

# **Philippine Savings Bank (PSBank) ESG Report**

**Financial Year 2020**

## Table of Contents

About PSBank.....	3
Introduction.....	3
Board Statement.....	4
ESG Materiality .....	4
Financial Inclusion and Literacy .....	6
Responsible Investment.....	7
Environmental Impact.....	8
Operational Greenhouse Gas Emissions .....	8
Water Use.....	10
Waste Management.....	10
Social Impact.....	12
Workforce Diversity .....	12
Workplace Safety and Labor Practices.....	13
Employee Training and Development.....	15
Governance.....	16
Data Privacy and Security.....	16
Systemic Risk Management .....	17
Stakeholder Management.....	18
Business Ethics .....	19

## About PSBank

Philippine Savings Bank (hereafter referred to as “PSBank” or the “Bank”) is headquartered in Makati City and is a subsidiary of Metropolitan Bank and Trust company. To date, its physical channel footprint is composed of 250 branches and 540 onsite and offsite ATMs strategically located nationwide. It offers a wide range of banking products and services: deposits, loans, treasury products, digital banking services, bancassurance, credit card, and trust. PSBank has for its core customers those in the consumer and retail markets.

Throughout its more than 60 years of operation, the Bank’s service philosophy is to always be responsive to the needs of clients and deliver them exceptionally and consistently across all touchpoints. It constantly enhances customer service experience alongside the development of its products and service channels. It takes advantage of available technologies not just to introduce innovative product offerings but also to improve on systems and processes for better efficiency and lower operating costs. The Bank makes it simpler for customers --- fast 1 day approval for auto loans; 1 day credit decision for Home Loans for accredited properties; online loan applications for Auto Loan and Flexi Personal Loan, among others.

The Bank increasingly considers the economic, environmental and social impacts of its banking operations cognizant of the inherent risks and strategic opportunities it may bring. Through continuing education, engagement, community partnerships, and financial inclusion measures, it aims to address and mitigate more complex risks and issues associated with financial assets and investments. It recognizes the need to manage investments based on local and global norms to prevent reputational harm, brand damage, or even taxes and lawsuits. It continues to intensify the protection of data privacy and security. It desires to improve energy efficiency and tap alternative sources to reduce reliance on purchased electricity. With these efforts, the Bank can reduce the likelihood of extraordinary expenses, improve market share, and even decrease liabilities.

## Introduction

For FY2019 reporting, PSBank engaged Trucost of S&P to review its reporting of environmental, social, and governance (ESG) impacts. The results from this report were in line with common sustainability reporting frameworks and disclosure requirements of the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

On April 29, 2020, the Bangko Sentral ng Pilipinas (BSP) issued Circular 1085, otherwise known as the Sustainable Finance Framework. The BSP “expects banks to embed sustainability principles, including those covering environmental and social risk areas, in their corporate governance framework, risk management systems, and strategic objectives consistent with their size, risk profile and complexity of operations.”

In compliance with the Circular, PSBank documented its transition plan which was subsequently approved by the Board of Directors (BOD) in October 2020. The sustainability principles were embedded in the Corporate Governance Manual; and the sustainable finance roles were incorporated in the respective charters of the Corporate Governance Committee, Audit Committee, and Risk Oversight Committee.

The scope of the 2020 ESG Report includes information for the period 1 January 2020 to 31 December 2020. The Report should be read together with PSBank Annual Report 2020. All quantitative and qualitative information for relevant indicators have been disclosed for a minimum of two years where applicable.

## Board Statement

The Board of Directors of PSBank reiterates its organizational level commitment to sustainable finance: “Believing that we have a role to play in promoting sustainable development, PSBank is committed to driving progress towards achieving the United Nations Sustainable Development Goals (SDGs). Through our products and services and the integration of digital technology, we aim to create added value to our clients, the general public, and the rest of society.”

## ESG Materiality

The concept of materiality is central to sustainable business practice as it helps in determining the types of ESG issues to address and report on. For FY 2019, with the guidance of Trucost of S&P Global, materiality themes were identified using SASB, investor trend and a wider literature review. These were applied to PSBank whenever relevant and were refined based on the Bank’s specific practices.

### PSBank Materiality Matrix

PSBank adopted the same approach in assessing its sector-level and organization-level materiality for the year 2020. Exhibit 1 highlights the material ESG issues and have been identified under four categories:

1. Material to both sector and organization
2. Material to sector
3. Material to organization
4. Immaterial

These material issues were classified as high, medium and low priority. The priority levels are depicted through their size as issues with:

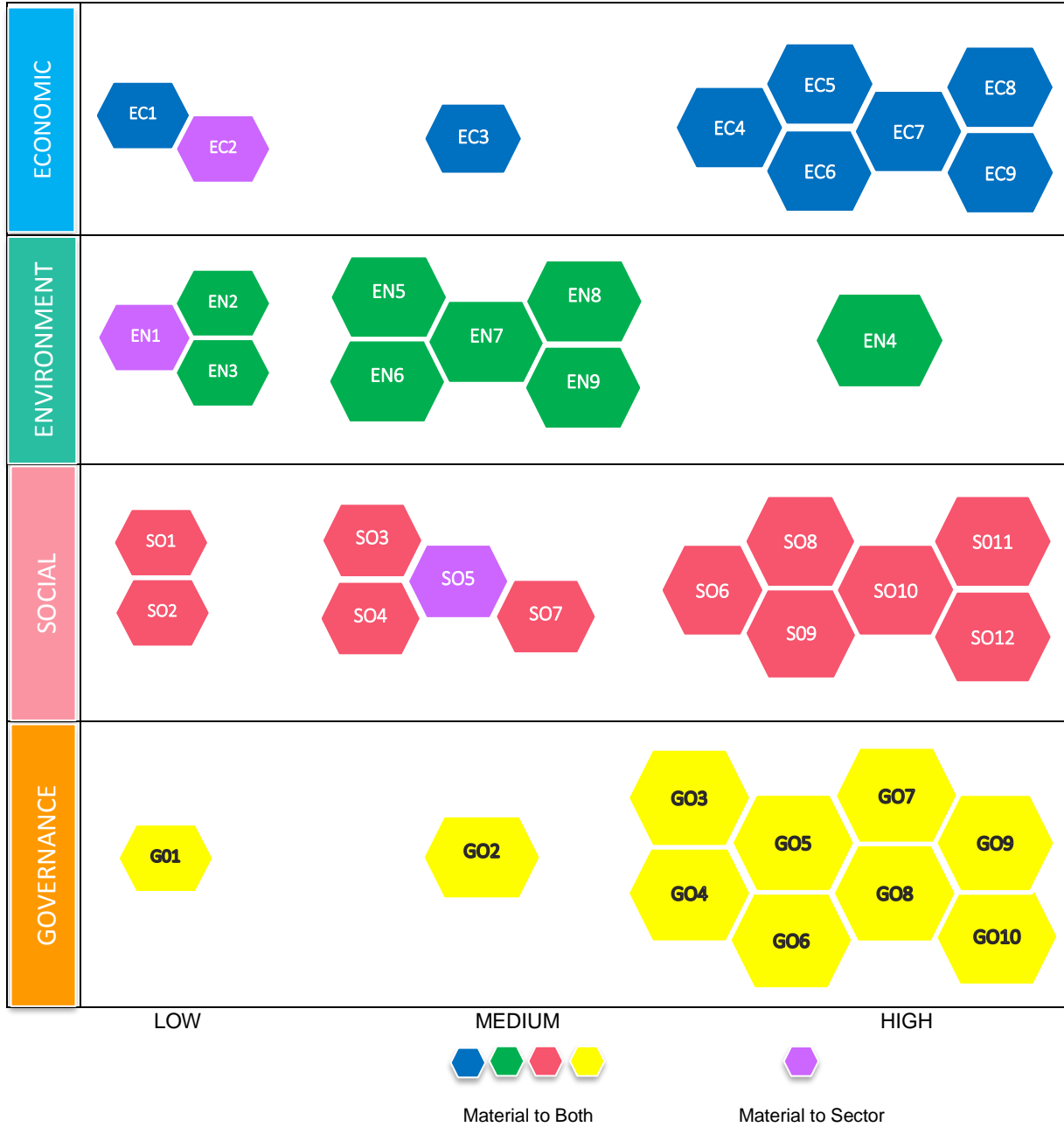
1. High materiality in the largest (right-most cluster) hexagons
2. Medium materiality in the medium (central cluster) hexagons
3. Low materiality in the smallest (left-most cluster) hexagons

In Exhibit 1, the material issues identified as high, medium and low priority fell under two categories – material to both sector and organization (shown in respective color codes); and material to sector (shown in grey color). No material issues were found relevant only to the organization or immaterial to both organization and sector.

In 2019, non-discrimination, workplace health and safety, labor practices, diversity and equal opportunity, talent acquisition and retention were found to be of high materiality in social aspects while anti-fraud and anti-bribery, data management and security practices, financial risk management, anti-corruption/whistle blower practice and human rights protection were found to be of high materiality for governance aspects.

In 2020, the Bank recognized customer health and safety as part of the issues with high materiality in social aspect. In fact, the Bank needed to institute health and safety protocols beginning the Covid-19 pandemic. Environmental compliance was also rated high materiality in 2020 given the review of the required permits and certificates of compliance from concerned national and local government units. Most of the other environment-related issues were reported to be of low or medium materiality. On the other hand, market presence, financial performance, geographical footprint, innovation and digitalization etc. were of high materiality for the economic aspects of the business.

EXHIBIT 1: MATERIAL ESG ISSUES FOR PSBANK



<ul style="list-style-type: none"> <li>• <b>EC1:</b> Indirect Economic Impact</li> <li>• <b>EC2:</b> G-SIB</li> <li>• <b>EC3:</b> Product Portfolio for Environmental and Social Benefit</li> <li>• <b>EC4:</b> Financial Performance</li> <li>• <b>EC5:</b> Market Presence</li> <li>• <b>EC6:</b> Geographical Footprint</li> <li>• <b>EC7:</b> Brand Positioning and Management</li> <li>• <b>EC8:</b> Innovation and Digitization</li> <li>• <b>EC9:</b> Customer Experience</li> </ul>	<ul style="list-style-type: none"> <li>• <b>EN1:</b> Biodiversity Management</li> <li>• <b>EN2:</b> GHG Emissions</li> <li>• <b>EN3:</b> Supplier Environmental Assessment</li> <li>• <b>EN4:</b> Environmental Compliance</li> <li>• <b>EN5:</b> Waste Management</li> <li>• <b>EN6:</b> Material Management</li> <li>• <b>EN7:</b> Energy Intensity</li> <li>• <b>EN8:</b> Water Intensity</li> <li>• <b>EN9:</b> Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>• <b>SO1:</b> Socio-Economic Compliance</li> <li>• <b>SO2:</b> Prevention of Child Labor and Forced Labor</li> <li>• <b>SO3:</b> Employee Learning and Development</li> <li>• <b>SO4:</b> Corporate Social Responsibility</li> <li>• <b>SO5:</b> Supplier Social Assessment</li> <li>• <b>SO6:</b> Customer Health and Safety</li> <li>• <b>SO7:</b> Rewards and Recognitions</li> <li>• <b>SO8:</b> Diversity and Equal Opportunity</li> <li>• <b>SO9:</b> Non-Discrimination</li> <li>• <b>SO10:</b> Workplace Health and Safety</li> <li>• <b>SO11:</b> Labor Relations</li> <li>• <b>SO12:</b> Talent Acquisition and Retention</li> </ul>	<ul style="list-style-type: none"> <li>• <b>GO1:</b> Anti-Competitive Behavior</li> <li>• <b>GO2:</b> Integrating ESG Risks in Business Practice</li> <li>• <b>GO3:</b> Anti-Fraud and Anti-Bribery</li> <li>• <b>GO4:</b> Data Management and Security Practices</li> <li>• <b>GO5:</b> Customer Privacy</li> <li>• <b>GO6:</b> Anti-Corruption/Whistle Blower Protection</li> <li>• <b>GO7:</b> Ethics and Integrity</li> <li>• <b>GO8:</b> Human Rights Protection</li> <li>• <b>GO9:</b> Financial Risk Management</li> <li>• <b>GO10:</b> Regulations and Compliance Management</li> </ul>
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## Financial Inclusion and Literacy

PSBank believes in inclusive growth, and thus considers financial inclusion an integral part of its initiatives. The Bank has made its products and services easily accessible to individuals and businesses which are largely retail and includes small and medium enterprises (SMEs).

Financial literacy is a key component in financial inclusion. PSBank has done its share in educating its publics through various initiatives. Two (2) key communication campaigns designed to further financial education amongst its customers and the general public are the “Be Aware” and “Good to Know”. These campaigns began in 2015.

“**Be Aware**” aims to raise awareness among the banking public on the various scams they may encounter during financial transactions, and empowers them with information on how to protect themselves from becoming victims of fraud thus protecting their hard-earned savings. To date, the Bank has developed 270 materials on Phishing, Pharming, Vishing, Skimming, SMSing, Email scam, Social Media scam, Identity Theft, Check Fraud, Clickbaits, Email Scam, Shopping scam, Travel scam, Unwanted Loans and Obligations, Employment scam, and Ransomware. These materials were released through 9 communication platforms : PSBank Website, PSBank Social Media (Facebook, Twitter, Instagram), PSBank Mobile app advisories/reminders, PSBank Online, Email blast to clients' personal email, Press Releases, SMS blast, PSBank newsletters, and PSBank in-branch Q monitors.

On the other hand, “**Good to Know**” focuses on promoting the value of saving and investing, and provides clients with a holistic understanding of the Bank’s products and services to better equip them to understand their needs, prepare for the future and make sound financial decisions. The Bank has produced 284 materials on a variety of topics -- Knowing how to Save; Features and Benefits of PSBank products and services, Investment Alternatives, Value of Securing the Future, Insurance, Benefits of Digitalization, e-Payments, Managing Finances, etc. These communication materials were primarily released in the following platforms: PSBank Website, PSBank Social Media (Facebook, Twitter, Instagram), Press Releases, and PSBank newsletters.

Specific to the “**Good to Know**” campaign, the Bank has launched several social media initiatives to further financial literacy to a wider audience. These are:

- “PSBankabulary” – a “Banking 101” campaign which introduces and defines banking/financial concepts in a more “down-to-earth” and consumer-relatable language and format;
- “Simpleng Tanong” (Simple Questions) -- features frequently-asked questions (FAQs) commonly raised by customers;
- “How To” – a step-by-step users guide on how to: access PSBank services/facilities; perform transactions such as Mobile Check Deposit, PaSend, Opening of Mobile Time Deposits, Paying Bills, among others.

PSBank also has the Kiddie and Teen Savers savings accounts which is a deposit facility targeted at young savers, and encourages them to learn the value and discipline of saving at a young age. The account makes it easier for kids and teens to slowly build their savings as the product does not require an initial deposit or maintaining balance. The children are also protected through a free personal accident insurance up to five times their average balance from AXA Philippines.

## EXHIBIT 2: CREDIT LENDING FOR COMMUNITY AND SMEs

<b>CREDIT LENDING</b>	<b>2019</b>	<b>2020</b>
<b>Credit Lending for Community</b>		
Total amount of loans outstanding qualified to promote community development (PHP)	396,192,668	196,937,699
Total number of loans outstanding qualified to promote community development	7	8
<b>Credit Lending for SMEs</b>		
Total amount of loans outstanding qualified to promote small business (PHP)	7,032,188,251	6,026,001,520
Total number of loans outstanding qualified to promote small business	1,979	1,821

In March 2020, the World Health Organization (WHO) declared a pandemic outbreak with the widespread transmission of the corona virus (COVID 19) globally. To prevent the spread of the virus, governments were forced to impose lockdowns, travel restrictions and border closures. These had a catastrophic impact in the global economy. The Philippines experienced interruptions in the supply chain, drop in consumer spending, loss of revenue due to lockdowns and closure of businesses, and employment lay-offs. SMEs were not spared, and for PSBank, its SME portfolio saw a significant contraction in 2020 (see Exhibit 2).

## Responsible Investment

PSBank uses an Environmental and Social Risk Checklist to understand the environmental and social risks of potential borrowers. This aids credit officers in determining the exposure of the loan and the customer to any future or present financial, legal, and reputational risks arising from environmental and social concerns. Results of these internal assessments are then disclosed to the approving committee for deliberation and action.

Moreover, should the loan applications of these potential borrowers be approved, PSBank ensures that all necessary licenses and permits from the applicable governing agencies are included as part of loan booking requirements. In turn, borrowers need to comply with social responsibility and environmental standards.

PSBank's investments in bonds are mostly concentrated (69%) in those issued by the Philippine Government. Investment in corporate bonds, if any, come from a wide range of sectors. A detailed list of all these sectors and the corresponding investments are listed below (Exhibit 3). It is also interesting to note that during the reporting period, FY2020, **PSBank made an investment of 1,170,300,418 PHP on ESG themed projects.**

The SME portfolio contracted due to the stress in the economic environment resulting from the global pandemic situation. Re-calibration and tightening of credit standards led to a strategic reduction of exposures to non-essential industries. The fundamental shift to a more prudent and judicious stance were aimed at avoiding possible credit losses, while still providing unhampered support in economy recovery. Albeit the gradual and cautious approach to lending, the Bank encouraged its SME clients to take advantage of the mandatory grace period and other relief provisions under the Bayanihan Act (BARO) 1 and 2. The Bank pro-actively facilitated payment arrangements to some borrowers whose industries were severely affected by the pandemic. These payment arrangements were tailor-suited to their current cash flow, and were designed to assist them towards better financial stability.

### EXHIBIT 3: SECTOR WISE CREDIT LENDING EXPOSURE

Total commercial and industrial credit exposure, by industry	2019		2020	
	Amount (in PHP)	% Share	Amount (in PHP)	% Share
Accommodation and Food Services Activities	125,134,044.99	0.91%	124,998,929.38	1.13%
Activities of Households as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own Use	374,257,353.69	2.74%	248,325,970.86	2.25%
Administrative and Support Service Activities	129,437,820.00	0.95%	100,344,941.97	0.91%
Agriculture, Forestry and Fishing	74,422,697.60	0.54%	103,941,592.99	0.94%
Arts, Entertainment and Recreation	20,072,068.35	0.15%	19,248,092.41	0.17%
Construction	487,047,879.42	3.56%	450,275,956.14	4.07%
Education	49,195,435.35	0.36%	44,486,769.97	0.40%
Electricity, Gas, Steam and Air Conditioning Supply	1,862,872,868.64	13.62%	1,613,325,967.94	14.59%
Financial and Insurance Activities	1,170,511,189.66	8.56%	1,175,079,282.60	10.63%
Human Health and Social Activities	164,867,239.18	1.21%	163,034,914.39	1.47%
Information and Communication	514,297,056.10	3.76%	497,926,727.72	4.50%
Loans to Individual for household and personal consumption	12,835,938.27	0.09%	11,072,112.79	0.10%
Manufacturing	545,915,777.65	3.99%	412,859,875.89	3.73%
Mining and Quarrying	7,551,732.52	0.06%	11,501,570.78	0.10%
Other Service Activities	2,870,794,629.18	20.99%	2,253,364,473.51	20.38%
Professional, Scientific and Technical Services	150,749,734.55	1.10%	150,840,737.37	1.36%
Real Estate Activities	2,530,033,680.52	18.50%	1,596,269,718.26	14.44%
Transportation and Storage	383,326,893.76	2.80%	368,848,036.37	3.34%
Water Supply, Sewerage, Waste Management and Remediation Activities	211,113,471.72	1.54%	156,535,237.57	1.42%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	1,994,093,502.57	14.58%	1,552,849,589.95	14.05%

## Environmental Impact

PSBank continues to assess the environmental impacts of its owned buildings and operations. It is now more active in its compliance to the Department of Environment and Natural Resources (DENR) requirements. It has appointed Pollution Control Officers and Managing Heads for the Head Office and Branch Clusters across the country. As an initial step for their accreditation, these people were sent to various trainings for them to better understand the processes and requirements concerning environmental standards and parameters.

## Operational Greenhouse Gas Emissions

For FY 2019, the Bank's GHG emissions were measured across scope 1 (direct emissions), scope 2 (indirect emissions, primarily purchased electricity) and scope 3 (other indirect emissions). Direct (or scope 1) GHG emissions were derived from fuel used in generator sets and vehicles owned by the Bank and assessed at **416 tCO<sub>2</sub>e**. The intensities of scope 1 GHG emissions normalized by square meter of floor area, employees and revenue were 0.005 tCO<sub>2</sub>e/m<sup>2</sup>, 0.13 tCO<sub>2</sub>e/employee and 0.14 tCO<sub>2</sub>e/mPHP, respectively. Indirect (or scope 2) GHG emissions came from consumption of purchased electricity and assessed at **4,945 tCO<sub>2</sub>e**. The intensities of scope 2 GHG emissions normalized by square meter floor area, employees and revenue were 0.057 tCO<sub>2</sub>e/m<sup>2</sup>, 1.58 tCO<sub>2</sub>e/employee and 1.63 tCO<sub>2</sub>e/mPHP, respectively. Finally, indirect (or scope 3) GHG emissions were estimated for Category



5 (waste generated in operations), Category 6 (business travel) and Category 8 (upstream leased asset <sup>1</sup>), and assessed to be **7,232 tCO<sub>2</sub>e**. The intensities of GHG emissions normalized by square meter floor area, employees and revenue were 0.083 tCO<sub>2</sub>e/m<sup>2</sup>, 2.31 tCO<sub>2</sub>e/employee and 2.39 tCO<sub>2</sub>e/mPHP, respectively. These levels guided the Bank in instituting changes and improvements in 2020.

- Using centralized multi-function-solution machines for printing in Head Office beginning 2019, the Bank further rationalized the documents that are being printed which resulted in the reduction of the number of printouts from an average of 500,000 per month in 2019 to 164,000 per month in 2020. Purchase of toners was discontinued with reduced expenses of about PHP480,000.00 per month.
- For four branch renovations and relocations in 2020, LED lights were used for more efficient energy consumption.
- Offices in the Head Office that were renovated in 2020 likewise utilized LED lights, and dependence on natural light was increased by removing a number of the cubicles and partitions.
- Decommissioning of old servers and consolidation of active servers helped reduce energy consumption.
- Laptops and tablet devices enabled with VPN security were issued to employees to replace desktop PCs which consumer higher energy.

Beginning 2020, the Bank broadened its data collection efforts covering all activities with environmental impact. The pandemic played a major factor in the substantial decrease in absolute values resulting from the implementation of protocols set by the government: shortened operating hours for almost four (4) months and work-from-home arrangements. It also paved the way to minimize waste as a number of processes and interactions shifted to a paperless set-up.

For FY2020, the absolute electricity use was 15,891,211 KWH. Of the total electric consumption, 37.1% KWH were consumed by the head office, 59.2% by the branches, 3.3% by the 278 ATMs situated offsite and 0.4% by the auto warehouses. Total electricity consumed in the head office improved by 2.73% compared to 2019.

The absolute fuel use for the genset in head office and branches was 11,790 liters. During the ECQ period, the Bank operated on skeleton force, work-from-home setup and flexi schedule both for head office and selected branches. Branch banking hours were likewise shortened. These resulted in lower fuel consumption by 28.01% year-on-year.

On the other hand, the Bank provided shuttle services to the commuting Bank employees to reduce the risk of exposure to Covid-19, and ensure continuous bank operations. Shuttle services made use of bank cars and repossessed vehicles serving various locations in Metro Manila, Cavite, Laguna and Rizal. In addition, the bank cars were utilized to source and carry-out disinfection requirements. These resulted in new fuel consumption of 38,011.83 liters in 2020. As public transportation restrictions ease in 2021, the need for shuttle services is expected to decrease significantly.

Moving forward, the Bank will continue to reduce electricity costs and promote renewable energy by introducing energy-efficient (inverter-type) air conditioners, installing solar cells in the Bank-owned branches, among others.

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<sup>1</sup> PS Bank operates leased assets purely on rental basis. In the view of this, it is understood that PS Bank does not have complete authority to implement operating policies associated with its operational activity or process. Therefore, the emissions associated with leased assets are classified under Scope 3 emissions.

#### EXHIBIT 4. FUEL CONSUMPTION, FY2019 VS FY2020

<b>Fuel Consumption (in Liters)</b>	<b>2019</b>	<b>2020</b>	<b>% Change</b>
Generator set (genset)	16,378.00	11,790.00	-28.01%
Transportation	154,641.99	205,965.18	33.19%
Transportation (ATM, Collection and GSD)	154,641.99	167,953.35	8.61%
Transportation (Shuttle Services)	0	38,011.83	

## Water Use

For FY2020, the absolute water use was 76,992 cubic meters (m<sup>3</sup>), which was supplied water from utilities. Of the total water consumption, 29,173 cubic meters (m<sup>3</sup>) was consumed by Head Office, 47,769 cubic meters (m<sup>3</sup>) by the branches and 50 cubic meters (m<sup>3</sup>) by the warehouses. Four (4) facilities leased by PSBank used extracted water from natural resources (deep well) which had a minimal volume use of 486 cubic meters. Compared to 2019, the Bank was able to reflect near-to-actual figures given the improvement in the collection of actual data.

Water use intensity normalized by square meter of floor area, employee and revenue were 0.511 m<sup>3</sup>/m<sup>2</sup>, 26.42 m<sup>3</sup>/employee and 69.47 m<sup>3</sup>/mPHP respectively.

## Waste Management

PSBank provides guidance for the proper disposal of physical wastes and the destruction of e-wastes. Proper segregation is observed for physical waste. Non-hazardous waste is disposed through city-accredited garbage collectors while hazardous waste is disposed via accredited scrap buyers. On the other hand, electronic data is properly expunged/cleared based on existing server decommissioning policies. Hard drives-wiping and destruction; and data destruction certification is sought whenever applicable.

Paper waste reduction efforts continued in 2020. Paperless transactions were reinforced across business units and support groups. For example, to control routing of documents for signature and for a more efficient approval process, e-signatures became acceptable for pre-identified documents. "Thank You Letters" for PSBank Flexi Loan clients are no longer printed, and instead sent in password-protected digital (PDF) form to clients. Paper documents to comply with HR and training requirements have been done away with using digital forms; and subsequent required approval thereof done online via the Bank's intranet system. Printing and distribution of the Annual Report has been substantially reduced given the shift to electronic (PDF) version made available in the Bank's corporate website.

To raise awareness on reducing the use of paper boxes, plastic containers and single-use plastics at the cafeteria, employees were encouraged to bring their own food containers, mugs, tumblers, and reusable cutleries and straws.

With the formation of the Eco-Warriors Club, a group of environmental conservation and sustainability champions at PSBank, there are now PSBankers taking the lead in promoting proper and environment-friendly recycling and waste management initiatives. The Eco-Warriors collect reusable items and donate them in various recycling facilities. They also do reflection and call-to-action post campaigns to encourage more PSBankers to join the cause of saving the planet. They led in the internal celebration of the 50th Earth Day, Earth Hour, World Bicycle Day, World Environment Day, and Environment Month. Training programs and processes are continuously being digitalized to save on resources and adopt to the call of the times. There is no longer any need to print registration forms, prepare training kits and

materials, and manage logistical requirements. The entire Learning & Development cycle has been automated – from registration to actual training to evaluation.

Absolute waste generated in FY2020 was 574 tonnes, with 98.2% of non-hazardous waste and 1.8% of hazardous waste. Major types of waste that contributed to the total mass were paper, plastic, batteries, electronic scraps and cartridges. The intensity of total waste generated normalized by square meter of floor area, employee and revenue were 0.004 tonnes/m<sup>2</sup>, 0.20 tonnes/employee and 0.52 tonnes/mPHP.

EXHIBIT 5. WASTE DISPOSAL, FY2019 VS FY2020

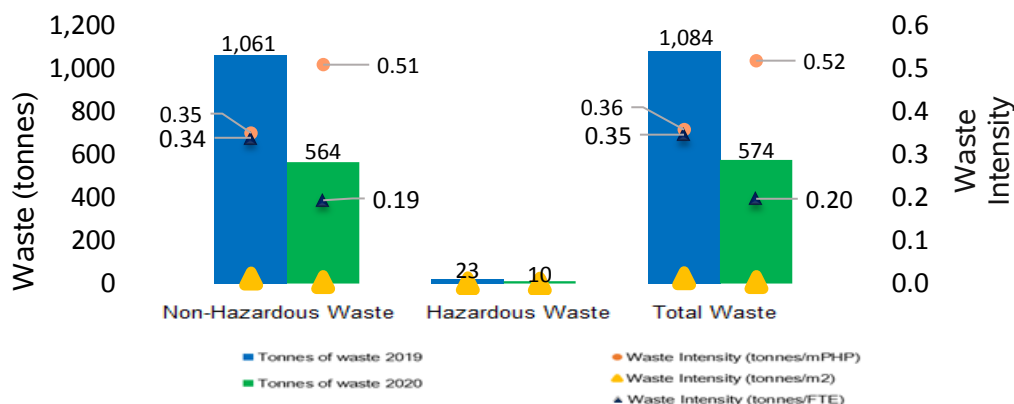
WASTE DISPOSAL	2019	2020	% Change
Total Non-Hazardous Waste (in kilogram)	1,063,310.00	564,081.96	-47%
Total Hazardous Waste (in kilogram)	20,689.99	10,356.66	-50%
Total Waste (in kilogram)	1,083,999.99	574,438.62	-47%

The total non-hazardous waste sent for disposal decreased by 47% in 2020 compared to FY2019, particularly on the paper and plastic garbage. Total hazardous waste improved by 50% due to lower printer cartridges, electronic scraps and used batteries sent for disposal. The considerable decrease in waste generated in 2020 has been caused largely by fewer employees reporting in the workplace from March 16 to June 2020 due to the pandemic and in compliance to the protocols set by the government.

The Bank generated about 9,026 kilograms of e-waste during the reporting period which was safely disposed using third party waste disposal service providers. Apart from the e-waste, the safe disposal of all the other wastes generated by the Bank is also entrusted to third party waste collectors accredited by the city central estate association.

The Bank endeavors to further reduce waste generation as it boosts efforts towards digitalization, and ensures heightened awareness on environmental concerns across the organization.

EXHIBIT 6: TOTAL HAZARDOUS AND NON-HAZARDOUS WASTE, FY2019 vs FY2020



# Social Impact

PSBank is mindful of the social impacts relative to providing financial products and services and its overall operations.

## Workforce Diversity

Diversity promotes innovation, inclusive growth and collaborative enterprise. The Bank has 2,914 employees -- 64.14% are female employees, and 35.86% are male. In terms of age, 67.91% are between ages 30 to 50, followed by the ones below 30 at 25.98% and those over age 50 at 6.11%.

The Bank's Board of Directors has 9 members, two of which are female or 22% of the board make-up.

EXHIBIT 7: GROUP DIVERSITY AND EMPLOYEE REPRESENTATION, FY2019 vs FY2020

DIVERSITY		2019		2020	
		Count	% to Total	Count	% to Total
<b>Executive</b>		56	1.79%	53	1.82%
Gender	Male	36	1.15%	33	1.13%
	Female	20	0.64%	20	0.69%
Age Group	Under 30	-	-	-	-
	30-50	44	1.41%	36	1.24%
	Over 50	12	0.38%	17	0.58%
<b>Non-Executive</b>		3,074	98.21%	2,861	98.18%
Gender	Male	1,078	34.44%	1,012	34.73%
	Female	1,996	63.77%	1,849	63.45%
Age Group	Under 30	930	29.71%	757	25.98%
	30-50	1,999	63.87%	1,943	66.68%
	Over 50	145	4.63%	161	5.53%
<b>Total</b>		3,130	100.00%	2,914	100.00%

EXHIBIT 8: WORKFORCE BY AGE, FY2019 vs FY2020

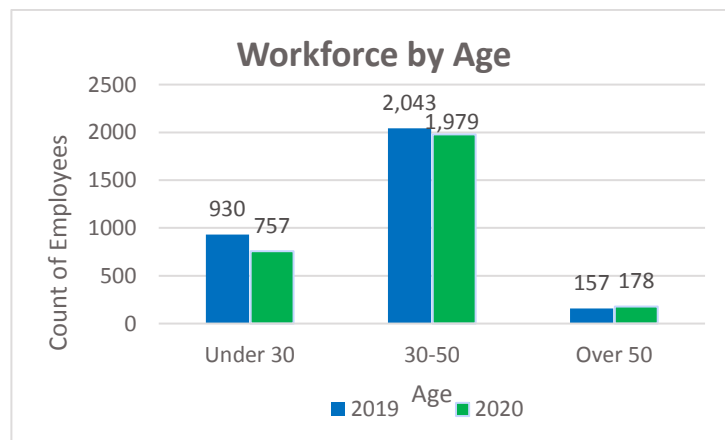
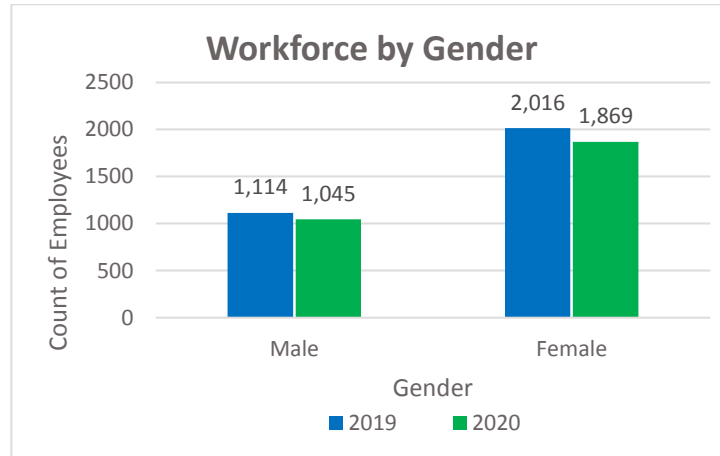


EXHIBIT 9: GENDER DIVERSITY, FY2019 vs FY2020



Workplace Safety and Labor Practices

At PSBank, health, safety and overall wellness of its employees is one of the top priorities. In 2020, the Bank initiated several programs which addressed mental health, physical fitness, workplace wellness, environmental stewardship, and the COVID-19 pandemic.

There were no incidents involving deaths or diseases in 2020. Total Recordable Incident Rate (TRIR) for permanent employees was 18.74, and the Near Miss Frequency Rate (NMFR) was 0.24.

EXHIBIT 10: WORKPLACE SAFETY, FY2019 vs FY2020

WORKPLACE SAFETY	2019	2020	% Change
Total recordable incident rate (TRIR)	23.76%	18.74%	-5.72%
Near miss frequency rate (NMFR)	0.46%	0.24%	-0.22%

Initiatives in 2020 included the following.

- One of the critical components of crisis management is communication. The Bank through its People Communication and Events team provided timely and informative collaterals on various subject matters concerning employee wellness -- 109 Human Resources (HR) Advisories, 60 health-related advisories, 12 on safety, and 37 on mental health.
- The Bank launched its Occupational Safety and Health (OSH) Program in 2020 to further institutionalize Employee Well-being and e Wellness in the Workplace. It hosted four (4) Occupational Safety and Health (OSH)-related trainings. It likewise strengthened the OSH Committee (OSHCOM) by having all its members certified as Safety Officers 2. “Mind Over Matter”, the Bank’s primary program to support Mental Health, was in full force the entire year. The Bank likewise introduced the help of a resident Psychologist to attend to employees’ mental health concerns.
- Psychological First Aid was also given to those who tested positive to COVID-19, employees who lost loved ones or those who are experiencing increased anxiety and other mental health issues. A #SelfcareSunday initiative featured webinars on well-being and regular advisories on mental wellness. A bigger and better PSBank Clinic was inaugurated in 2020 to serve as the Bank’s Wellness Center. Mandated to provide immediate healthcare to employees, this serves

as the first point of contact with a health professional, and further addresses needs for outpatient medical, nursing, and other types of care services. It also has a lactation area and rest and recovery rooms. The clinic is open daily during office hours and staffed by a dedicated physician and two (2) nurses.

- The Bank created a dedicated 24/7 Flu Management Team which rolled out bank policies and processes specific to the COVID-19 pandemic.
- Overall well-being initiatives include Spiritual Activities and Services for the Soul such as regular virtual masses for Catholics and virtual fellowships for other religious denominations.
- To ensure the continuity of the Bank's operations while keeping the employees safe amid the pandemic, several measures to manage workforce and productivity were adopted. These were:
  - Disaster preparedness drills (i.e. fire and earthquake drills) and BCP Refresher to ensure that operations are not hampered during an emergency scenario. Reporting to the back-up site for critical units and services was activated and proved ready for BAU requirements.
  - Enterprise-wide BCP Testing. Critical systems were pointed to the Business Recovery Center. System availability was at 100% and Recovery Point Objective and Recovery Time Objective were within standards, enabling processing of day-to-day transactions.
  - Pick-up Point to PSBank (P2P) Shuttle Service consisting of 25 units covering North, Central and South areas. The shuttle services were offered FREE during the Enhanced Community Quarantine (ECQ); and a route-based premium charging via contactless QR was adopted when area quarantine classifications were downgraded to GCQ.
  - Issuance of a total of 213 laptops and 64 tablets beginning May 2020 as the employees were allowed to Work-from-Home during ECQ. Operations and select support teams were on shifting schedules. Transportation and hazard pay were extended to employees reporting onsite during the ECQ. Flexi time was also introduced to allow employees to report onsite while avoiding traffic at peak hours -- employees may time in from 6:30AM to 10:30AM, and complete the 8-hour workday, with two 15-minute breaks in the morning and afternoon.

As a unionized organization, the Bank maintains an agreement with the PSBank Employee's Union (PSBEU) with the intent and purpose of promoting and improving the economic and social relationship between the Bank and the Union through the Collective Bargaining Agreement (CBA). The CBA establishes a better understanding relative to the rates of pay, hours of work and other terms and conditions of employment, providing expeditious means for the amicable adjustment of all industrial disputes, and to otherwise mutually confirm industrial peace and harmony. A CBA negotiation is held every three years between the Bank and the Union, with the current CBA valid up to 2021. A copy of this agreement is available at the Bank's InfoChannel and readily accessible to all its employees.

The Bank and PSBEU align regularly through the Labor Management Council (LMC) appropriately dubbed as "Talks on Employee Affairs and other Matters or TEAM". The Council is composed of three representatives from management and union who meet once a month to discuss any or all matters affecting the employees of the Bank. The harmonious relationship between the Bank and PSBEU throughout the years, as well as having a strong LMC has earned the Bank a Special Award in Enhanced Corporate Viability, and a recognition as the Best LMC for Industrial Peace in the National Capital Region. It was also a finalist in the National Best LMC for Industrial Peace from the Department of Labor and Employment (DOLE) in 2017.

The challenge of the pandemic made the Bank even more committed to ensure a sound Employee Experience despite the absence of physical Employee Engagement activities. The need to connect and the observance of various global, nation and institutional celebrations were done virtually. These virtual

events helped the Bank achieve its highest Workforce Engagement Scale or WES-60 on record at 3.80/4.0.

The Bank provides several government-mandated and voluntary benefits to its employees such as leaves, salary loans, several loans options, medical benefits, and other benefits. As a matter of policy, the compulsory retirement age for our regular employees (officers and staff) is at 55 years old. This has been established in our Retirement and Gratuity Plan, duly approved by the Bureau of Internal Revenue. To aid in workforce planning, the CXHRG reviews the roster of employees who shall be reaching the compulsory retirement age before the end of the applicable year. Appropriate notification is arranged, and deferential treatment is accorded to retired employees, ensuring that they receive the compensations for their loyal service within 30 days after their effective date of retirement.

In 2020, the retirement benefits under Section 5 of the Bayanihan to Recover as One (R.A. 11494) or Bayanihan Act 2 (BARO 2) was made available to the Bank employees. Out of the 126 total employees who qualified and availed of the retirement benefits, 3 were executives while 123 were non-executives. The top 2 reasons for their availment of the tax-free retirement benefits were family circumstances (40%) and opportunity to venture into business (15%).

Voluntary turn-over rate in 2020 was higher at 8.6%, partly due to the availment of retirement benefit under BARO 2.

**EXHIBIT 11: LABOR PRACTICES, FY2019 vs FY2020**

<b>LABOR PRACTICES</b>	<b>2019</b>	<b>2020</b>
Voluntary turnover rate for employees	7.8%	8.6%
Involuntary turnover rate for employees	0.6%	1.2%
Total amount of monetary losses as a result of legal proceedings associated with labor law violations and/or employment discrimination	None	None
Percentage of employees earning minimum wage	0%. The Bank provides wages above minimum rate	

**Employee Training and Development**

PSBank recognizes that training and education form an important part in strengthening employee skills and supporting their professional and personal development. In 2020, through the PSBank Business Campus (PBC), the Bank’s official training arm, 46,624 hours were dedicated to employee training. Total expenditure was PHP 3,642,012, which is 218% lower than the previous year’s expense. The savings were primarily due to the shift to virtual training formats brought about mainly by community quarantine restrictions, and regard for everyone’s health and safety. PBC was able to produce 189 training programs.

**EXHIBIT 12: EMPLOYEE TRAINING AND DEVELOPMENT, FY2019 vs FY2020**

	<b>2019</b>	<b>2020</b>
<b>Employee Training</b>		
Number of hours of training completed	1,913	46,624
Total expenditure on employee training programs (PHP)	11,572,215	3,642,012
<b>Employee Development</b>		
Percentage of employees receiving regular performance and career development reviews	100%	100%



Out of the total training hours of 46,624, 68% was utilized for providing relevant trainings to female employees while male employees took 617 hours training or 32%. Each PSBanker enrolled in at least three (3) training programs during the year.

Modular Object-Oriented Dynamic Learning Environment or Moodle became the Bank's main Learning Management System (LMS). Through this and the Bank's primary communication and engagement platform, the Bank's regulatory trainings registered 100% compliance for the first time, all of which were done virtually – Anti-Money Laundering Act, Related Party Transactions, Information Technology Risk Assessment, Foreign Account Tax Compliance Act for Branch Banking, Financial Consumer Protection, and Business Continuity Plan.

Performance reviews are scheduled bi-annually to support career development, promotion, and merit enhancement. Ladderized Programs were created and completed in 2020 for star employees who are high-performers and have high-potential to become supervisors and managers. The Bank had 26 Ladderized Program Graduates in 2020.

Internal Talent Mobility initiatives allowed the Bank to maximize the productivity of employees. Redeployment through the Manpower Reallocation Program was done for teams with reduced capacity requirements. A total of 153 employees were reallocated to teams with increased operational requirements such as Collections and Remedial, Auto Asset Sales, and CX Operations.

In 2020, one of the focus areas was Succession. A more comprehensive Succession Planning Program was launched which consists of five (5) stages: (1) Identifying the Successor; (2) Assessing the Gap; (3) Addressing the Gap; (4) Evaluation; and (5) Implementation. This institutionalized program helps ensure continuity and viability of the business. Positions that are critical to the business have identified "Ready Now" and "Ready Later" employees or successors. Potential successors have to undergo Individual Development Planning – a combination of classroom training, cross-postings, immersions, and development assignments. Furthermore, strategic workforce planning is conducted annually to ensure that critical positions are filled up, or ready with identified external talents for possible hiring.

## **Governance**

### **Data Privacy and Security**

The Bank takes data privacy and security very seriously. It protects its customer's data through multiple layers of security in its infrastructure and policies that are closely intertwined with the business processes.

The Bank's Data Privacy Officer or DPO is not just responsible for ensuring compliance with the guidelines and directives of the country's strict Data Privacy law, but is also tasked with creating a culture of heightened awareness in data privacy within the Bank through employee trainings and awareness campaigns.

Protection of data is tightly integrated in the data security practices and policies of the Bank. The Bank's Data Privacy Manual is supported by the Data Security Framework from the Bank's Information Security Group; and ensures that the client's data is properly secured throughout its lifetime in the Bank – from the encrypted collection of data, to storage and processing, and secure disposal when the need or requirement arises.

- Bank applications that collect data from clients use strong network encryption and go through a rigorous and regular application security testing by both internal and 3rd-party security testing teams.
- Critical databases in the Bank are actively monitored for suspicious activities.



- Additional approvals from the DPO and the Chief Information Security Officer (CISO) are required before any client data can be exported, extracted, processed or shared with other groups in the Bank or with 3rd-party entities.
- Secure disposal of hard drives are in place such that digital data are securely wiped out and the drives physically destroyed beyond recovery.
- Security controls are in place for remote VPN and Bring Your Own Device (BYOD) users where the Bank utilizes Mobile Device Management (MDM) technologies to separate company data from personal data in the personal devices of employees.

Security awareness campaigns also play an important role in the Bank's data privacy and security efforts. Programs for security awareness are rolled out by the Bank through its internal advisories, anti-phishing campaigns and even extends to its customers via the award-winning Be Aware! fraud awareness program.

As of December 31, 2020, a total of 945,667 individual customer data were maintained by PSBank and, to date, the Bank has not suffered any data security breaches.

For more information on PSBank's Data Privacy Policy, you may refer to: <https://www.psbank.com.ph/footer/privacy-policy>.

## Systemic Risk Management

PSBank undertakes ICAAP exercise which helps in the proactive determination of whether the Bank's qualifying capital can support its mid-term risk asset growth based on various economic and regulatory factors, both domestic and international. Financial projections are generated based on the company's outlook over a 5-year period, under "normal" economic growth indicators. This base case scenario is then subjected to stress indicators, which include assumptions to stress the Bank's Capital Adequacy Ratio (CAR). The Bank uses various scenarios or simulations to stress the base case with minimal or no management intervention to obtain a "black swan" environment, if possible. The purpose of these stress scenarios is to test the Bank's capital strength and resilience against adverse conditions.

In the past 2 years, the stress scenarios used were as follows:

1. Pandemic Stress
2. Prolonged Pandemic Stress
3. Global Financial Crisis
4. Real Estate Bubble
5. Auto Industry Stress

Embedded in the ICAAP process is the determination of several management-initiated remedial actions to mitigate the effects of financial decay during stress situations, resulting in the deterioration of the capital adequacy ratio. These remedial action plans include evaluating investment portfolio options, reducing capital and operating expense items, lending slow down and raising of Tier 1 capital.

One of the important aspects of future risk management at PSBank is the stress testing mechanism. This stress testing exercise results in the timely identification and projection of future risks and thus helps the Bank to better mitigate risks in case of their occurrence. One of the examples of this risk identification and mitigation exercise is the COVID19 (Pandemic) Stress Testing Model. PSBank's capital planning considers stress testing for pandemic scenarios. For this purpose, using COVID-19 scenario, various movements in interest rates across the yield curve are used, and NPL doubled. Results show that the Bank will survive the crisis for four years and shall remain in strong capital and liquidity position.

## Stakeholder Management

PSBank defines "stakeholders" as those individuals and organizations that are affected or affect the Bank's business. It is committed to use its resources and relationships to influence its stakeholders to adopt and integrate sustainable business practices. Its stakeholders are classified into groups based on their interests and needs.

<b>CUSTOMERS</b> 	<ul style="list-style-type: none"><li>✓ Products that are known for being simple and maaasahan (reliable)</li><li>✓ Superior and seamless customer service through the Customer Experience Management (CEM)</li><li>✓ Reliable and secured digital services through PSBank Mobile and PSBank Online Banking</li><li>✓ Data privacy</li></ul>
<b>EMPLOYEES</b> 	<ul style="list-style-type: none"><li>✓ Continuous growth through training and development programs</li><li>✓ A work place that promotes safety, teamwork, work-life balance and overall well-being</li><li>✓ Comprehensive and competitive compensation and benefit packages</li><li>✓ Recognition for contributions</li></ul>
<b>SERVICE PROVIDERS</b> 	<ul style="list-style-type: none"><li>✓ Fair and compliant engagements</li><li>✓ Effective collaboration through regular correspondence</li></ul>
<b>INVESTORS</b> 	<ul style="list-style-type: none"><li>✓ Engage, keep and enhance the value of investments</li><li>✓ Adequate information and relevant disclosures</li></ul>
<b>COMMUNITY</b> 	<ul style="list-style-type: none"><li>✓ Financial literacy</li><li>✓ Corporate social responsibility through contributions to education, environment and health</li></ul>
<b>REGULATORS</b> 	<ul style="list-style-type: none"><li>✓ Compliance to regulations</li><li>✓ Corporate social responsibility through contributions to education, environment and health</li></ul>

For its **customers**, PSBank provides products and services that are known for being simple and maaasahan (reliable). In addition to having a network of 250 branches and 557 ATMs strategically located nationwide, it offers 24/7 banking services through PSBank Mobile and PSBank Online. With the effective adoption and integration of digital technology coupled with strong data analytics, the Bank gets better customer insights to meet the customers' needs. The Bank is also accessible to customers through its Customer Experience Hotline, PSBank LiveChat, ISSA Chatbot, and PSBank Official accounts on social media. In 2020, digital enrolments and utilization increased 56% and 143% respectively. The Bank waived fees for interbank transfers thru InstaPay and PESONet to further promote digital payments. By mid-year, PSBank made available the booking of time deposits via Mobile and launched the national standard-compliant QR Code for use in fund transfers/payments. For the safety and convenience of loan customers, settlement of PSBank loans via InstaPay was also made available in the last quarter of the year.

PSBank also continues to provide financial literacy through its award-winning financial literacy campaigns, "Be Aware!" and "Good to Know". The Bank has put in place adequate information security and data protection policy guidelines, procedures, and control measures pursuant to information and cyber security rules, standards on data privacy and financial consumer protection.

PSBank places high importance on the well-being, diversity, and development of **its employees** as it endeavors to provide a safe workplace that promotes safety, teamwork, and work-life balance thus helping them achieve their potentials. The Bank provides comprehensive compensation and benefit packages; and strives for employee retention through talent management and training and development programs. PSBank has in place the Personnel Committee (PERCOM) which oversees the evaluation of performance and career advancement of its employees, providing decisions on employee offenses/administrative cases, reviews personnel policies and procedures, including the Code of Conduct. The Retirement Committee is also in place to exclusively administer the Gratuity and Retirement Benefit Plan of the Bank.

For its **service providers**, PSBank abides by Board-approved policies and regulations on engaging third-party suppliers or service providers covering accreditation, performance monitoring and renewal.

## Business Ethics

PSBank ensures that all transactions are executed in accordance with the Anti-Money Laundering (AML) policy guidelines, procedures, tools and controls that are set forth in its Money Laundering & Terrorism Financing Prevention Program (MLTFPP) which is being updated annually. Compliance with the requirements of this MLTFPP is continuously monitored by the Board-designated AML Compliance Officer (AMLCO) under the Compliance Office as lead implementer.

PSBank values all information received from whistle blowers and/or anonymous sources. It encourages all stakeholders to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable practices and transactions entered by any of its employees and officers. PSBank's "Whistle Blowing" policy requires its employees to report any impropriety or malpractice committed by co-employee(s) or third party(ies) to their Group Heads or to the Customer Experience and Human Resources Group Head, the Fraud Management Group Head/ Division Heads, or the Chief Audit Executive/ Internal Audit Group Head for evaluation if it would warrant an investigation.

The Anti-Corruption Policy of the Bank forms part of the Bank's Code of Conduct. Violation of this Code merits the imposition of disciplinary sanctions/penalties ranging from reprimand, suspension to dismissal. The anti-corruption programs and procedures such as Reporting of Impropriety or Malpractice are likewise embodied in the Bank's "Whistle Blowing" policy.

EXHIBIT 13: GOVERNANCE INDICATORS, FY2020

<b>Governing policies</b>	
<b>Total amount of monetary losses as a result of legal proceedings associated with money laundering</b>	None
<b>Anti-money laundering policy in place?</b>	Yes
<b>Whistle-Blower Protection Policy in place?</b>	Yes
<b>Anti-corruption policy in place?</b>	Yes