A green geometric graphic consisting of several overlapping triangles and lines, pointing towards the right.

Impact Tool Analysis

Information at the end of December 2023

Content

Background Banco Promerica	3
NDC Background	3
Thematic Areas NDC El Salvador	4
Presentation of the UNEPFI Impact Tool	4
Aligning the Impact Tool with NDCs	5
Institutional Banking Module	6
Positive impact	7
Negative impact	8
Final Thoughts	9

Background Banco Promerica

Banco Promerica El Salvador is part of the Promerica Group, a financial group with more than 30 years of experience operating in nine countries in Central America, South America and the Caribbean. The group's presence extends throughout Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Ecuador, the Cayman Islands and the Dominican Republic, managed by a multinational team of bankers with extensive experience in the financial sector.

Since its inception, Promerica Bank Network has experienced continuous growth in the different countries where it operates, becoming one of the most important financial networks in the region. The bank offers a comprehensive portfolio of products and services, using state-of-the-art technology for the management and control of operations, providing customers with ethical, reliable and personalized financial services. While maintaining steady growth in its Consumer portfolios, Banco Promerica focuses its expansion on the corporate, SME and real estate segments.

NDC Background

In 1995, El Salvador joined the United Nations Framework Convention on Climate Change (UNFCCC) and ratified the Paris Agreement shortly after its introduction in 2015, thus committing to its first Nationally Determined Contribution (NDC). Subsequently, in 2022, the country presented a new and broader NDC, aligned with the National Climate Change Plan (PCCN) and oriented towards sustainable management and adapted to climate change.

El Salvador's NDC addresses both mitigation and adaptation measures. In mitigation, commitments are highlighted in the Energy and Agriculture, Forestry and Other Land Use (AFOLU) sectors, with actions related to renewable energies, energy efficiency and the increase of carbon sinks. In adaptation, measures are included for sectors such as Agriculture, Hydroelectric Generation, Infrastructure, Health, Sanitation and Solid Waste, Transport, Biodiversity, Cities and Water Resources.

The country seeks coherence in its measures by linking objectives, policies and actions with the Sustainable Development Goals (SDGs), a gender approach and inclusion of vulnerable groups.

Currently, the Ministry of Environment and Natural Resources (MARN) is leading efforts to establish a Measurement, Reporting and Verification (MRV) system for the monitoring of the NDC, complying with the requirements of the Enhanced Transparency Framework of the Paris Agreement. Through collaboration with the Climate Action Transparency Initiative (ICAT), El Salvador is working on the development and institutionalization of a framework for the monitoring of NDC actions and improvement of the national reporting platform, with the aim of strengthening MRV, having indicators aligned with the requirements and establishing the foundations for a web platform for the continuous monitoring of the NDC and the Report on policies and measures implemented.

Reporte NDC El Salvador: <https://unfccc.int/sites/default/files/NDC/2022-06/El%20Salvador%20NDC-%20Updated%20Dic.2021.pdf>

Thematic Areas NDC El Salvador

- Mitigation: focuses on preventing or reducing the negative effects of climate change by acting on the root causes of the problem, such as the emission of greenhouse gases.
 - Energy
 - AFOLU (agricultural activities, forests and other land uses)
- Adaptation: adapting to the present and future impacts of climate change, strengthening their resilience and capacity to face these challenges.
 - Biodiversity and ecosystems
 - Infrastructure
 - Water resources
 - Solid waste
 - Health
 - Sanitation

Presentation of the UNEPFI Impact Tool

Tomado de sitio web de UNEPFI <https://www.unepfi.org/impact/unep-fi-impact-analysis-tools/portfolio-tool/>

The Portfolio Impact Analysis Tool for Banks follows an iterative input and output workflow based on UNEP FI's unique Holistic Impact Methodology. This tool requires users to enter data to describe their portfolio and reflect their current impact performance. It then uses the data entered together with a set of integrated Impact Mappings to generate various results, in particular impact profiles by line of business, and guides the user to identify the bank's most significant impact areas and determine priorities, thus laying the groundwork for strategy development and goal setting.

The tool is designed to help banks meet the requirements of Principle 2 on Impact Analysis and Goal Setting of the Principles for Responsible Banking (PRB): "We will continue to steadily increase our positive impacts while reducing negative impacts on people and the environment arising from our activities, products and services. To this

Aligning the Impact Tool with NDCs

It is important to mention that there is currently no defined and structured way on how harmonization between NDCs and other agendas should be carried out, so countries are making these links differently among themselves, with greater or lesser completeness and detail, and based on their national circumstances, as mentioned in the NDC vs. other agendas guide, which can be found at this link: <https://ndc5.org/ndc/el-salvador/>

That said, Banco Promerica has chosen these main actions to support NDCs, based on the document “Sectoral Plans for the Implementation of NDCs in El Salvador” designed by MARN, supported by PNUD and published on the NDC-5 website: <https://ndc5.org/ndc/el-salvador/>

1. Facilitate access to financing by granting credits to specific segments with a social or green target.
2. Monitoring of the green portfolio and social portfolio with indicators aligned with SDGs.

To develop the first point, it has incorporated credits for energy efficiency and renewable energy into its products and services since 2017, then it created reporting to follow up on the green portfolio and incorporated social portfolios: companies led by women, companies led by young people and SMEs; subsequently, it incorporated monitoring by labeling these portfolios with clear indicators aligned with SDGs, as detailed in the first report of the sustainable bond, where the indicators of each of the portfolio segments are available.

In this way, it contributes to the Energy objectives that have been set out in the NDCs:

The NDC targets have been taken from the MARN monitoring and verification site: <http://ndc.marn.gob.sv/ndc>

Promerica Contribution	NDC Goal
Increasing renewable energy generation	Meta de incremento de energía renovable para el año 2025 no inferior al 12% con respecto a la energía eléctrica total generada en el país en el año 2014.
Reducing emissions through green portfolio financing	Goal of increasing renewable energy by 2025 of no less than 12% with respect to the total electricity generated in the country in 2014.
Efficient irrigation sector financing	Maintain the monitoring and sustainable management system of all coastal aquifers
Financing for mills with sustainable certifications with a % indicator of certified sustainable cultivation area	eradication of the practice of cane burning and its transition to sustainable and certified cultivation
Financing clean transportation	Reduction of GHG emissions from the AMSS transport sector
Financing sustainable agriculture	Reduction of GHG emissions from the agriculture, livestock and forestry sector

Institutional Banking Module

Grupo Promerica has 6 signatories of the PRB and 3 of them are founding signatories.

To reaffirm its commitment to promoting social well-being and protecting the planet, Banco Promerica El Salvador became a signatory to the United Nations Principles for Responsible Banking (PRB) in 2021. As an initial phase of this commitment, the bank conducted an analysis of the positive and negative impacts of El Salvador's portfolio. This analysis, facilitated by the Impact Analysis Tool provided by UNEP-FI, used the Institutional Banking Module, with the information assessed as of December 31, 2023.

In 2022, the Context Module tool allowed us to identify the top 12 priorities in five countries (Costa Rica, Ecuador, Guatemala, Nicaragua, and Panama), concluding that the common needs of these Promericas include:

- Integrity and security, availability, accessibility, affordability, quality of resources and services
- Sustenance
- Socio-economic convergence
- Biodiversity
- healthy ecosystems.

And with El Salvador's results in 2023, we can see that the trend is holding in the same areas. (See image below)

The portfolio was unbundled to level 2 using the International Standard Industrial Classification (ISIC).

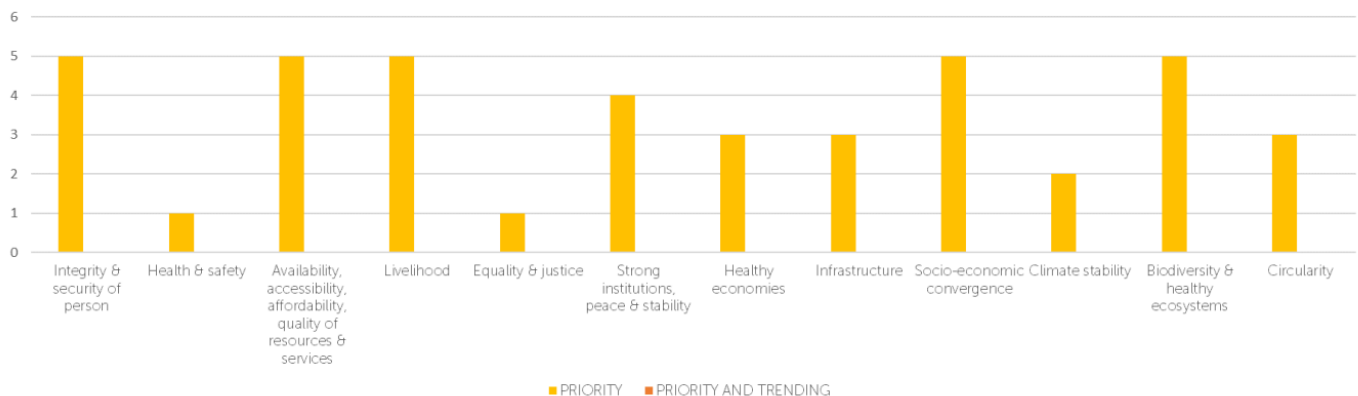
Módulo Contexto

Necesidades y prioridades en cinco países

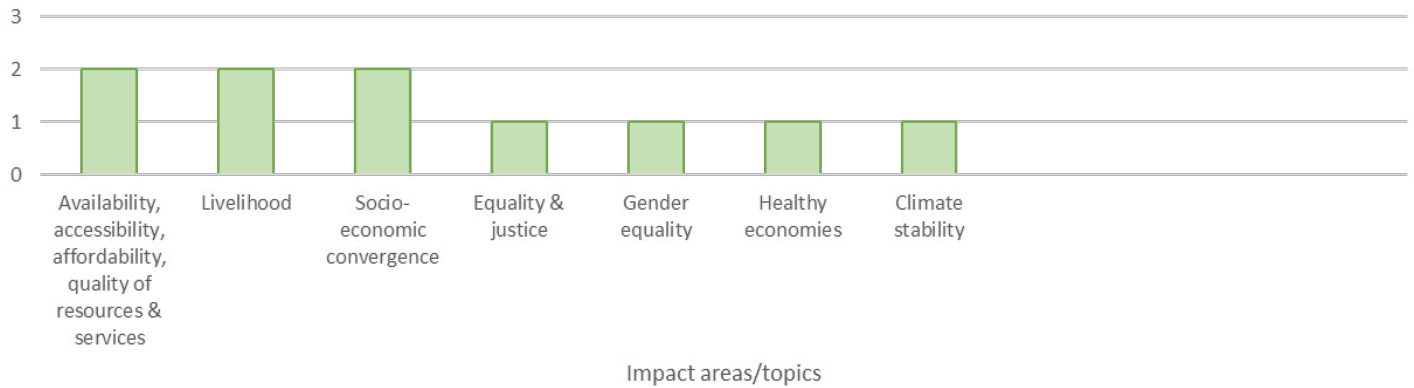


Main priority and trending areas across countries

(how often an impact area is showing as a priority area or as a priority and trending area across all countries of operation)



Prioritised significant impact areas/topics El Salvador



Positive impact

El gráfico de radar muestra los impactos positivos en varias áreas, clasificando datos de TODAS LAS ASOCIACIONES, ASOCIACIONES CLAVE, PRIORIDADES LOCALES y PYMES. A continuación se detallan las implicaciones y oportunidades clave para el banco, vinculadas con los ODS.

Top 3 Impact Areas on Key Partnerships and Their Relationship to the SDGs

1. Availability, Accessibility, Affordability, Quality of Resources and Services:

- SDG 1: No poverty, SDG 8: Decent work and economic growth, SDG 10: Reduced inequalities
- Implication: Improving the accessibility and quality of financial services can increase customer satisfaction and loyalty.
- Opportunity: To develop inclusive and accessible financial products for different segments of the population.

2. Sustenance:

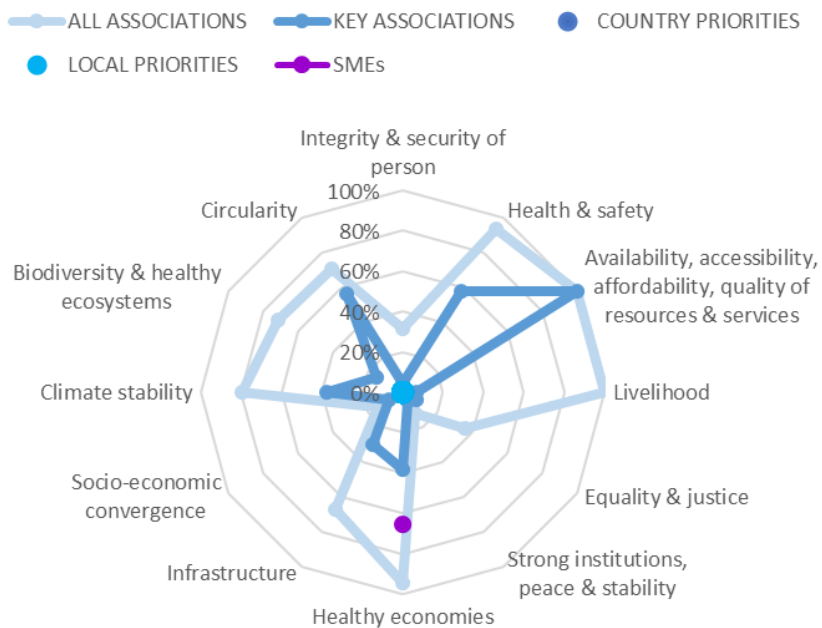
- SDG 8: Decent work and economic growth
- Implication: Addressing negative impacts on livelihoods can improve economic stability and social well-being in the communities the bank serves.
- Opportunity: Develop and support programs that enhance job creation, provide fair wages, and improve working conditions for all employees and community members.

3. Health and Safety:

- SDG 3: Good health and well-being
- Implication: Strengthening health and safety policies can position the bank as a leader in workplace well-being.
- Opportunity: Invest in health and safety programs for employees and communities.

POSITIVE IMPACTS

Impact areas



Negative impact

The radar graph shows negative impacts in various areas, ranking data from ALL PARTNERSHIPS, KEY PARTNERSHIPS, COUNTRY PRIORITIES, and LOCAL PRIORITIES. Below are the key implications and opportunities for the bank, linked to the SDGs.

The 3 main areas of negative impact and their relationship with the SDGs

1. Health and Safety:

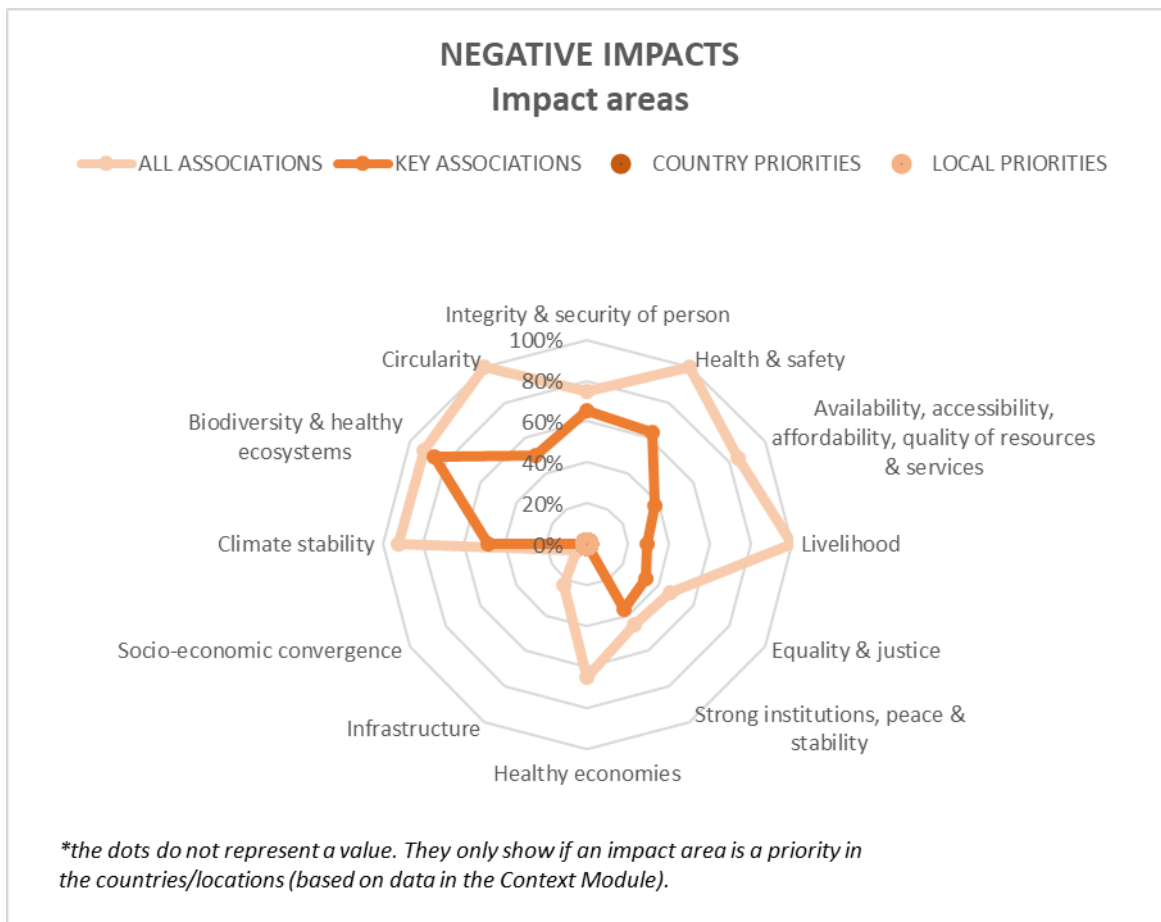
- SDG 3: Good health and well-being
- Implication: Negative health and safety impacts can damage the bank's reputation and employee well-being.
- Opportunity: Improve health and safety measures, create strong health policies, and ensure a safe work environment.

2. Availability, Accessibility, Affordability, Quality of Resources and Services:

- SDG 1: No poverty, SDG 8: Decent work and economic growth, SDG 10: Reduced inequalities
- Implication: Problems with the availability and quality of services can lead to customer dissatisfaction and reduced trust.
- Opportunity: Improve service delivery, ensure affordability, and focus on quality improvements in financial products.

3. Climate stability:

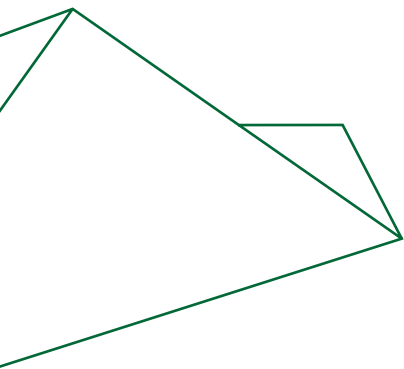
- ODS 13: Acción por el clima
- Implicación: Los impactos negativos sobre la estabilidad climática pueden aumentar los riesgos ambientales y afectar la sostenibilidad a largo plazo del banco.
- Oportunidad: Implementar estrategias para reducir la huella de carbono, invertir en tecnologías verdes.



Final Thoughts

In the impact tool, the segment on which the portfolio has the most positive and negative impacts coincides with Availability, accessibility, and quality of resources and services. It coincides with the key areas for the rest of the signatory countries.

By facilitating access to financing for social and environmental objectives and monitoring portfolios with SDG-aligned indicators, the bank not only contributes to NDC goals but also strengthens its commitment to the UNEPFI Principles for Responsible Banking. This approach ensures that the bank supports national efforts in climate action and sustainable development while improving economic stability and health outcomes in the communities it serves.



Banco Promerica 