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Principles for  
Responsible Banking

# Reporting and Self-Assessment

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Principles for Responsible Banking  
Banco General Rumiñahui  
Ecuador, 2022



Reviewed version (V2) from September 2022



# 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.

BGR is a medium size Bank in Ecuador, specialized in consumer, home lending and commercial banking with focus on military people (main customer segment served).

Our main products are:

- Consumer Loans
- Online consumer credits
- Home Lending Loans
- Commercial Loans
- Debt consolidation credits
- Credit Cards
- Small and Mid-size enterprises Lending
- Cash Management
- Foreign trade operations
- Savings accounts
- Current Account
- Investments

BGR made important investments on Digital Banking, making this, their principal product, with online loans, online credit cards and online saving accounts.

### Links and references

See our business strategy, on p. 18-27 of our Annual Report 2022.

<https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf>

## Strategy alignment

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

Yes

No

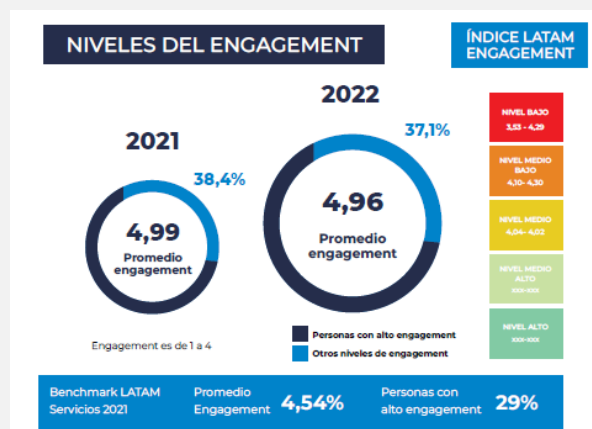
BGR had consider the PRB in his strategic priorities, searching new products that have social and environmental positive impacts.

BGR is working on 5 Sustainable Development Goals as follow:

**Good wealth and well-being:** The objective is to permanently promote care and well-being of employees, so different action plans were carried out and initiatives with the Healthy Organization program. This program resumed its face-to-face activities such as fairs and wellness campaigns (physical exercise classes, vaccination, among others), new actions such as Mental Health Week and Breastfeeding Week, as well as the production of short videos of nutrition issues and active breaks. Conversations and campaigns on different topics, such as depression, psychosocial risks, nutrition, tobacco prevention, prevention in care groups priority, etc., as well as compliance management regulations and other prevention programs.

BGR set a target for 2022 to reach 5 points in the measurement of engagement, achieving a 4.96 that positions the bank at an elevated level compared to the Latin American Index.

Here are the 2022 engagement results:



**Climate action:** BGR implement the environmental management program, which includes the execution of different objectives that are aimed to achieve the reduction of the carbon footprint, a better management of waste for improve the recycling and the awareness in responsible management of environment to the organization's staff through internal communication. Considering that through the reduction of the carbon footprint contributes to improving processes in an eco-efficient way and at the same time protects the planet, at BGR the project for the calculation of the carbon footprint since 2020, the year that was taken as a baseline and allowed to establish an action plan to reduce CO2 emissions by 15% by 2030.

These actions allowed a reduction of 639.38 tonnes of CO2eq from the 1,248.46 tonnes emitted in 2020 tonnes of CO2eq against the measurement of emission sources in the years 2021 and 2022 in electric generators, use of fuel in own vehicles, electricity, refrigeration systems and other emission sources that require increased technical knowledge.

**Gender Equality:** BGR developed "Visa On Mujeres", is a credit card designed to generate well-being and comfort for women. Through this product, we offer a series of exclusive benefits such as medical and gynaecologist attentions (mammography and Papanicolaou), personalized coaching, nutrition and fitness advice, emergency home assistance, emergency babysitter, domestic worker coordination, among others.

Until December of 2022, 1.813 credit cards were placed with \$902,607 portfolio generated.

Also, BGR promotes the significant participation of women at management (59,4%) and the total women staff (59,3%), based on fair treatment and transparency and gender equity.

Quality education: With the purpose of contributing to the education of our clients, collaborators, and the public in matters of Financial Education, complete contents were displayed to support the target audience of BGR, in the adequate and efficient management of their personal finances.

In 2022, 4.654 people were trained at Financial Education. They were capacitated in 68 different cities of Ecuador.

Decent work and economic growth: BGR offers Commercial and productive loans to its business clients, especially SMEs, to help them grow financially, increase their production, and generate new employments. Our SME loan portfolio as of December 2022 is \$15 million.

In 2022, BGR adhered to the Sustainable Finance Protocol of Asobanca (Association of Private Banks of Ecuador), aligned with our commitment to the Sustainable Development Goals and the Paris Climate Agreement.

**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: Regulatory SARAS in Ecuador and SGAS with World Bank definitions, gender equity, and financial education.
- Any applicable regulatory reporting requirements on social risk assessments, e.g., on modern slavery - please specify which ones: -----
- None of the above

*Links and references*

See our Sustainability strategy, on p. 26, 102-113, and 111-113 of our Annual Report 2022.

<https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf>

## 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 regularly<sup>1</sup> and fulfil the following requirements/elements (a-d)<sup>2</sup>:

**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.

BGR is still generating continuous added value for its customers, as a responsible Bank. The pursuit of excellence in service is a job that is part of BGR DNA. We measure our impact through customer loyalty for which is the combination of three variables: satisfaction, recommendation, and effort. BGR achieved 85.1% of loyalty compared to the 86% that had been raised as target for 2022 which, although it is somewhat below planned, is a very good indicator of service to the customer.

During the year, important changes were made at the of a business model seeking to generate a better experience to our clients and allows us to be a bank with a more sustainable portfolio (SMEs productive reactivation; Social and Public Housing; Increasing the volume of women credit card)

#### Links and references

See our Sustainability strategy, on p. 9 of our Annual Report 2022.

<https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf>

**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

- by sectors & industries<sup>3</sup> for business, corporate and investment banking portfolios (i.e., sector exposure or industry breakdown in %), and/or
- 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.

<sup>1</sup> 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.

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

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

The main sectors and amounts financed by the Bank are:		<p><i>Links and references</i></p> <p>See our Sustainability strategy, on p 19 -p22 of our Annual Report 2022.</p> <p><a href="https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf">https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf</a></p>
Consumption	\$ 584.910.078,00	
Mortgage/Housing	\$ 117.768.841,00	
Trade	\$ 33.244.361,00	
Services	\$ 19.451.130,00	
Construction	\$ 15.093.070,00	
Tourism	\$ 1.651.993,00	
Transport	\$ 1.632.650,00	
Production	\$ 173.043,00	
Total	\$ 773.925.166,00	

**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?<sup>4</sup> 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.

<p>BGR changed in 2022 the structure governance for the management of sustainable objectives, creating a work cell with the principal areas of the institution, giving more focus and more important results in the PRB implementation.</p> <p>The principal focusses that BGR had in 2022 was in the following areas:</p> <ul style="list-style-type: none"> <li>• SMEs productive reactivation</li> <li>• Social and Public Housing</li> <li>• Increasing the volume of women credit card</li> <li>• SARAS planning and execution.</li> </ul> <p>These areas were selected based on our strategy and to strengthen the sustainable areas and opportunities in our institution.</p>	<p><i>Links and references</i></p> <p>See our Sustainability strategy, on p. 109 of our Annual Report 2022.</p> <p><a href="https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf">https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf</a></p>
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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)<sup>5</sup>? Please disclose.

<p>Regarding social impact, actions were conducted important in 2022. BGR presented in the market 2 high-impact products that are Consolidation of Debts and Housing of Public Interest.</p> <p>The first is a product with advantageous conditions that is focused in easing the financial pressure faced by many of our military customers in the system and support them with this product that, as its name says, consolidates all credit operations that</p>	<p><i>Links and references</i></p> <p>See our Sustainability strategy, on p. 9 , p.26 of our Annual Report 2022.</p> <p><a href="https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf">https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf</a></p>
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<sup>4</sup> Global priorities might alternatively be considered for banks with highly diversified and international portfolios.  
<sup>5</sup> 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.

<p>customers have in the financial system in a single operation with BGR, with which they are left with a single debt and a single pay. During the year, USD 59 million were disbursed to 2,373 clients, undoubtedly improving their living conditions. In what has to do with the Housing product VIP, with a rate of 4.88%, we seek that our customers buy their first home, start creating a personal patrimony and improve their conditions of life. In 2022 we disbursed USD 19 million, and it is a product that is very well received and a trend growing.</p> <p>All these actions together with our model of experience, which has had important improvements, seek to fulfill our promise to offer a unique experience for our clients.</p>	<p><a href="#">ia/memoria-bgr-2022.pdf</a></p>
<p><b>d) For these (min. two prioritized impact areas): <u>Performance measurement.</u></b> Has your bank identified which sectors &amp; 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 &amp; inclusion as your most significant impact areas, please also refer to the applicable indicators in the <a href="#">Annex</a>.</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>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.</p>	
<p>In 2022, BGR did challenging work to implement its Environmental and Social Risk Management System (SARAS). For this, through a third party, we conduct the diagnosis of sensitivity and BGR practices and the design of the SARAS. The objective of this diagnosis was to establish how exposed our portfolio was to environmental and social risks when there were no parameters that mitigate risks in these areas. Among the data analyzed are issuance and maturity date, segment, CIUU, sector, subsector, economic activity, amounts granted, portfolio quality, destination, location, region, and environmental and social categorization. The SARAS BGR includes Exclusion List, Environmental and Social Risk Categorization Tool, Sectoral Questionnaires, Environmental and Social Risk Assessment Reports, Environmental and Social Indicators, and SARAS Database.</p>	<p><i>Links and references</i> See our Sustainability strategy, on p. 107 - 109 of our Annual Report 2022. <a href="https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf">https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf</a></p>

### Self-assessment summary:

Which of the following components of impact analysis has your bank completed, to identify the areas in which your bank has its most significant (potential) positive and negative impacts?<sup>6</sup>

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

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

- Climate change mitigation
- Climate change adaptation
- Resource efficiency
- Financial health & inclusion
- Gender equality
- Decent employment and economic growth.

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

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<sup>6</sup> 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 targets<sup>7</sup> must be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with<sup>8</sup> 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.*

- In 2022, lend at least USD 14 million in productive credits for small and medium-sized companies whose activities have a low or moderate environmental and social risk, which encourage productive reactivation, with operations in innovative and sustainable themes.
- In 2022, lend at least USD 21 million in the VIP-VIS Social and Public Housing program, a socially committed product intended to finance the first home of our clients.
- In 2022, place on market at least 1125 VISA ON WOMEN Credit Cards with a generated portfolio of at least USD 500,000.

These products promote alignment and contribution to the Sustainable Development Goals and the Responsible Banking Principles.

**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.

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	A.4.1.	Yes  Measuring and reducing the carbon footprint. Considering that through the reduction of the carbon footprint contributes to improving processes in an eco-efficient way and at the same time protecting the planet, BGR developed the project for the calculation of the carbon footprint since 2020, the year that was taken as a baseline and allowed the establishment of an action plan to reduce CO2 emissions by 15% by 2030.

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
Financial health & inclusion	B.1.2*	Yes  In 2022, 725 employees were trained in financial education in person and to strengthen their financial health.
	B.2.1*	Yes  In 2022, a training program for different audiences was managed at the national level, so virtual talks were given, face-to-face at the national level to improve the financial health of our stakeholder.
	C.1.1*	Yes  <ul style="list-style-type: none"> <li>• Productive credits for small and medium-sized companies.</li> <li>• Social and Public Housing</li> <li>• VISA ON WOMEN Credit Cards</li> </ul>

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.

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**c) SMART targets** (incl. key performance indicators (KPIs)<sup>9</sup>): 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.

- USD million lent in productive credits for small and medium-sized companies whose activities have a low or moderate environmental and social risk, which encourage productive reactivation, with operations in innovative and sustainable themes, in 2022.
- USD million lent in the VIP-VIS Social and Public Housing program, in 2022
- # of VISA ON WOMEN Credit Cards lent in 2022
- USD lent on VISA ON WOMEN Credit Cards 2022

<sup>7</sup> 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.

<sup>8</sup> Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/is 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.

<sup>9</sup> Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

**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.

- Execute, together with the National Financial Corporation (CFN), a workshop for the sales force on “My Pyme CFN BM” for productive credits for small and medium-sized companies.
- Launch 2 Social and Public Housing products on the market, aimed at the military and civil segments.
- Launch a Campaign to the VISA ON WOMEN Credit Cards, designed for the female audience.

### 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" 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 2<sup>nd</sup> 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.

- Result of the launch of 2 Social and Public Housing products: USD 20.2 million lent to military and civil segments.
- Result of the workshop directed for the sales force on "My Pyme CFN BM": 98% Satisfaction level of the participants.
- Visa On Women credit card campaign results: we generated one of the most important Brand Awareness campaigns and achieved powerful indicators to connect with our audience, with 1 million impressions, 1 million reproductions, and 1 million people reached.

The bank has been working on a Sustainable Finance cell, which is made up of heads of different areas, which makes it a multidisciplinary cell. The day-list are held 3 times a week where the progress of the team's work and commitment is seen.

### *Links and references*

Annual Report 2022.  
See our Sustainability strategy, on p. 26 of our Annual Report 2022.

Link:

<https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf>

# Principle Clients and Customers

3:



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 customers<sup>10</sup> in place to encourage sustainable practices?*

Yes       In progress       No

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

Yes       In progress       No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities<sup>11</sup>). 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).*

BGR in 2022 continued to be focused on generating added value for customers and employees. In this sense, the actions deployed responded immediately to the impact generated by significant changes such as a new office model where roles and responsibilities of front-line people were unified, making a process of reviewing profiles for new positions essential, identifying gaps and focused development actions for collaborators who assumed new responsibilities.

BGR achieved 85.1% loyalty compared to the 86% that had been set as a goal for 2022. The service measurement model is 100% via call center, with an annual sample of approximately 10,000 surveys for external customers and 4,000 for internal customer.

BGR policy promote to serve clients with amounts that do not generate unhealthy concentrations and not focus on large risks, with few clients. This has made it possible to maintain a healthy evolution of the portfolio in 2022 and coverage levels of risk with adequate provisions.

See our Customer service, on p. 45-47 of our Annual Report 2022.

Link:

<https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf>

<p>BGR executives are characterized by providing a focused and personalized service to each of our clients, which has allowed us to achieve elevated levels of loyalty and always ensure a unique experience in care and service. We are aware of the new needs that the market requires, for this reason, we are constantly developing competitive and differentiating products, we remain focused on strengthening our digital channels every day.</p>	
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<p><b>3.2 Business opportunities</b></p> <p>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.).</p>	
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<p>At BGR we not only care about what, we also care about how, currently, we live in a moment in which we must be aware that our way of doing business can generate negative impacts on people, societies and the environment. For this reason, we laid the bases for our Environmental and Social Risk Management System (SARAS) under the best international criteria and practices.</p> <p>This system will allow us to evaluate, guide, accompany and monitor our clients in the application of good social and environmental practices in their businesses so that their operations do not run risks or generate unwanted impacts. Likewise, we will mitigate risks associated with the financing of unsustainable businesses.</p>	<p>See our Sustainable Report, on p. 106-108 of our Annual Report 2022. Link: <a href="https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf">https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf</a></p>
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<sup>10</sup> 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.

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

# 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 groups<sup>12</sup>) 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.

BGR worked on a process of Cultural Transformation with its groups/ parties interested (stakeholders), as one of the main challenges in 2022, leveraged on the proactive management of the corporate philosophy through the evaluation, characterization, planning, execution, monitoring and adjustment of different organizational variables, focused on promoting values, aligning them with the vision of the corporate group, achieving a sincere and authentic commitment towards its execution.

To implement this transformation process and improve the impacts of BGR, work has been done with the interested parties, through the methodology of work cells, directed by the management line, to ensure that all the principles of responsible banking are implemented in accordance with BGR strategy and are committed to meeting and supporting the business objectives of sustainable finance.

Below are the main milestones reached during 2022 with the BGR stakeholders:

### *Links and references*

*See our Cultural Transformation, on p. 48-49 of our Annual Report 2022.*

<https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf>

<sup>12</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

- Repositioning of the corporate philosophy through a corporate event that allowed us to remember and recognize the values from a holistic vision.
- Generation of actions to promote the experience of corporate values from leadership and teamwork through leader training processes and other activities with collaborators and stakeholders.
- Measurement of cultural maturity to know the cultural ecosystems, know the As-is and the To-be and strengthen the BGR identity towards the desired culture, reflecting aspirations and objectives aligned with the organization's strategy and goals.

Based on this process, BGR implemented the cultural radar that seeks to map maturity according to the attributes that make up the cultural philosophy, from vision and purpose, mission, values and leadership empowerment, objectives and strategy, happiness and attributes of innovation and agility.



# 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.

To accomplish the Principles of Corporate Governance, BGR informs its General Shareholder Meeting that it complies with all the provisions required in the regulations.

BGR has its Corporate Governance Code, which complies 100% with all the requirements of the control entity, according to the changes provided in the Organic Monetary and Financial Code and which incorporates current strategic concepts (such as financial social responsibility, culture 2.0 and values and behaviours), as well as communication and dissemination guidelines and other changes in form with reference to the regulations in force.

BGR has documented corporate governance strategies and policies, with external ratings of outstanding levels regarding its corporate governance practices, concluding that proactive attitudes have been adopted to ensure that corporate governance activities are framed within the best practices, regulatory requirements, and the expectations of its shareholder.

BGR has regulations of the normative and managerial committees and the Code of Ethics and Conduct, approved, which incorporate the following practices:

### *Links and references*

*See our Corporate Governance, on p. 41-42 of our Annual Report 2022.*

<https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf>

<ul style="list-style-type: none"> <li>• Information related to the regulations, functions, responsibilities, and logistics of the Board of Directors.</li> <li>• Schedule of induction meetings for new directors</li> <li>• General Management succession plan and direct reporting lines.</li> <li>• Verification of compliance with the principles of good corporate governance (procedures selected and applied during the period, among others).</li> </ul> <p>BGR corporate governance structure, policies and procedures have made it possible to manage significant impacts and support the effective implementation of the principles.</p>	
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**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).

<p>Consistent with the characteristics of good corporate governance, in 2022 the Remuneration Committee managed and reviewed the main issues:</p> <ul style="list-style-type: none"> <li>• Market indicators,</li> <li>• Relevant BGR data.</li> <li>• Salary movements,</li> <li>• Compensation strategy,</li> <li>• Comparison of statisticians.</li> </ul> <p>As relevant data, the demographic data with which work is done regarding motivation and employee experience management were reviewed; personnel data by seniority and information on personnel departures, indicating reasons for departure with detailed information on cases of voluntary resignation, because of which it is evident that people leave BGR for professional growth towards higher-level positions and with economic income higher than the current ones.</p> <p>The compensation strategy is based on homologations with a reduced sample of Ecuadorian banks with a similar size, the statisticians are compared with median or average in general terms.</p> <p>The Remuneration Committee considered that the BGR salary administration is framed within acceptable limits and is consistent with the risk levels defined by the organization.</p>	<p><i>Links and references</i></p> <p>See our <i>Remuneration Committee, on p. 49-51 of our Annual Report 2022.</i></p> <p><a href="https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf">https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf</a></p>
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As a complement to the management of the work environment, informal events valued by employees were held, which made it possible to create spaces for relaxation among people to further promote commitment to achieving goals and objectives in a complex year from various angles, as we have analysed so far.

BGR has implemented a culture of responsible banking among its employees, based on capacity building, remuneration structures, and performance management and leadership communication.

### 5.3 Policies and due diligence processes

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

We continue to advance in agile methodologies. Now, we have 8 agile cells operating with particularly satisfactory results. Additionally, to reinforce the system, an EAT executive team was implemented (Executive Action Team), which seeks to improve efficiency and decision-making in developments or critical processes within the customer-focused organization.

BGR is implementing the agile methodology within its processes, therefore, the implementation of responsible banking principles oversees a work cell that has the following members:

- Stakeholder
- Sponsor
- Product Owner
- Scrum Master
- Developers

This working group oversees conducting the strategic objectives for the implementation of the PRB, and within it, there are employees from different areas such as: commercial, risks, treasury, marketing and human resources. In this way, we cover the objectives of several principles at the same time, with the experience in each area of each member of the team.

See our Customer service, on p. 9 of our Annual Report 2022.

Link:

<https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf>

<sup>13</sup> 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.

With the agile methodology, we can report to a superior instance when any objective of the work team cannot be achieved or has a negative impact, this instance is the Executive Action Team, who oversees solving the problem presented so that the objective can be achieved.

BGR has guaranteed the implementation of the PRB, with the establishment of objectives and actions and corrective measures in case objectives or milestones are not reached or unexpected negative impacts are detected.

### **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.

Principle 1: The objectives for compliance with the Principles of Responsible Banking are part of BGR strategies approved by the Board of Directors. BGR financial products have been aligned with environmental and social policies and with the necessary characteristics to qualify them as sustainable. BGR adhered to the Sustainable Finance Protocol of Asobanca, aligned with our commitment to the Sustainable Development Goals and the Paris Climate Agreement.

Principle 2: BGR model of experience, seek to fulfil our promise to offer a unique experience for our clients. BGR implements its Environmental and Social Risk Management System (SARAS).

Principle 3: BGR continued to be focused on generating added value for customers and employees. Our actions responded immediately to the impact generated by important changes such as a new office model where roles and responsibilities of front-line people were unified, making a process of reviewing profiles for new positions essential, identifying gaps and focused development actions for collaborators who assumed new responsibilities.

### *Links and references*

*See our Annual Report 2022.*

<https://www.bgr.com.ec/resources/pdf/memoria/memoria-bgr-2022.pdf>

BGR are characterized by providing a focused and personalized service to each of our clients, which has allowed us to achieve high levels of loyalty and always ensure a unique experience in care and service.

Principle 4: BGR worked on a process of Cultural Transformation with its groups/parties interested (stakeholders), leveraged on the proactive management of the corporate philosophy through the evaluation, characterization, planning, execution, monitoring, and adjustment of different organizational variables, focused on promoting values, aligning them with the vision of the corporate group, achieving a sincere and authentic commitment towards its execution. Work has been done with the interested parties, through the methodology of work cells, directed by the management line, to ensure that all the principles of responsible banking are implemented in accordance with BGR strategy and are committed to meeting and supporting the business objectives of sustainable finance.

Principle 5: BGR has its Corporate Governance Code, which complies with all the requirements of the control entity, and which incorporates current strategic concepts, as well as communication and dissemination guidelines and other changes in form with reference to the regulations in force.

BGR has documented corporate governance strategies and policies, with external ratings of outstanding levels regarding its corporate governance practices, concluding that proactive attitudes have been adopted to ensure that corporate governance activities are framed within the best practices, regulatory requirements, and the expectations of its shareholder. BGR has guaranteed the implementation of the PRB, with the establishment of objectives and actions and corrective measures in case objectives or milestones are not reached or unexpected negative impacts are detected.

Principle 6: We have published our sustainability reports, with all the advances we have had in the internal management of BGR employees and resources, such as, the new sustainable products, lines of credit and environmental management systems to be implemented. For 2023, we are working on a new annual sustainability report with international standard (GRI) that contains the amounts placed in sustainable products, the amounts of sustainable lines of credit and the use that has been given to small and medium sized companies, so that all stakeholders be aware of the financial advances that BGR has had, and the performance obtained by them.

## 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: Local standards

## 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>14</sup>, target setting<sup>15</sup> and governance structure for implementing the PRB)? Please describe briefly.

The next steps your bank will take in the next 12-month reporting period:

- Create a Sustainable Finance Area
- Design and implement green credit products, grey credit products and educational credits.

<sup>14</sup> 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.

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

- Prepare the sustainability report and materiality analysis under GRI and SASB standards.
- Automate the SARAS analysis in the Bank's technological system to mainstream its application in the SME portfolio.
- Design the Bank's financial health and well-being methodology.

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