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Principles for
Responsible Banking

Reporting and Self-Assessment

Principles for Responsible Banking
Banco General Rumiñahui
Ecuador, 2023



Reviewed version (V2) from September 2023



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.

Banco General Rumiñahui was born in 1988, as a response to the financial needs of the personnel of the Armed Forces.

Since then, BGR has been supported by partners founders such as the Directorate of Army Industries (DINE), the General Directorate of Aviation (DAC), Naval Shipyards Ecuadorians (ASTINAVE), and military personnel in active service.

The institution has 27 agencies nationwide, to provide optimal service to your customers. In addition, it expands its reach with two extension windows in the provinces of Guayas and Manabí.

Along the same lines, the financial institution presents itself as a serious and committed establishment, dedicated to providing security and confidence to its customers. In addition, it shows the skill to manage public resources with transparency and honesty.

BGR reached a record \$1.179 billion in total assets, with an annual growth of 4.8%, with system growth of 6.81%. The gross portfolio reaches DEC.23 is \$ 775'909,990.10 USD represents 65.82% of the asset.

During 2023, BGR initiated the Modernization Program Technology and implemented a new digital banking, belonging to 100% to the financial institution.

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

Links and references:

See our business strategy, on p. 26 p. 99-104 of our Annual Report 2023.

[Memoria de Sostenibilidad BGR 2023](#)
(bgrsostenibilidad.com)

- Cash Management
- Foreign trade operations
- Savings accounts
- Current Account
- Investments

During 2023 we are working on the integration of the SDGs, the Paris Agreement and the environmental regulations in force in Ecuador, as part of the bank's institutional strategy.

Mainly with the construction of our first green bond and the complete operation of the SARAS BGR, aligned with our business management, customer segments, products and services, and institutional geographic coverage.

Strategy alignment

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

- Yes
 No

BGR, guided by the conviction that financial success must coexist with social and environmental responsibility, employs innovative and conscious financial practices. The commitment to sustainable finance within the institution is manifested as an essential pillar of its values and corporate vision.

In 2023 BGR create the sustainable area, which has as strategy focuses on creating value by mitigating the environmental and social impact on its actions. For this reason, it works with 4 pillars of sustainability that are detailed up next.

- Sustainable DNA: This Pillar includes our Sustainability Culture that is generated through internal and external activities, strategically framed within our Responsible Banking management that includes: Sustainable Banking Principles; Comprehensive Employee Well-being through Volunteer Programs; Institutional eco-efficiency.
- Environmental and Social Management System (ESMS) This pillar incorporates practices, procedures, and tools for the identification, categorization, assessment, management, and monitoring of environmental and social management in our lending operations.
- Sustainable products: This pillar seeks to create opportunities in environmental and social issues through financial products and services that finance projects and operations that generate positive impacts, to enhance sustainable financing at the Bank. Especially the construction of our first green bond to offer green credits.
- Agents of Change: This Pillar implements sustainable management programs with our stakeholders, integrating economic, social, and environmental axes; considering the SDG and social investment as strategic elements. It also includes gender equity projects aimed at reducing the gap in our area of intervention. Similarly, a series of educational, communication, awareness, and financial training programs and activities for our clients.

We promote Financial Inclusion understood as access to payment, savings, financing, and insurance services for companies and individuals considered as priority groups for BGR such as:

BGR Stakeholder – Materiality; Social Investment with Purpose; Financial Education; and Financial Inclusion and Financial Well-being.

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: Environmental and Social Management System (ESMS) according to Regulatory SARAS in Ecuador and SGAS with World Bank definitions and “R14” for Structure for green loans.
- None of the above

Links and references:

See our Sustainability strategy, on p. 131 our Annual Report 2023.

[Memoria de Sostenibilidad BGR 2023](#)
(bgrsostenibilidad.com)

Also on our web site:
[BGR Banco General](#)
[Rumiñahui -Sostenibilidad BGR](#)

Principle 2: Impact and Target Setting



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

2.1 Impact Analysis (Key Step 1)

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

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

The composition of BGR's portfolio has Retail banking, Real Estate and Corporate banking as strategic priorities. In these 3 lines the Bank has defined its main sustainability challenges.

Portfolio composition 2023

CONSUMER PORTFOLIO			CREDIT DESTINATIONS	
CONSUMPTION	\$ 654,54	76,82%	Reestruc. Pasivos	\$ 184,36
			Education	\$ 8,64
			Health	\$ 6,14
			Entrepreneurships	\$ 1,17
			Otros	\$ 454,23
HOUSING	\$ 116,95	13,73%	Housing	\$ 100,34
			Vip & Vis	\$ 7,71
			Reef. y Reest.	\$ 8,90
PRODUCTIVE LOAD	\$ 79,72	9,36%	Corporate	\$ 39,95
			Empresarial	\$ 18,94
			Pyme	\$ 15,60
			Reef. y Reest.	\$ 5,23
MICRO	\$ 0,81	0,10%	Microenterprises	\$ 0,81
Total	\$ 852,02	100,00%	\$	852,02

Links and references:

See our Sustainability strategy, on p. 99-104 our Annual Report 2023.

[Memoria de Sostenibilidad BGR 2023 \(bgrsostenibilidad.com\)](#)

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

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

In 2023, the bank has designed what the impact analysis process will be, aimed at measuring and managing the health and financial well-being of clients, both for credit and savings products, which will allow the bank to ensure a strategic approach towards sustainability objectives to address financial needs, and to mitigate negative impacts and improve positive impacts effectively through SMART objectives and goals.

It is expected in 2024 to implement the first study to measure the financial well-being of BGR clients, and thus complete the analysis of the impacts of the bank's portfolio, detailing the positive impacts and negative impacts of the products and services offered.

For this, 3 key variables have been prioritized, which are financial inclusion and financial health and action for climate change.

This analysis will be the baseline on which the Bank will establish its SMART sustainability objectives in these variables, identifying the Bank's priority groups, and the metrics and indicators to evaluate.

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

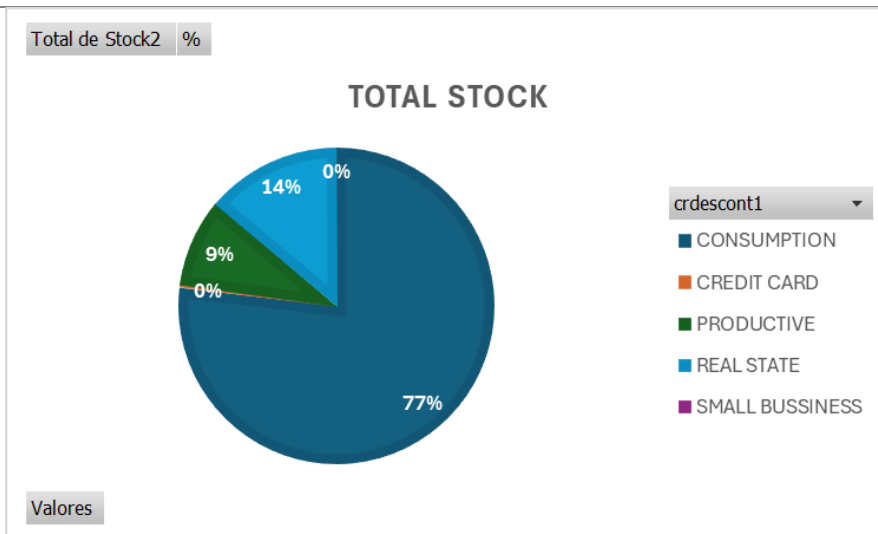
- i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e., sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

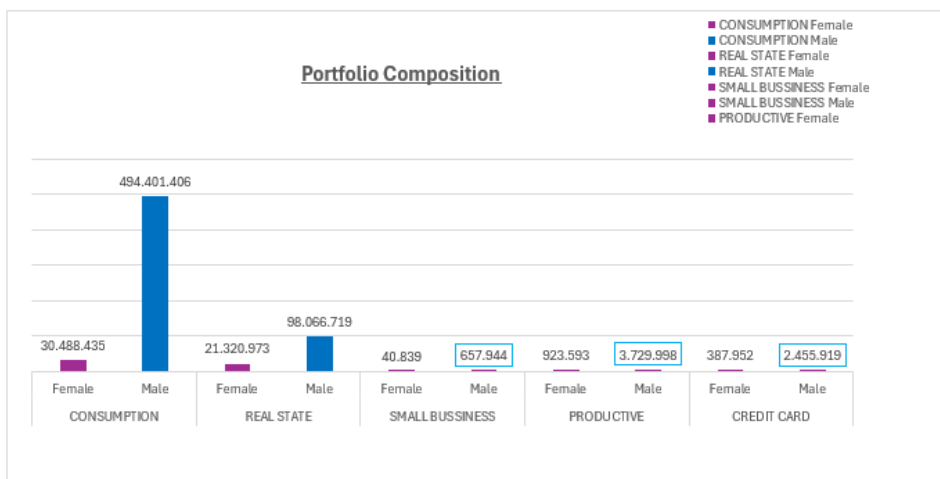
BGR has considered the composition of its portfolio at the level of each of its credit lines, by sectors and industries. Since BGR only has a presence in Ecuador, this detail is presented in a consolidated manner at the country level.

Below is the distribution of our portfolio:

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



On the other hand, the distribution of the portfolio by gender is presented in the next chart. Considering that BGR is a bank with a significant military presence, most of its clients are men. However, there is an interesting number of women with whom we plan to work next year with different services and products.



c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

The main challenges and priorities related to sustainable development in Ecuador are economic growth, climate change and insecurity.

BGR, within its strategic planning, considers that institutional stability and growth contributes significantly to the economic growth of its clients and the country.

See our Sustainability strategy, on p. 99-104 our Annual Report 2023.

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

Regarding the Bank's overall size, we closed the year, as well as in profit, with a historic record figure of USD 1,178,888,139, representing a total asset growth of approximately 5%. This growth is mainly in the consumer loan portfolio and the housing loan portfolio, with the military segment being the primary destination for disbursements according to our strategy.

Also, in terms of climate change, with the support and advisory of GGGI, we are designing the Bank's first green bond, to finance positive lists and eligible green portfolio destinations.

To combat insecurity, we have reinforced our electronic channels and our digital banking, to guarantee the security of our clients and their transactions.

Area	NPS	INS	CES	LOTALTY
OFFICES	93,95%	96,07%	3,34%	95,61%
ELECTRONIC CHANNELS	79,18%	77,35%	9,45%	81,86%
OTHER BUSSINES AREA	82,17%	88,68%	7,24%	86,92%
RESULTS	86,43%	88,04%	6,26%	89,27%

A good reference on how financial inclusion is in Ecuador in 2023 can be obtained by reviewing the following document (RFD):

<https://rfd.org.ec/docs/2024/estudios/Avances%20de%20la%20Inclusio%CC%81n%20Ecuador%202023/Avances%20de%20la%20Inclusi%C3%B3n%20Financiera%20en%20el%20Ecuador%202023.pdf>

[Memoria de Sostenibilidad BGR 2023 \(bgrsostenibilidad.com\)](#)

See our Sustainability strategy, on p. 106-113 our Annual Report 2023. Also, at page 13-17 [Memoria de Sostenibilidad BGR 2023 \(bgrsostenibilidad.com\)](#)

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁵? Please disclose.

Based on these elements of impact analysis, BGR has defined 2 positive priority impact areas: Financial Inclusion and Climate Change.

For Financial and health Inclusion, BGR is building a SMART manual for the bank's most important segment, the military. Also, we are working on the first study of financial health for our clients.

For Climate Change (mitigation and adaptation), BGR is building its first green bond.

In both cases, the institutional strategy will include SMART objectives for both areas.

Links and references: Also on our web site:

[BGR Banco General Rumiñahui - Sostenibilidad BGR](#)

d) For these (min. two prioritized impact areas): Performance measurement. Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g., through stakeholder engagement and further geographic contextualisation.

the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of the most significant impact, you should consider the bank's current performance levels, i.e., qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of the most significant impact.

BGR has identified some sectors and industries, and some customer profiles in which to prioritize actions and products in terms of sustainability, due to the positive impacts they generate.

At the sector level, it has been defined to prioritize the real estate sectors and the SME sector, both cases due to green credit financing (action against climate change).

In the case of vulnerable groups, BGR has defined prioritizing its work with women with productive activities that generate sources of employment.

Work is underway for both cases, SMART indicators considering the social, economic and environmental impacts resulting from the Bank's activities.

In 2024, baseline results will be available to establish objectives in the two areas of most significant impact.

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?⁶

- | | | | |
|--------------------------|------------------------------|---|-----------------------------|
| Scope: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> In progress | <input type="checkbox"/> No |
| Portfolio composition: | <input type="checkbox"/> Yes | <input checked="" 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?

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

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

2.2 Target Setting (Key Step 2)

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

The targets⁷ 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 with⁸ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national, or regional frameworks.

You can build upon the context items under 2.1.

The bank is building a model of inclusion and financial health, which incorporates SMART criteria.

The objectives of the inclusion and financial health processes that BGR is building are:

- Financial Inclusion: Develop the Financial Inclusion Manual for BGR, focused on the military segment, framed in current legal regulations, as well as the institution itself and practical improvements that allow establishing an orderly scheme for linking to the formal financial system in the different moments of the military life cycle to achieve effective financial inclusion, until 2024.
- Financial Health: Know the financial well-being situation of a group of clients of BGR defining a baseline of the situation that allows identifying possibilities of care with appropriate products and services and carrying out future evaluations of the effectiveness of the actions that are developed, until 2024.

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:

To work on financial inclusion issues, it will be necessary to quantify and measure the access, use, and quality of financial products. For this purpose, an inclusion manual will be developed to measure different components, including:

Impact area	Indicator code	Responsible
Financial and health Inclusion	<ul style="list-style-type: none"> • New Clients • Virtual and Digital Service Points • Use of Liability Products • Use of Asset Products • Use of Other Services • Quality in Service Channels • Quality in Products and Services • Quality in Handling Complaints and Claims • Attrition • Financial Education • Financial Well-being 	Sustainable Finance

<i>Impact area</i>	<i>Indicator code</i>	<i>Responsible</i>
Climate change	<p>Direct Emissions</p> <ul style="list-style-type: none"> • Greenhouse gas (GHG) emissions from sources that the bank owns or controls directly, such as fossil fuel consumption in its facilities. <p>Indirect Emissions</p> <ul style="list-style-type: none"> • Emissions from the consumption of purchased electricity, heating, and cooling. Although the bank does not generate these emissions directly, they result from its energy use. <p>Other Indirect Emissions</p> <ul style="list-style-type: none"> • All other indirect emissions that occur in the bank's value chain, such as employee business travel, commuting, and emissions associated with the financial services and products it offers. 	Sustainable Finance

⁷ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

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

	<p>Energy Consumption</p> <ul style="list-style-type: none"> Measures the amount of energy used in the bank's operations, including its offices and data centers. <p>Use of Renewable Resources</p> <ul style="list-style-type: none"> Evaluates the percentage of energy consumed that comes from renewable sources, such as solar or wind. <p>Waste Management</p> <ul style="list-style-type: none"> Measures the amount of waste generated and the practices for managing it, such as reusing and recycling. 		
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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)⁹): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

<ul style="list-style-type: none"> Financial Inclusion: By 2024, BGR will establish a framework that promotes effective financial inclusion in each stage of the life of military clients, based on an organizational culture that places the well-being, satisfaction and trust of our clients at the center of all operations, for which we seek the offer of financial products and services responds effectively to the needs of users, to guarantee access, use and quality of financial products and services and promote the financial well-being of clients. Financial Health: By 2024, BGR will have a diagnosis on the financial well-being situation of a group of our clients, defining a baseline of the situation that allows identifying possibilities of care with appropriate products and services and carrying out future evaluations of the effectiveness of the actions that are developed. 	
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<ul style="list-style-type: none"> Climate change: By 2024, BGR will issue its first green bond, as part of the strategies undertaken by the institution to promote the green economic growth of its 	
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⁹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

portfolio, based on what is stated in the BGR Sustainability Policy, as well as its contribution to the fulfillment of the Sustainable Development Goals (SDG) of the 2030 Agenda of the Organization of the United Nations (UN).	
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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...			
	<i>Financial and health Inclusion</i>	<i>Climate change</i>	
Alignment	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" 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 type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
2.3 Target implementation and monitoring (Key Step 2) For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target. Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2. Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become			
BGR began this construction process in 2023, so it has not yet implemented the planned actions, which will be executed in 2024 to meet the institutional objectives.			
Since the last report (2022), the Bank has redefined its Sustainability objectives, directing them towards financial inclusion and health, and action against climate change.			
For these 3 topics, BGR is designing indicators and KPIs to monitor the progress of its intervention in 2024.			

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 customers¹⁰ in place to encourage sustainable practices?

Yes In progress No

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

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹¹). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

In 2023, BGR continue to provide products and services with social impact, including women's access to credit, promoting job creation in SMEs and financing the first home of our clients, and thus supporting addressing social problems, while expanding our product portfolio.

In 2023 we have begun a management and measurement process of financial inclusion and decent employment, in our most important segment (Military), to identify each stage of their economic and work life, aligned with the access and use of the products of the bank, with SMART indicators to measure our impact on these 2 dimensions of our clients' financial lives.

Also, BGR 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 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 2023 and coverage levels of risk with adequate provisions.

Links and references:

See our customer service, on p. 45-47 of our Annual Report 2023.

[BGR Banco General Rumiñahui - Sostenibilidad BGR](#)

<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> <p>During 2023, BGR began the process of building the green bond framework, which seeks to align the business in a product line.</p> <p>In this context, BGR has held several focus groups with its clients to learn about their good environmental practices and to find out if they are aligned with the Bank's management.</p> <p>On the other hand, as part of the implementation of SARAS, BGR has the due diligence process for high and medium risk loans, committing our clients to mitigate any environmental or social risk in their operations.</p>	
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3.2 Business opportunities

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

BGR have begun a management and measurement process of financial inclusion and decent employment, in our most important segment (Military), to identify each stage of their economic and work life, aligned with the access and use of the products of the bank, with SMART indicators to measure our impact on these 2 dimensions of our clients' financial lives.

BGR Environmental and Social Risk Management System (SARAS) under the best international criteria and practices is fully implemented in 2023.

This system allows 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 mitigate risks associated with the financing of unsustainable businesses.

BGR is building its first green bond framework, which is aligned with the highest sustainability standards leveraged on climate change so that at the time of issuance, the carbon footprint of our clients can be reduced.

Links and references:
 Also on our web site:
[BGR Banco General Rumiñahui](#) - [Sostenibilidad BGR](#)

¹⁰ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

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

Principle 4: Stakeholders



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

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate, and partner with stakeholders (or stakeholder groups¹²) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated, or partnered with for the purpose of implementing the principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

As part of our commitment to the principles the bank committed to consult, involve, and partner with relevant stakeholders to proactively achieve societal objectives and responsibly.

In 2023 BGR managed to identify and map the main stakeholders within their materiality analysis, which allowed us to establish a baseline and SMART objectives regarding financial inclusion.

BGR carried out its materiality for the first time where its stakeholders were defined, and their needs were known. The materiality analysis has an influence on the valuation and decision-making of the stakeholders, both internal to BGR, and external, which are: shareholders, employees, customers, suppliers, the government, among others.

As part of the consultancy and after the entire process involved in raising the materiality (definition of interest groups, surveys, interviews, etc.), it was defined as the most relevant topics.

BGR worked on a process of Cultural Transformation with its groups/ parties interested (stakeholders), as one of the main challenges in 2023, 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.

Links and references:

44-45 of our Annual Report 2023.
[Memoria de Sostenibilidad BGR 2023 \(bgrsostenibilidad.com\)](#)

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

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 2023 with the BGR stakeholders:

- Continue build our corporate philosophy through corporate events that allowed us to remember and recognize the values from a holistic vision.
- Promote our 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 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.

As part of our commitment to the principles the bank committed to continuing to maintain effective governance and a responsible banking culture.

This is how we have worked with the Board of Directors and the bank's Committees in the alignment and understanding of the SDGs in which the bank supports.

As part of the Sustainable Finance Policy, roles and responsibilities are clearly defined, at the level of the Board of Directors and decision-making levels.

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.

Links and references:

28-36 of our Annual Report 2023.
[Memoria de Sostenibilidad BGR 2023](#)
 [\(bgrsostenibilidad.com\)](http://bgrsostenibilidad.com)

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:

- Information related to the regulations, functions, responsibilities, and logistics of the Board of Directors.
- Schedule of induction meetings for new directors
- General Management succession plan and direct reporting lines.
- Verification of compliance with the principles of good corporate governance (procedures selected and applied during the period, among others).

BGR corporate governance structure, policies and procedures have made it possible to manage significant impacts and support the effective implementation of the principles.

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).

Consistent with the characteristics of good corporate governance, in 2023 the Remuneration Committee managed and reviewed the main issues:

- Market indicators,
- Relevant BGR data.
- Salary movements,
- Compensation strategy,
- Comparison of statisticians.

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.

Links and references:

28-36 of our Annual Report 2023.
[Memoria de Sostenibilidad BGR 2023](https://www.bgr.com.co/Documentos/2023/Memoria-de-Sostenibilidad-BGR-2023)
([bgrsostenibilidad.com](https://www.bgr.com.co/Sostenibilidad))

<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>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.</p> <p>BGR has implemented a culture of responsible banking among its employees, based on capacity building, remuneration structures, and performance management and leadership communication.</p>	
<p>5.3 Policies and due diligence processes</p> <p>Does your bank have policies in place that address environmental and social risks within your portfolio?¹³ Please describe.</p> <p>Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.</p>	
<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> - Stakeholder - Sponsor - Product Owner - Scrum Master - Developers 	<p><i>Links and references:</i></p> <p>28-36 of our Annual Report 2023. Memoria de Sostenibilidad BGR 2023 (bgrsostenibilidad.com)</p>

¹³ Applicable examples of types of policies are exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

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 experience in each area of each member of the team.

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: In 2023, the bank has designed what the impact analysis process will be, aimed at measuring and managing the health and financial well-being of clients, both for credit and savings products, which will allow the bank to ensure a strategic approach towards sustainability objectives to address financial needs, and to mitigate negative impacts and improve positive impacts effectively through SMART objectives and goals. It is expected in 2024 to implement the first study to measure the financial well-being of BGR clients, and thus complete the analysis of the impacts of the bank's portfolio, detailing the positive impacts and negative impacts of the products and services offered. These key variables that have been prioritized, are financial inclusion and financial health and action for climate change.

Links and references:

[Memoria de Sostenibilidad BGR 2023](#)

Principle 3: BGR continued to be focused on generating added value for customers and employees. We are focused on the management and measurement process of financial inclusion and decent employment, in our most important segment (Military), with SMART indicators to measure our impact on these 2 dimensions of our clients' financial lives.

Principle 4: As part of our commitment to the principles the bank committed to consult, involve, and partner with relevant stakeholders to proactively achieve societal objectives and responsibly. BGR managed to identify and map the main stakeholders within their materiality analysis, which allowed us to establish a baseline and SMART objectives regarding financial inclusion.

Principle 5: As part of our commitment to the principles the bank committed to continuing to maintain effective governance and a responsible banking culture. This is how we have worked with the Board of Directors and the bank's Committees in the alignment and understanding of the SDGs in which the bank supports. As part of the Sustainable Finance Policy, roles and responsibilities are clearly defined, at the level of the Board of Directors and decision-making levels.

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 launched our first annual sustainability report with international standard (GRI and SASB) 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 analysis¹⁴, target setting¹⁵ and governance structure for implementing the PRB)? Please describe briefly.

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

- Launch our first green bond
- Implement BGR financial health and well-being methodology for military segment.
- Implement BGR financial inclusion and decent employee methodology aligned to our portfolio of products and services.

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:

¹⁴ For example, outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement.

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

- Embedding PRB oversight into governance
 - Gaining or maintaining momentum in the bank
 - Getting started: where to start and what to focus on in the beginning.
 - Conducting an impact analysis
 - Assessing negative environmental and social impacts
 - Choosing the right performance measurement methodology/is
 - Setting targets
 - Other: ...
- If desired, you can elaborate on challenges and how you are tackling these:
- Customer engagement
 - Stakeholder engagement
 - Data availability
 - Data quality
 - Access to resources
 - Reporting
 - Assurance
 - Prioritizing actions internally