



Principles for

Responsible Banking

Reporting and Self-Assessment Template

Banco Promerica El Salvador

Banco Promerica El Salvador, in order to reiterate its commitment to promote social welfare and protect the planet, has become a signatory to the Principles for Responsible Banking of the United Nations Environment Programme Finance Initiative (UNEPIFI). These principles represent a unique context for the sustainable banking industry, developed through partnership between banks around the world and are the fundamental framework to ensure that the strategy and practice of banks can be aligned with the vision that society has set for its future, within the UN Sustainable Development Goals and the Paris Climate Agreement. The banks that have signed this document commit to being ambitious in their sustainability strategies, working to prioritize sustainability at the heart of their business, while enabling them to remain at the forefront of sustainable finance. This report shows progress during the first 18 months of implementation. This document has been completed using guidelines, methodology and tools developed by UNEPIFI.

Published in March 2023, containing the progress made, 18 months after the signing.

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Grupo Promerica has been in the regional financial market for 30 years and is comprised of 9 banks in Latin America and more than 200 international offices.

Banco Promerica El Salvador began operations in El Salvador on January 12, 1996 and was founded thanks to the contribution and solid support of a group of visionary shareholders who believe in the well-being and development of the country and the region.

Currently, it has 48 points of attention throughout the country, is characterized by providing an excellent service experience through its relationship banking model and offering the most complete range of financial products.

Within its portfolio, it offers a wide variety of banking products and services, focused on Consumer Banking, Private Banking, Business Banking and Alternative Means of Payment for business clients, as well as personal banking.

Additionally, it offers green lines, green accounts, loans for women-led companies and young-led companies, and was a pioneer in the country by issuing a \$100 million sustainable bond program in 2022.

Información institucional

<https://www.promerica.com.sv/quienes-somos/historia/>

Productos para empresa

<https://www.promerica.com.sv/banca-de-empresas/banca-empresarial/>

Productos para personas

<https://www.promerica.com.sv/banca-de-personas/cuentas-y-dep%C3%B3sitos/>

Bono sostenible

<https://www.promerica.com.sv/sostenibilidad/qu%C3%A9-es-un-bono-sostenible/>

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- Yes
No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
 International Labour Organization fundamental conventions
 UN Global Compact
 UN Declaration on the Rights of Indigenous Peoples
 Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones:
 ----- Modelo ARAS 3.0 y requisitos ambientales regulatorios
 Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones:
 ----- Modelo ARAS 3.0 y IFC PS (por implementar)
 None of the above

The bank's five strategic priorities include :

1. Focus on customer
2. Efficiency and Risk Management
3. Profitable and Sustainable growth
4. Digital transformation
5. Talent

The third priority is about the balance between profitability, natural resources and social welfare.

It incorporates the sustainability strategy and its 4 pillars:

- Sustainable Products
- Lead by Example
- Social Investment
- Impact Measurement.

Additionally, this strategy supports the SDGs, the Paris Agreement and the Principles of Responsible Banking. The bank has also signed the ABANSA Sustainability Protocol and Women's Empowerment Principles (WEPs).

Estrategia de sostenibilidad: Memoria de labores, pag 29

<https://www.promerica.com.sv/quienessomos/gobierno-corporativo/documentoscorporativos/memorias/memoria2022/#book/31>
 Firma PRB <https://www.unepfi.org/member/banco-promerica-el-salvador/>

WEPs
<https://www.weps.org/company/banco-promerica>

ABANSA
<https://abansa.net/timeline/firma-delprotocolo-de-sostenibilidad-de-los-bancosmiembros-de-abansa/>

Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

According to Principle 2, this is a three-step process: defining impact, measuring impact and reporting on impact. This requires the establishment of impact indicators, data collection and analysis systems, and transparent reporting processes. This effort contributes to the achievement of the SDGs.

To identify the areas of greatest impact, we conducted an analysis of the total portfolio distribution in terms of balances to focus on the part of the portfolio that generates the greatest impact due to its level of exposure; in this first phase we assessed the corporate portfolio, which represents around 60% of the total portfolio. In this first phase we identified the 3 main segments of the corporate portfolio: Services 29%, Trade 27% and Industry 26%.

Impact tool in progress

We will include our findings and other inputs in the Impact Tool to validate the negative and positive impacts of our portfolio. In addition, this requires the development of robust data collection and analysis systems that provide reliable and consistent information on impact indicators; the use of external data will also be helpful, e.g. NDC targets for the country to align efforts.

Among the main challenges encountered is to define and create mechanisms to capture information in a centralized manner in order to quickly and timely support the establishment of measurable objectives and provide adequate follow-up.

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

Among the measures already implemented are:

- Establishment of local sustainability roundtable with the areas of the bank that have transversal projects and are key to sustainability
- Establishment of sustainable bond roundtable to follow up on the use of funds, a key component is the adequate data capture of the projects financed by the bank - Capacity building for Business, Financial Analysis and Risk teams in ARAS 3.0 and sustainable segments: green lines, SMEs, women-led enterprises and youth-led enterprises
- Impact measurement project with support from IDB Invest
- Participation in working groups, training and support sessions offered by UNEPFI to advance in the use of the tools
- Communication channel through the regional structure to request support among banks belonging to Grupo Promerica, support from Mesa Técnica de Sostenibilidad
- Quarterly monitoring of portfolio indicators by segments, by ARAS classification, green lines, women-led enterprises and leading by example: human talent and administration
- Introduction to sustainability for new employees

Impact tool in progress

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries¹ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

By 2023 we want to develop a plan that integrates the results of the positive and negative impacts tool to create SMART goals

Impact tool in progress

¹ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?¹ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank’s portfolio impacts into the context of society’s needs.

By 2023 we want to develop a plan that integrates the results of the positive and negative impacts tool to create SMART goals

Impact tool in progress

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)²? Please disclose.

By 2023 we want to develop a plan that integrates the results of the positive and negative impacts tool to create SMART goals

Impact tool in progress

d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank’s current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank’s activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank’s activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

By 2023 we want to develop a plan that integrates the results of the positive and negative impacts tool to create SMART goals

Impact tool in progress

¹ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

² To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?¹

| | | | |
|--------------------------|---|---|--|
| Scope: | <input type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input checked="" type="checkbox"/> No |
| Portfolio composition: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Context: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> In progress | <input type="checkbox"/> No |
| Performance measurement: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> In progress | <input type="checkbox"/> No |

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)

¹ You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets¹ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART).

Please disclose the following elements of target setting (a-d), for each target separately:

- a) Alignment:** which international, regional or national policy frameworks to align your bank’s portfolio with² have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. You can build upon the context items under 2.1.

The first phase of the diagnosis is the Impact Tool, we are completing it in order to advance with the second phase which is establishing the targets.

Impact tool in progress

- b) Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

| Impact area | Indicator code | Response |
|-------------|----------------|----------|
| Climate | ... | |
| Change | ... | |
| Mitigation | ... | |

| Impact area | Indicator code | Response |
|-------------|----------------|----------|
| Financial | ... | |
| Health & | ... | |
| Inclusion | ... | |

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

The first phase of the diagnosis is the Impact Tool, we are completing it in order to advance with the second phase which is establishing the targets.

Impact tool in progress

1 Operational targets (relating to for example water consumption in office buildings, gender equality on the bank’s management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

2 Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank’s targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

c) SMART targets (incl. key performance indicators (KPIs)¹): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

The first phase of the diagnosis is the Impact Tool, we are completing it in order to advance with the second phase which is establishing the targets. Impact tool in progress

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

The first phase of the diagnosis is the Impact Tool, we are completing it in order to advance with the second phase which is establishing the targets. Impact tool in progress

Self-assessment summary:

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

| | ... first area of most significant impact: ... (please name it) | ... second area of most significant impact: ... (please name it) | (If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it) |
|---------------|---|---|--|
| Alignment | <input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No |
| Baseline | <input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No |
| SMART targets | <input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No |
| Action plan | <input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No |

¹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

The first phase of the diagnosis is the Impact Tool, we are completing it in order to advance with the second phase which is establishing the targets.

Impact tool in progress

Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers¹ in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities²). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

The identification of the green portfolio started in 2018 with the understanding of the most common projects in our portfolio related to energy efficiency and renewable energy, that expertise resulted in training our sales force in identifying these projects so they can offer the green lines projects tailor-made to our customers.

Non-financial actions have also been carried out to strengthen the SME sector and the women's segment, mainly through the Protagonistas program.

The green account was launched in December 2022 to raise awareness about caring for our planet and to support the financing of green projects such as energy efficiency, renewable energy, recycling, support for companies with environmental certifications, among others.

Green account customers are periodically informed of the environmental protection projects in which the bank is participating.

A financial education site called "Aprende con Banco Promerica" was set up to provide tools that allow customers to be informed and help them make better financial decisions.

Digital products to promote less use of paper and promote agility in providing real solutions to customers in a timely manner.

Protagonistas 2022:

<https://www.promerica.com.sv/noticias/art%C3%ADculos/evento-pyme-mujer/>

Protagonistas 2023:

<https://www.promerica.com.sv/noticias/art%C3%ADculos/soy-protagonista/>

¹ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

² Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

We operate under the Banking Law established by the Superintendency of the Financial System, which determines that banks must have policies, practices and procedures that allow them to be transparent with their customers.

We also comply with the regulations established by the Central Reserve Bank regarding customer relations. We have financial education programs for companies and natural customers, and we have a portal within the bank's website to facilitate access to learn about the correct use of the products and services we offer.

The comprehensive Financial Education Program provides the necessary information and knowledge to the communities in which we operate, to help them develop the skills that will allow them to evaluate their options and make the best financial decisions, as well as learn to plan and save for the future.

Financial Education is a key axis, with which we seek to support the sustainable growth of our customers, thus contributing to the economic growth of the country, seeking the development of those financial capabilities that lay the foundations for citizens to think and act differently, focused on their growth and that of the community.

In addition, we are part of the international Global Money Week campaign to raise awareness about the responsible use of money among children and young people.

Internally, we are strengthening our efforts to train our Corporate Banking and SME teams on topics such as climate change in order to be able to advise clients on how their projects can become more sustainable and thus maximize their profitability.

Ley de Bancos SSF:

<https://www.ssf.gob.sv/descargas/Leyes/Leyes%20Financieras/Ley%20de%20Bancos.pdf>

Portal Educación Financiera:

<https://www.promerica.com.sv/quienessomos/educaci%C3%B3n-financiera/>

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Banco Promerica interacts with different stakeholders such as chambers of commerce, industry associations, companies related to sustainability, multilateral and development banks, among others, and has these approaches:

Client visits: we value relational banking and through these visits we identify needs to structure a proposal, solution or collaboration. We maintain a close relationship with clients, especially with companies and SMEs.

Participation in business associations: this is an opportunity to meet and establish contacts with different sectors, leading to collaborations, new business opportunities and partnerships.

Surveys: for customer segments we wish to serve in order to identify their needs in terms of new financial and non-financial products and services.

We have a Transparency section on the website where we detail:

- Standards for Transparency of Financial Services Information.
- Interest rates, commissions and surcharges
- Contract models

The next step will be to conduct a materiality study to include the point of view of relevant stakeholders with 3 main objectives:

- Align initiatives with the core business
- Validate the strategy
- Identify value creation

Transparency:

<https://www.promerica.com.sv/quienes-somos/transparencia>

¹ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

Principle 5: Governance & Culture



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

- Local Sustainability Committee
- Sustainable Bond Committee
- Follow-up with Presidency and Senior Management: bi-monthly meetings.
- Follow-up to working tables and Bootcamp commitments.
- The Sustainability Strategy was shared at the Board of Directors meeting on 07/21/22.

In addition, we have a Sustainability Technical Committee made up of Grupo Promerica's Directors, as well as sustainability champions by country in charge of implementing the strategy.

Meeting minutes and presentations

Different leaders from the following areas participate: Business, Financial Analysis, Risks, Treasury, Human Resources, Administration, Products and Marketing, Information Management.

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

- Sustainability training for all newly hired employees.
- Protagonists program and mentoring programs
- Capacity building for business teams such as Energy Efficiency Technologies, which included an incentive program in conjunction with another institution, climate change training, ADN PYME, among others.
- ARAS 3.0 training, update of policies and forms.
- Townhall, which is an event to update on strategy, financial results and goals for the year. Last event was around the slogan “Somos un banco verde”
- Volunteering program
- Sustainability bootcamp in Guatemala city, the event was to create working groups for Green Lines, High Potential Segment, ESG and Talent from more than 60 participants from the countries where Grupo Promerica is present.

Presentations and Events

Bootcamp:

https://www.linkedin.com/posts/bancopromericaelsalvador_bootcamp-de-sostenibilidad-activity-7006321008861192192-8Ov6?utm_source=share&utm_medium=member_android

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹ Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

The objective of Banco Promerica’s policy is to identify the environmental and social risks that customers and potential customers have, in order to safeguard the quality of the loan portfolio and also to determine the possible impact that incidents or disasters may have in case they occur, either in default of payment of its debt or even bring with them a reputational risk for the Bank.

ARAS:

<https://www.promerica.com.sv/sostenibilidad/sistema-de-administraci%C3%B3n-de-riesgos-ambientales-y-sociales/>

The SARAS consists of 3 elements that establish the framework for action that integrates the Bank’s environmental and social responsibility principles: Policy, manual and forms.

Policy, manuals and forms.

PFC annual corporate governance REPORT, pages 12, 17 and 25:

<https://www.bancopromerica.com.gt/media/771071/informe-anual-de-gobierno-corporativo-2021.pdf>

The SARAS is present in all stages of the SME and Corporate Banking credit process and consists of the following stages: origination, evaluation, approval, formalization and follow-up.

¹ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Self-assessment summary:

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes In progress No

If applicable, please include the link or description of the assurance statement.

| Response | Links and references |
|----------|----------------------|
|----------|----------------------|

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other: ICMA standards for green bonds and social bonds

| | |
|---|---|
| First report on use of funds of the first tranche of the sustainable bond program | https://promerica.com.sv/media/591878/primer-reporte-de-gestion-bono-sostenible.pdf |
|---|---|

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹, target setting² and governance structure for implementing the PRB)? Please describe briefly.

1 For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

2 For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

The initial action has been the adherence to PRB, the ABANSA Sustainability Protocol and the signing of the WEPs, then the creation of a first report showing how sustainability has been implemented in Banco Promerica El Salvador, which will be published together with this report to show progress in the implementation of the Principles of Responsible Banking. Being one of the pioneer private banks in publishing and sharing this information with other stakeholders demonstrates the commitment we have with sustainability and with the fulfillment of the SDGs.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- Embedding PRB oversight into governance
- Gaining or maintaining momentum in the bank
- Getting started: where to start and what to focus on in the beginning
- Conducting an impact analysis
- Assessing negative environmental and social impacts
- Choosing the right performance measurement methodology/ies
- Setting targets
- Other: ...
- Customer engagement
- Stakeholder engagement
- Data availability
- Data quality
- Access to resources
- Reporting
- Assurance
- Prioritizing actions internally

If desired, you can elaborate on challenges and how you are tackling these:

Annex



A set of indicators has been produced for the impact areas of climate mitigation and financial health & inclusion. These indicators will support you in your reporting and in showing progress against PRB implementation. Banks are expected to set targets that address minimum two areas of most significant impact within the first four years after signing the PRB. That means that Banks should ultimately set targets using impact indicators. Acknowledging the fact that banks are in different stages of implementation and on different levels of maturity and therefore might not be able to report on impact from the beginning, a Theory of Change approach has been used to develop the set of indicators below.¹ The Theory of Change shows the pathway to impact and considers the relationship between inputs, actions, outputs, and outcomes in order to achieve impact. The Theory of Change for climate mitigation can be found [here](#), the Theory of Change for financial health & inclusion can be found [here](#).

How to use: Both practice (action, outcome and output) and impact performance need to be understood because practice is the conduit for achieving desired impacts (including targets). The Theory of Change allows to identify metrics and set targets which align with a bank's maturity. The indicators below are all connected to a bank's impact and can be considered as steps towards measuring impact. Some of the practice indicators (on the action, output, and outcome levels respectively) are connected to portfolio composition and financial targets² (highlighted in green) or to client engagement³ targets (highlighted in blue), which enable your overall target. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex to measure your performance and baseline.⁴ Once you have set the target, you can use the indicators as guidance for your action plan as well as defining Key Performance Indicators (KPIs) which you can then use to measure progress against the set targets.

1 It is not required from banks to work with the Theory of Change concept internally. In fact, the Theory of Change has been used to structure the requirements of setting SMART targets using relevant indicators.

2 Financial targets also aim for real economy outcomes but are not directly expressed as such. Instead, they are expressed with financial indicators and metrics, e.g., to redirect flows of lending and investments to sectors, activities or projects aligned with SDGs and/or related to the selected impact area. Banks can also set financial targets related to specific types of customers e.g., low-income customers or female entrepreneurs.

3 Client engagement targets involve engaging relevant clients and customers to enable your overall target. The purpose of client engagement is to support clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

4 You might not be able to report on all indicators and/or or levels of practice (i.e. from left to right), in which case you should report on all applicable indicators on the respective level of practice no matter if it is an action, output or outcome indicator.

- For Signatories of the Net-Zero Banking Alliance: please report on the climate targets set as required in the [Guidelines for Climate Target Setting](#). As a member of the Alliance, you are required to publish first 2030 targets for priority sectors within 18 months and further sectoral targets within 36 months after signing. You can use the PRB template to disclose the required climate target information if its publication date is in line with the committed NZBA timeframe.
- For Signatories of the Collective Commitment to Financial Health & Inclusion: please report on financial health and/or financial inclusion targets set as required in the [Financial Health and Inclusion Commitment Statement](#). As a signatory to the Commitment, you have agreed to set a SMART ambitious target within 18 months after signing. To facilitate your process, please refer to the [Guidance on Target Setting for Financial Health and Inclusion](#) and the [Core Indicators](#) to measure financial health and inclusion. Keep in mind that signatories of the Commitment are encouraged to measure as many indicators as possible from the Core Set or their equivalent to be able to set a SMART impact driven target.

| Impact area | Practice ²⁰ (pathway to impact) | | | | | | | | | Impact ²¹ | | |
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| | 1. Action Indicators | | | 2. Output Indicators | | | 3. Outcome Indicators | | | 4. Impact Indicators | | |
| | Code | Indicator | Response options & metrics | Code | Indicator | Response options & metrics | Code | Indicator | Response options & metrics | Code | Indicator | Response options & metrics |
| A. Climate change mitigation | A.1.1 | Climate strategy: Does your bank have a climate strategy in place? | Yes / In progress / No | A.2.1 | Client engagement process: Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)? | Yes / Setting it up / No; If yes: Please specify for which clients (types of clients, sectors, geography, number of clients etc.) | A.3.1 | Financial volume of green assets/low-carbon technologies: How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies? | bin/mn USD or local currency, and/or % of portfolio; please specify the definition of green assets and low-carbon technologies used | A.4.1 | Reduction of GHG emissions: how much have the GHG emissions financed been reduced? | % over time; baseline and tracking GHG emissions in kg of CO ₂ e (or applicable metrics) ²² |
| | A.1.2 | Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when? | Yes / In progress / No; If yes: - please specify: to become net zero by when? - Emissions baseline / base year: What is the emissions baseline / base | A.2.2 | Absolute financed emissions: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or | Total GHG emissions or CO ₂ e (please also disclose what is excluded for now and why) | A.3.2 | Financial volume lent to / invested in carbon intensive sectors and activities and transition finance: How much does your bank lend to / invest in carbon-intensive | bin/mn USD or local currency, and/or % of portfolio | A.4.2 | Portfolio alignment: How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)? | % of portfolio (please specify which portfolio; for corporate and business clients: % of sectors financed) |

²⁰ Practice: the bank's portfolio composition in terms of key sectors, its client engagement, and its relevant policies and processes, and, if applicable, its advocacy practices

²¹ Impact: the actual impact of the bank's portfolio

²² If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.

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| | | year for your target? - Climate scenario used: What climate scenario(s) aligned with the Paris climate goals has your bank used? | | investment portfolio? | | | sectors and activities ²³ ? How much does your bank invest in transition finance ²⁴ ? | | | |
| A.1.3 | Policy and process for client relationships: has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model? | Yes / In progress / No | A.2.3 | Sector-specific emission intensity (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector? | Please specify which sector (depending on the sector and/or chosen metric): kg of CO ₂ e/ kWh, CO ₂ e / m ² ; kg of CO ₂ e/USD invested, or kg of CO ₂ e/revenue or profit | | | | | |
| A.1.4 | Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio? | Yes / In progress / No; If yes: please specify which parts of the lending and investment portfolio you have analyzed | A.2.4 | Proportion of financed emissions covered by a decar-bonization target: What proportion of your bank's financed emissions is covered by a decar-bonization target, i.e. stem from clients with | % (denominator: financed emissions in scope of the target set) | | | | | |

²³ A list of carbon-intensive sectors can be found in the [Guidelines for Climate Target Setting](#).

²⁴ Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.

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| | A.1.3 | Business opportunities and financial products: Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)? | Yes / In progress / No; Please specify which ones, and what financial volume and/or % of the portfolio they account for | | a transition plan in place? | | | | | | | |
| B. Financial health | B.1.1 | # of products and services in the portfolio with a focus on financial health | Internal data based. Measures how many of the products and services in the portfolio have a financial health focus. We deem a product or service to have this focus when it facilitates decision making and supports financial health increase based on our definition of financial health. This covers products and services embedded with nudges to simplify decision making, round-up, high yield savings accounts, easy investment tools, etc. | B.2.1 | # of individuals supported with dedicated and effective financial and/or digital education initiatives | Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective | B.3.1 | % of individuals with a good and/or very good level of financial skills | Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefiting from the bank's financial education initiatives. | B.4.1 | % of customers with a high level of financial health | Survey and/or transactional data based. Measures the percentage of customers with a high level of financial health according to the score chosen by the financial institution. |

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| | | | | | means that the bank has measured if the initiative is successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users. | | | | | | |
| B.1.2 | % of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health | Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of | B.2.2 | % of customers actively using the online/mobile banking platform/tools | Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including | B.3.2 | % of customers who use the bank's services to create a financial action plan with the bank | Transactional and/or survey data based. Measures the percentage of customers who create a financial action plan with the bank using the bank's services. A financial action plan is anything that helps the customer build financial resilience. It is done "with the bank" if the bank can visualize, | B.4.2 | % of customers for which spending exceeded 90% of inflows for more than 6 months last year | Survey and/or transactional data based. Measures the percentage of customers with a transaction account and/or savings/investment accounts for which spending exceeded 90% of inflows for more than 6 months in the year within the reporting period compared to the total of customers within PRB scope. Focus on main |

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| | | | stronger skills, and thus, any individual that is supported with the initiative will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health | | | financial health tools) | | | through the transactions of the customer, the results of the plan. | | | financial institution customers. |
| | B.1.3 | # of partnerships active to achieve financial health and inclusion targets | Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports. | | | | B.3.3 | % of customers using overdraft regularly | Transactional data based. Measures the percentage of customers using the overdraft option in their accounts or credit cards, regularly. Overdraft can be used to handle unexpected emergencies but more than 1/3 of the year (banks may deviate if proper reasons are provided) denotes regularity and a precursor to lower financial health | B.4.3 | % of customers that feel confident about their financial situation in the next 12 months | Survey based data. Measures the percentage of customers that answered positively to feeling confident about their financial situation in the next 12 months compared to the total number of customers surveyed. By confident we mean not feeling worried about their financial situation. |
| | | | | | | | B.3.4 | % of customers with a non-performing loan | Transactional data based. Measures the percentage of customers with past-due loans ("past due" | B.4.4 | % of customers with products connected to long-term saving and investment plans | Transactional and/or survey data based. Measures the percentage of customers with products |

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| | | | | | | | | defined by policies at each bank) compared to the total amount of customers with loans in the bank's lending portfolio. | | | connected to long-term saving and investment plans. "Long-term" will depend on each bank's definition. | |
| | | | | | | | B.3.5 | % of customers showing an increase or stable amounts in savings, deposit and/or investment account balances, quarter on quarter. | Transactional data based. Measures the percentage of customers showing an increase or stable amounts in savings and/or deposit AND/OR investment accounts balances, quarter on quarter. | B.4.5 | % of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense | Survey based data. Measures the percentage of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense. We consider a major unexpected expense, one that the customer hadn't planned for and would require them to spend more than what they have available for secondary expenses in their monthly budget or 1/20th of the country's Gross National Income (banks may deviate if proper reasons are provided). A good example is: unforeseen medical bills, large appliance malfunctioning, car repair, etc. Survey based |

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| | | | | | successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users. | | | | | | |
| | C.1.2 1 | % of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health | Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of stronger skills, and thus, any individual that is supported with the initiative | C.2.2 | % of customers with effective access to a basic banking product | Transactional data based. Measures the percentage of customers with effective access to a basic banking product. By effective we mean the usage beyond first access. Basic banking products vary by bank. Good examples are: checking accounts, payment accounts, credit cards, saving accounts, deposit accounts, e- | C.3.2 | % of customers supported with dedicated customer journey/advisory services | *Transactional data based. Where dedicated customer journey/advisory services are in place for prioritized groups, this indicator measures the percentage of customers using such services. Depending on size of bank, either number or percentage can be the unit of measure. | | |

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| | | | will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health | | | money accounts, etc. | | | | | |
| | C.3.3 | # of partnerships active to achieve financial health and inclusion targets | Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports. | C.2.3 | # of new customers per month | Transactional data based. Measures the number of new customers per month. Once the bank sets a target, this indicator can become a KPI to measure the percentage of new customers from the prioritized groups, per month. | C.3.3 | % of customers actively using the online/mobile banking platform/tools | Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including financial health tools, if applicable) | | |