

Key Commitments of the Environmental and Social Risk Management Policy for Credits

1. Objective

To integrate environmental and social considerations into credit management to identify, assess, manage, and monitor environmental and social risks for Banco Pichincha C.A. credits. This aims to ensure compliance with current environmental and social regulations, and to minimize credit, compliance, and reputational risks that may have an impact on the Bank.

2. Scope

This policy shall be applied to the process of allocating and managing long-term productive credits at Banco Pichincha C.A. Ecuador, when the loan amount requires it, across the corporate, business, and SME segments. It covers the entire process, from credit origination through analysis and approval, to monitoring the loan portfolio, along with the development of indicators for analyzing environmental and social risks.

3. General Commitments:

- Loans, funds, or any other investments shall not be granted to customers engaging in activities listed as excluded from financing by Banco Pichincha.
- The Environmental and Social Risk Management (ESRM) System shall be maintained to allow for the identification, categorization, assessment, monitoring, and management of environmental and social risks associated with customers' activities, as an integral part of the credit process. This system is based on national regulations and international standards adopted by Banco Pichincha and agreed upon with multilateral lending organizations.
- Environmental and social risks assessment for each transaction shall be proportional to the level of the environmental and social risk associated with the customer's economic activity or the project to be financed.
- Customers shall be supported by being informed about the environmental and social aspects that require improvement and compliance concerning the management of identified risks, through the implementation of an environmental and social commitment, if applicable.
- The results and recommendations of the environmental and social risk assessment shall be considered in the credit decision-making process.
- An organizational structure, integrated into the credit approval process with defined roles and responsibilities, shall be established and maintained.

- Training and capacity-building on environmental and social risk management, as well as the operation of the ESRM system shall be provided to the responsible areas.
- Customers shall be encouraged to comply with applicable national legislation concerning environmental, social, health, and occupational safety aspects, as well as to adhere to best practices in the economic activities in which they operate.



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Annex: Exclusion List

Banco Pichincha shall not fund any activity, production, use, distribution, business, or trade when entailing the following:

1. The subscription and payment of shares of the Bank or any other company within the Banco Pichincha Financial Group.
2. Political campaigns.
3. Endangered species of wild flora and fauna as per the Convention on International Trade in Endangered Species of Wild Fauna and Flora¹
4. Loose asbestos fibers².
5. Illegal products subject to phase-out or national and international bans considered as hazardous, such as: products containing polychlorinated biphenyls³, specific pharmaceuticals, specific pesticides or herbicides, specific chemicals, and ozone-depleting substances⁴.
6. Unsustainable fishing methods, such as blast fishing.
7. Persistent organic pollutants⁵.
8. Non-compliance with Fundamental Principles and Rights at Work^{6 - 7}.
9. Activities that significantly degrade critical areas with high natural conservation value⁸ and cultural heritage.
10. Radioactive materials⁹
11. Transboundary movements of waste and other waste products¹⁰, excluding non-hazardous waste destined for recycling.
12. Acquisition of real state in protected areas.
13. Transport of oil or other hazardous substances in vessels not meeting the International Maritime Organization (IMO) requirements.
14. Non-authorized import and export
15. Business contrary to public moral and ethical standards, such as pornography, prostitution, and speculation (loan sharks).
16. Racist or anti-democratic mass media.
17. Weapons and ammunition.

¹ For further information, visit www.cites.org

² Companies that comply with exposure limit values and have health surveillance programs in accordance with Ecuadorian regulations are excluded from this provision.

³ Refrigerant considered to be carcinogenic, its molecules include chlorine, used in the manufacturing of power transformers.

⁴ The Montreal Protocol lists the above-mentioned substances and their target reduction and phase out dates. This list includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents.

⁵ Defined by the International Convention on the reduction and elimination of persistent organic pollutants, which includes pesticides such as aldrin, chlordane, dieldrin, endrin, heptachlor, myrex and toxaphene, as well as industrial chemicals chlorobenzenes.

⁶ Definitions stated in the International Labor Organization (ILO) Fundamental Conventions on Human Rights

⁷ International Labor Organization, www.ilo.org

⁸ The destruction of natural habitats of outstanding significance or critical importance refers to the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use, or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

⁹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any equipment where the radioactive source is proved to be trivial and/or adequately shielded.

¹⁰ As defined by the Basel Convention.

18. Any business related to illicit or illegal activities under local law or in accordance with international regulations or conventions¹¹.
19. Tobacco, alcoholic beverages duly distilled according to accepted standards (excluding beer and wine), gambling, casinos, and equivalent enterprises¹².

¹¹ This includes everything from narcotics trading or trafficking to activities that violate international conventions as Ramsar and Bonn Conventions on the Conservation of Migratory Species, UNESCO sites.

¹² Excluded activities when representing more than 5% of the financing portfolio volume.