## 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.

1.1 *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, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

Banco de Fomento Agropecuario (Agricultural Development Bank) is an Official Credit Institution, decentralized from the Ministry of Agriculture and Livestock. Both the private sector and the public sector have participation in the bank’s leadership.

We are a development bank, in which agricultural banking accounts for 52.3% of our portfolio, been our main area of attention. The bank provides important support to food security, financing a large part of the cultivation of basic grains. Our vision is to become in 2030, the Rural Development Bank that contributes to the sustainable and inclusive growth of El Salvador.

Within our framework of action, we respond to the Nationally Determined Contributions (NDC) that correspond to the Ministry of Agriculture and Livestock: the transition to sustainable agriculture and promoting a culture of energy efficiency.

The bank operates in El Salvador, as of 2021, holds 40 branch offices in the country, and two kiosks in the US which provide information about products and services.

### Reference(s)/Link(s) to bank’s full response/relevant information

- P. 4-14 of our Annual Report 2020

- See support to food security:
  - P. 37 of our Annual Report 2019
  - P. 49 of our Annual Report 2020

1.2 *Describe* how your bank has aligned and/or is planning to align its strategy to be consistent with and

In 2020, BFA released its strategic guidelines 2020-2024, one of those strategic objectives included: “Ensuring financial sustainability with a social and environmental approach” and, one of its strategic lines: “Implementing a
contribute to society’s goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

The BFA strategy is aligned to the Cuscatlán Plan, which is the nation’s plan that presents the lines of work for the development of the country, and one of them is focused on economically sustainable activities.

During the third quarter of 2021, the SDG Compass tool will be used to accurately have the bank’s strategic alignment with the SDG identified.

### Principle 2: Impact and Target Setting

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

<table>
<thead>
<tr>
<th>2.1 Impact Analysis:</th>
<th>In 2020, the Sustainable Development Analysis Methodology (MADS) was implemented, which analyses each of the financial products and services offered by the bank, in accordance with the compliance of the SDG related to the economy, society and the environment, to determine its level of sustainability.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Show</strong> that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</td>
<td>Due to the fact that the bank has an important impact on the financing of the agricultural sector in the country, during 2019 and 2020 the Ecosystem-Based Adaptation Measures (MEbA) project was developed. This project is providing BFA tools to incorporate this methodology into credit products and procedures, in order to strengthen the agricultural sector’s client portfolio towards sustainable agricultural development, improve efficiency and risk management, reduce customers’ vulnerability to climate</td>
</tr>
<tr>
<td>a) <strong>Scope</strong>: The bank’s core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.</td>
<td></td>
</tr>
<tr>
<td>b) <strong>Scale of Exposure</strong>: In identifying its areas of most significant impact the bank has considered</td>
<td></td>
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</tbody>
</table>
where its core business/its major activities lie in terms of industries, technologies and geographies.

c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.

d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank’s activities and provision of products and services.

(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

Show that building on this analysis, the bank has

- Identified and disclosed its areas of most significant (potential) positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts/reduction of negative impacts.

change and take advantage of environmentally sustainable opportunities.

During 2019-2020, two corporate programs linked to the culture of sustainability have been developed: The Corporate Volunteering Program and the Social Sponsorship Program, which reflect the contribution to the community.

The bank’s Sustainability Strategy will be updated in the second quarter of 2021, identifying priority areas of work.

The UNEP-FI Impact Analysis Tool is expected to be implemented to identify our main impacts in the third quarter of 2021.

About our sustainability culture initiatives see:

P. 43, 45 of our Annual Report 2019

P. 58, 59 of our Annual Report 2020
Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

We are implementing adaptation measures for the agricultural sector which is our main impact sector, internally we have developed a methodology to measure the level of sustainability of our products and services, and we execute social performance actions towards the community as volunteering and sponsorships. Our next step is to perform our impact measurement to be performed this 2021 with the UNEP FI tool and determine the goals and actions to follow.

2.2 Target Setting

*Show* that the bank has set and published a minimum of two **Specific, Measurable** (can be qualitative or quantitative), **Achievable, Relevant** and **Time-bound** (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.

*Show* that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

We have started with the address of the indirect impacts caused by the bank’s activities in one of its main impact sectors, the agricultural sector. Consequently, in 2020 the Rescue Program for agricultural plastics generated by BFA customers (AGRORECICLA) was implemented, which allows us to measure how much CO² we reduce with the reuse of this type of material.

The program consists of awareness campaigns and collection days, consistent with a responsible banking culture and committed to sustainable development goals.

We have worked to update our eco-efficiency program to integrate it into a more comprehensive Environmental Management Plan, currently having “Ecobalance” indicators to determine the efficient management of paper, fuel, water, electricity, and waste. Targets have been proposed by 2024 with a reduction in consumption between 1 and 2% per annum, in each resource, based on changes in technologies, raising awareness, and good practices developed by all BFA staff.

In 2020, the Bank’s Ecobalance reflected savings equivalent to approximately 207 tons of unreleased CO², resulting from the reduction of water, paper, and energy resources. All these achievements have been possible because the implementation of a culture of resource-efficient use.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting

**Negative impacts have been raised on the care of the agricultural sector, and a program is being developed on the reuse of plastics for agricultural use, at the internal level the measurement methodology has been developed to improve the eco-efficiency conditions of the institution. Our next step is goal measurement.**

**2.3 Plans for Target Implementation and Monitoring**

Show that your bank has defined actions and milestones to meet the set targets.

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

During the third quarter of 2021, the SDG Compass tool will be used to help address the results of our impact analysis to determine the KPIs that will be tracked.

The UNEP-FI Impact Analysis Tool is expected to be used to identify our main impacts in the third quarter of 2021.
Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

We have currently defined goals and KPIs to continue improving the levels of eco-efficiency in the institution. Our projection is baseline measurement and to set concrete impact targets for proper monitoring, in Sustainability Committee and Board of Directors.

<table>
<thead>
<tr>
<th>2.4 Progress on Implementing Targets</th>
<th>During the third quarter of 2021, the SDG Compass tool will be used to help address the results of our impact analysis to determine the KPIs that will be tracked.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For each target separately:</strong></td>
<td>The UNEP-FI Impact Analysis Tool is expected to be used to identify our main impacts in the third quarter of 2021.</td>
</tr>
<tr>
<td><em>Show</em> that your bank has implemented the actions it had previously defined to meet the set target.</td>
<td></td>
</tr>
<tr>
<td><strong>Or explain</strong> why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</td>
<td></td>
</tr>
<tr>
<td><em>Report</em> on your bank’s progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</td>
<td></td>
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</tbody>
</table>
Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

We have currently defined goals and KPIs to continue improving the levels of eco-efficiency in the institution. Our projection is baseline measurement and to set concrete impact targets for proper monitoring, in Sustainability Committee and Board of Directors.

**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 **Provide an overview** of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof. | The BFA currently has in place the Financial Consumer Care and Protection Policy, which is governed by the Customer Service Management Procedure, which establishes a mechanism to address complaints and demands. This policy contemplates a Financial Consumer Care System (SACFI) to adequately address and resolve the management of customers and users. In May 2019, BFA was awarded the "Smart Campaign Customer Protection Principles Certification", which accredits the institution to comply with principles that promote the prevention of over-indebtedness, fair and respectful treatment, transparency, complaint care mechanisms, among others, in favor of its clientele and users. The BFA develops trainings and evaluations to staff, which seek to promote compliance with the principles of customer protection, good service and thus strengthening customer excellence. The BFA maintains active participation with El Salvador's National Financial Consumer Protection System. Within the framework of the COVID-19 pandemic, various actions were implemented to better serve customers and users, including See the granting of Smart Campaign certification: https://www.youtube.com/watch?v=9fQE1SK0_q8&t=18s P. 64, 65 of our Annual Report 2020 https://www.bfa.gob.sv/BFA/wp-content/uploads/2021/03/Memoria-de-Labores-y-Sostenibilidad-2020-3.pdf |
forms published on the website, extended schedules, campaign launches, among others.

The Customer Experience Unit was recently created in 2021, which aims to increase customer satisfaction and loyalty.

In 2020 the launch of mobile banking was carried out with 24/7 availability, at no cost, reduction of formalities, offer the customer an added value, as well as the reduction in the use of stationery.

During 2020, services such as International Transfers, Family Remittances, Spins, and International Collections have helped to make international customer trade cheaper and easier. Specifically, in International Channels, the Bank narrows time and distance gaps so that more customers can do business at the export and import level, allowing growth to small, large, and medium-sized traders nationwide.

In 2020, the insurance portfolio that BFA markets for its clients was expanded, giving them the opportunity to protect their assets by avoiding future decapitalizations and economic inconveniences.

In addition, the BFA promotes financial education with women who are clients of the Bank at the Headquarters of “Ciudad Mujer!”, during 2020, 170 women were trained, and in 2021, 150 women have been trained.

In terms of technical assistance and trade links, approaches have been made to cooperatives of coffee producers, during 2021, 300 producers belonging to five coffee cooperatives have been supported.

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1 CIUDAD MUJER is an integral care program for the restitution of women’s rights, implemented by the Government of El Salvador, through the Ministry of Local Development.
**Principle 4: Stakeholders**

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

4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

<table>
<thead>
<tr>
<th>The bank has agreements with national institutions and internments, mainly in financial education management. We are part of the National Financial Education Council, participated in the elaboration of the National Financial Inclusion Policy.</th>
</tr>
</thead>
<tbody>
<tr>
<td>In conjunction with the Ministry of Local Development, boxes have been set up in different municipalities to bring financial services closer to more people as part of the poverty eradication strategy.</td>
</tr>
<tr>
<td>Partnerships have been signed with NGEs such as CRS, OXFAM or the Lutheran World Foundation with which the implementation of sustainable agriculture practices is sought, in the development of skills for the financial and social sustainability of beneficiaries.</td>
</tr>
<tr>
<td>An extension of the Memorandum of Understanding has also been signed with the United Nations Environment Programme for climate change adaptation actions, among others.</td>
</tr>
<tr>
<td>The bank works to promote sustainable practices with its suppliers, aligned with SDP 12 Sustainable production and consumption, and as a representative of the public sector, through the acquisition of sustainable purchases.</td>
</tr>
<tr>
<td>The BFA has a methodology for the registration and monitoring of sustainable purchases, there are 7 categories for 41 products, the various areas of the institution have been trained, so that</td>
</tr>
</tbody>
</table>

P. 34,41 of our Annual Report 2019

P. 40,51,54 of our Annual Report 2020
The Institutional Procurement and Procurement Unit is coordinating with support from the Sustainability Unit to ensure that these practices are maintained.

In the first quarter of 2021, Risk Management is working on updating the Stakeholder Map, which will allow progress in prioritizing areas of care.

The bank’s Sustainability Strategy will be updated in the second quarter of 2021, identifying priority areas of work.

**Principle 5: Governance & Culture**

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

5.1 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 effective implementation of the Principles.

The highest governing body in our institution responsible for managing environmental and social issues is the Sustainability Committee, which is part of the bank’s Higher Administration committees.

The Sustainability Committee is made up of the Bank's President, General Manager, Strategy and Quality Manager, Head of the Sustainability Unit and Head of the Institutional Communication Unit. The other areas participate according to the topic to be addressed.

The committee has information and monitoring powers for decision-making, responsible for ensuring the inclusion of sustainable issues in the development of the Bank’s activities, and responsible for overseeing the implementation of PBRs.

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P. 28 of our Annual Report 2019

P. 33 of our Annual Report 2020
During 2019 and 2020, a total of 22 sessions of the Sustainability Committee were held. The Committee evaluated topics such as: proposals for sustainable strategies, policies and plans with a sustainable approach, follow-up to the corporate culture of sustainability, follow-up to qualification processes or certification on sustainability issues.

The Sustainability Unit -USO- is responsible for managing an action framework that guarantees social and environmental conditions in the business model we promote, including the implementation of PRBs. The USO headquarters regularly presents progress to the Sustainability Committee.

In September 2019, the BFA in conjunction with two other state banks (one of them also a signatory to the PRBs) and the Ministry of Environment and Natural Resources, signed a voluntary agreement named the Green Protocol of the El Salvador Financial System. The main purpose of this agreement is facilitating the convergence of efforts of state banks and the central government, represented by the Ministry of Environment and Natural Resources (MARN), with the aim of strengthening the sustainable development of El Salvador.

The three signatory banks have generated a baseline, establishing a carbon footprint of 4,044.66 tons of CO², equivalent, projecting reductions for the coming years.

In 2021 the Customer Service Unit was created, which will be responsible for transmitting the work in our areas of impact to the costumers.

The bank has policies focused on sustainable management within the institution: a) Environmental Management and Climate Change Policy; b) Equality and non-discrimination policy; d) Financial Consumer Care and Protection Policy; implementation, and
activities derived from each of them are presented monthly by the USO in the Sustainability Committee.

In 2019 the Social Performance Policy was approved, which establishes guidelines for the management and promotion of the social performance of the bank, for the benefit of more vulnerable segments of the country. It seeks to implement a culture of respect, service, and protection to the rights of customers. The implementation, and activities derived from each of them are presented monthly by the USO in the Sustainability Committee.

Our purpose of being a responsible bank is led by our Board of Directors who provide all their support for the implementation of sustainable management to become the Rural Development Bank that contributes to the sustainable and inclusive growth of El Salvador.

We are working on incorporating a culture of sustainability in a cross-cutting way, supported by the Strategic Plan 2020-2024 and based primarily on the SDGs. The Sustainability Unit submits quarterly and annual reports on the topics/actions/projects worked, to the Board of Directors of the bank.

Also, as part of our culture of sustainability, all staff who start at the institution receive training, with defined evaluation method, on sustainability as part of their induction course, these are carried out permanently monthly. During the period of analysis of this report, 192 people have received the training.

The bank’s Sustainability Strategy will be updated in the second quarter of 2021, which will be complemented by a training plan on sustainability issues and will include the implementation management of PBRs at the institutional level.
5.3 Governance Structure for Implementation of the Principles
Show that your bank has a governance structure in place for the implementation of the PRB, including:

a) target-setting and actions to achieve targets set
b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

For the compliance of PBRs, the Sustainability Unit -USO- is the one who monitors and follows up on compliance with the principles, following the guidelines of our strategic address.

The monitoring is carried out under the compliance of all our internal policies, within them is the risk management policy, updated in 2020, in which we manage failures that may affect the normal development of the Bank’s operations, including those belonging to the Sustainability Unit.

The risk policy compliance process has a control and mitigation section, in which process owners (the Sustainability Unit is one of them) regularly monitor operational risk events, as well as control and mitigation actions, generating in this way a culture of risk prevention.

In compliance with our risk management policy the cases identified in the period of Sep-2019- February 2020 are 116 risk events, which have been given due control and monitoring, only two of them belonged to the sustainability unit directly.

In 2020, the internal policy update regulating Reputational Risk was carried out with particular emphasis on stakeholders.

A comprehensive Sustainability Policy will be worked on, starting with the update of the Sustainability Strategy in the second quarter of 2021, identifying priority areas of work.

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

We have made progress in this principle, as the bank has established a Sustainability Governance Structure with a Senior Management Committee and a Strategic Unit for the Management and Monitoring of the Implementation of PRBs. The bank also has internal regulatory support implemented by the Sustainability area and implementing reports to the Board of Directors are presented.
Principle 6: Transparency & Accountability
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.

6.1 Progress on Implementing the Principles for Responsible Banking

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and currently, the BFA develops an action strategy for the categorization of its environmental impacts, incorporating environmental and social risk analysis into the credit assessment; seeking customers with a high environmental impact to compensate and/or mitigate; developing businesses that enhance the responsible and innovative growth of the credit portfolio.

The BFA has built a methodology based on the categorization of the Ministry of Environment and Natural Resources (MARN), classifying credits in low impact (A), mild (B) and moderate or high (C). Category C credits, with moderate or high impact, require an environmental and social risk analysis (ARAS), and forms and tools are available for the analysis and determination of compensation and/or mitigation measures.

In 2020, the segmentation of the credit portfolio indicated that only 24% of the amounts financed are in category C, requiring an ARAS analysis.

As good practices the bank has since 2019, with the “Certification of Smart Campaign Customer Protection Principles” (see point 3.1). Also, in December 2019 the bank obtained the Social Qualification, with sBB+ grade, which analyzes the management of the social performance of a financial service provider and its ability to fulfill the mission and achieve social objectives.

Since 2019, the bank has added in its Annual Report data on the portfolio of credits in municipalities by degree of extreme poverty, P. 32, 38 of our Annual Report 2019

P. 37, 50 of our Annual Report 2020
emerging international/regional good practices and has made progress on its implementation of these Principles. as an element of attention on the part of the bank to financial exclusion.

The UNEP-FI Impact Analysis Tool is expected to be implemented to identify our main impacts in the third quarter of 2021.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking

The bank has carried out good practices in these 18 months where they highlight good practices to measure environmental and social risks, as well as obtain certification and qualifications. The Social Performance Policy was also created for the most specific approach to social issues. A next step is to continue working and narrowing the gap to achieve ISO 26000.

**Annex: Definitions**

a. **Impact:** An impact is commonly understood as being a change in outcome for a stakeholder. In the context of these Principles this means (aligned with GRI definition) the effect a bank has on people/the society, the economy and the environment and with that on sustainable development. Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.

b. **Significant Impact:** Impact that in terms of scale and/or intensity/salience results in a particularly strong/relevant change in outcome for a stakeholder. In the context of these Principles, the concept of *significant* impact is used to ensure banks focus where their actions/business (can) matter most for people, economy and environment and to provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of “materiality”.