

BANKING



SECOND REPORT

# Principles for Responsible Banking



PRINCIPLES FOR  
RESPONSIBLE  
BANKING



AUGUST • 2023

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# ABOUT THIS REPORT

Dear shareholders, clients, employees,  
and stakeholders in general:

BAC is proud to present to you our **second report under the Principles for Responsible Banking**, a unique global collaborative initiative between the United Nations and the global financial sector.

With this adhesion, we reaffirm our commitment to become a **Net Positive Bank**, that is, a bank that not only maximizes economic value for its shareholders, but also maximizes positive social and environmental value for the benefit of all its stakeholders.

Our corporate strategy was designed based on extensive consultation with our stakeholders: employees, customers, suppliers, regulators, shareholders, NGOs, the media, communities, etc., and culminated in the definition of 12 strategic objectives, 3 in each of the dimensions: economic, environmental, external social and internal social.

These objectives became public commitments with the Central American society that are quantifiable and among which we can highlight the economic dimension: making banking radically transparent and transforming our portfolio of financial solutions so that they are simple, digital, and sustainable.

In the environmental dimension, we set out to become a positive carbon, water and waste bank and transform our portfolio into a net positive one, as well as promote the circular economy in Central America. In the external social dimension, we made the commitment to promote financial and digital inclusion; as well as making banking inclusive and especially gender equitable and being a leading bank in strategic social investment. In the internal social dimension, we committed to promoting the integral well-being of our BAC people and reducing multidimensional poverty to the minimum possible in the families of our employees.

Progress on each of these strategic objectives is informed in this report and makes us very proud to be the first regional bank to formalize its commitment to doing net positive financial business.

BAC is the leading bank in the region according to traditional indicators (assets, portfolio, deposits, and profitability). Through our strategy, we broadened our way of measuring success to not only limit ourselves to traditional financial metrics but complement them with key and material indicators related to the creation of environmental and social value. It is important to mention that these environmental and social goals are as ambitious and visionary as those we define in the economic dimension.

The Principles for Responsible Banking are perfectly aligned with our strategy and have become a framework to formalize the management of the critical issues that we are working on in all three dimensions. Additionally, these principles allow us to join a group of leading banks that measure their success comprehensively and use rigorous standards and methodologies to objectively assess the ability to create positive economic, environmental, and social value in the countries we serve.

A key element of this report is that we expand our impact analysis. The first report included our entire portfolio of companies and SMEs and this second year, the consumer portfolio (retail banking) was added. With this scope, we cover the bank's 3 key business segments. It is important to emphasize that, as a result of this analysis, the priorities identified remain the same: 1) Climate Strategy and 2) Inclusion and Financial Health.

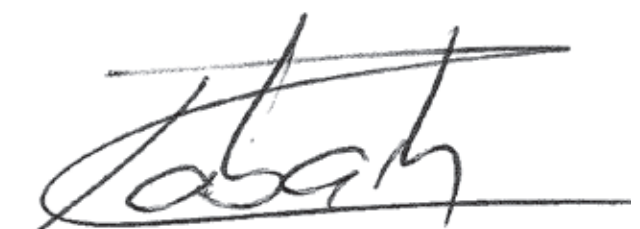
These same priorities are part of the bank's 12 strategic objectives, which confirms BAC's level of depth in understanding the region and what are material issues, as well as the alignment and relevance of our corporate strategy.

Based on these priorities, we will be focused on defining portfolio decarbonization goals and, of course, supporting our clients so that this decarbonization becomes a reality. Additionally, we are expanding our scope of financial literacy, especially through digital platforms and defining goals and initiatives related to promoting the financial health of our clients.

At BAC, we are aware of the role we must play in Central America, a region full of strengths, but also important economic, social, and environmental challenges. We know that we have the opportunity as an industry and as a company to be a relevant actor in achieving the United Nations Sustainable Development Goals and in building a more prosperous, equitable and sustainable Central America.

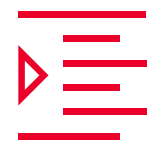
The great transformations that must be carried out in all sectors of society will require capital, knowledge and, most importantly, strategic alliances to become a reality. At BAC we assume not only our responsibility but also the opportunity to lead this transformation.

Our corporate purpose is our North Star: **"Reimagine banking to generate prosperity in the communities we serve"** and based on which, we are transforming our way of doing business to ensure that everything we do has the objective of maximizing triple positive value: economic, environmental, and social. Our commitment is firm and clear, and our determination to be part of the solution to the challenges facing Central America is unbreakable.



**Rodolfo Tabash**  
Presidente y CEO





## PRINCIPLES FOR **RESPONSIBLE BANKING**

### PRINCIPLE 1

# Alignment

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





BUSINESS MODEL

Describe (high-level) your bank’s business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services.

Please also quantify the information by disclosing e.g. the distribution of your bank’s portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

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 before taxes.

At december 2022, our share of total banking system assets was 10,3%, which represents an increase of 42 basis points compared to the same period of 2021.

With portfolio, we increased by 4 base points (compared to december 2021), reaching a regional share of 11,1% and maintaining our lead in net portfolio placement.

BAC continued its excellent performance with positive results due largely to our continued customer loyalty strategy. We also continued our efforts to facilitate transaction channels through an aggressive digital transformation strategy, providing modern, versatile e-banking.

We also positioned ourselves as the leading bank in deposit capture with a 10,9% market share, up by 12 base points compared to 2021.

In addition, at december 2022, we led the regional market share in profit before taxes with 15,1% of all financial system profit before taxes.

BAC IN FIGURES 2022

+4,4 Million customers

+19,7K Employees

ROE 16,8% / ROA 1,6%

Regional presence	GUA	ESA	HON	NIC	CRC	PAN	TOTAL
Branches	98	38	64	40	43	29	311
Drive-throughs	14	1	17	2	6	3	43
Digital branches	0	1	6	0	0	0	7
Auxiliary cashiers	58	40	80	69	49	13	309
Rapibac*	1,625	251	2,037	2,755	2,118	330	9,116

\*Non-bank correspondent located in different commercial establishments where banking can be done quickly without any additional fees

Service channels

311 Branches

+204,000 POS terminals  
(Point of sale)

9,116 Non-bank correspondents  
(RapiBAC)

2,097 ATMs

Market position #1 In Assets #1 In Portfolio #1 In Deposits #1 In Profit Before Taxes

## STRATEGY ALIGNMENT

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

☒ Yes ☐ No

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

# TRIPLE POSITIVE VALUE STRATEGY

We have defined our sustainability initiatives and business strategies to fully align with and complement each other, aiming for a socially responsible business model that identifies and addresses the business management areas that give rise to the positive and negative, real and potential impacts with the most importance for our stakeholders and our company.

In order to evolve from a traditional financial group model to one that delivers financial solutions

with positive triple value, we aspire to become a net positive bank, that is, one that creates more environmental and social value than the footprints we produce for operating, with the same excellence and rigorosity we employ for maximizing economic value. We are also working on maximizing and sharing environmental and social value with all our stakeholders. In 2022, we set out to evolve and measure our success on three dimensions: economic, environmental, and social.



We enriched our customer-centric model towards achieving our life-centric vision where we put people and the planet at the center of life.

## OUR VALUES



### Passion

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



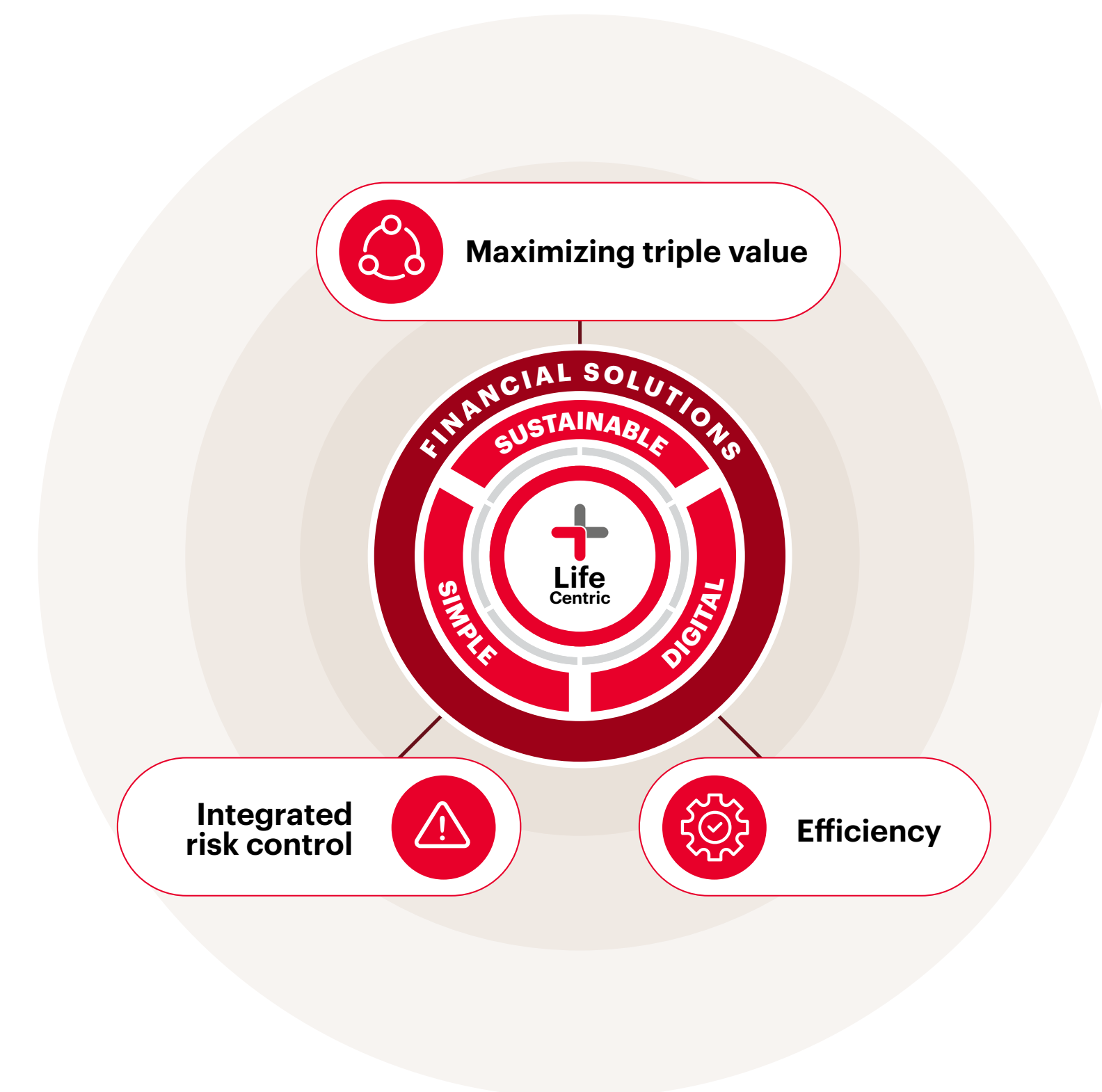
### Integrity

**We inspire confidence** because we act ethically and transparently.



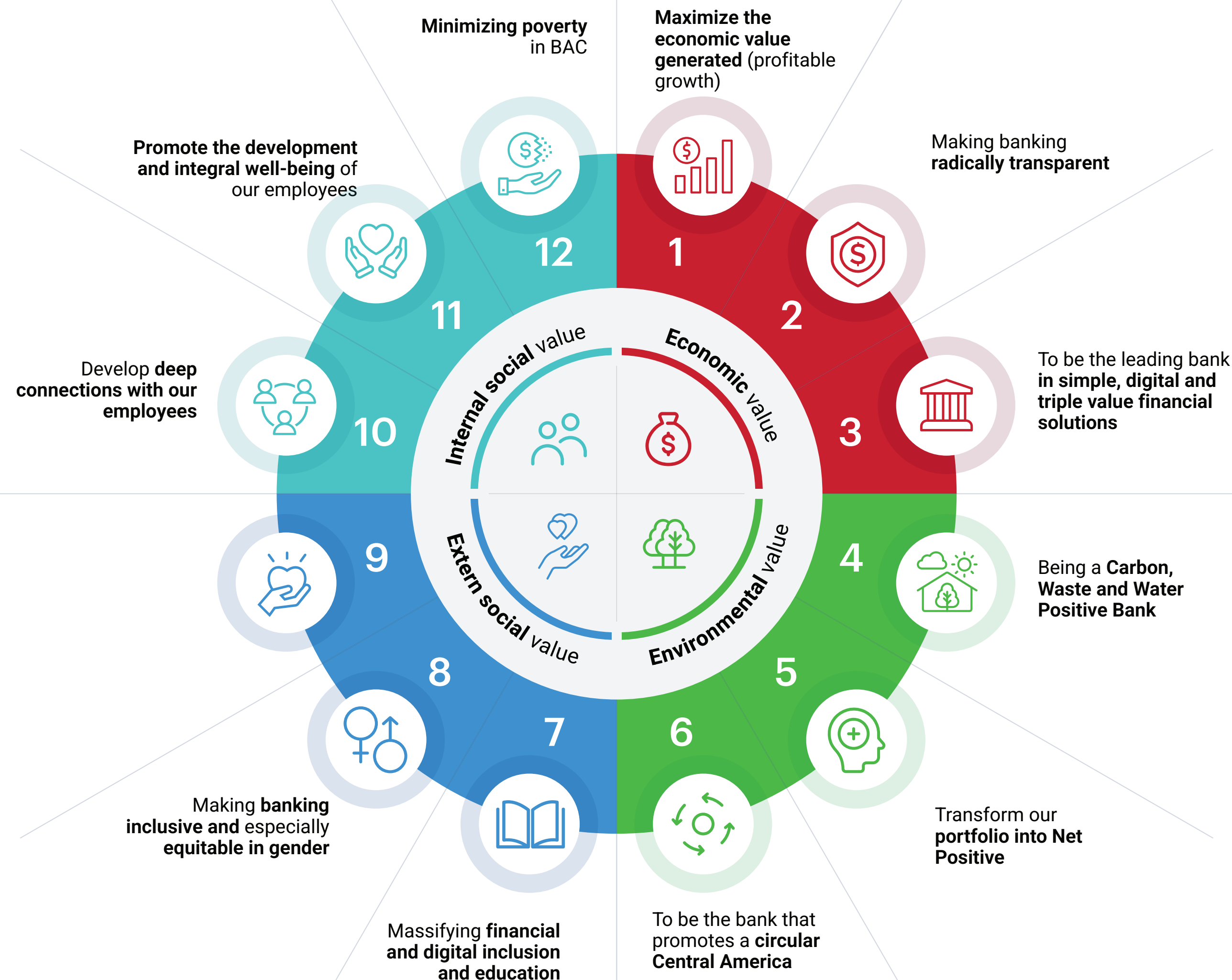
### Excellence

**We stand out** because we go beyond what is expected of us and love to serve with excellence.



## OUR STRATEGIC OBJECTIVE OF TRIPLE POSITIVE VALUE

To transcend the traditional definition of business success and redefine our role in creating prosperity, enhancing quality of life for people in Central America, and fostering harmony with the environment, we have set three ambitious objectives in each of the sustainable development dimensions:





## OUR CONTRIBUTION TO THE **SUSTAINABLE DEVELOPMENT GOALS**

**BAC has a strong commitment to the Sustainable Development Goals (SDGs).**

These goals define the 2030 Agenda set by the United Nations to end poverty, protect the planet, and ensure peace and universal prosperity. In accordance with this agenda, we have analyzed the Sustainable Development Goals (SDGs) with regard to our ability to impact, contribute, and add value. Due to the nature of our activities, and in line with our positive triple value strategy, we have aligned our material topics with the main challenges in our region. We thus prioritized the SDGs to which we directly contribute:

- |  |  |
|--|--|
| <b>1</b> No poverty                      | <b>12</b> Responsible consumption and production |
| <b>4</b> Quality education               | <b>13</b> Climate action                         |
| <b>5</b> Gender equality                 | <b>17</b> Partnerships for the goals             |
| <b>8</b> Decent work and economic growth |  |

You can consult the detail of the SDG targets mainly impacted by the development of our positive triple value strategy in our 2022 Integrated Annual Report.











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

- ☐ UN Guiding Principles on Business and Human Rights.
- ☐ International Labour Organization fundamental conventions.
- ☒ UN Global Compact.
- ☐ UN Declaration on the Rights of Indigenous Peoples.
- ☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones.
- ☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones.
- ☐ None of the above.

# INTERNATIONAL COMMITMENTS ON ENVIRONMENTAL AND SOCIAL ISSUES

In search of excellence, rigor and transparency, we have adhered to the main international initiatives, which will allow us to adequately manage environmental and social issues, and climate change. Below is the detail of the commitments we have adhered to:

In addition, we strive to be transparent with our stakeholders, we use the Global Reporting Initiative (GRI), and the TCFD disclosure framework for the disclosure of climate-related financial matters, to demonstrate our advances in the matter.







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PRINCIPLES FOR  
**RESPONSIBLE BANKING**

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PRINCIPLE 2

## Impact and target setting

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





IMPACT ANALYSIS

KEY STEP 1

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

A. Scope

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

COMPOSITION OF OUR PORTFOLIO

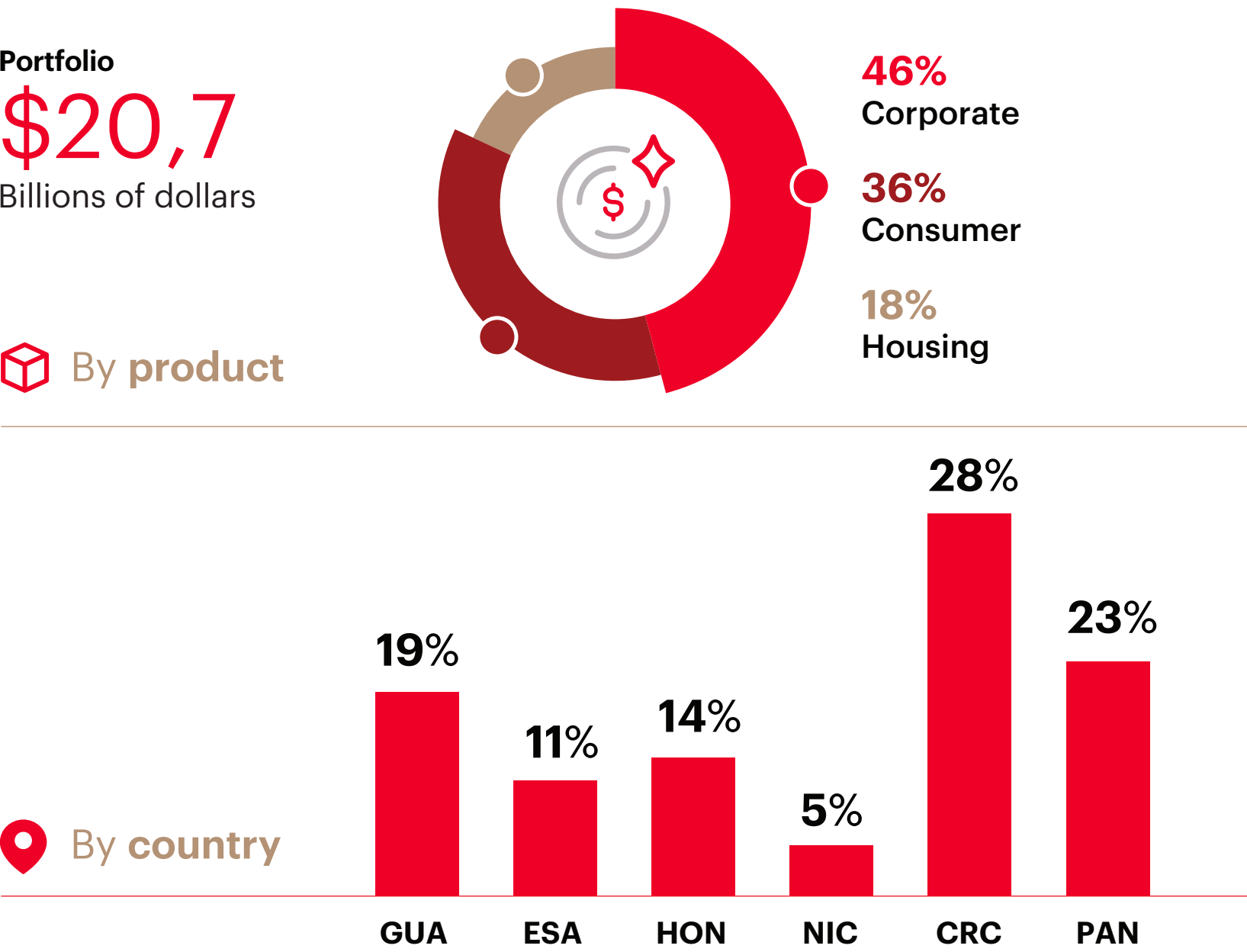
We have made a commitment to transform our portfolio of services. In addition to being simple, innovative, and digital, they will also become instruments that will permit our clients and users to achieve their objectives while simultaneously reducing their negative impacts, serving as tools for generating 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.

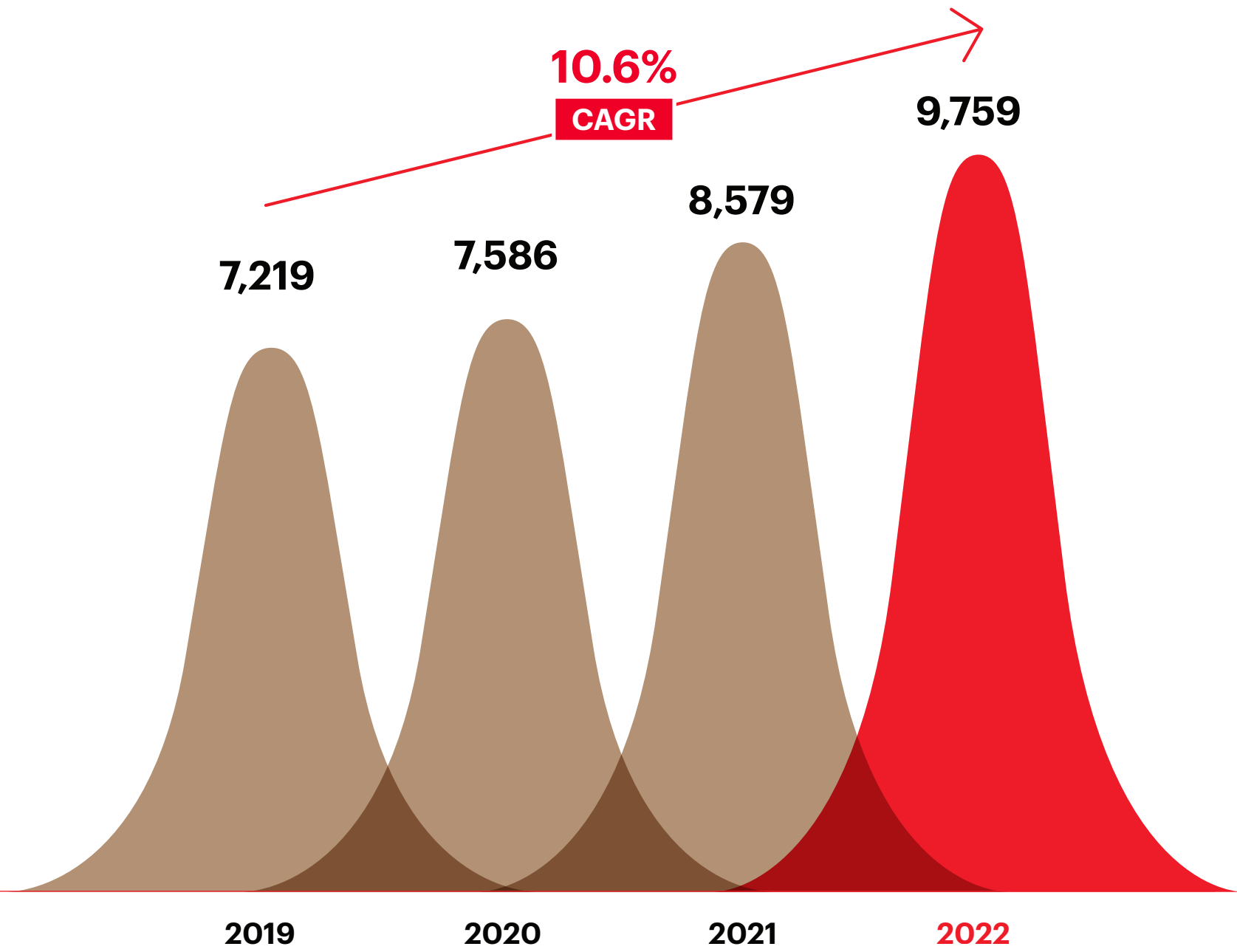
We carry out the impact analysis for our entire loan portfolio, both Business and Consumer portfolios, for the 6 countries where BAC operates.

Composition of our portfolio

Highly geographically diversified portfolio



Growth of our Business portfolio



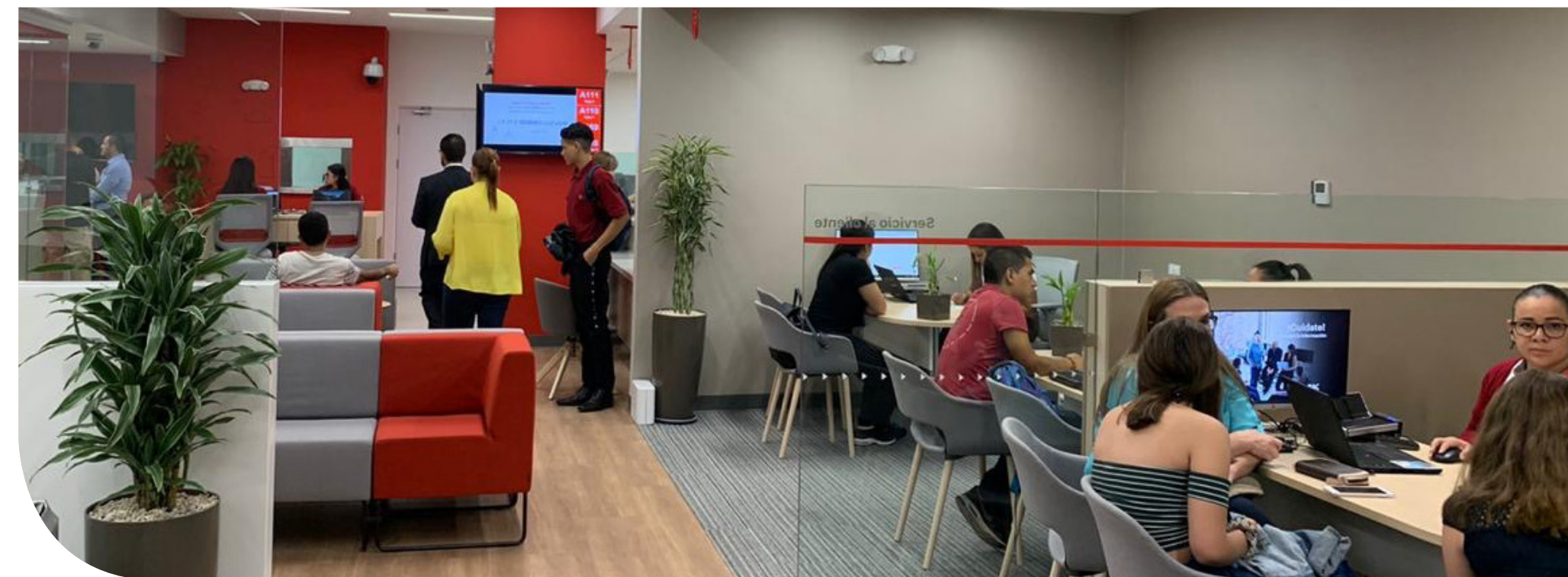


## COMMITTED TO PEOPLE

**With more than 4.2 million customers, our retail banking division targets and serves individual customers in Central America.**

Our goal is to establish profitable long-term relationships with this extensive customer base, using segmentation strategies that meet the specific needs of our individual customers. As at december 31, 2022, retail loans (including residential mortgage loans, car loans, and consumer loans) totaled US \$6.9 billion and represented 33,5% of our total loan portfolio.

Our main focus is on providing people with the very best financial solutions and making them simple, digital, and sustainable.





B. Portfolio composition

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

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

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

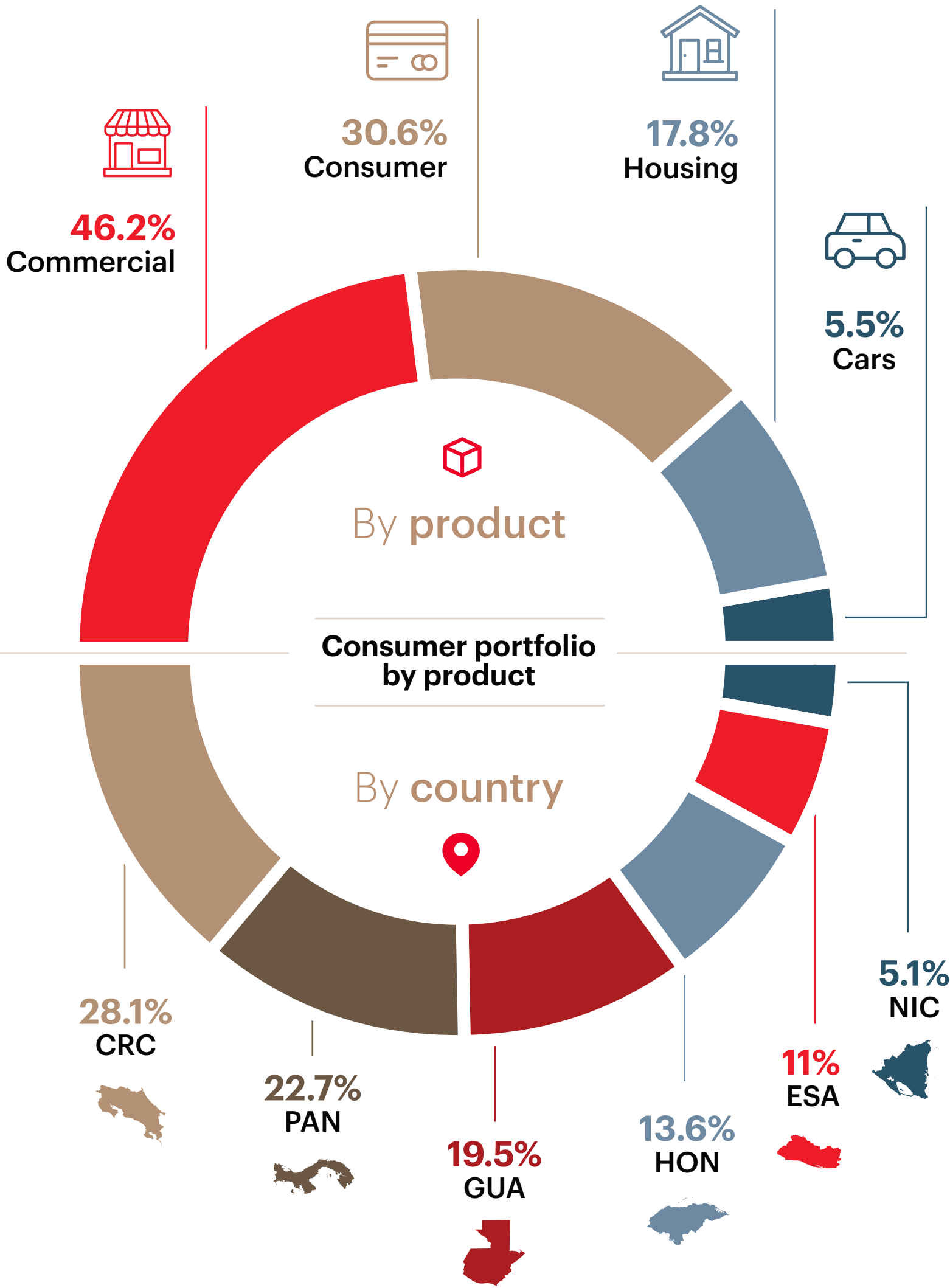
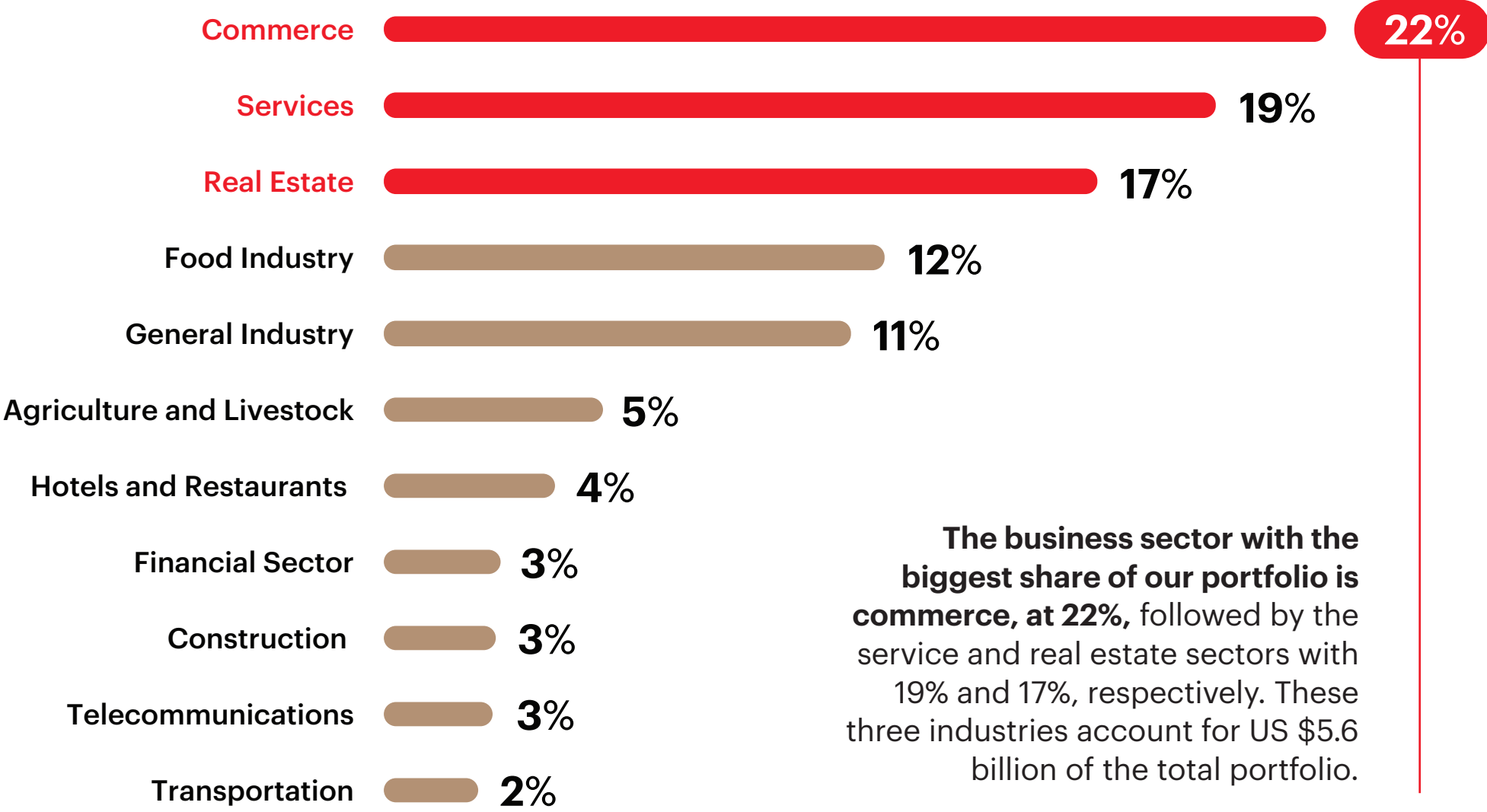
Our business strategy enabled us to maintain a fairly balanced product mix that favored prudent, steady growth. The gross portfolio closed 2022 at US \$20.684 million. We continued to grow the loan portfolio, contributing to economic and social development despite global economic uncertainty.

The product with the most significant increase in 2022 was consumption, with growth of US \$843 million (15,4% compared to the previous year) and a 30,6% share of the total portfolio. Our commercial, car, and mortgage portfolios grew by 13,3%, 10,0%, and 3,2%, respectively. Their shares of the total commercial, car, and mortgage portfolio were 45,6%, 5,5%, and 17,8%, respectively.

Geographically, we maintained a considerably diversified portfolio distribution. The three countries with the largest shares were Costa Rica with 28,1%, Panama with 22,7%, and Guatemala with 19,5%.

Operating in the entire Central American market gave us a significant competitive advantage, where the scale of our operations is quite large in each market that we serve, providing us the necessary linkages to continue growing. The following graph shows our portfolio diversification, where no one country exceeds 30.0% of the total consolidated loan portfolio.

Business portfolio by productive sector



**C. Context**

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

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

**IMPACT ANALYSIS**

For our second exercise, we used the UNEP FI Portfolio Impact Analysis Tool for Banks, version 3 - november 2022.

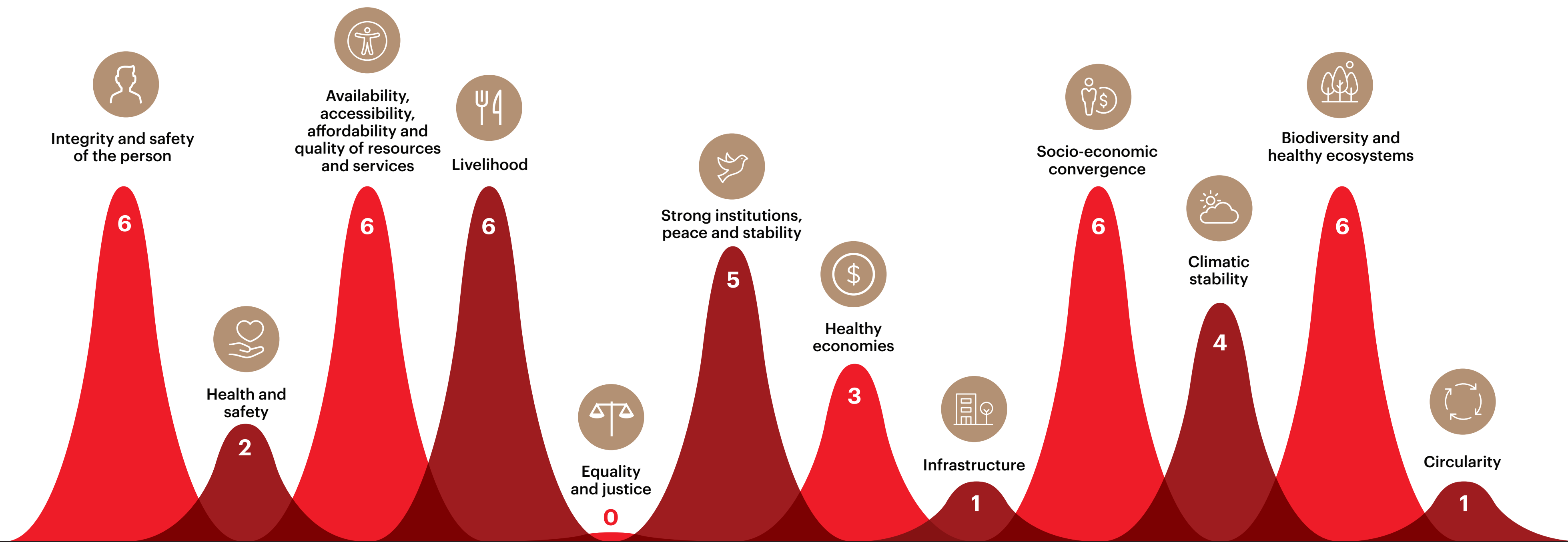
The data used for this analysis corresponds to our portfolio closing in december 2022.

The analysis includes the context of the six Central American countries where we operate: Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama, and incorporates in its scope our commercial, corporate, SME and consumer credit portfolios.

The information was limited to the international resources of the context module of the impact analysis tool.

**Regional priority areas for BAC**

The main difference in the analysis of the current context with respect to that carried out during 2022, is shown in the area of climate stability, showing a greater climate risk to the extent that the countries of our region have been affected by the impacts of events of weather-related loss (storms, floods, heat waves, etc.).





# BUSINESS PORTFOLIO ANALYSIS RESULTS

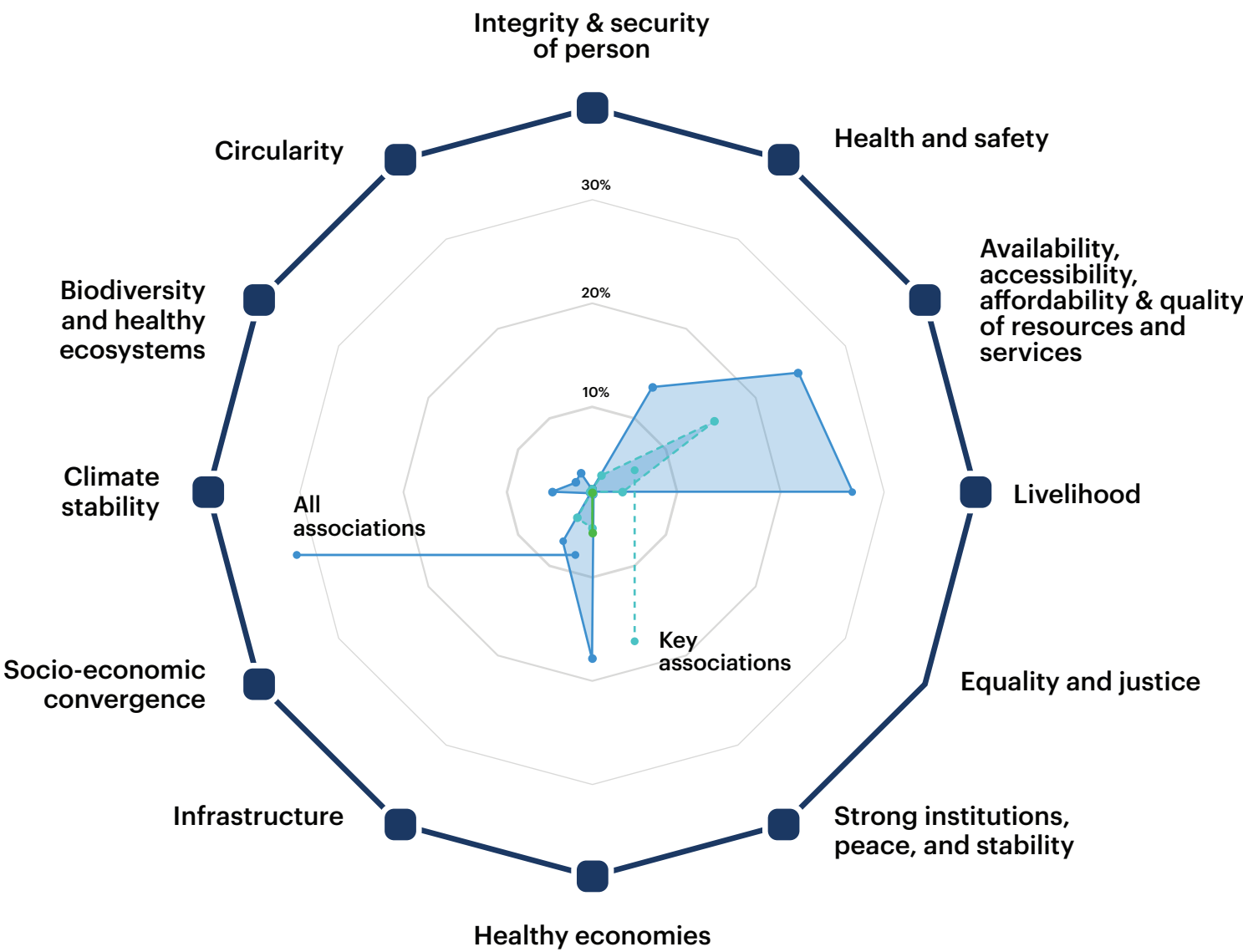
Below, we graphically detail the proportion of our portfolio associated with each area of impact. The light blue lines represent positive impact associations and the yellow lines represent negative impact associations. The turquoise and orange lines indicate “key” impact associations.

According to the exercise carried out and in line with the criteria defined in the analysis tool, in our region and according to the composition of our portfolio, the main areas of positive impact are: Health and safety, Availability, accessibility, affordability, quality of resources and services, Livelihood, Equality and justice, Strong institutions, peace, and stability,

quality of resources and services, Livelihood, Healthy Economies, Infrastructure, Climate stability, Biodiversity and healthy ecosystems, and Circularity.

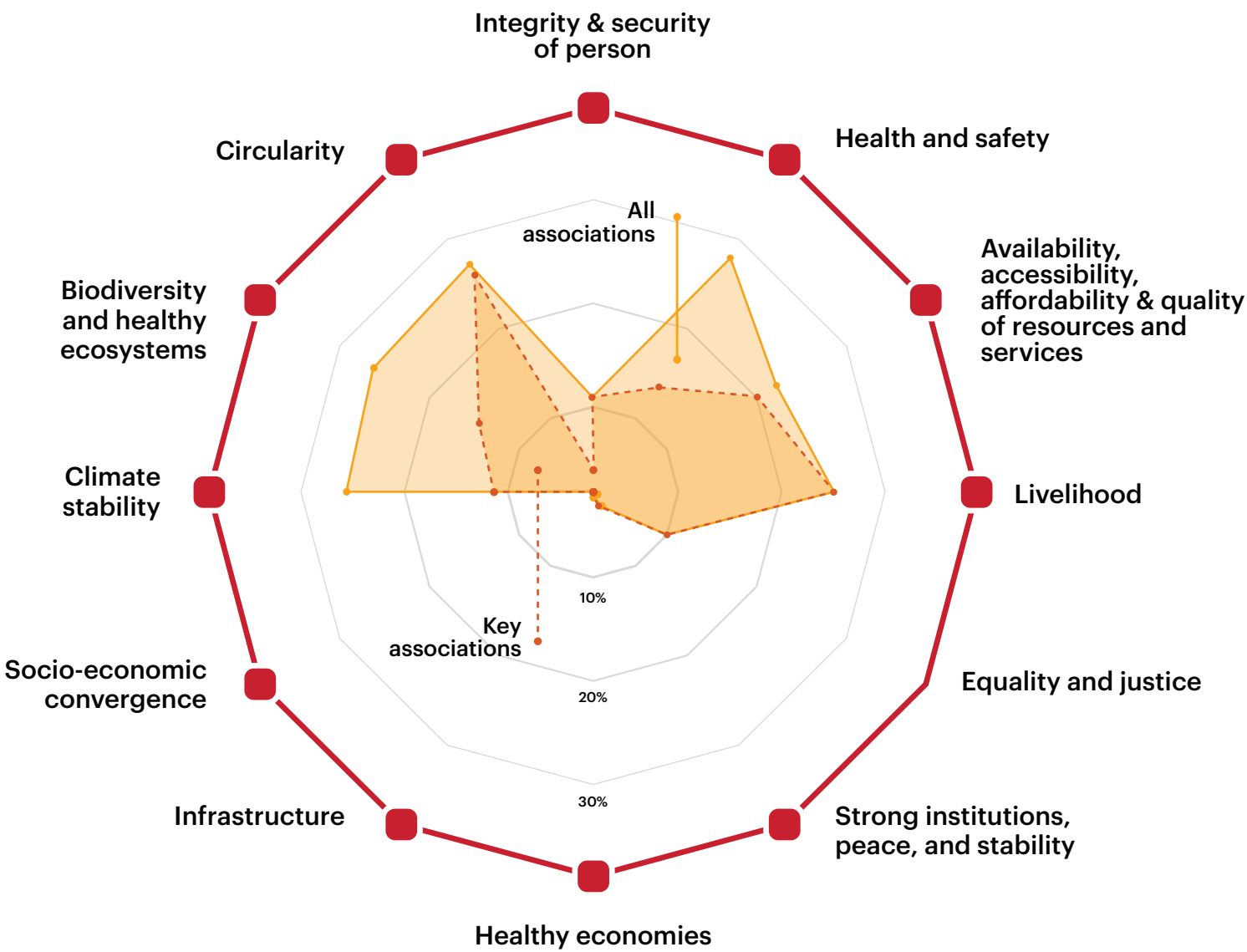
On the other hand, the most important areas that could have negative impacts are: Health and safety, Availability, accessibility, affordability, quality of resources and services, Livelihood, Equality and justice, Strong institutions, peace and stability, Healthy economies, Climate stability, Biodiversity and healthy ecosystems, Circularity and Integrity and security of person.

Proportion of our portfolio under analysis associated with each area of impact:



Positive impacts

● All associations    ● Key associations    ● Country priorities    ● SMEs



Negative impacts

● All associations    ● Key associations    ● Country priorities

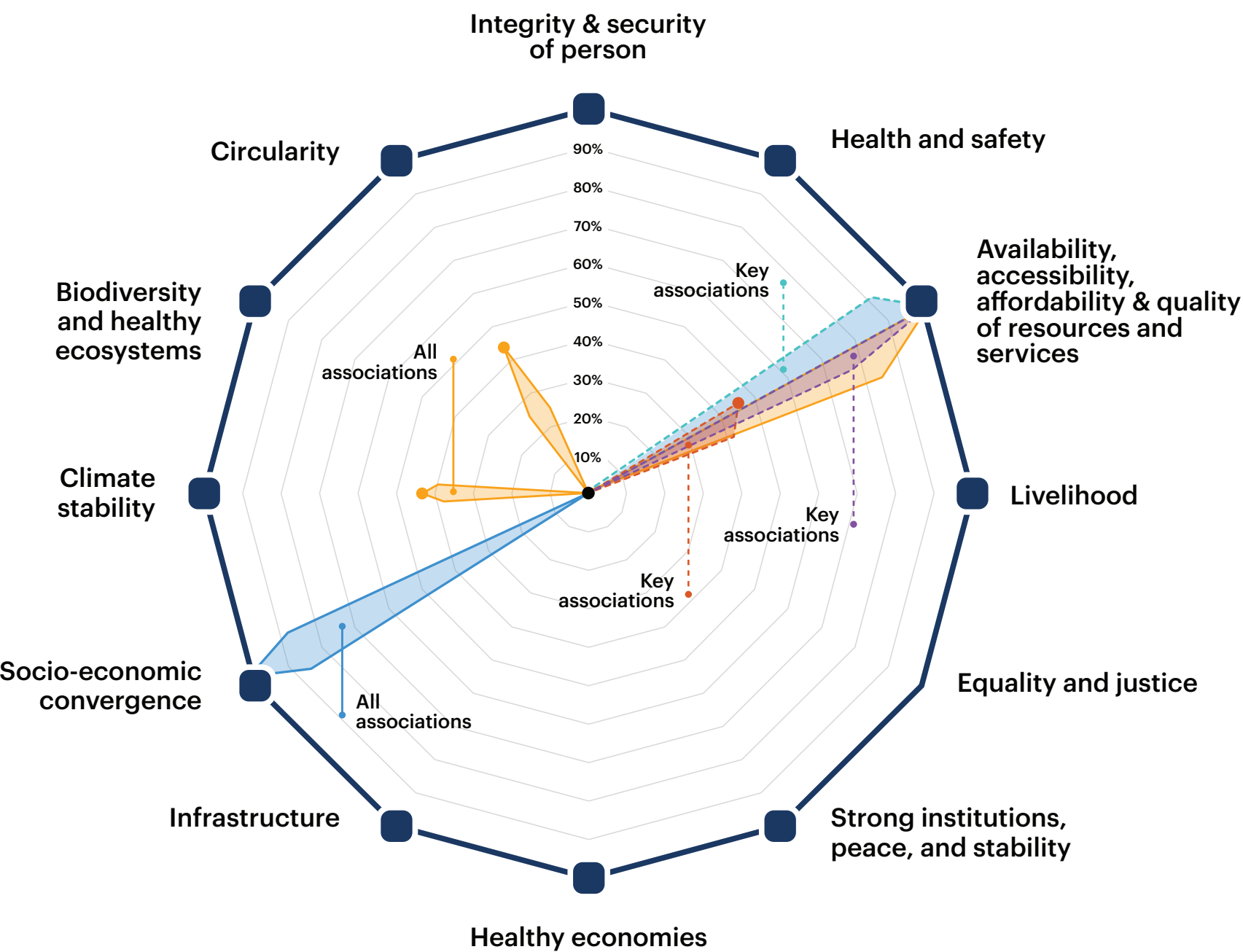
Note: The dots do not represent a value. They only show if an impact area is a priority in the countries/locations (based on data in the Context Module).



# CONSUMER PORTFOLIO ANALYSIS RESULTS

In the case of the Consumer portfolio, the main areas of positive impact correspond to: Availability, accessibility, affordability, quality of resources and services, and Socioeconomic convergence. On the other hand, the most important areas that could have negative impacts are: Availability, accessibility, affordability, quality of resources and services, Availability, Circularity and Climate stability.

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



	All associations	Key associations
Positive impacts (credit)	<div></div>	<div></div>
Negative impacts (credit)	<div></div>	<div></div>
Negative impacts (current account and savings)		<div></div>



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

**D. For these (min. two prioritized impact areas):**

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

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

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

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

# OUR PRIORITY ISSUES

**Based on the results derived from the impact analysis, and in line with our triple value strategic objectives, we maintain the impact areas defined in our first results report as a priority:**



Climate strategy





Financial inclusion and health



## SELF-ASSESSMENT SUMMARY

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

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

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

- 1 Climate change mitigation
- 2 Inclusion and financial health

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

<input checked="" type="checkbox"/>	Up to 6 months prior to publication
<input type="checkbox"/>	Up to 12 months prior to publication
<input type="checkbox"/>	Up to 18 months prior to publication
<input type="checkbox"/>	Longer than 18 months prior to publication

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

For the analysis of the context, the NDC of each country where BAC operates is taken into account, as well as the National Strategy for Inclusion and Financial Education.



TARGET SETTING  
KEY STEP 2

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

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

A. Alignment

which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

CLIMATE STRATEGY

At BAC, we are committed to making contributions that comply with the Paris Agreement and Sustainable Development Goals. We have defined a roadmap and during 2022, we achieved significant progress on our climate strategy goals.

- Signed the Net Zero Banking Alliance (NZBA) and the Partnership for Carbon Accounting Financial (PCAF)
- First year implementing the Climate Risk Management Model, aligned with the Task Force on Climate-Related Financial Disclosures (TCFD)
- Portfolio alignment with triple-positive value criteria
- Impact Analysis published in the first report on the Principles for Responsible Banking
- First measurement on financed emissions
- Published the CO<sub>2</sub>e Carbon Emissions Reduction Targets





B. Baseline

Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

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

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

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

Impact area	Indicator code	Response
Climate change mitigation	...	...
Climate change mitigation	...	...

Impact area	Indicator code	Response
Financial health & inclusion	...	...
Financial health & inclusion	...	...

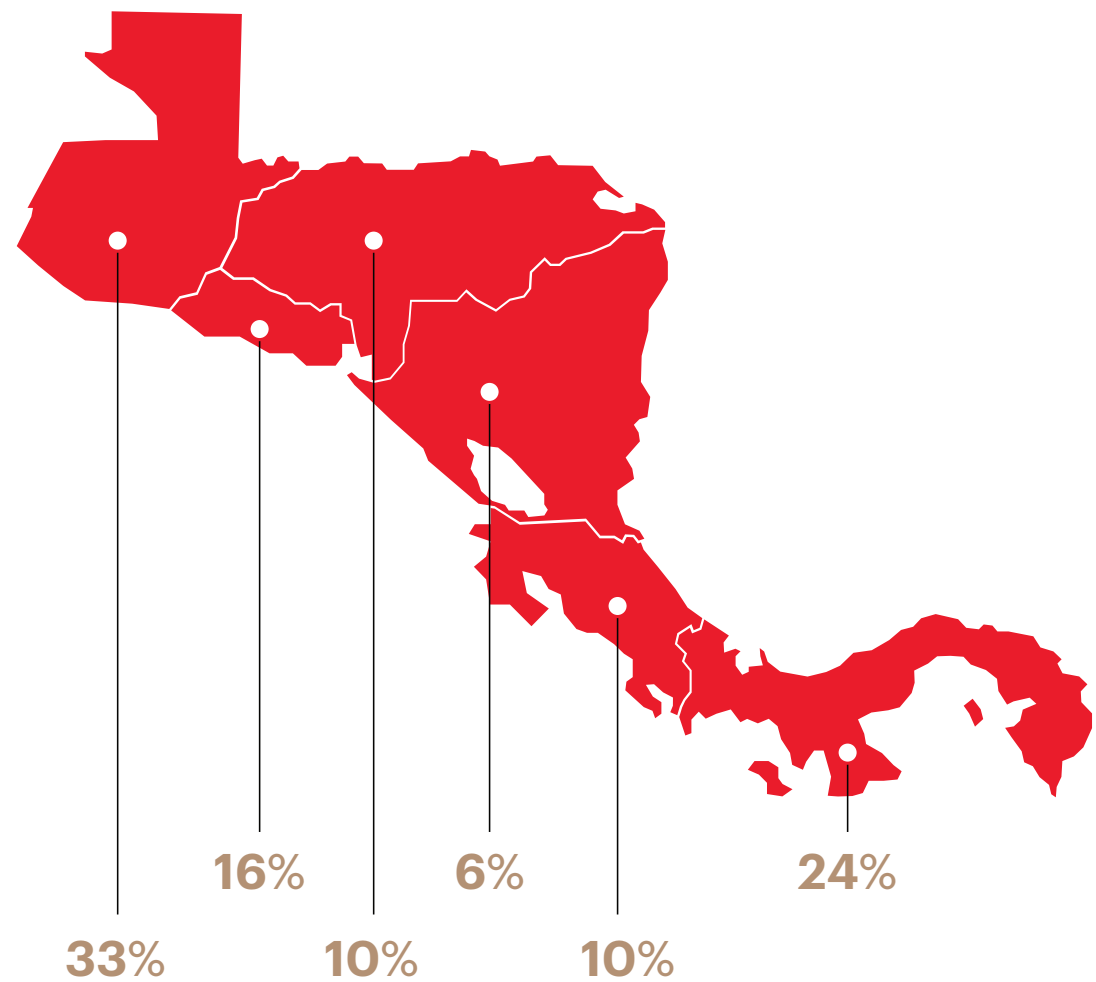
In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

MEASURING FINANCED EMISSIONS

At the close of 2022, we carried out our first measurement on financed emissions. At this stage, we analyzed our Business Banking segment: Corporate, Commercial, and MS&MEs, due to its importance in our total portfolio and the impact that this client group has in the region.

We analyzed credit operations for this segment, for a total of US\$9.3 billions of dollars – 98% of the total portfolio.

Using the Partnership for Carbon Accounting Financials (PCAF) methodology, the result of this measurement is 2.2 million tons of CO<sub>2</sub>e, concentrated into 2,605 clients throughout the region – 11% of the total portfolio.



+2M

Tons of CO<sub>2</sub>e\* in financed emissions

Business portfolio

\$9,3B

Total

98%

Of the total portfolio

\*Measured in tons of carbon footprint

	GUA	ESA	HON	NIC	CRC	PAN	Total
Electricity supply, gas, steam, and air conditioning	38%	50%	42%	36%	0%	73%	45%
Manufacturing industries	37%	14%	20%	15%	28%	7%	22%
Agriculture, livestock, forestry, and fishing	20%	19%	16%	22%	47%	12%	20%
Clients	269	226	372	269	1,193	276	2,605

- This measurement on financed emissions was carried out using the PCAF methodology, specifically for the Business loans asset.
- A total of 76.1% of our portfolio balance is calculated using level 4, option 3a, with PCAF-provided emission factors for countries close to the region. The remaining portfolio balance, due to gaps in financial information required for this calculation, is made by applying a direct estimate of the emission factor by sector.
  - Scope 1 emissions from the energy sector come from the National Inventory of Greenhouse Gases and energy sector GDP, from national data for each country.
  - Scope 2 emission factors by economic activity are adapted from the emission factor for each country's electricity generation and the emission factor for the reference country used.
- The sectoral classification used is ISICv4.
- Contingencies, bank acceptances, and factoring are excluded.
- Information used is from the corporate portfolio at the close of december 2022.

C. SMART targets

(incl. key performance indicators (KPIs) )

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

D. Action plan

Which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Decarbonization goals

At the end of 2021, we joined the Net Zero Banking Alliance (NZBA) and committed to neutral emissions for our loan portfolio; to achieve this, we have defined our first short-term goals, which extend to priority sectors for our Business banking segment, using our first measurement on financed emissions as input.

To establish our reduction goals by 2030, we are using the Science-Based Targets initiative (SBTi) as a guide; the goal is to limit global warming to 1.5°C, to prevent the effects of climate change.

At BAC we have assumed the commitment to guide actions for companies in priority sectors that we finance, which will allow us to monitor our progress to take actions against our 2030 goals.

Regarding the Fossil Fuels sector, the scientific position is currently undergoing definition. At BAC, we remain attentive to instructions and advice from the Science-Based Targets Initiative (SBTi). For now, we are committed to evaluating the implications and effectiveness of a financing reduction plan for the Fossil Fuels sector; this aligns with the global goal for this sector by 2030.

Despite the fact that the Agricultural sector does not represent a large percentage of our portfolio, it is one of our main sectors in terms of financed emissions, due to the importance of this productive activity in our region. We are committed to working with our clients on their transition towards a low-carbon economy. For this reason, we will work to offer them options for financing, training, and consultation along this path.

On the other hand, the Aluminum, Iron, and Steel sectors represent less than 1% of financed emissions; however, since they are carbonintensive sectors, in 2023, we will work on defining the measures that we will apply to these sectors in the short-term. Our next step in portfolio decarbonization will be measuring other assets in our loan portfolio: vehicles and mortgages. Results from this measurement, as well as our reduction goals, will be published in our next annual report.



The following emission reductions are estimated with respect to the base year of measurement and to establish objectives for each prioritized sector:

Decarbonization goals \*

Sector	Scope	Metrics	Base year 2022	Reduction 2027	Reduction 2030
Energy generation	1 and 2	tCO <sub>2</sub> e/MWh	0.357	46%	71%
Cement	1 and 2	tCO <sub>2</sub> e/ton cement	0.607	13%	21%
Commercial and residential real estate	1 and 2	tCO <sub>2</sub> e/m <sup>2</sup>	0.078	42%	64%

\*In all cases, using the sectoral decarbonization approach (SDA).

ACTION PLAN

We are currently working on the transition plan with the actions necessary to meet the objectives that we have set for ourselves. Details of this plan will be published in our next annual report.

The detail of the impact indicators related to this issue is available in the Annex -Indicators by prioritized impact area Climate strategy.



A. Alignment

Which international, regional or national policy frameworks to align your bank’s portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

B. Baseline

Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.  
You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

C. SMART targets (incl. key performance indicators (KPIs)):

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

INCLUSION AND FINANCIAL HEALTH

At BAC, we have proposed to make digital financial education available to the masses, to achieve greater financial inclusion in the countries where we operate.

Savings habits, responsible consumption, and informed purchasing decisions are fundamental elements for the financial health of individuals and their families.

In 2022, as part of our strategic objectives, we set out to achieve a 30% conversion of digital financial education for planners into opening a savings account, online banking transactions, and the use of debit cards.



Our results

2022 was our first year for measuring the effectiveness of our financial education training. We design focused courses around specific content, which includes providing best practices when using BAC solutions, in such a way as to associate a purchase decision or the use of a specific product with participation in training.

During this period, we trained 85.958 people in digital financial education. Of this group, 47.753 people received training via an approach linked to financial inclusion; as a result, we obtained a 50,6% decision to use or purchase a service or product. This indicator is associated with opening scheduled savings accounts, increasing digital transactions in online banking, and/ or user creation.

People trained in financial education by the close of 2022

Term	Guatemala	El Salvador	Honduras	Nicaragua	Costa Rica	Panama	Regional total
2009 – 2021	177,140	208,423	173,401	91,930	441,367	91,187	1,183,448
2022	5,666	26,818	18,789	6,994	20,387	7,304	85,958
Cumulative	182,806	235,241	192,190	98,924	461,754	98,491	1,269,406

D. Action plan

Which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Digital Educational Platform: Aprendiendo

With the aim of offering educational content in digital format, our Aprendiendo platform registered more than 584.000 visits and 250.000 users at the end of 2022. Our site <https://aprendiendo.baccredomatic.com/> offers digital courses, videos and other materials that are easy to consume, which allows us to share everything from financial and economic concepts in friendly formats, to practical advice for people, SMEs, Teachers and Students.

Public-Private Partnerships

Alliances in four countries – Guatemala, Honduras, Costa Rica, and Panama – have allowed us to establish agreements with Ministries of Public Education and/or governing bodies regarding educational matters, to develop programs aimed at young high school students; these programs, in addition to providing them with tools to adequately manage their personal finances, also offer technical training that broadens their employment opportunities in financial positions, as well as their knowledge and skills in entrepreneurship and productivity.

ACTION PLAN

In 2023 we will continue to promote digital financial education through face-to-face channels, customer service and digital platforms so that people are effectively and safely included in the digital financial ecosystem and make better use of our digital financial solutions, actively participating in the economy and deepening its relationship with our bank. We maintain our goal of 30% conversion associated with digital financial education with 2 products defined by country.

In the Annex -Indicators by prioritized area of impact Inclusion and financial health- you can find the details of the impact indicators related to this topic.

SELF-ASSESSMENT SUMMARY

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

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



## TARGET IMPLEMENTATION AND MONITORING

### KEY STEP 2

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

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

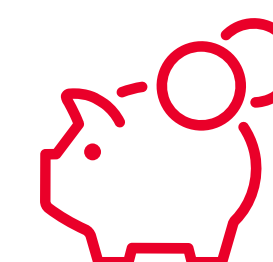
Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes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



### Cimate strategy

In 2022 we defined our first emission reduction targets for the Business banking portfolio: Corporate, Commercial and MSMEs.

The transition plan with the necessary actions to meet the objectives that we have proposed will be developed in 2023. In our next results report we will incorporate said plan, as well as its respective progress.



### Inclusion and financial health

In 2022 we proposed a 30% conversion of digital financial education for payroll workers into opening a savings account, achieving a conversion of 50,6%. In 2023 we continue to promote financial education.





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PRINCIPLES FOR  
**RESPONSIBLE BANKING**

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PRINCIPLE 3

## Clients and customers

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





CLIENT ENGAGEMENT

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

☐ Yes ☒ In progress ☐ No

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

☐ Yes ☒ In progress ☐ No

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

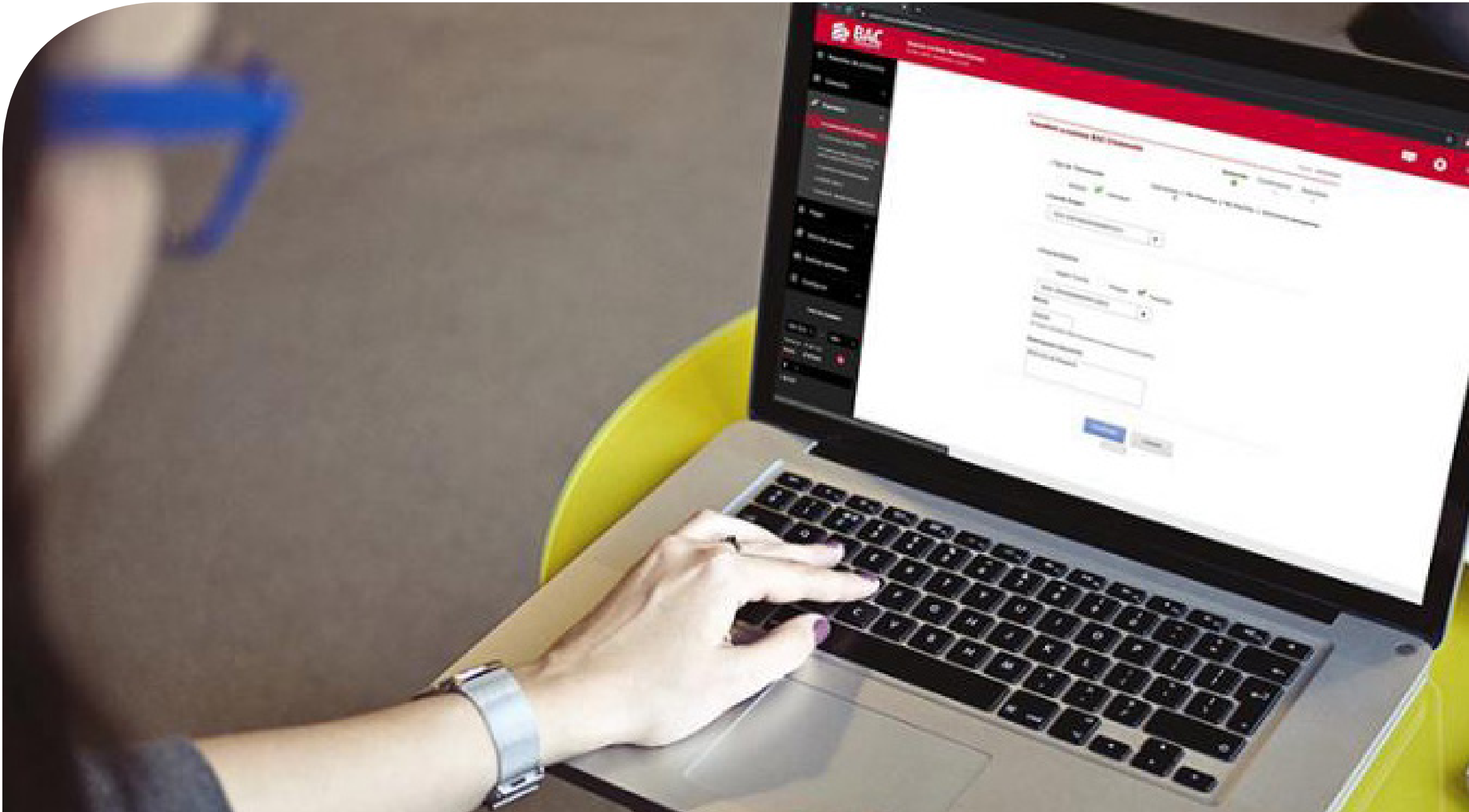
This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

OUR CLIENTS

Our goal is to establish profitable long-term relationships with this extensive customer base, using segmentation strategies that meet the specific needs of our individual customers.

As at december 31, 2022, retail loans (including residential mortgage loans, car loans, and consumer loans) totaled US \$6.9 billion and represented 33,5% of our total loan portfolio.

Our main focus is on providing people with the very best financial solutions and making them simple, digital, and sustainable.





BUSINESS OPPORTUNITIES

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

TRIPLE VALUE SOLUTIONS

One of the twelve objectives that we have established in our new Triple Positive Value strategy is the progressive transformation of our portfolio into simple, digital and sustainable financial solutions.

The launch of new credit lines that include environmental and social components was a major step in 2022 towards offering our customers simple, digital financial solutions with positive triple value.

Launched only recently, loans with a gender component total more than US \$6 million in placements, and solutions with an environmental component have balances of more than US \$94 million.



					
Mujeres + Guatemala	Mujeres Puedes + El Salvador	Crédito Mujer BAC sin límites Honduras	CrediMujer Nicaragua	Mujeres BAC Costa Rica	
	Guatemala	Honduras	Nicaragua	Costa Rica	Panama
Electric or hybrid vehicles					
Solar panels					





# THE CIRCULAR ECONOMY **AND** **SUSTAINABLE MOBILITY**

## BIO CARD

**As part of an innovative new project, we are upgrading our current card material (PVC plastic) to an environmentally friendly material.**

Our goal is to reduce the use of plastic and replace it with a natural material that can be composted and, thus, generate positive environmental value. Our BIO Card is made up of 82% inedible, corn-derived material (PLA, or polylactic acid), which requires 26% less energy and emits 66% less greenhouse gases during production, as compared to plastic. This material can be ground up and added to industrial compost, thus recycling it back into the environment within a few months, rather than hundreds of years, as is the case with plastic. The remaining 18% of card materials correspond to the chip, band, antenna and design; for the latter, we use water-based inks, not solvent-based inks, as they do not create toxic gases.

**Non-compostable components will be treated via their corresponding recycling streams.**



Likewise, we will replace our card packaging with a 100% recycled cardboard envelope, which will also be recycled after its useful life, thus promoting a circular economy in all processes related to our new BIO card. We have developed a robust strategy to design triple-value financial solutions; this project is a strong step in that direction. With this, we will create positive environmental value thanks to the use of natural-based, non-petroleum-derived raw materials that are also compostable, in the case of the card, and recyclable, in the case of the envelope and other electronic components. In addition, we will reduce the use of paper through digitalization processes and will create positive social value by promoting development for new regional ventures dedicated to composting these cards, once they have fulfilled their useful life. In other words, we will compost in partnership with Central American MS&MEs (micro-S&MEs).

## BAC ELECTRIC ROUTE

**In 2022, we installed 31 free, semi-fast electric charging stations at key bank branches throughout Central America.**

Our goal is to make available to people throughout Central America – both BAC customers and non-customers – the infrastructure and support necessary to encourage the adoption of clean energy, while at the same time promoting sustainable mobility.

As part of the next stage of this project, we will launch 9 charging stations in 2023. With this goal in mind, we joined forces with key players in the region and worked in partnership with the Costa Rican Association of Electric Mobility (ASOMOVE, for its acronym in spanish), with whom we organized an electric-vehicle caravan that toured six Central American countries from november 4-11, 2022, to demonstrate publicly that sufficient conditions exist to support zero-emission mobility from Guatemala to Panama.





# ALIGNMENT OF THE LOAN PORTFOLIO **WITH TRIPLE POSITIVE VALUE**

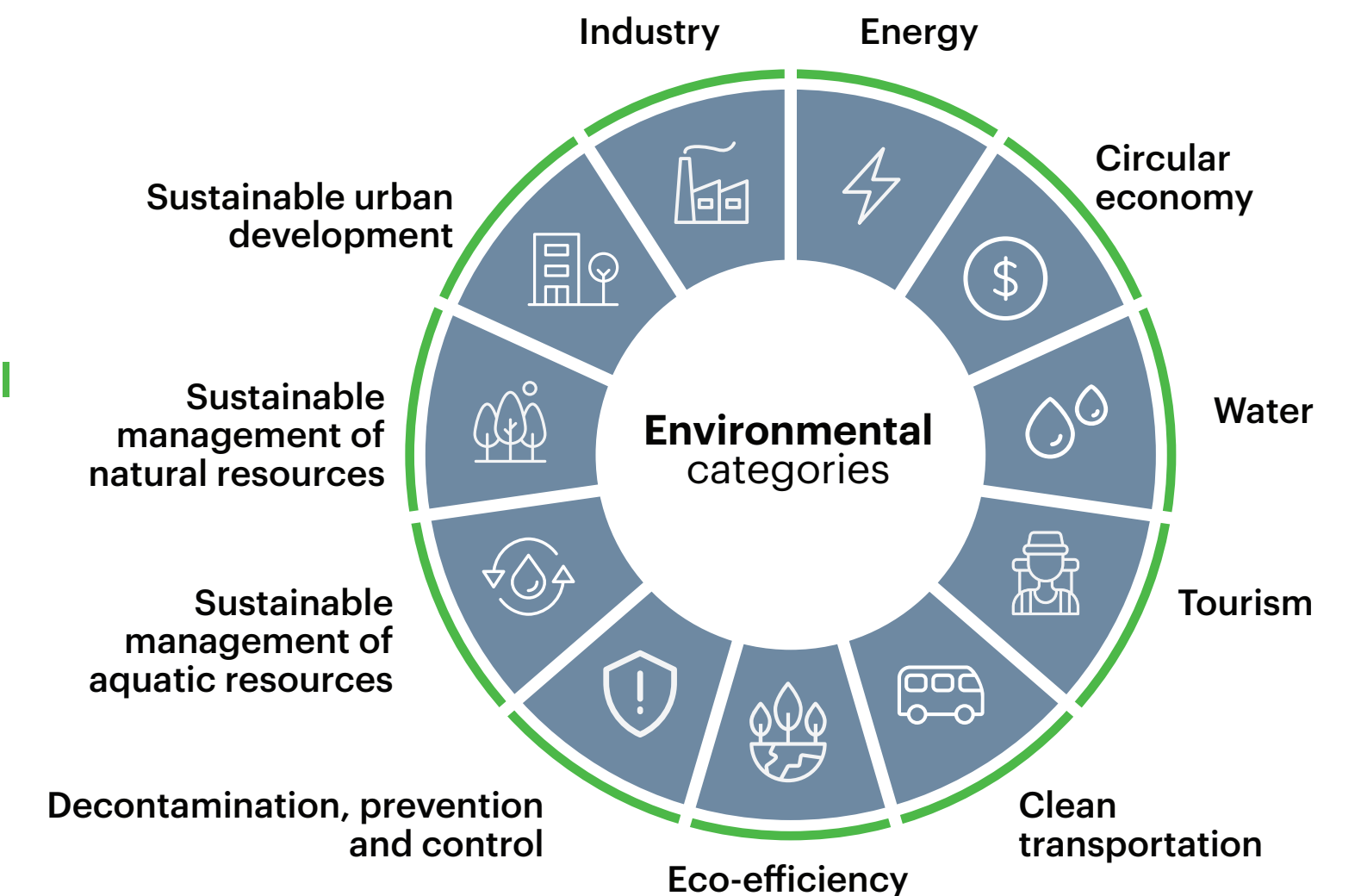
In line with our efforts to transform our portfolio to Net Positive, in 2022, we implemented a process to identify and label credit operations that have a positive environmental and/or social component.

We launched this classification for our business credit portfolio, using a series of criteria aligned with international taxonomies and local regulations from the countries in which we operate.



## 24 Environmental categories

Aligned with  
the Following  
Goals



## 10 Social categories

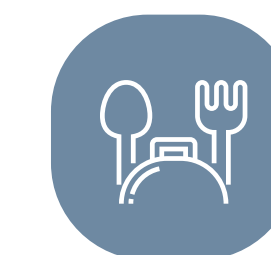
Aligned with  
the following  
goals



Inclusion and  
socioeconomic  
empowerment



Job creation, crisis relief,  
and unemployment  
prevention



Food security and  
sustainable food systems



Access to essential  
services



Based on this initial mapping, we identified amounts totaling more than US\$700 million, which correspond to operations in our corporate credit portfolio that correspond to these goals.

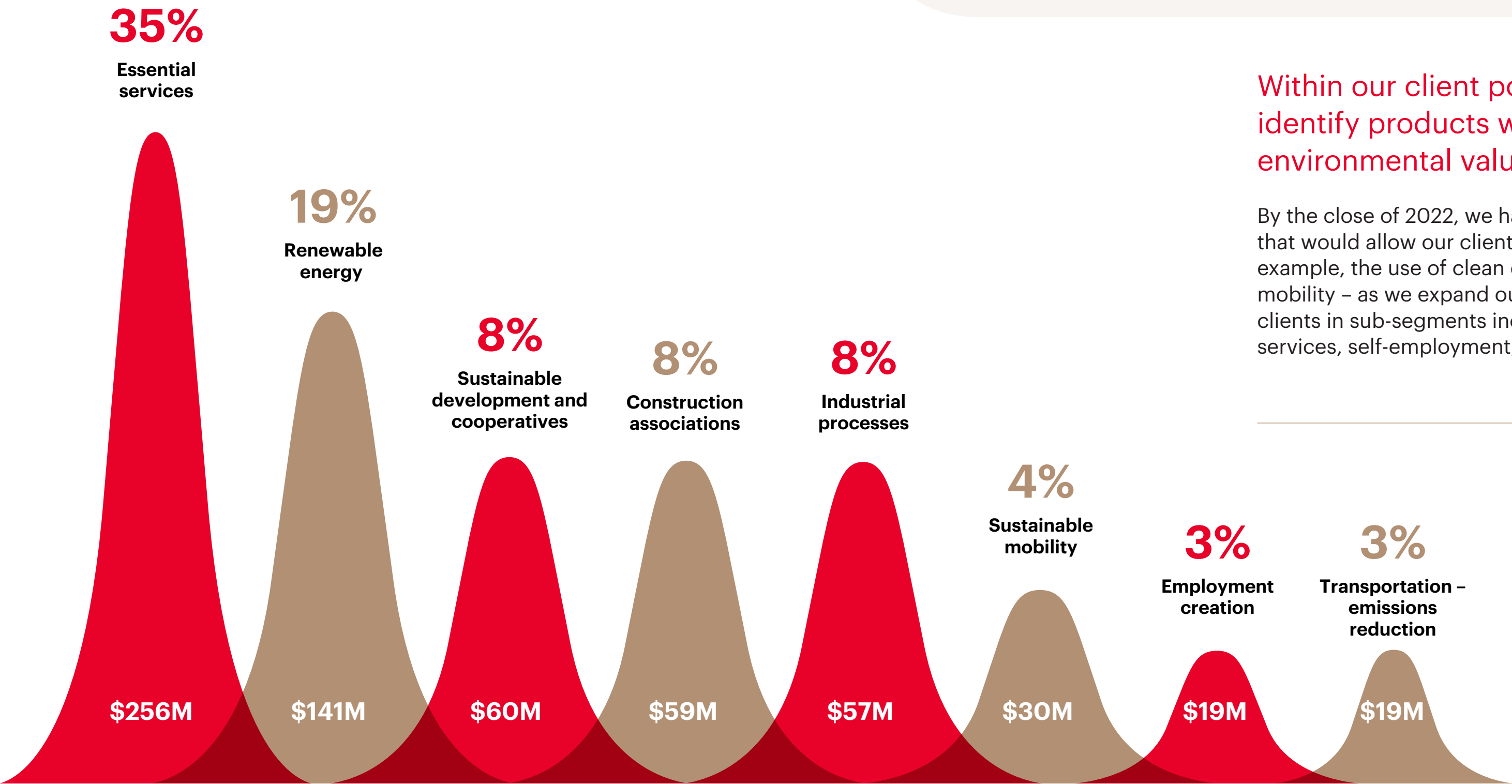
Active Business Portfolio Items with a Positive Social or Environmental Value

\$US 700M+

Original amount

6%

of the portfolio



	Guatemala	Honduras	Costa Rica	Panama
	25M	3M	63M	128M
Environmental categories		Renewable Energy	Clean transportation Renewable energy	Affordable housing
Social categories	Essential services Affordable housing Self-employed	Essential services Entrepreneurship Affordable housing	Affordable housing Productive homes	

\$220M

Classified according to environmental or social criteria

2,2%

Of our total client portfolio

Figures in millions of US dollars

Within our client portfolio, we began to identify products with a positive social and/or environmental value.

By the close of 2022, we had identified products in this segment that would allow our clients to adopt sustainable practices – for example, the use of clean energy in their homes and electric mobility – as we expand our portfolio for personal banking clients in sub-segments including entrepreneurs, essential services, self-employment, and affordable housing.



# DIGITAL SERVICES THAT PROMOTE **FINANCIAL INCLUSION AND EDUCATION**

## Digital services that promote financial inclusion and education

Our bank is characterized by offering our clients the best financial solutions based on state-of-the-art technological infrastructure, unified and robust digital platforms and the best service.

We work to improve the quality of life of our clients, offering them inclusive and easily accessible financial solutions. Our digital solutions are intended for our clients to minimize risks, increase awareness about the use of their money and, with this, that there is greater inclusion and financial education for our BAC clients.

In 2022, the results were very positive and allowed us to reach more than 2.4 million people through digital channels and achieve that more than 91% of all monetary transactions were digital. This was a year of significant digital innovation:

- We digitalize debit and credit cards in our application.
- We carry out the 100% digital account opening so that our clients can open an account in approximately 5 minutes.
- We automate loan disbursements from our application.
- We incorporate biometric security and with it greater security for our clients.
- We enable mobile banking for the MiPymes that we serve in the region.

## Digital Transformation



92%

Digital customers who use Mobile Banking



67%

Incoming interactions through digital media



89%

Monetary transactions made through remote channels

2,4 million active digital customers





PERSONAL BANKING

Digital account

Our launch in 2022 of the digital account marked a milestone in BAC’s history by transforming the banking relationship of our customers who can now speedily, easily, and safely open a bank account from their cell phone and confirm their identity through facial biometry. They can also create their debit card and mobile banking username in the same process. Survey results show a high level of satisfaction among our customers, who rate the account opening experience as excellent.

The evolution toward digital payments was also seen in a major increase in the volume of transfers and utility payments.

In 2022, some 91% of all monetary transactions were made digitally, most from a mobile device.

KASH

Through our partnership with Fintech Namutek, we integrated the highly successful Kash application (person-to-person, or P2P, payments) into our mobile banking platform, enabling customers to make real-time transfers. The Kash app has more than a million downloads and more than 375.000 users in all banks, making life easier for our BAC customers.

15% of our digital customers have registered for this innovative KASH transfer service.

Apple Pay

In 2022, we opened the door to the digital payment market for American Express in Costa Rica, entering with Apple Pay in Wallet. Now our American Express customers can use contactless payment technology on their iOS devices such as phones, watches, and tablets compatible with near-field communication (NFC) technology.

Regionally, we recorded more than 13 million purchases made with digital wallets such as Fitbit Pay, Garmin Pay, Apple Pay, and our proprietary wallet, representing billing of more than US \$270 million. The biggest benefit of digital wallets is offering our cardholders an innovative, simple, and highly secure alternative for making their purchases. With our BAC cards in their digital wallets, our customers can go out without having to carry their physical card or take their wallet out of their pocket to pay at all merchants that accept contactless payment.

SMEs

With our focus on innovation and digitalization in 2022, we enabled new mobile banking functionalities for our MSME customers, and more than 10.000 customers used our digital platforms to transact some 80.000 monetary transfers in just three months. We also conducted digital campaigns in El Salvador and Nicaragua for applying for loans through our online banking channel, reducing response times to two days.

Business portfolio

Our payment method strategy enables us to deliver high-tech, quality payment services throughout the region.

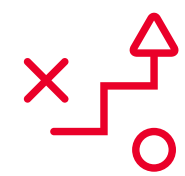
Last year we saw interannual growth of 19% thanks to our POS (points of sale), vendor and payroll payment, international transfers, and other services. Over the last five years, as well, we have seen compound annual growth of 12,6%.

As a result of this payment method strategy, innovation, digital services, and our connectivity channels, we have earned our business customers’ preference, with 20% growth from december 2021 to december 2022 in the amount paid to vendors and 17% interannual growth in international transfer payments, 14% in regional Ameritransfer transfers, and 14% in the amount of employee payments through BAC.





PRINCIPLES FOR  
**RESPONSIBLE BANKING**



PRINCIPLE 4

# Stakeholders

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





STAKEHOLDER IDENTIFICATION AND CONSULTATION

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

☒ Yes ☐ In progress ☐ No

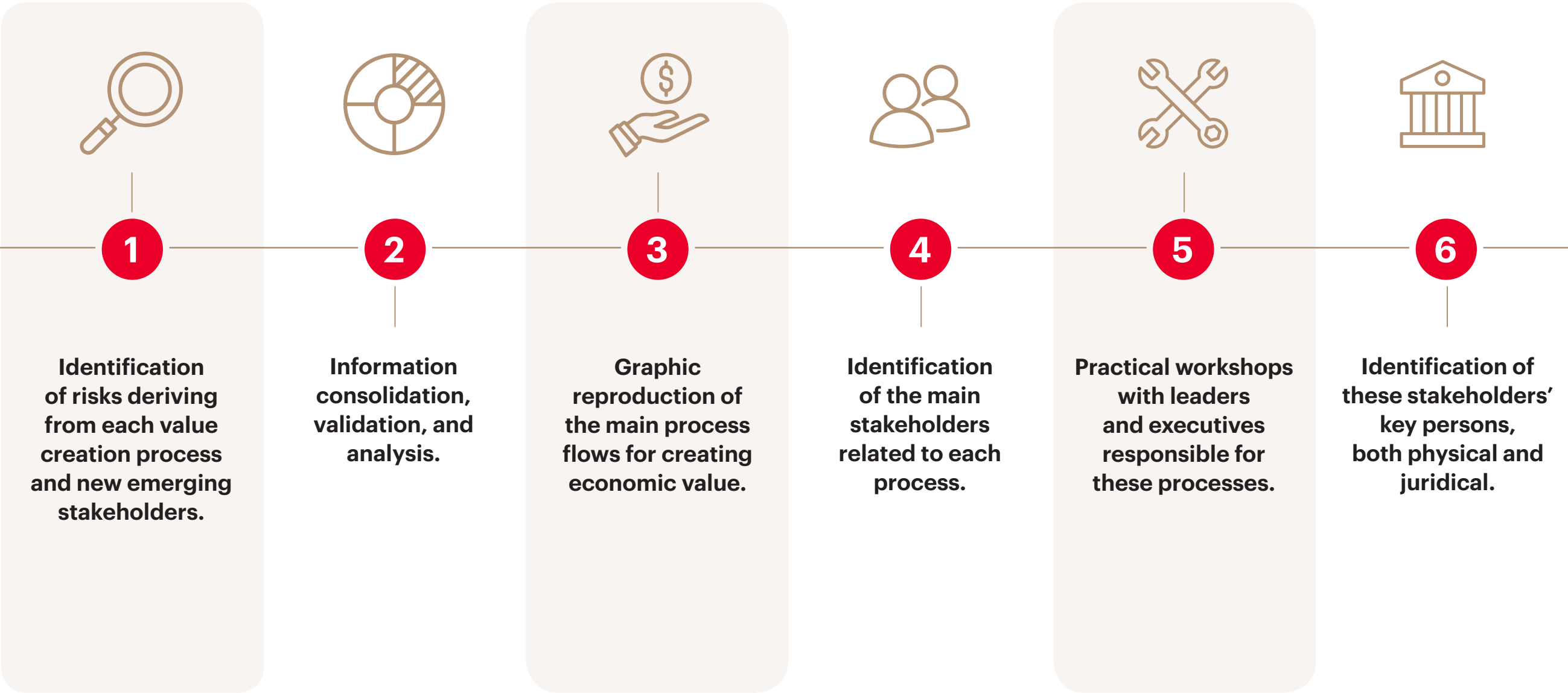
Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant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

MAP OF OUR STAKEHOLDERS

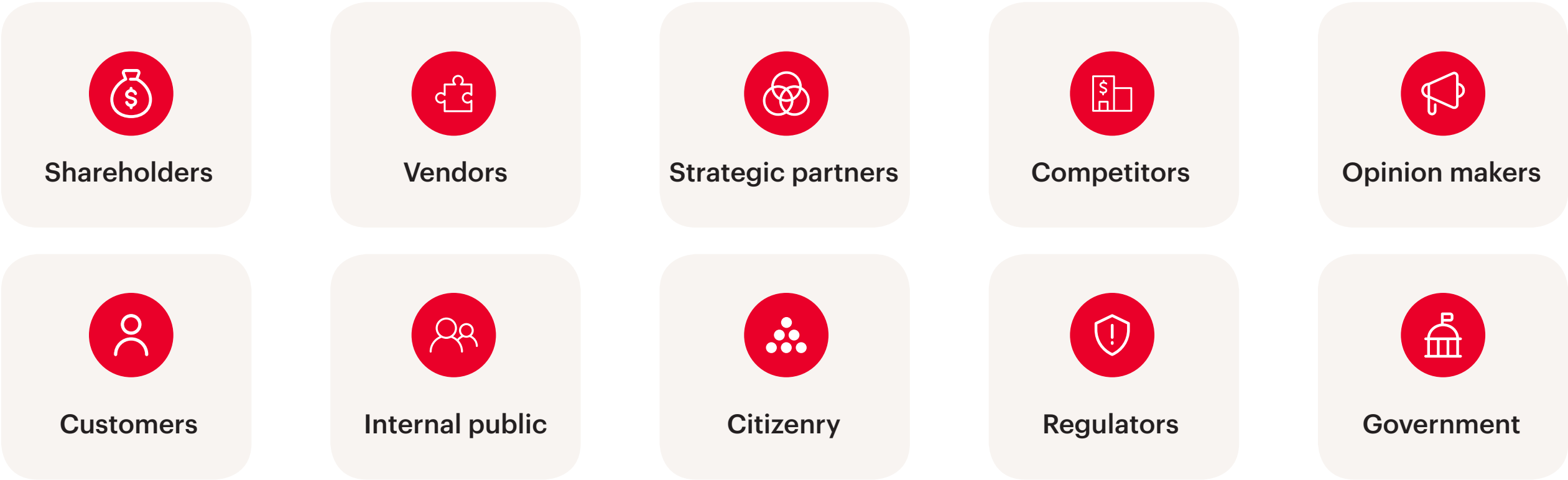
We understand our stakeholders as being those individuals, social groups, and organizations that may be significantly affected by our company's activities, products, and/or services and/or whose actions may impact our ability to continue our successful development of the strategies defined to achieve our objectives.

The complete stakeholder identification process involved a clear understanding of the components of our value chain. For this, we designed the following methodology.

We periodically reviewed previously obtained results to ensure they were still current and to validate each stakeholder's ties to the company's main value creation processes, examining their degree of influence and relevance. This exercise helped us significantly improve the identification and mapping of our stakeholders and led us to a more in-depth analysis. We saw that in order to comply with our commitment to transparency and accountability we had to understand better what stakeholders expected of the bank and identify potential impacts and topics that concerned them about our company.



Thus, in 2021, we refined and profiled our list up to the most recent additions, using the following categories:



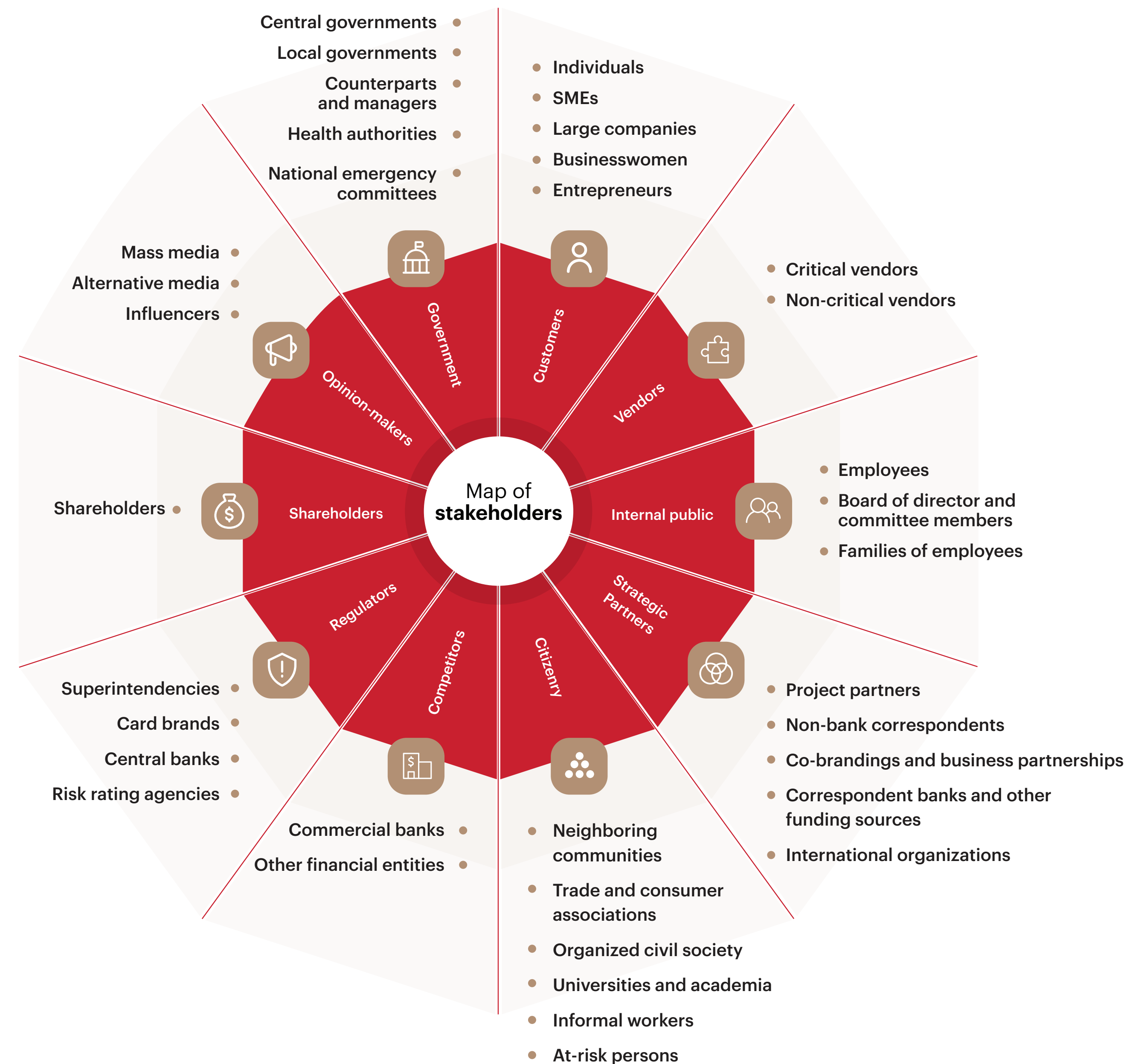


## CONSULT OUR STAKEHOLDERS

BAC places great importance on being in constant communication and listening to each of these stakeholder groups since one of our biggest commitments is to make sure our business priorities align with their expectations and are appropriately prioritized.

In 2022, we measured BAC's reputation regionally for the second year in a row, applying a reputational assessment instrument based on a multiple stakeholder methodology consisting of six evaluations and more than twenty information sources.

This study also looks at BAC's financial leadership with respect to leading companies in each of the countries where we operate. It includes a business ranking by country and an analysis of key variables of the different management areas: Sustainability, Brand and reputation, Economic-financial results, Quality of business offering, Talent, Ethics Transparency, Corporate responsibility, International dimension of the company, Innovation, etc.







# RELATIONSHIP MECHANISM

Having a clear idea of who our main stakeholders are, we have set up a wide array of information, consulting, and dialogue mechanisms to achieve different relationship levels with them.



## LEVEL 1 Information

- ✓ Financial and sustainability reports
- ✓ Corporate website:  
[baccredomatic.com/es-cr/nuestra-empresa](https://baccredomatic.com/es-cr/nuestra-empresa)
- ✓ Social media:  
 /BACCredomatic  
 /baccredomaticnetwork
- ✓ Leaflets, posters and screens in branches





## LEVEL 2 Consultation

- ✓ Customer service studies, reputation study, surveys, focus groups, etc.
- ✓ Transaction and relationship surveys to evaluate the NPS (Net Promoter Score)
- ✓ Organizational climate evaluation
- ✓ Voice of Employee program, eNPS, Pulses
- ✓ Innovation system, competitions



## LEVEL 3 Dialogue

- ✓ Call centers
- ✓ VoC (Voice of Customer) program
- ✓ Web chats, email, online contact forms
- ✓ Ombudsperson program, Ethics Line
- ✓ Social media:  
 /BACCredomatic  
 /baccredomaticnetwork
- ✓ Formal and informal meetings, conferences, talks, and workshops
- ✓ Round table discussions with internal and external stakeholders



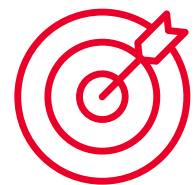
## LEVEL 4 Participation

- ✓ Prototyping with customers
- ✓ Installed capacity creation through advisory, co-creation, and networking
- ✓ Ideas campaign





PRINCIPLES FOR  
**RESPONSIBLE BANKING**



PRINCIPLE 5

# Governance and culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.





GOVERNANCE STRUCTURE FOR IMPLEMENTATION OF THE PRINCIPLES

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

☒ Yes ☐ In progress ☐ No

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

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

GOVERNANCE STRUCTURE

With the goal of safeguarding the interests of our company, shareholders, and customers, we have established a solid corporate governance structure consisting of boards of directors, senior management, committees, and control bodies at the corporate level and in the countries where we operate to supervise management and monitor value creation and efficient resource use.

Our corporate governance bodies are responsible for defining the group’s main policies and strategies and ensuring that the organization operates ethically, with integrity, and in compliance with current laws and regulations, thereby maintaining the excellent quality of the products and services we deliver.

Our control areas, comprised by internal auditing and the different risk management supervisory areas, are key pieces in our corporate governance system to affirm our commitment to promoting a culture of compliance, transparency, and risk management in each area of the organization.

The corporate governance structure we set up is aligned to best international practices and thoroughly respects local regulations.

Regional board of directors

The organization’s main administrative, management, and oversight body.

- Monitors the strategic plan, approves policies, directs, assesses and manages risks, and ensures compliance with BAC values.
- Comprised by directors with extensive experience in Central America and the banking industry.

Management team

Implements the strategy and ensure resources for maintaining high standards of quality and compliance.

- **CEO**  
Organization’s highest-level executive. Designs and directs the strategy and is responsible for management.
- **Local management team**  
Country Manager. Responsible for managing the local operation and relationships with regulators and customers.
- **Regional management team**  
Regional directors. Manage the regional operation, evaluate and monitor management, and propose policies and standards.

Regional committees

Regionally monitor different aspects according to their scopes of action where the Boards of Directors has delegated authority and responsibilities as established in the organization’s articles of incorporation and bylaws.

- Auditing.
- Integrated risk management.
- Compliance.
- Assets and liabilities (ALICO).
- Credit.
- Technology.
- Information security and cybersecurity risks.
- Operational risk.
- Compensation and appointments.

Local Boards of Directors and committees

Implement the strategy, provide knowledge of the local market, and monitor the companies’ risk concentration limits.

- Participants:**
- Local directors.
  - CEO.
  - Members of the Regional Boards of Directors.
  - External advisors and guests, as applicable.



# GOVERNANCE BODIES

## Boards of Directors

Defines guidelines to achieve strategic objectives, risk management, and compliance with BAC values, creating value for its shareholders, customers, and other stakeholders and complying with regional laws and codes applicable to BAC entities. The Board has primary decision-making responsibility in the organization’s economic, environmental, and social matters.

## Regional Audit Committee

Advises Board members for complying with their responsibilities with regard to the quality and integrity of the financial reports generated by BAC for use by shareholders, potential shareholders, investors, and customers. It also provides guidance on the effectiveness and efficiency of the internal control system, governance measures, and matrix risk management. Additionally, it reviews and evaluates the work of external and internal auditors.

## Regional Integrated Risk Management Committee

Advises the Regional Boards of Directors on definition and compliance with guidelines, processes, methodologies, and controls for BAC’s integrated risk management, supervising risk management in all the countries where BAC operates as well as the SARAS (Credit Environmental and Social Risk Assessment System).

Each corporate governance body has a specific function for achieving the strategic objectives and ensuring transparency for shareholders.

## Regional Compliance Committee

Advises the Regional Boards of Directors in its responsibilities to oversee the proper functioning of the system for managing the risks of money laundering, terrorism financing, and financing for the proliferation of weapons of mass destruction and to encourage a culture of compliance in all jurisdictions where BAC has a presence. Additionally, it ensures that BAC’s actions in these jurisdictions fully comply with local laws and regulations concerning compliance.

## Regional Compensation and Appointment Committee

Establishes the action framework for appointing Board members and external corporate governance committee members in order to ensure candidates meet the qualifications. Additionally, it is responsible for overseeing the design and operation of BAC’s compensation system.

## Regional Credit Committee

Evaluates and approves loans according to the established authority matrix. Additionally, the Boards of Directors has delegated to this committee the formulation of proposed improvements to policies, processes, and procedures for approving loans and charge-off provisions.

## Regional Assets and Liabilities Committee (ALICO)

Advises the Regional Boards of Directors on the definition of and compliance with asset and liability management policies, methodologies, and limits in order to keep liquidity risk, market risk, and other related risks under control.

## Regional Technology Committee

Ensures regional Governance of Technology by means of advisory on strategic direction, review of the main technological investments, and management of the main technological risks.

## Regional Information Security and Cybersecurity Committee

Ensures compliance with the information security strategy through projects, initiatives, risks, incidents, and trends to make sure they help protect and safeguard information regardless of their storage or management media.

## Regional Operational Risk Committee

Advises the Regional Boards of Directors on the definition of and compliance with guidelines, processes, methodologies, and tools for operational risk management in BAC, supervising the management of risks such as technological, business continuity, internal or external fraud, legal, and vendor risks.



# GOVERNANCE OF ENVIRONMENTAL AND SOCIAL MATTERS

A fundamental part of our positive triple value strategy is our recognition of the importance of having a high-level body lead the organizational alignment, both regionally and in each of the countries where we operate. In 2020, we therefore created the Sustainability Forum, the main purpose of which is to advise the Board of Directors on the strategic responsible business practice approach and sustainability matters.

## Duties and Responsibilities of the Sustainability Forum

- + **Collaborate and coordinate with corporate governance committees** on matters of responsible business practices and sustainability.
- + **Supervise and ensure processes for risk identification, management, monitoring, and control** and opportunities for improving business sustainability and stakeholder expectations.
- + **Supervise and evaluate the stakeholder relationship strategy**, informing the Boards of Directors of their interests and expectations with regard to social and environmental aspects and BAC’s responsible and ethical behavior.
- + **Supervise BAC’s actions in sustainability matters** and particularly that its good governance, environmental, and social practices align with the strategy and policies approved by the Boards of Directors.
- + **Monitor BAC’s actions towards achieving the Sustainable Development Goals (SDGs)** approved by the United Nations.
- + **Supervise and approve BAC’s incorporation in the most recognized international sustainability** indices and certifications.
- + **Be informed and advise the Boards of Directors of the latest trends and best business practices** such as innovation, customer satisfaction, financial inclusion, responsible marketing, inclusion and diversity, nondiscrimination, climate change, and others that are related to business sustainability and contribute to the region’s social and economic development.
- + **Evaluate BAC’s sustainability situation**, periodically informing the Boards of Directors of progress made in matters of responsible business practice and sustainability, providing advisory, issuing reports, and implementing procedures within its area of competence.
- + **Ensure the suitability of the structure** and functionality of sustainability management.
- + **Issue reports and take the sustainability actions for which it is responsible** and in accordance with the corporate governance system or as requested by the Boards of Directors or its president.

This Forum meets at least once every three months.

# 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.

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.



### PROMOTING A CULTURE OF RESPONSIBLE BANKING

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

## 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.**

In 2022, we 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.





POLICIES AND DUE DILIGENCE PROCESSES

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

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

CLIMATE CHANGE RISK MANAGEMENT

MATURITY MODEL

In the second semester of 2021, we began developing a maturity model to identify our status in climate change risk management and create a clear roadmap that includes any actions necessary to advance our efforts on this relevant issue.

This model is fully aligned with the framework from the Task Force on Climate-Related Financial Disclosures (TCFD), which is comprised of four main sections, which are then categorized

into four levels of maturity, as determined by specific actions and deadlines, that allow for monitoring progress throughout implementation and compliance.

The Regional Committees on Comprehensive Risk Management, the Regional Credit Committee, and the Board of Directors regularly present updates on monitoring progress for this model.

		To be developed	Partially established	Established	Advanced	Desired level	Term
Governance	Governance and supervisory bodies					Established	Short
	Relevant stakeholders					Advanced	Long
Strategy	Coherent business strategy					Advanced	Long
	Risks and opportunities in business development					Established	Long
	Identifying Operations					Advanced	Short
Risk management	Risk management policies and models					Established	Long
	Different analysis types for management					Established	Short
	Defined risk appetite level					Established	Short
	Sustainability and financial continuity					Established	Short
Report and disclosure	Adoption of reporting and disclosure initiatives					Advanced	Short
	Disclosure of goals and metrics					Established	Short

SELF-ASSESSMENT SUMMARY

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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

☒ Yes ☐ En curso ☐ No





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PRINCIPLES FOR  
**RESPONSIBLE BANKING**

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PRINCIPLE 6

## Transparency and accountability

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





**ASSURANCE**

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

☐ Yes ☐ Partially ☒ No

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

**REPORTING ON OTHER FRAMEWORKS**

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

- ☒ GRI
- ☐ SASB
- ☐ CDP
- ☐ IFRS Sustainability Disclosure Standards (to be published)
- ☒ TCFD
- ☐ Other :....

# ASSURANCE

The third Responsible Banking Principles Report to be published in 2024 will be validated by a third party.

## METHODS AND STANDARDS USED FOR REPORTING

**The importance of carrying out a rigorous, clear, transparent and timely exercise of accountability implies a great deal of internal coordination with many areas of the bank.**

At the same time, the requirements of interested parties such as investors, shareholders, regulators, risk rating agencies and multilaterals are becoming more demanding and extensive; It is essential to also identify the appropriate means and models for the public of interest, so that the reporting exercise is one more vehicle to build trust and that, in turn, is used as a management tool, to identify gaps and challenges, that allow us to share with our interested parties our work, progress and commitments on the road to becoming the Bank to which we aspire.

**We use the Global Reporting Initiative (GRI) and Task Force on Climate-Related Financial Disclosures (TCFD) for disclosure of climate-related financial matters.**

In 2023 we will apply for the first time the Corporate Sustainability Assessment, CSA of the Dow Jones Sustainability Index, DJSI.

During late 2022 and early 2023, we conducted a diagnosis through which we were able to identify gaps in current data collection and accountability processes, with respect to Sustainability Accounting Standards Board (SASB), particularly the standard applicable to the activity of Commercial Banks (FN-CB). This process will allow us to strengthen our organizational capacities to improve the quality and traceability of the data in the five topics that make up the sector standard. Thus, in our 2023 Integrated Annual Report, to be published in 2024, we will have incorporated the SASB standard.





## OUTLOOK

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

# NEXT STEPS

In 2023 we will be focusing our efforts on:



## CLIMATE STRATEGY

- We will define our roadmap to achieve the goals related to the decarbonization of our Business portfolio.
- We will advance in the measurement and definition of goals of our vehicles and mortgage portfolio.
- We will develop physical and transition risk scenarios, as part of the actions detailed in our Maturity Model for Climate Change Risk Management, which will allow us to strengthen our climate strategy, reducing the negative impacts of our loan portfolio and taking advantage of opportunities to achieve our triple positive value goals.



## INCLUSION AND FINANCIAL HEALTH

- We will work on defining a financial health index for our clients in order to identify high levels of over-indebtedness and take timely actions to advise them and contribute to their financial health.
- We will relaunch our digital platform for Financial Education with a redesign that will improve the experience of our users, while offering more content of interest and facilitating the interaction of our public of interest with the educational content that we make available to them.
- We will promote educational initiatives and financial health aimed at entrepreneurs.
- We will strengthen education and financial inclusion actions for women and SMEs.



## CHALLENGES

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks. What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

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

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

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







PRINCIPLES FOR  
**RESPONSIBLE BANKING**



# Annexes

Indicators by prioritized impact area





A. Climate change mitigation

1

ACTION INDICATORS

Indicator		Response
A.1.1	Climate strategy: Does your bank have a climate strategy in place?	Yes, since 2021 we started developing our Climate strategy by joining the NZBA. The main advances are mentioned in section 2.2 Destination configuration.
A.1.2	Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	For the definition of our objectives we use SBTi, we have defined short-term objectives. In relation to long-term objectives, they have not yet been defined since the SBTi methodology for defining objectives for 2050 is under construction for the financial sector.
A.1.3	Policy and process for client relationships: has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients’ activities and business model?	We are currently working on the transition plan with the actions necessary to meet the objectives that we have set for ourselves. The details of this plan will be reported in our next annual report.
A.1.4	Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes, we measure the financed emissions of our portfolio of companies, we define our priority sectors and we are working on the development of the action plan for these sectors, seeking to achieve the transition towards less carbon-intensive models.
A.1.5	Business opportunities and financial products: Has your bank developed financial products tailored to support clients’ and customers’ reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	<p>Yes, one of the twelve objectives that we have established in our new Triple Positive Value strategy is the progressive transformation of our portfolio into simple, digital and sustainable financial solutions.</p> <p>In section 3.2 Business Opportunities our main advances are mentioned.</p>



A. Climate change mitigation

	Indicator	Response
<div>2</div> <div>OUTPUT INDICATORS</div>	<div>A.2.1</div> <div>Client engagement process: Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?</div>	<div>Yes, we have defined objectives in our priority sectors for Business banking, we are working on our roadmap to work with the clients that make up these sectors.</div> <div>Additionally, we are measuring the emissions of our vehicles and mortgage portfolio, to define objectives and advance with our Consumer banking clients.</div>
	<div>A.2.2</div> <div>Absolute financed emissions: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or investment portfolio?</div>	<div>Business banking +2m tons of CO2e</div> <div>In section 2.2 Destination configuration you can find more details.</div>
	<div>A.2.3</div> <div>Sector-specific emission intensity (per clients’ physical outputs or per financial performance): What is the emission intensity within the relevant sector?</div>	<div>In the process of improving the data capture of our clients to achieve the measurement of emission intensity.</div>
	<div>A.2.4</div> <div>Proportion of financed emissions covered by a decar-bonization target: What proportion of your bank’s financed emissions is covered by a decar-bonization target, i.e. stem from clients with a transition plan in place?</div>	<div>We have defined decarbonization objectives using the sectoral decarbonization approach (SDA) for the Power Generation, Cement, Commercial and Residential Real Estate sectors, these sectors represent 55% of the emissions of the Business banking portfolio.</div> <div>The Agriculture sector represents 20% of the emissions of this portfolio. To date, this sector does not have a methodology to define objectives using SDA, however, due to the importance of this productive activity in our region, we are committed to working with our clients to that they can advance in their transition towards a low carbon economy.</div>
<div>3</div> <div>OUTCOME INDICATORS</div>	<div>A.3.1</div> <div>Financial volume of green assets/low-carbon technologies: How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?</div>	<div>In section 3.2 Business opportunities, the detail of our portfolio with environmental and social impact is mentioned.</div>
	<div>A.3.2</div> <div>Financial volume lent to / invested in carbon intensive sectors and activities and transition finance: How much does your bank lend to / invest in carbon-intensive sectors and activities ? How much does your bank invest in transition finance?</div>	
<div>4</div> <div>IMPACT INDICATORS</div>	<div>A.4.1</div> <div>Reduction of GHG emissions: how much have the GHG emissions financed been reduced?</div>	<div>In 2022 we carried out our first measurement and definition of financed emissions targets, in 2023 we are defining our roadmap to implement in the following years, and to be able to measure the impact in terms of reduction.</div>
	<div>A.4.2</div> <div>Portfolio alignment: How much of your bank’s portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?</div>	<div>Our Business banking portfolio represents 46% of the Bank’s loan portfolio, as mentioned in indicator A.2.4 Proportion of financed emissions covered by a decarbonization objective. Of the total of this portfolio, reduction objectives are defined for 55% of emissions aligned to 1.5 degrees. The commitment will continue to increase as soon as the methodology to achieve it exists (specifically for the agriculture sector).</div>



B. Financial health • C. Financial Inclusion

1

ACTION INDICATORS

Indicator		Response
1	<b>B.1.1 / C.1.1</b>	# of products and services in the portfolio with a focus on financial health
		We have established in our new Triple Positive Value strategy the progressive transformation of our portfolio into simple, digital and sustainable financial solutions.
		# of products and services in the portfolio with a focus on financial inclusion
		Section 3.2 Business Opportunities mentions our Triple Value Financial solutions as well as our digital services that promote inclusion and financial health.
	<b>B.1.2 / C.1.2</b>	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health
		34% of our collaborators were trained in health and financial inclusion issues in 2022.
	<b>B.1.3 / C.1.3</b>	# of partnerships active to achieve financial health and inclusion targets
		<div><div><b>Guatemala</b><ul style="list-style-type: none"><li>Public-private alliance with the Ministry of Education, to collaborate with the study plans, making available to the national educational system, contents and methodologies in matters of personal finance and entrepreneurship for productivity, at the levels of secondary education and cycle of basic education. The contents are taught in the public schools of the country by their own teachers, as part of the official curriculum of the institution. We have executed training and updating programs for teachers, as well as the design and production of guides and manuals.</li><li>Participation in work groups for financial inclusion led by the Superintendence of Banks of Guatemala.</li><li>Participation in the National Strategy for Financial Inclusion (ENIF).</li></ul></div><div><b>El Salvador</b><ul style="list-style-type: none"><li>Initiatives such as the National Financial Education Strategy and Technical Cooperation Agreement on Financial Education issues in conjunction with the Central Reserve Bank.</li></ul></div><div><b>Honduras</b><ul style="list-style-type: none"><li>Alliance with the Ministry of Public Education, to strengthen financial education aimed at children, youth, teachers, fathers and mothers. The Professional Vocational Diploma in Banking and Finance (BTP) is created, a three-year program that enables graduate students to opt for jobs not only in the banking sector but also in financial areas of any company.</li><li>Financial education activities promoted by the National Bank and Insurance Commission. Among which are mentioned: Global Money Week, World Savings Day, Financial Education Week.</li></ul></div><div><b>Costa Rica</b><ul style="list-style-type: none"><li>Alliance with the Ministry of Public Education, the subject of personal and family finances for daily life was incorporated into the national curriculum in the ninth year and in professional technical colleges the specialty of Middle Technician in Banking and Finance was created.</li><li>Seeds of Change, is a collaborative group in charge of promoting entrepreneurship and productivity in high schools located in rural areas.</li><li>Agreement with the Ministry of Economy, Industry and Commerce, the use of content, talks, tools, education and financial inclusion website is encouraged and made available to the inhabitants, and education and information programs for the consumer are formulated.</li><li>Synergies with other entities such as the Office of the Financial Consumer and the Chamber of Banks.</li></ul></div><div><b>Panama</b><ul style="list-style-type: none"><li>Initiative Finance for the Future, endorsed by the National Directorate of Curriculum and Educational Technology of MEDUCA, seeks to empower young people in the assertive management of their finances. It facilitates education in personal finance through a novel model of experiences in workshops and debates among students, which allows a participatory construction of financial knowledge.</li></ul></div></div>



B. Financial health • C. Financial Inclusion

2

OUTPUT INDICATORS

Indicator

Response

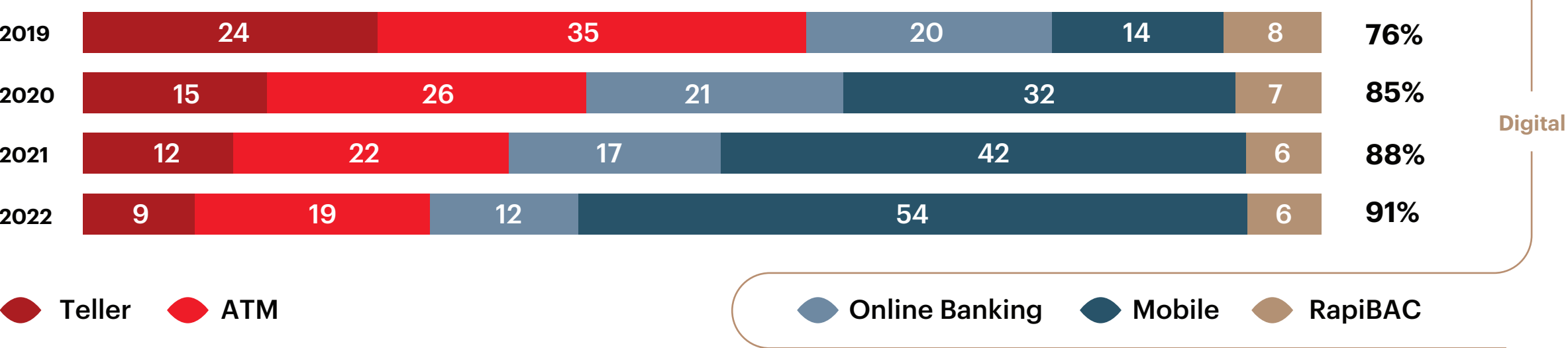
B.2.1 / C.2.1 # of indiv r digital education initiatives

You can find the details of our main advances in 2022 in section 2.2 Destination configuration.  
In 2022, 91% of all monetary transactions will be done digitally, the majority from a mobile device.

B.2.2 / C.3.3 % of customers actively using the online/mobile banking platform/tools

In 2022, 91% of all monetary transactions will be done digitally, the majority from a mobile device.

Monetary transaction migration by channel



The evolution toward digital payments was also seen in a major increase in the volume of transfers and utility payments.

Digital penetration

33%	43%	46%	52%
2019	2020	2021	2022

Transactional customers and digital channel activities

74%	8.5%	67.4%
Transactional customers	Only use Online Banking	Only use the App



