

SUSTAINABILITY PROGRAM

THE JOURNEY TO A SUSTAINABLE FUTURE

ON ITS 101ST YEAR, PNB IS CONTINUING ITS JOURNEY TO **STABILITY** AND **SERVICE EXCELLENCE**. IT HAS ALWAYS BEEN THE BANK'S GOAL TO CREATE **LONG-TERM VALUE** FOR OUR VARIOUS STAKEHOLDERS. AND AMONG OUR LONG-TERM INITIATIVES IS **SUSTAINABILITY**.

AS A UNIVERSAL BANK, WE RECOGNIZE OUR ROLE IN **NATION-BUILDING**. WE ENSURE NOT JUST THE LONGEVITY OF OUR BUSINESS; WE ALSO UPHOLD THE **WELL-BEING OF OUR PLANET AND ITS PEOPLE**.

THE JOURNEY TO **SUSTAINABILITY** IS NOT AN EASY ONE. WITH FOCUS, TEAMWORK, AND COMMITMENT, WE SHALL BE CONSISTENT IN OUR THRUST OF MAKING THE PNB LEGACY OF EXCELLENCE LAST A **LIFETIME**.

Stakeholder Management Plan

FOR OUR CUSTOMERS, WE WILL:

- Develop and offer relevant financial solutions that meet their needs in all their life stages
- Foster solid relationships based on mutual trust and respect

FOR OUR STOCKHOLDERS & INVESTORS, WE WILL:

- Respect their rights as specified in the Bank's policies and bylaws
- Provide opportunities to seek redress for any violation of their rights

FOR OUR EMPLOYEES, WE WILL:

- Provide working conditions that promote safety, teamwork, productivity, and work-life fit
- Implement and sustain a talent management and rewards program that enables continuous development

FOR THE COMMUNITIES, WE WILL:

- Make positive contributions in areas where we have business presence
- Promote financial inclusion through financial literacy initiatives

FOR OUR SERVICE PROVIDERS, WE WILL:

- Abide by policies and regulations on engaging third-party suppliers
- Apply a vendor management system that ensures a mutually beneficial relationship between the Bank and its suppliers

FOR THE REGULATORS, WE WILL:

- Adhere to applicable rules and regulations in all our dealings with concerned publics
- Uphold good corporate governance practices

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Strengthening Corporate Governance & Risk Management

PNB's Board of Directors has always been at the forefront of the highest corporate governance standards. Within the boundaries of laws, rules and regulations, PNB has always been cognizant that its activities, business decisions and affairs have an impact on sustainable development.

PNB is headed by a set of working Board of Directors composed of 15 members including five Independent Directors. All are Non-Executive Directors except the President. In addition to the Board's responsibilities and to ensure that fiduciary roles, functions and accountabilities of the Board members are clearly defined and observed, PNB has eight (8) board-level committees as follows: Board Audit and Compliance Committee; Corporate Governance/Remuneration/Nomination and Sustainability Committee; Risk Oversight Committee; Board Oversight Related Party Transaction Committee; Executive Committee; Trust Committee; Board IT Governance Committee; and Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries. Moreover, in February 2018, the Board approved the dissolution of the Board Oversight Committee - Domestic and Foreign Offices/Subsidiaries and the creation of a new Committee, the Board Strategy and Policy Committee.

In 2017, the Board formalized the creation of a Sustainability Committee within the Corporate Governance Committee as part of its commitment to raise the bar of sustainability practices and governance within the organization. Chairperson of the Board, Florencia G. Tarruela, an Independent Director and one of the three women in the Board, is likewise the Chairperson of the Corporate Governance/Nomination/Remuneration and Sustainability Committee, tasked to assist the Board in the performance of governance responsibilities, including the functions of the remuneration, nomination and sustainability programs. This ensures proper observance of corporate governance principles and practices aligned with the Securities and Exchange Commission Code of Corporate Governance, BSP rules and regulations, PSE requirements, and global standards.

In 2010, the Chief Compliance Officer has been appointed by the Board of Directors as the Corporate Governance Executive who is tasked to assist the Board and the Corporate Governance/Remuneration/Nomination and Sustainability Committee in the discharge of their corporate governance oversight functions. The Chief Compliance Officer is also the Head of the Global Compliance Group. In 2012, the Global Compliance Group was re-organized to have four major divisions and a monitoring unit for corporate governance to provide support to the Chairman of the Board, through the Chief Compliance Officer as the designated Corporate Governance Executive. This was to enable the effective implementation of the corporate governance rules



and regulations and corporate standards of the Bank. In 2014, the unit was upgraded to a division with the expanded function of providing adequate awareness, monitoring and compliance oversight on the management of related party transactions.

With the tone set by the Board of Directors, corporate governance, social responsibility and sustainability are embedded in PNB culture.

The Chairman of the Board Audit and Compliance Committee, in its message in the 2017 Annual Report, made this statement: "With the robust governance of the Board and the unwavering support of Senior Management, the Committee is greatly confident that strong oversight on the establishment, administration, and assessment of the Bank's systems of risk management, control, and governance processes provide reasonable assurance that Philippine National Bank's internal control environment remains effective and dynamic, able to support the business model and ensures the attainment of its business plans."

PNB ensures that the Bank's corporate governance practices allow sustainability and are aligned with global standards. Aside from the BSP examination and annual audit by its external auditor, SGV & Co., the Bank has engaged the services of the Institute of Corporate Directors (ICD) for two consecutive years to conduct Corporate Governance Health Check and evaluate the PNB Group vis-à-vis the ASEAN Corporate Governance Scorecard (ACGS) standards. ICD is a non-stock, not-for-profit organization dedicated to the professionalization of Philippine corporate directorships by raising the level of corporate governance policy and practice to world-class standards. The engagement helped the Bank in the formulation of new policies towards improving both corporate governance and management practices.

In recent years, PNB strengthened its corporate governance practices; raised the bar on sustainability reporting by exploring Global Reporting Initiative (GRI) documentation

and requirements; engaged the services of ICD to conduct Corporate Governance Health Check; maximized the presence of the four ICD fellows in the Board; affiliated with non-profit organizations, LGUs and other organizations active in financial literacy programs, environmental, social and other corporate social responsibility projects; and introduced the semi-annual meetings of Independent Directors.

a. ANNUAL DIRECTORS' PERFORMANCE EVALUATION.

The Board conducts an annual self-assessment through an established evaluation system, a tool to determine and measure directors' and management compliance with the code of corporate governance standards and practices. All members of the Board are required to accomplish two sets of evaluation forms as part of the process. Form I is for the evaluation of the Individual as a Director, the Board as a body and the Board Committees, as a Chairman or Member while Form II is to assess the management team corporate governance practices based on criteria for "Management" per the BSP CAMELS rating system. Annual results were discussed in the Corporate Governance/Nomination/Remuneration/Sustainability Committee and to the Board.

b. ANNUAL REVIEW OF THE CORPORATE GOVERNANCE MANUAL AND THE BOARD-LEVEL COMMITTEE CHARTERS.

The manual and the charters are reviewed annually to include new regulations, document practices, and to align with best practices. For the year 2017, the manual was reviewed twice to include the requirements of the SEC Code of Corporate Governance for publicly-listed companies (PLCs) and BSP Circular No. 969 or the Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions. In line with the results of the review, the following changes were made:

- i. Reorganization of the Corporate Governance/Nomination/Remuneration and Sustainability Committee to be composed of all Independent Directors to comply with the SEC and ACGS requirement. The President shall be invited as a regular resource person.
- ii. Increase in the membership of the Risk Oversight Committee from three to five, majority of whom shall be Independent Directors, including the Chairman; appointment of two Non-Executive Directors as new members.
- iii. The Chairman of the Board Audit and Compliance Committee, in its message in the 2017 Annual Report, made this statement: "With the robust

governance of the Board and the unwavering support of Senior Management, the Committee is greatly confident that strong oversight on the establishment, administration, and assessment of the Bank's systems of risk management, control, and governance processes provide reasonable assurance that Philippine National Bank's internal control environment remains effective and dynamic, able to support the business model and ensures the attainment of its business plans."

- iv. Expansion of the Board Audit and Compliance Committee to articulate two functions: to investigate significant issues/concerns and to establish a whistle blowing mechanism.

- c. ANNUAL STRATEGIC PLANNING. Every second half of the year, the Bank goes through the strategic planning process to ensure the attainment of sustainable financials without discounting the impact to society, to the environment in which it operates, and to all its stakeholders. During the 2018-2020 Strategic Planning kick-off, the Bank invited BSP officials and other subject matter experts to share insights on banking trends and outlook, medium-term economic outlook, and digital transformation to have a good glimpse of the regulatory and business environment ahead.

d. INITIATIVES TOWARDS REPORTING THE SUSTAINABILITY EFFORTS OF THE BANK.

- i. Explored GRI documentation reporting requirements. In January 2017, as part of the commitment of the Bank to sustainability documentation and reporting, an overview of the GRI was reported to the Board which led to the attendance of two participants on GRI Standards Certified Training Course conducted by the National Center for Sustainability Reporting (NCSR). As part of the initial output in the 2016 Annual Report, the Corporate Social Responsibility portion was expanded to include "Taking Steps to Sustainability" disclosing sustainability initiatives of the Bank.
- ii. Revised the Corporate Governance Manual to align with the requirements of the SEC and the BSP. In May 2017, the Board approved the 2017 Revised Corporate Governance Manual and the Revised Charter for Corporate Governance/Remuneration/Nomination and Sustainability Committee to expand duties of the committee to oversee the sustainability framework of the Bank covering policy and disclosures on non-financial information emphasizing management of economic, environmental, social

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and governance. In October 2017, PNB revised the Corporate Governance Manual, conducted an annual review of the Board-level committee charters and partnered/attended with SEC on the Annual Corporate Governance Training of the Board and Key Officers. Part of the Manual are the approved revised board committee charters, including the charters of Executive Committee and Risk Oversight Committee revised in February 2017 to incorporate the BSP recommendation.

- iii. Introduced the semi-annual Independent Directors' Meeting. In July 2017, the first Independent Directors' Meeting was held, revisiting the Director's Role, ID functions and qualifications, trainings, top priorities, committee memberships, directorship in subsidiaries and attendance. In December 2017, the second Independent Directors' Meeting was held focusing on 2017 PNB Accomplishments, Role of Board, Directors and Independent Directors, Board Committee Composition & Significant Regulations, Three Lines of Defense and the 2018-2020 Top Priorities.
- iv. Strengthened corporate governance practices to align with ASEAN Corporate Governance Scorecard (ACGS). In June 2017, the Institute of Corporate Governance (ICD) 2016 ACGS Report disclosed an upgrade of PNB score versus 2015. With the commitment of the Board to aim for a higher score, the ACGS results were discussed, identifying the strengths and areas for improvement plus recommendations in the Corporate Governance/ Nomination/ Remuneration/Sustainability Committee. In September 2017, PNB focused on ACGS additional points to improve score by disclosing on PNB Corporate Governance website additional documentation and proof of compliance.
- v. Participated in PSE Bell Awards. In August 2017, PNB participated in the 2017 PSE Bell Awards – Excellence in Corporate Governance (CG) and PSE Bell Awards – Best Compliance & Ethics Program, where it documented PNB's 2016 CG success story, the three-pronged CSR and Sustainability Framework: Promote social philanthropic activities; Empower Filipinos through education; and Protect the environment; and the 2016 – 2017 Awards & Recognitions.
- vi. Ensured that PNB complies with the Annual Continuing Training Requirements of SEC. In November 2017, 73 attendees from PNB Group participated in the 4th SEC-PSE Corporate Governance Forum at the PICC. Chairperson

Florencia G. Tarriela was one of the panelists on: "Improving the Philippine Investment Climate by Balancing Bank Secrecy and Transparency". The four topics covered included: (1) Cyber Security & IT Governance, (2) Improving the Philippine Investment Climate by Balancing Bank Secrecy and Transparency, (3) Millennials and the Future of Corporate Governance, and (4) SEC-PSE Integrated Annual Corporate Governance Report. For the past two years, PNB partnered with SEC and sent the most attendees for SEC-PSE Forum as part of the Annual Continuing Training of Board and Key Officers. In 2017, all the Directors attended training on Corporate Governance.

Philippine National Bank consistently adopts the policies and procedures in the Code of Conduct, Corporate Governance Manual, and relevant policies in business ethics affecting directors, senior management and employees. The provisions in the Code of Conduct apply to all employees of the Bank, including its overseas branches/offices and foreign/domestic subsidiaries.

1. **Code of Conduct.** This is constituted to prescribe a moral code for PNB employees which would enable them to be productive at work and live up to the Bank's corporate image. While this Code defines the offenses as well as the corresponding disciplinary measures that may be imposed, its overall intent is to prevent the infraction rather than to administer disciplinary action. This Code defines and provides the standards of conduct expected from all employees and enumerates the acts or omissions prejudicial to the interest of the Bank.
2. **Corporate Governance Manual.** The Bank adheres to the highest principles of good corporate governance as stipulated in its amended bylaws and embodied in the Corporate Governance Manual. In accordance with the provisions of the manual, the Bank subscribes to the philosophy of integrity, accountability, and transparency in its manner of doing business. The Bank deals fairly with clients, investors, stockholders, related parties, the communities affected by its activities, and its various publics. The Bank upholds professionalism among its Board of Directors, executives, employees and subsidiaries and affiliates. The Bank respects the laws and regulations of the countries affecting its businesses.
3. **Personal Investment Policy.** This defines prudent standards of behavior for all employees when conducting their personal investment transactions. This policy provides minimum standards and specifies investment practices which are either prohibited or subject to special constraints. The employees may make investments for their personal accounts as long as these transactions are consistent with laws and

regulations, and the personal investment policy of the Bank. These investments should not involve or appear to involve a conflict of interest with the activities of PNB or its customers. Employee investment decisions must be based solely on publicly available information, and should be oriented towards long-term investment rather than short-term speculations.

4. **Policy on Selling PNB Securities.** As a general policy, all employees are prohibited from purchasing or selling any PNB securities if they possess material no-public information about PNB that, if known by the public, might influence the price of PNB securities. Employees may not purchase or sell PNB options or execute a short sale of PNB security unless the transaction is effected as a bona-fide hedge.
5. **Policy on Soliciting and/or Receiving Gifts.** The Bank recognizes that maintaining good relationships with clients often require the exchange of gifts as tokens of appreciation. However, employees are expected to observe discretion and prudence in receiving gifts or donations whether in cash or in kind and other forms of hospitality. Soliciting gifts/donations/ sponsorship whether in cash or in kind from clients, suppliers, and other business-related parties is strictly prohibited. As a general rule, receiving gifts/donations/ sponsorship/financial assistance whether in cash or in kind from clients, suppliers, and other business – related parties is strictly prohibited. Thus, gifts offered must be politely declined EXCEPT on special occasions (i.e., Christmas, New Year, birthdays, anniversaries, weddings, and the like) when giving of gifts is clearly not meant to influence business transactions. On said occasions, employees may accept gifts subject to the internal guidelines.
6. **Whistleblower Policy.** It is the policy of the Bank to encourage employees to report internally any suspected or actual commission of theft/fraud; corrupt practices such as, but not limited to, bribery, extortion, collusion, conflict of interest and money laundering; violation of ethical standards, laws, rules or regulations; and any misconduct by its directors, officers or staff in accordance with the PNB Whistleblower Policy. The policy protects the employee/whistleblower against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation.

The above-mentioned codes and policies aim to instill among the Bank directors and its employees a commitment and dedication to the virtues of honesty and integrity, emphasizing a high sense of prudence, responsibility and efficiency in the conduct of their duties. As required, each Bank director and employee accomplishes an Acknowledgement Receipt certifying that he/she has been furnished with copies of the above-mentioned manuals and policies; that he/she has fully read and understood the provisions embodied therein; and that he/she promises to abide by the rules/regulations.

Any failure to abide by the above-mentioned policies must be reported to an immediate superior and/or the Head of Office concerned, or to the Human Resources Group (HRG) and/or Corporate Governance Committee. A designated committee, the Ethical Standards Committee, may subsequently validate/ evaluate the report to determine if any sanction or disciplinary action should be taken against the erring employee or director through due process. Rewards and recognitions are also given to employees and groups who comply with rules and regulations, and with ethical and corporate governance standards as part of quarterly assessment and performance appraisals. Recognized individuals and groups are cited during the quarterly Pulong Ng Bayan where monetary and non-monetary rewards are given by the Bank.



Data Privacy and Consumer Data Protection

PNB is committed to enforce and sustain compliance with data protection laws and regulations. Among these laws are: the 1) Law on Secrecy of Bank Deposits (Republic Act 1405: An Act Prohibiting Disclosure Of or Inquiry Into, Deposits with any Banking Institution and Providing Penalty Therefore) and the 2) Foreign Currency Deposit Act (Republic Act 6426: An Act Instituting a Foreign Currency Deposit System in the Philippines, and For Other Purposes).

PNB shall work in the best interest of its customers to uphold their data privacy rights. The Bank developed the Compliance Program for Data Privacy to serve as a reference guide for the provisions, requirements, and standards set by Republic Act 10173 or the Data Privacy Act. The Compliance Program for Data Privacy must be read in conjunction with the PNB Privacy Manual, as well as the internal policies, procedures, operating manuals and programs of the Bank. PNB also appointed a Data Privacy Officer (DPO) who shall be accountable for ensuring the compliance of the Bank or, in case of a common DPO, the entire group with data privacy and protection laws, rules, regulations and issuances.

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Protecting the Environment

As one of the country's largest universal banks, PNB has 635 domestic branches by yearend 2017. These branches are strategically located in key municipalities across the country. In areas where it has business presence, the Bank has made it its mandate to give back to the communities by helping preserve the natural environment. While conducting business, the Bank helps ensure that there will be a healthy and liveable planet for future generations.

- 1. Branch Expansion, Fixtures & Environmental & Safety Clearances.** PNB upholds environmental protection in growing its branch banking network – from selecting areas for expansion to the construction of branch infrastructure. The Bank only uses environment-friendly building materials; applies proper waste management; and secures the appropriate permits from national and local government agencies (e.g. building/occupancy, electrical/electronics, mechanical, sanitary and plumbing permits, zoning and barangay clearance/certificate, fire and safety inspection certificate, signage permits and other related clearances).
- 2. Reduction of Carbon Footprint.** Bank-wide projects that reduce carbon footprint are being implemented year-round. These include the following: (a) reducing power consumption by using LED lighting and upgrading equipment; (b) utilizing more ozone-friendly and energy-efficient cooling equipment; (c) using high-energy efficient inverter air-conditioning units; and (d) proper waste management through waste segregation.

In February 2017, the Bank commissioned a waste management project at the PNB Financial Center head office. The Facilities Administration Group spearheaded the construction, fabrication, and installation of an oil and grease trap to prevent the clogging of the main sewer pipe line and to prevent oil and grease from entering the Sewage Treatment Plant (STP). Despite the increased population and the cafeteria renovation at the PNB head office, the successful implementation of the project ensured that the oil and grease in the PNB's waste water effluent from the STP was maintained at 2 to 3 mg/L and within the 5 mg/L limit set by the Laguna Lake Development Authority-DENR.

The Bank also joined the nation in observing the annual Earth Hour, a global event where non-essential electric usage is turned off to support strategies in solving climate change.

In January 2018, the Human Resources Group introduced the 'PNB HOPIN: Share a Ride' project for its employees. Apart from promoting camaraderie, ride-sharing reduces carbon dioxide and hydrocarbons.



- 3. Greening Projects.** As part of its anniversary celebration, the Bank held a tree-planting activity to support efforts to restore the natural environment.

Committed to the cause of environmental protection, PNB launched the Greener Path project last June 7, 2014 in partnership with the Manila North Tollways Corp. (MNTC). Around 200 PNB employees and MNTC personnel gathered in the Mindanao Avenue section of NLEX and planted thousands of Dita tree saplings. Able to withstand the country's weather patterns and suitable to local natural elements, this variety helped stabilize the ecosystem in the area. To date, survival rate is at 60%, with dry season as one of the main causes of mortality.



- 4. Sustainable Environmental Development Program.** In June 2010, the Board approved the Policy and Implementing Guidelines on the availment under Environmental Development Program (EDP), a wholesale lending Program of DBP per Board Resolution No. 2 dated July 23, 2010. The program aims to: (a) improve the quality of the environment; (b) enable the local government units (LGUs) to manage their environment and natural resources; (c) develop and manage natural resources in a sustainable



manner; (d) establish the Philippine Water Revolving Fund (PWRF), an innovative mechanism to enhance the Filipinos' access to clean water and sanitation services.

Eligible Borrowers are: (a) LGUs; (b) water districts; (c) private corporations, with at least 70% Filipino ownership; (d) government-owned and controlled corporations; (e) cooperatives/associations; and (f) private financial institutions.

For PWRF: (a) local government units; (b) water districts; (c) consortium or joint venture (JVs) of water districts and LGUs and/or private groups; (d) the consortium or JV should be registered as a juridical entity for the development and/or operation of a water infrastructure/service; and (e) private water service providers or bulk suppliers, provided the PWRF loan will be used for projects that serve water districts and LGUs.

PNB supports in financing projects related to the following eligible projects/target sectors: (a) new and renewable energy; (b) solid/health care/hazardous waste management; (c) industrial pollution prevention fund; and (d) for PWRF (water supply and sanitation) with the following conditions: (1) compliance with applicable laws and regulations on environmental protection; (2) an application letter for an Environmental Compliance Certificate (ECC) or its equivalent, duly acknowledged by Environmental Management Bureau (EMB), is required for loan evaluation purpose; (3) a passing score in the project evaluation conducted by DBP - Programs Development (PD) and; (d) equipment/goods that are brand new and not refurbished, unless otherwise approved by DBP.

5. **Support to Businesses that Contribute to Sustainable Development.** PNB, through its Institutional Banking Sector, continuously supports borrowers whose businesses or projects contribute to the nation's sustainable development and preservation of natural resources. These entities include: (a) a company that builds a water

treatment facility and distribution system catering to a local community; (b) a mining company that practices responsible mining and supports community development through health and medical assistance, educational support and public infrastructure; (c) a corporation that constructs a solar power plant; (d) a utility firm engaged in hydro-power generation; and (d) a corporation that promotes renewable energy in the Philippines. As part of the credit underwriting process, Bank clients are required to submit regulatory compliance clearances (e.g. DENR and other regulatory agencies) in the business and in areas where they operate.

6. **Employee Support for Sustainable Environmental Projects.** Employees of PNB branches fully support the Bank's environmental cause. Southern Luzon 3 branches participated in the Marian Fluvial Procession in Laguna de Bay to show solidarity with the Ministry of Ecology of the Diocese of San Pablo City's run and relief activity dubbed as Lakbay-Lawa Kaisa ni Maria. The activity highlighted the need to protect Laguna de Bay. The branches provided food and drinks to the participants.

PNB Pototan Branch employees held their own outreach at Barangay Bucari in Leon, Iloilo by sharing their time and energy. The volunteers provided a thousand hard wood and fruit bearing seedlings to the community. The team also donated packed goods to around 200 families and gave free haircuts for 100 kids and adults, in partnership with the Philippine Army and the LGU.

7. **Disaster Preparedness Programs.** The Bank regularly conducts fire and earthquake drills to enhance employees' ability for emergency response. In March 2017, the Facilities Administration Group conducted a combined fire and earthquake drill joined by around 2,500 PNB head office employees and tenants. The Bank also provided training for facilitators as part of extending psychosocial support for employees affected by calamities and disasters.



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Sustaining a Healthy and Competent Workforce

PNB believes that its people are its most valued asset. Along with the management team, employees play a vital role in helping the Bank realize its goals and fulfilling PNB's brand promise of serving customers first. Recognizing the need to sustain a healthy and competent workforce, PNB's Human Resources Group (HRG) runs year-round employee development and overall wellness programs that promote productivity, continuous development and work-life fit.

By yearend 2017, the Bank has on record a total of 8,234 employees, about 45% of whom are union members. The Bank has two unions: the Philnabank Employees Association (PEMA) and the PNB Employees' Union (PNBEU). Having a Collective Bargaining Agreement (CBA) shows the solid foundation of the PNB family – a group made stronger by mutual respect and collaboration.

- 1. Improved Talent Acquisition.** As the Bank continues to grow its business, HRG was able to hire a total of 509 new employees, translating to an average monthly rate of 42 new hires. Of the new hires, 63% are female, 67% of whom are in the 20- to 25-year-old age group. Of the male new hires, 59% are in the 20- to 25-year-old age group.

Attrition was kept at bay at 7.81% which was below the industry benchmark.

PNB has managed to grow its female population over the years. Females comprise 67% of the total employee count, 4% of whom hold key management positions. Of the male population, 6% hold key management positions.

Understandably, the biggest number of employees is found in the Retail Banking Sector, numbering 5,162 or more than half of the total population worldwide.

PNB has enhanced its strategic recruitment efforts to align with business directives. HRG has expanded the assessment and profiling of officers for hiring to include Workplace Scenario for Leadership Roles. HRG also implemented a one-day screening process for officers. To widen its pool of potential talents, the Bank participated in 17 university job fairs in 2017.

- 2. Competitive Compensation and Benefits Package.** PNB recognizes the value of its human capital and provides programs and benefits geared towards a holistic approach to employee well-being. Employees are provided with remuneration and benefits at par with



industry standards. The Bank also extends benefits to qualified dependents of employees.

- 3. Enhanced Performance Management and Continuous Improvement.**

It has always been PNB's thrust to nurture talent, reward performance, and value innovation and commitment. HRG actively pursued initiatives aimed at sustaining the value of excellence across various HR functional areas while effectively responding to new business requirements and challenges. Noteworthy to mention are the following:

- Intensified succession management program and identified high potential employees and enrolled them to the PNB Talent Pool.
- Managed year-round training programs for rank and file employees being groomed to become officers: Management Development Program, Branch Operations Training Program, and the Junior Executives Development Institute (JEDI) Program. Programs that form part of the group's learning and development curriculum were pursued.
- Launched the PNB Business Unusual Seminar Series where external subject matter experts are invited quarterly to discuss with directors and key officers of the Bank relevant topics such as business disruptions, threats and opportunities, new regulatory requirements, and digitization.



To enhance competencies, the Bank provided learning and development opportunities for employees. A total of 20, 885 training seats were made available throughout the year, as training hours averaged at 56.58 hours per employee.

- 4. Regulatory Compliance.** The Department of Labor and Employment (DOLE) has certified PNB as an institution that is compliant with the department's program and policies – the first Philippine bank to be given such recognition after meeting requirements on general labor and occupational safety and health standards. In a simple awarding ceremony held on April 26, 2017 at the Century Park Hotel, Labor Secretary Silvestre H. Bello III awarded the compliance certificates to PNB Director Dr. Lucio C. Tan and Chairperson Florencia G. Tarriela. Prior to this, the certificates were issued to PNB in July 2016 after it passed the joint assessment conducted by labor inspection teams.

In February 2018, the Board approved the adoption of DOLE Department Order No. 178 or the "Safety and Health Measures for Workers who by the Nature of their Work have to Stand at Work" with the policy that female employees who, by the nature of their work have to stand for a long period or are frequently required to walk may wear shoes with heels no higher than one inch.

- 5. Sustainable Employee Welfare and Wellness Program.** In partnership with health care provider, ValuCare, HRG conducted monthly wellness lectures for head office employees, with speakers from various health organizations. Also, the group disseminated over 20 e-mail wellness bulletins and newsletters nationwide to keep employees abreast with relevant health topics such as stress management, lifestyle diseases, "deskercise", and nutrition. Practical knowledge on health and wellness not only helps employees to get fit; it can also enhance productivity at work.

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Delivering Financial Solutions to Customers

Most banks offer similar products and services. What sets PNB apart is the ability to develop and provide financial solutions that respond to the Filipinos' unique needs – wherever they are in the world. PNB offers solutions that promote profits and enable financial literacy and inclusion.

Sustainable Social Philanthropy Programs and Activities

1. PNB partnered with Social Security System (SSS) and launched the SSS Pension Loan Program. Open to all active SSS pensioners up to 70 years old, this program provides a more accessible and convenient means to receive pensions. Pensioners are also given additional insurance coverage. For this program, PNB won the New Consumer Lending Product of the Year Award from the Asian Banking and Finance Retail Banking Awards 2016.
2. PNB launched the Bank on Wheels in the early '70s. It was an all-terrain vehicle used to serve the cash needs of customers in the remotest areas. After almost 45 years, in December 2015, PNB re-launched a revolutionized, all-new Bank on Wheels, which makes banking more convenient for Filipinos who have limited access to financial services. It was recognized by two international award-giving bodies: The Most Innovative Banking Service, Philippines 2016 by the Global Business Outlook Awards; and the Most Innovative Bank, Philippines by International Finance Magazine Awards.
3. PNB continues to support countryside development by serving the business needs of small and medium enterprises (SMEs) through accessible loan facilities. Lending centers are strategically located in key cities and regional hubs nationwide to promote financial inclusion.
4. The Own-a-Philippine Home Loan (OPHL) is a product innovation of PNB which gives Filipinos residing in and working abroad an easy way to purchase residential real estate in the Philippines.
5. PNB fervently supports the government's Community Mortgage Program which enables land acquisition by the occupying community association under the concept of community ownership. The initiative has benefited 491 families of the Kamana Homeowners Association in Quezon City. A similar program also benefited 399 families of the Bolonshire Fresh Ville Livelihood Association in Cagayan de Oro City.
6. In 2016, PNB launched the "Ecosystem" Strategy, which is an end-to-end, sustainable value chain concept in banking that aims to create links, harness synergies, and forge long-



term partnership among PNB's institutional clients, as well as their respective counterparties (suppliers, customers, employees, etc.). The strategy aims to provide customized banking solutions and other services (e.g., integrated cash management solutions, bills payment, payroll services) to parties in the value chain.

The Institutional Banking Sector (IBS) has partnered with the Automotive Suppliers Credit Program to support the thrust of Government to make the Philippines a regional manufacturing hub for car manufacturers.

Industry Memberships

- Bankers Association of the Philippines
- Philippine Deposit Insurance Corporation
- BancNet
- Philippine Marketing Association of the Philippines
- Institute of Corporate Directors
- Financial Executives (FINEX) Institute of the Philippines
- Association of Bank Compliance Officers (ABCOMP)
- ABCOMP – Association of AML Officers (AMLO)
- Japanese Chamber of Commerce
- British Chamber of Commerce
- Philippine Chamber of Commerce
- Cebu Chamber of Commerce
- Philippine Institute of Certified Public Accountants (PICPA)
- Institute of Internal Auditors-Philippines (IIA-P)
- Information Systems Audit and Control Association (ISACA)
- Association of Certified Anti-Money Laundering Specialists (ACAMS)
- Association of Certified Fraud Examiners (ACFE)
- Association of CPAs in Commerce and Industry (ACPACI)
- Bankers Institute of the Philippines (BAIPHIL)
- Toastmasters International
- Trust Officers Association of the Philippines (TOAP)
- Integrated Bar of the Philippines (IBP)
- Information Security Officers Group (ISOG)
- Society for Worldwide Interbank Financial Transactions (SWIFT)
- Philippine Payment Management, Inc. (PPMI)
- Money Market Association of the Philippines (MART)
- Management Association of the Philippines (MAP)
- Fund Managers Association of the Philippines (FMAP)
- ACI Philippine The Financial Markets Association, Inc. (ACIFMA)
- Tzu Chi Foundation
- Association of Philippine Correspondent Bank Officers Inc. (APCB)
- Bankers Council for People Management (BCPM)
- Organization Development Professional Network Philippines Inc. (ODPN)
- People Management Association of the Philippines (PMAP)
- Employers Confederation of the Philippines (ECOP)
- Philippine Council of Management (PHILCOMAN) Research Institute
- Makati Business Club
- Mindanao Business Council
- Zamboanga Chamber of Commerce and Industry
- Association of Bank Remittance Officers, Inc.
- Credit Card Association of the Philippines Filipino Chinese Chamber
- Various local Rotary Clubs, local Chamber of Commerce & local Banker's Association

Serving Communities Beyond Banking

Having over 8,000 employees worldwide means that employee volunteerism is very much alive in PNB. Throughout the years, the Bank has been supportive of various projects and programs focusing on corporate social responsibility (CSR).

1. Pagtutulungan Ng Bayan is a volunteer CSR initiative of the Bank employees. Employees raise funds to help provide for the needs of indigents, victims of calamities and other emergencies, as well as to support various CSR projects. The bayanihan spirit among employees was witnessed in the aftermath of typhoon "Yolanda" and, more recently, in the aftermath of the Marawi siege. For the latter, the Pagtutulungan Ng Bayan para sa Pasko ng Pagbangon was organized in December 2017. Employees shared voluntary contributions and donations to help affected PNB employees and customers in Marawi rebuild their lives.
2. The Branch Banking Group (BBG) of the Retail Banking Sector institutionalized the Piso-Piso Cada Linggo, a voluntary fund drive to support the Sisters of Mary Banneux, a religious congregation that helps boystowns and girlstowns that serve as boarding schools for deserving students coming from less fortunate families. Over 600 PNB branches and other offices were able to raise half a million pesos for the Sisters of Mary Banneux in December 2016, which helped sustain the education of more than a hundred scholars.
3. PNB employees volunteered and participated in the bloodletting activity spearheaded by the Philippine National Red Cross, Pasay City Charter, in cooperation with the Commission on Appointments (CA) held on June 29, 2016 in Pasay City.

Sustainable Programs on Education & Financial Literacy and Financial Inclusion

PNB has partnered with BSP for sustainable financial literacy and inclusion programs. The Bank is a participant in BSP's "Banking On Your Future (BOYF) Kiddie & Teen Account Program", in partnership with the Department of Education. BSP recognized PNB as one of the Top 3 Banks with the highest number of kiddie savers. PNB and BSP likewise implemented the "Project BSP Reaches Out", also known as "Project B.R.O.".



Apart from BSP, PNB has been working closely with various institutions to spread financial literacy among the youth.

1. Around 300 grade school students of St. Scholastica's College-Manila attended the PNB MyFirst Savings Roadshow held last August 17, 2017. The PNB MyFirst Savings account is for children and teens aged 19 and below, designed to help teach the value of saving. It only requires an initial deposit of Php100, and a minimum Average Daily Balance of Php5,000 to earn interest. Apart from enjoying a session of relevant storytelling, the students learned about the value of saving at an early age. The well-attended session was made possible through the invitation of the school and was facilitated by PNB Harrison Plaza Branch.



SUSTAINABILITY PROGRAM



OFW Family Day on December 8, 2016 at Tetuan, Zamboanga City.

Furthermore, the Bank continues its mission to inspire hope for a brighter future among students nationwide through the Books Across the Seas (BATS) Project. This ongoing program aims to provide tools for learning through book donations to public schools and libraries.

As part of the Lucio Tan Group of companies, PNB also participates in the Tan Yan Kee Foundation, Inc.'s (TYKFI) CSR programs and activities. For 30 years, TYKFI has had a holistic approach to CSR, a commitment framework targeting education; culture and sports; health and social welfare, including environmental concerns; research and manpower development.

PNB has supported the TYKFI advocacies such as:

2. In partnership with Rotary District 3830 and the Bangko Sentral ng Pilipinas, PNB supported the 2017 District Rotaract & Interact Assembly (DRIA) with the theme, "Transcending the Youth towards Making a Difference". The Bank was invited to facilitate the said segment. On August 19, 2017, around 500 high school and college students and young professionals, all members of the Rotaract and Interact Clubs of the various Rotary Clubs in District 3830, converged in PNB for a learning session led by the Institutional Banking Sector.
3. To promote financial discipline and involve the banking industry in teaching basic financial knowledge, PNB and ABS-CBN Lingkod Kapamilya Foundation, Inc. (ALKFI) jointly engaged in a financial literacy program entitled, "Young and Empowered Students for the Philippines" or YESPh. It sought to educate and promote the importance of wise money management among the youth. Being a pilot project, YESPh was cascaded to 40 schools nationwide and reached over 10,700 students.

As a financial partner of global Filipinos, PNB held several learning sessions to help develop financial literacy among hard-working kababayans. The sessions taught participants how to better manage their earnings so they can build, over the long term, a secure future for themselves and their loved ones.

Through the Global Filipino Banking Group, PNB conducted Free Financial Literacy Seminars for the benefit of overseas Filipinos. These included, among others: Planning for your Retirement on July 9, 2016 at Lucky Plaza, Singapore; Seminar for BPI-ASKI Financial Education Participants on July 14, 2016 at Lucky Plaza, Singapore; Building Filipino Wealth on October 19, 2016 at National University of Singapore; Capability Building & Convergence for OFWs on December 2, 2016 at Zamboanga City; and Financial Literacy Talk during the OWWA

1. Social Welfare: Fast Response to Immediate and Long-Term Needs

TYKFI's involvement in social welfare seeks to address long-term needs. Nevertheless, the other side of social welfare programs is responsiveness, which calls for urgent support and assistance to victims of calamities. The projects of the foundation for social welfare include the following:

- a) Small Water Impounding Project (SWIP): The project, located in Balungao, Pangasinan, aims to repair and rehabilitate water impounding dams damaged by typhoons and other calamities.
- b) HOPE Caravan: The project provides urgent assistance to victims of calamities. During typhoon "Lando" where most parts of Northern Luzon were affected, TYKFI immediately sent HOPE Caravan to affected towns in the provinces of Nueva Vizcaya, Ilocos Sur, Nueva Ecija and Pampanga. More than 2,500 families received relief packs and roofing materials from the foundation. HOPE Caravan also helped the hardest-hit coastal towns of Baler and Casiguran and distributed school bags and supplies and food items to the affected residents. On the other hand, a total of 876 families in Sta. Cruz and Tagudin, Ilocos Sur, received relief packs and roofing materials from the foundation.
- c) Planting Calendar: In cooperation with DepEd's "Gulayan sa Paaralan Program", TYKFI distributed Planting Calendar and Planting Guidebook, together with vegetable seedlings



to 996 pupils in Vigan Central School under the Alternative Learning System (ALS). The program aims to encourage the propagation of vegetables as food source or as source of livelihood.

- d) **Environment and Rebuilding the Community:** In an effort to restore environment and strengthen the community, TYKFI started the LCT Legacy Forest Project. Through this project, TYKFI committed to provide opportunities for a sustainable livelihood that will help restore the dignity of Filipinos in the affected communities. A three-year plan entitled, "Rebuilding the Community and Environment", sought to implement strategic and sustainable programs. The plan includes reforestation activities, housing projects, training and livelihood programs that help encourage Filipino families in the depressed areas to become more productive and enjoy a better quality of life. TYKFI potted over a million of seedlings and planted 120,000 seedlings of various species on 240 hectares of land in Quezon and Laguna. The Legacy Forest farmers were able to grow and nurture a total of 635,660

seedlings in Sta. Fe, Nueva Vizcaya and Carranglan, Nueva Ecija. The farmers planted 206 hectares of fuelwood and 73 hectares of timber, covering 279 hectares, in Carranglan, Nueva Ecija. Among the wood species planted were ipil-ipil, narra and anchoan dilau. TYKFI also implemented the planting of mangroves in Manomanoc, Boracay Island and Las-Ud, Sta Cruz, Ilocos Sur.

2. Education: Creating a Brighter Tomorrow

TYKFI has partnered with the Foundation for Upgrading the Standard of Education (FUSE) for the training-the-trainers program, with the aim of improving teaching standards and competency particularly in the subject areas of English, Mathematics, and Sciences. Among the program's partners are DepEd, Ateneo de Manila

University, and De La Salle University. FUSE has trained 13,687 teachers, circulated 21,011 journals, and distributed 386,494 training video computer disks nationwide.

3. Health Services: The Foundation of a Healthy Populace

Medical and dental missions are conducted to address health concerns in partnership with medical and dental professionals and LGUs. Outreach projects were held for people who usually do not have access to basic health care: the "Project Asthma: Nebulizer Distribution Program" and Asia Brewery Monthly Medical Forum. TYKFI has been sending specialists from UERM Memorial Medical Center to the remotest parts of the country to bring much-needed free medical assistance to thousands of beneficiaries. TYKFI and Absolut Distillers welcomed 2018 with a medical mission in Lian, Batangas. More than 700 barangay residents received free medicines and vitamins.