



Reporting and Self- Assessment Template Principles for Responsible Banking

Banesco (Panamá), S.A.

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.

Banesco Panama features a business model organized by customer segment to meet their specific needs with a range of products and services specially designed for each. We aim Community Banking for microentrepreneurs and entrepreneurial segments; a Personal Banking system aimed at serving individuals residing in Panama, including people with a Premium profile for whom there is also a specific value proposition; a SME Banking platform focused on meeting the needs of small and medium-sized companies; a Specialized Banks section that serves companies and corporations, including a specialization in agricultural companies; and an International Banking platform focused on meeting the needs of all non-resident entities in Panama.

For each of these segments, we offer four main business lines: liability products, credit products, means of payment products and, banking and insurance products.

Likewise, Banesco (Panamá), SA holds a general license that enables it to carry out the banking business in any part of the Republic of Panama, in addition to being part of

Links and references

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GRI Indicator
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<p>BanESCO International with a presence in 14 countries: Panama, Venezuela, United States, Dominican Republic, Puerto Rico, Curaçao. ABANCA: Spain, Portugal, United Kingdom, France, Germany, Switzerland, United States, Mexico, Panama, Brazil and Venezuela.</p>	
<p>Strategy alignment</p> <p>Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>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.</p> <p>Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?</p> <p><input checked="" type="checkbox"/> UN Guiding Principles on Business and Human Rights</p> <p><input checked="" type="checkbox"/> International Labour Organization fundamental conventions</p> <p><input checked="" type="checkbox"/> UN Global Compact</p> <p><input type="checkbox"/> UN Declaration on the Rights of Indigenous Peoples</p> <p><input type="checkbox"/> Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: -----</p> <p><input type="checkbox"/> Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----</p> <p><input type="checkbox"/> None of the above</p>	
<p><i>Response:</i></p> <p>BanESCO is a signatory company of the United Nations Global Compact since 2017, a member of the United Nations Environment Program Finance Initiative (UNEP FI) since 2017, and is subscribed to the Women Empowerment Principles (WEPs) since 2018.</p> <p>For BanESCO, the path to Sustainable Development is paved with quality education through the building of practical skills; with culture as a tool for the convergence and growth of nations; and with entrepreneurship as a junction for promoting business consciousness, enabling and supporting the economy. All framed in a healthy, balanced and prolific ecosystem that fosters our present and future well-being.</p> <p>BanESCO is aligned with the Sustainable Development</p>	<p><i>Links and references</i></p> <p>Pages 5, 13, 28, 36, 45, 58</p>

Goals by contributing to sustainable development through its work in:

- Financial inclusion (community banking)
- Investments in the community
- Incentives to SMEs
- Promotion of agriculture
- Commitments to health and well-being
- Commitments to quality education
- Seal of Equality Gender Yes- Gold Category
- Commitments to gender equality. They were awarded recognition for winning the *Premio Internacional Caracol de Plata*, in the “Productions for Digital Media” category for their “Equality” (#contigoenlaigualdad) campaign.
- Commitments to Decent Work and Economic Growth.
- Commitments to Innovation, Industry, and Infrastructure
- Commitments to reducing inequalities
- Commitments to a sustainable operation and consumption.

Principle 2: Impact and Target Setting



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

2.1 Impact Analysis (Key Step 1)

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

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

Response

As part of our impact analysis, a new materiality study was carried out in 2021 that included the review and update of stakeholders. This materiality analysis was done to establish the priorities on which Banesco Panama can guide its sustainability management. According to the GRI-101: Fundamental standards, the materiality criterion defines material issues, that is, relevant, as those that can reasonably be considered when reflecting the economic, environmental and social impacts of the organization or that influence the decisions of its stakeholders. In this context, "impact" refers to the effect that an organization has on the economy, the environment and / or society (positive or negative). The implementation of this process made it possible to identify those aspects that are relevant to the social, environmental, economic and governance impact of the bank's strategy, as well as those that have influence on the decisions of the stakeholders and that therefore must be managed and reported. In this way, the materiality exercise lines up with the social responsibility approach and therefore, the bank's strategy with the expectations of the stakeholders into context, which in turn, responds to the current situation based on an analytical exercise. Due to the circumstances of Covid-19, this process was carried out internally through a recognition exercise based on the direct relationship of the leaders of each area who have direct contact with and knowledge of the different interest groups (identified to date), to determine the relevance, pertinence and potential perspectives of each one. As a result of the analysis carried out, twelve (12) material issues were identified, which were divided under the dimensions of sustainability they belong to accordingly: economic (E), social (S), and Environmental (E). Of the 12 relevant issues identified, four issues stood out with an importance rate greater than 90%, which are: economic reactivation, legal and / or regulatory compliance, corporate governance, ethics and transparency, and customer

Links and references

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

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

experience. For Banesco, these issues are addressed across the board throughout the organization within the framework of the organizational strategy to ensure long-term sustainability, the proper relationship with its stakeholders and the strengthening of accountability.

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 & industries³ 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.

Response

Our local credit portfolio according to its lines of business is made up as follows: Allocated to Financing in the Personal Segment (Consumer and Mortgages) (61%) Corporate Segment (18%) Interim Specialized Construction Segment (7%) Business Segment (6%) Specialized Agricultural Segment (4%) SME Segment (4%).

Our international credit portfolio according to its lines of business is made up as follows: Corporate Segment (51%) International Business Segment (18%) International Agricultural Segment (11%) International Energy Segment (8%) International SME Segment (7%) People Segment (6%)

Links and references

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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?⁴ 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.

Response

Growth, profitability and financial sustainability. In 2021, despite the decision to keep the national state of emergency resulting from the pandemic and some health restrictions which make the economic recovery difficult, we reinforced efforts to maintain a perceptible connection

Links and references

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³ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

<p>between financial performance and the execution of the competitive strategy, focusing on attracting new business in the fastest growing sectors, while keeping strict controls and monitoring spending, improving operational efficiency and increasing business volumes, as well as providing a different experience to customers</p>	
<p>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)⁵? Please disclose.</p>	
<p><i>Response</i></p> <p>Our comprehensive risk management facilitates a cyclical process that enables continuous improvements to the organization’s decision-making. To this end, we have comprehensive risk policies and procedures that are detailed in the Good Corporate Governance and Operational Risk Management, published on our website: http://www.banESCO.com.pa. For each risk type inherent to the exercise of its financial activity, we have defined global limits that are approved by the Risk Committee and ratified by the Board of Directors, in charge of deciding the organization’s risk appetite. On a monthly basis, the Comprehensive Risk Management Unit follows up on each of the risks to which the organization is exposed to and presents it to the Risk Committee. Through that process the negative impact is controlled. On the other hand, the positive impact is focused mainly on Our Corporate Social Responsibility actions allow contributions to charitable associations, funds to support community infrastructure and direct costs of social programs, such as cultural and training events. We established the Corporate Sustainability Policy that defines the environmental and social objectives and principles, to achieve sustained performance that allows for a positive impact on the organization's operation.</p> <p>In turn, it is committed to complying with human rights 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. Being an atypical year as part of the aftermath of 2020, we supported the contribution with sponsorships and donations from the management's own programs and those that the bank supports as a benefactor and we focused on the execution of the 2021 planning based on the six lines of action: environment, culture, education,</p>	<p><i>Links and references</i></p> <p>Pages 41, 42, 43,</p>

⁵ 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.

entrepreneurship, social innovation and accountability (these last two incorporated during 2021).

To choose investment projects in the community, we define our strategies through the Comprehensive Strategic Planning Process (PIPE) that refers to an exercise to update or redefine the existing strategy, this process is cyclical and annual. or the projects and initiatives of Social Responsibility and Sustainability, the different contributions to charitable associations, donations for community infrastructures, costs of social programs and cultural and informative events are evaluated. Banesco Panama Editorial Fund: is an initiative that has the purpose of supporting education and culture, promoting the roots, heritage and recognition of the country's builders, in each of their trades and contributions. With the unprecedented of 2020, part of the internal programs were affected by the global environment experienced. One of these was the Banesco Editorial Fund, which by 2021 we managed to formalize the launch of the documentary "Raíz y Voz: documentation de los professors Zárate and Arosemena", as part of the actions of our Social Innovation and Culture axes. The documentary "Raíz y Voz" is a tribute to the wonderful journey of professors Zárate and Arosemena, who were in charge of compiling various oral manifestations, which, by way of songs, narrations and fables, nourished the cultural heritage of all the provinces, enriching with it the Panamanian musical heritage. This production immerses us in the painstaking work of the Fundación Afrodisíaco to rescue hundreds of cassettes, which make up the compilation of much of the fieldwork carried out by professors Manuel and Dora Zárate, Julio Arosemena and his students. Within the framework of the Homeland Month, we made a show to present this production that is the heritage of our nation.

Participatory Budget: For the fourth consecutive year, we carried out this initiative, which is constituted with a donation fund offered for projects that have a collective impact on the quality of life of socially vulnerable communities.

Banesco Entrepreneurs: As the flagship program of Banesco's CSR management, for this period we planned a goal of 1,450 certified participants, ending with a total of 2,318, which represents 59% more than projected. As in previous years, women predominated in the participation of the program with approximately 81% and 97% of attendees were Panamanians. From 2015 to the end of 2021, it adds a total of 15,595 women and men in the 10 provinces of the country, representing more than 500,000 thousand hours of

<p>training and an investment of USD 316,720.00 in the training of entrepreneurs nationwide.</p> <p>Banesco E-learning Entrepreneurs: Even under a pandemic scenario in which digital tools were booming and are maintained, we kept the Banesco E-learning Entrepreneurs program active throughout the period, ending with a total of 6,009 users served and 2,292 certified users, being that 38% completed the program.</p> <p>Corporate Volunteering: During 2021 we received the registration of 120 volunteers and 942.4 total volunteer hours (561% more than in 2020). We managed to execute 10 activities, which represent double compared to the previous period.</p>	
<p>d) For these (min. two prioritized impact areas): <u>Performance measurement.</u> 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.</p> <p>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.</p> <p>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.</p> <p><i>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.</i></p>	
<p><i>Response</i></p> <p><i>Banesco has implemented an Indicator that follows in US\$ the investment in CSR which has been held over US\$ 700,000 for the last 2 years</i></p>	<p><i>Links and references</i></p> <p>Pages 41</p>

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?⁶

- | | | | |
|--------------------------|---|--------------------------------------|-----------------------------|
| 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?

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

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

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

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

⁶ You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

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

The targets⁷ 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 with⁸ 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.

Response:

A first approximation of impact analysis has been carried out, under the materiality analysis, where the most relevant aspects were internally identified based on economic, social, and environmental aspects.

However, this analysis will be complemented in 2021 under the tool provided by UNEPFI with the identification of the sectors with the greatest environmental and social impacts, establishing related objectives. Banesco Panama has defined four commitments: entrepreneurship, education, culture and environment. Each tackles challenges that, through our Corporate Social Responsibility efforts, will result in building national competitiveness, promote social innovation and lead our industry through transparency.

All projects that are part of these commitments have been updated to contribute towards the goals proposed for 2030, and to answer the demands that arose within the changes brought by the post-pandemic context. In terms of "entrepreneurship", training was diversified, with emphasis on the Banesco Entrepreneurs face-to-face and virtual mode, impacting nationally more than 16,000 men and women trained and certified.

Cultural projects include our continued support of the Red de Orquestas y Coros Juveniles de Panamá and the National Theater. Educational projects include our participation as part of the Foundation for Educational Excellence.

Links and references

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⁷ 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.

⁸ 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.

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:

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Climate change mitigation</i>	...	
	...	
	...	

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Financial health & inclusion</i>	...	
	...	
	...	

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.

<i>Response</i>	<i>Links and references</i>
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c) SMART targets (incl. key performance indicators (KPIs)⁹): 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.

<i>Response</i>	<i>Links and references</i>
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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.

<i>Response</i>	<i>Links and references</i>
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⁹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

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

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.

Response

Our comprehensive risk management facilitates a cyclical process that enables continuous improvements to the organization's decision-making. To this end, we have comprehensive risk policies and procedures that are detailed in the Code of Good Corporate Governance and Operational Risk Management, published on our website: <http://www.banesco.com.pa>. For each risk type inherent to the exercise of its financial activity, we have defined global limits that are approved by the Risk Committee and ratified by the Board of Directors, in charge of deciding the organization's risk appetite. On a monthly basis, the Comprehensive Risk Management Unit follows up on each of the risks to which the organization is exposed to and presents it to the Risk Committee. Holding a Risk Appetite of 3.29% over the whole commercial portfolio on the Medium level Risk on the RSE subject.

Links and references

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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.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers¹⁰ 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 activities¹¹). 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.

¹⁰ 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.

¹¹ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

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).

Respons:

The strengthening of Corporate Governance management continues with the adoption of best practices, as well as the incorporation of new regulatory requirements issued by regional and national regulatory entities.

Banesco has strengthened their Communications campaign on the content and relevance of the Corporate Anti-Corruption Policy.

- Annual update of Corporate Governance. It included area, corporate policies (among them, the Corporate Transparency Policy), directors' policies managed from the Governance area, as well as the regulations and conformations of the different instances of Corporate Governance.*
- Follow-up to the management of Subsidiaries.*
- Virtual sessions of Corporate Governance Instances.*

We continue with the guide implemented in 2020 that includes ten attributes that promote the modeling of behaviors expected by our leaders. These attributes are: I am Exemplary, I am Generous, I am Effective and Profitable, I Generate Autonomy, I focus on Solving, I provide Feedback, I provide Momentum, I am a Non-conformist, I put the client first and I focus on strategy.

Likewise, our values, standards and norms of conduct are included in the 58 articles of the Code of Ethics and Conduct of the Banesco Citizen, serving as a guide for employees, business partners and other stakeholders.

Links and references

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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.).

Response:

Banesco has been working for some years to promote the main challenges for 2022-2023, among which we can mention:

- Promote business models with a customer-centric vision, ensuring customer loyalty.*
- Configure product offering packaged to target profiles.*
- Promote the business model in branches.*

Links and references

<https://paprodwebstordata.blob.core.windows.net/filesbanesco/Banesco-Sustainability-Report-2021.pdf#page=30>

• *Adapt the operating model to decisively increase our participation in legal segments.*

Principle 4: Stakeholders



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

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹²) 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.

Response:

Sustainability is built between all stakeholders (companies, governments, civil society, NGOs and unions). This is a maxim that does not escape Banesco, so their programs and those we support are always developed in social partnership. Thus, they comply with all the initiatives that make up our four commitments.

Links and references
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¹² 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

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.

Response:

Response:

Banesco has reformulated their strategy to adapt to the current context, aligned with the 2030 Agenda, the Principles of Responsible Banking (UNEP FI), and the Paris Agreement, together with the scope of their Environmental and Social Management Policy, which was adapted for their Corporate Sustainability Policy. Together with the rest of the policies, constitutes the corporate framework that guides our actions in the field of sustainability. In addition, it has served as a framework for the creation of the Sustainability Executive Board.

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

Links and references

[Link de banesco.com](https://www.banesco.com)

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).

Response:

As a company policy, the training of employees represents one of the strategic levers that reinforces and develops talent, which is why efforts have been made as an organization to identify, develop and train employees, in order to build employee loyalty and retain the best talents. Hence, development programs are created according to the needs of each business area, allowing them to face new organizational challenges. The following training programs have been developed::

- The Banesco Academy: focused on high-performance training of human talent that shows potential to strengthen strategic and leadership skills in Banesco's DNA and integrate comprehensive business management skills.
- Collections Advisor: strengthening the new collection's profile, evolving from a manager's role to being a "Collections Advisor" with technical and soft skills focused on the new collection reality.
- VideoBanking: training of executives with a remote service role developing talent in digital skills.
- New Branch Model: strengthening the new profile for branch and call center executives, going from being an agent to a "Comprehensive Customer Service Executive," developing skills and complete knowledge of the bank's products and services.

In addition, some other measures related to the improvement of health and safety conditions at work were implemented, including:

- Telemedicine care through the clinic (due to the pandemic).
- In alliance with PALIG, a home kit with medicines for employees with COVID-19 was delivered.
- In alliance with the Power Club gym franchise, the use of a virtual platform for functional exercises was shared.
- During the month of October (Health Month), different

Links and references

Pagina [32 a la 40](#)

<p>activities were organized such as Influenza Vaccination Day for employees and their families, the PSA session, active face-to-face and virtual breaks.</p>	
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5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹³ 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.

<p><i>Response</i></p> <p>Our comprehensive risk management facilitates a cyclical process that enables continuous improvements to the organization’s decision-making. To this end, we have comprehensive risk policies and procedures that are detailed in the Code of Good Corporate Governance and Operational Risk Management, published on our website: http://www.banesco.com.pa. For each risk type inherent to the exercise of its financial activity, we have defined global limits that are approved by the Risk Committee and ratified by the Board of Directors, in charge of deciding the organization’s risk appetite. On a monthly basis, the Comprehensive Risk Management Unit follows up on each of the risks to which the organization is exposed to and presents it to the Risk Committee</p>	<p><i>Links and references</i></p> <p>https://paprodwebstordata.blob.core.windows.net/filesbanesco/Banesco-Sustainability-Report-2021.pdf#page=24</p>
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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

¹³ 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 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.

Response

Our Sustainability Report contains a letter of assurance granted by KPMG auditors, focused on the Global Reporting Initiative (GRI)

Links and references

<https://paprodwebstordata.blob.core.windows.net/filesbanesco/BanESCO-Sustainability-Report-2021.pdf#page=58>

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:

Response:

BanESCO Panama has been a signatory of the United Nations Global Compact since 2017, a member of the United Nations Environment Program Financial Initiative (UNEP FI) since 2017 and is subscribed to the Women's Empowerment Principles (WEPs) since 2018.

In addition to informing on their economic, social and environmental management, under Global Reporting

Links and references:

Pages [2](#), [6](#) y [14](#)

Code of Ethics:

https://paprodwebstordata.blob.core.windows.net/filesbanesco/codigo_etica_banESCO_panama.pdf

<p>Initiative's methodology (GRI), our objective is to abide by the three dimensions of sustainability and reaffirm their commitment to follow the roadmap defined by the Sustainable Development Goals of the 2030 Agenda.</p>	
<p>6.3 Outlook What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁴, target setting¹⁵ and governance structure for implementing the PRB)? Please describe briefly.</p>	
<p><i>Response</i></p> <p>Our Corporate Social Responsibility actions allow contributions to charitable associations, funds to support community infrastructure and direct costs of social programs, such as cultural and training events. We established the Corporate Sustainability Policy that defines the environmental and social objectives and principles, to achieve sustained performance that allows for a positive impact on the organization's operation. In turn, it is committed to complying with human rights 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. Being an atypical year as part of the aftermath of 2020, we supported the contribution with sponsorships and donations from the management's own programs and those that the bank supports as a benefactor and we focused on the execution of the 2021 planning based on the six lines of action: environment, culture, education, entrepreneurship, social innovation and accountability (these last two incorporated during 2021).</p>	<p><i>Links and references</i></p> <p>https://paprodwebstordata.blob.core.windows.net/filesbanesco/Banesco-Sustainability-Report-2021.pdf#page=41</p>

¹⁴ 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

¹⁵ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

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

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

