

AUGUST, 2022

FIRST REPORT

# Principles of Responsible Banking



PRINCIPLES FOR RESPONSIBLE BANKING

## TABLA DE CONTENIDOS



### PRINCIPLE 1

#### Alignment

- 5 Our business model
- 6 Triple Positive Value Strategy
- 7 Our strategic objective of triple positive value
- 9 Our contribution to the Sustainable Development Goals
- 10 Commitments to sustainable finance



### PRINCIPLE 2

#### Impact and target settings

- 14 Impact analysis
- 18 Climate strategy
- 21 Financial inclusion and health
- 23 Alignment of the loan portfolio with Triple Positive Value



### PRINCIPLE 3

#### Clients and customers

- 25 Our clients
- 25 Solutions for promoting sustainable production and consumption by our clients
- 26 Triple Value solutions at BAC, 2022
- 27 Projects for promoting responsible consumption and sustainable practices
- 28 Culture and training of staff in sustainable finance
- 29 Digital services that promote financial inclusion and education



### PRINCIPLE 4

#### Stakeholders

- 32 Map of our stakeholders
- 32 Consulting our stakeholders
- 33 Relationship mechanisms
- 34 Public-private partnerships
- 36 Participation in forums with other sectorial entities



### PRINCIPLE 5

#### Governance and culture

- 39 Governance Bodies
- 40 Sustainability Forum
- 40 Triple Positive Value Guidelines and Manual
- 41 Risk Maturity Model for Climate Change
- 41 Evaluation and Compensation Mechanisms



### PRINCIPLE 6

#### Transparency and accountability

- 43 Methods and standards used for reporting
- 43 Frameworks for sustainability outreach
- 44 Presentation of our upcoming sustainability reports



## ABOUT THIS REPORT

Publishing our first report under the Principles of Responsible Banking is a great honor for our bank. This initiative is a unique worldwide collaboration between the United Nations and the global banking sector.

By taking part in this initiative, we are reaffirming our commitment to becoming a net positive bank, meaning one that maximizes not only its economic value, but also its positive social and environmental value in a way that benefits all of our stakeholders. Based on a wide-reaching dialogue with customers, suppliers, regulators, shareholders, NGOs, media, communities, etc., with our employees playing a leading role, we have identified 12 strategic objectives grouped into three areas. These objectives have become public, quantifiable commitments to Central American society. In the economic area, highlights include moving towards radically transparent banking, transforming our portfolio of financial solutions to be simple, digital, and based on triple value, and providing a boost to SMEs and entrepreneurship. In the environmental area, we will become a carbon-, water- and waste-positive bank in 2025, transitioning our portfolio to net positive by 2035, and promoting the circular economy. In the social area, we have made a commitment to support financial and digital inclusion, to make banking gender-inclusive and, especially, equitable, to eradicate poverty in the families of our employees by 2027, and to ensure the overall well-being of our people.

Our progress in each of these objectives will be reported periodically in this report. We take great pride in being the first regional bank to formalize

**To our esteemed shareholders, customers, employees and stakeholders at large:**

this commitment to conducting positive financial business.

BAC is the region's premier bank in the traditional indicators (assets, portfolio, deposits, and profits). Our aspiration is to complement our measurements of economic success with goals relating to the creation of positive environmental and social value that are as ambitious as the economic goals we set for ourselves.

It is important to emphasize that the principles of responsible banking are perfectly aligned with this aspiration. Indeed, they provide us with a framework to formalize our approach to these critical issues in all three areas. In addition, these principles have made it possible for us to join a group of leading banks that measure their success in a holistic manner, using rigorous standards and methodologies to objectively evaluate their capacity for creating positive value in the communities they serve.

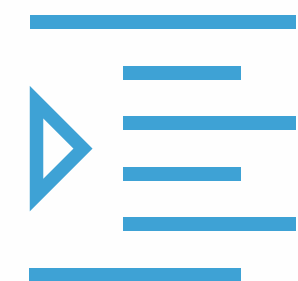
One key element of this first report is that we have performed an analysis of our business customer portfolio to highlight the segment's importance and the potential to work with our over 130,000 corporate clients and over 300,000 SME clients to positively transform their businesses. We were also able to make a map to identify a baseline of our corporate loan portfolio, which showed that 6% of the portfolio is made up of projects with a positive social and environmental value. This baseline will allow us, in the coming months, to set ambitious goals to increase positive value and more effectively assist our customers in the process.

At BAC, we know that banking has been a major catalyst of economic value around the world for centuries, and that we now have the opportunity to become a catalyst for economic and social value. As an industry, we have the opportunity to be a meaningful agent in achieving the Sustainable Development Goals of the United Nations. At BAC, we are taking on this challenge with great enthusiasm.

For the major transformations required throughout society to become a reality, every sector will need to make use of capital, knowledge and, most importantly, strategic partnerships. At BAC, we are aware of the role we will need to play in Central America, a region full of strengths but also one that is dealing with significant economic, social, and environmental challenges. We want to be part of the solution to these challenges, so that we can build a Central America with greater equality of opportunity and development that is in harmony with the environment.

With great enthusiasm, we have assumed the responsibility – indeed, the opportunity – to reimagine banking to generate prosperity in the communities we serve. Guided by integrity, excellence, and a passion for what we do, we are ready to be pioneers and to demonstrate that banking can maximize economic, environmental, and social value at the same time and with the same rigour and excellence. The world needs it to happen and, at BAC, we want to do it and do it well.

**Rodolfo Tabash**  
Presidente y CEO



PRINCIPLE 1

# Alignment

We will align our commercial strategy in order to be consistent and to contribute to the needs of individuals and the aims of society, as expressed in the Sustainable Development Goals, the Paris Agreement, and relevant regional and national frameworks.





# OUR BUSINESS MODEL

BAC is the only bank with a significant presence in every country in Central America, with a diversified portfolio in the region's economies that allows us to achieve adequate profitability with a lower risk exposure.

Regionally, we are leaders in asset markets, portfolios, deposits, and profits, with increasing market share in the first three areas listed. By December 2021, our share of financial system assets was 9.9%. We have increased our portfolios by 26 base points (with respect to December 2020), achieving a regional share of 11.1%, maintaining our leadership position in net portfolio loans.

We continued our outstanding performance in 2021, maintaining our strategy of fostering loyalty among our international clients combined with constant cutting-edge implementation and increased use of digital channels, which we achieved through a proactive digital transformation strategy based on modern and versatile online banking.

We positioned ourselves as the leading bank in deposit attraction, with a 10.8% market share, and an increase of 18 base points over the same period in 2020.

In December 2021, we led regional market share in profits, with 14.9% of the total profits of the financial system.

## Main indicators

Assets	Portfolio	Deposits	Equity	Net profit
\$28,1 MM	\$18,5 MM	\$21,8 MM	\$2,8 MM	\$445 M

US\$ American dollars

## Banking Services Channels

313 Branches	+330,000 POS terminals	+9,000 Non-bank correspondents	2,081 ATMs
-----------------	---------------------------	-----------------------------------	---------------

## Presence in the region

	B	DI	D	C	R
Costa Rica	43	6	0	49	2,738
Guatemala	38	1	1	40	261
El Salvador	97	14	0	54	1,318
Honduras	64	17	6	73	1,799
Nicaragua	40	2	0	71	2,760
Panamá	31	3	0	13	343
<b>Total</b>	<b>313</b>	<b>43</b>	<b>7</b>	<b>300</b>	<b>9,219</b>

**B** Branches **DI** Drive-in banks **D** Digital branches **C** Bank windows **R** Rapibac

**16.7%**  
ROE

**1.6%**  
ROA

## Digital transformation

**1,9M** Active digital customers **83%** Digital customers using Mobile Banking

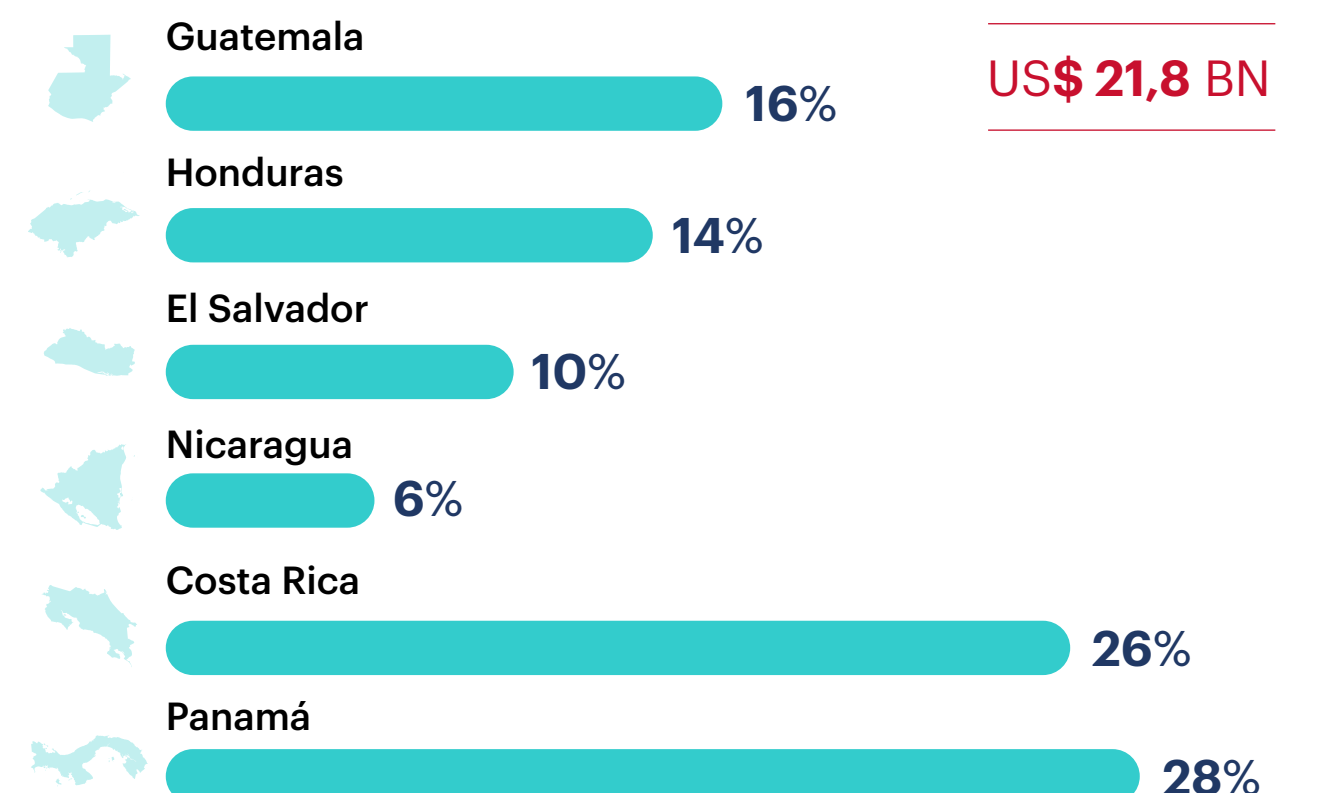
**56%** Incoming interactions by digital channels **86%** Monetary transactions are carried out through digital channels

## Highly diversified portfolio

### PER PRODUCT

<b>39%</b> Term	<b>39%</b> Current	<b>22%</b> Saving
--------------------	-----------------------	----------------------

### PER COUNTRY



**+4,2**  
Millions of customers

**+19,000**  
employees

Regional leader in the issuing and acquiring business of cards

### Regional ranking

**#1** in assets in portfolio in deposits in net profit



# TRIPLE POSITIVE VALUE STRATEGY

Our sustainability and commercial strategies are completely aligned and compliment each other perfectly, working toward a responsible business model that is in tune with both society and the environment, and which identifies and takes action in the areas that are most important for our stakeholders and our business.

At BAC, we have integrated our vision of sustainability into our corporate strategy. We aspire to evolve and become an institution that offers financial solutions that are simple, digital, and offer triple positive value: economic, environmental, and social.

In the current context, and with all the economic, environmental and social challenges that exist, we at BAC have set out to be NET POSITIVE, not just for the

environment, but also for society. This means that we seek to generate more environmental and social value than we consume, using the same excellence and rigor we apply when maximizing economic value. We will also work to maximize and share economic, social, and environmental value with all our stakeholders.

In 2021, we began to redefine our corporate strategy, carrying out a number of studies and interviewing our leaders and other stakeholders. This culminated in the identification of our objective and the simplification of our values, two aspects that materialized at the start of 2022. Using a regional collaborative process, we identified the culture that we want to promote at BAC, and which will allow us to successfully meet future challenges.



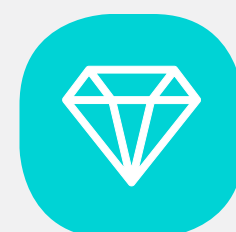
This is how we came to define the six pillars of our culture and the specific actions that we will carry out in the coming years.

## OUR VALUES



### Integrity

We inspire confidence because we act ethically and transparently



### Excellence

We stand out because we go beyond what is expected of us and because we love to provide excellent service



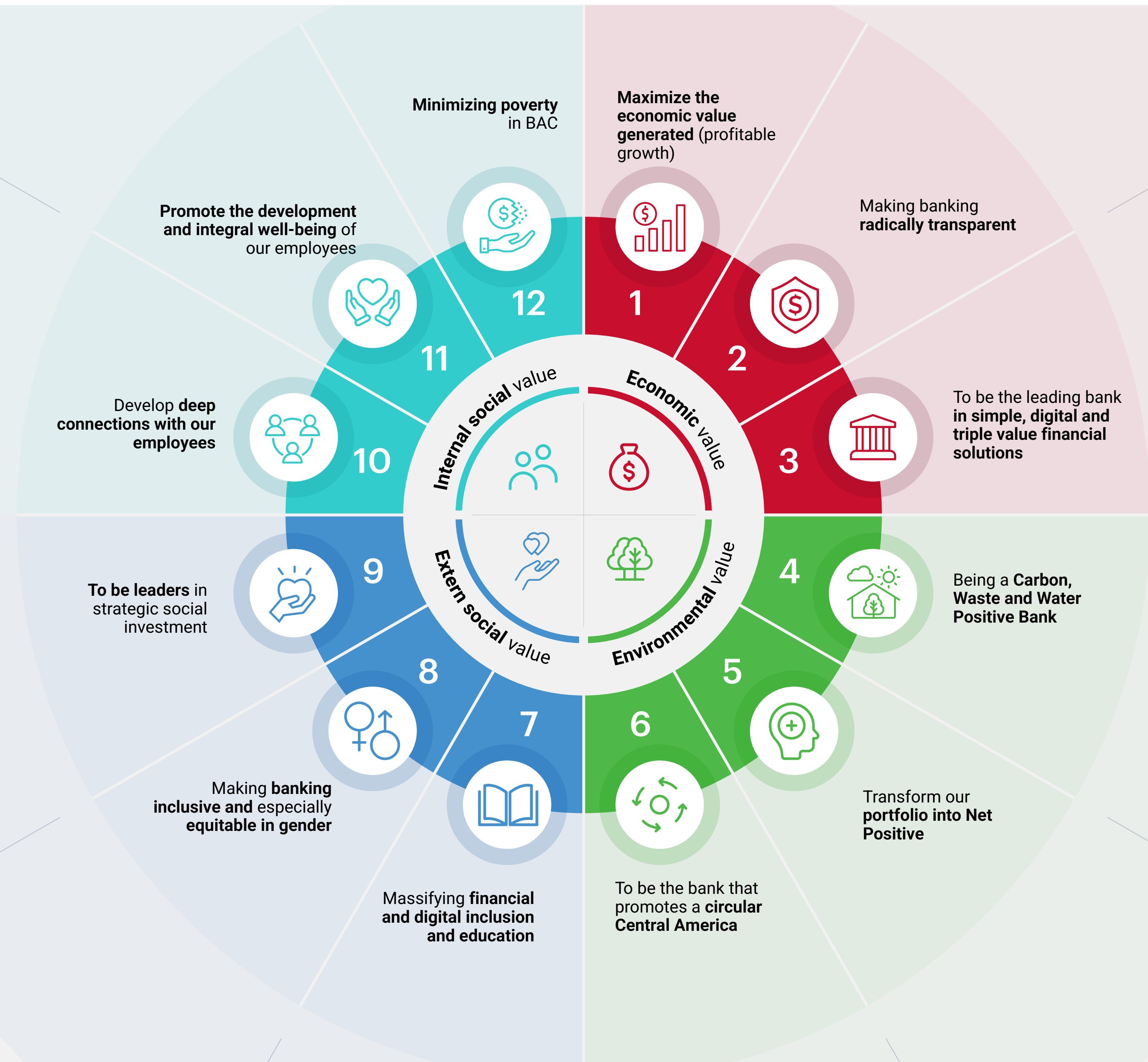
### Passion

We love what we do because we know that our work has a positive impact on people and our planet



# OUR STRATEGIC OBJECTIVE OF TRIPLE POSITIVE VALUE

Our ambitious objectives seek to go above and beyond the traditional definition of corporate success, and to redefine the role of banking in generating prosperity and improving people's quality of life in harmony with the environment. These three objectives address the economic, environmental, and social spheres, with the social sphere being divided into two areas: internal and external.





## At BAC, we want to become catalysts for triple positive value in Central America

To this end, we have defined concrete lines of action and aspirational objectives in each area, which are integrated into specific programs and projects.



Economic



Environmental



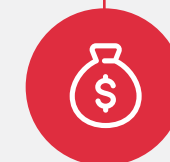
Internal Social



External Social

### OBJECTIVES

### AIMS FOR 2022



#### Radical transparency

Clear, timely and user-friendly information about the conditions of our products

Measure results using the Transparency Index, based on the Net Promoter Score (NPS) for external clients and the Employee Net Promoter Score (eNPS) for partners

Design a summary box that summarizes the main contractual conditions of our most important products in a clear, simple, and friendly manner

#### Financial solutions that are simple and digital, offering triple value

Transform our portfolio of solutions into services that offer triple positive value

Develop and launch 1 new financial solution for each segment in each country with environmental and/or social value



#### Ecological efficiency and positive operational footprint

Water / Waste / Greenhouse gas emissions

100% of locations with quantified GHG inventory  
100% of locations with water consumption measurement  
100% of locations with waste recovery within their footprint

#### Decarbonization of our portfolio

Identification and analysis of the risks and opportunities in each segment of our portfolio

Classify our loan portfolio in environmental, social, and gender terms

Define the first portfolio decarbonization objectives in line with the results of the analysis carried out

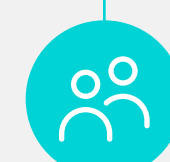
#### Promote the circular economy and sustainable mobility, further the transition to renewable energy sources

Launch our new Bio card strategy

Launch the BAC Electronic Route: a Central American network of charging stations for electric vehicles

#### Managing climate change risks

Implement the Climate Change Risk Maturity Model



#### Promote diverse and inclusive workplaces

100% of our leaders trained on the Diversity and Inclusion Strategy

Selection process incorporates inclusive criteria

#### Eradication of poverty at BAC

1 deprivation of multidimensional poverty has been eradicated for 100% of the partners we assist



#### Provide financial and digital inclusion and education

30% conversion in Digital Financial Education for salary accounts when opening savings accounts, completing online banking transactions, and using credit cards

#### Make banking gender-inclusive and, especially, equitable

40% conversion in Banca Mujer strengthening programs for financial solutions (account opening, loans, salary, insurance, and invoicing)

#### Become leaders in strategic social investments.

90% of executed resources are invested into projects and/or causes that are aligned with our corporate strategy of triple positive value



# OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

The financial sector performs an essential function for fulfilling the United Nation's Sustainable Development Goals by providing financial resources to sustainable projects and initiatives that make a positive contribution to the environment and society.

At BAC, we have aligned our strategic objectives with the targets of the SDGs, and we have identified and prioritized the SDGs to which we can contribute in the most direct manner.





## COMMITMENTS TO **SUSTAINABLE FINANCE**

We are signatories to the main initiatives among financial institutions to align their commercial strategies with the SDGs, the Paris Agreement, and ones that promote zero greenhouse gas emissions by 2050.



### **NET ZERO BANKING ALLIANCE**

We have confirmed our commitment to help implement the Paris Agreement by joining the Net Zero Banking Alliance in October 2021.

We have joined hundreds of banks around the world who are transitioning away from the greenhouse gas (GHG) emissions caused by their operations and the loans and investments in their portfolios with the aim of reaching “net zero” by mid-century and achieving a maximum global temperature increase of 1.5°C above pre-industrial levels by 2100.



### **PCAF (PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS)**

In March 2022, BAC joined the Partnership for Carbon Accounting Financials (PCAF), and committed to address the urgent challenge of climate change, to decarbonize its loan and investment portfolio by measuring and reporting the associated greenhouse gas emissions, and to aim for transparency about the challenges encountered and its progress towards the fulfillment of its defined objectives.



BAC is breaking with traditional paradigms of what a bank’s function is, we aim to become an example for purposeful banking, and for creating triple positive value – economic, social, and environmental. We are therefore proud to support the global economic transition to net-zero or climate-positive emissions, and to lead the collective action that is so badly needed to strengthen the global movement against climate change.”

Our sign up to the United Nation’s Principles for Responsible Banking, and to the Partnership for Carbon Accounting Financials - PCAF, are a strong commitment to not only offset our impact, but also to create added value beyond what we take from the planet.”

**Gisela Sánchez**

Regional Director of Strategy and Corporate Relations at BAC



**PRINCIPLE 2**

# Impact and target settings

We are continually increasing our positive impact, while reducing the negative impact and managing the risks for the people and environments affected by our activities, products, and services. In order to do this, we will establish and publish objectives in areas where we can have the strongest impact.





We recognize the important role as the only bank with a strong presence in all six countries, we at BAC have made a commitment to transform our portfolio of services. In addition to being simple, innovative, and digital, they will also become instruments that will permit our clients and users to achieve their objectives while simultaneously reducing their negative impacts, serving as tools for generating positive economic, environmental, and social value.

One of our main objectives is to establish long-term relationships with our clients. To achieve this, we make an effort to offer products and services that are tailor-made to their requirements and allow them to achieve their goals.

Our capacity to adapt and, especially, our client focus, has allowed us to support our clients and help them make their ideas and projects a reality.

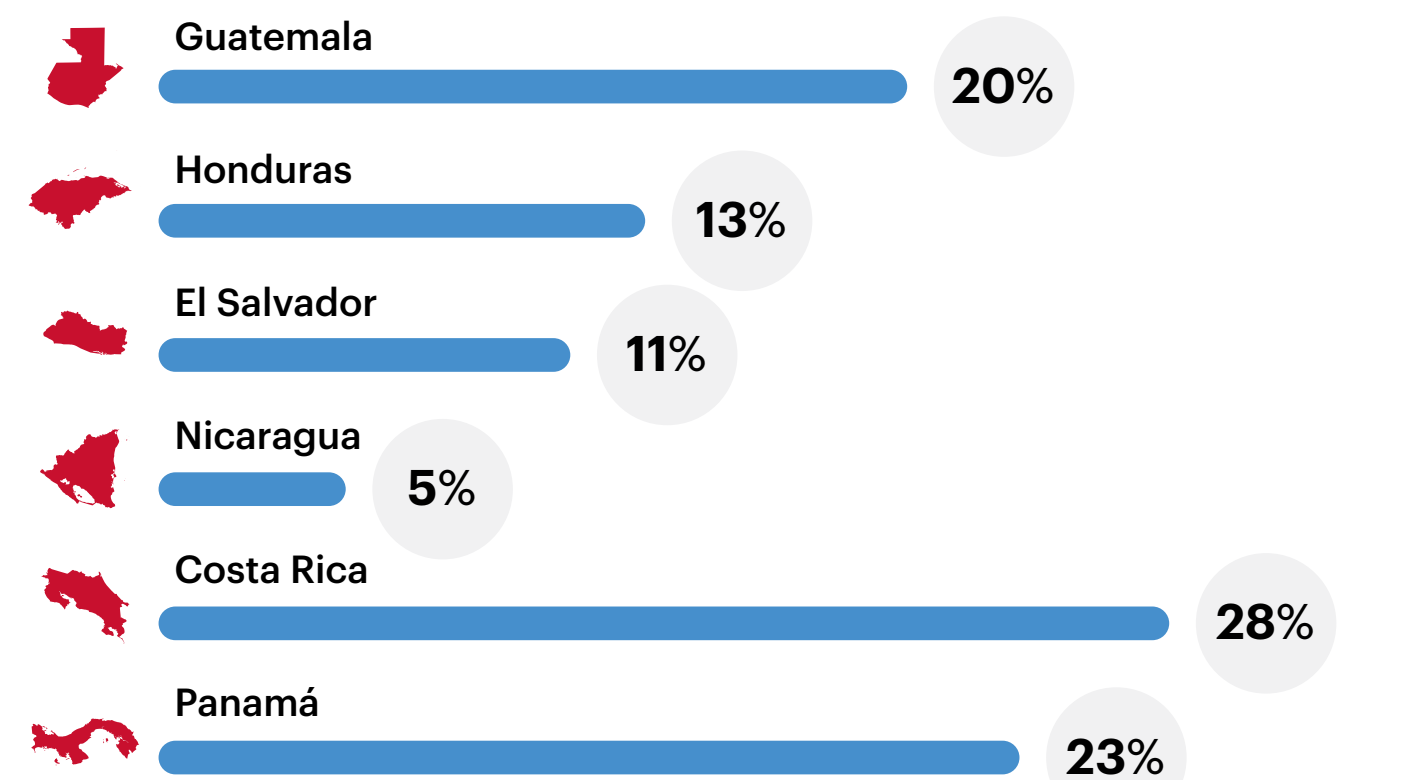
Amidst a backdrop of unprecedented circumstances and changes in our customers' business models brought about by public health restrictions, we helped to ensure the continuity of their operations by providing solutions, which include financial and credit relief as well as digital tools for their businesses.

Composition of our portfolio

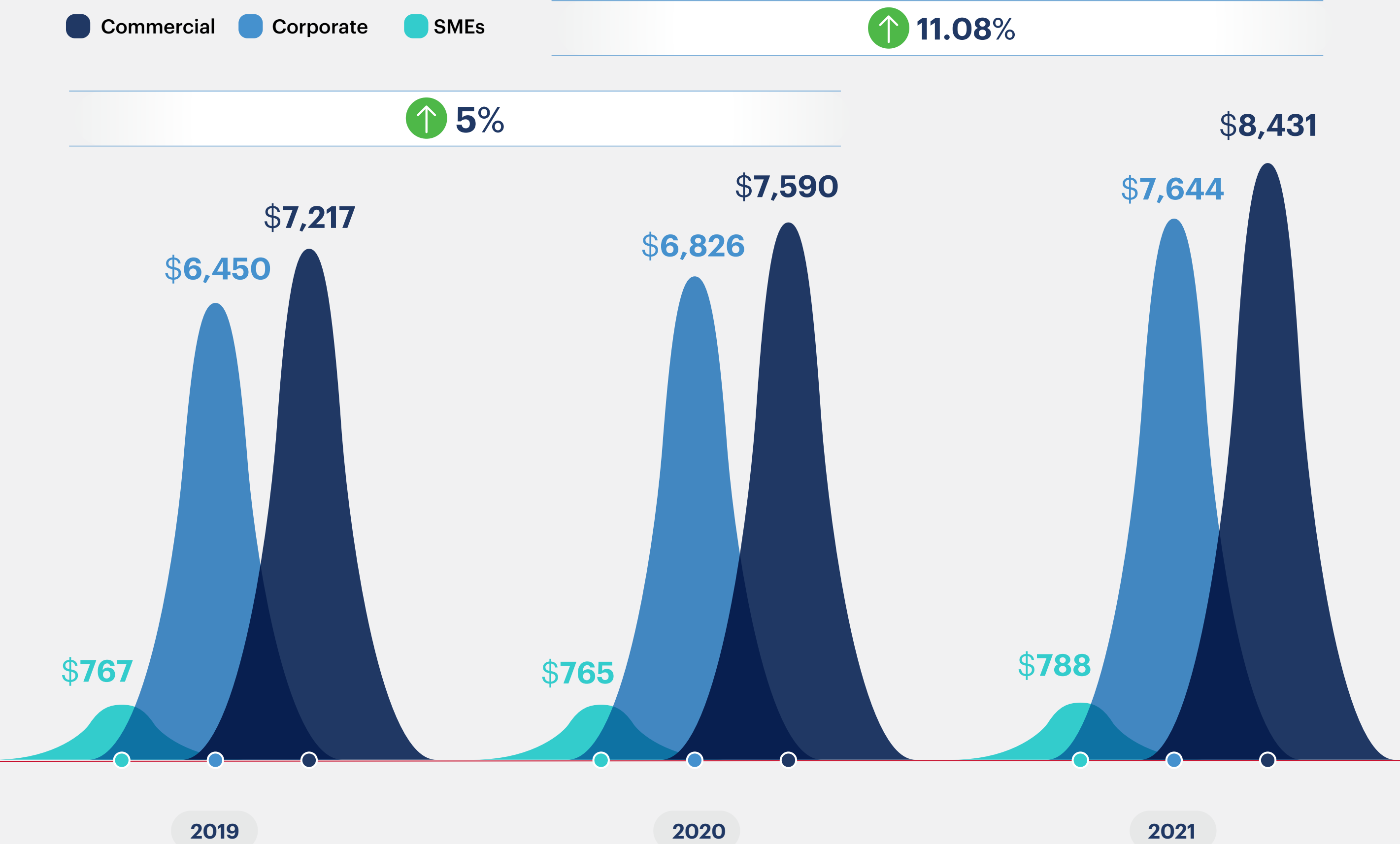
PER PRODUCT



PER COUNTRY



US\$ Millions of dollars



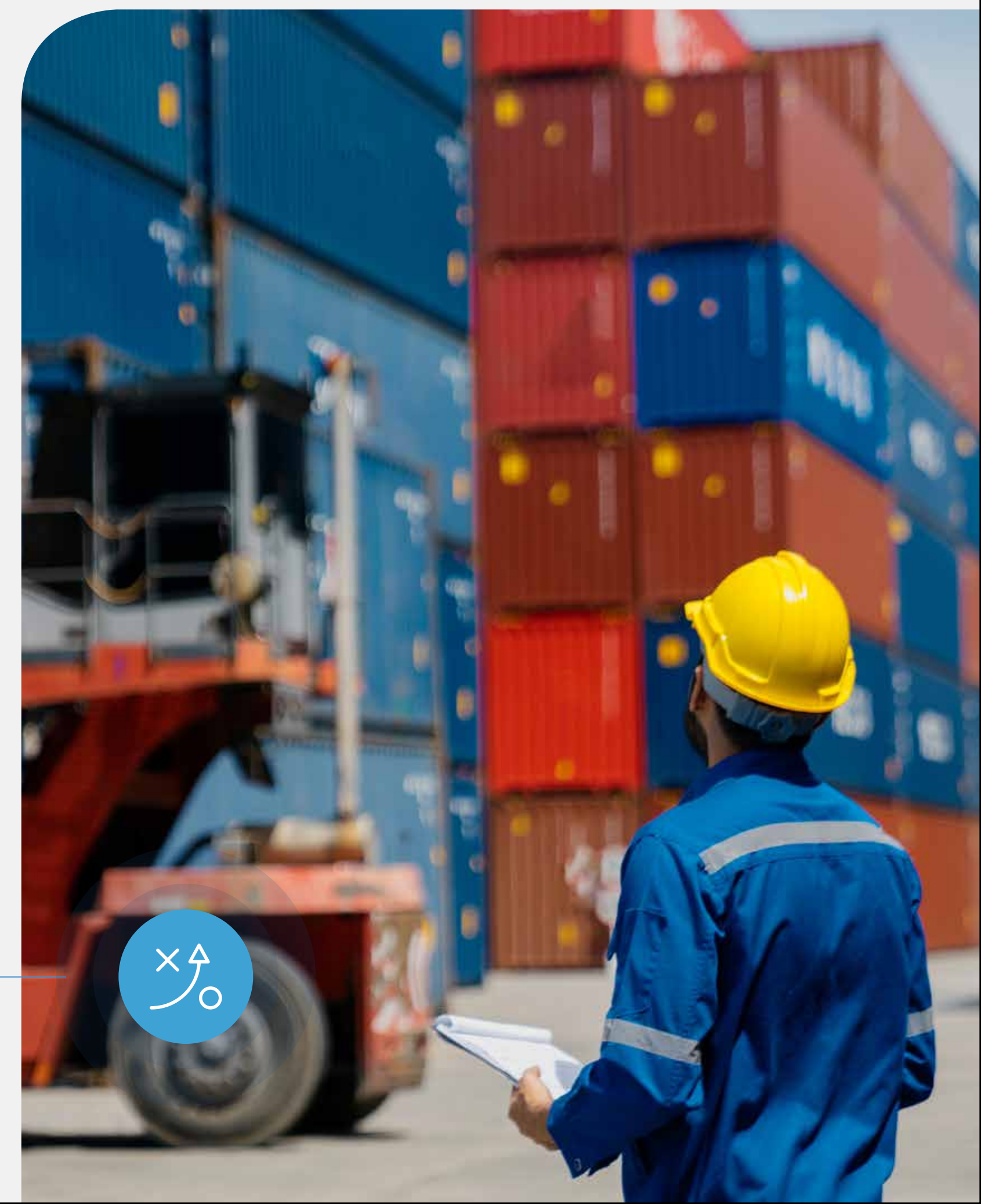
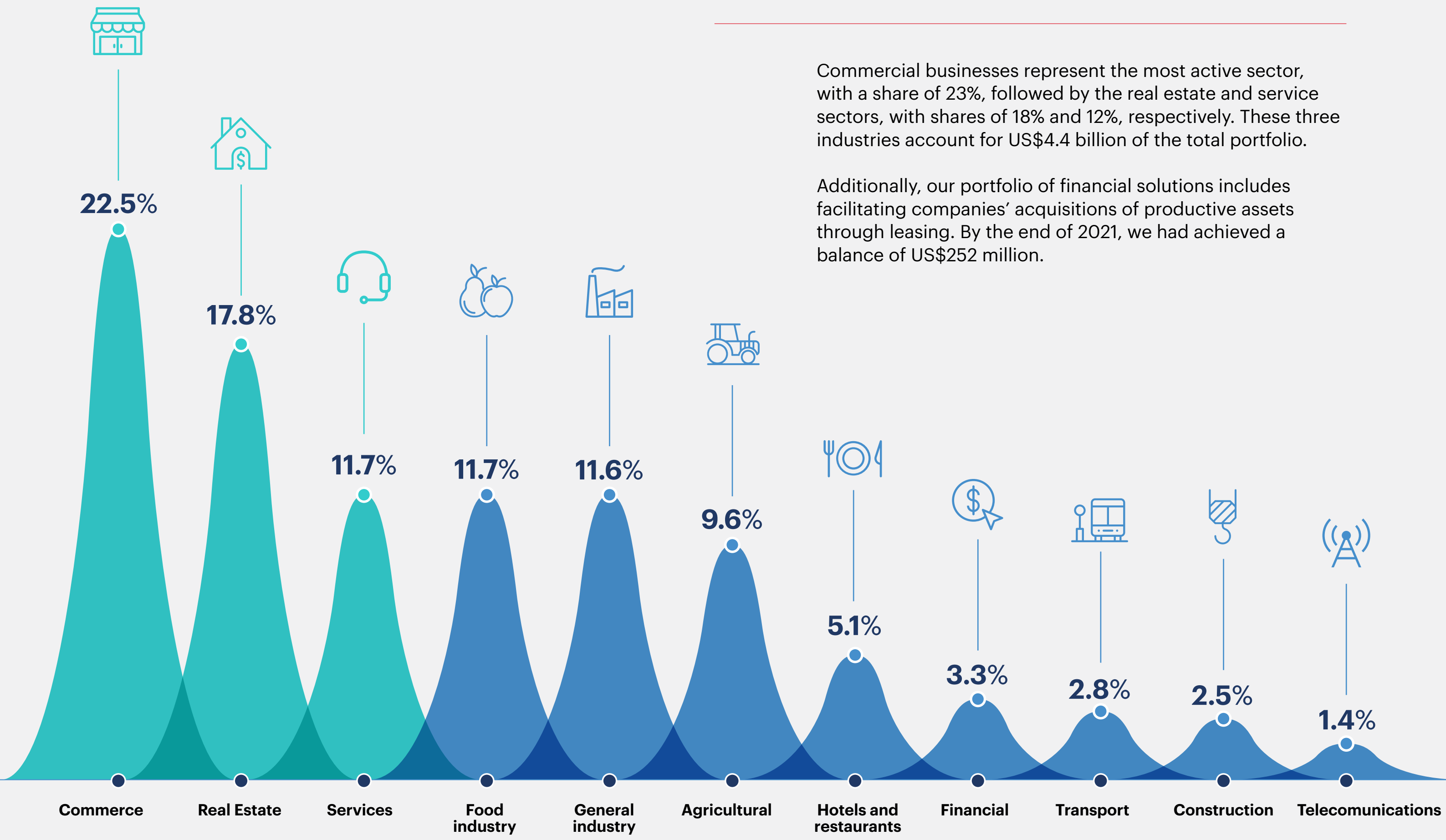


Commercial portfolio by economic sector

The performance has demonstrated our capacity to adapt, which goes hand-in-hand with our digital strategy.

Commercial businesses represent the most active sector, with a share of 23%, followed by the real estate and service sectors, with shares of 18% and 12%, respectively. These three industries account for US\$4.4 billion of the total portfolio.

Additionally, our portfolio of financial solutions includes facilitating companies' acquisitions of productive assets through leasing. By the end of 2021, we had achieved a balance of US\$252 million.



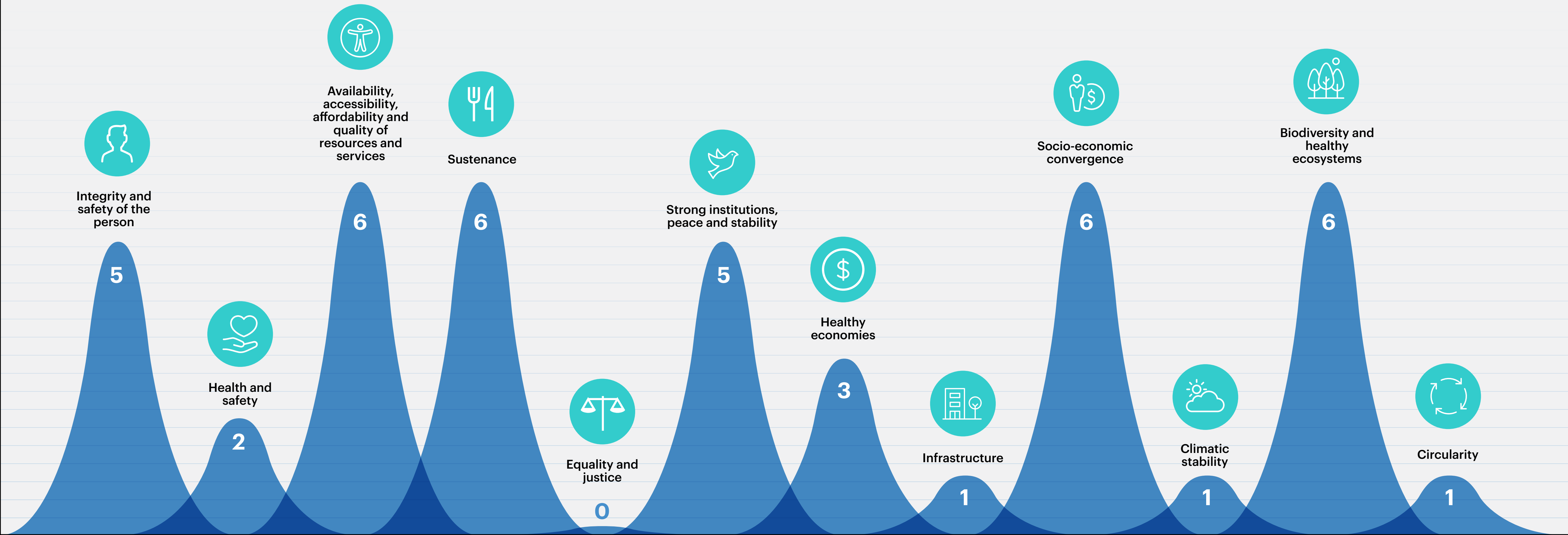


# IMPACT ANALYSIS

For our first impact analysis, we used the new version of UNEP FI's Impact Analysis Tool for Banks.

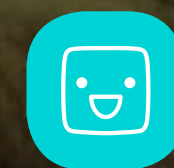
This analysis included the six Central American countries in which we operate: Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, and Panama, and it encompasses our commercial, corporate, and SME portfolios. The information was limited to the International Resources of the Context Module of the impact analysis tool.

## Regional priority areas for BAC





**Availability, accessibility, affordability, quality of resources and services**



**Livelihood**



**Socioeconomic convergence**



**Biodiversity and healthy ecosystems**



**Water**

Population that uses safely managed drinking water services



**Food**

Obesity or malnutrition in the total population and food security



**Housing**

Urban population that lives in poor neighborhoods



**Health and sanitation**

Sanitary security



**Education**

Mean years of schooling for adults and children



**Information**

Freedom of the press



**Connectivity**

Population that uses the internet



**Finance**

Adults with an account in a bank or other financial institution, or with a mobile money service provider



**Employment**

Unemployment rate



**Social protection**

Population covered by at least one type of social service (other than healthcare)



**Social mobility**

Educational, employment opportunities, fair distribution of salaries, and access to technology



**Salary inequality**



**Species**

Survival of species



**Habitat**

Vegetation loss



These are the priority areas identified in our Region, with impact needs. We also detail, in each of these areas, which ones have the highest value associated needs.



## RESULTS BY FINANCED SECTORS

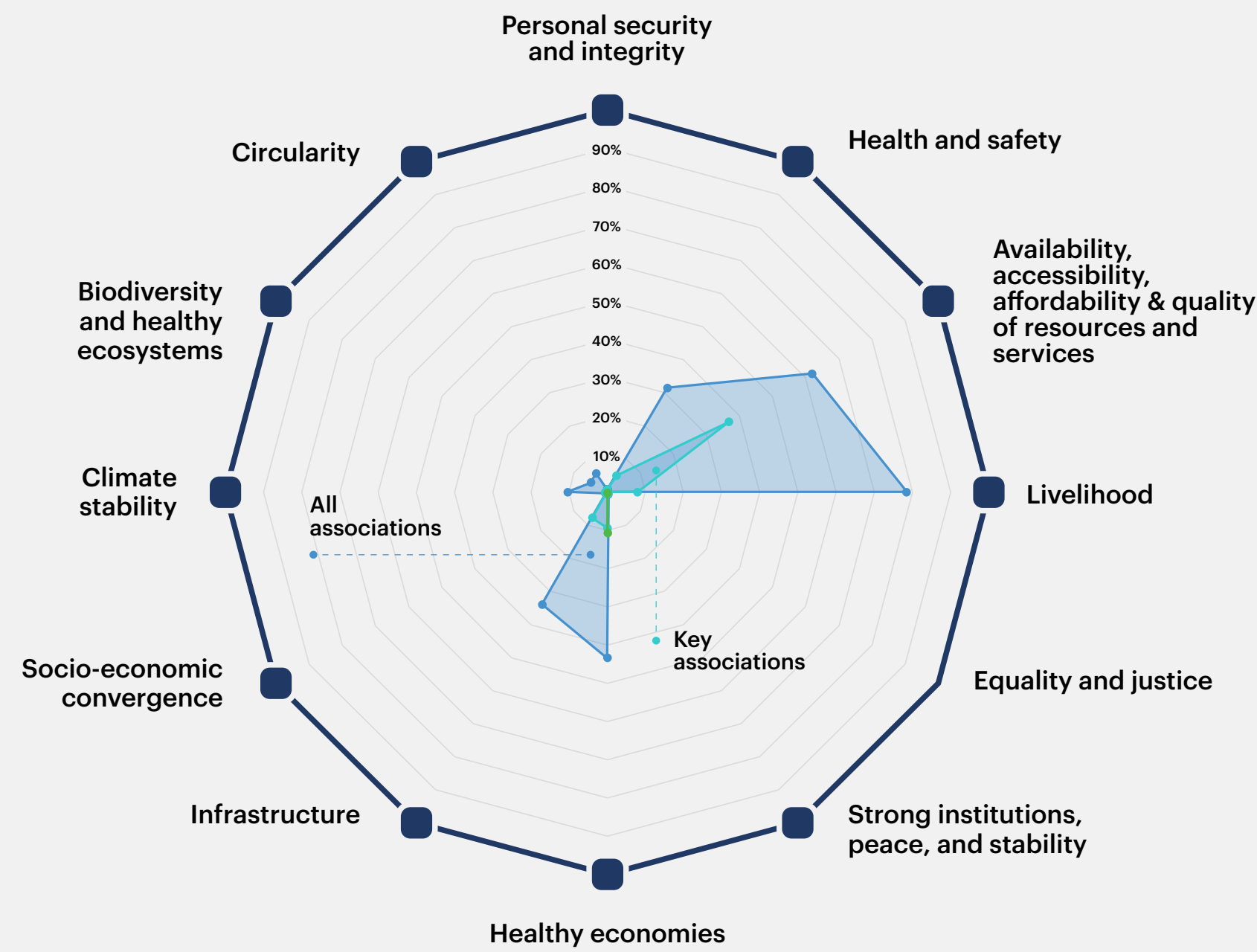
The blue lines represent positive associated impacts, while the yellow lines represent negative associated impacts. The turquoise and orange indicates “key” associated impacts.

The exercise, together with the criteria defined in the analysis tool, show that the positive impact areas relating to our portfolio in our region are: **Health and safety; Availability, accessibility, affordability, quality of resources and services; Livelihood; Healthy economies; Infrastructure; Climate stability; Biodiversity and healthy ecosystems; and Circularity.**

On the other hand, the most important areas where negative impacts may arise are: **Health and safety; Availability, accessibility, affordability, quality of resources and services; Livelihood; Climate stability; Biodiversity and healthy ecosystems; Circularity; and Personal integrity and security.**

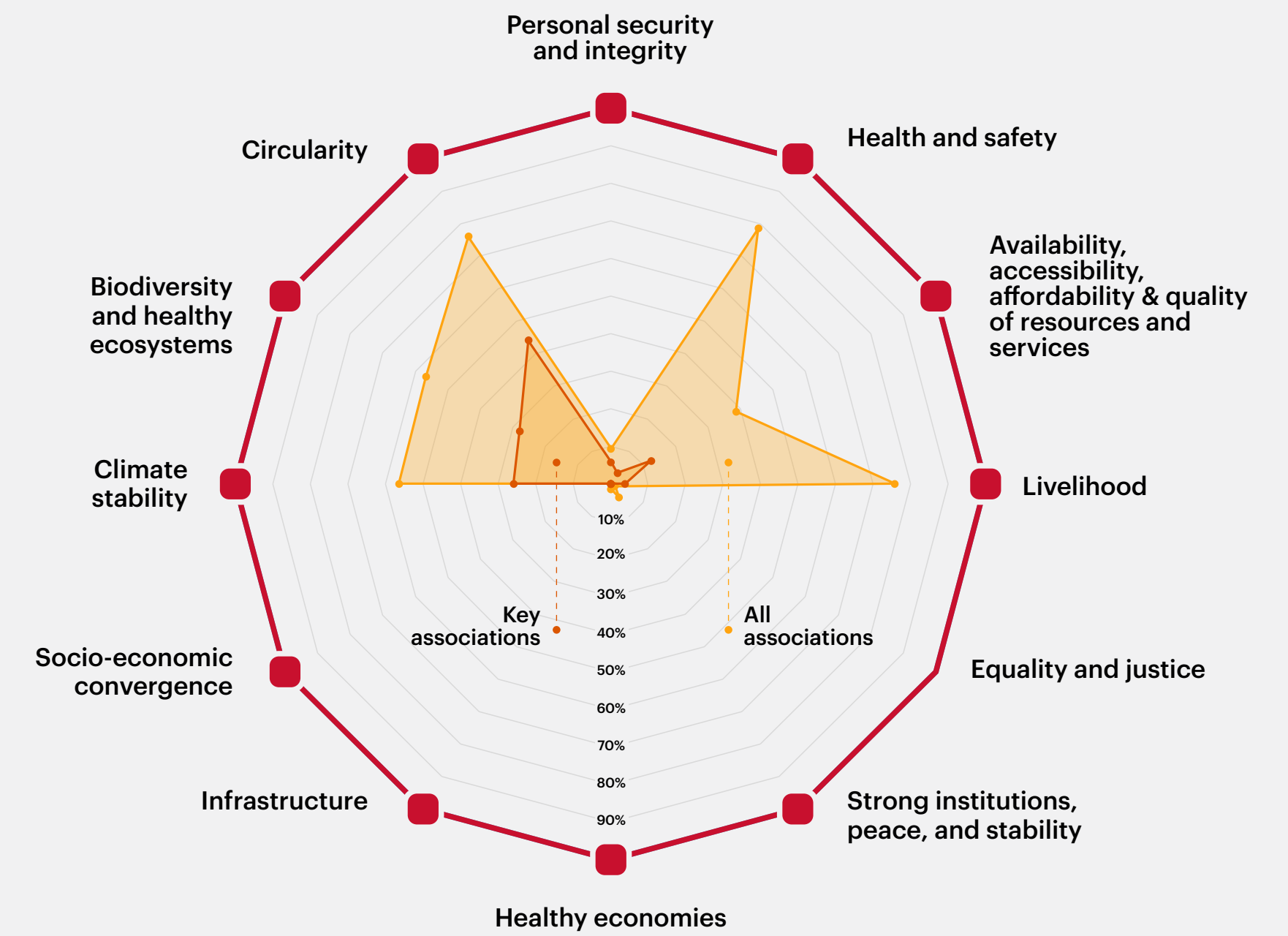
The following graphs show the proportion of our portfolio associated with each impact area.

### Positive impacts



● All associations ● Key associations ● Country priorities ● SMEs

### Negative impacts

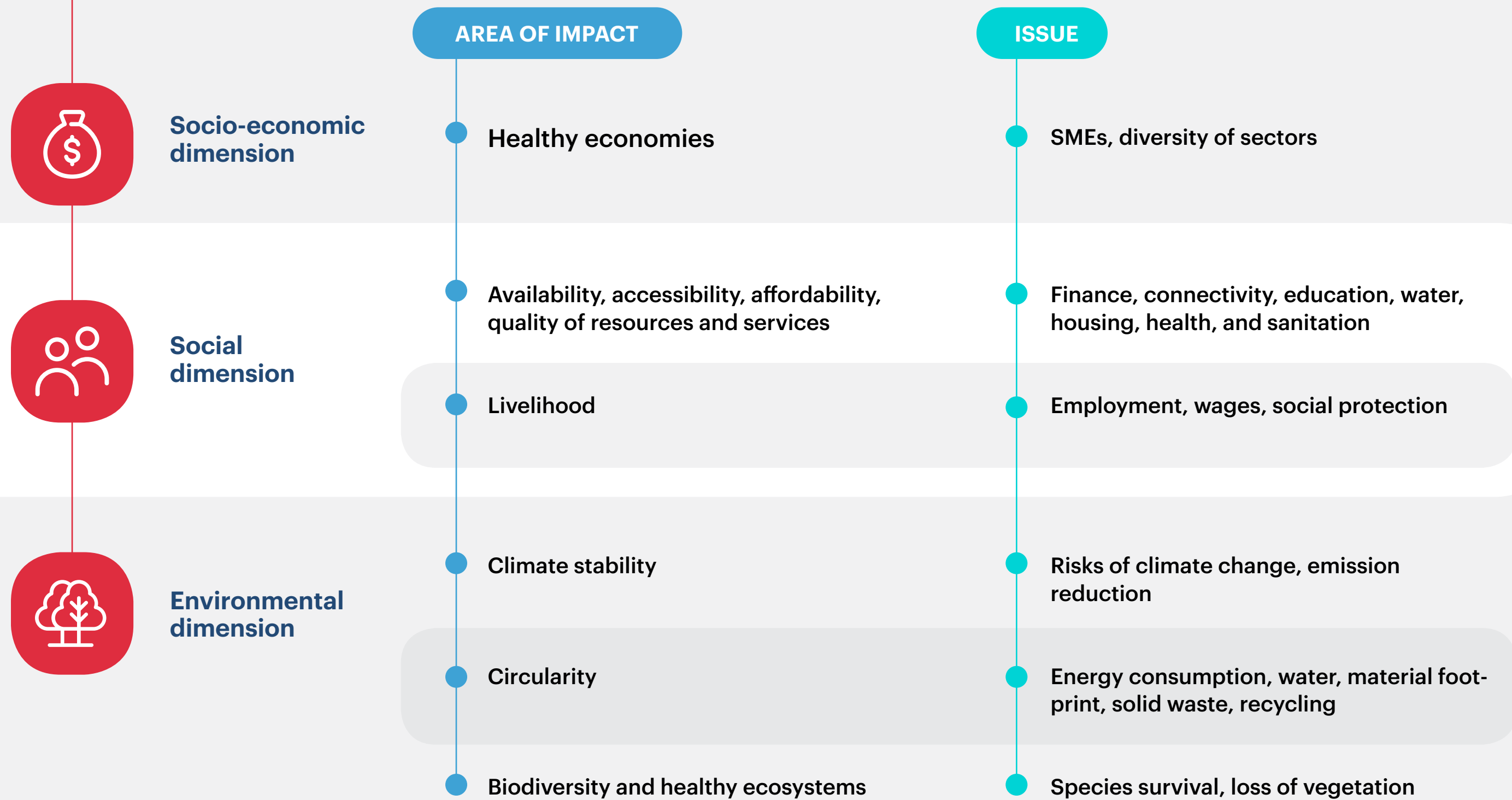


● All associations ● Key associations ● Country priorities

Note: The dots do not represent a value. They only show if an impact area is a priority in the countries/locations (based on data in the Context Module).


## OUR PRIORITY ISSUES

After analyzing these results, and in line with our strategic goals of triple positive value, we at BAC have prioritized six areas in which to focus our actions. We will set out commitments and establish objectives in these areas to increase positive impacts and reduce negative ones.




## SETTING OBJECTIVES

The objectives we have set ourselves are not only part of our commitment to Responsible Banking, but also serve as an important first step on our roadmap for the Net Zero Banking Alliance and, most importantly, are aligned with our new Triple Positive Value strategy. We have created objectives in two areas that will allow us to move toward our aspiration to create positive value for people and the environment:



**Climate strategy**



**Financial inclusion and health**

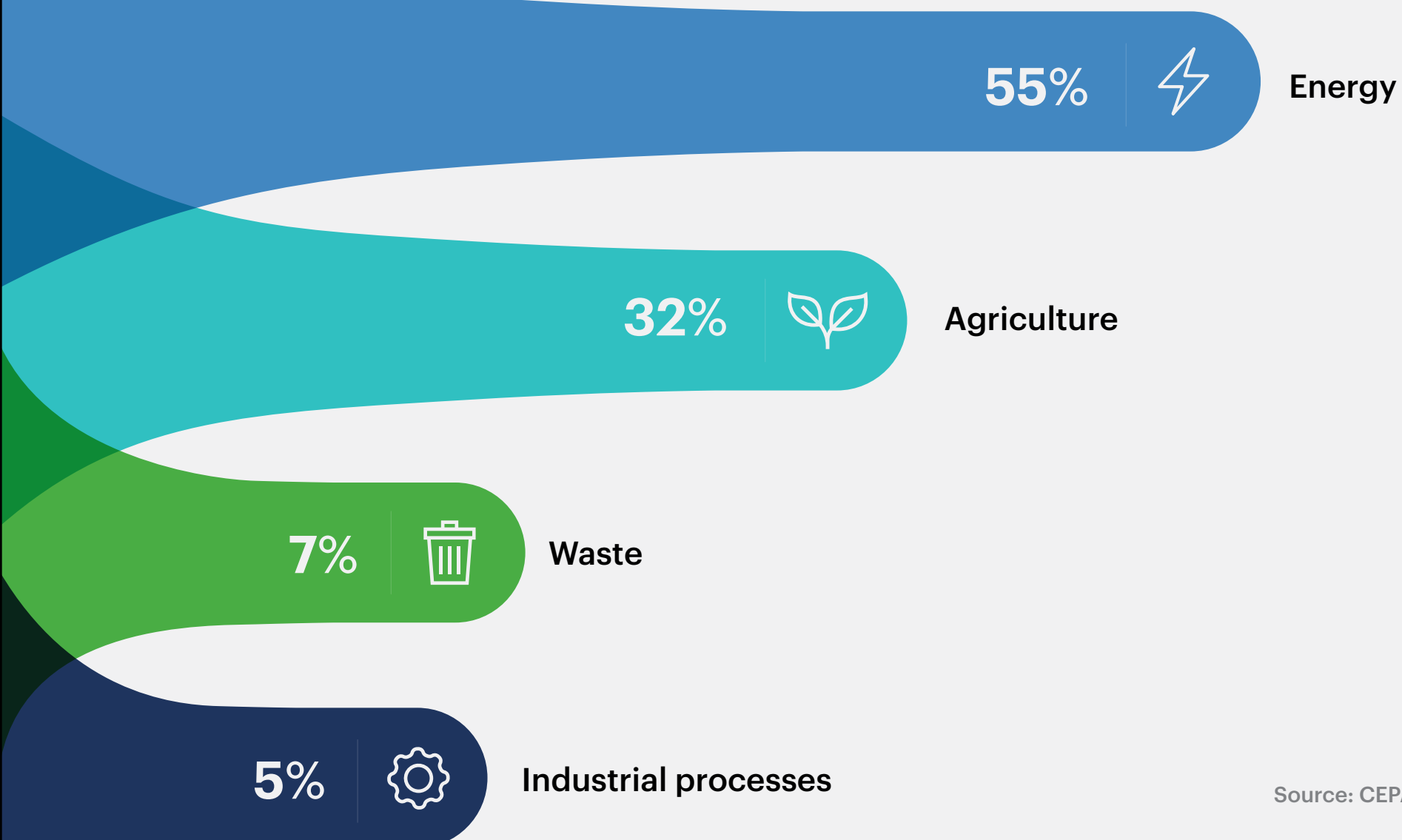


# CLIMATE STRATEGY

## A Challenges and priorities in our region

According to CEPAL, the following sectors emit the greatest amounts of greenhouse gases (GHG) in Latin America and the Caribbean:

### Greenhouse gas emissions by sector in Latin America and the Caribbean



Central America contains a small part of the world's territory. However, it is also an incredible region in which BAC has been operating for over seven decades. Understanding the similarities between our six countries, as well as each local context, is vitally important for ensuring that our regional corporate vision and objectives are aligned with the specific aims that each country has identified in their most recent National Determined Contribution (NDC) reports.

The NDC shows the planned reductions in greenhouse gas (GHG) emissions that each country has set itself for the medium and long term under the United Nations Framework Convention on Climate Change, which aims to bring atmospheric concentrations of greenhouse gases to a level that would prevent harmful human-made damage to the climate system for a long enough period of time to allow ecosystems to naturally adapt to climate change, ensuring that food production is not threatened and that economic development may continue in a sustainable manner. Country-specific information is available in Appendix 1.



## NDC Objective Mitigation – Reduction of emissions

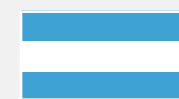
Summary of priority objectives by country for 2030. Nationally Determined Contribution report (NDC).



### GUATEMALA



- Reduce GHG emissions from business as usual by 2030 by:
  - 11.2%; 65 million tCO<sub>2</sub>eq (not dependent on international support)
  - 22.6%; 56.6 million tCO<sub>2</sub>eq (dependent on international support)
- By implementing the proposed measures, the emissions reductions will mainly come from the energy (41.07%) and agricultural (10.46%) sectors.



### HONDURAS



- Greenhouse gas emission reduction of 16% below business as usual (BAU) by 2030 for all sectors, excluding land use, land use change and forestry (LULUCF).
- This 16%, broken down by sector, comes from the energy sector (9%), mainly through the use of renewable energy, electrical mobility, biofuels, and energy efficiency, leading to a 20% reduction below BAU. Agriculture (5%), mainly in the coffee and cattle sectors.



### COSTA RICA



- An absolute maximum level of net emissions of 106.53 million tCO<sub>2</sub>eq between 2021 and 2030.
  - By 2030, a net emissions cap of 9.11 million tCO<sub>2</sub>eq.
- Both cases include all emissions and all sectors covered by the National Inventory of Greenhouse Gas Emissions.



### EL SALVADOR



- Energy sector: reduce its annual GHG emissions by 640-819 tCO<sub>2</sub>eq by 2030.
- Agriculture, forestry, and other land use (AFOLU) sector: reduce emissions by 50,857.5 tCO<sub>2</sub>eq by reducing emissions and increasing carbon sinks and reservoirs in the country's agrifood landscape.
- Some 90% of the country's emissions come from the AFOLU and energy sectors.



### NICARAGUA



- Increase the percentage of electricity generated through the use of renewable energy, such as solar, wind, and biomass energy to 60% by 2030.
- Reduce emissions by 20% from baseline by 2030 through actions in forest restoration, management, and conservation.
- In the country, 97% of emissions come from energy and agriculture, forestry, and other land use.



### PANAMA



- Reduction of at least 24% of total emissions in the country's energy sector, and of at least 11.5% by 2030 relative to business as usual.

#### NOTE

tCO<sub>2</sub>eq: Tons of carbon dioxide (GHG) equivalent



## B Setting the objectives

In order to set the targets and indicators that we will use to keep our stakeholders informed of our advances and challenges in each of the objectives we have set, we are currently developing measurements for GHG emissions from the main sectors in our Commercial, Corporate, and SME portfolios. These will be done using the Global Greenhouse Gas Accounting and Reporting Standards for the Financial Industry, provided by PCAF, enabling us to publish our targets for 2025 and 2030 in our next Integrated Report, scheduled for the first half of 2023.

Our climate targets will focus on

**01. Reducing greenhouse gas emissions** in the most polluting sectors.

**02. Increasing the percentage of financing** allocated to areas like energy, clean transport, and sustainable urban development.

These targets will form our roadmap towards achieving our commitment as a financial institution, as per the provisions of Article 2.1 of the Paris Agreement, on ensuring consistent financial flows targeted toward low-emission, climate-resilient development. At BAC, we are joining this important global challenge.

“As part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties. Such mobilization of climate finance should represent a progression beyond previous efforts.”

**Article 9 of the Paris Agreement.**





# FINANCIAL INCLUSION AND HEALTH

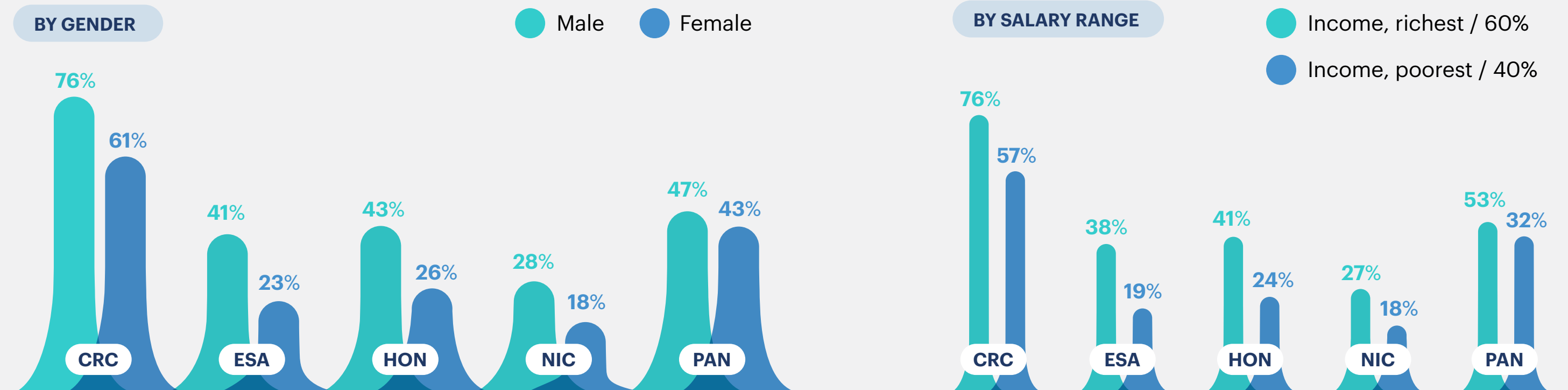
## A Challenges and priorities in Central America

As well as being one of the fundamental responsibilities of financial institutions, financial inclusion and health are key elements for the sustainability of the business. Settings in which more people are properly included in the financial system are conducive to sustainable growth.

At BAC, in addition to understanding that the financial inclusion and health of our stakeholders is one of our most important responsibilities, we also see financial and digital inclusion as an opportunity to expand and deepen our relationship with different sectors, promoting positive outcomes for people, companies, ventures, society, and the general economy through the use of simple, transparent, and digital financial solutions.

Different reasons have led to data showing that relatively low numbers of people in Central America have a savings account, use digital payments, or have access to loans, among other examples. The following is a summary of some of the results of the Global Findex, which is a worldwide financial inclusion database from the World Bank.

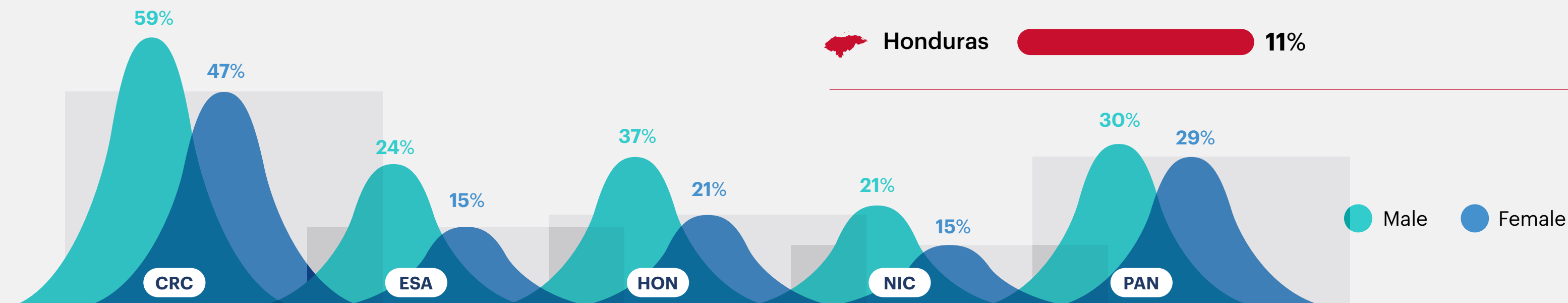
### Percentage of people with accounts in financial institutions



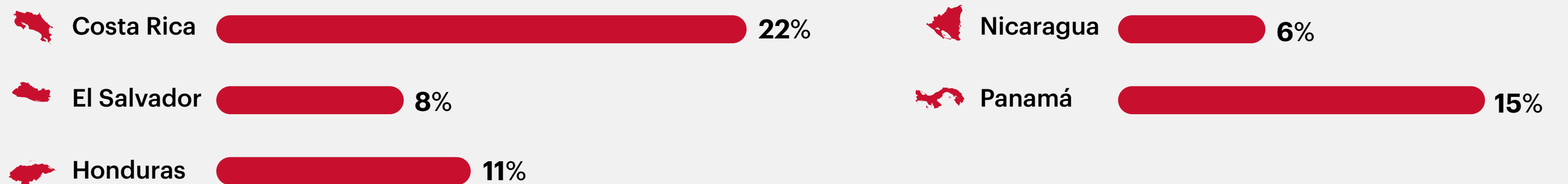
Achieving higher levels of financial inclusion in Central America comes with a number of challenges, which we must face with an understanding of our regional context, as well as that of each country.

In each country in which we work, groups such as women, low-income groups, and small business owners, among others, are excluded. However, quantitative information is important for us to prioritize targets and deal with each challenge in a holistic manner by designing inclusive financial solutions. These, along with financial and digital educational initiatives and mentoring, will allow us to help bridge these gaps.

### DIGITAL PAYMENTS BY GENDER



### PERCENTAGE OF PEOPLE WITH SAVINGS AT A FINANCIAL INSTITUTION



Global Findex, 2021 En la consulta realizada no se registra información para Guatemala.



## B Setting the objectives

Financial and digital education have always been a fundamental pillar of BAC's strategy. We are currently adding another component to allow our financial education initiatives to transform into actions aimed at digital financial education and inclusion. Our working plans for 2022 incorporate new targets that will allow us to improve quantitative tracking. Until now, this has focused on the numbers of people trained, but it will now include indicators to determine the relationship between training and the acquisition and use of financial and digital services.

The table below summarizes the training processes and the content of the training provided to specific client groups, along with their relationship with conversions to products/services:

These 2022 targets will serve as the baseline to define the new targets, which we will focus on in the coming years and which will be reported in BAC's next Integrated Report.

ANALYZED PRODUCTS	TARGET AUDIENCE		
	SMEs	Women segment	People who receive their salary payment in a BAC bank account
Scheduled Savings account	✓	✓	✓
Transactionality in online banking	✓	✓	✓
Personal credits		✓	✓
Biometric accounts			✓
Use of debit cards for purchases			✓
Retirement plans			✓
Insurance		✓	
Payment of payroll	✓	✓	
Suppliers	✓	✓	
Business Debit Accounts	✓	✓	
POS, MiPOS	✓	✓	
Compra click	✓	✓	
E-commerce	✓	✓	



# ALIGNMENT OF THE LOAN PORTFOLIO WITH TRIPLE POSITIVE VALUE

Using best practice and international standards, we have created an internal classification system for the environmental and social aspects of our loan portfolio, using data on the use of funds as well as the environmental and/or social impact of the loan operations of our Commercial, Corporate, and SME portfolio.

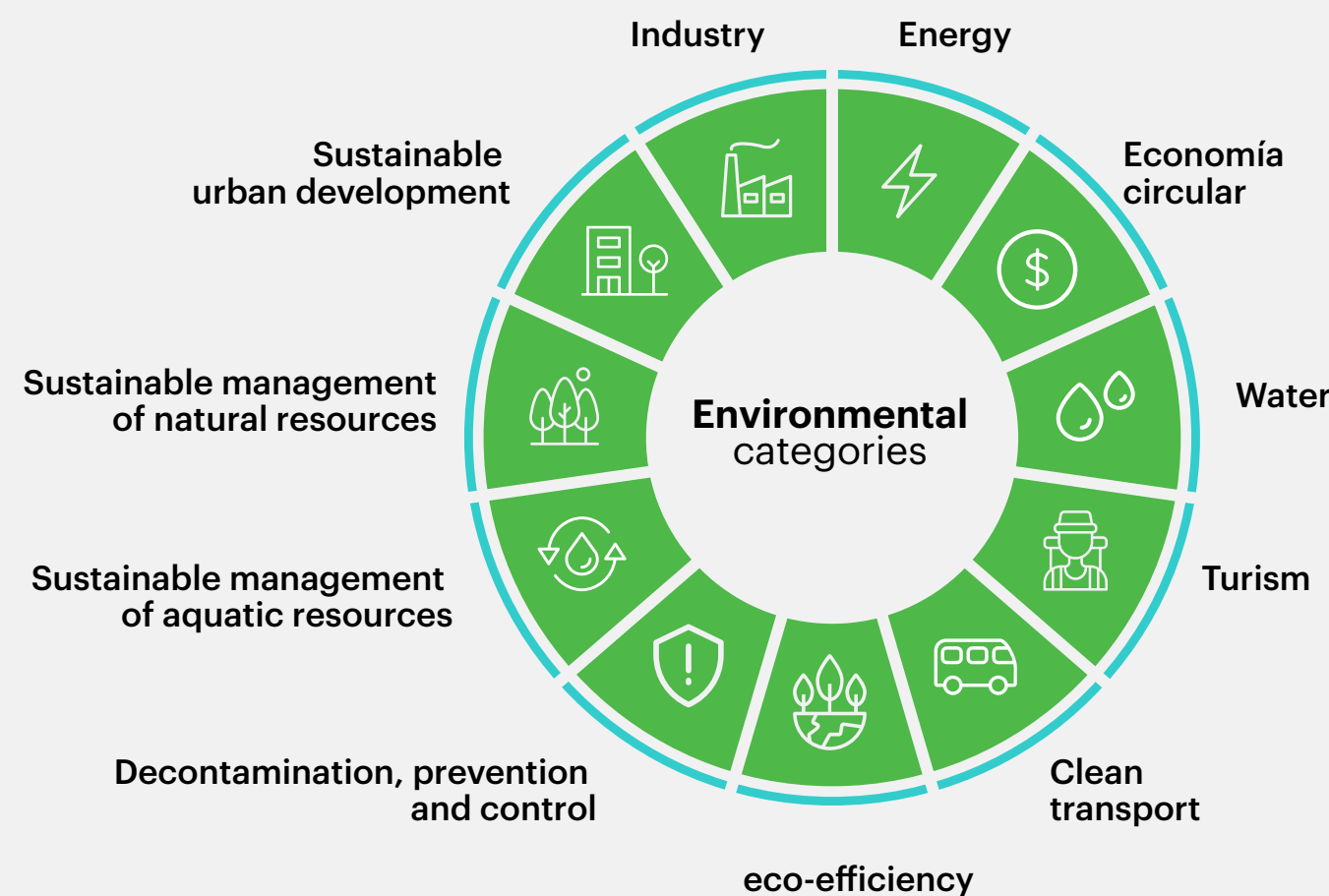
The initial objective of this is to identify our main areas of opportunity and to build an information base, which, when taken together with the impact analysis published in this report, will allow us to define our priorities around the commitments that we have undertaken.

This classification system includes categories related to the following:



24 environmental categories

Aligned with the following themes



10 social categories

Aligned with the following themes



Our Corporate portfolio represents 46% of BAC's entire portfolio. We have therefore started examining this classification in greater detail in order to deepen our understanding of the portfolio's potential impact at the present time.

As part of this process, the credit risk sectors defined which credit operations have a positive environmental and/or social impact for all active operations as of the end of April 2022, based on their environmental and social classification, as well as the use of the funds.

As well as classifying our disbursed operations, this labeling system has been incorporated into all internal procedures and information systems, such that all new operations with a positive environmental and/or social impact are classified when entered into our databases.

## Classification of Financial Corporate Portfolio

### Environmental

- Clean transport**
  - Sustainable mobility
  - Emission reduction
- Energy**
  - Renewable energy
  - Energy efficiency
- Sustainable urban development**
  - Sustainable construction
- Industry**
  - Industrial processes

### Social

- Essential services access**
  - Essential services
- Employment generation, crisis relief and unemployment prevention**
- Inclusion and socioeconomic empowerment**
  - Development associations and cooperatives
  - Productive chains



PRINCIPLE 3

# Clients and clients

We will work responsibly with our clients and users in order to foster sustainable practices and facilitate economic activities that create prosperity for current and future generations.





## OUR CLIENTS

Our product and service portfolio offers a wide variety of options right from the beginning of our relationship with our clients, from bank accounts and credit or debit cards to support with products for personal growth like mortgages, secured and consumer loans, and different types of savings or investment certificates.

In the last year, we have focused on getting to know our clients better in order to strengthen the packages of products and services in a manner that is suited to clients' needs, and which deepens our relationship with them by offering them more than just one or two isolated products. Instead, we offer integrated solutions that do more than meet a specific need, allowing our clients to join the digital financial ecosystem in a smooth, safe, and successful manner. As a result, our consumer portfolio has

seen annual growth of 9.7%, representing slightly more than half of the entire Personal Banking Portfolio.

In 2021, products aimed at facilitating personal financing for home or vehicle purchases allowed us to increase our presence in this area, with growth of 3.9% and 6.1% respectively. As leaders in international payments, we have also become stronger in this area, processing US\$46 billion dollars at the regional level, with a 12% market share in Guatemala, 25% in Honduras, 19% in El Salvador, 37% in Nicaragua, 31% in Costa Rica, and 6% in Panama. This has been a key to advancing our financial inclusion aims for Central America.



## SOLUTIONS FOR PROMOTING SUSTAINABLE **PRODUCTION AND CONSUMPTION** BY OUR CLIENTS

One of the twelve objectives which we have set in our new Triple Positive Value Strategy is the gradual transformation of our portfolio into simple and digital solutions with triple value.

We will approach the transformation of our financial solutions using a combination of tools including benchmarking, context analysis, mapping opportunities in our portfolio, and national priorities. Starting from the design stage, we will incorporate analysis criteria to ensure that every one of our products is made to take potential environmental and/or social impacts into account, as well as their potential as instruments through which our clients can generate positive value.

Current initiatives include important steps like the development of a product design toolkit and catalogues of triple value products. Some of these products are already available to our clients beginning in 2022, while others will be launched over the coming months.





PRODUCT	SEGMENT	ECONOMIC	ENVIRONMENTAL	SOCIAL
Crédito vehículos eléctricos	<ul style="list-style-type: none"> <li>Physical</li> <li>SMEs</li> </ul>	<ul style="list-style-type: none"> <li>Differentiated rates</li> <li>Reduction of expenses for fuel and maintenance in budget</li> <li>Exemption from payment of some taxes (according to country regulations)</li> </ul>	<ul style="list-style-type: none"> <li>Carbon footprint reduction</li> <li>Reduction in fuel consumption</li> <li>Decrease in noise pollution</li> <li>Access to training in energy efficiency and sustainable mobility</li> </ul>	
Crédito paneles solares	<ul style="list-style-type: none"> <li>Physical</li> <li>Business</li> </ul>	<ul style="list-style-type: none"> <li>Differentiated rates</li> <li>Reduction in energy billing</li> </ul>	<ul style="list-style-type: none"> <li>Carbon footprint reduction</li> <li>Production and consumption of clean energy</li> <li>Access to energy efficiency training</li> </ul>	
CrediVerde	<ul style="list-style-type: none"> <li>Business</li> </ul>	<ul style="list-style-type: none"> <li>Differentiated rates</li> <li>Reduce energy bills by purchasing green products such as solar panels</li> <li>Modernization of processes through investment in high-efficiency equipment</li> </ul>	<ul style="list-style-type: none"> <li>Specialized advice on energy efficiency processes</li> <li>Carbon Footprint Reduction</li> </ul>	
Crédito Mujer Puedes +	<ul style="list-style-type: none"> <li>Women leading businesses affiliated with BAC</li> </ul>	<ul style="list-style-type: none"> <li>Extension of terms with installments adjusted to your payment capabilities</li> <li>Access to capital for development and competitive business growth</li> </ul>		<ul style="list-style-type: none"> <li>Exemption of fiduciary guarantee</li> <li>Elimination of bureaucratic procedures for access to credit</li> <li>Women's access to business education and training</li> <li>Financial inclusion of women entrepreneurs in the local economy</li> </ul>
Tarjeta de crédito universitaria	<ul style="list-style-type: none"> <li>Physical</li> </ul>	<ul style="list-style-type: none"> <li>Financing in installments without interest</li> <li>No membership or fees</li> </ul>		<ul style="list-style-type: none"> <li>Financial education program</li> <li>Inclusion of the youth segment (18-25 years old)</li> </ul>
Portafolio de inversión ASG con producto internacional	<ul style="list-style-type: none"> <li>Physical</li> </ul>	<ul style="list-style-type: none"> <li>Less volatile investments</li> <li>Diversification of investments abroad</li> <li>Impact investment opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to the decarbonization of the economy and the 2030 agenda</li> </ul>	<ul style="list-style-type: none"> <li>Return on investment with a sustainable approach</li> </ul>
Fondo de avales Cultivemos II	<ul style="list-style-type: none"> <li>Coffee producers</li> </ul>	<ul style="list-style-type: none"> <li>Improve your production and yields</li> </ul>		<ul style="list-style-type: none"> <li>Financial inclusion through access to financing</li> <li>Fiduciary exemption</li> </ul>
Seguro BAC Empresarial con coberturas sobre riesgos asociados al cambio climático	<ul style="list-style-type: none"> <li>MiPymes</li> </ul>	<ul style="list-style-type: none"> <li>Protection of assets against failures in the energy supply</li> </ul>	<ul style="list-style-type: none"> <li>Coverage against floods, tidal waves in response to events caused by climate change</li> </ul>	<ul style="list-style-type: none"> <li>Assistance for business strengthening in advertising, digital marketing, labor or tax matters, among others</li> <li>Medical assistance for employees</li> </ul>

## TRIPLE VALUE SOLUTIONS AT BAC, 2022

\*The availability and conditions of the products described above may vary in each country.



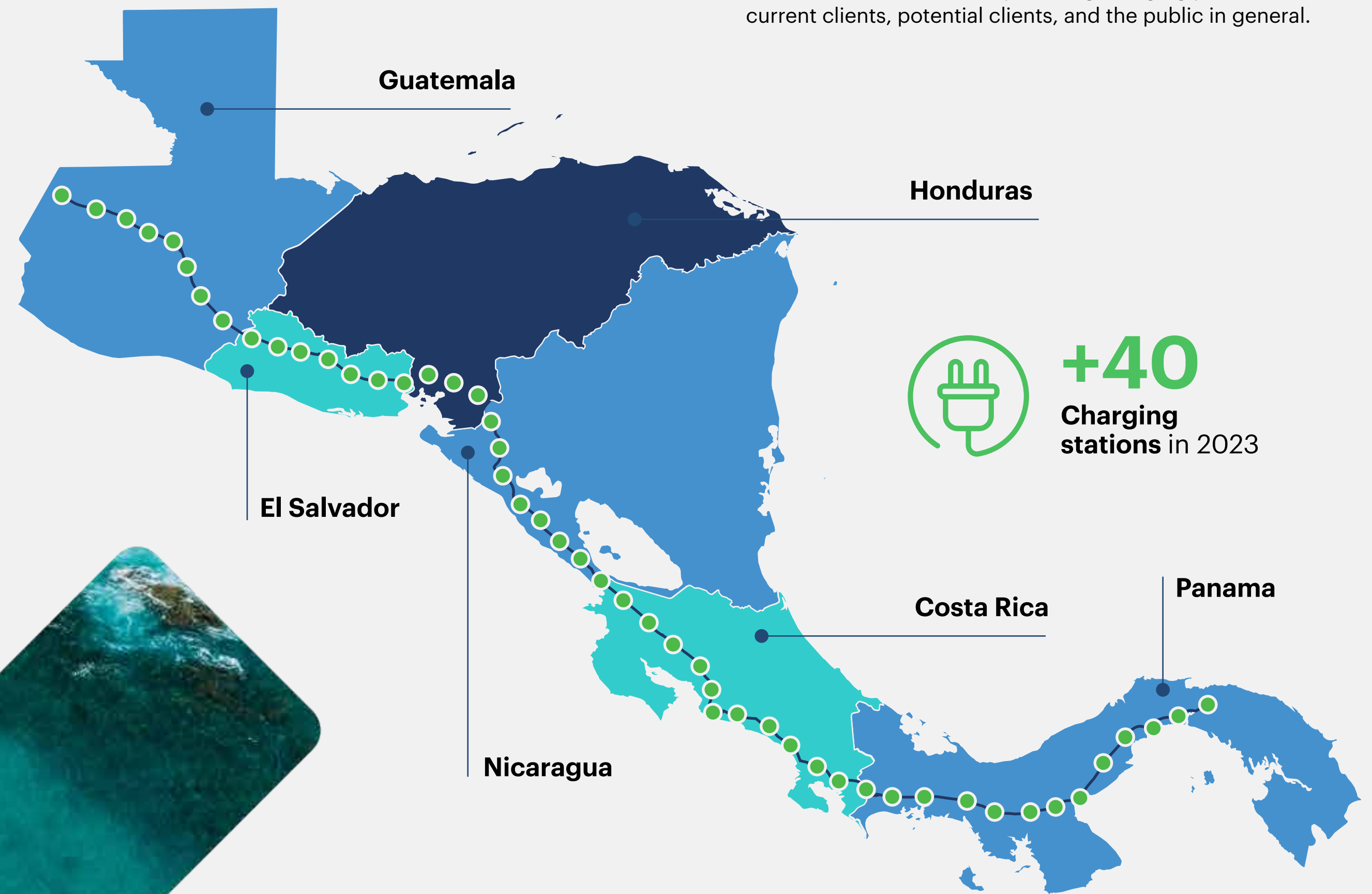
# PROJECTS FOR PROMOTING RESPONSIBLE CONSUMPTION AND SUSTAINABLE PRACTICES

## REGIONAL BAC CARD STRATEGY

Through an ambitious circular economy project, we have committed to migrating our card portfolio by replacing the fossil fuel-derived PVC plastic they contain to PLA plastic made from plant-based sources (inedible corn), 85% of which is biodegradable. This project will also involve changing the materials currently used for our packaging, as well as reducing the amount of paper used by digitizing the processes of requesting, producing, and activating cards.

## CENTRAL AMERICAN ELECTRIC ROUTE

With the installation of 10 charging stations for electrical vehicles in Costa Rica, along with one each in Panama and Guatemala, we are moving forward with our aim to make BAC the region's number one bank in support for sustainable mobility. An Electric Charging Route traversing all of Central America will be a key step in promoting the use of electronic vehicles, providing charging points to current clients, potential clients, and the public in general.





# CULTURE AND TRAINING OF STAFF IN SUSTAINABLE FINANCE

## Staff training

Achieving our objectives – and having a clear idea of what they are – is only possible if our staff are fully involved in the process of transformation, making us a triple value catalyst for our stakeholders.

With the recent launch of our new Triple Positive Value Strategy, we have undertaken a strong internal communication drive, along with training procedures for our workforce. Through in-person events, discussions over our internal staff channels, and taped virtual courses, we have developed content and generated internal conversations to explain our strategic objectives, commitments, advances, challenges, and the changes made to the day-to-day procedures for each team.

In June, the Regional Sustainability Administration, together with local sustainability and credit departments, launched a training course for teams working on loans for the corporate and SME banking divisions (Banca Corporativa and Banca PYME), which included staff working in the commercial, analysis and risk, and loan procedure management sections. This training aimed to provide information on the importance of including environmental and social aspects throughout the loan process with the aim of creating a culture and awareness of the need to think about how financing can positively affect the environment and society, as well as about the risks associated with climate change.



Additionally, the GRI Social Indicators section of our 2021 Integrated Report describes the training received by BAC staff members throughout 2021.

## The content covered in the training included



**The importance for the financial sector** of protecting natural resources, in line with principles of Sustainable Finance.



**The current and future effects of climate change** and the consequences for our clients and for the sustainability of our business.



**International initiatives and commitments made by BAC** to align our loan portfolios with the SDGs and the Paris Agreement.



**Internal classification and the process of aligning** the loan portfolio with environmental, social, and gender aspects.



# DIGITAL SERVICES THAT PROMOTE FINANCIAL INCLUSION AND EDUCATION

Our bank offers our clients the best financial solutions using cutting-edge technological infrastructure, unified and robust digital platforms, and top-of-the-line service.

We saw highly significant advances in the digital transformation in 2021, ending the year with more than 1.95 million digital customers (representing almost half of all customers). Similarly, 57% of communication with our customers was carried out digitally. Another significant indicator is the fact that 86% of all financial transactions were carried out digitally.

We are working to improve the quality of our customers' lives, offering them inclusive and easily accessible financial solutions. Our digital solutions are aimed at reducing our customers' risks and increasing their awareness of how their money is used, which allows us to provide BAC customers with a greater level of financial inclusion and education.



## Personal Banking

We offer intelligent and safe transactions using mobile apps and web platforms. In order to become our customers' number one choice, and to win their loyalty, we've launched a Personal Finance Management (PFM) system, which automatically catalogues and graphs our customers' income.

In 2021, we launched our digital wallets in partnership with Garmin, Fitbit, and Apple Pay. This function allows users to make contactless payments. We also became the first Central American bank to receive a Digital First certificate from Mastercard.

In partnership with FinTech, we provide our clients with Kash, a service that allows them to make fast, secure, and simple cashless payments.

## Corporate Banking

In 2021, more than 618 companies connected to our digital cash service, and our corporate clients used our platforms to pay more than 1.104 million of their staff members in the region.

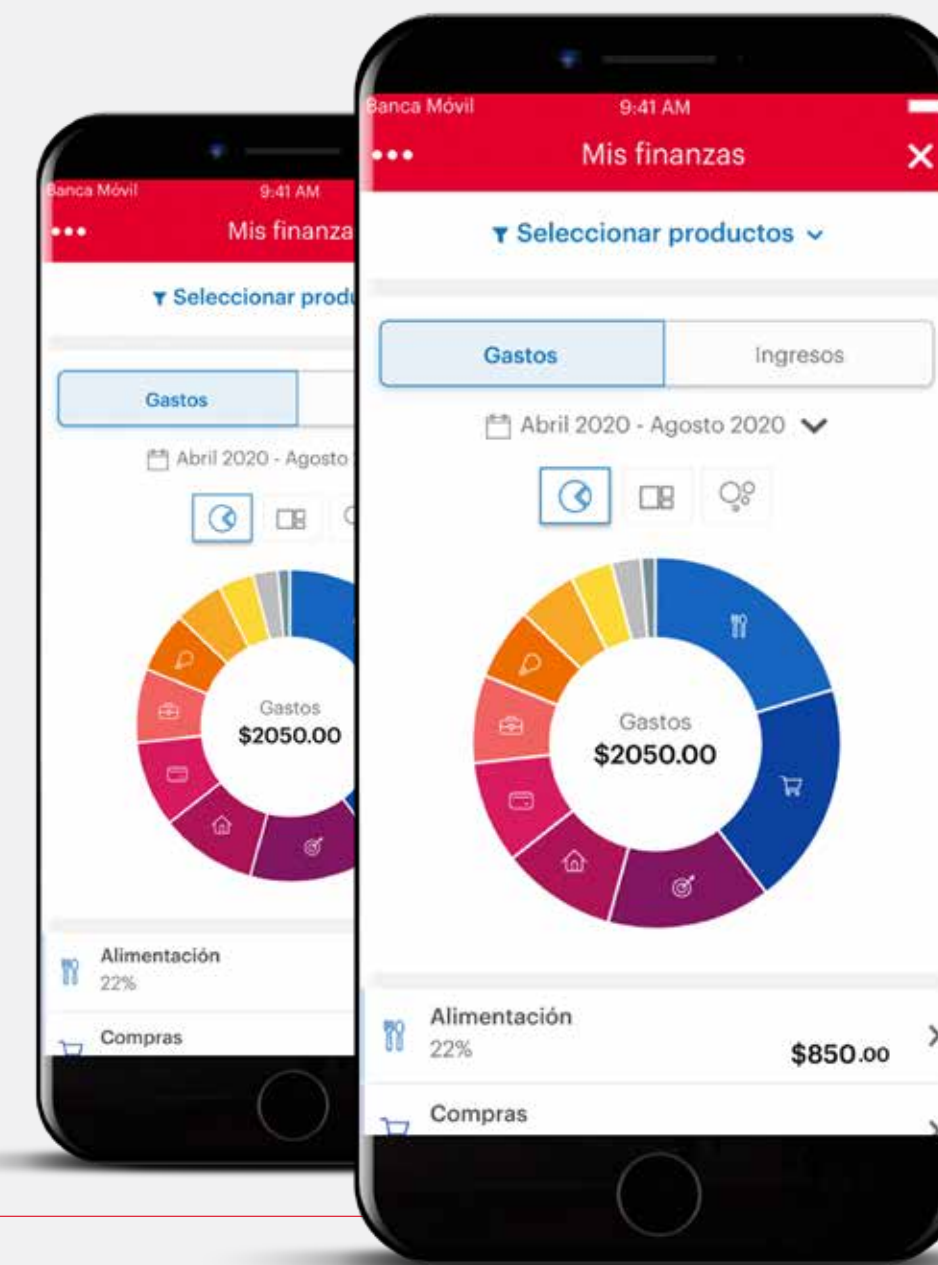
## SMEs

We are strategically focused on digitalization, allowing us to meet our customers' needs without requiring physical contact. We have implemented several functions in our Online Banking service, including a new payroll and supplier payment service, designed specifically for the needs of MSMEs. In an average month, the platform is used by 4,400 customers, who make 20,000 payments.

MiPOS is a robust and mature platform that can be used to convert your cell phone or tablet into a payment terminal or point of sale (POS). It also offers a website that provides businesses with statistics and reports along with a feedback platform for clients.

We provide affiliated small and medium sized businesses with the Compra Click service, which makes online shopping easier for businesses that do not have their own e-commerce platform, and who make online sales through several channels, including social media.

Rapibac non-banking correspondents, which are service points where small businesses in small communities or key locations offer banking services such as utility and credit card payments, increased by 31% in 2021 to 9,219 points in the region.



## Transformación digital



**1.9M**

Active digital customers



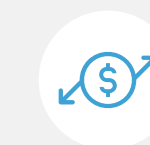
**83%**

Digital customers using Mobile Banking



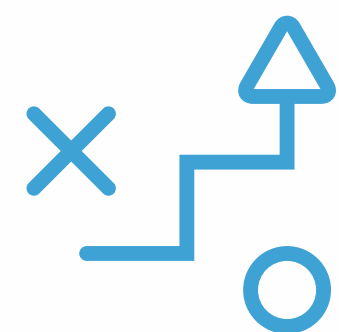
**56%**

Incoming interactions by digital channels



**86%**

Monetary transactions are carried out through digital channels



PRINCIPLE 4

# Stakeholders

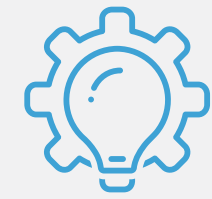
We will proactively consult, participate and partner with key stakeholders in order to achieve societal objectives.





By 'stakeholders', we mean the individuals, social groups, and organizations that may be significantly affected by our activities, products, and/or services, and/or whose actions may have an impact on our ability to continue to successfully implement the defined strategies for achieving our objectives.

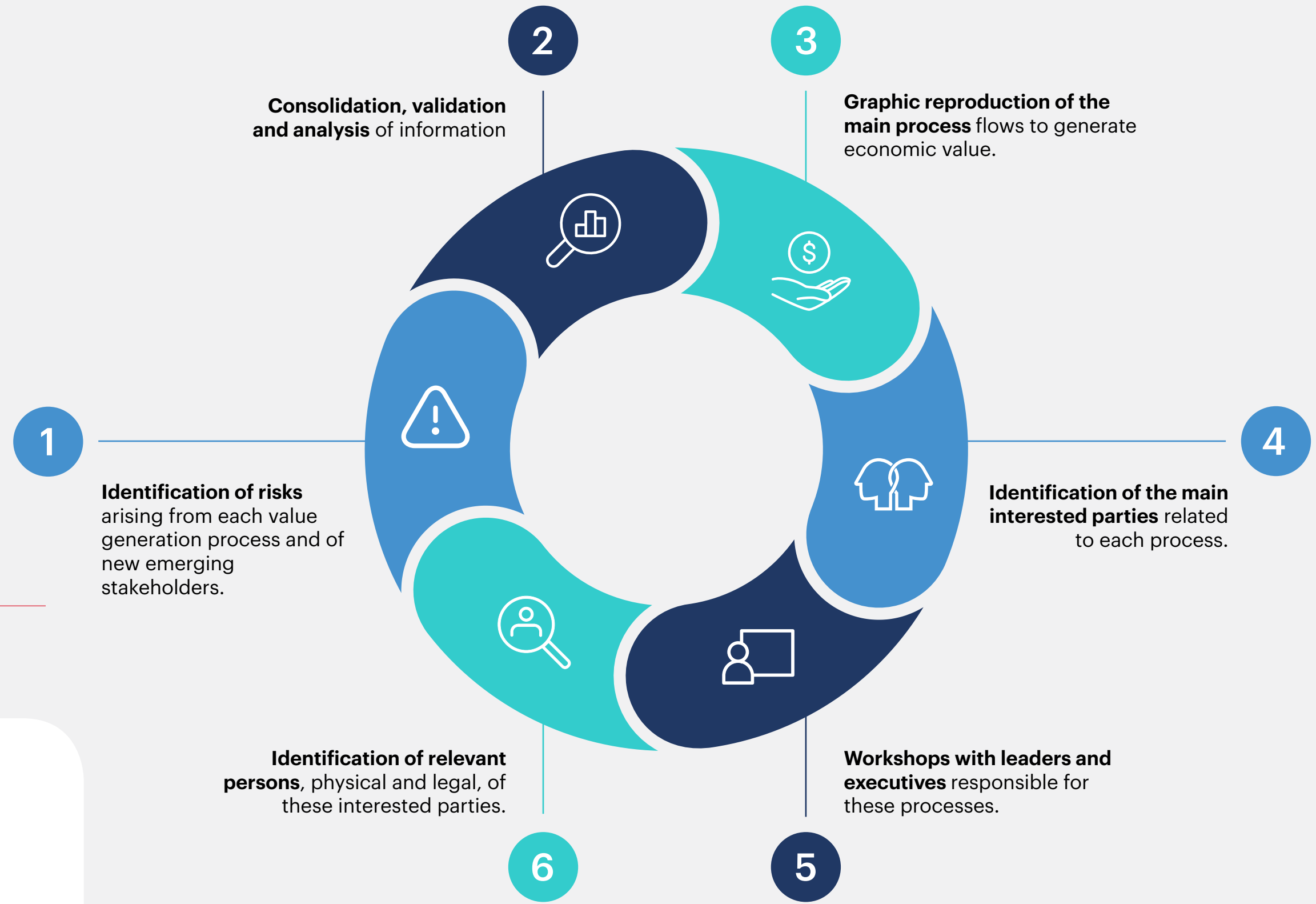
The full procedure for identifying stakeholders has required a clear understanding of the components our value chain.



**Our methodology**

We have periodically reviewed previous results to ensure their validity, and to verify the relationship between each stakeholder and the main value-creating processes within the company, reviewing their level of influence and relevance. This exercise has led to significant improvements in our ability to identify and map our stakeholders, and

led us to a deeper analysis. We understand that in order to comply with our commitment to transparency and accountability, it was necessary to better understand their expectations of the bank, and to identify any possible impacts and areas of our business that concern them.



That is why, in 2021, we finalized and profiled our list, leading up to the most recent version, which contains the following categories:



Shareholders



Suppliers



Strategic Partners



Competitors



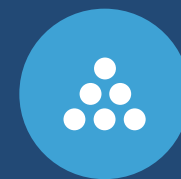
Opinion Generators



Clients



Internal audience



Citizenship



Regulators



Government



## CONSULTING OUR STAKEHOLDERS

At BAC, it is very important for us to engage in an ongoing dialogue with all of our stakeholders, since one of our most important commitments is to ensure that our commercial interests match the expectations of these groups, allowing us to prioritize our work correctly.

Towards the end of 2021, we began a series of studies involving various groups of interest in the six countries in which we operate. These studies involved individual interviews, focus groups, and online surveys with financial analysts, journalists, members of the government, heads of NGOs, heads of trade unions, consumer groups, professors, the general public, personal banking customers, corporate banking customers, customers at competing banks, and BAC employees, in order to understand their interests and concerns and to hear their expectations.



**Map of our stakeholders**



# RELATIONSHIP MECHANISMS

With a clear understanding of who our main stakeholders are, we have established a wide range of mechanisms for reporting, consulting, dialogue, and participation, establishing interactions on several different levels with these groups.

## IDEAS CAMPAIGN

Our Agents for Change team is made up of over 865 people throughout our region, whose role is to internally encourage our staff members to participate in the generation of ideas. This year, we carried out two internal campaigns focused on generating ideas related to aspects of environmental and social value that were linked to six of our strategic aims.

In order to successfully develop these campaigns, we provided training to the entire Agents for Change team. Our next Integrated Report will provide the results of these campaigns.



### LEVEL 1

#### Reporting mechanism

# 1

- ✓ Financial and sustainability reports
- ✓ Corporate site:  
<https://www.baccredomatic.com/es-cr/nuestra-empresa>
- ✓ Social media profiles:  
<https://www.facebook.com/BACCredomatic>  
<https://www.youtube.com/user/baccredomaticnetwork>
- ✓ Banners, posters, and screens in branches



### LEVEL 2

#### Consultation mechanism

# 2

- ✓ Client service studies, reputation studies, surveys, focus groups and others.
- ✓ Transactions and relationship surveys in order to evaluate the Net Promoter Score (NPS)
- ✓ Evaluation of the Organizational Atmosphere
- ✓ Employee Voice program, eNPS, taking the pulse
- ✓ Innovation system, competitions



### LEVEL 3

#### Dialogue mechanism

# 3

- ✓ Contact centers
- ✓ Voice of Customer (VoC) program
- ✓ Web chats, email, online contact forms
- ✓ Ombudsperson program, ethics line
- ✓ Social media profiles:  
<https://www.facebook.com/BACCredomatic>  
<https://www.youtube.com/user/baccredomaticnetwork>
- ✓ Formal and informal meetings, conferences, talks, and workshops
- ✓ Roundtable discussions with internal and external stakeholders



### LEVEL 4

#### Participation mechanisms

# 4

- ✓ Prototyping with clients
- ✓ Creation of installed capacity via consulting, co-creation, and networking.
- ✓ Ideas Campaign



## PUBLIC-PRIVATE PARTNERSHIPS

### Partnerships for Financial Education with Ministries of Public Education



#### Ministry of Public Education (MEP) and BAC Costa Rica



Our first partnership in the region, which has been ongoing since 2007, is aimed at making a joint effort to ensure that every secondary school student has access to materials, content, and courses that allow them to acquire knowledge and tools in financial education.

In 2012, Personal and Family Finances for Daily Life was added as a subject to the national curriculum for 9th grade students. In professional technical colleges, the Secondary School Technical Specialty in Banking and Finances was created. Since it was launched, more than 300,000 students throughout the country have had access to financial education. Among other content, they have learned about setting goals, saving, and using loans – all important subjects for their financial health. Seeds of Change is a collaborative group charged with

the promotion of business ventures and productivity in rural schools. At BAC, we have supported the production of teaching guides for rural business ventures, aimed at students in the 7th to 11th grades. Additionally, digital business resources and tools have been developed for students and teachers. These are adapted to their realities and contexts: we work together with the department to define training strategies and methods, the design of tools and teaching materials, consultations, tours and investigations, as well as validation of project objectives with the beneficiaries.

These materials, and the promotion of these initiatives, will allow over 11,000 students in 128 educational institutions to participate in training processes. They will also have access to entrepreneurship resources that will allow them to create new jobs, helping to reduce poverty and contributing to the sustainable development of these communities.



#### Secretariat for Public Education (SEP) and BAC Honduras



We took the next step forward in 2015, formalizing our second partnership with a public education ministry in order to strengthen the financial education given to children, youth, teachers, fathers, and mothers. The result was the creation of the Professional Vocational Diploma in Banking and Finance (BTP), a three-year program for students in their final years of secondary school. Graduates from this program could choose from jobs in the banking sector, as well as the finance departments of any company.

During 2021, financial education courses were also created in basic state education centers and bilingual schools for students in 1st to 9th grade, as well as in professional vocational training centers. Similarly, financial health content was also provided to schools for fathers and mothers.

The BTP includes a model of professional in-person internships at BAC for students who attend participating secondary schools. Due to the suspension of in-person internships, we launched Proyecto Aplicativo BT, which provided 40 hours of training to each institution with the aim of strengthening the theoretical knowledge of final-year students in the Professional Vocational Diploma in Banking and Finance.





### Department of Education (MINEDUC) and BAC, Guatemala

We have been in discussions with the authorities at MINEDUC since 2017, seeking to move towards our third partnership for financial education and helping to educate the future generations who will be controlling Guatemala's economy. An agreement was signed to collaborate with study plans, making materials and methodologies in personal finance and business ventures for productivity available to the national educational system. The program is directed towards primary and secondary school students in Guatemala. The content is delivered by the country's public school teachers as part of the institution's official curriculum.

Through this partnership, together with the Department, we have provided training programs and professional development for teachers. We have also designed and produced guides and manuals that also include teaching materials and exercises to be given in class.



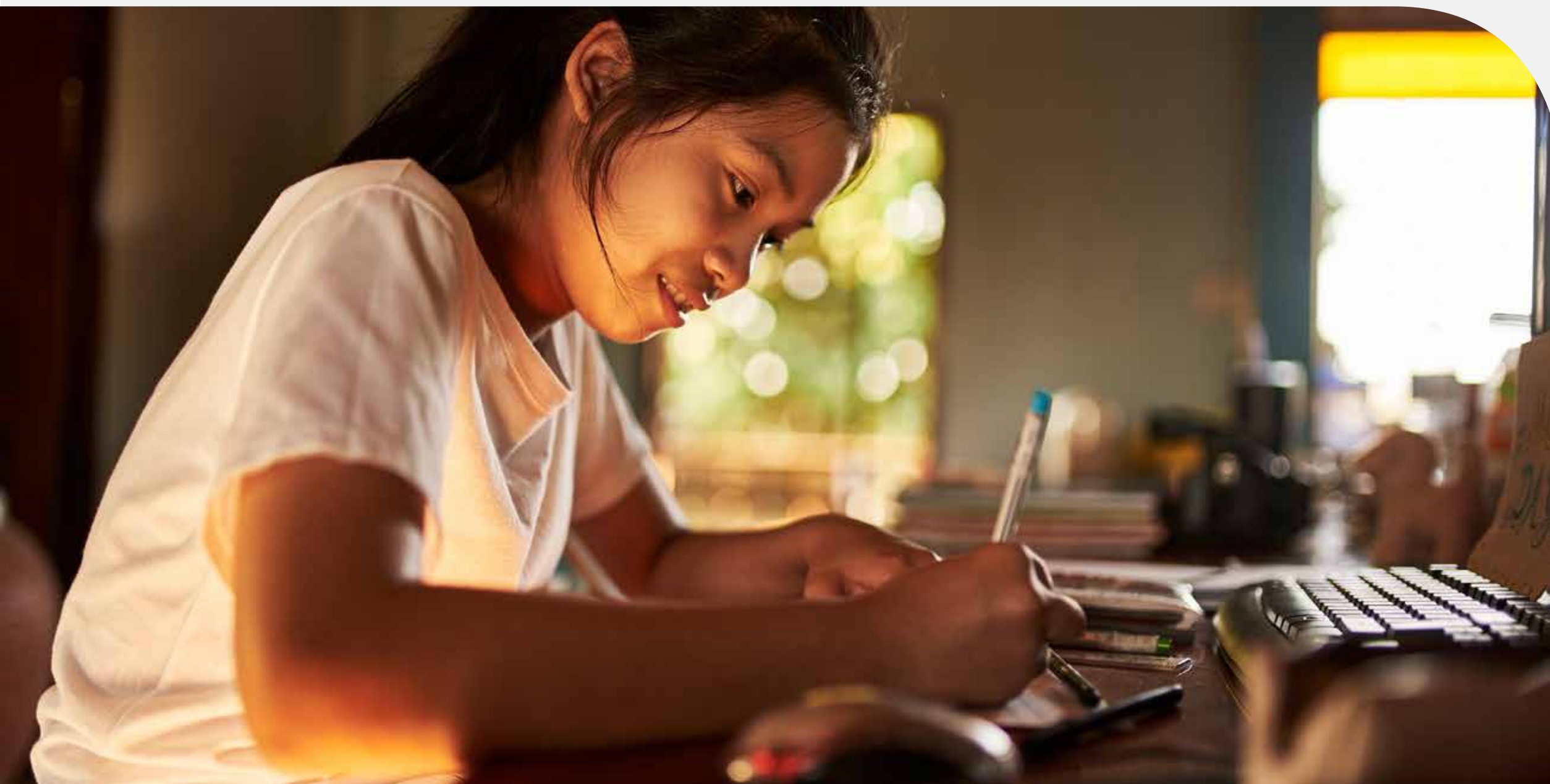
PRINCIPLE 4



### The Organization of Ibero-American States (OEI) and BAC Panama

Supported by MEDUCA's National Directorate of Curriculum and Educational Technology, Finances for Your Future is an initiative promoted by BAC that aims to empower young people to assertively manage their finances.

The program began in 2020, and was held for the third time in 2021. It facilitates personal financial education through the use of an innovative experiential model using workshops and debates between students, allowing them to learn about finance in a participative manner.





# PARTICIPATION IN FORUMS WITH **OTHER BANKING ENTITIES**

We recognize the importance of our participation in partnerships and forums in this and other related sectors. The following is a list of the organizations we are a part of:



## GUATEMALA

- Guatemalan Banking Association (ABG)
- American Chamber of Commerce - Guatemala (AMCHAM)
- Guatemalan Chamber of Commerce (CCG)
- Guatemalan Chamber of Industry (CIG)
- Center for Action on Corporate Social Responsibility (CENTRARSE)
- Guatemala Green Building Council (GGBC)



## HONDURAS

- Honduran Association of Banking Institutions (AHIBA)
- Honduran Foundation for Corporate Social Responsibility (FUNDAHRSE)
- Honduran-American Chamber of Commerce (AMCHAM)
- Cortés Chamber of Commerce and Industry (CCIC)
- Tegucigalpa Chamber of Commerce and Industry (CCIT)
- National Banking and Insurance Commission (CNBS)
- National Private Companies Council (COHEP)
- Corporate Program of Employment Inclusion for Persons with Disabilities (INCLUIRSE)



## EL SALVADOR

- El Salvador National Advertising Association (ANES)
- Salvadoran Banking Association (ABANSA)
- National Private Companies Association (ANEP)
- Salvadoran Banking Official Association (ASOB)
- El Salvador Chamber of Commerce and Industry (CAMARASAL)
- American Chamber of Commerce (AMCHAM)
- Corporate Foundation for Social Action (FUNDEMÁS)



## NICARAGUA

- Nicaraguan Association of Private Banks (ASOBANP)
- American Chamber of Commerce in Nicaragua (AMCHAM)
- Private Companies Council (COSEP)
- Latin American Federation of Banks (FELABAN)
- Union of Companies for Social Responsibility (UNIRSE)



## PANAMA

- Panamanian Chamber of Commerce and Industry
- AMCHAM
- Sumarse
- Panamanian Banking Association



## COSTA RICA

- Corporate Alliance for Development (AED)
- Alliance for Climate Action
- Costa Rican Banking Association (ABC)
- Costa Rican Association of Pension Operators (ACOP)
- Chamber of Banks and Financial Institutions (CBIF)
- Chamber of Commerce (CCRO)
- Costa Rican-American Chamber of Commerce (AMCHAM)
- Chamber of Industry of Costa Rica (CICR)
- College of Economic Sciences (CCE)
- Foundation for Sustainability and Equity (ALIARSE)
- Positive Horizon: Entity Responsible for Applying the Multidimensional Corporate Poverty Index (IPMe)
- National Institute of Women (INAMU)
- Ministry of Public Education (MEP)
- Ministry of the Economy, Industry, and Commerce (MEIC)
- Costa Rican Union of Chambers and Associations of the Private Sector (UCCAEP)
- Pride Connection
- Corporate Responsibility Code of Conduct (SUGESE)
- Development Banking System (SBD)



PRINCIPLE 5

# Governance and culture

We will implement our commitment to these principles through responsible banking governance and culture.





Our corporate governance structure works in line with international good practices and is deeply respectful of local regulations.

In order to safeguard the interests of our company, our shareholders and our clients, we at BAC have established a solid governance structure, made up of the Board of Directors, Senior Management, Committees, and oversight bodies whose reach extends to the corporate level and the countries in which we operate. The aim of this is to supervise the company's administration, and monitor the creation of value and the efficient use of resources.

Our corporate governance bodies are responsible for defining the group's main policies and strategies, and ensuring that the company operates ethically and with integrity, respecting the relevant laws and regulations, in order to maintain the excellent quality of the services and products we offer.

The oversight bodies, comprised of Internal Auditing and the areas that supervise the management of different types of risks, are key components of our corporate governance system that guarantee our commitment to promoting a culture of achievement, transparency, and risk management in every area of the organization.



### Regional Board of Directors

It is the main body of administration, management and supervision of the entity.

- ✓ It follows up on the strategic plan, approves policies, directs, evaluates, manages risks and ensures compliance with BAC Credomatic's values.
- ✓ Made up of directors with extensive experience in the Central American region and the banking industry.



### Management team

It executes the strategy and secure resources to maintain high standards of quality and compliance.

- ✓ **CEO:** Highest level executive in the organization. He designs and directs the strategy and is responsible for management.
- ✓ **Local management team:** Country Manager, is responsible for managing the local operation, the relationship with regulatory entities and customers.
- ✓ **Regional management team:** Regional Directors, manage the regional operation, evaluate and monitor management and propose policies and standards.



### Regional committees

They monitor different issues at the regional level according to their scope of action, in which the Board of Directors has delegated its authority and responsibilities, in accordance with the provisions of the articles of incorporation and bylaws of the entity.

- ✓ Audit.
- ✓ Comprehensive Risk Management.
- ✓ Compliance.
- ✓ Assets and Liabilities (ALICO).
- ✓ Credit.
- ✓ Technology.
- ✓ Security of the information.



### Boards of directors and local committees

They execute the strategy, provide knowledge of the local market and monitor the risk concentration limits of the entities.

- ✓ **Participate:**
  - Local directors.
  - CEO.
  - Directors of the regional Board of Directors.
  - External advisors and guests, as applicable.



# GOVERNANCE BODIES



Every corporate governance body contributes in its own way to meeting strategic objectives and ensuring transparency for shareholders and other key groups.

## Board of Directors

Setting out the guidelines that make it possible to meet strategic objectives, manage risk, and respect the organization's values, creating value for shareholders, clients, staff-members, and other stakeholders while respecting applicable norms and regional codes established by the entities that are part of BAC. The Board is the main entity responsible for making decisions on economic, environmental, and social issues.

## Regional Auditing Committee

Advising the members of the Board of Directors so that they can fulfill their obligations with respect to the quality and integrity of the financial reports produced by BAC for use by shareholders, potential shareholders, investors, and clients. It also provides information on the efficacy and effectiveness of the internal control system, governance measures and the management of the risk matrix. It will also review and evaluate the work performed by external and internal auditors.

## Regional Integrated Risk Management Committee

Advising the Regional Board of Directors on the definition and compliance with guide-lines, processes, methodologies, and controls, for the integrated risk management at BAC. The Committee supervises the risk management across all the countries where BAC has operations, including the Environmental and Social Risk Management System (SARAS).

## Regional Compliance Committee

Advising the Regional Board of Directors on their responsibilities with regards to supervising the proper functioning of the risk management system for money laundering, financing of terrorism, and financing of the proliferation of weapons of mass destruction by promoting a culture of compliance in every jurisdiction where BAC operates. It also strives to ensure that BAC's actions in these jurisdictions fully comply with local laws and regulations related to compliance.

## Regional Compensation and Nomination Committee

Establishing the action framework for nominating the members of the Board of Directors and the external members of Corporate Governance Committees in order to ensure that the candidates meet the requirements. It is also responsible for monitoring the design and function of the remuneration system.

## Regional Loan Committee

Evaluating and approving loans in accordance with the established attribution matrix. The Board of Directors has also directed this Committee to come up with proposals to improve policies, processes, and procedures for the approval of loans and provisions for uncollectibles.

## Regional Committee for Assets and Liabilities (ALICO)

Advising the Regional Board of Directors on establishing and complying with policies, methods, and limits for managing assets and liabilities in order to keep liquidity risks, market risks, and other related risks under control.

## Regional Technology Committee

Ensuring technological governance at the regional scale by informing strategic leadership, reviewing the main technological investments, and managing the main technology-related risks.

## Regional Information Security Committee

Ensuring compliance with the Information Security program strategy in projects, initiatives, risks, incidents, and tendencies, with a view to to protecting and safeguarding information regardless of how it is stored and administered.

## Regional Operational Risk Committee

Advising the Regional Board of Directors on establishing and complying with the guidelines, processes, methodologies, and tools used to manage operational risks at BAC; supervising the management of risks, including those relating to technology, business continuity, internal or external fraud, legal risks, and supplier risks.



# SUSTAINABILITY FORUM

The Sustainability Forum was created in 2020, with the main aim of advising the Board of Directors on the strategic approach to responsible business practices and sustainability affairs. The Forum meets at least once every three months. Its main tasks and functions include the following:

- ✓ **Collaborating and coordinating with Corporate Governance** committees on matters relating to responsible banking practices and sustainability.
- ✓ **Supervising and monitoring the processes for identifying,** managing, monitoring, and controlling risks and opportunities related to business sustainability and stakeholder expectations.
- ✓ **Supervising and evaluating the stakeholder relationship strategy,** informing the Board of Directors about stakeholders' interests and expectations with regards to social and environmental areas, as well as responsible and ethical behavior by the bank.
- ✓ **Supervising the Bank's actions relating to sustainability and,** especially, ensuring that its actions with regards to good governance, the environment, and society are consistent with the strategies and policies approved by the Board of Directors.
- ✓ **Monitor the bank's contributions to achieving the Sustainable Development Goals (SDGs)** approved by the United Nations (UN).
- ✓ **Supervise and approve bank's inclusion** in the most widely recognized international sustainability indices and certifications.
- ✓ **Remaining informed and advising the Board of Directors about the latest tendencies and best business practices** such as innovation, client satisfaction, financial inclusion, responsible marketing, inclusion and diversity, non-discrimination, climate change, and other areas related to business sustainability and that contribute to the region's social and economic development.
- ✓ **Evaluating the Bank's position with regards to sustainability,** periodically informing the Board of Directors about the advances reached in responsible business practices and sustainability, providing advice, issuing reports, and implementing procedures within its purview.
- ✓ **Ensuring the suitability of the structure** and functionality of sustainability management.
- ✓ **Issuing reports and carrying out actions** within its remit related to sustainability that are consistent with Corporate Governance System, or which are requested of it by the Board of Directors or its chairperson.



# TRIPLE POSITIVE VALUE GUIDELINES AND MANUAL

In keeping with best practices for Corporate Governance and Management Systems, we have documentation system at BAC that describes internal policies, guidelines, and procedures. We recently updated our Regional Guidelines and Manual for Corporate Social Responsibility, as well as the guidelines for our new business strategy, which became the Triple Positive Value Guidelines and Manual.

Both documents are structured in four sections: Economic, Environmental, Internal Social, and External Social. The Guidelines contain high-level information on the guiding principles, while the Operating Manual contains information on every initiative, the roles and responsibilities of every related party, and procedures. It also goes over evaluation mechanisms that we created in order to achieve our corporate strategy of Triple Positive Value.





# RISK MATURITY MODEL FOR CLIMATE CHANGE

In 2021, as part of our management of emerging risks, we identified climate change as one of the most relevant risks for the financial sector. Risk events related to climate change have a higher probability of occurring and of having an impact. This was determined using the bank's internal methodology, and through constant review of important publications on the subject, such as the Global Risks Report of the World Economic Forum.

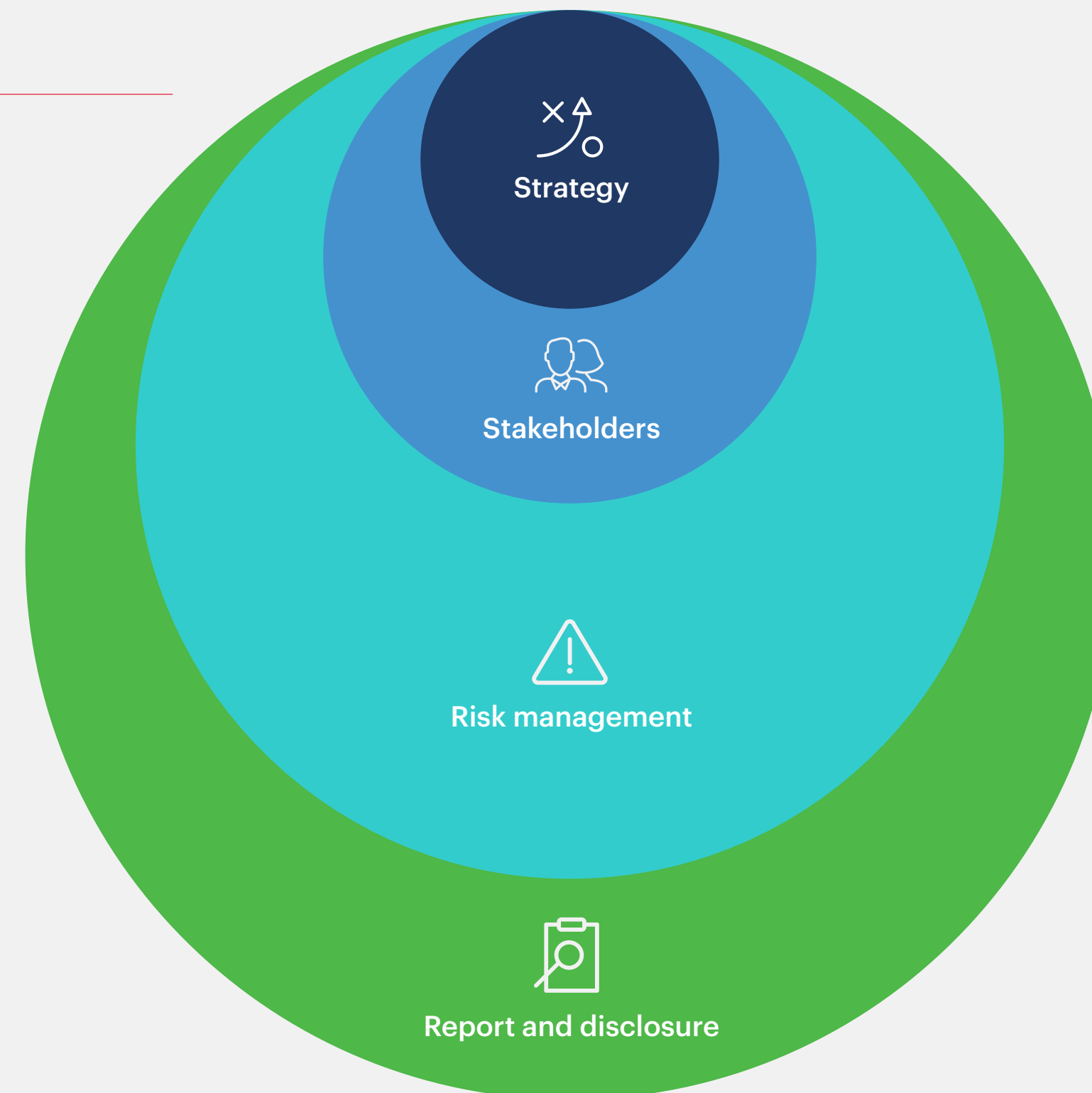
This led to the development of a maturity model at BAC that aims to identify the level of climate change risk management and mitigation actions, as well as a desired outcome based on good practices and international frameworks, especially the the Task Force on Climate-Related Financial Disasters (TCFD).

The model is made up of four sections: 1) strategy, 2) stakeholders, 3) risk management, and 4) reporting and outreach. Each of the above sections provides more specific information for each area of practice. They will each be evaluated in terms of their stage of development: yet to be implemented, partially established, established, or advanced.

## EVALUATION AND COMPENSATION MECHANISMS

In keeping with best international practices, at BAC we use evaluation mechanisms at every level. In keeping with our strategic objectives, we have set out to measure our performance and that of our working group from the highest level. This measurement is not limited to the economic sphere, but rather involves setting targets and indicators to systematically evaluate our environmental and social objectives with the same level of rigor and excellence.

In 2022, evaluations using the Balanced Score Cards (BSC), a performance evaluation tool, now include a weighting of up to 15% for environmental and/or social targets. These evaluations are applied to our CEO, Country Managers, Regional Directors, Area Vice Presidents, and Managers. The results of this evaluation will be linked to the compensation of the leadership team.



- 1 Corporate strategy consistent with climate change
- 2 Risks in business development
- 3 Association with relevant stakeholders
- 4 Identification of credit and investment operations
- 5 Policies and risk management models
- 6 Different types of analysis in management
- 7 Defined risk appetite level
- 8 Measurement at the level of sustainability and financial continuity
- 9 Iniciativas de reporte y divulgación



PRINCIPLE 6

# Transparency and accountability

We will periodically review our implementation of these Principles both individually and as a whole. We will be transparent and take responsibility for our positive and negative impacts, and for our contribution to societal objectives.





## METHODS AND STANDARDS USED FOR REPORTING

The importance of providing rigorous, clear, transparent, and timely accountability reporting involves a large amount of work and internal coordination across many of the bank's departments.

Meanwhile, stakeholders such as investors, shareholders, regulators, risk analysts, and multilateral organizations have requirements that are increasingly stringent and wider in scope. It is therefore fundamentally important to identify the right methods and models for the target audience, ensuring that the reporting exercise can become another tool for building trust. These reports can also be valuable management tools, allowing us to identify gaps and challenges and to share our work, progress, and commitments with our stakeholders as we continue to become the Bank that we aspire to be.



## FRAMEWORKS FOR SUSTAINABILITY OUTREACH



### Global Reporting Initiative

Our Integrated Report comes out in the first quarter, providing our Board of Directors, shareholders, and stakeholders with an accounting of our financial and sustainability performance. The report provides information on our main economic, environmental, and social initiatives, challenges, and achievements, ratifying our commitment to the sustainable development of the communities with which we work.

For the last two years, we have produced our reports to conform to the 'Core' option of the Global Reporting Initiative (GRI) standards. In compliance with the requirements of the standard, we include a reference of our performance in each of the Economic, Environmental and Social indicators. The report also includes consolidated financial statements for BAC International Corporation (BIC), which were prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

In 2023, we will perform our first Corporate Sustainability Assessment.



### Task Force on Climate Related Financial Disclosure

In order to increase our transparency, the Integrated Report for 2022 will include our commitments and progress made in relation to climate change, in line with the TCFD.



### Corporate Sustainability Assessment

The Corporate Sustainability Assessment of the Dow Jones Sustainability Index is for companies aiming to establish a baseline for sustainability and obtain an independent assessment of their sustainability performance in comparison to other similar companies. It also allows for direct reporting of key sustainability metrics and a comparison of the company's performance in a wide range of industry-specific economic, environmental, and social criteria.



# PRESENTATION OF OUR UPCOMING SUSTAINABILITY REPORTS



## Principles of Responsible Banking



First report August 2022

## Net Zero Banking Alliance



First report March 2023

## Partnership for Carbon Accounting Financials



First report March 2025

## Global Reporting Initiative



Included in the 2022 Annual Report

## Task Force on Climate-Related Financial Disclosures | TCFD



Included in the 2022 Annual Report

This is a summary of the main frameworks and commitments in terms of sustainability, to which we have adhered and of which we will report periodically in the first four months in our Annual Integrated Report.

Corporate Sustainability Assessment



Annual assessment



 Annexes



## **NATIONALLY DETERMINED CONTRIBUTION (NDC) FOR EACH COUNTRY IN WHICH WE OPERATE**

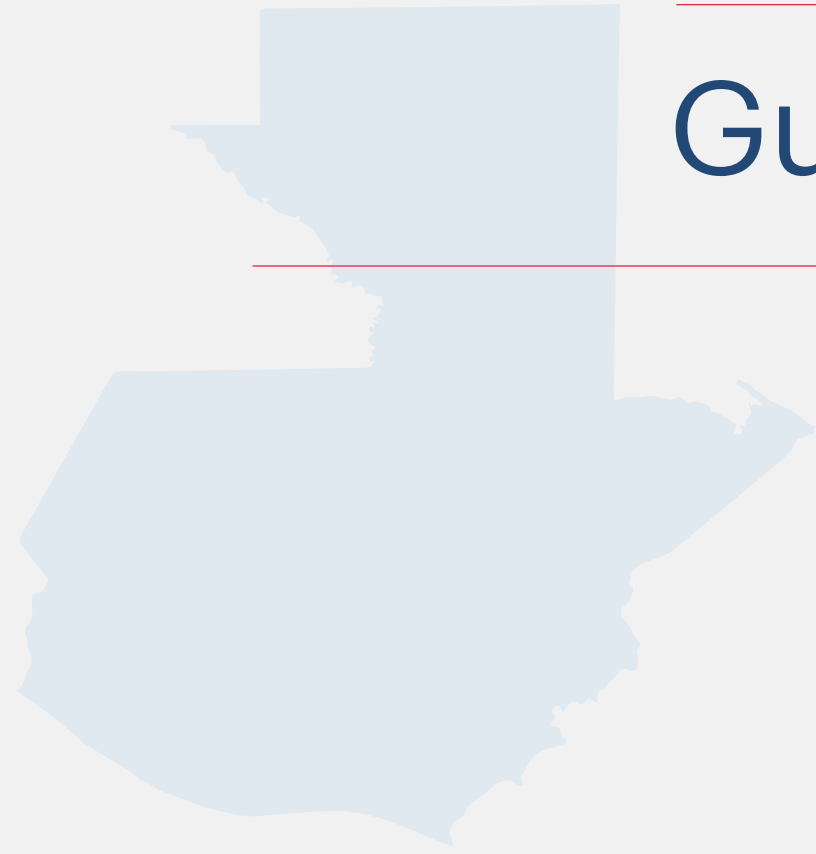
---

This section provides greater detail on the NDCs mentioned in Principle 2. It provides an extract of the context, objectives and main targets for each of the countries in which BAC operates. If you would like more information on the NDC of each country, you can visit the website of the United Nations Framework Convention on Climate Change (UNFCCC).

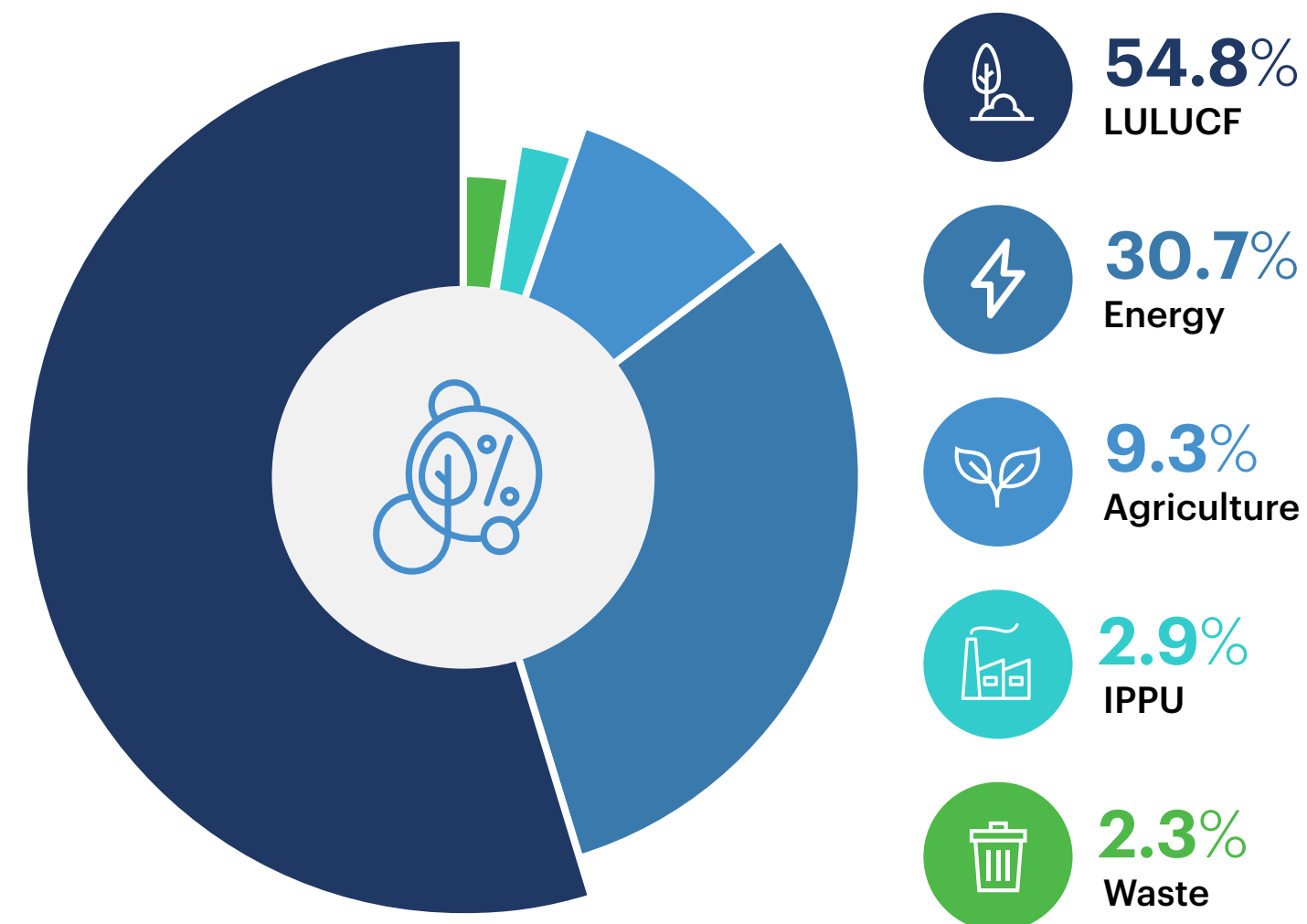
---



# Guatemala



## EMISSIONS UP TO 2018 BY SECTOR



### Context

Guatemala has been identified as one of the most vulnerable countries to climate change due to its location and environmental factors as well as socioeconomic conditions.

Around 75% of the population faces climate threats such as flooding, drought, and landslides.

The most recent GHG inventory (2018), prepared for the First Biennial Report and Third National Communication on Climate Change, showed that total emissions were 63.55 million tCO<sub>2</sub>eq.

This shows that Guatemala's contribution to worldwide GHG emissions is very low (only 0.08% of the total). However, it is important to note that it is increasing.

### NDC Objective Mitigation - Reduction of emissions

#### Target not dependent on international support

By 2030, GHG emissions will have been reduced to 11.2% below business as usual, equivalent to a reduction of 65 million tCO<sub>2</sub>eq.

#### Target dependent on international support

By 2030, GHG emissions will have been reduced to 22.6% below business as usual, equivalent to a reduction of 56.6 million tCO<sub>2</sub>eq.

### Main targets for 2030 by sector

#### LULUCF 54.8%

##### Reduction of:

- 1.5452 million tCO<sub>2</sub>eq through conservation, protection, and sustainable management of forests
- 0.12933 million tCO<sub>2</sub>eq through a reduction in forest degradation by preventing and controlling forest fires

##### Increased absorption:

- 0.1773 million tCO<sub>2</sub>eq through the establishment of forest plantations
- 0.9443 million tCO<sub>2</sub>eq through the restoration of degraded areas

#### Energy 30.7%

- Prioritize clean energy for electrical production. Since this is a long term goal, it will not result in any reportable losses between 2021 and 2030
- Reduction of 2.5 million tCO<sub>2</sub>eq through the use of sustainable transportation
- Source 80% of electrical generation from clean sources by making changes to the electrical grid
- These changes are expected to cause a 41.07% reduction, according to projections in the NDC

#### Agriculture 9.3%

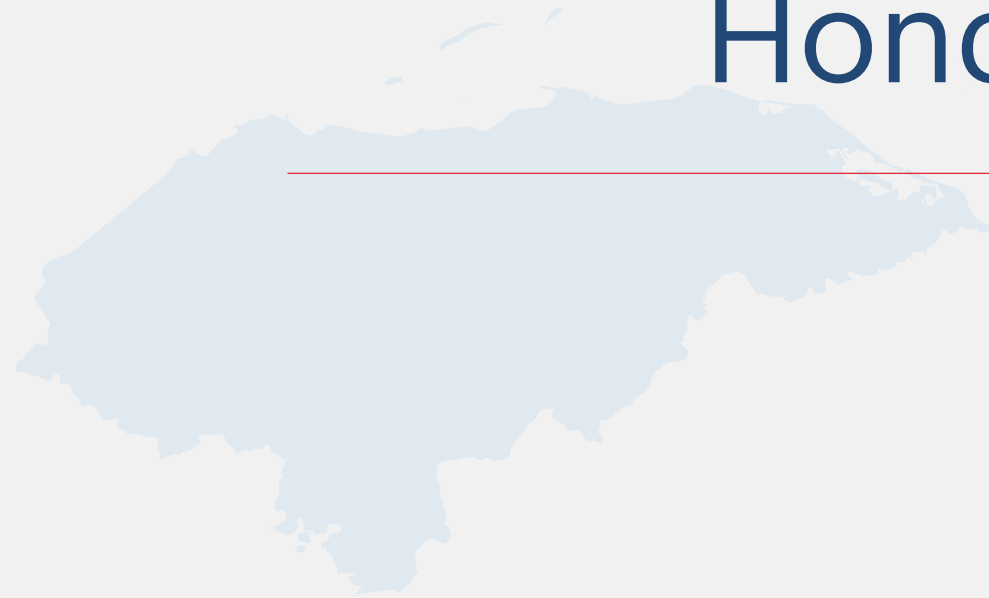
- Reducción de 0.6370 millones de toneladas de CO<sub>2</sub>-eq por medio de la estrategia nacional de ganadería bovina sostenible con bajas emisiones
- Con la implementación de esta medida, este sector contribuirá con el 10.46% de las reducciones proyectadas con la NDC

#### Waste 2.3%

- Reduction of 0.1539 million tCO<sub>2</sub>eq through methane capture in the Zone 3 landfill site, and its subsequent use for generating electrical energy
- 600 tons of empty containers removed from the countryside (non-GHG target) through the clean countryside project



# Honduras



## Context

In recent years, Honduras has suffered from a large number of adverse hydrometeorological events, including serious droughts and floods caused by intense rain. It was also directly impacted by large hurricanes in 2020, which affected 3.9 million Hondurans, causing deaths and serious damage to homes and infrastructure.

Due to its geographic location, its biophysical and topographical characteristics, and high levels of poverty, the country is highly vulnerable to the effects of climate change. These make it even harder to find solutions to the significant challenges the country faces in overcoming the poverty that experienced by a large portion of its population, with 48.3% of people living below the poverty line and 22.9% living in extreme poverty.

The country's contribution to global emissions in 2018 was less than 0.05%. Similarly, in 2018, per capita emissions in the country were 2.34 tCO<sub>2</sub>eq/inhabitant/year, which is well below the global average of 6.26 tCO<sub>2</sub>eq/inhabitant/year, and is even below the average in Latin America and the Caribbean, which is 4.99 tCO<sub>2</sub>eq/inhabitant/year.

## NDC Objective Mitigation – Reduction of emissions

Reduction of greenhouse gas emissions by 16% relative to business as usual (BAU) by 2030 for all sectors, excluding land use, land use change and forestry (LULUCF).

## Main targets for 2030 by sector

Emissions reductions to 16% below BAU, distributed between the following sectors:

- 9% in the energy sector, mainly through the use of renewable energy, electrical transport, biofuels, and energy efficiency, contributing to a 20% reduction below business as usual
- 5% in the agriculture sector, mainly in the coffee and cattle sectors
- 1% in the industrial process and product use (IPPU) sector, through a reduction in the use of F-gases
- 1% in the waste sector

**1.3 million hectares of forests that are currently being restored through the promotion of conservation and functional restoration of the rural landscape, contributing to increased carbon capture in the LULUCF sector, mainly through the following actions:**

- **Recuperation:** increased productivity in damaged sites, mainly through the use of different species than those present prior to the disturbance
- **Rehabilitation:** reestablishment of productivity and the presence of a group of plant species that were originally there
- **Restoration:** replacement of the structure, productivity, and diversity of the species that were originally present in the forest

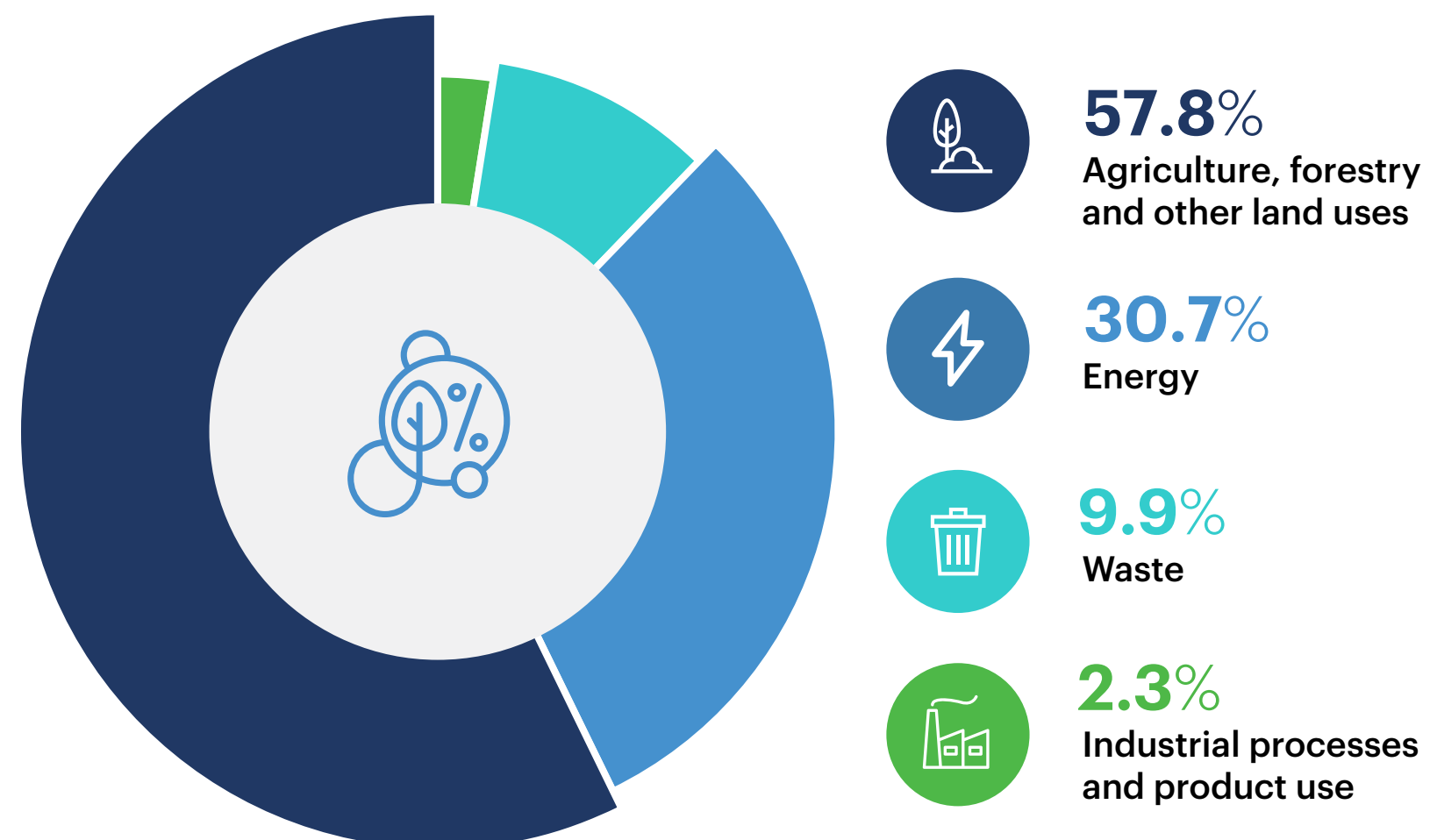
**Reduce families' firewood consumption by 39%.**



# El Salvador



## EMISSIONS BY SECTOR



### Context

One of the effects of climate change that has already been observed is the increase of the average temperature in 2010 by approximately 0.60°C since the 1970s, and by about 1.2°C from 1961 to 1990.

El Salvador's has historically emitted very low greenhouse gases (GHG) emissions, and its contribution on a global level remains negligible.

However, like other Central American countries, the last few years have seen rains that have broken records with their intensity, duration, and extent, while also recording the driest month for as long as records have been kept. The frequency of extreme events such as hurricanes and intense rain has been going up steeply in the country and in Central America over the last few decades.

The most recent climatic events have caused millions of dollars' worth of losses.

### NDC Objective Mitigation – Reduction of emissions

#### Energy sector

Reduce its annual GHG emissions by between 819 and 640 ktCO<sub>2</sub>eq by 2030.

#### Agriculture, forestry and other land use (AFOLU)

Reduce emissions by 50,857.5 ktCO<sub>2</sub>eq by reducing emissions and increasing carbon sinks and reservoirs in the agricultural landscape.

Some 90% of the country's emissions come from the AFOLU and energy sectors.

### Main targets for 2030 by sector

#### Energy 30.70%

Reduce GHG emissions when generating electrical energy through increased power generation from renewable sources (solar, wind, geothermal, hydroelectric and biomass) as well as the incorporation of natural gas. The strategy includes an increase in the installed renewable energy capacity as well as an increase in the proportion of electricity generated from renewables.

Implementation of energy efficiency initiatives among governmental, commercial, and residential consumers, with the replacement of refrigeration and air conditioning systems with more efficient alternatives.

Implementation of energy efficiency initiatives among the public.

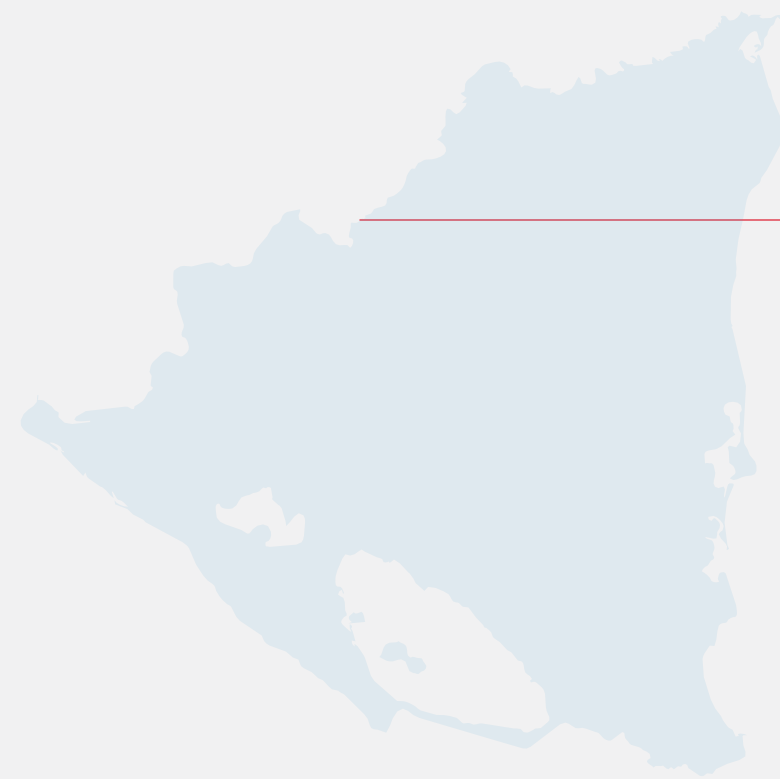
Replacement of petroleum-derived fuels (fuel oil, liquefied natural gas, and diesel) with natural gas in industrial and commercial applications.

Introduction of electrical vehicles, with a specific emphasis on public and private passenger transport.

#### Agriculture, Forestry, and Land Use (AFOLU) 57.80%

A reduction in GHG emissions and an increase in carbon sinks and reservoirs by restoring and rehabilitating degraded land in the agrifood landscape and a transition towards low-carbon agriculture and livestock operations.

Preparation of national mitigation strategies and actions in cattle breeding in El Salvador.



# Nicaragua

## Context

According to the Emissions Database for Global Atmospheric Research, Nicaragua was responsible for 0.02% of all global greenhouse gas emissions in 2018. However, it had the sixth-highest vulnerability to climate change according to the Global Climate Risk Index for the historical period of 1998 to 2017.

Nicaragua is highly threatened by climate change and extreme events. Future scenarios described in the Fifth Assessment Report of the IPCC, adjusted for the country's situation, indicate that of its 156 municipalities, 21 are threatened by hurricanes, 48 by drought, 33 by flooding, and 9 by increasing sea levels.

During the year 2020, extreme events included two category 4 and 5 hurricanes, which affected over 3 million people across the entire country. It is also estimated that these phenomena result in losses and damage worth more than 738 million dollars, equivalent to 6.2% of the country's GDP.

## Main targets for 2030 by sector

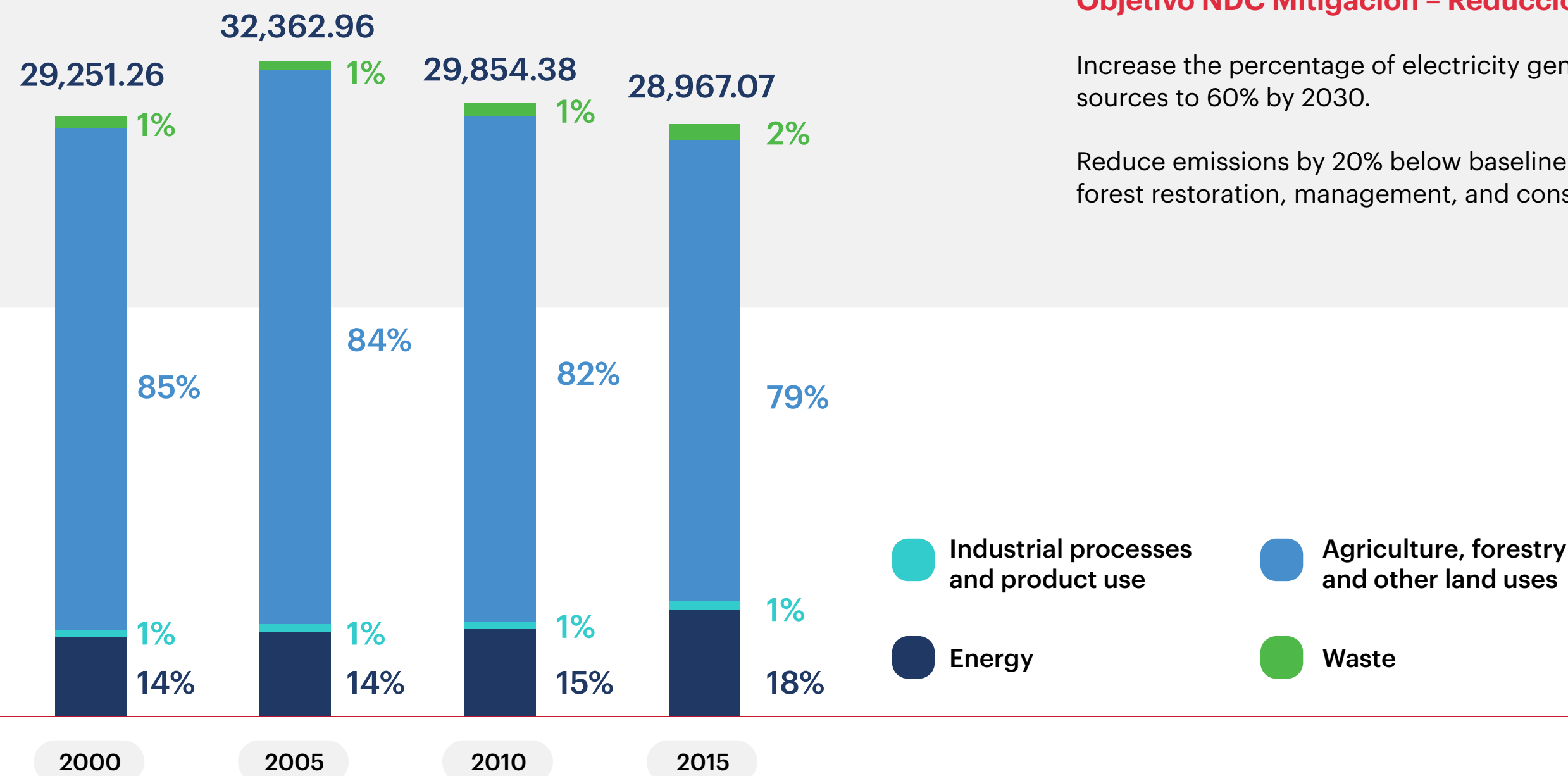
### Energy 18%

Increase the percentage of electricity generated through the use of renewable energies such as solar, wind, and biomass energy to 60% by 2030. In comparison with 2007, this represents an increase of 35% in the national electrical grid, taking the increased coverage into account.

### Forestry and Land Use Changes 79%

Reduce emissions by 20% below baseline by 2030 through the use of forest restoration, management, and conservation actions, as well as promoting ecological agriculture; planting permanent shade crops, which are resistant to the effects of climate change; reducing large-scale extensive livestock operations; and incorporating forests into uncultivated land, allowing the country's carbon sinks to maintain their capacity.

## CO2 EMISSIONS BY SECTOR

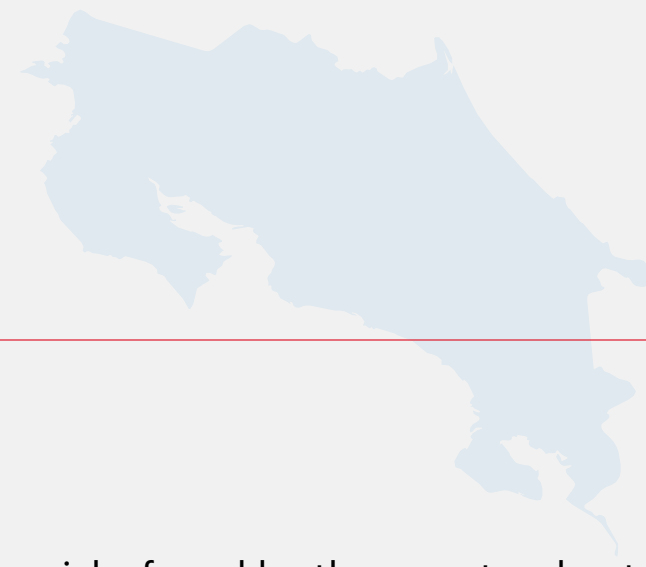


## Objetivo NDC Mitigación – Reducción de emisiones

Increase the percentage of electricity generated using renewable energy sources to 60% by 2030.

Reduce emissions by 20% below baseline by 2030 through the use of forest restoration, management, and conservation actions.





# Costa Rica

The risks faced by the country due to climate change are intrinsically linked to extreme hydrometeorological events (EHE). Although not all EHEs are caused by climate change, their frequency and intensity is increasing because of climate change. Recent decades have seen a marked increase in these types of events, with existing social vulnerabilities increasing the potential disaster risks (Retana, 2012).

The five extreme meteorological phenomena (EMP) that cause the most serious EHEs in the country include tropical or easterly waves, depressions, cold fronts, the Intertropical Convergence Zone, and barometric troughs. Droughts have a significant impact on the country's ability to plan and adapt. Losses created by droughts are substantial. In some provinces, economic losses have amounted to ₡450 million to ₡6.253 billion between 1988 and 2018 (Borge et al., 2020).

In addition, 546 deaths have been reported to be due to EHEs between 1980 and 2017. The costs of recovery and reconstruction due to EHEs have increased very steeply, from ₡8.903 billion in 1988 to ₡202.681 billion in 2010, equivalent to 1.01% of the GDP for that year.

## NDC Objective Mitigation – Reduction of emissions

An absolute maximum net emission in 2030 of 9.11 million tons of carbon dioxide equivalent (tCO<sub>2</sub>eq).

Absolute maximum net emissions of 106.53 million tCO<sub>2</sub>eq between 2021 and 2030.

Both cases include all emissions and all sectors covered by the National Inventory of Greenhouse Gas Emissions.

## Main targets for 2030 by sector

### Mobility and transport

Develop a mobility system based on active mobility and a safe and efficient public transport system that runs on renewable energy and which is accessible to everyone, including persons with disabilities. It should have a fleet of light, zero-emission vehicles, and an efficient cargo transport system.

### Energy

Take early and groundbreaking actions for the renewable generation of electricity in order to provide the electrical system with the necessary flexible, intelligent, and resilient capacity to provide and manage renewable energy, at a competitive price, with a focus on accelerating electrification throughout the country, and to limit and reduce the use of fossil fuels, promoting energy efficiency and innovation in energy sources.

### Industry, commerce, and services

Support the progression of economic models in productive sectors to ones with greater efficiency that have low or zero emissions, and which are circular, resilient, and sustainable, focused on transformation through the use of efficient and sustainable processes and technologies that use energy from renewable or other zero-emission sources.

### Integrated waste management

Develop an integrated waste management service that is based on avoiding, reducing, reusing, valuing, treating, and disposing of waste properly, with the maximum level of efficiency, and low greenhouse gas emissions. The system will focus on integrated management of waste, especially organic waste, and on modernizing its sewage and wastewater treatment system, especially in urban areas.

### Agriculture

Develop highly efficient, low-carbon agrifood systems that generate goods for exportation and local consumption. Consolidate a livestock production model which is based on productive efficiency and reducing greenhouse gases, focusing on the transformation of the productive sector, by adopting emission reduction technologies as well as adaptive policies and practices.

### Forests and land biodiversity

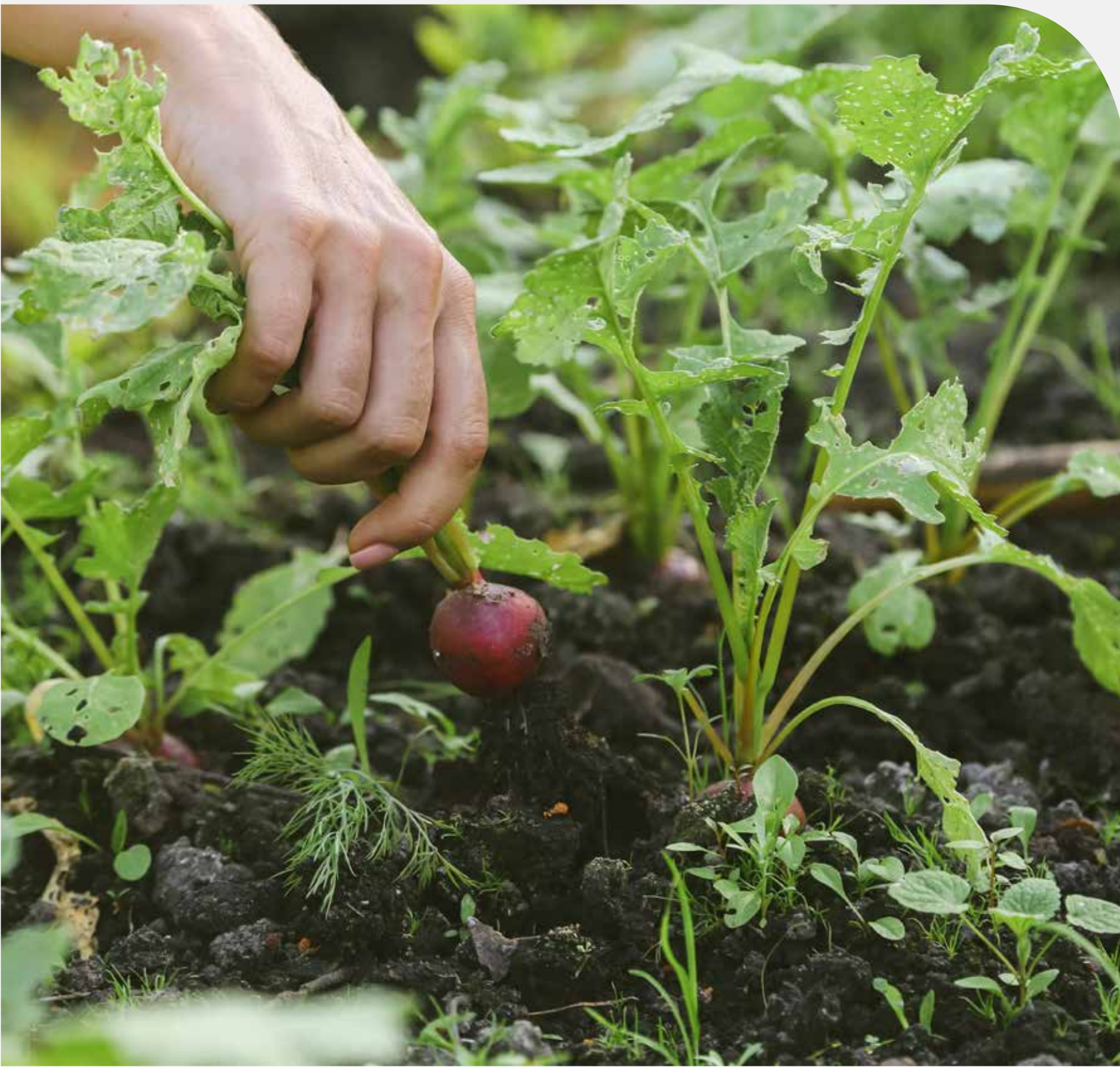
Manage the rural, urban, and coastal land with an emphasis on conservation and sustainable use of forestry resources. Increase and maintain the services for the ecological systems (including resource storage, regulation, cultural and support services) using nature-based solutions.

### Ocean and water resources

Have healthy marine and coastal ecosystems that are adapted and resilient, allowing for sustainable natural resource use through management that focuses on the well-being of people and nature. A commitment is also made to increase the resiliency of water resources, both in terms of caring for sources of surface water and groundwater, as well as recovering, treating, and storing rainwater, using techniques that include rainwater harvesting.



# Panama



## Context

According to the National Strategy for Climate Change 2050, the main effects of climate change include the risks of increased water levels and hydrometeorological events.

With regards to rising sea levels, critical situations have already occurred that have affected vulnerable indigenous populations. Coastal risk modeling tools have suggested flooding scenarios by 2050 that will affect areas critical for canal operations in Panama City.

The repeated droughts of the last few years, and the large-scale losses incurred in the agrifood sector (losses worth US\$ 100 million in 2013 alone), mean that climate change is becoming one of the main preoccupations of the Panamanian agricultural sector (PNCSSA).

## NDC Objective Mitigation – Reduction of emissions

Reduction in total emissions in the country's energy sector by at least 24% below business as usual, and by at least 11.5% by 2030.

## Main targets for 2030 and 2050 by sector

### Energy

Reduction in total emissions in the country's energy sector by at least 24% below business as usual, with reductions of at least 11.5% by 2030, representing a estimated cumulative total of 60 million tons of CO2 equivalent between 2022 and 2050, and a cumulative total of 10 million tons of CO2 equivalent between 2022 and 2030.

### Forests (LULUCF)

Restoration of 50,000 hectares of forest nationally, which will contribute to the absorption of approximately 2.6 million tCO2eq by 2050.

### Agriculture, livestock, and aquaculture

By 2050, 130,000 hectares of degraded land will have been restored, through agroforestry and silvopastoral systems, in proportion to the international support received.

