

Sustainability Report

Financial Year 2021



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About PSBank

Philippine Savings Bank (hereafter referred to as “PSBank” or the “Bank”), a subsidiary of the Metropolitan Bank and Trust Company (Metrobank), is headquartered in Makati City. To date, its physical channel footprint is composed of 250 branches and 545 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. As the Bank gears towards being more sustainable and attain its commitments for Sustainable Finance, it continuously improves its products, service channels and overall customer service experience to provide more positive social and environmental impact. PSBank takes advantage of available and emerging technologies, not just to introduce innovative product offerings but also to improve on systems and processes for better operational efficiency and lower operating costs.

With its customer in mind, the Bank strives to consistently make its banking processes simpler, thus allowing customers to perform their banking needs the fastest, simplest and safest way possible. Through its Online and Mobile Banking Facility, existing and new clients can, among others, open and maintain their accounts, send money and pay bills conveniently anytime and anywhere from the comfort of their homes thus allowing them to save time and lower their carbon footprint. The Bank also provides affordable loan products with one-day approval for Auto Loans, one-day credit decision for Home Loans for accredited properties, online applications for Auto Loan and Flexi Personal Loan.

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 aims to improve energy efficiency and tap alternative sources to reduce reliance on purchased electricity. With these efforts, the Bank can, directly or indirectly, reduce the likelihood of extraordinary expenses, improve market share, or even decrease liabilities.

Introduction

On April 29, 2020, the Bangko Sentral ng Pilipinas (BSP) issued Circular 1085, otherwise known as the Sustainable Finance Framework which “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 its Board of Directors (BOD) in October 2020. The Bank has since then established focus areas to support the UN’s 2030 Agenda for Sustainable Development and contribute to the aspirations set forth under the Philippine Development Plan. It has formalized its Sustainable Finance Framework to articulate the integration of environmental, social, and governance criteria into its day-to-day business operations, products and services, and distribution channels. The framework provides basis for defining targets and metrics to deliver on its commitment to support sustainable economic growth and the transition to a low-carbon economy.

Scope

The scope of the 2021 ESG Report includes information and progress of the Bank's sustainable finance goals for the period 1 January 2021 to 31 December 2021 in line with common sustainability reporting frameworks and disclosure requirements of the Philippine Stock Exchange (PSE), the Securities and Exchange Commission (SEC), and select sustainability reporting frameworks. The Report should be read together with PSBank Annual Report 2021. 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.”

The Bank has made significant progress from 2020 to 2021 following its Board approved transition plan for Sustainable Finance.

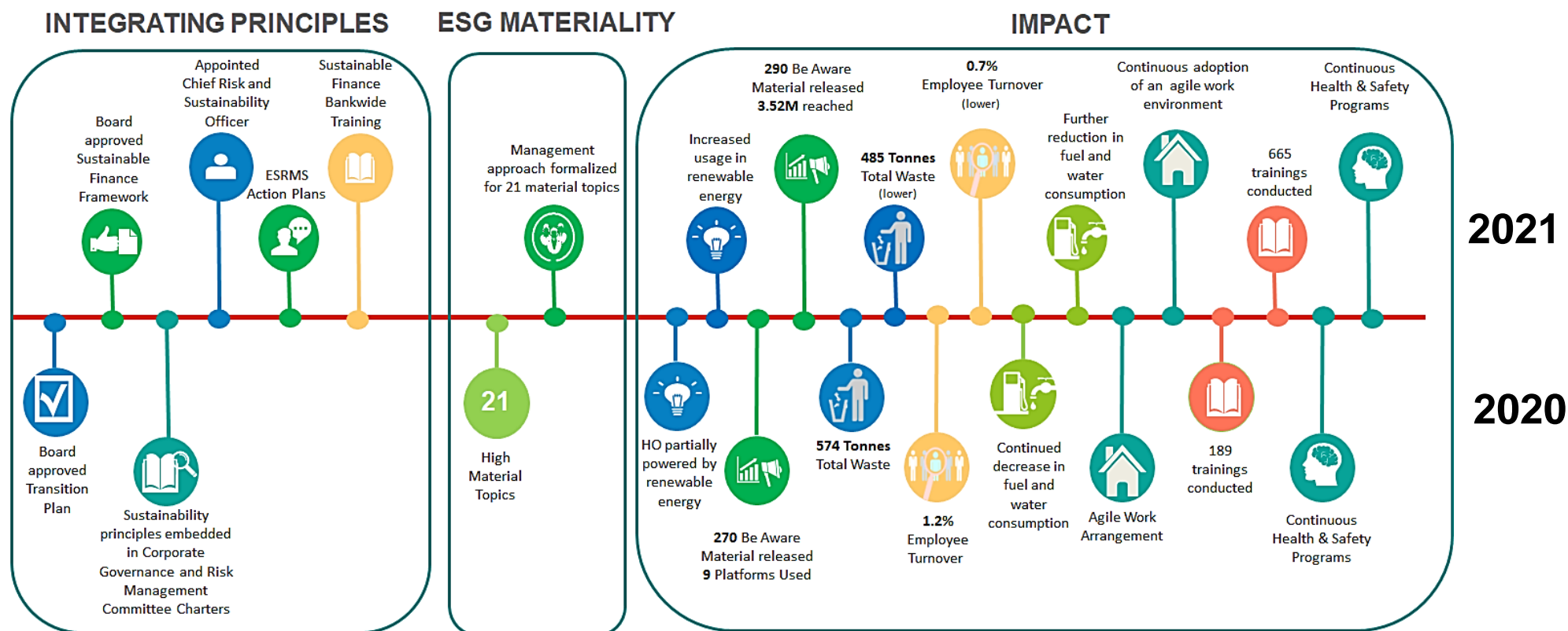


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ESG Materiality and Management Approach

PSBank Materiality Process

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. The Bank follows an internal process review to define issues that are significant to environmental, social, governance and economic priorities and their impacts to both our business and stakeholders.

Exhibit 1 shows the internal practice performed by the Bank to identify and assess high materiality topics.

EXHIBIT 1. MATERIALITY PROCESS



Stakeholder Analysis: Using the mission, vision and results of embedded feedback mechanisms, the Bank analyzes issues and concerns raised by its customers, employees and other stakeholders that directly affect the Bank's operations and business decision making.

Issues research: This refers to the conduct of ad hoc issue research, peer benchmarking and review of previously identified priority sustainability topics.

Trends and Gap Analysis: The Bank assesses trends and conducts best practice analysis.

Analysis. The Bank ranks and prioritizes topics considering a range of internal and external perspectives through cross functional meetings, alignment with enterprise risk management, and relevance checking versus sustainability reporting frameworks.

Prioritization: The prioritization of topics is based on the significant impact on the Bank's business success or those which would substantively influence the assessments and decisions of stakeholders.

The material ESG issues were identified under four categories: Material to both sector and organization, Material to sector, Material to organization, and Immaterial. 21 issues arose to be material to both sector and organization. These are as follows:

Economic (6)

1. Financial Performance
2. Market Presence
3. Geographical Positioning and Management
4. Brand Positioning and Management
5. Innovation and Digitization
6. Customer Experience

Environment (1)

1. Environmental Compliance

Social (6)

1. Customer Health and Safety
2. Diversity and Equal Opportunity
3. Non-discrimination
4. Workplace Health and Safety
5. Labor Relations
6. Talent Acquisition and Retention

Governance (8)

1. Anti-Fraud and Anti-Bribery
2. Data Management and Security Practices
3. Customer Privacy
4. Anti-Corruption /Whistle Blower Protection
5. Ethics and Integrity
6. Human Rights Protection
7. Financial Risk Management
8. Regulations and Compliance Management

Management Approach

True to its mission and vision to be the country's consumer and retail bank of choice, the Bank continuously works to provide its clients competitive products and services while ensuring safe and positive banking experience as it strives to adhere to sustainable finance principles and standards.

With its Board of Directors, Senior Management and employees, the Bank strategizes to ensure that high material topics with high impact on business and customers are managed well. This section describes how the Bank manages its identified material topics to deliver its commitment to the banking public and actively participate in the Philippine banking industry's goal to accomplish its Sustainable Finance initiatives and help the Philippine Government with its own Nationally Determined Targets.

Economic Aspect



Financial Performance

PSBank's Finance Group, guided by approved policies and practices, is responsible for monitoring the Bank's financial performance. The Bank 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 Bank's outlook over a 5-year period, under "normal" economic growth indicators. 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 to test the Bank's capital strength and resilience against adverse conditions.



Market Presence

The Bank further strengthens its market presence thru thematic and tactical marketing campaigns made available in various communication platforms, which focus on the promotion of financial products and services as well as information on how clients can maximize product features. There has been a deliberate shift to digital platforms by virtue of changing market behavior which resulted in the limited use of paper marketing collaterals.

The Bank is able to improve on its strong presence with respect to loan products by providing competitive interest rates, flexible repayment options, and the maintenance of good relationships with its partner providers (like auto dealers and real estate developers).

Its delivery and distribution channels include physical branches, ATM network and digital banking platforms.



Geographical Positioning and Management

The Bank strategically places its physical branches and ATMs in locations within communities that are easily accessible by clients.

Banking on digital innovation and technology, the Bank continues to improve its online and mobile banking facilities to enable its clients to perform their banking needs in a safe and more convenient way.



Brand Positioning and Management

True to its tagline, "Simple Lang, Maaasahan", the Bank ensures that the delivery of products and services are made simple and easy to use while providing features that help its individual, SME, and corporate clients meet their requirements and improve their financial welfare.



Innovation and Digitization

The Information Technology (IT) Group of the Bank together with its Marketing and Information Security groups work together to ensure that all systems are efficient and safe for the customers to use. Systems are regularly reviewed and monitored for possible improvements and upgrades using the latest in available technologies.

The Bank also continues to rationalize existing systems infrastructure, pursue needed investments in technology, and perform continuous research to substantially improve IT operations, reduce system incidences and energy consumption.



Customer Service

The Bank continuously strives to be the country's consumer and retail bank of choice, by conforming to the highest standards of integrity, professionalism and teamwork. The Bank commits to provide its customers superior products and reliable services that contribute to social and environmental sustainability.

Environmental Aspect



Environmental Compliance

PSBank continues to manage the environmental impacts of its owned buildings and operations with appointed Pollution Control Officers and Managing Heads for the Head Office and Branch Clusters across the country to ensure full compliance with applicable environmental laws and regulations.

Annual policy and process review is performed to ensure that they remain in accordance with existing and new laws and regulations.

Social Aspect



Customer Health and Safety

To ensure that both customers and employees are able to engage with each other comfortably and safely amidst the rise of health issues and concerns, the Bank ensures that health and safety protocols are continuously strengthened and strictly followed by employees, customers and visitors. Strict monitoring mechanisms and contact tracing processes are in place.

The Bank's IT Group and Business Unit Project Sponsors deliver several online banking and digital products and services to ensure that identified environmental and social risks do not disrupt the Bank's services to its banking public.



Diversity and Equal Opportunity

The Bank believes in the importance of diversity in promoting innovation, inclusive growth, and maintaining a collaborative environment. The Bank employs and promotes competent individuals regardless of gender, age, religion and cultural ethnicity.



Non-discrimination and Labor Relations

The Bank ensures strict implementation of its Code of Conduct and maintains a strong partnership with its Employee Union. Through CXHRG – People and Labor Relations Department, the Bank closely monitors the compliance of its Branches and Head Office Units with all necessary DOLE certification and requirements. This contributed to the Bank's earning a satisfactory rating in the DOLE Audit Exercise.



Workplace Health and Safety

As the Covid-19 pandemic lingers, the Bank intensifies its awareness and educational drive on Health and Safety; and regularly conducts a bank-wide Basic Health and Safety Training Course.



Talent Acquisition and Retention

The Bank believes that each employee should be given equal opportunity to improve oneself and attain one's highest potential. It uses a Competency Framework to ensure that all employees' skill sets are considered, and matched with existing and future talent requirements of the business. The said framework helps strengthen the Bank's succession planning initiatives to identify, grow and retain internal talents while ensuring a sustainable manpower pool for business continuity.



Human Rights

PSBank, governed by its policies and Code of Conduct, upholds the human rights of its stakeholders, customers and employees.

Governance Aspect



Anti-Fraud and Anti-Bribery; Anti-Corruption /Whistle Blower Protection

The Bank's Fraud Management Group uses several tools and industry best practices for early detection, prevention, and management of internal and external fraud. The Bank's Code of Conduct and whistleblowing policy are in place to guide employees in reporting impropriety or malpractice committed by co-employee(s) or third party(ies).

The whistleblower is protected from any form of harassment as a result of any disclosure done in good faith.



Data Management and Security Practices

The Bank's Data Privacy Manual is supported by its Data Security Framework. It ensures that client data are properly secured throughout their lifetime in the Bank – from the encrypted collection of data, to storage and processing, and secure disposal should the need or requirement arise.



Customer Privacy

We protect customer data through multiple layers of security, as well as policies that are closely intertwined with our business processes. Our Data Privacy Officer (DPO) is responsible for ensuring compliance with the guidelines and directives of the country's strict Data Privacy law.



Ethics and Integrity

PSBank subscribes to and adopts the State's policy to protect the: (1) integrity and confidentiality of accounts and ensure that it shall not be used as a money laundering/terrorism financing site and/or conduit for the proceeds of unlawful activities; and (2) life, liberty and property from acts of terrorism by condemning such acts and those who support and finance it as a crime against the Filipino people, against humanity, and against the law of nations.



Financial Risk Management

In managing its liquidity position, the Bank ensures that it has more than adequate funds to meet maturing obligations. It uses tools to measure liquidity risk arising from mismatches of its assets and liabilities. It administers stress testing to assess its funding needs and strategies under various conditions.



Regulations and Compliance Management

The Bank continually strives to maintain a strong compliance culture in the midst of an ever-dynamic banking regulatory landscape. It proactively identifies, monitors, assesses, and addresses emerging compliance issues. It vigorously promotes continuing education through formal/informal trainings, compliance awareness testing, compliance checking, and advisory service through clear and open communication lines. The Bank also fosters a good corporate governance culture by benchmarking against industry best practices and standards.

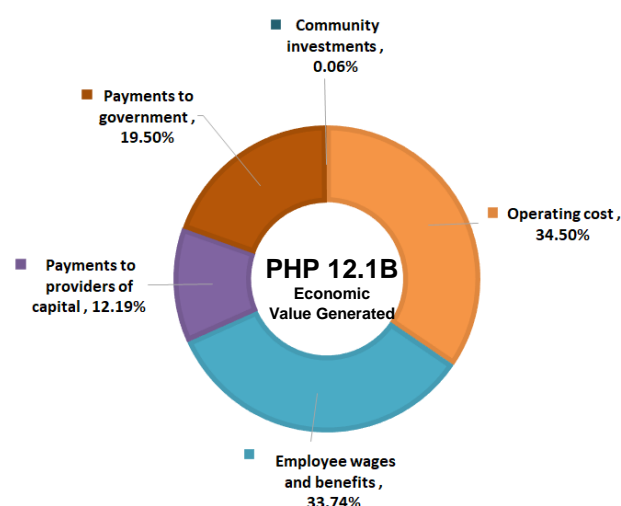
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Economic Impact

Direct Economic Impact

In 2021, the Bank faced challenges brought by the lingering effects of the pandemic. The disrupted economic growth led to a decrease in overall credit quality in the market and tighter credit controls for banks. These factors contributed to a decrease in the Bank's overall loan portfolio. Despite these, the Bank ensured to meet its commitments to internal and external stakeholders. It implemented policies and processes that will enable its resilient manpower compliment to adopt and ensure operational efficiency. The agile and adoptive strategies implemented as well as the conscious effort of the Bank to lower its operational cost enabled it to still end the year positive, and generate a direct economic value of Php12.1 billion, higher by 16% compared to the economic value generated in 2020. Shareholders and other capital payments amounted to Php1.2 billion or 12.19% while employees' wages and benefits amounted to Php3.5 billion or 33.74%. The Bank's operating cost amounted to Php3.6 billion or 34.5% of its total economic value. Contributions to government thru tax payments and licenses amounted to Php2 billion or 19.5%, while contributions to the community through donations amounted to Php6.8 million.

EXHIBIT 2. ECONOMIC VALUE, FY 2021



Financial Inclusion and Literacy

PSBank does its share in improving overall financial literacy in the country. The Bank continues to run two financial literacy campaigns – “Be Aware” and “Good to Know”.

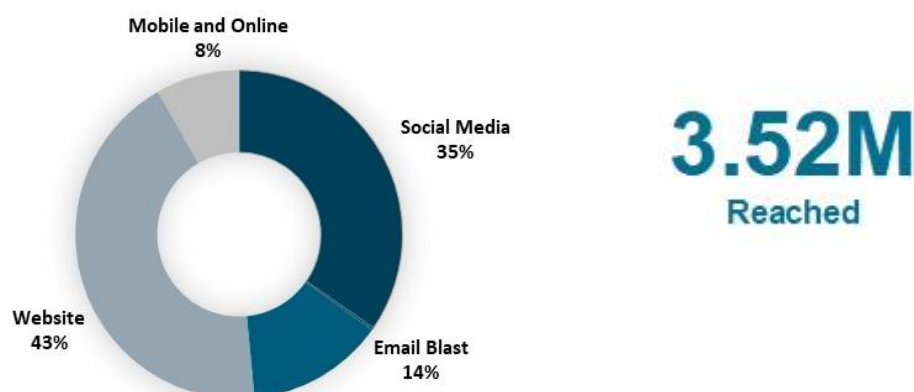
The Be Aware campaign aims to raise awareness among the banking public on various scams they may encounter during financial transactions, and to empower them with the information and knowledge to protect their hard-earned savings and themselves from becoming victims of fraud.

On the other hand, Good to Know aims to cultivate the value of saving and investing among the banking public and empower them with a holistic understanding of the Bank's existing and new products and services to help them make better saving and investment decisions.

Through the Be Aware campaign, the Bank developed 290 materials on Phishing, Pharming, Vishing, Skimming, SMShing, Email scam, Social Media scam, Identity Theft, Check Fraud, Clickbaits, Shopping scam, Travel scam, Unwanted Loans and Obligations, Employment scam, and Ransomware. The Bank released the materials in the following 9 channels: (a) PSBank Website "What's New" Section, (b) PSBank Social Media (Facebook, Twitter, Instagram), (c) PSBank Mobile app advisories/reminders (d) PSBank Online (Inbox) (e) Email blast to clients' personal email; (f) Press Releases; (g) SMS blast; (h) PSBank newsletter; (i) PSBank branch Q monitors.

In total, the Financial Inclusion and Literacy program of the Bank reached 3.52 million – excluding press releases issued in media for the general public.

EXHIBIT 3. FINANCIAL INCLUSION AND LITERACY REACH, FY 2021



The pandemic continues to affect the business landscape, resulting to interruptions in the supply chain, drop in consumer spending, loss of revenue due to lockdowns, employment lay-offs, and closure of businesses. SMEs were not spared, and for PSBank, its SME portfolio saw a significant contraction in 2021. See Exhibit 4 for details.

EXHIBIT 4. CREDIT LENDING FOR COMMUNITY AND SMEs, FY2020 VS FY2021

CREDIT LENDING	2020	2021
Credit Lending for Community		
Total amount of loans outstanding qualified to promote community development (PHP)	0.197 billion	0.017 billion
Total number of loans outstanding qualified to promote community development	8	8
Credit Lending for SMEs		
Total amount of loans outstanding qualified to promote small business (PHP)	6.026 billion	4.647 billion
Total number of loans outstanding qualified to promote small business	1,821	1,380

Responsible Investment

PSBank supports the financial requirements of the SME sector. It offers term loans, credit lines, letters of credit and trust receipts, bills purchase, and discounting lines which are integral to support their capital requirements, acquisition of fixed assets, and funding for day-to-day operations. As such, the Bank contributes to the generation of employment and spurring of socio-economic growth.

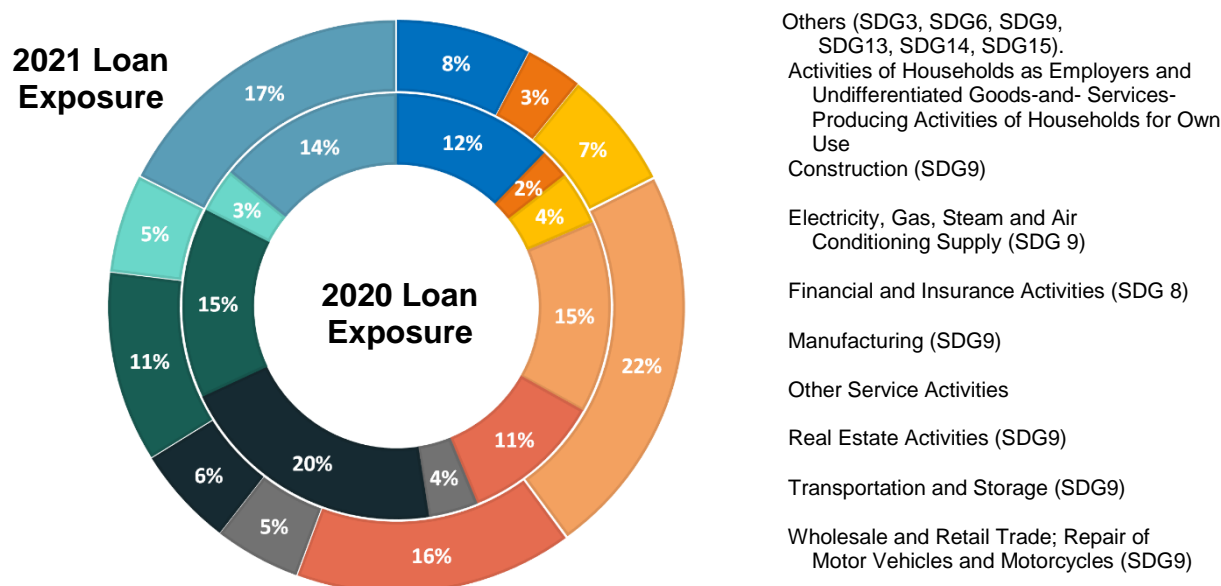
In 2021, the SME portfolio contracted as a result of the prolonged effect of the pandemic. The Philippine economy has adapted by being open for the most part which then created some level of normalcy and stability.

However, businesses were still severely affected due to the start-stop nature of their operations during COVID infection surges. The Bank supported these borrowers with payment solutions tailored to their cash flow.

PSBank uses an Environmental and Social Risk Checklist for its material exposures. This aids credit officers in determining the exposure to any future or present financial, legal, and reputational risks arising from environmental and social concerns. Results of this internal assessment are then disclosed to the approving committee for deliberation and action. 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.

The Bank's loan portfolio is multi-faceted and contributes to several SDGs. Bulk of its lending portfolio supports SDG 9 – Industry Innovation and Infrastructure. Top 3 sectors which the Bank contributes to are: (1) 22% - Electricity, Gas, Steam and Air; (2) 17% - Wholesale and retail Trade; (3) 16% Financial and Insurance Activities. Please refer to Exhibit 5 – Sector wise credit lending for the detailed contribution distribution.

EXHIBIT 5: SECTOR WISE CREDIT LENDING, FY2020 VS FY2021



As of reporting period, FY2021, PSBank made an investment of Php471 million on ESG themed projects.

Environmental Impact

PSBank continues to manage the environmental impacts of its owned buildings and operations. Led by Pollution Control Officers and Managing Heads for the Head Office and Branch Clusters across the country, the Bank engages Service Providers that assist in its compliance with environmental regulations such as: Republic Act (RA) 8749 also known as the Philippine Clean Air Act of 1999; RA 6969 or The Toxic and Hazardous Substances and Nuclear Wastes Control Act of 1990; and RA 9275, also known as The Philippine Clean Water Act of 2004.

Operational Greenhouse Gas Emissions

The Bank began measuring its GHG emission in 2019, and endeavors to develop and deploy internal tools to measure such emissions regularly across business segments.

Electricity Consumption

The absolute electricity used for 2021 was 16,348,396 KWH. Of the total electric consumption, 37.13% KWH were consumed by the Head Office, 59.18% by the Branches, 3.03% by the 276 ATMs situated offsite and 0.66% by the auto warehouses.

To lessen its energy consumption, the Bank initiated energy reduction initiatives and activities. These include the following:

1. Conversion of light fixtures to LED lights in the Head Office and Branches which had undergone renovation in 2021;
2. Continued decommissioning of old servers, consolidation of active servers and issuance of laptops and tablets with enabled VPN to employees to replace desktop PCs which further reduced the energy consumption of IT-related devices.
3. Agile work arrangements and shortened operating hours

For FY2021, total electricity consumed in the head office decreased by 3.01% compared to 2020.

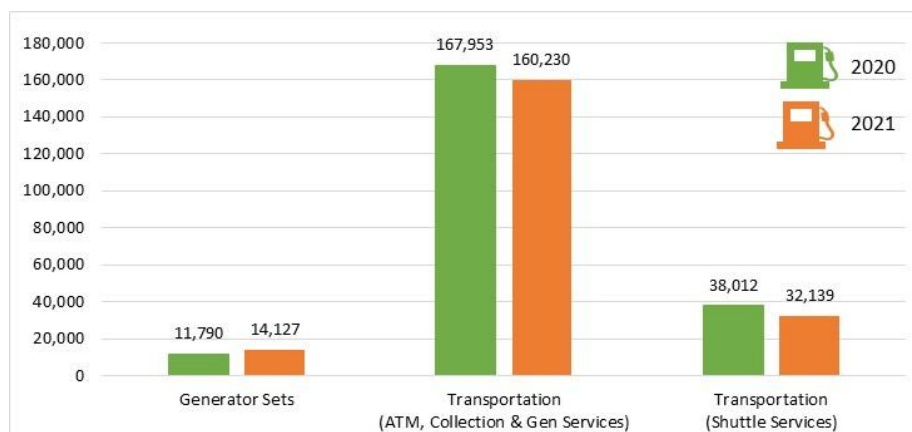
The Bank partially switched its HO's power from conventional electricity to renewable energy source. At present, there are two electric meters at PSBank Center, one of which has recently been switched to a Retail Electricity Supplier (RES) with electricity generated from a Renewable Energy Source. This provides competitively priced retail electricity with lower carbon footprint compared to energy sourced from conventional RES.

Fuel Consumption

The Bank uses fuel for its service and shuttle vehicles and generators sets. Total fuel consumed decreased from 217,755.18 to 206,495.41 liters or 5.17%.

Service vehicles are provided for ATM operations, collection and recovery activities, and general services requirements. Shuttle services in 2021 which used bank cars and repossessed vehicles serving various locations in Metro Manila, Cavite, Laguna and Rizal helped reduce the risk of exposure to Covid-19 of its commuting bank employees. The bank cars were also utilized to source and carry-out disinfection requirements. Employees who live near their place of work (branches and head office) are encouraged to make use of alternative ways of transportation. To support this initiative, the Bank provided a total of 43 free parking slots for employees reporting on-site with bicycles, e-bikes and e-scooters.

EXHIBIT 6 . FUEL CONSUMPTION (in Liters), FY2020 VS FY2021

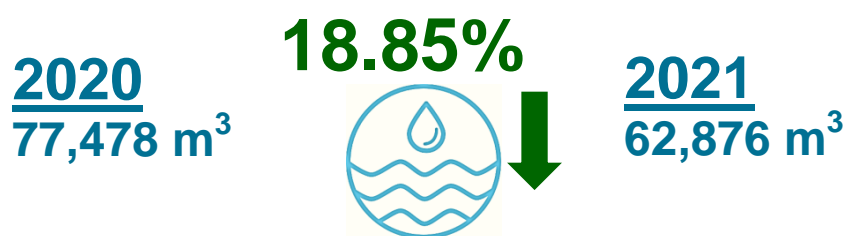


Water Use

For FY2021, the absolute water use was 62,876 cubic meters (m^3), which was supplied water from utilities. Of the total water consumption, 26,655 cubic meters (m^3) was consumed by Head Office, 33,553 cubic meters (m^3) by the branches and 2041 cubic meters (m^3) by the auto warehouses. Four (4) facilities leased by PSBank used extracted water from natural resources (deep well) which had a minimal volume use of 627 cubic meters. Compared to 2020, the Bank was able to reflect near-to-actual figures given the improvement in the data collection processes.

Water use intensity normalized by square meter of floor area, employee and revenue were $0.418 m^3/m^2$, $22.26 m^3/employee$ and $40.80 m^3/mPHP$ respectively.

EXHIBIT 7. WATER CONSUMPTION (in m^3), FY2020 VS FY2021



Waste Management

PSBank ensures that its internal processes and policies on waste disposal are aligned with the regulatory requirements of DENR. It follows proper handling, segregation and disposal of physical wastes as well as the destruction of e-wastes. Non-hazardous waste is disposed through city-accredited garbage collectors while hazardous waste is disposed via accredited scrap buyers. Hazardous waste, on the other hand, is disposed using third party waste disposal service providers. Electronic data is properly expunged or cleared based on existing data destruction and server decommissioning policies.

The Bank continues to intensify its paper waste reduction initiatives across all bank units and support groups as part of its commitment to reduce its negative impact to the environment. In 2021, the Bank significantly shifted from printed marketing materials to digital collaterals. It launched its Online Account On-boarding facility that allows customers to open a savings and prepaid account without the need to go to the branch and fill-up any physical forms. These initiatives helped reduce the total non-hazardous waste sent for disposal by 15.15% in 2021. Separately, total hazardous waste improved by 37.06% due

to fewer electronic scraps which more than offset the increase in waste from used batteries, empty printer cartridges and used genset or engine oil.

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

EXHIBIT 8. WASTE DISPOSAL (in Tonnes), FY2020 VS FY2021

WASTE DISPOSAL	2020	2021	% Change
Total Non-Hazardous Waste (in tonnes)	564.08	478.61	-15.15%
Total Hazardous Waste (in tonnes)	10.36	6.52	-37.06%
Total Waste (in tonnes)	574.44	485.13	-15.55%

Social Impact

PSBank has always been mindful of its social impact relative to providing financial products and services and its overall operations.

Workforce Diversity

The Bank believes in the value of diversity to promote innovation, inclusive growth, and a collaborative organizational environment. It has 2,824 employees – 63.53% are female employees, and 36.47% are male. In terms of age, 71.39% are between ages 30 to 50, followed by the ones below 30 at 21.81% and those over age 50 at 6.80%.

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

EXHIBIT 9. WORKFORCE GROUP & GENDER DIVERSITY, FY2020 vs FY2021

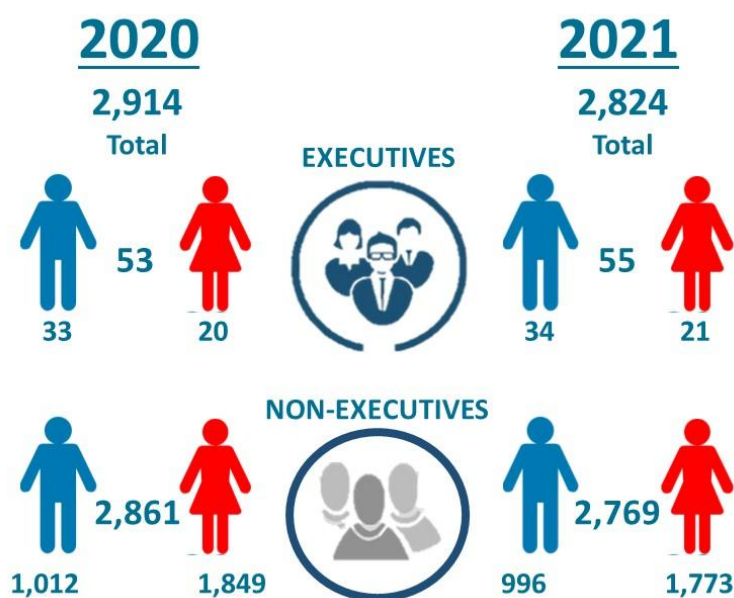
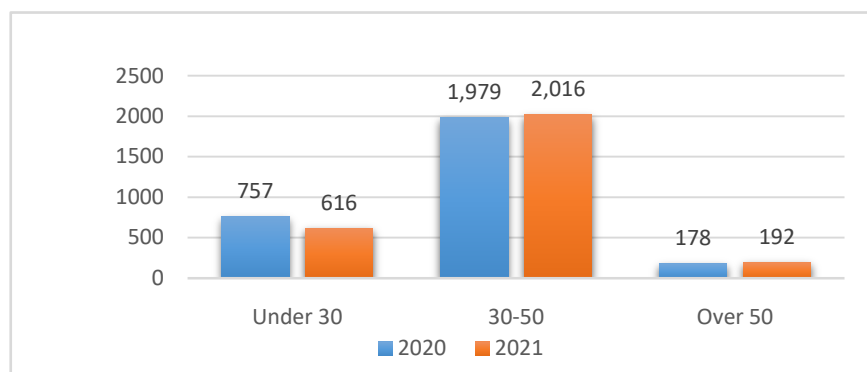


EXHIBIT 10. WORKFORCE AGE DIVERSITY, FY2020 vs FY2021



Workplace Safety and Labor Practices

As with the rest of the country, PSBank continues to be affected by the ongoing COVID 19 pandemic. To lessen the impact and limit the spread of the COVID 19 virus, the Bank initiated several programs which addressed mental health, physical fitness, workplace wellness, social connection, spiritual consciousness, and environmental stewardship.

In 2021, the total recorded incident rate (TRIR) increased by 3.89% with 2 recorded incidental deaths, 165 work-related ill-health from the virus, and 3 work-related injuries. The Bank's Near Miss Frequency Rate (NMFR) also increased by 0.04%. Proper health and sanitation protocols were further intensified to ensure that similar incidents may be avoided or reduced.

EXHIBIT 11. WORKPLACE SAFETY, FY2020 vs FY2021

WORKPLACE SAFETY	2020	2021	% Change
Total recordable incident rate (TRIR)	18.74%	22.63%	3.89%
Near miss frequency rate (NMFR)	0.24%	0.28%	0.04%

Among the highlights of the Bank's efforts to protect its base are the following.

- Regular disinfection and strict observance of health protocols were continuously observed in all Bank premises.
- With the launch of #PSBakuna campaign, the Bank achieved 99.65% vaccination rate. 2,814 of 2,824 PSBankers became certified #PSBakunado in 2021.
- Over-all Employee Well-being and Workplace Wellness were top priorities in 2021. Initiatives led by the Health & Safety team include the 24/7 Flu Management team (24/7 monitoring, assistance, sending of groceries, basic medicines, care kit, ambulance assistance) which ensured high recovery rate at 99.75% (788/790) among PSBankers who tested positive to COVID-19. The team also issued a total of 52 advisories on health and 4 on safety. The Occupational Safety and Health Committee (OSHCom) met monthly to review the Bank's Health & Safety protocols and align them with the Guidelines of DTI, DOLE, DOH, IATF, and other concerned government agencies. Holding of spiritual activities and services for the soul such as regular virtual masses for Catholics and virtual fellowships for other religious denominations continued.

- The Bank continued its programs on Mental Health.—These are the Mind Over Matter Program, psychological consultation services, certification of 18 psychological first aiders and issuance of 52 advisories on mental health via #SelfcareSunday for its employees. For its customers, the Bank launched the #PSBankCares Webinar Series – the first of which was “Loosening Grip on Grief: Letting Go After Loss” which was open to and attended by customers and the general public.
- 28 COVID-19 advisories and 81 HR advisories were released through People Communication to ensure that all teams and employees are still connected, guided and apprised of the latest safety protocols.
- The PSBank Clinic also operated a Community Clinic which provides accessible healthcare to PSBankers reporting onsite. It offered PSBankers access to their basic medical needs all year-round. As the Bank’s Wellness Center, it continued with its mandate to provide immediate healthcare to employees as well as address further needs for outpatient care.
- To ensure the continuity of the Bank’s operations while keeping the employees safe during the second year of the pandemic, several measures to manage workforce and productivity were adopted including the following:
 - Disaster preparedness drills (i.e. fire and earthquake drills) and Business Continuity Plan (BCP) Refresher to ensure that operations are not hampered during an emergency scenario and that PSBankers are reminded of their respective roles during such scenarios. Reporting to the back-up site for certain critical units and services was activated and were proven ready for BAU requirements.
 - Pick-up Point to PSBank (P2P) Shuttle Service continued operating and serving employees until November 2021. The shuttle services were offered FREE during the Enhanced Community Quarantine (ECQ) and other quarantine classifications. A route-based premium charging via contactless QR was put in place.

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 covers 59.95% of the Bank’s workforce. It 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. For the 2022-2024 cycle, the Bank closed the negotiation in December 2021. It was the first to be done virtually from kick-off and actual negotiations to ceremonial signing.

The Bank and PSBEU continues to align regularly through the Labor Management Council (LMC) appropriately called Talks on Employee Affairs and other Matters or TEAM. The Council is composed of three representatives each from management and union who meet once a month to discuss any or all matters affecting the employees of the Bank.

To strengthen its Employee Discipline Management, the Bank beefed up its People and Labor Relations team, resulting to significant improvement in the average turnaround time for employee case handling from 34 days in 2020 to 16 days in 2021. There were no legal actions or employee grievances involving forced or child labour.

The continuous challenge of the pandemic made the Bank even more committed to ensure a sound Employee Experience despite the absence of physical activities. Virtual platforms were used to connect with colleagues and observe various global, national, and institutional celebrations to boost Employee Advocacy and Employee Engagement. These helped achieve the highest scores on record for both

Workforce Engagement Score or WES-60 and employee-Net Promoter Score (e-NPS) since their implementation in 2019 and 2016 respectively.

- On WES-60, there are 60 questions that each employee rates for total of 5 different dimensions of employee engagement. With the highest possible score of 4.0, comparative data for 2020 vs 2021 are as follows:
 - Company Support (3.66 to 3.73)
 - Job Performance (3.81 to 3.85)
 - Working Relationships (3.80 to 3.83)
 - Dedication (3.85 to 3.88); and
 - Company Policies and Goals (3.90 to 3.92)
- On e-NPS, the Bank achieved an all-time high of +87, a +7 increase from the previous year's +80.

The Bank has always been committed to provide several government-mandated and voluntary benefits to its employees such as leaves, salary loans, several loans options, medical benefits, and other benefits. Many of the benefits administration activities were automated for greater efficiency of service delivery to employees and their dependents.

The compulsory retirement age for regular employees (officers and staff) is at 55 years old based on the Bank's Retirement and Gratuity Plan, duly approved by the Bureau of Internal Revenue. To aid in workforce planning, HR reviews the roster of employees and prepares for these expected employee movements for a smooth transition for both the retiring employee and affected business unit. The Bank accords deferential treatment, and provides Off-boarding Kit containing send-off tokens and mementos to retired employees.

Voluntary turn-over rate in 2021 was lower at 5.4% alongside a lower involuntary turnover rate for employees at 0.7%

EXHIBIT 12. LABOR PRACTICES, FY2020 vs FY2021

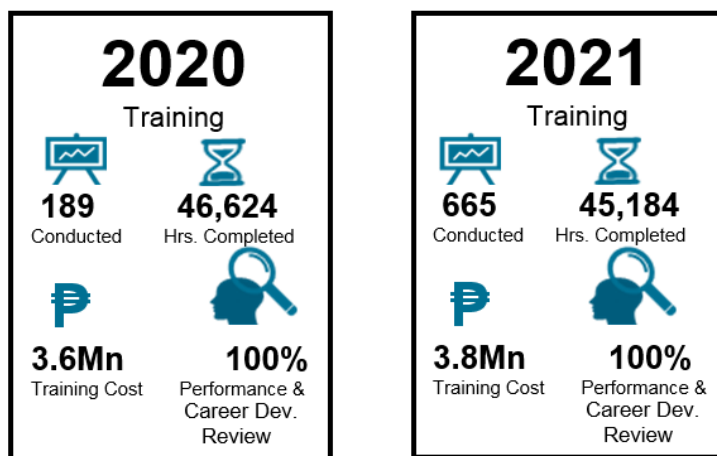


LABOR PRACTICES	2020	2021
Voluntary turnover rate for employees	8.6%	5.4%
Involuntary turnover rate for employees	1.2%	0.7%
Total amount of monetary losses as a result of legal proceedings associated with labor law violations and/or employment discrimination	None	None
Percentage of employees earning minimum wage	0%. The Bank provides wages above minimum rate.	

Employee Training and Development

PSBank recognizes that training and education are critical components of the goal to strengthen employee skills and competencies, aside from supporting their professional and personal development. To achieve these, mandatory courses and minimum training hours are defined by job function. Through the PSBank Business Campus (PBC), the Bank's official training arm, 45,184 hours were dedicated to employee training, with share of female employees at 64%. Training hours in 2021 decreased compared to 2020 due to lower employee headcount at 2,824. Total expenditure was Php3.8 million, which is 4.70% higher than the previous year's expense because of dozens of additional training programs. A total of 665 trainings were conducted, significantly increasing the previous year's total of only 189.

EXHIBIT 13. EMPLOYEE TRAINING AND DEVELOPMENT, FY2020 vs FY2021



The PBC operates as a strategic business hub for non-stop learning which deploys accelerated, targeted, and immersive programs for continuous employee Learning & Development.

- The Bank scored 100% on all regulatory trainings: AMLA Refresher, Occupational Safety and Health, RPT Refresher, FCP Refresher, DPA Refresher, BCP Refresher, and Sustainable Finance Framework on its first roll out.
- Ladderized Programs and Developmental Assignments (DA) were further strengthened for various teams – from seven (7) programs in 2020 to thirteen in 2021.
- Management Trainings and other Development Programs continued to run in 2021. Redefining Institutional Sales Efficiency (RISE) for Branch Heads on DA trained 12 personnel. Staff Professional Enhancement and Educational Development Accelerated Learning (SPEED AX-L) for rank-and-file staff levelling up to become Branch Service and Control Officers had a total of 25 graduates and 18 new candidates. The New Accounts Clerk (NAC) Step Up for Branch Banking's Customer Service Associates (CSAs) had 20 graduates. The New Normal Account Officer (NNAO), a special program for the sales force was launched with 70 Account/Sales Officers participating in its first module on the Art of CounSelling.

Governance

Data Privacy and Information Security

The Bank takes data privacy and information security very seriously. It protects its subjects' (i.e. employees, clients & customers, suppliers, etc.) data through multiple layers of security in its infrastructure and policies, both of which are closely intertwined with business processes.

The Bank respects and values data privacy rights and makes sure that all personal data collected from its data subjects are processed in adherence to the principles of transparency, legitimate purpose, proportionality, quality and security in compliance with Republic Act No. 10173 otherwise known as "The Data Privacy Act of 2012", its Implementing Rules and Regulations and the related issuances of the National Privacy Commission (NPC). Aside from the Bank's pre-existing Information Security and Cyber Security policies & procedures, its Board-approved Data Privacy Policy encapsulates the privacy and data protection protocols/security measures that need to be observed and carried out within the

Bank for specific circumstances (i.e. from collection to destruction) directed towards the fulfillment and realization of the rights of its data subjects and protection of personal data against natural dangers such as accidental loss or destruction, and human dangers such as unlawful access, fraudulent misuse, unlawful destruction, alteration and contamination.

The Bank's Data Privacy Officer (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 is 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, 2021, a total of 995,044 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 performs financial simulations to stress the base case with minimal or no management intervention to obtain a "black swan" environment, if possible. These include impact assessment of environment-related events such as volcanic eruption and earthquake. 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:

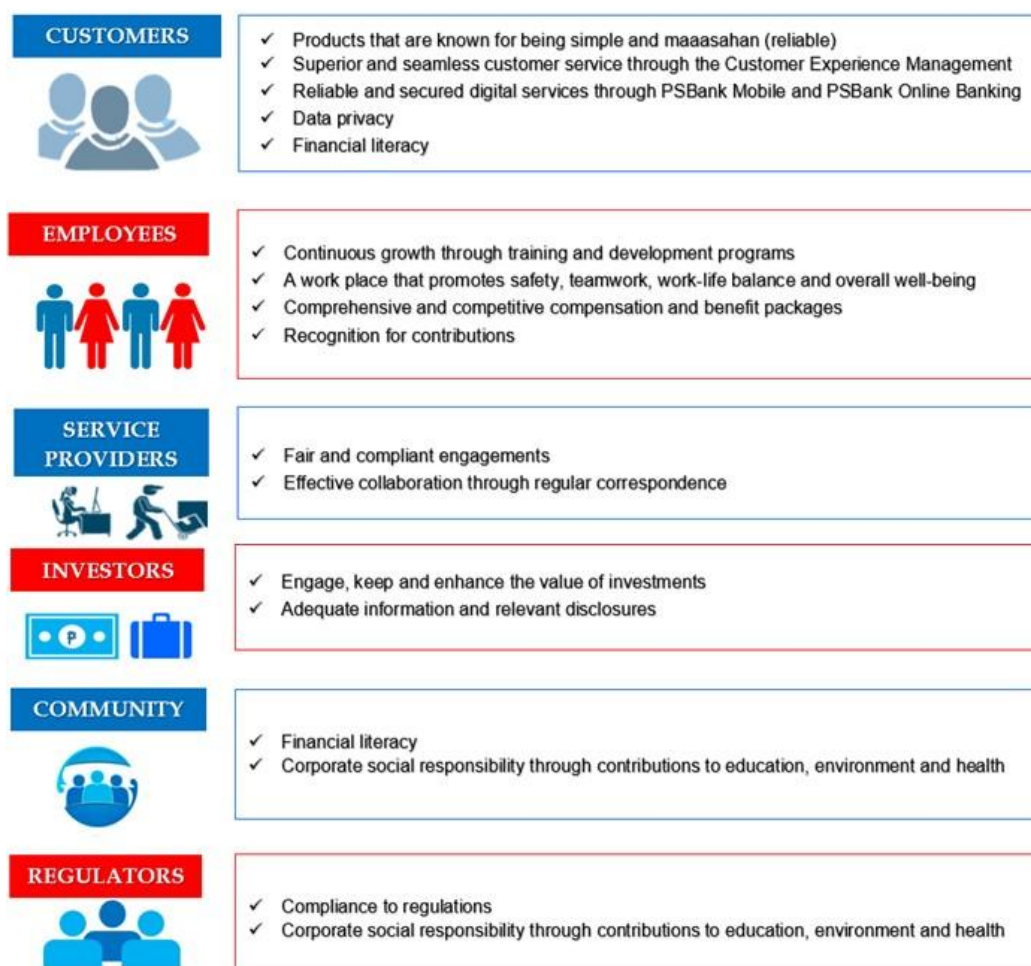
1. Pandemic Stress
2. Prolonged Pandemic Stress
3. Global Financial Crisis
4. Real Estate Bubble
5. Auto Industry Stress

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.

Results of the ICAAP exercise show that the Bank will survive the stress scenarios 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.



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 545 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.

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 subscribes to and adopts the State's policy to protect the: (1) integrity and confidentiality of accounts and to ensure that it shall not be used as a money laundering/terrorism financing site and/or conduit for the proceeds of unlawful activities; and (2) life, liberty and property from acts of terrorism by condemning such acts and those who support and finance it as a crime against the Filipino people, against humanity and against the law of nations. PSBank ensures that it executes all transactions with its customers in accordance with the AML/CFT policy guidelines, procedures, tools, and controls set forth in its regularly updated Money Laundering & Terrorism Financing Prevention Program (MLTFPP). Its MLTFPP, as posted in its intranet site for the guidance of all implementing personnel, primarily revolves around the basic AML/CFT controls required under existing AML/CFT laws, rules and regulations, namely:

1. Know Your Customer (KYC)/Customer Due Diligence (CDD) and Know Your Employee (KYE);
2. Ongoing Monitoring of Customers and their Transactions;
3. Covered and Suspicious Transactions Reporting;
4. Records Keeping and Retention; and
5. Employee Training and Continuing Education.

Compliance with the requirements of this MLTFPP is continuously monitored by the Board-designated AML Compliance Officer (AMLCO) as the lead implementer under the Compliance Office.

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 whistleblowing 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 whistleblowing policy.

EXHIBIT 14. GOVERNANCE INDICATORS, FY2021

GOVERNING POLICIES	
Total amount of monetary losses as a result of legal proceedings associated with money laundering	None
Anti-money laundering policy in place?	Yes
Whistle-Blower Protection Policy in place?	Yes
Anti-corruption policy in place?	Yes