 Billion	Php
Direct economic value distributed:		
a. Total operating costs	2022: 30.457 Billion 2021: 24.984 Billion 2020: 27.720 Billion	Php
b. Employee wages and benefits	2022: 6.563 Billion 2021: 6.371 Billion 2020: 6.626 Billion	Php
c. Payments to suppliers, other operating costs	2022: 14.732 Billion 2021: 12.272 Billion 2020: 14.362 Billion	Php
d. Dividends given to stockholders	2022: 2.308 Billion 2021: 1.897 Billion 2020: 1.076 Billion	Php
e. Taxes given to government	2022: 6.747 Billion 2021: 4.365 Billion 2020: 5.563 Billion	Php
f. Investments to community (e.g. donations, CSR)	2022: 107 Million 2021: 79 Million 2020: 93 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</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 and continuity of operations, unusual decline in financial results</li> </ul>
Employees	<ul style="list-style-type: none"> <li>- Equitable wages and benefits</li> </ul>

Suppliers	- Payments made
Government	- Taxes paid
Community	- Corporate Social Responsibility - 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?

The impacts are the following:

- o Value generation for stakeholders
- o Assurance on financial well-being for customers, employees
- o Benefits to the environment and society through lending activities (visit [www.rcbc.com/sustainability](http://www.rcbc.com/sustainability) and download the Impact Report)
- o Promotion of fiscal growth through taxes contribution
- o Demonstration of resilience and stability in the banking sector

These occur in the primary business operations and supply chain, and are caused by the organization.

#### Management Approach to Impact

RCBC upholds an inclusive financial business model that effectively serves its stakeholders through:

- i) revenue generated;
- ii) economic value deployed through employee wages and benefits, payments made to suppliers, dividends for stockholders, taxes paid to the government;
- iii) investments in local communities as well as core industries supporting the country's economic growth; and
- iv) expansion of banking access to the unbanked and underserved parts of the country

#### What are the risks identified?

Revenue generation may be challenged by the following risks:

- i. Climate-change related calamities and public health crises which influence customer behavior, constrain access to financial services (especially for the unbanked and underserved communities), or adversely affect employee well-being. Although the economy is gaining traction from the downturn brought about by the COVID-19 pandemic, recovery may be vulnerable to relapse if there is insufficient follow-through or lack of consistency in monitoring the customers' conditions, the employees' welfare, and the advancement of financial inclusion efforts.
- ii. Cyber security/ information security attacks, breaches and fraud as the financial system has significantly expanded through online banking and digital finance – an offshoot of the lockdowns and prevalence of the COVID-19 pandemic. More high profile fraud and more sophisticated scams have proliferated alongside the development of innovative electronic channels and services. These may pose risk on the over-all consumer confidence in the banking system and may lead to diminishing trust on digitalization / online banking as a secure and sound means of transacting with banks, as recognized by BSP Circular 1140.
- iii. Financing support to sectors with elevated environmental risks. This leads to vulnerability toward transition risk, as acknowledged by BSP Circulars 1085 and 1128.

#### Management Approach to Risks

##### RCBC: A Domestic Systemically Important Bank (DSIB)

As a Domestic Systemically Important Bank (DSIB), RCBC must demonstrate the capacity to maintain resilience against distress that will affect the financial system as a whole, and the economy at large. RCBC (like other DSIBs) needs to have higher loss absorbency (HLA). The HLA requirement is attained through the Bank's Common Equity

Tier 1 (CET1) which establishes a maximum degree of effective loss absorbing capacity. In the event of any breach in the HLA capital requirement, concrete and reasonable recovery plans shall be implemented as outlined in RCBC's Internal Capital Adequacy Assessment Process (ICAAP) document. The implementation of recovery plans is aimed at improving capital position and restoring financial condition to viable levels in cases of significant deterioration under certain scenarios.

As of December 31, 2022, the Bank's CET1 ratio is 12.0% (solo) and 12.3% (consolidated), both of which are above the 10% total CET1 requirement..

### **Business Continuity Program**

RCBC has a Crisis Management Team (CMT) headed by the President and CEO. The CMT oversees the implementation of the comprehensive Crisis Management Framework which equips the Bank in responding to an event-led disruption in operations. The CMT's role is integral to the Bank's Business Continuity Program as it is responsible for synchronizing all measures for the Bank to contain losses and recover operations as quickly as possible.

The Bank's dedicated "Business Resiliency Unit" under the Risk Management Group (RMG) ensures preparedness for any disaster/crisis by coordinating with all teams in developing and maintaining a bank-wide Business Continuity Plan (BCP) and identifying critical products/services as well as required operational support to sustain operations. The BCP identifies the necessary resources (people, processes, IT systems, and other equipment) and includes contingency procedures to guide all units on how to respond, recover, resume, and restore operations following the disaster/crisis. The BCP complies with the BSP Circular 951 on Business Continuity and business continuity management (BCM) standards such as ISO 22301 and BS25999.<sup>1</sup>

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

RCBC Senior Management has always been on top of disaster preparedness and response to natural, man-made, technological and pandemic threats and events. Comprehensive Disaster Recovery Plan, Crisis Management Plan and Institutional Business Continuity Plan are in place and readily available upon activation. BCP Teams and BCP Leaders are equipped with all the training and preparation strategies for any contingency. Alternate sites, Data Center back-up site outside of Metro Manila, IT redundancy infrastructure, Buddy Branch system and contingency procedures are annually tested in order to ensure that infrastructure and BCP Teams execute the plans and validate efficiency and effectiveness in preparation for any threat on cyber incident or disaster occurrence.

Incorporating Environmental and Social (E&S) risk in the Bank's BCP and disaster preparation helps the institution to formulate effective strategies to address its impacts. A data science-driven dashboard<sup>2</sup> identifying personnel location and Bank facilities is in place, with the main objective of activating back-up strategies to safeguard employees and continue the critical services for the Bank's customers. Employees will be evacuated to government-provided staging areas and/or Bank-provided facilities in the event of relocation. The Industry-wide Earthquake Resiliency Plan documents the 30-day recovery of the Bank's critical cash services, ATM, and business center operations post effect of the big one hitting Metro Manila. This is to address identified critical Bank services that will be available after the disastrous event.

Table top exercise on E&S was conducted to formally introduce E&S Risk awareness among all BCP Leaders, Support Groups and Management Teams who are the drivers of continuity of business and crisis management.

There were no major natural or technological catastrophes in 2022 that could trigger a crisis management plan. However, awareness training, table top exercises and BCP testing are conducted annually to equip key people and

<sup>1</sup> ISO 22301 is the international standard for business continuity management, and builds on the success of British Standard BS 25999 and other regional standards. It is designed to protect business from potential disruption, which includes extreme weather, fire, flood, natural disaster, theft, IT outage, staff illness or terrorist attack. BS25999, the world's first British standard for BCM has been developed to help minimize the risk of such disruptions.

<sup>2</sup> The dashboard is from the Bank's Data Science and Analytics Group.



responders on the updated guidelines and Bank strategies. Emergency go bags and survival kits are available at each employee's work station and offices. Earthquake and fire drills were conducted in all Bank premises nationwide to further train all employees to quickly respond during these emergencies. Crisis communication via call tree system is performed every after a super typhoon or earthquake event to account employees and extend further help and quick assistance as necessary. E-learning on business continuity and disaster preparedness was launched in 2022 for all employees (from senior management to rank and file).

### **Lingering Impact of COVID-19**

Ensuring the safety and well-being of employees and customers has become a top priority especially at the height of the COVID-19 Omicron variant season in January 2022. The COVID Assistance Recovery (CARE) Program on financial packages for customers and the digitalization of banking transactions through mobile services have become essentials in the Bank's services.

In embracing the new normal, RCBC promoted online and mobile banking services and streamlined credit approval processes for its customers' transactional requirements. The Bank also rolled-out digital finance and innovative solutions at a massive scale to reach Filipinos in geographically remote and digitally hard-to-reach areas in the country. The following initiatives were implemented:

- I. Safety and Well-Being of Employees and Customers
  - a. Clustering and Work-from-home Arrangements - The Spread Prevention and Safety Policy which defines the guidelines on health and safety protocols for all employees' strict implementation and guidance has been continued and regularly updated to align with the current guidelines imposed by the Department of Health (DOH), Department of Trade and Industry (DTI) and the Inter-Agency Task Force (IATF). This policy aims to contain COVID-19 infection and provide a safe working environment for all employees in the height of the pandemic crisis, thus customers were able to do onsite business that is safe and sound. The Human Resource Department regularly sends out advisories on IATF-prescribed health and safety protocols as part of employee's basic responsibilities to the Bank and to the community. Clustering, split-site operations, "no crossover policy" and work-from-home arrangement ensure the health and safety of employees. Virtual meetings have been encouraged for customer engagements and activities. Internal meetings have also been conducted online . Furthermore, unvaccinated employees are required to submit their negative antigen test results prior to reporting onsite. These quarantine and isolation protocols are in line with the prevailing IATF guidelines for the Management of Emerging Infectious Diseases.
  - b. Employee Testing and Vaccination Efforts - Vaccination and Booster shots were extended to all employees and immediate dependents through the YGC Vaccination Program and Local Government Units. Moderna booster vaccines were provided by the Bank at no cost to all employees. Several HR advisories were released to guide and encourage employees to take the booster shots for further protection against COVID-19 infection.
  - c. COVID-19 Playbook – Knowledge and information are essential to operating safely amidst the risk of COVID-19 infections. Given this, the internal reference material was issued in January 2022 to equip all employees with the information on different work situations brought about by the COVID-19 virus. This guide is accessible to all employees via internal online portal and aims to empower employees with the proper procedures and contact information regarding health protocols. The Playbook was updated in March and November 2022 to incorporate key changes in line with the Spread Prevention and Safety Policy Version under the Alert Level System Community Quarantine Classification. This is published on the Bank's Online Library and is accessible to all employees (from senior management to rank and file) and those with direct contacts with RCBC.
  - d. "Your Well-Being Matters" – The Bank's Human Resources Group (HRG) has continued to implement a series of mental health and well-being live webinars entitled "Your Well-Being Matters" to foster

self-care and responsible concern for colleagues. In 2022, the HRG organized Bank-wide webinars focused on digital well-being (attaining healthy balance between online and real lives), discernment, and stress management. These are in addition to the daily morning emails on “Motivational Quotes shared by RCBC Chairperson Mrs Helen Y. Dee” to all employees of the Bank which started in April 2021.

For full details, please refer to the discussion of RCBC Workforce Readiness Program under the Social Performance section of this report.

## II. CARE Program

RCBC developed the CARE Program as a medium of financial assistance to customers in response to the loan repayment challenges brought about by the COVID-19 pandemic. It was primarily designed to: (i) extend flexible refinancing schemes to customers based on what they can afford without impacting their credit standing given cash flow tightness and (ii) immediately get the customer back into the habit of paying based on the amount they can afford. In 2021, the CARE Program was improved to focus on assessing the customer’s cash flow together with behavior indicators, such as payment and deposit patterns. As the country transitions to the “new normal” and businesses start to return to pre-pandemic level of operations in 2022, the Bank stays committed to its customers through this Program by having more frequent visits or calls to the customer to check on their business health and new requirements that they may have. The Bank utilized the learning from the two-year implementation of the program to make this an integral part of the credit policy and asset quality assessment process of the Bank.

## III. Strategic Digitalization - RCBC’s main strategies continue to be on: i) delivering innovative digital solutions through the use of data science and ii) improving customer experience in various channels with the use of robotic process automation for operational efficiency.

- a. Customer Growth – The Bank focused on a customer-centric culture and used data analytics and cloud-based technology which led to smart acquisitions of new accounts and increased volume in untapped regions. This resulted to a 15% increase in SME loans in December 2022 year-on-year (y-o-y) at Php107B. Meanwhile, the increase in consumer loans was due to the 42% growth in the credit cards portfolio in December 2022.

In 2022, the SME Banking Group (SMEBG) launched digital banking solutions to help its clients reduce operating costs and transaction time and to achieve faster credit approvals in order to gain faster access to financing. These products include: i) CheckScan, a cash management solution that enables clients to process bulk checks safely and efficiently; ii) Mobile CheckScan, allows businesses to process their check deposit transactions using mobile devices; iii) PayPortal, a one-stop online payment enabler for businesses; and iv) QR Pay, allows interoperable payment solutions which will enable RCBC-enrolled billers to accept payments from customers using other banks or electronically money issuers.

- b. Robotic Process Automation (RPA) – RCBC needed to perform a lot of back-office re-engineering to become more efficient and reduce turnaround time. The Bank deployed the RPA to improve both customer and employee experiences which resulted to making the online banking platform user-friendly and resilient or hardly offline. This included the following projects: i) online payments and transfers, ii) automated KYC process, and iii) enhanced credit and control systems. These digital enhancements and process reviews supported efficiency, lower cost of transaction and reduced costs in product delivery. Internal business reengineering and technology enhancements led to the reduction in manual processes by 50% and an improvement in turnaround time by 95%.

## IV. Inclusive Digital Finance Solutions – RCBC’s Digital Enterprise Innovations Group (DEIG) spearheaded the Bank’s financial inclusion initiatives with its thrust grounded on sustainable development and nation-

building. The following are DEIG's digital services: DiskarTech, RCBC Digital and ATM Go. Please visit the link for details <https://www.rcbc.com/inclusive-finance>

- a. DiskarTech is the country's first financial inclusion accelerator virtual bank and the first Tagalog-English and Cebuano multi-lingual financial inclusion mobile super app which boosted accessibility for Filipinos living in geographically remote areas and grassroots communities. . DEIG's strategy is that no one should be left behind in digital banking with special focus on lower economic classes C, D and E.
- b. ATM Go is the country's first community-based and bank-agnostic automated teller machine (ATM). - The handheld RCBC ATM Go terminals were commended by the Philippine government as a dependable partner in distributing emergency aid to millions of Filipinos during the pandemic.
- c. RCBC Digital – The mass-affluent digital mobile banking app developed digital features and solutions, making it among the most comprehensive and powerful app in the market.

- V. Financial Inclusion In the Agricultural and Low-income Sectors - RMB provides loans to micro, small and medium enterprises as well as the agricultural value chain players. RMB has partnered with more than 86 cash agents and has processed more than Php38.69 million in transactions as of year-end 2022. Key areas of operation are in Luzon, Visayas and Mindanao with a total of 18 branches and branch-lite units.

In 2022, RMB developed the AgriBiz Production Loan Program which is a financial assistance program to the unbanked agricultural communities. This is designed to: i) provide credit to individual farmers and agribusinesses, ii) provide repayment options, iii) assess their repayment capacity and if necessary, iv) link them to input suppliers and buyers. The aim is to create a resilient agricultural value chain that support economic growth and food security to Filipinos. RMB widened its reach and provided a simplified loan approval process for the farmers, which entails submitting minimal documentary requirements and being flexible with collateral policies i.e. taking the form of deposits, purchase orders or even invoice receivables. RMB also offered lower loan interest rates (versus the private sector) which helped the farmers save funds for fertilizers, technologies and other necessities to support their expansion.

RMB continues to offer the Basic Deposit Account (BDA) product called "Pangarap Savings". BDA is a financial inclusion product of the BSP which meets the needs of the unbanked and low-income sector for an affordable and easy-to-open account. It has a low-opening amount of Php100.00 or less, no maintaining balance, no dormancy charges and simple identification requirements. With RMB's cloud-based core banking system, financial services such cash-in (deposit), cash-out (withdrawal), bills payment, and opening of BDA can be done real time through a secured electronic platform provided to the accredited agents. RMB uses its Bangko ng Bayan (BNB) cash agents to on-board customers.

#### **Building Resilience against Cyber Threats and Fraud Amidst Digitalization**

RCBC's digital banking application is fully equipped with security features such as two-factor authentication, biometric support, mandatory password change for online banking, card locking for lost and misplaced cards, and real-time SMS and email notification for banking transactions, among others. Through RCBC's #DontGetFooled: Staying Safe Online webinar on security awareness that was held in October 2022 the Bank reinforced its education campaign to enable customers to be more aware of various schemes that may compromise their RCBC accounts. The campaign has been launched across different online platforms in order to disseminate tips on how to stay safe online and provide reminders that promote heightened vigilance against fraudulent transactions, both online and offline. In line view of this, RCBC and RCBC Credit Cards have removed all clickable links within communications (emails or electronic direct mailers, SMS, and Viber) to customers. The initiative is also in support of the BSP Memorandum No. M-2022-015 which promotes measures against cyber fraud and attacks on retail financial services. RCBC also strongly advocates the BSP's call to the public to always do the CPR, or CHECK-PROTECT-REPORT, when making financial transactions, as published on RCBC's website, coinciding with the National Banking Week on 1-7 January 2023.

RCBC's management of digital risks is characterized by advanced and sophisticated cyber-security tools and

programs. The Bank's Information Technology and Fraud Risk Management System work together to ensure that the bank's security systems are robust and that the protection of RCBC's account holders is constantly upheld. In June 2022, RCBC and its technology partner GBG, were recognized as the Best Fraud Technology Implementation under the Risk Technology Implementation Award of the Asian Banker. This attests to the reliability and soundness of RCBC's fraud risk management system, which is equipped with real-time monitoring capability to detect fraudulent transactions and automate counter measures 24/7 from the Bank's digital channels.

### **Sustainable Finance**

Coal-fired power plants, which account for approximately 58% of the country's energy mix, are the largest source of environmentally-harmful greenhouse gas (GHG) emissions. RCBC's exposure to this sector decreased from Php42 Billion in 2021 to Php39.2 Billion at end-2022, to continually taper off to zero exposure by 2031. This phasing out of exposure to coal is aligned with the RCBC President & CEO Eugene S. Acevedo's public commitment in December 2020 to cease funding of the construction of new coal power plants in the Philippines. Such commitment has been documented as RCBC's coal policy statement within the Bank's Environmental and Social Management System (ESMS) Policy.

RCBC's Sustainable Finance Framework articulates the Bank's strategy to prioritize fund raising and lending to priority sectors that have clear E&S benefits, foremost of which is clean energy. The framework prescribes an Exclusionary Criteria which identify certain projects as ineligible for the use of proceeds from the sustainable financing instruments (SFIs), in particular the fossil fuel power generation. Since the implementation of the Framework in 2019, RCBC has raised around USD1.4 Billion in green and sustainability bonds. In February 2022, RCBC launched the country's first Peso Green Time Deposit in support of the Bank's green asset portfolio and in response to the unserved market that is keen on saving while promoting accountability on environmental awareness and protection. Proceeds from both the bond issuances and the green time deposit have helped support the Bank's sustainable asset growth.

As of December 2022, RCBC's eligible sustainable assets continue to represent 12% of the total loan portfolio, significantly outpacing the 6% share of coal exposure. The Bank's eligible sustainable portfolio has also overtaken the total exposure to Environmentally Critical Projects (ECPs) per the guidelines of the Department of Environment and Natural Resources (DENR) Environmental Management Bureau (EMB). The DENR-EMB criteria for identifying ECPs are adopted under RCBC's ESMS Policy as projects with elevated E&S risks and labeled as Environmental Risk Category (ERC) A or high risk accounts. As of end-Dec 2022, RCBC's ERC A projects comprised only 10% of the Bank's total loan portfolio, compared to the 12% share of the sustainable portfolio. This sustainable portfolio is substantially comprised of funding for green projects, with the estimated asset mix shifting to 71:29 in terms of the ratio between eligible green and social assets, versus the 60:40 mix in 2020, or prior to RCBC's declaration to cease funding of the construction of new coal power plants in the Philippines. The Framework is disclosed in the Bank's website, visit [https://www.rcbc.com/uploads/media/RCBC-Sustainable-Finance-Framework\\_FinalApril2019.pdf](https://www.rcbc.com/uploads/media/RCBC-Sustainable-Finance-Framework_FinalApril2019.pdf).

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

The Philippine administration of President Ferdinand Marcos Jr. has urged the private sector to pursue digital innovations and human capital development for the economy to recover from the pandemic. The government's call is aligned with RCBC's goal to be a leading financial institution in the field of digital and sustainable finance. The Bank is actively supporting BSP in achieving the Digital Payments Transformation Roadmap 2020-2023 which was designed to guide the financial institutions to formally bank at least 70% of adult Filipinos and to migrate 50% of retail payments to digital. RCBC is expected to further entrench its position in the following areas of opportunity:

- A. Holistic Digital Transformation
- B. Sustainable Value Chains through:
  - Responsible Lending and Capacity-Building
  - Product Rebranding and Innovation

- Reinforcement of Financial Stability and Business Expansion

## Management Approach to Opportunities

### A. Holistic Digital Transformation

Financial Technology (FinTech) is the foundation in the digitization of RCBC's traditional financial services which boosted the growth of the Bank's digital services. Through FinTech, the Bank was able to provide accessible, efficient and convenient inclusive digital finance solutions which empowered millions of unbanked and underserved communities. As of 2022, DEIG's three digital platforms have achieved double digit gross transaction value (GTV) with DiskarTech at 22% year-on-year (y-o-y), ATM Go at 31% y-o-y and RCBC Digital at 44% y-o-y. The FinTech-like growth resulted to a 54% increase in revenue or an accumulated value of Php315.0 Million in 2022 from Php204 Million the previous year. Total revenues of the three digital channels outpaced expenses which grew only by 19% y-o-y, as DEIG focused investments in FinTech app development and user acquisition. These digital platforms have an accumulated contribution of Php2.0 Billion in CASA deposit or 41% increase from Php1.5 Billion the previous year.

Digital Platform	2022 Revenue	2022 Contribution to CASA deposits
DiskarTech	Php 10.4 Million	Php228.6 Million
ATM Go	Php 95.6 Million	Php 1.3 Billion
RCBC Digital	Php 209 Million	Php 473.1 Million

1. **DiskarTech** – The country's first financial inclusion app has transformed its features and services since it entered the market of electronic banking products in July 2020.
  - **Digital Initiatives end-2022.** With sustainable development and nation-building at the heart of RCBC's digital thrust, the Bank launched RCBC Moneybela and NegosyanTech programs to Filipinos in provincial areas.
    - **Moneybela** – Innovation with empathy is the institutional mantra of DEIG which commits to provide digital solutions work for every Filipino. In September 2022, DEIG launched the country's first human-assisted remote banking service called "Moneybela: Barangayan Banking" in Bacolod City. This initiative allows physical-digital or "phygital" blended banking experience for the unbanked Filipinos to formally enroll into the banking system. It uses the best features of digital banking and human connection. The Moneybela Banking Experience Support Agents (Moneybela BES), uses sustainable electronic tricycles to reach over 42,000 rural barangays nationwide in geographically isolated and disadvantaged communities. RCBC's commitment is to create an inclusive financial ecosystem in the country which will allow the remote barangays to open and manage their accounts online. Moneybela will provide the same financial services offered by RCBC's physical branches, such as BDA creation, bill payments, e-load, cash-in or cash-out, micro-insurance and telemedicine purchase via DiskarTech.
 

Moneybela also provides financial literacy and agent banking services in public transport terminals, public markets, schools, barangay halls and health centers to make it accessible to many unbanked and underserved Filipinos. MoneyBela will be rolled out to more provincial cities in 2023.
    - **NegosyanTech** – In December 2022, RCBC NegosyanTech Lahat Pwede QRph was launched in Davao City to interoperable digital payments at the public markets, sari-sari stores and local transportation hubs. Through the interoperable QRph, market vendors, tricycle drivers and small business owners can accept cashless payments by scanning their RCBC NegosyanTech Lahat Pwede QRph codes. The Bank ramped up its efforts to assist micro and small entrepreneurs improve their incomes and expand their businesses by providing them exclusive promos and monetary rewards.
  - **Digital Roll-out in 2022.** DiskarTech Score (DT Score) is a user-rating system where transactions are rewarded with corresponding points. Every time the users increase their score, more rewards and



privileges will be available to them such as pre-qualified loans and waiver of loan transaction fees. The DT Score Program is providing accessibility of loan services to everyone. DT Score pioneers a point-based system which may be used to assess a customer's credit standing through the use of alternative data that allows new-to-credit customers to gain greater access to loan services. As DiskarTech app users build up on points, they also grow their credit standing making them eligible for more loan applications.

- **Strategic Partnerships** with the Philippine government and local agencies to create access and opportunities for millions of unbanked Filipinos.
  - *Local Government Units (LGU)*: i) to expand its financial services' network through Liga ng mga Barangay, wherein Moneybela's e-tricycles will service 42,000 barangays nationwide; ii) to promote a comprehensive financial education campaign called "KasamAsenso" (Shared Prosperity); iii) to onboard more than 2,000 members from the Philippine Association of Stores and Carinderia Owners (PASCO) via its DiskarTech's Batch Enrollment Services (BES) program which simplifies the account opening and verification process from MSMEs.
  - *BSP and the Department of the Interior and Local Government (DILG)* to introduce digital payments in public markets via the BSP's Paleng-QR Plus program. DiskarTech's aim is to accelerate inclusive digital finance covering millions of unbanked Filipinos into the formal financial system by creating demand-driven, mobile-first and customer-centric innovations with empathy.
  - *Department of Education of the Philippines (DepEd)* to institutionalize the implementation of "Aralin Sa Madiskarteng Pananalapi" (Smart Financial Stewardship) for senior high school students and teachers under the Accounting, Business and Management strand. DiskarTech also pioneered the implementation of "DiskarTechpreneur Boot Camp and Competition". This is a youth-oriented business case webinar catered for the senior high school students enrolled in public or private schools located in Metro Manila, Cavite, Laguna, Batangas, Rizal, Quezon (CALABARZON Region). Philippine Vice President and DepEd Secretary Sara Z. Duterte recognized DiskarTech for its commitment in promoting financial literacy and education among the young Filipino generation in the 2022 Partners Appreciation Program.
  - *Social Security System (SSS)* where members can receive their SSS benefits and loan proceeds through their new digital-enabled SSS Unified Multi-purpose Identification (UMID) debit ATM cards powered by RCBC DiskarTech. The aim is to make every SSS member financially included.
- **Digital Impact.** The sustained exponential growth of DiskarTech reflects that Filipinos are now getting more comfortable with digital financial transactions. The following were registered as of end-December 2022:
 

<ul style="list-style-type: none"> <li>➤ Digital Ayuda Social Disbursements: 5.2 million household beneficiaries, Php 19.7 Billion worth of subsidy disbursed since the pandemic in 2020, and 26 million aggregate-covered individuals;</li> <li>➤ Downloaded 5.2 million times since its launch in July 2020. Of which 1.2 million users were able received a Basic Deposit Account (BDA);</li> <li>➤ Of the 1.2 million BDAs, 68% of the depositors are from the provinces;</li> </ul>	<ul style="list-style-type: none"> <li>➤ Gross transaction value at Php26 Billion since its launch;</li> <li>➤ 72% of the user base is located across the provinces in the Philippines.</li> <li>➤ The user base is dominantly female at 63% and male at 37%</li> <li>➤ Users by Age: 37% (21 to 30), 38% (31 to 40), 15% (41-50) and 9% (51 to 80)</li> <li>➤ Mass market usage on lower economic classes: Class C at 7%, Class D at 64% and Class E at 27%</li> </ul>
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**2. ATM Go** - The country's first and largest last mile mobile ATM which brings banking services to remote communities. The country's leading rural disbursement with a B2B2C (business-to-business-to-consumer)<sup>3</sup>

<sup>3</sup> B2BC is an eCommerce model where businesses access customers through a third party but are unable to interact directly through their own brand. Three parties are involved, the primary brand, the middleman (RCBC ATM Go) and the customer. Consumers are fully aware they're buying from the primary brand. The purpose of the intermediary company is to provide

solution.

- **Digital Initiatives**

- ATM Go has the largest network allowing prepaid and debit ATM cards within the Bancnet network to transact with or without the physical cards. This neighborhood ATM has allowed partner merchants (such as cooperatives, microfinance institutions, rural banks, sari-sari stores, pharmacies, grocery stores, bakeries, and pawnshops) to offer their services in their respective communities.
- RCBC is currently the only bank that provides real-time settlement of all cash disbursements made by its ATM Go merchant partners making it more convenient to do business. RCBC provides a set of welcome incentives for its new RCBC ATM Go partner-merchants:
- The handheld ATM Go terminals continued to be instrumental in facilitating cash withdrawals in geographically isolated and disadvantaged areas. Over 60% of cash withdrawal transactions were made by the conditional cash transfer (CCT) beneficiaries. This is a program locally known as “Pantawid Pamilya Pilipino Program” (4Ps) a government program that provides conditional cash grants to the poor.

- **Strategic Partnership in 2022:** Cooperative Development Authority (CDA) to assist cooperatives and its members to migrate into digital finance. More than 10% of ATM GO’s merchant partners nationwide are cooperatives. DEIG wants to reach out to the cooperatives which have 10.7 million Filipino members. The goal is to foster digital financial inclusion by promoting financial literacy to the cooperative members on savings, insurance, payments and digital banking products.

- **Digital Impact.** ATM Go has recorded the following as of end-December 2022:

- Achieved a 100% nationwide coverage in all 82 provinces of the Philippines. Coverage went up by 40% by adding 24 provinces in two years.
- Has 1,144 merchant partners a 31% growth rate y-o-y
- Has 1,559 RCBC Go terminals and targets 6,000 terminals by 2023

### 3. **RCBC Digital** is an all-in hub banking app with the most powerful features that can deliver faster and easier banking services to make the customers happy.

- **Digital Initiatives**

- Introduced the country’s first digital investment management account (IMA) opening, digital concierge and mobile check deposit.
- Launched the simplified new-to-bank registration (NTBR) digital feature which allows prospective clients to open an RCBC account and transact using the mobile app without having to apply onsite at RCBC branches.
- RCBC Digital has a complete suite of smart digital features which are the main drivers for the exceptional recovery and all-time high usage of credit cards which now makes up over 29% of the Bank’s consumer portfolio. These include purchase conversion, bills payment, RCBC Bankard UnliPay and Unli Installment as well as various “app-only” campaigns which encouraged more digital enrolment among cardholders.
- Account opening takes only 10 minutes achieving a faster and easier end-to-end digital experience;
- Has a Direct Debit API (Application Programming Interfaces) payment gateway which allows to integrate a payment solution with another existing application such as connecting a business’ checkout function to the payment system;
- Has the following latest QRPh features enabling more digital transactions. QRPh (Quick Response Philippines) is the country’s QR code standard based on the Europay-Mastercard-Visa (EMV) standard, a global standard for secure payments.

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more direct service at customer touchpoints, creating a mutually beneficial situation for both businesses.

- P2P or Person-to-Person or Peer-to-Peer
- P2G or Person-to –Government Agencies
- P2M or Person-to Merchant
- P2B or Peer-to-Business

- **Strategic Partnership in 2022.** Growsari, a store digital solution platform. This will allow customers to pay QRPh-enabled sari-sari store merchants of Growsari using their RCBC Digital mobile app. The aim is to onboard at least 200,000 QRPh-enabled sari-sari store merchants in 2023. Digital payments will register real-time to the merchant's wallet facility which can then be used for other GrowSari transactions such as availing of load and bills payments. The partnership between RCBC and Growsari reflect their commitment to uplift and digitize the MSMEs.
- **Digital Impact end-2022.** RCBC Digital recorded the following as of end-December 2022:
  - Has on-boarded over 22,000 QRPh-enabled sari-sari stores in 1 day;
  - Promotes open finance with over 20 financial technology (fintech) partners. The aim is to enable, empower and engage rural banks, cooperatives and other small players in the financial industry to be part of BSP's Digital Payments Technology Roadmap 2023.

## B. Digital and Customer-Focused Transformation

To counter the challenges brought about by the pandemic and to provide a more meaningful service to RCBC's internal and external customers, the Bank started with business transformation, revisiting business models in retail banking, corporate banking, and SME Banking, with aim of re-engineering some of its business processes. The vision is to create a digital-savvy, innovative, and customer obsessed organization.

1. *Digital and Customer Centricity Culture Transformation (DC3T)* - This is a major initiative of RCBC to enable the business units to adopt, embrace, and practice a digital mindset and customer centricity, with the ultimate goal of improving its service delivery to its customers.
2. *Training and Recruitment of Digital Builders* - RCBC needed to perform a lot of back-office re-engineering to become more efficient and reduce turnaround time. The Bank deployed RPA to improve both customer and employee experiences which resulted to making the online banking platform (i.e. payments, fund transfers, etc.) user-friendly and resilient or hardly offline.
3. *Digital Academy* - This program had three objectives for the Digital Transformation Leaders: i) understand the key emerging technologies employed in digital firms, ii) appreciate the dynamic FinTech business models, its viability and sustainability, and iii) learn regulatory innovations to further promote digital transformation. It ran a four-part digital academy executive learning series curated by Deloitte, and attended by all members of the Board and senior management of YGC companies. Topics include: "Cost of Compliance," "Humanizing DevSecOps," "10 Rules of Modern Work," and "Driving Diversity and Inclusion in the Workplace."

## BRANCH OF TODAY (BOT)

In recognition of the customers' rapidly changing lifestyles in the past two years of the pandemic, RCBC has redefined the customer experience across critical banking touch points as part of its BOT enterprise project. With the customers' needs in mind, the Bank also reimagined the banking experience in its branches ensuring a smooth omni-channel flow across touch points. The branch experience was elevated with digital portals developed for optimal UX (User Experience), faster and painless process with RPA and distinguished with RCBC's unique brand of personalized service. The results: 379% reduction in processing times for key branch transactions like account opening, an overwhelming 96% of customers said they were happy with the experience, and strong NPS (Net Promoter Score) ratings, with over 400 branches already converted into RCBC's BOT.

## C. Sustainable Value Chains Through:

### 1. Responsible Lending and Capacity-Building

- RCBC has continually supported Renewable Energy (RE) projects, funding for which has dominated the Bank's eligible sustainable portfolio for the past three years (approximately 38% of total sustainable



portfolio). The recent amendment of the Implementing Rules and Regulations (IRR) of the Renewable Energy Act of 2008 to already allow 100% foreign capital in RE projects (solar, wind, biomass, ocean or tidal energy) is expected to provide greater opportunities for expanding the Bank's RE portfolio and maintain its dominant contribution to the total sustainable assets.

- As approved by the Bank's Risk Oversight Committee (ROC) in March 2023, RCBC is targeting to increase its RE portfolio by 10% to 15% per annum (p.a.) in the next 12 to 24 months.
- In April 2022, RCBC participated in the Philippines' first Energy Transition Financing (ETF) loan agreement with South Luzon Thermal Energy Corporation (SLTEC) of AC Energy Corp (ACEN). Under the ETF deal, SLTEC's power plant would be decommissioned by 2040, or 15 years ahead of the plant's technical life. The ETF concept subscribes to the principles of the Energy Transition Mechanism (ETM) piloted by the Asian Development Bank in South and Southeast Asia. ETM is also aligned with the goal of the Department of Finance to retire coal-fired power plants and transition their technology to clean energy.
- The Bank has carried on with its capacity-building programs and participated in knowledge-sharing events on sustainability in 2022:
  - Starting 2022, RCBC has integrated a mandatory Sustainability Key Result Area (KRA) as part of the performance evaluation among employees as advocated by BSP Circulars 1085 and 1128. The objective is to promote environmental and social responsibility among all employees, with the internally-developed Sustainability e-learning material that was launched in 2021 used as a primary tool in applying this new performance metric. In December 2022, the second annual Sustainability e-learning course was rolled-out with focus on the evolution of the UN SDGs, their relevance to the three pillars of Sustainability, and how the Bank's products and services contributed to the UN SDGs. The e-learning course is mandatory for all employees and is accessible to the Board of Directors. The course is designed to cover different ESG topics each year.
  - In February 2022, the RCBC Sustainability Forum was organized to foster awareness and understanding of the key roles played by the power sector and the banking industry in promoting sustainability. The forum was aptly entitled "Sustainable Energy as Shared Responsibility," participated in by RCBC President & CEO, RCBC Corporate Banking Group Head, RCBC CRO & RMG Head, as well as representatives from PetroEnergy Resources Corporation and the Department of Energy.
  - In July 2022, RCBC was the first Philippine local bank to provide an ESG lecture for the Taiwan Academy of Banking and Finance (TABF)<sup>4</sup> as part of its International Talent Development Program (ITDP). The virtual workshop was presented by RCBC CRO & RMG Head together with the Portfolio Quality Division (PQD) Head. RCBC collaborated with ACEN in crafting an appropriate case study for the lecture, serving as the focal point of discussion.
  - In August 2022, a position paper on RCBC's Cooperation in achieving Sustainability Goals was submitted by RCBC PQD Head and CRO & RMG Head to the Asian Bankers Association (ABA) Policy Advocacy Committee. A presentation was conducted by RCBC CRO & RMG Head on the need for regional cooperation in achieving the UN SDGs and pursuing climate actions.
  - In September 2022, RCBC President & CEO Eugene S. Acevedo was one of the speakers in the CEO Roundtable of the International Finance Corporation's (IFC) Philippine Climate Forum. Mr. Acevedo

<sup>4</sup> TABF is a non-profit organization established in May 2020 under the Financial Supervisory Commission (FSC) of Taiwan. It is engaged in research, training, proficiency testing and publication services for banking professionals. The Asian Bankers Association of the Philippines (ABA) is headed by RCBC President and CEO Eugene S. Acevedo) has collaborated with the TABF in organizing its training activities.

shared highlights of RCBC's ESG journey to promote best sustainability practices and also provided views on opportunities and challenges encountered in seeking financial growth while ensuring sustainability in the financial system.

- RCBC CRO & RMG Head served as one of the panelists for the Investment House of the Philippines' (IHAP) conference on Sustainable Finance in September 2022 and as a speaker in the Financial Executives Institute of the Philippines' (FINEX) workshop on "Reshaping the Future with Transformational Change" in October 2022.
- In November 2022, RCBC assisted in connecting the World Wide Fund (WWF) for Nature Sustainable Finance and the Partnership for Carbon Accounting Financials (PCAF) with the Asian Bankers Association (ABA) for the ABA's webinar on "Promoting a Sustainable World: Fostering Green Finance." In 4Q22, RCBC also participated in the WWF's webinar workshop series on "Setting Climate Targets", organized by WWF with the UN Environment Programme and with PCAF.
- In February 2023, one of RCBC's Environmental and Social Risk Officers (ESROs) served as a speaker in the Corporate World Tour initiated by the National Federation of Junior Philippine Institute of Accountants – National Capital Region, an organization of accountancy students in Metro Manila. The event was themed "Volatus: Boarding Towards a World of Possibilities" as it provided an opportunity for the graduating students to determine realizable future career paths. RCBC's ESRO shared insights on how pursuing a career in Sustainability can be very meaningful for the accountancy graduating students.

## 2. Product Rebranding and Innovation

RCBC Bankard was rebranded to RCBC Credit Cards in 2022, signifying its focus on enhanced customer experience as it tied up with the RCBC Digital App to provide a wide array of digital solutions for its cardholders. The RCBC Digital App enables cardholders to have access to up-to-date information on their credit card usage (e.g. credit limit, outstanding balance, due dates, last payment amount, reward points and recent transactions, summary of purchases), hence promoting sustainable and responsible cardholder monitoring and management of spending patterns.

To further enhance customer experience and deepen the drive toward sustainability, RCBC Credit Cards will be issued as recycled cards / environment-friendly cards beginning 2Q2023 to 3Q2023. This is a pioneering innovation that is made possible through RCBC Credit Card's collaboration with its supplier, Thales. The material to be used is known as recycled Polyvinyl chloride or rPVC, an industrial plastic waste from the printing and packaging industry recycled into banking cards.

## 3. Reinforcement of financial stability and business expansion

In June 2021, RCBC approved a Php4.5 Billion (USD89.6 million) partnership deal with Sumitomo Mitsui Banking Corp (SMBC, Japan's second largest bank under the Sumitomo Mitsui Financial Group) which represents a 5% stake in RCBC. In November 2022, RCBC and SMBC announced the approval of SMBC's planned acquisition of an additional 15% stake in RCBC which would result in a Php27.0 Billion capital infusion. The transition is aligned with SMBC's strategy to expand its franchise and strengthen digital banking in Asia. The Bank will be tapping into SMBC's expertise, global best practices and networks to pursue opportunities for various collaborations in, but not limited to:

- **Corporate Banking, Sustainable Finance and Project Finance** - SMBC's extensive resources and broad global network will allow the Bank to take on opportunities in expanding its loan portfolio. The collaboration will also cover Japanese Corporate Clients, where RCBC is a leading market player.
- **Leasing** - Opportunities in the leasing business will be maximized through subsidiary RCBC Leasing and Finance Corp. and Sumitomo Mitsui Finance and Leasing;
- **Consumer Lending (Credit Cards, Automobile, Housing Loans, and unsecured Personal Loans)** –

Leveraging on SMBC's wide range of experience in consumer banking in Asia, not just in Japan but also in other developing countries including Indonesia and Vietnam;

- **Branch Banking** - SMBC will be a partner in transforming the branch experience with digital technology and data-based sales strategies.
- **Wealth Management and Trust** - Working together to develop a wide range of investment opportunities for high net worth clients.
- **Digital** – SMBC's investment will enhance RCBC's digital initiatives which include data science, improvement in customer experience in various channels, digitizing the Bank's office operations and transitioning more into digital banking. This will benefit the Bank's retail and corporate clients with better customer experience, across different ecosystems.

### Climate-related Risks and Opportunities

In November 2022, The World Bank Group's Country Climate and Development Report (CCDR) for the Philippines was released, emphasizing the urgency for the country to implement "vigorous adaptation efforts" to counter the ill effects of climate change. According to the CCDR, lack of action against climate change may lead to "economic damages in the Philippines" estimated to "reach up to 7.6 percent of GDP by 2030 and 13.6 percent of GDP by 2040." The CCDR strongly advocates support for the development of projects on RE, energy efficiency (EE), sustainable transport, as well as the creation of smart cities to alleviate climate change that is seen to adversely affect the country's agriculture and capital-intensive sectors. Among the key points raised in the CCDR on the benefits of RE are as summarized through the following excerpts from the report:

- "An energy transition toward a renewable-energy-dominated power system is technically feasible and will enhance energy security and affordability in the Philippines."
- "Many investments in renewable energy would also be justified solely based on their lower cost—which would allow electricity prices, which are currently much higher than in regional peers, to be brought down."
- "The levelized cost of electricity is projected to decline compared with the 2021 baseline as the power system moves away from coal. This is due to reduced fossil fuel costs, and the declining cost of integrating solar and wind energy sources."

Under the Guidance on the Implementation of Environmental and Social Risk Management (ESRM) System that was issued in September 2022, the BSP "recognizes that climate change and environmental hazards could pose significant risks to the safety and soundness of individual financial institutions and the entire financial system." The Philippine Regulator encouraged banks to evaluate their assets and portfolios "based on their potential impact on the environment" in order to identify necessary "changes in policies, litigations, technological developments and shifts in market sentiment in line with global and national climate objectives and SDGs. This will also inform the development of appropriate and sound risk management and portfolio reallocation strategies in response to potential transition risks."

### **Governance**

The oversight of ESG (Environmental, Social and Governance) is integrated in the Bank's Risk Governance Framework (RGF). This RGF follows a top-down approach whereby the Board of Directors (BOD) takes ultimate accountability for the risks taken and for setting the tolerance level for these risks. The BOD constitutes committees for decision-making in various functions affecting the Bank's over-all business. The ROC (a Board-level Committee) has been tasked to oversee the Bank's ESG and implement the RGF with the Bank's RMG (through PQD) tasked to implement assessments and measures to attain the RGF's objectives.

RCBC's subsidiaries have developed and maintained their own RGFs. RMB and RCBC Leasing and Finance Corporation have been implementing E&S policies which essentially adopt the principles embedded in RCBC's E&S Risk Management.

### **Strategy and Risk Management**

## RCBC Sustainable Finance Strategy

RCBC strongly supports the BSP's call for financial institutions to be enablers of environmentally and socially responsible business decisions. The Bank has implemented its ESMS as part of the Bank's lending process since 2011, almost a decade ahead from the issuance of BSP 1085, while the Bank's Sustainable Finance Framework was developed in April 2019, a first in the Philippine banking industry:

- A. The ESMS Policy is a declaration of the Bank's commitment to sustainable development and management of E&S issues. It subscribes to the IFC Exclusion List and the IFC's eight Performance Standards. (IFC is a shareholder of RCBC; its Performance Standards are a global benchmark for identifying and managing E&S risks.) A monitoring mechanism for addressing potential E&S concerns has proven to be an effective tool in engaging clients to take appropriate action, thereby establishing a shared commitment with RCBC toward sustainable practices. Unresolved concerns over an established monitoring period (if any) are escalated to the ROC for proper guidance / oversight discussions. The Policy was updated in September 2022 to incorporate relevant provisions under BSP Circular 1128 (ESRM Framework). This followed discussions among various teams and Senior Management before the revised Policy was approved by the ROC.
- The ESMS Policy requires all lending relationships or credits, both pipeline and portfolio, to be vetted from an environmental and social risk perspective;
  - The ESMS assessment takes place before a lending decision is made, and continues during the life cycle of the loan agreement with the client. Through RCBC's implementation of the ESMS policy, the Bank is able to share its sustainability principles to help clients stay compliant with E&S regulations.
  - ESMS updates are submitted by the Bank's RMG to the ROC on a monthly basis. E&S portfolio highlights and issues are also presented and discussed with the ROC through the monthly CRO Report.
- B. The RCBC Sustainable Finance Framework articulates the Bank's strategy to prioritize fund raising and lending to priority sectors. Under this Framework, RCBC can issue SFIs to fund loans and projects that have clear environmental and/or social benefits. SFIs include Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, and other debt financing instruments which fund Eligible Green and Social Assets. RCBC's Sustainable Finance Framework subscribes to the global bond standards<sup>5</sup> which are continually updated to remain relevant and connected with global ESG standards:
- RCBC's Framework obtained a Second Party Opinion (SPO) from Sustainalytics which opined that the eligible green and social projects and lending activities defined in the Framework contribute to the decreasing environmental footprint of the Philippines, advancing employment generation, and improving access to essential services of vulnerable groups in Philippines. Under the SPO, Sustainalytics cited RCBC's Framework as "credible and impactful." These documents are published in RCBC's website : [https://www.rcbc.com/uploads/media/RCBC-Sustainable-Finance-Framework\\_FinalApril2019.pdf](https://www.rcbc.com/uploads/media/RCBC-Sustainable-Finance-Framework_FinalApril2019.pdf), <https://www.rcbc.com/uploads/media/RCBC-Sustainable-Finance-Framework-SPO-FINAL.pdf>
  - The Framework prescribes an Exclusionary Criteria which identify certain projects as ineligible for the use proceeds from the SFIs. Foremost of this is fossil fuel power generation – an exclusionary criterion consistent with the ASEAN Green Bond Standards and ASEAN Sustainability Bond Standards.
  - RCBC allocates the proceeds of SFIs to finance and/or refinance loans to customers or its own operating activities. RCBC's Allocation Report discloses the Bank's Eligible Sustainable Portfolio and Sustainable Funding. The report underwent limited assurance procedures by Punongbayan & Araullo (P&A), a member firm of the Grant Thornton International Ltd. Since 2019 until 2021, P&A has confirmed that

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<sup>5</sup> International Capital Market Association ("ICMA") Green Bond Principles 2018 ("GBP"), Social Bond Principles 2018 ("SBP"), Sustainability Bond Guidelines 2018; ASEAN Capital Markets Forum ("ACMF") ASEAN Green Bond Standards 2018, ASEAN Social Bond Standards 2018, ASEAN Sustainability Bond Standards 2018; Loan Market Association ("LMA"), Asia Pacific Loan Market Association ("APLMA") and Loan Syndications and Trading Association ("LSTA") Green Loan Principles 2018

RCBC's application of funds from its green and sustainability bond issuances are in accordance with the Eligibility Criteria described in its Sustainable Finance Framework. (The review of RCBC's 2022 Allocation Report is being undertaken by KPMG.) 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
- RCBC provides disclosures on the benefits of its green and social assets through the issuance of the Annual Impact Report. The report is supplemented by RCBC's Impact Report Video which provides an effective visualization of the contribution of the Bank's lending activities to the environment and the society, effectively combatting climate change. Both the annual Allocation Report and Impact Report are published on RCBC's website (Sustainability page).
  - Since the implementation the Framework in 2019, RCBC has issued USD1.4 Billion in sustainable financing instruments. In February 2022, RCBC launched the country's first green time deposit to promote environmental awareness while saving funds. The continual development of SFIs aim to increase awareness among peer banks and promote a concerted effort toward preventing further damage to the environment and communities.
  - RCBC's total sustainable portfolio consisted of over 8,000 projects as of 31 December 2022. These projects contribute to 12 of the 17 UN SDGs. Funding for RE and EE accounted for more than half of the Bank's total sustainable portfolio and have surpassed the Php39.2 Billion remaining exposure to coal-fired power projects. RCBC is targeting to increase its RE portfolio by 10% to 15% p.a. in the next 12 to 24 months

### Metrics for Climate-Related Risks and Opportunities

RCBC is the first local bank to adopt quantitative global climate risk analyses tools which will enable the Bank to contribute to the Philippine climate action commitment to the Paris Agreement.

#### A. Quantitative Tool for E&S Stress Testing

As approved by the ROC, RCBC entered into an advisory engagement with IFC and 2DII in January 2021 for the use of the Paris Agreement Capital Transition Assessment (PACTA) tool and the climate stress testing modules developed by 2DII. This is the first advisory engagement to be conducted by IFC and 2DII in Asia. The tools enable RCBC to:

- Generate a comparison of the Bank's power generation portfolio versus globally-accepted climate reference scenarios covering short-to-long term time horizons (up to year 2040).
- Perform climate scenario analysis and stress testing to determine the impact of transition risk on the power generation borrowers' probability of default (PD) and the corresponding Expected Credit Loss for the Bank.

Senior Management engagement is practiced by the Bank in the finalization of results generated by the PACTA and climate stress testing tools. The analysis of results is included in RCBC's 2023 ICAAP document.

#### B. Quantitative Tool for E&S Risk Monitoring Through GHG Emission Reporting

Following the ROC approval in September 2021, RCBC became the first Philippine bank to participate in PCAF, an initiative among financial institutions worldwide to enable harmonized assessments and disclosures of GHG emissions financed by loans and investments<sup>6</sup>. RCBC completed the PCAF on-boarding training program in early October 2021. RCBC's participation in PCAF is a decisive step in understanding the climate risk arising

<sup>6</sup> GHG emission assessment is advocated under BSP Circular 1149.

from the businesses that the Bank supports, hence providing a baseline assessment of the Bank's indirect climate impact. As a PCAF participant, RCBC commits to disclose the GHG emissions of its portfolio within three years from joining the organization.

## Financial Intermediation

### Loan Portfolio

The concentration of credit as to industry as of December 31, 2022 follows<sup>7</sup>:

Economic Activity	Amount (Php M)	%
Consumer	158,481	28%
Real estate, renting and other related activities	80,276	18%
Electricity, gas and water	73,970	14%
Wholesale and retail trade	69,080	11%
Manufacturing (various industries)	50,441	11%
Transportation and communication	49,605	8%
Financial intermediaries	39,878	7%
Agriculture, fishing, and forestry	5,285	1%
Hotels and restaurants	4,616	1%
Other community, social and personal activities	2,817	-
Mining and quarrying	1,193	-
Others	7,704	1%
<b>Total</b>	<b>543,346</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 the Bank's clients' operations</li> </ul>
Public, Inc. media	<ul style="list-style-type: none"> <li>- Reduction of environmental and social impacts from the Bank's clients' operations – potential reputational impact</li> </ul>

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

Indirect E&S impacts may arise from the nature of businesses that RCBC supports through its lending activities.

#### Management Approach to Impact

<sup>7</sup> Notes to Financial Statements, December 31, 2022



In accordance with the ESMS Policy, all credit proposals for loans and other credit accommodations from RCBC need to go through E&S risk initial screening, due diligence and impact assessment. Only activities or projects which pass the E&S risk and impact assessment shall be eligible for financing.

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

The operations of borrowers supported by RCBC may have negative E&S impacts.

### **Management Approach to Risks**

E&S risk mitigation in the Bank's loan portfolio is handled by the ESMS function which provides oversight on the implementation of RCBC's ESMS Policy.

The ESMS of RCBC requires that all lending relationships/credits, both pipeline and portfolio, are vetted from an E&S risk perspective. The ESMS is implemented to safeguard lending operations from exposure to activities with identified E&S risks. The ESMS Policy goes through a comprehensive review process on a regular basis to ensure its alignment with relevant BSP Circulars and E&S regulations. Policy updates were implemented in September 2022 to primarily incorporate certain requirements of BSP Circular 1128. The ESMS Policy is published on the Bank's Online Library and is accessible to all employees.

In accordance with the ESMS Policy, all credit proposals are screened using the applicable requirements – the IFC Exclusion List (for environmentally and socially sensitive sectors), relevant 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), protection of cultural heritage, health, human and labour rights, safety and social issues, and any standards established therein. ERCs are assigned to accounts, and credit approvals obtained in accordance with requirements depending on the confirmed ERC. Based on the initial assessment of relationship managers (first line of defense), an account is risk-classified as ERC A (high), B (medium), or C (low) in consideration of the type and scale of potential impacts of the respective account's operations. The ERC classification is validated or confirmed by the ESRO, the second line of defense, who has the authority to override first line E&S risk assessment, if warranted. Validated ERC assessments are eventually included in the regular review of Internal Audit (third line of defense). The ERC assessment takes place before a lending decision is made, and continues during the life cycle of the loan agreement with the client. Applicable environmental covenants are also incorporated in the loan/credit agreement and these are periodically evaluated and monitored to ensure compliance.

To ensure faithful compliance with the ESMS Policy, the Bank has ESROs equipped with the expertise to conduct appropriate E&S review and assessments. The ESRO function is part of RCBC PQD's Sustainable Finance team that oversees the effective implementation of the ESMS Policy. The ESROs conduct learning sessions on the ESMS Policy implementation to ensure that the updates are communicated to the internal stakeholders. At least four ESMS trainings are conducted per year for the Bank's relationship managers.

The ESMS Policy subscribes to IFC's 8 Performance Standards, as follows, to benchmark projects or business activities on. These are applied in the assessment of medium- and high-risk accounts as measures of enhanced due diligence:

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

Environmental and social due diligence (ESDD) conducted through site visits or desktop reviews by the ESRO is integral to the assessment of high risk accounts. RCBC explains the importance of the ESDD process to clients and other stakeholders, and requires them to engage in activities that meet the Bank's sustainability standards. By means of RCBC's follow-through ESDD with its clients (18-24 month cycle), the Bank is able to validate the closure of previous ESDD findings by the next cycle of RCBC's evaluation, hence providing a proper monitoring mechanism for addressing

potential E&S concerns. The actions taken by the clients affirm the development of the clients' shared commitment with RCBC toward sustainable practices.

Transactions which may be complex or have potential E&S concerns as well as those with unresolved matters over an established monitoring period are escalated for higher level review and discussion. The implementation of the Bank's ESMS and the continual monitoring required under the Policy help create long-term solutions to E&S issues – mitigating negative effects on the environment and affected communities, and enhancing sustainable development impacts.

#### What are the opportunities identified?

RCBC is committed to promoting sustainable business practices and furthering sustainable finance.

#### Management Approach to Opportunities

RCBC's sustainable portfolio is growing and continues to be ahead of the Bank's erstwhile investments in coal and other fossil fuel energy assets. The Bank's Eligible Sustainable Portfolio accounted for approximately 12% of total loan portfolio as of end-Dec 2022, higher than the 6% share of coal exposures and the 10% share of ERC A accounts.

Regular monitoring and reporting of eligible green and eligible social assets through the accomplishment of the Allocation Report is undertaken by the Sustainable Finance Officers who are part of RCBC PQD's Sustainable Finance team. Periodic Allocation Reports are submitted and presented to the ROC, the Asset and Liability Committee, (both monthly) and to the Sustainable Finance Committee (quarterly). These provide regular tracking of opportunities to further asset growth and/or fund raising through SFIs.

## Procurement Practices

### Proportion of Spending on Local Suppliers

Disclosure (January 1 – December 31, 2022)		Quantity	Units
Percentage of procurement spending (actual payments) used for significant locations of operations that is spent on local suppliers		94.18	%
Which stakeholders are affected?			
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to proportion of spending on local suppliers)		
Management	- Local sourcing can be a strategy to help ensure supply		
Community	- Payments to locally-based suppliers – economic inclusion as positive impact - Local sourcing can support a stable local economy and maintain community relations - By supporting local suppliers, an organization can indirectly attract additional investment to the local economy		
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. The Bank selects locally-based suppliers and promotes economic inclusion when selecting suppliers.			
What are the risks identified?			
Limiting procurement to only local suppliers may not necessarily result in lower 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.
<b>What are the opportunities identified?</b>
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.
<b>Management Approach to Opportunities</b>
RCBC supports the local economy and community. The Bank selects locally-based suppliers and promotes economic inclusion in its procurement practices.

## Business Ethics

### Training on Anti-corruption Policies and Procedures

<b>Disclosure (January 1 – December 31, 2022)</b>	<b>Quantity</b>	<b>Units</b>
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners <sup>8</sup> to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of management that have received anti-corruption	100 <sup>9</sup>	%
<b>Disclosure (January 1 – December 31, 2022)</b>	<b>Quantity</b>	<b>Units</b>
Training: Percentage of employees that have received anti-corruption training	100	%

### Incidents of Corruption

<b>Disclosure (January 1 – December 31, 2022)</b>	<b>Quantity</b>	<b>Units</b>
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	#
<b>Which stakeholders are affected?</b>		
<b>Stakeholder</b>	<b>Issues That Influence Their Assessments and Decisions (in relation to business ethics and anti-corruption)</b>	
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 combating 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 combating 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 combating corruption</li> <li>- Protection of deposits</li> </ul>	

<sup>8</sup> In this context, the term 'business partners' includes suppliers and customers/clients.

<sup>9</sup> Conducted via regular and compulsory e-Learning courses and examinations for all employees and those with direct contracts with RCBC

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 combating corruption</li> <li>- Protection of employees</li> </ul>
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 combating 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 combating 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?**

RCBC's cultivation of corporate culture is strongly founded on honesty and integrity. The Bank's training programs on anti-corruption policies and procedures as well as disclosures on the Bank's response to incidents of corruption result to the following:

- Increased capacity to prevent and combat corruption
- Awareness of how serious the organization is on combating corruption

#### **Management Approach to Impact**

RCBC conducts regular training 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.

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

The risk of employees engaging in corrupt activities cannot be completely eliminated. Actual incidents of corruption may harm the Bank's reputation.

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

RCBC strictly implements anti-corruption policies to prevent any corruption incident. The Bank conducts training 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.

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 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 Bank. 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. The document is published on the Bank's website - [https://www.rcbc.com/uploads/media/Code-of-Conduct-\(Rev.pdf\)](https://www.rcbc.com/uploads/media/Code-of-Conduct-(Rev.pdf))

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

#### **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 YGC Open Communication system at [www.rcbc.com/TalktoUs](http://www.rcbc.com/TalktoUs) - a confidential and anonymous reporting system for the YGC.

The Bank's HRG monitors all Whistleblowing reports and shall report potential fraud cases to the Corporate Governance Committee. The Whistleblowing Policy provides that the HRG shall monitor all reported cases, and shall make a quarterly report to the Corporate Governance Committee on the number of reports received, actions taken and the latest status of each case.

#### **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 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 with AML/ Counter-Terrorism Financing (CFT) related regulations is the review and 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 on-going process of re-framing the Bank's Compliance Program.

#### **Internal Audit:**

To promote and strengthen checks and balances in the Bank, RCBC promotes sound internal controls and gives due recognition to the importance of the internal audit function. On the basis of the Audit and Compliance Committee's approved audit plans, internal audit examinations of the business units are conducted between one to three years. These examinations are based on the derived level of risk using a systematic, risk-based approach to evaluate and improve the adequacy and effectiveness of governance, risk management, control systems, and processes through which the Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are appropriate, adequate, effective and complied with. This approach generally includes an assessment of significant risk exposures and adequacy of the risk management process, adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, safeguarding of assets and compliance with the Bank's Code of Conduct, policies and documented procedures, contracts, laws, rules and regulations.

#### **Related Party Transactions (RPT):**

To align with the 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, RCBC has updated the Bank's Policy on Related Party Transactions on July 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, 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;
- 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>10</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 RPT Committee and RPT Management Committee: 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) versus 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 Board 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. Excluded transactions are RPTs that, regardless of the amount involved, are exempted from vetting, approval and reporting but still subject to other RPT requirements, such as:

- 1) Deposit operations;
- 2) Investment in bonds issued by the Government of the Philippines, its political subdivisions and its instrumentalities

The Bank’s RPT policy shall be reviewed by the RPT Committee and approved by the Board every three (3) years or as necessary whenever there are any related amendments. The latest version of the Bank’s RPT policy has been reviewed

<sup>10</sup> For stockholders, close family members refer to relative’s 2<sup>nd</sup> degree relatives of consanguinity and affinity.

and approved in September 2022 to incorporate key changes on exemption of the sale of bank properties from prior vetting and endorsement by the RPT Committee. This updates the following list of transactions exempted from the vetting, approval and reporting requirements of RPTs provided that the amount involved in the transaction is less than the SEC Material RPT threshold (10% of the combined assets of the RCBC Group, based on the latest audited financial statements):

- 1) Regular trade transactions involving purchases and sales of debt securities traded in an active market. However, subject to post-reporting to the RPT Committee;
- 2) RPTs covered under the Trust and Investment Group's RPT Policy. (Refer to ANNEX C of the RPT Policy published on the Bank's website: <https://www.rcbc.com/uploads/media/20221010-SEC-Form-17-18-Updated-Related-Party-Transactions-Policy-1.pdf>)
- 3) Pre-approved Treasury Transactions covered by the Policy on Related Party Transactions covering Treasury Deals. (Refer to ANNEX D of the RPT Policy);
- 4) Credit card availments, except those with credit card lines with amounts falling under the definition of "material transactions";
- 5) Availments under the BSP-approved fringe benefit program;
- 6) Transactions that do not present a real risk of potential abuse, i.e. sale of fully depreciated assets; and
- 7) Sale of bank properties (e.g., repossessed cars and real estates) to related parties done through competitive/public bidding or auction. It is emphasized that the loan component of the sale, if any, is NOT covered by this amendment.

In case the amount involved in the transaction shall reach the SEC Material RPT threshold, the transaction shall be subject to the vetting, approval and reporting requirements of RPTs, including the following processes:

- 1) The Board of Directors shall appoint an external independent party to evaluate the fairness of the terms of the material RPT. An external independent party may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers.
- 2) An Advisement Report shall be filed with the SEC within 3 calendar days after the execution date of the transaction. The Advisement Report shall be signed by the Corporate Secretary.

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 Bank. 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.

The Bank continues to encourage employees to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal unethical or questionable RPTs. For this purpose, the Bank's Whistleblowing Policy shall apply. 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 profound adherence to business ethics has provided the Bank with a very solid foundation for consistent growth, stakeholder confidence, and competitive edge. The internal audit activity, in particular, is adding value to the Bank through the audit reports which summarized the risk exposures and control issues and provides recommendations in order to improve the governance, risk management, and control processes which will contribute to the achievement of the Bank's overall objectives.

**Management Approach to Opportunities**

The internal auditors have free and full access to all the Bank's records, properties, and personnel relevant to the internal audit activity. The Bank's internal audit function has its continuing professional development policy which encourages and supports internal auditors to be continually abreast with relevant skills, knowledge and information through trainings and certification programs to ensure that everyone will be able to adequately carry out their duties and responsibilities.



Annually, the Internal Audit Group submits to the HRG a training plan which includes the relevant trainings and certification programs needed by the internal auditors for the specific year. The Bank continuously conducts trainings and provides 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, 2022)	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	3,496 <sup>11</sup>	GJ
Energy consumption (electricity)	RCBC Plaza <sup>12</sup> : 954,380 <sup>13</sup> A.T. Yuchengco Centre: 1,410,074 Branches: 10,922,994	kWh

#### Reduction of Energy Consumption

Disclosure (January 1 – December 31, 2022)	Quantity	Units
Energy reduction (renewable sources)	0	GJ
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	0	GJ
Energy reduction (electricity)	0 <sup>14</sup>	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 - Suppliers’ 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

#### What is the impact and where does it occur? What is the organization’s involvement in the impact?

<sup>11</sup> This pertains to generator sets which make use of diesel.

<sup>12</sup> In this context, the data refers to direct meter measurements from RCBC banking floors and bank-owned properties: Grepalife and Alabang Warehouse.

<sup>13</sup> Data for RCBC Plaza has been updated to reflect only the RCBC banking floors with direct meter measurements compared to reported consumption last year estimated from billings.

<sup>14</sup> Energy reduction (electricity) recalculated using the RCBC Plaza banking floors with direct measurements similar to the current method instead of the previously report 2021 Sustainability Report.

Efficient energy consumption within RCBC's operations can translate to energy savings. This, in turn, can contribute to possible reduction in the country's significant reliance on fossil fuel-based energy.

#### Management Approach to Impact

- RCBC continues to support the principles behind its Leadership in Energy and Environmental Design (LEED) certification (RCBC Plaza in Makati is a LEED-certified gold building, refer to: <https://www.usgbc.org/projects/rcbc-plaza>). Energy conservation measures are applied in the Bank's day-to-day operations. RCBC ensures that it maintains its LEED Gold certification by spending on annual LEED consultation fees to comply with the climate adaptation requirements of the building.
- RCBC instills the discipline and promotes the benefits of being mindful of sustainability practices through the completion of the internally-developed United Nations Sustainable Development Goals (UN SDGs) E-Learning in 2022. This is a mandatory online course for all employees on environmental protection by fostering energy conservation, among others, at a personal and at a corporate level.

#### What are the risks identified?

GHG emissions from the generation of electricity contribute to global warming and climate change. Inefficient management of energy use can 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

- Efficient energy consumption is one of the underlying objectives of cost control measures such as those issued by the Bank's Budget Committee in May 2021. These include guidelines on containing operating expenses through commitments on environmental responsibility and resource efficiency. The initiatives in support of these guidelines include switching to LED lighting systems and the application of energy-saving mechanisms in the office elevators. As more RCBC branches open in the country, it is necessary to continue to monitor overall consumption in a way that energy efficiency is practiced.
- The objective of reducing global warming is ingrained in a larger scale within RCBC's Sustainable Finance Framework which supports investments in RE. This is aligned with RCBC's declaration to cease funding of the construction of new coal power plants in the Philippines, with coal technology known to release more GHG per unit of energy produced (and hence increased global warming) compared to other electricity sources.

#### What are the opportunities identified?

- Redesigning of offices / branches to further promote energy efficiency practices
- Continued knowledge-dissemination / awareness program on the relevance of efficient energy consumption to the Bank's operations and to one's day-to-day activities
- Development of understanding of carbon footprint and its relation to energy consumption

#### Management Approach to Opportunities

RCBC remains committed to action towards operational efficiency leading to conservation of energy and other energy efficient technologies.

For the second straight year, the Sustainability e-learning material has been incorporated into the annual Bank-wide learning programs. This e-learning course is mandatory for all employees (from senior management to rank and file) and is accessible to the Board of Directors. This is considered instrumental in promoting deeper understanding of how energy consumption generates carbon footprint and increases GHG emissions. The 2022 Sustainability e-learning also facilitates a global learning experience as energy consumption and other related activities are explained within the context of attaining the UN SDGs.

### Water Consumption Within the Organization

Disclosure (January 1 – December 31, 2022)	Quantity	Units
Water withdrawal	0	Cubic meters



Water consumption	RCBC Plaza: 157,798 <sup>15</sup> A.T. Yuchengco Centre: 8,509 Branches: 77,752	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	- Changes in the organization’s water consumption versus supply availability	
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?		
Efficient water consumption in the Bank’s operations can translate to savings, thereby contributing to preserving water as a limited resource.		
Management Approach to Impact		
<ul style="list-style-type: none"><li>- RCBC continues to support the principles behind its LEED certification (RCBC Plaza in Makati is a LEED-certified gold building). Water conservation measures are applied in the Bank’s day-to-day operations.</li><li>- RCBC instills the discipline and promotes the benefits of being mindful of sustainability practices through the completion of the internally-developed E-Learning on the UN SDGs in 2022. This is a mandatory online course for all employees on environmental protection by fostering water conservation, among others, at a personal and at a corporate level.</li></ul>		
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		
<ul style="list-style-type: none"><li>- Responsible water consumption is one the underlying objectives of cost control measures such as those issued by the Bank’s Budget Committee in May 2021. These include guidelines on containing operating expenses through commitments on environmental responsibility and resource efficiency. The initiatives in support of these guidelines include proper use of faucets and responsible consumption of drinking water.</li><li>- The objective of promoting responsible water consumption is ingrained in a larger scale within RCBC's Sustainable Finance Framework which supports investments in Sustainable Water Management for clean water wastewater treatment, consumption, sustainable urban drainage systems, and other forms of flooding mitigation.</li></ul>		
What are the opportunities identified?		
<ul style="list-style-type: none"><li>- Continued knowledge-dissemination / awareness program on the relevance of responsible water consumption to the Bank’s operations and to one’s day-to-day activities</li><li>- Development of understanding of social responsibility and its relation to preservation of natural resources</li></ul>		
Management Approach to Opportunities		

<sup>15</sup> For RCBC Plaza, the available water consumption data pertain to the entire premise of the building not just the RCBC-occupied floors. For reference, the water consumption for the entire premise in 2021 is 178,976 cubic meters.

- RCBC remains committed to action towards operational efficiency including responsible water utilization and conservation.
- The Sustainability e-learning material has been added into the annual Bank-wide learning programs since 2021. This Sustainability e-learning course is mandatory for all employees (from senior management to rank and file) and is accessible to the Board of Directors. This is considered instrumental in promoting deeper understanding of how water conservation exemplifies social responsibility in support of sustainability. The 2022 Sustainability e-learning also facilitates a global learning experience as water consumption and other related activities are explained within the context of attaining the UN SDGs.

### **Materials Used by the Organization**

Disclosure (January 1 – December 31, 2022)		Quantity	Units
Materials used by weight or volume <sup>16</sup>			
• Renewable		1,029,229 <sup>17</sup>	kg/liters
• non-renewable		564	kg/liters
Percentage of recycled input materials used to manufacture the organization’s primary products and services <sup>18</sup>		97.01%	%
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	- Changes in the organization’s resource consumption versus supply availability		
Community, inc. environmental NGOs	- Environmental effects of materials used and practices employed by suppliers		
Which stakeholders are affected?			
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?			
There is indirect impact brought about by RCBC’s relations with its suppliers.			
Management Approach to Impact			
RCBC ensures that suppliers uphold sustainability standards and practices including compliance with Philippine laws. The supplier’s environmental performance is observed during site visits. RCBC is able to influence suppliers to be sustainable through the supplier accreditation processes.			
What are the risks identified?			
The adverse environmental effects of a supplier’s operations can impact the cost of its output and may be detrimental to the continuity of its operations. Aside from this, any negative impacts may lead to public outcry and/or government-initiated stoppage/revocation of business license. These cost implications and possible disruption will ultimately affect the Bank’s operations as receiver of the supplier’s services / products.			
Management Approach to Risks			
Due diligence prevents and mitigates negative impacts in the supply chain. Suppliers are assessed for a range of criteria. RCBC initiates due diligence as early as possible in the development of a new relationship with a supplier. Impacts may be			

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

<sup>17</sup> Rectification for 2021 is noted for Materials Used – the reported renewable materials should be 1,004,998.40 kgs.

<sup>18</sup> This includes printed forms, check books, check vouchers, envelopes, and tempus calendars procured from suppliers.

prevented or mitigated at the stage of structuring contracts or other agreements, as well as via on-going collaboration with suppliers. The assessment of vendors includes their sustainability initiatives, inspection of facilities and policies relating to the vetting of vendors.

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

Opportunities relate to improvements in RCBC's existing supply chain management as well as the avoidance of negative environmental and reputational impacts on the supply side. These can include changing the organization's procurement practices, adjusting performance expectations, capacity building, training, changes to processes, as well as terminating supplier relationships with those that are non-compliant.

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

RCBC continues to improve its existing supply chain procedure to avoid negative environmental and reputational impacts. The Bank employs sustainability-related questionnaires in the accreditation/vetting process of vendors. Furthermore, the YGC holds information campaigns geared towards vendors regarding YGC's sustainability initiatives.

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

<b>Disclosure (January 1 – December 31, 2022)</b>	<b>Quantity<sup>19</sup></b>	<b>Units</b>
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>20</sup> Red List species and national conservation list species with habitats in areas affected by operations	None	

#### **Which stakeholders are affected?**

<b>Stakeholder</b>	<b>Issues That Influence Their Assessments and Decisions (in relation to ecosystems and biodiversity)</b>
Government – DENR	<ul style="list-style-type: none"> <li>- Compliance with environmental laws and regulations</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?**

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 the Bank's clients, however, may be such, and the clients' operations may have negative environmental impacts.

#### **Management Approach to Impact**

In accordance with the ESMS Policy, 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.

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

The operational sites of RCBC's 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. This may lead to negative environmental impacts.

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

<sup>19</sup> Refer to the discussion on Impact

<sup>20</sup> International Union for Conservation of Nature

The ESMS Policy adheres to the guidelines of the DENR-EMB. In addition, 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 | 5. Land Acquisition and Involuntary Resettlement                                    |
| 2. Labor and Working Conditions  | 6. Biodiversity Conservation and Sustainable Management of Living Natural Resources |
| 3. Resource Efficiency and Pollution Prevention                            | 7. Indigenous Peoples   |
| 4. Community Health, Safety, and Security                                  | 8. Cultural Heritage  |

#### What are the opportunities identified?

Adhering to the protection of ecosystems and biodiversity promotes sustainable business practices.

#### Management Approach to Opportunities

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

## Environmental Impact Management

### Air Emissions: GHG

Disclosure (January 1 – December 31, 2022)	Quantity	Units
Direct (Scope 1) GHG Emissions	0	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions	9,463.58 <sup>21</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 regulations – potential reputational impact that may lead to divestment
Government – DENR	- Compliance with environmental laws and regulations - 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 energy consumption.

#### Management Approach to Impact

Refer to details on Energy Consumption Within the Organization

#### What are the risks identified?

Refer to details on Energy Consumption Within the Organization

<sup>21</sup> RCBC Plaza (including Grepalife and Alabang Warehouse), 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>). The apparent decrease in Scope 2 GHG emissions is due to recalibration of the measurements used specific to RCBC banking floors only. Please refer to footnotes 13 and 14 under Energy Consumption.

<b>Management Approach to Risks</b>
Refer to details on Energy Consumption Within the Organization
<b>What are the opportunities identified?</b>
Refer to details on Energy Consumption Within the Organization
<b>Management Approach to Opportunities</b>
Refer to details on Energy Consumption Within the Organization

### Air Pollutants

<b>Disclosure (January 1 – December 31, 2022)</b>	<b>Quantity<sup>22</sup></b>	<b>Units</b>
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

<b>Which stakeholders are affected?</b>	
<b>Stakeholder</b>	<b>Issues That Influence Their Assessments and Decisions (in relation to management of air pollutants)</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 air pollutants in its operations. The Bank's clients, however, may be generating this negative impact on the ecosystem as part of their production process.

<b>Management Approach to Impact</b>
Refer to details on Ecosystems and Biodiversity (Whether in Upland/Watershed or Coastal/Marine)

<b>What are the risks identified?</b>
The Bank's clients may be generating air pollutants in their operations. The Bank may have indirect impact to the environment.

<b>Management Approach to Risks</b>
<b>Environmental and Social Management System (ESMS):</b> The ESMS Policy adheres to the guidelines of the DENR-EMB. In addition, 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) that may be mapped against the requirements of the Philippine Clean Air Act for pollution prevention:

<sup>22</sup> Refer to discussion of impact.

1. Assessment and Management of Environmental and Social Risks and Impacts	5. Land Acquisition and Involuntary Resettlement
2. Labor and Working Conditions	6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
3. Resource Efficiency and Pollution Prevention	7. Indigenous Peoples
4. Community Health, Safety, and Security	8. Cultural Heritage
<b>What are the opportunities identified?</b>	
Refer to details on Ecosystems and Biodiversity (Whether in Upland/Watershed or Coastal/Marine)	
<b>Management Approach to Opportunities</b>	
Refer to details on Ecosystems and Biodiversity (Whether in Upland/Watershed or Coastal/Marine)	

## Solid and Hazardous Wastes:

### Solid Waste

Solid Waste		
Disclosure (January 1 – December 31, 2022)	Quantity <sup>23</sup>	Units
Total solid waste generated	RCBC Plaza: 408,042 A.T. Yuchengco Centre: 63,120	kg
Reusable	0	kg
Recyclable	RCBC Plaza: 172,225	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	RCBC Plaza: 235,817 A.T. Yuchengco Centre: 63,120	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 regulations – potential reputational impact that may lead to divestment	
Government – DENR	- Compliance with environmental laws and regulations - 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?		

<sup>23</sup> Solid waste data pertains to the entire premise of the building not just the RCBC-occupied floors. This is comparable with previous years' solid waste disclosures for the respective buildings.

The generation, treatment, and disposal of waste, including its improper transportation, can pose harm to human health and the environment.
<b>Management Approach to Risks</b>
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.
<b>What are the opportunities identified?</b>
<ul style="list-style-type: none"> <li>- Digitization of banking transactions and redesign of offices / branches to promote waste reduction</li> <li>- Continued knowledge-dissemination / awareness campaign on the benefits of waste reduction as part of environmental protection and social responsibility</li> <li>- Development of understanding of carbon footprint and its relation to tree-cutting for paper production / consumption</li> </ul>
<b>Management Approach to Opportunities</b>
<ul style="list-style-type: none"> <li>- RCBC will continue to implement initiatives aimed at operational efficiency and digitization, including waste reduction / paper consumption. These include employees being encouraged to apply double-sided printing and lessening plastic waste.</li> <li>- RCBC's customer banking experience has promoted ZERO forms to fill out<sup>24</sup>, hence significantly decreasing paper usage.</li> <li>- The Sustainability e-learning material has been added into the annual Bank-wide learning programs since 2021. This Sustainability e-learning course is mandatory for all employees (from senior management to rank and file) and is accessible by the Board of Directors. This is considered instrumental in promoting deeper understanding of carbon footprint/GHG emissions and how these can be reduced through preservation of forests, proper waste segregation, and recycling of waste. The 2022 Sustainability e-learning also facilitates a global learning experience as water consumption and other related activities are explained within the context of attaining the UN SDGs.</li> <li>- 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 Project Categories.</li> </ul>

## Hazardous Waste

Disclosure (January 1 – December 31, 2022)		Quantity	Units
Total weight of hazardous waste generated		-	kg
Total weight of hazardous waste transported		-	kg
Which stakeholders are affected?			
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to hazardous waste management)		
Stockholders	- Compliance with environmental laws and regulations – potential reputational impact that may lead to divestment		
Government – DENR	- Compliance with environmental laws and regulations - 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?			

<sup>24</sup> Additional one form to fill out and sign if client applies for a Hexagon Club Membership (i.e. Hexagon Enrollment Form)



RCBC does not generate hazardous waste in its operations. The Bank’s clients, however, may be generating hazardous waste that is harmful to the environment (indirect impact).								
<b>Management Approach to Impact</b>								
Refer to details under Ecosystems and Biodiversity (Whether in Upland/Watershed or Coastal/Marine)								
<b>What are the risks identified?</b>								
The operations of RCBC’s clients may be generating hazardous wastes which are harmful to the environment.								
<b>Management Approach to Risks</b>								
<b>Environmental and Social Management System (ESMS):</b> The ESMS Policy adheres to the guidelines of the DENR-EMB. In addition, 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): <table><tr><td>1. Assessment and Management of Environmental and Social Risks and Impacts</td><td>5. Land Acquisition and Involuntary Resettlement</td></tr><tr><td>2. Labor and Working Conditions</td><td>6. Biodiversity Conservation and Sustainable Management of Living Natural Resources</td></tr><tr><td>3. Resource Efficiency and Pollution Prevention</td><td>7. Indigenous Peoples</td></tr><tr><td>4. Community Health, Safety, and Security</td><td>8. Cultural Heritage</td></tr></table> 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.	1. Assessment and Management of Environmental and Social Risks and Impacts	5. Land Acquisition and Involuntary Resettlement	2. Labor and Working Conditions	6. Biodiversity Conservation and Sustainable Management of Living Natural Resources	3. Resource Efficiency and Pollution Prevention	7. Indigenous Peoples	4. Community Health, Safety, and Security	8. Cultural Heritage
1. Assessment and Management of Environmental and Social Risks and Impacts	5. Land Acquisition and Involuntary Resettlement							
2. Labor and Working Conditions	6. Biodiversity Conservation and Sustainable Management of Living Natural Resources							
3. Resource Efficiency and Pollution Prevention	7. Indigenous Peoples							
4. Community Health, Safety, and Security	8. Cultural Heritage							
<b>What are the opportunities identified?</b>								
Refer to details under Ecosystems and Biodiversity (Whether in Upland/Watershed or Coastal/Marine)								
<b>Management Approach to Opportunities</b>								
Refer to details under Ecosystems and Biodiversity (Whether in Upland/Watershed or Coastal/Marine)								

## Effluents

Disclosure (January 1 – December 31, 2022)		Quantity	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 regulations – potential reputational impact that may lead to divestment		
Government – DENR	- Compliance with environmental laws and regulations - 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?			
Refer to details under Ecosystems and Biodiversity (Whether in Upland/Watershed or Coastal/Marine)			
Management Approach to Impact			
Refer to details under Ecosystems and Biodiversity (Whether in Upland/Watershed or Coastal/Marine)			
What are the risks identified?			
RCBC’s 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> In accordance with the ESMS Policy, 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.
<b>What are the opportunities identified?</b>
Refer to details under Ecosystems and Biodiversity (Whether in Upland/Watershed or Coastal/Marine)
<b>Management Approach to Opportunities</b>
Refer to details under Ecosystems and Biodiversity (Whether in Upland/Watershed or Coastal/Marine)

## Environmental Compliance

### Non-compliance with Environmental Laws and Regulations

Disclosure (January 1 – December 31, 2022)		Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations		50,000 <sup>25</sup>	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	- Monetary fines - Non-monetary sanctions		
Stockholders	- Compliance with environmental laws and regulation – potential reputational impact that may lead to divestment		
Customers/Clients	- Interruption of business /operations due to breach of environmental laws/regulations - Reputational impact		
Employees	- Interruption of business /operations due to breach of environmental laws/regulations - Reputational impact		
Government – DENR / Regulators	- Compliance with environmental laws and regulation - Ability to conform to certain performance parameters - Concern for environmental protection		
Community, inc. environmental NGOs	- Reduction of environmental impacts - Concern for environmental protection		
Public, inc. media	Compliance with environmental laws and regulation, ability to conform to certain performance parameters, 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 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?			

<sup>25</sup> The amount paid pertains to penalties imposed on three branches for various findings such as non-registration, non-submission of environmental reports / certified true copies of permits, and failure to appoint Pollution Control Officer.

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 fulfill 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 secure 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, 2022)		Quantity	Units
Total number of employees		5,717	#
a. Number of female employees		3,672	#
b. Number of male employees		2,045	#
Attrition rate <sup>26</sup>		16.82%	rate
Ratio of lowest paid employee against minimum wage		1.004 : 1	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>		
Gov't – 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>		

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

Public, inc. media	- Ability to attract and retain diverse, qualified employees; inclusive recruitment practices; satisfaction among employees; equity in the workplace – potential reputational impact
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### **Employee Benefits**

List of Benefits (January 1 – December 31, 2022)	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y		
Maternity/Paternity	Y	5	-
Sickness	Y	6	4
Salary Loan	Y	23	17
PhilHealth	Y	12	7
Pag-ibig Loan	Y	14	10
Parental leaves	Y	1	3
Vacation leaves	Y	83	84
Sick leaves	Y	66	58
Medical benefits (aside from PhilHealth)	Y	114	80
Housing assistance (aside from Pag-ibig)	Y	0.082	
Retirement fund (aside from SSS)	Y	4	5
Further education support	N	-	-
Company stock options	N	-	-
Telecommuting	Y	32	22
Flexible-working Hours	N	-	-

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to employee benefits)
Stockholders	- Satisfaction among employees – efficiency and quality of service provided by employees
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
Govt – 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 and retain 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?
Effective employee management leads to satisfaction among RCBC's employees and equity in the workplace.
Management Approach to Impact

## RCBC's Most Important Asset: Its People

In support of the Bank's growth strategy and plans, the 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, and corporate social responsibility. RCBC invests 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 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.** 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 manage the Bank's attrition rate at 16.82% which is slightly 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.

**Human Resource Information System:**

HRG maintains and manages the Bank's Human Resource Information System (HRIS) where all employee data (from hiring to separation) are inputted and stored. Even prior to the pandemic, the HRIS had already been set-up and available for employees to access offsite. As such, the pandemic did not constrain HRG from providing the best service to employees. As an example, by using the HRIS, HRG was able to record the employees' COVID-19 vaccination details (dates, provider, vaccination card, etc.) and was able to generate real time data for analysis anytime.

**What are the risks identified?**

While RCBC constantly improves its employee benefit packages, employees may deem those of other companies to be more attractive.

**Management Approach to Risks**

RCBC invests 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. RCBC constantly improves its 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 November 2021, the Bank (not including its subsidiaries) and the RCBC Employees Association peacefully agreed on the 3-year economic provisions and the 5-year non-economic terms of the CBA for the period 01 October 2021 to 30 September 2026.

**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**

RCBC immediately adopts all new benefits as mandated by law. For example, RCBC has implemented the new maternity leave benefit, applicable to all employees, announcing it through the Bank's internal network messaging platform. With this, the Bank's employees know that RCBC is immediately compliant with the new benefits and the Bank encourages qualified employees to avail of these.

## Employee Training and Development

Disclosure (January 1 – December 31, 2022)	Quantity	Units
Total training hours provided to employees	1,233,830	hours
a. Female employees	789,651	hours
b. Male employees	444,179	hours
Average training hours provided to employees	216	hours/employee
a. Female employees	138	hours/employee

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

b. Male employees		78	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		
Which stakeholders are affected?			
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to employee training and development)		
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 and retain 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, his/her development is held back. RCBC therefore commits to provide as many programs as possible for each employee to undergo.			
Management Approach to Impact			
<b>RCBC’s Most Important Asset: Its People</b>			
In support of the Bank’s growth strategy and plans, the 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 and corporate social responsibility.			
The Bank invests in training and developing employees, and upgrading employee skills. The Bank is fully committed to providing learning and development opportunities across all job levels. Management has introduced and offered various training programs and seminars. In 2022, learning sessions were mostly done on-line and there were more than 15,256 attendees to both internal and external trainings. A total of 63,793 eLearning courses were recorded as taken by the employees in 2022.			
<b>Investment in People: Learning and Development</b>			
RCBC is committed to provide a strong learning and development platform for all employees across all job levels. The HRG continued to strengthen the talent pipeline and brought further competencies on the job by facilitating various training programs and seminars benefiting 13,890 (internal virtual training) attendees, addressing the competencies of Leadership, Customer Service, Sales Planning and Management, Product and Technical Knowledge, Risk Management, AML/Compliance, while a total of 43 participants were enrolled in a number of specialized/IT external training programs. A total of 1,323 employees were also sent to various external training programs.			



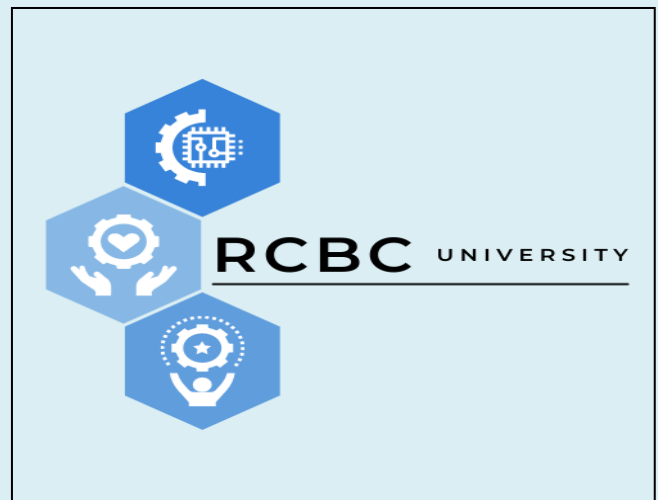
The Bank continues to invest in its employees through various training programs strategically focused on digital transformation and customer-centricity, sales planning and management, product knowledge, leadership, risk management, and technical skills. As the Bank is committed to up-skill the knowledge and capabilities of its employees in order for them to be ready to face the changes in the business landscape, the following new programs were launched:

- For the branches, The RCBC Way was rolled out. The training aims to provide participants about the importance of the RCBC brand to the business and customers. A total of 918 employees, from Sales and Service, attended in 2022.
- For the Retail Banking Group (RBG), the RBG Branch Relationship Officer (BRO) Development Program was launched. It is intended to train fresh graduates and create a pool of BROs. Two runs were conducted in 2022 with 26 participants. RSD Accelerate, a workshop for the Regional Sales Director, was offered. The workshop focused on Performance Management participated in by 28 officers
- For the Bank's Senior Leaders to better understand the digital landscape, the RCBC Digital Academy learning series was delivered in collaboration with Deloitte. Nineteen participants attended the 10 Rules of Modern Work, 20 attended Driving Diversity and Inclusion, 24 attended Humanising DevSecOps, and 22 attended the Cost of Compliance. Other YGC leaders and members of the Board of Directors attended the session together with RCBC.

In support of the People Transformation Initiative of the Bank, the RCBC Leadership U was rebranded to the RCBC University with 3 major academies – the RCBC Leadership Academy, the RCBC Digital Academy, and the RCBC CX Excellence Academy.

For the RCBC Leadership Academy, apart from the courses under the Leadership U, the following new courses were launched or reintroduced: ODP was rebranded to DELTA, the Digital Excellence and Leadership Training Academy; The Wealth Management Academy, participated in by 46 Relationship Managers and Associates; The SRO Bootcamp (under the Branch Services Development Program) was launched to create a pool of branch service officers from high-potential service associates, 39 graduated in 2022; the General Operations and Learning Development (GOLD) program was launched in 3<sup>rd</sup> quarter with 7 trainees.

For RCBC Digital Academy, the following courses launched in 2021 as part of the Bank's Digital and Customer Centricity Culture Transformation continued to be offered. A total 54 employees attended Design Thinking, 130 employees attended Agile Scrum Project Management, and 97 employees attended Virtual Consultative Selling. Another initiative of the Digital Academy is the Fintech Foundation Program Flex, an online, self-paced program offered by 10x1000.org. A total of 718 employees completed this in 2022.



For the RCBC CX Excellence Academy, the following were undertaken to support the Bank's plans: certification of officers, the CX Award for Customer Excellence (ACE), the CS 101 eLearning, and the CX Fundamentals Workshop.

Thirty officers, including the Bank's President and CEO, took and attained the Professional Certificate in Customer Experience with the UK-based CX Academy. The CX ACE was launched with the aim of recognizing employees and groups to recognize individuals, whether customer facing or non-customer facing, who go out of their way to provide excellent and remarkable customer experience for our clients. Ten individuals and 3 groups were awarded, while another 3 groups received a special citation. The CS 101 eLearning was authored and launched; a total of 5,940 took this eLearning. The CX Fundamentals Workshop was also finalized and launched and a total of 458 employees attended the workshop.

The Branch Operations Orientation Training Camp (BOOT Camp) was launched in September 2018. It is now a 7-day program for all new branch officer hires or branch officer transferees. Modules include Risks and Controls, Supervisory Development Program, Effective Business Communication and Effective Leadership in Customer Service. In 2022, 3 runs were conducted, covering 53 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 27 participants attended 1 run in 2022.

In 2022, the Bank also launched 9 e-Learning programs: Operational Risk Management (ORM) eLearning, Targeted Financial Sanctions (TFS) eLearning, Signature Verification 2022 eLearning, Netiquette eLearning, Customer Service (CS) 101 eLearning, Business Continuity eLearning, UN Sustainable Development Goals (SDGs) eLearning, Fraud Risk Management eLearning, and Data Privacy eLearning.

In compliance with the BSP Directive to have all UITF Selling Personnel accredited, the Bank conducted 7 review sessions to prepare those who will take the TOAP accreditation. A total of 208 employees attended the review sessions and 179 were registered with TOAP to take the accreditation exam.

The Bank also conducts 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 and reminded of the Bank's anti-corruption policies.

Under the Bank's Corporate Governance Framework, the Board of Directors are provided with the Annual Continuing Training Program. This is a mandatory program which aims for the directors to be continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the company. It involves courses on corporate governance, matters relevant to the company, including audit, internal controls, risk management, sustainability (e.g. e-learning course launched in 2022), and strategy. The annual continuing training shall be at least for four hours.

As part of safeguarding the well-being of employees, the Bank continued to offer "Your Well-Being Matters" webinar, with our resident expert Dr Michele Alignay. The following webinars were offered in 2022:

Digital Well-Being with 311 attendees; From Stress to Support with 298 attendees; Keeping the Faith (Deepening Spiritual Well-Being) with 341 attendees; Better Together with 217 attendees.

#### **RCBC Workforce Readiness Program - People Management of the Philippines (PMAP) 2022 Regional Exemplar for Strategic HR and 2022 People Program of the Year National Exemplar**

Being a financial institution that aims to operate sustainably and responsibly, RCBC recognizes the need to have a strategic and proactive human resource that supports its long-term business goals and outcomes. This means anticipating opportunities as well as challenges to its operating environment, including facing epidemics, pandemics, and other potential disruptions, and putting the necessary safeguards to protect employees and other stakeholders.

In 2022, People Management Association of the Philippines (PMAP), the country's preeminent HR organization, awarded RCBC with its Regional Exemplar for Strategic HR and People Program of the Year National Exemplar, as it recognized that RCBC has always been ahead of the curve, to wit:

- By February 2020, the bank already had plans on workplace hygiene, split operations, and work-from-home (WFH) set-up as key components of its COVID-19 response.
- RCBC deployed critical teams to set-up in alternate sites; acquired additional laptops and computers and 2,000 VPN connections, equipping its Relationship Managers to work wherever they were; and ensured that every single RCBC Banker qualified to work from home was issued a PC or a laptop, and could connect to the Bank's systems.
- By the time the government placed the National Capital Region and other areas on an Enhanced Community Quarantine (ECQ) in March 2020, RCBC head office was ready for the Work from home (WFH) set-up.

- The branch network meanwhile remained open to ensure continued service to customers and extraordinary measures were taken to protect the health and well-being of its people, especially front-liners in its branches.
- Banking services continued unhampered since the imposition of the ECQ in mid-March 2020 and throughout the eventual transition to the Nationwide Alert Level System for COVID-19 Response in 2021.

While many organizations were still coming up with safety measures for their employees, the RCBC Rapid Empowerment and Assistance Delivery (READY) was already in place, building business resilience, through its three components, namely clustering, spread prevention and safety, and mobile or remote workers.

The Workforce Readiness Program is unique given the speed of execution, the in-place digital solutions, and the deep involvement and personal concern of top management in the program. Days before the lockdown, RCBC already rolled-out digital tools to enable full business continuity. As a result, there was no downtime as the program effectively prepared the workforce to adapt to the changes. With deep involvement of the leadership team, which included the Chairperson, President, and Crisis Management team, the structure, technology and communication channels were already in place on Day 0 which ensured that the program is comprehensive, holistic, and in consideration of the engagement and mental health of the employees.

The Bank's workforce was clustered from multiple sites, as well as the rotation of clusters, which is now a regular policy for all head office (HO) units of the bank. Rotation of clusters was only on a 14-calendar day period, with no crossing over between clusters.

For Spread Prevention and Safety, RCBC launched a robust information campaign and advisories. The bank issued the RCBC Playbook on COVID-19: Prevention, Safety, and Health Protocols to keep its employees informed.

This information campaign included important information on how the employees can protect themselves and their families in and out of the office. This is reviewed and updated periodically to ensure that it is up to date with the DOH or IATF guidelines

In the workplace, RCBC also implemented health and safety protocols, including the mandatory checking of body temperature upon entry; observation of "no face mask, no entry" policy; implementation of strict work seat arrangements; installation of signages in common areas reminding employees on COVID-19 related guidelines; among others.

For employees under mobile work rotation, separate guidelines were likewise issued. This covered eligibility; observance of Bank policies like the Code of Conduct; supervision and performance appraisal; registration of residence as alternative workplace; keeping the same benefits for WFH employees, among others.

The Bank didn't stop here. For employees with special needs and medical conditions, it put in place a workplace exemptions policy, which applied to employees with hypertension, major respiratory ailments, heart disease, diabetes, and other health conditions.

In 2022, RCBC extended Php156 Million worth of health benefits of employees and their dependents. This, while continuously allotting the budget for laptops and for VPN connection.

RCBC is always ready. The secret is about being one step ahead of everyone.

Investing in emerging technologies has greatly accelerated efficiencies in processes. However, for RCBC, people transformation is the crucial link. It's about equipping, re-tooling and re-skilling employees. This means remaking the RCBC DNA which is about building capabilities, strengthening its core and creating a new mindset.

To pave the way for people transformation, RCBC first transformed the business, re-engineered its processes, and invested in digital transformation.

Employees also looked to the senior leadership for direction in times of crisis thus clear, authentic, and caring communication were relayed by its leaders, starting from the bank's Chairperson as well as its President and Chief Executive Officer.

The Chairperson wrote to employees and gave generous incentives to those who valiantly served in the branches, while the President and CEO even prepared a four-page personally handwritten letter on the first Monday of the lockdown, which was posted on the Bank's internal Facebook page and sent out in its original form to all employees.

While other companies were taken aback with the sudden blow of the pandemic, RCBC was quick to not only survive but also thrive with its comprehensive workforce readiness program that enabled the company to spot and take action on opportunities. The programs enabled employees to transition quickly and resume fighting form.

In the end, all efforts paid off as the Bank's employee attrition rate last year remained better than industry level. In 2020, the bank also had an overall Customers' Net Promoter Score (NPS) of 38, which is considered "Great" in the official scale.

In 2022, RCBC collected a total of 51 awards and recognitions from various prestigious regional and global institutions and publications. Asiamoney's Leaders for Women also recognized the Bank for having an employee-base with a proportion of 64% women, which highlights the Bank's gender diversity.

With all the Bank's achievements, RCBC did not merely get through the pandemic, but flourished in spite of it, owing it to a strong and resilient workforce, who trusted the Bank despite the pandemic and other disruptions that were beyond control.

This is what being READY means.

#### What are the risks identified?

While RCBC invests 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

RCBC enforces employee training bond agreements, under which an employee will have his/her training paid for by the Bank, but only if he/she remains with RCBC 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

RCBC has strengthened the talent pipeline and brought further competencies on the job by facilitating various training programs and seminars and allocating budget for these. RCBC continuously evaluates and updates training programs in relevant topics such as, but not limited to, leadership, customer service, sales, technical knowledge, risk management, etc. The HRG disseminates across the organization its catalogue of regular trainings and seminars.

### Labor-Management Relations

Disclosure (January 1 – December 31, 2022)	Quantity	Units
% of employees covered with Collective Bargaining Agreements	30	%
Number of consultations conducted with employees concerning employee-related policies	2,000 est.	#

#### Which stakeholders are affected?

Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to labor-management relations)
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 and retain talent / potential employees in the community can affect its ability to operate, implement its strategies, and achieve its objectives
<b>Which stakeholders are affected?</b>	
<b>Stakeholder</b>	<b>Issues That Influence Their Assessments and Decisions (in relation to labor-management relations)</b>
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>	
Effective labor-management relations preserve the welfare of employees.	
<b>Management Approach to Impact</b>	
RCBC has a union of rank and file employees, which negotiates with Management for a CBA 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) has been peaceful and fruitful.	
<b>What are the risks identified?</b>	
The risk in collective bargaining negotiations is the potential failure to come up with an agreement between parties.	
<b>Management Approach to Risks</b>	
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.	
<b>What are the opportunities identified?</b>	
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.	
<b>Management Approach to Opportunities</b>	
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, 2022)</b>	<b>Quantity</b>	<b>Units</b>
% of female workers in the workforce	64%	%
% of male workers in the workforce	36%	%

Disclosure (as of December 31, 2022)		Quantity	Units
Number of employees from indigenous communities and/or vulnerable sector <sup>28</sup>		0	#
Which stakeholders are affected?			
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to diversity and equal opportunity)		
Stockholders	Equity in the workplace, elimination of gender bias, and equal opportunity, which attract / retain talent / potential employees – the organization’s ability to attract / retain 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		
Gov’t – 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 and retain 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, elimination of gender bias, and equal opportunity – potential reputational impact		
What is the impact and where does it occur? What is the organization’s involvement in the impact?			
Diversity and equal opportunity could lead to better employee satisfaction and higher retention rate.			
Management Approach to Impact			
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, indicating the opportunity that the Bank gives to all as RCBC actively promotes 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 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.			

<sup>28</sup> 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).



## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

Disclosure (January 1 – December 31, 2022)		Quantity	Units
Safe Man-Hours		11,434,000 <sup>29</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		
Gov’t – 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 and retain 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?			
RCBC’s ability to uphold occupational health and safety in the workplace results to the protection of employees.			
Management Approach to Impact			
<b>Health and Wellness:</b> RCBC gives importance and commits to upholding occupational health and safety in the workplace through worker training and incident investigations. The Bank has safety officers, certified Basic Occupational, Safety and Health (BOSH) personnel, and first-aiders trained by the Philippine Red Cross.  RCBC is committed to maintaining 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 & safety policies, as well as inspection and search procedures.  ➤ <i>Substance Abuse and Health &amp; Safety Policies</i> - 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			

<sup>29</sup> Estimated at 5,717 employees working 8 hours per day over 250 working days

○ HIV/AIDS Workplace Program

- *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.
- *Employee Welfare and Well-Being* - In 2022, the HRG 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 2,900 availments for employees and 2,047 availments for dependents in 2022;
    - Executive Check-Up for employees with total cost of Php 9.4 Million in 2022;
    - Outpatient consultation services for employees with 7,982 availments in 2022;
    - The Bank also partnered with Sunlife Grepa Financial Inc. in utilizing the clinic located at the RCBC Plaza and serviced more than 1,000 availments in 2022. Moreover, there is a clinic set-up at the A. T. Yuchengco Centre in BGC to give free check-up and consultation services to more than 508 employees at said location.

The Bank also provided the following benefits to employees:

  - The Bank was part of the YGC Vaccination Program wherein the institution ordered 70,000 doses of Moderna vaccines for its employees and dependents. Through the Bank's relentless effort, 99% of its employees were fully vaccinated by 31 December 2022.
  - 10 qualified employees of RCBC are eligible to avail of treatment assistance from gynecological diseases through the Expanded For\_Women Only Project of the AYF Foundation (AYF) in 2022. For Women Only Project is a health treatment assistance project of AYF for the benefit of indigent Filipino women suffering from non-malignant gynecological disorder by providing free access to consultation from medical specialists, laboratory examinations, surgical procedures and hospitalization.
  - 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;
    - Implementation of policies on self-quarantine and travel bans;
    - Released procedures on how to avail COVID-19 testing as part of employees' hospitalization benefit;
    - Implemented COVID-19 testing to symptomatic employees and those who were deemed as close contacts
    - Organized Bank-wide webinars on the following:
      - Science behind and importance of vaccination
      - Mental Well-being
      - Anxiety and Coping Skills
      - Resiliency and Self Care
      - Beating Burn-out and Practical Mindfulness
    - Developed and implemented an eLearning module on Stress Management
  - 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 HO and Metro Manila business centers.
- Precautionary measures – Since Management recognizes the precarious situation of employees in areas affected by natural calamities and man-made 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 Php 156 Million in 2022 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

RCBC provides employees with the requisite training and exposure to combat inherent risks involved in the workplace. RCBC provides regular Basic Occupational, Safety and Health and first aid training on a regular basis. The Bank provides safety training to workers, including training on specific work-related hazardous situations. RCBC trains branch personnel on 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, opportunities arise in improving the Bank's training programs and safety drills.

#### Management Approach to Opportunities

RCBC continues to update training programs to adapt to the changing business environment.

### Labor Laws and Human Rights

Disclosure (January 1 – December 31, 2022)	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

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

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

#### Which stakeholders are affected?

Stakeholder	Issues That Influence Their Assessments and Decisions(in relation to labor laws and human rights)
Stockholders	Abolition of child labor, elimination of forced labor, and upholding human rights – potential reputational impact that may lead to divestment
	- Abolition of child labor

Employees	<ul style="list-style-type: none"> <li>- Elimination of forced labor</li> <li>- Upholding human rights</li> </ul>
Gov't – 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 and retain talent / potential employees in the community can affect its ability to operate, implement its strategies, and achieve its objectives
Public, media	Abolition of child labor, elimination of forced labor, and upholding human rights 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 conform to labor laws and human rights results to the protection of employees.

#### **Management Approach to Impact**

RCBC gives importance to and upholds 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. RCBC complies with all four principles of the International Labour Organization (ILO): i) freedom of association and the effective recognition of the right to collective bargaining, ii) the elimination of forced or compulsory labour, iii) the abolition of child labour and iv) the elimination of discrimination in respect of employment and occupation.

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

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.

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

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.

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

The abolition of child labor and forced labor is necessary for both economic and human development.

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

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 that an organization will 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).

RCBC gives importance to and upholds 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	Y	Sustainability Attestation: YGC Sustainability Practices Prescribed for Vendors. A sustainability requirement for vendor accreditation which states that the vendor company observes environmental laws, and engages in energy saving and waste management practices, as well as in programs that promote ecological habitat
Forced labor	Y	Sustainability Attestation: YGC Sustainability Practices Prescribed for Vendors. A sustainability requirement for vendor accreditation which calls for the vendor company to recognize the right of employees to freedom and collective bargaining.

Child labor	Y	Sustainability Attestation: YGC Sustainability Practices Prescribed for Vendors. A sustainability requirement for vendor accreditation which states that the vendor company does not employ persons below 18 years of age.
Human rights	Y	Sustainability Attestation: YGC Sustainability Practices Prescribed for Vendors. A sustainability requirement for vendor accreditation which calls for the vendor company to recognize the right of employees to freedom and collective bargaining, to have an employee engagement system in place, to work with the community around it, and with clear policies on equality of gender, race, color, and greed.
Bribery and corruption	Y	Code of Ethics for Vendors is available that serve as guidelines to address promptly instances of unsatisfactory performance, illegal practices and violations committed during any vendor business engagements. Enhanced Blacklisting Policy for execution within Q1 2023 to ensure that all vendors dealing with YGC will comply with its policies, rules and regulations.
Health and safety	Y	Sustainability Attestation: YGC Sustainability Practices Prescribed for Vendors. A sustainability requirement for vendor accreditation which states that the vendor company is compliant with government rules relating to occupational health and safety standards Enhanced Blacklisting Policy for execution Q2 2023 With provisions on Safety Policies and procedures as ground for Permanent or Temporary Blacklisting New Facilities Inspection Checklist (for applicable services only) Validation of Safety & Protection

#### 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 - Supplier Accreditation process - Vendor Performance Evaluation
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?

RCBC's ability to ensure that suppliers uphold sustainability standards lessens the negative E&S impacts in the supply chain.

#### Management Approach to Impact

RCBC ensures that suppliers uphold sustainability standards and practices including compliance with Philippine laws. The supplier's environmental performance is observed during site visits. RCBC influences suppliers to be sustainable through supplier accreditation processes, among other approaches. Vendors' compliance with government-mandated requirements like DOLE 174 certification and PCAB License for contractors are part of the accreditation requirements.

#### What are the risks identified?

Vendors' adaptability on full sustainability requirements

#### Management Approach to Risks

Due diligence, data gathering and baselining prevent and mitigate 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.

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

New vendors applying for accreditation, for applicable categories, are being checked through actual facilities inspection as part of the accreditation process. This process covers assessment of vendor's facilities to determine the capability to support and satisfy the requirements of YGC members as applicable to the critical categories. RCBC is already in the process of enhancing the existing vendor accreditation policy targeted for implementation by Q1 2023. Furthermore, the Enhanced Vendor Performance Evaluation Policy and Enhanced Vendor Blacklisting Policy are being reviewed for execution in Q2 2023.

RCBC initiates 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 on-going collaboration with suppliers.

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

- Collaboration with the vendors to accelerate and establish shared sustainability commitments across the value chain
- Promotion of sustainability with internal stakeholders and vendors with joint implementation of processes for continuous improvement
- Strengthened work relations and knowledge-sharing with the vendors to create sustainability solutions that will benefit both parties

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

RCBC continues to improve its existing supply chain procedure to avoid negative E&S impacts (refer to details under Materials Used by the Organization). The following sustainability assessment initiatives are work-in-progress:

1. 100% compliance with Sustainability Vendor Attestation for Primary / Active Vendors by Q1 2023. This will improve visibility on vendor's sustainability compliance and performance for easy follow-up of improvement actions and collaboration on sustainability initiatives to facilitate identification of priority areas.
2. Strengthen the Vendor Accreditation Policy for final execution on Q1 2023. The new policy will ensure that all accredited suppliers have proven track record, viable financial position and promote sound and ethical business practices. The policy will cover the different stages of accreditation as to: (1) Vendor Sourcing; (2) Vendor Registration & Pre-screening; (3) Vendor Pre-Qualification; (4) Vendor Technical Assessment; (5) Facilities Inspection; and (6) Final Recommendation.
3. Execution of the enhanced Blacklisting Policy by Q2 2023. The enhancement will create balance to ensure that vendors will adopt ethics of highest standard and degree of integrity, provide optimum value, quality products and services, commitment and sincerity towards work undertaken.
4. Execution of the enhanced Vendor Performance Evaluation Policy by Q2 2023 with the aim of establishing an efficient and effective mechanism to measure, analyze, and manage YGC vendor's performance in an effort to optimize costs, minimize risks, and drive continuous improvement.
5. Enhanced Facilities Inspection parameters for applicable categories. This covers the actual inspection and checking of Vendor's general facilities, equipment availability, tools and machinery, safety and protection, availability of workforce, regulatory compliance and permitting, sustainability programs, risks identification and mitigation plans.
6. Inclusion of RCBC's and other YGC companies' plans and strategies pertaining to sustainability to ensure that suppliers are compliant with RCBC's sustainable practices.



## Relationship with Community - Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities	Location	Vulnerable groups (if applicable) <sup>30</sup>	Does the particular operation have impacts on indigenous people?	Mitigating measures (if negative) or enhancement measures (if positive)
RMB Micro & Small Business Loans & Savings Products	Available in key areas in Luzon, Visayas and Mindanao with a total of 16 branches and 2 micro-banking offices, or a total of 18 RMB branches.	RMB is RCBC's thrift bank	Yes. RMB serves the unbanked and underserved markets in the Philippines, including the unbanked agricultural communities and low-income sectors	<ul style="list-style-type: none"> <li>- RMB offers the BDA<sup>31</sup> product called "Pangarap Savings". With RMB's cloud-based core-banking system, financial services such cash-in (deposit), cash-out (withdrawal), bills payment, and opening of BDA can be done real time through a secured electronic platform provided to the accredited agents.</li> <li>- Refer to details under Economic Performance</li> </ul>
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.	<ul style="list-style-type: none"> <li>- DiskarTech also offers the BDA deposit product.</li> <li>- RCBC launched the Moneybela and NegosyanTech programs on RCBC DiskarTech to Filipinos in provincial areas and geographically isolated and disadvantaged communities. MoneyBela, leveraging on the versatility of the Philippine e-tricycle, enabled RCBC to enter yet-to-be-connected communities. With the pilot launched in Davao and Bacolod in 2022, MoneyBela will be rolled out to more provincial cities in 2023. Meanwhile, NegosyanTech ramped up the Bank's efforts to assist micro and</li> </ul>

<sup>30</sup> 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)

<sup>31</sup> The Basic Deposit Account is a financial inclusion deposit product of the BSP which meets the need of the unbanked and low-income sector for an affordable and easy-to-open account. It has a low-opening amount of Php100.00 or less, no maintaining balance, no dormancy charges and simple identification requirements.

Operations with significant (positive or negative) impacts on local communities	Location	Vulnerable groups (if applicable) <sup>30</sup>	Does the particular operation have impacts on indigenous people?	Mitigating measures (if negative) or enhancement measures (if positive)
				small entrepreneurs improve their incomes and expand their businesses by providing them exclusive promos and monetary rewards - Refer to details under Economic Performance
ATM Go	Handheld ATM Terminals in 82 provinces nationwide	An inclusion application that mainly targets class C, D, and the unbanked sector. This was instrumental to the government's distribution of funding assistance.	Yes. ATM Go is an Inclusion application that targets the unbanked and underserved sector.	Expanded coverage nationwide and is available through sari-sari stores, pharmacies, rural banks, grocery stores, bakeries, and pawnshops.
Credit Risk Database (CRD) project of the BSP for SMEs.	Created out of a collaboration between the BSP and Japan International Cooperation Agency (JICA) to establish a Credit Risk Database (CRD) for SMEs in the Philippines	The CRD project aims to improve the access of SMEs to bank financing and support a post- COVID recovery scenario, especially since more than 70% of MSMEs in the Philippines were forced to close a month after the outbreak.	Yes, the CRD project is an inclusion application for the underserved sector. The CRD project gives long-term support to MSMEs to reduce their dependence of financial institutions on collateral when granting loans	The CRD is an ongoing risk-based lending project which uses a statistical scoring model that assesses the capacity of SMEs to repay their loan.

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	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?			
RCBC empowers communities and families towards financial inclusion. RCBC’s presence in communities facilitates access to capital in the local economy, spurring economic growth and employment generation.			
Management Approach to Impact			
Refer to details under Economic Performance <b>YGC Earth Care Project</b> - The YGC has launched an expanded and forward-looking project of planting 50,000 native trees within a sprawling 100 hectares in Mt. Bangkaan in the Sierra Madre, the longest mountain range in the Philippines. Since the inception of the project in 2011, 23,000 10-year old YGC forest trees planted along the 58-hectare plant site, most of which are now over 20 feet high. The final leg of the project is to cover the remaining 42 hectares. In 2023, the first phase of the Earth Care Project aims to cover 20 hectares with 10,000 tree saplings and the second phase will cover an additional 22 hectares with 11,000 tree saplings. The project contributes to reforestation initiatives and watershed protection. Furthermore, the project protects not only the endemic species of the forest but also provides benefit to the nearby indigenous community. Once the trees start bearing fruits between three to five years, the indigenous people will have sustainable cash income streams coming from the various fruit harvests. <b>YGC Christmas Fund Drive</b> - The AYF organized a donation drive encouraging all YGC employees to donate whatever amount. The collected funds will be turned over to Caritas Manila who will distribute gift certificates to the communities who need it the most. The Foundation received a total donation of Php12,339,536.41 as well as 10,000 packs of Rice-to-Go worth Php 500,000 from EEI/Biotech JP. The donations were able to support 12,339 poor families. <b>Expanded For Women Only Project</b> - In 2022, the AYF expanded its For Women Only Project to 10 qualified employees of the Bank and other related employees of YGC (janitors, messengers, guards, contractual employees under YGC or non-YGC agencies who render services for any of the YGC members). For Women Only Project is a health treatment assistance project of AYF for the benefit of indigent Filipino women suffering from non-malignant gynecological disorder by providing free access to consultation from medical specialists, laboratory examinations, surgical procedures and hospitalization.			
What are the risks identified?			
Engaging the unbanked and underserved towards financial inclusion may expose RCBC to credit risk and other types of risk which traditional risk tools may ordinarily not be able to adequately manage.			
Management Approach to Risks			
RCBC mitigates the risk of default 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 the banking needs of these sectors			
Management Approach to Opportunities			
Refer to details under Economic Performance			

## Customer Management

### Customer Satisfaction

Disclosure (January 1 – December 31, 2022)	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	- Customer satisfaction and upholding the rights of customers – potential reputational impact that may lead to divestment	
Customers/Clients	- Customer protection and satisfaction - Integrity and honesty of the Bank and its employees - Professionalism and efficiency of senior management and bank employees - Easy account opening/loan application requirements and processes - Accessibility of ATM and branch network - Continuous service, process and technology improvements - Effectiveness of Consumer Assistance Mechanism of the Bank - Fast complaints resolution - Upholding the rights of customers	
Government / Regulators	- Customer satisfaction - Upholding the rights of customers - No major issues and concerns raised with the BSP-Consumer Affairs Group	
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?		
RCBC is committed to fully enforce the Financial Consumer Protection (FCP) Framework through regular assessment of compliance with the regulatory standards of conduct in order to achieve a service culture of fair dealings and responsible business practices embedded in its primary business operations. Mechanisms to receive and investigate complaints and implement corrective action are incorporated in the FCP Framework.		
In compliance with BSP Circular Nos. 857 and 1048 (BSP Regulations on Financial Consumer Protection), and with the recently release of BSP Circular No. 1160 (Regulations on Financial Consumer Protection to Implement Republic Act No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act”, the consumer protection standards and practices as defined in the Bank’s FCP Framework are duly observed and embedded in the conduct of its		

<sup>32</sup> RCBC has established feedback mechanisms via the following: (1) QR Code installed at the branches; (2) Consumer Lending Group (CLG) feedback from loan clients; and (3) Client feedback generated from Sales Force (ticketing system) to include feedback gathered from Social Media to effectively manage client expectations in general. The result of the feedback mechanism is being reported and discussed internally on a regular basis.

business operations, thereby creating a stronger corporate culture and commitment towards upholding fair treatment of customers at all stages of their business relationship with the Bank. The FCP Framework is generally composed of FCP Policies and Procedures, FCP Code of Conduct, Consumer Assistance and Risk Assessment Mechanism, FCP Training Program, FCP Compliance Program, FCP Audit Program, and Financial Consumer Education and Awareness Program. The Framework revolves around the core principles of consumer protection, namely: 1. Disclosure and transparency; 2. Protection of client information; 3. Fair treatment; 4. Effective recourse; and 5. Protection of Consumer Assets against Fraud and Misuse.

#### **Management Approach to Impact**

RCBC regularly monitors 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. RCBC also implements customer research for major initiatives (e.g., brand refresh, new website design, and new application design). In addition, the Bank follows 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 ROC 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 further strengthened its Consumer Assistance Mechanism with the creation of a well-trained and dedicated team where customers can conveniently lodge complaints, inquiries and requests (i.e. Customer Care Dept.-General Concerns, Customer Care-Loans, DiskarTech Customer Support Team). All Bank personnel with direct engagements with customers are equipped with the knowledge on the structure and implementation of the Bank's complaints handling mechanism. Third party concerns related to ESG are forwarded by Customer Care of the Bank to the ESROs for investigation and response. All CAOs submit a complaints report to the Bank's Consumer Protection Unit (CPU) on a monthly basis. CPU ensures that customer complaints received from various channels are consolidated and analyzed to ensure that material risks are subjected to root cause analysis, especially systematic complaints requiring immediate resolution by the 1<sup>st</sup> line business centers and/or business units. A management report on customer complaints is submitted to the ROC on a regular basis.

Additionally, RCBC is focused on integrating a deep awareness of Customer Experience or CX principles and practices in all employees. Customer experience is now a top priority for the Bank. To improve the customer experience, the Bank's HRG has formed the CX Excellence Academy, a self-paced certification that sets the global standard for Certified CX Qualifications. CX is one of the newest and fastest growing disciplines in the corporate world and is proven to help companies like RCBC grow their business by retaining customers, increasing new business sales and reducing the cost of serving customers.

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

There is reputational risk arising from negative public opinion in case there are unsatisfied customers whose concerns are not resolved within an ideal timeframe. In efforts to continuously improve and mitigate risks arising from customer complaints and negative public opinion, regular reporting of issues and concerns with potential reputational risk is submitted and presented to the ROC on a regular basis.

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

RCBC strives to constantly improve its service to avoid unsatisfied customers. A dedicated customer service hotline is available for clients to inquire and report concerns and issues regarding products and services offered by RCBC.

#### **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**

RCBC continuously conducts regular trainings and provides regular and mandatory eLearning courses and examinations to ensure that all relevant customer-facing employees are familiar with and reminded of the Bank's Consumer Protection Program. RCBC strives to continuously improve the Bank's service and implement enhancements in its customer feedback mechanisms and platforms.

## Health and Safety

Disclosure (January 1 – December 31, 2022)		Quantity	Units
No. of substantiated complaints on product or service health and safety <sup>33</sup>		0	#
No. of complaints addressed		N/A <sup>34</sup>	#
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	- 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 the Bank’s products and services are financial in nature, these do not pose a risk to health and safety. The products and services of RCBC’s clients, however, may have such negative impacts on their customers.			
Management Approach to Impact			
Environmental and Social Management System (ESMS): In accordance with the ESMS Policy, 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.			
What are the risks identified?			
The products and services of RCBC’s clients may potentially pose a risk to the health and safety to their customers. This has negative implications on society.			
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 health and safety (Performance Standard number 2).			

<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.

<sup>34</sup> No recorded complaints attributed to Health and Safety for the year 2022



<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> </ol>	<ol style="list-style-type: none"> <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>
Under Performance Standard number 2, the borrower's operations are assessed in terms of effective promotion of safe and healthy working conditions.	
<b>What are the opportunities identified?</b>	
RCBC is committed to the promotion of sustainable business practices, including the preservation of health and safety measures.	
<b>Management Approach to Opportunities</b>	
RCBC will remain committed to employing appropriate due diligence on its borrowers to ensure that appropriate health and safety programs / measures are embedded in their operations. This is one of the fundamentals of the Bank's ESMS process.	

## Marketing and Labeling

Disclosure (January 1 – December 31, 2022)		Quantity	Units
No. of substantiated complaints on marketing and labeling <sup>35</sup>		0	#
No. of complaints addressed		N/A <sup>36</sup>	#
Which stakeholders are affected?			
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to marketing and labeling)		
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	- 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		
Public, inc. media	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 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?			
RCBC’s ability to uphold the rights of its customers to the security of its products and services results to customer protection and customer satisfaction.			
Management Approach to Impact			
RCBC upholds 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, E&S impacts of the products and services they consume – both from a product and service labeling and a marketing communications perspective.			

<sup>35</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.

<sup>36</sup> No recorded complaints attributed to Marketing and Labeling for the year 2022

<b>What are the risks identified?</b>
The display and provision of information and labeling 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.
<b>Management Approach to Risks</b>
<p>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 labeling 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:</p> <ul style="list-style-type: none"> <li>- No false, misleading or deceptive statements</li> <li>- Visible, easily readable and understandable</li> <li>- Disclosure of clear, accurate, updated and relevant information about the product or service</li> <li>- Balanced and proportional (reflecting both advantages and risks of the product or service)</li> <li>- Key information is prominent and not obscured</li> <li>- Print is of sufficient size and clearly legible</li> <li>- Targeted according to the specific groups of clients or customers to whom products are marketed</li> </ul> <p>Business units that develop products and provide services coordinate with the Bank's Learning and Development Department 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.</p>
<b>What are the opportunities identified?</b>
Continuous improvements on marketing and labeling to further lessen complaints can lead to higher customer satisfaction and new business opportunities.
<b>Management Approach to Opportunities</b>
<p>RCBC continues to implement regular updates of communication materials, including website, point-of-sale materials, and social media materials.</p> <p>For product updates that will impact fees, rates and other features, a minimum 60 day notice is given to customers prior to implementation.</p> <p>Other promotional updates and offers are delivered to clients who subscribe to receiving marketing communication from the Bank on a regular basis through Electronic Direct Mailers (EDM).</p> <p>A Customer Experience or CX Council also meets on a monthly basis to help address customer pain points and find solutions to make customers' transactions with the Bank an excellent customer experience.</p>

## Customer Privacy

<b>Disclosure (January 1 – December 31, 2022)</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on customer privacy <sup>37</sup>	2	#
No. of complaints addressed	2	#
No. of customers, users and account holders whose information is used for secondary purposes	577,078	#
<b>Which stakeholders are affected?</b>		

<sup>37</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.

<b>Stakeholder</b>	<b>Issues That Influence Their Assessments and Decisions (in relation to customer privacy)</b>
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	- 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
<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	
RCBC's ability to uphold the rights of its customers to privacy results to customer protection and customer satisfaction.	
<b>Management Approach to Impact</b>	
RCBC values and upholds the rights of customers to privacy. RCBC respects consumer privacy and takes reasonable measures to ensure the security/protection of personal data that the Bank collects, stores, processes or disseminates from misuse, interference, unauthorized access, modification and unauthorized disclosure.	
<b>What are the risks identified?</b>	
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. Those who are found guilty of violating data privacy will be penalized with imprisonment and payment of fines.	
<b>Management Approach to Risks</b>	
<p>To protect customer privacy, the Bank limits collection of personal data, collects data only by lawful means, and is transparent about how data is gathered, used, and secured. The Bank does not disclose or use personal customer information for any purposes other than those agreed upon, and the Bank communicates 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 Data Privacy Policy and its subsequent revisions are approved by the ACC and confirmed by the Board. The Bank is committed to collect user data through lawful and transparent means, with explicit consent to the data subject where required.</p> <p>The Bank is committed to implement leading data protection standards in order to take care of the employees' personal data. Data Privacy is discussed upon onboarding of all employees of the Bank. E-Learning modules are also provided to ensure all employees are updated of changes in the regulations, as applicable. Privacy bulletins are also regularly issued to provide tips and reminders on best practices. The policy and e-learning materials is reviewed at least every two years, or earlier as applicable. Under the Bank's Privacy Notice, the Bank values its customer's privacy and believes that each customer is entitled to know the ways the Bank processes their personal information. The Bank informs in substantial detail exactly how, what, and why personal data are being collected, used, retained, shared, disposed, accessed, and corrected, through the Bank's privacy notice. The notice is stated in clear and simple terms to ensure it is highly readable and usable to the greatest extent possible. It is posted not only in the Bank's website but in all of the Bank's branches, lending centers, and other areas where personal data of customers are being processed.</p>	
<b>What are the opportunities identified?</b>	
Continuous improvements to customer privacy measures can result in higher customer satisfaction and retention which	

could translate to new business opportunities.

### Management Approach to Opportunities

RCBC ensures that privacy policies are updated and cascaded, and privacy notices are posted where appropriate (i.e., RCBC website, Branches). The Bank continuously conducts regular 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.

RCBC conducts Privacy Impact Assessments for new projects involving the processing of personal data. The Bank also reviews data sharing, data protection, and outsourcing agreements especially when dealing with third party service providers/vendors.

## Data Security

Disclosure (January 1 – December 31, 2022)		Quantity	Units
No. of data breaches, including leaks, thefts and losses of data		0	#
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?			
RCBC’s ability to properly manage and protect sensitive data secures the Bank’s information.			
Management Approach to Impact			
RCBC places 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:			
<ul style="list-style-type: none"><li>- To protect the information assets that support the Bank’s operations;</li><li>- To provide Management with 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></ul>			
<ul style="list-style-type: none"><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>			

RCBC may store personal data physically or electronically with third party data storage providers. When the Bank does this, the Bank uses contractual arrangements to ensure that those providers take appropriate measures to protect that information and restrict the uses to which they can put that information. The data privacy and security policy are considered and applied in 100% of the Bank's operations.

#### **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. RCBC shall protect its information assets to ensure that breaches do not cause material damage to its liquidity and capital position, and reputation. The Bank's information security objectives are achieved through both a technical and process-based defensive strategy:

- Multi-layer IT defenses including threat intelligence/assessment, prevention, detection and remediation
- 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.

The Bank's Information Security Governance Department (ISGD) has an Information Security Strategic Plan (ISSP) and Information Security Program (ISPr) aligned with the business objectives of the Bank. ISGD also establishes governance-specific policies, standards, and procedures for information security risk management, conducts trainings and issues advisories to increase information security awareness, and performs the Information Security Risk Assessment (ISRA) and Information Security Annual Certification (ISAC) for the whole Group to manage, identify, and address information security risks.

RCBC's information security management system is based on the National Institute of Standards and Technology (NIST) and Payment Card Industry Data Security Standard (PCI DSS). The Bank's cyber security personnel have obtained the following qualifications: CISM (Certified Information Security Manager, CDPSE (Certified Data Privacy Solutions Engineer) and CPISI (Certified Payment Industry Security Implementer).

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

Given the changing business landscape and regulatory environment, opportunities arise in improving the Bank's Information Security Program to uphold data security and customer privacy.

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

RCBC continuously conducts regular 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. RCBC continues to update its Information Security Program to adapt to the changing business environment.


RCBC may amend its data privacy notice to comply with changes in relevant laws and regulations and to keep customers informed of changes in the ways that the Bank processes their personal data. Updates are posted on the RCBC website.

## UN SUSTAINABLE DEVELOPMENT GOALS

The RCBC Plaza in Makati City received the 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. LEED-certified buildings save money, improve efficiency, reduce carbon emissions, and create healthier working / living spaces. They are a critical part of addressing climate change, addressing the following UN SDGs: SDG 7, SDG 11, SDG 12, and SDG 13.

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


The Bank's financial inclusion programs and services, taken together with RCBC's Sustainable Finance Framework, address **16 of the 17 UN SDGs**. The Bank is committed to safeguarding our people and our planet, while fostering partnerships, and pursuing prosperity that will usher in a sustainable and resilient path by 2030.


Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<p><b>Delivering in the New Normal Through Digital Acceleration:</b></p> <p>[Refer to details under the Economic and Social portions]</p> <ul style="list-style-type: none"> <li>- DiskarTech</li> <li>- ATM Go</li> <li>- MoneyBela</li> <li>- NegosyanTech</li> </ul>	 <p><b>No Poverty.</b> Both DiskarTech and ATM Go were instrumental in the government's distribution of funding assistance. 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> <ul style="list-style-type: none"> <li>- DiskarTech targets lower economic classes, C and D, and provides all-in-one online financial services</li> </ul>	<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>The risk of default and other risks are mitigated by performing additional Know Your Customer (KYC) and credit risk assessment procedures on clients.</p> <p>The bank partners with various organizations and LGUs to reach more Filipinos and educate them about financial services that can grow and protect their income.</p>




Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	<p>needed by the unserved and underserved consumers</p> <ul style="list-style-type: none"> <li>- ATM GO has expanded its services to all 82 provinces of the Philippines and is available through sari-sari stores, pharmacies, rural banks, grocery stores, bakeries, and pawnshops.</li> </ul> <p><b>Zero Hunger and Good Health and Well Being.</b> Services have been instrumental conduit for government financial aid and assistance for food and nutrition and education of beneficiary children in schools.</p> <p><b>Quality Education.</b> Modules on financial literacy called <i>Aralin sa Madiskarteng Pananalapi</i> and the DiskarTechpreneur Bootcamp are provided as part of digital acceleration.</p> <p><b>Gender Equality.</b> The digital innovations improve the economic lives of poor women, working class women and members of female-headed households.</p> <p><b>Affordable and Clean Energy.</b> Through partnership with One Renewable Energy, Inc., DiskarTech provides digital financial services along with renewable energy access across island communities in the country.</p> <p><b>Decent Work and Economic Growth.</b> Digital acceleration provides and expands access to banking and financial services for all. Through its NegosyanTech program, RCBC ramped up the Bank's efforts to assist micro and small entrepreneurs improve their incomes and expand their businesses by providing them exclusive promos and monetary rewards</p> <p><b>Industry, Innovation and Infrastructure.</b> The banking products increase access to financial services.</p> <p><b>Reduced Inequalities.</b> The pandemic highlighted the challenges of financial inclusion. RCBC responded swiftly</p>		


Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	<p>through digitization which provided access to unbanked and underserved Filipinos. DiskarTech has partnered with more than 21,500 cash agents and has processed more than Php14 Billion in transactions as of year-end 2022.</p> <p>In an effort to champion empathy-driven banking innovations, RCBC launched RCBC Moneybela Barangay Banking. Through the use of sustainable e-trikes RCBC is able to provide remote banking services to Filipinos in provincial areas and geographically isolated and disadvantaged communities</p> <p><b>Sustainable Cities and Communities.</b> Financial capacity building is offered at the barangay level through the ATM Go and Moneybela Barangayan Banking physical-digital (phygital) blended banking experiences at geographically isolated, disadvantaged and conflict areas.</p> <p><b>Climate Action.</b> Bridging the gap through digital engagements among and between government and non-government organizations promote reduction in carbon footprint.</p> <p><b>Partnerships for the Goals</b> (refer to details under Economic portion). RCBC remains to be a dependable partner in distributing emergency aid to millions of Filipinos during the pandemic.</p> <ul style="list-style-type: none"> <li>● For DiskarTech, key partnerships with the following: DSWD, PASCO and Hapinoy, DOLE, DepEd, Blas Ople Policy Center, Cooperative Development Authority, various local government units (LGUs), Overseas Workers Welfare Administration and Philippine Overseas Employment Administration, SSS, DTI, Digipay, and RBAP.</li> <li>● For ATM Go, RCBC partnered with the DSWD.</li> </ul>		
<b>Deposits</b>		Banks are custodians of	The Bank identifies,

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<ul style="list-style-type: none"> <li>- Savings Accounts <ul style="list-style-type: none"> <li>o FlexiSavers</li> <li>o iSave</li> </ul> </li> </ul>	 <p><b>No Poverty.</b> RCBC offers inexpensive, easy to open, and customizable deposit accounts.</p> <p><b>Good Health and Well Being.</b> RCBC offers account types that come with free personal accident insurance, free hospitalization benefit, and free life insurance.</p> <p><b>Gender Equality.</b> RCBC offers eWoman Savings and eWoman Checking accounts especially designed for women. These come with free life insurance coverage.</p> <p><b>Affordable and Clean Energy.</b> RCBC launched the Philippines' first Peso Green Time Deposit (TD) in February 2022 for clients who would like to support green loans and projects under RCBC's Sustainable Finance Framework</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>Partnership for the Goals.</b> Collaborated with Asian Development Bank (ADB), which allowed RCBC to offer new lending structures and fulfill its commitment to completely divest from its coal exposure by 2031. ADB</p>	<p>public money. Given the banking sector's Systemic importance, it is critical that credit risk, market risk, and other bank risks are properly managed to prevent bank failure</p>	<p>measures, controls, and monitors the risk inherent to its business activities or embedded in products and portfolios. RCBC continually develops an efficient and effective risk management infrastructure, and complies with regulations on risk and capital management.</p>


Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	developed the energy transition mechanism (ETM) concept.		
<b>Loans</b> <ul style="list-style-type: none"> <li>- Corporate Loans</li> <li>- Home Loans</li> <li>- Auto Loans</li> <li>- Personal Loans</li> </ul>	 <p><b>RCBC's Php327B UN SDG Loans comprised approximately 54% of the Bank's total loan portfolio in 2022<sup>38</sup>. Of this, around half support UN SDG 9: Industry, Innovation, and Infrastructure.</b></p> <p><b>Affordable and Clean Energy.</b> RCBC participated in the ETF project of ACEN for the early decommissioning of SLTEC's coal-fired power plant by 15 years.</p> <p><b>Decent Work and Economic Growth.</b> RCBC provides and expands access to banking and financial services for all. The Bank lends to corporations and SME, promoting inclusive, and sustainable economic growth, full and productive employment, and decent work for all.</p> <p><b>Industry, Innovation and Infrastructure.</b> RCBC Credit Cards' Personal Loan and Salary loan products increase access to financial services. Moreover, through the credit card's Digital Cash Loan platform, RCBC enables credit</p>	<p>Banks are custodians of public money. Given the banking sector's systemic importance, it is critical that credit risk, market risk, and other bank risks are properly managed to prevent bank failure.</p>	<p>The Bank identifies, measures, controls, and monitors the risk inherent to its business activities or embedded in its products and portfolios. RCBC continually develops an efficient and effective risk management infrastructure, and complies with regulations on risk and capital management.</p>

<sup>38</sup> RCBC's Sustainable Finance Framework (issued April 2019) expounds on the alignment of the Green / Social Bond Principles with the UN SDGs and their corresponding target descriptions. Estimates on the UN SDG loans were derived from the Bank's Sustainable Finance Framework and continuing internal cross-checking with other industry practices such as the BSP definition for Small and Medium Enterprises (SMEs), Housing and Land Use Regulatory Board's (HLURB's) definition of Socialized Housing and the Philippine Standard Industrial Classification (PSIC) among others.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	<p>cardholders to easily avail of a loan by converting their unused credit limits into cash with real-time loan approval.</p> <p><b>Reduced Inequalities.</b> RCBC's loan products empower and promote economic inclusion. RCBC lends to the underserved and low-income individuals, promoting socioeconomic advancement and empowerment.</p> <p><b>Sustainable Cities and Communities.</b> RCBC's personal loan products increase access to safe and affordable housing and transport</p> <p><b>Climate Action.</b> The Bank's coal exposure will be phased out by 2031. This is aligned with the RCBC President &amp; CEO Eugene S. Acevedo's public commitment in December 2020 to cease funding of the construction of new coal power plants in the Philippines.</p>		
Credit Cards	 <p><b>Zero Hunger and Gender Equality.</b> RCBC Credit Cards' Diamond Platinum Mastercard has a built-in program, the Diamond Cares Program, where for every Php100 charged to the card, RCBC Credit Cards automatically donates Php0.10 to support Gawad Kalinga's Kusina ng Kalinga or Zonta Foundation for Women.</p> <p><b>Good Health and Well-Being and Life on Land.</b> The Philippine Red Cross, World Vision Philippines, and WWF-</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.	RCBC mitigates 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
	<p>Philippines are beneficiaries of RCBC Credit Cards' <i>Rewards for the Soul</i> – a social advocacy component of the RCBC Credit Cards Rewards Program.. Cardholders earn rewards points for their qualified purchases, and can donate the peso value of their Reward Points to their chosen organization.</p> <p><b>Quality Education.</b> Other beneficiaries of RCBC Credit Cards' <i>Rewards for the Soul</i> are AY Foundation and SOS Children's Village Philippines. Cardholders can voluntarily donate to help support the education and provide homes &amp; facilities to the most vulnerable children and communities using their Rewards Points.</p> <p><b>Responsible Consumption and Production.</b> In 2023, RCBC pioneers the use of recycled materials for the Bank's credit cards indicating a strong commitment to promoting environment-friendly materials reducing the use of virgin plastic in the Bank's operations. Since 2021, RCBC Credit Cards has been promoting the use of electronic Statement of Account (SOA) to reduce printing of paper SOA. As of end 2022, 95% of customers are enrolled in eSOAs and are already receiving their SOAs via e-mail. Further, RCBC Credit Cards enables cardholders to reduce reliance on paper SOAs through the SOA viewing functionalities of RCBC Digital app and its chatbot.</p>		
Micro & Small Business Loans & Savings Products	 <p><b>No Poverty.</b> RMB's loan and savings products cater to the underserved and small businesses in the country. RMB studies each business carefully to make certain</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	RCBC mitigates the risk of default and other risks by performing additional



Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	<p>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><b>Reduced Inequalities.</b> Regardless of financial status, RMB's loan and savings products cater to underserved individuals not covered by commercial banks.</p>	able to adequately manage.	KYC and credit risk assessment procedures on clients.
<p><b>Sustainable Finance Framework</b></p> <p>The 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>Download RCBC's Impact Report from <a href="http://www.rcbc.com/sustainability">www.rcbc.com/sustainability</a>. This report presents the Bank's Sustainable Finance Framework's impact and contribution to the UN SDGs.</p>	Banks are custodians of public money. Given the banking sector's systemic importance, it is critical that credit risk, market risk, and other bank risks are properly managed to prevent bank failure.	The Sustainable Finance Framework has a clear project selection and evaluation process.



Partners Through Generations

Rizal Commercial Banking

Corporation

Sustainability Report 2022

Annexes Supply Chain

Management

# 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 and Business Meals

1. Supplier shall not entertain and provide business meals to procurement employees (those involved in the procurement process from determination of user specification to actual procurement and payment to suppliers).





## 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. An employee shall disclose immediately to PSS if a supplier 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.



# Code of Ethics for Procurement





## Policies on Gifts

1. Gifts shall be acceptable if they are commonly exchanged advertising or sales promotion items of small value (with a nominal value of not more than P2,000.00) and carry a company name or logo. Gifts shall be logged and surrendered to Administration in dual custody for raffle to employees during the Christmas Season.
2. Monies or gift checks shall not be acceptable as gifts.
3. Gifts exceeding a nominal value of P2, 000.00 shall be returned to the supplier with a polite explanation. If they insist, the gift shall be logged and surrendered to Administration in dual custody for company use or for raffle to employees during the Christmas season.
4. Gifts shall not be solicited from suppliers for oneself.



## Policies on Gifts

5. 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)
6. If the gift is perishable (food), Administration shall distribute the perishable gift to employees for consumption.





## Policies on Conflict of Interest

1. Employee's personal purchases from suppliers shall not be allowed unless based on regular prices. However, if YGC is able to negotiate for discounted prices, employees can ride on the YGC discount for personal purchases.
2. An employee shall disclose immediately to PSS if a supplier 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. An employee shall disclose if he 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. Employees shall not work or act as a consultant or director for a supplier of YGC.



## Policies on Entertainment & Business Meals

1. Entertainment and business meals from suppliers for procurement personnel (those involved in the procurement process from determination of user specifications to actual procurement and payment to suppliers) are not allowed.



## Policies on Dealing With Suppliers

1. Employees shall always respect the confidentiality of information provided by the supplier. Information on bids shall be treated as confidential and kept securely.
2. Criteria on prequalification of suppliers shall be disclosed to suppliers.
3. Process on bid evaluation and selection shall be disclosed to the suppliers.
4. Suppliers shall be treated equally. Information provided to one supplier shall be available to all, if possible at the same time.





## Policies on Whistleblowing

1. Employees shall report to the BU's CEO, COO, CFO or PSS GM suspected or actual occurrence of illegal or fraudulent, serious wrongdoing or misconduct or unethical behaviour of co-employees or suppliers.
2. Any report which prove to be false and made in bad faith shall constitute a serious offense and shall subject the Whistleblower to immediate review which could lead to termination from employment.
3. Whistleblower who made the report in good faith or gives evidence in an investigation shall be protected from harassment or adverse employment consequences.
4. An employee who retaliates against the Whistleblower who reported a violation in good faith shall be subject to immediate termination from employment.

