



SUSTAINABILITY REPORT

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PROFIT

As a stock market operator and regulator, the PSE must be financially viable to continuously offer new products and adopt leading technology for its trading system.

The Company's profitability also supports its operational efficiency, people management program, and other initiatives that aim to advance the capital markets. And ultimately, profitability creates shareholder value.

MANAGEMENT APPROACH

EVALUATION OF THE MANAGEMENT APPROACH

The PSE Management developed a sustainability strategy to ensure the realization of the eight goals it identified. The strategy aims to promote efficiencies, drive growth for business, human resource, and information technology, enhance stakeholder collaboration, and manage key risks. These strategies will be reviewed by Management annually.

PRODUCTS

A. Listing

The PSE generates revenues from various listing fees. If a company wants to be included among the securities traded in the PSE, it has to apply for listing. The processing and reviewing of listing applications, the due diligence conducted on companies that have applied for listing, and the actual listing of a company require time and resource allocation such that appropriate fees are charged by PSE. The listing fees charged to companies that go public, through an initial public offering or listing by way of introduction, depends on the value of shares being offered. The PSE charges an annual listing maintenance fee on all listed securities in the Exchange's registry for the daily services provided by PSE in the functional areas of listing services and disclosure. The amount is contingent on the listing board, Main Board or SME Board, where the company is listed. There are also fees for additional listing of shares by existing listed companies for corporate actions like stock dividend, stock rights offering, private placement, and preferred share offering, among others.

B. Trading

The trading-related revenues primarily pertain to the systems and support services provided by the Exchange to TPs who utilize the trading platform and front-end systems of PSE. The trading fees also cover the processing of market orders, maintenance of the trading system, subscription to trading terminals and PSETradex, the Exchange's online trading platform. TPs pay their subscription to trading terminals depending on the number of licensed traders they employ. Meanwhile, the PSETradex fees vary depending on the type of application software they avail.

C. Market Data

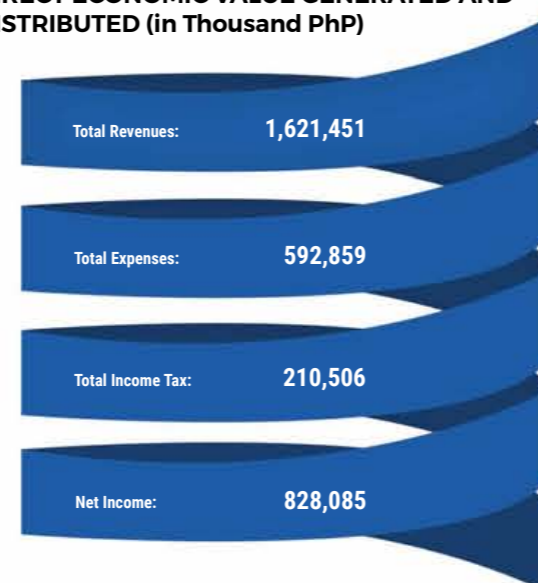
Market data relates to the Exchange's distribution of market data products regarding PSE's stock market information for the benefit of end users such as TPs, listed companies, and local and foreign data vendors. Examples of such market data for a fee include market order book, stock prices, end-of-day statistics, monthly foreign ownership level, and corporate announcements. These data can be distributed as an electronic feed, which end users can receive either on a real-time or delayed basis, or electronic file formats (i.e. CSV, TXT, PDF, etc.).

D. SCCP Service Fee

This service fee is charged by the SCCP, which is a wholly-owned subsidiary of PSE, for the use of the clearing and settlement-services provided by the SCCP for all trades executed through the facilities of the PSE.

ECONOMIC PERFORMANCE

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (in Thousand Php)



FINANCIAL ASSISTANCE RECEIVED FROM THE GOVERNMENT

The PSE does not receive any financial assistance from the Philippine government.

SIGNIFICANT INDIRECT ECONOMIC IMPACTS

PSE functions as a market operator and at the same time, performs regulator functions to ensure a fair and orderly market.

As a venue for capital raising, PSE helps listed companies raise the funds they need for acquisition, research and development, expansion, debt payment, and other strategic or operational initiatives. These corporate activities have helped boost economic activity and generate jobs. For 2017, listed companies were able to raise a total of Php165 billion through the stock market.

ANTI-CORRUPTION OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION

PSE's operation is regularly assessed for key risks through its risk register. The risk register is a tool that helps the Company track issues and address any potential problem. PSE's risk assessment identified fraud as an operational risk related to corruption.

For the year, the register identified fraud as a significant risk in the procurement process and administration services. PSE has institutionalized mitigating measures to manage the risk and will continue to evaluate its policies, procedures and programs in terms of effectiveness and efficiency in addressing this risk.

COMMUNICATION AND TRAINING ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES

The Exchange will include anti-corruption related topics in its 2018 training programs.

CONFIRMED INCIDENTS OF CORRUPTION AND ACTION TAKEN

There has been no incident of corruption reported for the year.

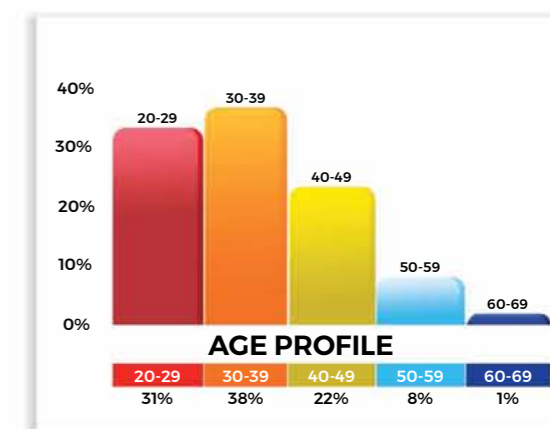
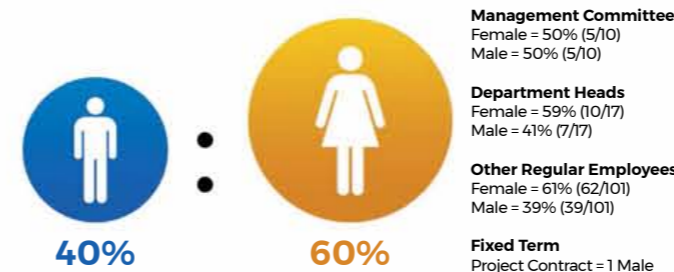
PEOPLE

A highly motivated and engaged organization is a fundamental factor in the success of any organization. The PSE promotes a culture of teamwork and collaboration to maintain and drive operational excellence. At the same time, it provides employees career advancement opportunities and activities to ensure their holistic development. All these tools are employed to emphasize the value of human resource and as a tool for talent acquisition and retention.

Regular Employees (128)

HUMAN RESOURCE ANALYTICS

As of December 31, 2017



PARENTAL LEAVE

PSE provides both maternity and paternity leave benefits to its employees in compliance with laws and regulations. Close to 70 parents were entitled to such leave but only a fraction of that number availed of the leave benefit.

PARENTAL LEAVE	MALE	FEMALE
TOTAL NUMBER OF EMPLOYEES ENTITLED TO PARENTAL LEAVE	29	37
TOTAL NUMBER OF EMPLOYEES THAT TOOK PARENTAL LEAVE	1	2
TOTAL NUMBER OF EMPLOYEES THAT RETURNED TO WORK IN THE REPORTING PERIOD AFTER PARENTAL LEAVE ENDED	1	2
TOTAL NUMBER OF EMPLOYEES THAT RETURNED TO WORK IN THE REPORTING PERIOD AFTER PARENTAL LEAVE ENDED THAT WAS STILL EMPLOYED 12 MONTHS AFTER THEIR RETURN TO WORK	1	2
RETURN TO WORK AND RETENTION RATES OF EMPLOYEES THAT TOOK PARENTAL LEAVE	1	2

PEOPLE IMPROVEMENT

For the second year in a row, employee participation in the learning and development programs increased. In 2017, 125 employees attended at least one learning or training session compared with 110 employees and 62 employees for 2016 and 2015, respectively. This translates to a total of 806 training hours or an average of 6.3 hours per employee.

As part of the upskilling of employees, this year's in-house training included Advanced Excel Training, Corporate Image, Effective Business Writing, Performance Coaching, and Professional Training for Executive Assistants. The Management Committee likewise attended the Scaling Up Workshop with Verne Harnish that was organized by the Young Presidents Organization. During the workshop, modern leadership styles and techniques were discussed including methodologies on how to lead as an individual leader and as a management team. The Management Committee adopted some of the leadership techniques introduced in the workshop. The Exchange is preparing to conduct human rights related topics in its future information sessions.

In support of employee development, the annual performance review was likewise conducted, which covered all employees.

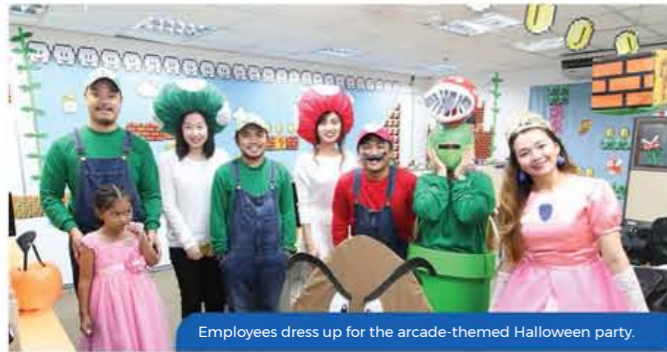
EMPLOYEE ENGAGEMENT

The PSE continued to beef up its employee engagement program to ensure that its workforce remains dedicated to their work, loyal to the company and committed to the Exchange's mission and values.

The Company's Employee Services Department (ESD) initiated #PSEpulse, which aims to get the sentiments of employees and get their feedback on specific activities and initiatives through a survey. For the year, ESD conducted seven surveys. The Department, likewise, started the #PSEinspires program through its Monday Motivation activity. A total of 44 Monday motivational quotes were released in 2017.

The ESD likewise organized an onsite ID capturing of PAG-IBIG Loyalty Card and Philhealth ID.

The PSE also organized various events throughout the year to foster camaraderie among employees. The significant holidays and events commemorated with fun activities for employees include Valentine's day, Mothers' day, Fathers' day, Halloween, and Christmas. Other activities held were the summer outing and movie night for employees.



Employees dress up for the arcade-themed Halloween party.

WELLNESS ACTIVITIES

Integral to the holistic development of its employees is health and wellness. As such, the PSE had several lunch and learn series covering topics such as the importance of exercise, stress management, skin care, and dental care. The Company also had a flu vaccine program which covered not just the employees but their immediate family as well. To ensure fitness among its workforce, the PSE organized basketball, bowling, and badminton tournaments. These sporting events also saw the participation of TPs. A total of 49 Zumba classes were also held throughout the year.



Employees strike a pose before the start of the PSE Bowling Tournament.

POLICY INFORMATION SESSIONS

The Exchange conducts information sessions for employees as part of its awareness campaign on Company rules and policies. The regularity of these information sessions is a testament to PSE's commitment to corporate governance and sustainability. For the year, a review of the Company's corporate governance manual, drug-free workplace policy, operational risks, and employee benefits were tackled. A special session on integrity was also conducted.

#PSEhelps

The PSE has always been conscious of its role to the bigger community. It has responded to the needs of fellow Filipinos who have been hit by calamities. While it usually answers the call to help our countrymen who are victims of typhoons and earthquakes, PSE stepped up its assistance and support to various stakeholders and our Filipino brothers and sisters in 2017. PSE provided assistance to those affected by the armed conflict in Marawi City by conducting a donation drive for the benefit of the people of Marawi. The Exchange also extended assistance to the valiant soldiers who fought to free Marawi from the terrorists and other armed groups. In December, the PSE and PSE Foundation officers and friends of PSE personally handed gifts to the Marawi siege heroes who were wounded and are being rehabilitated at the V. Luna General Hospital and the Army General Hospital. Good friends of the PSE also helped the Exchange reach out to families of soldiers who passed away due to the siege. The gifts were delivered to their respective provinces, duly named after their next of kin.

The PSE also had a #PSEhelps donation drive to help victims of the flash flood in Cagayan de Oro.



PSE Officers extend a helping hand to soldiers who were wounded during the Marawi siege.

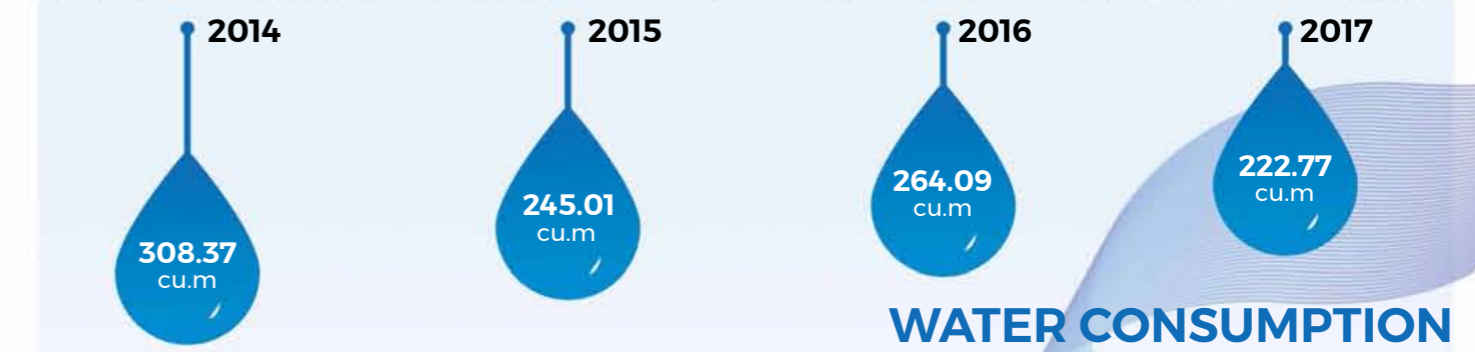
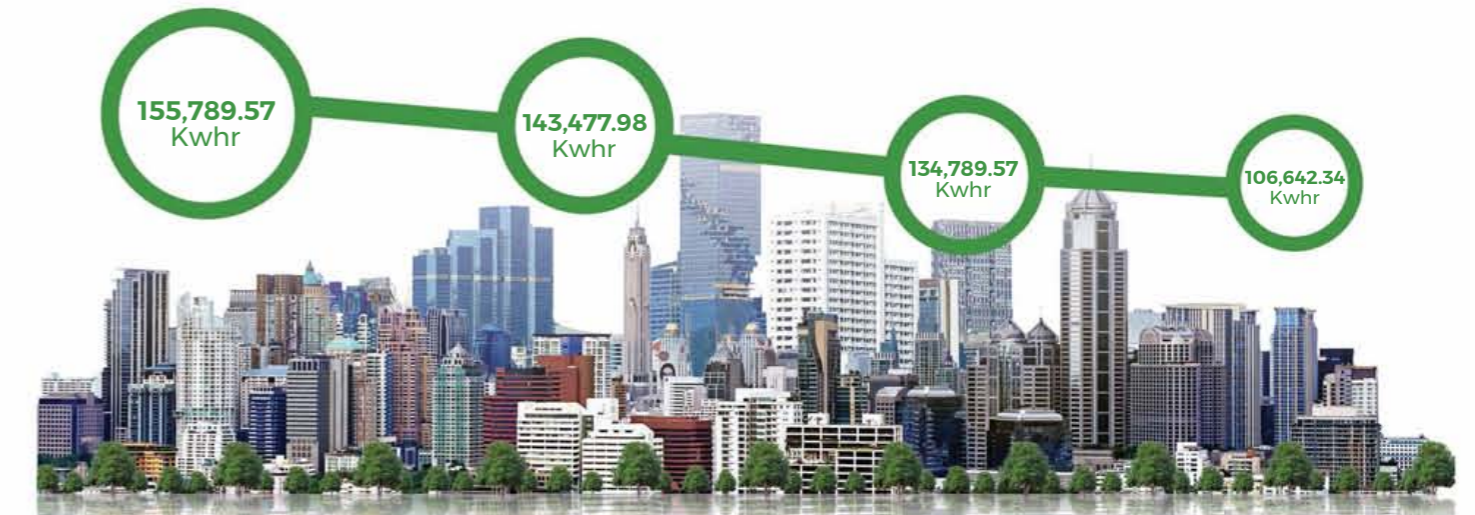


PSE President and CEO Ramon S. Monzon gives PSE's gift to soldiers.

PLANET

The preservation of our planet is a collective effort of all sectors in society. The PSE aims to contribute to this endeavor by managing its carbon footprint, adopting waste management mechanisms and using energy efficient devices.

ELECTRIC CONSUMPTION



WATER CONSUMPTION

RECYCLING AND WASTE MANAGEMENT

PSE conducted a study to aid in the development of a suitable waste management strategy. The amount of waste collected daily and the services offered by recycling and waste management companies were taken into consideration.

As part of PSE's sustainability efforts through responsible disposal system, the Exchange rolled-out a recycling program. The program aims to identify authorized recycling companies for the collection of paper, plastic and other solid recyclable waste on a daily basis without cost.

Proper Disposal of Hazardous Wastes

The PSE ensured the proper disposal of hazardous wastes by tapping disposal companies accredited by the Department of Environment and Natural Resources (DENR). This is in line with DENR's Administrative Order No. 2013-22: Revised Procedures and Standards for the Management of Hazardous Wastes.