Sustainability Report

Our Bank

Sustainability Challenges G4-1; G4-7

As Banco Pichincha C. A.¹ has become a universal bank, we have been able to interact in diverse sectors of the Ecuadorian economy. We participate within several spheres and our actions have earned us awards. Deloitte-London awarded us within its Finance for the Future program. We have also received awards from the System of Administrative, Environmental, and Social Risks Management (SARAS); Global Finance named us the Safest Bank, after evaluating our long-term foreign currency scores from Moody's, Standard & Poor's, and Fitch; in its annual awards, IADB-Foromic recognized us as part of the institutions and innovative initiatives endorsing financial inclusion and the development of micro, small, and medium enterprises (MSME) in Latin America and the Caribbean; Global Banking Alliance for Women awarded us for our commitment to women's growth and development. Our organization's key actions include the development of information for identifying all kinds of data and crafting products for inclusive banking.

> Antonio Acosta Espinosa Chairman



¹Banco Pichincha C.A., 100% Ecuadorian company

Reporting Standard

G4-3; G4-30; G4-32

Banco Pichincha C. A. presents its twelfth Sustainability Report. The Report is published every year and is aligned with Global Reporting Initiative G4². The Report is the outcome of active and dynamic surveys of our stakeholder groups. It also takes the expectations from our environment and the best global sustainability practices into account.

With this document, we seek to make information transparent, to communicate our strengths and opportunities for improvement, and to inform about our acquired commitments and the challenges the organization faces for next year in social, economic, and environmental topics.

For the publication of this edition, we have selected the core option, in accordance with the G4 Guide, as well as the Financial Services Sector Disclosures. The indicators reported on can be found under the main title of each one of the elaborated subjects. At the end of the document is an index, in which reference is made to the content and external assurance of our Report, as well as the auditors' report.

Scope and Coverage

G4-6; G4-18; G4-22; G4-28; G4-29

Social, economic, and environmental indicators are reported in this document with respect to the work carried out by Banco Pichincha C. A. in Ecuador. In the year 2017 (January-December), the applied indicators are compared to the indicators reported in 2016. In addition, the Report includes the work carried out with Microfinance customers through our CREDIFE affiliate, as well as indicators from our social investment programs of the CRISFE Foundation, our ally in community development management. No re-expressions have been made with respect to earlier published reports.

² Global Reporting Initiative G4 is an international reference for publishing information, focused on organizations' management and performance in the social, economic, and environmental fields.

BANCO PICHINCHA AND ITS COMMITMENT TO SUSTAINABLE DEVELOPMENT GOALS



The Sustainable Development Goals (SDGs) are a challenge for our Bank and are included in our organization's strategy. We continuously identify those SDGs that support us in the creation of value in the short, medium, and long terms. In the reporting period for this document, we identified 6 SDGs with a level of high impact on our organization.



We will continue to work on constantly expanding our contribution to achieve higher levels of SDG integration and fulfillment.



Methodology for Selecting the Contents of the Report

G4-18; G4-23; G4-25; G4-26; G4-27; G4-FS5

To determine the contents of the Report, we identified our primary stakeholder groups, considering their relationship of dependence and influence with the organization and vice versa. This exercise allows us to plot strategies for building up relationships for the long term, while keeping focused on satisfying the expectations of these groups.

The process of dialogue with these groups enables us to choose the topics to be included in the Report. We made no significant changes to the reach and coverage of material aspects as compared with the year prior. Nonetheless, to prepare the Report for this period, internal studies that were drawn up with our customers and suppliers were taken into account and used to build the materiality matrix³, which was done following the method shown in Graph 1.

In addition, each year we review the fulfillment of the objectives and goals set out in the Sustainability Report of the previous year. This year, we have proposed new challenges, which have been included as strategic priorities of the organization. They are defined at the beginning of each chapter and will be measured in subsequent years.

GOVERNANCE AND SUSTAINABILITY

Our Bank's Sustainability

G4-2; G4-13

During the year 2017, Banco Pichincha C. A. maintained its leadership in the financial services market. This reflects our customers' trust in the Bank and our commitment to create greater efficiency in financial intermediation management. We are a universal bank and, for this reason, are able to interact in diverse sectors of the Ecuadorian economy. We participate in several ambits in which our initiatives have been recognized by major international entities.

³The materiality matrix includes relevant topics for both the organization and its stakeholder groups. These topics are reported herein.

In this period, we made no significant changes concerning our organizational structure or our supply chain.

Sustainable Management Model

During this period, and due to the Bank's ongoing process of change and improvement, we have redefined our model. Now it is based on three axes of action (Graph 2):

Equality and Diversity in Labor Practices;
 Responsible Finances;
 Safety, Health & Environment.

We have written a chapter on each axis in this Report.



SUSTAINABILITY INITIATIVES

G4-15; G4-16

We ratify our commitment with the following global initiatives to which the Bank has adhered by choice:

- United Nations Global Compact.
- United Nations Environmental Programme (UNEP FI).
- Global Banking Alliance for Women.
- Ecuadorian Consortium for Social Responsibility (CERES).
- Association of Private Banks of Ecuador (ABPE) Sustainable Finances Committee.
- Ecuadorian-American Chamber of Commerce, Corporate Responsibility Committee.

Furthermore, we strive to obtain different certifications and to align our Bank with various principles, such as:

- U.N. Women's Empowerment Principles.
- Dow Jones Sustainability Management Index.
- Client Protection Principles: The Smart Campaign.

Stakeholder Groups

G4-26; G4-27

In order to know and respond to the expectations of our stakeholder groups, we have dialogue channels enabling us to communicate permanently and efficiently. The opinion of our stakeholder groups is important input for our corporate behavior (Chart 1).

Relevant Topics

G4-18; G4-19; G4-20; G4-21

Charts 2 and 3 present 20 topics from our materiality matrix, classified on the basis of the three priorities of our Sustainable Management Model.

In our Sustainability Report, we report on relevant topics that bear a medium- and high-impact on our stakeholder groups and our organization.

STAKEHOLDER GROUPS CHART 1	
Group	Primary dialogue tool and input for materiality
Corporate Governance	Committees and subcommittees, intranet, institutional magazine, digital news bulletin Impacto al día.
Staff	Intranet, institutional magazine, digital new bulletin Impacto al día, surveys, joint committees.
Suppliers	Internet, electronic mail, independent certification company SGS– certification.
Customers	Internet, satisfaction surveys via Client tool, electronic mail.
Community	CRISFE Foundation.

IDENTIFIED I CHART 2	RELEVANT TOPICS		
Code	Торіс	BP Relevance	Stakeholder Groups
EQUALITY	AND DIVERSITY IN LABOR PRACTICES		
1	Work climate, culture, and organizational values.	High	High
2	Staff benefits	High	High
3	Staff recognition	Medium	High
4	Human Rights in our organization	High	High
5	Gender intelligence	Medium	High
6	Job flexibility	Medium	High
7	Anti-corruption and anti-money laundering	High	High
RESPONSI	BLE FINANCES		
8	Relationship with our suppliers	Medium	High
9	Responsible purchases	Medium	High
10	Customer satisfaction	High	High
11	Customer service culture	High	High

12	Design and offer of financial services and products	Medium	High
13	Financial education	High	High
14	Market share and economic performance	Medium	High
SAFETY, HE	ALTH & ENVIRONMENT		
15	Integrated Health, Safety & Environment System (HSE)	High	High
16	Occupational Safety and Health	High	High
17	Safety, Health & Environment audits at branches	High	High
18	Environmental risk assessments of customers	High	High
19	Water, paper, and energy consumption and reduction	Medium	High
20	Waste recycling and management	High	High



Chart 3

			3			11	1	13	21
			4		5	14	2	15	24
			16		7	17	6	18	
	HIGH		22		8	23	9	19	
	_		25		10		12	20	
RELEVANCE							-		
FOR	MEDIUM								
STAKEHOLDER									
GROUPS									
	LOW								
									-
		Low			Medium			High	
		IMPACT ON BANCO PICHINCHA							

VISION AND CREATION OF VALUE

Our Value Chain

G4-9; G4-12; G4-24

Banco Pichincha's value chain is represented and envisioned through three production macro-processes.

- 1 COMMERCIAL MANAGEMENT: includes processes for raising funds and managing placements.
- 2 RECOVERY AND COLLECTIONS MANAGEMENT: includes the portfolio and collections management process.
- 3 CHANNEL AND SERVICE MANAGEMENT: includes the processes of Channels Management; Enabling Documents Management; Management of Claims, Requirements, and Complaints; and Service Quality Management.

The primary objective of these processes is to achieve the satisfaction of our customers efficiently and efficaciously. This is what makes us the leaders in Ecuadorian Banking. (Graph 3)





Organizational Structure

G4–34; G4–39; G4-45; G4-47; G4-48 (Graph 4)

The Bank's highest organ is the General Meeting of the Shareholders, which represents all shareholders. The General Meeting of the Shareholders holds a regular meeting once a year and a special meeting when called in accordance with the law or the bylaws.

The top management body of the Bank is the Board of Directors, which defines the Bank's general operative policies under which the other administrators carry on.

The Board of Directors is formed by the Chairman, an alternate director for the Chairman, 4 or 6 principal directors, and the same number of alternate directors, who are independent and qualified by the Superintendency of Banks. The members on the Board of Directors are elected by the General Meeting of the Shareholders, in accordance with Article 28 of the Bank's bylaws. They are elected for a one-year term but may be reelected. One hundred percent of the directors are independent and do not occupy executive positions.

COMMITTEES PROMOTING THE O Chart 4	RGANIZATION'S SUSTAINABLE DEVELOPMENT
ALCO Committee	Focuses on commercial businesses aligned with risk tolerance.
Comprehensive Risk Management Committee	Ensures the Bank's soundness and solvency with the Board of Directors' approval.
Risk Asset Rating Committee	Determines the Bank's risk assets and defines levels of provision required for protecting such assets.
Compliance Committee	Monitors compliance with the rules and policies for deterring money laundering, the financing of terrorism, and other crimes.
Audit Committee	Monitors the optimal operation of internal control systems, institutional objectives and goals, and better financial results.
Executive Committee	Ensures adequate operations, as well as administration and operations management, at the Bank's Board of Directors level.
Strategy Committee	Plots institutional strategies for fulfilling the budgetary strategic plan.
Ethics Committee	Monitors compliance with institutional principles and values, as well as with the guidelines of the Code of Ethics.
Finance and Risk Committee	Ensures that Bank's soundness and solvency are consistent with financial performance standards.
Business Committee	Plots commercial strategies in line of business.
Human Resources Committee	Monitors, oversees, and supervises compliance with human resources management policies and processes.
Retribution and Good Governance Committee	Observes relationships among the shareholders, the Managing Board, the Board of Directors, and the Bank's management.
Services Committee	Oversees improvements in customer service processes.
Information Technology Committee	Maximizes the return on technological investment, aligned with services strategy and corporate guidelines.
Strategic Oversight Committee	Ensures strategies are followed, contributing to the accomplishment of strategic planning goals.
Legal Committee	Oversees and monitors the Bank's legal stability and adopted resolutions.

The Chairman is the highest officer of the Bank, as are the General Meeting of the Shareholders and the Board of Directors but they do not exercise the Bank's legal representation.

The structure includes three levels: directive, strategic, and tactical.

We have 16 committees supporting the work of Senior Management and they are in charge of making the decisions (Chart 4).

Information and Comments

G4-5; G4-31

For more information, comments, or suggestions about the contents of the Sustainability Report, contact Banco Pichincha, Av. Amazonas 45-60 y Pereria, Sustainable Development, telephone no. (593 2) 298 0980, ext. 594750, or email: desarrollo.sostenible@pichincha.com.

For matters related to the Annual Report, contact the Shareholders Office, telephone no. (593 2) 298 0980, ext. 593400, or email: mtufino@pichincha.com.

Accuracy and Assurance

G4-33

The independent firm, KPMG del Ecuador Cia. Ltda., verified the accuracy and transparency of the data contained in our Sustainability Report.

1 Equality and Diversity in Labor Practices

G4-DMA

We rely on the commitment of our people, who day to day put forth their best efforts to make the Bank more human. They are committed to the Bank's institutional values and meet its objectives. Through our selection processes, we search for personnel with integrity, as well as productive and empowered leaders, to contribute to the sustainability of our institution.

With Equality and Diversity in Labor Practices as one of the three axes of our Management Model, we are committed to creating an attractive work culture that is diverse, inclusive, and respectful, in which our workforce may develop within a frame of equity and the fostering of leadership.

By developing and implementing our Gender Intelligence program, we pursue the effective integration of mixed work teams, as well as encourage a larger number of women to fill management and direction positions.

In order to bolster our organizational synergy and promote behavior that ensure the sustainability of our organization, our corporate values were revised and updated. In 2017, we conducted an important campaign for displaying and interiorizing each value. All internal communication media were used to stress the importance of the campaign and expected behaviors.

That is how *Mi Pichincha* was conceived as a transversal axis of our culture and identity, demonstrating the track record of our Bank's honesty as well as our country's trust in us.

TOPICS DISCUSSED IN THIS CHAPTER

- 1. OUR STAFF
- 2. VALUES AND CODE OF CONDUCT
- 3. HUMAN RIGHTS
- 4. GENDER INTELLIGENCE
- 5. PICHINCHA RECOGNITION
- 6. EDUCATION AND SELF-DEVELOPMENT PROGRAMS.
- 7. ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING (AML/CTF)

2017 ACHIEVEMENTS

Fostering of the Mi Pichincha organizational culture to instill ethical conduct in our people, based on new values.

Development of a Human Rights policy.

Reinforcement of the Gender Intelligence program.

CHALLENGES FOR 2018

Build up the Mi Pichincha concept as an Employee Value Proposition (EVP) transversal axis.

Reinforce the mechanisms for reporting on Human Rights matters.

> Promote the Diversity and Inclusion program, which includes the Gender Intelligence program.

Endorse job flexibility programs.

DIVERSITY AND INCLUSION PROGRAM

GENDER INTELLIGENCE



1. OUR HUMAN RESOURCES G4-9; G4-10; G4-EC6; G4-LA12

We have 5,168 employees across the nation who contribute in benefit of the Bank with their daily work. A total of 99.61% of our employees have a permanent employment contract: 65.42% are women and 34.58% men. We do not have outsourced workers. With respect to seasonal hires, we hired 30 people in November and December for teller windows (transaction service agents) due to the high volume of customers during the season. WE WANT TO RELY ON PRODUCTIVE HUMAN RESOURCES WHO ARE EFFICIENT AND CONTRIBUTE TO MEETING THE BANK'S OBJECTIVES AND TO PROMOTING INSTITUTIONAL DEVELOPMENT. WE CREATE EQUAL OPPORTUNITY FOR MEN AND WOMEN IN THE HIRING AND PROMOTION PROCESSES, BOLSTERING THE CONCEPT OF GENDER INTELLIGENCE.

CORPORATE COMPOSITION BY GENDER CHART 1					
Job Category	Women	%	Men	%	Total
Assistant / Auxiliary	1,131	67.52%	544	32.48%	1,675
Technician / Analyst / Agent / Support	798	67.57%	383	32.43%	1,181
Supervisor / Coordinator / Specialist	826	65.50%	435	34.50%	1,261
Chief / Expert / Administrator	557	62.30%	337	37.70%	894
Individual in Charge / Manager	68	48.23%	73	51.77%	141
General Manager / Vice President*	1	6.25%	15	93.75%	16
Total	3,381	65.42%	1787	34.58%	5,168
* % of General Manager/Vice President group (Senior Mc	nagement) are Ecuadorian				

CORPORATE COMPOSITION BY AGE CHART 2											
		18 - 25 ars old		?6 - 33 irs old		84 - 41 Irs old		42 - 49 ars old	E. ov year:	er 50 s old	Total
Job Category	#	%	#	%	#	%	#	%	#	%	#
Assistant/Auxiliary	680	40.67%	749	44.80%	132	7.89%	68	4.07%	43	2.57%	1,672
Technician/Analyst/Agent/ Support	129	10.89%	643	54.26%	307	25.91%	82	6.92%	24	2.03%	1,185
Supervisor/Coordinator/ Specialist	69	5.48%	626	49.68%	397	31.51%	128	10.16%	40	3.17%	1.260
Chief/Expert/Administrator	6	0.67%	244	27.26%	367	41.01%	223	24.92%	55	6.15%	895
Individual in Charge / Manager	0	0.00%	1	0.71%	36	25.71%	65	46.43%	38	27.14%	140
General Manager / Vice President*	0	0.00%	0	0.00%	4	25.00%	4	25.00%	8	50.00%	16
Total General	884	17.11%	2,263	43.79%	1,243	24.05%	570	11.03%	208	4.02%	5,168

1.1 New Hires and Turnover

G4-LA1

We hired 505 women and 320 men nationwide, 714 of whom are younger than thirty and 111 older than thirty. We promote equal opportunity because we hire personnel based on their experience and professional profile as opposed to gender or age.

NUMBER OF EMPLOYEES UNDER AN EMPLOYMENT AGREEMENT CHART 3						
Employment Relationship	Number	Percentage				
Employees with permanent,	5,148	99.61%				
indefinite-term contracts						
Temporary employees	20	0.39%				
General Total	5,168	100.00%				

DISTRIBUTION OF FEMALE AND MALE EMPLOYEES BY REGION





òastal a	and Island Region	2.012 employees
		1,348 WOMEN 664 MEN
Highla	nds 3,045 emplo	oyees
	1.943 W 1,102 ME	
	Amazon region	111 employees
		90 WOMEN 21 MEN
Ľ		
~		THE BAI
1		HA
		5,16
		EMPLOYEE



SERVICE FOR VULNERABLE GROUPS

G4-HR3

- **Pregnant and Nursing Women.** We promote an inclusive environment and timely service for our personnel in vulnerable conditions. For this reason, we have different programs and activities for pregnant women. Each one of our pregnant female employees and the pregnant spouses of our employees are given a *Guide with Tips for Pregnancy, Postpartum, and Nursing* that contains important information for each stage of pregnancy. In addition, the Guide provides information about the benefits of medical insurance and the Social Security maternity subsidy. Once delivery is reported, the mother receives *Mi primer libro de recuerdos (My First Memories Book)*, which is a book in story format to place pictures to remember the initial years of the baby's life.
- **Disabled Employees.** We equip our staff with work tools tailored for their disabilities based on a personalized needs assessment in order to promote a safe and healthy workplace. We promote and support the participation of 18 of our disabled employees in the country's race with the highest level of participation: *Últimas Noticias*.

1.2 Staff Benefits

G4-LA2

- **Corporate Medical Insurance.** Insurance is provided to all employees and their direct dependents (spouses and children under 24); this benefit applies countrywide and is for covering the medical needs of our staff and their families. For this reason, we increased coverage to 80% and the maximum to \$250,000 per employee and per contract in effect. The goal is to achieve a reduction in the number of situations in which hospitalization costs exceed the limit of contracted coverage thus forcing our employees to go into debt to cover those costs. Furthermore, the medical network was broadened for purchasing medicines nationwide.
- Life Insurance. We grant this benefit to all our employees to cover the financial needs of family members who lose their source of family income.
- Health & Nutrition. We provide a meal service to our employees as a way to offer them healthy meals. We have a
 nutritionist and occupational physician to give nutritional advice. Our health and sports programs are focused on
 promoting a balance between family and work, as well as reducing the number of illnesses caused by unhealthy
 eating habits and lack of exercise. Our Pichincha Runners club encourages our people to do exercise.





1.3 Parenthood

GA-LA3



After taking maternity and paternity leave, 99.59% of women and 100% of men returned to work. After 12 months employees had taken the leave, 96.69% of women and 93.62% of men continued to work at the Bank.

• Family School Program. To foster parenthood, we moved forward with the Family School, which is aimed at underscoring the value of the family to ensure a better quality of life and complement our employees' technical and professional development.

The program focuses on employees and their families, under the premise that if an employee has a suitable family environment, his or her level of performance and productivity will develop properly. The project was designed to convey knowledge about the tools enabling employees to play an adequate role in the different facets of their lives. Our employees are the Bank's main driving force so their well-being and development are indispensable for a healthy and prosperous environment.

The program has two components: education and integration, elaborated on since 2016.

- Education Component. This is developed in two phases with onsite workshops. The first phase took place in 2016 and, in 2017, we held workshops centering on family topics: *Joven una sola vez* ("You're Only Young Once"), *Fortaleciendo mi matrimonio* ("Strengthening My Marriage"), Años dorados ("Golden Years"), *Cuidado del adulto mayor* ("Senior Citizen Care"), *Abordando la discapacidad* ("Addressing Disabilities"), *Padres con hijos infantes* ("Parents with Infant Children"), and *Sembrando futuro* ("Sowing the Future"), for parents who are present and productive.
- Integration Component. For bringing our staff's families closer to the Bank, we offer the "Our Children Visit Us" program. The program builds up a culture of balance between work and family and reduces problems related to psychosocial risks.

OUR CHILDREN VISIT

WE CREATE OPPORTUNITIES FOR OUR EMPLOYEES AND THEIR CHILDREN TO GET TOGETHER TO SEE THE IMPORTANCE OF THE WORK THEIR PARENTS DO AT THE BANK. THESE OPPORTUNITIES REINFORCE A SENSE OF BELONGING TO THE BANK IN OUR EMPLOYEES AND THEIR FAMILIES.

275 children.
4 cities:
Quito, Guayaquil, Cuenca, and Machala.



1.4. Work Climate

During 2017, we measured the work climate to know employee satisfaction and commitment. The key objective of this process is to receive feedback from our team to identify both strong points and areas for improvement in order to build an adequate work environment and therefore generate a differential value for our staff.

The model designed for this purpose has four dimensions in which the primary evaluated spheres are grouped together.



A total of 68.62% of employees participated in the survey and the results reveal an 87.47% satisfaction index. Based on the results, action plans are defined under participative methods to collect ideas and recommendations

from the people who form the organization.

2. ORGANIZATIONAL VALUES AND CODE OF CONDUCT

G4-56; G4-57; G4-58

Our prevailing corporate values (integrity, responsibility, service, productivity and innovation, and solidarity) (Graph 1) stem from the need in Banco Pichincha's experience to highlight the characteristics of our organizational core and culture, looking to make us unique and defining what forms our institutional DNA.

These values have been disseminated in communication campaigns to promote their interiorization among our staff. Besides socializing these concepts, the campaigns promote expected behaviors through daily examples that can be put into practice on the job. Updating our values marked the beginning of an important corporate culture program called *Mi Pichincha*. The first phase has been executed to date and stresses the display and interiorization of values governing our identity and addressing all our employees.

We have revised the Internal Work Regulations, which include the rules, rights, and obligations in effect at the Bank. All staff are required to know and apply them.

A bank-wide survey taken about the first phase showed that nine out of ten employees know and live by each one our values on a daily basis.

As part of the second phase of *Mi Pichincha*, the Banco Pichincha Code of Ethics was also updated. This was done to ensure that relationships, conducts, actions, and contracts continue to abide by the ethical, moral, and legal principles that have characterized Banco Pichincha since its foundation and during its institutional life with regard to its relationships with shareholders, customers, employees, suppliers of goods or services, other financial system institutions, and society in general.

It is the obligation of all employees to know the Code of Ethics and Conduct, as well as to direct their behavior on the basis thereof. For this purpose, and as a goal for 2018, the Code was disseminated.

Employees across the nation participated in different contests and actions, from voting on a logo for each value to putting the values into practice every day. Involvement by all employees was evident. Besides participating in other activities, employees watched 42 videos produced by the Bank and participating teams. We received more than 200 ideas and stories for promoting our values.

At the end of the year, we started the second phase of the campaign under a **hero** and **antihero** concept. This analogy has enabled us to exemplify the opportunities that all employees have to demonstrate that their actions and decisions are aligned with the Bank's values. Furthermore, they must be consistent with the identity that sets us apart and makes us unique, as well as with the DNA of the Pichincha people.

At our Bank, corporate values and personal competences are closely tied. Graph 1 clearly demonstrates the Bank's core and culture.



3. HUMAN RIGHTS

Our organization follows the Universal Declaration and the ten principles of the Global Pact referring to human rights, labor rights, the environment, and the fight against corruption. This is how we demonstrate our commitment to promote their application and to carry out due diligence to prevent and mitigate related risks.

Internally, we have developed a Human Rights policy with national reach to promote the fair and equal treatment of our employees, as well as to comply with our commitment to respect our staff and contribute to their protection. The policy is aligned with our corporate culture and other international instruments, such as the International Labour Organization Declaration concerning fundamental rights at the workplace, as well as the guiding principles for companies and Human Rights (Chart 4).

FUNDAMENTAL AXES OF THE HUMAN RIGHTS POLICY Chart 4 CUSTOMERS AND SUPPLIERS COMMUNITY **STAFF** No Discrimination. Products and services adequate for We protect the environment. their needs. We include social and The health of our personnel is vital. Decent and fair treatment. environmental topics in our processes. We establish business relationships We contribute to the Decent work. with suppliers, aligned with respect eradication of for Human Rights. corruption.

3.1 Education in Human Rights

G4-HR2; G4-HR7

Through educational processes, we seek to raise awareness among our stakeholder groups about the rights and obligations of individuals. As a result, 1,243 employees, representing 24.05% of the entire payroll, received 3,523 hours of training by the Training Department on Human Rights topics.

A total of 18.60% of our security staff¹ have been trained in Human Rights topics.

For Banco Pichincha, it is very important to train employees in Human Rights matters. The more important courses offered during 2017 were:

- SME Segment Commercial Management Flow, focused on gender equity.
- Field Personnel Hazards. The focus was on offering practical guidelines to field workers for their personal care, in topics concerning:
 - Poor eating habits.
 - Environmental exposure.
 - Drug use.
- Workshops for disabled individuals, focused on motivation, personal development, and financial education.

3.2. Claim Mechanisms

G4-57; G4-58; G4-HR3; G4-HR12; G4-LA16

Internally, we have a Labor Reporting Line regarding ethical and labor issues, such as harassment at work, sexual harassment, discrimination, and social cases. This channel is confidential and available in different internal means of communication through denunciaslaborales@pichincha.com.

We have instructions to guide us in processes for reporting and managing submitted claims, based on the data gathered. We make visits and conduct interviews for this same purpose. Based on that information, we draw up a report analyzing the informed event and then evaluate the steps and actions to be followed. The permanent participants in this process are the HR consultant and social workers. The staff on the Reporting Committee, the Human Resources Vice President, and the Human Resources Manager are in charge of deciding what do to in each case.

Through our different internal means of communication, we have informed about this channel. We also provided information about the channel in the zonal joint committee meetings at branches and different management committees.

During the reporting period hereof, we have not had any cases regarding discrimination issues. Nonetheless, we have addressed nine other kinds of social cases. Eight have been resolved and one is being followed up on. In addition, through the points of sale to customers at branches, no claims have been reported concerning problems arising in Human Rights topics.

4. GENDER INTELLIGENCE

G4-LA13

4.1 Equal Salary for Men and Women

In our ongoing pursuit for promoting nondiscrimination, we stand behind the principle of equal salary for the same job. For this reason, we have a salary structure that is defined by taking pay trends at the Ecuadorian job market and internal equity as a reference. Consequently, salaries are stipulated based on the job and not the person, thus ensuring that there is no gender discrimination.

¹Out of a total of 86 employees belonging to the Comprehensive Safety and Cash Management Area.

As a reference, we used the position of Transaction Service Agent to show that there is no salary gap between men and women. In addition, we have considered the four regions of Ecuadorian national territory as places with significant operations, with 1,244 employees representing 24.07% of the total number of employees nationwide that fill the position of Transaction Service Agent (Chart 5).

TRANSACTION SERVICE AGENT							
Region	Men	%	Women	%	Total		
Highlands	191	52.76%	493	55.90%	684		
Coast	159	43.92%	353	40.02%	512		
Amazon	10	2.76%	34	3.85%	44		
Island	2	0.55%	2	0.23%	4		
Total	362		882		1,244		

THERE IS NO GAP IN THE RATIO OF AVERAGE GROSS WAGES OF MEN AND WOMEN.



4. GENDER INTELLIGENCE

By signing the U.N. Women's Empowerment Principles in 2015, adhering to the Global Pact, and measuring its sustainability management, Banco Pichincha is committed to working on diversity and inclusion issues while promoting equal opportunity along the entire value chain. No distinction is made because of race, religion, gender, age, different capacities, color of skin, or nationality, or other political, ideological, social, or philosophical reason.

Through these initiatives, a work plan was drawn up based on a prior diagnosis that considered the 7 WEP² of the U.S. Women's Empowerment Principles for promoting Gender Intelligence. The diagnosis consisted of assessing and maximizing the formation of mixed work teams, as well as generating equal opportunity to attain better results. (Graph 2).

In 2018, we will continue executing the work plan to bolster women leadership and empowerment in the Banco Pichincha value chain: employees, customers, and suppliers. The most important milestones of the program include raising awareness among employees on the importance of mixed teams in all levels of the organization and training the business support group on strategies for sales to female customers.

BANCO PICHINCHA SUPPORTS INITIATIVES FOR PREVENTING GENDER-BASED VIOLENCE

We support and promote non-violence and gender equality campaigns. This year, under the slogan "Leave No One Behind – End Violence against Women and Girls," Banco Pichincha made visible its commitment to the UNITE campaign promoted by U.N. Women. The campaign raised awareness about gender-based violence, with internal and external communications sent out between November 25, the International Day for the Elimination of Violence Against Women, and December 10, the International Day of Human Rights.



² WEP: Women Empowerment Principles.

4.1 Job Flexibility



We seek to promote labor practices conforming to global trends and to the technological and computer tools we currently have. These practices provide the opportunity to apply job flexibility scenarios, for which we have crafted programs to promote the wellbeing of employees and their families, with the primary objective of contributing to a good balance between family and work.

We implemented the first flexible work pilot program with the participation of six employees from the Quito Headquarters to have a baseline that provides us with the directives to extend the program to a larger number of staff in 2018. The pilot program consisted of working one day a week from home. For this purpose, we relied on accompaniment by the company Lila Working Moms.³ The participants were given a survey and the results are summarized as follows: "The level of work commitment, responsibility, order, and programming increased when work was performed under a flexible method." (Graph 3).

RESULTS OF THE FLEXIBLE WORK	PILOT PROGRAM		
Result	Benefit for Employee	Benefit for Bank	Conclusion
Greater productivity on the job under this method of work.	Greater balance between work and family. Greater savings of money. Greater time optimization.	Greater savings in money and greater commitment by employees.	In 2018 we will conduct phase 2, with 25 teleworkers.

³Company offering flexible work for Ecuadorian mothers.

5. PICHINCHA RECOGNITION

For the third consecutive year, we have conducted the Pichincha Recognition program. The object of the program is to acknowledge the work and efforts of our employees by presenting their projects completed during the period. The third edition of this program included the following categories: strategic drivers of the organization and an additional category for the projects of branches.

Pichincha Recognition	
for our staff	
6 CATEGORIES	
48 PROJECTS	
224 PARTICIPANTS NATIONWIDE	

CUSTOMER-FOCUSED BETTER OPERATING EFFICIENCY FINANCIAL SUSTAINABILITY FOCUSED GROWTH ORGANIZATIONAL SYNERGY BRANCH PROJECTS

6. EDUCATION AND SELF-DEVELOPMENT PROGRAMS

6.1. Education and Professional Development G4-LA10

Through the self-training plan, we offer courses that leverage skills management and lifelong learning that support the continued employability of employees and assist them in managing their career endings. This plan is available for all our personnel at the virtual campus, 365 days a year.

The programs in highest demand are:

- English
- Microsoft Excel
- Introduction to Strategy
- Organizational Management

Through the self-training plan, the Bank provides tools to employees who, for some reason, will no longer be employed because of their voluntary resignation, retirement, or leaving the organization. These programs enable them to gain knowledge and additional skills that can build up their professional profile for taking on a new professional challenge.

6.2. Pichincha Leader

The purpose of this program is to offer specific tools to the lines of supervision for cultivating and building up leadership skills demanded by the environment and the organization. This year, we addressed topics onsite and online. These included negotiation and dispute management.

7. ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING (AML/CTF)

G4-SO3; G4-SO4; G4-505

In compliance with the rules and policies for deterring money laundering, the financing of terrorism, and other crimes, 4,765 employees were trained in this area. A total of 100% of staff, including members on the Board of Directors and Senior Management, were called to get training. At the close of the month of December, 92.20% of personnel had taken the course (Charts 6 and 7).

We have AML/CTF risk management processes in place to control exposure to this risk. These processes are generated in a worker's daily activities.

100% OF MEMBERS OF THE BANK'S GOVERNANCE BODY HAVE BEEN INFORMED ABOUT AND TRAINED IN THE BANK'S ANTI-CORRUPTION POLICIES AND PROCEDURES.



They involve a series of definitions and settings, as described in a risk management method for identifying, measuring, monitoring, and controlling factors triggering the risk of AML/CTF in the institution.

A product of this method is the risk matrix used as the base for carrying out monitoring and due diligence processes for deterring and reduction money laundering and terrorism financing AML/CTF.

7.1 AML/CTF Qualitative Risk Matrix Method

The risk matrix is applied to all customers, products and services, channels, and regions where the Bank does business.
NUMBER AND PERCENTAGE OF EMPLOYEES WHO RECEIVED TRAINING ON ANTI-CORRUPTION CHART 6

	Total number of	Percentage	Region			
Category	employees by category	of participation	Coast and Island Region	Amazon	Highlands	
Assistant / Auxiliary	1,675	90%	637	42	824	
Technician / Analyst / Agent	1,181	96%	482	29	625	
Supervisor / Coordinator / Specialist	1,261	91%	389	16	747	
Chief / Expert / Administrator	894	93%	317	13	504	
Individual in Charge / Manager	141	88%	23		101	
General Manager / Vice President	16	100%			16	
Total	5,168	92%	1,848	100	2,817	

TRAINING IN ANTI-MONEY LAUNDERING FOR OUR BUSINESS PARTNERS

Chart7

Partners	Employees	% Training	Region
Invin	53	84%	
Sepronac	112	88%	Highlands
Senapro	46	55%	Coast and
Vaserum Guayaquil	57	92%	Highlands
Vaserum Quito	118	100%	

COMPOSITION BY RISK OF CUSTOMER BASE IN 2017 CHART 8

Risk category	Percentage of total customers
Low risk	25.70%
Medium risk	38.79%
High risk	34.99%
Extreme risk	0.52%

After applying the method, the identified risk factors are: customers, products and services, channels, and geographical areas, which form the AML/CTF risk matrix.

The risk matrix enables us to classify the Bank's customer base (active and inactive customers) in the following categories: extreme, high, medium, and low.

This classification is used to focus control and monitoring efforts on extreme- and high-risk customers who represent greater exposure to money laundering and the financing of terrorism.

The composition by risk of the base of active and inactive customers in 2017 is shown in Chart 8.

During last year, the Compliance Unit processed 28,934 customer alerts originating from diverse sources: monitoring system, employee reports, news from the press, oversight entities, foreign banks, and so on.

Out of these, 4.59% were reported to the Financial Analysis Unit as unusual and unjustified.

² Responsible Finances

G4- DMA

Our goal is to offer our customers the best service experience. For this reason, we place different products and services at their disposal that are designed to meet the needs of customers from a specific segment to intensify impact and efficiency.

For us, it is important to have a close and warm approach with all our customers. They can find us at our service channels distributed across the nation. Our Microfinance segment is measured up against significant international standards, such as *The Smart Campaign* Client Protection Principles, in order to align its work with the best international practices certifying the quality service we offer, as well as offering varied products that are placed at the customer's disposal.

We complement our work with a strong financial education process to help our customers and the public manage their finances responsibly with a significant perspective on future savings.

TOPICS TO BE DISCUSSED IN THIS CHAPTER

- **1. OUR CUSTOMERS**
- 2. MICROFINANCE
- 3. KEY NUMBERS
- 4. SUSTAINABLE PURCHASES
- 5. SYSTEM OF ADMINISTRATIVE, ENVIRONMENTAL, AND SOCIAL RISKS (SARAS)
- 6. FINANCIAL EDUCATION

WORK IN 2017

•

Action taken to maintain rating in Client Protection Principles The Smart Campaign, aligned with the new 2.0 version.

> Creation of a social performance management indicator system for the Microfinance segment.

Launching of green loans for attaining energy efficiency.

CHALLENGES FOR 2018

•

Achieve The Smart Campaign certification version 2.0 – Client Protection Principles in the Pichincha Microfinance segment.

Implement the social performance management indicator system in the commercial portion of Microfinance.

Prepare Banco Pichincha's internal management with respect to the third rating in the DJSI' in 2019.

Improve the SARAS system and relaunch green loans.

Align Banco Pichincha's supply process with the best practices regarding standard ISO 20400. 'Dow Jones Sustainability Index.

MICROFINANCE SOCIAL PERFORMANCE MANAGEMENT



1.OUR CUSTOMERS

G4-FS6

Customer loyalty and experience at Banco Pichincha is one of the Bank's strategic objectives. For this reason, we design products and services providing simple and innovative solutions for our customers (Chart 1). Customer confidence is boosted by delivering quality and customized services through our service channel network distributed across the nation (Chart 3).

CUSTOMERS WITH ACTIVE CREDIT OPERATIONS BY TYPE OF BUSINESS							
Type of Banking	Subsegment	Total portfolio	Operations	Customers			
	Large corporations	2,329,908,616	9,671	2,412			
Corporate	Legal persons	9,914,231	132	111			
	Small Enterprises	1,232,982,026	67,033	41,558			
	Micro-enterprises	907,458,838	325,024	234,122			
Retail	Individuals	2,510,983,954	1,021,561	1,106,275			
General Total		6,991,247.665	1,423,421	1,106,275			

METHOD FOR CREATING PRODUCTS AND SERVICES

- **Annual planning.**
- 2 Management and marketing planning.
- **3** Work tables with various areas of the Bank for reviewing initiatives.
- 4 Evaluation and risk stage.
- *s* Design of flowcharts and prototypes.
- 6 Definition of markets, channels through which product or service may be obtained, competence analysis.
- 7 General product information and objectives. Creation of product or service.
- *B* Plan for disseminating and launching product into the market.

1.1 Primary Products and Services G4-4; G4-FS15; G4-FS8

The products that Banco Pichincha offers to its customers respond to current needs and market trends. Because the Bank is the largest financial entity in Ecuador, our goal is to be the frontrunner in offering financial products and services that make our customers' lives easier, offering alternatives for accessing banking products nationwide, and that make them feel safe when making their transactions online or physically at our branches across the nation. (Chart 2)

BANCO PICHINCHA DID NOT ONLY TRANSFORM ITS COMMERCIAL MODEL. OUR COMMITMENT TO GIVE CUSTOMERS GOOD TREATMENT PROMPTED US TO ACCOMMODATE SPACES TO PROVIDE QUALITY SERVICES TO OUR CUSTOMERS IN VULNERABLE SITUATIONS.



OFFICES AND BRA Graph 2	ANCHES CREATED FOR PRIORITY GROUPS
	 IN 2017 86 offices remodeled for a total investment of \$1,266,474.76 Three new branches built for a total investment of \$1,067,458.00 3 branches moved for a total investment of \$1,073,222.00

We follow a method for creating our products and services that focuses always on the needs of our customers. This method includes a series of steps leading to the creation of a new service or product (Graph 1).

1.2 Servicing Our Customers

G4-EC7, G4-FS14

We concern ourselves with servicing our disabled customers, providing them a safe and appropriate environment for their needs. In 2017, 86 offices nationwide were remodeled. All the standards for priority groups, based on the new service model, were met (Graph 2).

This intervention consisted of improving ramps, building restrooms for disabled individuals, placing handrails, and setting up preferential service teller windows.

Three offices were built with architectural designs covering every detail for complying with all standards for priority groups, with respect to prior specifications, and three branches were moved.

1.3 Our Priority is Customer Satisfaction

G4-PR5

In 2017, we undertook the task of leveraging a culture of service to the external customer within a network of offices nationwide. This task was validated the last quarter of 2016 through a pilot plan. We measured four parameters, including behaviors and commandments. The objective was precisely to create culture and stick to other traditional cultures, such as satisfaction, plus the net recommendation index. By December, we had conducted 97,967 surveys of our Mass segment customers who choose a Banco Pichincha branch as their contact point.

We are convinced of the importance of listening to our customers and that is why the Bank will continue to expand the system in 2018 through all its service channels and segments. Proof is the exploratory study conducted to know the satisfaction in the Microfinance individual and group segment.

In addition, monthly measurements have been made since 2017 for internal customer satisfaction with regard to support areas: first, in the Services Executive Vice Presidency, then later in the Finance and Risk Executive Vice Presidency and the Human Resources Vice Presidency.

Product / Service	Key Features	Results
Digital Credit	We offer disbursements online, whereby customers self-service their credit in three easy steps. 1. Access credit offered. 2. Carry out the simulation and acceptance of credit conditions. 3. Disbursement made and in two hours money received in account.	 In six months, we completed 2,551 transactions for total of \$5,720,424.73.
Women Entrepreneur	We support the growth and comprehensive development of	• 5,621 transactions for a total of \$21,888,909.50.
women entrepreneur	of women through a portfolio of broad and diverse products with lines of credit in preferential conditions	- 3,021 transactions for a total of 321,000,303.30 .
Green loan purposes	With our contribution, we aim to reduce environmental impact, by financing projects that foster the use of energy efficiency and environmental investment. For example, financing energy efficient household appliances, renewable energies, ecological constructions, hybrid and electric vehicles, and green micro credit.	 In 2017, 366 transactions for ecological purposes, f a total of \$17,293,028.77. Energy efficiency, renewable energies, low energing vehicles, for a total of 324 transactions, the amount of \$10,912,760.02. Good farming practices, 42 transactions and total \$6,380,268.75.
		 For 2018, we will relaunch our Green Loans.
Refugee Xperta Accounts	Together with the UNHCR, we identify refugees and grant them Xperta accounts to achieve their inclusion in the financial system and offer them the opportunity to quickly and safely carry out their transactions.	• We have 1,594 Xperta accounts for refugees acro the nation.
Online Bank Certificates	Through Electronic Banking, Mobile Banking, and Interactive Mobile Banking, our customers can download their bank certificates online. This is to promote the decongestion of our branches by offering easy and timely self-service.	 Presently, 26.65% of requests for bank certificates as made on electronic channels. We receive an average of 6,662 requests a month.
Electronic Bank Statements	Electronic bank statement services that the Bank places at customers' disposal: consulting account statements (savings, Ahorro Futuro, and checking accounts), as well as electronic documents through our Pichincha Digital portal.	• As a result of the implementation of this service printing account statements has been cut by 39.09 % Our goal is to raise that percentage next year.
Nómina Confianza ("Trust Payroll")	This service was made available to our customers who receive their salaries through Banco Pichincha, adding special value that sets us apart. In this period, we concentrated \$810 million AUM (assets and liabilities), \$416 million in liabilities, \$348 million in portfolio, and a 1.77 cross-selling ratio (CSR).	 We have 278,000 customers who receive their salaries through payroll. 4,080 companies are enrolled in this system. 72,808 credit cards with a 26.10% penetration index. 63,466 insurance policies with a 22.80% de penetration.
Pichincha Remittances	We aim to shorten distances in benefit of our customers. Since the end of the year, we have activated the Pichincha Remittances service by which we offer our customers and non-customers the opportunity to receive remittances sent by their relatives abroad.	 The money our customers receive arrives the sam day, without any surcharges; up to \$5,000 a mon may be received, credited to an account, or paid at teller window at any of our 268 branches sprea across the country.

We place at our customers' disposal a total of 10,502 channels distributed in three areas (Chart 3).

Due to a mid-year change in the geographical zoning managed by the Bank (regional), the report is divided into two sections:

• January to June: 42,645 surveys.

• July to December: 55,322 surveys.

Our customers were asked the following question by giving an answer from 0 to 10¹: "Based on your branch experience, what is your general level of satisfaction with Banco Pichincha?" (Graph 3).

Furthermore, we make it a point to measure the satisfaction of our internal customers (employees), conducting with and for them monthly measurements of their interaction experience with regard to support areas. We started with the Services Executive Vice Presidency, then the Finances and Risk Executive Vice Presidency, and continued with the Human Resources Vice Presidency. Based on the results, each vice presidency draws up work plans to reinforce their work and provide a better inter-area service.

Physical Channels ¹	Non-Banking	Electronic Channels
	Correspondents ²	
Year 2017	Year 2017	Year 2017
268	9,059	1,175
Year 2016	Year 2016	Year 2016
268	10,110	1,174

¹ Physical channels are all branches, bank teller windows, points of sale, and transaction branches.
 ² The number of NBCs has contracted due to closures because of wrongful charges, fractioning of transactions, failure to follow policies (risk rating).

¹ For measuring the level of satisfaction, only scores of 9 and 10 were taken into account.

CUSTOMER SATISFACTION INDEX GRAPH 3

"Based on your branch experience, what is your general level of satisfaction with Banco Pichincha?"



1.4 Claims Management

G4-PR8

We focus our efforts on quickly and efficiently addressing claims, identifying their causes, and implementing corrective measures that allow us to improve our commercial and service processes.

By complying with rules, claims are processed within the timeframe set by the regulatory agency and those forwarded by Customer Advocacy, respecting bank secrecy.

Claims may be received at Banco Pichincha through the different channels offered by the Bank. These include:

- 268 branches nationwide.
- Electronic banking at www.pichincha.com
- Call Center: 24 hours a day, 7 days a week.
- Interaction on social networks: Facebook and Twitter.
- For smartphones, we provide a form for submitting questions and making suggestions.

This year, there was a 19% increase in the number of basic transactions, compared to last year up to the month of December. Furthermore, there was a significant increase in the use of automatic teller machines/depositories, Mobile Banking, and NBCs. The downward trend in the number of claims continued, achieving a 21% reduction (Graph 4).



In 2017, we received and processed 69,514 claims, which represent 0.022% of the total transactions made in the year. Up to December 31, 95.31% or 66,255 of the cases were settled. The remaining 4.69% are claims in the analysis stage.

As may be seen in Chart 4, the reasons for making a claim correspond to the cases occurring through the primary transaction channels. Despite the larger number of transactions, there has not been an increase in the number of claims and, in some cases, the number has shrunk. This is true for NBCs (transactions increased by 59%, while claims fell by 16.60%), as well as for online transfers (63% increase in transactions, 11% in payments, and 4% reduction in claims).

Furthermore, we improved the claims resolution processes so that the customer is not affected, especially in new channels, such as depositories and recyclers. A two-day resolution process was established for customers to provide good service and prevent a drop in the number of transactions through this channel.

Finally, during the year, there were no claims by our customers concerning lack of privacy protection and/or data leaks. (Chart 4).

1.5 Money-Related Claims: Frauds and Scams

During the year, fraud and scam claims contracted by 6.5%. Fraud is committed when making POS purchases, and the number of fraud cases has fallen. Fraud is also committed in ATM transactions, which are constantly being monitored by the risk area precisely to prevent fraudulent transactions (Chart 5).

FRAUD AND SCAM CLAIMS CHART 5 SOURCE: CLAIMS AND REQUIREMENTS TOOL.			
Type of fraud	2017	2016	Variation 2017- 2016
Fraud in ATM transactions	1,200	1,311	-8.00%
Fraud in POS*purchases	306	402	-24.00%
Cases under investigation: payment of checks and withdrawals with irregular signature, and so on.	1,564	1,569	-0.32%
Total	3,070	3,282	-6.50%
* Point of sale.			

This year, claims were resolved as follows: 31.30% were approved, 61.31% denied based on analyses, and 7.39% were resolved partially in favor of the customer (Chart 6).

We implemented Channel Safety to prevent fraud committed against our customers. The measures taken include:

- Inclusion of control for generating authorization rules for debit cards in non-present mode.
- Modification of scripts to obfuscate the code, mitigating the likelihood of cross-site attacks.
- Modification in monitoring navigation through fingerprint validation.
- Improved notification scheme for credit card transactions.
- Validation through the Vital Records Registry regarding customer identification with fingerprint re-registration.
- Inclusion of validation through the webservices of the Vital Records Registry for customers with an exempted fingerprint.
- Inclusion of score for approval of high-value, over-the-counter transactions.
- Time delay implementation for direct transfer transactions.
- Bolstering the Mobile Banking app through:
 - 1. Face biometric authentication
 - 2. Digital fingerprint device
 - 3. Enrollment process (device cell phone number)

NUMBER OF CLAIMS AND CLAIM AMOUNTS

SOURCE: CLAIMS AND REQUIREMENTS TOOL

Туре	Claims regarding number			Claims regarding amount				
	Approved	Denied	Partial	Total	Approved	Denied	Partial	Total
ATM debit card in customer's possession	68	415	2	485	27,410	108,281	91	135,781
ATM cases customer does not present debit card	20	638	13	671	9,502	341,078	9,453	360,033
Cases under Investigation (internet fraud, forged signatures, identity theft)	657	484	173	1314	1,518,172	1,348,768	636,617	3,503,557
Cases under Investigation - Appeals	65	40	19	124	191,574	101,757	130,824	424,155
POS purchases customer does not present debit card	7	144	3	154	4,630	50,850	1,984	57,464
POS purchases by debit/credit card in customer's possession	77	30	1	108	27,048	3,798	12	30,859
	894	1751	211	2856	1,778,336	1,954,533	778.980	4,511,849
General Total	31.30%	61.31%	7.39%	100%	39.41%	43.32%	17.27%	100.00%

2. MICROFINANCE

G4-4; G4-FS13; G4-FS14

Our goal is to keep aligned with the view and mission of the Microfinance segment. Its purpose is to improve the quality of life of customers, their families, and their businesses, with a positive environmental impact. In addition, it supports financial inclusion and development with a comprehensive offer of financial and non-financial products and services. These enhance financial education with specialized agents who keep a personalized relationship with customers, bringing the Bank closer to the community.

For this goal, we have two methods: individual and group.

Based on the **individual method**, the objective is to get closer to our customers through the commercial work of our business executives who visit them. We work on developing products that cover customers' comprehensive needs and business requirements, depending on the customer profile category. Furthermore, we accompany customers during their life cycle, with differentiated credit policies.

We have developed a line of "revolving" credit for short-cycle businesses, namely agricultural, which require more than one working capital loan in a year.

The Client Protection Principles in *The Smart Campaign* (Version 2.1) form the DNA of our method and guide us in our commercial management process in our unrelenting pursuit of longstanding and respectful business relationships.

Through the **group method**, we give access to banking services to the most vulnerable customers at the base of the pyramid of our country's economy. Because of their poverty conditions, these customers cannot individually meet the

requirements of the traditional financial system. For this reason, they join to form a group to get financing. These groups include customers engaged in commercial and service activities, as well as in production though to a lesser extent.

With this method, plus the accompaniment of a business agent, the groups receive additional financial education and learn further about the principles of responsibility, integrity, and solidarity to cultivate good habits for payment and meeting their obligations. The accompaniment is given every 14 or 28 days during the credit management process.

Furthermore, we have non-banking correspondents *Pichincha Mi Vecino* ("Pichincha, My Neighbor") through which Banco Pichincha offers products and services. The presence of this highly competitive network at the Ecuadorian market is mainly steered towards fostering banking service access and financial and non-financial transactions, enabling us to rely on relevant indicators. Under this method, there are 9,059 *Pichincha Mi Vecino* correspondents nationwide in all the country's cantons (Graph 5).

Each month, more than 4.4 million transactions are made; 74% of them are financial and concern banking service access. Our indicator shows that there were 391,773 new customers who entered the formal financial system for the first time through *Pichincha Mi Vecino*; 79,390 did so during the period reported in this document.

Our efforts are focused on our customers. We are the leaders and pioneers in customer service. Our solution for inclusion is based on a collaborative development support model to assist nonbanking agents through the devices used in the channel. Those devices allow for the inclusion of a mobility concept based on wide-range cellular connection. This guarantees access to formal financial services for a traditionally overlooked population to achieve better and efficient coverage nationwide and create more traffic opportunities. It also will lead to an increase in their sales, by fostering the development of non-traditional segments.



and fosters banking service access.

BENEFITS PICHINCHA MI VEO CHART 7	CINO NONBANKING CORRESPONDENTS
Coverage	Access to and penetration in new markets (rural and remote areas)
Return	Increase in sales and market share.
Effectiveness	Business success and growth, presence throughout the country.
Ease	Simple services that enhance the customer experience.
Access	Capillarity, extended business hours, access through USSD mobile banking, payment mechanisms, possibility of access to credit.
Affinity	Supplemental services and win-win aligned business strategies.

ADDED VALUE FOR NBCs (NONBANKING CORRESPONDENTS) CHARTB

- Increase in customer traffic and business sales.
- Accompaniment by the Banco Pichincha brand.
- Improvement alternative services portfolio for their customers.
- New payment alternatives and easy payments.
- Contribution to mutual customer loyalty processes.
- Training in new cash management optimization and efficiency models (moving cash without transporting securities) and reduction in correspondents' operating risks.
- Access to call center through a short code from their cell phones.
- Online support with centralized WhatsApp.
- Candidate pre-evaluation with scoring (variable analysis) and automatic enrollment.
- Automated georeferencing at Mi Vecino points of service.

DURING 2017, WE OPENED 1,947 NBCs BY INCLUDING BUSINESS ALLIANCES (SANA-SANA). COMPARED TO LAST YEAR, WE HAVE REDUCED THE NUMBER OF OUR NBCs AS A RESULT OF THEIR OPTIMIZATION AND THE OBLIGATION TO COMPLY WITH CERTAIN POLICIES TO CONTINUE OPERATING.

COVERAGE CHART 9				
	% provinces with service	% parish districts with service	% cantons with service	Total number of offices
Individual Microfinance	100.00% (24 out of 24)	96.16% (1,202 out of 1,250)	96.04% (218 out of 227)	154
Group Banking	95.83% (23 out of 24)	55.28% (691 out of 1.250)	74.45% (169 out of 227)	14
NBC	100.00% (24 out of 24)	56.32% (704 out of 1,250)	92.07% (209 out of 227)	9,059

2.1 The Smart Campaign.

Client Protection Principles

As leader in offering responsible financial products and services, Banco Pichincha has aligned its work to the key recommendations of the international market, focusing on client protection.

During 2016, the Pichincha Microfinance segment was certified in the Client Protection Principles of *The Smart Campaign*, in response to the reason behind our business: to contribute to improving the living conditions of customers by offering sustainable, timely, and adequate financial and non-financial products and services.

With the certification, we guarantee our customers absolute transparency in pricing, terms, and conditions regarding all offered financial products. We support and instruct them so they can responsibly manage their finances, avoiding that they accept more loan money than they can pay back or preventing them from using products they do not need. We employ respectful collection practices and adopt the highest ethical standards when dealing with our customers.

We respond to customer needs. Through our different channels, we give our customers a chance for their complaints to be heard and addressed more efficiently. Besides, information is kept confidential as a way to effectively protect our customers. (Graph 6).

Our goal is to maintain the certification we received and get recertified in version 2.0 of the Client Protection Principles of *The Smart Campaign* in 2018.

THE SEVEN CLIENT PROTECTION PRINCIPLES GRAPH 6



2.2 Social Performance Management

Social performance management (SPM) is the process used by organizations to accomplish their social mission and put customers at the center of their strategy and operations decisions, as well as to create value.

We seek to ensure a balance between business and customer development, fostering the creation and execution of specific actions to warrant that the products and services we offer are a key element for promoting growth and business development. This will be done by raising the level of savings by our customers; increasing their equity; transforming them into creators of job opportunities; fortifying their financial education; and, giving them access to an adequate insurance portfolio aimed at protecting their lives, health, and business.

Financial institutions that follow this kind of sustainable practice help their customers face emergencies and mitigate the risks and problems posed to customers' productive activities. In addition, they treat their employees responsibly and keep a careful balance between the institution's financial and social objectives.

The social performance management is pillared on six principles with specific functions (Graph 7).

3. KEY NUMBERS

(Chart 10)

G4-8; G4-EC1; G4-EC4

ECONOMIC VALUE CREATED

The revenue generated by the Bank in 2017 rose by 8.5%, \$90.5 million more than last year;¹75.9% of revenue came from financial intermediation (interest, commission earned, and financial earnings) (Chart 11).

¹ We have not received financial assistance from governmental entities.

SOCIAL PERFORMANCE MANAGEMENT AND ITS 6 PRINCIPLES GRAPH7



Region	Zone	Companies	Individuals	Micro business owners	General Total
	GYU Private Banking	40	468	1	509
	Coastal Zone 1 GYE South	7,307	144,362	18,377	170,046
	Coastal Zone 1 GYE North	7,432	160,283	6,190	173,905
	Coastal Zone 3 GYE Peninsula	3,048	77,510	19,084	99,642
COAST	Coastal Zone 4 Samborondón	2,929	41,559	7,260	51,748
COAST	Coastal Zone 5 Periphery	2,715	62,206	11,406	76,327
	Coastal Zone 6 El Oro	5,716	94,285	20,729	120,730
	Coastal Zone 7 Manabí	4,944	160,358	35,840	201,142
	Coastal Zone 8 Quevedo	2,959	83,038	24,282	110,279
	Coastal Zone 9 Babahoyo	2,690	60,748	13,454	76,892
	UIO Private Banking	329	1,449		1,778
	Headquarters	3,532	23,322	404	27,258
	Quito Zone - Downtown	5,226	123,368	172	128,766
	Quito Zone - Historical Center	4,785	219,385	14,875	239,045
NORTHERN REGION	Quito Zone - Northern Center	5,648	143,697	1,668	151,013
REGION	Quito Zone - North	4,318	169,895	24,103	198,316
	Quito Zone - South	3,989	151,152	23,548	178,689
	Quito Zone - Valleys	4,443	116,989	16,961	138,393
	Highlands Zone - North	4,735	139,629	34,129	178,493
	Zone 1 - Northeastern	3,489	106,786	25,525	135,800
	Zone 2 - Eastern Center	4,462	88,091	21,894	114,447
CENTRAL REGION	Zone 3 - Southeastern	2,596	61,689	25,503	89,788
	Zone 4 - Esmeraldas and Santo Domingo de los Tsáchilas	5,529	191,940	55,371	252,840
SOUTHERN	Cuenca Private Banking	39	438		477
REGION	Austro Zone	6,912	141,848	20,907	169,667
General Fotal		99,812	2,564,495	421,683	3,085,990

• The data are not comparable with those published in the 2016 Sustainability Report, considering the change of method for customer anchoring.

• Anchoring refers to the geographical location where customers are serviced.

ECONOMIC VALUE CREAT	TED					
	2017 (thousands of \$)	Share (%)	2016 (thousands of \$)	Share (%)	Annual Variation (thousands of \$)	Annual Variation (%)
Financial revenue	872,356	75.90%	772,991	73.00%	99,365	12.85%
Income from services	139,508	12.10%	136,703	12.90%	2,805	2.05%
Other operational revenue	67,958	5.90%	68,783	6.50%	-825	-1.20%
Non-operational revenue	69,135	6.00%	80,027	7.60%	-10,892	-13.61%
Total	1,148,957	100.00%	1,058,504	100.00%	90,453	8.55%

ECONOMIC VALUE DISTRIBUTED

We maintain adequate spending levels and in 2017 the level grew by 6.8% compared to last year. Better performance and the economy's dynamism enabled the Bank to achieve a 69.9% efficiency index, which is 8.7 percentage points less than that obtained last year (Chart 12).

ECONOMIC VALUE DISTRIBUTED CHART 12

CHART 12						
	2017 (thousands of \$)	Share (%)	2016 (thousands of \$)	Share (%)	Annual Variation (thousands of \$)	Annual Variation (%)
Payment to savings accountholders and investors	164,311	15.20%	199,776	19.80%	-35,465	-17.80%
Payment to employees	182,526	16.90%	166,823	16.50%	15,703	9.40%
Salary	112,437		112,084		353	0.30%
Mandatory employment benefits	58,886		42,788		16,098	37.60%
Investment in meals and health	7,701		7,804		-104	-1.30%
Other staff benefits	2,797		3,377		-580	-17.20%
Investment in training	706		770		-64	-8.30%
Goods and services providers	306,904	28.50%	287,443	28.50%	19,461	6.80%
Social investment in the community	3,200	0.30%	3,413	0.30%	-214	-6.30%
Public administration (taxes and contributions)	102,329	9.50%	102,509	10.20%	-180	-0.20%
Operating expenses	309,166	28.70%	237,804	23.60%	71,363	30.00%
Non-operating expenses	9,313	0.90%	11,585	1.10%	-2,272	-19.60%
Total	1,077,749	100.00%	1,009,354	100.00%	68.396	6.80%

ECONOMIC VALUE DISTRIBUTED: TAXES AND CONTRIBUTIONS

TOTAL TAXES AND CONTRIBUTIONS IN 2017 AMOUNTED TO \$102.3 MILLION, ACCOUNTING FOR 9.5% OF ECONOMIC VALUE DISTRIBUTED (Chart 13 and Graph 9).



PAYMENT TO SAVINGS ACCOUNTHOLDERS AND INVESTORS

These payments cover the interest that our customers earn on deposits and investments, interest paid to financial institutions, and convertible bonds. In 2017, there was a 17.8% reduction compared to the preceding year.

PAYMENT TO EMPLOYEES

These payments encompass all payments to our internal employees. Payments total \$15.7 million, which is 9.41% more than last year.

PAYMENT TO GOODS AND SERVICES SUPPLIERS

These payments mainly cover costs and expenses related to fees, technological innovation, security, advertisement services, and insurance. The year 2017 reported an increase of 6.8%, equal to \$19.5 million.

SOCIAL INVESTMENT IN THE COMMUNITY

Our Bank is aware of its responsibility with the community and, for this reason, sponsored donations to the CRISFE Foundation in a sum of \$2.5 million.

TAXES AND CONTRIBUTIONS CHART 13		
ltem	2017 (thousands of \$)	Share (%)
Cosede (former AGD (Insurance Deposit Agency))	48,266.6	47.17%
Income tax (IRS)	20,351.0	19.89%
Superintendency of Banks	11,906.9	11.64%
Offshore asset tax	1,643.9	1.61%
VAT on purchases (expensed to expenses)	14,160.0	13.84%
Money outflow tax	991.6	0.97%
Other taxes	199.9	0.20%
Other institutions	398.5	0.39%
0.15% tax (municipal)	2.418.0	2.36%
0.2% tax University Hospital	210.0	0.21%
Municipal patent tax	1.354.0	1.32%
Property taxes	418.8	0.41%
Superintendency of Companies contribution	10.0	0.01%
TOTAL	102.329.2	100.00%

OPERATING EXPENSES

This item mostly includes: a) risk asset provisions required by the Superintendency of Banks; b) financial losses and other operating expenses; and c) depreciation and amortization. Operating expenses represent 28.7% of the total economic value distributed.

ECONOMIC VALUE RETAINED - EARNINGS

Due to the country's improved economic performance and Banco Pichincha's strategic management, earnings soared by 44.88% compared to last year (Chart 14).

ECONOMIC VAN CHART 14	LUE RETAINED			
	2017 (thousands of \$)	2016 (thousands of \$)	Variation	Variation
Net profits	71,207	49,151	22,056	44.88%
Legal reserve	7,121	4,915	2,206	44.88%
Earnings available for shareholders	64,087	44,236	19,851	44.88%

3.1 Dow Jones Sustainability Index

During 2017, Banco Pichincha focused on meeting its projected work plan in response to the proposal concerning our last rating (2016).

Processes for improvement were implemented in the organization. These include drawing up the human rights policy, constructing and implementing the Gender Intelligence program, writing a Code of Conduct, and developing products and services focused on vulnerable groups, such as the Women Business Owners product.

In addition, we broadened our environmental focus by promoting green loans and strengthening environmental management processes.

Our next measurement will take place in 2019. We continue to intensify our internal management processes to improve our score and earn our place among the best banks in the world because of our commitment to the axes of sustainable development, economic, social, and environmental.

4. RESPONSIBLE PURCHASES

G4-EC9

We give priority to local purchases. In this period, 94.63% of purchases were made from national suppliers, compared to 5.37% of purchases from international suppliers, who are mostly service providers of technological platforms that do not exist in the country (Graph 10).



4.1. Human Rights in Business Relationships G4-HR5; G4-SO9

We contributed to the development of the domestic economy. During 2017, we worked with 1,511 local suppliers of goods and services, representing 94.08% of all suppliers. In addition, 44.73% of suppliers are certified by SGS, a certification service company that assesses compliance with standards and the legal framework in effect for their scope of operations. It also evaluates their operating, financial, and business capacity, as well as their compliance with Safety, Health & Environment (SHE) standards in effect in Ecuador.

The Bank's internal policy demands that its qualified suppliers accept and know the Code of Ethics, which specifically states that Banco Pichincha defends life and rejects all kinds of physical and verbal abuse. Therefore, the Bank encourages its suppliers to avoid actions that violate human rights.

Harassment, as well as physical, sexual, psychological and/or verbal abuse, of the supplier's own employees, the Bank's employees, or anyone else involved in the relationship with the supplier, are prohibited. Furthermore, we do not establish business relationships with suppliers that promote child labor.

4.2 Environmental and Social Assessment of Our Suppliers

(Graph 11) G4-EN32; G4-LA14

G4-DMA

Committed to protecting the environment, we implemented different measures fostering environmental protection, conservation, and recovery as well the fight against climate change.

WE ARE AWARE THAT OUR CONTRIBUTION TO SOCIETY OPENS UP NEW BUSINESS OPPORTUNITIES FOR US IN A CHANGING WORLD THAT HAS RAISED SOCIAL AND ENVIRONMENTAL AWARENESS.

ENVIRONMENTAL AND SOCIAL EVALUATION OF OUR SUPPLIERS Graph 11

100% of Banco Pichincha suppliers meet the social criteria assessment requirements. These include:

CODE OF ETHICS	MANDATORY DOCUMENTS
Banco Pichincha promotes and complies with the Universal Declaration of Human Rights. Through its Code of Ethics, the Bank demands that its suppliers know and respect the Code without failing to comply with, and promote, it within their organizations, as well as in their own value chains.	Our suppliers comply with the labor laws and regulations in effect, keeping current with their employer obligations.
393 SUPPLIERS EVALUATED IN SHE ISSUES	100% OF OUR 95 NEW SUPPLIERS EVALUATED IN LABOR PRACTICES

5.ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM (SARAS)

G4-FS1; G4-FS2; G4-FS3; G4-FS4; G4-FS8; G4-FS10

The System of Administrative, Environmental, and Social Risks Management (SARAS) was born in 2015 as an instrument enabling us to assess the environmental and social risk of our customers' economic activities. The object is to leverage compliance with the Credit Environmental Policy as well as to follow our sustainable management model.

The benefits that SARAS has provided to the organization and its customers are shown to the right.

SARAS Benefits

Prevents and minimizes socioenvironmental risks that would impact the risks of guarantees, cash flow, legal issues, as well as the risks of image or loss of credibility in the eyes of the community and other customers.

- Creates new business opportunities.
- 3 Maintains funding from multilateral organizations.

Free advice for implementing good environmental practices.



In 2017, an onsite talk was given about the changes in the system. These workshops took place in the cities of Quito and Guayaquil with the presence of 150 staff members from the Risk, Business, and Legal areas.

Our challenge for 2018 is to continue implementing improvements in the SARAS system to beef up its operativity and facilitate its application for users. (Graph 12).

6. FINANCIAL EDUCATION

G4-FS16; G4-FS14

The strategic objective of the CRISFE Foundation is to educate the Ecuadorian population during the various stages of their lives, by implementing financial education programs. The programs are structured, continuous processes enabling beneficiaries to improve the management of their resources, access financial products in line with their needs, and make the right financial decisions, depending on their life cycle.

To satisfy the particular needs of each target group, the CRISFE Foundation relies on the methods included in Charts 15 and 16.

FINANCIAL EDUCATION PROGR	AM METHODS
General	Focused on a mixed adult public.
Aflatoun	For pre-school and school children, ages 3 to 12.
Gender Focus	For women.
Senior Citizens	For senior citizen customers and users of the financial system.
E-learning	 Specifically for Banco Pichincha employees. E-learning for college students and employees of companies. For nonbanking correspondent agents.
ERCA	For employees of different companies.
Nonbanking Correspondents (NBCs)	For Banco Pichincha agents in charge of transferring their knowledge to nonbanking correspondents (NBCs).

BENEFICIARIES OF THE FINANCI CHART 16	AL EDUCATION PROGRAM		
School-aged children	Adu	ılts	SME Segment and users
and preteens	Banco Pichincha Employees	Nonbanking Correspondents	in general
4,224	5,126	4,532	12,710

6.1 Social Investment Programs G4-SO1

The Corporate Volunteer Program is executed using a sponsorship model that involves communities and organizations. The object is to foster a culture of voluntary participation in solidarity projects and initiatives, promoting the professional and personal development of direct (organizations and communities) and indirect (volunteers) beneficiaries.

The model is a type of two-way collaboration between "sponsors" (volunteers) and "beneficiaries" (communities and organizations) and is focused on four axes of action: space adaptation, humanitarian development, educational volunteering, and technical assistance. The CRISFE Foundation, together with corporate volunteers, identifies the demands of communities. The diagnosis focuses on key areas of intervention, contributing to the mitigation of basic educational needs. For this purpose, corporate volunteers accompany and process the improvement of community living conditions. A plan for action and intervention is drawn up for implementation. (Chart 17).

PROGRAM DESCRIPTION

THE PROGRAM IS INSERTED WITHIN THE FRAME OF AN EDUCATIONAL PROCESS FOR VOLUNTEERS TO DO QUALITY VOLUNTEER WORK, COMBINING THEIR JOBS AND PERSONAL GROWTH, WHILE BECOMING PART OF SOCIAL TRANSFORMATION.

VOLUNTEER WORK ACTIVITIES				
Results / Actions	Variables	Unit	2017	2016
	Coordinated activities	No.	70	147
	Number of hours of volunteer work Banco Pichincha and affiliates	Hours	1,062.50	2,689.66*
CRISFE coordinates the activities for voluntary work.	Registered volunteers from Banco Pichincha and affiliates	No.	291	551
	Communities / organizations beneficiaries	No.	25	25
	Total Number of Beneficiaries	No.	5.247	3.806

*The 2017 calculation method was applied to make numbers comparable.

SCHOLARSHIPS AWARDED 2016-2017 CHART 18					
	Scholarships awarded	Approved	Students who Dropped- out or Flunked	Graduates	Drop-out Rate
High school scholarships	1.384	1.198	186	348	13%
College scholarships	160	156	4	0	3%
Occupational scholarships	416	384	34	382	8%
Higher education scholarships	71	68	3	24	4%
Total	2,031	1,806	227	754	

u-

6.2 CRISFE Foundation Scholarship Program

Education is indispensable for the balanced and sustainable development of society, the economy, and political systems. Within this context, the CRISFE Foundation supports students and future professionals through its scholarship program, creating opportunities for them to complete their education (Chart 18).

By awarding grammar and high school scholarships, the goal is to help narrow the educational gap many students presently face in Ecuador and for them to complete their education developing lifelong work skills.

Education is a fundamental right that lasts an entire lifetime. Since it is important that students not only get a high school education, the scholarship program offers access to higher education (college and technical) for beneficiaries so they can cultivate skills aimed at their inclusion in the job market and future entrepreneurship, thus improving their quality of life.

³ Safety, Health & Environment

G4-DMA

We continue to implement the Safety, Health & Environment (SHE) Management System to minimize and manage labor risks and environmental impacts, comply with legal requirements, and promote better performance and ongoing improvement of our processes. To meet our goals, Senior Management's commitment is conveyed in the Safety, Health & Environment Policy.

TOPICS TO BE DISCUSSED IN THIS CHAPTER

- 1. SAFETY, HEALTH & ENVIRONMENT (SHE) SYSTEM.
- 2. ECO-EFFICIENCY AND BEST PRACTICES.
- 3. CLIMATE CHANGE MANAGEMENT

CHALLENGES FOR 2017

We continued to implement the Safety, Health & Environment Management System, completing the documentary structure.

CHALLENGES FOR 2018

Implement 100% of the Safety, Health & Environment System.

Design and disseminate the Bank's umbrella brand for environmental management.

Deepen the culture of emergency prevention through drills carried out by the personnel of each office and establishment. Our commitment is to reduce our ecological footprint following eco-efficiency practices and minimizing climate change impact in both our operations and in the activities of our customers and suppliers.

1.SAFETY, HEALTH & ENVIRONMENT (SHE) MANAGEMENT SYSTEM.

The SHE is based on ISO international standards (14.001 and 45.001) and on Ecuadorian legal requirements. The system is designed to keep the organization healthy, safe, respectful of the environment, and socially responsible, while meeting top quality and efficiency service standards regarding its staff, the environment, and society.

1.1 We Foster a Culture of Prevention

G4-LA6; G4-LA7

The Bank's Senior Management approved the Safety, Health & Environment Policy, which is applicable to all our stakeholder groups. The policy includes nine commitments concerning the prevention of labor risks, health deterioration, and environmental contamination, as well as the promotion of ongoing improvement.

SAFETY, HEALTH & ENVIRONMENT (SHE) MANAGEMENT SYSTEM.

ISO INTERNATIONAL STANDARDS AND ECUADORIAN STANDARDS

Culture	Management	Measurement	Monitoring
We promote a culture of emergency prevention and environmental protection.	We work on projects for reducing labor risks and environmental impacts.	We measure the environmental footprint and eco-efficiency.	Committed to our internal employees, we have varios projects for monitoring good health.
	C		


Staff, suppliers, and customers participate actively

Initiatives for Safety and Health Prevention

EMERGENCY PLANS

54 drills with the participation of 1,893 employees. 100% of new branches have emergency plans and SHE criteria. 3 emergency protocols disseminated across the nation.

> INSPECTIONS 125 branches and establishments evaluated. These represent 46.99% of our offices.



HEALTH MONITORING

1,727 employees in provinces underwent occupational examinations. 1,777 employees benefited from the Comprehensive Program for Drug, Tobacco & Alcohol Use Prevention.

4,131 employees benefited from the Health Monitoring Program. 3 vaccination and prevention campaigns, 2,192 employees benefitted.



STAKEHOLDER GROUPS 200 suppliers received SHE training

1,361 employees received SHE training via e-learning. 15 staff members forming the SHE technical team certified as ISO 9.001, 14.001, 45.001 integrated auditors.

Inclusion of SHE clauses in bid bases and contracts for suppliers. New occupational safety & health regulation

168 staff members on joint committees sensitized in SHE topics

1.2 Occupational Safety & Health (OSH) Indicators

In accordance with the regulations, we keep statistical records on workplace accidents, presumed occupational illnesses, and risk rates, among other things, as the standard for compliance with oversight agencies. No deaths were reported in 2017 (Chart 1).

IN 2018, WE CONDUCTED A DIAGNOSIS ON PSYCHOSOCIAL RISKS IN ORDER TO REDUCE AND ADDRESS THEM.

OCCUPATIONAL SAFETY & HEALTH INDICATORS *CHART 1*

Indicator	Value 2017	Value 2016	Description				
Frequency Index	0.09	3.53	For every 200,000 M/H* man-hours worked, the accident/illness rate is 0.09.				
Numbers of accidents at work with sick leave	5	12	Number of accidents at work with sick leave. These indexes do not take accidents to and from work into account.				
- Men	60%	58%					
- Women	40%	42%					
Accidents by region	on	1	-				
- Coastal Region	80%	44%					
- Country Region	0%	50%					
- Quito Region	20%	16%					
Severity index	4.03	38.08	For every 200,000 man-hours worked, 4 lost days.				
Risk rate	46.00	10.78	Severity index over frequency index, number of accidents				
Illness rate	0	2	Number of occupational illnesses.				
Absenteeism rate**	0.86	0.76	Total number of lost days because of illness during the period over the total number of days worked by all employees in the same period, multiplied by 200,000.				
* MH Man-Woman H	ours of Wo	rk					

** Code 513, Art. 57.

1.3 Joint Committees¹ G4-LA5

We have 14 SHE joint committees, divided into: one Central Committee working in Quito and 13 subcommittees in the cities of Quito, Ambato, Ibarra, Nueva Loja, Cuenca, Guayaquil, Machala, Los Ríos, Santo Domingo de los Tsáchilas, Manabí, and Esmeraldas.

The staff members forming the joint committees have built up a safety, health & environment culture in their zones. Thanks to their participation, various actions in favor of environmental care, safety, and integration of the Pichincha family have been taken.

1.4 Environmental Investments and Expenses G4-EN31

In 2017, environmental investments and expenses were made in building the SHE Management System, the waste management program, and sustainable mobility and recycling programs.

ENVIRONMENTAL INVESTMENTS AND EXPENSES TOTALED \$24,674.56.



1.5 Legal Compliance G4-EN29

We conducted SHE inspections at 125 Bank branches and establishments across the nation to evaluate legal compliance and define improvements. In 2017, we did not report claims or fines regarding occupational safety, health, or environment.

^{. &}lt;sup>1</sup> Joint committees: Joint committees formed by three workers' representatives and three employer representatives. They elect the committee chairman and secretary for a one-year term.

168 employees form SHE committees **REFORESTATION DAYS** • 4 cities: Ibarra, Machala, Esmeraldas and Santo Domingo. • 320 participants. **BIKE ROUTE AND GO TO WORK** ON A BIKE DAYS •4 cities: Quito, Riobamba, Cuenca and Babahoyo. • 405 participants. **PREVENTION CULTURE** • Improved work stations and active pause program ACTÍVATE (GET MOVING) • 14 talks on the prevention of drug, alcohol, and tobacco use.

2.ECO-EFFICIENCY AND BEST PRACTICES

WE CONTINUE TO STRIVE TO REDUCE OUR ECOLOGICAL FOOTPRINT, APPLYING ECO-EFFICIENCY IN THE RESPONSIBLE USE AND CONSUMPTION OF PAPER AND ENERGY, PLUS CORRECT WASTE MANAGEMENT.

2.1 Paper Consumption and Good Practices G4-EN1; G4-EN27

The paper used in our organization comes from a renewable source: sugar cane bagasse. It is the primary resource consumed by the Bank (Graphs 1 y 2).

NATIONWIDE PAPER CONSUMPTION IN NUMBER OF SHEETS OF PAPER GRAPH 1 Total number of sheets of paper consumed per employee in the year. * Total number of sheets of paper for printing internal checks for suppliers. ** Total number of sheets of paper consumed internally. 52,490,785* 49,719,603* 23,144** 2016 2017 * Corresponds to the number of printouts by the operations of Banco Pichincha and CREDI FE. Equals 99,439.21 kg of paper. ** Corresponds to the paper used by the internal payment area for printing checks to Quito suppliers. In 2017, the number plummeted because of the payment system's change to electronically issued invoices, withholdings, and payments. G4-22: 2016 data were modified in terms of the calculation method to make them comparable to 2017 numbers. Affiliates and suppliers operating in the

GOOD PRACTICES IN OUR OPERATIONS

Bank's facilities were excluded.

We reduced paper consumption by 441 sheets, or in approximately one ream of paper, per employee. To achieve this number, the Bank's savings goal for the second year in a row was proposed through environmental awareness campaigns. As a result, we surpassed the institutional goal.



As part of the environmental awareness campaign, we launched the Eco-Efficient Office Paper Consumption and Recycling contest. The quarterly calculations reaped the following results:



This year, personnel from all the Bank's offices received training as part of the Document Management project to raise awareness on the type of documents that should be shelved and for what length of time, in order to reduce the quantity of paper stored. Furthermore, we have conducted a more precise cleansing without posing operative risks to the Bank, thanks to the project for digitalizing and recycling checks and other documents.

GOOD PRACTICES WITH CUSTOMERS

At the end of 2016 and during 2017, the way in which banking services are provided to our customers was innovated, intensifying the use of electronic channels to bring down the number of paper printouts to zero (Graph 3).



2.2 Energy Consumption and Good Practices G4-EN3; G4-EN6

We continue to measure the Bank's direct and indirect energy (Graph 4 y Chart 2). We renewed the Bank's own and rental transportation fleet, consisting of 27 vehicles in total.



Energy consumption from electric generators was calculated based on diesel density (838.93 kg/m³) and specific heat (42,92 GJ/ton). The reported data cover 100% of the Bank's electric generators.

For calculating the Bank's own transportation fleet, the Banco Pichincha EMS (Environment Management System) environmental indicators report was used. This tool takes data from the International Panel on Climate Change and the International Energy Agency.

G4-22: 2016 data were modified in terms of calculation method to make them comparable to 2017 numbers.

INDIRECT ENERGY CONSUMPTION CHART 2

	Unit	2017
Electricity	Gigajoule (GJ)*	70,733.91

1 kWh=0,0036 GJ/ton was used as the conversion factor for calculating energy consumption GJ. The reported data are estimates and concern electricity consumed by the Bank's internal operations, affiliates, and establishments without operations.

* The gigajoule is the unit of measure of energy, representing consumption in gallons of fuel.

GOOD PRACTICES IN ENERGY CONSUMPTION

For continued reductions in energy consumption, we are moving forward with actions for improvement:

- IMPLEMENTATION OF LED LIGHTING
 . CHANGE TO ENERGY STAR AND AND EFFICIENT ECOLOGICAL GAS **BASED CLIMATIZATION SYSTEMS**
- **EPEAT COMPUTER EQUIPMENT**

D LIGHTING

2 Pilot PROJECTS At the linaquito and Portugal branches an average savings of 2.525 kWh a month, equivalent to paying 30% less in electricity bills. PRESEN PICHIN OF HIG EFFICIE EQUIPH TO 60% 862 u certifie 2017

PRESENTLY, BANCO PICHINCHA HAS 6,070 UNITS OF HIGH-LEVEL ENERGY EFFICIENT COMPUTER EQUIPMENT, ACHIEVING UP TO 60% SAVINGS IN ENERGY. 862 units of Energy Star certified equipment installed in 2017.



FRIENDLY AND EFFICIENT

Installation of water coolers for para climatizing the Torres Pichincha Bldg. In the 6 months of the project, the savings was \$5,530 in paying electricity bills.

• FOR 2018, OTHER ENERGY EFFICIENT INITIATIVES WILL BE IMPLEMENTED:

LED lighting pilot projects at the Headquarters Building, installation of energy waste detection systems, and definition of minimum energy and water consumption standards.

2.3 Correct Waste Management G4-EN23

We are moving forward with our programs for reducing, reusing, and recycling waste. Our waste is delivered to environmentally certified companies.

The following are the key numbers of non-hazardous and hazardous wastes processed during the year.

Thanks to the Clean Your Office, Recycle Paper program, 100% of the Bank's branches have bins for recycled paper. They also have internal logistics for collecting paper and transporting it temporary storage sites until finally disposed by an environmental manager.

The results of this program are positive in view of the increase in the quantity recycled in 2017.

We continue to process our assets through sales and donations to environmental managers and foundations

Non-Hazardous Waste

Waste from toners, paper, carboard, and passive file documents are recycled by qualified environmental management companies.

	2016	2017
	Used Toners	Used Toners
	3,631	1,809
	Units	Units
h	Paper and	Paper and
	Cardboard	Cardboard
	10,003.9	20,864.8
	0	3
	kilos	kilos
	Paper from	Paper from
	Passive Files	Passive Files
	128,430.	134,720.
	00	60
	kilos	kilos





Reveaue from recycled paper sales was \$20,682,432

•



Hospital waste is the waste generated at three medical centers registered in Banco Pichincha in the year 2017. The waste was processed through a qualified manager using a thermal treatment.

Fluorescent lighting management and final disposal increased in 2017 as a result of the commencement of the waste recollection program. The program was implemented in the cities of Quito, Guayaquil, Cuenca, and Machala. Fluorescent lamp waste is processed by an environmental manager that employs a technique for recovering mercury and lamp parts.

3. CLIMATE CHANGEMANAGEMENTG4-EN15; G4-EN17; G4-EN19

3.1 Internal Management

WE CONTINUE TO MEASURE THE BANK'S CARBON FOOTPRINT AS A DIRECT (SCOPE 1) AND INDIRECT IMPACT (SCOPE 2 AND SCOPE 3).²

²Scope 1: GHG emission sources owned or controlled by the Bank. We take our own fleets and electric generators into account.

Scope 2: Emissions derived from the use of electricity acquired and consumed by the Bank for lighting, use of electrical appliances, and so on.

Scope 3: Emissions derived from the Bank's activities from sources the Bank does not own or control, such as the use of rented vehicle fleets, emissions from land and air business trips, and emissions from messenger transportation



For calculating the emissions of the Bank's own transportation fleet, Banco Pichincho's SGA environmental indicator reporting tool was used. That tool employs data from the Intergovernmental Panel on Climate Change and from the International Energy Agency. -

WE PURCHASED 150 UNITS OF AIR CONDITIONING EQUIPMENT WITH ECOLOGICAL COOLING GAS; 25 HAVE BEEN INSTALLED TO DATE. WE WILL CONTINUE THIS INITIATIVE IN 2018.



by 55.77%, thanks to the change in our taxi policy: taxi use strictly during business hours. We changed the transportation method for trips, agreed with suppliers on a single transportation rate nationwide, and applied the use of taximeters.

GREENHOUSE GAS EMISSIONS CHART 4					
Indirect emissions (Scope 2)	Unit	2017			
Electrical Energy	Tons CO₂e	6.935,85			
Consumption					

The reported data are estimates and concern electricity consumed by the Bank's internal operations, affiliates, and establishments without operations.

 \dot{E} missions calculated based on emission factor (353 g CO₂/kWh) taken from the International Energy Agency 2016.

WE HAVE GENERATED A SAVINGS OF \$124,078 IN TRANSPORTATION.

The 14.14% reduction in messenger transportation emissions owes to the drop in the number of vehicles and trips from 77 to 58, as well as to the frequency of messenger trips from 125 to 88. Savings in messenger transportation efficiency: \$106,681.50.

General content	Description	Торіс	Chapter	Page	External Assurance
Basic gen	eral content				
STRATEGY A	AND ANALYSIS				
G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and strategy.	Sustainability challenges	Our Bank	5	~
ORGANIZAT	ION PROFILE		1	1	
G4-2	Description of the key impacts, risks, and opportunities.	Governance and Sustainability	Our Bank	59	
		Annual Report	Annual Report	5	×
G4-3	Name of the Organization	Report Standard	Our Bank	58	¥
		Products and Services	Deenensihle	84	_
G4-4 Primary brands, pr	Primary brands, products, and services.	Service Channels	Responsible Finances	87	~
		Microfinance		90 66	
G4-5	Location of the organization's headquarters.	Information and Comments	Our Bank	66	~
G4-6	Number of countries where the company operates and the names of countries where either the company has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Scope and Coverage	Our Bank	58	~
G4-7	Nature of ownership and legal form.	Sustainability Challenges	Our Bank	57	~
G4-8	Markets served (including geographical breakdown, sectors served, and types of customers and recipients)	Key Numbers	Responsible Finances	94	~
G4-9	Scale of the organization - Numbe r of employees	Workforce	Diverse and equal labor practices	70	~
G4-10	 Report on the following employment information: Number of employees by employment contract and gender. Number of permanent employees by employment type and gender. Report the total workforce by employees and supervised workers and by gender. Report the total workforce by region and gender. Report the total workforce by region and gender. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. Report any significant variations in employment numbers. 	Our Workforce	Diversity and equality in labor practices	70	¥
G4-12	Describe the Organization's supply chain.	Our Value Chain	Our Bank	63	~
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Governance and Sustainability	Our Bank	59	~
G4-15	Externally developed economic, environmental and social principles or other initiatives to which the organization subscribes or which it endorses.	Sustainability Initiatives	Our Bank	61	~
G4-16	Associations and national or international advocacy organizations to which the organization belongs.	Sustainability Initiatives	Our Bank	61	~

MATERIAL ASPECTS AND BOUNDARIES

G4-17	List all entities included in the organization's consolidated financial statements and equivalent documents.	Annual Report	Annual Report	18	~
	Decesso for defining the Depart content and second	Scope and Coverage		58	
G4-18	Process for defining the Report content and aspect boundaries.	Method for selecting the contents of the Report	Our Bank	59	~
G4-19	List all material aspects identified in the process for defining report content.	Relevant Topics	Our Bank	62	~
G4-20	Coverage for each material aspect within the organization.	Relevant Topics	Our Bank	61	~
G4-21	For each material issue, report the aspect boundary outside the organization.	Relevant Topics	Our Bank	61	~
G4-23	Significant changes from previous report in the scope and aspect boundaries.	Method for selecting the contents of the Report	Our Bank	59	~

General content	Description	ΤΟΡΙϹ	Chapter	Page	External Assurance
G4-24	List of stakeholder groups engaged by the organization.	Our Value Chain	Our Bank	63	~
G4-25	Report the basis for selection of stakeholder groups with whom the organization engages.	Method for selecting the contents of the Report	Our Bank	59	~
	Organization's approach to stakeholder engagement, including frequency of engagement by types and by	Method for selecting the contents of the Report	Our Bank	59	~
G4-26	stakeholder groups, or an indication of whether any of the engagement was undertaken specifically as part of the Report preparation process.	Stakeholder Groups	Our Bank	61	~
	Key concerns that have been raised through stakeholder engagement, and how the organization has responded to	Method for selecting the contents of the Report	Our Bank	59	~
G4-27	those Relevant Topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the relevant topics and concerns.	Stakeholder Groups	Our Bank	61	~
REPORT PRC	DFILE				
G4-28	Reporting period for information provided.	Scope and Coverage	Our Bank	58	~
G4-29	Date of most recent previous Report.	Scope and Coverage	Our Bank	58	~
G4-30	Reporting cycle (annual – biennial, etc.)	Report Standard	Our Bank	58	~
G4-31	Contact point for questions regarding the Report or its contents.	Information and Comments	Our Bank	66	~
G4-32	Report "the in accordance" with the GRI method the organization has chosen (Core-comprehensive). Report GRI content index and external assurance reference.	Report Standard	Our Bank	58	~
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report.	Accuracy and Assurance	Our Bank	66	~
Government					
	Governance structure of the organization, including		Annual Report	14	
G4-34	committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental, and social impacts.	Organizational Structure	Our Bank	65	~
64.30	Report whether the chair of the highest governance body is		Annual Report	14	
G4-39	also an executive officer.	Organizational Structure	Our Bank	66	×
G4-45	Highest governance body's role.	Organizational Structure	Our Bank	65	×
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.		Our Bank	65	~
G4-48	Report the highest committee or position that formally reviews and approves the organization's Sustainability Report.	Organizational Structure	Our Bank	65	~
ETHICS AND	INTEGRITY				
G4-56	Describe the organization's values, principles, standards, and norms of behavior, such as codes of conduct and codes of ethics.	ORGANIZATIONAL VALUES AND CODE OF CONDUCT	Diversity and equality in labor practices	74	~
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, such as ethical lines.	Organizational values and Code of Conduct	Diversity and equality in labor practices	74	~
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters.	Organizational values and Code of Conduct	Diversity and equality in labor practices	74	~

Basic spe	cific content				
MARKET PR	ESENCE				
G4-EC1	Direct economic value generated and distributed	Key Numbers	Responsible Finances	94	~
G4-EC4	Significant financial assistance received from governments.	Key Numbers	Responsible Finances	94	~
MARKET PR	ESENCE				
G4-EC6	Proportion of senior management hired from the local community at significant locations of operations.	Our Workforce	Diversity and equality in labor practices	70	~
INDIRECT EC	CONOMIC IMPACT	-			
G4-EC7	Development of infrastructure investments and services supported.	Service to Disabled Customers	Responsible Finances	85	~

General Content	Description	Торіс	Chapter	Page	External Assurance
PROCUREM	ENT PRACTICES	I		1	
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	Responsible Purchases	Responsible Finances	98	~
ENVIRONM	ENTAL INDICATORS				
G4-EN1	Materials by weight or volume	Paper consumption and good practices	Safety, Health, and Environment	107	~
G4-EN3	Energy consumption within the organization	Energy consumption and good practices	Safety, Health, and Environment	109	~
G4-EN6	Reduction of energy consumption	Energy consumption and good practices	Safety, Health, and Environment	109	~
G4-EN15	Indirect greenhouse gas emissions.	Climate change management	Safety, Health, and Environment	111	~
G4-EN17	Other indirect greenhouse gas emissions.	Climate change management	Safety, Health, and Environment	111	~
G4-EN19	Reduction of greenhouse gas emissions.	Climate change management	Safety, Health, and Environment	111	~
G4-EN23	Total weight of waste by type and disposal methods.	Correct waste management	Safety, Health, and Environment	110	~
G4-EN27	Mitigation of environmental impacts of products and services.	Paper consumption and good practices	Safety, Health, and Environment	107	~
G4-EN29	Monetary value of significant fines and total number of non- monetary sanctions for non-compliance with environmental laws and regulations.	Legal compliance	Safety, Health, and Environment	107	~
G4-EN31	Total environmental protection expenditures and investments by type.	Environmental Investments and Expenditures	Safety, Health, and Environment	107	~
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	Environmental and social assessment of our suppliers	Responsible Finances	99	~
LABOR PRAC	TICES AND DECENT WORK				
Employmen	t				
G4-LA1	Total number of hires and median turnover of employees, detailed by ethnic group, gender, and region.	New hires and turnover	Diversity and equality in labor practices	71	~

significant locations of operation. practices Return to work and retention rates after parental leave, by Diversity and				practices		
G4-LA3 gender. Parenthood equality in labor 73 ratio	G4-LA2	provided to temporary or part-time employees, by	Staff benefits	equality in labor	72	~
Health and safety at the workplace	G4-LA3		Parenthood	equality in labor	73	~

G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	laint committees	Safety, Health, and Environment	106	~
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender		Safety, Health, and Environment	104	~

G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	SHE culture of prevention	Safety, Health, and Environment	104	~			
Training and	Education							
G4-LA10	Programs for skills managements and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Professional Education and Development	Diversity and equality in labor practices	80	~			
Diversity and	Diversity and equality opportunities							
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Our Workforce	Diversity and equality in labor practices	70	~			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	GENDER INTELLIGENCE	Diversity and equality in labor practices	77	~			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Environmental and social assessment of our suppliers.	Responsible Finances	99	~			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	Grievance mechanisms	Diversity and equality in labor practices	77	~			
HUMAN RIGH	ITS							
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained,	HUMAN RIGHTS	Diversity and equality in labor practices	76	~			

General Content	Description	Matter	Chapter	Page	External assurance
G4-HR3	Number of incidents of discrimination and corrective measures taken.	Grievance mechanisms	Diversity and equality in labor practices	77	~
G4-HR5	Centers and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Human Rights in Business Relationships	Responsible Finances	98	~
G4-HR7	Percentage of security personnel trained in the organization's human rights, policies, or procedures that are relevant to operations.	HUMAN RIGHTS	Diversity and equality in labor practices	76	v
G4-HR12	Number of grievances about human rights impact filed, addressed, and resolved through formal grievance mechanisms.	Grievance mechanisms	Diversity and equality in labor practices	77	~
Society, Loc	al Communities, and Anti-Corruption Strategy				
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Social Investment Programs	Responsible Finances	101	~
G4-SO3	Number and percentage of operations assessed for risks related to corruption and the significant risks identified.	Anti-money laundering	Diversity and equality in labor practices	80	~
G4-SO4	Communication and training on anticorruption policies and procedures.	Anti-money laundering	Diversity and equality in labor practices	80	~
G4-SO5	Confirmed incidents of corruption and actions taken.	Anti-money laundering	Diversity and equality in labor practices	80	~
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	Human Rights in Business Relationships	Responsible Finances	98	~
Product Res	oonsibility				
G4-PR5	Results of surveys measuring customer satisfaction.	Customers satisfaction	Responsible Finances	85	~
G4-PR8	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Claims Management	Responsible Finances	87	~
FINANCIAL S	ERVICES SECTOR DISCLOSURES				
G4-FS1	Policies with specific environmental and social components applied to business lines.	SARAS	Responsible Finances	100	~
G4-FS2	Procedures for assessing and screening environmental and social risks in business lines.	SARAS	Responsible Finances	100	~
G4-FS3	Processes for monitoring customers' implementation of and compliance with environmental and social requirements included in agreements or transactions.	SARAS	Responsible Finances	100	~
G4-FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	SARAS	Responsible Finances	100	~
G4-FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	Method for selecting the contents of the Report	Our Bank	59	~
G4-FS6	Percentage of portfolio for business lines by specific region, size, and sector.	Our Customers	Responsible Finances	84	~
G4-FS8		Primary products and services	Responsible Finances	86	~

	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose.	SARAS	Responsible Finances	100	~
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.		Responsible Finances	100	~
G4-FS13	Access points in low-populated or economically disadvantaged areas by type.	MICROFINANCES	Responsible Finances	90	~
G4-FS14	Initiatives to improve access to financial services for disadvantaged people.	FINANCIAL EDUCATION	Responsible Finances	101	v
G4-FS15	Policies for the fair design and sale of financial products and services.	Primary products and services	Responsible Finances	84	~
G4-FS16	Initiatives to enhance financial literacy and education by type of beneficiary.	FINANCIAL EDUCATION	Responsible Finances	101	~

2017 SUSTAINABILITY REPORT BANCO PICHINCHA



KPMG del Ecuador Cia. Ltda. Av. República de El Salvador No. 734 y Portugal Ap. 1715-00388 Quito - Ecuador

Independent Assurance Report for the Management of BANCO PICHINCHA C.A.

According to our engagement letter, we have reviewed the non-financial information contained in the Social Responsibility Report of BANCO PICHINCHA C.A. (hereinafter "Bank") for the year ended December 31, 2017 (hereinafter "the Report"). The information reviewed corresponds to the Report content based on the Content Index of the Global Reporting Initiative (GRI), identified with a checkmark " v".

The Bank's Management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines and the *Financial Services Disclosures of* the Global Reporting Initiative, version 4.0 (G4) as described in point G4-32 of the GRI Content Index of the Report. Management is also responsible for the information and assertions contained within the Report; for determining the Bank's objectives in respect of the selection and presentation of sustainable development performance, including the identification of stakeholder groups and material matters; and, for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

These responsibilities include establishing controls that Management deems necessary for enabling the preparation of indicators with a level of limited assurance free of material errors due to fraud or mistakes.

Our responsibility is to perform a limited assurance engagement and, based on the work done, issue a report referring solely to the information corresponding to the year 2017. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, International Standard ISAE 3410, and Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board (IAASB). These standards require that we plan and conduct our work in a way to achieve limited assurance on whether the Report is free of material errors.

KPMG del Ecuador applied ISQC1 (*International Standard on Quality Control 1*) and, in accordance therewith, maintains a comprehensive quality controls system that includes documented policies and procedures with respect to compliance with ethical requirements, professional standards, and legal and statutory requirements.

In conducting our engagement, we have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accounts* issued by the *International Ethics Standards Board for Accountants*, which is based on the fundamental principles of integrity, objectivity, professional competence, diligence, confidentiality, and professional behavior.

Our limited assurance engagement was conducted through interviews with Management and the individuals in charge of presenting the information included in the Report, as well as by applying analytical and other procedures for gathering evidence, such as:

- Verifying the Bank's processes for determining the material issues with the participation of key stakeholder groups.
- Interviewing Management and other relevant Bank Staff, at both the group level and selected business unit level, about the existence of sustainability and Corporate Responsibility strategy and policies to address material issues, and the implementation thereof across the Bank.
- Evaluating the consistency of the description of the application of sustainability, governance, ethical, and integrity policies and strategy of the Bank.

- Analyzing risks, including media search to identify material issues during the period covered by the Report.
- Reviewing the consistency of the information that responds to the General Basic Content with systems or internal documentation.
- Analyzing the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Reviewing the application of the requirements defined in the Guide for preparing Sustainability Reports G4 of the Global Reporting Initiative for preparing reports in accordance with the Core conformity option.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Bank.
- Verifying that the financial information reflected in the Report was taken from the annual accounts of the Bank, which were audited by independent third parties.

Our multidisciplinary team has included specialists in dialoguing with stakeholder groups and in the Bank's social, environmental, and economic performance.

The procedures carried out in a limited assurance engagement vary in nature and timing, and is less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. In any case, this report cannot be regarded as an audit report.

Our conclusions are based on, and are subject to, the aspects indicated in this Independent Assurance Report. We believe that the evidence we have obtained provide a sufficient and adequate basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, there is no aspect arising that could lead us to believe that the indicators referred to in the first paragraph of this Report, including in the Bank's Social Responsibility Report for the year ended December 31, 2017, have not been prepared, in all significant aspects, in accordance with the Global Reporting Initiative's Sustainability Reporting Guidelines and the Financial Services Sector Disclosures of the Global Reporting Initiative, version 4.0 (G.4), as described in point G4-32 of the GRI Content Index of the Report, which includes the accuracy of data, the adequacy of data presented, and the absence of deviations and significant omissions.

Under separate cover, we will provide Bank Management with an internal report outlining our complete findings and areas for improvement.

In accordance with the terms and conditions of our letter of engagement, this Independent Assurance Report has been prepared for the Bank with respect to its 2017 Social Responsibility Report and therefore is not for any other purpose and cannot be used in another context.

KMPG del Ecuador Cia. Ltda. (*signature*)

Jhonny R. Bolívar Isturiz Partner

February 28, 2018