

REPUBLIC OF THE PHILIPPINES )  
PASIG CITY ) S.S.

## **CERTIFICATION**

**CYNTHIA P. SANTOS**, of legal age, Filipino, with office address at Joy~Nostalg Center, No. 17 ADB Avenue, Ortigas Center, Pasig City, Metro Manila, after having been sworn to in accordance with law, does hereby certify that:

1. I am the duly appointed Chief Compliance Officer of **ASIA UNITED BANK CORPORATION** (the "Corporation"), a corporation organized and existing under the laws of the Philippines, with principal office at Joy~Nostalg Center, No. 17 ADB Avenue, Ortigas Center, Pasig City.
2. The information contained in the Sustainability Report, as attached to the Amended Annual Report, are true and correct;
3. A soft copy of the SEC Annual Report (SEC Form 17-A) was disclosed through the PSE Edge website on 27 May 2020; and
4. The Amended Annual Report is filed solely for the purpose of submitting the Sustainability Report attached thereto or referenced therein. No other changes were made to the Annual Report as previously filed.
5. As the Compliance Officer, I am duly authorized by the Corporation to prepare and file the Sustainability Report, in accordance with SEC Memorandum Circular No. 13, S. 2020.

**IN ATTESTATION OF THE ABOVE**, this Certificate was signed this 30<sup>th</sup> day of June 2020 at Pasig City.

  
**CYNTHIA P. SANTOS**  
Chief Compliance Officer

Attested by:

  
**MANUEL A. GOMEZ**  
President

# **Sustainability Report**

# Sustainability at Asia United Bank

Over the past year, AUB has embarked on a sustainability initiative—the end goal of which is for the bank to be even more responsive to the needs of its key stakeholders: our depositors, our financial clients, and our own people.

But this is just the start of our journey. There is a lot of learning to do, a lot of systems to build, and a lot of sustainable goals to

achieve. This would be one of our key driving factors for this year and the years to come.

Moving forward, we will aspire to be of service not only to our shareholders, employees and clients, but to the economy, the environment and the public as well. AUB will work hard to be the bank of choice—service-oriented, environmentally conscious, and socially responsible.



# ASIA UNITED BANK

Location of  
Operations

**Philippines**

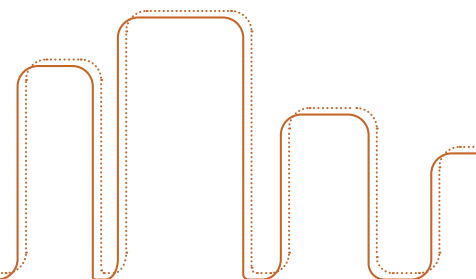
**Joy-Nostalg Center  
No. 17 ADB,  
Ortigas Center,  
Pasig City 1600**

Products and Services

**Deposit Account Products  
Credit and Loan Facilities  
Treasury Services  
Cash Management Services  
Trust and Investment Services  
International Banking Services  
Special Corporate Services  
Auxiliary Services**

Highest Ranking Person  
responsible for this report

**Kristel G. Azucena**  
Corporate Planning and Investor  
Relations Officer / PSE and SEC  
Compliance Officer



# Principal Products and Services and Their Markets

GRI 102-2

AUB provides, directly and through its subsidiaries, a wide range of banking and financial products and services, including corporate and consumer loans, deposit products, corporate banking, treasury and trust products, cash management solutions, and other services. Such products are offered to a market that includes individual consumers, MSMEs and corporations.



1

In 2015, AUB launched the **AUB Easy MasterCard**, the only credit card in the market that gives you the freedom to choose when and how much you want to pay. AUB also launched the Foreign Currency Savings Account through all service channels. This is an interest-bearing third currency (Euro, Japanese Yen and Chinese Yuan/Renminbi) denominated passbook account, which allows deposits and withdrawals anytime.

2

Considering the strong demand for infrastructure development and significant gains in manufacturing sector, AUB also launched financing programs in 2017 such as the **Truck Loan and Forklift Loan Program** to further address its customers' need for financing.

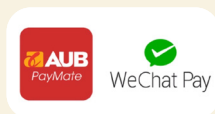
3

AUB also enhanced its ATM security features by aligning new global standards in card transactions through its **Europay MasterCard Visa (EMV)**. EMV ensures safer transactions by protecting all cardholders and merchants from counterfeit fraud or other card-present related attacks through a more sophisticated verification process supported by the EMV's unique transaction codes. AUB truly goes above and beyond by giving cardholders easy access and emphasizing the security of sensitive card information.

4



The **AUB PayMate App**, an all-in-one app for processing and accepting mobile payments using QR code technology, was also developed in 2017. With the AUB PayMate App, the cashier's smart phone turns into a camera frame that can scan the QR code on a Chinese customer's mobile device or vice versa using the retail outlet's fixed QR code.



5

AUB also pioneered the payment acceptance of **WeChat Pay** in the Philippines in November 2017 to ride on the rising influx of tourists from China and the growing demand of mobile-payment users in the country.

With the expected robust economic growth in the country for the next three years fuelled by development in industries and consumer expenditure, AUB geared up for new products and service features that would be launched in 2018 to further challenge market trends and create a better banking experience to customers.

6

AUB's Marketing Group strengthened its framework for enhancing its "3Ps"—**People, Products, and Processes**—highlighting these three assets in their marketing plan and campaigns. This strengthened AUB's launch of the **AUB Institute** that was established in 2015. AUB Institute is a training framework that aims to continually train and arm its people with updated product knowledge and behavioral skills. The processes are continually calibrated for better speed and accuracy. Various dynamic relationships are also created with Human Resources, Branch Banking, Remittance and other business units to craft and send a message of excellent operational capabilities, as well as to promote the comprehensive suite of product solutions that address the needs of the various customer segments we serve.

7



In the first quarter of 2018, AUB became the first local bank partner of mobile payment giant, **Alipay**. This was followed by a signed partnership agreement with China's

UnionPay in order to better serve UnionPay cardholders' cashless transactions in the Philippines. These partnerships allowed AUB to provide Chinese tourists with convenient and seamless payment methods using their electronic wallets while establishing and strengthening formidable relationships with accredited local merchants.

8

Moreover, the Credit Cards Business launched **eGift**. eGift is an electronic gift voucher which credit cardholders can conveniently order via the credit card's online banking system or through the mobile banking app for sending to their loved ones via SMS and email. Credit cardholders can choose from over 250 brands consisting of dining, shopping, travel wellness and, charge the e-gift to their AUB credit card.



9

2018 was also the year when AUB launched the **CLINIC A.I.D.** or **Clinic Acquisition and Improvement for Doctors** in order to tap on a new market segment—medical professionals who need a loan facility that will help them acquire or improve their clinics.

10

Another innovation introduced in 2018 was the **PDC Deposit** feature in the Virtual Teller Kiosk (VTK). With this feature, clients could deposit their postdated

checks to an account or deposited as payments to loans, cards and other utilities.

11



As the demand in electronic banking transactions continuously increased, AUB adopted two (2) electronic fund transfer facilities in 2018—**InstaPay** and **PESONet**. InstaPay allows clients to make real-time fund transfer transactions to other banks via the AUB Mobile App and AUB Preferred Online Banking while PESONet offers same-day fund transfers to other financial institutions via the AUB Preferred Online Banking.

In 2019, new innovations were introduced in the market.

12



**HelloMoney**, a prepaid account that allows account holders to access and manage their accounts via the HelloMoney mobile app, was introduced. Its primary purpose is to tap the unbanked and underserved market segments as well as reach the digital savvy market.

13



With the introduction of HelloMoney came the release of **Hello Pag-IBIG**. This prepaid account is primarily

for Pag-IBIG Loyalty Card Plus holders. AUB became one of the accredited banks of Pag-IBIG Fund in the distribution of their loyalty card which also acted as a prepaid account where Pag-IBIG fund proceeds can be released.

On the consumer loans side, innovations were also introduced for customers to have easier access and made loans processing and payments more convenient.

14



**CASHHELP Salary Loans** introduced a new mode of applying for the loan with the use of the AUB mobile app where employees of accredited companies can apply for and access salary loans.

15

Housing Loan customers were also provided a new feature called **Home Rate Protect** which as its name suggests, protects home loan borrowers from steep increase of interest rates.

16

The **AUB Mobile App** was also enhanced to enable fund transfers via PESONet and the adoption of the national QR code for convenient fund transfers and payments across banks.

**In 2019, the AUB credit card was enhanced to include the following features and benefits:**

#### **eGifting**

Cardholders can choose from over 250 eGift brands for sending to loved ones and charge it to their AUB Credit card.

#### **Linking of AUB Credit Card to Alipay**

Cardholders can utilize cashless payment convenience when visiting China.

#### **Credit Card Activation via SMS**

#### **Balance Transfer**

Cardholders can transfer their other cards' balance to AUB credit cards and pay this off on monthly installment terms.

#### **Post pay installment**

Cardholders can convert their specific transaction/s done on straight charge payments to monthly installment payment terms.

#### **Cashout Installment**

Cardholders can withdraw cash from their credit card for payment of goods and services that are normally done in cash such as payments to contractors, dental procedures, etc. and pay for these in monthly installment terms.

#### **Card Guard**

This offers credit card protection and insurance coverage for life, accident, lost and stolen cards, unauthorized on-line transactions, purchase protection and travel insurance. Cardholders may opt in to avail of this program.

#### **eKYC for website applications**

Cardholders can upload their application document requirements such as ID and proof of income and can take a selfie shot and video.

To expand the business, the Bank rolled out partnerships with **Gcash**, **GrabPay** and **AUB's Hello Money** to enable AUB PayMate merchants to accept QR payments from Filipino consumers.

## **A. Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held**

On October 3, 1997, AUB obtained a Certificate of Registration and bank license from the Philippine SEC to operate under the corporate name "Asia United Bank Corporation."

AUB uses a variety of names and marks, including the names "Asia United Bank" and "AUB" and AUB's logo, in connection with its business. To date, only one trademark, "AUB GintongHatid Remittance Service," has been registered for intellectual property rights.

AUB lined up additional products and services for intellectual property protection and registration as soon as BSP approvals for such product offerings are obtained.

## **B. Need for any Government Approval of Principal Products or Services**

AUB's products and services are offered to customers only upon receipt of the necessary regulatory approvals or upon submission of the required disclosures to the appropriate regulatory bodies.



# Management's Discussion and Analysis

In 2016, AUB made headways in its retail products such as auto loans, mortgages, salary loans and remittances. The Bank continued to leverage on technology—making banking with AUB a seamless experience for customers regardless of the delivery channels they choose, whether they transact in the branches, ATMs, or through mobile and internet banking.

In 2017, AUB intensified its consumer lending with the relaunch of its pioneer loan product AUB CASHelp (Corporate Auto Salary Housing Employee Loan Program), a one-stop consumer loan facility. The Bank also became the first Philippine partner bank of WeChat Pay, the second largest mobile payment app in China. The partnership enabled AUB to seize opportunities from the growing Chinese tourist arrivals in the country. Subsequently, AUB will achieve faster growth as it gains relationships with accredited Philippine merchants.

In 2018, AUB launched the CLINIC A.I.D. or Clinic Acquisition and Improvement for Doctors. Its goal was to tap on a new market segment—medical professionals who need a loan facility that will help them acquire or improve their clinics.

The same year, AUB has become one of the first few local banks to take on these innovations: PDC Deposit feature in the Virtual Teller Kiosk (VTK), InstaPay and PESONet. With PDC Deposit feature, clients can deposit their postdated checks to an account or as payments to loans, cards and other utilities. Moreover, as the demand in electronic banking transactions continuously increases, AUB also adopted two (2) electronic fund transfer facilities—InstaPay and PESONet. InstaPay allows clients to make real-time fund transfer transactions to other banks via the AUB Mobile App and AUB Preferred Online Banking while PESONet offers same-day fund transfers to other financial institutions via the AUB Preferred Online Banking.

Moving forward, AUB will continue to show strong growth in its core lending business to corporates and SMEs.

DEPOSIT ACCOUNT PRODUCTS	CREDIT AND LOAN FACILITIES		TREASURY SERVICES
<ul style="list-style-type: none"> <li>Preferred Peso Checking</li> <li>Preferred Peso Savings</li> <li>Preferred Savings Plus</li> <li>Preferred Time Deposit</li> <li>Preferred Dollar Savings</li> <li>Preferred Dollar Time Deposit</li> <li>Preferred Foreign Currency Savings (CNY, EURO, YEN) Starter Savings</li> <li>Advantage Check</li> </ul>	<ul style="list-style-type: none"> <li>Short-Term Working Capital Loans</li> <li>Trade Financing Facilities</li> <li>Domestic Letters of Credit with Trust Receipt Facility</li> <li>Import Letters of Credit with Trust Receipt Facility</li> <li>Packing Credit or Export Loans versus LCs or POs</li> <li>Domestic Bills Purchase Line</li> <li>Foreign Loan/Financing Packages</li> <li>Corporate Salary Loan Program</li> <li>BSP US\$/Peso Rediscounted Loans</li> <li>Specialized Lending Facilities</li> <li>AUB Easy MasterCard</li> <li>AUB Classic MasterCard</li> <li>AUB Gold MasterCard</li> <li>AUB Platinum MasterCard</li> </ul>	<ul style="list-style-type: none"> <li>Financing Program for Tourism</li> <li>Hospital Financing Program</li> <li>Financing Program for Educational Institutions</li> <li>Housing Loan Program</li> <li>Development Program</li> <li>Syndicated Medium &amp; Long-Term Loans</li> <li>Documents Against Acceptance (DA)</li> <li>Documents Against Payment (DP)</li> <li>Open Account (TT)</li> <li>High-End Motorbike Loan</li> <li>Truck Loan</li> <li>Forklift Loan</li> <li>PVAO Loan</li> <li>Clinic A.I.D. Loan</li> </ul>	<ul style="list-style-type: none"> <li>Fixed-Income Trading and Distribution</li> <li>Local Currency Treasury Bills/Treasury Notes/Bonds</li> <li>Fixed Floating Rate Corporate Notes</li> <li>Short and Long-Term Commercial Papers</li> <li>US\$-denominated Certificates of Deposit</li> <li>US\$-denominated US Treasuries</li> <li>US\$-denominated Eurobonds/Notes Foreign Exchange Trading</li> <li>Spot Trading</li> <li>Currency Swaps and Forwards</li> </ul>

CASH MANAGEMENT SERVICES	AUXILIARY SERVICES	TRUST AND INVESTMENT SERVICES	INTERNATIONAL BANKING SERVICES
<ul style="list-style-type: none"> <li>AUB</li> <li>BizKitChecking Account</li> <li>Payroll Organizer</li> <li>CheckMaker</li> <li>CheckBanker</li> <li>e-Gov</li> <li>BalanceChecker</li> <li>Preferred Online Banking</li> <li>Manager's Check Writing Facility</li> </ul>	<ul style="list-style-type: none"> <li>Preferred ATM</li> <li>AUB RediMoney</li> <li>Preferred Mobile Banking</li> <li>Preferred Online Banking</li> <li>Safe Deposit Box</li> <li>Deposit Pick-up Service</li> <li>Manager's Check/Gift Checks</li> <li>Fund Transfer (TT/DD)</li> <li>Electronic and Clearing Conduit Solutions</li> <li>HelloMoney</li> <li>Hello Pag-IBIG</li> </ul>	<ul style="list-style-type: none"> <li>Employee Benefit Trust</li> <li>Provident Fund Pension Fund</li> <li>Fund Management Individual/Corporate Portfolio Management</li> <li>Unit Investment Trust Fund Management</li> <li>AUB Peso Investment Fund</li> <li>AUB Equity Investment Fund</li> <li>AUB Gold Dollar Fund</li> <li>Estate Planning Guardianship Living Trust</li> <li>AUB Gold Chest Plan</li> <li>Testimonial Trust</li> </ul>	<ul style="list-style-type: none"> <li>Letters of Credit / Collection of Clean and Documentary Bill</li> <li>Foreign and Domestic Remittance</li> <li>Purchase and Sale of Foreign Exchange</li> </ul>
	<b>SPECIAL CORPORATE SERVICES</b> <ul style="list-style-type: none"> <li>Escrow Agency</li> <li>Custodianship Services</li> <li>Mortgage Trust Indentures</li> </ul>		

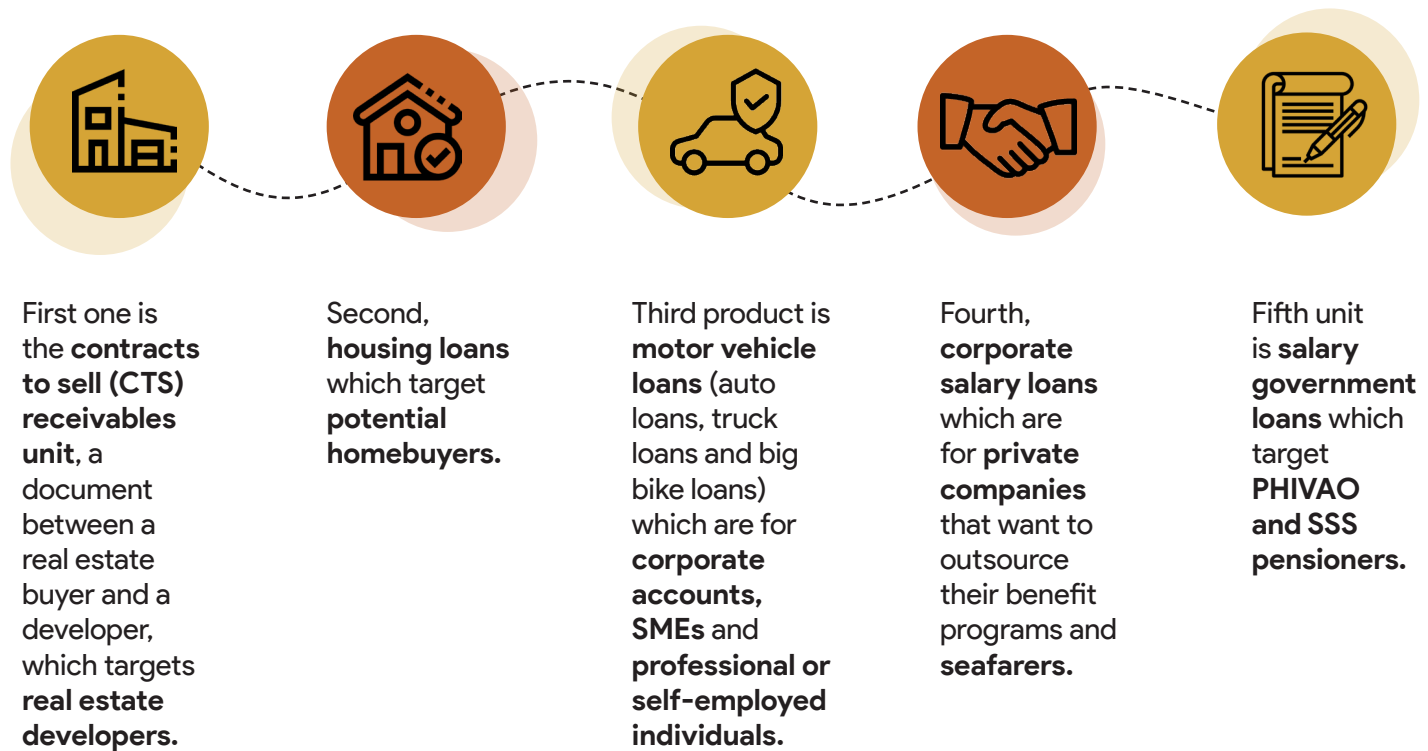


# Markets Served

GRI 102-6

AUB is a relatively young player in the local banking industry, so it has been our main goal to innovate from the start. We had to think of strategies to compete with more established banks and penetrate large-scale markets as well. We want to show that the Bank can

deliver as good as—if not better than—other banks with bigger branch networks by serving at the level of personal service. With that in mind, we decided to play a niche market. The Bank currently has five products and each unit targets a different market.



These markets may be niche now but they can grow bigger in the future and that's how AUB plans to penetrate larger markets. In the meantime, we are open to exploring more niche sectors but the Bank is mainly focusing its efforts on growing volumes for corporate trust accounts and assisting high-network individuals. AUB is also looking more into the electronic transportation industry as it is on demand due to the new normal.

Currently, there is still a lot of potential to expand business in Metro Manila and Luzon. But we have already opened a total of 54 bank branches in Visayas and Mindanao (24 in Visayas and 30 in Mindanao) and we plan to open more in the future.

# Memberships in Association

GRI 102-13

**1** Banker Association of the Philippines (BAP)

**6** Ads Standards Council Philippines (ASC Philippines)

**2** Association of Bank Compliance Officers (ABCOMP)

**7** Philippine Association of National Advertisers (PANA)

**3** Association of Bank Remittance Officers, Inc. (ABROI)

**8** Bankers Institute of the Philippines (BAIPHIL)

**4** Credit Cards Association of the Philippines (CCAP)

**9** Money Market Association of the Philippines

**5** Bank Marketing Association of the Philippines (BMAP)

**10** ACI Philippines

**SR-01**

# Economic Performance

## Direct Economic Value Generated and Distributed

GRI 102-15

DISCLOSURE	AMOUNT IN MIO	UNIT
Direct economic value generated (revenue)	10,669.3	Php
Direct economic value distributed:		
a. Operating costs	5,699.0	Php
b. Employee wages and benefits	1,715.6	Php
c. Payments to suppliers, other operating costs	1,639.5	Php
d. Dividends given to stockholders and interest payments to loan providers	873.6	Php
e. Taxes given to government	1,691.0	
f. Investments to community (e.g. donations, CSR)	6.3	Php

The Bank's Board of Directors has complete oversight of the strategic policies for economic performance. The Board of Directors and the Management of AUB are responsible for ensuring that the Bank has in place an integrated, active, and dynamic Internal Capital Assessment and Adequacy Process, which involves the Parent Company and its subsidiaries. There is a performance monitoring process that ensures alignment with planning and budgeting. This includes building a business and financial plan, identifying resources, and defining milestones to carry out the defined plans.

AUB is fully cognizant of the highly competitive industry within which it operates and takes a proactive management of the risks it faces in its day to day activities. This is achieved through the following:

1. Keeping our depositors' interest paramount and returns secondary
2. Adherence to approved policies and limits through continuous monitoring and mitigating risks inherent in existing businesses
3. Risks related to growth or new business initiatives will be identified, anticipated and monitored
4. Strict compliance to regulatory mandates and Capital Adequacy at all times

### Proportion of spending on local suppliers

# 97%

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers

Our supplies and services are sourced based on the locality of each branch and head office to ensure most efficient options in delivery, cost and manpower.

**SR-02**

# **Social Performance**

## AUB's principal stakeholders consist of its shareholders, depositors, employees and financial clientele.

In 2019, AUB's depositor base grew by **9 percent** to **P210.2 billion**. This was made possible through the bank's focus on further enhancing its culture of service and product excellence.

### Depositor growth

DEPOSITS (IN PHP BILLIONS)	2017	2018	2019
Demand	73.8	74.5	96.7
Savings	49.6	70.3	<b>76.2</b>
Time	35.1	47.4	37.3
Long Term Negotiable Certificate of Deposits	0.9	0.9	0.0
<b>TOTAL DEPOSITS</b>	<b>159.4</b>	<b>193.1</b>	<b>210.2</b>

Total loan portfolio for the year also grew by **11 percent** to **Php 172.5 billion**. Among the bank's key strategies is its market-driven approach to developing new products, focusing on market niches that may otherwise be untapped by the industry. In so doing, the bank has made an impact on niche communities that have been left unserved for so long.

### Loan growth

LOAN VOLUME (IN PHP BILLIONS)	2017	2018	2019
Loans and receivables	<b>131.1</b>	<b>155.7</b>	<b>172.5</b>

The community of AUB employees has also grown in 2019 by **11 percent** to a total of **2,791 members**. It is a testament to the company's continuing efforts to make its portfolio of products and services appealing not just to the market but also to the people working behind the scenes.

### Employee growth

HEADCOUNT	2017	2018	2019
Officers	944	1,277	1,130
Rank and File	1,310	1,246	1,661
<b>TOTAL NUMBER OF EMPLOYEES</b>	<b>2,254</b>	<b>2,523</b>	<b>2,791</b>

## Employee Hiring and Benefits

GRI 102-8

Employee data	DISCLOSURE	QUANTITY	UNIT
	Total number of employees	2,177	
	a. Number of female employees	1,468	
	b. Number of male employees	709	
	Attrition rate	15	RATE
	Ratio of lowest paid employee against minimum wage		RATIO

### Employee benefits

LIST OF BENEFITS	YES/ NO	% OF FEMALE EMPLOYEES WHO AVALIED FOR THE YEAR	% OF MALE EMPLOYEES WHO AVALIED FOR THE YEAR
SSS	Y	35 - Maternity and Sickness Reimbursement 217 - Loans	6 - Sickness Reimbursement 91 - Loans
PHILHEALTH	Y	No data	No data
PAG-IBIG	Y	137	57
PARENTAL LEAVES	Y	112	33
VACATION LEAVES	Y	1,364	696
SICK LEAVES	Y	1,164	573
MEDICAL NEEDS (ASIDE FROM PHILHEALTH)	Y	4	4
HOUSING ASSISTANCE (ASIDE FROM PAG-IBIG)	Y	0	0
RETIREMENT FUND (ASIDE FROM SSS)	Y	2	3
FURTHER EDUCATION SUPPORT	Y	0	0
COMPANY STOCK OPTIONS	N		
TELECOMMUTING	N		
FLEXIBLE WORKING HOURS	N		
OTHERS	N		



On a continuing basis, the Bank undertakes a review of competitiveness of compensation and benefits and personnel policies to ensure that these are appropriate in the industry we are in.

As of December 2019, AUB has a total of 2,177 employees for its parent company and 67% are female while 33% are male.

Regular employees are covered by a comprehensive health care plan, on top of the standard group life insurance coverage. Eligible officers are entitled to avail of car plans.

Other standard benefits for eligible regular employees are the following: retirement plan and guaranteed bonuses.

In terms of Talent Acquisition the Bank had expanded and sustained school partnerships as a major source of talents. With the regular launch of in-house development programs, new job sites/portals and steady stream of candidate referrals, the Bank was able to address manpower requirements. The Bank also plans to aggressively tap digital/online sourcing channels to address manpower requirements. Launch Employee Referral Programs to help generate a steady source of candidates.

## Employee Training and Development

GRI 102-15

DISCLOSURE	QUANTITY	UNITS
Total training hours provided to employees	<b>40,040</b>	
a. Female employees	<b>29,296</b>	Hours
b. Male employees	<b>10,744</b>	Hours
Average training hours provided to employees	<b>19.50</b>	
a. Female employees	<b>20.67</b>	Hours/ employee
b. Male employees	<b>16.8</b>	Hours/ employee

Aiming to be recognized as an employer of choice, AUB strives to engage our employees through various training and development programs, equipping them with the technical and behavioral skills required in their job. AUB believes in harnessing the potential of our in-house talents, and the launch of accelerated development programs for branch officers in the past year allowed us to keep up with the aggressive expansion of our branch network.

AUB takes care of its diverse talent pool and invests to ensure that people will have the learning and development support to realize and fulfill their potential. The training programs are designed to help the organization and our employees get ready for the future through a mixture of internal and external programs for both functional and behavioral development. These include the following programs:

- **Executive Development Program**
- **Branch Manager Development Program**
- **Service Manager Development program**
- **Relationship Manager Development Program**
- **Account Officer Development Program**
- **Management Trainee Development Program**
- **4 Disciplines of High Performance Leader**
- **Bank on Us; Leading the Service Team**
- **Practical Coaching Service Workshop**

Likewise, AUB also provides Onboarding Programs which includes corporate orientation, mock branch training and the BM/RO orientation program.

In 2019, AUB provided a total of 40,040 training hours for its 2,177 employees.

# Diversity and Equal Opportunity

GRI 102-16



**32.57%**

Percentage of male  
workers in the workforce

Percentage of female  
workers in the workforce

**67.43%**



The Bank exercises fairness in its remuneration package. Employees' compensation is not determined by their gender. The employee's role in the organization, competency level, work performance, previous work experience, certifications and employment tenure are some of the factors that determine remuneration.

## Labor Management Relations

GRI 103-2  
GRI 102-21



In a year,

**50** consultations  
per day

**261** working days

**13,050** consultations



Number of consultations  
conducted with employees  
concerning employee-related policies

# Workplace Conditions, Labor Standards and Human Rights

GRI 102-15

## Labor Laws and Human Rights

DISCLOSURE	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	YES/NO	If Yes, cite reference in the company policy
Forced labor	NA	
Child labor	NA	
Human rights	Yes	<b>Article VII: Conduct and Behaviour of the Code of Conduct</b>  <b>Anti-Sexual Harassment Policy</b>  <b>Whistleblower Policy</b>

## Occupational Health and Safety

0 NO. OF WORK RELATED INJURIES

0 NO. OF WORK RELATED ILL-HEALTH

0 NO. OF WORK RELATED FATALITIES

2 NO. OF SAFETY DRILLS

Security and safety awareness is also a primary concern of AUB and shall be regularly assessed through annual fire drills and disaster preparedness activities in the Head Office.

The Bank strives to provide a safe, secure and conducive working environment for our employees to continually safeguard their rights and provide equal opportunity for everyone. As the Bank gears itself to strengthen the AUB brand, an enhanced customer experience remains to be our ultimate goal. And nurturing our talents, who are our brand ambassadors, is our top priority.

**SR-03**

# **Ethics Monitoring System**

# Summary of Bank's Policies on Business Conduct or Ethics Affecting Directors, Senior Management and Employees

GRI 102-17

## A. Conflict of Interest

### Directors

To conduct fair business transactions with the Bank and to ensure that personal interest does not bias board decisions, directors should—whenever possible—avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interest. He should avoid situations that would compromise his impartiality.

### Senior Management

The policy defines when a conflict of interest arises, and when an employee benefits directly or indirectly from his position or employment with the Bank, or as a result of the performance of his functions, duties and responsibilities. The policy contains examples of what constitute conflict of interest such as: use of Bank's name, influence or goodwill for personal purposes; employees engaging directly or indirectly in the Bank's line of business; dealing or participating, directly or indirectly, in transactions involving any individual, corporation or business enterprise with which the Bank has a business relationship, for the employee's personal gain or benefit.

### Employees

The policy defines when a conflict of interest arises, and when an employee benefits directly or indirectly from his position or employment with the Bank, or as a result of the performance of his functions, duties and responsibilities. The policy contains examples of what constitute conflict of interest such as: use of Bank's name, influence or goodwill for personal purposes; employees engaging directly or indirectly in the Bank's line of business; dealing or participating, directly or indirectly, in transactions involving any individual, corporation or business enterprise with which the Bank has a business relationship, for the employee's personal gain or benefit.

## B. Conflict of Business and Fair Dealings

A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue as well as the

Fit and proper standards apply to members of the senior management. Integrity, technical expertise and experience in the institution's business, either current or planned, are expected of each member of the senior management. The actions of the senior management must at all times be consistent with the policies of the Bank.

Conduct and Behavior - Proper deportment of all employees is important to any institution, as it will reflect positively or negatively on its public image. It also has an effect on the morale and efficiency of the employees. The following acts are examples of violations of this section:

A. Failure to wear the Bank ID or the prescribed uniform or proper corporate attire

B. Engaging another employee/s in a fight, prodding another employee/s to engage in a fight, or challenging to

## B. Conflict of Business and Fair Dealings

developments in the banking industry including regulatory changes through continuing education or training.

to a fight, threatening with bodily harm or actual assault causing injury to another employee during working hours or within Bank premises or disruption of company operations

C. Engaging in horseplay, using abusive, foul and profane language during working hours or within Bank premises

D. Committing theft within Bank premises

E. Planting evidence to cast aspersions on another employee or evading responsibility for the commission of a violation or offense under this Code

F. Deliberate destruction of property owned, held by or in custody of the Bank

G. Spreading intrigues or gossip about another employee which tends to discredit the latter

H. Gambling, betting, conducting lotteries or other similar acts within Bank premises

I. Immoral, indecent or scandalous acts committed within the Bank premises regardless of whether it was done before, during or after working hours (this includes distribution/use of immoral, indecent or scandalous literature and materials)

J. Unauthorized possession of explosives, firearms or other illegal items within Bank premises that are capable of inflicting bodily injuries

K. Writing, carving, etching, painting or posting writings/drawings/graffiti or other acts of defacement of Bank property

L. Acts of gross discourtesy or disrespect to any individual committed during working hours or within Bank premises

## B. Conflict of Business and Fair Dealings

M. Drinking of intoxicating beverages during working hours or within Bank premises

N. Getting intoxicated within Bank premises or during company affairs or while representing the Bank in outside gatherings

O. Soliciting money/material objects or selling during working hours or within Bank premises without obtaining written permission from Human Resources

P. Possessing, using, selling, distributing or causing to be brought into or used any narcotics or prohibited drugs within Bank premises at any time and in any manner except when such drugs take the form of medicine prescribed by a physician items within Bank premises that are capable of inflicting bodily injuries

Q. Willfully holding back, slowing down, hindering or limiting work output

R. Falsely and maliciously representing oneself to be an officer, agent or representative of the Bank or performing an act or function pertaining to any employee of the Bank without being authorized to do so

S. Directly or indirectly borrowing or lending one's personal funds to customers, suppliers or other employees

T. Conduct that falls under sexual harassment shall be dealt with under the Anti-Sexual Harassment Code of Conduct and shall only be dealt with under this Code if the Anti-Sexual Harassment Code does not apply

**Unless otherwise specified, the penalties for these acts range from WARNING to DISMISSAL depending upon the gravity of the offense.**



## C. Receipt of gifts from third parties

Same as (a) and (b)

Receipt of token gifts not more than P500 are not violations of the conflict of interest rule. Gifts amounting to more than P500 may be received without a consequent violation of the conflict of interest rule if the employee has duly notified Human Resources.

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## D. Compliance with Laws & Regulations

To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies. A director should also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.

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## E. Respect for Trade Secrets/Use of Non-public Information

Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the Board.

The Code of Conduct requires the employee to safeguard the integrity of bank records and documents such as data stored in computer hard drives, computer/system passwords, diskettes, CD-ROM's, etc. The policy also cites what constitute violations of such: forgery/falsification of bank records and documents, unauthorized tampering, alteration, concealment and destruction of bank records, falsification of or misrepresentation on personnel records or employment application.

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## F. Use of Company Funds, Assets and Information

Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the Board.

In addition to item above, the Code of Conduct also provides for a policy requiring employees to keep confidential any data, passwords, information or records that they may come in contact with in the course of work.

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## G. Employment and Labor Laws & Policies

The position of a bank director is a position of trust. Generally, employment and labor laws and policies do not apply to directors. Under the Corporation Code, vacancies in the Board may be caused by removal, expiration of term and resignation, among others.

The Bank complies with all employment and labor laws and policies as prescribed. For employees who have been charged with violations of the code of conduct, due process is observed in dealing with violations, and the employee is properly informed.

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## H. Disciplinary Actions

The position of a bank director is a position of trust. Under the Corporation Code, a director may be removed for cause upon the shareholders' initiative.

The Code of Conduct contains the penalties imposed in cases of successive and/or multiple violations. Penalties are categorized depending on the nature of the offense, and would range from light, less grave and grave offense.

The Code of Conduct contains the penalties imposed in cases of successive and/or multiple violations. Penalties are categorized depending on the nature of the offense, and would range from light, less grave and grave offense. This can result in sanctions ranging from reprimand, suspension or dismissal, depending on gravity of the offense committed.

## I. Whistle Blower

N/A

The Bank provides employees with convenient confidential and reliable mechanisms for reporting incidents or raising concerns regarding possible improprieties or malpractices within the organization. Guidelines and procedures have been disseminated

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I. Whistle Blower

to all employees to inform them how the concern will be addressed and who is tasked to evaluate and investigate the concern. After the investigation has been concluded, the appropriate sanction, if applicable, will be imposed.

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J. Conflict Resolution

A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the institution.

Members of the senior management are allowed to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board of Directors or any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management as to and/or the Board itself.

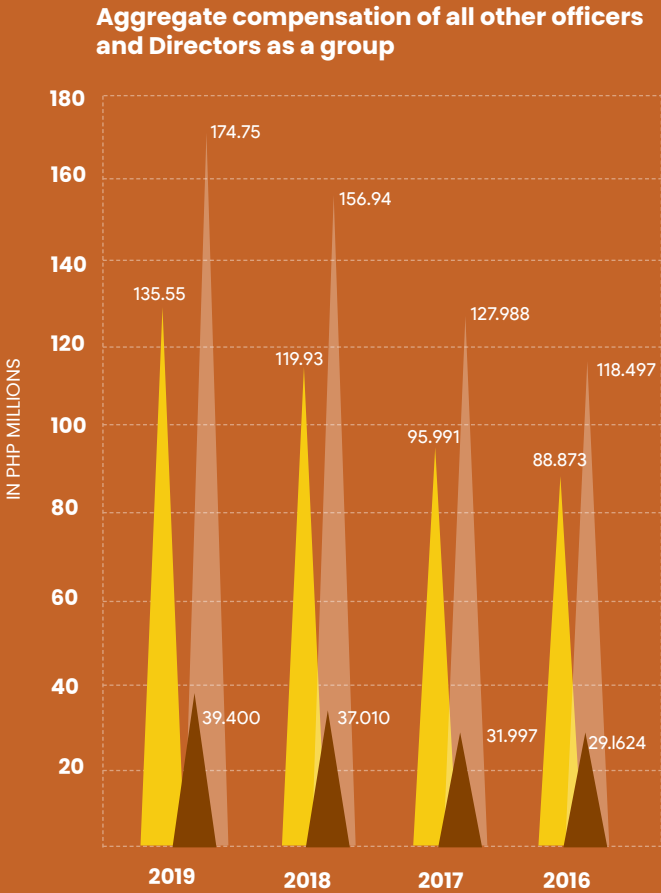
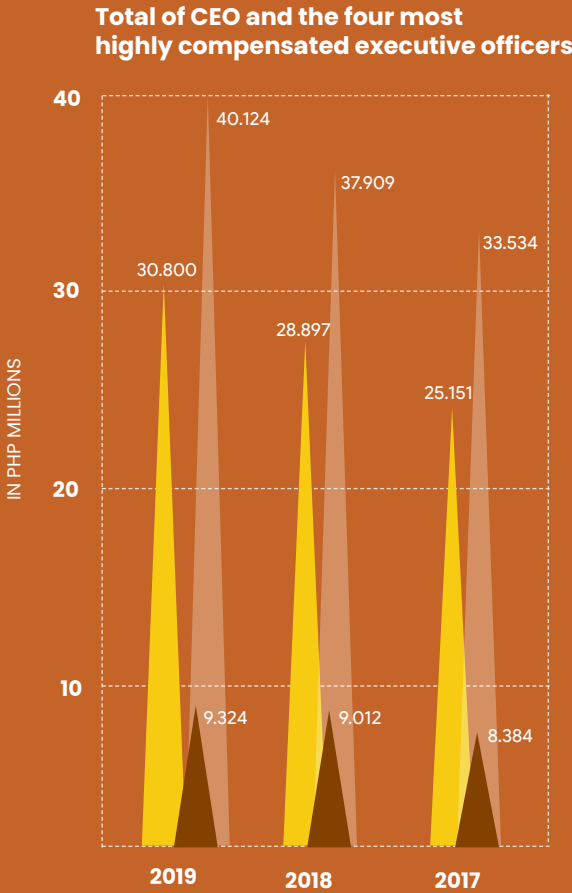
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# Remuneration Policies

GRI 102-35

## Summary Compensation Table

LEGEND: ▲ SALARY ▲ BONUS ▲ AGGREGATE COMPENSATION



## Remuneration for governance body and senior executives

The following table identifies and summarizes the aggregate compensation of AUB's CEO and the most highly compensated executive officers of AUB compared to the aggregate compensation of all other officers and directors as a group for the years ended December 31, 2019, 2018 and 2017.

\*2019 included Abraham T. Co, CEO, Antonio V. Agcaoili, Jr., Manuel A. Gomez, Wilfredo E. Rodriguez, Jr., and Ernesto Uy

\*2018 included Abraham T. Co, CEO, Antonio V. Agcaoili, Jr., Manuel A. Gomez, Isabelita M. Papa and Wilfredo E. Rodriguez, Jr..

\*2017 included Abraham T. Co, CEO, Antonio V. Agcaoili, Jr., Manuel A. Gomez, Isabelita M. Papa, and Andrew T. Yap

The Directors of AUB are entitled to a per diem of P60,000 for each meeting of the Board of Directors attended. The fee was last adjusted by the board in September, 2011.

Remunerations given to directors of the Group, which were approved by the Board Remuneration Committee, amounted to P4.19 million, P4.08 million and P3.66 million and in 2019, 2018, and 2017, respectively.

The Group has no fixed incentive program in place. The Group aims to attract, motivate, and retain employees through a competitive salary scheme which includes both direct (salary and cash-related) and indirect (non-cash benefits) compensation. It is the Group's policy to offer a compensation package that is fair and competitive with the current market rates of the industry.

As of December 31, 2019, there are no warrants or options held by the Bank's officers and directors.

**SR-04**

# Risks and Opportunities

# Risks and Opportunities

GRI 102-15

**Asia United Bank constantly strives to improve its internal controls and risk management policies. However, this does not always guarantee that we can mitigate all the risks that can adversely impact our overall performance. Nevertheless, AUB strives to manage what can be foreseen, while preparing itself to be financially stable enough to survive what cannot be anticipated.**



## Employee Acquisition

As we are continuously expanding the business by opening more branches across the country, acquiring people who are fit for the job seems like a huge challenge right now—especially in provincial areas. AUB needs team players who not only talk but also listen—people who will drive the organization to success. And over the past year, we were able to hire a total number of 487 employees with 410 in Luzon, 24 in Visayas and 53 in Mindanao.

Since one of AUB's strategies involves the targeting of niche markets, we need a diversity of people who specialize in certain areas like real estate and housing, automotive, SMEs, etc. So although employee acquisition still remains a challenge for us, this can actually help in opening more job opportunities outside central business districts—particularly to those people who are affected by the new normal policies like limited transportation to and from the city.



## Economic Recession

The economic disruption caused by the COVID-19 pandemic has negatively affected the GDP growth. Interest rates were dropping to all-time lows. If this continues, it can cause a sharp decline in the liquidity and volatility of local and global financial markets. This can also cause a slowdown in generating revenues and an imbalance in supply and demand chains.

But the Bank's significantly lower costs of operations is helping the business to survive and still grow amid the pandemic. We were able to generate good profits in 2019. This revenue growth will provide enough buffer that the Bank needs to tide the current crisis and endure 2020.



## The New Normal

Due to the new normal, physical visits to the banks are expected to be less. Fortunately, AUB was able to transition to cheaper and more sustainable ways of doing business. We capitalized on improving our digital presence and went with paperless, virus-free application processes.

Furthermore, this opens up an opportunity to serve the unbanked and the underserved with technology as the most significant enabler. 2017 data shows that 77.4 percent of the country's total population or 52.8 million Filipinos have no bank accounts. Many of these unbanked people live in areas with no local bank branches.

Over the past year, we had talked with people who were still hesitant about online banking. But since we may or may not be transitioning to a cashless society, we will continue to plan out innovative digital banking services like our newly launched e-wallet called HelloMoney. These services will make banking convenient, affordable and secure—especially for the unbanked.



**SR-05**

**GRI**

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