

**From Principles to Practice:
Responsible Banking Case
Study Series**

UN environment programme		finance initiative
Principles for Responsible Banking		



BAC
Catalyzing Community
Prosperity and a
Net-Positive Future

February 2025

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Principles for Responsible Banking

The Principles for Responsible Banking (PRB) are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.

The framework consists of six principles designed to bring purpose, vision and ambition to sustainable finance. They were created in 2019 through a partnership between founding banks and the United Nations. Signatory banks commit to embedding these six principles across all business areas, at the strategic, portfolio and transactional levels.





BAC, headquartered in San José, Costa Rica, is one of the largest banks in Central America, with operations across the region and a focus on private banking. The bank joined the Principles for Responsible Banking (PRB) in 2021.

For more information about the bank, visit [here](#).

Climate action and portfolio transformation

PRINCIPLE 2: IMPACT & TARGET SETTING

BAC used the UNEP FI Impact Analysis Tool to assess its impact and its alignment with the Sustainable Development Goals (SDGs) in the six countries where it operates.

The main challenges encountered when carrying out this analysis stem from the limited availability of data and information related to the geographic scope, both internally in the bank and from external sources. The bank complemented the Context Module of the UNEP FI [Portfolio Impact Analysis Tool](#) for banks by incorporating additional data for the six countries it operates to address data challenges. Similarly, the bank implemented efforts to gather more granular data needed for completing the Consumer Banking and Institutional Banking modules of the same tool.

BAC has focused on improving internal processes around credit flows to capture the most relevant data for each credit operation, ensuring better data quality for a more robust impact analysis. This analysis provided the foundation for the bank's sustainability strategy, shaping its approach to sustainability in alignment with regional and global priorities. As a result, climate change mitigation emerged as one of the priority impact areas for BAC to focus on.

BAC's environmental strategy is focused on transforming its portfolio to support global climate goals and drive sustainable growth. The bank's key objectives include achieving net positive impact in GHG emissions, water usage, and waste management, as well as advancing a circular economy and promoting sustainable mobility.

In 2022, BAC measured the financed emissions of its Corporate Banking portfolio, covering 46% of its regional credit exposure. This analysis identified high-emission sectors for the bank, such as power generation, cement, and real estate, enabling the bank to set its first science-based emission reduction targets. Additionally, BAC remains committed to supporting the transition of the agriculture and fossil fuels sectors.

Demonstrating its commitment to effective governance and fostering a culture of responsible banking, in alignment with Principle 5 of the PRB, BAC established a dedicated corporate governance structure. This includes board of directors, senior management, committees, and control bodies tasked with overseeing management and monitoring progress towards sustainability objectives. Additionally, a dedicated cross-functional team has been formed to lead the portfolio decarbonization strategy.

BAC's action plan to support the decarbonization of the corporate banking portfolio

A multidisciplinary team comprising experts from corporate banking, credit risk and other risk management and sustainability departments is tasked with developing an action plan to drive the bank's goals of portfolio transformation and decarbonization. This action plan is articulated around the following axes:

- **Financial solutions:** Supporting business clients in transitioning to lower-carbon economies, through financial solutions such as—among others—loans for electric vehicles, solar panels, financing of renewable energy generation projects, circular economy initiatives, and sustainable construction.
- **Client training and support:** Tailoring support and tools based on client needs and their decarbonization maturity.
- **Climate risk stress tests:** Through the design of an internal taxonomy of climate events to identify the main physical risks in the countries where the bank operates and to assess their impact by economic sector. Currently the bank is in the process of evaluating the exposure of its corporate loan portfolio.
- **Data management improvement:** Collecting detailed client data, such as operational footprints (Scope 1 and Scope 2), to enhance emissions tracking accuracy.
- **Internal capacity building:** Developing virtual training for teams engaged in the bank's decarbonization strategy.

To achieve its decarbonization goals, BAC has forged strategic partnerships and developed new approaches to reduce the environmental impact of its portfolio, supporting its clients in high-emission sectors toward sustainable practices. In 2023, BAC formalized its climate strategy, expanding emissions measurement to encompass automotive and mortgage assets. By 2024, this exercise extended to personal banking, reflecting the broader approach of the bank to emissions reduction.

Extending decarbonization strategy to personal banking

The bank's financed emissions assessment for its vehicles and mortgages portfolios has informed a strategy centered on two key elements: a region-specific context analysis and tailored financial solutions.

- **Context analysis in Central America:** Central to Principle 2 of the PRB, a good impact analysis shall include considerations on the context, meaning on the main challenges and priorities related to sustainable development in the countries/regions in which the bank and/or its clients operate.

BAC utilized the analysis of the supply and demand for sustainable financial solutions across its operating regions. Its findings revealed that the availability of electric vehicles is limited in those areas and primarily consisting of hybrid and high-end models. Additionally, challenges such as limited charging infrastructure and low consumer awareness were identified.

- In the area of green mortgages, the analysis indicates that relatively few construction firms in Central America meet international environmental certifications such as LEED (Leadership in Energy and Environmental Design) or EDGE (Excellence in Design for Greater Efficiencies). This factor coupled with higher costs and limited consumer information, has resulted in lower demand, particularly in a region facing economic constraints. Based on this context analysis, the bank can identify key market needs and potential challenges.
- **Financial solutions:** In response to these findings, the bank offers products designed to help clients reduce emissions. These include financing for electric and hybrid vehicles, loans for sustainable construction certified by LEED or EDGE, and credit options for solar panel installations. These solutions directly address the identified market demands, promoting sustainable development and environmental protection.

Supporting inclusive economies: financial inclusion and empowerment

Financial health and inclusion are also identified as key impact areas by BAC, central to the bank's sustainability vision. BAC strongly believes that banks can act as catalysts for both social and environmental values in Central America, hence the bank places as well a strong emphasis on positive social impact. Initiatives in this area focus on expanding financial and digital education, increasing access to banking services, and initiating social investment activities.

PRINCIPLE 3: CLIENTS & CUSTOMERS

BAC has launched its own digital platform, Positive Finances, offering resources to help users make informed financial decisions. The bank promotes digital financial literacy through onsite channels, customer service, and digital platforms, aiming to include individuals in the digital financial ecosystem. The platform provides online courses on topics such as "The Correct Use of My Credit Card," "Protect Your Money, Secure Your Future," "Responsible Credit: A Positive Look at an Essential Tool," and "Mastering the Habit of Saving." In 2023, BAC provided training to 107,819 individuals, with 58,710 participants involved in programs linked to financial inclusion. Of these, approximately 33% chose to adopt or formalize their use of BAC's products or services, indicating a potential link between educational support and customer engagement. Since 2009, BAC has delivered financial training to over 1.4 million people throughout Central America.

In addition to educating users via their app, BAC has agreements with ministries of public education or educational governing bodies in Guatemala, Honduras, Costa Rica and Panama allowing for the development of programmes aimed at high school students. These programmes provide tools for personal finances management and technical training to enhance their employability in financial positions, as well as their entrepreneurship and productivity skills.

Within the micro, small, and medium enterprises (MSME) sector, BAC aligns its activities with regional economic strategies, recognizing the key role of this sector in Central American economies. BAC's goal was set to increase SME engagement by 2% by December 2024. To achieve this, the bank tailored its financial solutions to the varying maturity levels of SMEs, providing targeted support that aligns to their specific growth stages. Additionally, BAC aims at enhancing digital accessibility through a catalog of solutions.

The maturity level of MSMEs is assessed based on criteria including annual sales, credit exposure and the number of employees. Using these metrics, MSMEs are categorized into four groups: Entrepreneurs, Microenterprises, Small Enterprises and Medium Enterprises. By providing tailored access to resources and support, BAC aims to facilitate the economic growth of MSMEs, fostering their development and contribution to the broader economy.

In 2023, 13,458 SMEs participated in BAC's training programs, with 50% subsequently choosing to use the bank's products or services. Since 2009, over 160,000 SMEs across six countries have received support through these programmes. In addition to financial solutions, BAC provides training workshops, technical advice, and talks aimed at strengthening MSME business models. These initiatives focus on areas such as digital commerce, human capital, digital marketing, corporate social responsibility, and investment, supporting the development of SMEs and contributing to economic growth.

Since 2009, BAC has also implemented programmes supporting women's economic engagement, including skill development, leadership training, and business management resources.

BAC's women supporting programs in countries of operations

In most of the countries where BAC operates, the bank offers special programmes that support women entrepreneurs and consumer women clients. These programmes include mentorship, workshops, and a range of financial and non-financial solutions available across BAC's operational regions. Some of the examples include:

- **Guatemala:** Discounts on affiliated products, access to a BAC Objetivos savings account with differentiated interest rates, and BAC Mujer Insurance.
- **El Salvador:** Exclusive credit options for women entrepreneurs with flexible guarantees and grace periods.
- **Honduras:** Loans with preferential interest rates, tailored payment methods, strategic alliances, and training opportunities.
- **Nicaragua:** Credit for working capital or fixed investments, offered without guarantees, along with individual follow-up, webinars, business roundtables, coaching, and mentoring.
- **Costa Rica:** Development Bank credits and exclusive offers for mortgages and collateral loans, as well as access to markets, forums, and lectures.

In terms of employee support, BAC has established the Posibilidades BAC program to assist employees with high debt burdens or financial instability. This programme includes financial coaching, training, and low-interest loan options aimed at improving debt-to-income ratios. The programme also addresses social protection, access to housing, employability of family members, education and health. A comprehensive wellbeing program also offers financial coaching and training for employees, supporting financial planning across different needs.

Taxonomy for product classification and assessment

BAC has developed an internal methodology for classifying and evaluating its products using a taxonomy that integrates environmental factors, including climate change considerations, and social and gender criteria.

This methodology ensures that each approved or disbursed loan is analyzed by the business and credit risk teams who assess its impact and determine alignment with the internal taxonomy. This process provides valuable insights into the evolution of the portfolio, enabling the bank to strategically develop financial products and target businesses that align with market needs while creating environmental and social value. This approach has demonstrated measurable success, with a growing percentage of the portfolio contributing to positive impacts each year.

The taxonomy is structured to meet regulatory requirements of the countries in which

BAC operates alongside relevant international frameworks, and it undergoes periodic updates.

To ensure effective implementation, BAC offers regular training to personnel involved in credit processes, including business executives, credit analysts, and operational teams. This training aims to enhance their capability to identify projects aligned with positive impact objectives, strengthening the bank's commitment to sustainable development.



UNEP Finance Initiative (UNEP FI) brings together a large network of banks, insurers and investors that catalyses action across the financial system to deliver more sustainable global economies.

For more than 30 years the Initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda establishing the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance challenges.

Convened by a Geneva, Switzerland-based secretariat, more than 500 banks and insurers with assets exceeding USD 100 trillion are individually implementing UNEP FI's Principles

[unepfi.org](https://www.unepfi.org)

for Responsible Banking and Principles for Sustainable Insurance. Financial institutions work with UNEP FI on a voluntary basis to apply the sustainability frameworks within their industries using practical guidance and tools to position their businesses for the transition to a sustainable and inclusive economy.

Founded in 1992, UNEP FI was the first initiative to engage the finance sector on sustainability. Today, the Initiative cultivates leadership and advances sustainable market practice while supporting the implementation of global programmes at a regional level across Africa & the Middle East, Asia Pacific, Europe, Latin America & the Caribbean and North America.



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