



**BANCO  
PICHINCHA**

**ANNUAL REPORT AND  
SUSTAINABILITY REPORT**

**20  
22**



# ANNUAL REPORT

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# MANAGEMENT LETTER

2022 was a year of economic reactivation and adaptation to new realities and trends. When the pandemic was practically under control, leaving considerable after-effects in its wake in economic, political and social spheres, another global tragedy struck the world - the war between Russia and Ukraine, which has caused uncertainty and has become a threat to the social and financial stability of many countries.

In this context, our Bank has continued with the transformation process initiated several years ago because we have the vision of being the largest and the best in our market. Bigger because we want to continue bankarizing more Ecuadorians and because we want to be a relevant stakeholder in the economic reactivation of families, small businesses, and companies in the country. We seek to be the best in offering effective solutions to our customers' needs, providing them with the best experience, with proximity, in a simple, human and safe manner.

Efforts have focused on generating new capabilities and reinforcing our talent, with which, thanks to the strengthening of digital transformation, we have been able to improve customer experience, both in their money transactions as the self-management of their requirements and services, providing them with valid options to interact through digital banking or to go to our network of agencies nationwide.

True to its commitment to the country, during 2022, Banco Pichincha disbursed loans for \$7.8 billion - approximately 7% of the

national GDP - of which 74% was allocated to the financing of productive activities. Of this amount, the micro- business segment received 1.4 billion. Overall, we have actively boosted employment and production in the country.

Banco Pichincha continues to be the largest bank in Ecuador, with \$15.5 billion in assets, \$10.5 billion in gross loans and \$12.3 billion in deposits. The loan portfolio grew 20% compared to the previous year, proportionally 11% higher than the growth in bonds payable. All this while maintaining adequate liquidity levels, in line with the Bank's demanding policies.

61% percent of our customers use the "Pichincha Móvil" App. The disbursements of our consumer loans are mostly digital and, during the year under analysis, we have managed to bankarize 570 thousand Ecuadorians.

To supplement national savings and generate greater liquidity for the national economy, Banco Pichincha managed external financing during 2022, which generated an inflow of resources to the country. Namely, \$700 million from different multilateral entities, development banks and international banks, which will help reactivate all sectors of the country, especially microenterprises, SMEs, the green portfolio, and foreign trade.

In this same year, Banco Pichincha was the first institution to issue a \$100 million gender-based social bond, which strengthened its leadership in inclusion and support for women, allocating six out of ten microcredits to women entrepreneurs. We have also continued with the development of our electronic wallet called Deuna!, a bid to achieve

the bankarization of the base of the pyramid, modernize real-time payments, digitize cash, and deepen financial services in the country. By the end of 2022, Deuna! already had 742 thousand users.

The results obtained this year are undoubtedly a reflection of the commitment and effort of our employees, who work responsibly and consistently every day to build the bank we dream of. They are also a reflection of the strong commitment of our shareholders to the development of the country, financial inclusion and sustainability. Above all, they reflect the

trust of our customers who are the reason for our being, the engine and the heart of Banco Pichincha C. A.

Undoubtedly, a challenging 2023 awaits us due to the evolution of both the internal and external environments. However, we remain firm in our commitment to serve our customers with the optimism that characterizes us, prioritizing quality and excellence, in order to provide them with the best banking experience.

We are and will continue to be the main player in the country's economic development.

**Antonio Acosta Espinosa**  
PRESIDENT

**Santiago Bayas Paredes**  
GENERAL MANAGER





# ABOUT EXTERNAL ENVIRONMENTS

# ECONOMIC, FINANCIAL AND BANKING ENVIRONMENT

## Real sector

In 2022, and with data as of the third quarter, GDP expanded 3 % in cumulative terms, with year-on-year growth of 4 % in the first quarter and a slowdown in to 1.9 % in the second quarter. There was also a recovery in year-on-year growth to 3.2 % in the third quarter. The slowdown in growth, which occurred in the second quarter of 2021, can be explained by the mobilization of the indigenous sector that occurred in that period. This did not allow for the normal development of productive activities and negatively affected oil production, as well as the production and export of other goods and services.

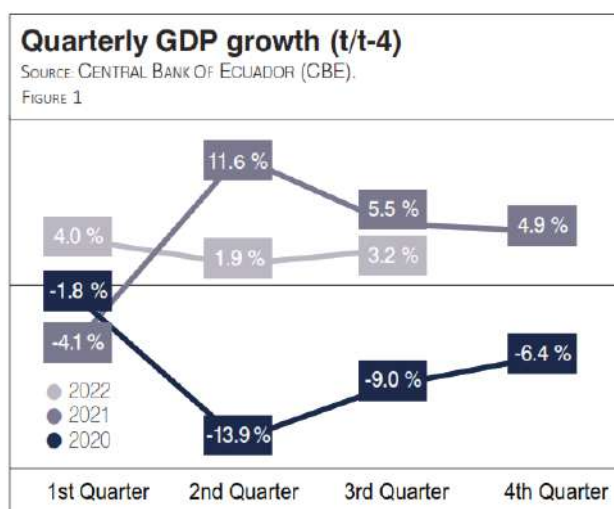
In the first three quarters of 2022, in cumulative terms, household consumption increased by 5.1 % per year, while investment expanded by 1.9 % per year. In contrast, the volume of exports made a negative contribution to GDP, with a fall in volume of -0.4 % per year.

The projection of the National Government, through the Central Bank of Ecuador (CBE), is that GDP will close 2022 with a growth of 2.7%, which would still be 1.3% below pre-pandemic levels (2019). Internal estimates of Banco Pichincha project a GDP growth of 3 % in 2022, with household consumption growth of 5 %, a drop in the volume of exports of 1.2 % and a growth in public and private investment (Gross Fixed Capital Formation or FBKF) of 6.1 %.

GDP growth of 3.2 % is projected for 2023, based on the expected growth in the volume of exports, both due to an increase in oil

production and growth in the volume exported of the main non-oil exports, except for bananas, which would continue to reduce its volume as in 2022.

Likewise, in 2023, economic growth is expected to continue to benefit from the expansion of household consumption (2.9 %). Finally, in 2023, FBKF is projected to continue growing as it did in 2022, with an annual growth of 9.8 % (FIGURE 1).

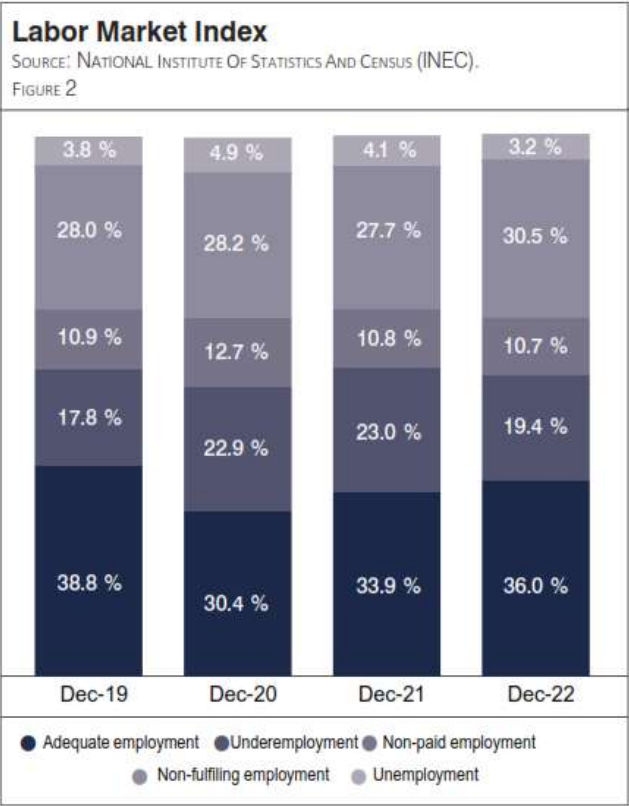


The fall in GDP in 2020, because of the covid-19 pandemic, had a negative effect on the quality of employment in Ecuador. The adequate employment rate of the economically active population (EAP) decreased from 38.8 % in December 2019 to 30.4 % in December 2020. Parallel to the reduction in the adequate employment rate, the pandemic increased the levels of underemployment, which increased by 5.2 percentage points between the pre-pandemic year and 2020, from 17.8 % of the EAP in December 2019 to 22.8 % in December 2020.

The 2021 economic growth allowed for adequate employment to recover by 3.5 percentage points, reaching 33.9% by the end of that year.

During 2022, the adequate employment rate gradually increased to 36% in December. In other words, it is still 2.8 percentage points below the pre-pandemic level, while underemployment was 19.4% (still 1.6 percentage points above the pre-pandemic level). It is predictable that the adequate employment rate will still not reach the 2019 level, given that GDP has not reached that level either.

By 2023, the IMF foresees Ecuador's economic growth at 2.7 %, the CBE at 3.1 % and Banco Pichincha's own estimates at 3.2 % with which, in any of these potential scenarios, GDP would reach and surpass the pre-pandemic level of 2019. Once this occurs, it is expected that the adequate employment rate and the underemployment rate would rise to pre-pandemic levels as well (FIGURE 2).



In 2021, accumulated annual inflation as of December reached 1.9%, mainly due to inflation in tradable goods (traded with the rest of the world), which had an annual inflation rate of 2.2 %, while annual inflation in non-tradable goods was 1.5%. The increase in international inflation in that year because of the pandemic, was transmitted via international trade to Ecuador which led to higher inflation in the tradable goods sector.

Indeed, at the international level, oil and natural gas prices increased, logistics and distribution chains were interrupted, and developed countries applied expansive monetary and fiscal policies. For this reason, supply and demand factors caused high inflation at the domestic level. In the United States, inflation in December 2021 reached 7 % per annum, and in the Euro zone it reached 5 % per annum.

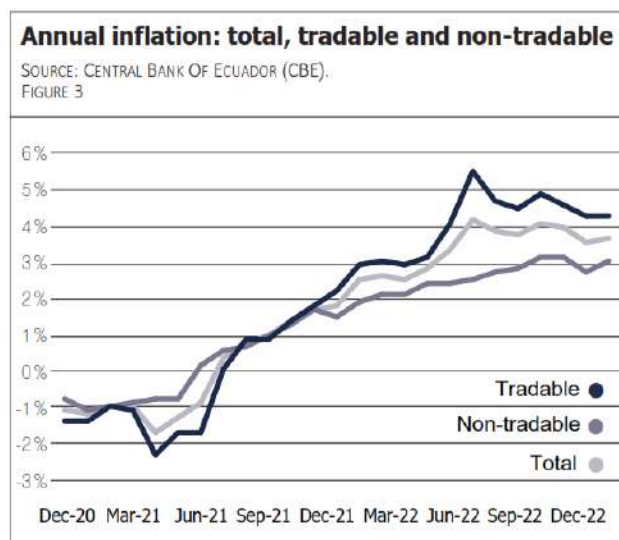
In 2022, the phenomenon of inflation driven by international trade continued, with annual inflation in the United States reaching 6.5 % at the end of the year and 9.2 % in Europe. This was, in part, due to the fact that the disruptions in global supply chains that have occurred in the last few years have not been fully resolved post-pandemic.

In addition, the still unresolved effects of the pandemic were compounded by the inflationary effects of the Russian invasion of Ukraine in 2022, and the ensuing war between these two countries. This increased the price of oil, gas and coal. Likewise, it affected the prices of food chains worldwide that use other inputs and raw materials exported by the two countries in conflict, such as wheat, corn, fertilizers and sunflower oil. This led to an increase in inflation in Ecuador in relation to 2021. Annual inflation stood at 3.7% in December 2022, with tradable goods inflation of 4.3% and non-tradable goods



inflation of 3.1%. In 2021, inflation and the appreciation of the currencies of Ecuador's trading partners against the dollar caused the real exchange rate to depreciate by 4.4% with respect to 2020, increasing Ecuador's competitiveness vis-à-vis the rest of the world. During 2022, interest rate increases in the United States appreciated the dollar against the currencies of the country's trading partners. This, together with the increase in domestic inflation, caused the exchange rate to appreciate by 0.5% compared to 2021.

Thus, in 2022, Ecuador partially reversed the gains in competitiveness achieved during 2021 and was able to maintain a real average exchange rate still high in relation to 2019 and 2020, respectively. It is relevant that external competitiveness has not deteriorated in this two-year period of high international inflation, which has facilitated the growth in value exported by Ecuador in 2021 and 2022 (FIGURE 3).



The government of President Guillermo Lasso set the goal, from the beginning of his term of office, that private investment should be the driving force of the Ecuadorian economy and job growth in the coming years. In this context, he promoted an aggressive agenda of seeking trade agreements for the growth of the economy

through exports and set the goal of signing ten agreements during his turn, six with countries in the Americas and four with countries in Asia. The goal is to increase Ecuador's trade openness with the world's largest countries, from 40% to 80%.

What has been achieved by December 2022 is, in the first place, to have implemented protocol on Trade Rules and Transparency of the first phase to facilitate trade between Ecuador and the United States in force since August 2021. Likewise, in November 2022, conversations were held between the trade authorities of both countries to explore the extension of this protocol to other areas such as labor, environment and digital trade through a Working Table.

Secondly, although the Government had expected to conclude negotiations with Mexico for the signing of a Free Trade Agreement during the first quarter of 2021, this objective was not achieved as no agreement was reached on shrimp. The Ecuadorian government made an offer to Mexico in November 2022, and in December Mexico agreed to sign the agreement, but excluded shrimp and bananas from the negotiations. The response from Ecuador expressed unwillingness to sign under those conditions. Thus, this negotiation is at a standstill for now. The signing of this trade agreement is a prerequisite that Ecuador must meet to be admitted as a full member of the Pacific Alliance, a goal it hopes to achieve in the first half of 2022.

Third, other trade agreements are in the middle of negotiations. According to the Minister of Production, negotiations are in process - such as one with South Korea which is 70% in progress. Others are about to begin, such as the potential trade agreement with Canada, with whom the process of internal consultations will begin in January 2023, leading to the start of a Free Trade Agreement negotiation with Ecuador



during the first half of 2023.

In fourth place are the trade agreements whose technical negotiations were recently concluded successfully, such as the pre-agreement with China at the negotiating and political team level, whose technical negotiations will be closed in January 2023. This agreement, once implemented, would give 99% of Ecuadorian exports duty-free access to the Chinese market, while at the same time protecting the sensitivities of the national industry, especially in the manufacturing sector, as announced by the Ministry of Production.

Likewise, in December 2022, the technical negotiation for the signing of a Free Trade Agreement with Costa Rica was closed, which would give that country preferential access to 96% of Ecuadorian exports.

Consistent with the objectives of promoting domestic and foreign investment, in 2021, the Government reinstated Ecuador in the International Centre for Settlement of Investment Disputes (ICSID). Along the same lines, in 2021, the Government held the international forum *Ecuador Open for Business*, where it presented \$30 billion in investment projects in strategic sectors (mainly in the mining, oil and renewable energy sectors), which are expected to be fruitful over the next four years. Despite these actions, the positive economic shock of high private investment, which is expected to put private investment above the historical investment level, has not yet occurred.

In regards to private investment (in real terms), Banco Pichincha estimates that, although it increased in the first three quarters of 2022 with year-on-year growth of 6.9 %, 10 % and 5.4 %, respectively, it would remain below the pre-pandemic level in relation to GDP, reaching 16.1 % of GDP (18.8 % in 2019) if this trend continues for the rest of the year.

By 2023, according to Banco Pichincha's own estimates, investment over GDP is expected to approach its pre-pandemic level of 2019 and stand at 18.1%. On the other hand, private investment, particularly in the mining and energy sectors, is currently looming in uncertainty due to the fact that the dialogues with the indigenous movement, which took place after the indigenous mobilization of June 2022, concluded with the creation of a commission that will have the power to define contractual conditions and restrictions to the exploration or exploitation in the mining and oil sectors, which could potentially be a disincentive for private investment. The feasibility of applying the agreements reached by such commission, which could face restrictions from a legal point of view, is also unknown.

In the oil sector, Ecuador was not able to fully take advantage of the high oil prices of 2021 and 2022 due to the falls in oil production in 2021. The fall and subsequent gradual recovery of production during 2022 reduced the volume exported in these two years of high prices. In 2021, average daily oil production fell to 473 thousand barrels per day - down from 531 thousand barrels per day in 2019.

In 2022, the National Government initially set the ambitious goal of doubling oil production by the end of its term in office, with the aim of seeking private investment for this sector. With this objective, the Government introduced reforms in the Organic Law on Economic Development and Fiscal Sustainability, which seek to attract private investment in the oil sector and facilitate the migration from service contracts currently signed by private companies providing services to the Ecuadorian State, to participation contracts. However, production in 2022 averaged 481 thousand barrels per day, only 2.1% higher than the average production in 2021.

In this context, in October 2022, the Government confirmed that the goal of doubling production could not be met and that the new objective would be to increase production by 10,000 thousand barrels per day until mid-2023. Subsequently, it further reduced the target when the 2023 pro forma of the General State Budget, which was approved in the National Assembly in November 2022, placed it at 514 thousand barrels per day average for 2023, which would imply an increase of 6.9 % compared to the average production reached in 2022.

The possibility of achieving this goal in 2023 was called into question when, at the beginning of January, the Minister of Energy announced that oil production will remain stagnant during the year, unless some obstacles are overcome. Such as Petroecuador obtaining the respective environmental licenses to expand production at the Ishpingo field, the effects of the budget reduction in Petroecuador are overcome, and quality private capital is attracted.

## **External sector**

In 2022, world economic growth is projected at 3.2 % and 2.4 % in the case of advanced countries (IMF, *World Economic Outlook*, October 2022), slowing down compared to 2021. In this international context, Ecuador's non-oil exports continued to expand in 2022, but at a slower rate than in 2021. Indeed, non-oil exports increased by 16.5 % in 2022, growth to which the increase in the value of shrimp exports, with an annual increase of 36.9 %, and mining products, with 32.6 % in the same period, contributed the most. The growth in the export value of shrimp and mining products, respectively, more than offset the 6.3% annual drop in the export value of bananas.

By 2023, the IMF projects world economic growth of 2.7% and that of advanced countries of 1.1%, lower than the growth foreseen for 2022. This slowdown in world economic growth would be due to the increase in international interest rates that occurred in 2022 and is expected to continue during 2023, as the monetary policy applied in developed countries continues to restrict demand to reduce inflation.

Slower world economic growth could occur in tandem with a potential appreciation of the dollar due to the continued increase in U.S. interest rates in 2023. These factors could slow the growth of Ecuadorian exports. In this context, according to Banco Pichincha's own estimates, it is projected that the value of non-oil exports in 2023 will continue to grow, but at a slower rate than in the previous two years, with a growth of 12.2 %, compared to a projected growth of 16.5 % for the whole year of 2022 and 19.8 % growth in 2021.

Oil exports increased by 63.9% in 2021, due to the increase in the price of oil, which more than offset the drop in production and volume exported in that year. In 2022, oil prices continued to rise due to Russia's invasion of Ukraine in February 2022 and the sanctions imposed on Russia to prevent the marketing of crude oil and other products exported by that country. The price of the WTI barrel went from \$83.2 in January 2022 to \$108.5 in March 2022, and the average price that year was \$94.9, higher than the \$68.1 in 2021.

As in 2021 the high oil price and its consequent effect is the reason for the double-digit growth in the oil exported value during 2022. Indeed, the exported value in 2022 was 34.6 % higher than in 2021. This occurred despite the fact that oil production grew by only 1.6 % in 2022 compared to the average production in 2021, and even though the



volume exported decreased by 0.5 %annually in the January-November period compared to the same period in 2021.

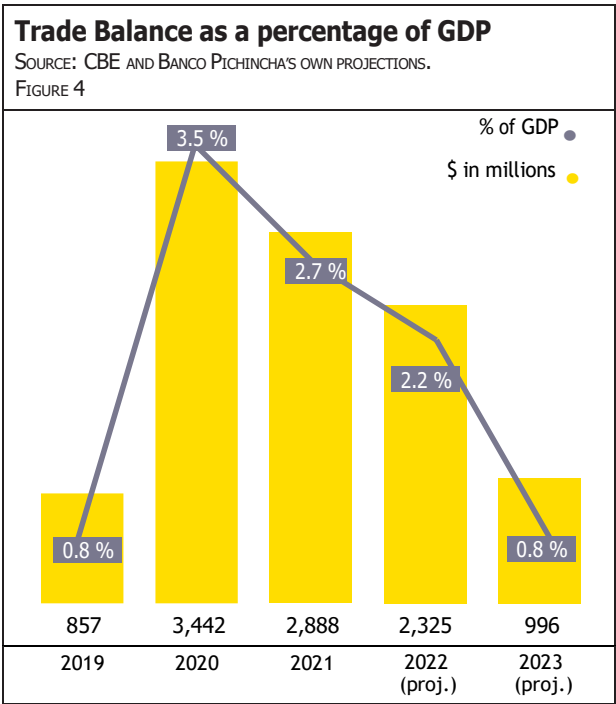
The high price of crude oil during 2022 also favored public finances, with oil revenues of the non-financial public sector (NFPS) projected to reach 13.9% of GDP by the end of 2022 (own projections), compared to 12.3% in 2021. The increase in the price of oil also meant increasing the subsidy on imported fuels, even more so when the National Government reduced and then froze, as of June 2022, the prices of oil derivatives due to the concessions made to the indigenous movement for the end of the mobilization that took place in that same month. In 2022, the subsidy to imported derivatives was \$3 billion, 327 million, meaning a high opportunity cost for public finances and Ecuadorian society.

By 2023, the Energy Information Administration (EIA) of the United States of America projects an average WTI price of \$77.8 per barrel, which would imply that NFPS oil revenues in value terms would decrease compared to 2022 as the expected drop in oil prices in relation to 2022 would not be offset by the increase in oil production. Assuming a conservative increase of 3% per year to reach 495 thousand barrels per day on average, lower than the production level anticipated by the Government for 2023 (514 thousand barrels per day on average). There would also be a decrease in NFPS oil revenues in relation to GDP, from 13.9% of GDP in 2022 to 12.2% in 2023 (own estimates).

Ecuador has also had a favorable domestic environment for its growth in recent years, based on the increase in workers' remittances it receives. In 2021, remittances sent to Ecuador increased by 30.7%, and up to the third quarter

of 2022, had a cumulative annual growth of 10.5%, feeding the cash flow of the economy and facilitating the expansion of demand for goods and services, particularly for household consumption.

Ecuador has achieved trade and current account surpluses in 2020 and 2021, meaning that it has been able to reduce its net liabilities with the rest of the world and/or increase international reserves, reducing the pressure of external indebtedness to finance trade deficits. Indeed, the trade balance reached 3.5% of GDP in 2020, 2.7% in 2021 and 2.2% of GDP in 2022. The trade surplus is a reflection not only of exports dynamism, but also of the parallel reduction in fiscal deficits which has reduced spending pressure on the economy. NFPS deficits have declined steadily from 7.2 % in 2020 (large fiscal deficit caused by the pandemic) to 1.7 % in 2021 and are projected to reach surpluses of 0.1% in 2022 and 0.2% of GDP in 2023, according to our own estimates (FIGURE 4).



## Fiscal sector

After the high fiscal deficit that the NFPS had in 2020 (7.2 % of GDP), because of the pandemic that reduced oil and tax revenues, in 2021 the deficit decreased to 1.7 % of GDP and is estimated to reach 0.1 % of GDP in 2022, and 0.2 % of GDP in 2023, according to Banco Pichincha's own estimates.

The reduction in the NFPS deficit since 2021 is the result of an increase in public sector revenues, while expenditures have remained relatively constant during this period in relation to GDP. In other words, the fiscal consolidation effort has been on the revenue side, given the downward inflexibility of a significant portion of public sector expenditures, and the lack of agreements or consensus between successive governments and some of the most politically active groups in civil society, such as the indigenous movement, as to how to reduce and/or focus fuel subsidies.

Thus, NFPS revenues increased to 36.2% in 2021, an increase of 4.5 percentage points with respect to 2020 and would reach 38.5 % in 2022 and 36.7 % in 2023. Most of this increase in NFPS revenues can be explained by the increase in oil revenues, which rose from 8 % of GDP in 2020 to 12.3 % in 2021, and to 13.9 % in 2022. Furthermore, they are projected to be equivalent to 12.2% of GDP in 2023. Oil revenues are always subject to high volatility due to the price of oil. Thus, their increase, although it has reduced the fiscal deficit during 2021 and 2022, does not imply a greater sustainability of public finances since these revenues may decrease as soon as the price of oil falls.

To reduce dependence on public finances from oil revenues, one of the goals of the agreement with the IMF of October 2021 was

that the primary deficit without oil revenues (but including the fuel subsidy) would reach \$6,218 billion by the end of 2021, a deficit that in practice was \$7.43 billion (IMF, *Country Report*, July 2022). These deficit levels, measured without including oil revenues, show how vulnerable public finances are to future oil price declines. Tax revenues have increased less significantly, from 12.5% of GDP in 2020 to 12.8% in 2021 and are estimated at 13.5% in 2022 and 13.4% in 2023, respectively. These results already include the effects of the tax reform approved in November 2021 with the enactment of the Organic Law on Economic Development and Fiscal Sustainability.

Meanwhile, NFPS spending went from 38.9% in 2020 to 37.9% in 2021 and is projected at 38.5% and 36.5% in 2022 and 2023, respectively. The projected growth in expenditures relative to GDP in 2022 is mainly due to the increase in fuel import expenditures due to the increase in the price of oil, while expenditures relative to GDP in 2023 are expected to decrease due to the expectation of lower oil prices in that year.

On the public sector capital expenditure side, this can be approximated based on the evolution of non-permanent NFPS expenditures, which are largely composed of public sector capital or investment expenditures. These non-permanent NFPS expenditures declined from 2019 to 2020, and in 2021 they recovered to 8.8 % GDP. A figure of 7.2% GDP is also expected in 2022 and 7.1% in 2023. Thus, public investment has shown a decreased weight in the economy in recent years, representing 15.9 % GDP in 2014 and 11.3 % in 2017.

A future challenge for the Ecuadorian economy is for private investment to grow in relation to GDP so that the economy can accelerate its growth rates without excessively depending on public expenditure. The public sector has the challenge of making investments complementary to those of the private





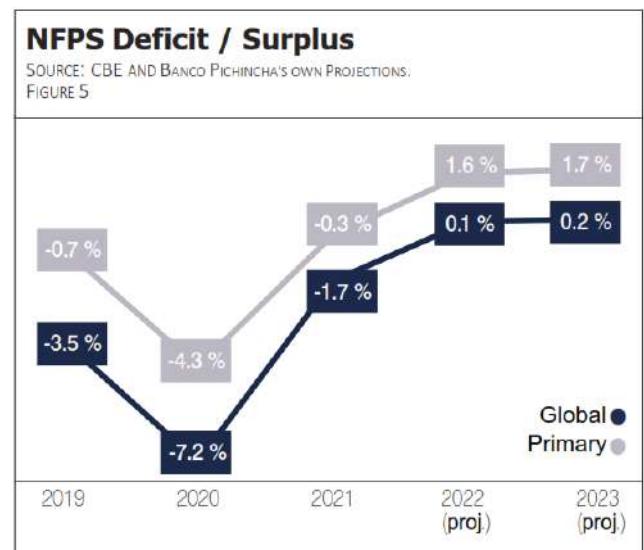
sector, seeking the optimal way in terms of cost/benefit in public investment with its own resources or investment in public interests, using resources from the private sector or in alliance with it. Although one of the National Government's goals has been to strengthen public-private alliances, no large investment projects based on them have been implemented or are expected to be implemented in the short term.

The Government signed an agreement with the IMF in October 2021, whereby it committed to a cumulative fiscal consolidation of 4.5 percentage points of GDP for the 2020-2025 period, of which 0.2 percentage points would come from an increase in revenues and 4.2 from a reduction in the ratio of expenditures to GDP. There were delays and non-compliance cases with some of the goals of this agreement; thus, the government signed a new document with the IMF in June 2022, which was more of an update of the October 2021 document.

Quantitative targets were established for the General State Budget as of August 2022 and only indicative targets for the NFPS, given the problems and information delays for the fiscal accounts at that consolidation level. However, the agreement conveyed that the Government's medium-term strategy was still to achieve a cumulative fiscal consolidation of 4.5 percentage points between 2020 and 2025. The agreement ended in December 2022 and, for the next two years, the Government expects to finance its external needs through multilaterals, including the IMF, with whom a new agreement will be sought for the coming years.

The renegotiation of sovereign bonds in 2020 and the debt restructuring with China in 2022, together with the increase in oil prices,

have helped to reduce Ecuador's external financing needs, but public finances remain highly vulnerable in the future due to abrupt drops in oil prices. Although the macro-fiscal rules establish that the ratio of consolidated public debt to GDP should be gradually reduced until it reaches 40% of GDP in 2032 (Law on the Regulation of Public Finances of July 2020), and maintains that ratio thereafter (in addition, it is established that a fiscal stabilization fund should be created with oil revenues that exceed those contemplated in the General State Budget), the current macro-fiscal rules contribute to, but do not prevent, fiscal policies from remaining procyclical as has historically been the case, influenced by oil price variations (FIGURE 5).



It is important to mention that in April 2021, the Law on the Dollarization Defense was approved. This law prohibits credit operations from the Central Bank to the Executive Branch, providing greater certainty that the cash reserves of the Central Bank will not be used to finance fiscal deficits. Furthermore, the CBE returned to the four-balance sheet system, with the aim to gradually return to 100% cash coverage of the Central Bank's liabilities through the payment of the debt by the

Ministry of Finance to the Central Bank for the cash resources that the CBE delivered to finance the Government during Rafael Correa's presidency. These payments would be made over 14 years, with a 5-year grace period for the payment of principal. Moreover, they are now recognized as part of the NFPS debt.

### **Monetary and financial sector**

At the end of 2021, the bank stock of bonds payable increased by 9.8% with respect to December 2020, and 25.6% in the case of cooperatives. The growth of deposits during 2021 was based on cash injection to the economy based on the growth of exports, both oil and non-oil; the growth of workers' remittances sent to Ecuador, and the trade surplus achieved in that year.

The trade balance in 2021 represented 2.7% of GDP and remittances had double-digit annual growth (30.7%). Meanwhile, economic growth since the second quarter of 2021 reactivated demand and credit granting in the financial system, which was reflected in an annual growth of 9.8% in the gross portfolio balance of private banks as of December 2021 and 22.8% in the case of cooperatives.

In 2022, deposit growth in the banking system slowed down compared to 2021, increasing by only 5.9% (9.8% in 2021). Furthermore, in 2022, deposits in the banking system grew at lower rates than the loan portfolio, which had an annual increase of 14.6%. Similarly, in the cooperatives of segments 1 and 2, the growth of deposits in 2022 (16.1%) was lower than that observed in 2021 (25.3%) and lower than the growth rate of the loan portfolio (21.9%).

The sources of cash-flow for the Ecuadorian economy during 2022 were remittances, which are estimated (own projections) to have grown by 8.5% annually, and the surplus trade balance, which is projected to reach 2.2% of GDP by the end of 2022. The public sector's external indebtedness, on the other hand, brought net disbursements to the Ecuadorian economy of \$1.74 billion, which also increases the liquidity of the economy as far at least one part of said financing is NFPS reserves at CBE.

Until the end of 2022, the NFPS increased its deposits at the CBE by approximately \$1.59 billion, which implies that there was an effort by the public sector to accumulate reserves in line with what was agreed with the IMF; this may help explain why deposit growth in 2022 has slowed compared to what occurred in 2021.

By 2023, cash-flow sources to the economy, such as remittances and the trade balance, are expected to continue to grow. The former by 7.8% annually (like the projected growth for 2022), while the trade balance is projected (own estimates) to remain in surplus by 0.8% of GDP (for 2022 a trade surplus of 2.2% of GDP is projected). A lower trade surplus in relation to GDP is also projected for 2023, based on a slowdown in the growth of non-oil exports and a fall in the case of oil exports.

In the case of remittances, annual growth of 7.8% is expected, like the projection for 2022 (8.5%), but slowing down compared to what was observed in 2021 (30.7%). The NFPS net external indebtedness, which could also contribute to increase the economy's cash-flow, is projected to be approximately \$658 million in 2023. In this context, a lower cash-flow to the economy is expected in 2023, attributable to a



lower trade surplus and lower growth in remittances.

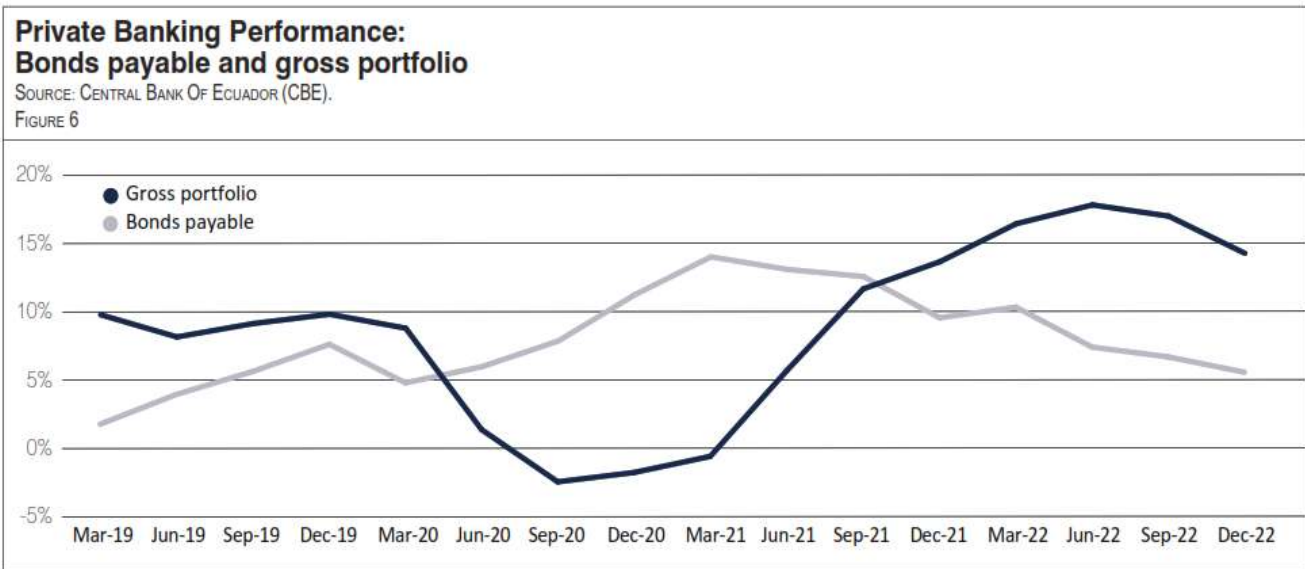
The outlook is that, in this environment of lower cash-flow to the Ecuadorian economy, deposits and the portfolio will grow less rapidly in 2023 compared to 2022, with a 7.6% growth in bank and cooperative deposits, compared to the 8.7% projected growth in 2022. Likewise, the growth of the banking and cooperative portfolio is estimated to lose dynamism, from the 16.7% projected annual growth in 2022 to 9.5% annual growth in 2023.

The lower portfolio growth in 2023 would be the result of a slowdown in the increase of deposits that finance the portfolio, as well as a decrease in the growth of credit demand compared to 2021 and 2022, which were post-pandemic recovery years. Indeed, in 2021, household consumption had double-digit growth, as did workers' remittances entering the Ecuadorian economy. It is projected that both remittances and household consumption, although continuing to increase during 2023, will do so at less accelerated rates than back in 2021 and 2022, which supports the lower expected

loan portfolio growth in 2023.

The general outlook is that in 2023 the financial system will continue to be solid, contributing to finance economic growth through credit granted to the private sector, but at lower growth rates based on a lower growth of available cash-flow in the economy and deposits in the financial system (FIGURE 6).

By 2023, as previously mentioned, cash-flow will depend mainly on the levels of trade balance and remittances. If the price of oil does not reach the levels foreseen by the IEA and falls below them in 2023, for example, due to a higher-than-expected growth in energy demand, Ecuador's trade balance projections would have to be adjusted downwards in the coming months. On the contrary, they would be revised upwards if the WTI price is higher than expected by the IEA, which could happen if there are more obstacles on the global oil supply side, for example, due to greater disruptions to oil trade because of the war between Russia and Ukraine. Changes in economic growth in first-world countries and changes the exchange rate of the U.S. dollar against other currencies may also





affect the projections of non-oil exports and, therefore, the trade balance presented.

In the oil sector, there is uncertainty as to whether the Government will achieve its increasing production goals as it has not been able to attract private investment with the reforms to the Organic Law on Economic Development and Fiscal Sustainability and it is not known what measures the Government will adopt in practice, following the decisions made by the commission formed with the indigenous movement that would review issues such as the mining and oil exploration and exploitation frontier, and present and future State contracts with the private sector.

Likewise, requests for popular consultation, the lack of a law on prior consultation with communities potentially affected by mining, and judicial decisions on specific mining projects, cause uncertainty and may reduce investment. In this regard, the indigenous movement is asking the Government to abolish Executive Decree 151, related to the mining policy. The government has offered to reform the policy but not to abolish it.

The reform or abolishment of this decree could slow down investments in this sector, as well as the delay in the opening of the mining cadastre, which is the tool that allows the Government to grant new mining concessions (scheduled for December 2022). However, at the end of the year, the Government postponed the opening of the cadastre, for a third time, offering to open it sometime in 2023. This would be in line with the position of the indigenous movements, which demand that the cadastre not be opened until the Assembly approves a Prior Consultation Law for natural resource extraction projects. In addition, the Government committed to a moratorium on 15 oil blocks and not to grant new mining concessions for 12 months or until the aforementioned law is

approved.

The invigoration of private investment in general, above its historical levels, is also a challenge for this and future Governments. To accelerate economic growth and increase adequate employment rates, which has not yet been achieved despite the current openness to receive national or foreign private investment, the implementation of initiatives such as *Ecuador Open for Business*, and support for public-private partnerships, among others.





# ABOUT BANCO PICHINCHA

# STRATEGIC PROFILE

## Purpose

Inspire and reward trust.



## Institutional values:

Consistency • Responsibility • Effort • Transcendence

# BANCO PICHINCHA

## CULTURAL VALUES

### The customer is our priority

We are a *customer-focused* bank as customer experience is our priority. We strive for the customer's dreams, which are our dreams as well.

### We make banking easy

We are here to simplify the customer's life. We work to make our processes fair and necessary for both internal and external customers.

### We act as owners

We care for and look after the Bank's interests as if they were our own. We take responsibility for our decisions, actions and commitments, all while promoting the sustainability of the organization for the future.

### Together we are more

We are all on the same boat and we move forward together and united. We work in healthy collaboration, ensuring that everyone feels included, knowing the common goal and sharing objectives.

### We make things happen

We transform ideas into projects and projects into reality. We do everything in our power to respond to what is entrusted to us.

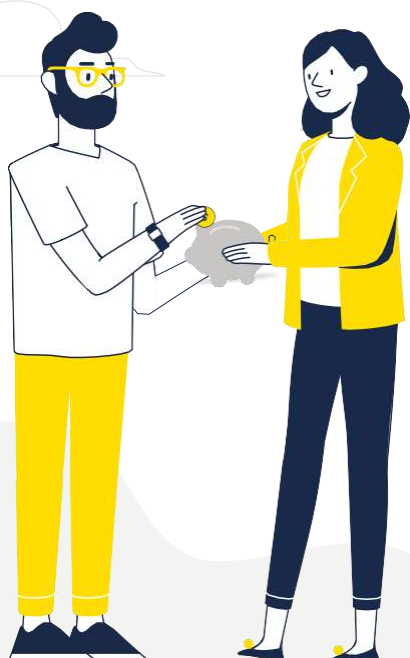
### I play the leading role of my development

My professional growth is the growth of my country. At the Bank, I can go as far as I intend to go.

# SEGMENTS, MAIN BUSINESS LINES AND PRODUCTS

## Relationship Banking

- ▶ Consumer loans
- ▶ Credit cards
- ▶ Mortgage loan (“Habitat”)
- ▶ Educational loan
- ▶ Purchase/sale of foreign currencies
- ▶ Deposits and investments



## Corporate Banking

- ▶ Corporate credit
- ▶ Corporate credit (PE and SMEs)
- ▶ Cash Management
- ▶ Foreign Trade
- ▶ Treasury (FX, hedging)
- ▶ Deposits and Investments
- ▶ Factoring



## Channels

- ▶ Agencies
- ▶ ATM
- ▶ Call center
- ▶ NBC
- ▶ Virtual banking
- ▶ Mobile banking



## Microbusiness

- ▶ Microcredits
- ▶ Communal Banking
- ▶ Deposits and investments

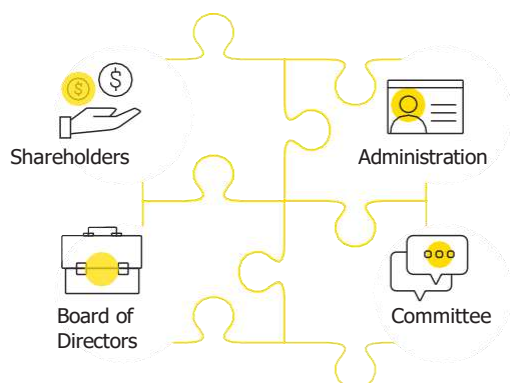


# CORPORATE GOVERNANCE

Our Corporate Governance comprises a set of rules, principles, procedures, guidelines and standards of good practice which regulate the structure and operation of the organization and are aimed at protecting the interests of the Bank, the Financial Group and the various stakeholders. Corporate Governance is developed under the institutional values and principles of transparency in line with the provisions of the Bank's Bylaws. The General Meeting of Shareholders is the supreme body of Banco Pichincha. Its administration is vested in the Board of Directors, the Bank President, the Executive Committee, the General Manager, the Vice-Presidents, Managers, Committees and authorized officers.

The General Meeting of Shareholders has the following main functions:

**Corporate Governance System  
Banco Pichincha C. A.**



- Appointing the principal and alternate directors.
- Appointing internal and external auditors.
- Approving financial statements, internal and external audit reports and commissioner's reports.
- Approving profit distribution.
- Approving the reform of the Bylaws, if so desired.

Banco Pichincha's Board of Directors is a collegiate body comprised of members who are highly qualified to manage the Bank's operations. The members of the Board of Directors are appointed by the Shareholders' Council and are qualified by the regulator body.

<b>Bank President</b>	Antonio Acosta Espinosa
<b>Alternate Director to the President</b>	Adolfo Callejas Ribadeneira
<b>Main Directors</b>	Carlos Suárez Bucheli
	Andrés Pérez Espinosa
	Rodrigo Sánchez Zambrano
	Diana Torres Proaño
	Juan Carlos Cisneros Burbano
<b>Alternate Directors</b>	Mónica Villagómez Najas
	Juan Fernando Moscoso Corral
	Gonzalo Orellana Sáenz
	Wilson Ayala Gomezjurado
	Edith Vásconez Cabrera

The Board of Directors is the body that establishes the Bank's operating policies, under which the Bank's managers will carry out their activities.

The main functions of the Board of Directors are as follows:

- Ensuring compliance with regulations/ resolutions of the General Shareholders' Meeting, definitions of the Board of Directors and compliance with the Bylaws.
- Knowing and approving the annual budget.
- Proposing the destination of the economic results to the Shareholders' Meeting.
- Approving internal regulations.
- Forming committees.

<sup>1</sup> The Chairman of the Board of Directors does not hold an executive position and is independent. 100% of the directors are independent. Banco Pichincha's Board of Directors is comprised of nine men and three women.

- Submitting to the General Meeting of Shareholders the annual report on the business progress, the financial statements, its proposal for the distribution of profits, and issuing an opinion on said financial statements and on the internal audit report.
- Analyzing and approving the entity's policies, best practices and risk reports, as well as ensuring the processes, regulations, manuals and other provisions for good Corporate Governance.

### Committees and commissions

Committees are the bodies that support the management of Corporate Governance established by the regulations or of the Board of Directors, whose purpose, functions and members must be approved by the Board of Directors or the Executive Committee. The main committees that work jointly and interact with Senior Management and ensure an adequate distribution of functions are as follows:

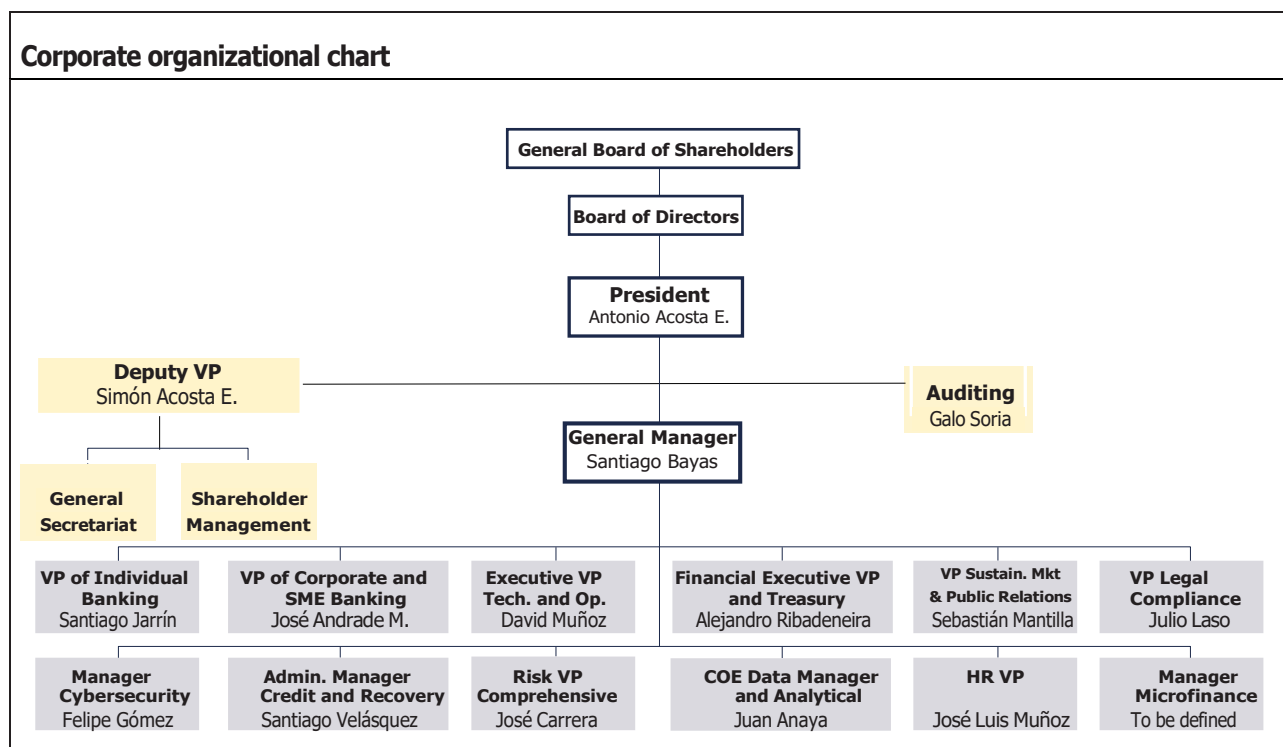
► **POLICY COMMITTEES** are generated in accordance with the provisions of current regulations.

- Audit Committee
- Ethics Committee
- Compensation Committee
- Risk Management Committee (RMC)
- Risk Asset Rating Committee
- Compliance Committee
- Information Security Committee
- Information Technology Committee
- Business Continuity Committee
- Joint Occupational Safety and Health Committees and Subcommittees



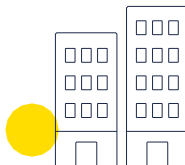

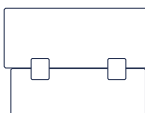

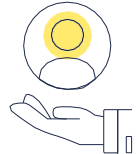
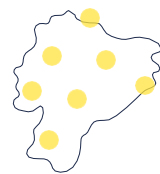
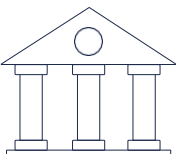

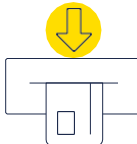

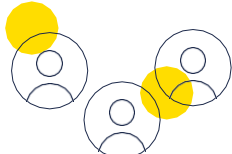

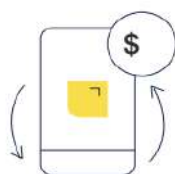


► **STRATEGIC COMMITTEES.** They are appointed by the Bank's Board of Directors in accordance with the Bylaws.

- ALCO Committee
- Strategy Committee
- Legal Committee

► **OPERATING COMMITTEES.** They are approved by the Executive Committee and deal with operational matters.



# OUR BANK IN NUMBERS

 <p>Assets <b>\$15.465 Bn</b></p>	 <p>Liabilities <b>\$13.987 Bn</b></p>	 <p>Equity <b>1.478 Bn</b></p>	 <p>Net income <b>\$150.1 MM</b></p>
 <p>Gross portfolio <b>\$10.468 Bn</b></p>	 <p>Presence <b>5 COUNTRIES</b></p>	 <p>Customers <b>4,901,438</b></p>	 <p>Coverage <b>24 PROVINCES</b></p>
 <p>Agencies <b>206</b></p>	 <p>Service Centers <b>10,192</b></p>	 <p>ATMs <b>1,443</b></p>	 <p>Credit operations <b>1,651,473</b></p>
 <p>Employees <b>5,361</b></p>	 <p>Digital users <b>61.1 %</b></p>	 <p>Banking transactions through digital channels <b>57.3 %</b></p>	
			 <p>Non-banking correspondents <b>7,138</b></p>



# BANCO PICHINCHA C. A.

## BALANCE SHEET

**Banco Pichincha is committed to the country's development. During 2022, it disbursed \$7.8 billion, thus contributing to the economic reactivation of families and businesses, through the placement of loans to families, small businesses and companies.**

- 74% of financing went to productive activities.
- 6 out of 10 microfinance loans were granted to women.

Banco Pichincha continues to be the country's largest bank, with total assets of \$15,465 billion. In 2022, it was the most relevant player in the banking system, representing 36% of the system's total growth thanks to the trust of its 4.9 million customers.

The portfolios' sustainable growth and deposits have allowed us to continue gaining territory in the market, reaching a share of 27.1% in the total portfolio and 28.2% in bonds to the public by the end of 2022.

The net loan portfolio grew by 20.1% compared to the previous year, while bonds payable grew by 11.3% (TABLE 1).

Of the loan portfolio, 37.8% corresponds to the consumer segment, 36.4% to commercial loans and a significant 17.1% to micro-loans, demonstrating Banco Pichincha's strong commitment to promoting growth and development in society (FIGURE 1).

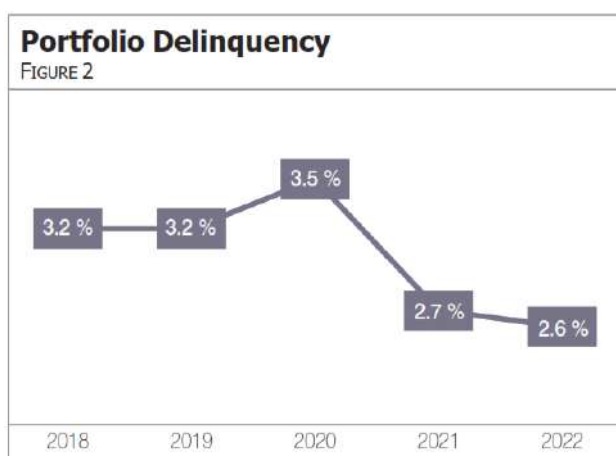
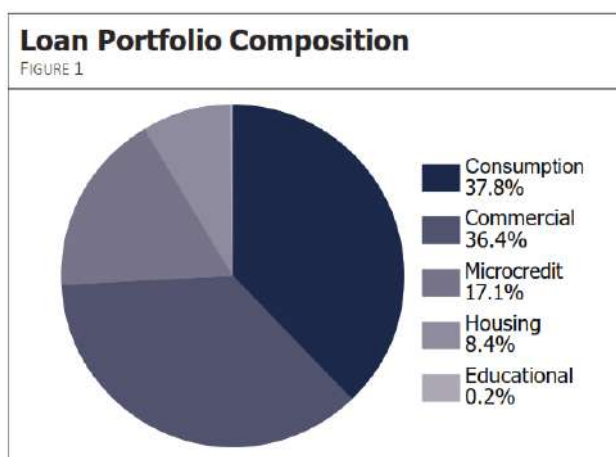
Banco Pichincha's delinquency levels reflect adequate risk management and proper management of the past-due portfolio.

### Balance sheet (\$ billions)

TABLE 1

	2018	2019	2020	2021	2022	2021-2022 Annual variation
<b>Assets</b>						
Available funds	1.7	1.6	2.8	1.8	2.2	21.6 %
Investments	1.5	1.8	2.2	2.5	2.6	1.1 %
Net portfolio	6.4	7.0	6.3	7.8	9.3	20.1 %
Gross portfolio	7.2	7.8	7.2	8.7	10.5	20.2 %
Provisions	-0.8	-0.8	-0.9	-1.0	-1.2	21.1 %
Other assets	1.1	1.1	1.3	1.3	1.4	6.7 %
<b>Total assets</b>	<b>10.7</b>	<b>1.4</b>	<b>2.6</b>	<b>13.4</b>	<b>15.5</b>	<b>15.4 %</b>
<b>Liabilities</b>						
Bonds payable	8.6	9.0	10.1	11.1	12.3	11.3 %
Other liabilities	0.9	1.2	1.2	1.0	1.7	68.8 %
<b>Total liabilities</b>	<b>9.5</b>	<b>10.2</b>	<b>11.3</b>	<b>12.1</b>	<b>14.0</b>	<b>16.0 %</b>
<b>Total equity</b>	<b>1.16</b>	<b>1.26</b>	<b>1.27</b>	<b>1.34</b>	<b>1.48</b>	<b>9.9 %</b>





December 2022 closed with a rate of 2.6%, under the norm that remained in force according to Resolution 609-2020-F issued by the Monetary and Financial Policy and Regulation Board (FPRB) in March 2022, which considers PAR 60 for the past-due portfolio (FIGURE 2).

Thanks to a proper management of Banco Pichincha's portfolio at risk, the shift to PAR 30 in 2023 will not have a significant impact on the Bank's results.

In terms of deposits, a clear change in the customers' approach to saving was seen. Moving part of their cash-flow surpluses to time deposits.

Adapting to this new reality, in 2022 we had a significant growth in term deposits, which increased 34.2 % annually. For this purpose, it

was necessary to offer a more attractive and competitive rate for customers (FIGURE 3).

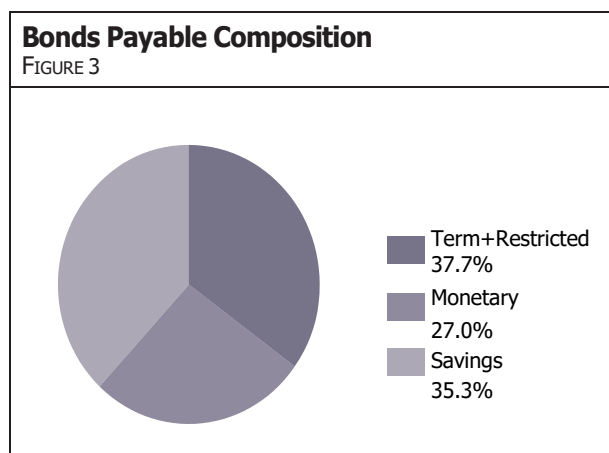
Banco Pichincha has a conservative policy that favors cash-flow, providing confidence to customers who have their deposits in it, especially in savings and money market accounts, which represent more than 60% of its bonds payable.

Another important funding source came from foreign loans. We achieved a historical record, attracting around \$700 million from various international organizations thanks to the confidence and solidity projected by the Bank at the international level.

The issuance of \$300 million in international bonds was a milestone for Banco Pichincha and the country. It was the first international bond by an Ecuadorian issuer under the Diversified Payment Rights (DPR) program, and the second transaction of its kind.

Funds were obtained to support SMEs, green loans, productive loans, among others.

**Banco Pichincha also issued the first \$100 million gender social bond to support women owners and leaders of micro, small and medium-size enterprises in Ecuador.**



## Income statement

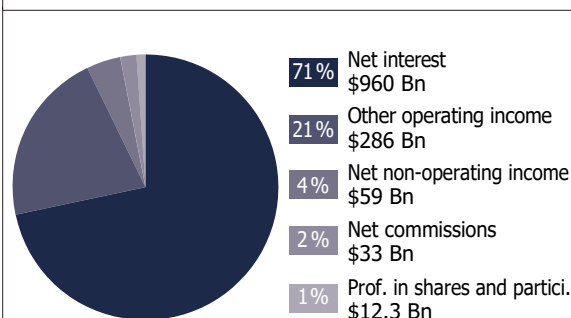
Banco Pichincha stands out for its solid economic performance, presenting a positive evolution in terms of growth as reflected in net income, which closed the year with \$150 million (TABLE 2).

Due to the growth in term deposits, as well as the increase in the cost of liabilities, interest paid increased by \$80.9 million compared to the previous year, while interest earned grew by \$253.5 million. Banco Pichincha's proper management and soundness are reflected in the financial margin, which increased by \$167 million per year, which represents a 20.2% increase over the previous year.

Revenues from tariffed services with maximum and differentiated charges presented a growth of 30.4%, which significantly leveraged the increase in the Bank's other operating revenues. There was also a growth of \$19.4 million in financial income, influenced by the increase in interest rates abroad (FIGURE 4).

## Income Composition

FIGURE 4



Net non-operating income decreased mainly due to the provision reversal to recover restructured loans and to decrease the sale of foreclosed assets. On the other hand, income from shares and participations increased by \$19.1 million.

Operating expenses grew by 8.1% from the previous year, as initiatives have been aligned and prioritized to be the best and most efficient Bank. On these lines, Banco Pichincha has made an important effort for continuous improvement, especially to strengthen the

## Statement of income (\$ millions)

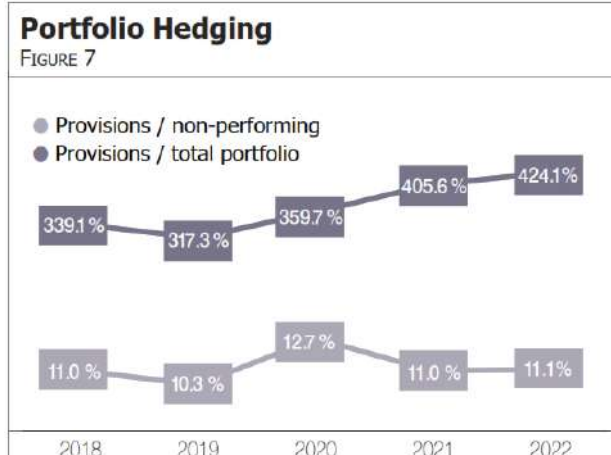
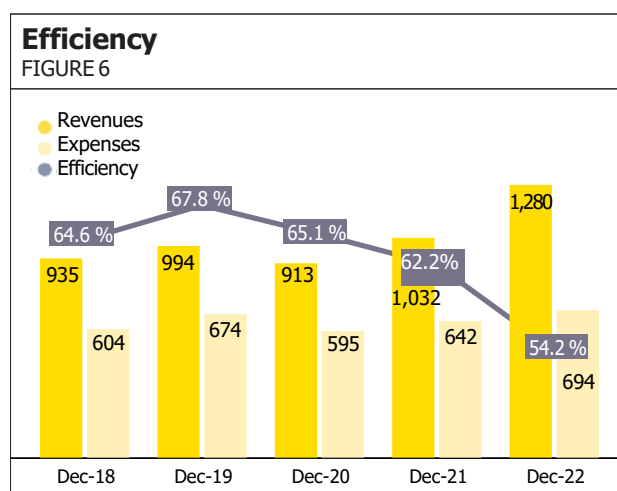
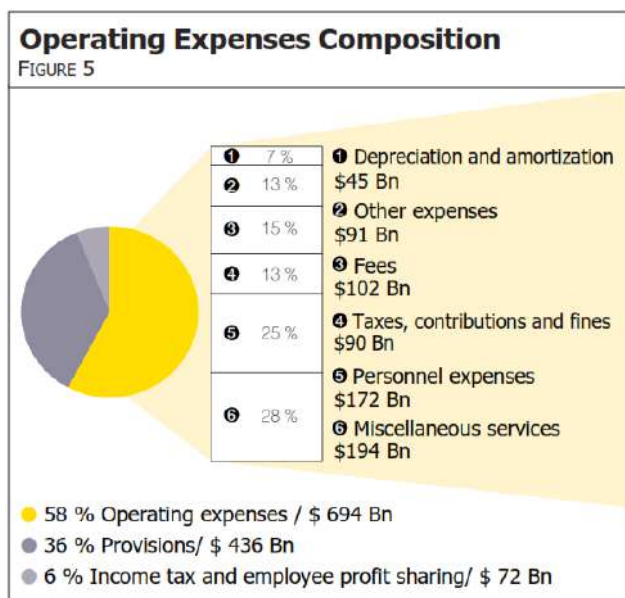
TABLE 2

	2018	2019	2020	2021	2022	2021-2022 Annual variation
+ Net interest	688	724	685	788	961	21.9 %
+ Net commissions	37	40	33	39	33	-14.6 %
<b>Financial margin</b>	<b>726</b>	<b>764</b>	<b>718</b>	<b>827</b>	<b>994</b>	<b>20.2 %</b>
+ Other operating income	209	230	196	205	286	39.3 %
+ Financial income	22	35	24	4	23	517.0 %
+ Services	187	195	172	202	263	30.4 %
(-) Operating expense	604	674	595	642	694	8.1 %
<b>Operating margin</b>	<b>331</b>	<b>320</b>	<b>318</b>	<b>390</b>	<b>586</b>	<b>50.2 %</b>
+ Net non-operating income	22	46	48	108	59	-45.3 %
+ Income in shares and participations	16	16	16	-7	12	281.3 %
(-) Provisions	164	187	309	338	436	29.0 %
<b>Gross profit</b>	<b>205</b>	<b>195</b>	<b>73</b>	<b>154</b>	<b>222</b>	<b>44.1 %</b>
(-) Income tax and employees' profit sharing	85	64	23	52	72	38.8 %
<b>Net income</b>	<b>120</b>	<b>131</b>	<b>50</b>	<b>102</b>	<b>150</b>	<b>46.8 %</b>

organization's technological infrastructure and information security (FIGURE 5).

As of December 2019, the organization's efficiency index was 67.8% and, after all the efforts made, we will close 2022 with an indicator of 54.2% (FIGURE 6).

We adhere to our conservative portfolio provisioning policy. Banco Pichincha's capacity to cover its non-performing portfolio is four times the amount of its portfolio at risk, reaching 424.1% in December 2022. In addition, it maintains 11.1% of provisions to cover its total portfolio (FIGURE 7).



These provisioning levels are well above the banking system, which as of December 2022 had a ratio of 261.2 % and 5.3 % in non-performing portfolio coverage and total portfolio coverage, respectively (TABLE 3).

Banco Pichincha will face important challenges in 2023. We foresee a complex environment in which the organization must continue to strengthen its vision of being the largest and most efficient Bank in the country, with healthy cash-flow, with hedges that allow us to face unexpected crises, being a sustainable institution and, above all, with the commitment that characterizes us to provide confidence to our customers through a more agile, simple, reliable and secure service.

## Generated and Distributed Economic Value

The economic value generated by Banco Pichincha through its income is distributed among its stakeholders through interest paid to savers and investors, remuneration to suppliers for the delivery of products and services, remuneration to employees, taxes paid to the government and public sector entities, social investment in the community and dividends to shareholders.

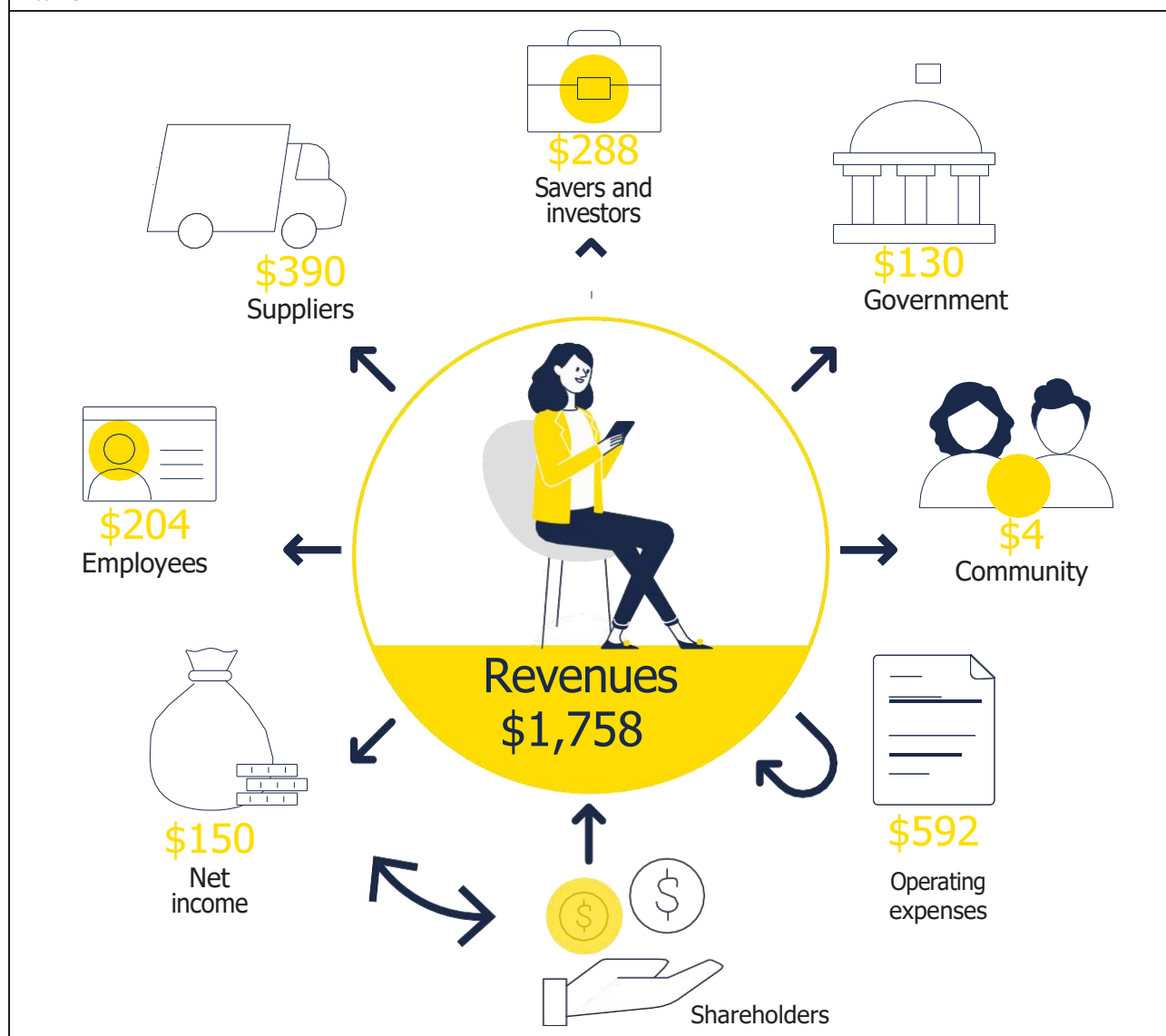
## Financial Indicators

TABLE 3

	2018	2019	2020	2021	2022
Portfolio delinquency	3.2 %	3.2 %	3.5 %	2.7 %	2.6 %
Provisions / total portfolio	11.0 %	10.3 %	12.7 %	11.0 %	11.1 %
Provisions / non-performing portfolio	339.1 %	317.3 %	359.7 %	405.6 %	424.1 %
Cash-flow (available funds/total short-term deposits)	24.1 %	21.7 %	32.7 %	20.2 %	23.0 %
Efficiency	64.6 %	67.8 %	65.1 %	62.2 %	54.2 %
ROA	1.1 %	1.2 %	0.4 %	0.8 %	1.1 %
ROE	11.3 %	11.3 %	4.0 %	8.1 %	11.4 %
Technical assets	11.7 %	12.5 %	13.4 %	12.2 %	12.0 %

## Economic Value Generated (\$ millions)

FIGURE 8



Likewise, the remaining part of the economic value is reinvested to allow for sustainable and solid growth. This reinvestment includes, on the one hand, provision generation, technology acquisition, investment in infrastructure among other operating expenses. And, on the other hand, profit capitalization (FIGURE 8).

75.5% of the Bank's generated income corresponds to financial income from interest

gained on the loan portfolio. As a result of the strategies implemented in the organization, the generated economic value grew 20.3% with respect to the previous year, and more than 60 % of the economic value retained is destined to capitalizations for the following years.

8.1% of Banco Pichincha's expenses are destined to Government payments via taxes and contributions (TABLE 4).

#### Generated and Distributed Economic Value (\$ millions)

TABLE 4

	2021	2022	Annual variation
<b>Revenue (economic value generated)</b>	<b>1,462</b>	<b>1,758</b>	<b>20.3 %</b>
<b>Expenditures (distributed economic value)</b>	<b>1,360</b>	<b>1,608</b>	<b>18.3 %</b>
Savers and investors	207	288	39.0 %
Suppliers	349	390	11.6 %
Government	126	130	3.0 %
Employees	180	204	13.1 %
Community	4	4	-11.5 %
Operating expenses	492	592	20.4 %
<b>Profit (retained economic value)</b>	<b>102</b>	<b>150</b>	<b>46.8 %</b>

	2021	2022	Annual variation
Cosede	58	46	-20 %
Income tax (SRI)	27	40	46.7 %
VAT on purchases (charged to expense)	16	18	12.8 %
Superintendency of Banks	15	16	8.5 %
Other taxes	11	10	-1.6 %
<b>Total payment to government</b>	<b>126</b>	<b>130</b>	<b>3.0 %</b>

# DIGITAL TRANSFORMATION

**Banco Pichincha is focused on creating digital products and solutions to be closer to customers.**

**We serve our 4.9 million customers through various channels:**

## ► Digital channels

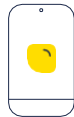


### **Web banking**

782 thousand customers.  
24.5 million transactions.  
\$8.6 billion.

### **Mobile banking**

2.8 million customers.  
280 million transactions.  
\$45.4 billion.



[www.pichincha.com](http://www.pichincha.com)  
2.5 million customers



## ► Physical channels

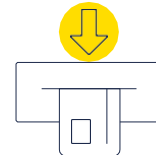


### **Agencies**

1.1 million customers.  
51.8 million transactions.  
\$53.4 billion.

### **ATM**

2.4 million customers.  
113 million transactions.  
\$14.5 billion.



### **NBC**

2 million customers.  
117 million transactions.  
\$8.3 billion.

### **Contact center**

1.2 million customers.  
9.4 million calls + mail.



**61% of our customers use digital channels.**

- We improved self-management levels.
- Digital banking allows customers to save time by performing daily transactions such as payment of basic services, credit card payments, school pensions, and more than 4,000 business services without having to wait

in line and in just a few minutes. It also allows small businesses to receive payments from their customers through wire transfers, reducing the use of cash and encouraging the use of secure electronic means.



- At Banco Pichincha, we are aware of the importance of being an inclusive bank, thus, this year we adapted the Mobile Banking *app* so that our visually impaired customers can make their transactions without any limitation. The application has native screen reading enabled in both iOS and Android operative systems. These must be activated in the device's accessibility settings, choosing the *VoiceOver* and *Talkback* options, respectively.
- New self-service functionalities were created that allow customers to request debit cards, make cash advances, request bank certificates, as well as open investments from their *app*.
- More than \$1.3 billion were placed in personal loans for customers, where more than 70% were self-managed.
- More than 3,900 housing loans were granted for \$320 million. Of these, 13.4%

were made through this new digital solution.

In it, customers can apply for a loan online and be pre-qualified in less than five minutes.

- 35% percent of all loans placed correspond to social and public interest loans.
- The processing time for mortgage loans was reduced and a new express process was implemented in which customers obtain their loan in 30 days.
- Thanks to the simplification of processes and digital transformation, a significant improvement was achieved in terms of customer experience.

The globalized and highly competitive world in which we live drives us to continue working and adapting to new trends and technologies. Redesigning and creating functionalities and applications that provide a better, more personalized and informative experience for our customers.



# AWARDS OF BANCO PICHINCHA 2022



## 2022 - Latam Inclusive Tech Awards

"PIONEERS" award in the inclusion category. This initiative promotes the inclusion of women in cashier roles.



## Golden Award - Social, Sustainable & Responsible Banking category

+ 37,000 digital microcredits throughout 2022.  
Ecuador's first 100% digital microcredit.



## Social Rating of Excellence

Microfinance Institution (MFI).

Leader in Social Performance in Ecuador, after achieving a 4.5-star rating



## Financial Inclusion

*Pichincha Microfinanzas* was awarded a Recognition Certificate on Financial Inclusion 2021 in financial literacy and gender gap reduction category.

Awarded by Red de Instituciones Financieras de Desarrollo.



## Socially Responsible Company 2022

Awarded by the Ecuadorian Corporation for Social Responsibility & Sustainability (Ceres), in alliance with the Mexican Center for Philanthropy (Cemefi).



## Inclusive Company Seal

Raising awareness of refugees and migrants within society and organization.



## Americas Financial Innovators

Golden award

Product or Service Innovation category. 95 % of loans are issued online.





### **Recognition for Financial Inclusion**

Recognition for more than two decades of microfinance management experience.



### **Innovation of the Month – September Digital Microcredit**

Ecuador's first 100% digital microfinance product. Micro-entrepreneur customers self-manage loans to boost their business in a matter of minutes.



### **Impact Champion**

#### **Championing the Female Economy Awards**

Awarded to Banco Pichincha for providing a high percentage of loans and insurance products to Ecuadorian women across segments, including micro and small-business entrepreneurs in 2021.



### **FT/IFC Transformational Business Awards 2022**

Transformational Finance Solutions - Gender-Lens Finance category.

+10,000 women received financing thanks to the issuance of the first gender bond.



### **Best Bank for Women Entrepreneurs**

Global SME Finance awarded an Honorable Mention for the Bank's ongoing commitment to women entrepreneurs in the SME segment.



### **Client Protection Certification**

Gold Level.

For complying with 7 principles that ensure customer care.



### **Gold Lux Awards**

Best Audiovisual Production under 60 seconds long for *Effort defines You*.

Craft Film of the sponsorship of Richard Carapaz.



### **Punto Verde Global Pact**

Recognition for participating in *Ecuador Verde* Program supported by the Ministry of the Environment, Water and Ecological Transition and the Ecuadorian Center of Resource Efficiency (CEER).



### **ODS Leader**

For the Bank's contribution to the SDGs by complying with responsible business management, promoting equality among people, protecting the planet and ensuring a better world.



### **Inclusive Progressive Seal 2022**

Distinction awarded by the Quito Metropolitan District Municipality (MDMQ) to public and private entities, establishments and companies for their good practices of inclusion and social responsibility.



### **Safe Business from Gender-based Violence Seal**

Highest distinction for promoting no violence against women and equal opportunities between men and women.



### **Smoke Free Buildings**

By being declared 100% smoke-free buildings.



### **Ecuador's Best Bank**

*Euromoney* is the financial world's main magazine. *Euromoney* evaluates the world's leading financial institutions through performance data, surveys, and industry awards. The awards program attracts more than 500 of the world's leading banks in 113 countries and recognizes excellence across global, regional and individual country categories.

### **Banking Innovation Awards 2022**

Gold Award

Banco Pichincha received this award for their 100% digital microcredit offering in the Social, Sustainable and Responsible Banking category.

### **Fintech Americas**

Banco Pichincha's online lending offering was awarded the Fintech Americas' Gold Country Award in the *Product or Service Innovation* category for Financial Innovators of the Americas.



# RISK RATING

**BANKWATCH RATINGS S.A.**  
CALIFICADORA DE RIESGOS

**CERTIFIES**

that

**BANCO PICHINCHA C.A.**

has been rated and, as of September 30, 2022  
it maintains the rating of

**“AAA-”**

Stable Outlook

According to the local rating scale, the above-mentioned rating has the following definition:

“Strong financial situation of the institution and remarkable record of profitability reflected in an excellent reputation in the industry, very good access to its natural money markets, and clear prospects for stability. Weakness or vulnerability in any aspect of the institution's activities, if any, are completely mitigated by the organization's strengths”.

The rating granted belongs to a local scale, shows the relative credit risk within the Ecuadorian market, and does not reflect the convertibility risk and transfer risk. Economic risks and systemic risks are incorporated in the rating.

Legal Representative:   
**Patricio Baus H.**

Quito, December 22, 2022

**Note: The Rating does not constitute a recommendation to invest or maintain commitments with an entity, but a risk assessment and the knowledge of which allows the public and other entities from the industry to have access to better negotiation skills.**



**"Prestige, Promptness and Agility"**

## **CERTIFIES**

That the Risk Rating Committee No. 381-2022 held on December 16, 2022, based on the analysis of the financial information as of September 30, 2022, agreed to assign the following rating to **Banco Pichincha C.A.**

# **"AAA"**

**AAA Rating:** Strong financial situation of the institution and remarkable record of profitability reflected in an excellent reputation in the industry, very good access to its natural money markets, and clear prospects for stability. Weakness or vulnerability in any aspect of the institution's activities, if any, are completely mitigated by the organization's strengths.

*A (+) or (-) sign can be added to the above-mentioned ratings to show their relative standing within the respective rating category.*

In Quito, on the sixteenth day of the month of December 2022.

A handwritten signature in blue ink, appearing to read "Santiago Coello".

**Econ. Santiago Coello**  
General Manager

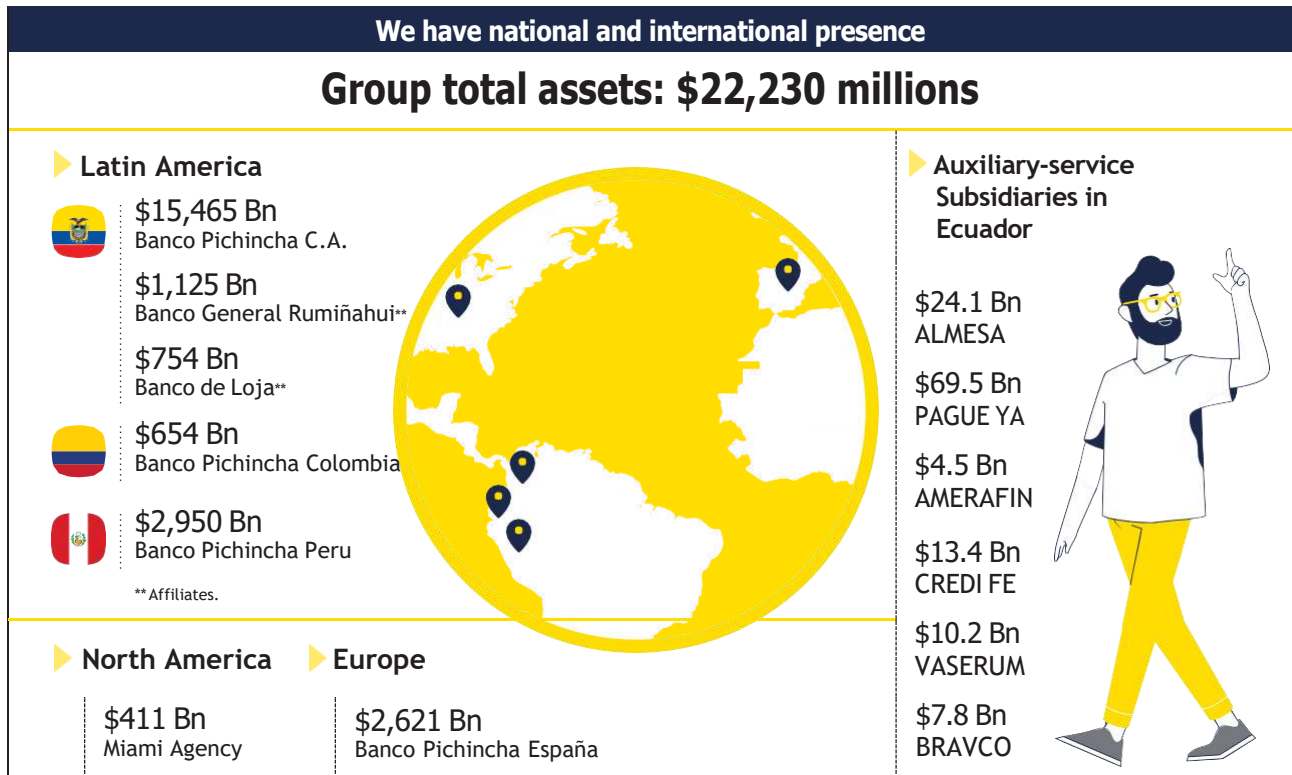
*"The information used in this rating comes from official sources; however, we do not guarantee the reliability and integrity of such information, and we are not responsible for any errors or failure to disclose of such information. The ratings of PCR - PACIFIC CREDIT RATING constitute a risk assessment and an opinion on the creditworthiness, and do not imply any recommendation to buy, sell or hold a security; nor a security right; nor its price stability".*





# ABOUT PICHINCHA GROUP

# PICHINCHA GROUP



Senior Management	
SUBSIDIARIES IN THE COUNTRY	
Jorge Marchán Riera - GENERAL MANAGER	Pichincha Sistemas Acoví C. A. (PAGUE YA)
Luis Alberto Miño - GENERAL MANAGER	CREDI FE Desarrollo Microempresarial S. A.
Juan Francisco Baca - SPECIAL PROXY	AMERAFIN S. A.
Gina María Sotelo Puga - SPECIAL PROXY	Almacenera del Ecuador S. A. ALMESA
SUBSIDIARIES, AFFILIATES AND AFFILIATES ABROAD	
Narciso Perales Dominique - GENERAL MANAGER	Banco Pichincha España S. A.
Germán Rodríguez Perdomo - GENERAL MANAGER	Banco Pichincha S. A. - Colombia
Gustavo Delgado Aparicio - GENERAL MANAGER	Banco Pichincha Perú S. A.
Pablo Vallejo - GENERAL MANAGER	Banco Pichincha C. A. - Miami Agency
STRATEGIC ALLIANCES	
José Francisco Paredes - GENERAL MANAGER	Banco General Rumiñahui S. A.
Leonardo Burneo Muller - GENERAL MANAGER	Banco de Loja S. A.
FOUNDATION	
Paúl Arias Guevara - GENERAL MANAGER	CRISFE Foundation



## PICHINCHA SISTEMAS ACOVI C. A. (PAGUE YA)

Pague Ya is a collection company and strategic partner of Banco Pichincha, we are part of *Grupo Financiero Pichincha* (GFP). We offer integrated collection processes through call centers, other customer contact mechanisms and personalized service. We are proud to be Ecuador's largest collection company.

Mission	Vision
To offer the best services related to the loans and receivables collection.	To deliver administrative, financial and legal solutions to our customers in a timely manner. As a result, we assure company's sustainability, return for our shareholders, by satisfying high quality and service standards while continuously innovating through the best human talent; contributing to the country development.

### Organizational Values

**Coherency - Responsibility - Effort - Relevance**

### 2022 Key Facts

In 2022, Pague Ya continued to grow and strengthen its role as a strategic partner of Pichincha Group's companies. Focused its efforts to achieve portfolio recovery management based on timely and efficiently executed solutions.

In order to increase the recovery and profitability of the judicial portfolio, a new pre-judicial process was developed during 2022, based on a profiling that allows finding the best alternative for each customer and exceeding the historical recovery values in this complex action stage.

The acquired portfolio business line is making an important contribution, exceeding 70% of the company revenues. During this time period, we have acquired nearly \$300 million written-off portfolio from banks in the national financial system, corresponding to 100,000 transactions. We also embarked on auto equity loan management.

Day by day, we build an evolving organization that strengthens its systems, processes, operating and service models throughout all stages of recovery and in its various channels. In this context, the technological investment of 2022 was allocated to reinforce the security of technological processes, our infrastructure, and to start the implementation of cutting-edge software to improve daily operations and lay the foundations for rapid and efficient growth.

These results have been possible to achieve thanks to our workforce that is motivated, committed and aligned with the organizational vision, which allows us to set even more challenging and far-reaching goals.

### 2022 Main Figures

Assets (in thousands of \$) <b>\$69,462</b>	Liabilities (in thousands of \$) <b>\$14,742</b>
Equity (in thousands of \$) <b>\$54,720</b>	Net income (in thousands of \$) <b>\$13,125</b>
# customers <b>546,092 customers from our ceding companies.</b> <b>273,376 customers from our own Portfolio.</b>	# employees <b>576</b>



# CREDI FE DESARROLLO MICROEMPRESARIAL S. A.

CREDI FE is an institution that exclusively manages Banco Pichincha C. A.'s microenterprise portfolio, from the promotion, marketing and placement to the recovery.

Mission	Vision
To inspire and reward trust.	To be the largest and best Bank.

## Organizational Values

**Coherency - Responsibility - Effort - Relevance**

## 2022 Key Facts

The total balance of the portfolio of customers reached \$1.8 billion (growth of 21 % compared to 2021, which represents \$321 million) and the deposits stock was \$391 million (growth of 21 %). Over 320 thousand of the total number of customers managed by the commercial force have microcredit aimed at financing trade, production, agriculture and service activities, complemented by a comprehensive offer of financial and non-financial products.

During 2022, the Microfinance commercial team disbursed \$1.4 billion in 311 thousand operations, more than 92% were oriented to the economic reactivation of our customers' businesses, meeting working capital and fixed asset needs.

Regarding individual microcredit, \$1.3 billion was disbursed in 203 thousand operations, with an average loan of \$6,400; while in group loans, disbursements reached \$154 million in 108 thousand operations and an average loan of \$1,400.

Fifty-eight percent of the total amount disbursed was managed through digital channels, representing more than \$750 million in 132 thousand operations. Of that amount, 35% was via the Intelligent System for Advanced Mobility (SIMA) and 23% by the web channel.

Our mission is to promote equity with support and humane treatment. In 2022 we conducted more than 100 workshops nationwide, reaching more than 30 thousand customers through talks and training, in order to provide them with knowledge and tools to boost their businesses, manage their resources and safeguard their assets by making proper use of financial products and services.

We have more than 180 thousand micro-entrepreneur customers who have the *Deuna!* wallet, which allows them to make collections and/or payments in their businesses, reducing the use of cash and increasing sales.

We continue to promote gender equity and financial inclusion through a personalized offer for women, support for training programs, inclusion and diversity campaigns and events, and impact assessments, among others. Currently, 54% of our customers are women.

Our actions are combined to address the pillars of the global agenda: inclusion, reduction of inequalities and the fight against extreme poverty.

## 2022 Main Figures

Assets (in thousands of \$) <b>\$13,363</b>	Liabilities (in thousands of \$) <b>\$6,340</b>
Equity (in thousands of \$) <b>\$7,023</b>	Net income (in thousands of \$) <b>\$3,627</b>
# customers <b>668,000</b>	# employees <b>1,174</b>



# AMERAFIN S. A.

AMERAFIN S. A. (BPAC) is a financial system's ancillary services company and a member of the Group led by Banco Pichincha C. A.; it provides services regarding creation of automotive portfolio for Banco Pichincha, as well as undertaking its management.

## Mission

To inspire and reward trust.

## Vision

To be the first automotive portfolio financial institution in the country.

## Organizational Values

Coherency - Responsibility - Effort - Relevance

## 2022 Key Facts

AMERAFIN S. A. has continued to develop customer-focused strategies, aligned with the organizational values of its parent company, Banco Pichincha, as well as with its institutional mission and vision.

The loan portfolio grew by \$63.8 million, closing the year with a net income of \$2 million, which represents a 55% growth compared to 2021.

These efforts led to closing the year with 5.62% of non-performing loans, a record in this portfolio type within Banco Pichincha's automotive business.

We continue to work on the merger project aiming to strengthen the vision ahead of Banco Pichincha C. A., the main shareholder of AMERAFIN S. A., and to develop the concept of being a single team. Meanwhile, the strategy of AMERAFIN S. A. is oriented towards strengthening commercial relations with allied automotive dealers and facilitating the placement of differentiated products specifically designed for Banco Pichincha customers, as well as generating alliances with external suppliers that will allow us to serve a larger selection of customers.

## 2022 Main Figures

Assets (in thousands of \$) <b>\$4,542</b>	Liabilities (in thousands of \$) <b>\$1,449</b>
Equity (in thousands of \$) <b>\$3,093</b>	Net income (in thousands of \$) <b>\$2,041</b>
# customers <b>20,732</b>	# employees <b>73</b>

# VASERUM S. A.

VASERUM provides security transport services of paper currency, coins, checks, precious metals, securities, among others. It is also in charge of ATM management and first-level maintenance, offering the world's best coverage, safety and financial support.

## Mission

To provide the best cash logistics service satisfactory to our customers.

## Vision

To be considered by our customers, authorities and stakeholders as the best cash logistics company in Ecuador.

## Organizational Values

**Integrity - Teamwork - Institutional Commitment- Operative Excellence**

## 2022 Key Facts

The major milestone was the construction, according to schedule, of a collection center in Guayaquil, expected to open and be operational by the end of May 2023.

Moreover, the Santo Domingo de los Tsachilas storage center has been operating since May, which has improved cash logistics in the area as it is considered to be a strategic point.

The contract in force with Banco Pichincha since 2021 has generated a competitive cost in the market, which has allowed both parties to benefit significantly, in addition to achieving better operational control.

The increase in ATM operations, within the comprehensive management service, resulted in the hiring of 37 new employees at Vaserum S.A., thus having a work team of 258 people as of December 2022.

We overcame the difficulties that arose during the national strike in June through a joint effort with the Bank, which ensured that its branches and ATMs did not experience cash shortages at any time.

In July, the company was the target of organized crime at Portal Shopping Mall in Quito; however, the staff followed the proper procedures and, as a result, there were no casualties among our employees while the loss was covered seamlessly by the insurance.

At the fiscal year-end, our financial statements show a net income of \$327 million.

## 2022 Main Figures

Assets (in thousands of \$) <b>\$10,235</b>	Liabilities (in thousands of \$) <b>\$2,269</b>
Equity (in thousands of \$) <b>\$7,966</b>	Net income (in thousands of \$) <b>\$327</b>
# customers <b>8</b>	# employees <b>258</b>



# ALMACENERA DEL ECUADOR S. A.

## ALMESA

We are a company that provides warehousing, custody and handling services for domestic and foreign merchandise. Due to our professional background and years of service, the company now has a proven experience and wide geographical coverage in the Ecuadorian market, operating in the main cities and commercial ports of the country: Guayaquil, Quito and Manta.

### Mission

We are a bonded warehouse that provides warehousing, suspension of excise duty and complementary services, operating as a strategic partner of local and importing companies, offering effective solutions to your needs through processes, technology and quality human resources.

### Vision

To become a leading company in the industry, expanding our complementary services portfolio supported by strategic alliances and partners in four years.

### Organizational Values

Integrity - Commitment - Constant improvement and innovation – Customer-focused – Service Quality

### 2022 Key Facts

The service revenue performance during 2022 showed a constant trend compared to 2021. It is important to highlight that in 2022, warehouse storage exceeded the installed capacity but not the yard storage, which was impacted by changes in the automotive industry's strategies such as the inventory reduction in third-party warehouses/yards and new sales strategies.

By 2023, the main economic sectors, such as automotive, commerce and industry, are expected to gradually recover to positively impact the warehousing company's revenues.

In 2022, in order to ensure an adequate performance of the management and supervision responsibilities, a significant synergy was developed with some areas of Banco Pichincha C. A., including Compliance, Human Resources, Finance, and Compliance & Audit, whose collaboration has been crucial when developing the institutional objectives and allowed the implementation of internal controls, effectively and accurately evaluating the current processes. These activities will continue in 2023 seeking to improve business productivity and profitability.

Corporate Governance was strengthened by complying with the activities of various committees and commissions, and these guidelines allowed the company to have transparent, dynamic and responsible operations before various stakeholders and supervisory bodies.

Significant adjustments have been made to improve the ERP system, a project designed to simplify and automate processes with timely information, improve controls and reduce complexities. We will continue to make the necessary adjustments during next year to implement the new system.

### 2022 Main Figures

Assets (in thousands of \$) <b>\$24,071</b>	Liabilities (in thousands of \$) <b>\$951</b>
Equity (in thousands of \$) <b>\$23,120</b>	Net income (in thousands of \$) <b>\$87</b>
# customers <b>166</b>	# employees <b>54</b>

# GRUPO BRAVCO S. A. (TEUNO)

We are experts in cloud storage, information security and one of the most widely recognized cybersecurity companies in Ecuador.

## Mission

To offer our customers a service that contributes to enhance their business model, providing them with advice and quality technological solutions, supported by a highly qualified and committed staff.

## Vision

To be a reference in technological know-how and services in the country.

## Organizational Values

**Coherency - Responsibility - Effort - Relevance**

## 2022 Key Facts

In September 2022, TEUNO was awarded as the Best Innovation Project 2022, Diamond Category by Datta magazine. The awarded project was the successful migration of the WAN network infrastructure to SD-WAN technology for Banco Pichincha. This project has provided flexibility, security, scalability and cost reduction to the customer.

Additional benefits include the fact that Banco Pichincha now manages a simple, automatic and graphical interface, which has simplified and significantly improved the performance of the staff.

## 2022 Main Figures

Assets (in thousands of \$) <b>\$7,770</b>	Liabilities (in thousands of \$) <b>\$5,176</b>
Equity (in thousands of \$) <b>\$2,594</b>	Net income (in thousands of \$) <b>\$464</b>
# customers <b>180</b>	# employees <b>172</b>



# BANCO PICHINCHA ESPAÑA S. A.

## Mission

To provide efficient and sustainable financial solutions and services that generate value for our customers, society and shareholders.

## Vision

To be acknowledged as the standard for financial groups by the Andean community in Spain, in addition to offering financial solutions for the needs of our target market.

## Organizational Values

**Coherency - Responsibility - Effort - Relevance**

## 2022 Key Facts

In 2022, Banco Pichincha España showed great resilience in the face of the impacts of the pandemic, as well as the war in Europe, and its operations and key financial indicators remained unaffected; on the contrary, they all improved.

The Bank managed to maintain and exceed its business and plan despite the conditions, with earning assets growing by EUR 340 million and deposits by EUR 313 million, representing a growth of 17% and 16%, respectively. At the end of 2022, customer deposits rose to EUR 2.1 billion, the loan portfolio closed at EUR 1.6 billion and the investment portfolio at EUR 602 million.

During 2022, the Bank's non-performing loans and advances were EUR 19 billion, compared with last year's EUR 17.3 billion, which resulted in a significant improvement in the NPL ratio due to increased growth rate, rising to 1.18% compared with 1.23% at the end of 2021.

Although one bond from the securities portfolio has been classified as Doubtful, in the light of the issuer's economic situation for EUR 3 million, the loan portfolio guarantees coverage has remained at around 60 % and the risk cost has remained almost constant at 0.20 %.

As a result, the Bank generated profits before taxes of EUR 4.1 million, showing an improvement of almost EUR 4 million compared to the profits of 2021.

## 2022 Main Figures

Assets (in thousands of \$) <b>\$2,620,694</b>	Liabilities (in thousands of \$) <b>\$2,433,413</b>
Equity (in thousands of \$) <b>\$187,281</b>	Net income (in thousands of \$) <b>\$4,416</b>
# customers <b>95,062</b>	# employees <b>238</b>

# BANCO PICHINCHA S. A. COLOMBIA

## Mission

We are a efficiency-focused bank seeking to support sustainable growth for our customers, employees, shareholders and the country.

## Vision

To be a bank of reference in Colombia due to our service expertise, by offering proper financial solutions and focusing our efforts on anticipating the needs of our target market.

## Organizational Values

**Coherency - Responsibility - Effort - Relevance**

## 2022 Key Facts

In 2022, Banco Pichincha Colombia was working to change its strategy, focusing on becoming one of the country's digital banks, in order to improve the customer experience.

During 2022, the gross loan portfolio decreased COP 22 million, 4.39 % less than the previous year. Customer deposits were down to COP -41 million, -9.92 %. As for other sources of funding, five loans were granted from the parent company, totaling COP 95.5 million.

The year ended with a loss of COP 33 million, mainly due to the establishment of additional provisions on commercial credit operations which had been extended unpaid, or due to the deterioration of the customer's situation that required the recognition of a higher level of provision of COP 6.6 million. Additionally, as mandated by the Superintendency of Banks of Colombia, a general provision of COP 2 million was recorded to meet the requirement of higher provisions for long-term consumer loans.

Furthermore, after six months of technological development, the Pibank interest-bearing account was launched, supported by a strong advertising investment. By the end of the year, 2,863 customers had joined the account, generating a balance of COP 1.1 million.

## 2022 Main Figures

Assets (in thousands of \$) <b>\$653,804</b>	Liabilities (in thousands of \$) <b>\$613,315</b>
Equity (in thousands of \$) <b>\$40,489</b>	Net income (in thousands of \$) <b>\$-33,240</b>
# customers <b>154,802</b>	# employees <b>753</b>





# BANCO PICHINCHA C. A. MIAMI AGENCY

## Mission

To inspire and reward trust.

## Vision

To be the first choice for financial support and services for Pichincha Group and its customers in the US.

## Organizational Values

Coherency - Responsibility - Effort - Relevance

## 2022 Key Facts

The loan portfolio of Banco Pichincha's Miami Agency rose by 19 % compared to 2021, reaching a record level of 255 million. This growth also helped to close the year with robust levels of profitability and efficiency improvements, and a profit of \$4.8 million, representing 105 % growth compared to 2021.

We continued to grow and to support Correspondent Banking customers in Latin America, as well as to the parent company by being a partner in the Diversified Payment Rights (DPR) program.

In addition, the agency stood out by its strong organizational and cultural integration and ongoing leadership in technological and cybersecurity innovations. As a result of these actions, the agency did not experience any staff turnover, despite operating in a competitive labor market with historically low unemployment rates in the US.

## 2022 Main Figures

Assets (in thousands of \$) <b>\$410,725</b>	Liabilities (in thousands of \$) <b>\$371,158</b>
Equity (in thousands of \$) <b>\$39,567</b>	Net income (in thousands of \$) <b>\$4,787</b>
# customers <b>1,058</b>	# employees <b>43</b>

# BANCO PICHINCHA PERÚ S. A.

## Mission

To inspire and reward trust.

## Vision

To be the preferred bank to increase our customers' personal and corporate equity.

## Organizational Values

Coherency - Responsibility - Effort - Relevance

## 2022 Key Facts

Banco Pichincha Peru has continued to strengthen its balance sheet. Thus, financial income showed steady growth throughout 2022, reaching more than PEN 1 billion and the gross financial margin grew by more than 17 %.

The Personal Banking business also grew by more than 18 % at the end of 2022 versus 2021.

The efficiency ratio showed a significant improvement from 55 % at the end of 2021 to 42.8 % at the end of 2022.

In March 2022, a capital contribution equivalent to PEN 54 million was received.

Investment in projects to optimize and renew our technological platforms are a priority for the company, aiming to achieve a higher level of efficiency, offer our services and strengthen operational continuity. This effort will continue in the following years seeking to offer our customers a better experience focused on digital channels aligned with the new financial services consumption patterns and new ways of doing banking transactions.

## 2022 Main Figures

Assets (in thousands of \$) <b>\$2,949,619</b>	Liabilities (in thousands of \$) <b>\$2,701,759</b>
Equity (in thousands of \$) <b>\$247,860</b>	Net income (in thousands of \$) <b>\$1,330</b>
# customers <b>457,931</b>	# employees <b>1,703</b>



# BANCO GENERAL RUMIÑAHUI S. A.

## Mission

To bring welfare and progress to our customers, employees, and shareholders, and to contribute to the country's development.

## Vision

To be the best bank in the country, growing together with our customers through innovation and customer service excellence.

## Organizational Values

**Integrity - Relevance – Value Creation - Teamwork**

## 2022 Key Facts

Banco General Rumiñahui grew 11.3 % in assets compared to the system that grew 8.6 %; the bank went from \$1 billion to \$1.1 billion. The loan portfolio grew 20.2 % above the system, which grew 14.6 %, representing \$138 million, a record figure in the history of the bank.

Similarly, public deposits increased by 5%, which represents \$42 million, a slightly lower increase than the system's (5.9%). Additionally, the portfolio growth was funded by financial obligations and the internal generation of resources.

Asset quality reflects a total delinquency rate of 1.39%, similar to last year. The coverage of risk portfolio provisions was 581 % and 8.09 % of the total portfolio. These indicators reflect efficient portfolio management.

In addition, net income was \$12.9 million, 30 % higher than in 2021, with a ROE of 14 %, remaining one of the best in the system.

The technical equity closed at 14.29 %, as a result of further strengthening through the recapitalization of earnings.

We continue to make significant investments in technology, cybersecurity and digital transformation, seeking to strengthen the Bank and ensuring long-term stability and growth.

A project of great magnitude and impact for BGR started: the new banking CORE, which will be implemented in mid-2023, taking approximately two years, with investments totaling over \$10 million. This project seeks to lift BGR to the highest level within the Ecuadorian banking system.

In general, 2022 was a positive year for BGR as the strategic objectives were met. The challenges for 2023 are greater given the complex international situation, particularly because of the cost of money, creating additional pressure on the national situation. Consequently, we must be able to offer the best experience to our customers, through a high-performance human team, highly committed to the strategic objectives, while maintaining the path of growth, seeking to be more efficient in our operation.

## 2022 Main Figures

Assets (in thousands of \$) <b>\$1,125,069</b>	Liabilities (in thousands of \$) <b>\$1,022,779</b>
Equity (in thousands of \$) <b>\$102,290</b>	Net income (in thousands of \$) <b>\$12,905</b>
# customers <b>355,056</b>	# employees <b>559</b>

# BANCO DE LOJA S. A.

## Mission

To contribute to the development of individuals and companies, by providing advice and satisfying their financial expectations through positive experiences.

## Vision

To become the first financial services choice given the simplicity, agility and innovation of our services.

## Organizational Values

**Coherency - Responsibility - Effort - Relevance**

## 2022 Key Facts

Banco de Loja maintained its leading position in the southern region of the country by means of its efforts and work to continue as the main financial services alternative, delivering products and services in a simple, agile manner, and generating positive experiences for the customers.

There was a 19.35% growth in credit, through the financing of different industries and economic activities in its areas of interest, especially in the Medium and Small Businesses, Microfinance and Personal lines of credit. Also, reflecting the public's trust, it achieved a 9.6 % increase in total deposits.

The bank significantly improved its performance indicators such as efficiency and profitability, meeting high standards of compliance in two core areas of its financial management, such as liquidity and solvency.

By 2023, the digital transformation processes will continue, aiming to offer timely and quality products and services focused on the customer.

## 2022 Main Figures

Assets (in thousands of \$) <b>\$753,631</b>	Liabilities (in thousands of \$) <b>\$681,977</b>
Equity (in thousands of \$) <b>\$71,654</b>	Net income (in thousands of \$) <b>\$7,358</b>
# customers <b>245,439</b>	# employees <b>505</b>







# SUSTAINABILITY REPORT

# OUR GOAL: TO INSPIRE AND REWARD TRUST

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### 1.1 Introduction

[GRI 2-1][GRI 2-2][GRI 2-3][GRI 2-5][GRI 2-6]

We honor our purpose through the achievements made during 2022, which would not have been possible without the commitment and involvement of our stakeholders and the strategic vision from the highest levels of the organization.

In this, the Sustainability Report 2022, we would like to share the environmental, social and governance (ESG) performance of Banco Pichincha Ecuador during fiscal year 2022. For this, our report has considered the GRI standards<sup>1</sup> 2021, in-accordance option, and the sector supplement *Financial Services* of the G4 guide. Furthermore, it was audited by the firm

*PricewaterhouseCoopers del Ecuador Cia Ltda.*

The report is divided into chapters per each pillar of our Sustainability Model: Sustainable Financing, Social and Inclusive Development and Environmental Responsibility.

#### Our Value Chain

[GRI 2-6]

The financial sector, our area of work, is one of those undergoing the greatest transformation both at the digital and innovation levels. These elements, in addition to the key objective of revitalizing the economy of the country by serving multi-segment clients nationwide, widen our offer of products and service channels (➤ SCAN THE QR CODE FOR ADDITIONAL INFORMATION).



<sup>1</sup> Global Reporting Initiative (GRI).



Likewise, we interact with different stakeholders in our value chain in an ethical, responsible manner. To this end, we do a strategic, productive and support process mapping, which starts with the understanding of our customer needs and requirements, and ends with their satisfaction and acknowledgement of the management of the organization.

## 1.2 Sustainability Approach

While a Bank is a constantly evolving organization, focused on embodying its purpose “To inspire and reward trust”, it holds the strategic driver<sup>2</sup> of “managing in a sustainable, inclusive manner” as a perpetual element in its business philosophy.

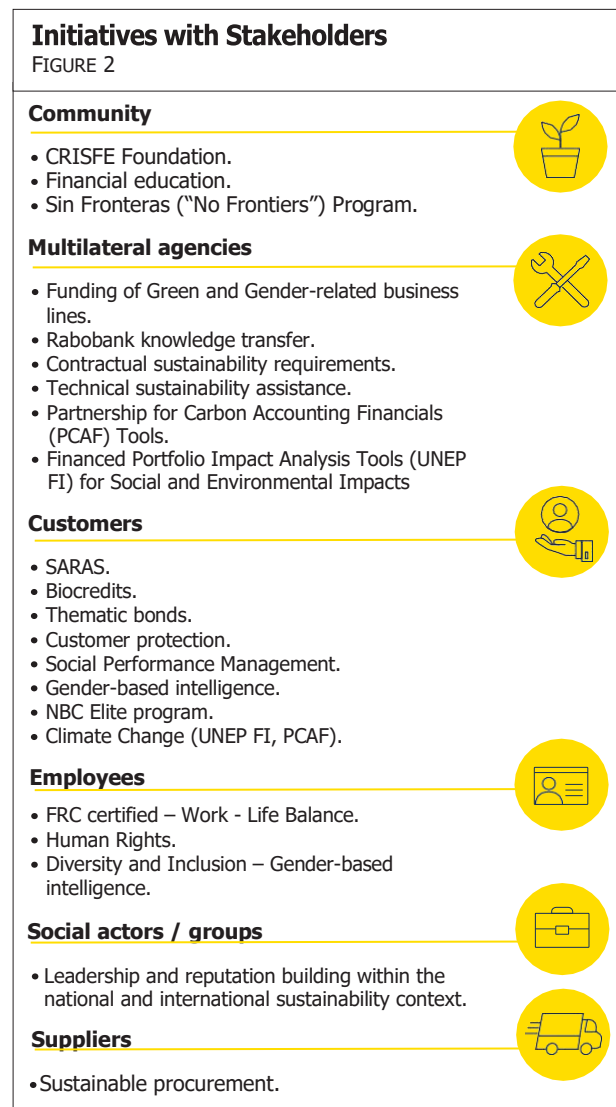
Adding sustainability to the core of the strategy has allowed us to keep a cross-sectional management, which generates positive impact on our value chain, as well as prevent and mitigate real and potential negative impacts, derived from collateral results in any business line.

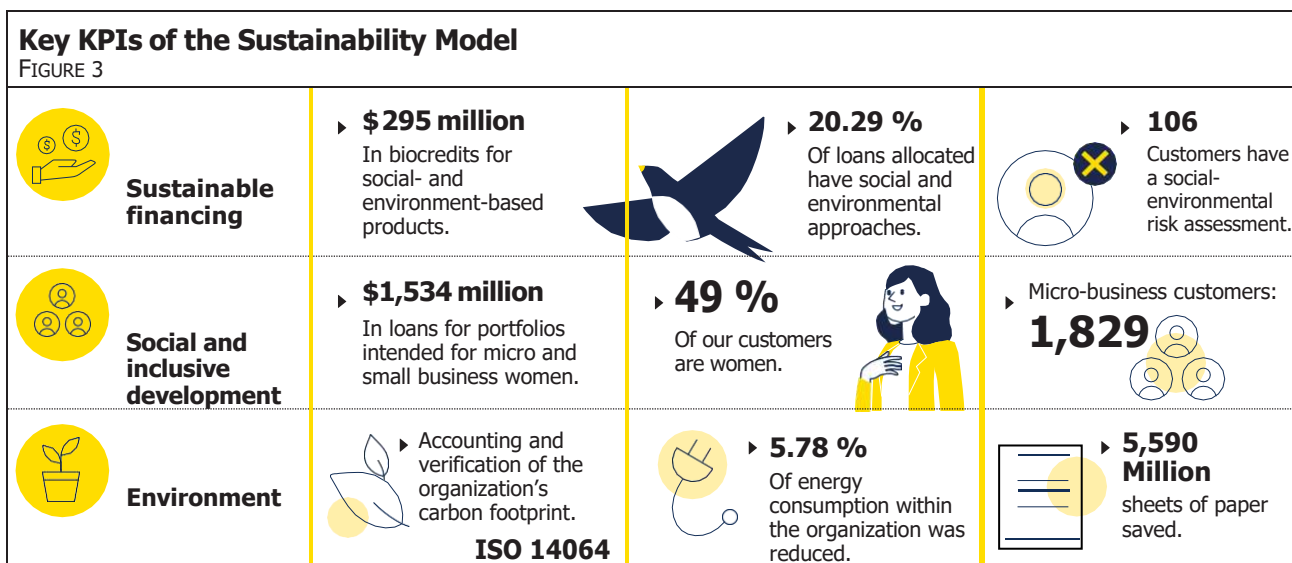
This year, we reaffirm the Sustainability Model below that has been improved with new programs, initiatives, achievements and lessons learned (FIGURE 1).



<sup>2</sup> The strategy and its drivers are specified in page 19.

Our model guides strategies for each key stakeholders, based on international initiatives which we have voluntarily observed and aligned with. We highlight the Principles of the Global Compact, the Dow Jones Sustainability Index (DJSI) measurement, the Responsible Banking Principles, the Client Protection Principles, previously known as *The Smart Campaign*, the rating of Social Performance Management and the certification as a Family-Responsible Company; as well as the Integrated Management Systems (Environment, Health & Safety) and the Sustainable Procurement Program based on ISO 14001, ISO 45001, ISO 20400 standards, respectively (FIGURES 2 AND 3).





### Initiatives strengthening our sustainable management

[GRI 2-28]

For Banco Pichincha, it is important to belong to and actively participate in associations and organizations promoting the best ESG practices in the corporate world, both to enrich our vision and to share our experiences which may serve as model or inspiration for other organizations. In 2022, we voluntarily joined the following global and local initiatives (TABLE 1).

#### **Voluntary Agreements**

TABLE 1

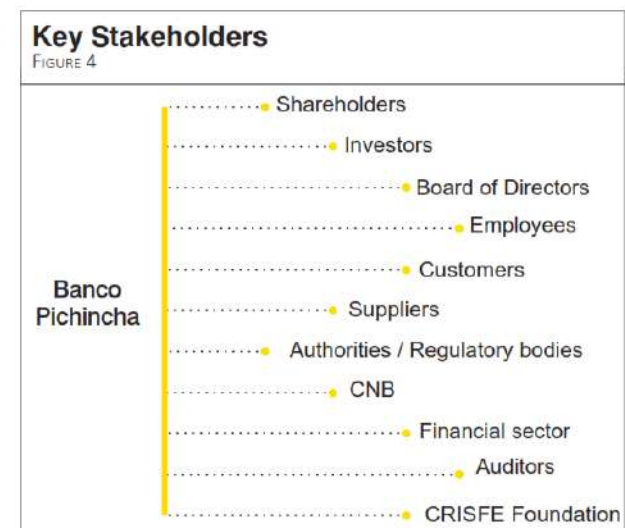
The United Nations Global Compact
The United Nations Environment Programme Finance Initiative (UNEP FI) – Principles for Responsible Banking
The Global Banking Alliance for Women
The Women's Empowerment Principles of UN Women
Ecuadorian Consortium for Social Responsibility (Ceres)
Association of Private Banks of Ecuador, Sustainable Financing Committee (Asobanca)
Ecuadorian-American Chamber of Commerce, Corporate Responsibility Committee
ISO 20400 Sustainable Procurement
HSE Integrated Management System: ISO 14001 and 45001 standards
Partnership for Carbon Accounting Financials (PCAF)

This year, we served as the Chair of the Sustainable Financing Committee of Asobanca and, late in the year, we were chosen to join the Directive Board of the United Nations Global Compact of the Ecuador network. This new role will allow us to promote our commitment to sustainability, even outside the organization.

### **1.3 The voice of our stakeholders**

[2-29] [GRI 2-29]

Due to both our line of business and our leadership role played in the financial sector, we actively interact with several stakeholders at local and international level.



However, in 2021, in a joint effort with an external consultant, we updated our stakeholders map and defined our priority groups with whom connections and communication must be kept in a closer, more strategic and collaborative manner. This prioritization was determined based on the direct or indirect level of influence on our actions and direct or indirect dependency on our business (FIGURE 4).

In our day-to-day relations, we use different means of communication and tools to listen to the interests and opinions of stakeholders. That engagement process results are reflected in the everyday management of our organization, under a constant improvement, and have been included in the materiality analysis conducted for the 2022 report (TABLE 2).

## Stakeholders engagement approach

TABLE 2

Stakeholder	Objectives and topics addressed	Channels of communication and dialogue
Shareholders	<ul style="list-style-type: none"> <li>Accountability for relevant topics of the Bank and its operation.</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting of Shareholders</li> <li>Ordinary and extraordinary sessions</li> <li>Meetings</li> <li>E-mail</li> </ul>
Board of directors	<ul style="list-style-type: none"> <li>Communication of annual reports, policies, balances, regulation and strategic committee reports.</li> <li>Approval of manuals and policies.</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Committees and subcommittees</li> <li>Intranet</li> <li>Workplace</li> <li>E-mail</li> </ul>
Stockholders	<ul style="list-style-type: none"> <li>Accountability for agreements and contracts.</li> <li>New negotiations and cooperation points.</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>E-mail</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Maximizing the customer's experience by comprehending their needs and expectations.</li> </ul>	<ul style="list-style-type: none"> <li>Agencies</li> <li>Call center</li> <li>Meetings</li> <li>Website</li> <li>Social media</li> <li>E-mail</li> <li>Satisfaction surveys (Customer tool)</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Maximizing the experience of the employee.</li> <li>Strengthening our employer brand.</li> <li>Attracting and keeping the best talent.</li> </ul>	<ul style="list-style-type: none"> <li>Intranet</li> <li>Peer committees</li> <li>Workplace</li> <li>Meetings</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Building long-term commercial relations.</li> <li>Efficiently managing the supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Website</li> <li>E-mail</li> <li>Ratings by external certifiers</li> </ul>
Pichincha <i>Mi Vecino</i>	<ul style="list-style-type: none"> <li>Strengthening the management of financial inclusion and bankarization.</li> <li>Building trust of and improving our NBCs.</li> </ul>	<ul style="list-style-type: none"> <li>Website</li> <li>E-mail</li> <li>Meetings</li> <li>Call center</li> <li>Agencies</li> </ul>
Financial sector	<ul style="list-style-type: none"> <li>Providing support for the adoption of best practices in the sector in order to prevent and mitigate ESG risks.</li> </ul>	<ul style="list-style-type: none"> <li>Asobanca committees</li> <li>Meetings</li> <li>E-mail</li> </ul>
CRISFE Foundation	<ul style="list-style-type: none"> <li>Strengthening the financial education and positive impact strategy on the community.</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>E-mail</li> </ul>
Authorities / regulatory bodies	<ul style="list-style-type: none"> <li>Complying fully with all regulations in force.</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>E-mail</li> <li>Auditing</li> </ul>
Auditors	<ul style="list-style-type: none"> <li>Complying with internal policies regulatory requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>E-mail</li> <li>Auditing</li> </ul>



## 1.4 Our Corporate Governance

[GRI 2-9][GRI 2-10][GRI 2-11][GRI 2-12][GRI 2-13][GRI 2-14][GRI 2-15]  
[GRI 2-25][DJ1.1.1] [DJ1.1.2][DJ1.1.4] [DJ1.1.5] [DJ1.1.6] [DJ1.1.7]

The Bank's Corporate Governance vision seeks to enrich its management through the inclusion of environmental, social and governance criteria (ESG), that will ensure sustainability of the organization and will generate shared value with its stakeholders.

The General Meeting of Shareholders is the highest body of Governance, which ordinarily is held once a year. It is in charge of providing business guidelines and general policies of the company.

At the operational level, the Board of Directors is the body in charge of providing the Bank's general policies, which guide the actions of our managers. This body is constituted by 12 members: the president, the alternate director for the president, six main directors and four alternate directors.

The president of the Board does not hold an executive role and has been independent for 6 years. 100% of the directors are independent<sup>3</sup> and, for a term of office of three years and a half on average.

The effectiveness of the Board's management is disclosed through the Annual Report and the Annex on Corporate Governance Indicators for institutions of the financial system, which are published on our website (★ SCAN THE QR CODE FOR ADDITIONAL INFORMATION).



The Board members are elected by the General Meeting of Shareholders annually, in accordance with their suitability. The Bank requests the Superintendence of Banks (SIB) to assess the suitability of members in accordance with article 258 of the Organic Monetary and

Financial Code. For such goal, a number of requirements must be fulfilled by each of the members. After a due process, the SIB issues a formal resolution.

Nonetheless, the organization does take gender into account as part of the selection criteria as it aims to gain a greater representation from women, going from having two to three female directors this year, as and also to ensure that all members have relevant work experience in the financial sector.

The framework of our Corporate Governance is mainly guided by our Bylaws, Good Corporate Governance Code, Code of Ethics, and Microfinances and other related laws and policies<sup>4</sup>. These documents set forth the scope of situations deemed to be grounds for any conflicts of interest, and how to address them (★ SCAN THE QR CODE FOR ADDITIONAL INFORMATION).



The President is the highest authority of the Bank as well as the boards, without exerting legal representation. The functional organic structure of the Bank includes three levels of organization: directive, strategic and tactic.

The general manager exerts, individually speaking, power for legal representation of the Bank at the judicial and extrajudicial levels. They are responsible for internal management of the organization, and are chosen by the Board of Directors every year, with a right to re-election.

### Committees

These are the bodies supporting the management of the Corporate Governance set forth in the regulations or by the Board of Directors. Their purpose, functions and members must be approved by the Board of Directors or the Executive Committee.

<sup>3</sup> Independence of decision-making among the Board of Directors members is ensured through compliance of Articles 25 and 32 of our Bylaws.

<sup>4</sup> The frameworks of our Corporate Governance can be found (in Spanish) on our website:  
<https://www.pichincha.com/portal/desarrollo-sostenible/etica-y-transparencia/>.

## Governance for sustainability

Directors are responsible for decision-making regarding economic, social and environmental matters. Furthermore, in 2021, the Sustainability and Inclusion Front was created in order to improve and innovate sustainability practices and inclusion in a transversal manner throughout the organization.

This interdisciplinary team includes vice-presidents of different areas such as HR, Marketing, Relationship Banking, Microfinance, Transformation and Risks. In a monthly basis, they hold meetings to monitor progress of the Front initiatives. Some of the topics addressed include the Discussion Report with stakeholders and the materiality of the Bank.

The organizational diagram of the Bank and the active committees that supported the senior management can be found in page 23.

### Share ownership

[DJ1.1.12] [DJ1.1.13]

The founders of the Bank do not hold shares, and no government institution holds more than 5% of the total voting rights.

## **1.5 Ethics and Transparency**

[GRI 2-15][GRI 2-23][GRI 2-24] [GRI 2-26][GRI 2-27][DJ1.4.2][DJ3.3.1]

Since the foundation of the Bank, the corporate culture is grounded on values, as our innate goal is to safeguard the deposits of our customers in a responsible manner.

The word *trust*, associated with our brand since 1906, has defined commercial relations with our stakeholders as well as the conduct expected from every single employee in our organization. The strength of our brand is reinforced by the Code of Ethics and Conduct, the Internal Regulations of Work, the Code of Good Corporate Governance, the Code of Ethics for Suppliers, and a series of internal policies in

force for both our employees and commercial allies, such as suppliers and subsidiaries. The purpose of all of these instruments<sup>5</sup> is preserving the relations between the Bank and its different stakeholders. Similarly, we have confidential report channels and their due diligence.

We ensure that these documents are known by our personnel through orientation and training processes, as well as published in internal communication systems of the Bank, mail and internal communication campaigns. For external groups such as suppliers, we have clauses in our goods and services contracts and in the assessment process.

Hotlines, mail systems and internal and external query channels are available for any person having concerns or needs of assistance related to properly addressing our codes and policies regarding business conduct. During 2022, the Bank did not face any case of non-compliance of regulations (TABLE 4 AND ★ QR).

### Human Rights are the base of our conduct

The Universal Declaration of Human Rights of the United Nations is the intergovernmental framework under which we have aligned our instruments leading the conduct of all of those within the Pichincha family.

<sup>5</sup> All of these documents are published on the following website: <https://www.pichincha.com/portal/desarrollo-sostenible/etica-y-transparencia>.

### **Main aspects of our Code of Ethics and Conduct**

TABLE 4

Corruption and bribery.
Discrimination.
Confidentiality of information.
Interest conflicts.
Anti-monopolization/Anti-competitive practices.
Money laundering and/or use of privileged info/operations.
Environment, health and security.





Within the organization, we have a human rights policy for our employees and those in our subsidiaries. During 2022, we drafted the Declaration of Diversity, Equity and Inclusion of the Bank. This is a manifesto of our diverse, inclusive vision, including a zero-tolerance policy towards harassment and discrimination cases, as well as violence in the workplace (✳️ SCAN THE QR CODE FOR ADDITIONAL INFORMATION).



## 1.6 Anti-Bribery, Corruption and Fraud Culture

[GRI 3-3] [GRI 205-1] [GRI 205-2] [DJ1.9.1] [DJ1.4.4]

In our Bank, we live under a culture of integrity based on values, conducts, behaviors, policies, conduct codes, and management processes and systems. However, we are aware that this culture must be constantly reinforced by all our stakeholders including employees, customers, business partners and the society in general.

We have a compliance program that prevents, detects and mitigates risks associated to non-compliance with anticorruption and antifraud regulations, through which we generated the following positive impacts for the Bank and its stakeholders:

- Safeguarding interests and assets of the Bank and its stakeholders.
- Attracting and keeping the best talent aligned with the Bank's culture and values.
- Promoting shared value with all business partners in an ethic, responsible manner.

In order to prevent any negative impact related to fraud and corruption, the Bank has departments in charge of ensuring positive impacts for regulation compliance, culture of integrity, protection of personal information, information security and crisis management, among others. However, considering our line of business and other external matters that may have an impact, we work hard to prevent and

identify negative impacts including:

- Traditional fraudulent acts (customer identity theft by stealing ID cards, interception of telephone communications, data theft, etc.)
- Digital fraudulent acts (phishing, pharming, etc.).

### Culture of prevention

We have several codes and policies which are the core of our management, including the Anti-Corruption and Antibribery Policy and the Compliance Program. Those are part of the mandatory annual training for our personnel, as well as communication campaigns for employees and business partners. These policies, processes and documents seek to ensure that relations, conducts, acts and contracts are held in observance of ethic, moral and legal principles, thus strengthening commitment to our stakeholders and the community in general in regard to the fight against corruption and bribery (TABLE 5).

A fraud- and corruption-related risk management system, including risk identification, assessment and improvement of control and monitoring of how these control measures work, was implemented.

We have a training program in integrity matters which involves the senior management, employees and other stakeholders. It takes into consideration the context of the organization, the market where we operate and the specific needs of each group.

### **Key documents on bribery, corruption and fraud**

TABLE 5

Codes of Ethic and Conduct
Anti-corruption and Anti-bribery Policy
Policy for risk appetite and limits management
Compliance policy
Policy for watchlist management
Institutional Policy: Know your employee/supplier

Finally, we also have report channels available for employees and stakeholders, which allows the organization to be confidentially alerted whenever any sort of unethical or illegal behavior occurs.

Based on these resources, we create constant improving action plans measured against indicators, such as reduction in number of fraud and corruption risks, number of reports received for potential unlawful acts and number of training sessions held. Furthermore, we conduct surveys on the impact of our activities.

Reports of unlawful acts and the antibribery and antifraud management system in daily life make it possible to identify breaches or individuals performing unlawful acts, and actions that must be taken as part of the constant improvement of our program of regulatory compliance (➤ SCAN THE QR CODE FOR ADDITIONAL INFORMATION).



This has allowed the Bank to permanently interact with its stakeholders and, at the same time, implement strategies based on analytic models and automated learning such as filters for detection and prevention of scams, frauds and corruption.

#### Data privacy

[DJ3.10.1] [DJ3.10.2]

Over this year, we started the process to create the Personal Information Protection Policy, which covers the whole organization in a transversal manner and regulates areas in charge, such as management of suppliers including control mechanisms for protection of personal data. This policy is aligned to the Organic Law on Protection of Personal Data.

The Data Governance department was appointed as the focal point for development and implementation of mechanisms related to this policy. Furthermore, it includes the responsibilities for the Departments of Non-Financial Risks and Compliance as the transversal

axes for the proper implementation of personal data protection management (➤ SCAN THE QR CODE FOR ADDITIONAL INFORMATION). Furthermore, the Non-Financial Risk Management Model in regard to personal information is already finished and being calibrated.



The auditing area will focus on ensuring compliance with the policy. In the future, auditing by third parties will also be implemented.

Nowadays, we work with an updating and correcting flow for personal data with clear parameters on their deletion and erasure<sup>6</sup>. However, this year we started drafting a legal document enabling to inform and receive acceptances or rejections of customers on:

- Nature of the information taken.
- Use, purpose or treatment of the information taken.
- Acceptance, consent or revoking of the treatment (including transfer or grant) of personal data.

We protect personal data by using various means, and the Policy of Information Security and the Crown Jewels Methodology, set forth by Data Security, help their proper management. Finally, the Personal Data Protection Policy includes the guidelines ruling the manner in which information can be shared with third parties.

#### Information security and cyber-security

[DJ1.7.1]

Given the current increase in the use of technology and all of its related risks, such as technical issues, human error, malicious attacks, natural disasters or terrorist attacks, we have a cyber-security strategy led from the highest level.

<sup>6</sup> The period of conservation of personal information is that set forth by the regulations in force.





It seeks to ensure the continuity of the business and that data security can be guaranteed at all times.

Our Cyber-Security committee is presided by one of the Board members, and its members include other directors, the CEO and vice-presidents of the organization. On the other hand, we also have a Vice-president's Office for Technology and Operations.

## 1.7 Risks and Crisis Management

[GRI 3-3]

The Bank considers the issue of risk and crisis management to be of the utmost importance, especially in regard to risks which could have economic, social or environmental impacts on its operations and stakeholders. This management allows us to identify possible threats, prioritize them and analyze them objectively, in order to control and mitigate risks of different types including reputation, loans, operations, and others.

During 2022, the organization focused on strengthening the risk framework; for this reason, the empowerment of the Vice-presidency of Internal Risks was approved, providing it with independence, authority, range, experience, knowledge and resources required for proper risk management. In addition, it is an independent department, both at the functional and organizational levels, from the areas responsible of the Bank's management, which allows it to perform its functions properly.

In our risk matrix, we have identified real and potential impact that could appear. This tool is crucial for effective, timely crisis management in order to minimize the negative impact that could occur in the organization and its stakeholders. Noteworthy impacts to mitigate are the following:

- Interruption or faults in the delivery of products or services.
- Harm to institutional image or reputation.
- Deceases or serious injuries.
- Loss of customers.
- Financial loss.
- Non-compliance of legal or statutory obligations.
- Non-compliance of strategic objectives, among others derived from Banking operations.

The Bank also have the Policy for Operational Risks Management and the Policy for Reputation Risk.

### Operational Risks

Operational risk management is important as it helps to identify weaknesses and risks that we may be exposed to due to failures in processes, people, technology and external events.

In order to maintain constant improvements in operational risk management to mitigate and reduce any probability of this type of risk occurring, we work to strengthen the following aspects:

► **CORPORATE FRAMEWORK:** design of a target operating model defined in accordance with the regulatory requirements and under a proportionality principle, addressing the Bank's management needs and approach.

► **DRAFTING A DEPLOYMENT PLAN:** a GAP analysis of the target model before the current situation, proposing action steps to be taken and the estimation of the necessary resources for operational risk management.

► **OPERATIONAL RISK ASSESSMENT FOR CRITICAL PROCESSES:** Mapping and control drafting, challenge on the control framework, identification of action plans and identification of key risk indicators.

► CHANGE MANAGEMENT AND DEPLOYMENT: effective implementation of changes.

#### Reputation risks

By the management of this risk, situations threatening the image or prestige of the Bank may be identified, and the way how social environment perceives us can be determined. This way, we can gather critical information to design strategies to boost the trust of our stakeholders.

Additionally, the Bank has a Policy for Reputation Risk and, during 2022, an awareness campaign was conducted for all our personnel aiming to prevent cyber-attacks and avoid harm to the Bank's reputation.

#### Credit risks

It is fundamental to manage this type of risk for the sustainability and continuity of the Bank's operations, as 80% of its assets are exposed to it. The main impacts on the economy, people and the environment are summarized as follows:

- Adequate credit granting to actors in the economy which promote consumption, investments in businesses improvements and growth and, in general, promote economic growth.
- Credit risks, if not properly managed, could cause economic and financial impacts on both people and homes where the adequate debt levels are surpassed.
- Bonds allocation in activities that generate high levels of environmental impact.

In order to prevent this risk, we constantly train our sales force, with particular focus on compliance with credit granting policies, this means the compliance with methodologies of proper calculation of payment capacity and indebtedness of our customers. Furthermore, in order to monitor this risk, a strength analysis of

the methodologies of credit granting is conducted.

#### Emerging Risks

[DJ1.3.2]

During this year, the emerging risk analysis identified the following:

► SOCIAL AND ENVIRONMENTAL RISKS: we have identified the likelihood of undesired events within the credit portfolio due to financing of commercial activities which may negatively affect our customers, the environment, local communities and the bank's reputation. In order to prevent this risk, strategic actions have been developed, such as updating the Social and Environmental Risk Management System (SARAS) to 2.0. version.

► CREDIT RISK: this risk results from the borrower, counterpart or the issuer's failure to fulfill their financial and contractual responsibilities. These undesired events in the credit portfolio have an impact on the securities and cash flow of the organization. In the event of possible impacts on the portfolio, investment portfolio, liquidity and operative or technological events having an impact on our financial stability, the Policy for risk appetite has been implemented. This policy defines a limit and threshold in financial, non-financial and credit risks, whereby alert levels and management are created for the various departments of the Bank when indicators reach or surpass the set values.

► CYBER-SECURITY: cyber risks are those associated to financial loss, disruption or harm to the reputation of an organization due to failures, unauthorized or wrongful access of information systems. In order to prevent and mitigate this risk we have developed a cyber-security strategy led by the Vice-president of Technology and Operations, the Cyber-Security Committee, several members of the Senior Management and directors overseeing its compliance.



# GENDER-BASED FINANCIAL INCLUSION

64▶ 2.1 Sustainable Financing

76▶ 2.2 Financial inclusion

79▶ 2.3 Customer Experience

83▶ 2.4 Economic Performance

2.1 Sustainable Financing

[GRI 3-3]

Nearly ten years ago, we made the decision to manage sustainable financing in a strategic, well-planned and intentional manner in order to speed up the transition towards a sustainable economy. For this purpose, we applied initiatives and international sustainability standards such as the Principles for Responsible Banking (PRB) of the United Nations (see Annex 3).

Through this initiative, we were able to identify two significant areas of impact to the portfolio. The greatest positive impact is financial inclusion and the greatest opportunity of improvement is climate change. Having determined these areas, we have implemented several initiatives surrounding these topics.

Through the use of products, services and channels specifically designed to speed up the financial inclusion process in the country, we have caused a positive effect on people, providing them with access to safe products that contribute to the development of their families and businesses.

Particular attention has been given to women as they have a lesser level of bankarization, limiting their access to savings, financing sources and strengthening their empowerment and economic development. According to the World Bank, women in Ecuador own or lead only 27.8% of micro, small and medium enterprises.

It is as important to create opportunities for our customers through financial inclusion as it is to do so with transparency and responsibility. For this reason, we are certified in Client Protection Principles, previously known as The Smart Campaign, for Microfinancing and Social Development Management areas since 2016. Furthermore, we developed the *SER – Impulso Mujer* (Promote Women) program and, in 2022, we issued the first social gender bond of Ecuador for \$100 million in order to continue promoting the growth of female-led businesses at the micro, small- and medium-size enterprise levels.

On the other hand, the fight against time to revert the effects of climate change is a challenge for the banking sector all over the world. At the local level, we promote and foster good environmental practices in our customers.

## Gender-based financial inclusion



► Credits with a social and environmental approach

Accounting for **21%** of the total portfolio.

► Issuance of the first gender-based social bond in Ecuador:

**\$100 million**



► **56%**

of Microfinanzas Pichincha customers are women.

► **166 Mi Vecino satellites**

helping 162 rural parishes

► **65%** of Pichincha Mi Vecino are women.



► Over **30 thousand women beneficiaries** through informative talks.

## Real State

► **\$37.2 million**

Construction and Sustainable housing.

► **+150 k**

SQM certified for sustainable construction.

► **+1,700**

certified buildings, housing.

## Productive

► **\$221.8 million**

Sustainable agriculture and commercial construction.

► **+30 k**

hectares of farmland certified in social and environmental management.

## Climate change and bio-credits allocated

### Vehicle

► **\$36.7 million**

Hybrid and less polluting



**\$295 Bn. disbursed • 1,729 customers served**



Amongst the milestones achieved, we highlight the quantification of carbon emissions financed by our portfolio, offer of BIO products, agricultural credits, the System of Assessment for Social and Environmental Risks (SARAS) for financing and establishment of goals of mitigation and adaptation to climate change; all focused towards the long-term goal of zero net emissions by year 2050.

We acknowledge that financial inclusion and climate change are realities that require combined efforts. In this context, alliances with multilateral agencies and others such as the Association of Private Banks of Ecuador (Asobanca), with Banco Pichincha under the role of president, are key to grant viability to these strategies for change in the economic, ethical, social and environmental levels.

Our commitment for progress on this matter is present in one of our strategic pillars: The Sustainability Model, the Sustainability Policies, the Policy of Security, Health and Environment and Social and Environmental Risk Management for credits. Furthermore, we align to international initiatives such as the PRBs, SDGs, Women Empowerment Principles and the Dow Jones Sustainability Index.

The key indicators help us measure the effectiveness of the strategies for financial inclusion and climate change as will be expanded upon in this chapter. This year, we continue working on voluntary measurements of our operation based on the Dow Jones Sustainability Index in order to identify the best practices in sustainability of the international banking sector and, thus, quantify our progress.

It is our goal to raise financing for a Green, Inclusive and Gender-based Portfolio for \$5 billion, as well as being recognized as the Bank for Agricultural Businesses in Ecuador.

### Products with a social, environmental approach

[DJ1.8.2] [DJ1.8.3][DJ1.8.6]

For the product design process, we consider environmental, social and governance (ESG) criteria both for wholesale and retail banking, considering the risks and business opportunities involved.

We would like to highlight the following products with a social and environmental approach:

- **BIO-CREDIT:** focused on providing positive contribution to use of natural resources, climate change and the reduction of environmental contamination. Some include technical assistance and payment of sustainable certifications.
- **WOMAN CREDIT:** credit offer for *MSMEs* to promote businesses led by women. It includes non-financial support offers for their businesses.
- **MICROFINANCE CREDIT:** an integral offer for micro-business owners with products and services at both the financial and non-financial level.

We keep a list of non-financed activities which is aligned to those of recognized multilateral agencies including destinations or activities which are subjected to prohibitions or disputes at the social and environmental level.

### Sustainable agriculture

The agricultural sector in the country generates approximately 10% of the GDP and employs, direct and indirectly, 30% of the economically active population (EAP). As such, one of our objectives is to promote the development in this sector in order to create a guarantee for future generations and contribute to food sovereignty.

During this year, our agricultural loan management was strengthened with the alliance sustained since 2019 with Rabobank, which is

now used to build a proper customer service ecosystem with support for its technification, efficiency and productivity.

### Social and Environmental Risk Management

[FS1] [FS2] [FS3] [FS4] [FS5] [FS8] [FS9] [DJ1.8.2] [DJ1.8.3]

Since 2020, we have had a Policy for Social and Environmental Risks Management for Credits, approved by the General Management and the Board of Directors. It allows us to identify, assess, mitigate and monitor all social and environmental risks of customers' credit operations in order to avoid any undesired events in the credit portfolio which may affect reputation, guarantees and repayment of the credit.

The scope of this policy applies to the commercial credit placement process for the business, corporate and SME channels; starting from credit proposals for analysis to follow-ups and monitoring of portfolios (✦ SCAN THE QR CODE FOR ADDITIONAL INFORMATION).

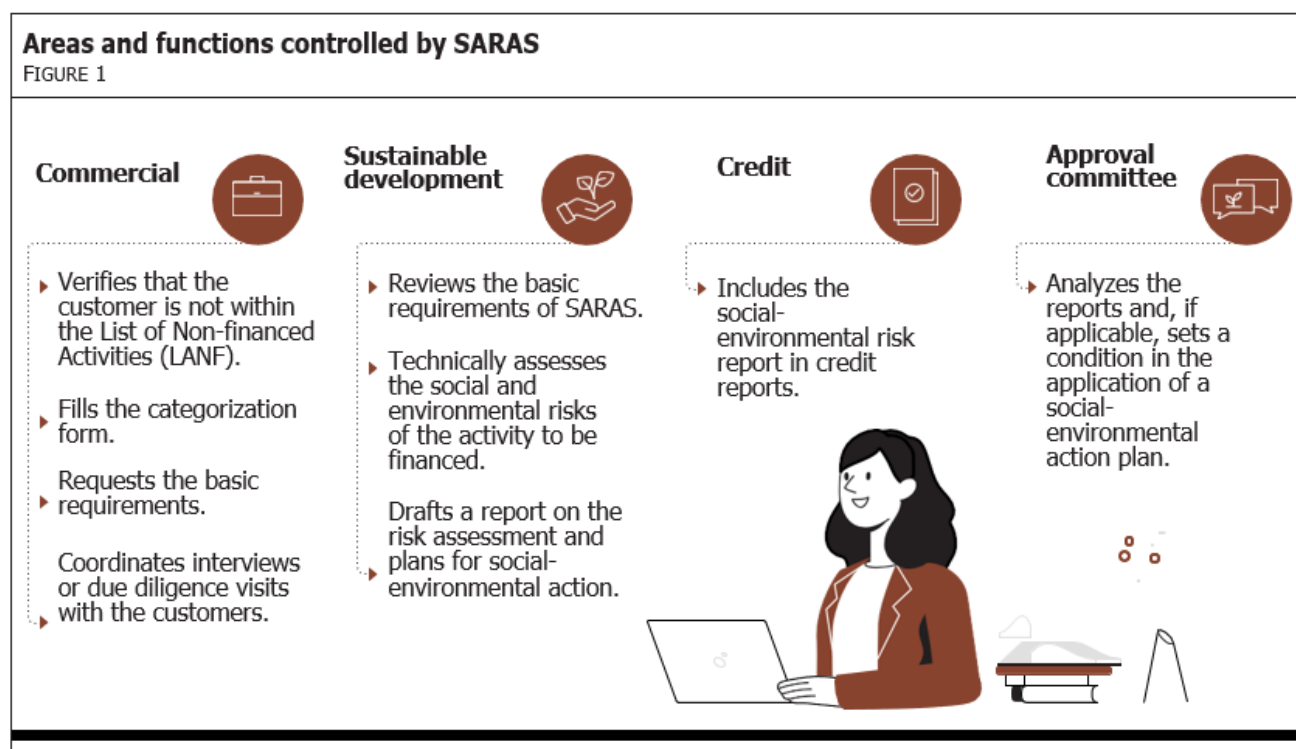


The main commitments of this policy are:

1. No granting of credits for commercial activities from the non-financed activities list.
2. Including the results and recommendations of the Social-Environmental Risk Assessment in decision-making for granting of credits.
3. Promoting good practices and legal compliance in our customers and their operations.

In order to leverage the fulfilment of the policy, we finished updating the Social and Environmental Risk Management System (SARAS 2.0) and the list of non-financed activities aligned to the criteria of multilateral funding agencies. FIGURE 1 contains specifics on the general flow of the SARAS system and the areas involved.

The scope of the system includes all long-term credit operations starting from \$2 million and 12 months as term, and categorizes the social-environmental risks of the economic activity based on a dual entry heat matrix, whose



variables are based on the credit amount, the term and the international risk assessment by EBRD.

We align the review of large-scale projects, meaning those starting with \$10 million and 36 months as term, to the practices of the European Multilateral Banking through the performance standards of IFC PS.

In the event of any social-environmental risk detected in an activity to be financed, an Environmental and Social Action Plan (ESAP) is drafted (TABLE 1 AND FIGURE 2):

► **SARAS VERIFICATION:** This year, the system was verified by a specialized external auditor in order to determine the compliance level and identify actions for improvement. Similarly, we had annual internal verifications and assessments by multilateral funding agencies.

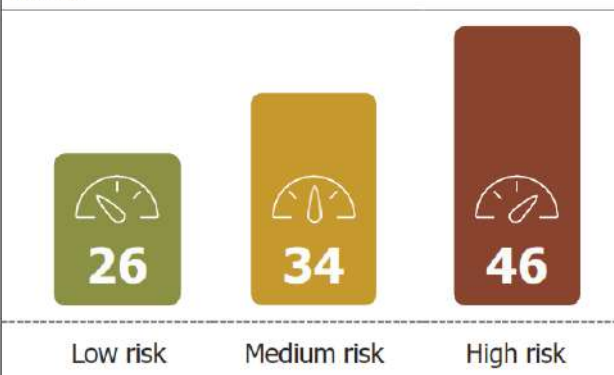
#### ► STRENGTHENING OF CAPACITIES AND

**COMMUNICATION:** Along with SARAS 2.0 system update process, the following training and coaching programs for users were conducted:

- **SARAS Tool Training:** included around 159 employees of Risks, Commercial, Legal and Sustainable Development departments (FIGURE 3).

### Number of SARAS operations assessed by social-environmental risk level

FIGURE 2



Economic sector assessed		Number of cases
	Agriculture	22
	Foods	15
	Commerce	11
	Communication	1
	Construction	12
	Education	5
	Energy	1
	Woodwork	1
	Manufacture	17
	Oil and mining	6
	Health	2
	Services	9
	Transport	4
	<b>Total</b>	<b>106</b>

### Results of the social-environmental risk assessment

TABLE 1

Actions	2022	2021
Credit operations assessed through SARAS (Scope 1)*	80	15
Long-term credit operations assessed through SARAS (Scope 2)**	26	NA
Total operations assessed	106	15
Investment projects assessed with IFC PS ***	3	NA
Amount from operations approved through SARAS	\$674 million	\$59 million
% of credit lines assessed through SARAS	58 %	NA

The reported data cannot be compared with the information from previous years as the SARAS system was updated in 2021 and 2022, and there were modifications in the scope of assessment from \$1 million to \$2 million for long-term credit operations (equal or greater than 12 months).

The reported data corresponds to updates in the scope of SARAS system:

\* Scope 1: from January to September, credit amount equal or greater than \$1 million.

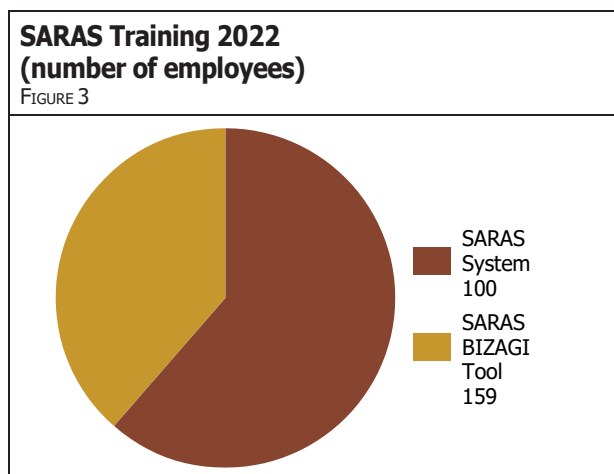
\*\* Scope 2: from October to December, credit amount equal or greater than \$2 million and long-term equal or greater than 12 months.

\*\*\* Investment projects assessed through IFC PS, total cost of the project being equal or greater than \$10 million and term equal or greater than 36 months.

- Training regarding the update of the SARAS 2.0 system: for around 100 employees of the Credit, Commercial and Sustainable development departments (FIGURE 3).
- Workshop on guidelines for Commercial, Credit and Sustainable Development departments.
- Support release on contents and information for other users of the organization on main system guidelines.

What is expected for 2023:

- Hold the e-learning course on training for the SARAS system and its technological tools.
- Completing training of the technical areas of Sustainability and Credit on use of IFC PS sector guidelines and regulations for performance.



### Climate change strategy

[DJ 2.4.1][DJ2.3.1] [DJ 2.3.2][DJ2.3.3][DJ 2.3.4][DJ 2.3.5] [DJ 2.3.6] [DJ 2.3.7] [DJ 2.4.3]

In 2022, we worked on designing the Climate Change Strategy that will be a transversal pillar of the organization and includes five action sub-axes:

1. Strengthen the governance framework for climate change management.

2. Guarantee the integration of climate change and opportunities in the Bank's operations and its portfolio.
3. Implement measures to reduce greenhouse gas (GHG) emissions in the bank and its portfolio.
4. Offer customers financing for their transition towards a low-emission economy.
5. Promote the spreading and leadership in initiatives for climate action in a greater stakeholders database.

This strategy specifies the objectives and the transition plan associated to each axis. Furthermore, it shall remain in line with the guidelines of the *Task Force on Climate-Related Financial Disclosures* (TCFD) and the Net Zero Banking Alliance (NZBA), who offer guidelines and support to evaluate and disclose the Bank's actions for climate risks.

Banco Pichincha has committed with the NZBA to achieve net zero emissions by year 2050. Goal-setting is a multidisciplinary task involving several of our departments. In 2023, the goals for the main economic sectors under financing will be defined.

During this year, we quantified the GHG scopes 1, 2 and 3 emissions of the credit portfolio through the Joint Impact Model tool, which uses the Partnership for Carbon Accounting Financials (PCAF) Methodology (TABLES 2, 3 AND 4).

As a complement to our climate change strategy, oil and gas extraction activities accounted for less than 1 % of the loan portfolio and coal-related activities account for 0.002 %, while no activities involving unconventional oil and gas extraction, requiring mechanisms for material processing that are more harmful for the environment, were financed.





## Financed Emissions

TABLE 2

### Absolute Emissions

Scope 1 and 2 of financed emissions = 2,348,122.65 tons of CO<sub>2</sub>e

Scope 1, 2 and 3 of financed emissions = 3,746,946.78 tons of CO<sub>2</sub>e

### Emissions Intensity

Scope 1 and 2 of financed emissions = 530 tons of CO<sub>2</sub>e per million dollars on stock

Scope 1, 2 and 3 of financed emissions = 845 tons of CO<sub>2</sub>e per million dollars on stock

Coverage: 46 % of the stock on portfolio

Note: The data corresponds to the portfolio balance for June 2022, when the financed emissions were quantified.

## Breakdown of absolute financed emissions

TABLE 3

CIU Level 1	Economic sector	Stock on portfolio	Scope 1 and 2 Emissions (ton CO <sub>2</sub> e)	Scope 1 and 2 Emissions (%)
A	Agriculture, livestock, forestry and fishing	\$556,618,139.70	1,771,039.58	75 %
C	Manufacturing industries	\$749,584,955.38	162,934.75	7 %
H	Transport and storage	\$95,832,109.38	114,623.47	5 %
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	\$1,825,502,013.28	101,870.94	4 %
D	Provision of electricity, gas, steam and air conditioning	\$38,915,488.78	88,853.43	4 %
B	Mining and quarrying activities	\$31,801,879.25	24,623.72	1 %
N	Administration and support service activities	\$154,593,026.54	14,884.02	1 %
	Other sectors	\$981,386,755.48	69,292.74	3 %

Note: The data corresponds to the portfolio balance for June 2022, when the financed emissions were calculated.

## Breakdown of the intensity of emissions

TABLE 4

CIU Level 1	Economic sector	Stock on portfolio	Intensity of emissions scope 1 and 2 (ton CO <sub>2</sub> e / \$ million)
E	Water distribution; sewage systems, waste management and sanitation activities	\$328,317.91	5,558
A	Agriculture, livestock, forestry and fishing	\$556,618,139.70	3,182
D	Provision of electricity, gas, steam and air conditioning	\$38,915,488.78	2,283
H	Transport and storage	\$95,832,109.38	1,196
B	Mining and quarrying activities	\$31,801,879.25	774
C	Manufacturing industries	\$749,584,955.38	217
	Other sectors	\$2,961,153,477.39	62

Note: The data corresponds to the portfolio balance for June 2022, when the financed emissions were quantified.

Oil and gas extraction activities accounted for less than 1 % of the loan portfolio and activities related to coal for 0.002 %. There were no financing or investment actions on unconventional oil and gas extraction. Furthermore, the Bank only keeps investment activities in the form of bonds or paper securities issued by multilateral financing agents.

#### Risks and opportunities of climate change

[GRI 201-2] [DJ 2.4.4] [DJ 2.4.6] [DJ 2.4.7] [DJ 2.4.8]

Our climate change strategy includes scenarios of qualitative risks at both the physical and transition level of our operation, as well as our customers’.

In the future, we will conduct analyses based on quantitative parameters. This analysis showed that we are currently exposed to risks of both types, as well as new opportunities for climate-related financing.

The analysis was conducted for key economic activities: agriculture, manufacture, construction and transport. For this strategy, we have a Climate Transition Plan and have performed an analysis of financial impacts for both types of risks.

► **TRANSITION RISKS** (TABLE 5): the analysis accounted for three variables which have an influence on the risk level of the transition: exposure, vulnerability and adaptation capacity, obtaining the results shown in TABLE 6.

We have identified potential financial impact related to transition risks and have summarized them in TABLE 7.

► **PHYSICAL RISKS** (TABLE 8): for this type of risk, the analysis accounted for the following variables: level of climate threat (drought, frost, extreme rainfall, increase of average temperature); exposure and vulnerability of the economic sectors.

### Identified transition risks

TABLE 5

Risk subtype	Related risks	Description of risk
Legal and Regulatory risks	Changes in climate policies	Increases in operational costs of the counterparts due to stricter climate policies, which assumes greater risk of non-payment.
		Materialization of financial losses due to exposure of customers that are not prepared for stricter climate policies that are expected to be applied as part of the transition towards low carbon emissions.
	Greater obligations for information and related costs (data collection)	Financial losses by customers unable to fulfill the environmental information requirements.
Market-related risks	Reduction of demand of goods and/or services	Requirements to measure and provide environmental information involve additional operational costs.
Technological risks	Changes in technology	Reduced demand of goods and/or services due to changes in the customers’ preferences.
		Loss of income due to devaluation or abandonment of assets due to changes in technology.
Reputation risks	Stigmatized sectors	Loss of value in assets established as guarantees for credit implementation operations.
		Increased monitoring by stakeholders regarding practices and environmental results.
		Possible negative perception by the stakeholders if it is found that companies allow practices that could be deemed unsustainable.



## Transition risks per sector

TABLE 6

	Agricultural sector	Industrial sector	Construction sector	Transport sector
LEGAL AND REGULATORY RISKS				
Changes in climate policies	Medium	High	Medium	High
MARKET-RELATED RISKS				
Reduction of demand of goods and/or services	Medium	Medium	Low	Medium
TECHNOLOGICAL RISKS				
Changes in technology	Medium	High	Medium	Medium
REPUTATION RISKS				
Stigmatized sectors	Medium	Medium	Low	Medium

## Financial impact of transition risks

TABLE 7

	Risk type	Description
LEGAL AND REGULATORY RISKS		
<b>Changes in climate policies</b>	Credit	Increases in operational costs of the counterparts due to stricter climate policies, which assumes greater risk of non-payment.
	Credit	Materialization of financial losses due to exposure of customers that are not prepared for stricter climate policies that are expected to be applied as part of the transition towards low carbon emissions.
	Credit	Financial losses by customers unable to fulfill the environmental information requirements.
	Operational	Requirements to measure and provide environmental information involve additional operational costs.
MARKET-RELATED RISKS		
<b>Reduction of the demand of goods and/or services</b>	Market	Reduced demand of goods and/or services due to changes in the customers' preferences (e.g., increased demand of green financial services in the customers' side).
TECHNOLOGICAL RISKS		
<b>Changes in technology</b>	Credit	Loss of income due to devaluation or abandonment of assets due to changes in technology.
	Credit	Loss of value in assets established as guarantees for credit implementation operations.
REPUTATION RISKS		
<b>Stigmatized sectors</b>	Operational	Loss of income due to reduced demand of goods/services and stigmatized counterparts.

This study was conducted on a per-province basis, using information from the Consortium of Autonomous Provincial Governments of Ecuador (Congope); the results are shown in TABLE 9. TABLE 10 shows the potential financial impacts found that are associated to physical risks.

► **OPPORTUNITIES:** climate change promotes new risk mitigation measures related to a positive impact on the Bank due to financing of new technologies and techniques taken by economic sectors to adapt themselves to climate change.

## Physical risks identified

TABLE 8

Risk subtype	Related risks	Description of risk
Acute risks	Increase of incidence and severity of droughts	Increase in likelihood of non-payment by customers due to direct losses or harm to their assets.
		Increase in cost of insurance.
	Increase of incidence and severity of frost	Reduction of income due to decrease in production capacity (e.g., difficulties involving transport, interruptions in the supply chain).
		Increase in likelihood of non-payment by customers due to depreciation of goods and loss of income.
		Reduction of value of assets, increase in demand of liquid funds and increased risk due to refinancing.
Chronic risks	Changes in rain patterns (rain increase)	Interruptions in value chains and temporary closing of businesses for repairs or remodeling work due to excessive rain.
		Threat over customers' assets that may cause loss of benefits and liquidity.
	Increase in average temperature	Threats over customers' assets that may cause loss of benefits and liquidity.

## Physical risks per sector

TABLE 9

Sector	Risk subtype
Agriculture	Increase of incidence and severity of droughts.
	Changes in rain patterns.
	Increase in average temperature between medium and high.
Manufacture industry	Changes in rain patterns.
Construction	Changes in rain patterns.
Transport	Changes in rain patterns.

## Financial impacts identified

TABLE 10

	Risk type	Description
ACUTE RISKS		
Increase of incidence and severity of droughts	Credit liquidity	Increase in likelihood of non-payment by customers due to depreciation of goods and loss of income.
		Increase in cost of insurance.
Increase of incidence and severity of frost		Reduction of income due to decrease in production capacity (e.g. difficulties involving transport, interruptions in the supply chain).
		Increase in likelihood of non-payment by customers due to depreciation of goods and loss of income.
		Reduction of value of assets, increase in demand of liquid funds and increased risk due to refinancing.
		Interruptions in value chains and temporary closing of businesses for repairs or remodeling work due to low temperatures.
CHRONIC RISKS		
Changes in rain patterns	Operational	Interruptions in value chains and temporary closing of businesses for repairs or remodeling work due to low temperatures, infrastructural damage or excessive rain.
Increase in average temperature		Threat over customers' assets which may cause loss of benefits and liquidity.
		Threats over customers' assets which may cause loss of benefits and liquidity.



## Banking with a Social Approach

[FS7]

In 2022, we served thousands of microbusiness owners all over the country through products that foster their development at family and production

level, offered through group and individual methodology. The results are displayed in TABLES 11, 12 AND 13.

### Individual - Microfinance scope (asset products)

TABLE 11

Product	Description	Disbursed operations 2022	Disbursed operations 2021
Working capital	Credit to finance needs for working capital.	189,720	177,903
Fixed assets	Credit to finance investment needs for fixed assets.	8,283	9,833
Consumption	Credit to finance consumption needs.	3,636	3,038
Household improvement	Credit to finance needs for improvement of an own household or that of an immediate family member of the debtor or codebtor.	52	236
<b>Total</b>		<b>201,691</b>	<b>190,560</b>

### Group - Microfinance scope (asset products)

TABLE 12

Product	Description	Disbursed operations 2022	Disbursed operations 2021*
"Caja Grupal" Credit	Product aimed at covering investment needs of the working capital and/or fixed assets to customers that are part of the group profile "Caja Grupal".	68,653	79,367
Community in Development Credit	Product aimed at covering investment needs of the working capital and/or fixed assets to customers that are part of the group profile "Community in Development Credit".	30,456	26,157
Agricultural credit	Product aimed at covering investment needs in short-term agricultural activities.	147	195
Livestock credit	Product aimed at covering investment needs in livestock-related activities.	656	653
Seasonal credit	Multipurpose product, aimed at covering various needs that may customers may require.	7,538	8,327
Individual credit	Product aimed at covering investment needs of the working capital or fixed asset for a specific person.	-	5
<b>Total</b>		<b>107,450</b>	<b>114,704</b>

\* These figures do not include the number of operations for payment solutions (restructuring and refinancing).

### Group - Microfinance scope (liability products)

TABLE 13

Products	Description	Disbursed operations 2022	Disbursed operations 2021
Microcredit group savings account	Savings product aimed at groups, with the purpose of satisfying needs pertaining savings and payment of group fees.	8,855	7,148
Investment certificate	Investment product aimed at customers that are members of a group.	23,719	24,620
Electronic savings account	Product to fulfill needs pertaining savings and payment of feed at the personal level.	9,276	14,383
<b>Total</b>		<b>41,850</b>	<b>46,151</b>

## Customers per region

TABLE 14

Region	2022					2021				
	Companies	Individuals	Microfinance	PES	General total	Companies	Individuals	Microfinance	PES	General total
Coast	3,584	1,453,858	272,075	35,414	1,764,931	3,286	1,245,325	241,942	35,693	1,526,246
Head Office	3,085	17,138	740	201	21,164	3,200	16,019	786	150	20,155
Central region	967	747,556	207,222	14,304	970,049	933	644,310	187,345	13,216	845,804
North region	1,432	1,687,447	149,464	28,045	1,866,388	1,439	1,424,201	154,738	28,472	1,608,850
South region	612	232,619	38,402	7,273	278,906	546	193,728	32,501	6,147	232,922
Virtual*	-	-	-	-	-	1	43,665	19	198	43,883
<b>Total</b>	<b>9,680</b>	<b>4,138,618</b>	<b>667,903</b>	<b>85,237</b>	<b>4,901,438</b>	<b>9,405</b>	<b>3,567,248</b>	<b>617,331</b>	<b>83,876</b>	<b>4,277,860</b>

\* Customers of the virtual category are not considered for 2022 as they are distributed over their corresponding regions.

## Customers with active credit operations per business

TABLE 15

Bank	2022				2021			
	# customers	# Operations	Total portfolio \$	%	# customers	# Operations	Total portfolio \$	%
Business	2,599	14,326	2.504,805,862	24 %	2,571	13,341	1.922,730,825	22 %
PES	42,034	71,574	1.855,378,169	18 %	42,806	73,681	1.656,938,125	19 %
Microfinance	323,059	438,846	1.829,096,856	17 %	325,875	424,556	1.477,948,400	17 %
Individuals	870,247	1,126,727	4.280,204,834	41 %	782,255	964,502	3.776,720,609	43 %
<b>Total</b>	<b>1,237,939</b>	<b>1,651,473</b>	<b>10.469,485,721</b>	<b>100 %</b>	<b>1,153,507</b>	<b>1,476,080</b>	<b>8.834,337,959</b>	<b>100 %</b>

## Biocredit portfolio amount

TABLE 16

Segment	Biocredit category	Number of customers	Amount 2022 (\$)
Wholesale banking (Companies and PES)	Sustainable agriculture	26	221,286,547.84
	Sustainable construction	13	27,726,941.58
	Energy efficiency	1	457,556.35
	Sustainable transport	447	15,193,981.10
<b>Total wholesale banking</b>		<b>486</b>	<b>264,665,026.87</b>
Retail banking (individuals and micro)	Sustainable construction	125	9,474,334.06
	Sustainable transport	1118	21,508,749.78
<b>Total retail banking</b>		<b>1,243</b>	<b>30,983,083.84</b>
<b>General total</b>		<b>1,729</b>	<b>295,648,110.71</b>

It should be noted that during this year we have nine commercial alliances with “anchor” customers, through whom we were able to generate bankarization and financing opportunities for their customers and suppliers. The amount that we have disbursed for this year is \$2.4 million.

### Portfolio (TABLES 14 AND 15)

[GRI 2-4][FS6] [FS10][FS11][DJ 1.8.7][DJ 1.8.10]

The distribution of our portfolio per region, credit operations and biocredit allocation for 2022 can be found in TABLE 16.



This year, our credits dedicated to social and environmental approach reached 20.29 % of the total portfolio of the Bank (TABLE 17).

<b>Credits with social and environmental approach</b>	
TABLE 17	
<b>Approach</b>	<b>Amount disbursed(\$)</b>
Credits disbursed with social approach	1,829,096,856
Credits disbursed with environmental approach	295,648,110.71
<b>Total</b>	<b>2.124,744,966.71</b>

10 % of our portfolio was the percentage of companies with whom we have engaged for social and environmental matters. The interactions are held through the SARAS system and may involve social-environmental assessments, visits, design and follow-ups of working plans (TABLE 18).

<b>Customers with social and environmental interactions</b>	
TABLE 18	
	<b>2022</b>
Companies in the portfolio	1,063
Companies in the portfolio that we have had interactions with for social and environmental matters	106
Percentage of companies with whom there have been interactions for social and environmental matters	10 %

Note: The calculation of this indicator has been modified, accounting only for the data on companies of the portfolio which have gone through the SARAS system (equal or greater than \$2 million and greater than 12 months). The data for 2022 are not comparable to those of 2021, as the SARAS system was undergoing updates during that year.

## 2.2 Financial inclusion

[GRI 3-3]

The population located at the base of the pyramid has less access to the formal financial system, and thus faces a series of difficulties and risks that we intend to prevent and mitigate through our financial inclusion strategy with the following objectives:

- Providing access to non-bankarized individuals.
- Promoting the use and adoption of financial products designed around the needs of the customers.
- Promoting the financial health and welfare of the customers.

Our channel "Pichincha Microfinanzas" allows us to cause a positive impact in several areas; however, the following are the most significant:

► **BANKARIZATION:** The financial inclusion of hundreds of people helps create economic opportunities in order to contribute towards diminishing their poverty and vulnerability situation. We have national coverage in urban, urban-marginal and rural zones, which allows us to reach more customers in a quick, timely and efficient manner.

The strategic *objectives and key results* (OKR) of the Bank include the initiative to bankarize customers from the base of the pyramid (Microfinances and Individuals). In 2022, over 580,000 were bankarized.

► **FOLLOW-UPS AND FINANCIAL EDUCATION:** Using a relational model on site, with close methodologies and personalized assistance by our advisors, we promote a culture of savings and healthy resource administration so that they can prosper in both the business and family level.

### Bankarization strategies

- Opening savings accounts through digital means and commercial campaigns.
- Financial education programs (savings, business development, financial improvement, empowerment, digital education, etc.).
- Credit allocations for new customers.
- Product offer for women.
- Use and digital adoption through the *DeUna!* wallet system, digitalizing the ecosystem of collections and payments, promoting reduction of cash use and secure transactions.
- Service in remote towns and areas through *Pichincha Mi Vecino*.



However, given the nature of the channel and the profile of the customers, some undesired impacts could appear, most of which we have mitigated for several years by adopting the international practices for customer protection and social performance. Currently, we consider a noteworthy challenge that customers in this channel are able to boost the use of products and digital teller systems.

Ecuador has a bankarization level of 64 %, with the remaining 36 % of the population not having access to the financial system. This excluded population is mostly in rural areas with low access to technology and connectivity. Furthermore, the lack of financial education and cultural barriers constitute obstacles for gaining access and full benefits from the products and service channels.

For this purpose, we have a specific financial education strategy (monthly, at both on-site and virtual levels) for this customer profile, as well as the necessary follow-ups to ensure that they can use the products properly; otherwise, customers could be the target of fraud, theft, and others.

The manner to evaluate progress and efficiency of the measures taken is through indicators such as equity increases, savings and average amount of credits granted. Customers with a credit operation surpassing 24 months have increased their equity by 25 %.

Finally, the voices of microbusiness owners have been part of a strategic pillar to promote our products, channels, trainings, incentive models and processes.

#### Generating gender-based opportunities

[GRI 3-3]

We continue to promote our strategy: *SER Impulso Mujer* ("Promote Women"), its main purpose is "to make a relevant contribution to

their financial inclusion through adequate products and services in a timely, sustainable manner, improving their living conditions".

The implementation of this strategy has brought undisputed positive impacts regarding gender equality and development of the businesses of our female customers, as well as the decrease of cultural challenges and subconscious biases through sensitization and education. We have not detected anything suggesting that the focus of development on women has caused negative impacts to our value chain.

This year, we issued the first social gender bond in Ecuador, with BID Invest and the International Finance Corporation (IFC) as investors. The amount issued for this purpose was \$100 million under a term of five years, and with which we continue to support growth of businesses led by women at the micro, small and medium enterprise level, as well as contribute to the fulfilment of the Sustainable Development Goals (SDG): gender equality (SDG 5), decent work (SDG 8) and economic growth and reduced inequalities (SDG 10).

We have consolidated our Gender Intelligence Commission, whose main objective is to streamline the gender strategies and promote its execution both at the internal level with our employees and at the external with our customers.

We continue to strengthen our integral program (access to equity, information, education and markets) in a joint effort with globally recognized organizations such as UN Women, Financial Alliance for Women, IFC, The United States International Development Finance Corporation (DFC) and the IDB.

Finally, we are part of the leadership team of the Gender Equality Initiative at the national level, which represents a joint effort between the public and private sector, led by the Ministry of



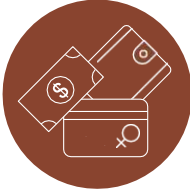




Production, Foreign Trade, Investments and Fisheries, which seeks to promote action plans to boost women participation in the workforce at the decision-making level, among others.

#### Impact on our female customers

- **49 % of our customers are women.**
- **56 % of the microfinance customers are women.**
- **65 % of *Pichincha Mi Vecino* spots are owned by women.**
- **Portfolio of \$1.534 billion in credits for over 195,000 micro and small enterprises.**
- **\$1.104 billion disbursed in over 174,000 operations to reactivate and developed women-owned businesses.**
- **Over 30,000 women beneficiaries through informative talks.**

► *SER - IMPULSO MUJER* is supported by the following pillars:

	<b>Financial offer</b> Savings and financing with special, flexible conditions as a response to the particular needs and barriers that traditionally used to prevent women from accessing to financial services.
	<b>Non-financial offer</b> Knowledge transfer, management skills and mechanisms with experts intended for women-led micro and small enterprises. Products for welfare and protection of their family and business.
	<b>"SER" Community</b> In "Impulsa la Comunidad" ("Promote the community"), we present success stories of visionary, entrepreneur women who do not waver and find reasons to continue pushing forward.

As part of this strategy, these are the main indicators guiding our progress:

- Promoting women-led MSMEs' access to financing.
- Increasing financial inclusion of women in MSMEs segments.
- Increasing digital financial inclusion of women at MSMEs level.
- Promoting the growth of the women-led businesses through non-financial offer. Female customers show low levels of default

in the credit portfolio, an important feature which contributes the business growth strategy.

#### Service everywhere in the country

[GRI 2-6][FS13]

Our service reaches the 24 provinces in the country in both urban and rural areas, providing services to both customers and non-customers through 10,192 service points between agencies, self-service points (ATMs and multifunction), Non-Banking Correspondents (NBC) *Mi Vecino*, digital kiosks and stations (TABLE 19).

#### Service points

TABLE 19

Service points types	Quantity
Agencies*	236
Self-service points	1,459
Non-Banking Correspondents <i>Mi Vecino</i>	7,138
<i>Farmaenlace</i> points	1,221
<i>Santa María</i> points	42
Kiosks	96
<b>Total</b>	<b>10,192</b>

\* Including mobile agencies, tellers, virtual points, special agencies and head office.

► **PICHINCHA MI VECINO**

This year, we optimized our correspondent network located in both remote and rural areas, growing 15% in transaction volume and 16% in amount.

In 2022, we doubled the number of NBCs satellites, going from 80 to 166, which perform an average of 101,000<sup>1</sup> transactions per month. They are located in 22 provinces and 162 rural parishes with scarce or no financial services. They work as key allies supporting the bankarization process through the opening of basic accounts with an average of \$67 (TABLE 20).

### NBC Service points - *Mi Vecino*

TABLE 20

Region	N.º of NBC		%	
	2022	2021	2022	2021
Coast	1,348	1,366	43 %	41 %
Central Region	831	917	27 %	28 %
North Region	600	660	19 %	20 %
South Region	349	354	11 %	11 %
<b>Total</b>	<b>3,128</b>	<b>3,297</b>	<b>100 %</b>	<b>100 %</b>

## 2.3 Customer experience

[BP3] [DJ 3.9.1]

Placing the customer at the center of our operations is a public statement that we adopted some years ago. Living this commitment has meant adjusting the strategy, processes, systems, work methodologies, behaviors and, particularly, the organizational culture.

Some years have passed since we started the process for the digital transformation of the Bank as we understood that it was a key trend necessary to improve our customers' experience. However, and given the appearance of the health emergency caused by COVID-19, we sped up the process in order to offer products through simpler, more transparent and more friendly means.

Changing the use from traditional on-site means to digital ones has involved challenges such as customer education at the financial-digital level, transforming our operation and security systems but, more than anything, to

continue promoting trust and closeness in customers who have traditionally had physical assistance by our employees, as is the case of the Microfinance channel.

This transformation has been successful and, for the second year in a row, we have been acknowledged by the *Banking Innovation Awards 2022* as one of the most innovative financial institutions in the world. This time, our organization was awarded the Gold Award for its 100% digital microcredit allocation system under the category of "Social, Sustainable & Responsible Banking".

Over 50 % of the microcredits performed by the banking system in Ecuador were granted by Banco Pichincha. Their bet on financial inclusion has led to the development of solutions to contribute to the improvement in quality of life of microbusiness owners. Under this premise, the introduction of the first 100% digital microcredit in the country and region has taken place, which allows customers to receive money without the need to visit a physical agency, in 5 minutes at most, and with just 4 steps.

On the other hand, 60 % of our customers are digitally active; a percentage comparable to that of the leading financial institutions in South America. We aspire to reach 70% in 2024. For this purpose, we continue working in strengthening digital education and our customers' experience in every interaction with our institution in order to mitigate any possible negative impact such as fraud attempts including phishing and system crashes.

We can conclude that the focus on improvement continues with the customers' experience, which has brought considerable positive impacts in regard to time efficiency for our customers, ease and autonomy in digital services, and increased satisfaction. However, undesired impacts that we continue to address and mitigate, such as cyber risks for customers and the Bank, still remain.

<sup>1</sup>This information corresponds to the period August-December in 2022.



For this purpose, we have implemented strategies such as digital financial education, various channels for queries and assistance by our staff, security measures and business continuity as described on page 61.

We have a measurement indicator for customer experience in the *Net Promoter Score* (NPS), which is monitored by the Committee of Strategy and the Senior Management. Furthermore, we created the Commission of Experience, in charge of analyzing the main opportunities for improvements with the customer, action plans and initiatives involving *c-levels*, which helps us take action in the interest of the customers' needs.

Our three goal levels (basic, goal and aspired) reached basic compliance per quarter, which led to discoveries on the main improvement opportunities with the customer which then turned into impacts as they were used to boost 20 high-stakes transversal initiatives (TABLE 21).

Net Promoter Score (NPS)				
TABLE 21				
Quarter	Q1	Q2	Q3	Q4
General	44.01	40.14	48.10	42.75
Number of surveys	5,398	5,227	5,988	5,544

We take care of our customers  
with the best practices

[BP6]

During this year, we have ratified and strengthened the use of the Universal Standards for Social Performance Management (GDS), allowing us to materialize and measure our mission, as well as place customers in the center of every decision we make at the strategic and operational level.

The score obtained and the most important elements of our management for the six dimensions of the standard can be found on TABLE 22.

Thanks to these results, the Bank has positioned itself, for a second time, in the excellence range in social performance worldwide, raising its score from 4 to 4.5 stars in 2022.

Late in 2022, we also obtained a Gold Class Certification in Customer Protection, granted by Cerise-SPTF, an international organization that supports the financial sector in social and sustainability matters. This certification is only granted to institutions that comply with strict guidelines set forth in the Universal Standards for Social Performance Management. We made great efforts throughout the year to align to the new standard that now includes 8 principles.

Additionally, we reached the milestone of certifying the Relationship Banking segment for the first time, obtaining a Gold Seal.

This insignia allows us to better understand the requirements of over 3.9 million customers of the massive channel, their characteristics and needs, in order to provide adequate response with clarity, transparency, and personalized products and services that promote their growth.

**Client Protection Principles**

- The Institution's products, services and channels are meant to benefit customers.
- The institution does not promote over-indebtedness of customers.
- The institution provides customers clear, timely information to help them make decisions.
- The institution sets prices in a responsible manner.
- The institution enforces fair, respectful treatment of customers.
- The institution protects customer data, informing them about the rights that they hold over any use of said data.
- The institution receives and solves any complaints made by the customers.
- Governance and the Senior Management are committed to the customers' protection and HR systems will enforce compliance.

## Social Performance Management – Social Rating

TABLE 22

Dimension	Fundamentals	Rating obtained
<b>1</b> Definition and monitoring of Social Goals	<ul style="list-style-type: none"> <li>• Strategic plan with a proper balance between financial, operational and social goals.</li> <li>• Step forward the definition of goals related to gender focus and digital inclusion.</li> <li>• Adequate degree of serving customers with limited access to credit and low resources.</li> <li>• Strong commitment to the community and the environment.</li> </ul>	Good level
<b>2</b> Commitment of the Executive Board, Senior Management, and the staff	<ul style="list-style-type: none"> <li>• Strong social approach from the shareholders.</li> <li>• Formalized selection, induction and training processes with social content. Incentive scheme that incorporates components that promote financial inclusion.</li> </ul>	Excellent level
<b>3</b> Design and Product Suitability	<ul style="list-style-type: none"> <li>• Loan and service offer is aligned to customers' needs and profiles, having a strong gender approach.</li> <li>• Continuous improvement of products and services by the customer's feedback.</li> <li>• Commendable efforts to promote the use of digital channels and financial education.</li> </ul>	Excellent level
<b>4</b> Social Liability to the Customer	<ul style="list-style-type: none"> <li>• Robust level of customer retention.</li> <li>• Excellent compliance with Protection Principles.</li> </ul>	Excellent level
<b>5</b> Social Liability to the Staff	<ul style="list-style-type: none"> <li>• Great responsibility to partners thanks to Human Talent Management certifications.</li> <li>• Proper staff and executive turnover.</li> <li>• Several benefits additional to the law.</li> <li>• Formalized Human Resources processes and policies.</li> </ul>	Excellent level
<b>6</b> Responsible Finance	<ul style="list-style-type: none"> <li>• Good financial-social balance.</li> <li>• Competitive pricing following the regulation.</li> <li>• High level of estate profitability.</li> </ul>	Excellent level



► DOW JONES  
SUSTAINABILITY INDEX

During this year, we performed our eighth measurement against the index and we continue to close the gaps related to ESG identified during the 2021 measurement. However, we will get the results in March 2023 due to a date change in the methodology. This year we were awarded several types of recognitions for our sustainability work, some of which are mentioned on page 33.

Claims Management

[GRI 418-1] [GRI 2-25] [GRI 2-16] [BP4] [DJ3.10.3]

We provide comprehensive management of claims, requirements and complains from our customers, non-customers and State organizations; we effectively and efficiently allocate, solve, control and/or monitor the various stages and actors in the process to improve the customer's experience by complying with the current regulations.

We maintain several physical and digital channels that help users and make it easier for us to address your complaints and claims within the time established by the company.

We have adopted the FCR approach (*First Contact Resolution*) and we have implemented action plans to mitigate the root cause of claims, which will be reviewed in forums with several stakeholders. In turn, education campaigns aimed at users are conducted to reduce the potential negative impacts and fully address the problem.

Management indicators such as response time and quality, and number of claims entered vs number of transactions help us measure the performance of the claims and complaints management process.

Every year, we aim to reduce the number of claims vs the number of currency transactions indicator, reaching a decrease of 12.8% in 2022.

A total of 693,816,517 transactions were made in our channels and the number of claims we obtained was 187,317, which represents a rate of 0.027% (TABLE 23).

Annually the Board of the Bank reviews the Customer Service Unit Report to learn about the management of economic claims, behavior and service complaints, customer's complaints filed to control agencies, and requirement management. Likewise, it includes the actions taken for improvement and recommendations. This report is sent to the control agency.

It was not required to report any critical concerns to the highest governing body in 2022.

Serving customers with disabilities

[FS14]

**We contribute to improve the daily lives of our visually impaired customers who can now use our Mobile Banking unassisted by a third party through the screen-reading software.**



## Claims

TABLE 23

Channel	Type of transaction	Number of transactions		Annual variation
		2022	2021	
Web Banking	Transfers	16,140,100	30,177,985	-46.52 %
	Payment	11,043,635	12,547,240	-11.98 %
Mobile Banking	Transfers	253,567,125	123,035,465	106.09 %
	Payment	26,373,843	14,074,386	87.39 %
Cashiers	Deposit	29,146,544	27,693,026	5.25 %
	Payment	6,809,726	7,259,216	-6.19 %
	Withdrawal	15,793,853	15,455,604	2.19 %
Self-service	Deposit	13,922,401	10,407,694	33.77 %
	Payment	530,268	600,704	-11.73 %
	Withdrawal	98,615,582	85,745,066	15.01 %
Non-banking correspondents' transactions	Deposit	57,155,768	51,618,687	10.73 %
	Payment	15,097,244	16,837,435	-10.34 %
	Withdrawal	44,772,454	34,170,830	31.03 %
Payment methods	Purchases made with a debit card	71,132,598	57,509,115	23.69 %
	Purchases made with a credit card	33,715,376	27,776,487	21.38 %
Total transactions		693,816,517	514,908,940	34.75 %
Total claims		187,317	159,522	17.42 %
Indicator		0.027 %	0.031 %	-12.86 %

Note: During this year, the Bank did not register substantiated complaints for breaches related to the violation of customer privacy.

This year, we decided to take the first step to provide a different experience to our customers with visual disability thanks to the design of a new way to navigate our Mobile Banking. We implemented a screen reading software. Currently, we are the only bank providing this service on its app.

The development of this upgrade came about a co-creation process between users with visual disabilities who helped us ensure that our app is more accessible.

Moreover, we continued building ramps in our agencies to guarantee the proper access to people in wheelchairs or similar devices.

This year, we will implement it in two agencies in Quito, Plaza del Teatro and Panamericana Norte, and the Reales Tamarindos agency in Manta.

During 2022, the Metropolitan District of Quito awarded us once more with the Inclusive Progressive Seal for our good practices in inclusion matters.

## 2.4 Economic Performance

[GRI 3-3]

The economic performance of the Bank is crucial for the Company sustainability and for ensuring continuity of the positive impacts we seek to intensify





These include the dynamization and reactivation of the country's economy, wealth generation and distribution among our stakeholders, the creation of direct and indirect employment, and financial return.

In order to strengthen the economic dynamization and reactivation, we promote segmentation strategies of customers with customized products and services, bankarization that generates saving and credit opportunities for people, and the approach on women to build their leadership and economic independence.

As the biggest private bank in the country, the economic value generated is significantly distributed among our various stakeholders who are the main actors of the shared value creation (shareholders, employees, suppliers, community, tax authorities, among others).

Currently, the Bank generates considerable employment opportunities, with more than 5,000 direct employment positions.

In the end, financial returns allow us to operate sustainably and fulfill our greatest commitment: to look after our depositors' money. In 2022, our excellent performance increased our net income.

Being a universal Bank that serves all customer segments, we have become a strategic ally for people and businesses. Currently, maintaining this alliance, focusing on the customers well-being and satisfaction, implies being able to support their transition from the physical to the digital world. On this journey, we face several challenges in connectivity, digital financial education, availability, and timely and efficient operation of the Bank's systems.

We have been working on this internal digital transformation process for several years now, and it has undoubtedly strengthened the aforementioned positive impacts, but it also challenges us to strengthen our technology systems and channels based on our customers' needs, as well as to provide security in this new space for interaction.

Due to the high dependency and exposure to technology of our operation, we aim to strengthen our security systems, as well as to ensure the proper functioning of online applications to guarantee availability and effectiveness of all services as we are aware that these factors can negatively affect customers in managing their finances and accessing financial operations.

During this year, we have implemented cutting edge technology to monitor the operation and availability of the service channels in order to act in a timely manner against any technological incident. We have new contingency mechanisms and continuity arrangements for the Bank's operations against possible scenarios of interruption of services caused by technological failures, natural disasters or malicious actions by third parties.

43% of fraud in digital channels is caused by phishing; that is, by deceiving people to obtain their personal data and impersonate their identity. We work hard and permanently to mitigate this risk through education and communication campaigns for our customers so that they use strong passwords and do not give their personal data to anyone, as well as the implementation of biometric methods for creating new credentials or enrollments in Mobile banking. On the other hand, we are automatizing the fake website detection process to dispose of them.

By using the OKR methodology, we permanently monitor the progress of the objectives related to the improvement of the availability of our service channels, the decrease of errors in the software and customers' claims, the automation of internal processes, and the strengthening of technological capacity to compete with new actors in the financial industry, such as big techs, fintechs and neo banks.

Moreover, the use of technology saves time for the customer, saves trips to the Bank and having to wait for service; and for the Company it means less consumption of resources such as paper. However, a potential negative impact could be downsizing due to the automation of processes, while bearing in mind the growth of job opportunities in other areas of knowledge.

The customer's voice has been critical in the design and improvement of commercial processes and after-sales service. Their comments and complaints have been considered to improve their experience with the Bank.

The economic performance management is included in Banco Pichincha's Consolidated Staff Regulations and in the internal regulations that describe processes, standards and actions that define and guide the behavior of the Company and its employees. The results are being permanently evaluated by several internal committees such as the ALCO, Board of Directors, Management, Strategy, Internal Audit and external organizations such as risk rating agencies, the Superintendency of Banks of Ecuador, among others.

The data regarding the economic value generated, distributed and withheld can be found in page 28.





## CH 3 Social and Inclusive Development

# PEOPLE AND THEIR WELL-BEING AT THE CENTER OF OUR OPERATION

- 86 ► 3.1 Human capital
- 96 ► 3.2 Diversity and inclusion management
- 98 ► 3.3 Occupational health and safety
- 102 ► 3.4 Sustainable procurement
- 105 ► 3.5 At the service of the community

### 3.1 Human capital

[GRI 3-3]

Thanks to the trust of our customers, we can generate quality direct employment that positively contributes to the social and economic development of the country.

The Human Resources Vice-Presidency manages the talent we attract and keep with our organization through objectives and metrics aligned with the strategic plan.

We know that working with a committed and high-performance staff is the key to fulfill our objectives. This is why we foster and develop the capabilities of our teams, also promoting leadership, commitment, and a good organizational environment. We also aim to guarantee the well-being of our employees, working to develop practices focused on work-life balance, the promotion of a responsible family culture and diversity and inclusion.

This issue is evaluated internally and externally through various tools and indicators.

For this report, we have included two measurement systems: the performance evaluation model and the occupational risk assessment.

In addition, we have a listening channel called "*Pichincha te ayuda*" for our employees.

All of this management is aligned with several general internal policies and external legal regulations, such as our organizational development policy, culture, climate and change, human rights, benefits, termination and the Incorporation Manual.

#### Responsible family culture

Our work-life balance practices and the protection and support of our employees' families are the basis for modeling a humanistic, family-oriented and responsible culture guided by the Family-Responsible Company (FRC) management model of *Más Familia* Foundation under five dimensions (FIGURE 1).

## Family-Responsible Company (FRC)



### Quality of employment

► **5,223**  
employees under permanent contracts.

### Family support

► **35 breastfeeding rooms**

at national level to support lactating employees.



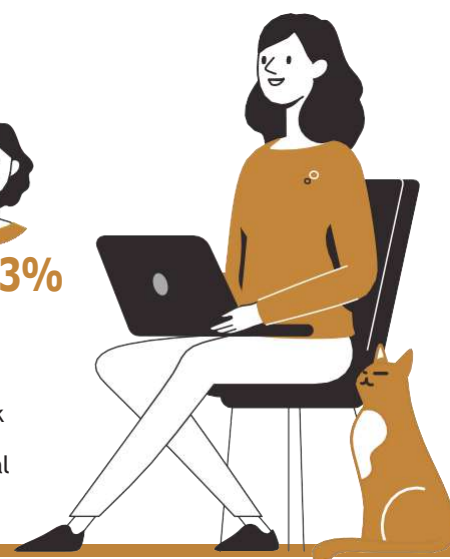
**100%**



**98.83%**

### Return to work

► Return to work rate after the end of parental leave 2022.



## Personal and professional development

► **562 promotions**



**290**  
women



**272**  
men



► **68.43 hours**

Average training time per employee.

## Equal opportunity

**866 hires**



**443**



**423**

## Social component

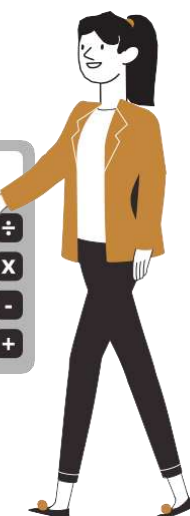
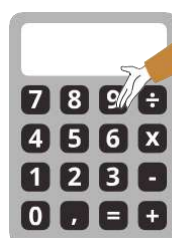
### Health and safety



► **220 employees** trained in the emergency brigade program for main buildings and risk agency.

► **1,785 ergonomic equipment** delivered to the main buildings.

► **5,200 employees** trained in occupational health and safety across the country.



### Community

Financial education:

► **29,859 beneficiaries**

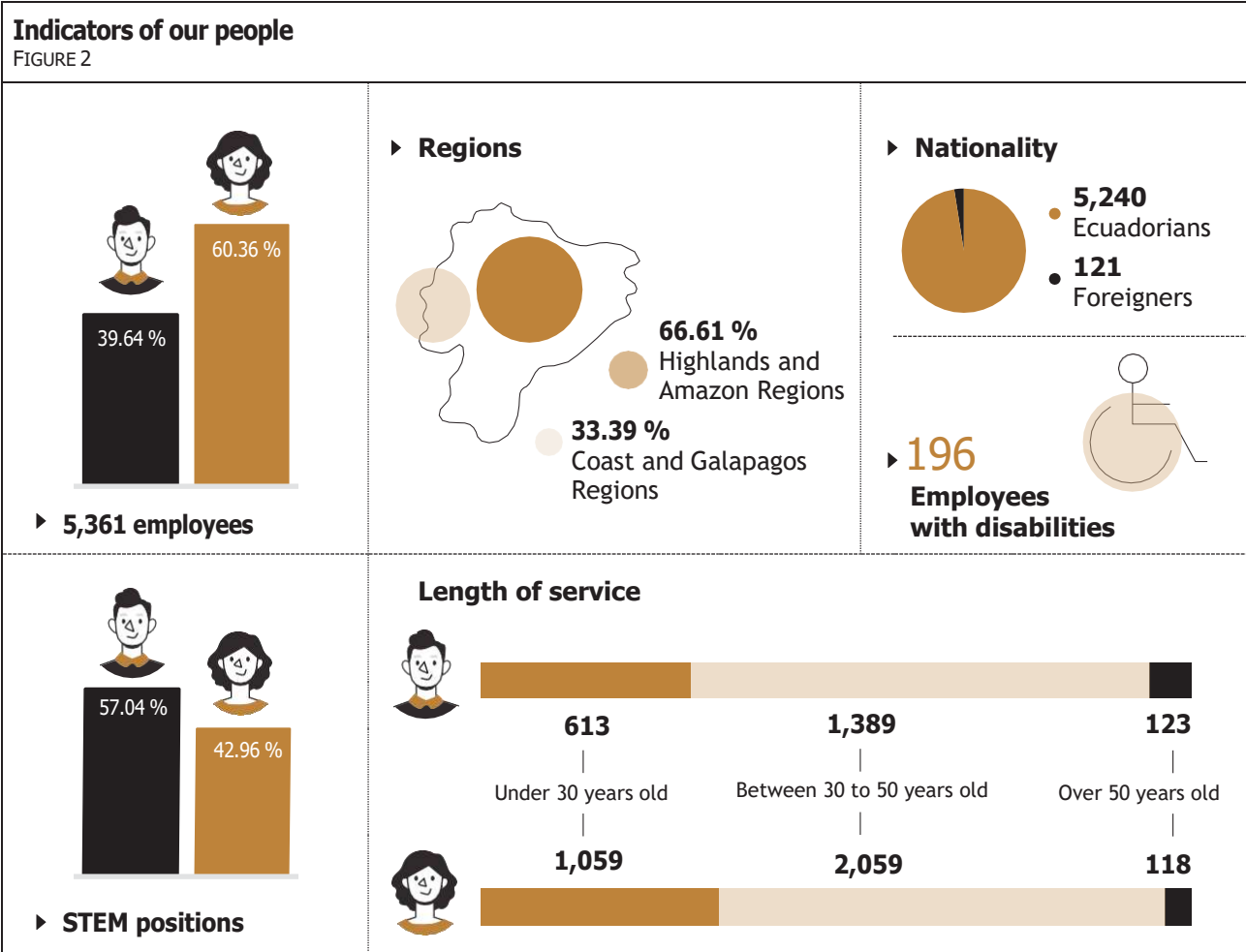
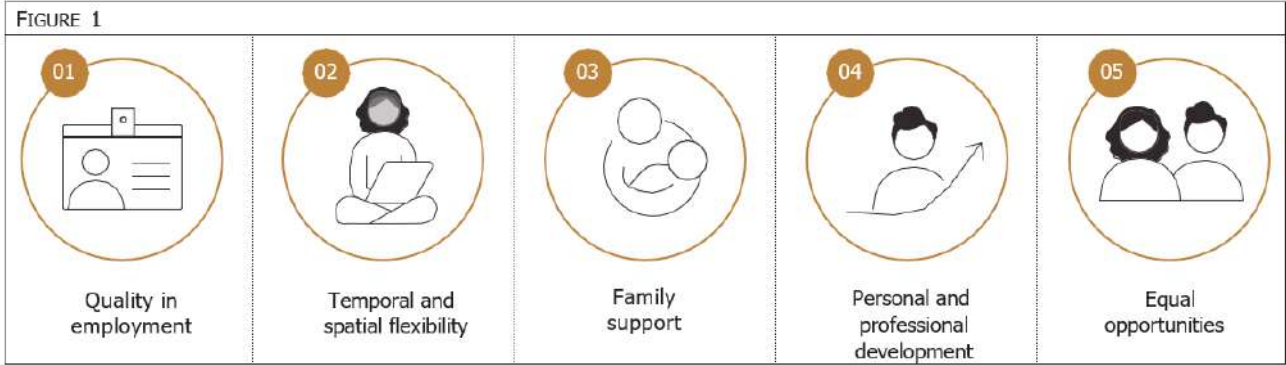
► **162 rural parishes**

with satellite correspondents



Since 2019, we are FRC certified. During this year, an independent third party carried out an internal and external audit process. In this new recertification cycle, we needed to obtain a C to C+ level; however, due to the work done with regard to family conciliation and for sharing good practices with our suppliers, we climbed to B category.

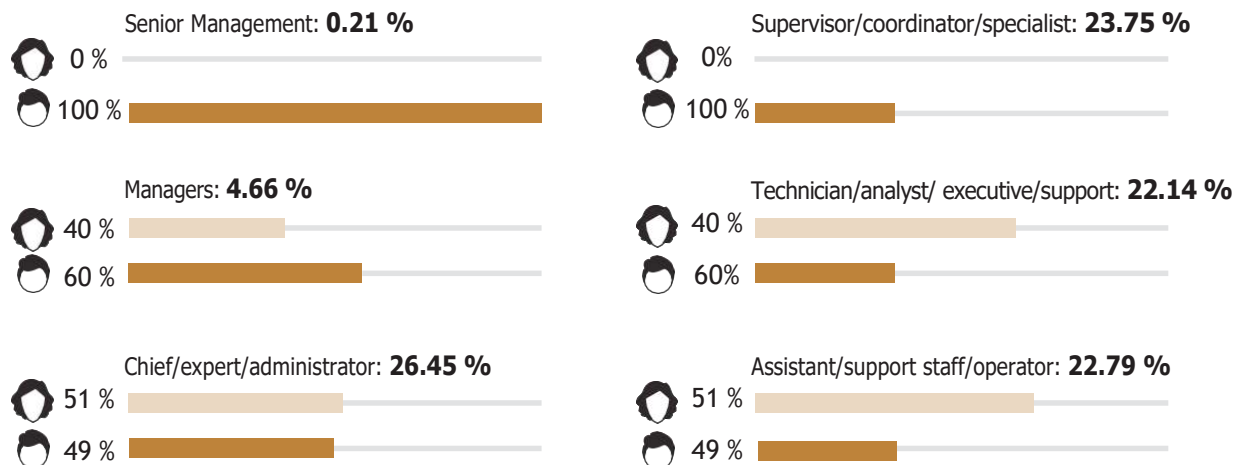
Thanks to our follow-up processes, we ensure that all the legal aspects concerning conciliation between family and work life, and the standards and requirements to establish and implement this management model are observed.



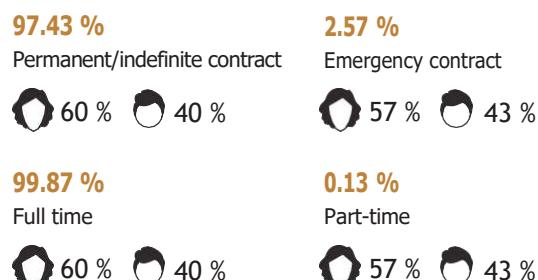
## Indicators of our people

FIGURE 3

### ► Professional categories



### ► Type of contract



### "Quality in employment" dimension

[GRI 2-7] [GRI 405-1] [DJ 3.2.2] [DJ 3.2.3]

Effort, responsibility, coherence and significance are the values that mark the daily work of the 5,361 employees that work in our Company<sup>1</sup> (FIGURES 2 AND 3).

For further information on our people in figures, see Annex 1.

Our operations generate direct employment across the country (TABLE 1). [GRI 2-8]

<sup>1</sup> The information was obtained from the internal head count database with cut-off on December 31, 2022. The information of the employees is taken based on the type of contract and day of the Genera Program. We do not have employees for uninsured hours. There are no significant fluctuations in the number of employees during the reporting period or between target reporting periods.

### Workers that are not employees (2022)

TABLE 1

Contractual relationship	Type of work	Amount
Complementary services <sup>1</sup> Permanent contract	Food, security, cleaning	633
Complementary services <sup>2</sup> Temporary contract	Food, security, cleaning	288
Internships <sup>3</sup>	Administrative work	51
<b>Total</b>		<b>972</b>

<sup>1</sup>The data has been compiled with information from the staff provided by the suppliers, with cut-off on December 31, 2022. There are no significant fluctuations in the number of workers during the period covered by the report.

<sup>2</sup> The data has been compiled with information from the staff provided by the suppliers, with cut-off on December 31, 2022. There are no significant fluctuations in the number of workers during the period covered by the report.

<sup>3</sup> The information is obtained from the internal head count database with cut-off on December 31, 2022.

## Talent attraction and retention

[GRI 401-1] [DJ 3.5.1] [DJ 3.5.7]

Our commitment to develop a better human team drives us to carry out several initiatives to attract and retain talent, managing to satisfy and encourage our workforce, which is the heart of our Company. We hired 866 people in 2022, exceeding the number of hires for the previous year (TABLE 2).

For more information about the new hires and rotation (TABLES 3 AND 4), see Annex 1.

### **New hires<sup>1</sup>**

TABLE 2

<b>Women: 423</b>	<b>Men: 443</b>
Under 30 years of age	560
From 30 to 50 years of age	299
Older than 50 years of age	7
<b>Ecuadorians: 826</b>	<b>Foreigners: 40</b>
<b>Coast and Galapagos: 221</b>	<b>Highlands and Amazon: 645</b>

<sup>1</sup>For the calculation, the number of employees with a permanent contract (5,223) was taken as a base (excluding workers with a temporary contract).

**New hires: 866**

**Rate of new hires: 16.58 %**

**Effective turnover rate: 13.33 %**

**Number of turnovers: 696**

## Organizational health

We work on actions that aim to develop a healthy work environment that enhances the well-being of our employees.

Currently, we are implementing the Employee Net Promoter Score (ENPS) measurement methodology, which measures employee satisfaction within the Company. In 2023, we will conduct the first measurement applying this methodology.

## Safe company

We promote an internal anti-harassment campaign starting on International Women's Day, focused on fighting unconscious biases under the hashtag #yorompoestereotipos ("I break stereotypes") and the dissemination of reporting channels for employees.

During 2022, we were one of the 20 companies to be awarded the Safe Company Seal, by the Chamber of Industries and Production (CIP) and the German Agency for International Cooperation (GIZ).

### **Turnovers<sup>1</sup>**

TABLE 3

<b>Women: 419</b>	<b>Men: 277</b>
Under 30 years of age	292
From 30 to 50 years of age	382
Older than 50 years of age	22
<b>Ecuadorians: 673</b>	<b>Foreigners: 23</b>
<b>Coast and Galapagos: 247</b>	<b>Highlands and Amazon: 449</b>

### **Number and voluntary turnover rate<sup>2</sup>**

TABLE 4

339	6.49 %
-----	--------

<sup>1</sup> For the calculation, the number of employees with a permanent contract (5,223) was taken as a base (excluding workers with a temporary contract).

<sup>2</sup> It corresponds to resignations, retirements, early retirements.

## Salaries

[GRI 2-19] [GRI 2-20] [GRI 2-21] [GRI 405-2] [DJ 1.1.15]

In Banco Pichincha, we offer competitive salaries based on the market, seeking to ensure the attraction and retention of the best talents.

We have the Structure and Compensation Policy and the Salary Policy, which specify how remuneration for promotions, horizontal movements, definitions for the payment of performance bonuses, among other elements, are administered. These policies aim to compensate low

internal equity criteria, performance and external competitiveness.

Our compensation system for several positions, mainly at a management level, includes a variable pay that encourages efficiency in various departments through key indicators, based on the employees' responsibilities and in line with our strategic and operative goals.

### Compensation Committee

Hiring, payment, and the Bank's senior and key staff development policies and standards are determined by the Compensation Committee, composed of:

Members of the Compensation Committee		
Shareholders	Board Representatives	Management

This committee ensures that these processes are aligned with the current legal regulations and the organizational strategic framework. As part of the compensation determination process, information provided by specialized compensation consultants is considered, as well as market trends. According to the Coding of Resolutions of the Monetary Policy and Regulation Board, art. 6 of Section I of Chapter LI: this standard regulates the maximum remuneration levels and other economic and social benefits, and

compensation for managers of the private financial sector, we perform a permanent assessment of the income of the first level versus the least-earning position within our organization, ensuring compliance with regulations (TABLE 5).





**Ratio of total annual compensation from the highest paid person in the Company to the median total annual compensation of all employees (excluding the highest paid person): 14.51**

The comparison of the ratio of the net values received by the highest paid person and the rest of the employees is included. Calculation method: income, minus the contributions to the IESS, minus the discount for income tax. Applies for active personnel with a cut-off date of December 2022 and with a date of entry in 2021 or before.

### "Temporal and spatial flexibility" Dimension

[DJ 3.5.6]

We have three work schemes to foster the personal and professional life balance:

	<b>Hybrid work</b> Hybrid working between home and office for support areas.	
	<b>Part-time work</b> Part-time work for cashiers to assist during peak hours at agencies, as well as fill in in case of absenteeism.	
	<b>Job sharing arrangement</b> A full-time job split between two individuals working part-time.	

### **Ratio of basic salary and remuneration of women compared to men<sup>1</sup>**

TABLE 5

Professional category	Under 30 years of age				Between 30 and 50 years of age				Older than 50 years of age			
	2022		2021		2022		2021		2022		2021	
	F	M	F	M	F	M	F	M	F	M	F	M
Responsible/managers	N/A	N/A	1.00	0.75	1.00	1.05	1.00	0.92	1.00	1.27	1.00	0.85
Chief/expert/administrator	1.00	1.04	1.00	0.91	1.00	1.08	1.00	0.93	1.00	1.03	1.00	0.93
Supervisor/coordinator/specialist	1.00	1.00	1.00	0.91	1.00	1.06	1.00	0.91	1.00	0.89	1.00	1.09
Technician/analyst/executive/manager	1.00	1.02	1.00	0.96	1.00	1.02	1.00	0.97	1.00	0.86	1.00	1.09
Assistant/support staff	1.00	0.93	1.00	1.02	1.00	0.98	1.00	1.04	1.00	0.98	1.00	1.32

<sup>1</sup> The information is presented according to the total number of employees in each professional category by gender, excluding the executive level due to information confidentiality.



## "Family Support" Dimension

### ► PARENTING PROGRAM

[GRI 401-3] [DJ 3.5.6]

We strengthen our commitment to provide job security and flexibility to both mothers and fathers, allowing them to play an active role at a family and professional level. Currently, we have 35 women in nursing period nationwide. In addition, in special cases, we issue a parental leave, additionally granting a paid leave of 30 days (TABLES 6 AND 7).

### ► FAMILY COUNSELING PROGRAM

[DJ 3.5.6]

We have a family counseling service that is available for our employees and their families in two modalities: individual sessions requested through the *Mi Portal* platform and Family School workshops. During 2022 we discussed the following topics:

- Managing emotions
- Healthy relationships
- Parental education styles
- Self-esteem and self-concept

### ► RECONNECT PROGRAM

[DJ 3.5.6]

It aims to empower and assist pregnant and nursing employees, especially when they return to work from their maternity leave or finish their nursing period. We seek to provide emotional tools and educate the lines of supervision, as well as encourage the co-responsibility of their partners.

With the assistance of an external organization, we performed a study to learn about the perception of pregnant and nursing employees regarding their work experience during these stages in the Bank. The results will strengthen the program (FIGURE 4).

#### Rate of returning to work after parental leave (2022)

TABLE 6A



**100 %**  
MEN



**98.83 %**  
WOMEN



**93.41 %**  
MEN



**97.04 %**  
WOMEN

#### Retention rate after parental leave (2022)

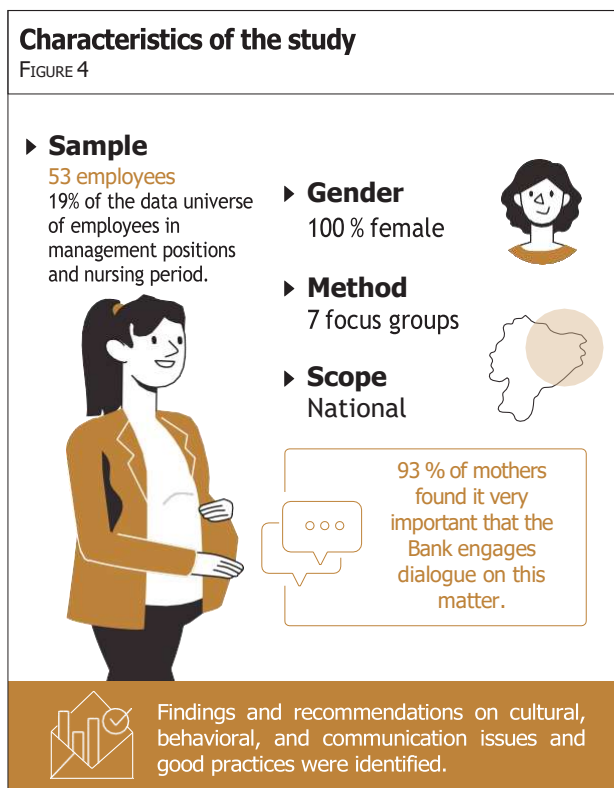
TABLE 6B

#### Parental leave

TABLE 7

Leaves	2022		2021	
	M	W	M	W
Employees that had the right to parental leave.	91	171	78	175
Employees that took the parental leave.	91	171	78	173
Employees who have returned to work after the parental leave ended.	91	169	78	169
Employees who have returned to work after the parental leave ended and who were still employed 12 months after returning to work.	85	164	78	169





### "Personal and Professional Development" Dimension

[GRI 404-1] [GRI 404-2] [DJ 3.4.1] [DJ 3.4.2]

Working in Banco Pichincha is an opportunity to learn, develop skills, grow, and see how customers and colleagues grow.

From our strategic area of training, we develop our employees' knowledge and skills and provide professional growth opportunities. Some of the tools we use are:

► Assessment methodology provided by Kirkpatrick (return of investment or ROI of training), that aims to measure the impact of traditional training programs.



► The Analysis – Design – Development – Implementation and Evaluation (Addie) model. It is a systematic method to create learning experiences to develop skills and knowledge.

► 70-20-10 constructivist learning model, which states that a professional's knowledge is obtained: 70% from what will be achieved through practice or experience, 20% from feedback and only 10% from fully structured courses or programs.

In accordance with policies and procedures, each employee has different learning means and tools that allow them to follow a professional development path. The training offer is planned transversally, as well as specifically, for each area of action within the Company (TABLE 8).

## **Professional Development**

TABLE 8

Average hours of training <sup>1</sup> : 68.43		
 <b>Men: 68.22</b>		<b>Women: 68.57</b> 
Average training and development expenditure per employee <sup>2</sup>		

<sup>1</sup> For the calculation, the number of employees with a permanent contract, which is 5,223, was taken as a base (excluding workers with a temporary contract).

<sup>2</sup> All types of contracts, including temporary contracts, were considered in the calculation of this figure. The calculation was made on the basis of 5,223 full-time employees (8 hours).

Training provided to employees by professional category		Average hours men	Average hours women	Total average hours
Professional category	Senior Management	21.45	0.00	21.45
	Managers	51.23	57.04	53.53
	Chief/expert/administrator	62.62	61.74	62.17
	Supervisor/coordinator/specialist	62.46	60.08	60.93
	Technician/analyst/executive/manager	80.39	77.08	78.22
	Assistant/support staff/operator	80.35	76.93	78.07



Below, we present some programs that were essential for the development of our talent and for the generation of job opportunities for our people during 2022 (FIGURE 5).

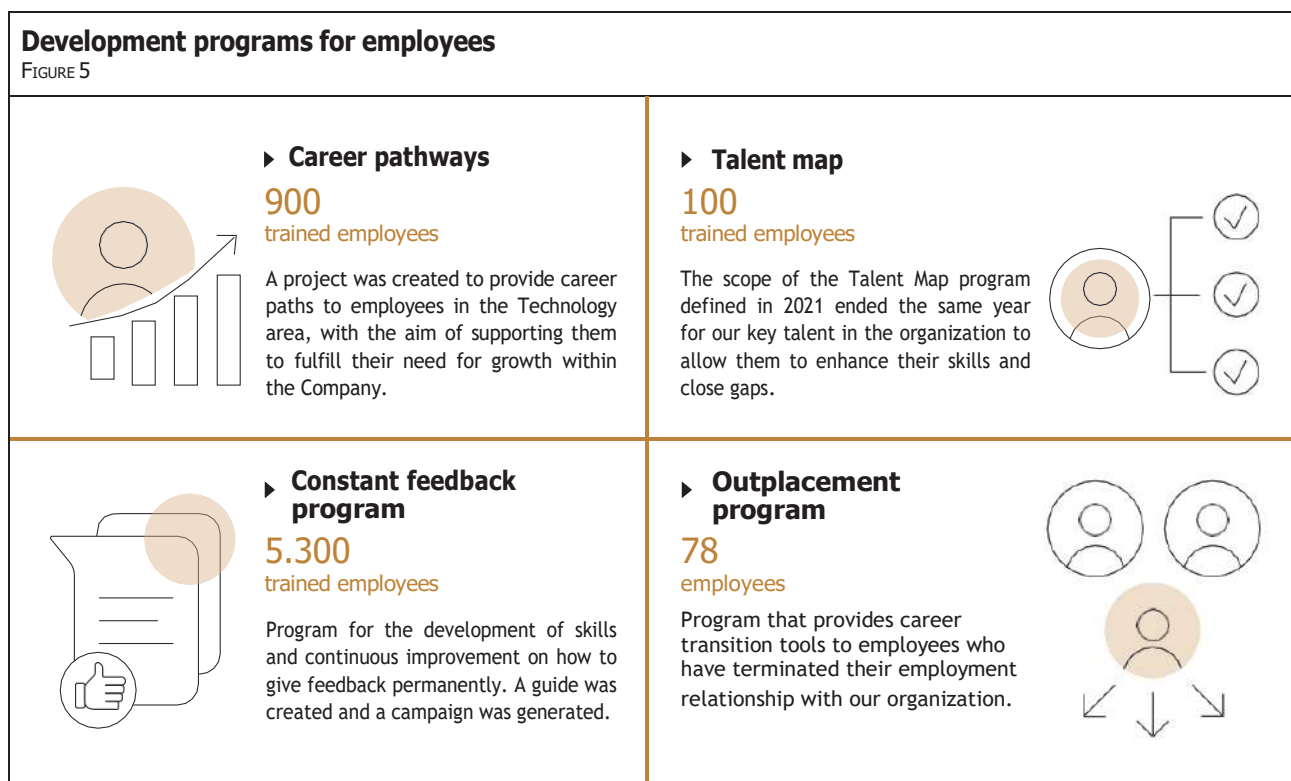
### We strengthen our culture of ethics

[GRI 205-2] [GRI 406-1] [DJ 1.4.8]

Reinforcing the practice of our values among all of our employees is one of our priorities. Through the *Workplace* platform, our

Anti-Corruption and Anti-Bribery Policy is disclosed to 100% of our staff. Furthermore, the mandatory annual training on our policy is conducted (TABLE 9).

In 2022, we received 19 claims for non-compliance of our Code of Ethics and Conduct, one of which was related to discrimination. The claims are channeled and managed via many channels to our disposal to this effect and its relevant system. In section 2.4 dealing with Diversity and Inclusion Management, we share the remedial actions taken this year.



### Communication and training on anti-corruption policies and procedures\*

TABLE 9

Activity	2022		
	Total	Reached	%
Members of the governing body informed about anti-corruption policies and procedures.	11	11	100 %
Employees informed about anti-corruption policies and procedures.	5,361	5,361	100 %
Business partners to whom we informed about the Bank's anti-corruption policies and procedures.	762	762	100 %
Employees who received anti-corruption training.	4,849**	4,833	99.7 %

\* Managers will receive an intensive workshop at the beginning of 2023.

\*\* This figure considers people who joined until August 31. It does not include people who were terminated by the organization at the end of the year due to a cut-off, people with disabilities, interns, and emergency contracts.

## Performance reviews<sup>2</sup>

[GRI 404-3] [GRI 2-18]

In Banco Pichincha, we strongly believe that the performance review process is important to connect with our own goals and work together to meet the priorities we have for every year.

Our leadership team plays an active role in the process. Together with the Finance department, they determine the strategy and the focus for every year, building the OKR and KPIs including the *Balance Score Card*, which is the starting point to share it with our employees.

Only the President and the General Manager are not a part of the performance review process as their management is assessed by the Board of the Bank instead.

Every year, we carry out assessments that seek to generate a constant improvement Dynamic.

<sup>2</sup> The data corresponds to the 2021 performance reviews, ended in March 2022.

### Employees reviewed: 100 %

TABLE 10A



100 %  
MEN



100 %  
WOMEN

The target group of employees to be assessed was 4,620<sup>3</sup> (TABLE 10).

## Personal benefits<sup>4</sup>

[GRI 401-2] [GRI 403-6]

These are some of the benefits we provide only to our employees under a permanent contract:

- Life insurance, with disability coverage.
- Health insurance, with major medical expenses.
- Childcare compensation benefit.
- Loans at differentiated rates and savings plans.
- Free psychological assistance for six sessions.
- Vehicle insurance with exclusive conditions and special price.
- Leave or days off due to change of residence or marriage.

<sup>3</sup> The performance reviews are intended for all employees who comply with the policy, i.e., have a minimum of six working months.

<sup>4</sup> More benefits related to health promotion are detailed in the "Work safety and health" section.

### Employees not reviewed: 0%

TABLE 10B



0 %  
MEN



0 %  
WOMEN

### Rate of employees receiving regular performance reviews, by employee category

TABLE 10C

		Assessed		No Assessed	
Professional category	Senior Management	9	100 %	0	0 %
	Managers	190	100 %	0	0 %
	Chief/expert/administrator	1,174	100 %	0	0 %
	Supervisor/coordinator/specialist	1,137	100 %	0	0 %
	Technician/analyst/executive/manager	977	100 %	0	0 %
	Assistant/support staff/operator	1,133	100 %	0	0 %

In 2022, we carried out the Financial Education Program, training our employees in topics such as credit card management, savings plans and credit management.

We offered our employees<sup>5</sup> benefits such as Precise Credit, Mortgage Credit, Safe Future Savings Plan, Supplemental Benefit Payment Savings Plan, and 30-day paid leave for direct family members' care.

### "Equal opportunity" Dimension

Information on this matter is explained in the Diversity and Inclusion Management section.

## **3.2 Diversity and inclusion management**

[GRI 3-3]

Diversity and inclusion are a business and social practice with direct impact on the business, people, and the economy.

From our management model and sustainability policy, we promote diversity and inclusion, as well as equal opportunities in our operations, mainly equity and support for the progress of women, our employees, and customers.

During 2022, we created the "*Ser Impulso Mujer*" initiative for transforming the lives of our MSMEs Banking customers with a differentiated offer, and our female employees thanks to several programs that promote their development.

Among the actions carried out, we highlight the monitoring, strengthening and dissemination of our declaration of Principles of Diversity, Equity, Inclusion and Balance between family and work.

<sup>5</sup> These benefits apply to employees who meet internal parameters.

In the latter one, we also set forth a "zero tolerance" attitude for any discrimination, violence and harassment (➡ [SCAN THE QR CODE FOR ADDITIONAL INFORMATION](#)).



Moreover, we monitor our Talent Management Policies throughout the entire lifecycle of the employee (entry, promotion, assessment, development, well-being, etc.), ensuring that they explicitly incorporate a gender approach, as well as the precepts of non-discrimination and the promotion of diversity, equity, and inclusion.

We also have our Internal Policy for Diversity, Equity, Inclusion and Work and Family balance, with which we strengthen our commitment to respect human rights and gender equality. (FIGURE 6).

The program has the support of Senior Management, the Gender Intelligence Commission, *sponsors* distributed throughout the organization and an operational team; all working strategically with the necessary resources to meet this challenge.

We have established a baseline of indicators to measure management of gender issues in the company, divided into five dimensions:

1. Environment and organizational culture.
2. Recruitment, selection, and professional development.
3. Evaluation, performance, and compensation practices.
4. Work and family balance.
5. Occupational health and work risks. To measure the effectiveness of the measures, we review the report on the indicators and their percentage of progress.

In addition, we started a diagnosis process with UN Women to fully strengthen our gender strategy, including both our staff and our customers.

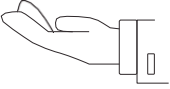
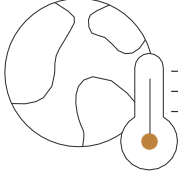
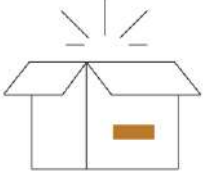

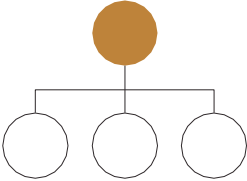

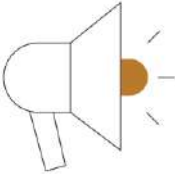
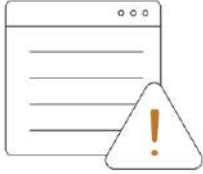
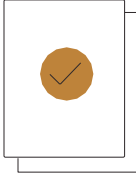
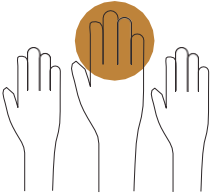
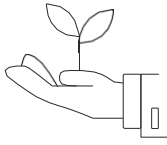
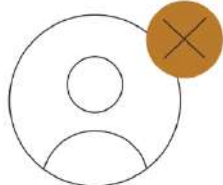
This assessment results will allow us to intensify and promote actions in favor of women.

Furthermore, we keep a communication channel which allows our employees to express their main concerns and doubts on this matter.

### Talent attraction

[GRI 405-1] [DJ 3.2.5.]

We are committed to diversity of gender, age, origin, culture, knowledge, and skills in our staff as a key element to attract and retain the best talent and offer the best service to all of our customers (TABLE 11).

Policies that promote diversity, equity and inclusion		
FIGURE 6		
 <p><b>01</b>   Incorporation of human talent</p>	 <p><b>02</b>   Culture, change and climate management</p>	 <p><b>03</b>   Benefits for our employees</p>
 <p><b>04</b>   Organizational development</p>	 <p><b>05</b>   Management, structure and compensation</p>	 <p><b>06</b>   Health, safety and environment</p>
 <p><b>07</b>   Organizational communication</p>	 <p><b>08</b>   Labor complaints manual</p>	 <p><b>09</b>   Code of Ethics and Conduct</p>
 <p><b>10</b>   Human Rights</p>	 <p><b>11</b>   Sustainability</p>	 <p><b>12</b>   Termination</p>



During this year, we made an alliance with El Triángulo Foundation through the CRISFE Foundation. The objective was to incorporate ten new employees with Down's syndrome who are part of our first Inclusive Agency. This milestone has allowed us to strengthen our commitment to the real inclusion of traditionally excluded groups.

## Support to women-led businesses

The Sustainable Finance chapter provides details on the actions undertaken in favor of our customers under the framework of this line of action within our strategy.

## 3.3 Occupational health and safety

[GRI 3-3] [GRI 403-1] [DJ 3.7.1] [DJ 3.7.2]

During their daily activities, our employees have to overcome several impacts related to their health and safety.

### Participation by gender in each work category

TABLE 11A

	2022		2021	
	W	M	W	M
Vice-presidents/managers/responsible persons	37.93 %	62.07 %	38.84 %	61.16 %
Chief/expert/administrator	51.20 %	48.80 %	53.74 %	46.26 %
Supervisor/coordinator/specialist	64.10 %	35.90 %	66.33 %	33.67 %
Technician/analyst/executive/manager	65.80 %	34.20 %	67.23 %	32.77 %
Assistant/support staff/operator	66.61 %	33.39 %	67.75 %	32.25 %

### Participation by age in each work category

TABLE 11B

	Under 30 years of age	From 30 to 50 years of age	Older than 50 years of age
	2022	2022	2022
Vice-presidents/managers/responsible persons	0.11 %	3.64 %	1.12 %
Chief/expert/administrator	2.93 %	21.81 %	1.72 %
Supervisor/coordinator/specialist	5.61 %	17.59 %	0.54 %
Technician/analyst/executive/manager	7.95 %	13.86 %	0.34 %
Assistant/support staff/operator	14.59 %	7.42 %	0.78 %
<b>Total</b>	<b>31.19 %</b>	<b>64.32 %</b>	<b>4.49 %</b>



This is why we take the necessary steps to prevent and minimize work-related risks and diseases

(✦ FOR SAFETY, HEALTH, AND ENVIRONMENT POLICY, SCAN THE QR CODE).



We have a team of specialists in charge of work safety and health in the organization, who follow the defined guidelines in the Health, Safety and Environment Management (HSE) integrated

system, based on the ISO 45001 and ISO 14001 standards, and following the current local regulation<sup>6</sup>.

Additionally, the system has a policy approved by Senior Management with a scope of 100% of our employees, suppliers and other stakeholders, in which objectives, goals and action plans are established to maintain a healthy, safe and environmentally respectful organization.

Through this system, we have identified risks related to occupational health and safety; of those, due to the nature of our business, the most prevalent are ergonomic and psychosocial. Thus, we develop prevention programs focused mainly on these risks.

In 2022, we delivered 1,785 ergonomic *kits* to improve the posture of our employees who frequently use computers in Quito, Guayaquil, and Cuenca. Next year we will assess the results of this initiative.

We also carried out a psychosocial study in all of our staff to identify the main risk factors, especially those considered of “high risk”. In 2023, we will conduct a new psychosocial study to verify the current status of them and, if necessary, establish new action plans. These programs and actions are shared and promoted to our internal *stakeholders*, through the Joint Committee on Safety and Health at Work on a constant basis, to promote a culture of prevention.

We have also identified several risks in our contractors and suppliers. The actions undertaken in regard to this impact are explained throughout this section and the Sustainable Procurement section.

<sup>6</sup> The legal requirements of the management system are detailed in the GRI table.

Identification of hazards  
and risk assessment

[GRI 403-2]

In order to identify hazards and assess risks, we have designed a matrix under the Colombian methodology GTC 45, which was approved by the Ministry of Work in Ecuador.

Our team of fourth-level trained technicians specializes in identifying and assessing risks found in each of the job processes and roles.

Once we obtain the results, control and prevention measurements are implemented along with programs to reduce the most relevant risks in the organization.

Employees can report<sup>7</sup> situations they consider a hazard to them by using any of our communication channels available:

1	Occupational Health and Safety Manager
2	E-mail: usrpseso@pichincha.com
3	Phone call

Moreover, if an employee considers he or she is exposed to a dangerous situation that might cause work injuries, ailments, or diseases, they must report this matter to their immediate superior, who must stop or cease all work activities where imminent risks of accident have been identified if there are no proper means to avoid them.

<sup>7</sup> Within our processes, employees who file any report on this subject are protected from any retaliation.



In the event of an incident that affects our employees, visitors, contractors, suppliers in agencies and facilities, the report must be made by the manager or administrator of the agency, using the channels described above. The incident research process is led by Health, Safety and Environment professionals who determine the causes and suggest remedial actions.

Since 2022, we have included direct access to report work accidents on our intranet, where the employee can explain what happened and this report is directly sent to the Occupational Health and Safety managers in each region, after which the corresponding investigation begins. They can also report incidents by filling the Report of Incidents or Near-Misses of the Safety Management System.

Promotion of health

[GRI 403-3] [GRI 403-6]

We care about the integral health of our employees, which is why we have five clinics in our offices in Quito, Guayaquil, Santo Domingo and Cuenca, where periodic occupational examinations are carried out.

We also carry out free influenza vaccinations, deworming campaigns, free exams for nutritional and metabolic medical controls and, during 2022, we also worked with the Ministry of Public Health to make it easier for our employees and their families to receive the booster shot against covid-19.

Health and safety trainings

[GRI 403-5]

During 2022 we carried out the following health and safety training programs (TABLE 12).

Employee participation in health and safety matters

[GRI 403-4]

At Banco Pichincha, we have a Central Joint Committee that operates in Quito, and seven sub-committees at the regional level, which represents 100% of the employees.

These entities monitor compliance of the standards related to risk prevention, analyze and review the Hygiene and Safety Regulations, report unsafe actions and conditions in the workplace, and cooperate with risk prevention campaigns carried out by the Occupational Safety and Health Department.

Trainings		
TABLE 12		
	Trained employees	Cities
Training program for emergency brigade members of main buildings and risk agencies.	220	Quito, Guayaquil, Cuenca, Manta, Ambato, Esmeraldas, Santo Domingo, Machala, Quevedo
Prevention in the use of forklifts, aimed at the logistics personnel of the Tiziano warehouses.	9	Quito
Occupational Health and Safety <i>E-learning</i> .	5,200	Across the country



The committee holds monthly meetings and the sub-committees hold bimonthly meetings. They are formed by three employees' representatives and three parties appointed by the employer, each of them with their alternates, the occupational physician, and the chief of Health and Occupational Safety, all of whom have a say, but not a vote in sessions.

The employees may raise requirements or queries about occupational safety and health. Furthermore, they can use *Workplace* to report related issues regarding work risk prevention and emergencies to all the staff.

#### Safety of our employees and customers

[GRI 403-7]

To safeguard our employees' and customers' safety, all of our agencies have protection measures for emergencies such as smoke detectors, emergency

lights, manual push buttons, emergency alarms, fire extinguishers, fire sprinkler systems, signage in case of wet floor, among others.

#### Health and safety indicators

[GRI 403-9] [GRI 403-10] [DJ 3.7.4]

During 2022, the main type of injuries reported corresponded to polytrauma (for *commuting*<sup>8</sup> accidents) and tendonitis for sudden moves and forced postures.

No major injuries or deaths from occupational injuries, illnesses or diseases were reported in 2022. TABLE 13 describes the main indicators.

Through the risk matrix, we identified *commuting* accidents as a risk of injury with important consequences.

<sup>8</sup> Accident involving an employee as they commute from or to the workplace.

#### **Work injuries indicators<sup>1</sup>**

TABLE 13A

	2022		2021	
	N.º	Rate	N.º	Rate
Recorded injuries for work accidents	19	1.74	3	0.3

<sup>1</sup> The number of hours worked in 2022 on which the indicators were calculated was 10,894,000. Rates have been calculated for every 1,000,000 hours worked. For the calculation of these indicators, no worker was excluded.

#### **Work ailments and diseases indicators<sup>1</sup>**

TABLE 13B

	2022	2021
	N.º	N.º
Cases of recorded occupational ailments and illnesses	1	0

<sup>1</sup> For the calculation of these indicators, no worker was excluded.

#### **Absenteeism rate<sup>1</sup>**

TABLE 13C

2022	2021	2020	2019
2.49	2.69	5.89	2.21

<sup>1</sup> 100 % of employees were considered in the survey about absenteeism rate.



Furthermore, by using the *art tool* method, we identified repetitive moves and forced postures as a potential risk for the development of work diseases or ailments. As a measure to minimize this occupational disease risk, we activated our active breaks program for every two hours.

#### Safety and health of contractors

[GRI 403-7] [GRI 403-8]

We establish guidelines to mitigate risks for contractors in our management system. These are reviewed at the time the supplier is going to start its services, through contracting and as described in civil contracts.

Currently, 100 % of our employees related to mandate 8 are covered by our management system (921 people that work in safety, cleaning, and nutrition)<sup>9</sup>.

### **3.4 Sustainable procurement**

[GRI 3-3]

In Banco Pichincha, we are aware that we could contribute to produce or to be directly linked to several economic, environmental, social and human rights impacts with our operations. Hence, impact management is part of our sustainability commitments (★ SCAN THE QR CODE FOR INFORMATION ABOUT THE CODE OF ETHICS).



The Supply area manages our purchases, integrating social, environmental, safety, occupational health, and ethical requirements into management as part of the Sustainable Procurement Program, aligned with

the ISO 20400 standard. Among the instruments that establish our goals and guide our actions on this matter, we have: Declaration of Commitments related to Sustainable Procurement, Procurement Guide and Code of Ethics and Conduct for Suppliers.

Our program seeks to prevent that any negative impacts such as acts of corruption, breaches in work, safety or occupational health, and environmental legislation, occur during the procurement process.

Among the actions taken to manage these impacts, we have:

1. Suppliers rating, which includes external verification of compliance with sustainability requirements for those suppliers defined as important, critical and strategic<sup>10</sup>. The results of this rating will be included in this chapter.
2. Our Supply area team has been trained to ensure that their procurement decisions are based on price, quality, and sustainability criteria.
3. Our suppliers can report irregularities or complaints about the processes of acquisition of goods and/or services on our website.
4. We carry out an annual survey to rate human rights in our value chain.

<sup>10</sup> Note: They are deemed "critical" in terms of continuity (sensitive for the organization, direct impact on functionality) or for their direct impact on the critical processes established by the Bank. Level 1 and 2. "Strategic" ones are assessed for their continuity, but their responsibility is not based on the critical ones. Level 3 and 4. Turnover amount greater than \$1 million in a year. In other words, a robust rating. "Significant" are defined by turnover amount of \$20,000 or more in a year. Intermediate rating.

<sup>9</sup> Our Integrated Health, Safety and Environment Management System does not have an internal or external audit.

In the building process of this initiative, the needs and expectations of the stakeholders linked as suppliers, employees (buyers and users), multilateral and control bodies were taken into consideration (➤ INFORMATION ABOUT WHISTLEBLOWING CHANNELS IN THE QR CODE).



### Our suppliers

[GRI 2-6]

More than 90% of our purchases are made from national suppliers (small, medium and large companies), thus contributing to the dynamization of the local economy. Our suppliers are classified as important, critical and strategic suppliers. (TABLE 14).

### Sustainable Procurement Program

[GRI 414-1] [GRI 414-2]

Our suppliers rating processes take as a reference the safety, health, environment, quality, social, and ethical criteria recommended by the

ISO 20400, 18001, 14001 and 90001 standards. These define three types of ratings:

- **ROBUST RATING:** will be applied to critical and strategic suppliers, and the assessment will include issues such as financial assessment, operational capacity, commercial management and quality, legal compliance, information security, sustainability, business continuity, among others.
- **INTERMEDIATE AND GENERAL RATING:** applies to important and general suppliers, and issues such as financial assessment, operational capacity, commercial management and quality will be considered.
- **SIMPLE RATING:** will be applied to general suppliers according to their economic activity, and issues such as financial assessment and operational capacity will be considered.

International suppliers will be assessed through a documentary review, in which they will be asked to be familiar with the Code of Ethics for Suppliers.

## **Number of suppliers by type**

TABLE 14A

	2022		2021	
	Local	International	Local	International
Services	477	56	1,081	143
Goods	1,800	145	582	5
<b>Total payments</b>	<b>2,277</b>	<b>201</b>	<b>1,663</b>	<b>148</b>

## **Payments to suppliers**

TABLE 14B

	2022		2021	
	Amount (\$)	%	Amount (\$)	%
Local	394,874,393.74	91 %	326,961,900.05	86.81 %
International	40,122,118.88	9 %	52,284,820.92	13.17 %
<b>Total payments</b>	<b>434,996,512.62</b>	<b>100 %</b>	<b>396,516,661.98</b>	<b>100 %</b>

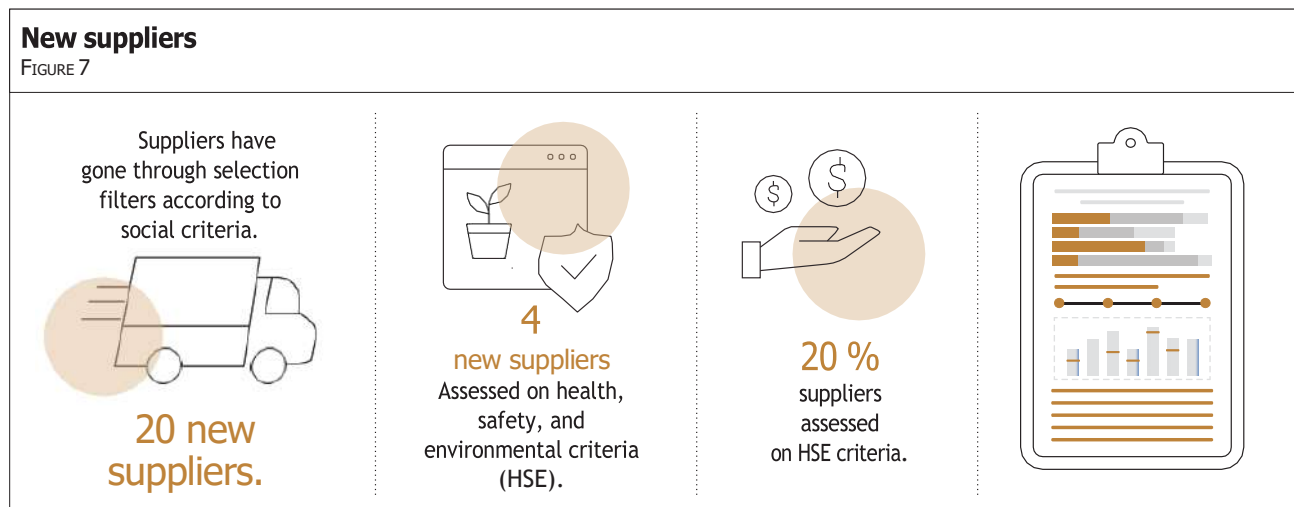


During 2022 the total number of suppliers evaluated with health, safety and environmental criteria was 114 (FIGURE 7).

So far, in the evaluations that we have carried out within the Sustainable Procurement Program, we have not identified suppliers with significant negative impacts —potential and real— in regard to safety, health, environment or social matters.

For three years, we have conducted an annual survey of our critical suppliers to assess their human rights practices and ethical conduct, as well as their compliance with current regulations on work, safety, occupational health, and the environment.

In 2021, we also requested information on their Family Support practices, following our philosophy to promote a family-responsible business culture



#### Human Rights assessment within the value chain



The following are of the survey results:

- 91 % of those surveyed mentioned that they promote actions to balance work and family life in their company.
- 91% of those surveyed indicated that they have a written code of ethics.
- 91% of suppliers stated that ethics is part of the mission and vision of the company.
- 100% of suppliers stated that they always comply with current laws.
- 100% of suppliers declares that their employees have never faced situations where there was non-compliance with or violations to their human rights.

3.5 Community engagement

[GRI 3-3] [GRI 413-1]

We seek to improve the social and economic conditions of vulnerable communities with the help of the CRISFE Foundation, which develops comprehensive and innovative programs and projects.

These programs and initiatives contribute to the Sustainable Development Goals (SDG), making it possible to evaluate their results and impacts to identify needs and design solutions to the social problems that we decided to champion years ago: education and financial education.

Scholarship program  
(TABLE 15)

In 2022, we invested \$1,152,612.28, benefiting 4,273 students in 28 schools.



Scholarships 2022
TABLE 15
4,273 scholarships.
74 % for general elementary and high school education levels.
6 % for technical and technological education.
6 % for third and fourth level degree studies.
4 % for continuous education.
10 % for job training.

Non-reimbursable financial support is provided to students of academic excellence in vulnerable situations, so that they can complete their studies at partner institutions that comply with the program's policies.

This way, we promote access to education, social and economic inclusion of groups with limited economic resources, regardless of their age, gender, disability, race, ethnicity, origin, religion, economic situation, or other condition. By implementing annual scholarships, we contribute to the reduction of unemployment among youth at risk.

We promote improvement and comprehensive contribution to the country's education system in order to guarantee the education of various groups in vulnerable situations through alliances with academic institutions of general elementary education, high school, higher technical, technological, and higher and continuing education.

This service is provided thanks to proper planning, monitor and assistance processes during their studies.

Financial education program  
[FS16]

During 2022, we invested \$542,986.72 in the Financial Education Program.

Thanks to this program, we implemented a structured and continuous Financial Education System that allows beneficiaries to make sound decisions and financial habits in their life cycle, manage their resources effectively, access financial products that allow them to have healthy finances, and learn the best practices for managing their resources.



Financial training plans favor equity and gender equality because they encourage equitable access for better management of women's financial resources, promote equal rights and female empowerment (TABLE 16).

The digital platform *Cultura Financiera* has modules on Budgeting, Savings and Financial Goals, and Responsible Indebtedness, in addition to other awareness-raising content related to business and investments.

52 % of the training sessions were conducted virtually and 48 % were conducted face to face (TABLE 17).

People sensitized on financial education issues reach \$4,137,963, through media such as press, radio, television, social networks, and websites.

#### #SUMARJUNTOS Trust Fund<sup>11</sup>

In 2022, \$441,792.72 were allocated to process samples for the detection of covid-19. This process was executed in a joint effort with the Catholic University of Cuenca in Ecuador, which carried out the molecular analysis in PCR tests for 6,849 patients of the Ministry of Public Health.

<sup>11</sup> This data corresponds to the administration carried out from January to October 2022.

### Axis of the Financial Education Program

TABLE 16

Axis	Training/awareness	Public
Training	Synchronous and asynchronous face-to-face and virtual training.	Customers, non-customers of our institution, and the public.
Consultancy	Sensitization, training and scalable consultancy.	Executive, customers, and the public.
Communication	Raising awareness through various media and communication channels.	Customers, non-customers, and the public.

### Data of the Financial Education Program (2022)

TABLE 17

#### 38.122 beneficiaries

<b>31.3 %</b> Public, people in human mobility (HIAS), and employees of <i>Nómina Confianza</i> .	<b>19.3 %</b> Customers, non-banking correspondents, the public and beneficiaries of the program CRISFE Foundation scholarships.
<b>15 %</b> Corresponds to the self-managed program of Financial Culture Personal Finance.	<b>7.6%</b> Boys, girls, and adolescents who received the Aflatoun methodology within formal education.
<b>16.4 %</b> Corresponds to the Pichincha Certification self-managed course aimed at employees of Banco Pichincha and subsidiaries.	<b>10.4 %</b> Others.

This year, from January to October, a total of 5,970 effective samples have been processed from patients out of a total of 10,696 samples stipulated in the current agreement with the Ministry of Public Health, which represent a progress of 55.81% this year only, and a total of 74.09% since the beginning of the project.

#### Team CRISFE Program

**The investment for the Team CRISFE Program was \$365,880.43.**

Thanks to this initiative, we support athletes with assistance and comprehensive, professional, and personal follow-up. Thanks to alliances with various stakeholders, we provide economic sponsorships for young people, which allows them to develop their sports skills.

The model of the Team CRISFE Program is based on the sponsorship by age, competitions of the athlete and their development as a person.

Currently, nine athletes are part of this program. During 2022, they competed in 47 sports events and earned 38 medals for the country.





## CH 4 Environmental Responsibility

# THE PROTECTION OF THE ENVIRONMENT IS A PRIORITY IN OUR OPERATION

### 108 ► 4.1 Climate Change

### 112 ► 4.2 Environmental Impacts

#### 4.1 Climate Change

[GRI 3-3]

Climate change poses direct and indirect risks and opportunities for the financial sector:

- Direct impact on the environment due to the activities inherent to our operation (energy consumption, transportation, commuting, etc.) generating greenhouse gas (GHG) emissions.

- Indirect impact derived from our financial intermediation activity that may lead to different types of impact depending on the activity for which funds are being allocated.

In addition, our business is exposed to a number of physical and transitional risks posed by climate change and mitigation actions.

However, the organization has also identified positive opportunities for society, the planet and our business, in terms of resource efficiency, new and alternative products and services, and the opening of new markets.

Therefore, our work in this area is framed within a transversal climate change strategy developed during 2022 and aligned with the Task Force on Climate-Related Financial Disclosures

(TCFD) recommendations, which seeks to adapt to climate changes and to mitigate potential effects of global warming.

The five main levels of action within this framework are the following:

1. To reinforce governance framework for climate change management.
2. To ensure that climate-related risks and opportunities are integrated in our operations and portfolio.
3. To implement measures to reduce GHG emissions in both the Bank and the portfolio.
4. To offer funding to customers making the transition towards a low-emission economy.
5. To promote leadership and outreach on climate action initiatives to a larger stakeholder database.

In addition to this, a climate transition plan setting out specific actions focused on climate-related impact management.

## Climate Strategy

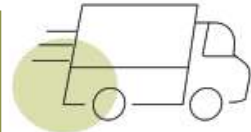
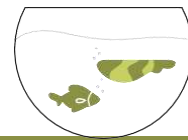


### Climate Strategy

Aligned to the TCFD recommendations<sup>1</sup>.

### Carbon Footprint

Organization's carbon footprint verification and accounting by a third party in accordance with **ISO 14064: 1-2018**



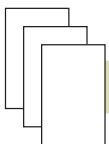
### CO<sub>2</sub> EMISSIONS

Portfolio's CO<sub>2</sub> emissions accounting in accordance with PCAF<sup>2</sup> and JIM<sup>3</sup> methodologies.

## Managing and reducing natural resources consumption



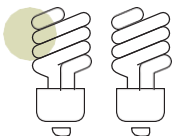
Every employee reduced the use of **161 paper sheets**. **810 trees** were planted.



**2,795,012.67** paper sheets saved by using applications and digital channels.



**+8-million** Recycled paper sheets.



**863,328 kW/h saved**  
4.9 % of reduced energy represented 3107.98 GJ saved in **22,000 homes**.



<sup>1</sup>TCFD: Task Force on Climate-Related Financial Disclosures.

<sup>2</sup>PCAF: Partnership for Carbon Accounting Financials.

<sup>3</sup>JIM: Joint Impact Model.



**Our climate-related work is framed within a transversal climate change strategy developed during 2022.**

Actions undertaken

During 2022, several actions were undertaken in order to alleviate negative impacts derived from climate change. Key actions are described below:

- Quantifying the organization's carbon footprint, in accordance with ISO 14064:1-2018.
- Quantifying financed emissions in accordance with the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the PCAF.
- Engaging in the pilot program regarding quantification of financed emissions using JIM to calculate the Scope 3 Emissions - category 15.

Furthermore, we have joined the Net Zero Banking Alliance (NZBA) to align our lending portfolio with net zero emissions by 2050 at the latest. We signed this commitment in January 2022.

Our GHG emissions

Both our direct and indirect GHG emissions (Scope 1, Scope 2, Scope 3) derived from the operations over which the organization has total control were calculated in accordance with ISO 14064:2018 for the second consecutive year. 2021 is the base year for the study. Under the operational control approach, the organization accounted for emissions. The global warming potential (GWP) values used were collected from

the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

According to our inventory, carbon dioxide (CO<sub>2</sub>) is the primary greenhouse gas emitted. The calculation includes CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O emissions.

Direct emissions (Scope 1)

[GRI 305-1] [DJ 2.2.1]

Scope 1 GHG emissions (TABLE 1) include emissions resulting from activities using emergency backup power generators in our headquarters and transportation in our own vehicles.

This year, it was necessary to use electric generators more often, which led to an increase in emissions derived from this activity. However, fuel consumption for using our transportation fleet decreased, as we resumed trips and customer visits using leased vehicles.

Scope 1 accounting results considered it as non-material; therefore, the organization did not set reduction targets or goals. Nevertheless, as part of our environmental management strategy, we rationalize in resource consumption in all business-related activities.

Indirect emissions (Scope 2)



[GRI 305-2] [DJ 2.2.2]

TABLE 2 shows the organization's indirect emissions derived from purchased electricity used for its operation, which are the most representative within the total emission inventory.

<sup>1</sup> GWPs of blended refrigerants are based on their HFC and PFC constituents (last update on September 28, 2016), based on data from [www.epa.gov/snap/compositions-refrigerant-blends](http://www.epa.gov/snap/compositions-refrigerant-blends).

## Direct (Scope 1) emissions

TABLE 1

Source of emissions		2022	2021
Combustion of fuels in stationary sources		<b>86.6 tCO<sub>2</sub>eq<sup>1</sup></b> From the use of electric power generators <sup>2</sup> .	<b>43.81 tCO<sub>2</sub>eq</b> From the use of electric power generators.
Combustion of fuels in mobile combustion sources		<b>151.85 tCO<sub>2</sub>eq</b> From transportation in own vehicle fleet <sup>3</sup> .	<b>276.20 tCO<sub>2</sub>eq</b> From transportation in own vehicle fleet.


<sup>1</sup> tCO<sub>2</sub>eq represents Gross GHG emissions equivalent to one metric ton of CO<sub>2</sub>.

<sup>2</sup> The emission calculation for power generator included 92 pieces of equipment. The conversion factor provided by AR5 IPCC was used, *Guidelines for National Greenhouse Gas Inventories*, Chapter 2 *Stationary Combustion*, volume 2, 2006.

<sup>3</sup> Emissions from transportation in our own vehicle fleet are calculated using environmental indicators from our EMS reporting tool, which includes Intergovernmental Panel on Climate Change and International Energy Agency data. The calculation includes CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O emissions.

## Indirect (Scope 2) emissions<sup>1</sup>





TABLE 2

Source of emissions		2022	2021
Energy consumption		<b>2,507.27 tCO<sub>2</sub>eq</b> From the use of Electrical and Electronic Equipment.	<b>6,146.61 tCO<sub>2</sub>eq</b> From the use of Electrical and Electronic Equipment.

<sup>1</sup> Total amount of emissions is calculated based on the emission factor (138.72 kg CO<sub>2</sub>/kWh). Calculation made by an external consultant in accordance with the *Atlas del Sector Eléctrico-Ecuatoriano* (ARCERNR, 2021).

## Indirect (Scope 3) emissions<sup>1</sup>

TABLE 3

Source of emissions		2022	2021
Combustion of fuels in mobile combustion sources		18.26 tCO <sub>2</sub> eq From motorbike courier.	7.42 tCO <sub>2</sub> eq From motorbike courier.
Combustion of fuels in mobile combustion sources		286.19 tCO <sub>2</sub> eq From courier service using vehicles.	139.08 tCO <sub>2</sub> eq From courier service using vehicles.
Combustion of fuels in mobile combustion sources		350.04 tCO <sub>2</sub> eq From business travel by road using leased fleet.	44.75 tCO <sub>2</sub> eq From business travel by road using leased fleet.
Combustion of fuels in mobile combustion sources		214.14 tCO <sub>2</sub> eq From business travel by air.	38.79 tCO <sub>2</sub> eq From business travel by air.

<sup>1</sup> Our carbon footprint calculation tool was used to account the total amount of emissions from business travel by air and by road using leased fleet, and also from courier service using vehicles. The tool includes Intergovernmental Panel on Climate Change and International Energy Agency data. ICAO factor is used for air travel (*Carbon Calculator: one-way, economy, direct*, 2017). Screenshots of Emission Factor (EF) per route are included in the document. The total amount of emissions from courier service using vehicles was calculated using the EF conversion (Defra, 2016).

**Our 2023 target is to reduce 1% of CO<sub>2</sub>eq emissions from energy consumption, consistent with the calculations of the Carbon Neutrality Project.**

### Other Indirect (Scope 3) Emissions

[GRI 305-3] [DJ 2.2.6.]

Emissions resulting from fossil fuels consumption in business travel by air and by road, and in the logistics processes of

our agencies and buildings (TABLE 3). The total of GHG Scope 3 emissions increased by 73.5% compared to 2021, since customer visits, business travel by road, mail and courier service, and air travel have resumed.



## Total emissions

TABLE 4

Total emissions (t CO <sub>2</sub> eq)	2022		2021	
	t CO <sub>2</sub> eq	%	t CO <sub>2</sub> eq	%
Total Direct (Scope 1) Emissions	238.45	6.60 %	320.01	4.77 %
Total Indirect (Scope 2) Emissions	2,507.27	69.37 %	6,146.61	91.78 %
Total Indirect (Scope 3) Emissions	868.63	24.03 %	230.04	3.45 %
<b>Total</b>	<b>3,614.35</b>	<b>100 %</b>	<b>6,696.66</b>	<b>100 %</b>

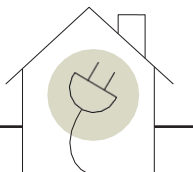
TABLE 4 shows total GHG emissions in 2022 compared to 2021.

### GHG emissions per employee

[GRI 305-4]

In the reporting year, the emission indicator was 0.60 t CO<sub>2</sub>eq/employee. The calculation considered two factors: CO<sub>2</sub>eq total emissions (Scope 1, Scope 2 and Scope 3) and the total number of employees (from Banco Pichincha and CREDI FE).

(TABLE 5)



### Emissions per employee

TABLE 5

2022	2021
0.60 t CO <sub>2</sub> eq	1.13 t CO <sub>2</sub> eq

### Reduction of GHG emissions

[GRI 305-5]

The organization does not report a Reduction of GHG emissions in percentages since the emission factors for the 2022 quantification have changed with respect to 2021. We have completed the organization's GHG inventory process in accordance with the ISO 14064 standards. In 2023, actions to mitigate and/or offset GHG emissions will be considered.

**Our carbon footprint during 2022 was 3,614.35 t CO<sub>2</sub>eq, equivalent to the use of 778 vehicles per year.**

### GHG emissions of our Portfolio

The financed emissions, as part of Scope 3, are disclosed in the *Sustainable Finance* chapter.

## 4.2 Environmental Impacts

[GRI 3-3]

Our organization's operations have an impact on the environment through activities such as the use of lighting, electric and electronic equipment, paper consumption, waste generation and water consumption.

Therefore, one of the main lines of action of our Sustainable Management Model encourages conscious management in order to reduce the impact of our actions through eco-efficient operations.

This purpose is embodied in our Sustainability Policy.

**For additional information on our environmental commitments, please see our policy by scanning the QR code.**



Moreover, the organization has a Safety, Health and Environment Management System, based on the ISO 45001 and ISO 14001 standards. Amongst others, our environmental commitments are addressed in the system policy approved by senior management<sup>2</sup>.

Annually, we monitor, measure, analyze and assess the objectives and indicators set out in the system. In addition, an internal audit process is in place. However, our system has not been assessed in recent years due to the pandemic, and our environmental indicators have been affected.

Formal communication mechanisms to manage this issue are detailed below:

- [infosostenibilidad@pichincha.com](mailto:infosostenibilidad@pichincha.com) (internal)
- [reclamos@pichincha.com](mailto:reclamos@pichincha.com) (external)

We encourage a responsible use of paper

[GRI 2-4][GRI 301-1]

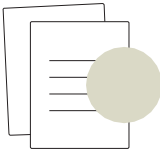
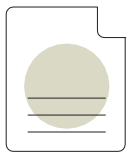
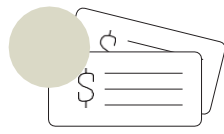
For the last several years, Banco Pichincha has implemented actions aimed at having a conscious and efficient use of paper and packaging materials<sup>3</sup> by increasing our virtual and digital processes, as well as by raising awareness among our employees and other stakeholders about the impact on the planet resulting from the use of this resource. The organization's paper consumption is reported in TABLE 6.

<sup>2</sup> Further information on our environmental commitments can be found in our environmental policy available on our web site at: <https://inicio.pichincha.com/portal/desarrollo-sostenible/seguridad-salud-y-ambiente>.

<sup>3</sup> No non-renewable materials are used in the production and packaging of our products and services.

## Paper consumption in offices

TABLE 6

	2022	2021
	<b>27,147,839</b> paper sheets used for internal management, representing <b>54,295</b> reams, and equivalent to <b>130,310 kg</b> <sup>1</sup> .	<b>27,606,706</b> paper sheets used for internal management, representing <b>55,213</b> reams, and equivalent to <b>130,447 kg</b> .
	On average, each of our employees used <b>4,481</b> paper sheets, representing <b>8.9</b> reams, equivalent to <b>21.50 kg</b> <sup>2</sup> .	On average, each of our employees used <b>4,642</b> paper sheets, representing <b>9</b> reams, equivalent to <b>21.94 kg</b> .
	<b>17,254,810</b> checks printed at agencies for customers nationwide, equivalent to <b>29,333 kg</b> <sup>3</sup> .	<b>17,548,120</b> checks printed at agencies for customers nationwide, equivalent to <b>29,832 kg</b> <sup>4</sup> .

<sup>1</sup> Refers to the number of pages printed for Banco Pichincha and CREDI FE operations in charge of the single supplier that provides this resource nationwide. The weight of a ream of paper is 2.41 kg.

<sup>2</sup> Calculation resulting from dividing the total internal paper consumption (27,147,839 paper sheets) by the average number of Banco Pichincha and CREDI FE employees in 2022.

<sup>3</sup> This resource refers to special paper with security features distributed by two suppliers nationwide. The unit weight is 0.0017 kg.

<sup>4</sup> Due to an unintentional error made, incorrect figures were published in the 2021 report. Therefore, we have revised the figures for this indicator.



### Management and reduction initiatives

- We use paper from renewable sources (sugarcane bagasse).
- Printing is managed, monitored and controlled through a system.

Paper	
2022 Target	2022-2021 Variation
-1 %	-1.7 %

## 2023 Target

To reduce 1.5 % of total paper consumption

### Good environmental practices in business

Through our two digital areas, we have achieved paper consumption efficiency rates, as detailed in TABLE 7.

Redundant packaging in safety plastic (21 g) was identified when improving coin-remittance services to both external and internal customers. In order to simplify the process, one of the two plastic bags was removed, having no negative impact on customer service.

Currently, thanks to this project, 1,000 plastic bags per month have been avoided, with a projected annual savings of 252 kg of security plastic.

### Energy Efficiency

[GRI 302-1] [GRI 302-2] [GRI 302-3] [GRI 302-4] [DJ 2.2.3]

For the last several years, Banco Pichincha has implemented a number of initiatives to achieve reduction in energy consumption, and thereby decrease our CO<sub>2</sub>eq emissions (TABLE 8).

### **Energy Efficiency Initiatives**

TABLE 8

Brightness & motion sensor lights installed in low-circulation spaces.

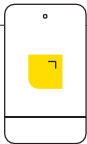

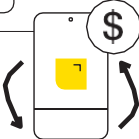
96 environmentally friendly air conditioning systems installed.

Procurement of new energy-efficient computer equipment (Energy Star and Epeat Gold certified).

<sup>4</sup> No generation of electricity, heating, cooling, and steam is consumed or sold by the organization.

### **Paper saving by digital transformation**

TABLE 7

		Action taken	Saving
Digital credit		227,701 Digital credits granted.	<b>2,277,010</b> Paper sheets saved.
Deuna! app		The Deuna! app prevents printing sales of receipts of stores nationwide.	<b>518,003</b> Paper sheets saved.
Digital banking transactions		Digital banking transactions with customers.	<b>2,795,012.67</b> paper sheets saved = equivalent to <b>5,590</b> reams.



## Accounting

During 2022, energy consumption within the organization was reduced by 5.78 %, meeting the target set in 2021 in this scope (TABLE 9).

External energy consumption data is reported in GJ (gigajoules). The figures from 2021 are not comparable with those from 2022, since there were no Covid-19 restrictions and regular operations resumed (TABLES 10 AND 11).

## Energy reduction

[GRI 305-4]

Our total energy consumption increased by 1,053 GJ between 2021 and 2022, since all of our employees returned to the office.

**2023 Target**  
To reduce 1 % of total energy consumption.



### Total energy consumption within the organization in gigajoules (GJ)<sup>1</sup>, by source

TABLE 9

Source	2022	2021
From electrical energy	59,004.81 GJ	62,684.97 GJ
From fuel consumption (diesel) from electric generators	1,161.44 GJ	589.26 GJ
<b>Total energy consumption within the organization</b>	<b>60,166.25 GJ</b>	<b>63,274.23 GJ</b>

<sup>1</sup> The data reported corresponds to: 1. electrical energy consumption of Ecuador's interconnected system. Energy consumption is calculated in GJ using the conversion factor of 1 kWh = 0.0036 GJ/ton (International Energy Agency, 2014). The 2022 figure covers 90% of the total number of facilities where we operate in Ecuador. 2. Diesel consumption from 92 electric generators nationwide (out of a total of 300 generators approximately) that are used in the event of power outages. For the calculation of GJ for diesel, the following factors were used: calorific value 0.0000408 TJ/kg, 0.0000408 TJ/kg, source: [https://www.ambiente.gob.ec/wp-content/uploads/downloads/2021/11/emision\\_de\\_co2\\_del\\_sistema\\_nacional\\_interconectado\\_de\\_ecuador\\_informe\\_2020.pdf](https://www.ambiente.gob.ec/wp-content/uploads/downloads/2021/11/emision_de_co2_del_sistema_nacional_interconectado_de_ecuador_informe_2020.pdf).

### Total energy consumption outside the organization in gigajoules (GJ)<sup>1</sup>, by source

TABLE 10

Source	Method	2022	2021
Travel by road using owned or leased fleet	Fuel Cost	4,677.62 GJ	3,753.84 GJ
Motorbike courier	Fuel Cost	248.39 GJ	106.79 GJ
Mail courier services using vehicles	Fuel cost, gasoline, distance in km.	5,670.75 GJ	1,985.64 GJ
<b>Total energy consumption outside the organization</b>		<b>10,596.76 GJ</b>	<b>5,846. 27 GJ</b>

<sup>1</sup> Gigajoule: unit of measurement of energy consumption, which represents fuel gallon consumption. The conversion factor for tons of CO2 from passenger vehicle use is: gasoline passenger vehicles per year (4.64 metric tons of CO2E/vehicle/year), source: <https://espanol.epa.gov/la-energia-y-el-medioambiente/calculadora-de-equivalencias-de-gases-de-efecto-invernadero-calculos>.

### Total annual energy consumption per capita<sup>1</sup>

TABLE 11

Indicator	2022	2021
Total energy consumption	70,763.01 GJ	69,120.50 GJ
Annual energy consumption within the organization, per capita	9.93 GJ	10.64 GJ
<b>Total energy consumption outside the organization, per capita</b>	<b>1.75 GJ</b>	<b>0.98 GJ</b>

<sup>1</sup> This figure was calculated taking into consideration two factors: energy consumption within the organization (electricity and fuel used for generators) and the total number of employees of Banco Pichincha and CREDI FE.



## Water use optimization

[GRI 303-5] [DJ 2.2.4]

We ensure the efficient use of water resources in our facilities through preventive and control maintenance. TABLE 12 shows our water consumption in 2022 and 2021<sup>5</sup>.

### Water<sup>1</sup> consumption within the Bank in megaliters (ML)<sup>2</sup>

TABLE 12

Source	2022	2021
Consumption from water supply system	161.26 ML	72.05 ML

<sup>1</sup> The data collected corresponds to water consumption bills of 95% of our agencies and main facilities across the country (Coast, Highlands, Amazon and Galapagos). The unit used for the report is the megaliter (ML).

<sup>2</sup> The conversion factor used is 1 m<sup>3</sup> = 0.001 ML (Source: International System of Units).

In 2022, we set a target of a 1% reduction in water consumption. However, we were unable to determine the result of our performance in this area since the figures for 2021 and 2022 are not comparable. In 2021, we had to work both on-site and from home, while in 2022 all of our employees worked on-site.

### 2023 Target

To reduce 1 % in water consumption nationwide.

## Adequate waste management

[GRI 306-3] [GRI 306-4] [GRI 306-5]

As part of our environmental objectives, the organization continues to implement programs and practices to minimize waste generation at our workplaces. In this regard, we focused on the

<sup>5</sup> Our facilities are located in urban areas and we consume water from the aqueduct and sewage networks in the areas where we operate. We do not store water.

recovery of waste such as paper, cardboard, toner, etc., and the proper management of hazardous waste such as fluorescent bulbs and hospital waste.

TABLES 13, 14, 15, 16 y 17 show the results of our management of non-hazardous, hazardous and special waste<sup>6</sup>.

In addition, we managed 20,599 units of scrap metal in 2022. The value reported includes units delivered to environmental handlers as scrap (recycling) and equipment that is used by various foundations (supported by certificates of sale or donation of decommissioned equipment).

We were unable to determine the result of our paper recycling performance because the 2021 and 2022 figures are not comparable. In 2022, we did not deliver recyclable material from passive archiving. This is due to the regularization of the table of documents and instructions of that area (who did not comply with the maximum storage time to be delivered to handlers).

<sup>6</sup> We have modified the unit of measurement of waste in accordance with the Waste 2020 standard. Therefore, we updated the information reported in 2021 from kilograms to metric tons.

**We recycled 8,276 tm of paper in 2022, equivalent to 1,724,312.5 sheets.**



### 2023 Target

To increase paper and cardboard recycling by 1% nationwide.

## Non-hazardous waste, in metric tons (t)

TABLE 13

Type	Waste generated		Waste diverted from disposal		Waste directed to disposal	
	2022	2021	2022	2021	2022	2021
Paper and cardboard <sup>1</sup>	8.27	39.75	8.27	39.75	0	0
<b>Total waste</b>	<b>8.27</b>	<b>39.75</b>	<b>8.27</b>	<b>39.75</b>	<b>0</b>	<b>0</b>

<sup>1</sup> The reported figure corresponds to the data sum of the three reports collected throughout the year.

## Hazardous waste, in metric tons (t)

TABLE 14

Type	Waste generated		Waste diverted from disposal		Waste directed to disposal	
	2022	2021	2022	2021	2022	2021
Ink and toner cartridges <sup>1</sup>	3.062	1.964	3.062	1,964	0	0
Hospital Waste <sup>2</sup>	0.014	0,026	0	0	0.014	0.026
Fluorescent Tubes	0.373	0.151	0.373	0,151	0	0
Electrical and Electronic Equipment	0.105	0	0.105	0	0	0
<b>Total</b>	<b>3.554</b>	<b>2.141</b>	<b>3.540</b>	<b>2,115</b>	<b>0.014</b>	<b>0.026</b>

<sup>1</sup> The collection and gathering of ink and toner cartridges is carried out by the supplier for reprocessing. The weight per piece is 1.39 kg.

<sup>2</sup> The hospital waste coming from our health clinics in Quito, Guayaquil, Cuenca, is delivered to waste handlers certified by the environmental authority.

## Waste diverted from disposal by recovery operation, in metric tons (t)

TABLE 15

Type	ONSITE		OFFSITE		Total	
	2022	2021	2022	2021	2022	2021
Preparation for reuse	0.00	0.00	0.00	0.00	0.00	0.00
Recycling	0.00	0.00	8.27	39.75	8.27	39.75
Other recovery operations	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>					<b>8.27</b>	<b>39.75</b>

## Waste diverted from disposal by recovery operation, in metric tons (t)

TABLE 16

Type	ONSITE		OFFSITE		Total	
	2022	2021	2022	2021	2022	2021
Preparation for reuse	0.00	0.00	0.00	0.00	0.00	0.00
Recycling	0.00	0.00	3.540	2.115	3.540	2.115
Other recovery operations	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>					<b>3.540</b>	<b>2.115</b>

## Waste directed to disposal by disposal operation, in metric tons (t)

TABLE 17

Type	ONSITE		OFFSITE		Total	
	2022	2021	2022	2021	2022	2021
Incineration (with energy recovery)	0.00	0.00	0.00	0.00	0.00	0.00
Incineration (without energy recovery)	0.00	0.00	0.014	0.026	0.014	0.026
Landfilling	0.00	0.00	0.00	0.00	0.00	0.00
Other disposal operations						
<b>Total</b>					<b>0.014</b>	<b>0.026</b>



# ABOUT THIS REPORT

## Materiality Assessment

[GRI 3-1] [GRI 3-2] [D] 1.2.2]

In 2022, twelve (12) material topics were identified and addressed in this report. We conducted our assessment in four phases, which are detailed below:

1. Understand the organization's context. A review was conducted of the organizational strategy, our business relationships and scope, priority stakeholders and the sustainability context, including sustainability methodological frameworks, standards, voluntary memberships and certifications, and local regulatory topics and intergovernmental instruments.
2. Identify impacts. Based on our value chain analysis and the consultation with our key stakeholders, the organization identified 24 actual and potential, positive and negative impacts on the economy, society, environment, human rights and key stakeholders.
3. Assess the significance of the impacts. The identified impacts have been assessed using a risk matrix that has allowed us to determine their likelihood and how significant an impact is.
4. Prioritize the most significant impacts. In order to better communicate, the identified impacts have been grouped into economic, social and environmental material topics. We have consulted

stakeholders, who have assessed the significance of each impact. The 24 impacts have been grouped into 12 material topics.

This year, the organization has engaged relevant stakeholders to identify direct and indirect impacts generated in our value chain, and also to have their recommendations to continue strengthening our Sustainability Model. The stakeholder engagement is detailed in FIGURE 1.

This materiality assessment includes topics such as diversity and inclusion, sustainable procurement practices and financial education. Although these topics were not prioritized in the materiality assessment of the 2021 report, they were addressed in specific indicators. This year, customer service has not been identified as a material topic; however, its management indicators are included in this report.

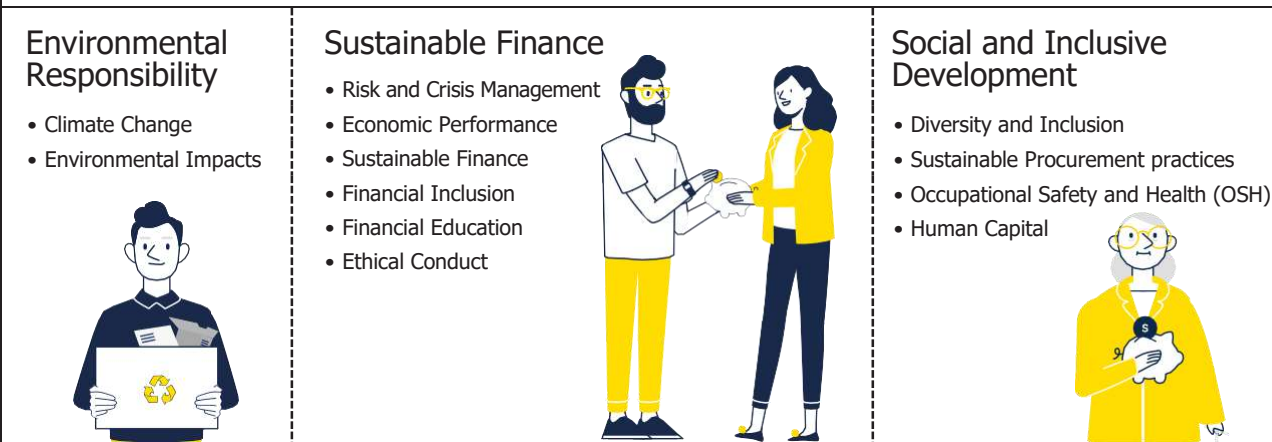
## Stakeholders' engagement

FIGURE 1



## Material topics by Sustainable Model dimensions

FIGURE 2



# ANNEX 1

## Social and Inclusive Development Chapter Quality dimension in Employment <sup>1</sup>

[GRI 2-7] [DJ 3.2.2] [DJ 3.2.3]

		2022		2021	
		Number	Rate	Number	Rate
<b>Gender</b>	Female	3,236	60.36 %	3,049	62.36 %
	Male	2,125	39.64 %	1,840	37.64 %
<b>Age</b>	Employees under 30 years old	1,672	31.19 %	1,467	30 %
	Employees between 30 and 50 years old	3,448	64.32 %	3,251	66.50 %
	Employees over 50 years old	241	4.49 %	171	3.50 %
<b>Region</b>	The Pacific Coast and the Galapagos Islands	1,790	33.39 %	1,705	34.87 %
	The Highlands and the Amazon	3,571	66.61 %	3,184	65.12 %
<b>Professional Category</b>	Assistant/auxiliary	1,222	22.79 %	1,200	24.54 %
	Supervisor/coordinator/specialist	1,273	23.75 %	1,200	24.54 %
	Technician/analyst/executive/support	1,187	22.14 %	1,007	20.60 %
	Chief/expert/administrator	1,418	26.45 %	1,258	25.73 %
	Head/manager/vice president	261	4.87 %	224	4.58 %
<b>Nationality</b>	National employees	5,240	97.74 %	4,793	98.04 %
	Foreign employees	121	2.26 %	96	1.96 %
<b>Contract Type<sup>2</sup></b>	Total of permanent contract	5,223	97.43 %	4,680	95.73 %
	Total of emergency contract	N/A	N/A	177	3.62 %
	Total of temporary contract	138	2.57 %	32	0.65 %
<b>Contract Type by Gender<sup>3</sup></b>	Permanent - Female	3,157	58.89 %	2,964	60.63 %
	Permanent - Male	2,066	38.54 %	1,716	35.10 %
	Emergency - Female	N/A	N/A	74	1.51 %
	Emergency - Male	N/A	N/A	103	2.11 %
	Temporary - Female	79	1.47 %	11	0.22 %
	Temporary - Male	59	1.10 %	21	0.43 %
<b>Contract Type by Region<sup>4</sup></b>	Permanent - Coast and Galapagos	1,756	32.76 %	1,657	33.89 %
	Permanent - Highlands and Amazon	3,467	64.67 %	3,023	61.83 %
	Emergency - Coast and Galapagos	N/A	N/A	44	0.90 %
	Emergency - Highlands and Amazon	N/A	N/A	133	2.72 %
	Temporary - Coast and Galapagos	34	0.63 %	4	0.08 %
	Temporary - Highlands and Amazon	104	1.94 %	28	0.57 %
<b>Type of Employee Work Schedules</b>	Full-time	5,354	99.87 %	4,885	99.92 %
	Part-time	7	0.13 %	4	0.08 %
<b>Type of Employee Work Schedules by Gender</b>	Full-time - Female	3,232	60.29 %	3,047	62.32 %
	Full-time - Male	2,122	39.58 %	1,838	37.59 %
	Part-time - Female	4	0.07 %	2	0.04 %
	Part-time - Male	3	0.06 %	2	0.04 %
<b>Type of Employee Work Schedules by Region</b>	Full-time - Coast and Galapagos	1,789	33.4 %	1,704	34.85 %
	Full-time - Highlands and Amazon	3,565	66.5 %	3,181	65.06 %
	Part-time - Coast and Galapagos	1	0.02 %	1	0.02 %
	Part-time - Highlands and Amazon	6	0.11 %	3	0.06 %

<sup>1</sup> The total number of employees reported includes all types of contracts (permanent and temporary). The data was collected from the internal head count database with cut-off on December 31, 2021. As of that date, the data regarding active employees by contract type and work schedules was retrieved from the Genera program. We do not have non-guaranteed hours employees. There are no significant fluctuations in the number of employees during the reporting period and between different reporting periods.

<sup>2</sup> Emergency-contract employees are reported in 2022 as part of temporary-contract employees.

<sup>3</sup> Emergency-contract employees are reported in 2022 as part of temporary-contract employees.

<sup>4</sup> Emergency-contract employees are reported in 2022 as part of temporary-contract employees.

## New employee hires <sup>1</sup>

[GRI 401-1] [DJ 3.5.1]

	2022		2021		2020		2019	
	Number	Rate	Number	Rate	Number	Rate	Number	Rate
Rate of new employee hires <sup>2</sup>	866	16.58 %	422	8.7 %	694	13.5 %	914	17.7 %
Job vacancies filled with internal candidates <sup>3</sup>	562	39.36 %	657	60.8 % <sup>4</sup>	574	45.2 %	626	40.65 %

<sup>1</sup> Only permanent-contract employees are considered within the New Employees Hires rate. Interns and temporary-contract employees are not included. The basis for calculating this indicator is 5,223 employees.

<sup>2</sup> Number of new employees (866)/total number of employees at the end of the year (5,223).

<sup>3</sup> Promotions and lateral moves are considered within Job Vacancies filled with Internal Candidates.

<sup>4</sup> The formula is: total number of Job Vacancies filled with Internal Candidates (562)/ total number of Job Vacancies this year (1,428). Interns and temporary-contract employees are not included.

## Average cost of Recruitment<sup>1</sup>

2022	2021	2020	2019
\$107.18 <sup>2</sup>	\$153.10	\$127.98	\$93.57

<sup>1</sup> Every contract type, including interns and temporary-contract employees, was considered for calculating this figure. Since the costs of recruitment apply for all.

<sup>2</sup> The basis for this calculation was 866 full-time employees (8 hours).

## Diversity variables of new employee hires

		2022		2021	
		Number	Rate	Number	Rate
Gender	Women	423	48.85 %	188	45 %
	Men	443	51.15 %	234	55 %
Age	Employees under 30 years old	560	64.67 %	207	49.05 %
	Employees between 30 and 50 years old	299	34.53 %	213	50.47 %
	Employees over 50 years old	7	0.81 %	2	0.47 %
Region	The Pacific Coast and the Galapagos Islands	221	25.52 %	86	20.38 %
	The Highlands and the Amazon	645	74.48 %	336	79.62 %
Nationality	Foreign employees	40	4.62 %	36	8.53 %
	National employees	826	95.38 %	386	91.47 %
Professional Category	Senior Management	1	0.12 %	0	0.00 %
	Managers	28	3.23 %	24	5.69 %
	Chief/expert/administrator	191	22.06 %	174	41.23 %
	Supervisor/coordinator/specialist	116	13.39 %	85	20.14 %
	Technician/analyst/executive/support	209	24.13 %	41	9.72 %
	Assistant/auxiliary/operator	321	37.07 %	98	23.22 %

## Employee Turnover

[GRI 401-1][DJ 3.5.7]

	2022		2021		2020		2019	
	Number	Rate	Number	Rate	Number	Rate	Number	Rate
Employee Turnover Rate <sup>1</sup>	696	13.33 %	626	12.9 %	488	9.54 %	860	16.6 %
Voluntary Employee Turnover Rate <sup>2</sup>	339	6.49 %	280	5.76 %	135	2.64 %	305	5.90 %

<sup>1</sup> Number of employees who left the organization (696)/ Total number of employees at the end of the year (5,223). Temporary-contract employees are not included.

<sup>2</sup> Number of employees who left the organization voluntarily (339)/ Total number of employees at the end of the year (5,223). Temporary-contract employees are not included.





## Diversity variables of employee turnovers

		2022		2021	
		Number	Rate	Number	Rate
<b>Gender</b>	Female	419	60.20 %	372	59.42 %
	Male	277	39.80 %	254	40.58 %
<b>Age</b>	Employees under 30 years old	292	41.95 %	233	37.22 %
	Employees between 30 and 50 years old	382	54.89 %	371	59.27 %
	Employees over 50 years old	22	3.16 %	22	3.51 %
<b>Region</b>	The Pacific Coast and the Galapagos Islands	247	35.49 %	212	33.87 %
	The Andes and the Amazon	449	64.51 %	414	66.13 %
<b>Nationality</b>	Foreign employees	23	3.30 %	11	1.76 %
	National employees	673	96.70 %	615	98.24 %
<b>Professional Category</b>	Senior Management	2	0.29 %	1	0.16 %
	Managers	16	2.30 %	14	2.24 %
	Chief/expert/administrator	140	20.11 %	130	20.77 %
	Supervisor/coordinator/specialist	168	24.14 %	152	24.28 %
	Technician/analyst/executive/support	161	23.13 %	103	16.45 %
	Assistant/auxiliary/operator	209	30.03 %	226	36.10 %

# ANNEX 2

## GRI Table of Contents

GRI STANDARD	CONTENT	PAGE No., URL OR RESPONSE	OMISSION	VERIFICATION
<b>General Disclosures</b>				
<b>GRI 2: GENERAL DISCLOSURES 2021</b>	<b>THE ORGANIZATION AND ITS REPORTING PRACTICES</b>			
	2-1 Organizational details	Banco Pichincha C. A.		X
	2-2 Entities included in the organization's sustainability reporting	P. 54		X
	2-3 Reporting period, frequency and contact point	Our Sustainability Report and the Financial Statements are published annually in March. 100% of our operations in Ecuador are covered, from January 1 to December 31, 2022.  For inquiries or suggestions: Sustainable Development Department of Banco Pichincha, Av. Amazonas 45-45 y Pereira. desarrollo.sostenible@pichincha.com (593 2) 298 0980, extension number 594750.		X
	2-4 Restatements of information	Due to an unintentional error made, incorrect figures were published in the 2021 report. Therefore, we have revised the figures for the GRI 301-1 indicator. P. 113		X
	2-5 External assurance	P. 54		X
	<b>ACTIVITIES AND</b>			
	2-6 Activities, value chain and other business relationships	No significant changes in the organization's sectors, value chain, and other business relationships during this reporting period. P. 54, 78, 103		X
	2-7 Employees	P. 89, 120		X
	2-8 Workers who are not employees	P. 89		X
	<b>GOVERNANCE</b>			
	2-9 Governance structure and composition	P. 58		X
	2-10 Nomination and selection of the highest governance body	P. 58		X
	2-11 Chair of the highest governance body	P. 58		X
	2-12 Role of the highest governance body in overseeing the management of impacts	P. 58		X
	2-13 Delegation of responsibility for managing impacts	P. 58		X



GRI 2: GENERAL CONTENTS 2021	2-14 Role of the highest governance body in sustainability reporting	P. 58		X
	2-15 Conflicts of interest	P. 58, 59		X
	2-16 Communication of critical concerns	P. 82		X
	2-17 Collective knowledge of the highest governance body	In 2022, we selected a training supplier on Anti-fraud and Risk Management for Senior Management. The training will be implemented in early 2023.		X
	2-18 Evaluation of the performance of the highest governance body	P. 95	We do not have evaluation processes of the performance of the highest governance body in overseeing the organization's management of impacts on the economy, environment, and people.	X
	2-19 Remuneration policies	P. 90	The remuneration for members of the highest governance body and senior executives does not relate to their objectives and performance in relation to the management of the organization's impacts on the economy, environment, and people.	X
	2-20 Process to determine remuneration	P. 90		X
	2-21 Annual total compensation ratio	P. 90	This information is treated as confidential in our organization as it is considered sensitive information.	X
	<b>STRATEGY, POLICIES AND PRACTICES</b>			
	2-22 Statement on sustainable development strategy	P. 4		X
	2-23 Policy commitments	P. 59		X
	2-24 Embedding policy commitments	P. 59		X
	2-25 Processes to remediate negative impacts	P. 58, 82		X
	2-26 Mechanisms for seeking advice and raising concerns	P. 59		X
	2-27 Compliance with laws and regulations	P. 59		X
	2-28 Membership associations	P. 56		X
	<b>STAKEHOLDER ENGAGEMENT</b>			
	2-29 Approach to stakeholder engagement	P. 56		X
	2-30 Collective bargaining agreements	We do not have collective bargaining agreements.		X

## GRI Table of Contents

GRI STANDARD	CONTENT	PAGE No., URL OR RESPONSE	OMISSION	VERIFICATION
<b>MATERIAL TOPICS</b>				
GRI 3: MATERIAL TOPICS 2021	3-1 Process to determine material topics	P. 118		X
	3-2 List of material topics	P. 118		X
<b>CLIMATE CHANGE</b>				
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	P. 108		X
GRI 305: EMISSIONS 2016	305-1 Direct GHG emissions (Scope 1)	P. 110		X
GRI 305: EMISSIONS 2016	305-2 Indirect GHG emissions when generating energy (Scope 2)	P. 110		X
GRI 305: EMISSIONS 2016	305-3 Other indirect GHG emission (Scope 3)	P. 111		X
GRI 305: EMISSIONS 2016	305-4 Intensity of GHG emissions	P. 112, 115		X
GRI 305: EMISSIONS 2016	305-5 Reduction of GHG emissions	P. 112		X
<b>HUMAN CAPITAL</b>				
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	P. 86		X
GRI 401: EMPLOYMENT 2016	401-1 New employee hires and employee turnover	P. 90, 121		X
GRI 401: EMPLOYMENT 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	P. 95		
GRI 401: EMPLOYMENT 2016	401-3 Parental leave	P. 92		
GRI 404: TRAINING AND EDUCATION 2016	404-1 Average hours of training per year per employee	P. 93		X
GRI 404: TRAINING AND EDUCATION 2016	404-2 Programs for upgrading employee skills and transition	P. 93		
GRI 404: TRAINING AND EDUCATION 2016	404-3 Percentage of employees receiving regular performance and career development reviews	P. 95		
<b>SUSTAINABLE PROCUREMENT PRACTICES</b>				
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	P. 102		X
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016	414-1 New suppliers that were screened using social criteria	P. 103		X
	414-2 Negative social impacts in the supply chain and actions taken	P. 103		X
<b>ECONOMIC PERFORMANCE</b>				
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	P. 83		X
GRI 201: ECONOMIC PERFORMANCE 2016	201-1 Direct economic value generated and distributed	P. 28		X
GRI 201: ECONOMIC PERFORMANCE 2016	201-2 Financial implications and other risks and opportunities due to climate change	P. 71		X
BANCO PICHINCHA INDICATOR	BP7 Optimization of the bank's financial performance in terms of profitability, liquidity and solvency	P. 25		X



<b>SUSTAINABLE FINANCE</b>				
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	P. 64		X
FINANCIAL SERVICES SECTOR SUPPLEMENT GRI G4  PRODUCT PORTFOLIO	FS1 Policies with specific environmental and social components applied to business lines	P. 67		X
	FS2 Procedures for assessing and screening environmental and social risks in business lines	P. 67		X
	FS3 Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	P. 67		X
	FS4 Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	P. 67		X
	FS5 Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	P. 67		X
	FS6 Percentage of the portfolio for business lines by specific region, size (e.g., micro/SME/large) and by sector	P. 75		X
	FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	P. 74		X
	FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	P. 67		X
	FS9 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	P. 67		X
	FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	P. 75		X
	FS11 Percentage of assets subject to positive and negative environmental or social screening	P. 75		X
<b>RISK AND CRISIS MANAGEMENT</b>				
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	P. 62		X
FINANCIAL SERVICES SECTOR SUPPLEMENT GRI G4  PRODUCT PORTFOLIO	FS2 Procedures for assessing and screening environmental and social risks in business lines	P. 67		X
<b>ENVIRONMENTAL IMPACTS</b>				
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	P. 112		X
GRI 301: MATERIALS 2016	301-1 Materials used by weight or volume	P. 113		X
GRI 302: ENERGY 2016	302-1 Energy consumption within the organization	P. 114		X
	302-2 Energy consumption outside the organization	P. 114		X
	302-3 Energy intensity	P. 114		X
	302-4 Reduction of energy consumption	P. 114		X
GRI 303: WATER AND EFFLUENTS 2018	303-5 Water consumption	P. 116		X
GRI 306: WASTE 2020	306-3 Waste generated	P. 116		X
	306-4 Waste diverted from disposal	P. 116		X
	306-5 Waste directed to disposal	P. 116		X

<b>FINANCIAL INCLUSION</b>				
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	P. 76		X
FINANCIAL SERVICES SECTOR SUPPLEMENT GRI G4	FS13 Access points in low-populated or economically disadvantaged areas by type	P. 78		X
	FS14 Initiatives to improve access to financial services for disadvantaged people	P. 82		X
SHAREHOLDER ACTIVISM	FS16 Initiatives to enhance financial literacy by type of beneficiary	P. 105		X
<b>DIVERSITY AND INCLUSION / GENDER INTELLIGENCE</b>				
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	P. 77, 96		X
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1 Diversity of governance bodies and employees	P. 89, 97		X
	405-2 Ratio of basic salary and remuneration of women to men	P. 90		X
GRI 406: NON-DISCRIMINATION 2016	406-1 Incidents of discrimination and corrective actions taken	P. 94		X
<b>ANTI-BRIBERY ACTIONS</b>				
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	P. 60		X
GRI 205: ANTI-CORRUPTION 2016	205-1 Operations assessed for risks related to corruption	P. 60		X
	205-2 Communication and training about anti-corruption policies	P. 60, 94		X
<b>OCCUPATIONAL HEALTH AND SAFETY</b>				
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	P. 98		X
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-1 Occupational health and safety management system	P. 98		X
	403-2 Hazard identification, risk assessment, and incident investigation	P. 99		X
	403-3 Occupational health services	P. 100		X
	403-4 Worker participation, consultation, and communication on occupational health and safety	P. 100		X
	403-5 Worker training on occupational health and safety	P. 100		X
	403-6 Promotion of worker health	P. 95, 100		X
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P. 101-102		X
	403-8 Workers covered by an occupational health and safety management system	P. 102		X
	403-9 Work-related injuries	P. 101		X
	403-10 Work-related ill health	P. 101		X
<b>COMMUNITY ENGAGEMENT</b>				
GRI 3: MATERIAL TOPICS 2021	3-3 Management of material topics	P. 105		X
GRI 413: LOCAL COMMUNITIES 2016	413-1 Operations with local community engagement, impact assessments, and development programs	P. 105		X
FINANCIAL SERVICES SECTOR SUPPLEMENT GRI G4	FS16 Initiatives to enhance financial literacy and education by type of beneficiary	P. 105		X
SHAREHOLDER ACTIVISM				



Other issues reported by Banco Pichincha

GRI STANDARD	CONTENT	PAGE No., URL OR RESPONSE	OMISSION	VERIFICATION
CUSTOMER EXPERIENCE				
BANCO PICHINCHA INDICATOR	BP3 Customer Satisfaction Index	P. 79		
BANCO PICHINCHA INDICATOR	BP4 Complaints and claims management	P. 82		
CUSTOMER PRIVACY 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	P. 82		
BANCO PICHINCHA INDICATOR	BP5 Digital Transformation	P. 31		
BANCO PICHINCHA INDICATOR	BP6 External measurement of product and service value proposition	P. 80		

ANNEX 3

PRINCIPLE 1: Alignment



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

Business model

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

Response

Banco Pichincha C. A. is a universal financial institution that serves all segments: individuals, microenterprises, small enterprises and companies. It operates throughout Ecuador with a leading position in the market as the largest banking institution in the country. In 2022, the total number of customers was 4,901,438.

Links and references

Sustainability Report 2022,  
Indicators:  
[GRI 2-6] pages. 54, 78  
[FS6] page 75

Strategy alignment

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

☒ Yes

☐ No

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

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

☒ UN Guiding Principles on Business and Human Rights

☒ International Labor Organization Fundamental Conventions

☒ United Nations Global Compact

☐ United Nations Declaration on the Rights of Indigenous Peoples


☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g., on climate risk. Please specify which ones: Supervisory Standard for evaluation and management of environmental and social risk (Resolution No. SB-2022-1212).

☒ Any applicable regulatory reporting requirements on social risk assessments, e.g., on modern slavery. Please specify which ones: Supervisory Standard for the evaluation and management of environmental and social risk (Resolution No. SB-2022-1212).

☐ None of the above



<p><b>Response</b></p> <p>Banco Pichincha has a Sustainability Model comprised of the following three pillars: 1) Sustainable finance, 2) Social and inclusive development and, 3) Environmental responsibility. We support and strengthen the management of these public commitments through voluntary adherence, adoption of management frameworks and certifications in national and international ESG issues.</p> <p>We assumed the chairmanship of the Sustainable Finance Committee of ASOBANCA, and at the end of the year we were elected to be part of the Board of the United Nations Global Compact of the Ecuador network. This new role will allow us to promote, outside the organization, our commitment to sustainability.</p>	<p><b>Links and references</b></p> <p>Sustainability Report 2022, pages 54-56</p>
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**We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio(s) to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>1</sup> and fulfil the following requirements/elements (a-d<sup>2</sup>):

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

<p><b>Response</b></p> <p>For this analysis, 100% of the credit operations that Banco Pichincha has in Ecuador are considered, classified into corporate banking, individuals banking and microfinance.</p> <p>In 2022, using UNEP FI's Portfolio Impact Analysis Tool for Banks (V3), we updated the portfolio impact analysis as of December 2022.</p> <p>Table 1 shows the portfolio distribution:</p> <table> <tr> <th>Segment</th><th>% of Total Balance as of Dec-2022</th></tr> <tr> <td>Corporate</td><td>42 %</td></tr> <tr> <td>Individuals</td><td>41 %</td></tr> <tr> <td>Microfinance</td><td>17 %</td></tr> <tr> <td><b>Total</b></td><td><b>100 %</b></td></tr> </table>	Segment	% of Total Balance as of Dec-2022	Corporate	42 %	Individuals	41 %	Microfinance	17 %	<b>Total</b>	<b>100 %</b>	<p><b>Links and references</b></p>
Segment	% of Total Balance as of Dec-2022										
Corporate	42 %										
Individuals	41 %										
Microfinance	17 %										
<b>Total</b>	<b>100 %</b>										

Table 1. Volume of credit balance Dec-2022, by segment

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

<sup>2</sup> Further guidance can be found in the Interactive Guidance on Impact Analysis and Target Setting.

**Response**

Banco Pichincha has considered the portfolio distribution for each business segment by economic sectors financed.

Tables 2, 3 and 4 show the balance percentage for each economic sector financed with respect to the total of the business segment.

ISIC level 1	Economic sector	% of balance by segment as of Dec-2022
G	Comercio al por mayor y menor	40 %
C	Industrias manufactureras	16 %
A	Agricultura, ganadería, silvicultura y pesca	11 %
K	Actividades financieras	8 %
H	Transporte y almacenamiento	4 %

Table 2. Portfolio Balance as of Dec-2022, by economic sector (corporate)

ISIC level 1	Economic sector	% of balance by segment as of Dec-2022
G	Wholesale and retail trade	16 %
T	Household activities	13 %
N	Administrative services	12 %
O	Public administration	9 %
Q	Human health care	7 %

Table 3. Portfolio Balance as of Dec-2022, by economic sector (individuals)

ISIC level 1	Economic sector	% of balance by segment as of Dec-2022
G	Wholesale and retail trade	46 %
A	Agriculture, livestock, forestry and fisheries	19 %
C	Manufacturing	14 %
I	Accommodation and food service	7 %
S	Personal services	3 %

Table 4. Portfolio Balance as of Dec-2022, by economic sector (microfinance)

Wholesale and retail trade represents the economic sector with the largest share in the portfolio across all segments. The Manufacturing and Agriculture, livestock, forestry and fisheries sectors also have significant exposure in Banco Pichincha's portfolio.

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

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

c) **Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or clients operate? Describe<sup>4</sup> how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. This step aims to put your bank's portfolio impacts into the context of society's needs.

Response

Banco Pichincha analyzed several environmental, social and economic indicators of Ecuador to determine the main needs of society. The work was carried out using the context module, developed by UNEP FI and member banks. The results facilitated the prioritization of impact areas.

The impact areas with a high and very high need are those with a score between 3 and 4, shown in Figure 1:

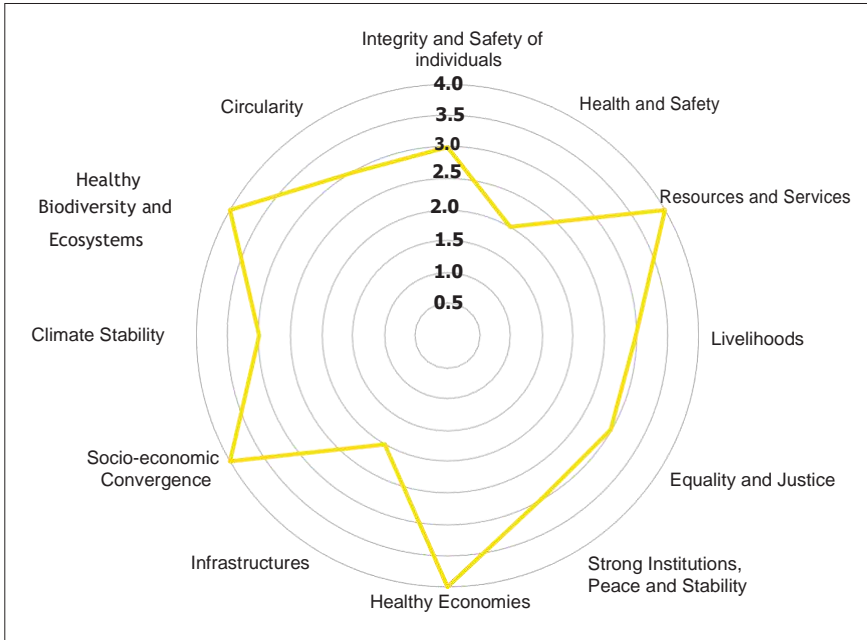


Figure 1. Prioritization of Ecuador's needs

In addition, we annually update our materiality study in which we identify the main needs, expectations and impacts on our different stakeholders. Both inputs allow us to analyze how to enhance the positive impacts and mitigate the negative ones in terms of sustainability. The topics identified are:

- Carbon Footprint Management
- Environmental Impact Management
- Financial inclusion
- Sustainable finance

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

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

Response

We identified the potential positive and negative impact of Banco Pichincha through the loan portfolio impact analysis tool.

Figures 2, 3 and 4 show the impact of each business segment:

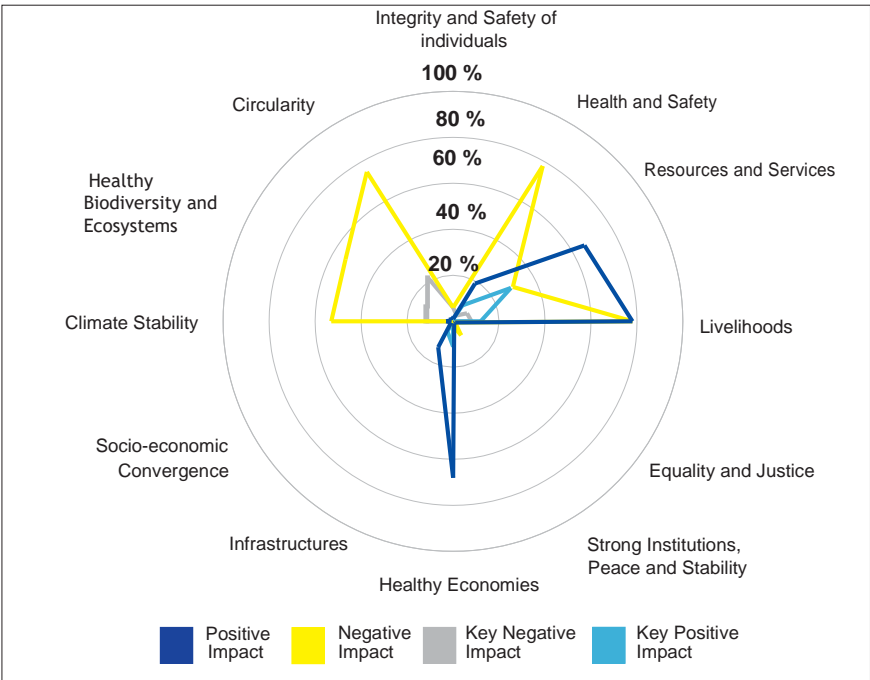


Figure 2. Intensity of impact of each Corporate area

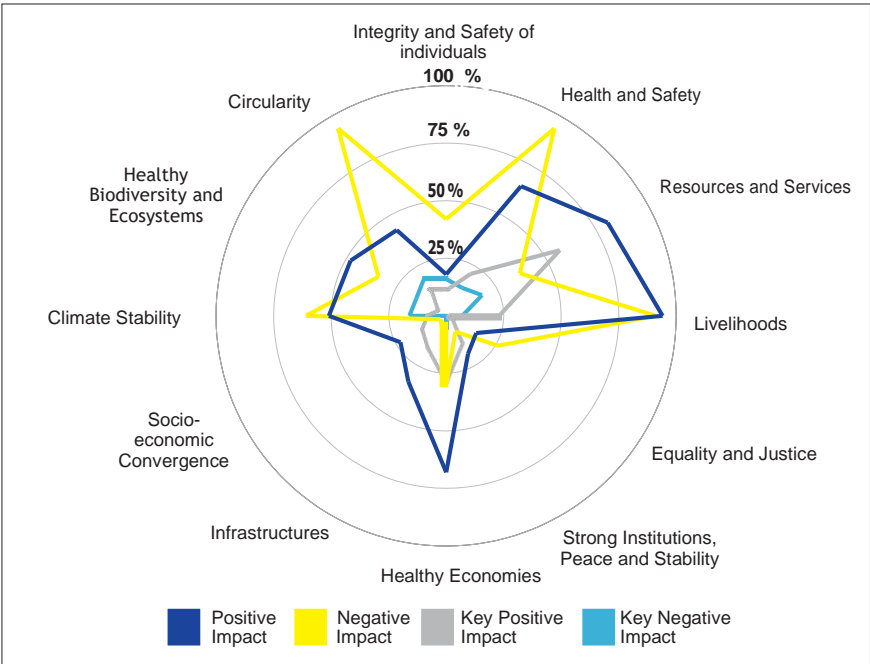


Figure 3. Intensity of impact of each Individual area

Links and references

**Links and references**  
Sustainability Report 2022,  
About this report, Materiality  
study,  
pages 118-119

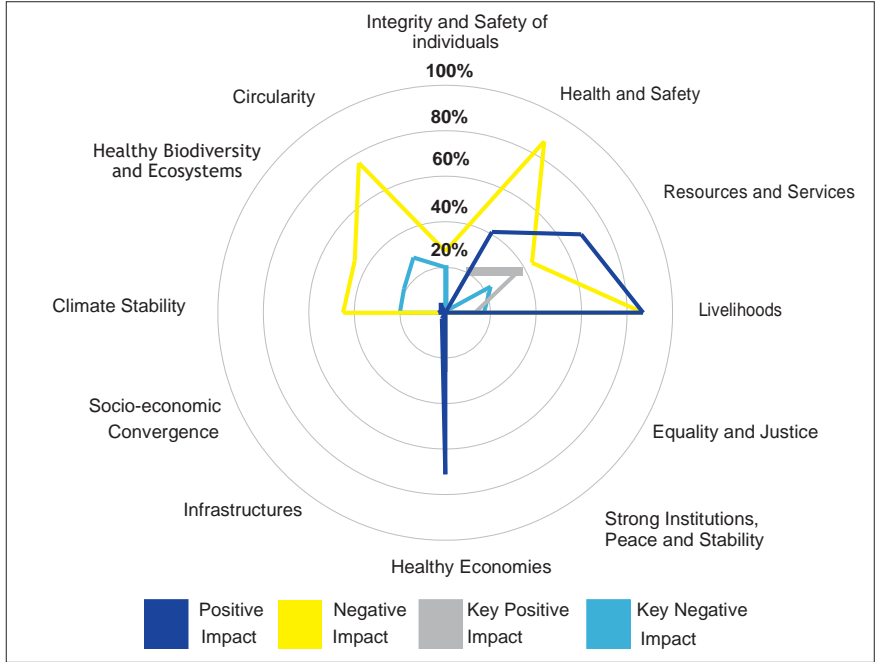


Figure 4. Intensity of impact of each Microfinance area

In this way, the key impact areas were identified.

Key positive impact areas:

- Resources & Services
- Healthy economies
- Livelihoods

Key negative impact areas:

- Circularity
- Climate stability
- Resources & Services

The significant impact areas were defined taking into account the analysis of Ecuador's context and the intensity of the impact: Healthy Economies (Financial Health and Inclusion) and Climate Stability (Climate Change). These prioritized impact areas, based on the new Impact Radar methodology, are in line with the prioritization carried out in 2021.

**d) For these (minimum two prioritized impact areas):**

Performance measurement: Has your bank identified which sectors and industries, as well as the types of customers financed or invested in, are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

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

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

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

**Links  
and references**

**Response**

**Financial Health and Inclusion**

In Banco Pichincha, we create value for the organization and society by being consistent with both our internal and external actions. We do so by encouraging health and safety, diversity and inclusion and promoting equal opportunities in our operations.

Banco Pichincha has signed the Global Commitment to Financial Health and Inclusion and has adopted it as a fundamental part of its strategy. The bankarization and financial health offer growth opportunities, organizational resilience and profitability to financial institutions. This strategy allows us to generate positive results for individuals, entrepreneurs, society, and the economy in general.

We seek to improve the experience of our customers by complying with international guidelines such as The Smart Campaign Client Protection Certification, where we obtain the highest rating. In this manner, we protect 3,8 million of our most vulnerable customers. We also work in social performance management and have obtained 4.5 stars with a STABLE perspective, positioning the bank among the 5% of institutions that have achieved this international rating. This accomplishment represents a major milestone for our institution, considering our positive social results and ratifying our commitment to the most vulnerable ones, ensuring that the Microfinance segment remains in the excellence rank, demonstrating our continuous innovation and adaptation to new contexts.

In addition, the bank and its measurements are aligned with the Dow Jones Sustainability Index, through which we compare ourselves with other financial international institutions and learn from their best practices, to lead our own path. In this manner, we can establish management priorities and put together strategies to address social and environmental impact variables.

In Banco Pichincha, we are aware of the great social impact behind women in Ecuador, the region and the world. The data shows that they have lower levels of access to employment and generate 37% of GDP despite being 51% of the working age population. Having lower levels of bankarization cause them to live in poverty as they have reduced access to savings and financing sources. For this reason, we have created the "SER – Impulso Mujer" Program, with comprehensive solutions designed to boost microfinance businesses, small and medium enterprises led by women. This proposal is advised by our executives who have "gender intelligence" training to understand the special characteristics of our female clients. In addition, we were the first issuer of a gender social bond nationwide in 2022.

We seek to promote the community growth that surrounds us, which is why we have a solid Financial Education program where we reach more than 1 million customers and non-customers, guiding them on how to rely on the financial system to continue growing. In addition, we have a scholarship program where, in 2022, we awarded more than 4,000 scholarships to promote continuing education and encourage students to complete their high school studies. Social support is crucial for Banco Pichincha, and we will always seek to inspire and reward the trust that characterizes it.

**Links  
and references**

Sustainability Report 2022,  
Indicators:  
[BP6] pages 80-82,  
[GRI 413-1] pages 105-106

<p><b>Climate change</b></p> <p>Banco Pichincha focused its efforts on designing the Cross-Cutting Climate-related Strategy aligned with the recommendations of the TCFD. It has five working areas focusing on mitigation and adaptation to climate change, and a climate-related transition plan.</p> <p>Both the climate scenario analysis and the opportunity/risk analysis were important inputs in defining the strategy. The physical and transition climate risk scenarios to which the bank is exposed were determined.</p> <p>In January 2022, Banco Pichincha undertook the NZBA commitment. A Banking Alliance to achieve Net-Zero Emissions by 2050, under which the bank, using the PCAF methodology and the JIM tool, has accounted the loan portfolio emissions (scope 3, category 15), covering 46% of the portfolio so far. The emissions accounting was carried out by economic sector and the results showed that 75% of the absolute Greenhouse Gases emissions financed come from the Agricultural sector, followed by the Manufacturing sector with 7%, and Transport &amp; Storage sector with 5%.</p> <p>In addition, we maintain the offer of BIO products, focused on environmental benefits and on climate change mitigation and adaptation. Additionally, we are promoting agricultural credit, advising our clients on the technological and sustainable best practices.</p>	<p><b>Links and references</b></p> <p>"https://www.pichincha.com/portal/principal/empresas/creditos/ecologicos" Banco Pichincha – Green credits for business in Ecuador</p>																
<p><b>Self-assessment summary:</b></p> <p><b>Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?<sup>6</sup></b></p> <table><tr><td>Scope:</td><td>Yes <input checked="" type="checkbox"/></td><td>In progress <input type="checkbox"/></td><td>No <input type="checkbox"/></td></tr><tr><td>Portfolio composition:</td><td>Yes <input checked="" type="checkbox"/></td><td>In progress <input type="checkbox"/></td><td>No <input type="checkbox"/></td></tr><tr><td>Context:</td><td>Yes <input checked="" type="checkbox"/></td><td>In progress <input type="checkbox"/></td><td>No <input type="checkbox"/></td></tr><tr><td>Performance measurement:</td><td>Yes <input type="checkbox"/></td><td>In progress <input checked="" type="checkbox"/></td><td>No <input type="checkbox"/></td></tr></table> <p><b>What most significant impact areas have you identified for your bank, as a result of the impact analysis?</b></p> <ol style="list-style-type: none"><li>Financial Health and Inclusion (Healthy Economies)</li><li>Climate Change Mitigation and Climate Change Adaptation (Climate Stability)</li></ol> <p><b>How recent is the data used and disclosed in the impact analysis?</b></p> <p><input checked="" type="checkbox"/> Up to 6 months prior to publication</p> <p><input type="checkbox"/> Up to 12 months prior to publication</p> <p><input type="checkbox"/> Up to 18 months prior to publication</p> <p><input type="checkbox"/> More than 18 months prior to publication</p> <p><b>Open text field to describe potential challenges, aspects not covered by the above etc.: (optional).</b></p>		Scope:	Yes <input checked="" type="checkbox"/>	In progress <input type="checkbox"/>	No <input type="checkbox"/>	Portfolio composition:	Yes <input checked="" type="checkbox"/>	In progress <input type="checkbox"/>	No <input type="checkbox"/>	Context:	Yes <input checked="" type="checkbox"/>	In progress <input type="checkbox"/>	No <input type="checkbox"/>	Performance measurement:	Yes <input type="checkbox"/>	In progress <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Scope:	Yes <input checked="" type="checkbox"/>	In progress <input type="checkbox"/>	No <input type="checkbox"/>														
Portfolio composition:	Yes <input checked="" type="checkbox"/>	In progress <input type="checkbox"/>	No <input type="checkbox"/>														
Context:	Yes <input checked="" type="checkbox"/>	In progress <input type="checkbox"/>	No <input type="checkbox"/>														
Performance measurement:	Yes <input type="checkbox"/>	In progress <input checked="" type="checkbox"/>	No <input type="checkbox"/>														

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

<p><b>2.2 Target Setting (Key Step 2)</b></p> <p>Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.</p> <p>The targets have to be specific, measurable (qualitative or quantitative), achievable, relevant and time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:<sup>7</sup></p> <p>a) <b>Alignment:</b> Which international, regional or national policy frameworks to align your bank's portfolio have you identified as relevant?<sup>8</sup> Show that the selected indicators and targets are linked to and drive alignment and greater contribution to the appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.</p> <p>You can build upon the context items under 2.1.</p>	
<p><b>Response</b></p> <p><b>Financial Health and Inclusion</b></p> <p>We currently have several key performance indicators regarding financial health and inclusion, including bankarization, financial education, evolution of social-based products for the base of the economic pyramid, female costumer care, among others. These indicators correspond to the corporate strategy of financial inclusion based on national and international best practices. In 2022, we achieved important goals, such as the issuance of the first gender bond for \$ 100 million. We will focus on a target involving the efforts we are making in a sustained manner.</p> <p><b>Climate change</b></p> <p>The most important framework identified is GFANZ's Net-Zero Emissions that commits us to the decarbonization of our portfolio by 2050. Based on this commitment, the measures and the progress in target-setting were carried out.</p> <p>At the national level, we have identified that Ecuador's National Strategy on Climate Change (ENCC) prioritizes sectors for the climate change adaptation and mitigation. Regarding adaptation, the food sovereignty (agriculture, livestock, aquaculture and fisheries) is the most vulnerable sector in terms of climate change. On the other hand, regarding mitigation, agriculture is the main sector where national and provincial plans will focus to reduce greenhouse gas emissions.</p> <p>Considering this, and that agriculture is the portfolio's economic sector with the most financed emissions, the decarbonization targets will be focused on this sector.</p>	<p><b>Links and references</b></p> <p>Sustainability Report 2022, pages 69-74, 76-78, 105-106</p>

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

<sup>8</sup> Your Bank should consider the main challenges and priorities in terms of sustainable development in your main country of operation for the purpose of setting targets. These can be found in National Development Plans and Strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.



<p><b>b) Baseline:</b> Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used, as well as the year of the baseline.</p> <p>You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.</p> <p>A package of indicators has been developed for climate change mitigation and financial health and inclusion to guide and support banks in their target setting and implementation journey. The overview of the indicators can be found in the <a href="#">Annex</a> of this template.</p> <p>If your bank has prioritized climate mitigation and/or financial health and inclusion as (one of) its most significant impact areas, it is strongly recommended to report on the indicators in the Annex. Please include the relevant indicators using the indicator code in the following table:</p> <p>If you have identified other and/or additional relevant indicators to determine the baseline and assess the alignment level of impact-driven targets, please indicate these.</p>	
<p><b>Response</b></p> <p><b>Financial Health and Inclusion</b></p> <p>In the Financial Education program, 99.5% of employees have been trained in financial health and inclusion (<a href="#">B.1.2</a>). 38,122 people, including children, teenagers, adults, clients and non-clients, have benefited from the financial education program (<a href="#">B.2.1</a>). We have raised awareness among 4,137,963 people through social media and networking.</p> <p>In 2022, we bankarized 580,000 people from the base of the pyramid of the microfinance and individual segments (<a href="#">C.2.3</a>); 97.48% of our clients have a savings account or long-term investment (B.4.4). 53.85% of clients show a quarterly increase or maintain stable amounts in their savings accounts' balances (<a href="#">B.3.5</a>).</p> <p>Currently, 58.97% of customers have 2 or more active financial products from different categories (<a href="#">C.4.1</a>). In addition, we have determined that 61.1% of clients actively use a digital media (<a href="#">B.2.2</a>).</p> <p>All the data submitted' cutoff date is 31, 2022.</p> <p><b>Climate change</b></p> <p>In 2022, Banco Pichincha developed its Cross-cutting Climate-related Strategy, which establishes five lines of action and a climate transition plan stating short, medium and long-term measures (<a href="#">A.1.1</a>).</p> <p>In January 2022, Banco Pichincha signed the NZBA commitment to achieve net-zero emissions by 2050 or sooner. For target setting, in process, data from the year 2022 will be taken as the baseline (<a href="#">A.1.2</a>).</p> <p>Using the JIM tool and the PCAF methodology, the financed emissions from the loan portfolio's economic sectors and activities have been accounted. In this way, the carbon-intensive industries targets were identified (<a href="#">A.1.4</a>). As part of the accounting, the agriculture, particularly livestock, has been identified as the most carbon-intensive sector, reaching 8535 tCO2e / Million USD (<a href="#">A.2.3</a>).</p>	<p><b>Links and references</b></p>

<p><b>c) SMART targets</b> (including performance indicators (KPIs<sup>9</sup>)): Please disclose the targets for your first and second most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.</p>			
<p>Response</p> <p><b>Financial Health and Inclusion</b></p> <p>Setting a general target on this subject is in process, however, we have been working on the matter for several years and monitoring it with KPIs such as those mentioned in section a).</p> <p><b>Climate change</b></p> <p>Setting climate-related targets for 2030 and 2050 is underway. With a clear vision of the baseline, Ecuador's needs and international guidelines, a multidisciplinary team is currently working on this matter and will set the targets during 2023.</p>			<p><b>Links and references</b></p>
<p><b>d) Action plan:</b> which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analyzed and acknowledge significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>			
<p>Response</p> <p><b>Financial Health &amp; Inclusion and Climate Change</b></p> <p>The action plan will be defined in 2023 once the targets are set. The climate-related plan will be aligned with the Climate Transition Plan that Banco Pichincha already developed in 2022.</p>			<p><b>Links and references</b></p>
<p><b>Self-assessment summary</b></p> <p>Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...</p>			
	First area of most significant impact (please name it): Financial health and inclusion	Second area of most significant impact (please name it): Climate change	
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	
SMART targets	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	
Action Plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No	

<sup>9</sup>Key Performance Indicators are chosen by the Bank to monitor progress toward targets.

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target. Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response	Links and references
<b>Financial Health &amp; Inclusion and Climate Change</b>	
Along with the implementation of targets, the measures established in the action plan will be met in 2023.	

PRINCIPLE 3: Clients and Customers



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

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?<sup>10</sup>

☒ Yes ☐ In progress ☐ No

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

☒ Yes ☐ In progress ☐ No

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

This should be based on and in line with impact analysis, target-setting and action plans put in place by the bank (see P2).

Response	Links and references
We have processes, channels, products and services that leverage our sustainability strategy. We highlight, among others, the Environmental and Social Risk Management System (SARAS), social and environmental-based products, financial inclusion and bankarization.	Sustainability Report 2022, pages 67-69, 77-78, 80-81, 105-106

3.2 Business Opportunities

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

Response	Links and references
As business opportunities, we have identified the need to enhance our offer of social and environmental-based products and channels, and to continue exploring and analyzing our climate-related strategy. We have published more information in the links and reference section.	Sustainability Report 2022, pages 66-67, 71-74, 77-78

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

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

PRINCIPLE 4: Stakeholders



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

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) that you have identified as relevant in relation to the impact analysis and target setting process? <sup>12</sup>

☒ Yes      ☐ In progress      ☐ No

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

Response	Links and references
We have a regularly updated stakeholder map with their respective prioritization and a process of continuous dialogue.	Sustainability Report 2022, pages 56-57

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

PRINCIPLE 5: Governance and culture



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

5.1 Governance structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes      ☐ In progress      ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility for the sustainability strategy, as well as targets approval and monitoring (including information on the highest level of governance the PRB is subject to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response	Links and references
Directors are the Bank's primary decision-makers on economic, social, and environmental issues. In addition, the Sustainability and Inclusion area was created in 2021 with the aim to improve and innovate sustainability and inclusion practices throughout the organization.	Sustainability Report 2022, pages 55-56, 59

5.2 Promoting a culture of responsible banking:

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

Response	Links and references
In 2022 we conducted several trainings for our employees of Risk, Commercial, Credit, Legal and Sustainable Development areas.	Sustainability Report 2022, pages 67-69

5.3 Due diligence policies and processes

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

Please describe what due diligence processes your bank has installed to identify and manage the environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanisms, as well as the governance structures you have in place to oversee these risks.

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



<b>Response</b>  We have the Social and Environmental Risk Management Policy for Credits since 2020. This has allowed us to identify, assess, mitigate and monitor environmental (including climate-related) and social (including work-related) risks resulting from our clients' credit operations in order to avoid untoward events within the loan portfolio that may have an impact on the Bank's reputation, securities and cash-flow.  This Policy scope is applied to the placing of business loan processes for the following segments: Business, Corporate and SMEs. From the credit proposal submitted for analysis, to the follow-up and monitoring of the portfolio placed.	<b>Links and references</b>  Sustainability Report 2022, pages 67-68
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Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☐ Yes☒ No

Does the governance system entail structures to oversee the PRB implementation (e.g., including impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected negative impacts are detected)?

☒ Yes☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes☐ In progress☐ No

PRINCIPLE 6: Transparency and accountability



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

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☒ Yes☐ Partially☐ No

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

<b>Response</b>  This is the third report of Banco Pichincha on its progress regarding the implementation of the Principles for Responsible Banking. In compliance with the commitment to UNEP FI, the Bank has been audited by an independent third party, as part of the Sustainability Report 2022.	<b>Links and references</b>  Sustainability Report 2022, Assurance Report, pages 147-151
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6.2 Reporting on other frameworks

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

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

<b>Response</b>  In addition to the standards and frameworks checked, the Bank disclose information in the Dow Jones Sustainability Index.	<b>Links and references</b>  Sustainability Report 2022, page 82
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6.3 Perspective

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

<b>Response</b>  <ul style="list-style-type: none"><li>Setting targets and indicators for each selected impact and their respective action plans.</li><li>Monitoring the implementation of action plans and target fulfillments.</li></ul>	<b>Enlaces y referencias</b>
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<sup>14</sup> For example, outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement.  
<sup>15</sup> For example, outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans, etc.

#### 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualize the collective progress of PRB signatory banks.

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

If desired, you can elaborate on challenges and how you are addressing these:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Embedding PRB oversight into governance                    | <input type="checkbox"/> Customer engagement             |
| <input checked="" type="checkbox"/> Gaining or maintaining momentum in the bank                | <input type="checkbox"/> Stakeholder engagement          |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input type="checkbox"/> Data availability               |
| <input type="checkbox"/> Conducting an impact analysis   | <input type="checkbox"/> Data quality                    |
| <input type="checkbox"/> Assessing negative environmental and social impacts                   | <input type="checkbox"/> Access to resources             |
| <input type="checkbox"/> Choosing the right performance measurement methodology(ies)           | <input type="checkbox"/> Reporting                       |
| <input checked="" type="checkbox"/> Setting targets  | <input type="checkbox"/> Assurance                       |
| <input type="checkbox"/> Other:...   | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are addressing them.



#### INDEPENDENT LIMITED ASSURANCE REPORT ON THE SUSTAINABILITY REPORT 2022

To the Board of Directors and

Shareholders Banco Pichincha C.A.

Quito, March 3, 2023

##### **Limited Assurance Purpose**

We have performed an independent limited assurance engagement on the content and indicators, identified with the “✓” mark, published in the Sustainability Report 2022 (hereinafter ‘the Report’), for the business year ended on December 31, 2022 of Banco Pichincha C.A. (hereinafter the “Bank”).

##### **Management’s Responsibility for the Sustainability Report 2022**

The management of Banco Pichincha C.A. is responsible for the preparation of the Report for the year ended on December 31, 2022 in accordance with the content and indicators criteria of the Global Reporting Initiative (GRI) Sustainability Reporting Standards stated in the Reporting Criteria.

This responsibility includes designing, implementing and maintaining internal controls relevant for the preparation and submission of the Report in a way that is free of material misstatements, whether due to fraud or error.

##### **Independence and Quality Assurance**

We have complied with the independence and other ethical requirements set out in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on the fundamental principles regarding integrity, objectivity, professional conduct and competence, due care, and confidentiality.

Our audit firm applies the International Standard on Quality Assurance 1. Therefore, it has a comprehensive quality assurance system that includes documented policies and procedures with respect to compliance with ethical requirements, professional standards and applicable statutory and regulatory requirements.

##### **Practitioner’s Responsibility**

Our responsibility is to express a conclusion on whether the disclosures published in the Sustainability Report for the year ended on December 31, 2022 has been prepared in accordance with the content and indicators found in the Reporting Criteria of the GRI Sustainability Reporting Standards, within the Scope of our engagement, described in the following paragraphs.

This assurance report does not, nor is intended to, evaluate the performance of Banco Pichincha C.A. regarding sustainable development.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” published by the International Federation of Accountants (IFAC). This standard requires that we comply with ethical requirements, including independence requirements, and that we plan and perform the assurance engagement to obtain limited assurance of whether any matters have come to our attention that cause us to believe that the abovementioned Sustainability Report, taken as a whole, is not free of material misstatements.

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T: (593-2) 3829330



Banco Pichincha C.A.  
Quito, March 3, 2023

#### ***Limited Assurance and Procedures Performed***

In a limited assurance engagement, the evidence gathering procedures are more limited than in a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. If a reasonable assurance engagement would have been performed, the purpose of which is to give an opinion, we might have identified other issues or potential misstatements that could have an impact on the Sustainability Report and therefore, no opinion is expressed on the abovementioned disclosures.

The choice of audit procedures is subject to the auditor's own judgement, including the risk assessment of material non-compliance with the reporting criteria. Within the scope of our engagement, we performed amongst others the following procedures: I) inquiries of personnel of Banco Pichincha C.A.; II) procedures and sample-based tests of sources of data collection and indicators; III) reading and observation of the procedures and processes used for the collection of disclosures.

Within this framework, we conducted our audit at Banco Pichincha C.A. Headquarters, where we carried out the following activities:

- Inquiries with Banco Pichincha personnel responsible for the generation and collection of information and indicators subject to this audit.
- Evaluation of relevant processes and documentation used for data collection and consolidation;
- Evaluation of the consistency of the information provided in the Sustainability Report;
- Evaluation of the formulas, arithmetic accuracy and graphical representation of the information;
- Evaluate whether the financial information included in the Sustainability Report is consistent with the audited financial statements as of December 31, 2022;
- Evaluate whether the information and indicators in the Sustainability Report in accordance with the criteria defined in the Global Reporting Initiative Standards, GRI in-accordance option, selected as the most material issues in the Report.

#### ***Conclusion***

Based on the evidence we have obtained from the limited assurance engagement procedures described above, nothing has come to our attention that causes us to believe that the Sustainability Report, for the business year ended on December 31, 2022, has not been prepared, in all material respects, in accordance with the Reporting Criteria of the Global Reporting Initiative Standards (GRI in-accordance option).

Juan Carlos Sáenz  
Partner



## **INDEPENDENT LIMITED ASSURANCE REPORT ON THE PRINCIPLES FOR RESPONSIBLE BANKING IN THE SUSTAINABILITY REPORT 2022**

To the Board of Directors and Shareholders

Banco Pichincha C.A.

Quito, April 28, 2023

#### ***Limited Assurance Purpose***

We have performed an independent limited assurance engagement on the content and indicators, identified with the “✓” mark, regarding the Principles for Responsible Banking published in the Sustainability Report 2022 (hereinafter 'the Report'), for the business year ended on December 31, 2022 of Banco Pichincha C.A. (hereinafter the “Bank”).

#### ***Management's Responsibility for the Principles for Responsible Banking in the Sustainability Report 2022***

The management of Banco Pichincha C.A. is responsible for the preparation of the Principles for Responsible Banking published in the Sustainability Report for the year ended on December 31, 2022 in accordance with the content and indicators criteria of the UNEP Finance Initiative.

This responsibility includes designing, implementing and maintaining internal controls relevant for the preparation and submission of the Principles for Responsible Banking published in the Sustainability Report in a way that is free of material misstatements, whether due to fraud or error.

#### ***Independence and Quality Assurance***

We have complied with the independence and other ethical requirements set out in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on the fundamental principles regarding integrity, objectivity, professional conduct and competence, due care, and confidentiality.

Our audit firm applies the International Standard on Quality Assurance 1. Therefore, it has a comprehensive quality assurance system that includes documented policies and procedures with respect to compliance with ethical requirements, professional standards and applicable statutory and regulatory requirements.

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Banco Pichincha C.A.  
Quito, April 28, 2023

#### ***Practitioner's Responsibility***

Our responsibility is to express a conclusion on whether the disclosures published in the Principles for Responsible Banking included in the Sustainability Report for the year ended on December 31, 2022 has been prepared in accordance with the content and indicators found in the UNEP Finance Initiative, within the Scope of our engagement, described in the following paragraphs.  
This assurance report does not, nor is intended to, evaluate the performance of Banco Pichincha C.A. regarding sustainable development.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" published by the International Federation of Accountants (IFAC). This standard requires that we comply with ethical requirements, including independence requirements, and that we plan and perform the assurance engagement to obtain limited assurance of whether any matters have come to our attention that cause us to believe that the abovementioned Sustainability Report, taken as a whole, is not free of material misstatements.

#### ***Limited Assurance and Procedures Performed***

In a limited assurance engagement, the evidence gathering procedures are more limited than in a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. If a reasonable assurance engagement would have been performed, the purpose of which is to give an opinion, we might have identified other issues or potential misstatements that could have an impact on the Sustainability Report and therefore, no opinion is expressed on the abovementioned disclosures.

The choice of audit procedures is subject to the auditor's own judgement, including the risk assessment of material non-compliance with the reporting criteria. Within the scope of our engagement, we performed amongst others the following procedures: I) inquiries of personnel of Banco Pichincha C.A.; II) procedures and sample-based tests of sources of data collection and indicators; III) reading and observation of the procedures and processes used for the collection of disclosures.

Within this framework, we conducted our audit at Banco Pichincha C.A. Headquarters, where we carried out the following activities:

- Inquiries with Banco Pichincha personnel responsible for the generation and collection of the information and indicators subject to this audit.
- Evaluation of processes and relevant documentation used to collect and consolidate the information;
- Evaluation of the consistency of the information presented in the Sustainability Report;
- Evaluation of the formulas, arithmetic accuracy and graphical representation of the information;
- Evaluate whether the financial information included in the Sustainability Report is consistent with the audited financial statements as of December 31, 2022.



Banco Pichincha C.A.  
Quito, April 28, 2023

Evaluate whether the information and indicators of the Principles for Responsible Banking published in the Sustainability Report are, or not, in accordance with the criteria defined in the UNEP Finance Initiative, selected as the most material issues in the Report.

#### ***Conclusion***

Based on the evidence we have obtained from the limited assurance engagement procedures described above, nothing has come to our attention that causes us to believe that the Principles for Responsible Banking published in the Sustainability Report, for the business year ended on December 31, 2022, have not been prepared, in all material respects, in accordance with the UNEP Finance Initiative).

• .  
  
Juan Carlos Sáenz  
Partner

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General leadership: Executive Vice-Presidency for Finance, Administration and Treasury  
Sustainability Report: Vice-Presidency of Marketing, Sustainability and Public Relations  
*Conexión Consultores* company: Production and drafting of the Sustainability Report

MULTIPLICA

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Quito - Ecuador