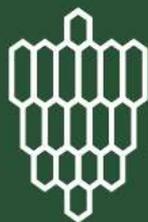


**Sustainability
Report
2021**



**Banco de
Machala**
El Oro es nuestro respaldo

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Brief from the Chairman of the Board of Directors

(GRI 2-22)

Dear all,

As an institution we work for the people, keeping our commitment solid, just as in the trying times we endured during the pandemic. The country's ability to financially recover will depend on our joint effort. At the same time, we will support the productive sector of the country. The core role of the financial sector is to support companies and households by granting credits and securing their deposits.

We think of the banking sector as the motor that generates development, because of this we maintain our social and environmental commitments.

We believe that sustainability will be key for financial activities in the future, and we wish to walk side by side with it. The connection we have as an institution with the earth, entrepreneurs, and our presence in El Oro province are great advantages. We are also well established in the rest of the country.

Our processes are based on solid finance practices along with the trust of our clients, all this allowed us to show excellent results for 2021. The attraction of funds increased by 0.03 % with a total of \$827 MM in deposits by the end of the year. Our position at credits also increased with a gross balance of \$571 MM by the end of the year, which is 9.13 % more than in 2020.

Technology in banking is also evolving, our institution keeps moving forward, just as technology does which allows for achieving operational efficiency and client satisfaction. Now, our clients may be connected to their banking services whenever they need them.

We wish to offer more user-friendly services and our digital channels and our remote customer service channels will be a complement to our physical branches—Our objective is to reach all corners of Ecuador.

We would like to thank our employees for all their hard work and commitment during this time. Our associates are always willing to help our clients.

As an institution, we are fully compliant with COVID-19 regulations, with our, staff and with our clients who go to our many branches in person.

We continue to generate employment, and keep onboarding new members to our family, which is made up of 810 employees at the moment.

It is worth mentioning our commitment to equality and offering equal opportunities to all candidates. Our staff is comprised of 60 % of women, which is a great indicator of equality.

This report goes over environmental, social, and governance aspects. We are actively working towards Strategy 2025, which will allow us to strengthen our progress with our staff and our groups of interest.

As an important milestone for 2021, we adhered to the UN Global Compact and we are committed to beginning implementing the Ten Principles of the UN Global Compact in areas related to work conditions, respect for human rights, environmental protection, and anti-corruption practices.

You are more than welcome to read the compact mentioned above.

Thank you for your interest.

Sincerely,

Esteban Quirola Figueroa

Chairman of the Board of Directors

Brief from the Acting CEO

(GRI 2-22)

Dear all,

The bank keeps evolving to serve the people, and at the same time, we are applying lessons learned during the pandemic. We have drafted a new reference framework; we look at the Strategic Plan 2022-2024 with confidence and commitment to what it would bring to our institution. With a solid brand, we will continue with our objective of offering financial solutions that will contribute to the creation of new opportunities for our clients.

It is worth noting that, in 2021, the institution focused its efforts on the institutionalization of processes towards complying with environmental, social, and governance aspects at the bank.

We were already working on governance structure, assistance for our partners and clients; developing products with social impacts and committed to an eco-friendly operation. Additionally, we followed a holistic approach to methods of reference. Our next step in this process will be, in 2022, to announce the first interannual sustainability strategy.

Our values as an institution and the experiences told by our employees create an environment of respect and trustworthiness.

We keep offering new opportunities to be part of the bank and for professional growth in our institution.

As women, we are essential for this institution, as they put their trust in talent without distinction of gender. I take pride in being a role model, and I hope I would be the spark that ignites many other promising careers for my fellow female colleagues.

It is worth noting that we keep training our staff on responsible banking processes, with products that create growth opportunities and promote environmental practices.

The analysis system for environmental, social, and credit risks, SARA in Spanish is the center for our environmental practices. At the same time, it represents an opportunity to direct the funds obtained from the National Financial Corporation, CFN in Spanish, and the International Financial Corporation, IFC, a member of the Global Bank Group.

Making steps forward in sustainability is key to the competitiveness of our clients and the strength and growth of their businesses.

As strong believers in responsible banking, with the direction of the United Nations Environment Programme Finance Initiative, we prepared this report as evidence of all our efforts.

We are also socially responsible and as proof of that, we are proud of showing the results of our on-line financial education platform, *Banco para crecer (Bank to grow)*. The objective of this platform is to offer additional knowledge besides the regular programs offered by partner social organizations, thus creating employment opportunities to promote a better quality of life.

We keep track of our energy consumption, and we are carbon-neutral, in our efforts to be environmentally responsible.

With all the aforementioned, we are contributing towards the Sustainable Development Goals, even more with our recent entry into the Global Compact.

This report represents a milestone in our institution, the first one pursuant to international reference standards. This milestone places us as leaders of the financial sector in the country. Furthermore, all these efforts are the result of the trust put in us by the stakeholders, the vision of the management team, and the commitment of everybody within the organization.

We appreciate your support in the new year.

Sincerely,

María Eugenia Navarrete O.

Acting CEO

Main figures

As of December 31, 2021

| Institutionality and integrity | Strengthening of Corporate Governance and Sustainability Committee | Updates on the code of ethics and conduct | Updates on the code for Good corporate governance |
|---|--|--|---|
| Sales and services | 124 customer service locations throughout the country | 39,723 active users on Oronet | 17,123 active users on Oromóvil |
| Team commitment | 810 employees | 54% of women working in management and management-like positions | \$2,597 invested in training |
| Client growth | US\$ 364.17 loans for production as of the end of 2021 | US\$4.99 M in micro-loans, as of the end of 2021 | |
| Client's environmental performance | Development of Environmental and Social Risk Management Systems | 34 clients trained on best environmental practices | |
| In-house environmental performance | 2,157,778 kWh use of electricity (-14.5% vs 2020) | 2.26 tCO ₂ eq/ GHGs emissions | |

How to read this report

(GRI 2-2, 2-3, 2-4, 2-5, 2-14)

This is our first sustainability report with international standards. We integrate the Global Reporting Initiative (GRI) standards with those of the Sustainability Accounting Standards Boards (SASB), as detailed below. In this way, we work towards the principle of transparency that guides our culture as a financial institution.

We list the main results of our institution¹ during the fiscal year 2021, between January and December, materiality-related matters.

The materiality study that we carried out in 2020 allowed us to determine the critical issues due to the impact of our activity (impact materiality), from the perspective of a selection of our main stakeholders and the management team. This process serves as the basis for applying the GRI Standards.

In addition, this year we added financial materiality, using the key topics as established by SASB, for the sectors of its classification in which we operate, commercial banking and consumer finance. The mortgage financing standard has not been used due to the lower contribution of this line of business to the bank's total. This report takes into consideration the critical issues for the financial results and stability of our institution.

This report serves as Communication on Progress (COP) under our commitment to the Global Compact, the COP focuses on the steps taken to pursue the 10 principles of the Global Compact—human rights, labor practices, environmental protection, and anti-corruption practices.

Our Environmental, Social, and Governance performance is focused on Sustainable Development Goals, and this report will inform about them.

Lastly, we will also communicate our progress in the implementation of the Principles for Responsible Banking coordinated by the United Nations Environment Program Finance Initiative (UNEP-FI) and of which we have been signatories since 2019.

The information was compiled with the participation of different areas of the Bank, following the technical guidelines of the aforementioned standards (GRI, SASB). The contents have been reviewed by the Corporate Governance Committee and validated by the Board of Directors. Being our first report with standards, we do not yet have external verification.

¹ To find out about the entities included in our Sustainability Report, please see our [2021 report](#).

1. Profile and strategic priorities

1.1 Profile

(GRI 2-1, 3-3)

Our History

In 1962 we began operations as a private commercial bank in the city of Machala -in southern Ecuador- with the firm purpose of contributing to the development of productive activities in the province of El Oro, the largest banana-producing area in the country.

The efforts of a group of local businessmen, led by Esteban Quirola Figueroa -who would become President of our Board of Directors-, allowed us to give the community a financial institution that has become a bank of national reach.

In 2017, the Superintendency of Banks authorized Banco de Machala to carry out financial activities such as multiple banking, which has allowed us to be able to grant loans in several additional areas of the Ecuadorian market.

Mission

We focus on offering quality products and services, backed by efficient processes and state-of-the-art technology, through a cohesive, empowered human team with a sense of urgency.

Vision

To be the most competitive, agile, and profitable medium-sized bank in the country.

Values

Ethics: Our decisions and actions will always be in line with good conduct.

Good judgment: We will proceed swiftly but always focus on prudence when facing risks.

Responsiveness: We will strive to continually improve our responsiveness.

Oriented to always achieve results: We will be oriented to achieve the results established as objectives.

Communication and teamwork: We create an environment that promotes excellent organizational performance.

Institutionality



We are a public limited company incorporated in Ecuador, with a shareholding composition mainly in the hands of the founding family (98.13%). As a result of our growth, we issued bonds convertible into shares on the Guayaquil Stock Exchange.

As an institution, we fully comply with the applicable legislation in relation to our legal nature and we have solid corporate governance, which we give an account of in a specific chapter.

Business units

(GRI 2-6)

As a full-service bank, we offer products for savings and credit, as well as a broad portfolio of services for individuals and companies.

Banking for companies

| Type of service | Sectors and activities | Products and services |
|---------------------------------|--|---|
| Loans | Agriculture Trade Building Logistics and Transportation Services | <i>Credi-Camión</i> Production loan <i>Credit-Rol</i> |
| Deposits | Agriculture Trade Building Services | Checking account Savings account |
| Collections and payments | Agriculture Trade Building Logistics and Transportation Services | Collections Payments Soft token and OTP |
| Foreign trade | Agribusiness Trade Building Logistics and Transportation Services | Domestic letter of credit Import letter of credit Export letter of credit Import and export collection Guarantees Standby letter of credit |
| Investments | Agribusiness Trade Building Services | Term deposits BM 365 CEDA |

Banking services for individuals

| Type of service | Sectors and activities | Products and services |
|--------------------|---|--|
| Credits | Persons working for an employer, mainly from the private sector Self-employed persons Retired persons | Auto-Credit Credit-Rol Back-to-Back credit Casa-Credit <i>Crédito educativo Estudio Meta</i> |
| Deposits | Persons working for an employer Self-employed persons Retired persons | Saving accounts Checking account <i>Mi Cuenta Crecer</i> Crecer Plus account |
| Investments | Employees Self-employed persons Retired persons | Term deposits BM 365 Investment Plus CEDA |

Service channel network

At Banco de Machala we have a national network, which at the end of 2021 covered 124 face-to-face service points. We also make our digital channels available to customers, which we have significantly strengthened. After the pandemic, its use by the population skyrocketed and as an institution, we have invested in its development aiming at offering the best customer experience.

National channel network

| National channel network | |
|-----------------------------------|------------|
| Main office | 1 |
| Branches | 13 |
| Agencies | 27 |
| Dedicated offices | 5 |
| Outreach windows | 3 |
| Drive-thru windows | 4 |
| ATMs | 54 |
| Smart ATMs | 12 |
| ILT Smart multimedia kiosk | 3 |
| Total | 122 |

Digital and/or remote channels

| Oronet | | Online banking |
|-------------------------|---------------------|---|
| Oro Móvil | Mobile App | Your bank on your phone. The client may access their funds and online banking services from anywhere. |
| Multimedia Kiosk | Self-service system | It allows our clients to request check books, print bank certificates, and other services. These kiosks are available at Machala's main office, Guayaquil's main office, and Pasaje's branch. |
| ATM | Self-service system | National network which allows cash withdraws and other transactions. The bank also has some smart features available. |

1.2 Strategic priorities

(GRI 3-3)

At Banco de Machala we understand banking as something that can create opportunities for economic and social growth and protect the environment at the same time.

The reported fiscal year refers to the closure of the 2019-2021 strategic plan where we focused on:

1. *Increase profitability*
2. *Customer loyalty and access to banking services*
3. *Digital transformation*
4. *Boost employee efficiency*

During the fiscal year, we identified opportunities in strengthening business relationships in specific sectors, digital transformation and progress in new market sectors, and expansion leveraged in the multiple banking business models.

Upon successful completion, we were committed to drafting a biannual plan to start implementation in 2022. Our team is focused on working on developing key differentiating elements and core competencies to foster institutional values of trust, soundness, and speedy services for our clients and groups of interest.

Differentiating elements

- Sound risk management. We are a bank that takes its credit decisions seriously with caution and focused on business strategies. Our team is always focused on the soundness of transactions and the protection of the deposits of our clients.
- Regional leadership in El Oro province. We maintain our local essence, with a combination of national presence and a proposal to branch out to other regions in the country.
- Leadership in the agricultural sector. Since the beginning of our activities, we have been supporting the banana and fishing industry, namely its industrial processes and acquisition of raw materials. With all these efforts, we are contributing to the exports of the country and its economic well-being. As the bank grew, we also increased our presence in other sectors, specifically in the business sector.
- Rapid response, personalized customer service, and streamlined processes. Our team works closely with our clients and provides support in the decision-making processes in connection with reliable financial services. We seek to understand our client's needs—Our bank stands out for offering personalized customer service and attending to each case as unique.

During the last few years, we have identified great opportunities to develop products with a social and environmental approach that also engages our clients in the implementation of best practices. We go over this topic in detail in the Responsible Banking chapter.

We also started promoting our mobile banking services, without forgetting about our face-to-face services and maintaining speedy services in our operations throughout.

We are embracing technology to boost our internal processes; we have included data analysis to offer a better experience for our clients.

With all this in mind, we are building solid foundations for the coming years in the pursue of strengthening our commitment to the productive and financial sector of Ecuador.

2. Sustainability approach

2.1 Priorities

(GRI 2-23, 2-28)

We are committed to being an institution that creates value for all its stakeholders; a bank that maximizes its positive social and environmental impacts and mitigates any negative ones that may occur along the way. All this is managed with solid corporate governance that ensures decision-making with this approach.

We determined our sustainability work priorities based on material matters, in an analysis carried out in 2021. In that instance, we determined the main ESG (environmental, social, and governance) issues, based on the impact generated by our activities (impact materiality). We defined the first set of initiatives, on which to focus this year included in this report.

After that first push, we decided to focus on a medium-term strategy, 2022-25. In order to create this strategy, we use the concept of double materiality as dictated by international practices also in the financial sector. To do this, we add to the impact materiality already indicated, the financial materiality in the form of the issues that the Sustainability Accounting Standards Board (SASB) Standards initiative puts on the table.

Our strategies reflect our stakeholders' expectations of working on greater impact matters but keeping in mind the local market requirements (investors, rating agencies, and international banking) on ESG topics that may affect the financial stability of the bank.

See appendix Material assessment

The charts below show our priorities for the 2022-25 strategy, which we have been working on since 2021—our strategy is articulated following the ESG principles and it is based on lines of action. We have incorporated past initiatives from past strategies to the 2022-25 strategy to keep moving forward in our pursuit of success.



| Approach | Aspects | Material matters |
|--------------------------------|-------------------|--|
| Institutionality and integrity | Governance | Ethics and anti-corruption (impact and financial) Corporate governance (impact and financial) |
| Commercialization and service | Social governance | Online processes (impact and financial). Client experience (impact and financial) Transparency in products and services (impact and financial) Information security (use of information) (impact and financial) Client's privacy (use of information) (impact and financial) |
| Team commitment | Social | Work environment and employee satisfaction (impact) |
| Client development | Social | Business development (clients) (impact) Financial education (impact) Financial inclusion (impact and financial) Innovation in products and services (impact) |

| | | |
|--------------------------------------|---------------|---|
| Environmental performance of clients | Environmental | Innovation in products and services (impact) Climate resilient practices (financial) |
| Own environmental management | Environmental | Climate resilience practices (financial) |
| | | |

-----Financial stability (financial results) (impact and financial)-----

Our past experiences and this new strategy work toward achieving the Sustainable Development Goals—which are priorities established by the UN 2020 agenda, a route map that considers the problems we face as a society, including environmental pollution.

See appendix: Contribution to SDGs

It is worth noting that in 2021 we adhered to the UN Global Compact. Our bank is committed to implementing the Global Compact 10 principles, which include commitments to labor relations, human rights, environmental protection, and anti-corruption practices.

See appendix: Implementation of the principles of the Global Compact

Our sustainable strategy will be making use of the priorities already established in the responsible banking section. In that section, we go over product development with an environmental and social approach, as well as social and environmental risk assessments of credits and financial education.

Our team identified the strategies named in the paragraph above to address the areas of impact of the 2020-21 portfolio of services after we adhered to the Responsible Banking Principles led by the UNEP FI.

See appendix: Identification of the impacts of the portfolio services

See appendix: Self-assessment survey on Responsible Banking Principles

2.2 Relation with stakeholders

(GRI 2-29)

The growth of our bank, as well as the goals we have reached throughout the years, is thanks to the trust of our stakeholders in our operations, products, and services. We foster dialogue and we keep transparency in our daily activities and results.

We identify our stakeholders as groups that may be significantly affected by our operations and/or are key in achieving our business objectives.

Our objective with our stakeholders is to create two-ways long-term relations. Our relations are always pursuant to our values, principles, and our code of ethics.



| Stakeholders | Value creation | Channels |
|---|--|--|
| Our staff | <ul style="list-style-type: none"> We promote professional development through constant training, to keep our team updated on the knowledge required by their work. We are looking after the health and safety of our employees. We promote respect for human rights, inclusion, and equity in our team. We pursue physical and psychological wellbeing in our team. We offer campaigns that seek to improve their quality of life. | Complaints channel Intranet Team meetings Briefings Assessment of the working environment Sustainability report |
| Shareholders and other investors | <ul style="list-style-type: none"> We guarantee financial stability and growth by providing the confidence to our investors that the bank supports their shareholders. | Board of shareholders Annual report, shareholders A dedicated spot on the website Specialized support team Sustainability report |
| Clients | <ul style="list-style-type: none"> We offer products and services with high-quality standards. We adjust to the needs of the client and work on a tailor-made offer. We seek transparency in the information guaranteeing the security and trust of our clients. | Branches: Main office, branches, agencies, dedicated offices, and drive-thru windows. Outreach windows Multimedia kiosks and ATMs Other remote channels: website, mobile app Social networks and email notifications. Sustainability report |
| Vendors | <ul style="list-style-type: none"> We generate opportunities for participation in the Bank's operations, through the selection of quality products and services. We have a focus on long-term relationships aiming at a win-win relation. | Complaints channels Assessment and procurement processes Rendering of services meetings Sustainability report |
| Authorities | We comply with local laws. Safeguarding the rights of clients, as well as their safety. | Reports and enabling documents Supervision from the Superintendency of banks Shareholder's report with the information required by law |
| Community | We contribute to social development, through the promotion of inclusion and financial education. | Financial education proposals Social investment initiatives and donations Global Pact – Ecuador chapter Sustainability report |

2.3 Governance in sustainability

(GRI 2-12, 2-24, 2-13)

As of 2022, the Committee for Corporate Governance and Sustainability will oversee the progress of the strategies. The committee is the internal body comprised of the different approaches and action lines of the strategy.

The board will be briefed by the president of the Committee for Corporate Governance and Sustainability. We seek active involvement in the consideration of ESG aspects of strategic decisions as the highest authority of the governance of the institution.

The institution will focus on a cross-discipline approach since it will need the support of all departments within the institution, as the strategy moves forward.

Banco de Machala already has policies for some of the aspects related to ESG.

- *Code of ethics*
- *Policy to train our staff*

- *OHS policy*
- *Environmental and social risks policy*
- *Zero papers-policy*

The policies named above are going to be covered in-depth in the respective sections of this report.



3. Corporate governance

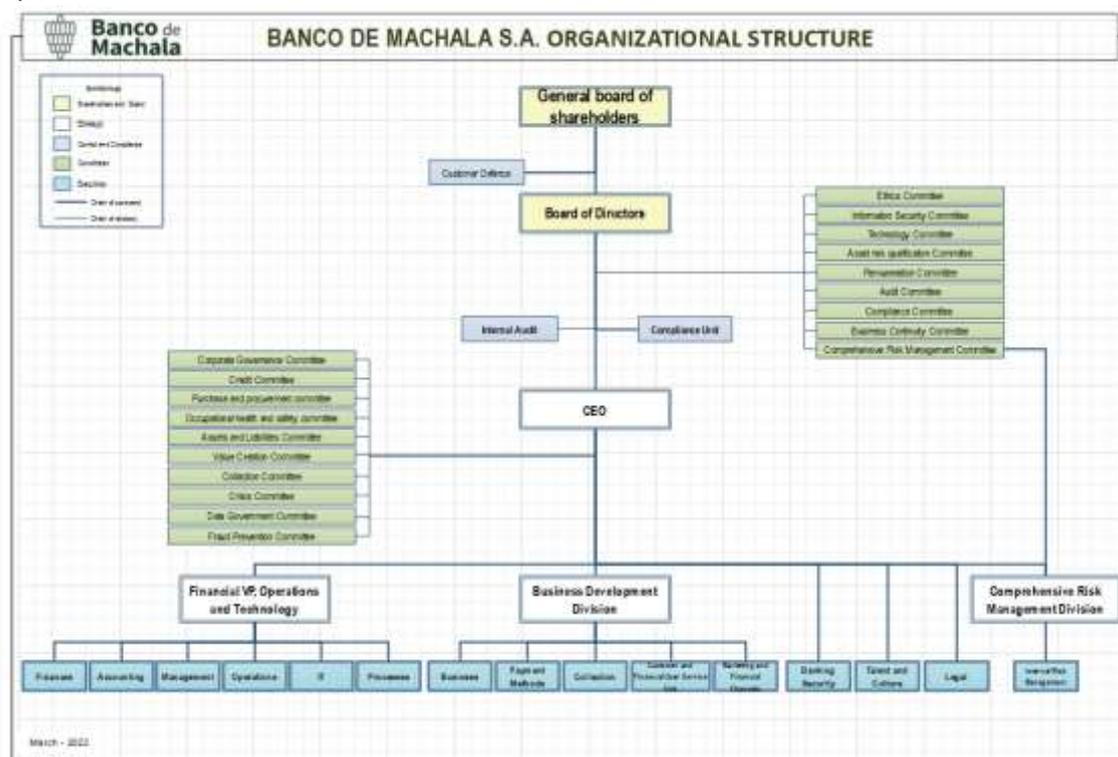
3.1 Structure

(GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-15, 2-17, 2-18, 3-3)

We are a law-abiding institution in all areas within our governance.

We follow our internal bylaws, and we take into account national and international best practices, such as the Ecuadorian Rules for Good Corporate Governance, Rules of the Superintendency of Companies, Securities and Insurance; the Ecuadorian Institute of Corporate Governance, and BID invest.

Our work is based on our Code for Good Corporate Governance, which is regularly updated.



General board of shareholders

The General Board of Shareholders is our governing body, which is exercised by the governance, the institution's highest authority. It is made up of shareholders and chaired by the Chairman of the Bank's Board of Directors, while the Bank's Executive Presidency acts as secretary.

Its functions are as follows.

- Appoint principal and reserve directors, and internal and external auditors and establishes their salaries.
- Is informed about and approves the closure of each fiscal year; approves the reports on the state of the business, statements of profits and loss, statements

of financial changes, the status of technical reserves, liquidity indexes, solvency, efficiency, and profitability briefs prepared by the board of directors.

- Decides upon the dividend distribution and the creation of the legal reserve funds and all reserves.
- Decide upon the increase or decrease of authorized equity.
- It is aware of and authorizes if needed, remuneration proposals presented by the remunerations committee in terms of remuneration of the members of the board of directors.
- Decides upon the reforms to the bank bylaws in anything related to social equity, the administration, and legal representation.
- Establishes a sound succession plan by identifying possible successors in order to allow continuity in the administration of the organization.

An ordinary and extraordinary meeting of the board was celebrated in 2021. The representation of shareholders was 1.5%. The aforementioned governance indicator and others are available to the general public, as established by the law.

The board of directors is responsible for knowing and approving policies and processes, so that our institution may pursue its vision, mission, and strategic plan and achieve the annual budget of the bank.

Specific functions of the board of directors

- Appoint and remove vice presidents and managers and establish their duties.
- Present to the general board of shareholders the following: an activity report, balance sheets, profit and loss statements with all its annexes, statements of changes in financial position; position of technical equity; liquidity, solvency; efficiency, and profitability indexes; the proposal of dividend distribution, and the annual report.
- It is responsible for overseeing actions taken toward anti-money laundering, and combating the financing of terrorism, and other crimes. See the Ethics and Compliance chapter for more information.

The board of directors is comprised of five main members and five alternates. The members are appointed by the general board of shareholders, they are elected for periods of two years, and they may be indefinitely reelected. The chairman is elected by all the members of the board of directors.

All members of the current board are shareholders and three of the alternate members are independent directors. None of the directors hold executive positions at the bank. The average term for each member is 15 years.

Pursuant to the guidelines of the Handbook for Corporate Governance, the directors may not vote on resolutions with conflicts of interest, be it family-related, personal interests, or business-related.

The education background of the members of the board is related to business administration, finances, economics, and law. Furthermore, the members are constantly trained on trends, emerging risks, and updates to the law. In 2021, the members of the board attended four informative training sessions.

As of today, we are working on a self-assessment process, which will kick off in 2022.

The ordinary meetings of the board of directors are held once a month. There might be extraordinary calls by the president or by request of the members, the executive chairperson, or their alternates. Thirty sessions were celebrated in 2021, with a quorum, of five full members in each session.

| Name | Position |
|---|----------------------------|
| Esteban Celio Quirola Figueroa, Dr.hc | General director, chairman |
| Jhofre Leonardo Pesantez Piedra | General director, chairman |
| Filimón Próspero Ordoñez Blacio | Main director |
| Ángel de Jesús Jijón Ycaza | Main director |
| César Enrique Naranjo Fischer | Main director |
| Sonia Catherine Damerval Arosemena. Esq. | Alternate director |
| Víctor Manuel Jurado Salazar | Alternate director |
| Héctor Augusto Bravo Castillo | Alternate director |
| Elsy Vilma Paredes Merchán | Alternate director |
| Lilavaty Regina Arce Peñafiel | Alternate director |

Chief executive officer CEO

It is the person acting as administrator and legal representative of the bank. This person will oversee compliance with resolutions of the general board of shareholders and regulations and guidelines dictated by the board of directors.

This person may or may not be a shareholder. This position will be elected for a two-year term, with the possibility of extension.

As of today, our acting CEO is María Eugenia Navarrete.

Committees

The bank has regulatory and administrative committees, as required by law. The purpose of the committees is to support the board of directors in the decision-making process.

The chart below describes some of the main functions of the committees.

| Committee | Objective | Frequency | Level |
|--|---|-----------|------------|
| Corporate governance and sustainability committee | Its purpose is to support the board of directors in matters related to strategic decisions, implementation, and maintaining corporate governance practices at Banco de Machala. | As needed | Managerial |
| Assets and liabilities committee | Its purpose is to ensure the efficient management of resources, provide information for proper management of liquidity, solvency, and profitability of the Bank; evaluate the market trends regarding interest rates, and establish the appropriate procedures and mechanisms for the management and administration of risks. | Weekly | Legal |
| Credit committee | Approve credit operations and credit cards requested from the bank by customers. The bank will act in credit matters in accordance with the established policies and the provisions issued by the various control agencies; therefore, each approver will be given the ability to take risks, in accordance with the credit approval powers. | Weekly | Managerial |
| Purchase and procurement committee | Analyze, oversee, and approve the offers for the acquisition of goods and procurement of works and services to obtain the best benefit aligned with the Financial Planning and the Annual Purchasing Plan of the Institution. | As needed | Managerial |
| Collections committee | Establish rules on the collection process for credit operations under the different modalities approved in accordance with current credit regulations. Develop new strategies and search for new collection mechanisms fundamentally for two reasons: Management of the nonperforming loan portfolio and evaluation of measures to avoid an increase in delinquency levels. | Weekly | Managerial |
| Value creation committee | Establish, support, and develop initiatives and business strategies in the short, medium and long term to achieve the goals set by the General Directorate of Banco de Machala according to the proposed Business Plan and to ensure the viability of the business. | Monthly | Managerial |

| | | | |
|--|---|-----------|------------|
| Executive committee | Advisory body to the CEO through who will be in charge of reporting compliance with strategies. | Bi-annual | Managerial |
| Comprehensive risk management committee | Design and propose policies, systems, methodologies, models, and procedures for the efficient comprehensive management of risks. | monthly | Legal |
| Audit committee | The mission and fundamental objectives of the audit committee are to monitor and ensure that the control systems comply with the bank's policies and principles. | monthly | Legal |
| Special committee for the assessment of risk assets | Assesses global situations to analyze the most probable evolution of the businesses and the transparency of the risks. This committee must permanently monitor risk assets. The output of this assessment will determine the level of provision required to protect the assets against write-offs or loss of value. | quarterly | Legal |
| Compliance committee | Its purpose is to support compliance management, establish the direction in which the bank will take in managing the risk of money laundering and financing of crimes such as terrorism; and provisions on this same matter, outlined in the Organic Monetary and Financial Code, the Law for the prevention, detection, and eradication of the crime of money laundering and the financing of crimes, and other regulations or resolutions ordered by the control agencies and the Unit Financial and Economic Analysis. | monthly | Legal |
| Business continuity committee | The purpose of the Business Continuity Committee is to make decisions and issue guidelines for the development of the business continuity plan. | quarterly | Legal |
| Remuneration committee | Establish the policy to be adopted by the General Board of Shareholders on the level of remuneration and compensation of employees. The remuneration policy for the members of the Board of Directors, senior management, and senior executives seeks to offer remuneration systems on a remuneration scale, and compensation that allows attracting, retaining, motivating and retaining the most outstanding professionals, in order to recognize the dedication and responsibilities assumed, as well as their performance and fulfillment of the bank's strategic objectives. | quarterly | Legal |
| Ethics committee | The Ethics Committee will be in charge of establishing the content of the Code of Ethics, which, in addition to the declarations of principles and responsibilities, of the way of proceeding within the organization, must place restrictions on the actions of the employees. | quarterly | Legal |
| Technology committee | The purpose of the Technology Committee is to analyze and evaluate the technological proposals to meet the needs of the business pursuing the fulfillment of the strategic objectives, with criteria of rationality, austerity, and budgetary discipline; efficiency and | monthly | Legal |

| | | | |
|---|---|-----------|-------|
| | productivity policies and standards, adhering to the legal and regulatory framework. | | |
| Information security committee | The Information Security Committee has the purpose of evaluating and supervising the Information Security Management System, to comply with the criteria of confidentiality, integrity, and availability of information, aligned with the strategic objectives of the business and attached to the legal framework and normative. | monthly | Legal |
| Occupational health and safety committee | To provide effective support to the institution's occupational health and safety management, in order to comply with the regulations and standards set forth by the regulatory bodies. | bimonthly | Legal |

Senior management and control bodies

The CEO works together with the Financial Vice president and several managerial bodies with functions seeking the best functioning of the bank as an institution.

Senior management also has the control bodies listed below, as required by law.

- Commissioner, an external auditor, as required by the Organic, Monetary, and Financial Code
- Commissioner in charge of Risk Management of Money Laundering and Financing of Crimes such as Terrorism and internal auditor. For more information, please see the Ethics and Compliance chapter.
- Client's advocate, external and independent position appointed by the government. This person works together with the Superintendency of Banks. This person is in charge of processing and receiving claims, seeking an agreement from both parties.

3.2 Remunerations

(GRI 2-19, 2-20)

The remuneration of the main and alternate directors and internal and external directors are established by the board of shareholders. The appointment of the aforementioned employees complies with the remuneration policy proposed by the remuneration committee; this commission is also in charge of establishing the remuneration of higher executives and higher positions, as established by the board of directors.

The abovementioned remuneration policy aims at establishing remuneration and compensations that allow for attracting, retaining, motivating, and building loyalty in remarkable professionals in the country.

4. Ethics and compliance

4.1 Introduction

(GRI 2-15, 2-26, 3-3) (SASB FN-CB-510a.2)

Our organization culture is based on values. We ask our employees for honest work, complying with the Code of Ethics and Conduct and the Handbook of Corporate Governance. At the same time, we encourage soundness when managing funds, respecting internal and external regulations, and preventing risks.

The code of ethics and conduct will oversee the relationships between our employees and at the same time any relations with our external stakeholders, such as clients, vendors, shareholders, and the people in general. The abovementioned code also applies to directors of the institution.

All employees are required to be aware of the contents of the code of ethics, as well as any legal provisions related to it. For this purpose, after their entry, employees are handed the code of ethics for their review. Later, when the employees are already working for the bank, they will receive weekly reminders to refresh their knowledge of the code and to ensure compliance.

Our entire staff is constantly reminded and trained on the code of ethics throughout their tenure with our bank.

Throughout the year, we update the code of ethics in order to be updated with inherent legal provisions. The board of directors will approve any modifications to the code.

We highly encourage our employees to inform about any actions that may violate the code of ethics or any other internal policy. Our staff may report violations directly to their direct supervisor, human resources, or the legal department. The employees presenting the complaint may do so anonymously.

The complaints received are analyzed as a group with anything that may arise from internal audits.

Any possible violation is analyzed by the department of human resources, which is the department in charge of bringing the cases to the attention of the ethics committee, this committee is in charge of making the final decision and communicating it to the corresponding department.

We are currently working on a new complaint channel in a way that reassures are employees' trust and confidence in the system.

4.2 Corruption prevention

(GRI 205-1, 205-2, 205-3, 415-1)

As an institution, we are strongly committed to fighting corruption, money laundering and financing terrorism, and other criminal activities.

We have a commissioner in charge of anti-money laundering/combating the financing of terrorism; this commissioner sends a work plan to the board of directors for approval. At the same time, the commissioner analyzes the gathered results and presents them to the general board of shareholders.

This matter is of utmost importance for our institution, and for that reason, our staff is constantly trained on matters related to fighting corruption and related practices.

It is worth noting that our bank does not fund political parties or any political figures.

4.3 Compliance

(GRI 2-27, 206-1, 416-2, 417-2, 417-3)

(SASB FN-CF-270a.5; FN-CB-510a.1)

This year there have not been any irregularities within our staff because of the organizational culture and management efforts, our employees' efforts, and the provision of control bodies.

Likewise, we have not received significant sanctions for aspects related to anti-competitive practices, information to the client about the conditions of the products, and/or marketing. We highly respect the relationship with the client with whom we seek to have long-term relationships, on clear conditions that add value to both parties.

5. Risk Management

5.1. Prevention and Monitoring

At Banco de Machala we implement solid identification, measurement, monitoring, control, and reporting processes for efficient risk management in the Bank's significant activities, which allow us to take advantage of new business opportunities, mitigate losses in the event of risks and protect assets and the solvency of the Bank.

We classify the risks as follows:

| | |
|----------------------------------|---|
| Credit Risk | For control and monitoring purposes, the Risk area generates reports on compliance with the risk exposure limits established concerning placements by segment, sub-segment, technical equity, sector, and economic activity, identifying the existing risk, as well as those that may arise from new business. In order to monitor and control, it carries out a continuous rating process of credit subjects and operations in accordance with the provisions of the Risk Asset Rating Standard. |
| Market and Liquidity Risk | We have a sound strategy for managing liquidity at a strategic, tactical, and operational level and we have policies for managing liquidity and the investment portfolio based on principles of diversification, defining exposure limits at the level of nationality, sector, issuer, and type of document. To manage market risk, we established a standard method for measuring risk exposure, defining the maturity method and duration, as well as the value at risk as tools for quantifying interest rate risk. |
| Operative Risk | With the possibility of economic losses due to failures in operational risk factors - people, internal processes, information technology, and external events, we have policies, procedures, and methodologies to identify, measure, treat, communicate and report operational risk events in line with best practices and regulatory requirements. Additionally, we have a business continuity management system and state-of-the-art data centers that allow us to replicate information to guarantee the continuity of operations in the event of an incident or disaster. |

5.2. Relations with the supply chain

(GRI 2-6)

We build relations based on trust with our vendors, whom we consider our business allies. We work hand in hand with them to offer the best quality services.

In 2021 we paid the amount of \$13,492 to our vendors, an increase of 15% compared to the previous year.

6. Responsible Banking: social and environmental impact on the client

We are developing our anti-bribery management system, based on the ISO 37001 international standard, which we hope to certify. Its first scope will be the procurement process. This effort is part of our regional management and seeks to extend our culture and ethical guidelines to the different vendors.

6.1 Introduction

(SASB FN-CF-000.A, FN-CF-000.B; FN-CB-240a.1, FN-CB-000.A)

We understand financial activity as an engine of economic and social development. We also seek to be in balance with the protection of the environment and to maximize the relationship with sustainable development.

We confirmed our commitment in 2019 after adhering to the Principles for Responsible Banking, coordinated by the UNITED NATIONS ENVIRONMENT PROGRAM FINANCE INITIATIVE (UNEP-FI). These principles embody the role and responsibility of the banking industry for a sustainable future in alignment with the objectives of the UN Sustainable Development Goals and the Paris Climate Agreement of 2015. Since then, we have actively participated in different working groups of the initiative.

Likewise, we identify the impacts of our credit portfolio in corporate and personal banking using the Portfolio Impact Analysis Tool for Banks developed by the UNEP-FI. In this way, we determine the areas of positive and negative potential impacts. Based on them, we established some commitments from the financial activity, with annual and medium-term objectives.

→ See appendix: Identification of portfolio impacts.

These commitments are the foundation for our responsible banking strategy. Those will be integrated into the Sustainability Strategy that we are developing and, together with the role of financial services provider, will address other bank relations with employees and vendors.

For the coming years, we have already integrated our priorities for responsible banking under two pillars:

- Client Development: Contribute to the growth of our clients (companies and SMEs) so their businesses can progress with the necessary stability and investments. Offer credit opportunities for people, serving those who have

more difficulty in accessing banking services and who are related to business and SME customers.

- Environmental development of the client: Promote responsible environmental practices in clients and their preparation for possible change risks (physical and transition).

→ See Chapter: Sustainability Approach

Below we present our commitments concerning the initiatives and indicators. We will also present the annual objectives for those initiatives and indicators.

In addition, we set medium-term objectives for 2023.

As a result of the progress in the management, in 2021, we reached the established figures of commercial and productive credit balance and adults trained in financial education, so we updated its objectives maintaining a deadline of 2023.

1. Educational credit: year-end balance (MM) → 3.2 million
2. Commercial and productive credit: year-end balance → 361.2 million. The target was reached in 2021; from now on we will set annual targets. By 2022 the target to be reached will be 381 million.
3. Number of adults trained in financial education → 2,138 people. The target was reached in 2021; from now on we will set annual targets. By 2022 we aim to train more than 2,560 adults.

| Commitment | Area of impact | SDG | Initiatives | Indicators | 2019 | 2020 | Objective 2021 | 2021 | Objective 2022 |
|---|--|-----------|--|--|--|---------|----------------|---------|----------------|
| To contribute to the professional development of young people and adults, for easing access to higher education through preferential credits | Employment (extra +) | 4, 8, 9 | Marketing of an Educational Credit: <i>Estudio Meta</i> , for financing master's degrees. Credits for studies at other levels. | Balance at the end of the year – Educational Credit (MM) | 2.98 | 2.92 | 3.06 | 2.85 | |
| | Education (extra +) | | | | | | | | 3.08 |
| +Provide opportunities for families, promoting saving and providing credits. | Inclusive and healthy economies Mobility Health and Sanitation Economic Convergence (extra+) Climate | 1, 10, 12 | Other Credits: Autocredit and Casa Credit. Improves clients' quality of life | Balance at the end of the year - Casa Credit (MM) | 17.76 | 16.98 | 17.73 | 19.79 | 17.75 |
| | | | | Balance at the end of the year - Auto credit (MM) | 0.39 | 0.36 | 0.40 | 0.46 | 0.41 |
| | | | | Balance at the end of the year – Set of Consumer credit | 107.84 | 105.89 | 109.34 | 125.32 | 109.34 |
| | Product of a savings account; complemented with a debit card Payment options. | | | Number of savings accounts (individuals) | 130,210 | 122,904 | 124 | 126,313 | 124.15 |
| | | | | | Amount of the deposits (MM) – Savings accounts | 199.54 | 215.58 | 218.63 | 226.52 |
| | Development of the product of checking accounts, with checkbook and debit card | | | Number of checking accounts (individuals) | 12,652 | 10,831 | 10,636 | 10,660 | 10,636 |
| | | | | | Amount of the deposits (MM) – Checking accounts | 60.87 | 56.36 | 58.89 | 63.73 |
| | Investment Products, improving the performance of financial assets for personal and/or professional projects | | | Funding for investment (MM) | 328.75 | 347.77 | 333.73 | 374.81 | 333.73 |
| | | | | | Large portfolio of credit cards: For use and financing (individuals) | 25,677 | 24,102 | 24,092 | 24,784 |

| Commitment | Area of impact | SDG | Initiatives | Indicators | 2019 | 2020 | Objetivo 2021 | 2021 | Objective 2022 |
|---|---|--------------|--|--|--------|--------|---------------|--------|----------------|
| Promote savings in children and youth and responsible management of finances. | Education (extra +) | 1 | Availability for children's savings accounts: <i>Mi Cuenta Crecer</i> . And for young people: <i>Mi Cuenta Crecer Plus</i> . | Number of clients - <i>Mi Cuenta Crecer</i> | 2,215 | 2,068 | 2,162 | 2,165 | 2,162 |
| | | | | Number of clients - <i>Mi Cuenta Crecer Plus</i> | 852 | 752 | 788 | 724 | 788 |
| Facilitate the operation of companies and their competitiveness | Economic Convergence (extra +) Climate (extra -) | 8, 9, 12 | Service of deposits and payments (payroll, vendors): Checking or saving accounts for companies (legal entity) | Number of savings accounts (companies) | 994 | 963 | 969 | 975 | 969 |
| | | | | Number of checking accounts (companies) | 3,883 | 3,697 | 3,728 | 3,863 | 3,728 |
| | | | | Number of credit cards (companies) | 620 | 576 | 552 | 578 | 552 |
| Contribute to the productive development of the country, big companies and SMEs, and its value chain: vendors, employees (job creation), and customers (access to products and/or services). | Inclusive and healthy economies Soil Waste Climate Efficiency/Safety of Resources Water Quality | 8, 9, 10, 12 | Business credit for productive sectors (especially bananas and shrimp) (Productive credit) | Commercial and productive credit – balance at its closure (MM) | 321.85 | 341.35 | 339.40 | 364.17 | 339.40 |
| | | | | Balance at the end of the year - Microcredit (MM) | 10.43 | 6.45 | 6.06 | 4.99 | 6.06 |

| Commitments | Areas of Impact | SDG | Initiatives | Indicators | 2019 | 2020 | Objetivo 2021 | 2021 | Objective 2022 |
|--|---|------------|---|---|-------------------------------|--------|---------------|--------|----------------|
| Promote high standards and good labor practices, regarding the environment, community, and governance, in the companies that are clients. | Soil Climate | 12, 13, 16 | Credit environmental and social risk assesment system (SARAS), con requerimientos para la entrega de crédito. | Credit assessed under SARAS (MM) | 0 | 0 | 23 | 0 | 16 |
| | | | | Support clients (companies) in the implementation of social and environmental practices | Number of clients (companies) | 0 | 0 | 34 | 34 |
| Provide the use of financial products and services, through digital media for greater reach. | Economic Convergence (extra +) Integrity and personal safety (extra -) | 10, 16 | Online services: ORONET and OROMÓVIL easing access from the cell phone: extension of geographical, social and generational scope. | % Online banking transactions | 0.80% | 1.90% | 2.00% | 2.00% | 2.00% |
| | | | | % Transactions via cell phone (app) | 0.00% | 0.50% | 0.60% | 0.60% | 0.60% |
| | | | | Number of active users of the web page | 25,748 | 29,652 | 33,544 | 39,723 | 33,544 |
| | | | | Number of active users of the app (Oromóvil) | 1,584 | 9,291 | 17,123 | 17,123 | 12,496 |
| | | | | Number of service points (excluding ATMs) | 53 | 53 | 52 | 51 | 52 |
| | | | | Number of ATMs (all types) | 61 | 69 | 71 | 74 | 71 |
| | | | | % of Smart ATMs (. Kiosk) | 15% | 22% | 21% | 18% | 21% |

6.2. Assessment of social and environmental risks in credit

(GRI 2-24, 3-3, FS1, FS2, FS3, FS4, FS5, FS9, FS10) (SASB FN-CB-410a.2)

In the financial sector, we play a decisive role in motivating our clients to adopt the best social and environmental practices in the development of their operations. Similarly, we have the responsibility to identify and prevent possible related risks, as part of the credit assessment process.

At Banco de Machala we have an Environmental and Social Risk Management System (SGAS, in Spanish), which we have been developing with the support of the National Finance Corporation (CFN, in Spanish). Its scope covers the credits that we are granting with resources obtained from CFN to micro, small and medium enterprises. Previously, we had a first system that had been suspended while the financing agreement with CFN was closed, in 2021.

The classification of the level of environmental and social risk of economic activities takes as a reference the "World Bank Guide to determine the classification of environmental and social risks", based on the Environmental and Social Framework of the World Bank (2017).

The guidelines to assess and manage the environmental and social risks and impacts of the projects are carried out under the specific Environmental and Social Standards of the World Bank, which are designed to avoid, minimize, reduce, or mitigate the adverse risks and impacts.

We define our environmental and social risk policy based on the aforementioned international frameworks, which include the process to be followed and includes the list of activities excluded from credit. At Banco de Machala we have established a set of activities that we do not finance, due to their negative impacts.

The assessment methodology has been proposed in five steps, which are described below:

- a) Identification: The potential social and environmental impacts are identified after reviewing the specifics of the credits
- b) Classification: Risk levels, priorities, and risk response are determined
- c) Assessment: Assess compliance of the projects and/or companies with the legal framework and environmental and social (E&S) guidelines for the financial sector
- d) Monitoring: We follow up on environmental and social commitments
- e) Continuous improvement: The policies, procedures, and protection clauses are reviewed.

As of 2022, we will implement the ESMS (Environmental and Social Management System) audits of the operations planned. We will do it with the financing of the National Finance Corporation in the program mentioned above for micro, small and medium enterprises. It will include the 34 clients who already benefited in 2021 and represented a total of US\$19,912,438 of credits granted.

To ensure that the employees responsible for applying the ESMS have the necessary knowledge, specific workshops were included in their annual training plan. They were trained in the GHG emissions measurement tool, in the Technical Standard of the Ecuador Zero Carbon Program (Norma Técnica del Programa Ecuador Carbono Cero, in Spanish), and the ISO 14064 Standard. They also received the training that ASOBANCA provided in collaboration with the Eco-business Fund, on the use of the Sector Guides for agribusiness (also developed by the collaboration of both institutions), its manual for the design and implementation of SARAS (Environmental and Social Risk Assessment System).

In addition, we provide training for our clients on good environmental practices in their operations. The 34 clients mentioned above, were the beneficiaries.

6.3 Accessibility and financial inclusion

(GRI 3-3, 416-1, FS7, FS13, FS14, FS15) (SASB FN-CB-240a.1)

At Banco Machala, we have always played an active role in El Oro province for the creation of a sustainable economy. Therefore, we have different products that contribute to the economic and social development of productive activities in the area, which also extend to the rest of the country with our presence in the rest of the provinces.

Through saving accounts, we facilitate the financial management of families, with a special impact on the workers of our business clients. With the support of Banco de Machala, they can advance in creating bank accounts for their employees, who benefit from the opportunity to receive their salary and safeguard it in a solid institution. In a complementary way, we also offer checking accounts and the possibility of having a debit card.

As part of the financial culture, we want to encourage and promote saving in children and young people. Our products *Mi Cuenta Crecer* and *Mi Cuenta Crecer Plus* reached 2,889 clients at the end of 2021, 2.4% more than the previous year, which shows sustained growth.

The consumer's credit is key to people and families to meet their needs. People must be informed of the conditions and receive advice on its correct use to avoid over-indebtedness.

Our credits for buying houses or cars have an impact on the quality of life of our clients. We closed 2021 with a home credit balance of US\$19.79 million, 16.5% more than the previous year. As for automotive credit, the balance was \$0.46 million, which represents a growth of 27.8%.

We also offer educational credit, where we also have a prominent role in the market, with the trust of our clients. We closed the year with a balance of US\$2.85 million, which represents a slight decrease, but continues to show a significant contribution for their higher studies (Meta Credit).

Supporting small businesses and entrepreneurs is done through microcredit, which closed in 2021 with a portfolio balance of US \$4.99 million. Although there is a setback, it remains an important part of our support for economic and social development.

It should be noted that we have specialized credit to support women entrepreneurs, with which we seek to ease their access to financing. We have two modalities:

- Working capital: We grant up to 36 months without real guarantees up to \$20,000 and with a mortgage guarantee if it is greater than \$20,000, with a 6-month grace period at a preferential rate.
- Fixed asset: We grant up to 72 months with a mortgage guarantee with a 6-month grace period at a preferential rate.

→The indicators of responsible banking and its interannual evolution are presented in number 10.2.

For financial inclusion, it is important to the availability of products and eases their use through advice at the time of subscription, and subsequently, being close to the customer. Likewise, the availability of physical and digital channels is important, making sure that these are not exclusive.

Our digital channels continue to grow in terms of users and operations, and thus they improve interaction with the Bank. Regarding physical channels, in 2021 we continued expanding our network to give access to more people. We incorporated an additional virtual stand in the Pasaje branch, with which we continue betting on this modern and innovative concept of self-service. Likewise, we expanded our coverage with the incorporation of new ATMs in the city of Machala.

6.4 Client's development

(GRI 3-3, 203-2)

We support companies with financing for their operation, to invest in capital expenditure, employees' payments, and/or other needs. Due to our relationship with the primary sector (which is the export industry in Ecuador), we also help them meet their sales commitments abroad.

In 2021, we granted productive credits for US\$ 179.38 million, closing the portfolio with a balance of US\$ 364.17 million.

→ More detail in the chapter on Economic performance

Besides credit, we are the trusted institution for our business clients, from large corporations to SMEs. We help them with payment and foreign trade solutions.

Through the Environmental and Social Management System (ESMS), we will promote the competitiveness of clients in their scope, encouraging them to adopt good social and environmental practices. This will also be favored in the short term with specific credit products that we launch for energy efficiency and/or other environmental improvements.



7. Financial Education

(GRI 3-3, FS16)

(SASB FN-CB-240a.4)

Responsible banking includes the development of a solid financial education program, which also complies with the different provisions established by the Superintendency of Banks.

We work with different sectors of society, promoting a better understanding of finances. For this, we have an institutional program with different pieces of training and a wide-ranging online educational platform.

7.1 Institutional Program for Financial Education

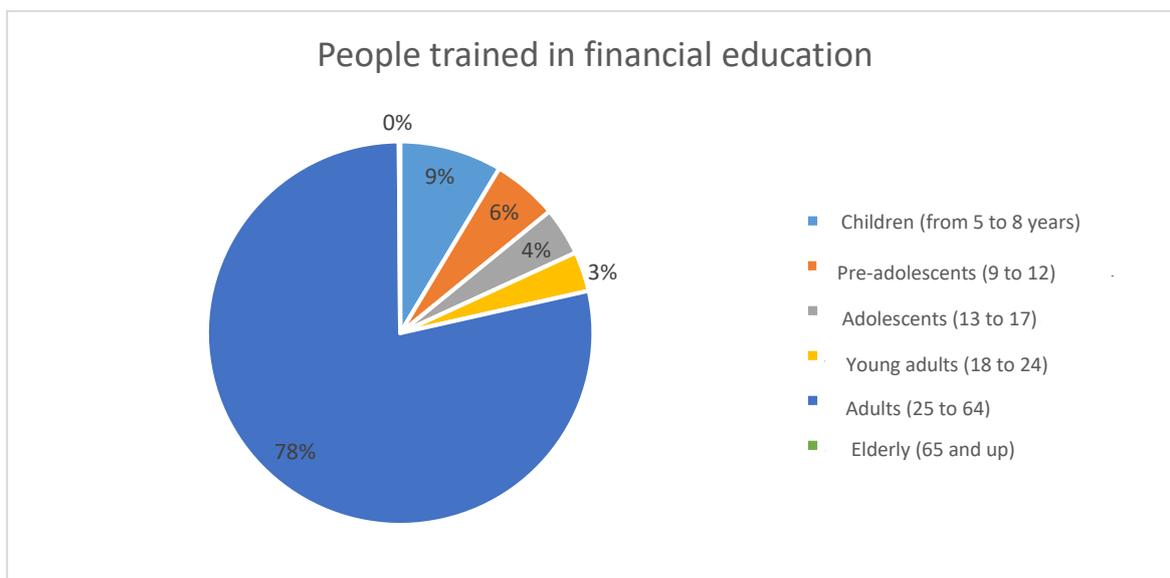
We offer online and in-person training for adults, especially about managing finances in times of uncertainty (use of credit, budget planning, and management, reduction of expenses, and the importance of saving). This includes training our clients' employees and our staff.

We also offer financial workshops for schools.

This year we offered the program in rural areas. It was possible thanks to the joint work with HIAS, *Fundacion Quimera*, *Fundacion Terminal Terrestre de Guayaquil*, and, *Fundacion Kolping*, with whom we signed collaboration agreements in 2020.

Regarding the geographical scope, we reached 10 provinces of the country.

In this way, we trained 2,661 people during the year, distributed as follows. We also trained 487 collaborators.



| Group | Number of people trained |
|--------------------------------------|--------------------------|
| Children: scholar age (5 to 8 years) | 228 |
| Pre-adolescents (9 to 12 years) | 146 |
| Adolescents (13 to 17 years) | 108 |
| Young adults (18 to 24) | 89 |
| Adults (25 to 64) | 2,087 |
| Elderly (65 and up) | 3 |
| TOTAL | 2,661 |

Note: does not include employees

7.2 “Banco para Crecer”: Educational online platform

This platform aims to make available to wide audience courses and tools that promote education and subsequent financial inclusion of citizens.

To date, the online platform has two Massive Open Online Courses characterized by their easy accessibility and flexibility for learning.

Each course includes a set of video classes with different specific topics, learning reinforcement documents, and content evaluations. The user who completes each course will receive a certificate of achievement obtained by Banco de Machala.

- **Financial Education Course:** It seeks to provide participants with financial planning tools that facilitate their well-being. It highlights the importance of saving and provides techniques for preparing personal and family budgets, as well as revealing the most relevant financial products and services and their specifics, with special emphasis on the advantages and risks that must be considered.

- **Entrepreneurship Course:** It was developed to contribute to the economic reactivation of the country during the pandemic. It includes the techniques to undertake a new business venture, including market analysis, definition of the product and/or service benefits, pricing, etc.

Additionally, we publicize the platform through our social networks, promoting interaction with the audience. We complement it with the dissemination of financial tips also through those networks.

8. Technology and client experience

The banking industry is experiencing a moment of transformation hand in hand with technology, which expands the ability to provide a personalized service based on data, and to connect with the client when and where they need it, through digital media.

In operational terms, one of the main consequences of the pandemic is the acceleration of omnichannel and digitization to continue bringing financial products and services to customers.

At the same time, the cyber security risks grow. As an institution, we are making progress with solid management of our systems and with an internal culture of data protection.

8.1 Digital transformation and omnichannel

(GRI 3-3, 203-1)

We have allocated a robust investment in technology that has allowed us to strengthen our digital channels and the necessary support infrastructure.

In 2021 we invested US\$363,682 in technology and innovation, the most important for the remodeling of the alternate data center.

During the year, we continued with the expansion of the virtual kiosk model, which in self-service allows requests for checkbooks, the printing of the statement of account activity, printing off bank certificates, and other functions. We added a virtual kiosk in the Pasaje branch. Similarly, we continue to extend and renew the ATM network, with new access points in the city of Machala. In the ATM network, 18% are already smart, with more advanced functions (virtual kiosks are included in this accounting).

In this way, we continue to make progress in online transactions or through the mobile application. The number of users of the mobile app increased by 84% and 34% of web banking.

Below, we present the main indicators, which are also part of our responsible banking approach. Making progress in the accessibility of our products and services is one of our main commitments.

| | 2019 | 2020 | 2021 | Δ21-20 | |
|----------------------------|--|--------|--------|--------|---------|
| ORONET OROMÓVIL | % Online banking transactions | 0.80% | 1.90% | 2.00% | -0.1 pb |
| | % Transactions via the mobile app | 0.00% | 0.50% | 0.60% | -0.1 pb |
| | Number of active users of the web (Oronet) | 25,748 | 29,652 | 39,723 | 34.0% |
| | Number of active users of the app (Oromóvil) | 1,584 | 9,291 | 17,123 | 84.3% |

8.2 Responsible Communication

(GRI 3-3, 416-1, 417-1, FS15)

In addition to complying with national legislation, we maintain honest and transparent communication with our clients. We provide them with relevant information about our products and services so they can make an informed choice. We promote ethical and responsible sales practices.

8.3 Information Security

(GRI 3-3, 418-1) (SASB FN-CF-220a.2, FN-CF-230a.1, FN-CF-230a.3; FN-CB-230a.1, FN-CB-230a.2)

We act under strict protocols that allow us to guarantee the security of our customers' information and prevent the improper use of their data, thus honoring the trust they have placed in us through the ISO/IEC 27001 standard and the standards of the NIST framework for cybersecurity.

We have working groups specialized in managing access and surveillance of applications, as well as in monitoring operations to prevent possible fraud.

In addition, we work hard on the internal culture to guarantee that our employees strictly apply the established guidelines and prevent any improper use of the systems that could represent a risk. Upon joining the company and as part of the induction, they receive a specific information security course. Likewise, different campaigns are carried out throughout the year by email, with information capsules.

It is also important to raise awareness among our customers, who are the other party in the use of online channels and systems. They also receive email campaigns.

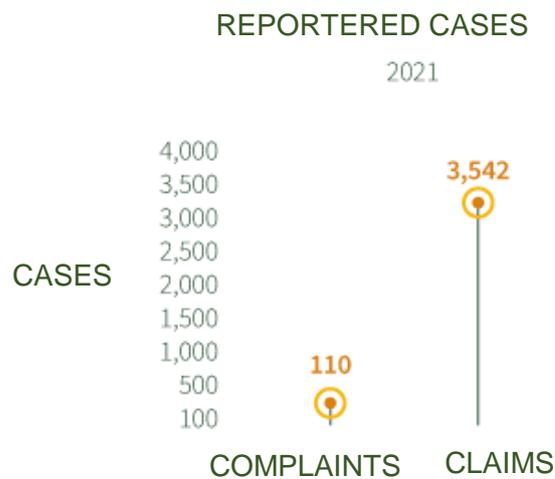
Thanks to these efforts, there were no reported cases of data leaks or violations of our customers' privacy in the year, nor related penalties.

8.4 Client satisfaction

(GRI 3-3)

To improve the customer's experience, we have developed listening and attention mechanisms that allow us to know first-hand their expectations and needs, and in this way achieve their complete satisfaction.

We have the Claims Management System (SAR, in Spanish), through which in 2021 we received 3,652 cases, of which 97% correspond to claims and the remaining 3% to complaints.



Of the 3,652 reported cases, 99.53% were resolved, and of these, 82% were resolved favorably for the client.



To optimize our customer service system, the actions listed below were implemented in 2021.

- Updating the policies and procedures manuals of the Customer Service and financial user department.
- Implementation of improvements to the Claims Management System application.
- Workshops to improve transactional limits and in the Fraud Prevention Committee, for the area of Credit Cards and Banking Security.
- Training for the call center operators and advisors on how to receive customer complaints, in accordance with the provisions of the control body.



9. Employees

9.1 Demography

(GRI 2-7, 401-1, 405-1)

Our team plays a fundamental role in achieving our goals. We work to attract and retain the best talent, providing them with an inclusive place to work, where they can grow professionally and personally.

We represent a stable source of employment, which also contributes to the development of the economy through financial activity. We already have 810 employees, with an increase of 6.5% compared to 2020; 100% have an indefinite contract.

| Total of employees 2019-21 | | | |
|----------------------------|------|------|------|
| | 2019 | 2020 | 2021 |
| Women | 486 | 480 | 488 |
| Men | 267 | 278 | 322 |
| Total | 753 | 758 | 810 |

As part of our commitment to gender equality and young talent, 60% of our staff are women and 80% are between 18 and 30 years old.

| Headcount for age and gender 2021 | | | |
|-----------------------------------|-------|-----|-------|
| | Women | Men | Total |
| 18 to 30 years | 391 | 256 | 647 |
| 30 to 50 years | 63 | 33 | 96 |
| More than 51 | 34 | 33 | 67 |
| Total | 488 | 322 | 810 |

| Headcount for work category and gender | | | | |
|--|--------------------|---------|-----------------|---------|
| | 2020 | | 2021 | |
| | Total of employees | % Women | Total employees | % Women |
| Vice-president | 1 | 100 | 1 | 100 |
| Staff | 56 | 53.6 | 62 | 53.22 |
| Middle management | 147 | 66.7 | 160 | 60.62 |
| Administrative staff | 554 | 63.4 | 587 | 60.81 |
| Total employees | 758 | 63.3 | 810 | 60.12 |

We keep creating opportunities to hire more new people. In 2021 we hired 82% more employees than the last year. It is exceptional data that also responds to the end of the most critical moments of the pandemic. Associated with this, staff turnover increased, and after a period of lack of movement in the market, we returned to an environment of high competitiveness.

| HEADCOUNT (TOTAL ANNUAL) | | | | | | | |
|--------------------------|--------------|-----------|-----------|------------|------------|-----------|------------|
| | Age group | Year 2020 | | | Year 2021 | | |
| | | Women | Men | Total | Women | Men | Total |
| Headcount increase | 15 - 30 | 29 | 19 | 48 | 45 | 53 | 98 |
| | 31 - 45 | 12 | 23 | 35 | 22 | 31 | 53 |
| | 46 - 60 | 5 | 5 | 10 | 12 | 4 | 16 |
| | 61 and more | 0 | 0 | 0 | 0 | 2 | 2 |
| | Total | 46 | 47 | 93 | 79 | 90 | 169 |
| Headcount reduction | 15 - 30 | 32 | 23 | 55 | 56 | 49 | 105 |
| | 31 - 45 | 15 | 14 | 29 | 37 | 30 | 67 |
| | 46 - 60 | 6 | 8 | 14 | 15 | 4 | 19 |
| | 61 and more | 1 | 1 | 2 | 2 | 2 | 4 |
| | Total | 54 | 46 | 100 | 110 | 85 | 195 |

| Total turnovers | | | | | |
|-----------------|-------|------|-----------------|-------|------|
| 2020 | | | 2021 | | |
| Total employees | Women | Men | Total employees | Women | Men |
| 13.2 | 11.3 | 16.5 | 24.1 | 22.5 | 26.4 |

Note: It was calculated based on the number of turnovers*100/total of the employees of the category (up to December 31).

9.2 Diversity

(GRI 401-3, 405-2, 406-1)

We are committed to promoting a diverse and inclusive work environment based on respect and tolerance, where equal opportunities prevail among all employees.

Our Code of Ethics and Conduct contains the principles and values under which all of us who work at Banco de Machala conduct ourselves, including respect and non-discrimination. Likewise, the Internal Labor Regulations establish non-discrimination as one of its fundamental aspects.

The Manual to Manage the Selection of Personnel states that in all our hiring processes, diversity, inclusion, and equal opportunities are guaranteed.

In the event of any case of discrimination or harassment, our employees can report it through the internal complaint channel, and we will act immediately. In 2021 there were not internal complaints in this regard.

As we are committed to gender equality, we are making progress in integrating more women into leadership positions. This year, six women were part of our governing bodies, 30% of the total.

Respecting balancing family and work, we have programs and benefits for employees so they can keep a balance between their professional career and their personal life. This includes the remote working that was established during the pandemic.

We also support our employees to use their parental leave. At the end of 2021, 24 women and 6 men took their leave, with a reincorporation rate of 100% in men and 96% in women.

On the other hand, we establish remuneration in an institutionalized manner, with ranges by professional profile, avoiding any type of gender-related bias.

| Salary ratio women/men 2021 Total Remuneration (base + variable) | |
|---|-------------|
| | Ratio (W/M) |
| Staff | 1.00 |
| Middle Management | 0.80 |
| Administrative Staff | 0.98 |
| Total of employees | 0.94 |

9.3 Employee Development

(GRI 3-3, 401-2, 404-1, 404-2, 404-3)

We offer our employees programs and tools that allow them to expand their abilities and talent for greater personal and professional growth.

We carry out an Annual Training Plan that aims to develop the soft and technical skills of our staff and is based on the training needs and priorities.

In 2021, we invested \$2,597 in training, after the extraordinary effort made in 2020 to take advantage of the pandemic context and maintain an active dynamic despite the pandemic.

Similarly, it should be noted that we resume most of the face-to-face training, according to the return to the offices. The average number of hours of training was 415.25 hours/3,570 employees.

To continue promoting our staff's professional careers, we support them with scholarships so they can continue their master's and specialization studies.

Every year we carry out a performance evaluation, which is based on organizational competencies (results-oriented, sense of belonging, innovation, communication, and customer service) and functional competencies (attitude towards superiors, quality of work, leadership, making decisions, etc.). It is mandatory for all Bank staff with more than six months in the company and is carried out digitally in the internal system.

Therefore, the coverage was 100% of those to whom it applied in accordance with these conditions.

Our staff has additional benefits than those that are granted by law. One of the main ones is the granting of bank credits with preferential rates, such as emergency, consumer, educational and mortgage credits.

- Emergency Credit: To solve any situation of domestic calamity, health problems, etc.
- Consumer Credit: For the purchase of personal property, repairs, travel financing, or restructuring of any type of liabilities, among others.
- Credit Card: For personal use.
- Educational Credit: It is for the training and professional development of our personnel.
- Home Credits: For construction, purchase of a house, land, or real estate.



9.4 Health and Wellness

(GRI 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-19))

In response to the pandemic caused by COVID-19, we continue to reinforce health and hygiene measures at the Bank to maintain a healthy and safe working environment for our employees.

We continued to apply the Pandemic Management Policy Manual, developed in 2020, which establishes a series of measures to preserve the health of all employees and customers. This includes the disinfection and fumigation of offices, the installation of ozone generators in areas with the highest concentration of people, and adaptation to remote work. As a general framework for managing all health and safety risks, we establish procedures and guidelines that allow us to prevent, control, monitor, and assess them.

It is worth mentioning that thanks to these actions we earned the COVID-Safe recognition.

In terms of health promotion, we implemented a program to prevent and reduce the consumption of alcohol, tobacco, and other drugs in the workplace and a program to prevent psychosocial risks.

We also carry out vaccination campaigns for all our employees.

We have a Policies and Procedures Manual to manage occupational health and safety risks and opportunities.

We have established Occupational Health and Safety Committees in five locations: a central committee and four subcommittees in the Guayaquil, Ambato, Loja, and Quevedo branches.

As part of our safety program, we conducted occupational risk prevention evaluations, emphasizing that there were no occupational accidents or work-related illnesses this year.

In addition, we carry out accident prevention campaigns and training workshops for brigade members, as well as drills based on the scenarios of the emergency response plans.

10. Environmental Management

As a result of all these efforts, it should be noted that in 2021 we had no accidents or occupational illnesses, as in the two previous years.

At Banco de Machala we work to make our processes more efficient to reduce the environmental impact of our operations to a minimum.

We strictly comply with the environmental legislation and have an Environmental Management System that allows us to improve the Bank's sustainable growth.

As a complement to the indicators, we present our performance in energy and emissions due to the progress in the voluntary country programs and our commitment as an entity during 2021.

10.1 Energy

As a result of the energy efficiency measures adopted in 2021, our electricity consumption decreased by 14.15% compared to the previous year.

Electricity Consumption

| | 2019 | 2020 | 2021 |
|------------|--------------|--------------|--------------|
| kWh | 2,814,985.03 | 2,513,689.29 | 2,157,777.77 |
| GJ | 10,133.94 | 9,049.28 | 7,767.99 |

Fuel Consumption (GJ)

| Fuente | 2019 | 2020 | 2021 |
|--------------------------|----------|--------|-----------|
| Diesel vehicles | 282.08 | 239.43 | 49.38 |
| Diesel generators | 169.16 | 14.13 | 0 |
| Eco Gasoline | | | |
| Gasoline | 152.98 | 261.63 | 1.63 |
| Ethanol | 144.34 | 261.5 | 52.65 |
| Premium Gasoline | 2,941.43 | 48.09 | 17,103.72 |
| Lubricants | 4.42 | 0.93 | 0 |
| Extinguishers | 6.3 | 7.18 | 0 |
| Total | 3,700.01 | 832.89 | 17,207.38 |

Total power consumption

| | 2019 | 2020 | 2021 |
|------------------|-----------|----------|-----------|
| GJ | 13,834.65 | 9,882.17 | 24,975.38 |
| Intensity | 18.37 | 13.03 | 30.83 |

10.2 Emissions

We annually calculate our Greenhouse Gases (GHG). This also allows us to identify reduction opportunities and serves as a basis for offsetting our emissions.

| GHG EMISSIONS (tCO₂eq) | | | |
|---|----------|----------|----------|
| | 2019 | 2020 | 2021* |
| Approach 1 | 124.5 | 188.62 | 4.07 |
| Approach 2 | 1,269.28 | 962.48 | 637.19 |
| Approach 3 | 272.31 | 144.63 | 1,190.67 |
| Total | 1,666.09 | 1,295.74 | 1,831.93 |
| Intensity (tCO₂eq/employee) | 2.21 | 1.71 | 2.26 |

* At the closing of this report the figures for 2021 have not been audited.

Carbon Neutrality Program

We are aware that fighting climate change is a shared challenge. Assuming this commitment, at Banco de Machala, we have taken the first steps toward becoming a carbon-neutral company.

In alliance with the Anaconda Carbon organization, a specialist in carbon asset management, in 2020 we carried out voluntary compensation for the emissions generated by our operation during this period. This is through a project in Puntarenas, Costa Rica, which consisted of switching from coal fuel to palm oil mill biomass residues at *Industrial de Oleaginosas Americanas SA (INOLASA)*.

This project involves the installation of a biomass-fired boiler to supply steam for internal production processes, displacing a coal-fired boiler and consequently reducing carbon emissions.

The verification was carried out by TÜV NORD CERT GmbH.

For the 2021 emissions, we are still working on the offsetting process.

11. Economic Performance

11.1. Relevant financial data

(GRI 3-3)

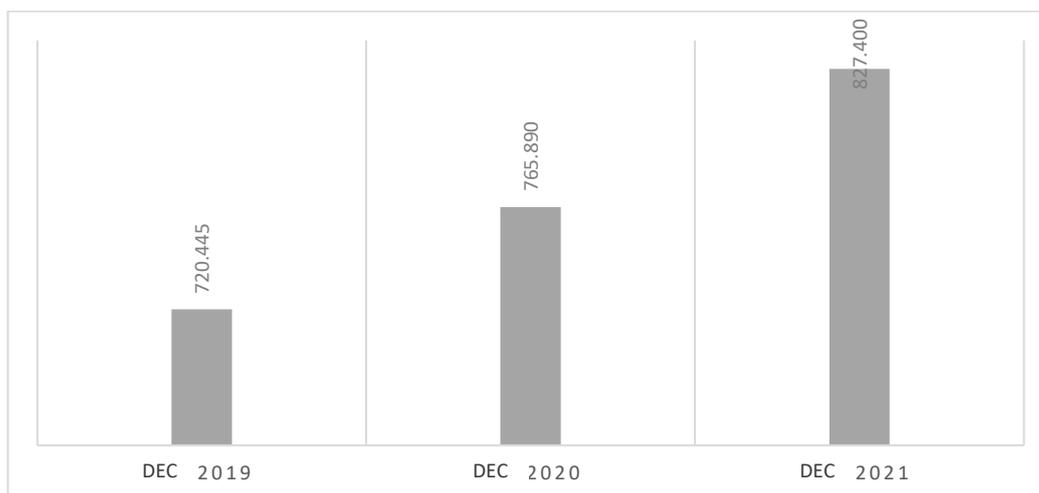
Due to a challenging environment, as a result of the effects of the COVID-19 Pandemic, we were able to surpass the goals set, thanks to our customers' trust.

| The main business and financial indicators 2019-21 | | | | |
|---|---------|---------|---------|---------------------|
| | 2019 | 2020 | 2021 | VAR 21-20 (%/pb) |
| Assets (thousands of dollars) | 807.87 | 861.29 | 966.77 | 12.3% |
| Contingents (thousands of dollars) | 45,911 | 47,678 | 61,590 | 29.2% |
| Gross loan portfolio (thousands of dollars) | 513,799 | 523,411 | 571,231 | 9.1% |
| Available funds (thousands of dollars) | 133.93 | 165.1 | 164.81 | -10.0% |
| Investments (thousands of dollars) | 118,657 | 135,975 | 189,136 | 39.1% |
| Provisions (thousands of dollars) | 6,547 | 8,940 | 7,721 | -8.6% |
| Taxes and contributions (thousands of dollars) | 7.36 | 7.25 | 8.53 | 17.7% |
| Net profit (thousands of dollars) | 3,803 | 2,141 | 3,302 | 54.2% |
| Operational efficiency ratio (operation expenses/average total assets) (%) | 4.74 | 4.22 | 4.09 | -13 pb |
| Productive assets/total assets (%) | 84.3 | 84.8 | 86.3 | 150 pb |
| ROE (%) | 6.59 | 3.46 | 5.11 | 165 pb |
| ROA (%) | 0.47 | 0.25 | 0.36 | 11 pb |
| Liquidity ratio (%) | 25.81 | 29.95 | 27.66 | -229 pb |
| Equity (thousands of dollars) | 61,482 | 64,015 | 72,102 | 12.6% |
| Solvency ratio (Technical Equity) (%) | 10.8 | 11.12 | 13.31 | 219 pb |
| Bad debt ratio (outstanding debt) (%) | 2.03 | 1.12 | 1.07 | -5 pb |

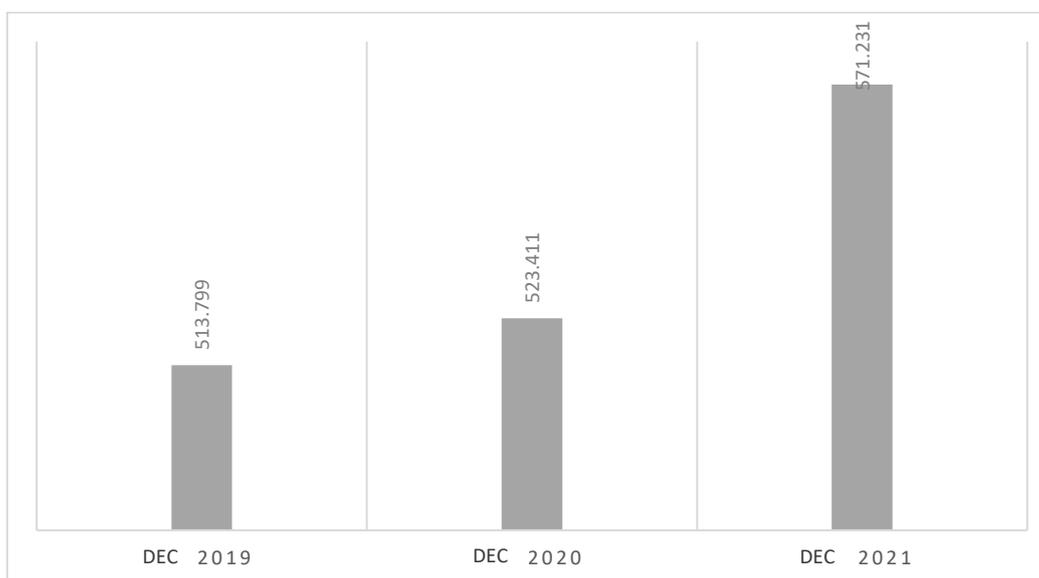
11.2 Breakdown of funds raised and financing

(GRI 3-3, FS6) (SASB FN-CB-410a.1)

Our customers trust this institution as a guarantor of their deposits. In the closing year 2021, the funds raised were US\$827 million, which represents an 8.03% increase from the previous year. It contains different types of deposit products.

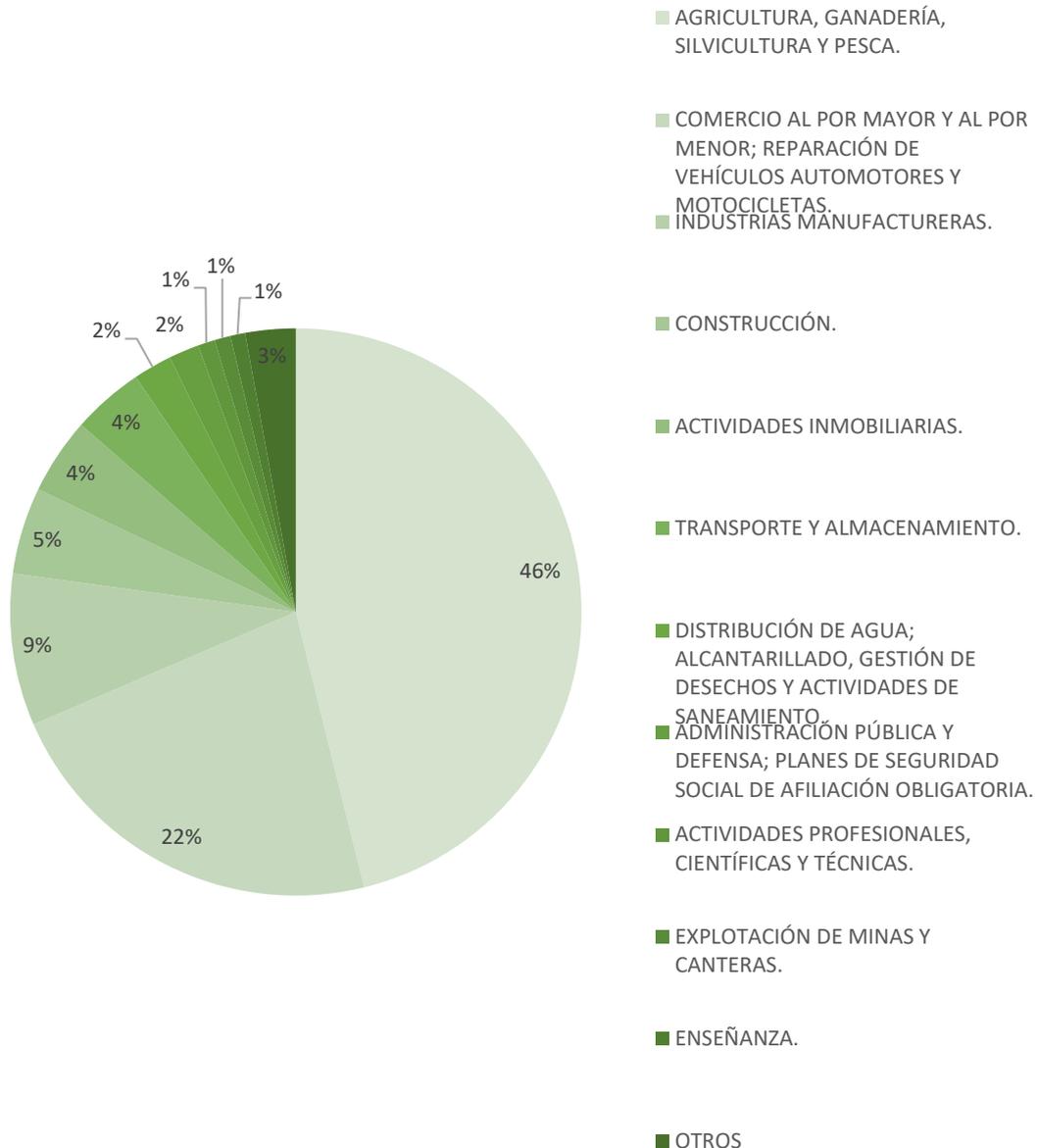


Related to loans, in December 2021, the portfolio closed with a balance of US\$517 million, which represents a 9.14% growth from the previous year.



As per the economic activity sector, the balance of the production loan portfolio, along with the different size business clients (corporate, company, and SMEs). It allows us to measure our contribution to the economy of the country, especially highlighting our input in the primary sector, followed by the commerce sector.

Distribución del saldo de crédito productivo - 2021



11.3 Distribution of economic value

(GRI 3-3, 201-1, 201-4)

One of the responsibilities of a company is not only to generate economic value but also to make sure that it is distributed among our stakeholders.

As presented below, the main items that benefit our staff and other stakeholders.

As we show in the table below, we comply with all tax obligations, and it is important to highlight that we do not receive financial assistance from any government institution.

| (Amount in thousands of dollars) | 2019 | 2020 | 2021 | Variation 2020-2021 (%) |
|--|-------------|-------------|-------------|--------------------------------|
| Direct economic value generated (Income) | | | 78,601 | 10% |
| | 71,919 | 71,606 | | |
| Direct economic value distributed (Expenses): | | | 75,299 | 8% |
| | 68,116 | 69,465 | | |
| Payment to vendors | | | 13,492 | 15% |
| | 10,588 | 11,783 | | |
| Salaries and benefits (staff payment) | | | 15,101 | 18% |
| | 13,382 | 12,777 | | |
| Other operation costs | | | 9,940 | -2% |
| | 11,696 | 10,092 | | |
| Interest paid (investors payment) | | | 24,632 | 4% |
| | 21,132 | 23,673 | | |
| Tax and contribution (authority) | | | 8,539 | 17% |
| | 7,580 | 7,320 | | |
| Services and infrastructure investments | | | 3,459 | -5% |
| | 3,691 | 3,635 | | |
| Community programs (donations) | | | 136 | -27% |
| | 46 | 186 | | |
| Economic value retained (net profit) | | | 3,302 | 54% |
| | 3,803 | 2,141 | | |

Schedule

Schedule I: Sustainability management details

Memberships and alliances

(GRI 2-28)

As a company, we are part of associations from the financial and business sectors like the Association of Private Banks of Ecuador (In Spanish: ASOBANCA), Guayaquil Chamber of Commerce, Financial Cluster, and United Nations Global Compact.

We are committed to sustainability, so we joined the United Nations Global Compact in 2021, and actively participate in its local network. Likewise, we are involved with work groups for the Responsible Bank Principles, managed by UNEP-FI.

Concerning social investment, we generate alliances with different social organizations to broaden our financial education program, as shown in this document. We also make donations to society for topics that we consider critical for the nation like sports, health, and education.

Practicing sports is to be healthy, hence, Banco de Machala acquired the commitment to sponsor the team Orense Sporting Club, and also makes donations to Casa de la Vida Foundation.

Banco de Machala also sponsors different events like the *Litoral and Galapagos Cattle Fair* and Housing Expo.

Materiality Analysis

(GRI 3-1, 3-2)

To determine the critical environmental, social, and governing (ASG in Spanish) topics from our type of economic activity, and the context we operate, we apply the concept of double materiality, which we cover below.

These topics serve as the foundation to build our ASG strategy for 2023 – 2025, as a result of what we have been working on. It also allows us to implement international standards as a reference for this report.

Between 2020 and 2021 we performed a materiality impact survey, and then we incorporated financial materiality, strengthening the aforementioned foundation of the strategy in this report.

Impact materiality: reflects critical topics on how we operate around our environment, understanding our group of stakeholders. Therefore, it reflects our contribution to the economy, environment, and people. The Global Reporting Initiative (GRI) standards are applied to each of these topics.

Financial materiality: exposes all the critical topics that could affect the financial situation of a company. These are of important interest to the market, meaning

institutional investors/debt holders, rating agencies, and banks we could relate with (correspondents, development, and/or multilateral banks). It is used as the foundation to apply the standards from the Sustainability Accounting Standards Board (SASB).

Below we present the process followed.

Impact Materiality

First, we start by identifying relevant potential topics, by analyzing the main trends of the corporate sector in which we operate, the business risks and opportunities, and also related to sustainable development in Ecuador. As well as, how we incorporate key market topics (to connect with financial materiality).

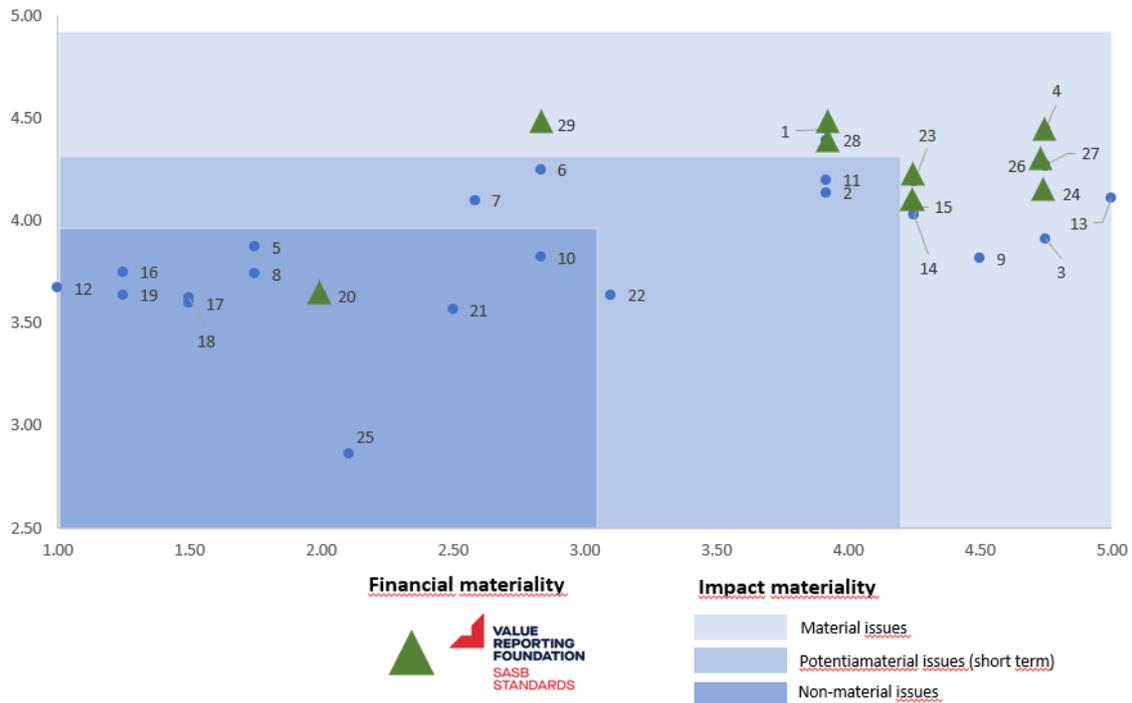
Next, the topics were prioritized and focused on 1) our main stakeholders through implementing surveys for employees and vendors. To get the perspective of our customers, we interviewed the staff responsible for maintaining the relationships with them under the different segments/business types. 2) high-level executives and their vision for the future of the company.

The matrix of impact material topics was also validated internally as a participative exercise.

Financial Materiality

Given that the analysis and query process has been performed internationally by Sustainability Accounting Standards Board (SASB) for developing the industry standards. We applied the items promoted by the standards for those categories that our company applies as its activity: commercial banking and consumer financing. We have not used the mortgage financing standard due to the lack of enough contribution of this type of business concerning the whole bank activity.

Materiality Matrix



| | |
|----|--|
| 1 | Business ethics and anti-corruption |
| 2 | Regulation compliance |
| 3 | Corporate governance |
| 4 | Financial stability of the company (financial results) |
| 5 | Relationship with authorities |
| 6 | Brand management (transparency and communication) |
| 7 | Training and opportunity development |
| 8 | Talent acquisition and retention |
| 9 | Work environment and employee satisfaction |
| 10 | Diversity and equal opportunities |
| 11 | Health and safety of the employee |
| 12 | Social investment |
| 13 | Business development (clients) |
| 14 | Financial education |
| 15 | Financial inclusion |
| 16 | ASG investment |
| 17 | Energy efficiency |
| 18 | Water management |
| 19 | Waste management |
| 20 | Climate change resilience |
| 21 | Emission management |
| 22 | Products or services with environmental benefits |
| 23 | Innovation of products and services |
| 24 | Process digitization |
| 25 | Responsible supply chain |
| 26 | Customer experience (Customer service) |
| 27 | Transparency of products and services |
| 28 | Data security (Cyber-security) |
| 29 | Client's privacy (use of information) |

Portfolio impact identification

Our understanding of sustainability tackles the critical ASG topics as a result of materiality, and these, answer how we relate with our stakeholders.

Our relationship with customers, according to a responsible banking model we analyze the impact of our loan portfolio (people banking and business banking) through the tool Portfolio Impact Analysis Tool for Banks, developed by UNEP-FI, which serves to prioritize initiatives from the business perspective.

Below, we present the process followed for the period 2020-2021, as part of our commitment to Responsible Banking Principles.

Identify and measure the impact: analysis characteristics.

1.1. Determine product and service roadmap

Under the roadmap structure of the tool, we include in the scope of the loan portfolio:

- Personal banking: natural persons loans (consumer, education, and housing), natural persons with business activities, and microloans.
- Business banking (productive and business loans), including the different economic activity sectors and segments based on business size: SMEs, business, and corporate.

1.2. Mapping the needs of the country

Our operations take place in Ecuador. Our main activity is carried out in El Oro Province, where the institution was founded, but we are expanding our presence thanks to our value proposition in 8 other provinces of Ecuador. We believe in the importance of the tool for each one of the categories of impact for Ecuador.

1.3. Preparing the impact roadmaps and prioritization

Based on the first two steps, we created our positive and negative impact roadmaps for both banking options (personal and business).

The roadmap corresponds to the impact categories set by UNEP-FI and published in Impact radar (2018).

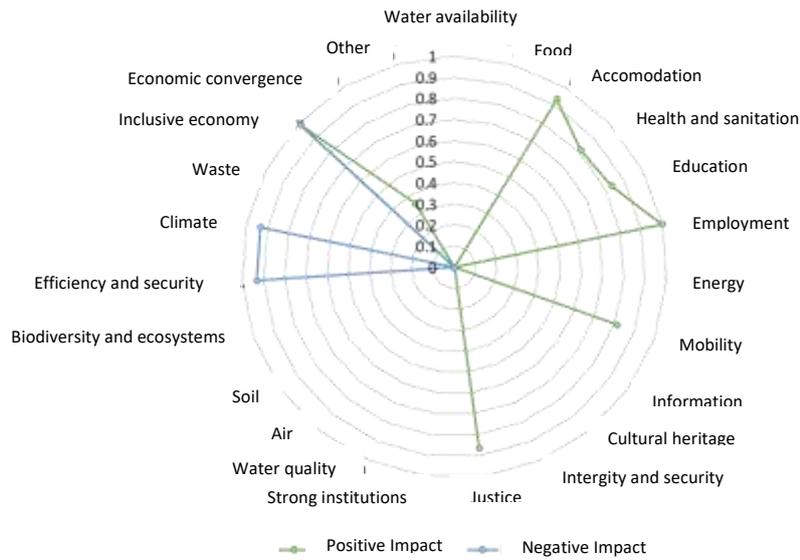
1.4. Determining commitments and goals

Considering the main impact areas, from our positive and negative contributions, we have set a series of commitments to move forwards on social and economic development contribution, as well as, to contribute to protecting the environment. These are aligned also as part of the Sustainable Development Goals (ODS in Spanish) in the 2030 agenda of the United Nations.

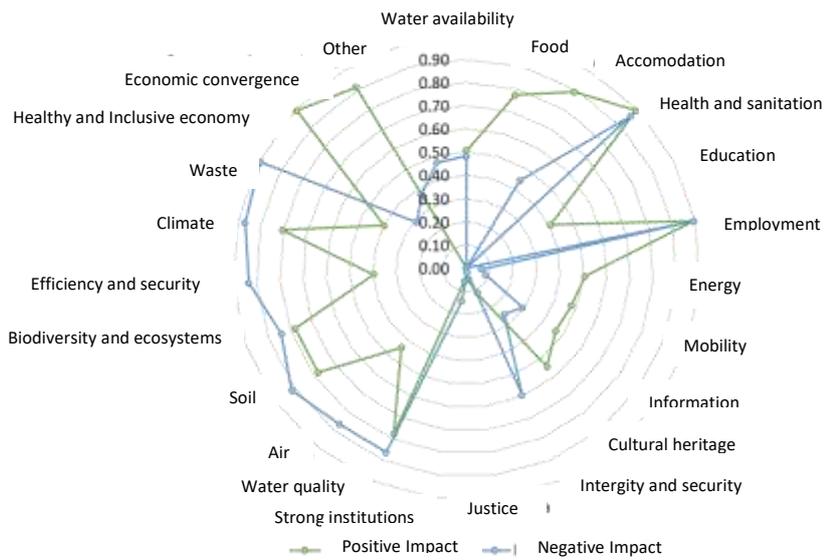
For the different commitments, we set a series of indicators, from which we set annual goals. It is important to also highlight that we have selected these commitments in the medium term for 2023.

→ Below we present the commitments, indicators, and goals as a chapter of Responsible Banking.

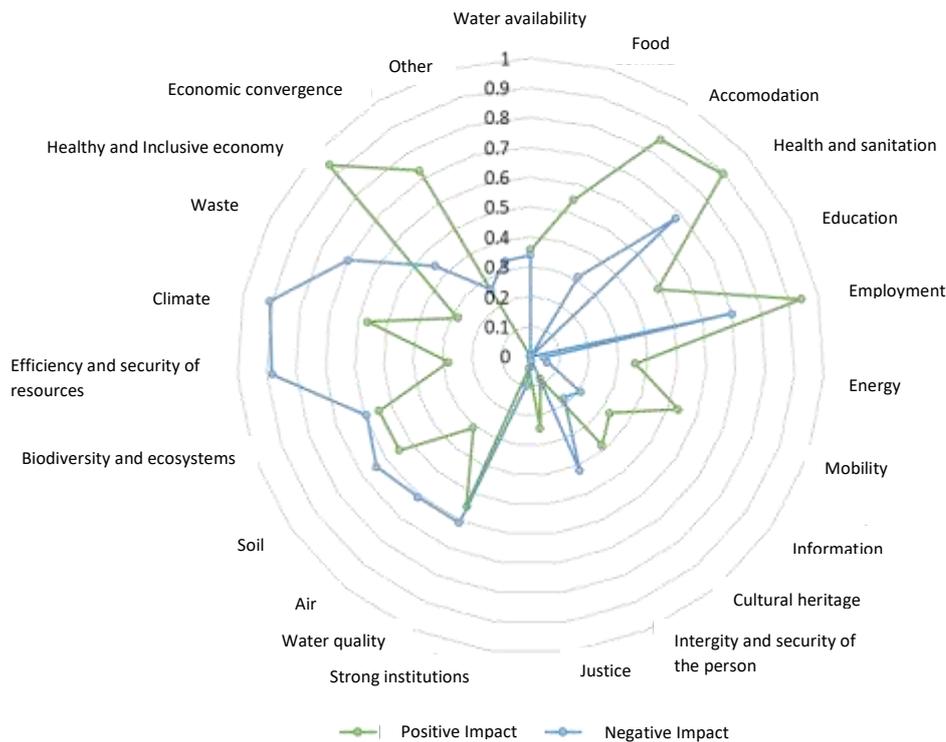
CONSUMER BANKING (PERSONS)



BUSINESS BANKING (BUSINESSES)



INTEGRATED



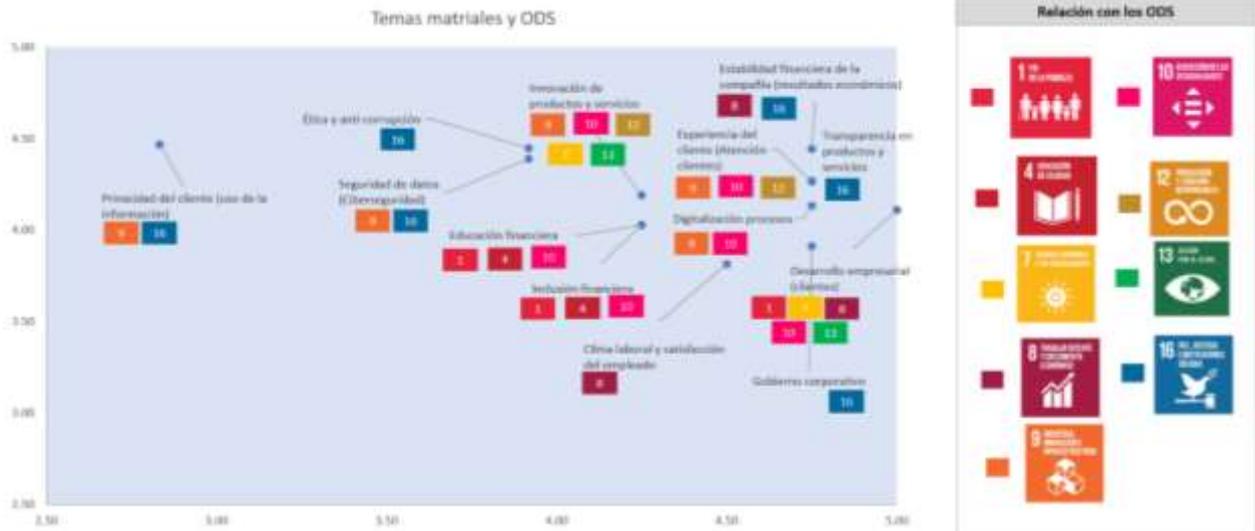
ODS Contribution

At Banco de Machala, we are committed to the Sustainable Development Goals (ODS in Spanish), the international roadmap from the United Nations to tackle the main challenges of society, closely working with businesses, the academy, and its citizens.

We are especially focused on those ODS and the corresponding goals that are closely related to our business activities and the priorities of the country. Therefore, we consider those correlated with our impact material topics.

Below, we present the main initiatives and indicators, as an executive summary. Likewise, we account for our contribution throughout this document.

Relation between material topics and prioritized ODS.



| ODS | Goals | Contribution | Indicators |
|-----|----------|--|--|
| 1 | 1.4 | <p>We offer products like student loans, also savings, and loans for employees of the companies that are clients (with a special impact on workers from the agricultural and banking sectors).</p> <p>We promote savings through funding products that allow clients to manage their capital.</p> <p>We support our clients with an advisory for the best choice and use of the products</p> <p>We also provide micro-loans for SMEs, supporting entrepreneurship and the economy of families based on self-employment.</p> | <p>US\$2.85 million in student loans (balance at the close of 2021)</p> <p>US\$ 218.62 savings accounts deposits (balance at the close of 2021)</p> <p>US\$6.06 million in loans for SMEs (balance at the close of 2021)</p> |
| 4 | 4.3 | <p>We offer our employees training opportunities through different sorts of internal courses.</p> <p>Also, we extend our financial education program to our employees.</p> <p>We grant scholarships for our employees to study for master's degrees.</p> | <p>415,25h/3570 employees as the average time of training given</p> <p>Scholarships granted for our employees to study for master's degrees</p> |
| 7 | 7.3 | <p>Through our social and environmental risk analysis system (SARAS in Spanish), we require everyone to stick to the best practices, which include having energy efficiency practices, using renewable energy sources, etc. All of these, specifically on each customer, is based on the result of the assessment.</p> | SARAS update |
| 8 | 8.5, 8.8 | <p>We promote a non-discriminatory and respectful culture, from the selection process, to have a diverse team. It highlights the development of women from staff, including higher and progressive incorporation for middle and higher managerial positions.</p> <p>We favor employment creation in our customers through productive loans.</p> | <p>60% of employees are women</p> <p>Middle and high management positions: 54% are women</p> <p>US\$ 364.17 million in productive loans (balance by 2021)</p> |
| 9 | 9.3, 9.4 | <p>Through business loans, we support working capital, and also, investment in CAPEX and other needs of the business customer to make its business grow. We promote innovation in processes and equipment to access technology and machinery.</p> <p>SARAS contributes to performing better practices with the environment of the assessed customers, including the integration of technology to mitigate the possible negative impacts.</p> <p>We are also advancing as an institution that uses the potential of technology for the relationship channels with customers, and also for our internal processes.</p> | <p>US\$ 363,682 on technology investment</p> <p>39,723 active users of Oronet (web portal)</p> <p>17,123 active users of Oromovil (mobile app)</p> |

| | | | |
|-----------|------------------|--|--|
| 10 | 10.2 | <p>Our loan portfolio includes products that ease financial inclusion, as reference for the ODS 1.</p> <p>Also, financial education constitutes a solid tool to advance the reduction of inequality, empowering people to manage their resources.</p> <p>We have been adopting technology, allowing our scope to grow, not only through remote channels but also through the reach those are getting. Also, the work it takes to eliminate reluctance and/or difficulties the clients have to use it.</p> | <p>3,131 accounts for kids and teenagers (savings)</p> <p>2,661 people trained in financial education</p> <p>Bank to grow: online educational platform</p> <p>An ecosystem of digital channels</p> |
| 12 | 12.2, 12.6 | <p>SARAS implementation</p> <p>Train customers on social and environmental best practices, as a complement to SARAS</p> | <p>34 clients trained on sustainable practices</p> |
| 13 | 13.3 | <p>We promote environmental best practices through SARAS. We assess our customers before granting a loan. This way, we favor their resilience towards climate change, for example reducing fuel dependency.</p> | <p>SARAS update</p> |
| 16 | 16.4, 16.6, 16.7 | <p>We have a solid corporate governance structure, with a board of Directors and high executives that watch over the stability of the institution.</p> <p>We address the corruption and money laundering risks, and inherit financial activity, with strong self-regulatory policies and codes. And the constant effort of sensitization to our staff and promoting a compliant culture.</p> <p>We require from our employees the proper use of our own and our customers' generated data as, a result of the regular operations of the Bank.</p> <p>We also have a specialized department to prevent money laundering, according to proper regulations.</p> | <p>An updated good government code</p> <p>An updated ethics Code</p> |

Implementation of the United Nations Global Compact Principles

(2-23, 2-28) In 2021 we joined the United Nations Global Compact, in alignment with our commitment to sustainability, and intend to actively participate in the development of a responsible business ecosystem, as well as, exchange apprenticeships and keep on going on the development of our ASG strategy.

Aligned with the 10 principles promoted by the Global Compact, it is important to highlight that we encourage respect for Human Rights among our employees, customers, and other stakeholders of the bank. We refuse any behavior that violates the dignity and quality of life of the people involved in our operations.

For that, we stick to the main international guidelines, including the Universal Declaration of Human Rights, the United Nations' guiding principles for business and human rights, as well as, the guidelines for multinational companies, and any other

recommendations from the Organization for Economic Co-operation and Development – OECD.

Below, we present our commitment in more detail:

| | Principle | Commitment | Performance (presented in the report) |
|----|--|--|--|
| 1 | Businesses should support and respect the protection of internationally proclaimed human rights. | Code of ethics and conduct Corporate values in respect of people and preferences. Promote living in a culture of respect and complaint on any detected risks and/or breaches of the current policies. We also promote respect and socially responsible practices with our clients – as part of the work with SARAS. Guidelines for inclusive loans and acquisition products. | Ethics and compliance Financial accessibility and inclusion Demographics and diversity |
| 2 | Businesses should make sure that they are not complicit in human rights abuses. | | |
| 3 | Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. | Code of ethics and conduct Internal work regulations | Demographics and diversity |
| 4 | Businesses should uphold the elimination of all forms of forced and compulsory labor. | Code of ethics and conduct, applied by employees and board members, as well as promoted to our vendors and clients. SARAS | Ethics and compliance |
| 5 | Businesses should uphold the effective abolition of child labor. | | |
| 6 | Businesses should uphold the elimination of discrimination in respect of employment and occupation. | Code of ethics and conduct Internal work regulations | Demographics and diversity |
| 7 | Businesses should support a precautionary approach to environmental challenges. | Internal management guidelines, including the ones from the environmental program. It integrates the guidelines for carbon neutrality. | Environmental management |
| 8 | Businesses should undertake initiatives to promote greater environmental responsibility. | SARAS and complementary actions like technical support and training new clients. | Environmental management |
| 9 | Businesses should encourage the development and diffusion of environmentally friendly technologies. | | |
| 10 | Businesses should work against corruption in all its forms, including extortion and bribery. | Code of ethics and conduct Anti-corruption guidelines Guidelines from areas with special responsibility, like risk management and the one responsible for compliance and prevention of money laundering and terrorist financing. External audits and how the complaints culture works. | Ethics and compliance |

Schedule II: Questionary for the Self-assessment of the RBP

| Requirement | Answer and self-assessment | More detail |
|---|--|--|
| <p>Principle 1: Alignment</p> <p>We will align our commercial strategy to be coherent and contribute to the needs of individuals and the goals of society, as stated under the Sustainable Development Goals, the Paris Climate Agreement, and the national and regional frameworks.</p> | | |
| <p>1.1. Describe (high level) the business model of your bank, including the main served customer segments, the type of products and services provided, the main sectors and types of activities, and when it corresponds, the financed technology on the main geographic locations in which your bank operates or provides products or services.</p> | <p>Banco de Machala is a multiple-services banking institution that operates in Ecuador with 60 years of experience.</p> <p>Its scope is national, highlighting its leadership in El Oro Province, the biggest banana producer in the country.</p> <p>We provide savings, loans, and financial services for persons and businesses, with a personalized service model.</p> <p>Concerning productive loans, it stands out in the primary sector (agriculture, cattle, forestry, and fishing), followed by the commerce sector.</p> | <p>Profile</p> <p>Economic performance</p> |
| <p>1.2. Describe how your bank has aligned and/or plans to align its strategy to be consistent and contribute to the goals of society, as stated under the Sustainable Development Goals (ODS), the Paris Climate Agreement, and the national and international frameworks.</p> | <p>We have determined the critical ASG (environmental, social, and governance) topics as an institution in 2020, during a process of impact materiality analysis. This covered our role with the different stakeholders, meaning that we determined critical topics and integrated the roles of employer, client (of our vendors), financial products and services provider, and union activity.</p> <p>These issues have also helped us to determine which of the Sustainable Development Goals (ODS) we can contribute to the best, because of being closely related to our business and operation context.</p> <p>The materiality exercise is a complement of the second process performed, the analysis of the main positive and negative potential impacts of our credit portfolio (for personal and business banking).</p> <p>From the indicated impact analysis, we first determined our priorities of responsible banking, as a committed relationship. We set for these, an array of indicators, with annual measurable goals. For the selected ones, we have set medium-term goals for 2023. These commitments are also part of the application of the Sustainable Finance Protocol of Ecuador (developed by CAF, UNEP-FI, and ASOBANCA).</p> <p>The material topics serve as a broader exercise, in which we are building the complete ASG Strategy. With this, we will contribute to the 2030 Agenda and will have climate action measures to reduce our greenhouse gas emissions.</p> | <p>Responsible banking</p> <p>Schedule: Materiality analysis</p> <p>Schedule: Impact identification of the portfolio</p> |
| <p>Principle 2: Impact and goal setting</p> <p>We will continuously increase our positive impacts while reducing negative impacts and risk management for persons and the resultant environment of our activities, products, and services. For that purpose, we Will set and publish goals where we can have the greatest impact.</p> | | |
| <p>2.1 Impact analysis:</p> <p>Show that your Banks has identified the areas where the impact is the greatest (potential) positive and negative, through an impact analysis that complies with the following elements:</p> <ol style="list-style-type: none"> Scope: Exposure scale: Context and relevance: | <p>We analyzed the positive and negative impacts of our credit portfolio, through a process that took into account the UNEP-FI recommendation. We used the Portfolio Impact Analysis Tool.</p> <p>Organizational scope:</p> <p>We included personal loans, with a total amount of 24% as consumer loans (including education and housing);</p> | <p>Schedule: Identification of portfolio impacts</p> |

| | | |
|---|--|---|
| <p>d) Scale and intensity/impact importance</p> <p>Show that based on the analysis, the bank:</p> <ul style="list-style-type: none"> • Has identified and revealed its greatest (potential) positive and negative impact areas. • Has identified strategic commercial opportunities with the increase of positive impacts and the decrease of negative impacts. | <p>70% as business activity loans; the final 5% groups other types of loans.</p> <p>Concerning business loans, the total is included. The main sectors (according to ISIC classification) were agriculture/forestry/fishing and commerce; together they represent 65% of the total business loans (productive/commercial).</p> <p>Geographic scope: Ecuador</p> <p>Exposure scale: all sectors and industries are subject to credit, as well as loans from personal banking.</p> <p>Context and relevance: the impact potential topic criticality was integrated for Ecuador, along with the business impact results reported by the tool.</p> <p>Scale and intensity/impact importance: determined from the corresponding process.</p> <p>To establish the impact areas, we considered the level of impact of the portfolio and how critical the topic is in the country (50% for each variable).</p> <p>The main areas with a potentially positive and negative impact are presented in the report.</p> <p>The nomenclature of the impact areas corresponds to the one set by UNEP-FI.</p> | |
| <p>Provide a conclusion/statement that your bank has complied with all the impact analysis requirements</p> | | |
| <p>Banco de Machala has complied with all the impact analysis requirements, defining the main areas. For that, we used the Portfolio Impact Analysis Tool for all the personal and business (corporate, businesses, and SMEs) loan portfolios.</p> | | |
| <p>2.2. Goal setting</p> <p>Demonstrate that the bank has established and published a minimum of two specific goals that are specific, measurable (these may be qualitative or quantitative), attainable, relevant, and time-bound (SMART), and these engage at least two of the greatest impact areas from the ones identified as a result from the activities of the bank and the products and services provisions.</p> <p>Show that these goals are linked and drive the alignment and a higher contribution towards the proper Sustainability Development Goals, the Paris Agreement, and another relevant national, regional, or international frameworks. The bank must have identified a baseline (assessed against a single year) and have established goals against this baseline.</p> <p>Demonstrate that the bank has analyzed and acknowledged the (potential) greatest negative impacts of the goals set under other dimensions of the ODS/climate change/society goals. And has set relevant actions to mitigate them, to the extent possible, to maximize the positive net impact result of the goals set.</p> | <p>Taking care of the greatest positive or negative net contribution and greatest impact areas, a list of commitments was set, all these aligned with different ODSs.</p> <p>These commitments frame initiatives with indicators.</p> <p>We set annual goals for these initiatives (indicators) and a selection of medium-term goals.</p> | <p>Responsible banking</p> <p>Schedule: Identification of the portfolio impacts</p> |
| <p>Provide a conclusion/statement that your bank has complied with the requirements of Goal Setting.</p> | | |
| <p>Based on the main impact areas, we have set commitments, that materialize through different initiatives.</p> <p>We have set indicators to measure them, and annual goals for there, for a selection of indicators we also have set medium-term goals (2023).</p> | | |

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| <p>2.3. Implementing monitoring the goals</p> <p>Show that your bank has defined actions and milestones to comply with the goals set.</p> <p>Show that your bank has implemented the means to measure and monitor the progress and compliance of the goals set. The definition of the KPIs, any change of these made to these definitions or change to the baselines must be transparent.</p> | <p>The commitments taken by responsible banking based on the impact roadmap have been given indicators, with goals for the short and medium term (2022 and 2025).</p> <p>The advance of the goals is monitored by a multi-department team, which has led the materiality development and the impact roadmap and is currently also involved in the ASG Strategy.</p> | <p>Responsible banking</p> |
| <p>Provide a conclusion/statement that your bank has complied with the requirements corresponding to the implementation and monitoring plans for achieving the goals set.</p> | | |
| <p>For each commitment, we have implemented different initiatives that have been publicly published, and those we measure through a series of indicators, for which we have established annual and medium-term goals. The progress of these goals is monitored by a multi-department team.</p> | | |
| <p>2.4. Progress on achieving goals</p> <p>For each goal:</p> <p>Show that your bank has implemented the previously defined action to comply with the goal set.</p> <p>Or, explain why the action could not be implemented or needed to be modified, and how your bank is adapting its plan to comply with the goal set.</p> <p>Inform about the progress of your bank during the last 12 months (till 18 months for your first report after becoming a signatory) towards the achievement of each one of the goals set, and the impact of its progress (when feasible and appropriate, banks shall include quantitative disclosures).</p> | <p>The progress on achieving the goals is monitored in the first instance by a team from different departments and as a whole by the team in charge of sustainability management.</p> <p>To date, the committee that presents the progress is the corporate governance team, as part of the progress of the ASG roadmap, which includes the strategy currently under development.</p> | <p>Responsible banking</p> <p>Focus on sustainability</p> |
| <p>Provide a conclusion/statement that your bank has complied with the requirements related to progress during the implementation of the goals</p> | | |
| <p>Banco de Machala has put in place commitments by 2020-21, with annual goals. During 2021 we set the goals for the following year. The medium-term goal for 2023 remains the same.</p> <p>We monitor the progress directly through the team formed by all related departments and as a whole formed by different representatives for the progress of the ASG roadmap.</p> <p>We report annually the progress in the sustainability report.</p> | | |
| <p>Principle 3: Clients and users</p> <p>We will work responsibly with our clients and users to promote sustainable practices that enable economic activities that create prosperity for the current and future generations.</p> | | |
| <p>3.1. Provide a general description of the policies and practices that your bank has /and/or is planning to implement to promote responsible relations with its clients and users. It must include high-level information about programs and actions implemented (and/or planned), their scale, and, when possible, their results.</p> | <p>One of the main strengths that differentiate us from other institutions is how close we are with our customers, which allows us to offer convenient solutions and serve their needs.</p> <p>Our staff sticks to the code of ethics and conduct for commercial activity, and other internal guidelines, so that the client always has the necessary information to make decisions, and a proper offer of products.</p> <p>We also provide a social and environmental assessment for business loans (SARAS), with a specific risk policy.</p> | <p>Ethics and compliance</p> <p>Code of ethics and conduct</p> <p>Responsible banking: social and environmental risk analysis.</p> |

| | | |
|---|--|---|
| <p>3.2. Describe how your bank has worked and/or plans to work with its clients and users to promote sustainable practices and allow sustainable economic activities. It must include information about planned actions / implemented, developed products and services, and, when possible, the impacts achieved.</p> | <p>Through SARAS we assess the social and/or environmental risks of the projects to be financed. This way, we promote high-standard compliance for the loan to be granted. We also set a monitoring plan during the use of the loan.</p> <p>Through information about the products and advising our clients, we promote the sustainability of their financial situation.</p> <p>On the other hand, the business loan contributes to the investment of machinery, equipment, and other types of resources, which make them more competitive. We seek that this generates a sustainable scenario.</p> <p>We are also working on developing loans with an environmental criterion (green portfolio), with the support of Nacional Financiera.</p> | |
| <p>Principle 4: Stakeholders</p> <p>We will consult, meet and associate responsibly and proactively, with relevant stakeholders to achieve the goals of society.</p> | | |
| <p>4.1. Describe which stakeholders (or types/groups of stakeholders) your bank has consulted, committed, collaborated with, or associated to implement these principles and improve the impacts of your bank. This must include a high-level general description of how your bank has identified the relevant stakeholders, and what topics were addressed / results achieved.</p> | <p>To determine the impact areas, we used the UNEP-FI tool, different business groups were consulted, and they provided the necessary information.</p> <p>Also, during the materiality exercise, we were able to have the participation of a representative from the greatest groups: employees, and vendors, along with business representatives to provide a client perspective.</p> <p>On the other hand, on a day-to-day basis, the teams of the company interact with different stakeholders, other staff (internal), also clients, vendors, and other external groups.</p> <p>The priorities of responsible banking will integrate into the ASG Strategy we are developing.</p> | <p>Focus on sustainability</p> |
| <p>Principle 5: Governance and culture</p> <p>We will implement our commitment to these principles through governance and a culture of responsible banking.</p> | | |
| <p>5.1. Describe the governance structure, relevant policies, and procedures that your bank has implemented or plans to implement to manage the greatest positive and negative impacts (potential) and support the effective implementation of the principles.</p> | <p>The commitments and initiatives of responsible banking will be integrated into the ASG Strategy and its governance. Currently, commitments, indicators, and goals are monitored by related departments on a first instance, and second by a multi-department team that leads the roadmap, from the materiality analysis to the impact roadmaps.</p> <p>The government committee is the entity in the structure that gets reports of the progress, so these can be brought up to the board.</p> <p>Also, the committee participates in authorizing any financing that goes through the SARAS process.</p> | <p>Focus on Sustainability</p> <p>Corporate governance</p> |
| <p>5.2. Describe the initiatives and actions that your bank has implemented or plans to implement to promote a culture of responsible banking among its employees. It must include a high-level general vision of competence development, integration of remuneration structures and performance management, and leadership communication, among others.</p> | <p>The involvement of board members and senior management in the materiality process contributes to culture and decision-making toward sustainability.</p> <p>Also, to talk about the progress of the ASG roadmap, including building the strategy during the corporate governance committee.</p> <p>The sustainability progress has been communicated through different internal channels we have. Topics like joining the Global Compact Ecuador Network, the publishing of the first sustainability memoir, talent and culture initiatives, etc.</p> | <p>Corporate governance</p> <p>Schedule: Materiality analysis</p> |

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|--|--|--|
| <p>5.3. Governance structure for implementing the principles</p> <p>Demonstrate that your bank has a governance structure to implement the RBPs that includes:</p> <p>a) Set goals and actions to achieve them b) Corrective actions in case the goals or milestones are not achieved or unexpected negative impacts are detected.</p> | <p>To monitor the progress of the indicators in respect of the goals set based on the portfolio impacts (positive and negative impacts) is performed in the following sequence: first the teams from the related departments, then the cross-functional teams that lead the ASG roadmap, and finally the corporate governance committee.</p> | <p>Focus on sustainability</p> <p>Corporate governance</p> |
| <p>Provide a conclusion/statement that your bank has complied with the requirements concerning the governance structure to implement the principles.</p> | | |
| <p>We have a governance structure for responsible banking commitments, in which related departments participate.</p> <p>The follow-up integrates also with the ASG roadmap progress, which currently includes building the 2023-2025 ASG Strategy.</p> | | |
| <p>Principle 6: Transparency and responsibility</p> <p>We will periodically review our individual and group implementation of these principles. Also, to be transparent and responsible for our positive and negative impacts, and our contribution to the goals of society.</p> | | |
| <p>6.1. Progress in the implementation of the principles</p> <p>Show that your bank has progress in the implementation of the principles in the last 12 months (till 18 months for your first report after becoming a signatory), in addition to setting and implementing the goals in at least two areas (see 2.1-2.4)</p> <p>Show that the bank has considered international/regional best practices for the implementation of the six principles for Responsible Banking. Based on this, it has defined the priorities and ambitions to align with the best practices.</p> <p>Demonstrate that your bank has implemented/is working on implementing changes to the current practices to reflect and be in line with the best and current and emerging regional/international best practices, and has progressed in implementing these principles.</p> | <p>In the current report and schedule, we show how we have been implementing the Principles for Responsible Banking.</p> <p>We have performed the portfolio impact analysis, set the commitments for responsible banking, have related the initiatives to enhance, and the monitoring indicators.</p> <p>Also, we have set short-term goals (2021, now 2022) and medium-term (2023).</p> | <p>Current Schedule</p> |
| <p>Provide a conclusion/statement that your bank has complied with the requirements concerning the progress in implementing the Principles for Responsible Banking</p> | | |
| <p>After joining 2019 the Principles for Responsible Banking, we have completed the following milestones 1) Loan portfolio impact analysis, 2) setting commitments, 3) Setting up initiatives, monitored by indicators, and 4) setting medium-term goals for a selection of those indicators.</p> <p>As a complement, each year we have been setting annual goals for all the indicators.</p> <p>We have also been building the 2023-25 ASG Strategy, which will integrate responsible banking initiatives.</p> | | |

Schedule III: Standards index of the report

GRI content index
SASB index

| CONTENTS OF THE UNIVERSAL GRI CONTENT STANDARDS | | | | |
|---|---|--|--|----------------|
| Section | Content | Description | Omissions | Page/s ; Links |
| GRI 1: Fundamentals 2021 | It applies across the report | | | |
| GRI 2: General Contents 2021 | | | | |
| The organization and its reporting practices | GRI 2-1 | Organization details | | |
| | GRI 2-2 | Entities included in the sustainability reports of the organization | | |
| | GRI 2-3 | Period of the report, frequency, and point of contact | | |
| | GRI 2-4 | Restatement of the information | | |
| | GRI 2-5 | External verification | | |
| Activities and workers | GRI 2-6 | Activities, value chain, and other business relations | | |
| | GRI 2-7 | Employees | | |
| | GRI 2-8 | Workers that are not employees | Does not apply, the Bank performs with its employees. | |
| Governance | GRI 2-9 | Governance structure and composition | | |
| | GRI 2-10 | Nomination and selection of the highest government body | | |
| | GRI 2-11 | President of the highest government body | | |
| | GRI 2-12 | Role of the highest government body for the supervision of impact management | | |
| | GRI 2-13 | Responsibility delegation for impact management | | |
| | GRI 2-14 | Role of the highest governing body in the creation of sustainability reports | | |
| | GRI 2-15 | Conflict of interest | | |
| | GRI 2-16 | Communication of critical concerns | Confidential information, through internal guidelines. | NA |
| | GRI 2-17 | The collective knowledge of the highest government body | | |
| | GRI 2-18 | Performance assessment of the highest government body | | |
| | GRI 2-19 | Remuneration policy | | |
| GRI 2-20 | The process to determine the remuneration | | | |
| GRI 2-21 | Total annual compensation ratio | Confidential information, through internal guidelines. | NA | |
| Strategy, policies, and practices | GRI 2-22 | Statement about the sustainable development strategy | | |
| | GRI 2-23 | Policy Commitment | | |
| | GRI 2-24 | Incorporating policy commitments | | |
| | GRI 2-25 | Processes to remediate negative impacts | Not available. The Bank is working on the sustainability framework, on the remediation mechanisms to execute in case of the materialization of any risk. | |
| | GRI 2-26 | Mechanisms to seek advisory and make inquiries | | |
| | GRI 2-27 | Laws and regulations compliance | | |
| | GRI 2-28 | Associations it is part of | | |
| Commitment with stakeholders | GRI 2-29 | Focus on the participation of stakeholders | | |
| | GRI 2-30 | Collective negotiation agreements | Not available; we are working to have it on the next sustainability report. | |
| GRI 3: material topics 2021 | | | | |
| | GRI 3-1 | The process to determine material topics | | |
| | GRI 3-2 | List material topics | | |
| | GRI 3-3 | Material topics management | We present each material topic in the following GRI contents index below. | |

SASB PARAMETERS INDEX

| STANDARD | TOPIC | CODE | ACCOUNTING OR ACTIVITY PARAMETER | OMISSION | PAGE/LINK | |
|---------------------------|---|--|--|---|--|--|
| Consumer financing - 2018 | Privacy of the client | FN-CF-220a.1 | Number of accountholders whose information is used for secondary purposes | Information not available | NA | |
| | | FN-CF-220a.2 | The total amount of economic loss as a result of legal procedures associated with the privacy of the client | | | |
| | Data security | FN-CF-230a.1 | (1) Number of breaches of information (2) as a percentage pointing to the information personally identifiable (3) number of affected accountholders | 1) Reported 2 y 3) Not available | | |
| | | FN-CF-230a.2 | Loss because of fraud related to cards (1) fraud without a physical card, (2) fraud with a physical card, and another type of fraud | Information not available | NA | |
| | | FN-CF-230a.3 | Description of the approach performed to identify and reach data security risks | | | |
| | Sales practices | FN-CF-270a.1 | The percentage from the total remuneration of the employees is variable and linked to the number of products and services sold. | Information not available | NA | |
| | | FN-CF-270a.2 | The loan approval rate for (1) loans (2) prepaid products for applicants with FICO score under 660 | Information not available | NA | |
| | | FN-CF-270a.3 | (1) Average rates of complementary products, (2) Average APR, (3) average aging of the accounts, (4) average number of commercial lines, and (5) average annual rates of prepaid products for customers with FICO scores over and under 660 | | Public information on the terms and conditions of the products: https://www.bancomachala.com/transparencia/ | |
| | | FN-CF-270a.4 | (1) the number of complaints presented at the Consumer Financial Protection Office (CFPB in Spanish), (2) the percentage of monetary and non-monetary compensation, (3) the percentage disputed by the consumer, and (4) the percentage that was investigated by CFPB. | Information not available | NA | |
| | | FN-CF-270a.5 | Total loss amount as a result of legal procedures associated with selling products or services | | | |
| (Activity metric) | FN-CF-000.A | The number of unique clients with (1) active credit account and (2) debit account. | To dimension the attraction products, we use the number of accounts, for credit the number of cards, and the amount of the balance from the different consumer loans. | NA | | |
| (Activity metric) | FN-CF-000.B | Number of (1) credit card accounts and (2) debit accounts | Number of savings accounts: available (126,313) (personal banking) Number of checking accounts: available (10,660) (personal banking) The number of credit cards: available (is 24,784) (personal banking). | | | |
| Business banking - 2018 | Data security | FN-CB-230a.1 | (1) Number of information breaches (2) with a percentage showing such information and identifiable per person (3) number of affected accountholders | 1) Reported 2 y 3) Not available | | |
| | | FN-CB-230a.2 | Description of the approach performed to identify and take care of the data security risks | | | |
| | Financial inclusion and competence development | FN-CB-240a.1 | (1) Number and (2) quantity of distinction credit pass referred for programs designed to promote small businesses and contribute to the socio-economic development of the community | We present the value of the portfolio | | |
| | | FN-CB-240a.2 | (1) Number and (2) amount of fully due and not accrued loans qualified for programs designed to promote small businesses and the socio-economic development of the community. | Information not available | NA | |
| | | FN-CB-240a.3 | The number of checking accounts for retail clients with no cost, provisioned for clients previously unbanked. | Information not available | NA | |
| | | FN-CB-240a.4 | The number of participants for financial education initiatives for unbanked, underbanked, or unattended clients. | | | |
| | Including the environmental, social, and corporate governance factors | FN-CB-410a.1 | Commercial and industrial credit exposure | | | |
| | | FN-CB-410a.2 | Description of the environmental, social, and corporate governance (ASG) factors focus for credit analysis. | | | |
| | Business ethics | FN-CB-510a.1 | Total amount loss as a result of legal procedures associated with fraud, anti-competitive behavior, market abuse, bad practices, or other financial regulations. | | | |
| | | FN-CB-510a.2 | Description of complaints policies and procedures | | | |
| | Systemic risk management | FN-CB-550a.1 | Score per category at the Systemically Important World Bank Banco | It does not correspond to Banco de Machala this SASB topic. | NA | |
| | | FN-CB-550a.2 | Describe the focus for the incorporation of mandatory and voluntary stress testing results on planning the capital adequacy requirement and long-term corporate strategy. | It does not correspond to Banco de Machala this SASB topic. | NA | |
| | (Activity metric) | FN-CB-000.A | (1) Number and (2) amount per segment of savings and checking accounts: (a) personal and (b) small business | 1) We have presented separately the number of savings and checking accounts for persons and businesses; 2) the attracted amount is available separately for savings and checking accounts for personal clients. | | |
| | (Activity metric) | FN-CB-000.B | (1) Number and (2) amount of loans per segment: (a) personal, (b) small business, and (c) corporate | The commercial/productive loan portfolio – by size. From the productive credit given: 34.9% was for the corporate segment, 43.3% for business, and 22.8% for SMEs. | NA | |

| SPECIFIC GRI CONTENTS BY TOPIC | | | | | |
|--|---|---|---|--|---------------|
| Impact Material Topics | GRI Standard | GRI Content | Description | Omissions | Page/s; Links |
| Process digitizing | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| Transparency of products and services | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| | GRI 417: Marketing and labeling | 417-1 | Requirements for the information and labeling of products and services. | | |
| | | 417-2 | Non-compliance relating to products and services information and labeling. | | |
| | | 417-3 | Non-compliance related to marketing communications. | | |
| GRI Sectorial Supplement Financial Sector | FS 15 | Policies for fair design and sale of financial products and services. | | | |
| Privacy of the client (use of information) | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| | GRI 418: Privacy of the client 2016 | 418-1 | Substantiated complaints related to violation of privacy and loss of data of the customer. | | |
| Data security (Cybersecurity) | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| | GRI 3: Material topics | 3-3 | Management of material topics | | |
| The customer experience (customer service) | GRI 416: Health and security of the user 2016 | 416-1 | Health and security impact assessment of the products or services categories. | | |
| | | 416-2 | Non-compliance cases related to the health and security impacts of the products or services categories. | | |
| | | | | | |
| Corporate governance | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| Ethics and anti-corruption | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| | GRI 205: Anti-corruption 2016 | 205-1 | Number and percentage of centers in which we have done a risk assessment related to corruption and detected significant risks. | | |
| | | 205-2 | Policies and procedures of communication and training in the fight against corruption. | | |
| | | 205-3 | Confirmed cases of corruption and the actions are taken. | | |
| | GRI 206: Unfair competition 2016 | 206-1 | Judicial actions related to unfair competition and monopoly practices and against free (market) competition | | |
| GRI 415: Public policy 2016 | 415-1 | Politic contributions | | | |
| Business development (clients) | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| | GRI Sectorial Supplement Financial Sector | FS1 | Policies with specific social and environmental components applied to the business activities. | | |
| | | FS2 | Social and environmental risk assessment and control procedures for the business. | | |
| | | FS3 | Processes to monitor the implementation and compliance of environmental regulations on clients and social requirements included in agreements or transactions. | | |
| | | FS4 | Process (es) to improve the competencies of the staff to implement the social and environmental policies and procedures according to the different business sections. | | |
| | | FS5 | Interaction with clients/investors / commercial partners about environmental, risk, and social opportunities. | | |
| | | FS9 | Coverage/scope and frequency of the audits to ensure the implementation of the social and environmental policies and risk analysis. | | |
| | | FS10 | Percentage and number of businesses included in the business portfolio that has interacted with the informing organization about social and environmental matters. | | |
| Financial stability of the company | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| | GRI 201: Economic performance 2016 | 201-1 | The direct economic amount generated and distributed | | |
| | | 201-2 | Financial implications, other risks, and opportunities derived from climate change. | Not available; we are working to have it on the next sustainability report | NA |
| | | 201-3 | Obligations from the defined benefits plan and other retirement plans. | Not available; we are working to have it on the next sustainability report | NA |

| SPECIFIC GRI CONTENTS BY TOPIC | | | | | |
|--|---|--|---|-----------|---------------|
| Impact Material Topics | GRI Standard | GRI Content | Description | Omissions | Page/s; Links |
| | | 201-4 | Financial assistance from the government | | |
| | GRI Sectorial Supplement Financial Sector | FS6 | Percentage of the portfolio per line of business per region, size (Micro, SMEs, Corp.), and sector | | |
| Workplace climate and employee satisfaction | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| | GRI 401: Employment 2016 | 401-1 | New hires and employee turnover | | |
| | | 401-2 | Benefits for full-time employees that are not given to casual or half-time employees | | |
| | | 401-3 | Parental benefits | | |
| | GRI 404: Training and education 2016 | 404-1 | Average training hours per employee | | |
| | | 404-2 | Programs to improve the aptitudes of the employees and transition aid programs | | |
| | | 404-3 | Percentage of employees that receive periodic performance and professional development assessments. | | |
| | GRI 405: Diversity and equal opportunities 2016 | 405-1 | Diversity in government bodies and employees | | |
| 405-2 | | Female base salary/remuneration against male ratio | | | |
| Financial education | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| | GRI Sectorial | FS 16 | Initiative to improve financial education per type of beneficiary | | |
| Financial inclusion | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| | GRI Sectorial Supplement Financial Sector | FS7 | The monetary value of products and services is designed to offer a specific social benefit per line of business broken down into goals. | | |
| | | FS 13 | Access points for less populated or economically disadvantaged zones, per type. | | |
| | | FS 14 | Initiatives to improve access to financial services for disadvantaged groups. | | |
| Product and service innovation | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| | GRI 203: Indirect economic impacts | 203-1 | Development and impact of infrastructure investment and types of services. | | |
| | | 203-2 | Indirect greatest economic impacts and its scope. | | |
| Health and safety of the employee | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |
| | | 403-1 | Health and safety in the workplace management system. | | |
| | | 403-2 | Hazard Identification and Risk Assessment, and incident investigation | | |
| | | 403-3 | Health services in the workplace | | |
| | | 403-4 | Employee participation in consultation and communications about health and safety in the workplace. | | |
| | | 403-5 | Training employees about health and safety in the workplace. | | |
| | | 403-6 | Promote the health of the employees | | |
| | | 403-7 | Prevention and mitigation of the health and safety impacts for the employees that are directly linked with commercial relations. | | |
| | | 403-8 | Health and safety in the workplace management system coverage. | | |
| | | 403-9 | Injuries in the workplace | | |
| | 403-10 | Occupational disease | | | |
| Brand management | GRI 3: Material topics 2021 | 3-3 | Management of material topics | | |



Banco de Machala

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