

Reporting and Self-Assessment Template - Banco Promerica Costa Rica

This year the Bank in line with the commitment with PRB and to comply with GRI develop a report reflecting the performance in sustainability. In the next pages we will name the section of the report where you can find the specific requirement to comply with the principles.

You can find the full report in the web page of Banco Promerica de Costa Rica.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>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.</p>		
<p>1.1 <i>Describe</i> (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, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>Banco Promerica Costa Rica is established as a private bank, it is part of the National Banking System of Costa Rica where it has 100% of its operations. Its purpose is to carry out all the banking activities permitted to private banks in this country.</p> <p>The main sectors we support through financial services are: busines banking that accounts for 63% the total portfolio (includes SMEs 28% and corporate banking 35%), 22% consumer banking, 10% residential mortgages and 5% vehicles loans</p> <p>The business strategy and the sustainability strategy are linked but not fully integrated yet. The bank operates under 10 strategic pillars that are the business objectives and are organized in relevance. In the second tier of importance you can find sustainability, and it speaks about alignment to SDG's and other relevant frameworks. To implement this strategic objective the bank has established a governance structures to make sure the subject is transversal in the company.</p> <p>One of key element for the bank is the opportunities that come from sustainability. This is</p>	<p>The detailed description can be found of the business model can be found in the pages: 20, 21, 23,24.</p> <p>The detailed products can be found in the report page: 19, and the family of sustainable products with the detailed technology are in page 47,48,49,51.</p> <p>The detailed description of technologies in the page: 49.</p>



	<p>executed in the Bank through a wide range of business products specifically design to take advantage of the business opportunities and amplify the positive impact in the economy. This effort is articulated in the sustainability committee and gathers top management to design products and services and follow up on strategies.</p> <p>The bank has a detailed information system that allows the bank to track the use of funds and calculate impact indicators. For the Green Portfolio it includes the technologies that were financed.</p>	
<p>1.2 <i>Describe</i> how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>The bank aligns the international commitments signed to the strategic pillar through the sustainability strategy.</p> <p>Since the commitment to the PRB the Bank has develop several impact analyses, internally the materiality assessment and for the portfolio the impact tool. As a next step we will nurture the sustainability strategy, set targets and build a control dashboard that includes all inputs to execute accordingly.</p> <p>Also, as a first step in 2020 the bank worked with a technical assistance to improve the ESMS tool for credit analysis to align with IFC performance standards and improved the questionnaires for specific sectors such as real estate and agribusiness-</p> <p>The bank is still working on aligning in a single framework all the commitments, especially with Costa Rica public policy (decarbonization national plan) because it provides a clear path for short, medium and long terms goals.</p>	<p>You can find the alignment in:</p> <ul style="list-style-type: none"> • Sustainability strategy, page 23,24. • Impact analyses, page 27 to 37. • Commitments, page 26.

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.

<p>2.1 Impact Analysis: Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</p> <ul style="list-style-type: none"> a) <u>Scope:</u> The bank’s core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis. b) <u>Scale of Exposure:</u> In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. c) <u>Context & Relevance:</u> Your bank has considered the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates. d) <u>Scale and intensity/salience of impact:</u> In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, 	<p>The tool used for this purpose is the impact tool, we develop several steps for the analysis and are currently working on adding the key factors to the bank sustainability measuring tool to be able to run the analysis in a periodic way.</p> <p>We recognized that there’s still room for improvement and want to further investigate and develop a methodology that allow us to be sure the information is clear and adapts to the national reality.</p> <p>Since this was our first analysis and because of the limits on the capacity of the tool, the bank focused on the 63% part of the portfolio the business banking portion that includes SMEs and corporate Banking.</p> <p>The selection of the area included the consideration and knowledge from the teams involved to reflect the most significant sectors, also by following the “country need” methodology from the tool we were able to set the number for Costa Rica and ground better the analysis to the reality in the country.</p> <p>The Bank disclose the results of the report as to the portfolio of December 2020; however, we anticipate for next year reporting process to have changes since the efforts around 2021 is to be able to run the process periodically and ad new methodologies to the process that can support it and be related to local perspectives.</p> <p>In the field of opportunities, the bank is working on a materiality analysis for priority sectors with a technical assistance and recently sign PCAF to be able to further develop the climate priority showed in the process.</p>	<p>The detailed Impact tool section can be found in the page 34,35,36.</p>
---	---	--

<p>economic and environmental impacts resulting from the bank’s activities and provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 		
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.</p>		
<p>We develop the full analysis with the impact tool. A statement from a third party will be done further in the process, since this is a first period analysis.</p>		
<p>2.2 Target Setting</p> <p>Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s</p>	<p>The bank focused on 2020 on the impact analysis part of the process and will develop the targets align with the results in the report of 2021.</p> <p>Even though we don’t have a target develop so far, an effort was made to align the current strategy contributions to the SDG’s and is available at the report.</p>	<p>SDG alignment, page 68,69,70.</p>



PRINCIPLES FOR RESPONSIBLE BANKING

<p>activities and provision of products and services.</p> <p><i>Show that these 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. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</i></p> <p><i>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</i></p>		
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.</p>		
<p>We are still in the process to develop the targets; determining the impacts was a priority for the Bank during 2020 and also helping our clients and also adjusting our operations to safe guard the health of our employees through the COVID crisis.</p>		

<p>2.3 Plans for Target Implementation and Monitoring</p> <p><i>Show that your bank has defined actions and milestones to meet the set targets.</i></p> <p><i>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</i></p>	<p>As mentioned before we will work on setting the targets during 2021.</p>	
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.</p>		
<p>Under construction for the disclosure process of 2021</p>		
<p>2.4 Progress on Implementing Targets</p> <p><u>For each target separately:</u></p> <p><i>Show that your bank has implemented the actions it had previously defined to meet the set target.</i></p> <p><i>Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</i></p> <p><i>Report on your bank's progress over the last 12</i></p>	<p>Once we have set the targets we will work on implementing them.</p>	

<p>months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p>		
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets</p>		
<p>Under construction for the disclosure process of 2021</p>		
<p>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.</p>		
<p>3.1 <i>Provide an overview</i> of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>We engage with clients during 2020 to develop the materiality assessment, they exposed their perspectives on the sustainability strategy of the bank.</p> <p>Also 2020 was a year that we focused on helping our clients get through the COVID Crisis by providing skip payments, special conditions on financial facilities and even developed a toolkit with technical assistance for our tourism clients.</p>	
<p>3.2 <i>Describe</i> how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where</p>	<p>For the next year and in line with the impact analysis results in 2021 we plan to develop a high-level materiality assessment of two priority sectors from our portfolio, this will include working closely with a few clients to modulate a program that could work for the Bank.</p> <p>The process for next year project will be as follow:</p> <ul style="list-style-type: none"> • Identification and classification of the portfolio. • Select the main sector with specific criteria work the materiality. • Analyse sector specific documents to build the context in sustainability. 	

<p>possible, the impacts achieved.</p>	<ul style="list-style-type: none"> • Prioritize the subject relevant for each sector. • Validate the subjects selected with key clients form each sector. • Select subject in common with the Bank to find opportunities of partnerships with the clients. <p>Another plan to further and better relate with clients we will develop sector specific strategies to support current and new clients, starting with agribusiness.</p>	
<p>Principle 4: Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.</p>		
<p>4.1 <i>Describe</i> which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>The 2020 marked the first year the bank develop a materiality assessment, this included a process for mapping and prioritize stakeholder, in which it was determined the priority stakeholders and consulted their expectation related to sustainability.</p> <p>As a result, we identified areas of opportunity that will lead the way in our relationship with them.</p> <p>As to next steps, we want to review methodologies for stakeholder engagement, improve our mapping and prioritization and build mechanisms to have continuous communication.</p>	<p>Further detail of the stakeholder mapping and engagement in page 29,30.</p>
<p>Principle 5: Governance & Culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking</p>		
<p>5.1 <i>Describe</i> 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 effective implementation of the Principles.</p>	<p>The bank focused on building a structure in sustainability that had representation from all management areas and level in the organization from Board member in charge an actively involved in sustainability to identified and implemented sustainability leaders among the employees as a means of participation in all levels of the organization.</p>	<p>Further detailed can be found in the report section called governance in sustainability, page 42,43.</p>

	<p>Also, the bank has a sustainability policy in place that is run by the employees of the bank as to a training for new employees.</p> <p>The sustainability department communicates the Principles for Responsible Banking in the sustainability committee to consider in the development of new business opportunities. For the anniversary of the signing of the PRB we engage in the communication will all the main stakeholders.</p>	
<p>5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>All of Banco Promerica’s employees are required to participate in volunteer work during office hours, at least 3 hours a year. These hours account for 5% of the persons performance evaluation for the year. The activities are organized by the bank to help the communities in which we are involved.</p> <p>To increase participation and strengthen communication, the bank has identified persons form all branches and department to be “líderes Pro sostenibles” or Sustainable leaders. These persons have the role of serving as a communication channel and leaders to involve everyone in participating in sustainability initiatives.</p> <p>Every year Sustainability department along with HR has a plan to build capacity and awareness in the organization. We also organize activities to celebrate specific dates with contests.</p>	<p>Please find the roles and responsibilities in sustainability for employees in the page 43.</p>
<p>5.3 Governance Structure for Implementation of the Principles</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <p>a) target-setting and actions to achieve targets set</p>	<p>The banks have governance structures like the sustainability committee that are in charge of reviewing periodically the advance of the principles. As quoted here:</p> <p>"Follow up on progress in compliance with the PBR, CCCA and other commitments assumed in terms of sustainability"</p>	<p>Further detailed can be found in the report section called governance in sustainability, page 40,42.</p>

<p>b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</p>		
<p>Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p>		
<p>Yes, we have progress substantially in fulfilling this requirement. The Bank has established a structure for monitored and implement the principles in all levels of the organization.</p>		
<p>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.</p>		
<p>6.1 Progress on Implementing the Principles for Responsible Banking</p> <p>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</p>	<p>Since the commitment the bank has improved the management approach in sustainability, implemented several impact analyses including the first materiality analysis, run the impact tool and develop their first report under GRI guidelines to be transparent about the progress in sustainability to the stakeholders.</p> <p>The Bank has reached several milestones after the signing of the PRB principles. We are specially proud that the sustainability strategy is part of the goals of 10 departments within the bank and for the first Sustainability Committee of the year this areas presented their objectives. Also we have allocated new resources to work in sustainable banking, with new members of the team with technical skills to improve and move in a faster pace.</p> <p>The targets as mention are in process and will be done when we are satisfied with the impact analysis, and will be set and start implementation in 2021.</p> <p>As to the start of 2021, and knowing climate is a high priority subject and will be further develop as a target that Bank has several project to align to the Paris agreement, PCAF, include physical risk to credit analysis among other key actions.</p>	<p>Further detailed can be found in the report section called Alignment to Principles for Responsible Banking , page 72,73,74.</p>



PRINCIPLES FOR
RESPONSIBLE
BANKING

<p>Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>		
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking</p>		
<p>The bank has made substantial efforts to implement and raise the bar in several of the Principles for Responsible Banking, we feel proud of our efforts and motivated to continue on the task.</p>		