

Principles for Responsible Banking 2022

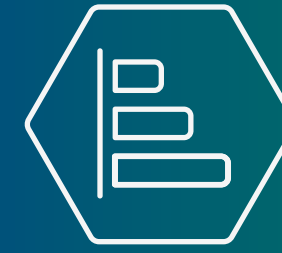


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Principle 1

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.

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.

Banesco (Panama), S.A. and its subsidiaries constitute an internationally diversified group with a significant presence in retail banking, wholesale banking and administration. In addition, it provides financial services and conducts operations in other sectors, mainly insurance. The Group maintains a presence and carries out its activities in Panama and Curacao. It consolidates its operations through Banesco

(Panamá), S.A., which is owned by Banesco Holding Latinoamérica, S.A., incorporated under Spanish regulation.

To fulfill this purpose, our business model is organized by customer segments, with an offer of products and services specially designed for them. Thus, we offer a Local Banking aimed to serve natural persons residing in Panama, including premium profile individuals for whom there is also a specific value proposition; a SME segment focused on meeting the needs of small and medium-sized companies; a Specialized Banking section serving companies and corporations, including a specialization in agricultural companies; and an International Banking focused on meeting the needs of all natural persons and non-resident legal entities in Panama. For each of these segments we have products and services that serve four main lines of business: liability products, credit products, means of payment products and insurance banking products.

In addition to its natural organic growth, of Banesco International is the result of more than 20 mergers and acquisitions. With operations in the United States and Latin America, it has a presence in six countries and is comprised of four independent financial groups with autonomous, operational and legally constituted financial structures: Banesco USA (Florida, United States), Banesco Panama, Banesco Dominican Republic and Banesco Venezuela.

We are part of Banesco Holding Financiero, S.L., established and formed in Spain; the share capital of Banesco (Panama), S.A. is wholly-owned by Banesco Holding Latinoamérica, S.A.

Links and references

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Principle 1 | Alignment

In terms of results and using the figures detailed in our 2022 Financial Statements, the detail of the local loan portfolio by product is presented below:

- 40.6% corporate, 35.40% residential mortgage loans, 22.10% personal, 1.80% consumption and 0.10% financial institutions.
- Total local loan portfolio: **US \$2,551,081,755** In addition, our local portfolio according to its lines of business is composed as follows:

The local loan portfolio according to its lines of business is composed as follows:

- 57% in mass segment
- 14% in corporate segment
- 11% in business segment
- 5% in premium segment
- 5% in interim specialized construction segment
- 4% in agricultural segment
- 4% in the SMEs segment.

In terms of results, we were able to manage a total volume of 70,027 active clients.

Links and references

Pages: 8 - 14

Principle 1 | Alignment

Strategy alignment

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

☒ Yes

☐ No

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

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

☐ UN Guiding Principles on Business and Human Rights

☐ International Labour Organization fundamental conventions

☒ UN Global Compact

☐ UN Declaration on the Rights of Indigenous Peoples

☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: **DEG**

☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----

☐ None of the above



Principle 1 | Alignment

For more than five years, we have been a signatory organization of the United Nations' Global Compact and a member of the United Nations Environment Programme Finance Initiative (UNEP FI).

From our Corporate Social Responsibility (CSR) strategy, we maintain our commitment to the five lines of action where we generate a variety of programs and projects that promote the sustainable development of our country, taking as a reference the principles established within the framework of the United Nations Global Compact, and the United Nations Environment Program Finance Initiative (UNEP FI).

Our five pillars are:

1. Entrepreneurship
2. Social Innovation
3. Culture
4. Environment
5. Corporate Affairs

Our management is identified with the Sustainable Development Goals (SDGs) of the United Nations and the National Strategic Plan (PEN 2030). In which Banesco Panama contributes to the achievement of 11 of the 17 SDGs:


We continue with public-private alliances, focused on giving sustainability to CSR projects and we are part of associations such as SumaRSE, the United Nations Global Compact, the American Chamber of Commerce (AmCham), among other Chambers of Commerce, where we maintain a close relationship with our stakeholders.

In addition, we report annually to the DEG as part of a covenant compliance established in the contract. This report provides information on the status of the Environmental and Social Management System (ESMS), portfolio composition, among other topics that involve other areas of the bank.

Links and references

Principle 2

Impact and Target Setting



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

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly² and fulfil the following requirements/elements (a-d)³:

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.

For the impact analysis, we established the scope of the commercial loan portfolio, specifically the local loan segment (Panama) with the economic activities with the highest exposure in balances. Within which are operations that are part of specialized banking (corporate, business, agricultural) and SMEs.

To identify the areas of greatest impact of our portfolio we considered the top 50 of those economic activities with greater exposure within the local geography, of which we mention the main economic sectors below: real estate, clothing (textile), food, agricultural, among others.

The foreign and consumer commercial portfolio will be progressively included in the scope. They were not considered in this first phase, since we decided to use the local commercial portfolio as a starting point, considering that Panama has a higher concentration than the rest of the countries.

This portion abovementioned (top 50), totaling US \$979M, which represents 52% of the total commercial portfolio at the end of December 2022.

We are committed to periodically updating this impact analysis to ensure a current, comprehensive view that aligns with the evolution of our portfolio.

Links and references

² That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

³ Further guidance can be found in [the Interactive Guidance on impact analysis and target setting](#).

Principle 2 | Impact and Target Setting

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope i) by sectors & industries⁴ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or ii) by products & services and by types of customers for consumer and retail banking portfolios. If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

For the analysis we have considered the portfolio composition by geographic area, selecting as a starting point the local portfolio (Panama); additionally, we also focused on the economic activities with greater exposure for the aforementioned portfolio.

The total loan portfolio at the end of December 2022 is geographically concentrated as follows:

Panama	55%
Venezuela	29%
Ecuador	6%
Colombia	3%
Spain	2%
Others	5%

For our consumer and retail banking portfolio, we have adopted an approach based on exposure to different products and services, as well as types of customers. We are working on detailing these products and services.

Additionally, of the top 50 (US \$979M) economic activities used for the impact analysis, we can mention the following as the main sectors:

Commerce (<i>Wholesale and Retail</i>)	38%
Real Estate	15%
Agricultural	11%
Construction	10%
Energy	9%
Financial	7%
Industrial	3%
Hotels and Restaurants	3%
Transportation	3%
Others	1%

Links and references

⁴ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Principle 2 | Impact and Target Setting

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?⁵ 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.

Internally, our sustainable development initiatives are focused on Panama. The bank and its subsidiaries have a strong focus in working on sustainable banking, from Panama, we focus on our Banesco commitment statement, which establishes a roadmap of our vision and aims towards a bank that works for the benefit of society. From our Corporate Social Responsibility (CSR) strategy, we maintain our commitment to the five lines of action where we generate a variety of programs and projects that promote the sustainable development of our country, taking as a reference the principles established within the framework of the United Nations Global Compact, the ISO 26000 Standard on Social Responsibility and the United Nations Environment Program Finance Initiative (UNEP FI).

Currently, we have mapped out the bank's priorities to continue promoting sustainability within our institution. To achieve this, we have the Banesco declaration, which consists of five objectives and the initiatives we will progressively implement to fulfill them by 2030. The actions are detailed below:

- 1. Carbon neutrality 0 in our operations.
- 2. ZERO waste in 50% of our branches and offices.
- 3. Scalable Environmental Risk Management.
- 4. Robust catalog of green products.
- 5. Leaders in the region in innovation and gender equality.

We have established a brand for sustainable operations in our core banking, allowing us to identify and create a catalog of green products. We maintain five categories, which I detail below: eco-efficiency, sustainable mobility, sustainable construction, waste management, and water supply and management.

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)⁶? Please disclose.

Links and references

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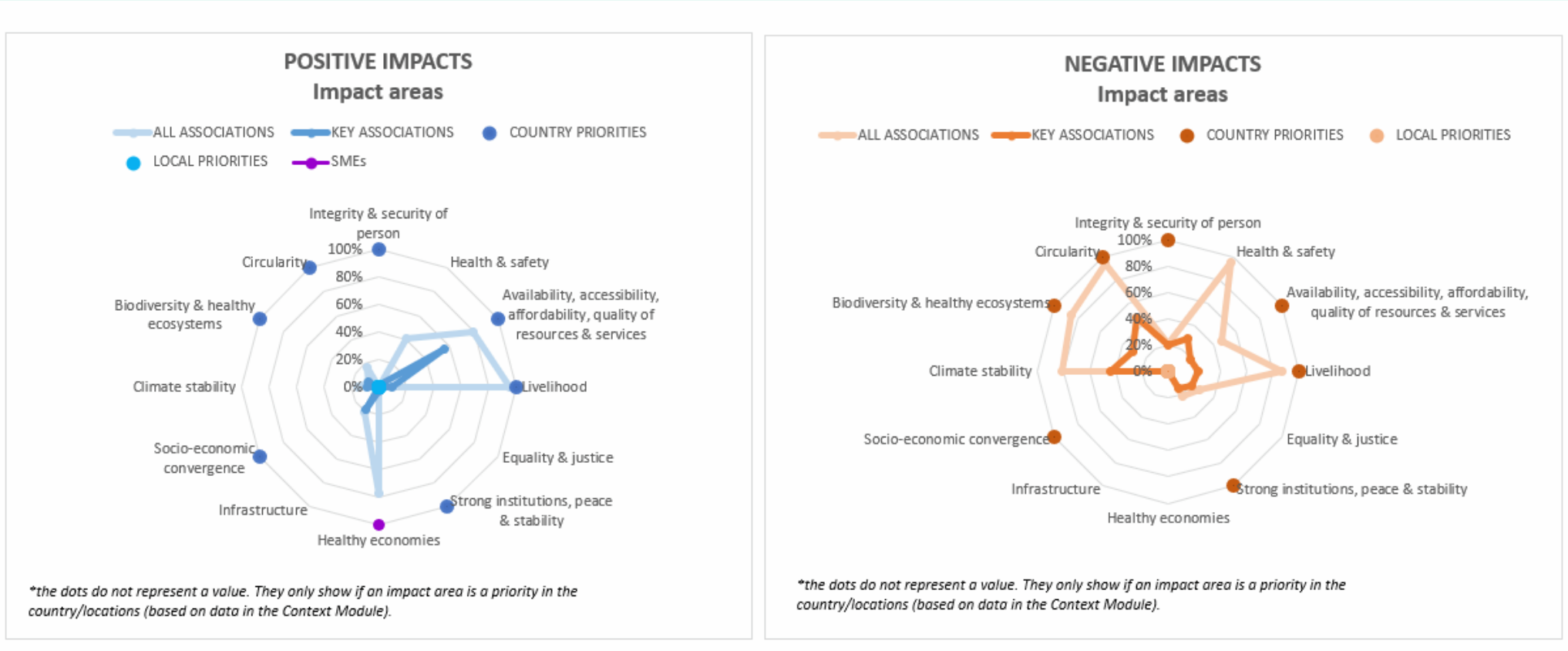
⁵ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.
⁶ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

Principle 2 | Impact and Target Setting

Using the "Portfolio Impact Analysis Tool" we have entered the data corresponding to the top 50 mentioned above and identified the following impact areas:

- Positive impacts
- Quality of life - Health and financial inclusion
 - Availability, accessibility, affordability, quality of resources and services
- Negative impacts
- Circularity
 - Integrity and security
 - Quality of life
 - Biodiversity and healthy ecosystems
 - Climate stability

- At Banesco we have prioritized the following impact areas:
- 1st impact: Financial inclusion
 - 2nd impact: to be defined (circularity or climate stability)



Links and references

Pages: 25 and 53



Principle 2 | Impact and Target Setting

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.

Currently, we have identified the sectors and we are in the process of identifying those customers who correspond to these and who benefit from positive impacts and those who, due to the nature of their activity, represent a negative impact. In this way, we will be able to clarify where we should establish the focus to promote good practices and/or more efficient and effective mitigation measures, through financing products that can reduce and/or cancel the negative impacts of the riskiest economic activities in our portfolio. For the PRB Reporting 2023, this information will be fully disclosed.

Links and references

Principle 2 | Impact and Target Setting

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?⁷

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

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

*Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: **Financial health & inclusion and resource efficiency & circular economy or climate change adaptation.***

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

☐ Up to 6 months prior to publication

☒ Up to 12 months prior to publication

☐ Up to 18 months prior to publication

☐ Longer than 18 months prior to publication

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



⁷ You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

Principle 2 | Impact and Target Setting

2.2 Target Setting (Key Step 2) Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis. The targets⁸ 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 with⁹ 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.

We will establish objectives in 2023 and will disclose them in the PRB Reporting and Self Assessment for that year.
To achieve this, we are currently undertaking the following actions:

1. Performance analysis: validating, through common indicators, how it matches with the impacts that we will address. Then we will identify the gaps of these indicators, in order to know how we can relate them to the impacts and seek alternatives to increase or decrease them.
2. Then, together with those responsible for the performance of these indicators, we must establish Key Performance Indicators (KPIs) that will help us achieve our objectives. Depending on the objectives and action plans, we must involve different areas such as: business, data analysis, risk, human capital, legal, among others.
We cannot lose sight of the fact that we must take as a basis both the bank's strategy and the country strategy, regarding the SDGs for our objectives.

Links and references

⁸ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

⁹ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

Principle 2 | Impact and Target Setting

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline. You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target. A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	
Impact area	Indicator code	Response
Financial health & inclusion	...	
	...	
	...	

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

Currently, we are in the process of validating the indicators we have for the SMEs and Commercial Banking area to establish the baseline. Everything related to setting objectives will be disclosed in the 2023 annual report.

Links and references



Principle 2 | Impact and Target Setting

c) SMART targets

(incl. key performance indicators (KPIs)¹⁰): 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.

Currently, we are in the process of validating the indicators we have for the SMEs and Commercial Banking area to establish the baseline. Everything related to setting objectives will be disclosed in the 2023 annual report.

Links and references

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.

Currently, we are in the process of validating the indicators we have for the SMEs and Commercial Banking area to establish the baseline. Everything related to setting objectives will be disclosed in the 2023 annual report.

Links and references

Principle 2 | Impact and Target Setting

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 type="radio"/> Yes</div> <div><input checked="" type="radio"/> In progress</div> <div><input type="radio"/> No</div>	<div><input type="radio"/> Yes</div> <div><input checked="" 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 checked="" type="radio"/> No</div>
Baseline	<div><input type="radio"/> Yes</div> <div><input checked="" type="radio"/> In progress</div> <div><input type="radio"/> No</div>	<div><input type="radio"/> Yes</div> <div><input checked="" 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 checked="" type="radio"/> No</div>
SMART targets	<div><input type="radio"/> Yes</div> <div><input type="radio"/> In progress</div> <div><input checked="" type="radio"/> No</div>	<div><input type="radio"/> Yes</div> <div><input type="radio"/> In progress</div> <div><input checked="" 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 type="radio"/> Yes</div> <div><input type="radio"/> In progress</div> <div><input checked="" type="radio"/> No</div>	<div><input type="radio"/> Yes</div> <div><input type="radio"/> In progress</div> <div><input checked="" type="radio"/> No</div>	<div><input type="radio"/> Yes</div> <div><input type="radio"/> In progress</div> <div><input type="radio"/> No</div>

¹⁰ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.



Principle 2 | Impact and Target Setting

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target. Report on your bank’s progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only):

describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

We are in the process of defining the objectives and the steps to be taken in order to achieve them. We are aware that in order to achieve the establishment of objectives, it is extremely important that we are able to identify the gaps in the indicators we currently have in order to connect them with the impacts we will address. We also need to define the size of the goal and the areas of the bank that will be involved and on whom we can rely on to promote the execution of action plans and for monitoring these objectives.

Links and references

Principle 3

Clients and Customers



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

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers¹¹ 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 activities¹²). 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).

¹¹ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

Principle 3 | Clients and Customers

We established the Corporate Sustainability Policy, which defines the environmental and social objectives and principles to achieve a sustained performance that will have a positive impact on the organization's operations. We are also committed to human rights compliance and making the ESMS viable, complying with the Exclusion List, in alignment with international standards, including the IFC's eight performance standards on environmental and social sustainability. Once we have completed the establishment of objectives and action plans, those elements that we consider relevant to achieve compliance with them will be incorporated into this policy

Links and references

3.2 Business opportunities

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

Specifically, for the PRB Reporting 2023 we will provide all the business opportunities that we will have identified and that must be aligned with the action plan to meet the objectives we establish once we have completed that phase. However, it is important to mention that our declaration of Banesco's commitments includes within the strategy, the creation of green banking to offer our clients financing alternatives with better conditions, focused on the use of renewable energies and energy efficiency, contributing to our commitment to improve the quality of the environment and the reduction of our carbon footprint. We are also considering the issuance of green bonds. All these initiatives will be included and implemented progressively, with a view to our Banesco commitment (2030). In addition, a project was initiated to have a marking of "Sustainable" clients for better identification within the core. In which we maintain the following categories: sustainable mobility, eco-efficiency, water quality, waste management and sustainable construction. In the event of focusing on the impact of climate action, we could rely on the improvement detailed above, since we would be able to map those clients that through these financings we would be contributing to the fact that their activities can be operated with clean energy and thus reduce their carbon footprint.

Links and references

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¹² Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Principle 3 | Clients and Customers

On the other hand, for financial health we also currently have initiatives that positively impact this impact, such as the BID Lab Project, focused on entrepreneurs. Through this project and with the help of other allies, the following was achieved:

- Banesco Entrepreneurs Comprehensive Scholarship: training, advisory services, banking services, and minimum access to microfinancing for 12 months for entrepreneurs in the cities of Panama and Panama Oeste.

Considering that we will establish objectives for this aforementioned impact, the idea is to continue identifying those opportunities for improvement with which, through our programs and/or financing, we can promote and help our clients in the SME segment to make their businesses sustainable over time.

Links and references

Principle 4

Stakeholders



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

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹³) you have identified as relevant in relation to the impact analysis and target setting process?

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.

We have identified the stakeholders who are responsible for implementing the principles, each one contributing from their expertise and with the common goal of being committed to them.

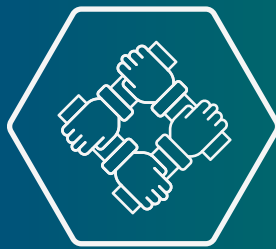
At the moment, we have been in charge of communicating to those responsible for other areas what their role should be in the establishment of objectives and action plans, as well as in monitoring thereof. These areas have different characteristics, as we understand that they require specialists in data management, clients, products, legal issues, senior management, among others. So we can mention that the areas that are involved are: business, risk, data analytics, legal, sustainability, human capital, product design, CEO, among others.

Links and references

¹³ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations.

Principle 5

Governance & Culture



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

5.1 Governance Structure for Implementation of the Principles

Governance Structure for Implementation of the Principles

☒ 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.

Banesco (Panama), S.A. and Subsidiaries within the framework of its Corporate Social Responsibility (CSR) management and the Environmental and Social Management System (ESMS); in the face of ethics, transparency, good corporate practices and international law regulations, establishes a Corporate Sustainability Policy, to generate sustainable actions, acting in a responsible manner for environmental preservation, economic and social development of the countries in which it maintains presence, taking as a reference the principles established in the framework of the United Nations Global Compact (UN Global Compact), and the United Nations Environment Program Finance Initiative (UNEP FI).

Links and references

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Principle 5 | Governance & Culture



We reformulated our strategy to adapt it to the current context, aligned with the 2030 Agenda, the Principles of Responsible Banking (UNEP FI), and the Paris Agreement. This allowed the evaluation of the scope of the Environmental and Social Management Policy, which we adapted to what is today, our Corporate Sustainability Policy that together with the rest of the policies, constitute the corporate framework that guides our actions in the field of sustainability. It has also served as the framework for the creation of the Sustainability Executive Board.

The Sustainability Executive Board is the body responsible for ensuring the organization's transformation process to a more sustainable bank, proposing strategic lines of management and control in terms of social, environmental and governance responsibility. Its objective is to promote dialogue to define the sustainability strategy and integrate it into the organization's operational and administrative processes. It is held quarterly.

It is chaired by the General Management, and is composed of the following areas with the right to speak and vote:

- Executive Vice-Presidency of Control and Risk,
- Executive Vice Presidency of Credit and Central Services,
- Executive Vice Presidency of Business,
- Executive Vice Presidency of Strategic Management, Finance and Treasury,
- Vice Presidency of Corporate Governance, Compliance and Legal,
- Vice Presidency of Marketing, Channels and Customer Experience,
- Vice-Presidency of Human Capital,
- Corporate Affairs Management,
- Infrastructure Management, and.
- Procurement and Payments Management.

The secretariat is in charge of the Vice-Presidency of Marketing, Channels, Experience and Sustainability, represented by the Sustainability Coordinator.

Links and references

5.2 Promoting a culture of responsible banking:

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

Principle 5 | Governance & Culture



Maintaining a continuous dialogue with all our stakeholders is essential to maintain lasting relationships and has been a constant throughout the years. We have enabled new and better channels for surveys, focus groups, newsletters, social networks, various service lines and segmented activities that allow us to know their opinion and optimize communication channels. With our employees, we design campaigns focused on listening to their voices, through different internal platforms. Information on our stakeholders is available in the CSR segment on our website, "Materiality and Stakeholders".

As a group policy, the training of employees represents one of the strategic levers that strengthen and develop talent, so we have been made efforts as an organization to identify, develop and train employees with the purpose of counting and retaining the best talent. Hence, development programs are generated according to the needs of each area of the business that allow us to face the challenges and new organizational challenges. There is a Training Policy that was created in January 2015 and whose focus is to benefit employees at all levels with the development of technical, operational, strategic and regulatory issues, as well as other topics identified in the training needs. This policy is reviewed annually and changes are made if applicable.

Links and references

Pages: 24 to 26

5.3 Policies and due diligence processes:

Does your bank have policies in place that address environmental and social risks within your portfolio?¹⁴ 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.

Banesco continues with the commitment to contemplate the sustainable development of the business, for which reason we continue to consider social and environmental risk assessments within the Bank's credit process, seeking to have a credit portfolio that is sustainable for the Bank and in which our clients mitigate the different environmental, social and climatic impacts that may arise during the development of their activities. All this has been structured within the framework of the financing and collaboration agreement signed with the German Financial Development Agency (DEG), thus

Links and references

Corporate Sustainability Policy

Principle 5 | Governance & Culture



establishing the implementation of an Environmental and Social Management System (ESMS), which is to be applied to new clients and reviews of Banesco Panama's loan portfolio operations. The ESMS is implemented through a pilot plan in 2019, after being approved by the board of directors the Corporate Policy of the Environmental Management System in 2018, today already merged as the Corporate Sustainability Policy. This management of the implementation of the ESMS was under the advice of the consulting company in social, environmental, health and safety consulting Environmental Resources Management (ERM), which was accompanied until 2020, upon having completed the six phases for the implementation of the ESMS within the organization.

Since 2021, the ESMS strengthened its participation within the organization by reformulating the Corporate Sustainability Policy and created the Sustainability Table, which was continued in 2022 through three sessions, in which decisions were made related to the various sustainable issues that have been implemented and those that are planned to be implemented, as well as those customers with greater relevance that have been analyzed in the ESMS, either for their high exposure or for having a level of environmental and social risk (High or Medium High). Within the organization's Strategic Planning, Sustainability is one of the fundamental pillars, for which the management framework and roadmap towards the transformation of a Responsible and Sustainable Bank was presented, in search of three lines of action: Environment, Socioeconomic and Governance.

Links and references

Corporate Sustainability Policy

Pages: 54 to 58

¹⁴ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Principle 5 | Governance & Culture

Self-assessment summary:

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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

☒ Yes ☐ In progress ☐ No



Principle 6

Transparency & Accountability



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

6.1 Assurance

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

☒ Yes ☐ Partially ☐ No

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

Our PRB report is verified by a third party

Links and references

Principle 6 | Transparency & Accountability



6.2 Reporting on other frameworks

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

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

BanESCO (Panama), S.A. has presented the information cited in this GRI content index for the period from January 1, 2022 to December 31, 2022, using the GRI Standards as a reference.

Links and references

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Principle 6 | Transparency & Accountability

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁵, target setting¹⁶ and governance structure for implementing the PRB)? Please describe briefly.

In the next 12 months, Banesco (Panama) has strategic plans in development to strengthen our implementation of the Principles of Responsible Banking (PRB). We will intensify our impact analysis, identifying and evaluating key areas where our bank can generate a positive impact. Based on this analysis, we will establish clear and measurable objectives to ensure that we are on track to achieve sustainable and responsible performance.

Links and references

¹⁵ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹⁶ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

Principle 6 | Transparency & Accountability



6.4 Challenges

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

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

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

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

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



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Independent Limited Assurance Report over selected responses within Banesco (Panamá), S.A. UN Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking Reporting and Self-Assessment Template

We have been engaged by the Management of Banesco (Panamá), S.A. (“the bank”) to provide limited assurance over selected responses (‘Selected Responses’) in Banesco (Panamá), S.A. UN Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking Reporting and Self-Assessment Template (‘Template’).

The information subject to assurance comprises Selected Responses included within Banesco (Panamá), S.A. Template for the year ending 31 December 2022. The Selected Responses subject to assurance are prepared by Banesco (Panamá), S.A. based on the Principles’ Reporting and Self-Assessment Template version (2) from September 2022. In accordance with the guidance for assurance providers, limited assurance is provided on the following items:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Target Implementation and Monitoring
- 5.1 Governance Structure for Implementation of the Principles

Management's responsibilities

The Management of Banesco (Panamá), S.A. is responsible for the preparation and presentation of the Selected Responses in accordance with the reporting criteria, i.e. UNEP FI Principles for Responsible Banking Reporting and Self-Assessment Template (Reviewed version (V2) from September 2022), and the information and assertions contained within it. The Management is also responsible for determining the bank objectives regarding sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibilities

Our responsibility is to express a limited assurance conclusion based on the work performed. We conducted our assurance engagement on the Selected Responses in accordance with International Standards on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Responses are free from material misstatement.

BDO applies International Standard on Quality Management ISQM 1 which requires the firm to design, implement and operate a system of quality management including policies or processes regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Summary of procedures performed

A limited assurance engagement on Selected Responses consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Responses, and applying analytical and other evidence gathering procedures, as appropriate. Based on our professional judgement and acknowledging the fact that banks are in different stages of implementation of the Principles for Responsible Banking we have performed the following procedures, among others:

- We planned our procedures informed by the Assurance Guidance to undertake limited assurance on Principles reporting Version 2 (updated October 2022), to be used with the V2 of the Reporting and Self-Assessment Template (from September 2022), issued by UNEP FI, considering the bank stage of implementation of the Principles for Responsible Banking.
- Interviewed members of Banesco (Panamá), S.A. management and personnel responsible for providing the Selected Responses;
- Assessed the application of the Reporting and Self-Assessment Template reporting principles related to the Selected Responses;
- Assessed data management processes, information systems and working methods used to gather and consolidate the Selected Responses;
- Reviewed the presented information and assessed its quality and reporting boundary definitions; and
- Assessed the Selected Responses' information accuracy and completeness, whereby with other evidence present the disclosed information achieves the bank as well as the actions undertaken in a limited assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Inherent limitations exist in all assurance engagements due the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating, and estimating such data.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Selected Responses to principles 2.1, 2.2, 2.3 and 5.1 in the Template are not prepared, in all material respects, in accordance with the UNEP FI Principles for Responsible Banking Reporting and Self-Assessment Template (Reviewed version (V2) from September 2022), for the year ended 31 December 2022.

Yours sincerely,



BDO Panamá
Panamá, 05 December 2023



Kenneth Barroso Rendón
Partner, Audit



Compromiso
Banesco