

Reporting on BANPRO's progress towards implementing the Principles for Responsible Banking - Self-Assessment

Banpro Grupo Promerica became a signatory to the UNEP-FI Principles for Responsible Banking in 2019 - a unique framework for a sustainable banking industry developed through an innovative partnership between banks around the world and the United Nations Environment Program -Finance Initiative.

The information submitted in the Self-Assessment Reporting template shows Banpro's progress during the first 18 months of implementation. Among the most relevant aspects is the identification of the areas with the greatest impact, both in positive and negative contribution to the business portfolio. In addition, to include a set of general guidelines, which serve as input for the establishment of SMART goals in the course of 2021.

Published in March 2021, containing the progress achieved, 18 months after signing.^o

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.

Reporting and Self-Assessment Requirements

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, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

High-level summary of bank's response (limited assurance required for responses to highlighted items)

Banco de la Producción, S.A. (Banpro) with operations in Nicaragua, is part of the Promerica Group with presence in 9 countries of the Latin American Region. Within its portfolio, it offers a wide variety of banking products and services focused on Consumer Banking, Private Banking, Business Banking and Alternative Payment Methods for different customer segments.

At year-end 2020, it has a portfolio of 1,170 million dollars of which 71% constitutes the business portfolio and 29% by consumer banking. Since its inception, Banpro has focused on the business segment, where the two segments par excellence can be identified: SMEs and Corporate, mostly classified in agricultural, commercial, industrial, and livestock credit, among others.

The business portfolio for the same period ascended to 826 million dollars, of which corporate represents 92% and SMEs 8%. This distribution shows the importance of the corporate segment; and on the other hand, the business potential of the SME segment in terms of product diversification and innovation that allows for the segment's growth with an inclusive approach.

Reference(s) / Link(s) to bank's full response / relevant information

- Institutional Information – Connect America Platform. <https://connectamericas.com/pt/banks/banco-de-la-produccion-banpro>
- [2020 Portfolio Impact Analysis Banpro, p.2.](#)

Reporting and Self-Assessment Requirements

Describe 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.

High-level summary of bank's response (limited assurance required for responses to highlighted items)

The 2020 Sustainability Strategy promoted by management sets forth 3 main priorities:
Implementation of the sustainability guidelines set forth in the 2020-2025 Strategic Map presented by the General Management.
Compliance with the Principles for Responsible Banking of UNEP-FI and Climate Commitments.
Continuous improvement in the Sustainability Rating: closing of SCRisk gaps.

After signing the Principles in 2019, General Management began to integrate the sustainability guidelines contained in the Strategic Map in order to manage both the institutional impacts and those associated with the portfolio. The scopes include the development of:

1. Sustainable products for customers, collaborators, and communities.
2. S&A Risk Management of credits and investments.
3. Education, financial inclusion, and social responsibility.
4. Sustainable investments.
5. Impact measurement.
6. Channels and Digital Innovation.

Reference(s) / Link(s) to bank's full response / relevant information

- [2020 Sustainable Banking-Banpro, p.2.](#)

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.

Reporting and Self-Assessment Requirements

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:

- a) Scope: 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) Scale of Exposure: 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) Context & Relevance: Your bank has considered the most relevant challenges and priorities related to sustainable

High-level summary of bank's response (limited assurance required for responses to highlighted items)

The Banpro portfolio analysis was carried out using the "Portfolio Impact Analysis Tool" developed by UNEP-FI. The analysis identified the areas of major impact of the bank's portfolio in order to develop its business strategy in terms of sustainability and set objectives to increase its positive impacts and reduce its negative impacts.

To identify the areas with the greatest impact, an analysis of the total portfolio distribution in terms of balances was carried out and we concentrated on the portion of the portfolio that generates the greatest impact due to its level of exposure; in this first phase, the business portfolio was assessed, which represents 71% of the total portfolio.

Taking the above into consideration, the areas where the bank carried out its main contribution identified food security and employment in addition to health and inclusive economies. In the same manner, negative impacts or opportunities for improvement were found in the areas of resource efficiency, climate, and biodiversity.

These impacts are largely associated with real estate activities, which require considerable energy consumption. In addition, water consumption for agricultural activities constitutes a climatic risk and an opportunity for the responsible use of the resource.

Reference(s) / Link(s) to bank's full response / relevant information

- [2020 Portfolio Impact Analysis Banpro, p.3-4.](#)
- [2020 Portfolio Impact Analysis Banpro, p.10.](#)

Reporting and Self-Assessment Requirements

High-level summary of bank's response (limited assurance required for responses to highlighted items)

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development in the countries/regions in which it operates.

- d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, 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))

Show that building on this analysis, the bank has

- 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

Possible strategies for risk management involve the promotion of certifications for sustainable buildings, energy efficiency and renewable energies for commerce and services SMEs, efficient irrigation technology and solar pumping in the agricultural sector, the implementation of standards for measurement of GHG (Greenhouse Gases), as well as the strategy to generate, collect and publish quality information on the impacts of the bank and customers.

Among the challenges, we found the establishment of effective communication and coordination channels among clients and the bank as well as the design of sustainable products according to the needs of SMEs and vulnerable segments. In addition, the establishment of objectives by priority areas or activities of the portfolio, which is estimated to be carried out in the course of 2021.

Our strategy for impact management will be aimed at promoting certifications for sustainable buildings, energy efficiency and renewable energy in SMEs of commerce and services, efficient irrigation technology and solar pumping in the agricultural sector, the implementation of standards for measurement of GHG; as well as the strategy to generate, collect and publish quality information on the impacts of the bank and clients.

Reporting and Self-Assessment Requirements

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2.2 Target Setting

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 activities and provision of products and services.

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.

Show that the bank has analyzed 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.

The areas of greatest impact identified in this first year, generating a set of general guidelines and recommendations, which will serve as input for the implementation plan where the SMART goals will be established during the 2021-2022 period. As advances, the following general measures can be mentioned:

- Promote the use of EDGE and LEED certifications in the real estate sector for high potential buildings, as well as the implementation of energy efficiency and renewable energy in SMEs for commerce and services.
- Promote environment-friendly agricultural practices and land use.
- Provide technical assistance in Energy Efficiency and Renewable Energy (self-consumption) among priority customer segments, fostering low-carbon investments as a first phase in aligning the portfolio with the goals of the Paris Agreement.
- Encourage widespread use of efficient irrigation systems (water and energy) and solar pumping among producers to counteract the risks associated with climate change and the efficient use of resources.
- Promote the generation and publication of environmental information among customers. Only mills opt for certifications such as BONSUCRO or ISCC, where they can have access to environmental information with a high level of confidence.
- The implementation of the GHG measurement standard for the financial industry promoted by PCAF, to begin aligning the portfolios with the objectives of the Paris Agreement.
- Incorporate into the strategic map, the country's needs identified in the impact analysis.

- [2020 Portfolio Impact Analysis Banpro, p.10.](#)

The results of the impact analysis include a series of general recommendations. However, SMART goals will be established over the course of the 2021-2022 period.

Reporting and Self-Assessment Requirements

High-level summary of bank's response (limited assurance required for responses to highlighted items)

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2.3 Plans for Target Implementation and Monitoring

A SMART plan and goals are developed between 2021 and 2022.

Show that your bank has defined actions and milestones to meet the set targets.

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.

The implementation plans to achieve the goals will be reported in 2022.

Reporting and Self-Assessment Requirements

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2.4 Progress on Implementing Targets
For each target separately:

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

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.

Report on your bank's progress over the last 12 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)

Starting in 2022, reports on progress achieved with respect to the goals will commence.

The actions implemented to achieve the goals will be reported in 2022.

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.

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>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 programs and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>This first impact analysis focuses on the business sector. Nonetheless, by virtue of the Responsible Banking Principles, the bank has developed new products for consumption banking since 2020 as a strategy for those customers interested in the environment. For 2021, the bank expects to launch the green account and card. In addition, implementation of Women's Banking and strengthening non-conventional means of payment for non-banking or disadvantaged segments is expected to be underway.</p>	<ul style="list-style-type: none"> • 2020 Sustainable Banking-Banpro, p.5 & 8-11.
<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 possible, the impacts achieved.</p>	<p>Among the sustainable products in process this year, it is expected the launch of the Green Account and Card (2021/2022):</p> <ul style="list-style-type: none"> • Savings account for funds to support financing of green projects (energy efficiency, clean energy, forests, responsible use of water, sustainable agriculture, recycling, etc.). • It will aim toward a segment that begins its banking experience and/or commitments to care for the environment. • 100% digital experience and zero paper. • The Green card case expects to use recycled materials or 100% digital means of payment. • Regular reports to customers on the use of funds and how they relate to the SDOs. 	<ul style="list-style-type: none"> • 2020 Sustainable Banking-Banpro, p.8-11.

Principle 4: Stakeholders

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

Reporting and Self-Assessment Requirements

4.1 *Describe* 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.

High-level summary of bank's response (limited assurance required for responses to highlighted items)

Issues related to the Responsible Banking Principles will continue being consulted in spaces already set by the bank on matters of sustainability:

- Awareness seminars for customers and collaborators to introduce/present new products, initiatives and/or projects related to sustainability.
- Symposiums in coordination with technical allies on matters of sustainability for consultation with participating groups of interest (customers, civil society, representatives of economic sectors, international funding sources, technology and consulting service providers, universities, etc.
- Surveys for diverse customer segments to identify their needs in terms of financial and non-financial products and services.

Reference(s) / Link(s) to bank's full response/ relevant information

Principle 5: Governance & Culture

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

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

5.1 *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 effective implementation of the Principles.

One of the first measures relating to the organization and culture involves the creation of a Sustainability Forum led by the Human Resources area; its purpose is to promote among customers, collaborators and communities a sense of responsibility and commitment with the environment and society by setting policies on administrative efficiency and resources. The forum is integrated by representatives of key areas: Management, HHRR, Legal, Marketing, Credit, Consumption Banking, Operations, Processes, Escrow, Green Lines, Business Risk and Regional Branch Management.

- [2020 Sustainable Banking- Banpro, p.32](#)

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.

The "Sustainability Forum" is in charge of promoting, coordinating, and implementing initiatives that contribute to the alignment of the institution, customers and communities toward a low carbon and environmentally responsible transition with emphasis on the principles of responsible banking. The first initiatives for implementation include:

- "Paperless" Initiative
- Recycling plastic for school furniture
- Awareness campaign on the efficient use of resources with collaborators

- [2020 Sustainable Banking- Banpro, p.32](#)

Reporting and Self-Assessment Requirements

High-level summary of bank's response (limited assurance required for responses to highlighted items)

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5.3 Governance Structure for Implementation of the Principles
Show that your bank has a governance structure in place for the implementation of the PRB, including:

- a) target-setting and actions to achieve targets set
- b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

The work plan includes the creation of baselines for identified subject-matters or areas and the establishment of SMART goals.

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.

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>1.1 Progress on Implementing the Principles for Responsible Banking</p> <p><i>Show</i> 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><i>Show</i> 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>As a first action, this impact analysis was carried out, which shows both the positive and negative contributions; and how these will be managed.</p> <p>During the first semester of 2021 we will be publishing the first official sustainability report, approved by the General Management and consulted through the forum.</p> <p>By 2021, the establishment of goals and a possible adherence to PCAF are expected to begin aligning the portfolio to the climate goals; as well as the application of standards to communicate the results.</p>	<ul style="list-style-type: none"> • 2020 Portfolio Impact Analysis Banpro.

The portfolio impact analysis constitutes the main result of this first year, from which the necessary strategies will be derived by area or sector; as well as the establishment of SMART goals and the application of standards to communicate the results.