

**CREDICORP'S
SUSTAINABLE
ENGAGEMENT
APPROACH**

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Introduction

Credicorp acknowledges the role of the financial services industry in promoting the adoption of more sustainable business practices by integrating environmental, social, and governance (ESG) criteria into the strategy, operations, and decision-making processes. In this regard, Prima AFP, Pacifico Seguros, and Credicorp Capital integrate a responsible investment approach within their investment practices, guided by the principles outlined in the [Corporate Policy for Responsible and Sustainable Investments](#). Central to this approach is Active Ownership, which entails engaging with the companies in which we invest to bolster their sustainability management and disclosure standards.

The primary objective of these engagement endeavors is to create long term value for issuers. Therefore, it is essential to foster a constructive and continual dialogue aimed at effectively addressing areas for improvement, thereby enhancing transparency, mitigating risk profiles, and optimizing investment returns. This collaborative approach emphasizes working alongside issuers to support them in adopting practices that enable the effective integration of sustainability criteria that are material to their performance. The process involves ongoing monitoring to pinpoint areas for improvement and provide consistent feedback.

Objective

This document serves to outline Credicorp's sustainability-focused engagement priorities, ensuring the efficiency and efficacy of this process. These priorities are established based on a comprehensive understanding of the broader context and an analysis of the sustainability-related risks and opportunities confronting issuers within our portfolios. We view these priorities as fundamental in strengthening issuers' management practices, bolstering their resilience, and enhancing their competitive edge. For each priority, we have identified a set of best practices deemed key in the integration of sustainability practices within companies, which we aim to promote through our active ownership role.

The outlined priorities are applicable across the diverse sectors represented in our portfolios, with their impact varying based on sector-specific considerations. Furthermore, [the complementary sector-specific priorities document](#) delineates sector-relevant priorities derived from a materiality analysis of sector-level risks and impacts. This document also specifies the indicators we will monitor to track issuer progress, aligning with each subsidiary's appetite.

This document will be updated to reflect shifts in the operating landscape and market advancements in sustainability.



Priorities

Governance

Robust governance practices contribute to issuer resilience and competitiveness. It is essential to establish clearly defined processes, controls, and procedures to set up leadership structures, facilitate ethical and effective decision-making, and oversee risk and opportunity management, including those related to sustainability.

Best practices:

- Board composition: at least one-third independent directors, with female participation
- Inclusion of sustainability indicators in senior management incentive plans, including the CEO
- Publicly available code of ethics
- Publicly available auditor rotation policy
- Establishment of an ethics reporting channel ensuring anonymity and managed by an independent third party

Social impact

The effective management of social impacts reinforces stakeholder trust, safeguards the company's financial value, and creates opportunities for sustainable growth. By committing to the well-being of employees, suppliers, clients, and local communities, issuers foster a more stable and favorable operating environment. Furthermore, proper social-impact management enables organizations to proactively identify and mitigate risks associated with human rights, labor conditions, and community relations.

Best practices:

- Publicly available human rights policy
- Measurement of occupational health and safety indicators, including third-party workers
- Measurement and disclosure of workforce demographic indicators that help identify and address inclusion gaps (e.g., gender)
- Measurement and management of workplace climate
- Labor standards defined for suppliers to ensure responsible hiring practices
- Measurement and management of customer experience (e.g., complaints management)



ESG Risk Management

Integrating environmental, social, and governance criteria into issuers' risk-management systems is essential for effective decision-making. Issuers should identify and evaluate material environmental and social risks across short-, medium-, and long-term horizons, implementing suitable processes and mitigation measures. Understanding how these risks translate into financial risks is key.

Best practices:

- Development of a risk matrix that includes environmental, social, and governance risks

Climate change

Identifying and assessing climate-related impacts, risks, and opportunities, along with implementing mitigation and adaptation initiatives, strengthens business resilience and competitiveness. This is particularly pertinent in a global context where climate change and decarbonization are increasingly material. To effectively manage transition risks, issuers in carbon-intensive industries should possess robust and actionable decarbonization plans. Furthermore, given Latin America's high vulnerability to physical climate risks, climate adaptation is a key component of corporate sustainability.

Best practices:

- Measurement and disclosure of Scope 1 and Scope 2 GHG emissions, as well as material Scope 3 categories for the industry
- Publicly available third-party verification of emissions measurement
- Implementation of emissions-mitigation measures



Water and nature

Mitigating impacts and managing risks related to water and nature is crucial for ensuring the financial sustainability of issuers, especially those heavily reliant on these resources in their operations and supply chains. Water stress and natural-capital degradation pose acute challenges in Latin America with far-reaching negative implications. Responsible management of water and natural resources helps in preventing environmental degradation, ensuring future resource availability, reducing operational risk, and supporting sustainable development and access to safe water for local communities.

Best practices:

- Measurement of water consumption
- Implementation of water-efficiency measures
- Measurement of waste generated
- Implementation of waste-reduction initiatives

Disclosure and transparency

Transparent and consistent sustainability disclosure is paramount for fostering trust. Sharing accurate information on corporate performance, including ESG matters, empowers stakeholders to make informed decisions, enhances issuer credibility, and cultivates a favorable business environment. Information should be disclosed promptly, clearly, and consistently to allow stakeholders to evaluate progress and socio-environmental impacts.

Best practices:

- Alignment of annual reports with recognized sustainability disclosure standards (SASB, GRI)

