

Commitment to sustainable banking



SUSTAINABILITY REPORT 2022





2022

**BANCO
HIPOTECARIO**

**SUSTAINABILITY
REPORT 2022**

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About the Sustainability Report

(GRI 2-2, 2-3, 2-4, 2-5, 2-14)

This sustainability report reports on Banco Hipotecario's activities and has been prepared in accordance with the GRI Standards for the period from January 1 to December 31, 2022; it also includes content from the GRI Financial Services Sector Supplement.

This is its first public reporting exercise and integrates the performance in relation to the topics determined as material, on which the sustainability strategy is based. See Annex I for details of the Materiality Analysis.

The contents presented have been reviewed by the leaders of the areas involved with information, in addition to a final review by the Identity and Sustainability Management.

The report is presented to the sustainability committee for its knowledge and comments, for its subsequent presentation to the Board of Directors, who approves and approves its official publication.





Message from the President of the Bank

GRI 2-22

2022 means pride for our institution, closing with the milestone of the publication of the first sustainability report, which reaffirms our commitment to sustainable management and how through the sustainability strategy we contribute value to employees, customers, community, and contribute to the Salvadoran economy.

Since 2020, we have reinvented ourselves, with a new work philosophy and long-term corporate strategy that integrates the consideration of environmental, social and governance (ESG) factors. We seek to generate positive impacts on society, caring for the environment, while sustaining our institutional governance and strengthening our financial soundness.

Both the corporate strategy and the sustainability initiatives it integrates seek to be carried out in accordance with the institutional values: Trust, Inclusion, Commitment, and Innovation.

Our strategy is focused on customer experience, as well as on accepting new challenges that allow us to work hand in hand with our stakeholders and be efficient in the use of resources. The focus on sustainability is transversal to all areas of the Bank, with the commitment of our employees.

In 2022 we achieved great results, such as increasing the gross loan portfolio by 8.2% compared to the previous year. We strengthened and expanded the portfolio of products and services, increased the network of branches and points of service, and the number of POS installed in stores. In addition, we promoted financial education and inclusion, always based on the country strategy. Among all the work done, we opened more than 15 thousand simplified savings accounts and launched the Zero Usury line of credit, a special line of credit to support people who had to resort to loan sharks or moneylenders.

We will continue to generate projects that create value for all our stakeholders, with a public service vocation and contributing to sustainable development.

Celina Padilla Meardi

President of Banco Hipotecario de El Salvador

Key figures

As part of its continued growth in the provision of financial services, Banco Hipotecario has made progress in consolidating its leadership in meeting the needs of its customers:

Total assets of
\$1,728.1 million

Fifth largest bank
 out of 13 participants,
 by total assets

Total loan portfolio
\$1,090.6 million

Total Deposit Portfolio
\$1,400.2 million

Equity of
\$168.2 million

Annual Sales
\$121.8 million

Collaborators
911

Customers
247,748

Service Points
54

89 ATM
 distributed throughout the country



Presence in 12 departments of the country; also, in the United States (Texas and California).



Profile and strategy

Institutional profile

GRI 2-1, 2-2

Banco Hipotecario de El Salvador was founded in 1935 with contributions from important agricultural and livestock guilds, among other investors; by 1992, the State became its main shareholder, with capital contributions from the Central Reserve Bank, which later transferred the shares to the Fund for Financial Restructuring and Strengthening (FOSAFFI).

Currently, backed by 87 years of history, it continues to add excellent results, with a solid experience in the banking sector, affirming its sustainable growth in the long term, with a national presence.

Special Provisions Referring to Banco Hipotecario de El Salvador, Sociedad Anónima, which was approved on August 16, 2012; governed by the Banking Law, Organic Law of the Central Reserve Bank of El Salvador and the Law of Supervision and Regulation of the Financial System, Law of the Financial System for the Promotion of Development and other laws of general application, including the agreements and instructions issued by the Central Reserve Bank of El Salvador and the Superintendence of the Financial System.

Our capital stock is comprised of 11,992,232 common shares with a par value of \$8.00 and 246,817 preferred shares with a par value of \$6.00.

Set forth below is a breakdown of our shareholder structure as of December 2022:

Shareholder	Number of Shareholders	Capital	Total Shares	% Participation
FOSAFFI	1	\$94,380,766.00	11,838,080	96.7%
Other Investors	926	\$2,972,522.00	391,816	3.2%
Collaborators	209	\$65,470.00	9,153	0.1%
Total:	1,136	\$ 97,418,758.00	12,239,049	100%

It is a 100% national capital, the central government is not directly present as a shareholder, however 96.7% of the shares belong to the Fund for Financial Restructuring and Strengthening (FOSAFFI), which is a fund owned by the Central Reserve Bank of El Salvador, created by Legislative Decree No. 627 dated November 30, 1990, being a credit institution with legal personality and its own assets, subject to the supervision and control of the Superintendency of the Financial System and the Court of Accounts of the Republic.

Additionally, it is worth mentioning that although the bank is considered a state entity, its operation is due to its own resources and therefore it is not part of the general budget of the Nation. It does not have any type of tax relief and, like other companies, is obliged to pay its fiscal taxes as required by law.

The company is headquartered in San Salvador and operates throughout the country.

- It has 54 service points (branches, mini-branches, counters) and a network of 89 ATMs distributed throughout the country.
- In 2022, it opened points of attention in the United States at the Salvadoran consulates in California and Texas.

Philosophy

Our raison d'être, our mission is:

"Making a Difference to see you grow."

It is the construction of a better El Salvador from our role as a financial institution, which reorients our actions and intensifies our daily efforts to make it clear that we are not just another bank and that our main objective is to support the sustainable growth of the country.

Our purpose, our vision is:

"Boosting the economic development of a better El Salvador".

It is the needs of the Salvadoran population and the reality they face, which requires us to improve and strengthen the provision of our financial services not only to SMEs but also to the rest of the economic and social actors, firmly believing that it is possible to create the conditions that lead us to be a more productive country, where opportunities are for everyone and where the effort of each Salvadoran pays off, thus achieving a sustainable transformation.



It is essential to adopt cross-cutting institutional values in our work that safeguard the achievement of a modern, efficient, and transparent organization, as established in the lines of action referred to in the State modernization pillar.

Values	Description
Trust	What unites us is more valuable than what separates us, and operating from a trust standpoint is what will allow us to be confident that everything we do makes a positive difference in the future of our country.
Inclusion	The new times force us to think differently and to look for solutions that positively impact all the people that banking has left aside, generating opportunities where no one else can reach.
Commitment	Commitment to the country, to the communities and to Salvadorans, wherever they are, because they deserve everything from us.
Innovation	A new country needs a new banking system, more modern, more present and the first to evolve will be us, to show everyone that we can be the example to follow in the Salvadoran financial system.

Business model, products, and services

GRI 2-6, FS15

At Banco Hipotecario we focus on the productive sectors of the country, mainly in those economic activities that have a high potential for productive growth and employment generation, under the philosophy of comprehensive attention.

The business units comprise Corporate Banking and Personal and Institutional Banking.

The institution has defined internal regulations for the design and development of new products and services, which are approved by senior management and published on the intranet for access by the areas responsible for executing them. Compliance is monitored by the Business Committee.

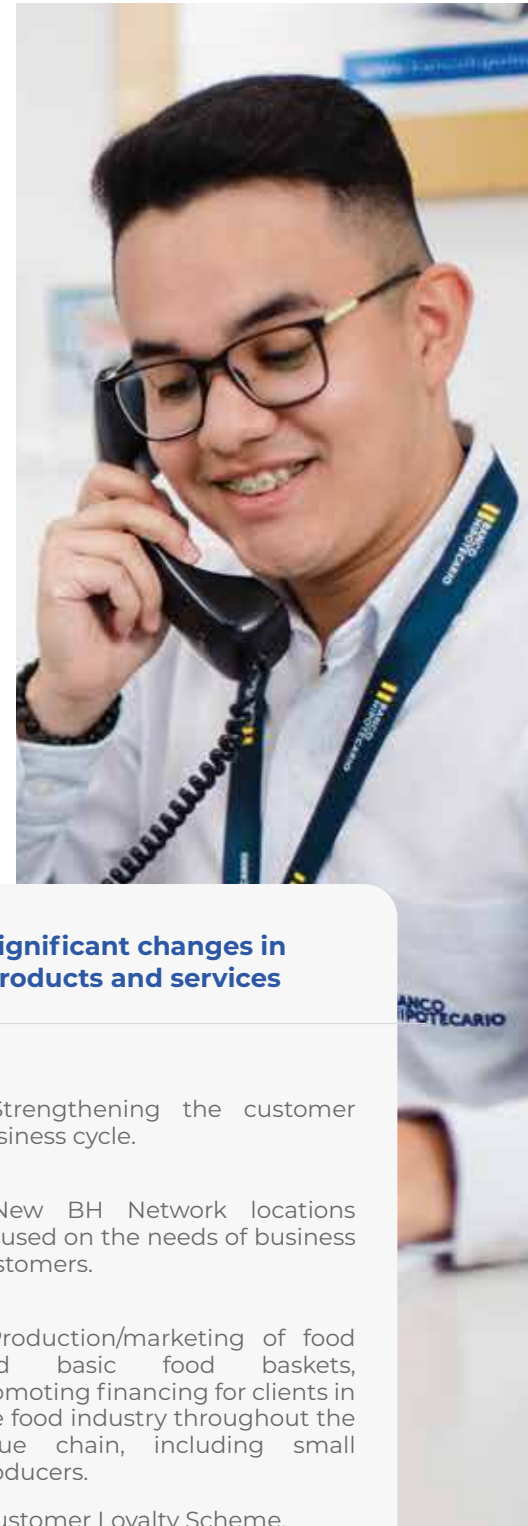
Corporate Banking

Loan products:

- Loans for the agricultural sector
- Loans for the SME segment
- Gender-sensitive loans
- Loans for financial inclusion
- Loans for the microenterprise segment
- Emerging loans (acquisition of franchises, tourism)
- Green Loan

Digital channel services

- POS BH
- Payment Link
- Payment Gateway
- Online Banking and App
- Trust administration



Significant changes in products and services

- Strengthening the customer business cycle.
- New BH Network locations focused on the needs of business customers.
- Production/marketing of food and basic food baskets, promoting financing for clients in the food industry throughout the value chain, including small producers.
- Customer Loyalty Scheme.

Personal banking

Mortgages	Loans
Consumption	
Studies	
Savings	Deposits
Current	
Term	
Solid	Insurance
Life	
Protektor	
Pets	
Visa Classic credit Card	Credit Card
Visa Business credit Card	
Visa Gold credit Card	
Visa Platinum credit Card	
Veterans debit card	Debit Card
Visa Classic debit Card	
Visa Gold debit Card	
APP Mobile Banking	Electronic Channels
ATMs	
POS	
E-Banking	
Financial Correspondents BH365	Financial Correspondents
UNI Transfers, Transfer 365	

Significant product changes

Development of a debit card segmentation, allowing us to better serve the particularities of different customer profiles. This action allowed for a 32% increase in the number of customers making purchases with their debit card compared to the previous year; it also allowed for a 51% increase in turnover compared to 2021, to \$32.4 million in 2022.

Centralized payroll creation. Start-up of the Payroll Center, which is a new operating unit through which we will serve companies and their respective payrolls, linking collaborators to our system with the creation of the client, the payroll account, the assignment of the debit card and the credentials for access to e-banking; the above, as an initial welcome package.

Improvement in the Súmate account (Simplified Eligibility Savings Account)

Improved Salary Advance service for employees and customers.

UNI and 365 interbank transfers, implementing the benefit of free transactions.



Financial correspondents

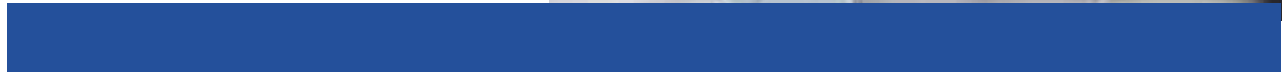
(FS13, FS14)

At the end of April 2022, the financial correspondent service was launched through Punto Xpress. This channel has made it possible to reach customers and users who reside in areas far from the urban centers of the country's main cities, improving the experience of customers, users and relieving the flow of people in branches and counters.

The operations that have been implemented in the channel are:

- Loan repayment
- Cash withdrawal from savings account
- Cash withdrawals from checking accounts
- Savings account deposits
- Current account deposits
- Payment of subsidies (exclusive service for payment of pensions and subsidies to veterans affiliated to INABVE).

The correspondent service through Punto Xpress has had a strong impact on customers and users, especially with the payment of subsidies. By 2023, the process of adding new correspondent points and new operations to the channel, such as those related to credit cards, will continue.



Sustainability Strategy

GRI 2-23, 2-24

The trajectory as an institution has been characterized by our commitment to economic and social development, in addition to a culture of respect for the environment. In 2021, Banco Hipotecario reinforced the trajectory with the launch of the Sustainability Strategy, based on the topics determined as material (see Annex I for more information). It constitutes the roadmap of its commitments and actions, with which it seeks to contribute to the UN Sustainable Development Goals (SDGs).

In this way, it can also respond to the voluntary commitments adopted by the institution, such as the Principles for Responsible Banking coordinated by the United Nations Environment Program Finance Initiative (UNEP-FI) and the Green Protocol of the financial system.

The Principles of Responsible Banking (PBR) are a guide for financial institutions on how to generate a sustainable banking system, aligned with international and national standards to generate a positive impact on the society in which they operate. The pillars of the Sustainability Strategy, and the material issues to which it relates, are presented below:



Relationship with the corporate strategy. The sustainability roadmap was integrated into the Corporate Strategic Plan, 2020-2024 seeking to contribute to the objectives set therein.

1. Transparency and ethics

In operations and processes, with stakeholders and always considering our values.

- Corporate governance and ethics
- Compliance and anti-fraud
- Environmental and social risk management

2. In-house environmental management

Improving internal processes and raising awareness through the efficient use of resources.

- Waste management
- Eco-efficiency in the use of resources
- Carbon footprint measurement
- Responsible purchasing
- Climate Change Mitigation

3. Sustainable finance

Providing inclusion for people and creating loan products to combat climate change

- Innovation
- SME Development
- Relations with governmental entities
- Financial inclusion
- Customer satisfaction
- Transparency towards the consumer

4. Community and gender

Empowering gender equality inside and outside BH and bringing support to nearby communities.

- Financial education
- Labor practices and culture
- Inclusion and equality
- Community investment



Pillar of corporate strategy

Approach

To grow exponentially by serving new sectors and market segments, focusing on the experience of our customers, making their needs ours, including Salvadorans who have traditionally been excluded from the financial system.

Strategic objectives

Growth

Customers

Sustainability strategy

Transparency and ethics

Sustainable finance

Inclusion

Renewal

Renewing ourselves through the different challenges that improve our positioning before our stakeholders, without forgetting what makes us different, committed to the development of strategic sectors considering the fulfillment of the Sustainable Development Goals.

Image

Identity

Transparency and ethics

Internal Environmental

Management

Community

Genre

Efficiency

As a financial institution, we must strive to be efficient in the use of resources and effective in achieving our mission.

Profitability

Culture

Sustainable finance

Internal Environmental Management

Community

Genre



Commitments

GRI 2-23, 2-28

As part of the strategic commitments to improve products and services that adhere to national and international standards that contemplate sustainability, Banco Hipotecario has adhered to different initiatives that seek to accelerate the transition to positive practices for the environment and society.



United Nations Environment Program Finance Initiative (UNEP-FI). Member since 2018 along with more than 400 banks globally, insurers and investors, to create a financial sector that serves people and the planet while generating positive impacts.

Principles of Responsible Banking: Initiative based on six principles, launched in September 2019, which provide a roadmap for the financial sector to embed sustainability in its business strategies and contribute to economic and social development while protecting the environment. Banco Hipotecario is a signatory member of the principles as of September 2019.

Collective Commitment to Climate Action: We are a member of the collective commitment within the Principles for Responsible Banking, together with 37 other banks worldwide. We all share the goal of aligning ourselves with the Paris target of limiting global warming to well below 2 °C, aiming to reach 1.5 °C above pre-industrial levels by 2100. This commitment seeks to accelerate member banks' transition to supporting sectors that foster a resilient, low-emission economy. To this end, in 2020 we conducted a quantification exercise of emissions from the loan portfolio to define some emission reduction targets; however, this process is being updated and is expected to be finalized in the 3rd quarter of 2023.

Collective Commitment to Financial Health and Inclusion: Signed in December 2021 along with 28 other banks worldwide, it is also an initiative of excellence within the Principles of Responsible Banking. The commitment seeks to promote universal financial inclusion and foster a banking sector that supports the financial health of customers.

In addition to the initiatives adhered to within UNEP-FI, the President of Banco Hipotecario is a member of the UNEP-FI Banking Board, which is the governing body of the UNEP FI Principles of Responsible Banking and Banking Membership. Under the overall direction of the UNEP FI Global Steering Committee, the Banking Board oversees the effective implementation of the Principles by holding update sessions on member banks' initiatives, as well as transparency of implementation.

In support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the
UN Global Compact Office

Women's Empowerment Principles (WEPS): Established by the United Nations Global Compact and UN Women, which seeks gender equality and equity within institutions and companies, through 7 principles. These provide a guiding framework on how to promote gender equality and women's empowerment in the workplace, the marketplace, and the community. We adhere as an institution in March 2021.



Green Protocol of the Financial System of El Salvador:

This is an agreement between state banks and the central government through the Ministry of Environment and Natural Resources (MARN), to facilitate the convergence of efforts in four thematic areas: eco-efficiency, environmental and social risk management, sustainable business, and promotion and dissemination.



National Council for Financial Inclusion and Education:

In October 2019, the National Council for Financial Inclusion and Education was created by executive decree as a mechanism to promote financial inclusion and education at the national level. The council is formed by different government agencies that seek to establish goals, action plans and follow up on these for the fulfillment of the national financial inclusion policy.

On the other hand, we have signed joint work agreements with organizations that contribute to common objectives with a gender focus, among which the following stand out:

- Salvadoran Institute for Women (ISDEMU)
- UN Women

The institution's website provides information on the voluntary commitments adopted, as well as action reports:

<https://www.bancohipotecario.com.sv/sostenibilidad-generalidades/generalidades-2/>

Economic performance

Direct economic revenue generated and distributed

GRI 201-1, 201-4

As an institution, we have positioned nationally as a bank that provides support and development for El Salvador. When comparing income for both years, the increase is related to the improvement in the yields of treasury assets, as well as the growth in loan portfolio income and the collection of associated fees; in addition to the higher net income generated by the commercialization of extraordinary assets and non-operating income from the recovery of written-off assets.

With respect to operating expenses, the increase is due to higher financial costs of deposits collected from the public and loans liabilities indexed to international benchmark rates, together with higher loan loss provisions required for compliance with local regulations.

The significant decrease in resources allocated to community programs is a result of the extraordinary year 2021, when a building valued at \$1.7 million was donated for the construction of the national library in the historic center of San Salvador.

The Economic Value Retained (ERV) is the difference between income and expenses and allows Banco Hipotecario to continue creating value over time. The institution does not receive financial assistance from the government; its business model is autonomous.

ECONOMIC REVENUE GENERATED AND DISTRIBUTED (VEG AND VED) (in thousands of USD)

	2018	2019	2020	2021	2022	VAR 22-21(%)
Revenues (Economic Value Generated, EVG)	79,528	83,639	82,412	107,912	126,324	17.06%
Expenditures (Economic Value Distributed, EVD)	71,408	74,056	76,785	90,420	107,467	18.85%
1) Operating expenses	42,114	44,617	50,578	61,251	79,589	29.94%
2) Salaries and benefits	14,374	15,401	15,211	16,488	16,560	0.43%
3) Payment to capital providers	7,125	6,591	5,712	4,386	4,613	5.18%
4) Payments to the government (taxes and contributions)	7,748	7,402	5,255	6,583	6,696	1.71%
5) Community programs	48	45	30	1,712	9	-99.47%
Retained (VEG-VED)	8,120	9,583	5,627	17,492	18,857	7.80%

Portfolio value

FS6

It maintained its fifth position in the financial system; the diversified loan portfolio reaffirms the focus on lending to all productive sectors. By weight in the total, the service sector stands out, followed by commerce, mortgages, and transportation/communications (see table).

As a universal bank, it serves the widest range of customers, with a significant weight in the portfolio of companies, from SMEs to corporations (see table).

Loan portfolio by economic sector -2022

Sector	Value (USD)	Participation (USD)
Services	223.44	20.5%
Trade	197.18	18.1%
Mortgages	129.31	11.9%
Transportation and Communications	124.54	11.4%
Agriculture and Livestock	107.94	9.9%
Manufacturing Industry	84.20	7.7%
Construction	64.42	5.9%
Other Activities	60.00	5.5%
Consumer (Personal Loans)	59.98	5.5%
Financial Institutions	39.60	3.6%
Total	1,090.60	100.0%

Note: The categories used correspond to the nomenclature issued by the Central Reserve Bank, which includes the classification of the sector of destination.



Loan portfolio per type of client - 2022

Client	Value (USD)	Participation
Large Enterprises	284.51	26.1%
Medium Enterprises	253.56	23.2%
Small Enterprises	239.47	22.0%
Individuals	198.32	18.2%
State Entities	103.71	9.5%
Microenterprise	11.03	1.0%
Total	1,090.60	100.0%

Note: customer size categories are defined according to the value of annual sales.

Lines of credit - 2022

Line of credit	Value (USD)	Participation
Special Debt Consolidation Line	345.45	31.7%
BH Shareholders' Equity	104.77	9.6%
BH Refinancing, Own Resources	82.96	7.6%
Purchase Of Real Estate (Own Resources)	74.79	6.9%
Working Capital (Revolving)	55.65	5.1%
Mayors' Office Special Line	49.49	4.5%
Working Capital (Declining)	47.92	4.4%
Special Line for Mortgages	45.63	4.2%
Special Working Capital Line	32.54	3.0%
Mortgages for Salvadorans living abroad	26.03	2.4%
Special Transportation Line	25.92	2.4%
Personnel Line First line Covid	18.94	1.7%
Loan for Personal Expenses Own Resources	18.35	1.7%
Energy management and sustainable production	14.98	1.4%
Special "Surf City" line for Tourism	11.46	1.1%
Loan for Purchase of Machinery and Equipment - Proprietary Resources	10.59	1.0%
Specific Line for Mortgages	10.08	0.9%
Special line for financing MSMEs BANDESAL-BID	9.26	0.8%
Others	105.80	9.7%
Total	1,090.60	100.0%



BH Team

Demographics

GRI 2-7, 2-8, 401-1, 405-1

We will close 2022 with 911 employees, 8.8% more than the previous year, which continues the growth of the institution, due to the opening of service points and the development of products and services offered to its customers.

99% of the personnel have permanent contracts, in accordance with the organizational structures in force. Occasionally, term contracts are hired mainly in situations of excessive workload, launching of new products or execution of new projects, for a determined period of 1 month to a maximum of 9 months.

Geographical area payroll

Year	Permanent contract				Project-based contract			
	Western zone	Central Zone	Paracentral zone	Eastern Zone	Western zone	Central Zone	Paracentral Zone	Eastern Zone
2021	110	561	561	74	0	2	0	0
2022	88	670	670	67	0	5	0	0

Total

2021
837

2022
911

Personnel per type of contract and gender

Year	Permanent contract		Project-based contract		Total
	Female	Male	Female	Male	
2021	464	371	2	0	837
2022	506	402	3	2	911

Women account for 56% of the Bank's total workforce. The ratio is 37.5% in the case of management positions, and the same is true for managerial positions. The institution seeks to continue advancing in promoting gender equality for the professional development of both men and women in the different job profiles.

Personnel per job profile, gender, and age - 2022
Payroll 2022 (No. of employees)

	Under 30 years old		Between 30 and 50 years old		Over 50 years old		TOTAL	
	M	H	M	H	M	H	M	H
Administrators	0	1	6	14	0	4	6	19
Analysts	13	15	32	33	4	4	49	52
Advisor	0	0	5	1	0	0	5	1
Assistants	4	2	25	1	7		36	3
Clerks	7	2	21	12	3	10	31	24
Legal collaborators	2	0	6	1	0	2	8	3
Coordinators	1	0	6	6	1	1	8	7
Directors	0	0	3	4	0	1	3	5
Executives	8	11	72	36	5	10	85	57
Managers	0	0	4	8	5	7	9	15
Heads	1	1	25	18	6	4	32	23
Banking Police	0	1	1	20	0	14	1	35
Customer Service**	84	54	78	34	4	2	166	90
Miscellaneous Services	0	0	1	0	0	1	1	1
Assistant Managers	0	0	7	9	4	3	11	12
Deputy heads	0	0	10	3	3	1	13	4
Supervisors	1	3	22	20	4	2	27	25
Technicians	3	6	12	16	3	4	18	26
TOTAL	124	96	336	236	49	70	509	402

Executives*: Business Executives, Integral Solutions, Contact Center, Commercial advisors.

Customer Service:** Customer Service Executives and Cashiers

PROFILE TYPES (POSITIONS) INCLUDED IN EACH PROFESSIONAL CATEGORY

Category	Profiles that include
Director	University graduate, according to their specialization. Certifications, diplomas, specializations, as the case may be, Master's degrees, as the case may be.
Manager/Assistant Manager	University graduate, according to their specialization. Certifications, diplomas, specializations, as appropriate. Certifications or specializations, according to the area. Master's degree, desirable.
Coordinator/Supervisor	University graduates with diplomas or specializations, depending on the area.
Analyst/Assistant	- Analysts: University graduates or graduates, according to their specialization. - Assistants: University students
Auxiliary	High school graduates - University students in their first years
Administrators	University graduate, according to their specialization.
Advisor	University graduate
Legal Collaborators	Graduate University graduate
Coordinators	University student (3+) years Technical Grade University graduate. University graduate, in the case of Technology Coordinators.
Executive	University student (3+) University graduate
Chief	University graduate, according to their specialization.
Banking Police	Basic education High school graduate Police studies
Customer Service	University student (1+) in Administration, Marketing, Public Accounting, etc.
Miscellaneous Services	Basic education, essential. Ninth grade, desirable.
Sub-chiefs	University studies (3+) years, either in Administration, Marketing, Public Accounting.

At Banco Hipotecario we continued to generate employment opportunities, having hired 54.6% more employees than the previous year, 53.2% of them women. On the other hand, the growth in departures is due to the increase in the number of volunteers, as a result of a better labor market situation after the incidence of the pandemic.

HIRES (TOTAL FOR THE YEAR)

	2020	2021	2022
No. of women hired	35	80	116
No. of men hired	29	61	102
TOTAL	64	141	218

DISMISSALS (TOTAL FOR THE YEAR)

	2020	2021	2022
Voluntary - total (Resignations)	44	75	115
Women	23	44	59
Men	21	31	56
Involuntary - total (Layoffs)	25	39	32
Women	16	12	15
Men	9	27	17
Total, dismissals	69	114	147

AVERAGE/MONTHLY TURNOVER RATE

Type of dismissal	2020	2021	2022
Voluntary	6.25%	9.39%	12.02%
Involuntary	3.42%	5.66%	3.24%

The turnover rate is calculated according to the following equation:

For annual turnover calculation

$$\text{Sum of retirements} / \left(\frac{\text{No. of employees start of year} + \text{No. of employees end of last month}}{2} \right) \times \left(\frac{100}{\text{No. MONTH}} \right) \times 12 \text{ MONTHS}$$

In addition to our in-house personnel, we have some outsourced services, with personnel from contracted companies.

Service	Description	F	M	T
Outsourcing of private security personnel	Security agents stationed at the Bank's different branches and administrative buildings	4	73	77
Personnel outsourcing services	Personnel performing the document digitization process	3	4	7
Courier outsourcing service	Personnel involved in the collection and delivery of the Bank's internal correspondence.	0	6	6
Personnel outsourcing services	Contracted personnel for alert monitoring project	5	0	5
Cleaning personnel outsourcing service	Personnel who perform the cleaning service of the Bank's different facilities.	52	3	55
Personnel outsourcing services	IT Programmer Analyst	0	4	4
Personnel outsourcing services	IT systems documenter	1	1	2
Personnel outsourcing services	IT Requirements Analyst	0	1	1
Personnel outsourcing services	Quality Assurance Analyst	1	2	3
Total		67	93	160

Training and career development

GRI 2-17, 403-5, 404-1, 404-2, 404-3

Continuous personnel training seeks to improve their capabilities and provide them with new skills so that they can perform their functions adequately. It is part of our value proposition as an institution for its employees to develop.

Induction training continued for new personnel. In addition, different specialized trainings were provided with both internal and external support for employees with different job profiles.

TRAINING 2022

Professional categories	No. of attendees	Total number of hours	Number of hours/participants
Executives (Senior Management N1)	13	510	39.2
Managers (N2)	23	1,163	50.5
Mid-level managers (N3)	117	4,745	40.6
Analysts, Executives and Officers	394	7,313	18.6
Assistants, technicians, and clerks	256	5,822	22.7
Total	803	19,553	24

Main training programs:

Training program	Participants in 2021	Participants in 2022
In-house training BH Learning	9,405	11,227
Specialized training by in-house staff	3,420	1,387
Specialized external training	705	1,574
Innova Program		166
Induction of new personnel	140	207

BH E-Learning

Semester	01-2022	02-2022
Number of courses	14	6
Total number of hours	4,624	4,125
No. of shares	6,166	5,061
Number of hours/participant	0.75	0.82



BH Learning: Training courses carried out on a virtual platform for all employees of the institution, divided into two periods per year, which includes all those required by law and those transversal to the entire workforce.

These trainings are designed by the area responsible for legal or regulatory compliance, and then transferred to the training and development area, which follows up on their completion.

Specialized training: these are those requested by the immediate supervisors of each area, and which are linked to a competency gap in specific collaborators in their area. They may be provided by a third party external to the institution or by an employee who is familiar with the subject matter.

On the other hand, Banco Hipotecario generates continuous training programs for all personnel in technological tools gaps. These programs are executed annually, with a continuous follow-up by the training and development specialists.

INNOVA: Annual program that provides access to knowledge and skills development in technological tools such as Microsoft Excel and Power BI.

Programs for improving competencies and strengthening the BH culture.

In parallel to the aforementioned programs, strategic support is provided to the different job profiles, with the following training:

- **CICI to our Culture:** Program for strengthening institutional values, leadership and personnel practices.
- **Customer Experience:** Improvement program for external customer service.
- **Taking Off (Alzando Vuelo):** Corporate Strategy Alignment Program
- **Leadership:** Program that responds to the strategic objectives of the institution under the pillars of leadership and team management practices.



Diversity and inclusion

GRI 406-1

As part of the organizational culture, a work environment suitable for all personnel is promoted, seeking that each one practices the institutional values: Commitment, Inclusion, Trust and Innovation (CICI).

As part of our values, inclusion is encouraged, from the hiring, promotion and internal development processes, and any process of the institution. The Bank has regulations that promote equal opportunities. The Internal Work Regulations (RIT) are especially noteworthy.

The RIT is updated by the Human Development Management, the Legal Department, and the support of external Labor Advisors; it is submitted to the Presidency and the Board of Directors for approval and subsequently to the Ministry of Labor for approval. Subsequently, it is published on Banco Hipotecario's intranet so that it is accessible for all employees to read. It is also presented to new employees in the induction process.

On the other hand, the **Code of Ethics**, the **Know Your Employee** policy and the operation of the **Ethics Hotline** seek to generate open and safe spaces for employee communication, as well as guidelines for fair, ethical, and responsible treatment. These mechanisms are managed by the Compliance Officer, who is in charge of keeping them updated, as well as making them known with the support of the Human Development Management to all the Bank's employees.

As a result of the organizational culture and compliance with internal regulations, the Bank has not had any cases of discrimination of any kind.

Compensation and benefits

Remunerations

GRI 2-19, 2-20, 401-3, 405-2

Banco Hipotecario has defined its salary setting system based on job descriptors; in this way, according to the necessary competencies, a value is given. To the extent that the position requires a higher level of competencies, requirements, and responsibilities, so will be proportionally its contribution.

The job descriptors are kept up to date by the immediate supervisors, thus providing the necessary inputs for the appraisal. The Human Development Management participates in the determination of the salary ranges associated with each job profile, researching the external salary compensation (salary surveys) of companies in the same line of business and performing a "comparison" of similar positions. With this, the market benchmark is finally defined, which coincides with the bank's competitiveness strategy and the implementation plan.

Variable compensation 2022

Number of positions that have variable compensation/remuneration.	27
Number of employees in these positions (as of December 31).	476
Aggregate total fixed remuneration of these employees (accumulated as of Dec 31).	\$4,018,632.00
Aggregate total variable compensation of these employees (accumulated as of Dec 31).	\$716,467.32
Average annual fixed compensation per employee (of those positions).	\$8,442.50
Average annual variable compensation per employee (of those positions).	\$1,505.18

The institution does not apply salary differences based on gender. Below are the ratios by professional category; the differences are due to the distribution of women and men within each category, and there are no differences based on gender, equal responsibilities, and seniority.

2022

Professional category	Salary Ratio (M/H)
Executives	1.02
Managers	0.91
Middle management	0.89
Analysts, Business Executives and Officials	0.87
Assistants and auxiliaries	1.02

On the other hand, severance payments are applied according to the years of service to the Bank.

Benefits

GRI 401-2, 201-3

Banco Hipotecario provides benefits that exceed the benefits required by law, contributing to the welfare and satisfaction of its employees. The institution provides 35 benefits, of which 28 are additional to those required by law.

Category	Benefit
Employee benefits by law	Supplement to ordinary salary that does not cover the subsidy from the Salvadoran Social Security Institute.
	Entitlement to a financial benefit as compensation to a dependent or beneficiary of an employee in the event of total or permanent disability or death of the employee.
	Death benefit in the event of death of parents, spouses, and children.
	Paternity and/or maternity leave days.
	Enjoyment of legal breaks.
	Licenses granted by the Bank for compliance with legal obligations.
	Nursery at the Senda Florida building for BH collaborators.

Category	Benefit
BH Benefits	June bonus equivalent to one monthly salary.
	Performance bonus.
	Vacation pay in excess of the law.
	Payment of Christmas bonus equivalent to a monthly salary, higher than that required by law.
	Voluntary Retirement in excess of the law.
	Financial benefit for death of the BH employee equivalent to 60 days of salary.
	Training.
	Year-end bonus.
	Loans with preferential rates for employees with more than one year of service.
	Alliances with companies that offer discounts and financing to employees.
	Scholarships.
	Commissions for the business areas.
	Institutional uniforms.
	Accessibility to collaborators' cooperative.
	Participation in asset auctions.
	Holiday celebrations.
	Career and/or succession plan.
	Recognition for years of service.
	Recognition for sports achievements.
	Paid leave for serious illness or death of parents, spouses and children for up to 8 consecutive days.
	Leave of absence for 8 calendar days upon marriage.
	Afternoon off on their birthday (on a business day).
	Participation in volunteer work.
	Flexible schedules.
Teleworking.	
Business clinic.	
Medical-Hospital Insurance.	
Life Insurance.	

Regarding pension plan obligations, we provide the employer's contribution according to the law, which is 8.75% of the monthly salary. The management of this plan is implemented by the Pension Fund Administrator (AFP) institution where each employee contributes.

Since 2021, Banco Hipotecario has had the "Diamond Plan", a program for the preparation of personnel who begin their retirement process. Once the stipulated years of work and/or required age have been completed, the retirement process begins, which includes personalized counseling for legal and financial preparation; such activities may begin up to 2 years prior to the time of retirement.

Occupational health and safety

GRI 403-1, 403-2, 403-3, 403-4, 403-6, 403-8, 403-9, 403-10

Banco Hipotecario guarantees the welfare of its personnel, providing safe conditions in its facilities and workplaces. To this end, it has a health and safety at work management system, which is monitored by means of management indicators per work center, analyzed by committees.

The health and safety management system consists of 10 elements:

1. Periodic evaluation mechanisms (quantitative and qualitative).
2. Identification, evaluation, control and monitoring of occupational risks.
3. Updated registry of occupational accidents and diseases.
4. Design and implementation of emergency and evacuation plan.
5. Theoretical and practical training.
6. Establishment of occupational medical examination program.
7. Establishment of complementary programs (HIV/AIDS, STIs, Drugs, Alcohol and Tobacco).
8. Planning of activities and meetings of the Occupational Safety and Health Committee.
9. Formulation of a dissemination and promotion program.
Formulation of preventive and sensitization programs (violence and harassment against women).

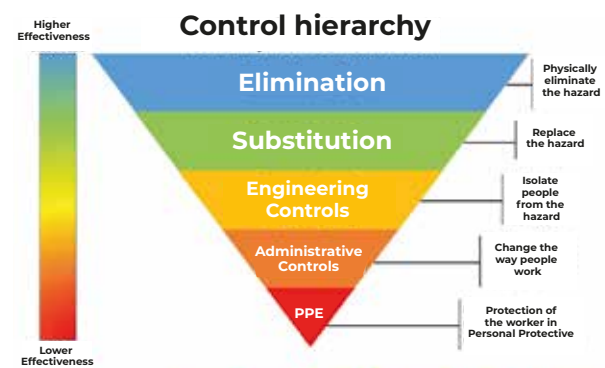
The scope of the system that Banco Hipotecario has is for all work centers, including collaborators, employees, contractors, subcontractors, and suppliers that perform activities in them.

Processes for hazard and risk identification:

As best practices, in accordance with compliance with the law, the Hazard Identification and Risk Assessment Matrix is updated within the first two months or whenever there are significant changes in operations or jobs, as well as through specific training and instruction for jobs with risks inherent to the work they perform.

In 2022, together with external specialists, we conducted a hazard identification and risk assessment of the entire institution, generating a diagnosis that allows us to improve risk identification processes and mitigate them adequately.

With the identification of hazards and risk assessment, the most important risks that require greater interest and work were determined; in the same way, the hierarchy of control recommends the micro or macro activities to be carried out to mitigate or eliminate the important risks and to be able to obtain a tolerable residual risk.



By 2023, all control activities derived from the diagnosis will be planned and included in the Occupational Health and Safety Plan for 2023-2025 **"SYSOMOS PREVENCIÓN"**.

With these measures, the institution complies with the General Law for the Prevention of Risks in the Workplace and its Regulations, by assuming and observing the employer's responsibilities in the area of Occupational Safety and Health.

Occupational health committees

We currently have 11 committees accredited and trained before the Ministry of Labor and Social Welfare, which have 50% representation of the workers, who are BH payroll personnel and not outsourced, and the other 50% representation of the employer. Meetings are held monthly on an ordinary basis and extraordinarily as often as the committee deems appropriate. The authority of each committee is independent in decision-making, given that each work center has its own local risks.

To facilitate communication with employees in this regard, the Bank has a SYSO portal, which is a virtual space where information on occupational health and safety is shared.

Training

The institution has a SYSO training program for compliance with external and internal occupational health and safety regulations.

Training course	Content	Scope
48-hour training for committee members	Legal regulations on occupational safety and health; Occupational hazards and requirements; Practical aspects on the implementation of occupational safety and health management systems; Common causes of occupational accidents and diseases; Recognition of risks; Basic principles of occupational hygiene; Methodology for inspections and accident investigation; Notifiable occupational diseases; Compensation and sickness benefits for personnel.	Efficiently perform assigned safety and occupational health tasks.
Emergency Training Brigade	First aids, evacuation, and fires	Efficiently perform assigned safety and occupational health tasks.
Job-related training	According to the risks of the workplace	To safely perform the work to which the worker has been assigned in the job.

Accidents and illnesses

In 2022, there were no occupational diseases in the workforce, however, there were ailments especially related to the effects of lumbago and cervical pain.

The institution offers its employees a Corporate Clinic duly accredited by the Superior Council of Public Health, governed by the Salvadoran Social Security Institute through the Corporate Health Care System (SASE).

Employees who have a direct indefinite contract with the institution have access to consultations, general check-ups, as well as other different tests. Additionally, the following programs are channeled through the clinic: blood donation, HIV testing days, and the nutrition program.

Accidents are recorded within the Occupational Health and Safety program; they are investigated, the causes are evaluated and dealt with. All Banco Hipotecario personnel may report work-related incidents, either verbally or in writing directly to the Occupational Health and Safety Analyst.

Regarding deaths, there were no work-related cases.

Accident information has been compiled based on estimates from the Bank's annual payroll and the accidents officially registered in the National System of Notifications of Workplace Accidents (SNNAT):

Year	Quantity	Rate
2021	3	1.63
2022	6	2.99



Transparency and ethics

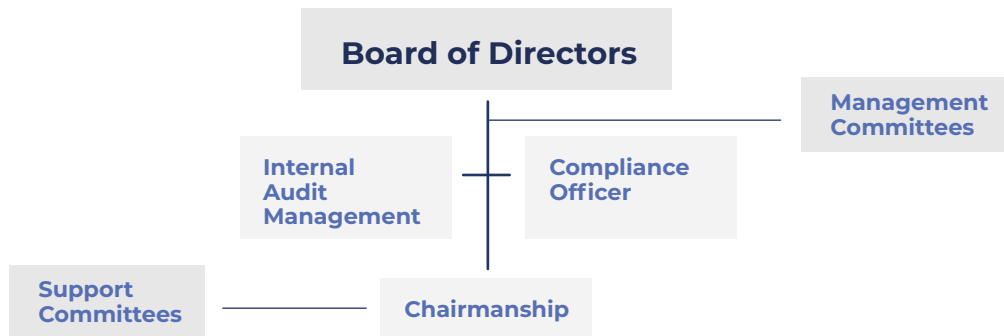
Corporate Governance

GRI 2-9, 2-10, 2-11, 2-12, 2-17



The Bank's management and administrative bodies make up the corporate governance, which is based on institutional values, principles, and rules.

The governance of the Company is exercised by the General Shareholders' Meeting, and its administration by the Board of Directors.



The General Board of Shareholders is the supreme body of the corporation; it is made up of the shareholders legally convened and assembled.

The Board of Directors is responsible for the administration, through the strategic direction of the Bank, and management control delegated to Senior Management.

About the Board of Directors

- It is composed of a president, a vice-president, a secretary and two directors, and an equal number of alternates.

Its powers and requirements to form it are regulated in the Articles of Incorporation, which are based on the Banking Law and the Code of Commerce.

- The appointment and selection of the members of the Board of Directors is the responsibility of the General Shareholders' Meeting, which elects them for a two-year term, and they may be reelected.
- Directors must be of recognized honorability and have ample knowledge and experience in financial and administrative matters, not be included among the prohibitions and incompatibilities established by the Commercial Code and not have any of the disqualifications set forth in the Banking Law. The same requirements must be met by executive directors, general managers, and directors with executive positions.
- The presiding director or his substitute must have at least five years of experience in management or senior management positions in banking and financial institutions.
- Among the main functions of the Board of Directors is the establishment of the organizational structure, functions and policies that allow the entity to achieve a balance between business profitability and an adequate management of its risks, which promote the security of its operations and provide adequate attention to its users.

It is made up as follows:

Name	Cargo	Date of last appointment		Director since
		From	To	
Celina María Padilla de O´Byrne*	Director Chairwoman of the Board	06/01/2022	06/01/2024	June/2019
Omar Chávez Portal**	Vice President Director	06/01/2022	06/01/2024	June/2019
Sandra Yanira Peña Amaya**	Director Secretary	06/01/2022	06/01/2024	June/2019
Emmanuel Ernesto López Núñez**	First Alternate Director	06/01/2022	06/01/2024	January/2022
Marcela Guadalupe Luna Uceda**	Second Alternate Director	06/01/2022	06/01/2024	February/2020
Rubén Nicolás Echegoyen Torres**	Third Alternate Director	06/01/2022	06/01/2024	February/2021

*Under the Bank, serves as Chairman of the BoD. Administration of the Bank.

** They are elected at the General Shareholders' Meeting and do not report to the Bank's management.

In 2022, training was provided to the Board of Directors by external specialists:

Training provided to the Board of Directors	Module hours	Participants
Corporate Governance, Information Security and Cybersecurity	2	5
Sustainability training for senior management	2	17

The Institution has a Board of Directors' Remuneration Policy. Pursuant to the provisions of the Articles of Incorporation, the assignment of the emoluments of the members of the Board of Directors is attributed to the Ordinary General Shareholders' Meeting, which has the power to approve the proposal of the Board of Directors itself.

The Chairman of the Board of Directors is an executive officer of the organization, and his/her duties include:

- Exercise the decisions of the General Assembly of Shareholders and the Board of Directors;
- Present to the General Shareholders' Meeting, through the Board of Directors, the financial statements at the end of each fiscal year
- Submit for consideration of the Board of Directors the plans and programs to be developed by Banco Hipotecario.
- To exercise the functions delegated by the Board of Directors and to delegate to the collaborators and bodies of Banco Hipotecario, the functions determined by the Board of Directors;
- To direct and manage the contractual activity and the selection processes of Banco Hipotecario
- To award and subscribe as legal representative the acts and contracts to be entered into by the Banco Hipotecario, being able to delegate all or part of such powers, but subject to the amounts indicated by the Board of Directors;
- To summon the General Shareholders' Meeting and the Board of Directors to ordinary and extraordinary sessions as it deems convenient;
- Ensure that relevant material for decision-making is delivered to shareholders and members of the Board of Directors within the deadlines stipulated in this Code;

- Submit to the Shareholders' Meeting and the Board of Directors detailed reports on the general performance of the corporation and on the status of execution of the activities pertaining to its corporate purpose
- To establish the functions, direct, coordinate, supervise and control the personnel of Banco Hipotecario, and the execution of the activities and programs of the company;
- To hire, promote and remove the Bank's personnel;
- To ensure the proper application of funds and the proper maintenance and use of the Bank's assets;
- Ensure adequate compliance with the Bank's risk management systems, as well as its policies and procedures;
- Any others that the law, the regulations and the corporate charter determine or that are related to the operation and organization of Banco Hipotecario, and that correspond to it.



Impact-related functions and performance

GRI 2-9, 2-13, 2-14

Among the Board of Directors' attributions in relation to impact management oversight are:

- To appoint such committees as it deems necessary for the study and resolution of certain matters of interest to the Bank and to issue the rules to which they shall be subject;
- To issue the necessary regulations for the better functioning of the Bank;
- Approve at least the following policies:
 - Risk management policies;
 - Policy for the management and control of conflicts of interest and related operations;
 - Compensation and performance evaluation policy;
 - Policy for the development of internal control procedures and systems;
 - Policy with clear delegation of limits for extraordinary operations.
- Approve and keep updated the organization and functions manual of the entity, defining clear lines of responsibility;



In addition, the following are established as duties of the directors with respect to Corporate Governance:

- To ensure compliance with the Corporate Governance Code;
- Act equitably towards all shareholders;
- Resolve possible conflicts of interest of the Bank's president;
- Refrain from participating in the deliberation and voting on a matter involving a conflict of interest;
- In their relations with stakeholders, the members of the Board of Directors must ensure that the entity acts in accordance with applicable laws and regulations, fulfilling their obligations in good faith and making decisions with independent judgment, observing those additional principles of social responsibility that they have previously accepted.
- To protect the rights and interests of depositors and customers in general;
- Protect the rights and interests of shareholders and establish mechanisms for their equitable treatment;
- Develop a policy of communication and information with shareholders and customers in general; and
- To perform his or her duties with the best interests of the entity at heart and with independence of judgment.

Regarding the Bank's performance, the Superintendency of the Financial System is responsible for supervising compliance with laws, regulations, technical standards and other provisions applicable to the Bank, for which purpose it makes supervisory visits to evaluate the suitability, adequacy and effectiveness of the Bank's management and control, the handling of conflicts of interest, the disclosure of relevant information and the existence of controls to prevent the improper use of privileged or reserved information. Likewise, they follow up to identify practices or conducts that could be detrimental to efficiency and transparency, applying the pertinent measures.

On the other hand, both the External Audit and the Internal Audit assess compliance with the policies and internal controls approved by the Board of Directors, in order to provide reasonable assurance on the degree of effectiveness of the internal control system and risk management in the processes and functional areas.

Senior Management

There are executive level positions who are responsible for economic, environmental, and social issues; they are also empowered to report on the performance of their duties in the different support or management committees and subsequently inform the Board of Directors.

The members of Senior Management must perform their duties in good faith and act with loyalty, refraining from engaging in conduct that implies competition with the Bank or conflicts of interest with the Bank or its shareholders.

Members of Senior Management

- Director of Technology and Digital Innovation
- Risk Manager
- Director of Operations and Finance
- Director of Retail and Institutional Banking
- Director of Internal Audit
- Corporate Banking Director
- Legal Director
- Compliance Officer

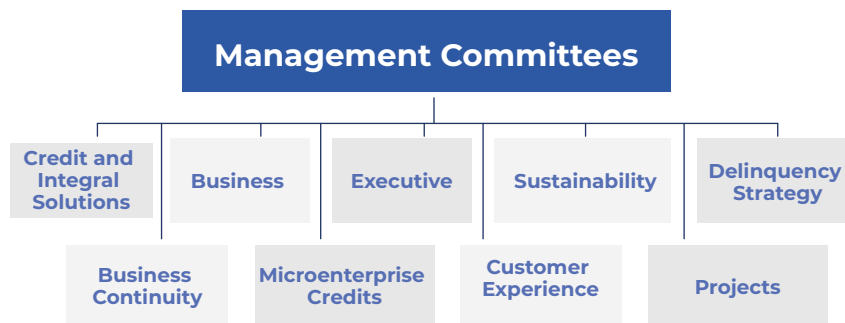
In addition, there are also specific positions for the management of environmental and social issues:

- Environmental and Social Risk Officer, under the Risk Management Department.
- Sustainability Coordination, under the Identity and Sustainability Management.



Committees

The Board of Directors, in compliance with the corresponding regulations, constitutes the **Risk and Audit Committee**, and shall voluntarily establish the Committees it deems necessary. These other **Management Advisory or Support and Technical Committees** shall be integrated by one or more members of the Board of Directors, the members of the Bank's Senior Management and the external advisors required, as the case may be.



Minutes are kept of the meetings held by the Committees and are available to the members of the Board of Directors. The conclusions presented by the Committees must be taken into account for the adoption of the respective decisions.

The Committees have internal regulations governing their operation. These regulations must be drafted in accordance with the provisions of the corporate governance code and in accordance with the guidelines issued by the Board of Directors for this purpose. The Committees are subordinate only to the mandates of the Board of Directors, which is the only body empowered to instruct or request actions from them.

Both members of the Board of Directors and senior management participate in the different committees to keep the Institution informed of the financial, administrative, operational, and legal situation. The table shows the participation of the different members, as well as their seniority:

Miembro	Board of Directors	Ethics Committee	Internal Audit Committee	Risk Committee	Loans Committee	PLD/FT Prevention Committee	Assets and Liabilities Committee	Strategic Planning Committee	Executive Level
Presiding Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Vice President Director	✓		✓	✓	✓		✓		✓
Secretary Director	✓		✓	✓	✓		✓		✓
First Alternate Director	✓	✓						✓	✓
Second Alternate Director	✓					✓		✓	✓
Third Alternate Director	✓				✓				✓
SENIOR MANAGEMENT									
Director of Technology and Digital Innovation								✓	✓
Risk Manager				✓		✓	✓	✓	✓
Director of Operations and Finance				✓		✓	✓	✓	✓
Director of Internal Audit				✓			✓	✓	✓
Corporate Banking Director		✓	✓						✓
Legal Director				✓			✓	✓	✓
Compliance Officer						✓			✓
Oficial de Cumplimiento		✓				✓			✓

Miembros de la Alta Gerencia

José Mario Hernández Cruz

Director of Technology and Digital Innovation

Herbert de Jesús Hernández Chicas

Risk Manager

José Raúl Cienfuegos Morales

Director of Operations and Finance

Joseph Boris de Jesús Cerón Menjivas

Director of Retail and Institutional Banking

Karla Regina Pérez Hernández

Director of Internal Audit

Trilsen Amanda Olivares de Ponce

Corporate Banking Director

Salvador Viale Salazar

Legal Director

Cecilia Margarita Cortez de Martínez

Compliance Officer

AUDIT COMMITTEE

- **Members:**

Director Chairman of the Board of Directors.

Two external members of the Board of Directors.

Director of Internal Audit.

Its main function is to support the management of the Board of Directors in order to ensure compliance with the resolutions of the Board of Directors and the provisions of the Superintendency of the Financial System (SSF). To follow up on the External Audit reports. Monitor the solution of the observations resulting from the examinations performed by internal audit. Evaluate the financial information procedures and the internal control system, in relation to: (a) The monthly, quarterly, semi-annual and annual financial statements, (b) The accounting and financial practices of the institution, (c) The effectiveness and quality of the internal control system and (d) Any other matter that the Committee deems pertinent.

RISK COMMITTEE

- **Members:**

Three Board Directors

Risk Manager

Director of Operations and Finance

Director of Retail and Institutional Banking

Corporate Banking Director

Risk Manager

Branch Manager

Its main function is to support the approval, follow-up and control of strategies and policies for risk management, including the setting of action limits for the different areas. It supports the Board of Directors and the Bank's Presidency in the knowledge and understanding of the risks assumed by the Bank and the capital required to support them.

LOANS AND COMPREHENSIVE SOLUTIONS COMMITTEE

- **Members:**

Four Board Directors

Committee to support the Board of Directors in the approval of financing granted by the entity to its clients, applying the criteria contemplated in the loan policies in force; in relation to the evaluation of each of the loan applications, according to their loan risk and feasibility of recovery. Approval limit of up to USD \$2.5 million.

COMMITTEE FOR THE PREVENTION OF MONEY LAUNDERING, THE FINANCING OF TERRORISM AND THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

• **Members:**

- Director Chairman of the Board
- Board Director
- Director of Operations and Finance
- Legal Director
- Risk Manager
- Compliance Officer

The purpose of the Money Laundering Prevention Committee, as a collegiate body, is to support the management of the Compliance Officer in making decisions related to managing the risk of money laundering and asset laundering, in addition to monitoring the functions performed by the Compliance Officer.

ASSETS AND LIABILITIES COMMITTEE

• **Members:**

- Director Chairman of the Board
- Two Board Directors
- Director of Operations and Finance
- Director of Retail and Institutional Banking
- Corporate Banking Director
- Risk Manager
- Branch Manager
- Planning and Finance Manager
- Assistant Treasury Manager
- International Manager

Support with the definition, approval and monitoring of strategies for the management of the bank's assets and liabilities, liquidity, and financial and intermediation margins, as well as the evaluation of commissions and surcharges for products and services.



ETHICS COMMITTEE

- **Members:**

Director Chairman of the Board of Directors.

Director of the Board of Directors.

Human Development Manager.

Director of Internal Audit
Compliance Officer.

The purpose of the Ethics Committee as a collegiate body is to support the management carried out by the Board of Directors of Banco Hipotecario de El Salvador, S.A., to systematically promote an organizational culture in accordance with the values and ethical principles set forth in the institutional code of ethics.

STRATEGIC PLANNING COMMITTEE

- **Members:**

Director Chairman of the Board

Two Board Directors

Director of Operations and Finance

Corporate Banking Director

Director of Retail and Institutional
Banking

Risk Manager

Director of Technology and Digital
Innovation

Planning and Finance Manager

Quality Management Manager

Branch Manager

Support the Board of Directors in the design, planning, implementation and monitoring of a viable strategy in force at all times that considers the multiple needs of its stakeholders and complies with the corresponding laws and regulations.



MANAGEMENT COMMITTEES

**BUSINESS CONTINUITY COMMITTEE
IN CASE OF CRISIS**

The objective of the Business Continuity Committee in the event of a crisis is to define and strategically direct the action plans in the event of undesired events affecting the operation of Banco Hipotecario's business.

• Members:

- Director Chairman of the Board
- Corporate Banking Director
- Commercial Banking Director
- Director of Technology and Digital Innovation
- Risk Manager
- Director of Operations and Finance
- Risk Manager
- Identity and Sustainability Manager
- Business Continuity Analyst
- Operational Risk Coordinator

**CUSTOMER EXPERIENCE
COMMITTEE**

Evaluate and recommend actions that strengthen the relationship with the Bank's internal and external customers, through effective management, continuous improvement of processes, services, products and channels and timely resolution of customer issues.

• Members:

- Director Chairman of the Board
- Director of Retail and Institutional Banking
- Corporate Banking Director
- Director of Technology and Digital Innovation
- Identity and Sustainability Manager
- Branch Manager
- Head of Customer Experience Unit



LOANS AND COMPREHENSIVE SOLUTIONS COMMITTEE

• **Members:**

Corporate Banking Manager or Retail and Institutional Banking Manager

SME Manager, or Agropyme, or Branch Manager, or Retail Banking Manager.

Risk Manager or designee

Legal Director or a designee

Support committee for the approval of financing granted by the entity to its clients, applying the criteria contemplated in the loan policies in force. Approval limit of up to USD \$500,000.

MICROENTERPRISE LOAN COMMITTEE

• **Members:**

Corporate Banking Director

SME Banking Manager

Risk Management Delegate

Financial Analysis Manager Delegate

Assistant Manager of Microenterprise

Support committee for the approval of financing granted by the entity to its clients, applying the criteria contemplated in the loan policies in force. Approval limit of up to USD \$75,000.

ARREARS STRATEGIC COMMITTEE

• **Members:**

Director Chairman of the Board of Directors.

Risk Manager

Director of Operations and Finance

Corporate Banking Director

Director of Retail and Institutional Banking

Risk Manager

Integral Solutions Manager.

Legal Director

Evaluate and execute the effective monitoring of the recovery strategy and the main indicators associated with the loan portfolio, in order to facilitate and streamline loan risk management decision making, as well as to follow up on the main cases that generate write-off reserve expenses prior to the monthly closing.

BUSINESS COMMITTEE

• **Members:**

Director Chairman of the Board of Directors.

Director of Retail and Institutional Banking

Director of Corporate Banking.

Director of Technology and Digital Innovation

Branch Manager

Technological Innovation Manager.

Identity and Sustainability Manager

Product and Service Development

Assistant Managers for each of the Business Areas;

Market Intelligence and Customer Service Analyst;

Supervise, direct, and define priorities that are framed in the search for new business opportunities, product creation and monitoring of compliance with the goals established for the business areas and branches of the Bank. He/she will also develop strategies through different innovation criteria, which will allow continuous improvement and development for the Bank.

PROJECT COMMITTEE

• **Members:**

Director Chairman of the Board of Directors.

Quality Management Manager

Director of Operations and Finance

Planning and Finance Manager

Risk Manager

Director of Technology and Digital Innovation

Legal Director

To know, approve and supervise the achievement and implementation of strategic projects and initiatives that guarantee the fulfillment of the institution's business objectives.



EXECUTIVE COMMITTEE

• **Members:**

Presiding Director

Audit Director

Compliance Officer

Identity and Sustainability Manager

Human Development Manager

Quality Management Manager

Administrative Manager

Branch Manager

Director of Retail and Institutional
Banking

Corporate Banking Director

Legal Director

Risk Manager

Director of Operations and Finance.

Director of Technology and Digital
Innovation

Execute, follow up and supervise all decisions, proposals, policies, strategies and systems adopted by the Bank's Presidency to ensure its normal and smooth daily operation.

SUSTAINABILITY COMMITTEE

• **Members:**

Director Chairman of the Board

Identity and Sustainability Manager

Director of Operations and Finance

Risk Manager

Corporate Banking Director

Director of Retail and Institutional
Banking

Administrative Manager.

Sustainability Coordinator

To be the entity responsible for outlining strategies, defining policies or standards and monitoring sustainability performance within the Bank. The committee will validate the execution strategies for the pillars that make up the sustainability policy. In addition to overseeing the implementation and compliance with any international and/or local alliances or agreements that are developed around the policy's themes.

Sustainability governance

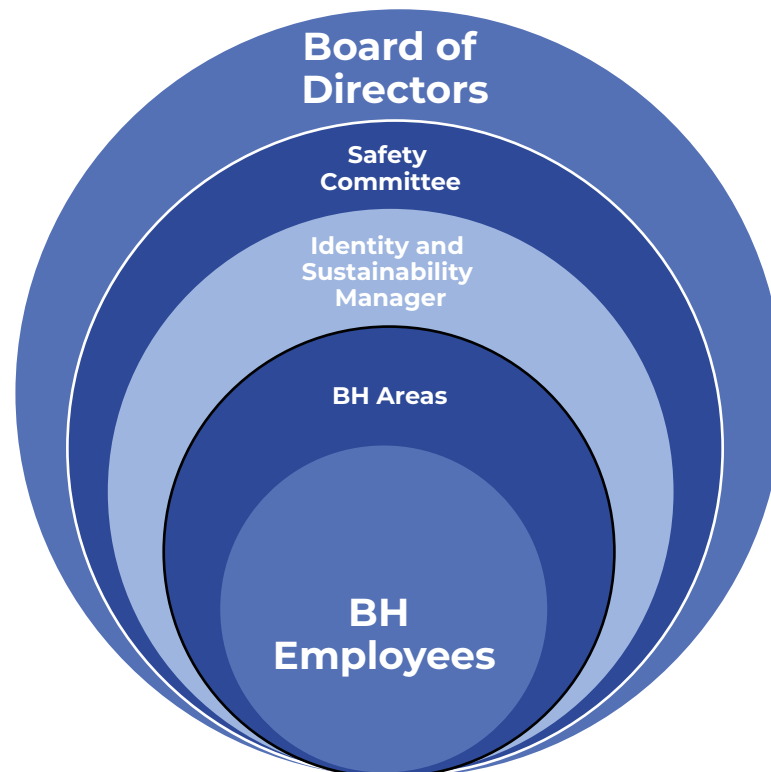
The Sustainability Committee reviews, approves and modifies guidelines, processes, projects and methodologies that contribute to the work of the four pillars of the Sustainability Policy.

Based on the agreements reached at the committee meetings, guidelines are provided to the other areas for support in activities and execution of the actions of the work plan of the Sustainability Strategy, depending on the subject matter.

Certain committee agreements are presented to other support committees for follow-up actions.

The work plan of the Sustainability Strategy is led by the Identity and Sustainability Management, who reports on the follow-up and progress to the Sustainability Committee and the Board of Directors.

For internal reporting, quarterly bulletins are shared with the staff to inform them of sustainability activities, and the sustainability report is prepared annually.



Ethics and Compliance

**GRI 2-15, 2-16, 2-23, 2-24, 2-25, 2-26, 2-27,
205-1, 205-2, 205-3, FS-15**

Banco Hipotecario has a Code of Ethics, Anti-Bribery and Anti-Corruption, which is essential for the prevention, detection, investigation, and eradication of illicit activities; the institution is committed to zero tolerance for non-compliance. The Code applies to all employees, including Senior Management and the Board of Directors, as well as to third parties that provide services to the bank, who are also subject to due diligence before being hired.

The Code includes requirements for the prevention of conflicts of interest. Employees can make inquiries mainly to their immediate supervisor or directly to the Ethics Committee, to determine if they are facing a possible case; and are required to report them in case of occurrence, otherwise it will be considered a fault and the system of consequences will be applied.

As a complement to the Code of Ethics, Anti-bribery and Anti-corruption, the following are also available:

- Manual on the Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction.
- Procedure for Reporting Unusual Transactions.



All procedures and policies that Banco Hipotecario has in place are communicated through institutional e-mail. In addition, the Code of Ethics is publicly available on Banco Hipotecario's official website.

With the internal regulatory framework and management, the bank has a special focus on the following higher-risk operations:

-
- Acceptance of gifts, donations and invitations.
 - Acceptance of training and per diems.
 - Facilitation payments.
 - Lobbying.
-

In addition, annual training is provided to employees and the Board of Directors on topics such as:

-
- Anti-Bribery and Anti-Corruption Code of Ethics.
 - Importance of the Anti-Bribery and Anti-Corruption Code of Ethics.
 - Ethical Postulates.
 - Acts of corruption.
 - Incorrect Acts.
 - Manual on the Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction.
 - Procedure for the Unusual Transactions Procedure.
-

Board of Directors training

	2020	2021	2022
Corporate Governance	6		
Corporate Governance and Risk Management			
Incorporation of environmental, social and governance (ESG) criteria for decision-makers		6	6
Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)			5
Corporate Governance, Information Security and Cybersecurity			5

Employees trained on ethics and anti-corruption

Job category	2020		2021		2022	
	Total number of employees	N° trained	Total number of employees	N° trained	Total number of employees	N° trained
Strategic	7	6	13	3	12	11
Executive (management)	101	96	111	67	114	111
Tactical	54	54	55	39	67	65
Operative	646	593	663	449	694	662
Total	808	749	842	558	887	849

In Banco Hipotecario we have two channels to communicate any risk event related to non-compliance with the code of ethics, which are available to all employees, being a telephone line and an email address. Any internal complaint is handled confidentially. In 2022 there were 3 complaints, none of these were marked with a serious category.

The Ethics Committee is appointed by the Board of Directors, which deals with cases of non-compliance and bad practices, resolves conflicts of interest and is in charge of promoting the organizational culture in accordance with institutional values and ethical principles.

All this management has allowed that by 2022, there were no corruption cases to be presented to the corresponding instances. It also contributes to the fact that Banco Hipotecario does not make contributions to political parties and/or representatives.

On the other hand, the Board of Directors delegates to the Customer Experience Committee the function of promoting and addressing improvement proposals resulting from the analysis of the interactions that internal and external customers of the Bank have regarding the handling of the products, services or channels offered by the Bank; as well as following up and resolving complaints, claims, extraordinary procedures, and attention to external frauds affecting the Bank's stakeholders. This committee is responsible for handling critical communications with the relevant support areas in order to be able to attend to them. For the reporting year, no critical concerns have been handled.



Supply chain relationships and activities

GRI 2-6, 204-1

Our network of suppliers of goods and services is made up of private sector companies, classified in the country as individuals or legal entities.

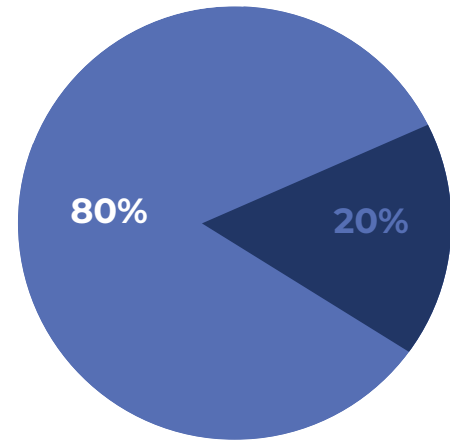
Specifically, there are 291 suppliers, classified as: 1) frequent supplier, from whom goods, works or services are purchased on a regular basis, to meet daily operational needs; 2) outsourced supplier, who are hired to delegate the Bank's processes; and 3) critical supplier, who provide services that are part of a priority process of the Bank.

1. Frequent supplier	251
2. Outsourced supplier	17
3. Critical supplier	23
Total:	291

As an institution, we are committed to the economic and social development of people who own small businesses. 20% of our suppliers are individuals.

Likewise, national recruitment is promoted.

● LEGAL ● NATURAL



Below is a breakdown of our supplier data:

	2021	2021	2022	2022
Total, from suppliers	244	\$11,428,921.00	291	\$14,515,296.83
National	95%	\$10,857,474.95	94%	\$13,644,379.02
International	5%	\$571,446.05	6%	\$870,917.81

Environmental and social risk analysis for suppliers

The procurement process for goods and services is based on the principles of transparency, confidentiality, economy, quality of the goods acquired, timeliness, responsibility, and commitment to the environment.

As part of our internal policies, suppliers sign an agreement to guarantee the development of good environmental and social practices; non-compliance with this agreement is identified by the purchasing manager and evaluated by the Environmental and Social Risk Officer; when the materialization of a risk is determined, it is grounds for terminating the contractual relationship with the supplier.

This seeks to mitigate any environmental or social risk that may expose the bank and ensure that the product or good purchased meets ethical and quality standards and adequate environmental and social protection practices. The Purchasing Policy and the Purchasing Department ensure compliance with and follow-up on this agreement.

Sustainable finance

Environmental and Social Risk Management

FS1, FS2, FS3, FS4, FS5, FS9, FS10, FS11

Banco Hipotecario has an Environmental and Social Credit Risk Management System (SGRAS), based on a specific policy approved by the Board of Directors.

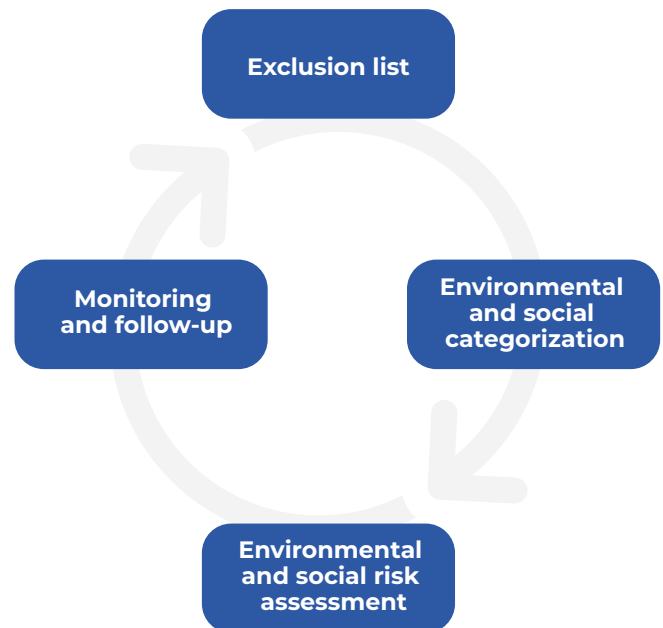
Environmental and Social Risk Management Policy

It applies to all commercial activities carried out by the bank, with a special focus on financing and other activities. It is equipped with a methodological framework and key tools. It is based on the IFC (International Finance Corporation) Environmental and Social Performance Standards and is transversal to the bank's activities.

The system consists of a set of tools, which are used during the process starting with the application of the exclusion list, risk categorization, risk assessment and analysis, and monitoring and follow-up.

Exclusion list: This consists of verifying that each party interested in establishing some type of commercial relationship with the Bank is not on the list of activities, works or actions restricted by the institution itself based on the IFC Performance Standards standard.

Environmental and Social Categorization (E&S): Consists of assigning an initial categorization to a financing applicant or supplier according to the potential risks of the economic activity(ies) in which it is engaged.



E&S risk assessment: Consists of conducting a documentary and practical review and analysis in a stepwise manner, from a simplified assessment to an expanded or more in-depth assessment, determined according to the E&S risk category of the person being assessed.

Monitoring and follow-up: Focuses on following up on compliance with the environmental and social action plans defined as a special condition in financing, portfolio reviews to verify compliance with environmental and social regulations, and generating the necessary reports on the Bank's management.

The processes defined to monitor or ensure compliance with environmental and social standards by the bank's clients are as follows:

1. 100% of loan clients are categorized.
2. All actions or measures to be implemented are defined by means of environmental and social action plans, which are part of the loan approval and are separated into three possibilities:
 - a) Clients with the capacity and willingness to remedy the findings prior to loan disbursement.
3. Action plans are defined by means of special conditions in the loan approval, are communicated in writing to the client and are part of the loan contract. They are recorded in an internal control for follow-up and monitoring of compliance on a regular basis.

The criteria that define the environmental and social risk category of a loan are as follows:



1. Potential risk inherent to the economic activity, work or project. Amount and purpose of the loan.

Territorial sensitivity.

The criteria that define whether an environmental and social risk assessment is carried out is the category of potential risk or the prior identification of exposure to environmental or social risks.

	Year 2022 (%)	Required by law
Total assets subject to positive environmental impact and/or social screen	55%	No
Total, of assets subject to a negative environmental and/or social screen	6%	No
Total assets subject to a combined positive and negative environmental and/or social screen.	39%	No

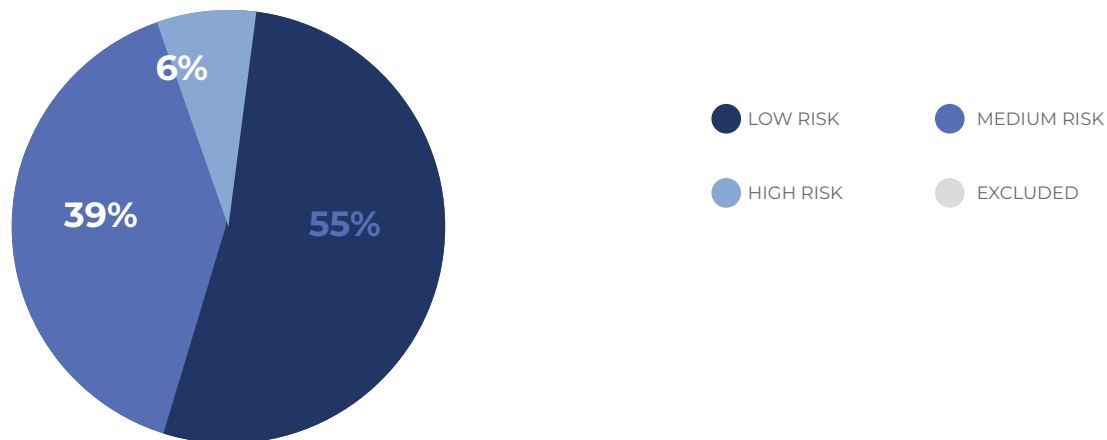
Environmental and social analysis performed on the portfolio:

	2020	2021	2022
Number of loans	1,409	1,999	889
Percentage	31%	32%	10%

Low risk category loans are not evaluated for all segments.
Medium risk microenterprise loans are not subject to E&S evaluation.

By 2022, the loan portfolio by environmental and social risk category was made up as follows:

Classification of the loan portfolio with balances as of December 31, 2022 (Amount)



For the implementation, execution and follow-up of the environmental and social risk management system, the internal areas related to the management system are: the Environmental and Social Risk Officer, business areas, Financial Analysis Management, Identity and Sustainability Management. Through them, the different steps are carried out and due diligence roles are executed, ranging from the identification of the environmental risk category, the completion and review of environmental and social risk assessment forms, the gathering of information through sectoral questionnaires, letters of commitment or affidavits from the client, on-site visits and portfolio performance monitoring and reporting. Each interaction or role is defined in policy and is previously coordinated with the parties involved and always generates a respective report for each type of interaction, which is made known to all stakeholders to take action or terminate the activity pending follow-up.

Internal audits for policy implementation are also considered in this process and are carried out on a regular basis. It is worth mentioning that our organization is subject to external supervisions on the progress of the implementation of its environmental policies by multilateral fund providers. In 2022 the audits that stand out are:

Audit	Standard used
CABEI-OFIMSA: Environmental and Social Supervision	Inter-American Bank for Economic Integration (CABEI) SIEMAS Policy
SICAV-SIF: Annual Environmental and Social Performance Report 2022	Facilities Agreement dated September 15, 2016. Eco Business Fund (EBF)
SRV-IFI-EIN. Bandedal Portfolio Supervision	Bandedal's environmental policy
Audit of the loan process - Internal audit.	NRP 15 - BH Internal Policies

As a result of the audits received, these allow to generate changes for the improvement of internal processes, maintain or increase the team to enhance environmental and social management, implement the continuous training program, as well as maintain recommended actions in the plans provided by the audits in accordance with the established deliverables, in order to provide means of verification within the framework of the annual E&S self-monitoring performed by external entities.



Green Loan

FS8

It is a cross-cutting financing program for the entire loan operation; applications may be categorized as "green" if they contribute to: Climate change mitigation and adaptation and environmental protection.

The goal we have set with the program has been to place **\$50 million in green loans by 2024**. From the launch in 2020 to date, 2% of Banco Hipotecario's loan portfolio is **green, with a balance at the end of 2022 of \$18.2 million**.

Portfolio composition by type of green investment in amount and number of loans.

BH Green Loan

Type of investment:	Amount 2020:	%	Amount 2021:	%	Amount 2022	%
Energy Efficiency	\$169,200.00	33%	\$8,697,906.8	87%	\$16,379,915.57	90%
Renewable Energies	-		\$1,231,485.5	12%	\$1,492,226.91	8%
Sustainable Production	\$329,400.00	67%	\$107,994.8	1%	\$411,321.45	2%
Total	\$498,600.00	100%	\$10,037,387.1	100%	\$18,283,463.93	100%

Type of investment:	credits 2020	%	credits 2021:	%	credits 2022	%
Energy Efficiency	4	33%	13	65%	30	90%
Renewable Energies	-	-	3	15%	9	8%
Sustainable Production	8	67%	4	20%	11	2%
Total	12	100%	20	100%	50	100%

Compliance with the strategic green loan indicator:

Portafolio	2021	%	2022	%
BH Green Loan Portfolio	\$10,037,387.19	1%	\$18,283,463.93	2%
Conventional Portfolio	\$ 997,077,390.25	99%	\$ 1,070,822,182.47	98%
Total	\$ 1,007,114,777.44	100%	\$ 1,089,105,646.40	100%

Products with a social focus

FS7

For our organization, financial inclusion is a strategic area that seeks to enhance people's development by providing tools to improve their finances and include them in the formal financial system.

The institution works in the development of inclusive products and services, in line with the national financial inclusion policy.

The sectors prioritized by Banco Hipotecario are low-income women, entrepreneurs, and subsistence microenterprises. Considering these initiatives, specific objectives were defined that will enable the bank to obtain medium and long-term results in terms of financial inclusion.

In addition, we are working on inclusion by facilitating the use of remote channels, such as online and mobile banking.

Actions implemented	2020	2021	2022
Number of customers banked through the granting of financial inclusion loans	12	62	306
Number of persons with simplified accounts	207	1,099	15,382
Número de transacciones de e-banking y app móvil BH	1,260,713	6,002,057	9,381,325

In 2022, a special line of credit called **Zero Usury** was developed to support people who have used loan sharks and moneylenders; 182 loans were granted.

In addition, Banco Hipotecario has the **Women in Action** Program, with lines of credit with special conditions such as: grace period for maternity situations, disability due to pregnancy, illnesses, or surgeries specific to women, illness or death of a family member. The lines of credit offered are: women's inclusion and women's housing.

The amounts placed in 2022 were:

Product type:	Amount 2021	Amount 2022
Inclusion of women	\$1,187,640.00	\$1,033,000.00
Housing for women	\$209,000.00	\$625,000.00



Business School "Desarrollate"

In January 2021, the concept of a "business school" was launched, called "Desarrollate", to offer different topics of interest through workshops, webinars and training to business clients, micro-entrepreneurs and SMEs, supporting them in their professional and economic development.

In 2022, among the topics offered throughout the year are: Tools for financial planning, diploma in e-commerce, energy efficiency and water management, inventory management, business formalization, digital marketing, and business plan development workshop.

Year	Number of trainings	Participants
2021	13	100
2022	27	941

Financial education

FS16

The financial education workshops that we promote contribute to fostering a financial culture through knowledge, skills and aptitudes so that the population can make appropriate decisions regarding their finances.

Actions carried out in 2022:

General public:

Workshop	Target audience	Number of workshops	Total Participants	W	M	Adults	Young people
Health and Financial Culture	Society	25	588	545	43	588	0
Know your numbers	Society	19	499	495	4	499	0
E-commerce	Society	5	131	131	0	131	0
		49	1,218	1,171	47	1,218	

Clients:

Workshop	Target audience	Quantity	Participants
Digital media, payment gateways	BH Clients	10	369
Financial skills	BH Clients	13	488
Total		23	857

On the other hand, collaborators were previously trained in the following topics, so that they can offer the FE workshops to the general public:

Themes provided	Trained collaborator
Financial education facilitation techniques	102
Master Training	7
Know your numbers" simulator workshop training	35

For staff within our organization, we also provide virtual courses on **Financial Health and Debt Management**, to support them with knowledge that will enable them to improve their personal finances.

In addition, **Financial Health Appointments**: is an initiative to promote financial literacy. Since 2021 we offer an online space for the general public to obtain confidential online advice on possible alternatives and solutions to reduce debt levels and learn about the use of budgeting as a tool for managing income and expenses.

In 2022, a total of 97 appointments were attended via telephone, of which 52% corresponded to women and the remaining 48% to men



Identification and analysis of portfolio impact

In 2019, our organization signed the **Principles for Responsible Banking (PBR)**, which it subscribed to as a member of the United Nations Environment Program (UNEP-FI). These principles seek to align sustainable practices from the business to have a positive impact.

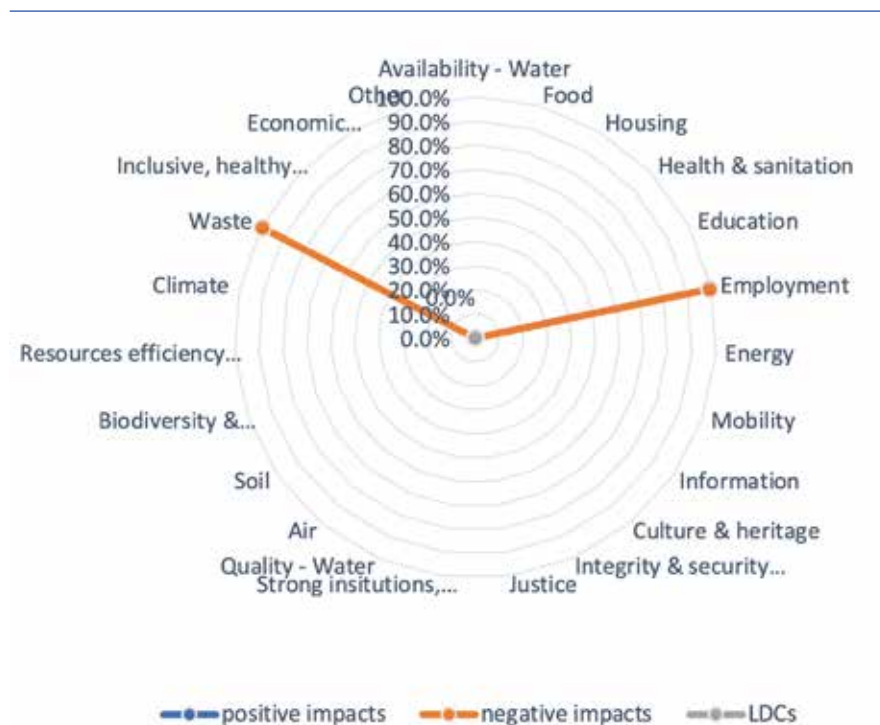
To this end, Banco Hipotecario has programs with a social focus, such as the aforementioned BH Women in Action Program and the financial inclusion program; and with an environmental focus, we have the BH ecological loan.

As part of the commitments acquired with UNEP-FI, the identification, evaluation and improvement of the impact on people and the environment **resulting from its activities, products and services is included.**

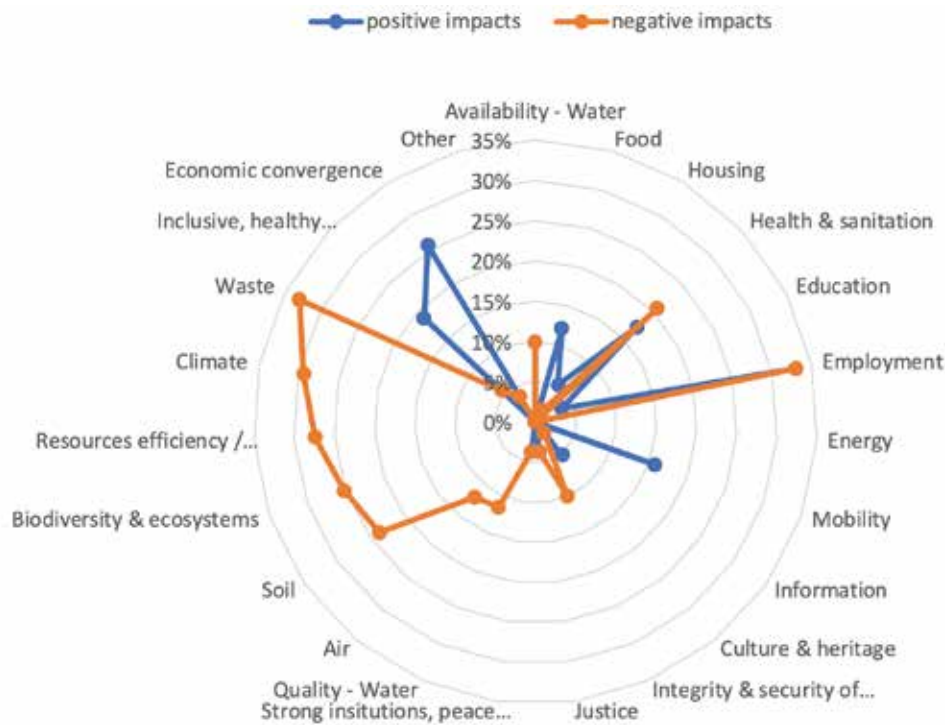
In 2020, the first impact analysis exercise was conducted, using UNEP-FI's specific tool, which allows financial institutions to identify their most significant impact areas based on the nature, content and geographic scope of their portfolios, and to assess their current level of performance in relation to these impact areas.

Banco Hipotecario analyzed its portfolio at the national level, both consumer (where personal loans were considered) and corporate (where transportation and agricultural loans were considered); consumer loans represented 10% of our national share and the latter 90%.

IMPACT AREAS - CONSUMPTION



AREAS OF IMPACT - CORPORATE BANKING



In addition to the impacts generated by the portfolio, the significance of the issues in the country was also considered. Based on both criteria, the main impact areas to be worked on were determined:

Positive Impacts

- Economic convergence
- Inclusive and healthy economies
- Education

Negative impacts

- Weather
- Biodiversity

Among the actions taken by the bank to manage its relevant negative impact areas (Climate), credit lines have been defined for the development of renewable energies, energy efficiency and sustainable production, which contribute to the strategic objective set by Banco Hipotecario to have a 5% green portfolio by 2024.

Likewise, the economic sectors of the portfolio to be prioritized for these impacts have been defined, such as Transportation and Agriculture, determining the greenhouse gas (GHG) emissions generated through the financing.

The areas of positive impact in the social sphere such as economic convergence, inclusive and healthy economies and education, have advanced Banco Hipotecario's agenda in financial inclusion. The institution has been participating in working groups organized for UNEP-FI member banks that allow them to understand financial inclusion and health, as well as to consider their national context and portfolio in order to define objectives in this area. To date, progress continues to be made in establishing the financial inclusion strategy and defining objectives.

Within this exercise, Banco Hipotecario will define its financial inclusion objective in 2023 and will continue to develop products with a financial inclusion focus.

Banco Hipotecario has subscribed:

- Principles of Responsible Banking (PRB)
- The commitment of the PRB to financial health and inclusion
- Climate Action Commitment

Calculation of portfolio issues

As part of the Climate Action Commitment, provided by UNEP-FI, Banco Hipotecario in 2022 carried out the GHG emissions quantification exercise through the methodology of the Partnership for Carbon Accounting Financial (PCAF), for its acronym in English.

PCAF offers a methodology for measuring funded issues in six asset classes:

<ul style="list-style-type: none"> • Corporate bonds • Commercial loans • Power generation • Commercial real estate • Mortgages • Vehicle loans 	<p>The methodology defines information quality levels according to the accuracy and estimation of data. For the quantification exercise, Banco Hipotecario used emission factors provided by the tool, as well as others consulted to the National Energy Center of El Salvador.</p> <p>The calculation of emissions was made for the portfolio data at the end of 2021. As a first exercise, the emissions of some of the sectors financed in the loan portfolio were calculated: housing, transportation.</p>
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Sector	Volume \$	Portfolio participation	Emissions financed (TonCO2)	Data quality score
Mortgages	\$175,010,393.07	17.15%	18	5
Transportation	\$110,956,987.93	10.87%	122,267	5
Total	\$285,967,381.00	28%	122,285.00	5

The objective of this first quantification exercise is to be able to measure the indirect emissions generated by the financing provided to the sectors through loans and thus be able to define reduction targets. This exercise will be carried out extensively and on a technical basis by the 3rd quarter of 2023 at the latest, considering scientific scenarios in order to comply with Banco Hipotecario's commitments in this area. In addition, it will allow prioritizing initiatives with clients to move with them to decarbonization models of the portfolio.

Customer experience

Infrastructure and operation

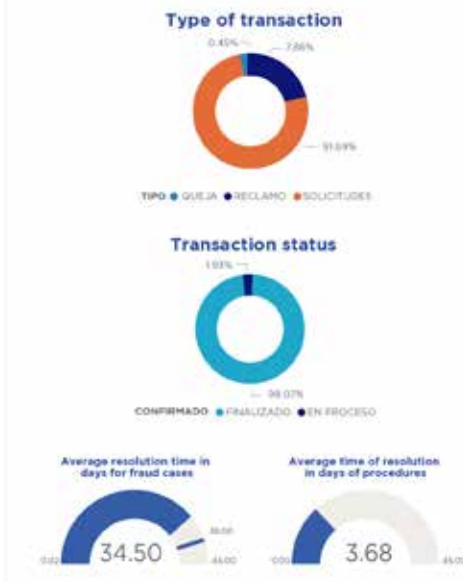
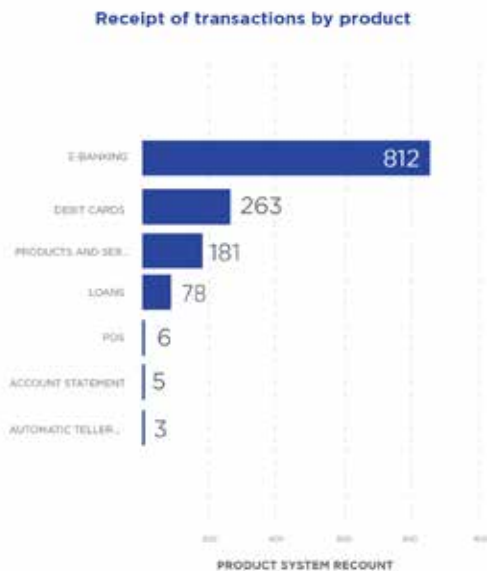
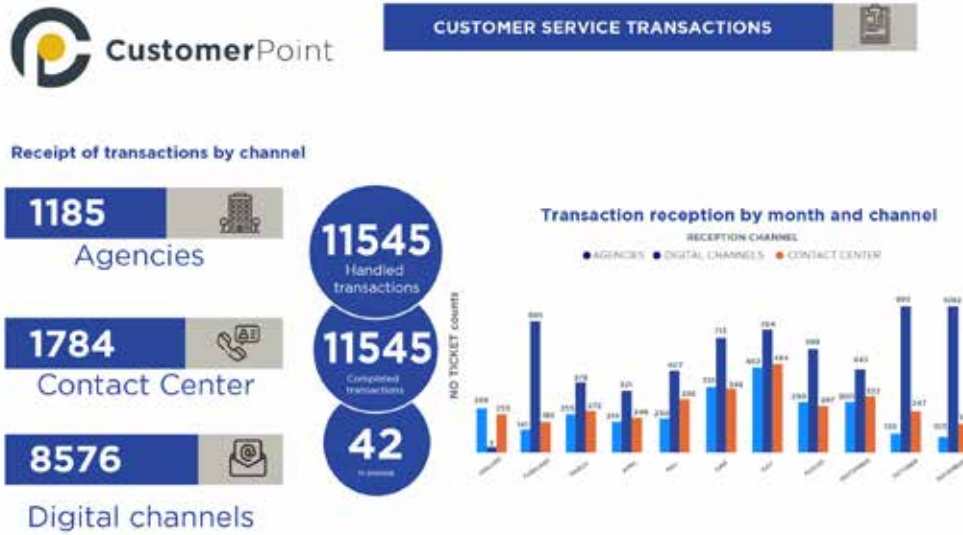
GRI 2-25, 3-3, 203-1

The institution continues to grow in infrastructure to provide the best service to its customers. They have different channels to carry out their operations, both in person and remotely. This year, 2 new branches and BH counters were opened, increasing the presence of the institution in the market.

For the attention of requests, complaints and claims, Banco Hipotecario makes available to customers and users the following service channels: Physical or telephone branches, Contact Center, e-mails, self-service form supported on the institution's Website, E-banking, Mobile App, and online chat via Social Networks.

For Banco Hipotecario, customers are at the center of the business, and we are constantly seeking to improve their experience, from the very design of processes, channels, products and services. The implementation of a CRM has been key in strengthening the relationship, for data analytics to better understand the customer, as well as to centralize their requirements and be able to direct them to the different areas.

A statistical summary of the procedures handled in 2022 is presented, including the different service channels, types of procedures, type of product and average resolution times:



Responsible marketing

GRI 3-3, FS15

The institution manages different strategies to keep clients from over-indebtedness, especially with the exhaustive evaluation of their income in order to be able to grant adequate financing in accordance with their needs and payment capacities.

In special cases, when clients are in debt with other financial institutions due to market reasons such as a decrease in sales, losses due to climate changes, or over-indebtedness, viable solutions are sought to resolve the situation.

Experience management

GRI 416-1, 416-2, 417-1, 417-2, 417-3, 418-1

Based on communication with clients, the institution implemented a strategy with the following outstanding advances this year:

INTERNAL MANAGEMENT

Actions taken in 2022 to generate the foundations of the experience:

- **Creation of a customer experience policy**, a document that contemplates the guidelines for the customer's relationship with the Bank.

- **Creation of a customer experience committee**, which is part of the corporate governance, formed by the key areas of business, customer service and innovation; it establishes the actions to be taken in response to the needs and expectations of customers and users presented to the committee, as a result of the results obtained in the different reception channels and/or studies.

- **Establishment of management indicators**: based on recommendation, satisfaction, and customer effort in the use of products, services and channels offered by the Bank.

- **Inclusion of projects and initiatives**: that directly impact the needs of clients and the performance of indicators related to the established goals.

- **Branch service:** presentation of proposals to improve waiting times for new product and service affiliation procedures.
- **Financial inclusion alternatives:** offering financial products oriented to specific segments that naturally demand attention at points of service and increasing their presence there.
- **Ease of use of digital channels:** make and propose improvements in digital channels to facilitate their understanding, use and exploitation.

EXTERNAL MANAGEMENT

Regarding our external audiences, the following projects were carried out in 2022:

"CLIENT VOICE" PROJECT

The project was born with the objective of offering digital channels for suggestions to internal and external customers and users, promoting immediate listening to the voice of the customer.

Channels for the reception of needs and expectations have been implemented that allow the immediate reception of the information collected in optimal time periods for its due treatment, such as:

- Digital mailbox, featured in a QR code in branches, website, App, e-banking, mailing
- Internal communication mailing "Voice of the internal customer".

"CX" PROJECT

The project was created with the objective of providing an immediate and active escalation of our clients' and users' transactions in a timely and centralized manner, enhancing omnichannel and self-service in digital transactions. For this purpose, the Single Self-Management Form has been implemented.

The project also includes a marketing component, to launch promotional and informative campaigns to our customers, send links to satisfaction surveys.

The project investment was \$567,892.22 and represents a transformation challenge within and outside the Bank to further enhance the customer experience through omnichannel, management efficiency and agile

Proceedings with regulatory agencies:

With respect to customers, in the 2022 fiscal year, there were no legal sanctions, significant fines, or monetary penalties.

Regarding complaints for the protection of the rights of financial users, the following were registered:

Complaints filed with the Office for the Protection of Financial Users - 2022

No. of complaints filed		Number of complaints investigated by the institution	No. of complaints resolved				
Number submitted by customers	Number submitted by other agents, organizations, etc.		No. of cases with monetary sanction	Value of monetary penalties (USD)	No. of cases with non-monetary sanction	Of the proceedings resolved, number of contested proceedings	N° of procedures resolved in favor
11,545	33	11,578	0	\$0	0	21	11,557
No. of proceedings that remain open						0	

Regarding cases of non-compliance related to communications, in 2022 there were 44 cases of customers who reported not receiving refunds for promotions within the agreed timeframe. In the advertising it is detailed that we have a stipulated period of 30 days for reimbursement, however, after 30 days there were cases that did not register this benefit.

Some of the actions taken to mitigate this inconvenience have been the validation and evaluation of procedures to speed up procedures due to high demand, as well as a proposal to improve forms. The certificates of case closure issued by the regulatory and supervisory entities of consumer rights are not delivered on time, so that for Banco Hipotecario the cases have been resolved and notified via e-mail by the same institutions but are not delivered formally.

Experience Measurement

Additionally, at Banco Hipotecario we proactively seek to understand the expectations and needs of its customers and potential customers.

The following indicators are measured, and based on the results, different measures are implemented: Net Promoter Score (NPS, recommendation), Customer Satisfaction (CSAT, satisfaction) and Customer Effort Score (CES, effort).

Net Promoter Score (NPS)¹: 22% in 2022; in 2024 it is expected to reach over 50%.

Purpose of the Indicator: The probability that a person will recommend a brand, company, product or service to another person.

Customer Satisfaction (CSAT)² :

from 68% in 2022; in 2023 it is expected to reach 70%..

Purpose of the Indicator: To improve the stages of the purchase or acquisition process of the products and services offered by the Bank to its customers, as well as the customer service processes received in the different channels, their perception of the Bank and their relationship with it.

Customer Effort Score (CES, effort)³: 3 out of 5 in 2022, corresponds to the established goal.

Purpose of the Indicator: To evaluate how much effort the client makes to achieve his objective each time he interacts with the channels that the Bank makes available to him. It seeks to generate loyalty by identifying the efforts made by the customer and thus minimize them in their interaction with the Bank.

Internal Environmental Management

Banco Hipotecario assumes responsibility for the protection and care of the environment, through actions within its operations that allow it to be more efficient.

In 2021, we developed permanent programs to monitor the use of resources, integral solid waste management, carbon footprint measurement and the permanent program to strengthen the institutional culture on environmental issues.

The strengthening of the environmental culture is important, and includes the commemoration of environmental day, recurring resource-saving messages on the internal network, training for Bank personnel called "Green Ambassador", online training through BH Learning, and training for new personnel on sustainability issues.

¹The NPS indicator contemplates ranges from 0 to 10, where customers and users who score 0 to 6 are identified as detractors, i.e. dissatisfied and who may be participants in negative word of mouth; 7 to 8 as neutral, i.e. satisfied, but not loyal, who are susceptible to go to the competition. They can more easily become detractors or promoters; and 9 to 10 as promoters, i.e. very satisfied and therefore loyal to the Bank, willing to buy more and recommend it.

²CSAT (%) = (# satisfied customers + # very satisfied customers) / # total # of customers consulted

³CES = (#clients rating (1) x 1) + (#clients rating (2) x 2) + (#clients rating (3) x 3) + (#clients rating (4) x 4) + (#clients rating (5) x 5) / #total clients surveyed.

Solid waste management

GRI 3-3, 306-1, 306-2, 306-3, 306-4, 306-5

For waste management, we seek to raise awareness among our personnel through the practice of the 5 "R's": reject, reduce, reuse, repair and recycle in order to extend the useful life of products and tools used in the facilities.

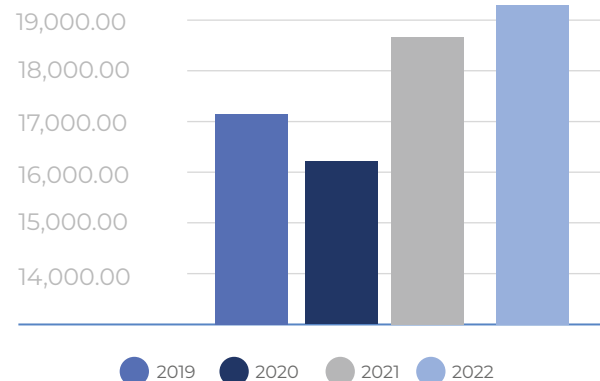
Throughout the year, 28,207 kg of waste were managed, corresponding to the following types and destinations.

Type of waste	Quantity generated in 2022 (Kg)	Destination of waste
Paper	22,249.00	Recyclable waste manager
Cardboard	4,389.00	Recyclable waste manager
Plastic	976.00	Recyclable waste manager
Aluminum	195.00	Recyclable waste manager
Bio-infectious	23.00	Bio-infectious waste manager
Electronic scrap	347.00	Recyclable waste manager
WEEE	28.00	WEEE waste manager
Non-recyclable waste	N/D	Landfill
TOTAL	28,207.00	

With regard to paper consumption, we keep track of the kilograms of paper used for printing in Banco Hipotecario's branches and administrative buildings. The paper used for operational and business purposes is recycled, respectively.

Paper Consumption (Kg)

Year	Total paper weight (kg)
2019	17,185
2020	16,308
2021	18,751
2022	19,239



The recycling process within Banco Hipotecario begins with the separation of waste by the collaborating personnel, in the internal stations defined in the work areas and branches. Subsequently, it is concentrated in recycling points for the monthly collection of recyclable material already classified for temporary storage in the collection center at the administrative offices in San Salvador. At this center they are stored until they are delivered to the authorized recycling management companies with which Banco Hipotecario has letters of understanding for the final disposal of the waste.

The operation implements initiatives to reduce waste generation, such as the digitalization of processes and the reuse of paper.

Energy

GRI 3-3, 302-1, 302-3, 302-4

The institution has set itself the goal of reducing energy consumption, especially electricity. A documented control of electricity consumption is kept to monitor the behavior of each service center, in order to promote and facilitate efficiency. The following initiatives are noteworthy:

- Replacement of air conditioning equipment for more efficient models in Merliot, Usulután, San Vicente, San Francisco Gotera, Ciudad Barrios, Airport, Zacatecoluca, Senda Florida building (first level).
- Ongoing staff awareness campaign to promote energy savings in offices.

Energy consumption table (Kwh):

Year	Energy (kWh)	Variation (%)
2019	2,473,643	Baseline
2020	2,139,312	-14%
2021	2,686,579	9%
2022	2,202,758	-12%

· Control of the use of fuel of Banco Hipotecario's fleet of vehicles, used for business and administrative activities of the institution:

Fuel consumption table (Gal):

	Diesel (gal)	Super Gasoline (gal)
2021	943	902
2022	1,564	903

TOTAL ENERGY CONSUMPTION VALUE (GJ)

	2021	2022
Electricity	9,671.7	7,929.9
Fuel	324.7	434.1
Total	9,996.4	8,364.0
Intensity (GJ/collaborator)	11.9	9.2

In 2022, the corporate carbon footprint measurement exercise began, using the Greenhouse Gas Protocol methodology and the ISO 14064-1 standard. The baseline was taken as 2019, and reduction measures were established.

Community

GRI 3-3

Banco Hipotecario is committed to meeting different social needs, in a complementary manner to its activities as a financial institution. To this end, it collaborates with different institutions.

Donations

Support was provided to different institutions to strengthen community projects, such as the implementation of a homework club with furniture and computer equipment, sports equipment, basic food basket, cleaning supplies, mats and toys, for an approximate amount of \$23,200.00.

Mercadito BH

This is a space provided to entrepreneurs of groups organized by Banco Hipotecario's alliances to market their products. In 2022, 8 small markets were held, with the participation of 246 entrepreneurs from the programs promoted by the Ministry of Local Development and ISDEMU, which generated \$12,161.45 in sales.

Volunteering

To carry out community development activities in areas where BH is present, activities are carried out with the team of volunteers of the institution. Among the activities carried out in 2022 are:

Beach cleaning	187 pounds of common trash collected, 56 pounds of glass, 34 pounds of plastic and 7 pounds of cans.
Reforestation	600 fruit and forest trees planted.
Recycling day	Waste received from the general public included 1,337 pounds of electronic waste, 41 pounds of cans, 518 pounds of scrap metal, 56 pounds of plastic and 465 pounds of paper.
Painting day in a school center	Two painting days with the participation of 44 volunteers.



Annexes

Appendix I: Stakeholders, Materiality Analysis

GRI 2-29, 3-1, 3-2, 3-3

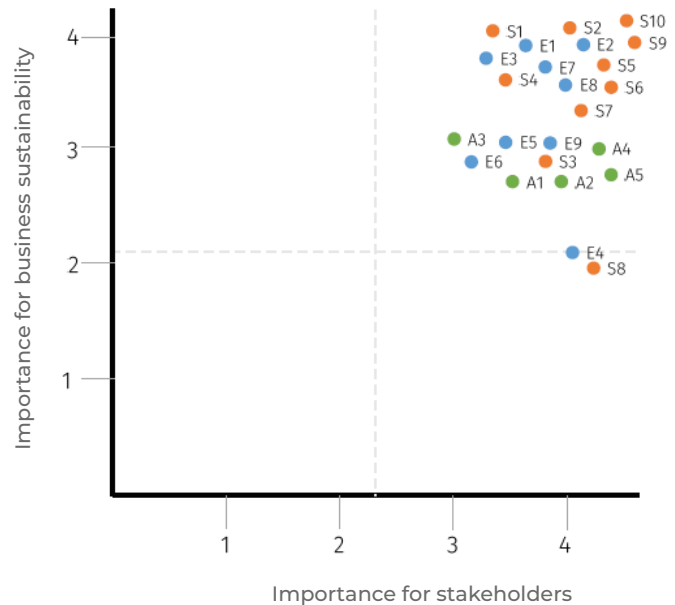
The institution considers as stakeholders those that may be significantly affected by the activities, products and services offered as a bank. An exercise was carried out to identify and evaluate them, and the following were defined:

Interest group	Communication channel	Area responsible for communication
Shareholders	Shareholders' Meeting Annual reports	Unidad de Atención al Accionista
External funding sources	E-mails Annual reports Forums	Dirección de Planificación y Finanzas
Regulatory bodies	E-mails Annual reports Meetings Press releases	Dirección de Riesgos Oficialía de Cumplimiento Dirección de Planificación y Finanzas
Collaborators	E-mail Ethics line Surveys	Gerencia de Desarrollo Humano Gerencia de Identidad y Sostenibilidad
Customers	Branches Online channels Social networks Opinion polls	Jefatura de Experiencia al Cliente Dirección de Banca Empresa y Comercial. Gerencia de Agencias
Suppliers	E-mail	Departamento de Compras
Central Government	E-mail Annual reports Press releases	Presidencia Gerencia de Identidad y Sostenibilidad Dirección de Planificación y Finanzas

In order to focus on the priority issues for which we generate economic, environmental and social impact, Banco Hipotecario conducted its materiality analysis in 2020. The methodology consisted of:

1. Identification of economic, environmental, and social issues that are relevant to the financial industry.
2. Evaluation of each material issue to know how key it is for business continuity and its importance for stakeholders.
3. Integration of the evaluation results. Material issues are considered to be those considered important from the perspective of stakeholders and the institution's internal perspective.

ECONOMICS	E1	Corporate Governance and Ethics
	E2	Compliance and Anti-Fraud
	E3	Risk and Crisis Management
	E4	Digitalization - Digital Banking
	E5	Financial Inclusion
	E6	Financial Education
	E7	Brand and Reputation Management
	E8	Innovation
	E9	MSME Development
SOCIALS	S1	Work Practices
	S2	Internal Culture
	S3	Talent Attraction and Retention
	S4	Occupational Health and Safety
	S5	Relationship with Governmental and Non-Governmental Entities
	S6	Transparency towards the consumer
	S7	Customer Satisfaction
	S8	Community Investment
	S9	Cybersecurity and Data Protection Inclusion and Equality
	S10	Inclusion and equity
ENVIRONMENTAL	A1	Waste management
	A2	Eco-efficiency and carbon emissions
	A3	Green purchasing
	A4	Climate Change Adaptation Strategy
	A5	Environmental investment



Annex II:

Contribution to the Sustainable Development Goals.

The 2030 Agenda and its Sustainable Development Goals (SDGs) are the international roadmap proposed by the United Nations to address society's main challenges, in close collaboration with companies, academia and the population as a whole.

Banco Hipotecario contributes especially to those most connected to its business model, activities, products, and services:

Pillars of the Sustainability Strategy	SDG	Goal	Banco Hipotecario
<p>Transparency and ethics To ensure that operations are governed under ethical standards based on values for the fulfillment of the institution's objectives.</p>	  	8.3 10.5 16.5 16.b	SGRAS Sustainability culture Code of Ethics Code of Conduct Anti-corruption regulations
<p>Sustainable Finance Facilitate access to inclusive sectors in the granting of loans, as well as diversify the portfolio from conventional to green loans.</p>	   	2.3 7.3 9.3 9.4	Agricultural loans Green financing Financial inclusion Eco-efficiency BH Women in action SGRAS Innovation in care processes

Pillars of the Sustainability Strategy	SDG	Goal	Banco Hipotecario
<p>Internal Management Environmental</p> <p>Assume the responsibility of our operations in the protection and care of the environment, implementing processes that bring us closer to being agents of impact in the reduction of environmental pollution and in the prevention of Climate Change.</p>		<p>.4 7.3 12.2 12.4 13.1 17.6</p>	<p>Sustainable construction Eco-efficiency Waste management ARAS Carbon footprint</p>
<p>Social responsibility and gender</p> <p>Cultivate the relationship with our collaborators and clients, being them the pillar of our operations, considering in our processes their needs to promote their personal, professional, and economic growth hand in hand with innovation, having as a north the expectations of the market and our stakeholders.</p>		<p>5.1 5.5 8.3 8.8 10.2 13.3 17.7</p>	<p>BH Women in action WEPS implementation Community projects Environmental and social volunteering Donations Internships Financial education</p>

Annex III:

Self-Assessment of the Implementation of the Principles of Responsible Banking

Banco Hipotecario subscribed to the Principles for Responsible Banking (PBR), coordinated by the United Nations Environment Program Finance Initiative (UNEP-FI). This initiative encourages banks to contribute to sustainable development through their business.

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to people's needs and societal goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business Model

Describe (at a high level) your bank's business model, including the main customer segments served, the types of products and services provided, the main sectors and types of activities in the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing, for example, the distribution of your bank's portfolio (in %) in terms of geography, segments (i.e., by balance sheet and/or off-balance sheet) or by disclosing the number of customers served.

Response:

Banco Hipotecario operates nationwide, offering financial products and services to all productive sectors in El Salvador. BH's portfolio is concentrated in SMEs with \$493 million, followed by large companies with \$285 million, individuals such as microentrepreneurs with \$209 million, and finally state entities with \$103.7 million.

Links and references:

Institutional profile

Business model, products and services.

Pages 8 and 11.

Strategy alignment

Does your corporate strategy identify and reflect sustainability as a strategic priority(ies) for your bank?

Yes

No

Describe how your bank has aligned and/or plans to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks.

Does your bank also reference any of the following sustainability regulatory reporting frameworks or requirements in its strategic priorities or policies to implement them?

- United Nations Guiding Principles on Business and Human Rights.
- Fundamental Conventions of the International Labor Organization.
- United Nations Global Compact
- United Nations Declaration on the Rights of Indigenous Peoples.
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g., on climate risk; specify which: IFC Performance Standards, Policy for Environmental and Social Risk Management.
- All applicable regulatory reporting requirements on social risk assessments, e.g., modern slavery; specify which apply. IFC Performance Standards.
- None of the above

Banco Hipotecario has a Sustainability Strategy based on:

- 1) A business vision that contributes to sustainable development
- 2) Material issues
- 3) Portfolio impacts determined as part of the commitment by subscribing to the Principles of Responsible Banking.

Links and references

Sustainability strategy.

Page 14.

It has processes, products and services focused on a social and/or environmental contribution.

The Strategy also serves in the institution's adoption of international best practices, agreements and voluntary standards on environmental, social and governance (ESG) issues. This is the case of the OECD and G20 Corporate Governance Principles, the UN Guiding Principles on Business and Human Rights and the ILO Conventions on labor practices.

In addition, the institution is aligned with the country's agenda for compliance with the Paris Agreement through its Nationally Determined Contributions (NDC). It is making progress in the calculation of its emissions in scopes 1 and 2 and those of its clients in the scope 3 portfolio.



Principle 2: Impact and target setting



We will continuously increase our positive impacts while reducing negative impacts and managing risks to people and the 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)

Demonstrate that your bank has conducted an impact analysis of your portfolio(s) to identify your most significant impact areas and determine priority areas for target setting. All impact analyses should be updated periodically and meet the following requirements/specifications (a-d):⁵

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

Reply

The UNEP-FI impact analysis tool was used. The portfolio was analyzed at the national level, both consumer and housing (where mortgages were considered relevant) and corporate (where transportation and agricultural loans were considered relevant).

Links and references

Identification and analysis of portfolio impact.

Page 69.

- b) Portfolio composition:** Has your bank considered the composition of your portfolio (in %) in the analysis? Provide a proportional composition of your portfolio globally and by geographic scope.

i) by sector and industry for corporates, companies and portfolio investment banking (i.e. sectoral exposure or industry breakdown in %), and/or

ii) by products and services and by type of customer for consumer and retail banking portfolios.

If your bank has adopted another approach to determine the scale of the bank's exposure, please provide further details, to show how you have considered where the bank's main or principal activities are located in terms of industries or sectors.

Reply

Banco Hipotecario in 2022 conducted its impact analysis of the loan portfolio. Loans to companies represented 90% and consumer and mortgages to individuals represented 10%.

In terms of the corporate loan portfolio, by sector of economic activity, the following stand out, in order of magnitude, at over 10%: services, trade, transportation and communications.

Links and references

Portfolio identification and impact analysis

Portfolio value.

Page 69

⁴ That means that where the initial impact analysis has been carried out in an earlier period, the information should be updated accordingly, the scope expanded, as well as the quality of the impact analysis improved over time.

⁵Further guidance can be found in the Interactive Guide to Impact Analysis and Target Setting.

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

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

Reply

Within the financial institution context, El Salvador's priority challenges are to promote and improve financial inclusion, as well as to comply with the nationally determined contributions, which focus on the Agriculture, Forestry and other Land Uses, and Energy sectors.

Banco Hipotecario first determined the critical impact areas for its portfolio, and cross-checked the result with the criticality of the impact areas in El Salvador.

Links and references

Identification and analysis of portfolio impact.

Page 69.

Based on these first 3 elements of an impact analysis, what areas of positive and negative impact has your bank identified? What (at least two) areas of significant impact did you prioritize to pursue your target setting strategy (see 2)? Please disclose.⁸

Reply

Integrating both approaches, critical for the bank's portfolio and for the country, Banco Hipotecario considered climate and biodiversity as priority areas in the environmental area, and in the social area: inclusive and healthy economies to promote financial inclusion.

Links and references

Identification and analysis of portfolio impact.

Page 69.

d) For these (minimum two prioritized impact areas): Performance measurement: has your bank identified which sectors and industries, as well as the types of clients financed or invested in, are causing the strongest actual positive or negative impacts? Describe how you assessed 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 your 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 the provision of products and services. If you have identified climate and/or financial soundness and inclusion as your most significant impact areas, please also refer to the applicable indicators in the annex.

If your bank has adopted another approach to assessing the intensity of the impact resulting from the bank's activities and the provision of products and services, describe it. The result of this step will also provide the baseline (incl. indicators) that can be used to set targets in two areas of most significant impact.

⁷Global priorities could alternatively be considered for banks with highly diversified and international portfolios.

⁸To prioritize the areas of greatest significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, for example, through stakeholder engagement and further geographic contextualization.

Reply

For the main impact areas, we have set qualitative objectives, which we describe below; we are currently working on the definition of indicators and quantitative objectives.

For climate and biodiversity impact areas

• Advance within the transport sector loan portfolio in financing options with low greenhouse gas (GHG) emissions. Both with ordinary productive loan and with the green loan available to us (BH Green Loan).

For the impact areas of inclusive and healthy economies (to promote financial inclusion)

• We will continue to promote the placement of loan products that address the gaps in access to financial services with special lines of productive loan such as Inclusión Mujer, Educación Mujer, Mujer en Acción, Agro mujer, etc. and easily accessible digital channels accompanied by financial education.

Links and references

Identification and analysis of portfolio impact.

Page 69.

Summary of the self-assessment:

Which of the following components of the impact analysis has your bank completed in order to identify the areas in which your bank has its most significant positive and negative (potential) impacts?⁹

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

What areas of most significant impact have you identified for your bank as a result of the impact analysis?

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

Climate change mitigation, financial health and inclusion

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Over 18 months prior to publication

The bank maintains an ongoing commitment to meeting the objectives of principle 2 and is working to generate climate and inclusion targets in the short term, which will be 3rd party verified as evidence of the reliability and quality of the information presented.

⁹ You can answer "Yes" to a question if you have completed one of the steps described, e.g., initial impact analysis has been conducted, a pilot has been conducted.

Principle 3: Customers



We will work responsibly with our customers and our clients to promote sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Commitment to the customer

Does your bank have a customer and client engagement policy or process to encourage sustainable practices?¹⁰

Yes In progress No

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

Yes In progress No

Describe how your bank has worked and/or plans to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support client transition, selected indicators on client engagement and, where possible, impacts achieved.¹¹

This should be based on and aligned with the impact analysis, objective setting and action plans established by the bank (see P2).

Within the sustainability policy, the sustainable finance pillar seeks to contribute with financial products and services that promote sustainable development among customers.

On the other hand, we maintain constant training and education activities for our customers through the Desarróllate business school, where we provide environmental and/or social topics to strengthen their businesses.

In addition, the Environmental and Social Credit Risk Management System (SGRAS), through its evaluation of loan applicants, promotes good social and environmental practices.

On the other hand, the Bank is committed to improving the customer experience, so that the products and services fulfill their functions and the service provided through the different channels of the institution is satisfactory. Technology is also being integrated for this purpose, in addition to internal efficiency.

Links and references

Sustainability strategy.

Environmental and social risk management

Customer experience.

Pages 15, 59 and 72.

¹⁰ A customer engagement process is a process of supporting customers in transitioning their business models in line with sustainability objectives 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.

3.2 Business opportunities

Describe what strategic business opportunities in relation to increasing positive impacts and reducing 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 percentage of your portfolio, and in which SDGs or impact areas you strive to have a positive impact (e.g., green mortgages - climate, social bonds - financial inclusion, etc.).

Reply

The development of the above-mentioned products with an environmental and social purpose constitutes a business opportunity.

- Green loan, if it complies to be destined to: Climate change mitigation and adaptation and environmental protection.
- Simplified accounts (deposits)
- Zero Usury Loan, to support people who have used loan sharks and moneylenders; 182 loans were granted.
- Women in Action Program, lines of credit with special conditions.

Links and references

Green loan

Products with a social focus.

Pages 63 and 65.

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve the company's objectives.

4.1 Stakeholder identification and consultation

Does your bank have a process in place to identify and regularly consult, engage, collaborate and partner with the stakeholders (or stakeholder groups) you have identified as relevant to the impact analysis and objective setting process? ¹²

Yes In progress No

Describe which stakeholders (or stakeholder groups/types) you have identified, consulted, engaged, collaborated or partnered with in order to implement the Principles and improve your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/outcomes achieved and how they contributed to the action planning process.

¹² As regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous populations and non-profit organizations.

Reply

Banco Hipotecario conducted an exercise to identify and prioritize its stakeholders. In this way, it was also possible to raise the consultations of the materiality process, to determine the critical issues due to the impact that the bank generates.

The prioritization of stakeholders also determines how much and how they will be involved in the implementation of the Sustainability Strategy.

In order to manage constant communication with them, we have defined the channels, as well as the areas according to the nature of the stakeholder. The specialization of its teams allows for a direct and efficient relationship, based on transparency and value creation for both parties.

Regarding external initiatives and alliances, Banco Hipotecario is a member of the national alliances, the Green Protocol and the National Council for Financial Inclusion and Education, which contributes to promoting efforts in the impact areas prioritized by Banco Hipotecario based on the results of applying the UNEP FI tool.

Links and references

Annex I: GGII, Materiality analysis.

Page 82.

Principle 5: Governance and culture



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

5.1 Governance structure for the implementation of the Principles

Does your bank have a governance system that incorporates PRB?

- Yes In progress No

Describe the relevant governance structures, policies and procedures that your bank has put in place/plans to put in place to manage significant positive and (potential) negative impacts and support the effective implementation of the Principles. This includes information on

- which committee has responsibility for the sustainability strategy, as well as approval and monitoring of objectives (including information on the highest level of governance to which the PRB is subject),
- details of the committee chair and the process and frequency for the board to oversee the implementation of the BRP (including corrective actions in the event that targets or milestones are not met, or unexpected negative impacts are detected), as well as
- remuneration practices linked to sustainability objectives.

Reply

Banco Hipotecario has a sustainability policy, which provides the framework guidelines to promote sustainability in a transversal manner within the institution. It also has a Sustainability Committee, responsible for ensuring compliance with the policy, promoting progress in the implementation of the Principles of Responsible Banking, as well as the work plans defined by the Identity and Sustainability Management.

The sustainability roadmap was integrated into the Corporate Strategic Plan, 2020-2024 so there is also some oversight by the Sustainability Committee.

The Identity and Sustainability Management reports to the President. The results of the Sustainability Committee are submitted to the Board of Directors' own Board Committee.

Links and references

IS21/22: ESG Strategy

Regulations of the Sustainability Committee

Page 14.

5.2 Promote a culture of responsible banking:

Describe your bank's initiatives and measures to foster a responsible banking culture among your employees (e.g., capacity building, e-learning, sustainability trainings for customer-facing roles, inclusion in remuneration and performance management structures, and leadership communication, among others).

Reply

Online trainings are implemented for all staff and specialized trainings for different areas of the Bank, connected to ESG issues (environmental, social and governance).

In 2022, senior management, as well as directors and managers, were trained on sustainability and the integral value it brings to the institutions.

On the other hand, constant training is provided to new personnel on sustainability, as well as permanent communication by internal mail.

Links and references

Sustainability strategy.

Page 14.

5.3 Due diligence policies and processes

Does your bank have policies that address environmental and social risks within its portfolio? Please describe.¹³

Describe what due diligence processes your bank has in place to identify and manage environmental and social risks associated with your portfolio. This may include aspects such as identifying significant / outstanding risks, mitigating environmental and social risks and defining action plans, monitoring and reporting on risks and any existing grievance mechanisms, as well as the governance structures you have in place to oversee these risks.

Reply

The bank has an Environmental and Social Risk Management System (ESRMS) that allows it to identify, evaluate, manage and monitor the potential environmental and social risks of the activities it finances.

The environmental and social risk system is carried out through the application of the exclusion list, a risk categorization and then an evaluation to provide monitoring and follow-up.

This system is consistent with the eight International Finance Corporation (IFC) Performance Standards and is aligned with the Core Conventions of the International Labor Organization (ILO).

There are other policies and management responsibilities aligned with due diligence: policy and process for the purchase of goods and contracting of services and the policy and process for the administration of Trusts, all approved by the board of directors and available internally.

Links and references

Environmental and social risk management

Ethics and compliance

Supply chain relationships and activities

Page 54, 57 and 59.

Summary of self-assessment

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 involve structures to oversee the implementation of the PRB (e.g., including impact analysis and target setting, actions to achieve these targets, and corrective action processes in case targets/milestones are not met or unexpected 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

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

Principle 6: Transparency and Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent and accountable for our positive and negative impacts and our contribution to societal goals.

6.1 Insurance

Has this publicly disclosed information about your PRB commitments been underwritten by an independent underwriter?

Yes Partially No

If applicable, include the link or description of the statement of assurance.

Reply

Banco Hipotecario, in accordance with the commitments adopted with UNEP FI, is working on the identification of impact areas and the setting of objectives and governance of the RBB within the institution. This process is expected to be completed by the end of the 3rd quarter of 2023.

Links and references

Not available

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the standards and frameworks listed below?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other

Reply

This self-assessment is attached as part of Banco Hipotecario's first sustainability report.

The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards and the GRI Financial Services Sector Supplement.

As the institution progresses in its sustainability strategy and maturity in the management of ESG issues, it will be able to comply with other international frameworks and standards.

Links and references

About the report.

Page 5

6.3 Perspective

What are the next steps your bank will undertake in the next 12-month reporting period (particularly in impact analysis, target setting and governance structure to implement the PRB)? Please briefly describe. ^{14,15}

Reply

In 2023, Banco Hipotecario will finalize its exercise to define the objectives and decarbonization path of the portfolio. It is also moving forward to integrate the external review process in the response to the 2024 self-assessment questionnaire.

On the other hand, to continue advancing in the implementation of the PBR's work plan. This includes increasing the green portfolio and the development of financial inclusion products.

Links and references

This Annex.

6.4 Challenges

Here is a brief section to learn about the challenges your bank is likely to face with respect to the implementation of the Principles for Responsible Banking. Your comments will be useful to contextualize the collective progress of the PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Choose what you consider to be the top three challenges your bank has prioritized addressing in the last 12 months (optional question).

If you wish, you can explain the challenges and how you are addressing them:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Incorporation of PRB monitoring into governance. | <input type="checkbox"/> Stakeholder participation |
| <input type="checkbox"/> Gaining or maintaining momentum on the bench | <input type="checkbox"/> Data availability |
| <input type="checkbox"/> Getting started: where to start and what to focus on at the beginning. | <input checked="" type="checkbox"/> Data quality |
| <input checked="" type="checkbox"/> Conducting an impact analysis | <input type="checkbox"/> Access to resources |
| <input type="checkbox"/> Assessment of negative environmental and social impacts | <input type="checkbox"/> Reports |
| <input checked="" type="checkbox"/> Choose the appropriate performance measurement methodology(ies). | <input checked="" type="checkbox"/> Underwriting |
| <input checked="" type="checkbox"/> Commitment to the customer | <input type="checkbox"/> Prioritize actions internally |
| | <input type="checkbox"/> Other |

¹⁴ For example, describing plans to increase outreach by including areas not yet covered, or planned steps in terms of portfolio composition, context and performance measurement.

¹⁵For example, describing plans for baseline measurement, development of targets for (more) impact areas, establishment of intermediate targets, development of action plans, etc.



Annex IV:

GRI Table of Contents

UNIVERSAL STANDARDS

Section	Description	Page	Comment/ omission
The organization and its reporting practices	Contenido 2-1: Organization details	8	
	Contenido 2-2: Entities included in the organization's sustainability reports	5, 8	
	Contenido 2-3 Reporting period, frequency and point of contact	5	
	Contenido 2-4 Updating of information	5	There is no update of the information provided in previous reports, since this is the first sustainability report.
	Contenido 2-5 External verification	5	
Activities and employees	Contenido 2-6 Activities, value chain and other business relationships	11, 57	
	Contenido 2-7 Collaborators	22	
	Contenido 2-8 Non-employee workers	22	
Governance	Contenido 2-9 Governance structure and composition	37 - 41	
	Contenido 2-10 Nomination and selection of the highest governance body	37	
	Contenido 2-11 Chairman of the highest governing body	37	
	Contenido 2-12 Role of the highest governance body in overseeing impact management	37	

Section	Description	Page	Comment/ omission
Governance	Contenido 2-13 Delegation of responsibility for impact management	41	
	Contenido 2-14 Role of the highest governance body in sustainability reporting	5, 41	
	Contenido 2-15 Conflicts of interest	54	
	Contenido 2-16 Communication of critical concerns	n/a	Confidential, due to internal Bank guidelines.
	Contenido 2-17 Collective knowledge of the highest governance body	27, 37	
	Contenido 2-18 Performance evaluation of the highest governance body	n/a	The evaluation is not available, but work is in progress for the next report.
	Contenido 2-19 Compensation policies	30	
	Contenido 2-20 Process for determining compensation	30	
Strategy, policies and practices	Contenido 2-21 Total annual compensation ratio	n/a	Confidential, due to internal Bank guidelines.
	Contenido 2-22 Sustainable Development Strategy Statement	6	
	Contenido 2-23 Policy commitment	14, 17, 54	
	Contenido 2-24 Incorporation of policy commitments	14, 54	
	Contenido 2-25 Processes to remediate negative impacts	54, 72	
	Contenido 2-26 Mechanisms for seeking advice and raising concerns	54	

Section	Description	Page	Comment/ omission
Strategy, policies and practices	GRI 2-27 Compliance with laws and regulations	54	
	GRI 2-28 Associations in which we participate	17	
Stakeholder engagement	Contenido 2-29 Approach to stakeholder engagement	82	
	GRI 2-30 Collective bargaining agreements	PA	Not available, work is underway for publication in the next report.
	GRI 3-1 Process for determining material issues	82	
	GRI 3-2 List of material items	82	
	GRI 3-3 Management of material issues	82	It is presented throughout the report, as each material topic is addressed.

Sector contents

Material Topics	GRI Standard	GRI content	Description	Page(s)	Omission
Corporate governance and ethics/compliance and antifraud	GRI 3: Material Issues 2021	3-3	Management of material issues	54	
	GRI 205: Anti-Corruption 2016	205-1	Number and percentage of centers where risks related to corruption and significant risks identified have been assessed.	54	
		205-2	Anti-corruption communication and training policies and procedures	54	
		205-3	Confirmed cases of corruption and actions taken	54	
	GRI 206: Competencia desleal 2021	206-1	Legal actions related to unfair competition and monopolistic practices and against free competition.		Not available, work is in progress for publication in the next report.
GRI 415: Política pública 2016	415-1	Political contributions	54		

Material Topics	GRI Standard	GRI content	Description	Page(s)	Omission
Risk and crisis management	GRI 3: Material Issues 2021	3-3	Management of material issues	19, 37, 54	
	GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	19	
		201-2	Financial implications and other risks and opportunities arising from climate change		Not available, work is underway for publication in the next report.
		201-3	Defined benefit and other retirement plan obligations	31	
		201-4	Financial assistance received from the government	19	
	Suplemento Sectorial GRI Sector Financiero	FS6	Percentage of portfolio by line of business by region, size (micro/SME/large) and sector	20	
Digitalization - digital banking and innovation	GRI 3: Material Issues 2021	3-3	Management of material issues	72	
	GRI 203: Indirect Economic Impacts 2026	203-1	Infrastructure investments and services supported	72	
		203-2	Significant indirect economic impacts	NA	Not available, work is underway for publication in the next report.

Material Topics	GRI Standard	GRI content	Description	Page(s)	Omission
Environmentally and socially responsible financing	GRI 3: Material Issues 2021	3-3	Management of material issues	59	
	Sector Supplement GRI Financial Sector	FS1	Policies with specific social and environmental components applied to the lines of business	59	
		FS2	Procedures for the evaluation and control of environmental and social risks in the business lines.	59	
		FS3	Processes for monitoring customers' implementation of and compliance with environmental standards and social requirements included in agreements or transactions.	59	
		FS4	Process(es) for improving staff competency to implement environmental and social policies and procedures as they apply to business lines.	59	
		FS5	Interactions with customers / investors / business partners on environmental and social risks and opportunities.	59	
		FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by objectives.	65	

Material Topics	GRI Standard	GRI content	Description	Page(s)	Omission
Environmentally and socially responsible financing	Sector Supplement GRI Financial Sector	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by objectives.	63	
		FS9	Coverage/Scope and frequency of audits to ensure implementation of environmental and social risk analysis and policies.	59	
		FS10	Percentage and number of companies included in the company's portfolio with which the reporting organization has interacted on environmental or social issues.	59	
		FS11	Percentage of assets subject to social and/or environmental risk assessment.	59	
Financial education	GRI 3: Material Issues 2021	3-3	Management of material issues	67	
	Sector Supplement GRI Financial Sector	FS 16	Initiatives to improve financial literacy by type of beneficiary	67	
Brand and reputation management	GRI 3: Material Issues 2021	3-3	Management of material issues	74	
MSME development (and financial inclusion)	GRI 3: Material Issues 2021	3-3	Management of material issues	19-20	
	Sector Supplement GRI Financial Sector	FS 13	Access points in sparsely populated or economically disadvantaged areas	13	

Material Topics	GRI Standard	GRI content	Description	Page(s)	Omission
MSME development (and financial inclusion)	Sector Supplement GRI Financial Sector	FS 14	Initiatives to improve access to financial services for disadvantaged people.	13	
		F15	Policies for the fair design and sale of financial products and services	11, 54, 74	
Internal culture and work practices	GRI 3: Material Issues 2021	3-3	Management of material issues	27	
		404-1	Average hours of training per year per employee by gender and by employee category.	27	
			404-2	Skills management and lifelong learning programs that promote the employability of employees and help them manage the end of their careers	27
	404-3	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	27		
		GRI 405: Diversity and Equal Opportunity 2016	405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age, minority group membership, and other indicators of diversity.	22
	405-2		Ratio of basic salary and remuneration of women versus men	30	
	GRI 406: Non-discrimination 2016	406-1	Cases of discrimination and corrective actions taken	29	

Material Topics	GRI Standard	GRI content	Description	Page(s)	Omission
Talent attraction and retention	GRI 3: Material Issues 2021	3-3	Management of material issues	33	
	GRI 403: Occupational Health and Safety 2018.	403-1	Occupational health and safety management system	33	
		403-2	Hazard identification, risk assessment and incident investigation	33	
		403-3	Occupational health services	33	
		403-4	Worker participation, consultation and communication on occupational health and safety	33	
		403-5	Occupational health and safety training for workers	27	
		403-6	Promotion of workers' health	33	
		403-7	Prevention and mitigation of impacts on the health and safety of workers directly linked to commercial relations.	33	Not available, work is in progress for publication in the next report.
		403-8	Coverage of the occupational health and safety management system	33	
		403-9	Accidents related to company operations	33	
403-10	Illnesses related to the company's operations	33			

Material Topics	GRI Standard	GRI content	Description	Page(s)	Omission
Relations with governmental and non-governmental entities	GRI 3: Material Issues 2021	3-3	Management of material issues	54	
Transparency with the consumer	GRI 3: Material Issues 2021	3-3	Management of material issues	74	
		416-1	Assessment of the health and safety impacts of product or service categories.	74	
		416-2	Non-compliance cases related to health and safety impacts of product and service categories.	74	
	GRI 417: Marketing and Labeling 2016	417-1	Type of information required by the organization's procedures relating to the information and labeling of its products and services, and percentage of significant product and service categories that are subject to such requirements.	74	
		417-2	Non-compliance cases related to product and service information and labeling	74	
		417-3	Non-compliance cases related to product and service information and labeling	74	
Customer satisfaction	GRI 3: Material Issues 2021	3-3	Management of material issues	74	

Material Topics	GRI Standard	GRI content	Description	Page(s)	Omission
Community investment	GRI 3: Material Issues 2021	3-3	Management of material issues	81	
Cybersecurity and data protection	GRI 3: Material Issues 2021	3-3	Management of material issues	72	
	GRI 418: Customer Privacy 2016	418-1	Substantiated complaints regarding breaches of customer privacy and loss of customer data.	74	
Waste management	GRI 3: Material Issues 2021	3-3	Management of material issues	78	
		GRI 306: Waste 2020	306-1	Generation of waste and significant waste-related impacts	78
		306-2	Management of significant waste-related impacts	78	
		306-3	Waste generated	78	
		306-4	Waste diverted from disposal	78	
		306-5	Waste sent to landfills	78	
Eco-efficiency and carbon emissions	GRI 3: Material Issues 2021	3-3	Management of material issues	79	
		GRI 302: Energy 2016	302-1	Energy consumption within the organization	79
		302-2	Energy consumption outside the organization	NA	Not applicable. Banco Hipotecario provides financial products and services that do not require significant energy consumption for their use/operation.

Material Topics	GRI Standard	GRI content	Description	Page(s)	Omission	
Eco-efficiency and carbon emissions	GRI 3: Material Issues 2021	3-3	Management of material issues	79		
		GRI 302: Energy 2016	302-3	Energy intensity	79	
			302-4	Reduction of energy consumption	79	
			302-5	Reduction of energy requirements of products and services	79	
	GRI 305: Emissions 2016	305-1	Direct GHG emissions (Scope 1)	NA	Not available, work is in progress for publication in the next report.	
		305-2	Indirect GHG emissions from energy generation (Scope 2)	NA	Not available, work is underway for publication in the next report.	
		305-3	Other indirect GHG emissions (scope 3)	NA	Not available, work is underway for publication in the next report.	
		305-4	Intensity of GHG emissions	NA	Not available, work is underway for publication in the next report.	
		305-5	Reduction of GHG emissions	NA	Not available, work is underway for publication in the next report.	
		305-6	Emissions of ozone-depleting substances (ODS)	NA	Not applicable. Banco Hipotecario's activity generates essentially GHG emissions and no other type of emissions.	
305-7		Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions	NA	Not applicable. Banco Hipotecario's activity generates essentially GHG emissions and no other type of emissions.		

Material Topics	GRI Standard	GRI content	Description	Page(s)	Omission
Green purchasing	GRI 3: Material Issues 2021	3-3	Management of material issues	NA	Not available, work is underway for publication in the next report.
	GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that have passed evaluation and selection filters in accordance with environmental criteria	NA	Not available, work is underway for publication in the next report.
		308-2	Negative environmental impacts in the supply chain and actions taken	NA	Not available, work is underway for publication in the next report.
	GRI 204: Sourcing Practices 2016	204-1	Proportion of spending on local suppliers	57	
Climate change strategy and adaptation	GRI 3: Material Issues 2021	3-3	Management of material issues	77	



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