



Rizal Commercial Banking Corporation
Sustainability Report 2019

Contextual Information

Company Details	
Name of Organization	Rizal Commercial Banking Corporation
Location of Headquarters	Yuchengco Tower, RCBC Plaza 6819 Ayala Avenue, Makati City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Rizal Commercial Banking Corporation
Business Model, including Primary Activities, Brands, Products, and Services	Rizal Commercial Banking Corporation (RCBC or the Bank) is a universal bank in the Philippines that provides a wide range of banking and financial products and services. The Bank offers commercial, corporate, and consumer lending products, cash management products, treasury products, and remittance services. The Bank and its subsidiaries are engaged in all aspects of traditional banking, investment banking, retail financing (auto, mortgage/housing loans, credit cards, and microfinance loans), remittance, leasing, foreign exchange, and stock brokering.
Reporting Period	1/1/2019-12/31/2019
Highest Ranking Person responsible for this report	Eugene S. Acevedo President and CEO

RCBC was established in 1960 as a development bank and is licensed by the Bangko Sentral ng Pilipinas (“BSP”) for both commercial and investment banking. It is one of the largest universal banks in the Philippines with total consolidated resources of PHP767 billion as of 31 December 2019. As a diversified financial services institution, RCBC serves corporate and individual banking needs through the most appropriate vehicles to serve its chosen markets with innovative products and services. With an inclusive financial business model in mind, in 2009 it ventured into the microfinance business to service the smallest entrepreneurs via the Rizal MicroBank.

A pioneering financial services organization, RCBC has received numerous awards from various institutions including “The Asset Benchmarking Award for Excellence in Environmental, Social, and Governance (ESG) – Titanium Award”, “Best Issuer for Sustainable Finance – Financial Institution”, and “Best Sustainability Bond” for its PHP8 billion ASEAN Sustainability Bond, the first ASEAN Sustainability Bond issued in the Philippines and upsized from the target offering of PHP5 billion. RCBC has been rated “A” by MSCI ESG Ratings since December 2018.

Materiality Process

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

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

As one of the largest banks in the Philippines, RCBC recognizes its role in creating positive influence on the financial services sector, while carrying out its business in accordance with regulatory requirements.

By investing in its employees and tapping essential technology, RCBC is able to provide products and services that bridge its customers to opportunities. By adopting an inclusive financial business model, RCBC is able to respond to the needs of the SME and microfinance sectors. These opportunities and expanded reach, in turn, bring about environmental and social benefits to communities and allow the economy to move toward growth.

By taking a leading role in sustainable finance, RCBC contributes in addressing the increasing concern on the environment and society. This stimulates an encouraging trend in the Environmental, Social, and Governance (ESG) space within the banking industry.

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

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

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

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

With RCBC's foray into sustainable finance, information on customer operating metrics that impact the environment and society also become substantively influential.

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

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

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

Material Topics

ECONOMIC	
Economic Performance	5
Financial Intermediation	15
Procurement Practices	19
Business Ethics	20
ENVIRONMENT	
Resource Management	26
Ecosystems and Biodiversity	33
Environmental Impact Management	35
Environmental Compliance	45
SOCIAL	
Employee Management	47
Workplace Conditions, Labor Standards, and Human Rights	59
Supply Chain Management	64
Relationship with Community	66
Customer Management	68
Data Security	76
UN SUSTAINABLE DEVELOPMENT GOALS	
Product or Service Contribution to UN SDGs	78

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure (1 January – 31 December 2019)	Amount (consolidated)	Units
Direct economic value generated (revenue)	2019: 35.858 billion 2018: 26.495 billion 2017: 25.121 billion	PhP
Direct economic value distributed:		
a. Total operating costs	2019: 24.292 billion 2018: 20.908 billion 2017: 19.059 billion	PhP
b. Employee wages and benefits	2019: 6.833 billion 2018: 6.562 billion 2017: 5.991 billion	PhP
c. Payments to suppliers, other operating costs	2019: 12.092 billion 2018: 10.122 billion 2017: 9.863 billion	PhP
d. Dividends given to stockholders	2019: 864 million 2018: 863 million 2017: 773 million	PhP
e. Taxes given to government	2019: 4.435 billion 2018: 3.308 billion 2017: 2.381 billion	PhP
f. Investments to community (e.g. donations, CSR)	2019: 68 million 2018: 53 million 2017: 51 million	PhP

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to economic value generated & distributed by the organization)
Stockholders	- Financial performance/health: Revenue, operating costs, remaining value retained in the company for liquidity and future investments - Fiscal and risk management to enhance profitability and bank operations - Regulatory compliance with BSP, SEC and PSE and international best practices - Economic contribution to the country - Dividends given to them - Community investments
Loan/Fund Providers & Creditors/Depositors	- Equitable interest rates and sound financial advice - Value creation: financial contribution and impact to UN SDGs
Customers/Clients	- Evidence of financial capacity - Reliability of operations, unusual decline in financial results
Employees	- Equitable wages and benefits
Suppliers	- Payments made

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

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impacts are the following: - Value generation for stakeholders - Assurance on financial well-being for customers, employees - Benefits to the environment and society through lending activities (visit www.rcbc.com/sustainability and download our Impact Report) - Promotion of fiscal growth through taxes contribution These occur in the primary business operations and supply chain, and are caused by the organization.
Management Approach to Impact
With an inclusive financial business model in mind, we provide banking and financial products and services, creating wealth for our stakeholders through the revenue we generate, and economic value we distribute in the form of employee wages and benefits, payments to suppliers, dividends given to stockholders, taxes given to government, and investments to local communities.

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

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

Accordingly, RCBC is required to have additional 1.5% Common Equity Tier 1 (CET1) capital. As of 31 December 2019, the Bank's CET1 ratio is 12.29% (solo) and 12.89% (consolidated), both of which are above the 10% total CET1 requirement.

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

Business Continuity Plan (BCP):

The Bank has a separate functional unit wholly dedicated to the conduct and management of its Business Continuity Plan (BCP) and Disaster Recovery Plan. These plans aim to establish a planned process, procedure or strategy that can assure and provide for the continuity of major and critical services and operations during any critical event which may prevent or diminish the Bank's capacity to perform normal business operations.

Pandemic Preparedness: RCBC Response to the COVID-19 Situation

The Bank has a live pandemic contingency plan in place since 2015. The Plan was invoked as early as 21 January 2020 and the Bank is now in the highest implementation stage of the plan since the crisis started. This includes ongoing split work arrangements, work from home, and skeleton set up in key locations.

The Bank has identified potential affected businesses as well as consumers who might be affected by the crisis, and has existing policies in place that would allow granting of financial assistance (e.g. by way of suspension of payments, adjustment in due dates, etc.) to all affected customers.

The Bank is in the middle of a stress test exercise to assess current crisis impact to its whole portfolio.

The Bank shall continue to serve the banking requirements of all its customers amidst this crisis.

Demonstration of Leadership:

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

We have taken important first steps to reduce corporate carbon footprint and finance the flow of funds into a low-carbon and climate-resilient future not only in the Philippines but also within ASEAN.

We have taken on a leading role in developing Sustainable Finance.

In February 2019, the Bank raised PHP15 billion (USD290 million) under its Green Finance Framework.

The issue was the first Green Bond from the Philippines under the ASEAN Green Bond Standards, and proceeds were utilized to fund Eligible Green Assets. In June 2019, the Bank also raised PHP8 billion (USD160 million) under its Sustainable Finance Framework. The issue was the first peso-denominated Sustainability Bond under the ASEAN Sustainability Bond Standards, and proceeds were utilized to fund Eligible Green and Social Assets. In September 2019, the Bank raised an additional USD300 million under its Sustainable Finance Framework to fund Eligible Green and Social Assets. Investor response to these landmark transactions was extraordinary. All three transactions were oversubscribed in multiples and brought in investors from all major financial centers of the world.

What are the opportunities identified?

- A. Drive toward Inclusiveness and Accessibility
 - Improving revenue and profitability through a renewed focus on RCBC's retail and small and medium enterprise businesses (SMEs)
 - Development of digital finance as financial inclusion tools for small businesses
 - Partnerships with rural banks in support of the national strategy for financial inclusion
- B. Drive for Market Innovation in the area of Sustainable Banking and Sustainable Finance

Management Approach to Opportunities

- A. Pioneering Access to Products and Services
 - We have developed products and services to respond to the needs of SMEs, the unbanked and underserved sectors. These include various financing options such as agricultural finance loans and microfinance loans. Services also include information networking events that involve talks from industry experts, and the creation of the eWoman Program, geared toward the needs of women entrepreneurs. In October 2018, RCBC received the AsiaMoney award for Best Bank for SMEs.
 - Initiatives have been pursued in the area of digital finance. A new virtual banking platform will be launched. Aimed at reaching the retail grassroots, DiskarTech will be the country's first financial inclusion accelerator virtual bank.
- B. Unfolding of the Potential: We support sustainability through the development of appropriate products and services offered to customers. We will play an active role in this pursuit in 2020, to contribute to the transition to a low-carbon economy and support global sustainability goals.

Governance

Sustainable Finance in RCBC

(visit www.rcbc.com/sustainability and download our Impact Report)

Climate change is real and its impact presents a clear and present danger to humanity. The Philippine archipelago is highly vulnerable to the impact of climate change. According to Global Climate Risk Index 2019, the Philippines is the fifth most vulnerable to climate change. Communities living in our coastal areas risk flooding due to rising sea level. Increasing frequency of extreme weather events, i.e., erratic and high rainfall, severe typhoons or rising temperatures causing drought are threatening normal life and endangering fragile ecosystems.

Under the Paris Agreement on Climate Change, the Philippines committed to reduce 70% of its greenhouse gas emissions by 2030 to reduce global warming to 1.5 degrees. We believe that the financial services sector has the opportunity to participate in achieving the targets set under the Paris Agreement, and support the UN Sustainable Development Goals to support the fight against climate change.

At RCBC, we believe that understanding the effects of and managing climate change is prudent risk management. As a leading Domestic Financial Institution and a responsible corporate entity, we are committed to doing our part to reduce global warming and support the Government in its commitment to the UN Sustainable Development Goals.

Strategy

RCBC Sustainable Finance Strategy

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

RCBC aims to embed awareness of environmental and social issues within the organization, with our clients, and in the communities that we serve. The Bank believes that good sustainable practices are a key pillar of responsible lending which can have a meaningful impact on the environment and communities.

Sustainable Finance Risks and Opportunities

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

We are also cognizant of the opportunities that will arise as we transition to this new world order. According to the International Energy Agency, a global transition to meet this goal will require more than EUR30 trillion to be invested in clean energy and efficient infrastructure by 2035. We want to be well-positioned to participate and finance this transition.

We have taken important first steps to reduce our corporate carbon footprint and finance the flow of funds into a low-carbon and climate-resilient future not only in the Philippines but also within ASEAN. Our initiatives to lower our carbon footprint support RCBC's sustainable finance activities and the UN Sustainable Development Goals in the following ways:

- RCBC's Corporate Head Office in Manila is located in a LEED Gold certified building	   
- Participated in 12 renewable energy and energy efficiency financing deals including direct financial support to South East Asia's largest solar power plant, and served as the biggest funder to the 132.5MW solar farm in the City of Cadiz, in Negros Occidental, Philippines; we are also sole lender to AC Energy, BIM Group, with project financing of USD232 million for a 330-MW solar power plant in Vietnam	   
- Funded Green Projects that support the UN Sustainable Development Goals – specifically, Clean Water and Sanitation, Affordable and Clean Energy, Industry, Innovation and Infrastructure, Sustainable Cities and Communities, Responsible Consumption and Production, and Climate Action - Channelled more than PHP30 billion to fund projects and loans that contribute to decreasing the environmental footprint of the Philippines	     
- Funded Social Projects that support the UN Sustainable Development Goals – specifically, Good Health and Well-being, Quality Education, Decent Work and Economic Growth, Reduced Inequalities, and Sustainable Cities and Communities - Channelled more than PHP10 billion to fund projects and loans that provide access to social needs, directly improving living conditions of Filipinos	    

We subscribe to an exclusion list under our Sustainable Finance Framework, allowing us to focus on sectors that have environmental and social benefits.

Over the coming months and years, we intend to do more, and where appropriate, we will set targets.

RCBC Sustainable Finance Framework

The RCBC Sustainable Finance Framework articulates our strategy to prioritize fund raising and lending to priority sectors.

In February 2019, the Bank raised PHP15 billion (USD290 million) under its Green Finance Framework. The issue was the first Green Bond from the Philippines under the ASEAN Green Bond Standards, and proceeds were utilized to fund Eligible Green Assets.

In June 2019, the Bank also raised PHP8 billion (USD160 million) under its Sustainable Finance Framework. The issue was the first peso-denominated Sustainability Bond under the ASEAN Sustainability Bond Standards, and proceeds were utilized to fund Eligible Green and Social Assets.

In September 2019, the Bank raised an additional USD300 million under its Sustainable Finance Framework to fund Eligible Green and Social Assets.

Investor response to these landmark transactions was extraordinary. All three transactions were oversubscribed in multiples and brought in investors from all major financial centers of the world.

RCBC was awarded “Best Issuer for Sustainable Finance – Financial Institution”, and “Best Sustainability Bond” by The Asset Asian Awards for its PHP8 billion ASEAN Sustainability Bond, the first ASEAN Sustainability Bond issued in the Philippines and upsized from the target offering of PHP5 billion.

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

Eligible Project Categories

RCBC shall allocate the proceeds of any Sustainable Financing Instrument to finance and refinance RCBC’s loans to customers or its own operating activities in Eligible Green Categories and/or Eligible Social Categories where:

- The proceeds of RCBC’s Green Bond or Green Loan will be allocated to Eligible Green Categories;
- The proceeds of RCBC’s Social Bond or Social Loan will be allocated to Eligible Social Categories;
- The proceeds of RCBC’s Sustainability Bond will be allocated to Eligible Green Categories and Eligible Social Eligible Categories

Risk Management

Environmental and Social Management System (ESMS)

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

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

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

Metrics and Targets

RCBC Green and Sustainability Bonds Allocation Report 31 December 2019

ELIGIBLE SUSTAINABLE PORTFOLIO				SUSTAINABLE FUNDING					
	Number of Projects	Amount (PHP M)	%	Instrument	Maturity Date	Amount (PHP M)	Allocation		
							Green	%	Social
Eligible Green	17	33,336	64%	Green Bond (PHP)	1-Aug-20	15,000	15,000	100%	-
Renewable Energy	10	25,910	50%	Sustainability Bond (PHP)	4-Jun-21	8,000	400	5%	7,600
Energy Efficiency	2	1,960	4%	Sustainability Bond (USD)	11-Sep-24	16,000	14,400	90%	1,600
Clean Transportation	3	4,220	8%						
Sustainable Water Management	2	1,246	2%						
Eligible Social	9,347	18,405	36%						
Access to Essential Services	16	4,238	8%						
Socioeconomic Advancement and Empowerment	2	1,595	3%						
Employment Generation	679	5,734	11%						
Affordable Housing	8,650	6,838	13%						
Total Eligible Sustainable	9,364	51,741	100%	Total Funding		39,000	29,800	76%	9,200

Percentage of Eligible Sustainable Portfolio Allocated (Usage) **75%**

Percentage of Net Proceeds of Sustainable Funding allocated to Eligible Sustainable Portfolio **100%**

Buffer

Eligible Green Portfolio	3,536	11%
Eligible Social Portfolio	9,205	50%
Total Eligible Sustainable Portfolio	12,741	25%

Download our Impact Report from www.rcbc.com/sustainability. This report presents the impacts of our Eligible Sustainable Portfolio.

RCBC Green and Sustainability Bonds Impact Report
31 December 2019

	Number of Projects	Amount (PHP M)	%	Impact			SDG Addressed	
Eligible Green	17	33,905	65%					
Renewable Energy	10	26,170	51%	2,879 MW total renewable energy capacity	11,630,323 MWh total renewable energy generated per year	10 million tCO ₂ total emissions avoided per year	7, 9, 11, 13	
Energy Efficiency	2	1,960	4%	14,000 tCO ₂ total emissions avoided per year			7, 9, 11, 13	
Clean Transportation - Rail	1	4,079	8%	116 total light rail vehicles	20 total km of passenger rail track	162.56 million total passengers per year	9, 11, 13	
Clean Transportation - Bus	2	474	1%	557 total buses	70 million km total distance travelled per year	18 million total passengers per year	9, 11, 13	
Sustainable Water Management	2	1,222	2%	380.9 million cbm total water supplied/ collected/treated per year		998,225 total households served (billed service connections)	6, 9, 11, 12	
Eligible Social	9,121	17,912	35%					
Access to Essential Services - Healthcare	9	2,156	4%	37 total drugstores carrying generic medicines	2,775 total hospital beds	1,705 total children vaccinated per year	1,466,079 total patients treated per year	3
Access to Essential Services - Education	7	2,047	4%	97,190 total students per year			4	
Socioeconomic Advancement and Empowerment	2	1,553	3%	136,000 total clients served per year via rural banks & cooperatives		P15.676 billion in total loans to underserved individuals	8, 10	
Employment Generation	655	5,524	11%	655 total loans extended to qualified SMEs			8, 10	
Affordable Housing	8,448	6,631	13%	8,448 total affordable houses financed			11	
Total Eligible Sustainable	9,138	51,817	100%					

Financial Intermediation

Loan Portfolio

The concentration of credit as to industry as of 31 December 2019 follows¹:

Economic Activity	Amount (PHP M)	%
Consumer	133,123	31%
Electricity, gas and water	78,553	18%
Real estate, renting and other related activities	52,881	12%
Wholesale and retail trade	42,698	11%
Manufacturing (various industries)	40,271	9%
Financial intermediaries	38,617	9%
Transportation and communication	16,963	4%
Other community, social and personal activities	7,595	2%
Agriculture, fishing, and forestry	5,254	2%
Hotels and restaurants	4,109	1%
Mining and quarrying	1,082	-
Others	4,856	1%
Total	426,002	100%

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to loan portfolio)
Management	- Credit risk of the portfolio - Profitability of the portfolio
Stockholders	- Credit risk of the portfolio - Profitability of the portfolio
Customers/Clients	- Support for financing
Government/Regulators	- Credit risk of the portfolio - Compliance with laws and regulation
Community, inc. environmental NGOs	- Reduction of environmental and social impacts from our clients' operations
Public, inc. media	- Reduction of environmental and social impacts from our clients' operations – potential reputational impact

¹ Notes to Financial Statements, December 31, 2019

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

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

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

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

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

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

What are the risks identified?

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

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

The Environmental and Social Management System (ESMS) of RCBC is implemented to safeguard our lending operations from exposure to activities with identified E&S risks. We aim to develop environmental awareness and social responsibility in our lending personnel, and ultimately, our clients. We work alongside our customers and as needed advise them on how to reduce their impact on the environment and communities. The ESMS Policy is a declaration of our commitment to sustainable development and management of E&S issues by integrating this in the lending process from initiation, evaluation, approval, documentation, implementation, and monitoring of loan accounts. The ESMS Policy goes through a comprehensive review process on a regular basis with latest revisions made effective and re-issued in January 2020.

All credit proposals for loans and other credit accommodations from RCBC need to go through E&S risk and impact assessment. Only activities or projects which pass the E&S risk and impact assessment shall be eligible for financing and are screened using the applicable requirements – the Exclusion List, applicable national and international laws on environment, biodiversity, deforestation, marine environment, water risk, pollution prevention, indigenous peoples and protection of cultural heritage,

health, human and labour rights, safety and social issues and any standards established therein, and the Performance Standards. Environmental Risk Categories are assigned, and credit approvals obtained in accordance with requirements depending on the risk category. Applicable environmental covenants are incorporated in the loan/credit agreement and these are periodically evaluated and monitored to ensure they are complied with for the entire duration of the loan.

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

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

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

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

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

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

To ensure faithful compliance with the set guidelines, the Bank appointed an Environmental and Social Risk Officer (ESRO) and created a Sustainable Finance Unit that oversees the effective implementation of the ESMS Policy. We have hired subject matter experts and regularly train frontline staff on our E&S standards.

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

What are the opportunities identified?

Sustainable Finance:

The role of banks as financial intermediaries and as capital raising agents directly affects the promotion of economic development. And this role needs to include the promotion of sustainable business practices and sustainable finance.

Management Approach to Opportunities

RCBC Sustainable Finance Strategy:

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

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

As of 31 December 2019, RCBC's Eligible Green and Social Assets amount to a total of PHP51.741 billion. Our sustainable portfolio is growing and continues to be ahead of our erstwhile investments in coal and other fossil fuel energy assets. We aim to maintain and increase positive investment ratio of our sustainable portfolio to coal. We subscribe to an exclusion list under our Sustainable Finance Framework, allowing us to focus on sectors that have environmental and social benefits.

Over the coming months and years, we intend to do more, and where appropriate, we will set targets.

Procurement Practices

Proportion of Spending on Local Suppliers

Disclosure (1 January – 31 December 2019)	Quantity	Units
Percentage of procurement spending (actual payments) used for significant locations of operations that is spent on local suppliers	96.88	%

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to proportion of spending on local suppliers)
Management	- Local sourcing can be a strategy to help ensure supply
Community	- Payments to locally-based suppliers – economic inclusion as positive impact - Local sourcing can support a stable local economy and maintain community relations - By supporting local suppliers, an organization can indirectly attract additional investment to the local economy

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

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

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

Business Ethics

Training on Anti-corruption Policies and Procedures

Disclosure (1 January – 31 December 2019)	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners ² to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of management that have received anti-corruption training	100 ³	%
Percentage of employees that have received anti-corruption training	100	%

Incidents of Corruption

Disclosure (1 January – 31 December 2019)	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to business ethics and anti-corruption)
Stockholders	- How the company ensures that it has the necessary capability to fight against corruption - How serious the organization is on combatting corruption - Advocate of transparency and accountability - Timely and transparent disclosures on governance - Enforcement of policies on anti-corruption , AMLA and Fraud
Loan/Fund Providers & Creditors/Depositors	- How the company ensures that it has the necessary capability to fight against corruption - How serious the organization is on combatting corruption - Protection of deposits and loans/credits provided
Customers/Clients	- How the company ensures that it has the necessary capability to fight against corruption - How serious the organization is on combatting corruption - Protection of deposits
Employees	- How the company ensures that it has the necessary capability to fight against corruption - How serious the organization is on combatting corruption - Protection of employees

² In the context of this Sustainability Report, the term 'business partners' includes suppliers and customers/clients.

³ Via regular and compulsory "eLearning" courses and examinations

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to business ethics and anti-corruption)
Government/Regulators	- Transparency and accountability of the Bank - Compliance to rules and regulations set by BSP, SEC and PSE - Annual conduct of internal and external audits - Monitoring of ethics and compliance of the Bank - How the company ensures that it has the necessary capability to fight against corruption - How serious the organization is on combatting corruption
Public, inc. media	- How the company ensures that it has the necessary capability to fight against corruption - How serious the organization is on combatting corruption – potential reputational impact for public legal cases regarding corruption

What is the impact and where does it occur? What is the organization's involvement in the impact?
RCBC's cultivation of corporate culture is strongly founded on honesty and integrity. The impacts of training on anti-corruption policies and procedures, and disclosing on how the company responds to incidents of corruption are the following: - Increased capacity to prevent and combat corruption - Awareness of how serious the organization is on combatting corruption These occur in the primary business operations, and are caused by the organization.
Management Approach to Impact
We conduct regular trainings and examinations to ensure that all employees (from senior management to rank and file) are familiar with the Bank's anti-corruption policies and procedures. New employees are oriented about the Bank's anti-corruption policies during their New Employee Orientation Program.

What are the risks identified?
The risk of employees engaging in corrupt activities cannot be completely eliminated. Actual incidents of corruption may harm the Bank's reputation.
Management Approach to Risks
We strictly implement anti-corruption policies to prevent any corruption incident. We conduct trainings and examinations to ensure that all employees (from senior management to rank and file) are familiar and reminded of the Bank's anti-corruption policies and procedures. From the first day that an employee is hired, RCBC discusses with them the Bank's Code of Conduct, including the anti-corruption policies and procedures. With this, Management ensures that all employees know and understand the policies and procedures, which should be followed throughout their tenure with the institution. Regular corporate announcements remind employees of warning signs associated with illegal, unethical, or questionable activities/transactions. Employees are reminded to immediately report (confidentially and without risk of reprisal) any suspicious behavioral traits, warning signs, and other legitimate concerns through the whistleblowing channel of the Yuchengco Group of Companies (YGC).

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

Adherence to the Code of Conduct:

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

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

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

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

Anti-Corruption Policies:

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

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

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

Receiving Commissions or Benefits. Employees must avoid situations which may unduly influence the relationships with customers or suppliers in a position to transact business with the Bank. Employees must make sure that the procedures laid down in providing customer services or in purchasing goods and services are strictly followed. Employees who have a direct hand in choosing companies from which purchases of the Bank's business requirements are to be made, are discouraged to use said authority to

obtain commissions or leverage to purchase the same item/s for personal interests at terms not otherwise available to his/her colleagues or the public. Suppliers and customers are chosen based on merit and not on what can be gained from them.

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

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

Use of Insider Information:

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

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

Whistleblowing Policy:

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

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

1. Employees and other stakeholders must be provided with alternative and sufficient channels for whistleblowing and communication. In certain instances, they must be able to bypass the main channels for whistleblowing if these prove inappropriate;
2. Employees and other stakeholders making the report in good faith should at all times be protected against reprisals;
3. Identity of the whistleblower making the report in good faith should remain confidential;
4. Reported incidents shall be verified in an appropriate manner, and if confirmed, the Bank must take the necessary actions;
5. The rights of any person implicated in any report must be respected.

Reports of any actual or suspected criminal activities, unlawful acts or omissions, fraud, violations of the Code of Conduct and other bank policies, danger to health and safety, improprieties or malpractice in the workplace, including those relative to matters of financial reporting, internal control and/or auditing

may be sent through YGC's Open Communication system at www.rcbc.com/TalktoUs.

Anti-Money Laundering Act (AMLA):

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

Related Party Transactions:

In June 2018, the Board approved the revised Policy on Related Party Transactions following BSP's issuance of Circular No. 969 or Enhanced Corporate Governance Guidelines for BSP-supervised Financial Institutions on August 22, 2017. The said policy adopted the definition of "related party transactions" under the circular which are transactions or dealings with related parties of the Bank, including its trust department, regardless of whether or not a price is charged. These shall include, but not limited, to the following:

- On- and off-balance sheet credit exposures and claims and write-offs;
- Investments and/or subscriptions for debt/ equity issuances;
- Consulting, professional, agency and other service arrangements/contracts;
- Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements)
- Construction arrangements/contracts;
- Lease arrangements/contracts;
- Trading and derivative transactions;
- Borrowings, commitments, fund transfers and guarantees;
- Sale, purchase or supply of any goods or materials; and
- Establishment of joint venture entities.

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

The term "related parties" under the Bank's policy is broader in scope as includes members of the Advisory Board and consultants of the Bank.

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

What are the opportunities identified?

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

Management Approach to Opportunities

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

ENVIRONMENT

Resource Management

Energy Consumption Within the Organization:

Disclosure (1 January – 31 December 2019)	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	- ⁴	GJ
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	- ⁴	GJ
Energy consumption (electricity)	RCBC Plaza: 7,945,043 A.T. Yuchengco Centre: 842, 417 Branches: 13,212,661	kWh

Reduction of Energy Consumption

Disclosure (1 January – 31 December 2019)	Quantity	Units
Energy reduction (renewable sources)	0	GJ
Energy reduction (gasoline)	- ⁴	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	- ⁴	GJ
Energy reduction (electricity)	- ⁵	kWh

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

⁴ RCBC is in the process of collating and verifying data, as may be applicable to its operations.

⁵ With 2019 as the base year, energy reduction for electricity will be provided in the next submission.

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

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

Management Approach to Impact

Our Corporate Head Office in Manila is located in a LEED Gold certified building. The RCBC Plaza in Makati City received a Leadership in Energy and Environmental Design (LEED) Gold certification on May 26, 2018, making it the first multi-tenanted building in the Philippines to achieve such kind of green building certification. Lights were changed to LED. Energy-saving mechanisms were installed in the elevators so that when they were not in use, they did not use up electricity. The central cooling system was upgraded and most of the chillers that produce and blow cold air all throughout the building are new.

RCBC Plaza Energy Efficiency Initiatives:

- Replacement of chillers
- Conversion to LED lamps
- Cooling tower upgrade
- Rectification of Variable Air Volume (VAV) and Variable Frequency Drive (VFD) Connection to Building Management System (BMS)

What are the risks identified?

The emission of greenhouse gases from the generation of electricity contributes to global warming, and climate change. Global warming needs to be kept below 1.5 °C by year 2030 to avoid irreversible impacts.⁶ Inefficient management of energy use can also lead to higher operating costs, revocation of LEED certification, and inability to be benchmarked against other banks that have set sustainability goals and programs on energy conservation.

Management Approach to Risks

We minimize GHG impacts from electricity consumption through energy conservation measures. Employees are urged to follow these practices, among others:

- Minimize the use of lights. Roll up window blinds and let the natural light in.
- Turn off lights when not in use – when the sun is out, when a work station is empty, and when leaving the office.
- Turn off computers at the end of the day.

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

⁶ IPCC SR15 Summary for Policymakers 2018, p. 7: Future climate-related risks (...) are larger if global warming exceeds 1.5°C before returning to that level by 2100 than if global warming gradually stabilizes at 1.5°C. (...) Some impacts may be long-lasting or irreversible, such as the loss of some ecosystems (high confidence).

What are the opportunities identified?

Managing and reducing energy consumption opens up the following opportunities:

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

Management Approach to Opportunities

We continue to support the principles behind our LEED certification. We promote energy conservation measures in our day-to-day operations. It is believed that through these measures, a building operator can save more than 10% in energy consumption and lower energy costs.

Water Consumption Within the Organization

Disclosure (1 January – 31 December 2019)	Quantity	Units
Water withdrawal	0	Cubic meters
Water consumption	RCBC Plaza: 59,362 A.T. Yuchengco Centre: 4,669 Branches: 117,481	Cubic meters
Water recycled and reused	0	Cubic meters

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

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impact occurs on how we efficiently manage water consumption in our own operations. Reduction in consumption/water savings can be seen as contributory to preserving water as a limited resource.
Management Approach to Impact
Our Corporate Head Office in Manila is located in a LEED Gold certified building. The RCBC Plaza in Makati City received a Leadership in Energy and Environmental Design (LEED) Gold certification on May 26, 2018, making it the first multi-tenanted building in the Philippines to achieve such kind of green building certification. Water meters were installed in all toilets and in areas with plants. Other changes included landscape improvement which enhanced the existing landscape design of RCBC Plaza by incorporating local trees and plants that need less water, saving water consumption by 90%. Since these changes were implemented, RCBC Plaza saw a 40% decrease in water use. In addition, RCBC Plaza and A.T. Yuchengco Centre have bathrooms which have low flow faucets and sensors.

What are the risks identified?

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

Management Approach to Risks

We minimize negative environmental impacts from water consumption through water conservation measures. Employees are urged to follow these practices, among others:

- Conserve water. RCBC Plaza and A.T. Yuchengco Centre have bathrooms which have low flow faucets and sensors.
- Report leaking faucets. Even a slowly dripping faucet can waste 10,000 liters of water in a year.

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

What are the opportunities identified?

Managing and reducing water consumption opens up the following opportunities:

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

Management Approach to Opportunities

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

Materials Used by the Organization

Disclosure (1 January – 31 December 2019)	Quantity	Units
Materials used by weight or volume ⁷		
• renewable	128,600	kg/liters
• non-renewable	700	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services ⁸	1	%

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

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

⁷ This includes bond papers, printed forms, cheques, and plastic bags procured from suppliers.

⁸ This includes cheques procured from suppliers.

What are the risks identified?

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

Management Approach to Risks

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

What are the opportunities identified?

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

Management Approach to Opportunities

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

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

Disclosure (1 January – 31 December 2019)	Quantity ⁹	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
Habitats protected or restored	-	ha
IUCN ¹⁰ Red List species and national conservation list species with habitats in areas affected by operations	None	

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

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

⁹ Refer to discussion of impact.

¹⁰ International Union for Conservation of Nature

What are the risks identified?

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

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

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

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

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

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

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

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

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

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

Environmental Impact Management

Air Emissions

GHG

Disclosure (1 January – 31 December 2019)	Quantity	Units
Direct (Scope 1) GHG Emissions	0	Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions	15,668.49 ¹¹	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	0	Tonnes

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

What is the impact and where does it occur? What is the organization's involvement in the impact?
GHG emissions result from RCBC's consumption of electricity produced by the country's power generation entities.
Management Approach to Impact
RCBC is a responsible company that makes an effort to minimize its GHG impacts from electricity consumption through energy conservation measures. RCBC's Corporate Head Office in Manila is located in a LEED Gold certified building. The RCBC Plaza in Makati City received a Leadership in Energy and Environmental Design (LEED) Gold certification on May 26, 2018, making it the first multi-tenanted building in the Philippines to achieve such kind of green building certification. Lights were changed to LED. Energy-saving mechanisms were installed in the elevators so that when they were not in use, they did not use up electricity. The central cooling system was upgraded and most of the chillers that produce and blow cold air all throughout the building are new.

¹¹ RCBC Plaza, A.T. Yuchengco Centre, and Branches; emission factor for electricity at 0.7122 kgCO₂e/kWh from DOE (<https://www.doe.gov.ph/electric-power/2015-2017-national-grid-emission-factor-ngef>)

What are the risks identified?

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

Management Approach to Risks

We minimize GHG impacts from electricity consumption through energy conservation measures. Employees are urged to follow these practices, among others:

- Minimize the use of lights. Roll up window blinds and let the natural light in.
- Turn off lights when not in use – when the sun is out, when a work station is empty, and when leaving the office.
- Turn off computers at the end of the day.

What are the opportunities identified?

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

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

Management Approach to Opportunities

We promote carpooling and travel reduction through bank-provided shuttle service when commuting from RCBC Plaza in Makati to A.T. Yuchengco Centre in BGC, and vice versa.

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

Air Pollutants

Disclosure (1 January – 31 December 2019)	Quantity ¹²	Units
NO _x	-	kg
SO _x	-	kg
Persistent organic pollutants (POPs)	-	kg
Volatile organic compounds (VOCs)	-	kg
Hazardous air pollutants (HAPs)	-	kg
Particulate matter (PM)	-	kg

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

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

¹² Refer to discussion of impact.

What are the risks identified?

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

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

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

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

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

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

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

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

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

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

Solid and Hazardous Wastes

Solid Waste

Disclosure (1 January – 31 December 2019)	Quantity	Units
Total solid waste generated	RCBC Plaza: 519,325 A.T. Yuchengco Centre: 111,776	kg
Reusable	0	kg
Recyclable	RCBC Plaza: 283,503	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	RCBC Plaza: 235,822	kg

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

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

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

What are the opportunities identified?

Managing and reducing solid waste opens up the following opportunities:

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

Management Approach to Opportunities

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

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

Hazardous Waste

Disclosure (1 January – 31 December 2019)	Quantity¹³	Units
Total weight of hazardous waste generated	-	kg
Total weight of hazardous waste transported	-	kg

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

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

¹³ Refer to discussion of impact.

What are the risks identified?

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

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

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

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

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

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

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

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

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

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

Effluents

Disclosure (1 January – 31 December 2019)	Quantity ¹⁴	Units
Total volume of water discharges	-	Cubic meters
Percent of wastewater recycled	-	%

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

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

¹⁴ Refer to discussion of impact.

What are the risks identified?

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

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

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

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

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

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

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

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

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

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

Environmental Compliance

Non-compliance with Environmental Laws and Regulations

Disclosure (1 January – 31 December 2019)	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	20,000 ¹⁵	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to environmental compliance)
Management	- Monetary fines - Non-monetary sanctions
Stockholders	- Compliance with environmental laws and regulation – potential reputational impact that may lead to divestment
Customers/Clients	- Interruption of business /operations due to breach of environmental laws/regulations - Reputational impact
Employees	- Interruption of business /operations due to breach of environmental laws/regulations - Reputational impact
Government – DENR / Regulators	- Compliance with environmental laws and regulation - Ability to conform to certain performance parameters - Concern for environmental protection
Community, inc. environmental NGOs	- Reduction of environmental impacts - Concern for environmental protection
Public, inc. media	- Compliance with environmental laws and regulation, ability to conform to certain performance parameters, and concern for environmental protection – potential reputational impact

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

¹⁵ In 2019, RCBC paid fines amounting to PHP20,000 to the Environmental Management Bureau of the DENR for operating an Air Pollution Source Installation without a Permit to Operate (the existing generator set came from an old RCBC site and was transferred to the new Malabon branch site; no permits were given), and for operating a facility (septic tank) that discharges regulated water pollutants without Discharge Permit in RCBC Navotas branch. This notwithstanding, RCBC remains committed to comply with all environmental laws and regulations as well as fulfil any penalty that may arise from non-compliance.

What are the risks identified?

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

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

Management Approach to Risks

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

What are the opportunities identified?

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

Management Approach to Opportunities

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

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee Data

Disclosure (as of 31 December 2019)	Quantity	Units
Total number of employees	6,344	#
a. Number of female employees	4,044	#
b. Number of male employees	2,300	#
Attrition rate ¹⁶	11.03%	rate
Ratio of lowest paid employee against minimum wage	1.002	ratio

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to employee hiring)
Management	- Direct cost implications either in terms of reduced payroll or greater expenses for the recruitment of employees - Efficiency of employees - Quality of service provided by employees
Stockholders	- Direct cost implications either in terms of reduced payroll or greater expenses for the recruitment of employees - Efficiency of employees - Quality of service provided by employees
Employees	- Satisfaction among employees - Equity in the workplace
Customers/Clients	- Efficiency and quality of service provided by employees – sufficient number of employees
Government – DOLE	- Protection of employees
Community	- Optimal use of available labor and talent in different regions
Public, inc. media	- Ability to attract diverse, qualified employees; inclusive recruitment practices; satisfaction among employees; equity in the workplace – potential reputational impact

Employee Benefits

List of Benefits (1 January – 31 December 2019)	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y		
Maternity	Y	7.89%	
Sickness	Y	2.20%	0.52%
Salary Loan	Y	19.31%	13.91%
PhilHealth	Y	62.34%	47.70%

¹⁶ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

List of Benefits (1 January – 31 December 2019)	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
Pag-ibig	Y	10.61%	6.22%
Parental leaves	Y		8%
Vacation leaves	Y	85.91%	83.39%
Sick leaves	Y	60.29%	51.35%
Medical benefits (aside from PhilHealth)	Y	62.34%	47.70%
Housing assistance (aside from Pag-ibig)	Y	0.22%	0.61%
Retirement fund (aside from SSS)	Y	2.45%	3.57%
Further education support	N		
Company stock options	N		
Telecommuting	N		
Flexible-working Hours	N		

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

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impacts are satisfaction among employees and equity in the workplace. These occur in the primary business operations, and are caused by the organization.
Management Approach to Impact
Our Most Important Asset: Our People In support of the Bank's growth strategy and plans, the Human Resources Group (HRG) is committed to organizational capability building and continues to lead programs and initiatives on talent management and development, leadership continuity, retention programs, employee well-being as well as corporate social responsibility.

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

Compensation and Rewards Program:

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

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

5. Final approval of recommendations with regard to changes in the compensation structure and policies will need to be secured from the Corporate Governance Committee.
6. Administration, implementation and maintenance of the Bank's Compensation and Incentive Program shall be the direct responsibility of HRG, particularly by its Group Head, Department Head for Compensation and Benefits and Department Head for Career Management.
7. The Compensation and Incentive Program shall be composed of:
 - a. **Basic Pay.** This refers to the employee's monthly take-home pay, exclusive of overtime pay.
 - b. **Guaranteed Pay.** This is part of the annual compensation supplementary to the Basic Pay such as the 13th month pay.
 - c. **Variable Pay.** This refers to additional incentives, Merit Increase (for Officers) and Promotional Increase (for Non-Officers and Officers), given to eligible employees based on their contributions to the Bank's overall objectives.

Employee Retention:

Recognizing the continuing competition for talent, HRG's retention programs have helped keep the Bank's attrition rate at 11.03% which is below industry level.

What are the risks identified?

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

Management Approach to Risks

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

What are the opportunities identified?

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

Management Approach to Opportunities

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

Employee Training and Development

Disclosure (1 January – 31 December 2019)	Quantity	Units
Total training hours provided to employees	31,340	Hours
a. Female employees	21,812	hours
b. Male employees	9,528	hours
Average training hours provided to employees	4.94	hours/employee
a. Female employees	5.39	hours/employee
b. Male employees	4.14	hours/employee

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

What is the impact and where does it occur? What is the organization's involvement in the impact?
When an employee stops learning, their development is held back. Thus, we commit to provide as many programs as possible for each employee to undergo. The impact is the development of employees. This occurs in the primary business operations, and is caused by the organization.
Management Approach to Impact
Our Most Important Asset: Our People In support of the Bank's growth strategy and plans, the Human Resources Group (HRG) is committed to organizational capability building and continues to lead programs and initiatives on talent management and development, leadership continuity, retention programs, employee well-being as well as corporate social responsibility. We invest in training and developing employees, and upgrading employee skills. We are fully committed to providing learning and development opportunities across all job levels. Management has introduced and offered various training programs and seminars. In 2018 alone, learning sessions facilitated by Management had more than 10,000 attendees.

Investment in People: Learning and Development

RCBC is committed to provide a strong learning and development platform for all employees across all job levels. HRG continued to strengthen the talent pipeline and brought further competencies on the job by facilitating various training programs and seminars benefiting 11,195 attendees addressing the competencies of Leadership, Customer Service, Sales Planning and Management, Product and Technical Knowledge, Risk Management, AML/Compliance while, a total of 22 employees were enrolled in a number of specialized/IT external training programs. 355 employees were also sent to various external training programs. HRG also conducted Coaching workshops as we promote a coaching and mentoring culture across the organization.

The Bank's effort to provide careers to new graduates and to ensure an effective talent development resulted to deployment of sixteen (16) Officers Development Program (ODP) graduates to junior officer positions across the Bank. HRG, in partnership with Operations Group, graduated 10 trainees for the seventh batch of the General Operations Learning and Development (GOLD) Program for Customer Support Services Segment and graduated 4 trainees for Branch Support Services Segment. The 7-month GOLD program aims to develop a pool of junior officers with strong operations background and risk orientation for both head office and branch operations.

HRG in collaboration with management continues to subscribe to the Bank's Succession Planning Program. This is to ascertain that the organization has a deep bench of internal candidates ready to assume higher leadership responsibilities. Hence, the 8th batch of the Middle Management Development Program (MMDP) was conducted. This is a 6-month internal training program which aims to accelerate the development of our next generation of leaders. The MMDP was designed in partnership with the De La Salle University, Center for Professional Development in Business.

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

For the Retail Banking Group, the RBG Academy Sales Leadership Track is a 25-day training program attended by 19 Regional Sales Heads; and the RBG BRO Sales Bootcamp is a 15-day training program aimed at providing Branch Relationship Officers with product certification and sales skills. A total of 43 BRO's attended the 2 runs in 2019.

For the Corporate Banking Group, the Core Credit Course was launched. This is a 10-day program for Relationship Managers aimed at standardizing and improving knowledge on Financial Analysis and Projections, and Credit Fundamentals. Apart from CBG Relationship Managers, the program was offered to Credit Officers and Auditors. A total of 51 participants attended 2 runs in 2019.

For the Wealth Management Group, 20 Relationship Managers attended both the Registered Estate Planner Program and the Registered Financial Consultant Certification.

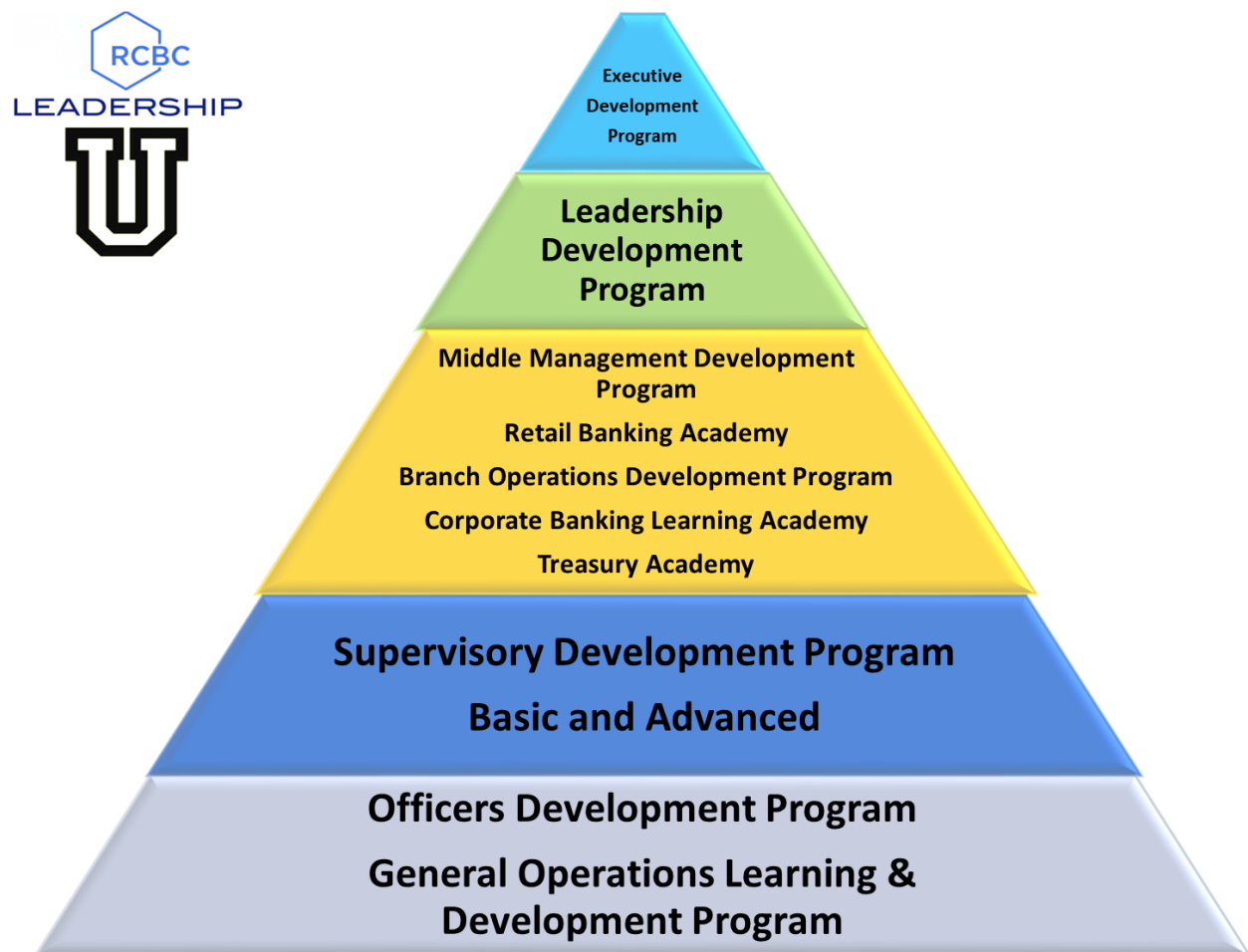
To raise the Bank's capability to address and mitigate Money Laundering and Terrorist Financing concerns, the Bank set out to attain certification with ACAMS or the Association of Certified Anti-Money Laundering. ACAMS is the largest international membership organization dedicated to enhance the knowledge and expertise of financial crime detection and prevention professionals. The CAMS credential is internationally recognized by private institutions, governments and law enforcement, and thus carries

the gold standard in AML Certifications. 10 select bank officers began their review for ACAMS and will take the certification exam in early 2020.

The Branch Operations Orientation Training Camp (BOOT Camp) was launched in September 2018. This is a 5-day program for all new branch hires or branch transferees. Modules include Risks and Controls, Supervisory Development Program, Effective Business Communication and Effective Leadership in Customer Service. In 2019, 12 runs were conducted, covering 441 branch officers.

The Bank has likewise offered its 6th and 7th run of the Corporate Banking Learning Academy, (Marketing Assistant Track) a 10-day training program which aims to develop capable and credible marketing assistants. There were a total of 35 marketing assistants who graduated from the program in 2019.

In 2019, we also launched ten (10) e-Learning programs which included Information Security, Money Service Business, Online Gaming Business, Signature Verification, Effective email Communication, Cash Management Services part 1 and part 2, UITF, Deposit Products, and Consumer Loans.



What are the risks identified?

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

Management Approach to Risks

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

What are the opportunities identified?

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

Management Approach to Opportunities

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

Labor-Management Relations

Disclosure (1 January – 31 December 2019)	Quantity	Units
% of employees covered with Collective Bargaining Agreements	35	%
Number of consultations conducted with employees concerning employee-related policies	971	#

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

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impact is the protection of employees. This occurs in the primary business operations, and is caused by the organization.
Management Approach to Impact
RCBC has a union of rank and file employees, which negotiates with Management for a Collective Bargaining Agreement every 5 years. Collective bargaining plays an important role in consultation practices. We engage our employees, ensuring timely discussion of significant operational changes. We provide reasonable notice of significant operational changes to employees and their representatives to maintain employee satisfaction and motivation while implementing significant changes to operations. Together, Management and the union regularly evaluate and update the salaries and benefits of employees. Negotiations in at least the last 15 years have been peaceful and fruitful.

What are the risks identified?

Collective bargaining agreement might encourage employees to appeal for higher terms and conditions eventually increasing cost of employment.

Management Approach to Risks

Issues arising from labor-management relations are formally resolved by the grievance mechanism that both parties follow. Although not all non-officer employees are members of the RCBC Employees Association, all are covered by the Collective Bargaining Agreement (CBA). CBA covered period is from 2016 to 2021. All of the Bank's non-managerial employees, other than those expressly excluded under the Collective Bargaining Agreement, are represented by an independent union, the RCBC Employees Association. In December 2016, the Bank (not including its subsidiaries) and the RCBC Employees Association agreed on the 3-year economic provisions and the 5-year non-economic terms of the collective bargaining agreement for the period 01 October 2016 to 30 September 2021.

What are the opportunities identified?

Timely and meaningful consultation allows the affected parties to understand the impacts of the changes. It also gives an opportunity for them to work collectively to avoid or mitigate negative impacts as much as possible. Consultative practices that result in good industrial relations help to provide positive working environments, reduce turnover, and minimize operational disruptions.

Management Approach to Opportunities

Management takes the views of workers into account when making specific decisions. Therefore, it is important that consultation takes place before a decision is made. Meaningful consultation includes the timely provision of all information needed to make an informed decision to workers or their representatives.

Genuine consultation involves dialogue. Management maintains a harmonious relationship with the union. At any given time, the union may consult any issue with Management. Management endeavours to resolve such matters to sustain the positive working environment that employees are used to.

Diversity and Equal Opportunity

Disclosure (as of 31 December 2019)	Quantity	Units
% of female workers in the workforce	63.75	%
% of male workers in the workforce	36.25	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

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

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

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

What are the risks identified?

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

Management Approach to Risks

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

What are the opportunities identified?

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

Management Approach to Opportunities

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

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure (1 January – 31 December 2019)	Quantity	Units
Safe Man-Hours	12,000,000 ¹⁷	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	3	#

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

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

¹⁷ Estimated at 6,344 employees working 8 hours per day over 243 working days in 2019

1. Substance Abuse and Health & Safety Policies

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

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

2. Inspection & Search Procedures

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

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

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

3. Employee Welfare and Well-Being

In 2019, the Human Resources Group conducted the following activities to sustain the promotion of health, safety and welfare of RCBC employees.

- Maintained its partnership with Maxicare, the Bank's HMO provider, in giving health and medical services in accordance to the benefits being enjoyed by employees. Services provided include:
 - Hospitalization, emergency care and other medical services with 2,933 availments for employees and 3,288 availments for dependents in 2019;
 - Executive Check-Up for employees with total cost of P39.6 Million in 2019;
 - Outpatient consultation services for employees with 4,326 availments in 2019;
- The Bank also partnered with Sunlife Grepa Financial Inc. in utilizing the clinic located at the RCBC Plaza and serviced more than 1,000 availments in 2019. Moreover, a clinic, with regular visiting doctors, was set-up at the A. T. Yuchangco Centre (former RSB Corporate Center) in BGC to give free check-up and consultation services to more than 1,200 employees at said location.

○ The Bank also provided the following benefits to employees:

- Department of Labor and Employment (DOLE) certified Basic Occupational Safety and Health Seminar;
- Philippine Red Cross certified first aid training;
- Basic training course for Pollution Control;
- Pollution Control training course for Managing Heads;
- Safety and life support trainings, fire and earthquake seminars and drills for employees;
- Pre-employment physical and medical examination for new hires;
- Random drug testing for employees;
- Vaccination – Implemented flu vaccination to employees;
- Maintenance of operational breastfeeding stations for nursing associates;
- Sports and wellness – To promote physical fitness, the Bank sponsored various sports activities participated by employees from Head Office and Metro Manila business centers.
- Precautionary measures – Since Management recognizes the precarious situation of employees in areas affected by natural calamities and manmade adversities, it has always been keen on immediately issuing work suspension orders in such perilous areas during fortuitous events.
- All associates are covered with a life insurance policy inclusive of accidental death, total and permanent disability and burial assistance benefits.

The Bank spent more than P151 Million in 2019 for health benefits of employees and their dependents.

What are the risks identified?

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

Management Approach to Risks

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

What are the opportunities identified?

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

Management Approach to Opportunities

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

Labor Laws and Human Rights

Disclosure (1 January – 31 December 2019)	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

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

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

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

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

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

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

Supply Chain Management

Do you have a supplier accreditation policy?

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

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	Y	Supplier Management: Policies on Supplier Blacklisting 2. If supplier commits a violation against YGC ¹⁸ PSS ¹⁹ policies on Code of Ethics, supplier will be blacklisted, regardless if supplier has more than one product or service used by YGC.
Health and safety	Y	Supplier Management: Policies on Supplier Blacklisting 3. Supplier shall also be blacklisted if the following offenses are committed: e. Failure to meet safety policies leading to loss of life, injury or damage to property

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

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

¹⁸ Yuchengco Group of Companies

¹⁹ Procurement Shared Services

What are the risks identified?

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

Management Approach to Risks

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

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

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

What are the opportunities identified?

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

Management Approach to Opportunities

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

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people?	Mitigating measures (if negative) or enhancement measures (if positive)
Rizal MicroBank (RMB) Micro & Small Business Loans & Savings Products	Available in 21 RMB branches – all of which are located outside Metro Manila	Rizal MicroBank is RCBC's vehicle for providing much-needed services to the unbanked and underserved segments of the country's population.	Yes. RMB serves the unbanked and underserved markets in the Philippines.	RMB is set to improve its products using digitization in the form of mobile-based application to make it more cost effective for the Bank and our clients.
DiskarTech – a Financial inclusion mobile-based application	Mobile-based	An inclusion application that mainly targets class C, D, and the unbanked sector	Yes. DiskarTech is an inclusion application that targets the unbanked and underserved sector.	DiskarTech will offer financial services such as savings, transfers, withdrawals & deposits, bills payment, insurance, and loans.

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

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

Certificates	Quantity ²⁰	Units
FPIC process is still undergoing	-	#
CP secured	-	#

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

²⁰ The operations of RMB and the mobile-based DiskarTech do not affect IPs.

Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to significant impacts on local communities)
Public, inc. media	- Reduction of negative impacts on local communities and concern for society – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impacts of RCBC's concern for society are the reduction of negative impacts on local communities and positive community engagement. We empower communities and families towards financial inclusion. Our presence in communities facilitates access to capital in the local economy, spurring economic growth and employment generation. These all occur in the primary business operations, and are caused by the organization.
Management Approach to Impact
As we aim to create a net positive impact to the communities we serve, we have planned activities to increase our presence in local communities and to take advantage of partnerships to broaden our reach. These can have significant economic and social impacts on local communities.

What are the risks identified?
Engaging the unbanked and underserved towards financial inclusion may expose us to credit risk and other types of risk which traditional risk tools may ordinarily not be able to adequately manage.
Management Approach to Risks
We mitigate the risk of default and other risks by performing additional Know Your Customer (KYC) and credit risk assessment procedures on clients.

What are the opportunities identified?
A significant percentage of the country's population are still unbanked and underserved, thus there are opportunities to create more products and services that will address these sectors.
Management Approach to Opportunities
We continue to grow our commercial and SME loans segments to address the needs of small and medium entrepreneurs.
We have also planned activities to increase our presence in local communities and to take advantage of partnerships to broaden our reach.

Customer Management

Customer Satisfaction

Disclosure (1 January 2019 – 31 December 2019)	Score	Did a third party conduct the customer satisfaction study?
Customer satisfaction	None ²¹	N/A

Which stakeholders are affected?	
Stakeholder	Issues That Influence Their Assessments and Decisions (in relation to customer satisfaction)
Stockholders	- Customer satisfaction and upholding the rights of customers – potential reputational impact that may lead to divestment
Customers/Clients	- Customer protection and satisfaction - Integrity and honesty of the bank and its employees - Professionalism and efficiency of senior management and bank employees - Easy account opening/loan application requirements and processes - Accessibility of ATM and branch network - Continuous service, process and technology improvements - Fast complaints resolution - Upholding the rights of customers
Government/Regulators	- Customer satisfaction - Upholding the rights of customers
Community	- Customer satisfaction and upholding the rights of customers, which allow members of the community to decide whether to patronize the products and services of the organization – the organization's ability to attract potential customers in the community can affect its ability to implement its strategies and achieve its objectives
Public, inc. media	- Customer satisfaction and upholding the rights of customers – potential reputational impact

What is the impact and where does it occur? What is the organization's involvement in the impact?
RCBC's ability to uphold the rights of its customer will positively influence customer satisfaction. This occurs in the primary business operations, and is caused by the organization.
Management Approach to Impact
We regularly monitor feedback from traditional and social media to identify customer concerns. This includes monthly social listening reports and real time alerts, and monthly traditional media reports. We also implement customer research for major initiatives (e.g., brand refresh, new website design, and new application design). In addition, we follow a review and approval process for communication materials, including clearing initiatives with Consumer Protection. An assessment of RCBC's reputation risk is also reported regularly to the Risk Oversight Committee of the Board of Directors.

²¹ This requirement will be covered and will be fully enforced in our processes upon implementation of the new Customer Care system targeted to be launched in 2020.

What are the risks identified?

There is reputation risk arising from negative public opinion in case there are unsatisfied customers left not dealt with.

Management Approach to Risks

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

What are the opportunities identified?

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

Management Approach to Opportunities

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

Health and Safety

Disclosure (1 January – 31 December 2019)	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	N/A ²²	#

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

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

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

²² No recorded complaints attributed to Health and Safety for the year 2019

What are the risks identified?
The products and services of our clients may potentially pose a risk to the health and safety to their customers. This has negative implications on society.
Management Approach to Risks
Environmental and Social Management System (ESMS): The ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS) of RCBC requires that all lending relationships/credits, leasing or other financial assistance to any corporate or legal entity, both pipeline and portfolio, are vetted from an environmental and social risk perspective. The environmental and social impact assessment process is a systematic way of identifying and assessing the type and scale of impact a project may have on the environment and communities. The ESMS assessment takes place before a lending decision is made, and continues during the life cycle of the loan agreement with the client. We will continue to engage our clients, share best practices, and support their efforts to seek solutions that reduce their impact on the environment and communities.

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

Marketing and Labelling

Disclosure (1 January – 31 December 2019)	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	N/A ²³	#

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

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

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

²³ No recorded complaints attributed to Marketing and Labelling for the year 2019

What are the risks identified?

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

Management Approach to Risks

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

What are the opportunities identified?

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

Management Approach to Opportunities

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

Customer Privacy

Disclosure (1 January – 31 December 2019)	Quantity	Units
No. of substantiated complaints on customer privacy*	1 ²⁴	#
No. of complaints addressed	1 ²⁵	#
No. of customers, users and account holders whose information is used for secondary purposes	517,080	#

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

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

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

²⁴ In relation to the one substantiated complaint, RCBC has filed the necessary clarification and it is pending before the National Privacy Commission (NPC).

²⁵ In relation to the one internal complaint, not filed with the NPC, RCBC has addressed and rectified the misinformation, and it is handled by a legal/compliance officer.

What are the risks identified?

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

Management Approach to Risks

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

What are the opportunities identified?

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

Management Approach to Opportunities

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

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

Data Security

Disclosure (1 January – 31 December 2019)	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	1 ²⁶	#

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

What is the impact and where does it occur? What is the organization's involvement in the impact?
The impact of RCBC's ability to properly manage and protect sensitive information is secure data. This occurs in the primary business operations, and is caused by the organization.
Management Approach to Impact
We place the highest importance on keeping data secure, aiming to reduce disruptions to operations as a consequence of information security incidents. Concretely, this aim expands to the following objectives: - To protect the information assets that support the Bank's operation; - To provide management an accurate view of significant current and future information security risks and assist them to make well-informed risk management decisions about the extent of the risk, risk appetite and risk tolerance; - To provide an end-to-end guidance on how to manage information security risks, beyond purely technical control measures; - To establish a risk profile to better understand the Bank's full exposure, and better utilize its resources; - To integrate the management of information security risk into the overall enterprise risk management of the Bank; and - To implement and continuously improve a sound framework for the identification, measurement, control, monitoring, and reporting of key risks faced by the Bank.

²⁶ In relation to the one data breach incident, RCBC has responded swiftly by reporting the incident to the National Privacy Commission (NPC), the regulator for Data Security Breach.

What are the risks identified?
Information Security Risk is the risk of loss resulting from information security/cyber security breaches. Data breaches, including leaks, thefts and losses of data may occur in the primary business operations.
Management Approach to Risks
RCBC has zero tolerance for information security/cyber security breaches. We shall protect our information assets to ensure that breaches do not cause material damage to our liquidity and capital position, and reputation. Our information security objectives are achieved through the following exercises of information security risk management: - Identification of information assets including both hardware and software that are considered essential to the Bank; - Assistance to business units in identifying risks in information assets being handled; and - Implementation of risk assessment to determine current information security risks and threats present in the information assets, determine acceptable risk levels, and implement preventive measures to mitigate potential high risks.
What are the opportunities identified?
Given the changing business landscape and regulatory environment, there arise opportunities to improve our Information Security Program to uphold data security and customer privacy.
Management Approach to Opportunities
We continue to update our Information Security Program to adapt to the changing business environment.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

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

RCBC Sustainable Finance Framework

(visit www.rcbc.com/sustainability and download our Impact Report)

The RCBC Sustainable Finance Framework articulates our strategy to prioritize fund raising and lending to priority sectors.

In February 2019, the Bank raised PHP15 billion (USD290 million) under its Green Finance Framework. The issue was the first Green Bond from the Philippines under the ASEAN Green Bond Standards, and proceeds were utilized to fund Eligible Green Assets.

In June 2019, the Bank also raised PHP8 billion (USD160 million) under its Sustainable Finance Framework. The issue was the first peso-denominated Sustainability Bond under the ASEAN Sustainability Bond Standards, and proceeds were utilized to fund Eligible Green and Social Assets.

In September 2019, the Bank raised an additional USD300 million under its Sustainable Finance Framework to fund Eligible Green and Social Assets.

Investor response to these landmark transactions was extraordinary. All three transactions were oversubscribed in multiples and brought in investors from all major financial centers of the world.

RCBC was awarded “Best Issuer for Sustainable Finance – Financial Institution”, and “Best Sustainability Bond” by The Asset Asian Awards for its PHP8 billion ASEAN Sustainability Bond, the first ASEAN Sustainability Bond issued in the Philippines and upsized from the target offering of PHP5 billion.

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

Eligible Project Categories

RCBC shall allocate the proceeds of any Sustainable Financing Instrument to finance and refinance RCBC’s loans to customers or its own operating activities in Eligible Green Categories and/or Eligible Social Categories where:

- The proceeds of RCBC’s Green Bond or Green Loan will be allocated to Eligible Green Categories;
- The proceeds of RCBC’s Social Bond or Social Loan will be allocated to Eligible Social Categories;
- The proceeds of RCBC’s Sustainability Bond will be allocated to Eligible Green Categories and Eligible Social Eligible Categories

Eligible Green Categories

A portfolio of Eligible Green Assets (together forming the “Eligible Green Portfolio”) in the following categories would be defined and created:

RENEWABLE ENERGY Renewable energy projects such as solar, wind, hydropower (capacity of 25MW and below), biomass (source certified to be sustainably managed by recognized third-party standards and excluding those that compete with food production) and geothermal	   
ENERGY EFFICIENCY Development or production of products or technologies that reduce industrial energy consumption, such as improved chillers, transition to fibre networks, improved lighting technology and reduced power usage in manufacturing operations (excluding fossil fuel based technologies)	   
GREEN BUILDINGS Buildings that meet recognised standards, such as Philippines BERDE Green Building Rating System (4-star and above), LEED (Gold and above), or belonging to the top 15% of low carbon buildings in their respective category and local context	   
CLEAN TRANSPORTATION Electric vehicles, infrastructure for electric vehicles such as charging stations as well as public mass-passenger transportation, passenger and freight rail infrastructure (excluding rail transport dedicated to fossil fuels), and non-motorised transportation	  

POLLUTION PREVENTION AND CONTROL

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



SUSTAINABLE WATER MANAGEMENT

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



ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES AND LAND USE

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

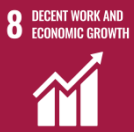
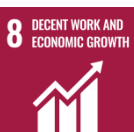


The proceeds may also be used to fund the following assets/projects within RCBC's own operations which have positive environmental impact:

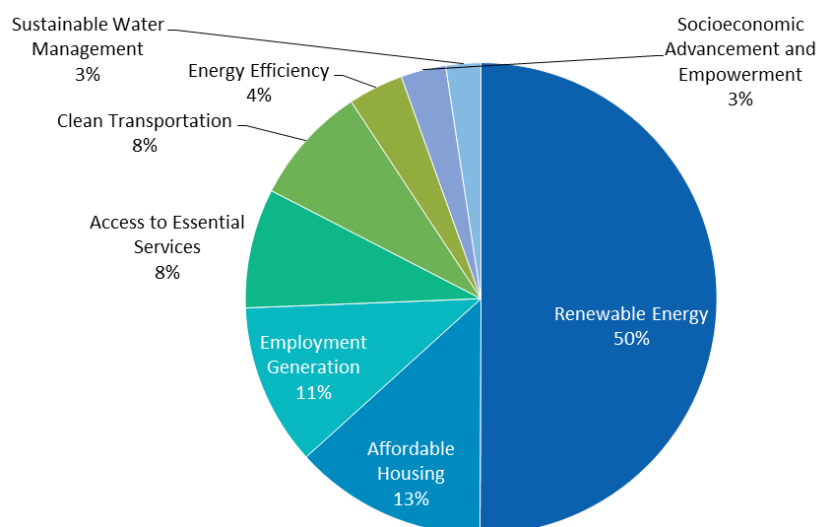
RENEWABLE ENERGY Installation of solar panels or other renewable energy equipment	   
ENERGY EFFICIENCY Purchase and installation of products or technologies that reduce energy consumption in office buildings and facilities, such as improved lighting technology (excluding efficiency improvements in fossil fuel based technologies)	   
POLLUTION PREVENTION AND CONTROL Purchase and installation of recycling infrastructure (excluding landfills), including waste minimisation, management, recycling and reuse	     
GREEN BUILDINGS Construction or lease of office space in buildings that meet recognised standards, such as Philippines BERDE Green Building Rating System (4-star and above), LEED (Gold and above), or belonging to the top 15% of low carbon buildings in their respective category and local context	   

Eligible Social Categories

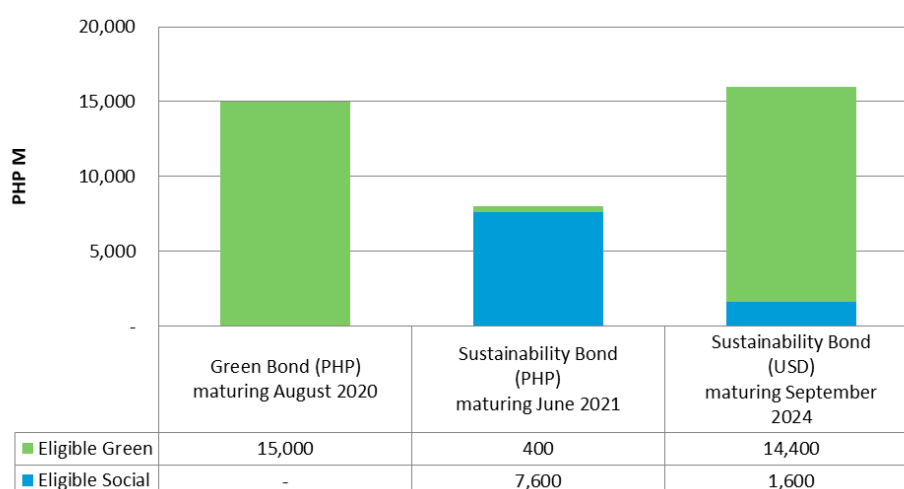
A portfolio of Eligible Social Assets (together forming the “Eligible Social Portfolio”) in the following categories would be defined and created:

AFFORDABLE BASIC INFRASTRUCTURE Construction, operation or upgrading of basic infrastructure, such as clean drinking water, sewers, and sanitation	 
ACCESS TO ESSENTIAL SERVICES Healthcare (hospitals accredited by PhilHealth, elderly care, pharmaceutical manufacturers (minimum 80% of revenues to generic medicines), distributors and traders, drugstores, etc.) that provide access to underserved (including through affordable/generic medicines) and education (schools, universities, vocational training, sheltered workshops)	 
EMPLOYMENT GENERATION Loans to small, medium and micro enterprises (“SME”) as defined by the BSP	 
AFFORDABLE HOUSING Loans to development or purchase of “Socialized Housing” and “Economic Housing” as defined by the Housing and Land Use Regulatory Board (HLURB) of Philippines	
SOCIOECONOMIC ADVANCEMENT AND EMPOWERMENT Loans to minority, underserved, and low-income individuals, including through rural banks as defined by the Philippines Central Bank’s Manual of Regulation for Banks and cooperatives as defined by the Philippines Republic Act 9520	 

RCBC Sustainable Portfolio Distribution 31 December 2019



RCBC Green and Sustainability Bond Issuances



Total Eligible Sustainable Portfolio of 9,364 projects as of 31 December 2019

As of 31 December 2019, RCBC's Eligible Green and Social Assets amount to a total of PHP51.741 billion. These assets are all aligned with our Sustainable Finance Framework.

Mapping to the UN Sustainable Development Goals (SDGs)

RCBC's Eligible Green and Social Assets as of 31 December 2019 address 10 of the UN SDGs.



Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Banking and Financial Products and Services - Deposits - Loans - Corporate Accounts and Loans - Corporate Cash Management Services - Debit Cards, Prepaid Cards, and Electronic Banking Channels - Remittance Services - Trust Services - Treasury - Credit Cards - Investment Banking	 Decent Work and Economic Growth. We provide and expand access to banking and financial services for all. Industry, Innovation and Infrastructure. Our banking products increase access to financial services. Reduced Inequalities. Our loan products empower and promote economic inclusion.	Banks are custodians of public money. Given the banking sector's systemic importance, it is important that credit risk, market risk, and other bank risks are properly managed to mitigate against bank failure.	We identify, measure, control, and monitor the risk inherent to our business activities or embedded in our products and portfolios. We continually develop an efficient and effective risk management infrastructure, and we comply with regulations on risk and capital management.
Deposits - Savings Accounts - o FlexiSavers - o iSave - o Basic Savings - o GoSavers - o SSS Pensioner - o Regular Savings ATM/Passbook - o eWoman Savings - o Dragon Peso/Dollar Savings - o Foreign Currency - Checking Accounts - o Regular Checking	 No Poverty. We offer inexpensive, easy to open, and customizable deposit accounts. Good Health and Well Being. We offer account types that come with free personal accident insurance, free hospitalization benefit, and free life insurance. Gender Equality. We offer eWoman Savings and eWoman Checking accounts especially designed for women. These come with free life insurance coverage.	Banks are custodians of public money. Given the banking sector's systemic importance, it is important that credit risk, market risk, liquidity risk, and other bank risks are properly managed to mitigate against bank failure.	We identify, measure, control, and monitor the risk inherent to our business activities or embedded in our products and portfolios. We continually develop an efficient and effective risk management infrastructure, and we comply with regulations on risk and capital management.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
- o Dragon Checking - o eWoman Checking - o CheckLite - Time Deposit - Foreign Currency Loans - Home Loans - Auto Loans - Personal Loans	Reduced Inequalities. GoSaver is a savings account for kids and teens. SSS Pensioner is a savings account for those looking for a convenient way to access their pension.  Sustainable Cities and Communities. Our personal loan products increase access to safe and affordable housing and transport.	Banks are custodians of public money. Given the banking sector's systemic importance, it is important that credit risk and other bank risks are properly managed to mitigate against bank failure.	We identify, measure, control, and monitor the risk inherent to our business activities or embedded in our products and portfolios. We continually develop an efficient and effective risk management infrastructure, and we comply with regulations on risk and capital management.
Credit Cards	 Zero hunger. RCBC Bankard Diamond Mastercard has a built-in program, the Diamond Cares Program, where for every PHP100 charged to the card, RCBC Bankard automatically donates PHP0.20 to support Gawad Kalinga's (GK) Kusina ng Kalinga (KnK).  Good Health and Well Being. Red Cross is an RCBC Bankard Rewards Program beneficiary. Cardholders earn rewards points for their qualified purchases, and can	Engaging in the credit card business exposes us to credit risk and other types of risk which traditional risk tools may ordinarily not be able to adequately manage.	We mitigate the risk of default and other risks by performing additional Know Your Customer (KYC) and credit risk assessment procedures on clients.

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

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	Reduced Inequalities. Regardless of financial status, RMB's loan and savings products cater to underserved individuals not covered by commercial banks.		
Sustainable Finance Framework	 Download our Impact Report from www.rcbc.com/sustainability. This report presents our Sustainable Finance Framework's impact and contribution to the UN SDGs.	Banks are custodians of public money. Given the banking sector's systemic importance, it is important that credit risk and other bank risks are properly managed to mitigate against bank failure.	We identify, measure, control, and monitor the risk inherent to our business activities or embedded in our products and portfolios. We continually develop an efficient and effective risk management infrastructure, and we comply with regulations on risk and capital management. - Management of Credit Risk and Other Bank Risks - Environmental and Social Management System (ESMS)

REFERENCES

- https://germanwatch.org/sites/germanwatch.org/files/Global%20Climate%20Risk%20Index%202019_2.pdf
<https://www.iea.org/>
- Soriano, J. L. L. (March 26, 2018). Renewable energy for all Filipinos. The Philippine Star. Retrieved from
<https://www.philstar.com/lifestyle/business-life/2018/03/26/1800227/renewable-energy-all-filipinos>
- Fiber Optics: Road to an Eco-Friendly Network: <https://www.google.com.ph/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwiMkafc4-bIAhUCK6YKHciJDeAQFjAAegQIBBAB&url=https%3A%2F%2Fnexus-net.info%2Ffiber-optics-road-to-an-eco-friendly-network%2F&usg=AOvVaw2bRFXRYOC-EMj5tkx1iJT>
- <https://cnnphilippines.com/news/2018/09/19/JICA-study-traffic-5-billion.html>
- Felino “Jun” Palafox Jr.: https://www.google.com.ph/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwiP873z7eblAhWJHKYKHcKyBCMqFjAAegQIBBAB&url=https%3A%2F%2Fwww.wheninmanila.com%2Furban-planner-says-filipinos-lose-9-to-15-years-being-stuck-in-traffic%2F&usg=AOvVaw2QujqdhBAHKfjCLdH_YnTo
- <https://www.nationalexpresstransit.com/blog/why-is-public-transportation-good-for-the-environment/>
<https://www.rappler.com/brandrap/announcements/176278-maynilad-wastewater-carmelita-liwag>;
<https://www.google.com.ph/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwim5PuK9ubIAhXnxYsBHSF6AHAQFjAAegQIBBAB&url=https%3A%2F%2Fwww.bworldonline.com%2Fprogress-and-concerns-in-wastewater-management%2F&usg=AOvVaw1FMvUuszWJ60gjHfk9KMuy>
- <https://businessmirror.com.ph/2018/12/13/why-do-we-need-generic-medicine/>
<https://www.google.com.ph/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=2ahUKEwiGk4mx--blAhV7yIsBHToaDmwQFjABegQIAhAB&url=https%3A%2F%2Fbusinessmirror.com.ph%2Fdoh-admits-lack-of-beds-in-metro-manila-hospitals%2F&usg=AOvVaw3nf5Lwvg5m5d8TfmZGTOoq>
- <https://www.google.com.ph/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwjs8tGY-ublAhXUyYsBHW6IDK0QFjAAegQIBBAB&url=https%3A%2F%2Fnews.mb.com.ph%2F2019%2F06%2F02%2Fsame-old-problems-to-welcome-27-2-million-learners-to-school-this-year%2F&usg=AOvVaw0inNJVTUEa2D3G0LaTdLaA>
- Alex Capulong, strategic partnerships manager at financial technology company First Circle:
https://www.google.com.ph/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=2ahUKEwid9sHggefIAhVoGaYKHx4C7wQFjABegQICxAE&url=https%3A%2F%2Fwww.manilaimes.net%2Ffinancial-access-lack-hampers-msme-growth%2F386732%2F&usg=AOvVaw1eH6XjgyrPjpZThq_OJHc6
- Senator Juan Edgardo “Sonny” M. Angara: <https://news.mb.com.ph/2019/03/31/avert-housing-crisis-angara/>
 Philippine Development Plan 2017-2022 Abridged Version, © 2017 by the National Economic and Development Authority
- Department of Energy 2018 Power Statistics
<https://www.un.org/sustainabledevelopment/news/communications-material/>

Code of Ethics for Suppliers



Bribes, Kickbacks & Gifts from Suppliers

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



Bribes, Kickbacks & Gifts from Suppliers

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



Policies on Entertainment & Business Meals

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

Exceptions are the following:

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



Policies on Conflict of Interest

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



Policies on Conflict of Interest

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



Policies on Whistleblowing

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



Policy on Confidentiality

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



Sanctions

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



Supplier Management



Policies on Supplier Accreditation/Re-Accreditation

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



Policies on Supplier Accreditation/Re-Accreditation

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



Policies on Supplier Accreditation/Re-Accreditation

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

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

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



Policies on Supplier Accreditation/Re-Accreditation

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



Policies on Supplier Accreditation/Re-Accreditation

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



Policies on Supplier Accreditation/Re-Accreditation

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



Policies on Supplier Accreditation/Re-Accreditation

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



Policies on Accredited Suppliers List

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



Policies on Supplier Performance Evaluation

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



Policies on Supplier Performance Evaluation

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

The IR shall be submitted to the PSS.



Policies on Supplier Performance Evaluation

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



Policies on Supplier Blacklisting

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



Policies on Supplier Blacklisting

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



Policies on Supplier Blacklisting

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



Policies on Contractor Contracts

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

