

**Banco de
Machala**

2022 Sustainability Report





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Letter of the chairman of the board of directors

(GRI 2-22)

Dear Sir/Madam,

In this ever-changing environment, Banco de Machala S.A. has once again demonstrated its ability to continue achieving significant results in its economic, social, and environmental management. All these efforts reflect a successful implementation of a strategy focused on continuous process improvement and adherence to our institutional values, which have led to the accomplishments we have achieved.



We are fully aware that the financial sector plays a fundamental role in contributing to the country's economic development. Therefore, Banco de Machala is constantly redesigning and reinventing itself. We strive to be the top choice for our clients, especially those in the aquaculture and agriculture sectors, showcasing our deep understanding of the production chain and process.

Technological innovation has allowed Banco de Machala S.A. to be at the forefront of the current market, providing our clients with efficient, agile, and high-quality services. We have introduced new digital products such as online savings accounts, cash advances, online investments, deferred payments, and online credit to meet our clients' needs.

During the year 2022, Banco de Machala S.A. achieved sustainable growth in its productive assets, increasing its credit portfolio by 11.71%, leveraging a 6% rise in customer deposits, a boost in income tax contributions, and greater employee involvement. This has resulted in improved profitability, allowing us to reinvest and capitalize further. We take pride in remaining the most significant financial partner for the agricultural and aquaculture sectors in the province of El Oro and other provinces of the country. In line with sustainable development, we aim to promote environmental and social practices among our clients, contributing to a balance between economic, social, and environmental growth.



We are delighted with the goals achieved during these 60 years of work, the journey we have undertaken together with our clients, and we feel profoundly motivated to overcome any challenge in favor of the innovation, productivity, and sustainable profitability that have always been an important feature of our institutions.

Sincerely,

Dr. (H.C.) Esteban Quirola Figueroa
Chairman of the Board of Directors



Letter of the acting CEO

(GRI 2-22)

Dear Sir/Madam,

We are currently facing an urgent challenge of change, updating, and innovation, which demands that we work at the forefront of the demands of our environment and take immediate actions to continue demonstrating Banco de Machala's commitment to its clients.

That is why we have been diligently promoting economic activity in diverse productive sectors of Ecuador, ranging from micro-entrepreneurs to large corporations.



Although in the year 2022, we encountered new challenges that affected the global economy, such as interest rate hikes by the United States Federal Reserve (FED), which influenced the appreciation of the dollar, and the conflicts between Russia and Ukraine that disrupted logistics for global exports and imports. Additionally, within the national context, there were social grievances leading to protests that temporarily affected economic activity within Ecuador. Despite all these adversities, we can proudly say that Banco de Machala S.A. continued its successful management; in fact, these challenges fueled our spirit of perseverance and our desire to excel, contributing to the economic development of the country's productive sector.

We are also blessed with a talented workforce that understands and values proper customer service. We continue to motivate and promote a positive work environment, acknowledging the abilities and skills of our employees that influence organizational performance. The strong teamwork and high level of communication among our staff are crucial factors that drive the bank's mission. Additionally, we empower our account officers and advisors to guide our clients toward the full range of services we can offer through our systematic approach.

Every advancement in sustainability is pivotal to our growth as an institution. For this reason, we have structured our Sustainability Strategy based on material issues articulated within six pillars, each comprising various lines of work. Each line of work prioritizes a selection of initiatives, some of which we were already implementing, while others represent new avenues of strength for us. Furthermore, as a Responsible Bank, I would like to highlight our financial education program "Banco para Crecer," which we have proudly implemented with



great success, providing education to hundreds of entrepreneurs, men, women, and youth, who courageously contribute to our country.

As an institution, we reaffirm our commitment to applying sustainability principles by adhering to the Ten Principles of the Global Compact. Our purpose is to progress by developing inclusive products and services with minimal environmental impact, while also supporting financial education at all levels. We are also part of the United Nations Environment Programme Finance Initiative (UNEP-FI).

We are reinforcing our collaboration with CFN and the World Bank in offering loans with an environmental responsibility focus to small and medium-sized enterprises. Additionally, we will increase our support to the agricultural sector by creating a new specialized product dedicated 100% to agriculture, becoming the first bank in Ecuador to offer this innovative product to our current and future clients.

We reiterate our commitment to promoting our values and organizational culture, where ethics, transparency, and prudence are integral to our daily operations.

Our second edition of the Sustainability Report complies with International Standards and has been externally verified. This report reflects the trust of our various stakeholders, the vision of the management team, and the commitment of our different departments.

Sincerely,

María Eugenia Navarrete O.
Acting CEO



Main numbers

As of December 2022

Institutionality and integrity	Formation of the Corporate Governance and Sustainability Committee	Update of the Code of Ethics and Conduct	Update of the Corporate Governance Code
Marketing and services	126 nationwide service points	48,248 active users on Oronet and Oromóvil	
Team commitment	849 employees	In management and assistant management positions (employees): 58% are women	USD \$11,956.41 invested in employee training
Client development	\$406.06 million in productive loans (balance as of December 2022)	\$9.78 million in microloans (balance as of December 2022)	
Client's environmental performance	Development of the Environmental and Social Risk Management System (ESRMS)	Environmental and social support was provided to 37 clients.	
In-house environmental performance	2,193,361.86 kilowatt-hours	0.96 tCO ₂ eq per employee of greenhouse gas emissions intensity.	



How to read the report

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

We are pleased to present our Sustainability Report, the second one we have developed in accordance with international standards: established by the Global Reporting Initiative (GRI) and the principles of the Sustainability Accounting Standards Board (SASB). We provide an overview of the key outcomes of Banco de Machala S.A. during the fiscal year 2022, which spans from January to December, focusing on material topics. This transparently discloses our management to our stakeholders.

The materiality assessment we conducted in 2020 enabled us to identify critical topics based on the impact of our activities (impact materiality), considering the perspective of a selection of our main stakeholders and the management team. This process serves as the foundation for applying GRI Standards. Additionally, we have considered financial materiality, utilizing the topics identified as material by SASB, for the sectors of their classification in which we operate: commercial banking and consumer financing. The mortgage financing standard has not been applied due to its lower contribution to the Bank's overall operations. This considers critical topics for financial results and the stability of our institution. The information was compiled with the participation of various areas within the Bank, adhering to the technical guidelines of the mentioned standards (GRI, SASB). The content has been reviewed by the Corporate Governance Committee and validated by the Board of Directors.

This report serves as progress in the implementation of the United Nations Global Compact's 10 Principles in human rights, labor practices, environmental stewardship, and anti-corruption practices. It also outlines how we contribute to the Sustainable Development Goals.

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

For the first time, a selection of content has been externally verified. There are no restatements of information in this Sustainability Report.

It's worth mentioning that the materiality updating process will commence in 2023 due to changing socio-economic factors. New relevant topics must be identified and prioritized, upon which the bank will establish performance indicators to measure and monitor progress.

All communication regarding the 2022 Sustainability Report should be directed to:

- Econ. Ma. Lourdes Sandoval V.
maria.sandoval@bmachala.com
- Lcdo. Juan Alberto Esparza
juan.esparza@bmachala.com
- Ing. Doménica Ormaza
Maria.Ormaza@bmachala.com

1 Profile and strategic priorities

Profile

(GRI 2-1)

Banco de Machala S.A., a multiple banking institution based in the province of El Oro, but with a nationwide strategy and coverage, enabling us to expand our value proposition.

Mission

We focus on providing quality products and services, backed by efficient processes and cutting-edge technology, through a united, empowered, and urgency-driven team.

Vision

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

Values

- **Ethics:** Our decisions and actions will always be framed within the principles of good behavior
- **Prudence:** We will proceed swiftly, but always emphasize doing so prudently in the face of risks.
- **Ability to react:** We strive to constantly improve our ability to react.
- **Always focused on obtaining results:** We are focused on achieving our objectives to obtain results.
- **Communication and teamwork:** We create an environment that fosters great organizational performance.

Institutionality

We are a corporation incorporated in Ecuador, with shareholding primarily held by the founding family (98.13%). As a result of our growth, we have issued convertible bonds in the Guayaquil Stock Exchange.

As an institution, we fully comply with applicable legislation related to our legal status and possess a robust corporate governance structure, which is detailed 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 services for individuals

Category	Sectors and activities	Products and services	Channel
Credits	Persons working for an employer, mainly from the private sector Self-employed persons Retired persons	Consumer loan Auto-Credit Credit from payroll Back to Back Casa-Credit Student loan Credi U	Branch
Deposits	Employees Self-employed persons Retired persons	Savings account Checking account Mi Cuenta Crecer account Crecer Plus account	branch + website
Investments	Employees Self-employed persons Retired persons	Term deposits BM 365	Branch and Oronet



Banking services for businesses

Category	Sectors and activities	Products and services	Channel
Credits	Agriculture Trade Building Logistics and Transportation Services	Autocredit Productive credit Credit from payroll	Branch
	Agriculture Trade Building Services	Checking account Savings account	Branch and web
Collections and payments	Agriculture Trade Building Logistics and Transportation Services	Collections payments Soft Token and OTP	Collections and payments
Foreign trade	Agriculture 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 Foreign bank guarantee Foreign funding	Branches
	Agriculture Trade Building Services	Term deposits BM 365	Branches and Oronet

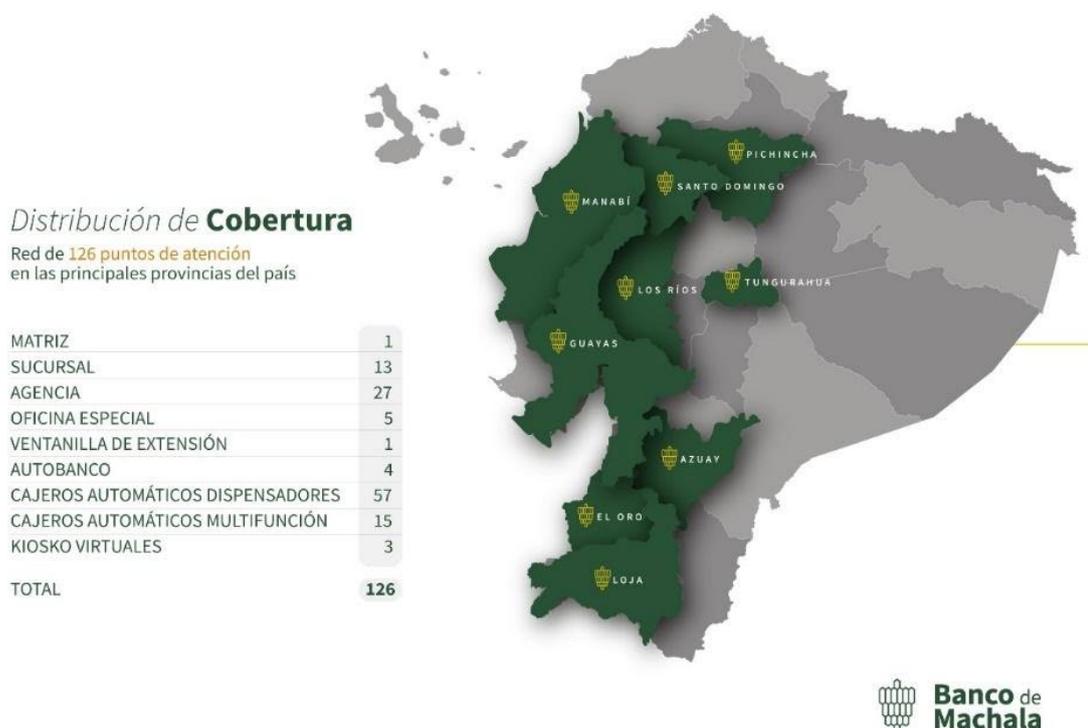
It is worth noting that there have not been any changes in sectors, activities, and products and services offered by the bank since the 2021 sustainability report .



Service channel

With the development and evolution of the market, Banco de Machala offers its clients and financial users various transactional channels nationwide, with 126 service points enabling quick, agile, and secure transactions.

National network coverage



Digital and/or remote channel

Banco de Machala S.A., in accordance with market demands, has developed a multichannel strategy that makes a variety of bank products and services accessible to all financial users and clients.

Global digitization is taking place, leading consumers to change their consumption and interaction habits through the use of electronic channels. To remain competitive, we are driving the transformation of our business through various electronic channels, which in turn has a significant impact on the sustainability of our activities, both in social terms (greater accessibility) and environmental terms (reduced resource pressure and pollution).



Oronet online banking

It is Banco de Machala's online transactional service, where the customer can conduct their banking transactions from the comfort of their home or office. The transactions available through this channel are as follows:

- Checking balances and transactions from accounts and cards.
- Check bank statements
- Check payments made to Banco de Machala credit cards.
- Pay utilities and other services
- Pay vehicle registration and school tuition fees.
- Pay custom fees and employer's obligations.
- Own bank transfers and transfers to other bank customers and between other banks.
- Online cash advance
- Deferring balances and credit card payments.
- Online investments.

Oromóvil

It is Banco de Machala's mobile transactional application, allowing its clients to conduct transactions whenever they need to and from wherever they are. The transactions available through this channel are as follows:

- Own bank transfers and transfers to other bank customers and between other banks.
- Pay utilities and other services
- Check balances and transactions between accounts and credit cards.
- Check promotions
- Check credits and investments

ATMs

It is Banco de Machala's self-service network, allowing its clients to conduct transactions whenever and wherever they need to. The transactions available at ATMs are as follows:

- Cash withdrawals
- Cash deposits
- Cash advance
- Check balances
- Block cards and others

Collections and automatic payments

It is Banco de Machala's online transactional service for businesses, enabling clients to automate and control all activities related to their company's collections and payments. Automatic Collections and Payments enhances client companies' efficiency, reduces costs, and provides better cash flow control due to its user-friendly interface.



The services available on the automatic collections and payments platform are as follows:

- **Collections**

The client's company will be able to carry out invoice collections online and obtain information about payments made by their customers.

- **Payments**

The Payment System is a comprehensive solution that reduces operational costs and efficiently manages the client's business.

- **Transfers**

This service allows for transfers from the Automatic Collections and Payments platform to accounts within and outside the country. It enables the company to maintain control over its capital flow.

- **Banking for businesses**

In this module, the client can handle inquiries, payments, and other operational transactions for the company. The options in Business Banking are as follows:

- Check balances and transactions from accounts and credit cards.
- Inquire about checks
- Check credits
- Block checks
- Pay utilities and other services

Virtual Kiosk

It is Banco de Machala's self-service terminal network, enabling its clients to conduct quick, efficient, and secure transactions whenever and wherever needed, without the need to endure long queues. The transactions available at ATMs are as follows:

- Bank certificates
- Cash withdrawals
- Cash deposit
- Cash advance
- Check balances
- Block cards and others

Banco de Machala website

The website www.bancomachala.com is an informational website for Banco de Machala's products and channels. It provides relevant information about the bank's products and services and serves as a gateway to the Oronet, Automatic Collections and Payments, and Electronic Documents portal, as well as online savings account opening.



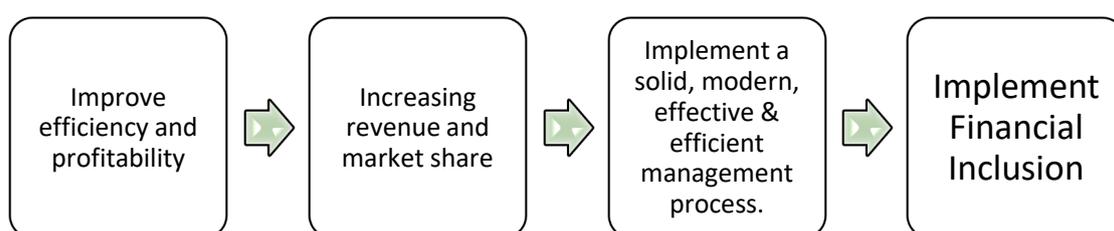
Similarly, we encourage our customers to migrate towards electronic channels, without neglecting in-person services. However, we offer increased opportunities for contact and operational efficiency. We are also delving into the potential of technology for our internal processes, including data analytics for better customer service and offerings.



2 Strategic priorities

At Banco de Machala, we perceive banking as a creator of opportunities for the economic and social development of the country's productive sectors, while simultaneously safeguarding the environment.

The Institutional Strategic Plan was developed for a 3-year horizon: 2022–2024, aligned with strategic objectives, in order to meet the expectations for growth, profitability, improved competitiveness, and market share of Banco de Machala S.A.



The senior management of the Bank is responsible for technically substantiating the development and implementation of all the elements that make up the Institutional Strategic Planning. This planning must have a direct connection with the guidelines of the institution's Business Plan and Budget.

In recent years, we have observed excellent opportunities related to the development of products with social and environmental focus, which respectively provide inclusion opportunities and assist our clients in implementing better practices. We address this trend in greater detail in the Responsible Banking chapter.

In this way, we are laying down solid foundations for the coming years, aiming to progress and strengthen our commitments to the productive and financial sectors of Ecuador.



3 Sustainability approach

(GRI 2-23, 2-24, 3-1)

We are committed to being an institution that creates value for all our stakeholders, maximizing our positive social and environmental impacts, and mitigating any negative ones that may arise. All of this is managed through a robust corporate governance that ensures decision-making with this focus, guaranteeing responsible business conduct in all our activities and business relationships.

To ensure our commitment to various initiatives and sustainability, we have a Sustainability Management Policies and Procedures Manual in place. Its purpose is to ensure transparency, provide access to information to our stakeholders, and apply due diligence mechanisms to have clear guidelines on economic, social, and environmental matters.

Our sustainability work priorities were determined based on material topics, through an analysis conducted in 2021. During this process, we identified the key ESG (Environmental, Social, and Governance) topics, considering the impact generated by our activities (impact materiality). We continue to monitor initiatives with the aim of further strengthening sustainability within the bank.

To shape the bank's strategy, we base on the concept of double materiality, a leading international practice also embraced in the financial sector. In doing so, we add to the impact materiality already mentioned the financial materiality in the form of topics raised by the Sustainability Accounting Standards Board (SASB) initiative.

This way, our strategy responds to the expectations of our various stakeholders on how to address the most impactful issues. Additionally, it addresses the market's demands (investors, rating agencies, and international banking) to work on ESG topics that can significantly affect the institution's financial stability.

See appendix I: Material assessment

See appendix I: Identification of impacts in the portfolio

Sustainability model: Focus area framework, lines of action

We hereby present our priorities for the 2022-25 Strategy, articulated across the three ESG dimensions. It is composed of focus areas and lines of action, which in turn are integrated with various initiatives. Building upon our previous trajectory of initiatives, we are adding further ones that continue to propel us forward with determination.



Contribution to the Sustainable Development Goals

Through our Sustainability Strategy, we can also better align our contribution with the Sustainable Development Goals (SDGs).

See appendix I: Contribution to the SDGs





Approach	Aspects	Material matters
Institutionality and integrity	Governance	Ethics and anti-corruption (impact and financial) Corporate governance (impact)
Marketing 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's 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)-----

Banco de Machala has created its strategy based on diverse guidelines that transversely integrate various areas of the institution. This is why we are a part of the United Nations Global Compact, committed to upholding the 10 Principles, encompassing human rights, labor practices, environmental stewardship, and anti-corruption practices.

See appendix I: Implementation of the principles of the Global Compact

We also incorporate the established priorities of Responsible Banking, encompassing those associated with the development of products and services with environmental and social purposes, as well as the management of socio-environmental credit risks and financial education. We have defined these priorities to address the primary impact areas of our portfolio.

See appendix II: Self-assessment survey on Responsible Banking Principles

The sustainability strategy, as well as the activities stemming from it, are communicated to the sustainability committee, which in turn identifies the relevant areas to ensure their execution. The committee further determines which actions within the strategy should be materialized as institutional policies and operational procedures.



In this context, the bank has an Environmental Risk department, which includes among its functions the monitoring and advisory services to its clients to mitigate the environmental risk of financed activities, thereby safeguarding the minimal possible impact of our commercial operations. As a result of these commitments with national and international entities, a public semi-annual report is produced on the "Environment and Social Responsibility Campaign," outlining the processes of carbon footprint quantification, as well as the activities undertaken with our stakeholders to safeguard the environment

See appendix I: alliances and memberships



Relation with stakeholders

(GRI 2-29)

The growth of the Bank, as well as the goals and objectives achieved over the years, are attributed to the trust that stakeholders have placed in our operations, products, and services. We maintain an open dialogue and are guided by transparency in our daily activities and outcomes.

Banco de Machala fosters communication and closeness with its stakeholders through various channels, whether physical or digital, in order to maintain a mechanism for timely and efficient differentiated dialogue. This enables us to identify the concerns of each stakeholder. We identify our stakeholders as those who are significantly impacted by our operations and/or are instrumental in achieving our business objectives. With each of them, our aim is to build long-term relationships that result in mutual benefits. Our engagement with stakeholders is always aligned with our values, principles, and Code of Ethics.

Stakeholders	Value creation	Channels	Frequency
Our staff	<ul style="list-style-type: none"> We support professional development through ongoing training to ensure an expert team in their respective fields. We ensure the health and safety of each employee and promote respect for human rights, as well as inclusion and equity within the workforce. We prioritize the physical and psychological well-being of our employees through campaigns and activities aimed at enhancing their quality of life. 	<ul style="list-style-type: none"> a.- Complaints channel b.- Team meetings c.- Briefings (Group emails) d.- Assessment of working environment e.- Sustainability report f.- Intranet 	<ul style="list-style-type: none"> a.- Open channel to report violations to the code of ethics and good behavior.. b.- When needed. c.- When needed. d.- Annual. e.- Annual f.- Daily
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. 	<ul style="list-style-type: none"> a.- Board of shareholders b.- Annual report, shareholders c.- A dedicated spot on the website d.- Specialized support team e.- Sustainability report 	<ul style="list-style-type: none"> a.- Annual/Ordinary or extraordinary, this needs to be requested by the major shareholder (for the latter option). b.- Annual c.- When needed d.- When needed e.- Annual



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. 	<ul style="list-style-type: none"> a.- Nationwide customer service agencies b.- Other remote channels: web, call center c.- Social network and email notifications. d.- Sustainability report 	<ul style="list-style-type: none"> a.- Monday to Friday from 08:30 AM to 04:00 PM b.- Call center 24-hours c.- When required d.- Annual
Vendors	<ul style="list-style-type: none"> We generate opportunities for participation in the Bank's operations, under the selection of quality products and services. We have a focus on long-term relationships aiming at a win-win relationship. 	<ul style="list-style-type: none"> a.- OPS meeting b.-Sustainability report 	<ul style="list-style-type: none"> a.- When needed b.- Annual
Regulatory Authorities	<ul style="list-style-type: none"> We comply with local legislations, safeguarding the rights and security of our customers. 	<ul style="list-style-type: none"> a.- Reports/ necessary documentation b.- Monitoring from the bank superintendency c.- Shareholder's report with regulation-compliant information. 	<ul style="list-style-type: none"> a.- When needed b.- When needed c.- Annual
Community	<ul style="list-style-type: none"> We contribute to social development, through the promotion of inclusion and financial education. 	<ul style="list-style-type: none"> a.- Financial education website https://www.elbancoparacrecer.com/ b.- In-person and virtual financial education training sessions Social investment and sponsorship initiatives Sustainability report 	<ul style="list-style-type: none"> a.- Daily, 24-hours b.- Annual schedule

Governance in sustainability

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

With the aim of achieving the sustainability of the management at the bank, the Corporate Governance and Sustainability Committee was established, an internal body that will monitor the progress of actions in terms of Governance and Sustainable Management.

We seek active participation and engagement of the senior management in social, environmental, and governance (ESG) aspects for proper strategic decision-making. Furthermore, we keep the Board of Directors informed about the progress and decisions made in the committee. In 2022, a total of 6 sessions were conducted. The members of this committee are: Chairman of the Board, Acting Executive President, National Financial Manager, National Risk Management Manager, Human Resources Deputy Manager, Corporate Governance Deputy Manager, Legal General Secretary.



It's worth highlighting that the Sustainability Strategy will cut across different areas of our institution, necessitating the collaboration of teams to make progress on the established priorities. Through Governance, we identify impacts on the economy, environment, and people, and establish strategies for their mitigation.

At Banco de Machala, we already have policies in place for some of the key ESG topics:

Code of ethics

It is a set of conduct standards supported by personal and institutional ethical values and principles, which constitute patterns of behavior for shareholders, directors, legal representatives, officials, and employees, both in the exercise of their roles and functions, as well as in their private activities that impact the bank's image and reputation. This ensures complete transparency in all actions and activities.

Policy to train and develop our staff

Its purpose is to measure the contributions of all Bank personnel, in order to achieve the planning corresponding to the annual training plan, and thereby strengthen the competencies that need to be developed, ensuring the acquisition of knowledge.

Policy of occupational health and safety

The objective of this policy is to establish the conditions of safety and physical integrity for the well-being of employees, suppliers, and customers when they carry out their various activities within our branches and agencies. Additionally, we provide support to the culture of occupational risk prevention that the institution is implementing.

This policy will be communicated to the employees and will be posted in a visible location for compliance, and it will also be updated periodically.

Policy of environmental and social risk

This policy is committed to continuously improving its environmental performance and making a positive contribution to nature and society at all times. It is dedicated to conducting business in line with the Sustainable Development Goals (SDGs) and the principles of responsible banking. The continuous improvement of the Environmental and Social Risk Management System (ESRMS) will contribute to this goal. Likewise, procedures will be in place for the identification and assessment of environmental aspects that can be controlled and over which the institution has influence. It will ensure that aspects related to significant impacts and risks are considered within the environmental objectives and that they are periodically updated.



Zero papers policy

This policy aims at minimizing the use of paper in all the processes performed at the bank. Some of the initiatives within this policy are: the electronic signature, E-FILE and the use of Adobe Acrobat Reader.

It's worth noting that the highest authority of the bank maintains active engagement with various stakeholder groups and also participates in the organization's key committees and commissions, verifying the effectiveness of our processes on a monthly basis.





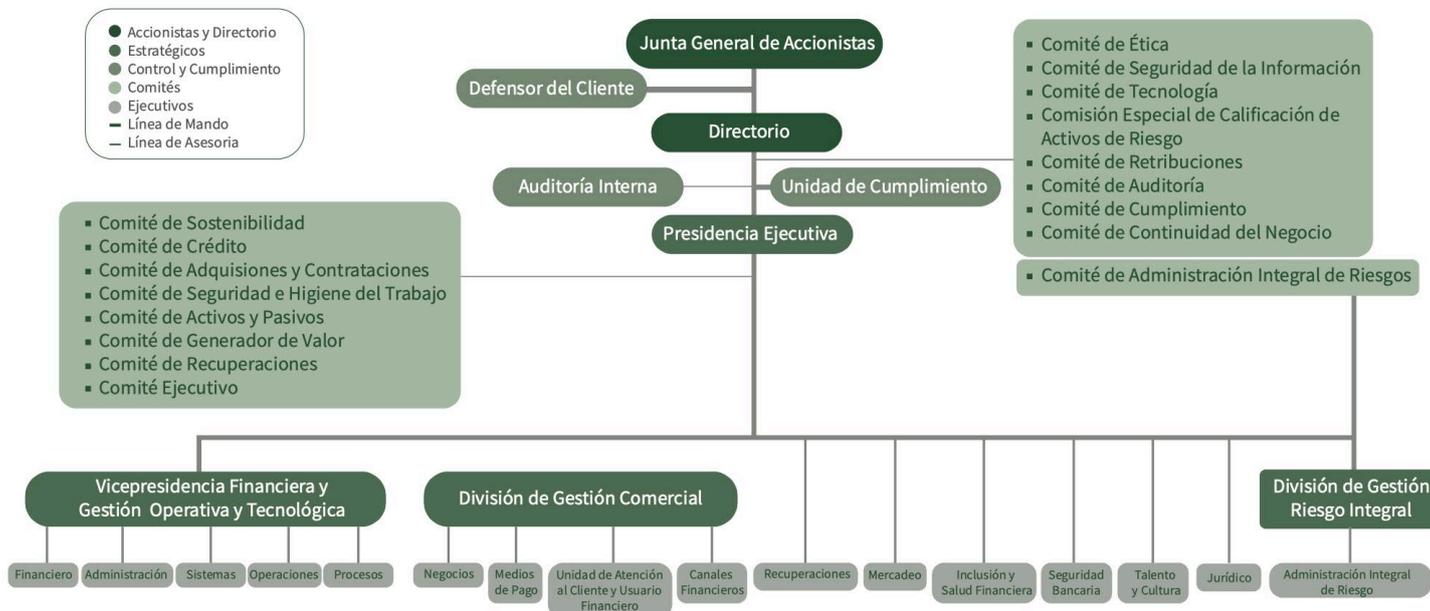
4 Corporate governance

(GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-15, 2-17, 2-18, 405-1)

We are a law-abiding institution in all the 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, internal and external auditors and establish its 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, statement of



financial changes, status of technical reserves, liquidity indexes, solvency, efficiency, 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 remuneration 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 the legal representation.
- Establishes a sound succession plan by identifying possible successors in order to allow continuity in the administration of the organization.

In 2022, both an Ordinary General Meeting and an Extraordinary General Meeting were held, with a shareholder representation of 1.54%. These and other corporate governance indicators are available to the public as required by law.

Board of directors

Banco de Machala S.A. defines its Board of Directors as a governing body responsible for fulfilling the functions, duties, and powers established in its Bylaws and current legal regulations. Its purpose is to understand and approve the necessary policies and processes for the institution to achieve its strategic plan within the framework of Good Corporate Governance principles. All actions of Banco de Machala S.A.'s Board of Directors are aligned with the provisions of the Bank's Bylaws and the institution's Corporate Governance Code.

The Board of Directors is responsible of:

- Establish the general policy of the Bank;
- Appoint the Board committees it deems convenient, in any of the Bank's branches, with the number of members it agrees upon;
- Analyze, comment on, and approve each and every report to be submitted by the Comprehensive Risk Management Committee, as well as the proportionality and validity of the guarantees granted;
- Issue policies and processes to execute the provisions of the Bylaws or regulations, as well as other provisions that ensure an effective framework for ownership and management relationships, transparency, and accountability; and the policies, processes, manuals, regulations, necessary for the application of transparency principles, which are part of the basic principles of social responsibility, and which promote the operability of good corporate governance principles.



Before being appointed as a main or alternate member of the Board, as well as a legal representative or those who are statutorily subrogated in their functions, candidates must submit certain legal requirements. Once the documentation is submitted, Banco de Machala S.A. will obligatorily verify on a semi-annual basis that the main or alternate members of the Board elected and/or reelected in a new term do not have supervening events that would cause disqualification from the position, as indicated in Articles 257 and 258 of the Organic Monetary and Financial Code.

The verification procedure will be carried out by the legal general secretariat area of Banco de Machala S.A., which will report the verification results to the regulatory body. In the event of a declaration of disqualification of any Board member, the Chairman of the Board or the corresponding person will convene an Extraordinary General Meeting within ten (10) days to proceed with the election of a director to replace the disqualified official.

The Superintendence of Banks will assess the suitability of candidates for Board members, as well as legal representatives or those who are statutorily subrogated in their functions. The Board of Directors of Banco de Machala S.A. is composed of five main directors and five alternate directors, appointed by the General Meeting of Shareholders for a period of two years, and they can be indefinitely reelected, remaining in their positions until properly replaced. This highlights a composition and participation of 30% women. The Chairman is elected by the members of the Board.

From the current composition, all main directors are shareholders, and three of the alternates are independent. None of the directors hold executive positions in the Bank. The average length of service in their responsibilities is 15 years.

Directors may not vote on resolutions related to operations or businesses in which they, their spouses, or relatives within the second degree of consanguinity or first degree of affinity, or companies to which they belong as partners, administrators, or representatives have a personal interest, in accordance with the guidelines of the Corporate Governance Manual. In this way, we aim to safeguard the absence of conflicts of interest.

All directors have education related to administration, economics, finance, and law. Additionally, they receive training each year in trends, emerging risks, and regulatory updates. In 2022, the directors attended three training sessions, and performance self-assessment processes were conducted, resulting in an average rating of 100%.

The Board of Directors meets ordinarily once a month; there may be extraordinary calls by the Chairman on their own initiative or at the request of two of its members, the Executive Presidency, or their substitutes. In 2022, a total of 82 sessions were held, with the full attendance of five directors at each session.



	Directores Activos	Género	Directores Principales y Suplentes	Título	Edad
1	Esteban Celio Quirola Figueroa	Male	Chair of the board of directors / Chairman	Dr. H.C.	98
2	Ángel de Jesús Jijón Ycaza	Male	Main director	Engineer	82
3	César Enrique Naranjo Fischer	Male	Main director	Economist	74
4	Jhofre Leonardo Pesantez Piedra	Male	Main director	Ingeniero	46
5	Próspero Filimón Ordoñez Blacio	Male	Main director	Bachelor's degree	70
6	Lilavaty Regina Arce Peñafiel	Female	Alternate director	Engineer	44
7	Elsy Vilma Paredes Merchán	Female	Alternate director	Engineer	72
8	Sonia Catherine Damerval Arosemena	Mujer	Alternate director	Abogada	52
9	Victor Manuel Jurado Salazar	Male	Alternate director	Ingeniero	75
10	Hector Augusto Bravo Castillo	Male	Alternate director	Mister	88

Chief executive officer CEO

The Chief Executive Officer or their substitute, in addition to fulfilling the attributions established by the laws of the Republic for administrators, has the following functions and attributions outlined in the Articles of Incorporation:

- To legally, judicially, and extrajudicially represent the Bank.
- To represent the Bank in all acts or contracts necessary for the fulfillment of its corporate purpose, the resolutions of the General Meeting and the Board of Directors; and, in general, for the proper functioning of the Bank, subject to the requirements and limitations imposed by law and these Articles of Incorporation.
- To have custody and responsibility over all assets and to oversee accounting and archives.
- To annually submit to the Board of Directors a report on the business activities, including accounts, financial statements, and other relevant documents.
- To arrange for the preparation of the annual budget, the general plan of the Bank's activities, and the annual report referred to in the current legal and



regulatory provisions on the subject, and to submit them for the consideration of the Board of Directors.

- To enforce the resolutions of the General Meeting and the Board of Directors.
- To inform the Board of Directors, at least monthly, about credit operations, investments, passive operations, and contingencies.

Currently, Maria Eugenia Navarrete is the acting CEO.

Committees and commissions

The Bank has the Regulatory and Administrative Committees required by regulations, which provide support to the Board of Directors and Senior Management in decision-making, covering economic, social, and environmental issues. This ensures that management is responsible, transparent, and timely. Below, we present the Regulatory Committees and Commissions of Banco de Machala:

Committee	Objective	Frequency	Level
Comprehensive risk management committee	Conduct continuous review of all formal processes that allow for the identification, measurement, control, mitigation, and monitoring of assumed risk exposures.	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-off or loss of value.	quarterly	Legal
Compliance committee	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-off or loss of value. 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, set forth 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 allow 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 the 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 productivity policies and standards, adhering to the legal and regulatory framework.	monthly	Legal
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



Managerial committees	Objective	Frequency	Level
<i>Corporate governance and sustainability committee</i>	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 many sessions as need appropriate	Managerial
<i>Assets and liabilities committee</i>	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
<i>Credit committee</i>	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
<i>Purchase and procurement committee</i>	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 many sessions as need appropriate	Managerial	
<i>Collections committee</i>	Establish rules on the collection process for credit operations under the different modalities approved in accordance with current credit regulations.		



Within the structure, several committees were established that were deemed necessary to contribute to the better fulfillment of the Bank's committee functions. Below are the names of the existing committees:

- Remuneration Committee.
- Payment and Foreclosure Committee.
- Credit Portfolio Committee.
- Insurance Banking Committee.
- International Business Committee.
- Fraud Prevention Committee.
- Data Governance Committee.
- Crisis Committee.
- Legal Risk Committee.
- Technology Procurement Specialized Committee.

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.

Remunerations

(GRI 2-19)

Banco de Machala, in order to improve its actions within the field of compensation, has prepared its own remunerations policy.

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. Furthermore, it is intended that the remuneration of senior executives is in line with their responsibilities, job competencies, experience, academic level, and education required to make high-level decisions related to assigned functions and the



defined organizational structure within the institution. This is done to acknowledge the dedication and responsibility assumed, as well as their performance and achievement of the Bank's strategic objectives.

It should be noted that the Remuneration Policy provides a range of remuneration and compensation systems that aim to attract, retain, motivate, and incentivize the most accomplished professionals.



5 Ethics and compliance

(GRI 2-15, 2-26, 2-27, 205-1, 205-2, 205-3, 415-1) (SASB FN-CB-510a.2)

Our organizational culture is grounded in values. We expect our employees to perform with integrity, adhering to the principles outlined in the Code of Ethics and Conduct and the Corporate Governance Manual. Similarly, we encourage them to embody prudence, maintaining proper resource management, compliance with both external and internal regulations, and risk prevention.

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.

Structure

- ✓ Compliance with current laws and regulations.
- ✓ Respect for stakeholder preferences.
- ✓ Transparency.
- ✓ Accountability.

Moral integrity of the employees

In order to provide security and credibility to our stakeholders, we require our employees to familiarize themselves with the content of the Code of Ethics and Conduct, as well as relevant legal provisions, to avoid any real, potential, or apparent conflicts of interest in the course of their duties. To achieve this, new employees receive an induction on ethical and conduct standards. Once on staff, employees receive weekly notifications via corporate email to reinforce compliance. 100% of our employees are regularly trained.

In 2022, the institutional code of ethics was updated, including the "Internal Reporting Channel," which will help promote a culture of values and expected behaviors among our employees, essential for fostering an organizational climate of respect and commitment that results in benefits. Furthermore, it contributes to the transparency of banking management.

We actively encourage our employees to bring possible code violations and any other internal policies to our attention. They can approach their immediate supervisor, the Human Resources Department, and/or the Legal Department, either by identifying themselves or anonymously.

We complement the reported cases with those proactively identified through internal audit processes.



Possible code violations are reviewed by the Human Resources Department, which presents the case and its proposed response to the Ethics Committee. The committee evaluates and makes the final decision, which is communicated to the corresponding management area.

And for any situation of real, potential, or apparent conflict of interest, it must be reported through the Ethics and Transparency Channel and informed to the Ethics Committee, who will conduct an assessment to determine if the communicated situation indeed constitutes a real, potential, or apparent conflict of interest.

Corruption prevention

The efforts in culture and management aimed at combating corruption have led to the absence of corruption cases involving our staff in the past year.

The Bank, recognizing the need to prevent or at least reduce the occurrence of illegal or improper acts within the institution, maintains an Internal Reporting Channel. In the immediate preceding year, 21 tips regarding policies and procedures of the internal reporting channel were sent out. The goal of this channel is to prevent internal misconduct or criminal behavior that could impact transparency and institutional reputation. Additionally, there is a direct telephone line, a mailbox, and an online form available.

It is worth mentioning that the Internal Reporting Channel User Manual was also disseminated to all bank employees. Furthermore, a section about the Internal Reporting Channel is included in the Code of Ethics and Conduct.

Furthermore, it's important to highlight that we do not make contributions to political parties and/or political representatives.

Compliance

As an institution, we are strongly committed to combating money laundering and the financing of crimes such as terrorism.

We have a designated officer responsible for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Risk Management. Their annual work plan is approved by the Board of Directors. As of the immediate preceding year, the results of this plan indicate a 100% completion of the activities. The annual report on these results is presented and elevated to the General Shareholders' Meeting.

For the Bank, providing induction training to new employees is a priority. A total of 143 employees were trained, and they also underwent a knowledge assessment through the Evaluation of Policies and Procedures on AML/CFT.

Regarding the annual Reinduction training for active employees, approximately 714 employees participated. Topics covered included the National Risk Assessment on



AML/CFT 2021 by the Department of Financial and Economic Analysis, UAFE in Spanish, Virtual Assets or Virtual Currencies and their Potential AML/CFT Risks by FATF, and Internal Cases of Unusual and Unjustified Transactions in 2021. Evaluations were conducted accordingly.

Additionally, a total of 105 tips on AML/CFT policies and procedures were sent weekly via email.

Furthermore, we have not received sanctions from regulatory authorities.

We hold the customer relationship in high regard and seek to establish long-term relationships based on clear conditions that provide value to both parties.



6 Risk management

Prevention and monitoring

(GRI 201-2)

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:

Category	Description
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.
Operational 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. During 2022, risk management was focused on the identification and analysis of risks on the bank's processes, as well as on new services and projects undertaken by the institution.
Environmental and social risk	Banco de Machala S.A. has its own Environmental and Social Risk Management System (SARAS) in accordance with the IFC Performance Standards. This system serves as a management tool for identifying, categorizing, evaluating, monitoring, and tracking environmental and social risks and opportunities of clients.



Relations with the supply chain

(GRI 2-6, 204-1)

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.

The bank establishes relationships based on trust, transparency with suppliers and contractors, and the sharing of knowledge, experiences, and capabilities to achieve shared objectives and mutual benefit. Banco de Machala has approximately 200 suppliers. Those suppliers who maintain a contractual relationship or provide external services, more than \$5,000 are required to undergo an external qualification process. Within this qualification process, the aim is to ensure that suppliers and contractors behave in consistency with the organizational values regarding ethical conduct and social responsibility. This is intended to promote responsible business practices within the supply chain. Among the criteria evaluated in the Social Responsibility module, the following are highlighted:

- ✓ Child labor.
- ✓ Forced labor.
- ✓ Health and safety at work.
- ✓ Working hours.
- ✓ Compensation.
- ✓ Environmental policy.
- ✓ Carbon footprint measurement.
- ✓ Anti-bribery policy, transparency, anti-corruption, business code of conduct.
- ✓ Certificate or recognition in gender equality matters..

During 2022, a total of USD 13,213,612.27 was paid to our suppliers. Local suppliers are situated in Guayaquil, Quito, Manta, Durán, Samborondón, Cuenca, Machala, Ambato, Loja, and Sto. Domingo. Foreign suppliers are from the United States, Uruguay, and Mexico. The business relationship is categorized into two segments: ongoing and general. Ongoing relationships encompass those with a contractual affiliation. This information is updated on a quarterly basis.

	Number of suppliers	%
Local	197	98.50%
Foreign	3	1.50%
Total	200	100.00%



Number of suppliers by specialty. Suppliers have been segmented by departments:

Departments	Number of suppliers
Admin	54
Internal audit	4
Collections	1
Accounting	1
Credit	3
Financial	6
Maintenance	14
Marketing	21
Business	2
Operations	10
Processes	2
Recovery	2
Human resources	11
Risks	10
Bank safety	24
systems	30
Credit card	3
Legal	2
Total	200

Furthermore, we are developing our anti-bribery management system based on the international standard ISO 37001, which is expected to be certified by the first quarter of 2023. Its initial scope will be focused on suppliers.



7 Responsible Banking: social and environmental impact on the client

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

We perceive financial activity as an engine of economic and social development, and we strive for it to also be in balance with environmental conservation. Our aim is to optimize this relationship in alignment with sustainable development.

We reaffirm this commitment through the endorsement of the Principles for Responsible Banking in 2019. Since then, we have actively participated in various working groups of the initiative.

To fulfill these commitments, we utilized the *Portfolio Impact Analysis Tool for Banks* developed by UNEP-FI to assess the positive and negative impacts of our portfolio. Based on the analysis results, commitments were established in areas of significant impact, integrating financial activities with indicators for measurement and quantitative objectives over time.

In the year 2020, as part of our efforts towards responsible banking, we set medium-term goals (by 2023); by 2022, we surpassed two commitments and established new ones, complete with indicators and objectives set for 2025. In regard to the educational credit objective, adjustments were made based on the Bank's commercial strategy, and we aim to achieve the new target of USD 2.76MM by 2023.

Commitment	Area of impact	Related SDG	Indicator	2020 (baseline)	2021	2022	2023 (goal)	status
Contribution to professional development ¹	Employment(+) Education(+)	4, 8, 9	School credit (balance) (in million of USD)	2.9	2.9	2.4	3.2	(in process)
Contribute to the productive development of the country ²	Inclusive and healthy economy (+) Soil, waste, water (Availability, quality), Efficiency in the use of resources and climate (-)	8, 9, 10, 12	Business and productive credit (Balance) (In million of USD)	321.9	364.2*	396.9	361.3	☑
Support for knowledge ³	Education (+) Information (+)	1,4	Number of adults that received financial training	2,031	2,661*	3,111	2.138	☑

See 2023 mid-term commitments in the link below:: <https://www.bancomachala.com/media/37224/informe-y-autoevaluaci%C3%B3n-de-los-principios-de-banca-responsable.pdf>



In this second iteration, we continue addressing the established critical impact areas, especially those related to health and financial inclusion. As a result, a new commitment is detailed as follows:

- 1) **Commitment:** Facilitating access to financial resources for women-focused micro, small, and medium-sized enterprises (MSMEs) who face challenges in obtaining credit. MSMEs play a crucial role in the country's economic and social development through job creation and community support. As part of our commitment, achieving a 35% participation of women is also involved, through key strategies.

Impact Areas: Inclusive and Healthy Economies (+); SDGs: 1, 5, 10, 12

Indicators and objectives

<i>MSMEs Credits</i>	<i>2022</i>	<i>2025</i>
<i>Loan balance (Business+SMEs+Micro)</i>	88.92MM	102.42MM
<i>Number of loan clients – women</i>	261	525
<i>Number of loan clients – men</i>	725	975
<i>Total clients</i>	986	1,500
<i>Participation of women</i>	26.47%	35%
<i>Participation of men</i>	73.53%	65%
<i>Total clients</i>	100.00%	100.00%

Furthermore, in relation to the Sustainability Strategy, Banco de Machala has worked on the development of credits focused on environmental aspects during the year 2022. In the first half of 2023, the bank has defined its climate objectives through the measurement of greenhouse gas emissions (GHGs) within its credit portfolio, contributing to SDG 13, Climate Action. This will be achieved by adhering to PCAF (Partnership for Carbon Accounting Financials), enabling us to initiate the journey towards decarbonizing the portfolio.

The institution faces the challenge of transitioning from portfolio indicators to impact indicators (e.g., number of beneficiaries), and we are actively working on it.

See Annex: Portfolio Impact Identification.

In addition, the comprehensive scorecard of indicators related to responsible banking is provided (some of which have medium-term goals, as referenced).

[Ver Anexo: Identificación de impactos del portafolio.](#)

In addition, the comprehensive scorecard of indicators related to responsible banking is provided (some of which have medium-term goals, as referenced).



Commitment	Area of impact	SDG	Initiatives	Indicators	2019	2020	2021	2022	2023
To contribute to the professional development of young people and adults, for easing access to higher education through preferential credit	Employment (extra +) Education (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 as of the end of the year - school credit (MM)	2.98	2.92	2.85	2.42	
	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 <i>Casa Credit</i> . Improves clients' quality of life.	Balance at the end of the year - Casa Credit (MM)	17.76	16.98	19.79	26.51
Balance at the end of the year - Auto credit (MM)					0.39	0.36	0.46	0.39	0.43
Balance at the end of the year - consumer loan					107.84	105.89	125.32	134.60	149.74
Savings account + ATM debit card. Payment options..				Number of savings accounts (individuals)	130,210	122,904	126,313	127,001	131,687
				Deposits(MM) - Savings accounts	199.54	215.58	226.52	218.67	226.74
Checking account + check book and an ATM debit card.				Number of checking accounts (individuals)	12,652	10,831	10,660	10,053	11,006
				Deposits (MM) checking accounts	60.87	56.36	63.73	57.56	60.93
Investment products that facilitate the assets performance for personal and/or professional projects..				Funding for investments (MM)	328.75	347.77	374.81	456.97	356.56
Wide range of credit cards portfolio: consumer access and expenditure structuring (Individuals)				Number of credit cards (individuals)	25,677	24,102	24,784	23,192	32,192



Commitment	Area of impact	SDG	Initiative	Indicators	2019	2020	2021	2022	2023
Promote savings in children and youth and responsible management of finances.	Education (extra +)	1	Availability for child'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	2,165	2,053	2,124
				Number of clients - <i>Mi Cuenta Crecer Plus</i>	852	752	724	667	690
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	975	999	1,034
				Number of checking accounts (companies)	3,883	3,697	3,863	3,876	4,264
			Broad portfolio of credit cards: For regular use and financing (companies)	Number of credit cards (companies)	620	576	578	532	638
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	364.17	396.86	419.44
	Inclusive and healthy economies Waste Climate Water quality	8, 10	Microcredit available for MSMEs, contribution to their development (includes legal companies and individuals)	Balance at the end of the year - Microcredit (MM)	10.43	6.45	4.99	9.78	14.08



Commitments	Area of impact	SGG	Initiatives	Indicators	2019	2020	2021	2022
Promote high standards and good labor practices, community engagement, environmental responsibility, and governance within client companies.	Soil Climate	12, 13, 16	Credit environmental and social risk assessment system (SARAS), con requerimientos para la entrega de crédito.	Credit assessed through SARAS (MM)	0	0	20MM	5MM
			Supporting corporate clients in adopting environmental and social practices.	Number of visited/guided customers	0	0	34	43
Facilitate the use of financial products and services through digital means to expand accessibility..	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.	% of online transactions	0.80%	1.90%	2.00%	2.00%
				% of transactions using the mobile app	0.00%	0.50%	0.60%	0.49%
				Number of active web users	25,748	29,652	39,723	48,248
				Number of active Oromovil app users	1,584	9,291	17,123	
		Network of service spots: branches, agencies, service windows, drive-thru and specialized offices, this includes the main office.	Number of service points, except for ATMs	53	53	51	51	
			Number of ATMs (all kinds)	61	69	74	72	
			Percentage of smart ATMs, this includes interactive kiosk	15%	22%	18%	21%	



Assessment of social and environmental risks in credit

(GRI 201-2, 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.

Banco de Machala S.A. has defined, within its Environmental and Social Policy, a commitment to making a positive contribution to nature and society. This policy is based on three fundamental pillars:

- ❖ Environmental Impact,
- ❖ Stakeholder Relations, and
- ❖ Risk Management Systems.

For each of these pillars, guiding principles have been assigned to drive our progress.

Starting from 2020, the bank initiated an analysis of environmental and social risks in the relevant sectors in Ecuador, as part of the adoption of the Principles of Responsible Banking.

By 2021, Banco de Machala S.A. had established an Environmental and Social Management System (ESMS), aimed at timely managing the environmental and social risks generated by clients during the development of activities and projects financed under the "Productive Financing Project for Micro, Small, and Medium Enterprises (MIPYMEs) CFN-WORLD BANK." In this regard, Banco de Machala receives technical assistance and supervision from the National Financial Corporation - CFN B.P., for the operation and continuous improvement of the ESMS. In the same context, in 2021, 34 clients were financed with the \$20 million MIPYMEs CFN line of credit, subject to a Monitoring and Follow-up Strategy throughout the credit cycle, which spans 5 years (Working Capital) and 7 years (Fixed Assets).

Likewise, during 2022, 12 clients were financed with an additional \$5 million to the MIPYMEs CFN line, who were also subject to the Monitoring and Follow-up Strategy throughout the credit cycle. In total, we financed 46 clients with CFN funds. Out of these transactions, three (3) have been pre-canceled, leaving a total of 43 clients subject to the Monitoring and Follow-up Strategy in 2022.

In compliance with this strategy, a visit schedule was planned, and the environmental technical team conducted two (2) visits to these 43 clients. In total, 86 visits were conducted, facilitating support to our clients in adopting good environmental practices in their operations.

Based on these previous experiences, Banco de Machala has designed its own Environmental and Social Risk Management System (ESRMS) in accordance with the International Finance Corporation (IFC) Performance Standards. This system serves as a management tool to address a set of identified risks and also has the potential to promote compliance and

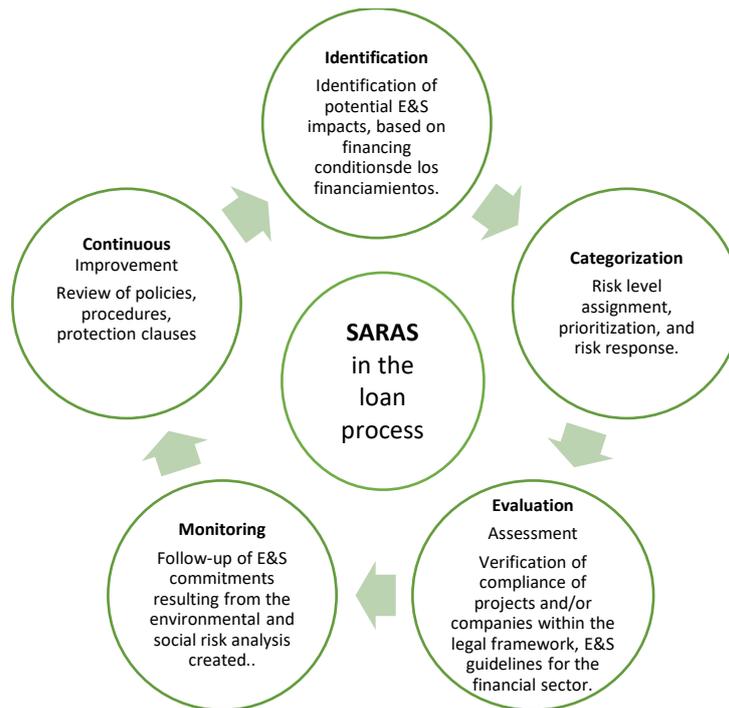


alignment with local and international regulations regarding environmental and social risk management. Some of its benefits include:

Reduced exposure to credit, legal, and reputational risks

Identification of new business opportunities related to promoting sustainability, facilitating access to capital and international financing.

The SARMS evaluation methodology has been outlined in five steps, which are described below:



The first audit process of the Environmental and Social Management System (ESMS) for the SMEs and MSEs-CFN (National Financial Corporation) product was planned in the second year of implementation and was carried out at the close of the fourth quarter of 2022.

The Environmental Risk Management System (SARAS), which applies to operations within the productive segment, is currently in a phase of review and strengthening through Technical Assistance. This prevents it from undergoing an audit process at the moment.

In order to ensure that those responsible for implementing the ESMS have the necessary knowledge, specific training sessions were integrated into their annual training plan as employees. Specifically, they participated in training sessions on sectoral guidelines, and training was provided to multi-segment business officers and commercial advisors to reinforce their understanding of the guidelines, policies, requirements, assessment, and the environmental and social due diligence that clients applying for financing with CFN-WORLD BANK funds must comply with.



Accessibility and financial inclusion

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

At Banco Machala S.A., committed to the economic and social development of the productive sectors of the country, in addition to offering various financial products, we also focus our efforts on the technological development of services with the aim of leaving no one behind and creating barrier-free access. This way, we achieve advancements in inclusion and financial education.

As part of our technological development, the bank facilitates its use through guidance during and after subscription in order to be closer to the customer. Similarly, we offer both physical and digital channels, ensuring that the latter are not exclusive.

Our electronic channels continue to grow in terms of users and transactions, facilitating interaction with the bank from the comfort of wherever they are. In relation to physical channels, in 2022 we continued to expand our network to 75 ATMs nationwide to serve more users and bank customers.

Our digital channels continue to grow in terms of users and operations, thus facilitating interaction with the bank. That's why in 2022, we introduced a Virtual Office at the Quito branch, which is a new self-service concept. We also added new dispensing ATMs in cities such as El Triunfo, Machala, Guayaquil, Naranjal, El Guabo, Santa Rosa, and Manta. These ATMs allow balance inquiries, cash advances, cash withdrawals, utility bill payments, and more.

Through savings accounts, we facilitate the financial management of families, with a special impact on the employees of our business clients in the primary sector. With the support of Banco de Machala S.A., they have the opportunity to advance in the banking of their workers, who benefit from the opportunity to receive their salary and safeguard it in a solid institution. Additionally, we also offer current accounts and the possibility of having a debit card.

We aim to promote and facilitate savings among children and young people as part of financial literacy through products like "Mi Cuenta Crecer" and "Mi Cuenta Crecer Plus". On the other hand, consumer credit is also essential for individuals and families to meet their various needs. It is important that, as in the case of our institution, they are accompanied by clarity in the conditions and customer advice for their proper use, avoiding overindebtedness.

Particularly, our housing loans have a positive impact on the quality of life of our customers. We closed 2022 with a real estate loan balance of \$26.51 million.

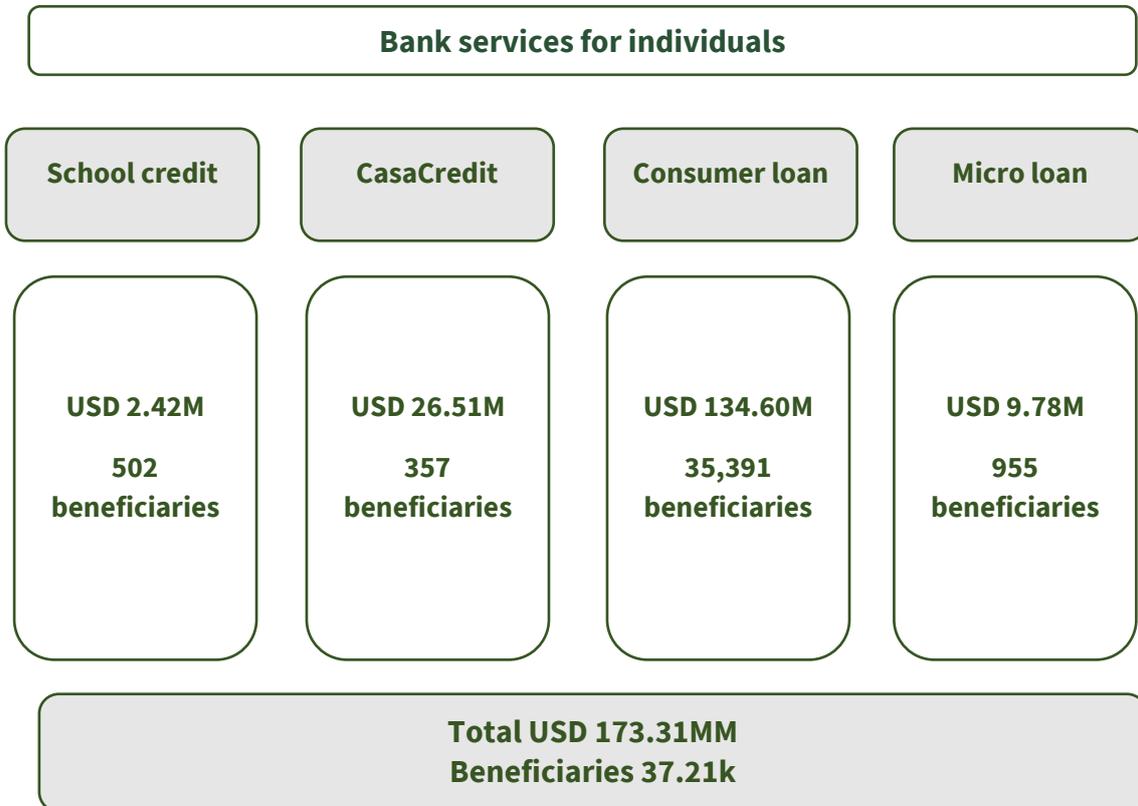
We also offer educational loans, where we have a prominent role in the market thanks to the trust of our customers. We ended the year with a balance of \$2.42 million.

Support for small businesses and entrepreneurs is facilitated through microcredit, which promotes the social and economic development of this segment. In 2022, this portfolio closed with a loan balance of \$9.78 million.

It's worth noting that we have a specific financial facility aimed at women entrepreneurs, with the goal of providing them access to financing.



- ✓ For: individuals-women
- ✓ Sector: Micro (expanded accumulation) and S&MEs



[→El conjunto de indicadores de banca responsable](#)

Client development

(GRI 203-2, FS1, FS8)

Beyond credit, we are a trusted financial institution for our corporate clients, ranging from large corporations to SMEs. We assist them with payment and foreign trade solutions.

Through corporate credit, we support working capital, investment, and other needs of our client companies to grow their businesses. We facilitate the potential for innovation in processes and equipment, including technology and machinery.

Additionally, with the Environmental and Social Risk Management System (ESRM), we promote that clients in the productive sector adopt good social and environmental practices. This will also be further facilitated in the medium term with specific credit products we launch for energy efficiency and/or other environmental improvements. In 2022, we granted productive credits amounting to USD 406.06 million, closing the gross credit portfolio with a balance of USD 638 million.

[→ Mayor detalle en el capítulo de Desempeño económico](#)



8 Financial education

(GRI FS16) (SASB FN-CB-240a.4)

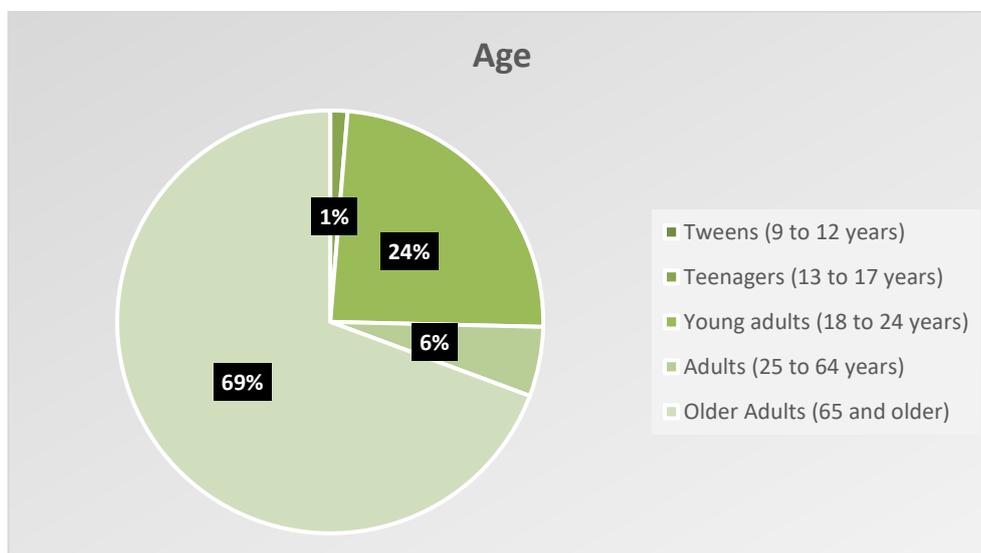
As part of our development and understanding as a responsible bank, we have a robust financial education program that also complies with the various provisions set forth by the Superintendency of Banks. We work with different segments of society, promoting a better understanding and management of personal finances.

The Institutional Program of Banco de Machala aims to ensure high-quality, continuous, and ongoing financial education based on equal opportunities, promoting the responsible use of financial products and services. The goal is to provide timely and appropriate assistance to financial clients and/or users for making personal and social economic decisions.

We provide in-person and virtual training focused on topics such as credit usage, budget planning and management, expense reduction, and the importance of savings. For children and young people, we collaborate with educational institutions to provide training.

In terms of geographic scope, we reach provinces such as Tungurahua, Azuay, El Oro, Loja, Sto. Domingo de los Tsáchilas, Guayas, and Pichincha.

In this way, during 2022, we trained 3,111 individuals as outlined below. Additionally, training was provided to 667 employees.

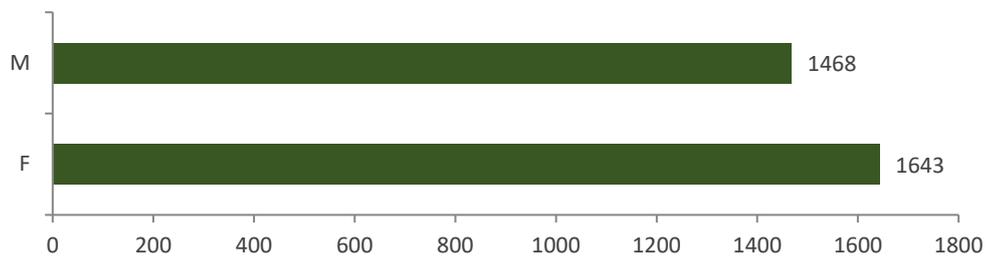




Grupo	Total personas formadas
Children: school age (5 to 8 years)	-
Tweens (9 to 12 years)	44
Teenagers (13 to 17 years)	753
Young adults (18 to 24)	158
Adults (25 to 64)	2,143
Older adults (65 and older)	13
TOTAL	3,111

Note: This does not include employees

In this way, Banco de Machala S.A. seeks to promote women's participation within financial services. Therefore, the bank emphasized its efforts to achieve a greater reach in terms of the total number of women trained in financial education topics. In 2022, a total of 1,643 women were trained, representing 53% of the total number of individuals trained.



Source: Banco de Machala



El Banco para Crecer: e-learning platform

Banco Machala promotes education through the innovative e-learning methodology, which provides suitable flexibility to conduct virtual financial education workshops for the general public, in addition to granting them a certificate for each completed module.

The online platform has 10 items and four online courses with the following topics:

- Financial Education
- Support for Entrepreneurship
- Financial Education for Teenagers
- Entrepreneurship Tools

Each of the courses have videos of classes that go over specific topics. Furthermore, the classes have reinforcement exercises and assessment sheets.

- **Financial education courses:** seeks to provide participants with financial planning tools that enhance their well-being. It emphasizes the importance of savings and provides techniques for creating personal and family budgets, as well as introducing the most relevant financial products and services and their characteristics, with special emphasis on the advantages and risks to consider.
- **Entrepreneurship course:** Developed to contribute to the economic recovery of the country from the pandemic, it encompasses techniques for entrepreneurship, including market analysis, defining product and/or service attributes, pricing, and more. Additionally, we promote the platform through our social media channels to encourage interaction. We further enhance it by directly disseminating financial tips through those channels.



9 Technology and client experience

(GRI 416-1, 417-1, 418-1, FS15)

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 2022 we redesigned our online banking platform, Oronet. The interphase is now more user-friendly and more accessible for the users.

We have successfully established online access to the bank's most popular products, including cash advances and deferred payments on credit cards. Additionally, we have expanded our online capabilities to include a variety of transactions that were previously limited to in-person visits to our branches. These transactions now encompass utility and tax payments, employer contributions, and business collections.

As a bank we keep moving forward to a solid management of our systems and internal culture of data protection.

Digital transformation and omnichannel

With the aim of being closer to our clients and financial users, as an institution, we reinvent ourselves every day. We are aware of the evolution of digital transformation, which is why we allocate significant investment in technology that has allowed us to strengthen our digital channels and the necessary support infrastructure. In just the year 2022, we invested \$170,987.73 in technology and innovation, with digital products being the most well-received and interactive projects.

Likewise, we continue to renew and expand the Automated Teller Machine (ATM) network, with new equipment and service points nationwide. In the ATM network, 20% of the machines are multifunctional, offering self-service functions such as Cash Deposit and Printing of Bank Certificates.

Category	Description of the investment	Amount
Innovation	Added new collection services – Window/ Oronet online banking/ collections and automatic payments	\$ 3.360,00
	Opening savings account online - Banco de Machala website	\$ 37.289,85
	Requesting term-deposits online – Oronet online banking	\$ 34.085,08
	Granting pre-approved loans - Oronet online banking	\$ 49.280,00
	Credit cards: Cash advance and online deferred payments - Oronet online banking	\$ 46,972.80
	TOTAL	\$170,987.73



Likewise, we continue to renew and expand the Automated Teller Machine (ATM) network, with new equipment and service points nationwide. In the ATM network, 20% of the machines are multifunctional, offering self-service functions such as Cash Deposit and Printing of Bank Certificates.

In this manner, we are further advancing the penetration of new users and online transactions through our Digital Channels. The number of active users in the year 2022 for Online Banking Oronet and the Oromóvil mobile app increased by 24% compared to the year 2021.

We present below the main indicators, which are also integrated as part of our Responsible Banking approach. Advancing the accessibility of our products and services is one of our key commitments

Channel	Indicators	2021	2022
ORONET	Transactions	394,573	450,400
	Income	\$115,850.20	\$125,354.40
	Number of active users	39,723	48,248
OROMÓVIL	Transactions	121,419	180,497
	Income	\$32,315.50	\$45,439.60
	Number of active users	39,723	48,248
Collections and automatic payments	Transactions	1,002,197	1,110,230
	Income	\$505,291.00	\$532,603.00
	Number of active users	1,008	8,886
ATM's	Transactions	3,301,197	3,397,136
	Income	\$530,453	\$542,575
	Number of active users	44,012	43,122



Responsible Communication

(GRI 417-2, 417-3, FS15)

In accordance with national legislation, Banco de Machala S.A., the contracts entered into by customers contain terms, interest rates, fees, duties, responsibilities, and other relevant information that enables timely decision-making at the time of acquiring any product or service. Additionally, advertising includes the necessary conditions of the product or service being offered, with the aim of promoting ethical and responsible sales practices. As previously mentioned, Banco de Machala has not violated the provisions established in the regulations regarding different communications and/or product labeling.

The following are the channels or means through which the public can raise their concerns:

- a) Banco de Machala website www.bancomachala.com, downloading the form "Formulario de Reclamos(claims form)" .
- b) Orofono (Call Center) calling at 392 04-04 (dial the area code if you are calling from a cell phone).
- c) The call center is open from Monday to Sunday 24 hours a day.
- d) Customer service at Banco de Machala nationwide branches:
Business hours: 08h30 to 16h00 Monday to Friday

Information Security

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

At Banco de Machala, we operate under strict protocols that allow us to guarantee the security of customer information and prevent risks of security breaches and misuse of their data, thereby honoring the trust they have placed in us through the standards of ISO/IEC 27001 and the NIST framework for cybersecurity. Banco de Machala reserves the right to monitor the use of its information and IT (Information Technology) resources to ensure their appropriate use and to protect these resources from potential internal or external threats.

For Banco de Machala S.A., it is essential to maintain up-to-date Information Security application architecture for the efficient functioning of the tool. Therefore, in the internal plan of 2022, technological updates were carried out for the following tools, which contribute to efficiently managing obsolescence prevention and ensuring an optimal health status of security components:

- Renewal of the Data breach Prevention tool.
- Renewal of the Intrusion Prevention System Quito.
- Renewal of perimeter protection components: Guayaquil firewalls.
- Renewal of Atalla equipment.

Likewise, updates were performed on the Operating Systems of the Information Security tools.

In 2022, the first Information Security and Cybersecurity fair was held at the Bank with the aim of raising awareness among employees about the importance of data protection.



Simultaneously, an internal security culture is fostered, where communications were disseminated to all staff members to keep them informed about potential risks or procedures that must be followed to safeguard customer information and security, intangibles, and service operations. Additionally, new personnel joining the company undergo an induction process that includes a specific session on information security.

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.

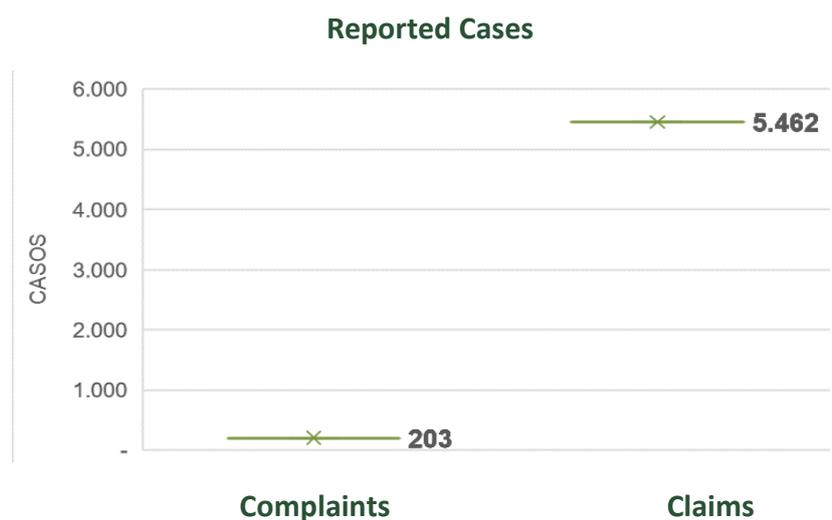
Thanks to these efforts, the institution was not subject to non-compliance, nor were there any reported cases of data leaks or breaches of customer privacy in the year, nor were there related sanctions.

Client satisfaction

In order to enhance service quality, the optimization of processes related to the handling of complaints and claims was continued to provide customers with efficient and timely service through the Claims Management System (CMS). This system facilitates the analysis, resolution, and judgment of cases, contributing to a significant reduction in response times.

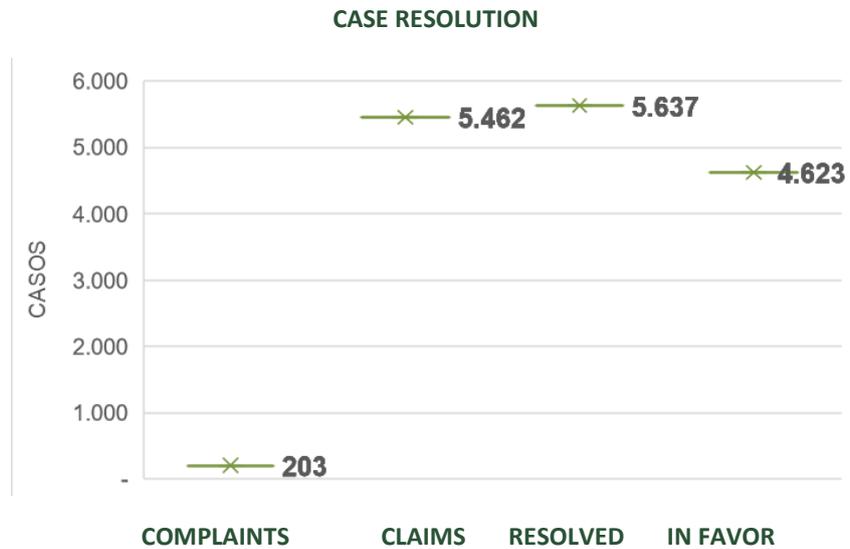
In 2022, 95% of the cases were addressed within a period of up to 10 days, a timeframe shorter than that established by the Regulatory Authority.

Through the CMS, we received 5,665 cases in 2022, of which 96% were complaints and the remaining 4% were claims.





Out of the 5,665 reported cases, 99.51% were resolved, and of these, 82% were resolved in favor of the customer.



Among the improvement actions we implemented in 2022 to optimize our customer service system are:

- Update of the manuals of policies and procedures of the Customer Service and Financial User area.
- Incorporation of the process of requirements related to credit cards in the SAR application.
- Training for Operators of the telephone service center and Advisors on receiving customer complaints, in accordance with the provisions of the regulatory authority.



10 Employees

Demographics

(GRI 2-7, 2-30, 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 that also contributes to the economic development through financial activity. We closed 2022 with 849 employees, reflecting a variation of 4.81%. 100% of our employees have indefinite contracts.

Total number of employees 2020-22			
	2020	2021	2022
Women	480	488	497
Men	278	322	352
Total	758	810	849

Employees' distribution

Classification by position and gender						
Classification	2020		2021		2022	
	Total number of employees	% women	total number of employees	% women	total number of employees	% women
Vice president	1	100	1	100	1	100
Upper-management	56	53.6	62	53.2	71	47.89
Middle-managers	147	66.7	160	60.6	162	63.58
Administrative personnel	554	63.4	587	60.8	615	63.58
Classification	758	63.3	810	60.1	849	58.54

As part of our commitment to gender equality and fostering young talents, 57.95% of our total number of employees are women between the ages of 18 and 35.

Employees by age and gender 2022			
Range	Women	Men	Total
18 to 25 years	88	72	160
26 to 35 years	216	116	332
36 to 45 years	121	90	211
46 to 55 years	53	49	102
Older than 56	19	25	44
Total General	497	352	849



It is worth noting that there is a plan to disaggregate the reported data by region in the 2023 report.

New hirings

We continue to offer new openings for new hires. In 2022 we saw an increase of 4081% of new hires in comparison to the previous year.

HEADCOUNT (TOTAL ANNUAL)										
	Age group	2020			2021			2022		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
New hires	15 - 30	29	19	48	45	53	98	41	42	83
	31 - 45	12	23	35	22	31	53	27	22	49
	46 - 60	5	5	10	12	4	16	4	9	13
	61 and older	0	0	0	0	2	2	0	0	0
	Total	46	47	93	79	90	169	72	73	145
Terminations (voluntary and involuntary)	15 - 30	32	23	55	56	49	105	39	36	75
	31 - 45	15	14	29	37	30	67	35	19	54
	46 - 60	6	8	14	15	4	19	7	8	15
	61 and older	1	1	2	2	2	4	1	4	5
	Total	54	46	100	100	85	195	82	67	149

In the 2022 period, our turnover rate decreased compared to the year 2021.

Total turnovers								
	2020		2021			2022		
	Men	Total employees	Women	Men	Total employees	Women	Men	Total employees
11.3	16.5	13.2	22.5	26.4	24.1	16.50	19.00	17.55

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

It is worth noting that there is a plan to disaggregate the reported data by region in the 2023 report.



Diversity

(GRI 401-3, 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 2022 there were no 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, our governing bodies were 58% of women.

Likewise, we support our employees whenever they are seeking leaves due maternity or paternity. 19 female workers used their maternal leaves and 9 male employees used their leaves as well.

Our pay scale is established according to the professional profile of the employees, thus avoiding any gender-bias in this matter.

Employee Development

(GRI 201-3, 202-1, 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.

Striving to embody the organizational values, employees work to support the institution's objectives. To achieve this, multiple actions and initiatives are implemented to promote the comprehensive development of our people. This includes the creation and execution of an Annual Training Plan aimed at enhancing both soft and technical skills of our staff. In 2022, we invested \$11,956.41 in training.

<i>Position</i>	Total number of trained employees	Total number of training hours	Percentage of trained men	Percentage of women trained
<i>Upper-management</i>	72	18	51%	49%
<i>Middle managers</i>	176	43	38%	62%
<i>Administrative personnel</i>	606	148	41%	59%



In order to continue advancing the careers of our employees, we support them with scholarships to pursue master's degrees and specialized diplomas. In total, the Bank has provided training in **60 different subjects to its staff**. Some of the programs included:

Name of the program	Description
New services available to pay and collect through our branches and Oronet	Present the new services available to pay and collect through our branches and Oronet
Internal complaint channel	Preventing internal misconduct or criminal behavior that could impact the transparency and reputation of the institution, which may result in fines and penalties for the Bank.
How to assess the internal control system	Explain the 17 principles and the 87 points of focus that enable an objective assessment of internal control.
Credit card services	Promote the commitment to enhance the placement of cash advances in each of the branches.
OnBase	Present and explain the use, handling, and operation of the new tool for digitizing files.
Loan policies	Present the processes for managing loans and promote the commitment to document reviews in order to reduce the percentage of rejected operations.
Talk: Credit risk assessment	Review the facets and parameters to define customer ratings regarding credit granting risk.
financial relief	Raise awareness among the commercial team about the impact and importance of using these tools for the health of the portfolio.
Corporate social responsibility and financial inclusion	Facilitate the transfer of knowledge regarding the administration of the "A Bank to Grow" platform to ensure the continuity of activities that will drive the achievement of organizational objectives in terms of Corporate Social Responsibility and Financial Inclusion.

In order to implement continuous improvement and monitor job responsibilities, we conduct an annual performance evaluation. This evaluation is based on both organizational competencies (results orientation, sense of belonging, innovation, communication, and customer orientation) and functional competencies (relationship with superiors, work quality, leadership, decision-making, etc.). It is mandatory for all Bank employees with a tenure of over six months and is conducted digitally within the internal system. Therefore, coverage reached 100% of those who were eligible under these conditions.

In addition to the benefits provided by law, Banco de Machala employees receive organizational benefits designed to provide economic stability and secure access to healthcare. This ensures that the main needs of the employees are covered. One of the main benefits is the provision of bank loans with preferential interest rates, such as emergency, consumer, educational, and housing loans.



- 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.
- Housing Credits: For construction, purchase of a house, land, or real estate

Health and Wellness

(GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10)

The safety and health of individuals must be explicitly mentioned in the statement of the organizational culture, reflecting the concern for the ongoing pursuit of the overall well-being of employees.

The proper implementation and upkeep of occupational health and safety management systems have always been closely related to the management of staff and organizational culture. In many cases, this has been responsible for implementing an OHS management system.



Therefore, the 2022 work plan included activities focused on preventing occupational hazards, psychosocial risk programs, and overall health care.

The participation of our employees is invaluable, which is why, in accordance with the law, Banco de Machala has the Work Safety and Hygiene Committee based at the Headquarters, and the Subcommittees in Guayaquil and Quito, holding bi-monthly meetings for the committee and monthly meetings for the subcommittees.

Among the functions of the Work Safety and Hygiene Committee and/or Subcommittees, the following stand out:

- a. Analyze and provide input on the Internal Regulation of Safety and Hygiene, to be processed at the Ministry of Labor. Likewise, it will have the authority to, either on its own initiative or at the request of a party, suggest or propose reforms to the regulation.
- b. Cooperate and conduct risk prevention campaigns, ensuring that all workers receive proper training in this subject matter.
- c. Monitor compliance with the legal provisions of occupational health and safety and the Internal Regulation of Work Safety and Hygiene.



The training and development of personnel are carried out through weekly occupational health and safety talks, where the annual training program was conducted. The aim of this program is to provide employees with preventive measures through straightforward procedures for various events that may arise, in an appropriate and timely manner. Furthermore, the goal is to raise awareness among individuals so that they proactively address safety considerations in all their daily activities. The program covered the following sections:

- COVID-19 preventative measures.
- Comprehensive program on reducing and preventing the abuse of substances in the workplace.
- HIV/AIDS awareness and prevention campaign.
- Program to prevent ergonomic risks.
- Reproductive Health Risk Prevention Program.
- Psychosocial Risk Prevention Program, among others.

Likewise, continuing with the health surveillance of our employees, we carried out 7 vaccination campaigns against the SARS-CoV-2 virus.

Banco de Machala Vaccination plan

	Descripción	Fecha	Ciudad/Localidad
1	Booster shot, (3rd dose)	January 15 and 16,2022	Guayaquil/ Cuenca
2	SARS CoV-2 and influenza shots	April 6,2022	Guayaquil main office
3	SARS CoV-2 and influenza shots	April 14, 2022	Guayaquil main office
4	SARS CoV-2 and influenza shots	April 21, 2022	Guayaquil main office
5	SARS CoV-2 and influenza booster shots (3rd and 4th dose)	August 11, 2022	
6	SARS CoV-2 booster shot (4th dose)	August 17 and 18, 2022	Guayaquil main office
7	SARS CoV-2 and influenza booster shots	August 18, 2022	Guayaquil main office

Within the sections of safety and health management, we have:

Policies

We have a Policies and Procedures Manual to manage risks and opportunities of occupational health and safety (OHS), using the ISO 45001:2018 Standard as a reference guide.



Commitments

One of the commitments within this police is to provide safe and healthy working conditions for the prevention of work-related injuries and health impairment, appropriate to the purpose, size, and context of the organization, and to the specific nature of its risks; as well as consultation and participation of workers.

Resources

One of our commitments is to provide our staff with the necessary funds and resources for the implementation of these policies.

Responsibilities

All Banco de Machala employees must comply and enforce the Manual of Policies and Procedures in order to manage risks and opportunities in occupational health and safety.

Identification and risk assessment

According to the provisions of article 57 of the regulation of the general work risk insurance (RO632, CD513, 04.03.2016), which requires companies to evaluate Occupational Risk Prevention, this is done annually. In January of each year, the following reactive indicators of occupational risk prevention management are submitted to the General Work Risk Insurance:

- a) Frequency rate (FR).
- b) Severity rate (SR).
- c) Risk ratio (RR).



During 2022, our institution had 1 work-related accident which was reported, and the protocols indicated by the competent authority were established. Therefore, we maintain excellent management results (any considerations related to the incidence of COVID-19 are excluded from this analysis).



The following is considered when identifying and assessing risks:

- An inventory of job positions is conducted to identify the hazards to which employees are exposed.
- Preparation of a "Hazard Identification and Risk Analysis Matrix (HIRAM)" based on the methodology selected in the Sistema Unico de Trabajo, SUT (Labor Single registration system).
- Access the SUT platform for approval of the Hazard Identification and Risk Analysis Matrix.

Physical risks prevention program

We offer the physical risks prevention program and we keep a special focus on new hires.

Management of Occupational Risk Prevention

The Occupational Health and Safety Plan must be updated by the Occupational Health and Safety Coordinator and carry out monthly monitoring of plan compliance, making necessary reprogramming or adjustments due to unforeseen circumstances that may arise during the plan's execution year.

BANCO DE MACHALA S.A., true to its occupational health and safety policy, which states:

"BANCO DE MACHALA S.A., whose main activity is private banking and authorized financial services, continuously strives to achieve high standards of occupational health and safety, environmental responsibility, social accountability, and service quality. We comply with current national legislation and our internal regulations to develop safe and healthy work areas and procedures. Our aim is to eliminate foreseeable losses that could result in occupational injuries or illnesses for our employees, damage to equipment and property, or significant harm to the environment. Through continuous improvement of our operational and administrative processes, we establish a comprehensive system in safety, health, and the environment."

The need to contract medical services for the institution was established in compliance with current legislation in the Ecuadorian territory, in accordance with Article 430 of the Labor Code (RO167, 16.12.2005) (ref.22.05.2016). We have a department at the Main Branch in Guayaquil and another at the Headquarters in the city of Machala.

To achieve effective health protection, the institution's medical service will fulfill the functions of prevention and health promotion for its employees within the workplace, preventing harm that may arise from common and specific risks associated with their activities. This service will always seek the scientific adaptation of humans to work and vice versa.



The institution's medical service will be overseen by a general physician with experience in occupational health or public health. Nursing staff will work full-time, covering all shifts of the institution's work hours. The minimum working hours should be 3 hours/day at the Headquarters and 4 hours/day at the Main Branch in Guayaquil. The majority of time will be allocated to health prevention and promotion activities, with the necessary minimum for recovery.

The institution's medical service must work closely with the Department of Occupational Health and Safety (OHS) to achieve comprehensive prevention of occupational risks. As part of the proactive indicators in the management of occupational risk prevention in our institution, a safety inspection plan has been developed covering the Headquarters, Branches, Agencies, and Counters. The plan has been executed according to the established schedule.

The reports containing observations and opportunities for improvement have been sent to the responsible individuals at the visited sites, expecting that preventive measures will be taken in order to achieve safer and more reliable locations where our employees carry out their duties and activities.

We also keep a proactive indicator of risk prevention:

a) Weekly occupational health and safety talks.

Moreover, as part of our occupational safety program, the OHS depart continues implementing programs and campaigns as the ones listed below:

- Prepare medical surveillance records.
- The psychosocial risks prevention program was carried out as established by the law and uploaded into Sistema Único del Trabajo (SUT).
- The comprehensive program for the prevention and reduction of alcohol, tobacco, and other drug use and consumption in the workplace was conducted in accordance with the law.
- Keeping record of training conducted according to the plan.
- Statement of occupational hazards and action plan.
- Emergency response plan drills were conducted for all office locations.

It is worth noting that as part of and in compliance with Ecuadorian legislation, we have programs for the identification, measurement, evaluation, and control of occupational risks: physical, mechanical, biological, ergonomic, and psychosocial.



11 Environmental management

(GRI 302-1, 302-3, 302-4, 305-1, 305-2, 305-4, 305-5)

At Banco de Machala, we strive to make our operations more efficient in alignment with the Environmental Management System. This enables us to engage in a cycle of continuous improvement of our processes to minimize the environmental impact of our operations.

The institution has a Manual of Policies and Procedures for Corporate Social Responsibility Management that promotes the monthly quantification of Greenhouse Gas emissions and their calculation. As a result, we quantify the emissions of Greenhouse Gases (GHGs) corresponding to the established scope, which includes 17 offices in the cities of Machala, Guayaquil, Quito, and Cuenca.

In addition to the indicators related to material topics, we present our performance in energy, emissions, and our commitment as an entity during the year 2022. This section aims to inform stakeholders (shareholders, employees, clients, and the general public) about the information related to Banco de Machala's Greenhouse Gas inventory. The consolidation approach was based on operational control, as Banco de Machala establishes the operational policies of the institution. The base year chosen was 2019, as Banco de Machala has a solid database, reliable support, and records that underpin the primary information required for Carbon Footprint determination.

Standards on which the Process is based

For the measurement of greenhouse gas emissions (GHGs) from Banco de Machala for the years 2020 and 2021, the guideline used was the INTE/ISO 14064-1:2019 standard "Greenhouse Gases - Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals."

This standard includes principles and requirements for designing and managing GHG inventories of organizations and for reporting. In addition, the INTE ISO B5:2021 standard was used, which establishes the requirements for conducting GHG emissions inventories and what an organization must comply with to demonstrate Carbon Neutrality.

The Corporate Accounting and Reporting Standard, the Greenhouse Gas Protocol (GHG Protocol), was also considered; specifically, the section related to Scope 3 emissions (Technical Guidance for calculating scope 3 emissions).

We can highlight, as part of our commitment to the environment, another initiative that was launched in December, the "Zero Paper - Digital and Electronic Signature" program. This program began its digital signing pilot for controlled documents generated in the Processes area, such as manuals, process instructions, forms, functional requirements, change controls in test plans, meeting minutes, among others. This initiative aims to minimize paper consumption in all processes of the institution. Therefore, the goal is to abolish handwritten signatures on documents and replace them with digital and/or electronic signatures. From



now on, there are two schemes for signing dematerialized documents: Electronic Signature, through the E-FILE application, and Digital Signature, through Adobe Acrobat Reader.

Emissions

The greenhouse gas emissions taken into account are those generated by internal processes over which the organization has absolute control: electric energy, vehicle fuel, and biological waste.

Calculation of GHG Emissions

To perform the calculations, the methodology and emission factors of IPCC 2006 (2019 update) were implemented, as it is the leading authority on greenhouse gas emissions inventories; and the Greenhouse Gas Protocol (GHG Protocol 2000). The only national factor used is for electricity, issued by CENACE according to the country's energy matrix.

The calculation of emissions for each GHG (CO₂, CH₄, N₂O) is expressed in metric tons CO₂-eq/year.

[→ More information in Appendix III](#)

Energy consumption is the main emission source at the Bank, accounting for 79.62% of the total inventory. The emissions per employee index was 0.96 metric tons CO₂e. We calculate our Greenhouse Gas Emissions (GHG) annually, which not only allows us to identify reduction opportunities but also serves as a foundation for offsetting our emissions. The following table provides a summary of the calculations performed. Quantities are expressed in metric tons of CO₂ equivalent:

GHG emissions tCO ₂ eq					
Type	Fuente de Emisión	2019	2020	2021	2022
Range 1		124.5	188.62	173.42	83.77
(direct)	Fuel	1,269.28	962.48	861.48	647.70
Biological waste		272.31	144.63	55,32	81.89
Fire extinguishers		1,666.09	1,295.74	1,090.22	813.36
Range 2		2.21	1.71	1.35	0.96

*As of the conclusion of this report, the figures for 2022 have not been verified by a third party.

Energy

(GRI 302-1, 302-3)

This section establishes and thoroughly analyzes the energy consumption pattern within the organization, specifically focusing on the use of non-renewable fuels and electricity acquired from external sources. This approach allows for a comprehensive understanding of the energy impact of the operations.



Energy consumption is evident throughout activities in distribution, which are connected to institutional operations. This holistic dimension partially covers the value chain, offering an overview of our emissions.

Energy consumption was measured by evaluating 17 facilities. While this assessment doesn't encompass all our locations, it's important to highlight our commitment to continuous expansion. We are actively working to extend this evaluation to all pending points of attention.

In a comparative analysis with the year 2021, a noticeable increase in electricity consumption during the year 2022 is observed. This data provides a crucial starting point for identifying trends and energy optimization.

Electricity use¹

	2019	2020	2021	2022
<i>kWh</i>	2,814,985.03	2,513,689.29	2,157,777.77	2,193,361.86
<i>Gj²</i>	10,133.94	9,049.28	7,767.99	7,896.10
<i>MWh</i>	2,814.99	2,513.69	2,157.78	2,193.36

*GJ: Unidad de energía equivalente a mil millones de julios

Use of fuels (Gj)

Source of emission	2022
Diesel vehicle	216.48
Ecopais (Gasoline)	684.83
Total	901.31

Total energy consumption

	2019	2020	2021	2022
Gj	13,834.65	9,882.17	24,975.38	8,797.41
Intensity(Gj/employee)	18.37	13.03	30.83	10.36

In this section, we provide the results obtained from analyzing our use of electricity and fuel. At the end of this process, we calculated the total energy consumption by considering the number of employees in the 17 mentioned facilities. It's important to highlight that, even

¹ Power coming from the country's national grid

² Gj: 1 kilovatio hora representa 0.0036 Gigajulios.



though we haven't separated the data at this point, we do have plans to break it down in more detail in the future. This breakdown will include both specific consumption data and the relevant conversion factors, adjusted to our organization's precise parameters.

This more detailed analysis approach will strengthen our ability to better comprehend and manage our energy usage. It will also enable us to create specific strategies for improving energy efficiency in the near future.

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 partnership with the organization Anaconda Carbon, a specialist in carbon asset management, we carried out voluntary offsetting for emissions generated by our operations in 2020. This was achieved through a project in Puntarenas, Costa Rica, involving the transition from coal to palm oil mill biomass waste as fuel at Industrial de Oleaginosas Americanas SA (INOLASA).

This project involves the installation of a biomass-fed boiler to supply steam for internal production processes, displacing a coal-fired boiler and consequently reducing carbon emissions. The verification was conducted by TÜV NORD CERT GmbH.

Banco de Machala S.A. conducted the quantification and offset analysis for 2021 during 2022. Emissions for 2021 amounted to 1,253.96 tons CO₂e. To offset these emissions, 3,000 reduction certificates were purchased from the official United Nations website. With this purchase, emissions for the years 2020 and 2021 are offset, leaving a surplus of 450.3 CERs.



12 Economic performance

Relevant financial data

The Bank continued to provide the best services and products to its users and clients, according to their needs, and with the excellent quality that characterizes the institution. That is why positive results were achieved. Below, we present the main Financial Indicators of Banco de Machala S.A.:

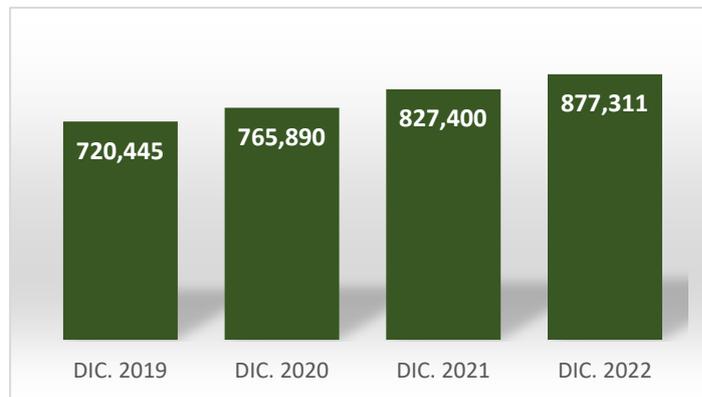
Main business and financial indicators			
	2021	2022	VAR 21-22 (%/pb)
Assets (thousands of dollars)	966.771	1,030.095	6.55%
Contingents (thousands of dollars)	61,590	63,368	2.89%
Gross loan portfolio (thousands of dollars)	571,230	638,126	11.71%
Available funds (thousands of dollars)	164,811	168,945	2.51%
Investments (thousands of dollars)	189,135	173,785	-8.12%
Provisions (thousands of dollars)	7,721	8,425	9.12%
Taxes and contributions (thousands of dollars)	8,539	9,564	12.00%
Net profit (thousands of dollars)	3,302	6,053	83.31%
Operational efficiency ratio (operation expenses/average total assets) (%)	4.09	3.72	-0.37
Productive assets/total assets (%)	86.3	88.97	2.67
ROE (%)	5.11	8.38	-3.27
ROA (%)	0.36	0.62	0.26
Liquidity ratio (%)	27.66	27.99	0.33
Equity (thousands of dollars)	72,101	77,666	7.72%
Solvency ratio (Technical Equity) (%)	13.31	13.03	-0.28%
Bad debt ratio (outstanding debt) (%)	1.07	1.11	0.04%



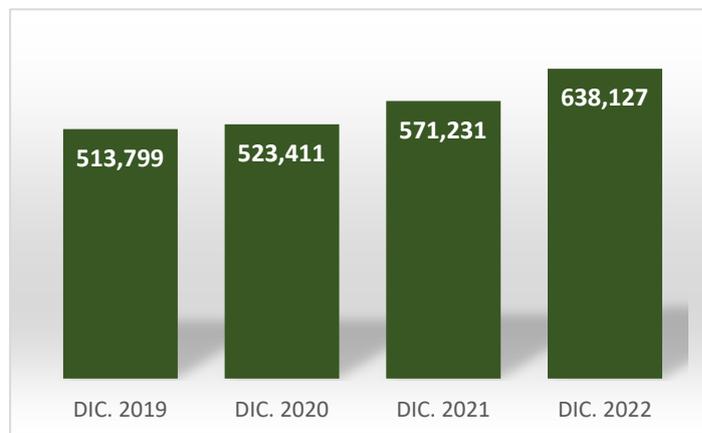
Breakdown of funds raised and financing

(FS6) (SASB FN-CB-410a.1, FN-CB-000.B; FN-CF-000.A)

Our customers trust this institution as a guarantor of their deposits. In the closing year 2022, the funds raised were US\$877 million, which represents an 6.03% increase from the previous year. It contains different types of deposit products.



Regarding credit, as of December 2022, our portfolio closed with a balance of \$638 million, which represents a growth of 11.71% compared to the previous year.



We present the economic distribution according to segments, including corporate, business, and SME clients. The dimension of our contribution to the country's economy can be observed, with a notable emphasis on the primary sector, followed by trade.



<i>Financial sector</i>	2021	2022	%
	Amounts in millions	Amounts in millions	
Agriculture, Livestock, Forestry, and Fishing.	167.99	158.17	39.21%
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles.	86.42	89.43	22.17%
Manufacturing Industries.	31.86	32.10	7.96%
Construction	18.30	17.85	4.43%
Real estate	15.67	11.93	2.96%
Other activities	48.31	93.86	23.34%

Distribution of economic value

(GRI 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.

(Values in thousand of dollars)	2020	2021	2022	Variation 2021-2022 (%)
<i>Direct economic value generated (Income)</i>	71,606	78,601	87,026	10.72%
<i>Valor económico directo distribuido (Gastos)</i>	69,465	75,299	80,972	7.53%
<i>Payment to vendors</i>	11,783	13,492	13,213	-2.07%
<i>Salaries and benefits (staff payment)</i>	12,777	15,101	16,748	10.91%
<i>Other operation costs</i>	10,092	9,940	10,227.80	2.90%
<i>Interest paid (investors payment)</i>	23,673	24,632	27,644	12.23%
<i>Tax and contribution (authority)</i>	7,320	8,539	9,564	12.00%
<i>Services and infrastructure investments</i>	3,635	3,459	2,403.64	-30.51%
<i>Community programs (donations)</i>	186,000	136,000	96,113.40	-29.33%
<i>Economic value retained (net profit)</i>	2,141	3,302	6,053	83.31%



Appendix 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.

In October 2022, we also joined the initiative of the UN Agency for Gender Equality and the Empowerment of Women, also known as UN Women, a United Nations agency aimed at promoting women's empowerment and gender equality.

Concerning social investment, we generate alliances with different social organizations to broaden our financial education program, as shown in this document.

Practicing sports is to be healthy, hence, Banco de Machala acquired the commitment to sponsor the team Orense Sporting Club.

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.

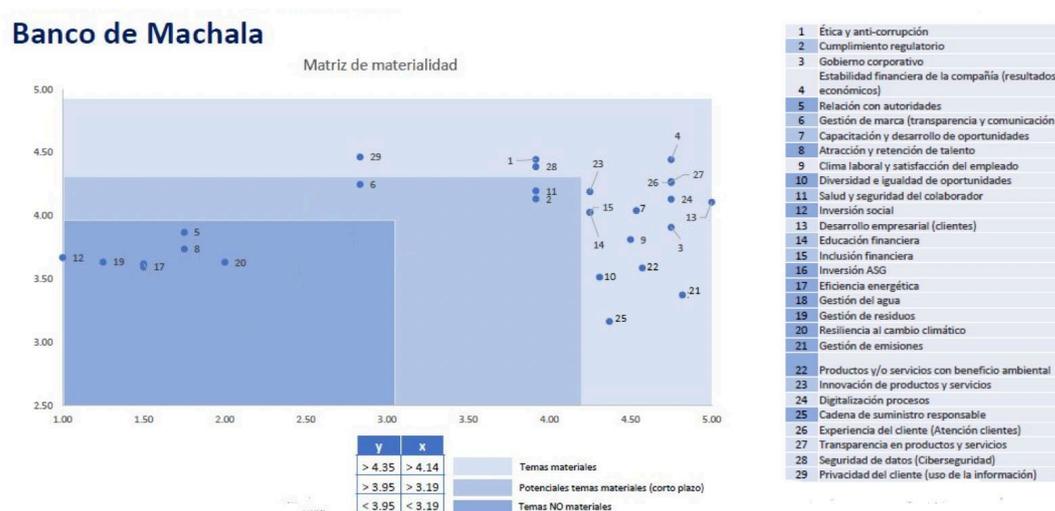
Impact Materiality

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.

MATERIALITY MATRIX

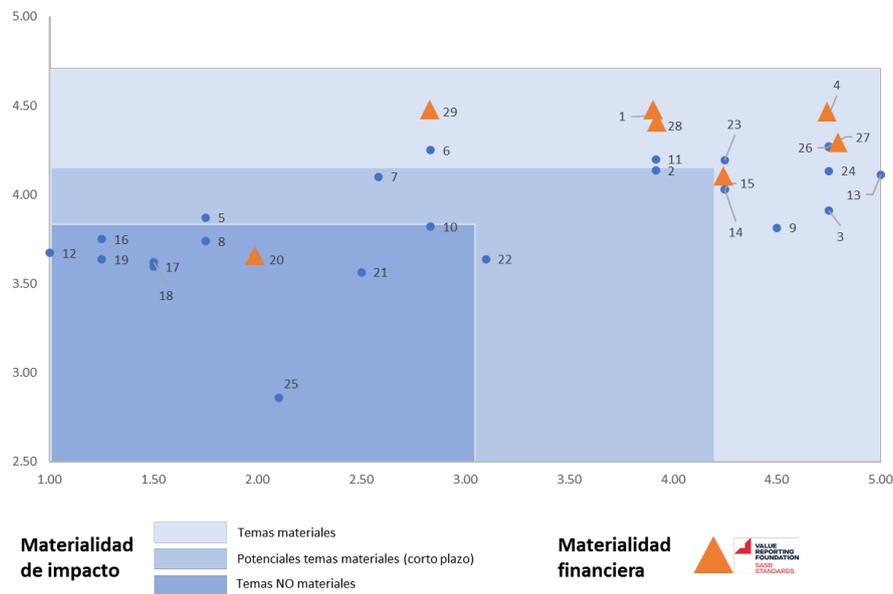


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development, and/or multilateral banks). It is used as the foundation to apply the standards from the Sustainability Accounting Standards Board (SASB).

Below we present the process followed.



Once the material subjects were identified, they were categorized as follows:

Dimension	Subject
Governance, Compliance and Ethics	Business ethics and anti-corruption
	Corporate governance
Responsible Banking	Financial stability of the company (financial results)
	Brand management (transparency and communication)
	Financial education
	Financial inclusion
	Innovation of products and services
	Digitalization of processes
Operation	Responsible supply chain
	Client experience
	Transparency of products and services
	Cybersecurity
Social Management (employees and community)	Client's privacy
	Work environment and employee's satisfaction
	Training and new opportunities for employees



Environmental Management

Dimension

Governance, Compliance and Ethics

Diversity and equal opportunities for employees
Attraction and retention of human talent
Health and safety of employees
Business development (clients)
Innovation of products and services
Climate change resilience
Products and/or services with environmental benefits
Energy efficiency
Emission management
Subject
Business ethics and anti-corruption
Corporate governance
Financial stability of the company (financial results)
Brand management (transparency and communication)

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. 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.



2. Mapping the country's needs

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.

3. Preparing the impact roadmaps and prioritization

Building upon the first two steps, we developed our positive and negative impact maps for our banking operations (Retail and Commercial). These maps align with impact categories set by UNEP-FI, as outlined in the Impact Radar (2018).

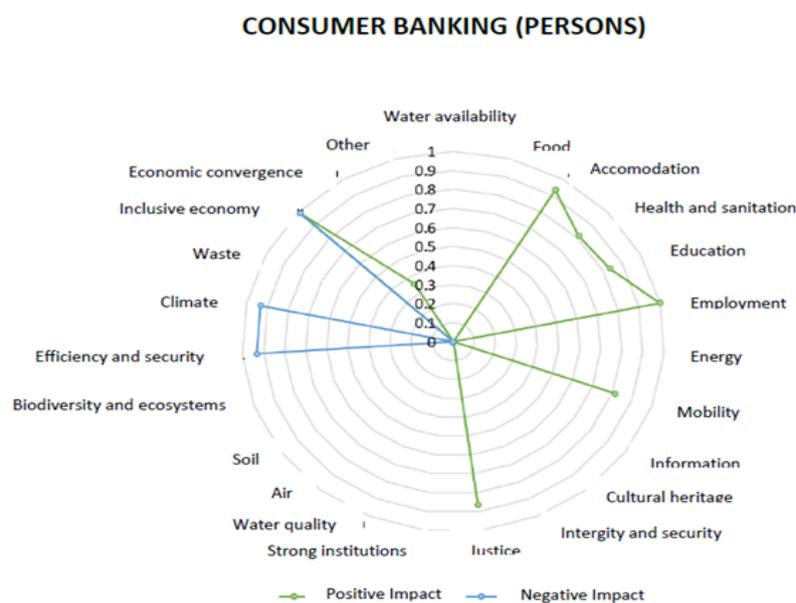
4. Determining commitments and goals

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.

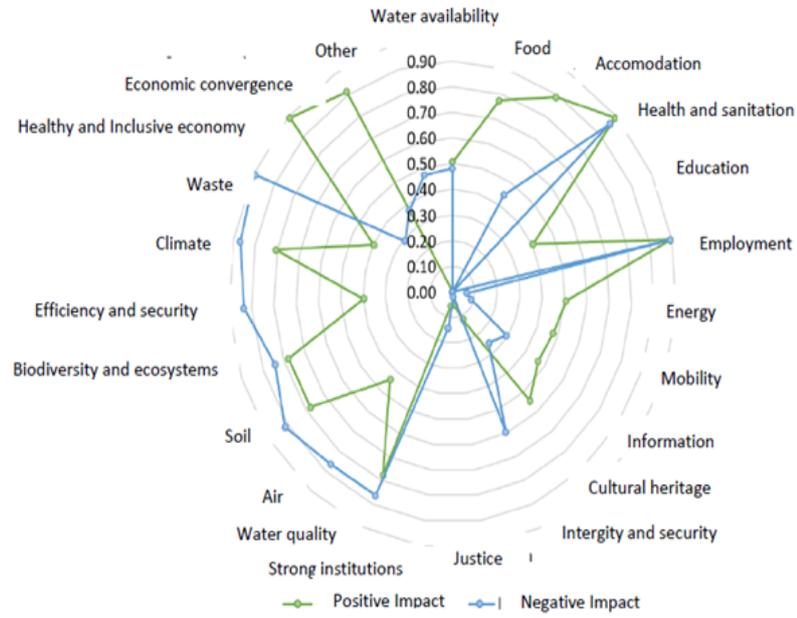
→ Below we present the commitments, indicators, and goals as a chapter of Responsible Banking.

→ Details of the commitments, indicators and objectives are presented in the chapter on Responsible Banking

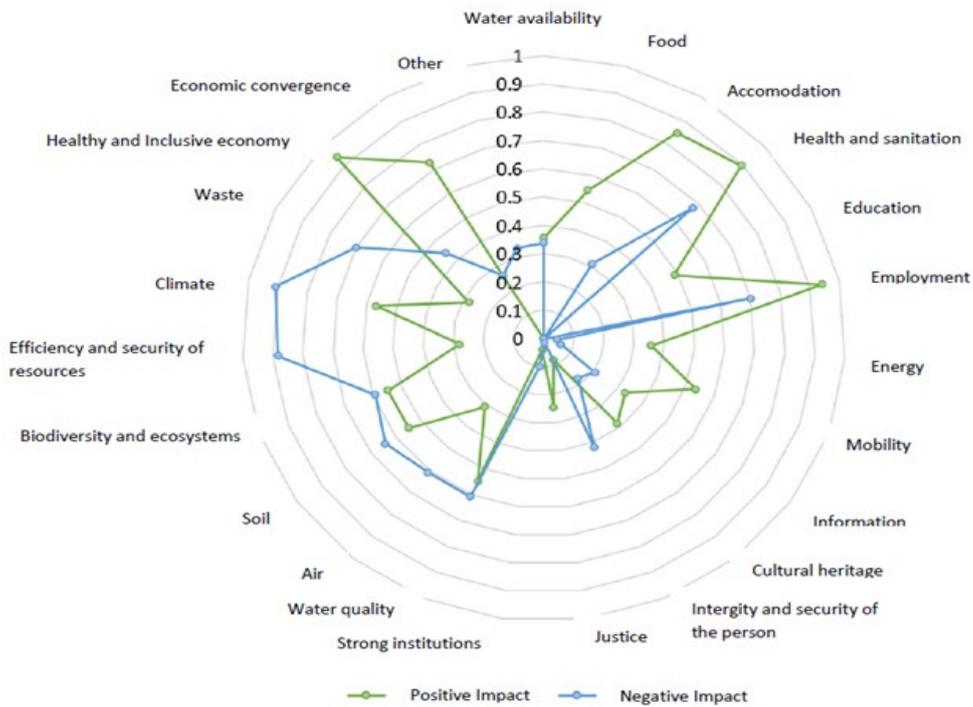




BUSINESS BANKING (BUSINESSES)



INTEGRATED





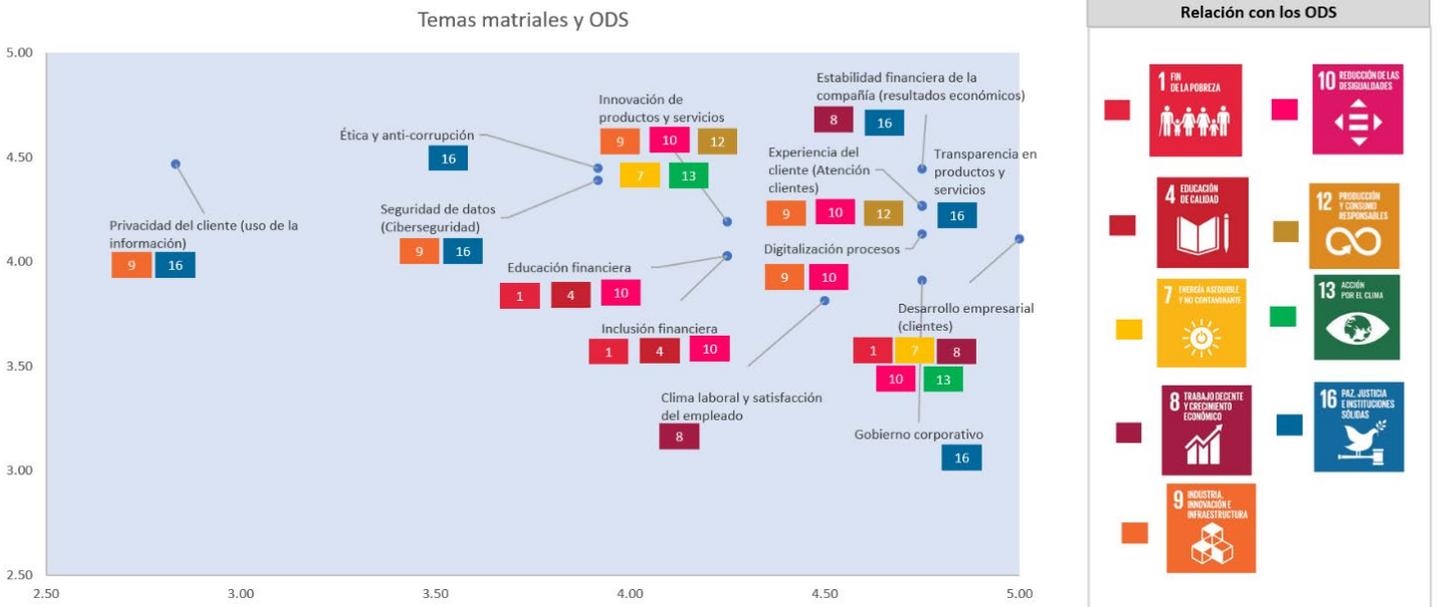
ODS Contribution

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.





Materiality	ODS	Goals	Contribution	Indicators
Products and/or services with benefits for the environment	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\$2.42 millions in student loans (balance by 2022)</p> <p>US\$ 218.67 savings accounts deposits (balance by 2022)</p> <p>US\$9.78 millions in micro-credits (balance by 2022)</p>
Training and development of opportunities (employees)	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>209 training hours for employees.</p> <p>Scholarships granted for our employees to study for a master's degree</p>
Climate change resilience	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>	<p>Social and Environmental Risk Analysis System (SARAS), is in the process of strengthening its design, technical assistance is being provided by DEG</p>
	8 9	8.5, 8.8 9.3, 9.4	<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>Through business loans, we support working capital, investment, 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>59% of the employees are women</p> <p>Middle and high management positions, 58% are women</p> <p>USD 406.06 millions in productive loans (balance by 2022)</p> <p>USD 406.06MM in technology investment productive loans, benefiting 1.88k companies.</p> <p>48,248 active users of Oronet and Oromóvil</p>
Inclusión financiera	10	10.2	<p>Nuestro portafolio de crédito incluye productos que facilitan la inclusión financiera, como ya se ha referenciado para el ODS 1.</p> <p>De igual manera, la educación financiera constituye una sólida herramienta para avanzar en la reducción de las desigualdades, empoderando a las personas en la gestión de sus recursos.</p> <p>La adopción de tecnología que venimos realizando, nos permite tener un mayor alcance tanto por la disposición de canales en remoto como por el alcance que están consiguiendo y el trabajo para eliminar retenciones y/o dificultades de los clientes en su uso.</p>	<p>2,720 cuentas para niños y jóvenes (ahorro)</p> <p>3,778 personas capacitadas en educación financiera</p> <p>Banco para crecer: plataforma educativa en línea</p> <p>Ecosistema de canales digitales</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>2,720 accounts for kids and teenagers (savings)</p> <p>3,778 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>37 clients trained on sustainable and social 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>Environmental and Social Risk Assessment System (SARAS), is in the process of strengthening its design and is receiving technical assistance from the DEG.</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 Humans 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.	Éthics and Compliance Accessibility and inclusion Demography 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	Demography 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.	Ethics and Compliance
5	Businesses should uphold the effective abolition of child labor.	SARAS	



6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Código de Ética y Conducta Reglamento interno de trabajo	Demography and Diversity
7	Businesses should support a precautionary approach to environmental challenges.	Internal management guidelines, including the ones from the environmental program.	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.	Éthics and compliance



Important events

More services offered in its channels

Banco de Machala offers its customers and users more than 400 services through the ORONET website for the payment of basic services, municipal payments, corporate collections, taxes, and vehicle registrations, among others, without having to go to the bank's offices.



Signing of Agreement with Orense Sporting Club

In the city of Machala, Dr. Esteban Quirola, President of the Bank's Board of Directors, met with Martha Romero, President of Orense Sporting Club, to sign the agreement between the ORENSE S.C. soccer team and our institution. This event ratifies the support of our institution to this outstanding team, to the province and to Ecuadorian soccer.



Commercial Model Banco de Machala

We updated our modern commercial model, aligned with the best market practices, which allows us to improve business management and deliver the best quality service to all our customers.



Ringling the bell BVG

On May 25, Banco de Machala made its third bond issue for an amount of USD 15 million on the Guayaquil Stock Exchange, celebrating its first ringing of the bell to commemorate this important milestone.





Productive Forum

Committed to the mission of promoting the business of our agricultural producers, we were present at the First Banana Time Machala Productive Forum of the Association of Banana Exporters of Ecuador, bringing a new proposal so that their business would never stop.



Signature for Adherence to the Global Compact

Banco de Machala signed its adherence as a member of Ecuador's Global Compact, a United Nations initiative where it commits to align its strategy and operations in 4 thematic areas: human rights, labor standards, environment and anti-corruption.



Aniversario 60

Durante seis décadas, Banco de Machala se ha caracterizado por acompañar a los ecuatorianos que se esfuerzan por alcanzar sus sueños y metas. Somos el respaldo de la gente que no se rinde, quienes trabajan para producir el futuro del Ecuador que todos anhelamos. Cumplimos 60 años y aún nos sentimos jóvenes, porque contamos con la energía y el talento para seguir creciendo. Banco de Machala, El Oro es nuestro respaldo y nosotros somos el respaldo del Ecuador.



El Oro Shrimp Chamber Conference

For a productive Ecuador, Banco de Machala was present at the Great Conference for the shrimp sector of El Oro, organized by the Chamber of Shrimp Producers of El Oro.





Livestock Fair 2022

We are the support of Ecuadorian Agriculture, therefore, we are participating in LXXVII Expoferia Ganadera 2022 until October 10 with proposals of products and services that will help your business grow.



Compuquil Fair

We participated in the Compuquil Technological Fair, with benefits for BM cards and amounts deferred to 15 months.



AEBE Banana Time Guayaquil Fair

Banco de Machala attended the Aebe Ecuador Fair and Banana Time awards where there was recognized the impeccable business career of our Chairman of the Board and Founder Dr. Esteban Quirola Figueroa, who with his tireless work has built a legacy in the generation of employment and welfare of the country.



Rating AAA-

Banco de Machala has positioned itself as one of the most solid banks in the country by obtaining an AAA- rating according to Class International Rating, thus demonstrating its excellent financial management and profitability.





Launch of Digital Products

From October, users and customers no longer need to go to the bank to open savings accounts, request cash or deferred advances on their credit cards, or apply for investments or loans. Now they can do it online and from their home in less than 5 minutes.



Loans for Entrepreneur Women

Financial solutions for entrepreneur women.

Aimed at: Female natural persons.

Segment: Micro (extended accumulation) and SMEs.

Amount: Micro (extended accumulation): Up to \$20,000 with unsecured guarantee and over \$20,000 with mortgage guarantee - SMEs: Up to \$80,000 without guarantee.

Purpose and term: Fixed assets up to 72 months - Working capital up to 48 months.

Benefits: Term is one year longer than in the normal credit



Green Loan, Efficient Consumption

To finance repairs or improvements to your home that involve energy savings.

Aimed at: Natural persons.

Segment: Consumption

Amount: Up to \$20,000 without guarantee

Purpose and term: To purchase home equipment / energy-saving appliances - Up to 48 months

Benefits: Lower rate than normal use loan.



Growth in Total Assets

Thanks to efficient institutional administration and results-oriented commercial management, we reached the US\$1 billion mark in total assets.



Report Template and Self-Assessment



Principles for Responsible Banking



Reporting and Self-Assessment Template

The following template sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking (PRB). Your bank discloses which actions it has undertaken to implement the PRB by self-assessing its progress on each of the 6 Principles. This template is therefore structured in accordance with the 6 Principles that signatories have committed to.

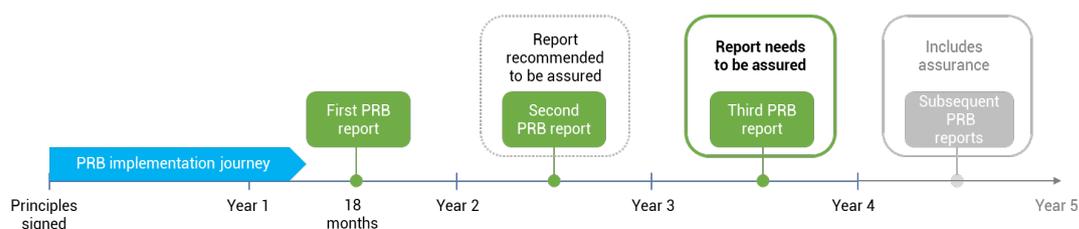
Three key steps are critical to showing that your bank is fulfilling its commitments as a signatory of the PRB, i.e. Impact Analysis, Target Setting & Implementation and Assured Reporting/Accountability. The sections in the Reporting and Self-Assessment Template that relate to the 3 Key Steps also require a self-assessment summary to demonstrate the extent to which the bank has fulfilled the respective requirements of the Key Steps.

Accommodating different starting points

Your bank has an initial four-year period from signing to implement the 6 Principles including to bring its reporting fully in line with the requirements. Your bank may not be able to provide all information required in this template in the first report. You should build on your implementation progress annually. Feedback, support, capacity building, training and peer learning are available to all signatory banks to help them progress with both implementation and reporting.

Timeline for Reporting and Assurance

Signatory banks must report on their implementation of the Principles on an annual basis. The first PRB report must be published within 18 months of signing the Principles, to give the bank some flexibility to align PRB reporting with its reporting cycle. Publishing the first PRB report at any time before 18 months after signing the Principles is an option. After the first PRB report has been published, subsequent reports must be published annually, it means within 12 months at the latest after the previous report.



¹ Early reporting is permitted, although sufficient time to show progress from one year to the other should be taken into account.

Assurance

The last report within the initial 4 year implementation period (and subsequent reports thereafter) needs to be assured, which means that at least the third PRB report needs to be assured. Banks are encouraged to put the assurance process in place well before that and have earlier PRB reports already assured.



All items that relate to the three [Key Steps](#) (highlighted in yellow) require limited assurance by year four of signing the PRB, undertaken by an independent third party with relevant expertise in the field. These are:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Target Implementation
- 5.1 Governance Structure for Implementation of the Principles

An assurer provides limited assurance of your self-assessment in these listed areas. You can do this by including it in your existing assured reporting. Where third-party assurance is not feasible, an independent review may be conducted. Assurance requirements are described in more detail in the [Guidance for Assurance providers: Providing limited assurance for reporting](#).

Purpose of the Template

The purpose of this template is to assist signatories in disclosing their progress on implementing the PRB. The disclosed information is used by the UNEP FI Secretariat as the basis for the individual review of each bank's progress, as well as for reporting the collective progress made by the PRB Signatory Group. To measure collective progress in a consistent manner, some standardized questions to be completed by the banks are integrated into the template. The open questions give banks the flexibility to disclose the progress they make, considering the diverse business models and various contextual differences in which banks operate.

How to use this Template

This template gives banks the chance to provide summaries of the annual progress made in implementing each Principle. It is designed for your bank to provide references/links to where in your existing reporting/public domains (websites) the required information can be found to support your answers. **The aim is to keep any additional reporting burden to a minimum while ensuring transparency and accountability as set out in Principle 6. When referring to other documents, please specify the pages where the exact information appears.**

The Reporting and Self-Assessment Template shall not be amended structurally and content-wise. The content and text of the template can be applied to corporate layout and designed accordingly, without omitting parts of the texts. The Reporting and Self-Assessment Template can be integrated into your bank's reports (annual report, sustainability report or relevant reporting formats) or can be published as a stand-alone document. It needs to be publicly available and will be listed on the UNEP FI Signatories page.

The reporting needs to be published in English. Information that is referenced to within the Reporting and Self-Assessment Template should also be available in English. Where that is not possible, it is recommended to include the summary of relevant information as text in the Template, so that all necessary information can be taken into account when the UNEP FI Secretariat reviews the bank's performance.



Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

Banking services for individuals

CATEGORY	SECTORS AND ACTIVITIES	PRODUCTS AND SERVICES	CHANNEL
Credits	Persons working for an employer, mainly from the private sector, Self-employed persons, Retired persons	Créd Consumer loan, Auto-Credit Credit from payroll, Back to Back, Casa-Credit, Student loan, Credi U	Branch
Deposits	Employees, Self-employed persons, Retired persons	Savings account, Checking account, Mi Cuenta Crecer account, Crecer Plus account	Branch + web
Investment	Employees, Self-employed persons, Retired persons	Term deposits BM 365	Branch + Oronet

Links and references

<https://www.bancomachala.com/>

<https://www.bancomachala.com/servicios-bancarios/>

<https://www.bancomachala.com/agencias/>

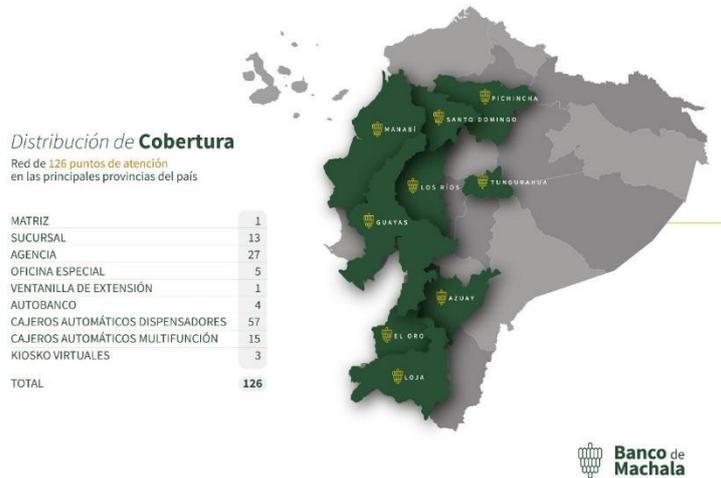


Banking services for businesses

CATEGORY	SECTORS AND ACTIVITIES	PRODUCTS AND SERVICES	CHANNEL
Credits	Agriculture, trade, building logistics, and transportation services.	Autocredit Productive Credit Credit from payroll	Branch
Deposits	Agriculture Trade Building Services	Checking Account Savings Account	Branch + web
Collections and payments	Agriculture, trade, building logistics, and transportation services.	Collections Payments Soft Token and OTP	Collections & Payments
Foreign Trade	Agriculture, 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 Foreign bank guarantee Foreign funding	Branches
Investments	Agriculture, trade, building, services	Term deposits BM 365	Branches + Oronet



Banco de Machala offers its customers a variety of transactional channels nationwide, with 126 points of service that allow fast, agile, and secure transactions.



The composition of the portfolio by segments is detailed below:

Segments	%
Productive	63.60
Consumption	30.30
Housing	4.10
Microcredit	1.60
School loan	0.40
Total	100%

Strategy Alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes

No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?



- UN Guiding Principles on Business and Human Rights
- International Labour Organization fundamental conventions
- UN Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones-----
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----
- None of the above

<i>Response</i>	<i>Links and references</i>
<p><i>Banco de Machala voluntarily participates in initiatives that allow it to align its business strategy with stakeholder interests: UN Women's Empowerment Principles and the United Nations Environment Programme's Financial Initiative.</i></p> <p><i>In 2020, the identification of material topics was carried out, leading to the establishment of initiatives along with their respective indicators to strengthen our path towards sustainability. It's worth mentioning that at Banco de Machala, sustainability is woven throughout the entire organization, with active and ongoing involvement from top management.</i></p> <p><i>Our sustainability strategy consists of focal points and lines of action, providing us with greater clarity on where we need to focus our efforts.</i></p> <p><i>Our strategy focuses on:</i></p> <ul style="list-style-type: none"><i>✓ Institutional integrity,</i><i>✓ Marketing and service,</i><i>✓ Team commitment,</i><i>✓ Customer Development,</i><i>✓ Customer Environmental Performance, and</i><i>✓ Our own environmental management.</i> <p><i>Furthermore, since 2020, Banco de Machala has implemented an Environmental and Social Management System (ESMS) with a scope limited to the operations of the MIPYMES-CFN product. This system is exclusively designed for the MIPYMES-CFN product and includes the identification, categorization, assessment, monitoring, and reporting of the environmental and social risks associated with the ultimate beneficiaries of this product.</i></p>	<p><i>Links and references</i></p> <p>https://www.bancomachala.com/institucional/gobierno-corporativo/</p>



Regarding the stages of monitoring and tracking, the following details are provided: This stage pertains to monitoring the environmental and social performance of projects throughout the financing lifecycle. This monitoring applies to credit operations that have been deemed eligible following assessment. During this phase, the Environmental Risk Unit provides ongoing guidance to Regional Management to assist clients in complying with the frameworks for assessing environmental and social risks, as well as in defining action plans. The Environmental Risk Unit conducts reviews, monitoring activities, and on-site visits to the projects and/or funded companies to verify the implementation of action plans.

Banco de Machala S.A. will maintain a record of credit operations granted within the framework of the ESMS. It will periodically analyze the evaluation processes of applications, the organizational capacity and competence to implement the ESMS, and whether there is consistent and coherent compliance with the environmental and social requirements applicable to subprojects.

Principle 2: Impact and Target Setting



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

2.1 Impact analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly^[1] and fulfil the following requirements/elements :

- a. Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response

In 2020, Banco de Machala identified its priority stakeholders and developed a materiality matrix to identify the most important aspects for

Links and references

<https://www.bancomachala.com/media/37224/informey-autoevaluaci%C3%B3n-de>



both the groups and the bank. This input served to identify risks and opportunities for the sustainability strategy.

[los-principios-de-banca-responsable.pdf](#)

The UNEPFI Impact Tool was also employed to map areas of impact. Using this tool, we conducted an analysis of our credit portfolio (banking for individuals and corporate banking), which helped prioritize initiatives within the business.

Mapping of products and services was determined according to the tool's mapping structure. The credit portfolio was included in scope:

Banking services for individuals: credit for individuals (consumption, education, and housing), credit for individuals engaged in business activities, and microcredit.

Banking services for businesses (commercial and productive credits), including different sectors of economic activity and segments based on company size: SMEs, mid-sized companies, and large corporations.

b. Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition your portfolio globally and per geographical scope

i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or

ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please explain, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response

The following are the main sectors and industries that Banco de Machala funds:

Financial Sector	% of the portfolio participation
1. .Agriculture, Livestock, Forestry, and Fishing	39%

Links and references

<https://www.bancomachala.com/institucional/go-bierno-corporativo/>



2. Wholesale and Retail Trade, Repair of Vehicles and Motorcycles.	22%
3. Other activities	26%
4. Manufacturing Industries.	8%
5. Building	4%
Segments	%
Productive	63.60
Consumption	30.30
Housing	4.10
Microcredit	1.60
School Loan	0.40
Total	100%

c. Context: *What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?[1] Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.*

This step aims to put your bank's portfolio impacts into the context of society's needs.

Response

Impact Areas: Priorities and Challenges for the Country

Certain impact areas take precedence due to their significance and challenges for the country, including unemployment and underemployment rates, poverty, pre and post-pandemic economic crises, limited access to financial products, an unstable political landscape, insecurity, crime, and climate change

Creating Impact Maps and Setting Priorities

Links and references

<https://www.bancomachala.com/media/37224/informe-y-autoevaluaci%C3%B3n-de-los-principios-de-banca-responsable.pdf>



We built maps to visualize both positive and negative impacts on Individuals and Commercial sectors. These maps align with the impact categories defined by UNEP-FI, as detailed in the Impact Radar (2018).

Establishing Commitments and Objectives

With a focus on our substantial positive and negative contributions to the identified impact areas, we set forth a series of commitments. These commitments aim to propel social and economic development within our business while also contributing to environmental preservation. These commitments are in harmony with specific United Nations Sustainable Development Goals (SDGs) outlined in the 2030 Agenda.

For each commitment, we defined a range of indicators against which we set annual objectives. Furthermore, it's worth noting that we established mid-term commitments extending until 2023 for a select subset of these indicators.

A notable area of impact at Banco de Machala is climate. In this specific context, Ecuador is diligently working towards its greenhouse gas emission reduction target within its Nationally Determined Contributions (NDC). The country has created a national plan through the Ministry of Environment, Water, and Ecological Transition known as Ecuador Zero.

Another impact area that we can also take into consideration is the social aspect. Through our actions, we will contribute to the social inclusion of clients.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy ? Please disclose.



<p><i>Response</i></p> <p><i>The UNEPFI Impact Tool determined that the primary impact areas are:</i></p> <p>POSITIVE IMPACT</p> <p><i>Healthy and inclusive economies</i></p> <p><i>Mobility</i></p> <p><i>Health and Sanitation</i></p> <p><i>Soil</i></p> <p><i>Climate</i></p> <p>NEGATIVE IMPACT</p> <p><i>Soil</i></p> <p><i>Waste</i></p> <p><i>Climate</i></p> <p><i>Efficiency and Resource Safety</i></p> <p><i>Water: Quality</i></p>	<p><i>Links and references</i></p>
<p>d) For these (min. two prioritized impact areas): <u>Performance measurement:</u> Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.</p> <p><i>In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.</i></p> <p><i>If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.</i></p> <p><i>The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact</i></p>	
<p><i>Response</i></p> <p><i>Based on the climate impact analysis as one of the prioritized areas, Banco de Machala will publish its portfolio decarbonization objectives in the first half of 2023.</i></p> <p><i>The second objective focuses on health and financial inclusion. To achieve this goal, efforts will be directed towards the outlined outcomes</i></p>	<p><i>Links and references</i></p> <p><i>https://www.bancomachala.com/institucional/go-bierno-corporativo/</i></p>



in the Mipymes product, aiming to promote a 35% increase in women's participation in credit acquisition.

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope: Yes In Progress No

Portfolio Composition : Yes In Progress No

Context: Yes In Progress No

Performance measurement: Yes In Progress No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify.

How recent is the data used for and disclosed in the impact analysis?

Up to 6 months prior to publication

Up to 12 months prior to publication

Up to 18 months prior to publication

Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)



2.2 Objective Setting (Key Step 2)

Show that your bank has set and published a minimum of two objectives that address at least two different areas of the most significant impact that you identified in your impact analysis.

The objectives need to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant, and Time-bound (SMART). Please disclose the following elements of the objective setting (a-d), for each objective separately:

- a) *Alignment: Which international, regional, or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and objectives are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national, or regional frameworks.*

You can build upon the context items under 2.1.

Response

New commitments have been outlined with indicators and objectives set for 2025, which are detailed below:

Commitment: Facilitating financial resource access for women-focused Micro, Small, and Medium Enterprises (MSMEs) that have faced challenges in obtaining credit. MSMEs play a crucial role in the country's economic and social development due to job creation and community support. As part of our commitment, this also involves achieving a 35% participation rate of women through key strategies.

Impact areas: Inclusive and sustainable economies (+); SDGs: 1, 5, 10, 12

Links and references

<https://www.bancomachala.com/institucional/gobierno-corporativo/>



Indicators and objectives:

MSMEs Credits	2022	2025
<i>Loan Balance (Business+SMEs+Micro)</i>	<i>88.92 MM</i>	<i>102.42MM</i>
<i>Number of loan clients – women</i>	<i>261</i>	<i>525</i>
<i>Number of loan clients – men</i>	<i>725</i>	<i>975</i>
<i>Total clients</i>	<i>986</i>	<i>1,500</i>
<i>Participation of women</i>	<i>26.47 %</i>	<i>35%</i>
<i>Participation of men</i>	<i>73.53 %</i>	<i>65%</i>
<i>Total clients</i>	<i>100.00 %</i>	<i>100.00%</i>

2) Commitment: During 2022, Banco de Machala has been actively engaged in developing environmentally focused credit initiatives. In the first half of 2023, the bank has set out to define its climate objectives by measuring greenhouse gas emissions (GHGs) within its credit portfolio, thereby contributing to SDG 13, Climate Action. This effort involves aligning with PCAF (Partnership for Carbon Accounting Financials), signifying our commitment to carbon accountability within the financial industry. This strategic move marks the initial steps on our journey toward decarbonizing our portfolio.



b) *Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.*

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex. Please include the relevant indicators using the indicator code in the following table:

It is planned to establish climate objectives during the first half of 2023 by measuring greenhouse gas emissions (GHGs) within the credit portfolio, contributing to SDG 13, Climate Action.

Regarding health and financial inclusion, the baseline is set for 2022. Some of the indicators from the appendix have been considered, detailed as follows:

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>	
<i>Climate change mitigation</i>	...		
	...		
	...		

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Financial health & inclusion</i>	<i>B.1.1/C.1.1</i>	<i>Banco de Machala offers savings accounts (both traditional and online), as well as microloans. These products and services are designed with a focus on financial inclusion. Through the MSMEs product, the aim is to provide easier credit access to women in this segment, thereby creating development opportunities.</i>

If you have discovered any extra indicators that are considered important for setting the initial benchmark and evaluating how well your efforts align with impact-driven goals, please provide that information.



<p><i>Response</i></p> <p><i>For Banco de Machala, it has been essential to establish our SMART indicators, which have been defined considering our contribution to global initiatives such as the Paris Agreement and the Sustainable Development Goals.</i></p> <p><i>Therefore, our commitment to monitoring their compliance and the established targets is integral to our actions, and currently, we haven't included any additional indicators.</i></p>	<p><i>Links and references</i></p>
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<p>c) <i>SMART objectives (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.</i></p>	
<p><i>Response</i></p> <p>Health and Financial Inclusion Impact Area: <i>The key performance indicator (KPI) used in this area focuses on the growth of the portfolio in Micro, Small, and Medium-sized Enterprises (Mipyme) and the creation of credit opportunities for women in this segment. The goal is to achieve a 35% increase in women's participation by the year 2025.</i></p> <p>Climate Impact Area: <i>In 2022, the bank worked on developing credits with an environmental focus. In the first half of 2023, the bank plans to establish its climate objectives. This will involve measuring greenhouse gas emissions (GHGs) in its credit portfolio, contributing to Sustainable Development Goal 13 (SDG 13) related to climate action. The bank aims to align with the PCAF (Partnership for Carbon Accounting Financials), which will initiate the process of reducing carbon emissions from its portfolio as part of its journey towards decarbonization.</i></p>	<p><i>Links and references</i></p> <p>https://www.bancomachala.com/institucional/gobierno-corporativo/</p>
<p>d) <i>Action plan: which actions including milestones have you defined to meet the set objectives? Please describe.</i></p> <p><i>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set objectives within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</i></p>	
<p><i>Response</i></p> <p><i>To develop a plan of action for Health and Financial Inclusion, the company has sought external consulting expertise. As of the date of this report, we are currently in the process of evaluating and reviewing the outcomes of the</i></p>	<p><i>Links and references</i></p> <p>https://www.bancomachala.com/i</p>



external consultancy. The purpose of this assessment is to prepare and present our action plan. This plan will be disclosed in our upcoming report.

In relation to climate-related efforts, the company has decided to establish its climate objectives within the first half of 2023. These objectives will be set by measuring greenhouse gas emissions (GEI) within their credit portfolio. This effort aligns with Sustainable Development Goal 13, which focuses on climate action. The alignment with the PCAF supports this goal by facilitating carbon accounting within the financial industry. This strategic approach will enable the company to embark on the journey towards reducing carbon emissions within their credit portfolio, commonly referred to as "decarbonization." This plan will be disclosed in their upcoming report.

[nstitucional/gobierno-corporativo/](#)

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... (please name it) Health and Financial Inclusion	... second area of most significant impact: ... (please name it) Climate Change Mitigation	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART objectives	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No



2.3 Objective implementation and monitoring (Key Step 2)

For each objective separately:

Show that your bank has implemented the actions it had previously defined to meet the set objective.

Report on your bank's progress since the last report towards achieving each of the set objectives and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

Health and Financial Inclusion

Given that our focus is to provide credit opportunities to women in the Mipyme segment, we can state that during 2022, we closed the portfolio with the following figures:

MIPYMES CREDIT	2022
Loan Balance (Business+SMEs+Micro)	88.92MM
Number of loan clients– women	261
Number of loan clients – men	725
Total clients	986
Participation of women	26.47%
Participation of men	73.53%
Total clients	100.00%

Climate

There is no record of the progress of the KPIs, nor of the evolution or application of the action plan; any progress will be reported in the next report.

Links and references

<https://www.bancomac.hala.com/institucional/gobierno-corporativo/>



Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client Engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

One of our main strengths is how the bank assists the customer, enabling us to meet their needs. We have a Code of Ethics and Conduct, a social and environmental assessment program for commercial loans (SARAS), and a specific risk policy.

At Banco de Machala, we implement robust processes for the identification, measurement, monitoring, control, and reporting of risk management in significant bank activities. This enables us to seize new business opportunities, mitigate losses in the event of risks, and protect the bank's assets and solvency.

The classification of the level of environmental and social risk in economic activities is based on the "World Bank Guide to Determine

Links and references

<https://www.bancomachala.com/institucional/gobierno-corporativo/informes-gobierno-corporativo/>



Environmental and Social Risk Classification," using the World Bank's Environmental and Social Framework (2017) as a reference.

Guidelines for assessing and managing the environmental and social risks and impacts of projects are carried out based on the specific Environmental and Social Standards of the World Bank. These standards are designed to prevent, minimize, reduce, or mitigate 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 a list of credit-excluded activities. At Banco de Machala, we have established a set of activities that we do not finance due to their negative impacts.

The evaluation methodology has been proposed in five steps, which are described as follows:

- a) Identification: Potential social and environmental impacts are identified after reviewing the specifics of the credits.*
- b) Classification: Risk levels, priorities, and the response to risk are determined.*
- c) Assessment: The compliance of projects and/or companies with legal frameworks and environmental and social (A&S) guidelines for the financial sector is evaluated.*
- d) Monitoring: We track environmental and social commitments.*
- e) Continuous Improvement: Policies, procedures, and protective clauses are reviewed.*

The following are some of the objectives of the Environmental Management System:

- ✓ Promote good environmental and social management practices, as well as national environmental and social regulations, in the sub-loans financed by the IFPs using Project resources.*
- ✓ Promote good environmental and human resources management practices within the institution.*



3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response

In 2023, Banco de Machala aims to drive and enhance the products: "Entrepreneurial Women's Credit" and "Green Credit." This strategy is intended to strengthen SARAS and promote financial inclusion.

Links and references

<https://www.bancomachala.com/banca-personas/cr%C3%A9ditos/cr%C3%A9dito-verde/>

<https://www.bancomachala.com/banca-personas/cr%C3%A9ditos/productivo-mujer-emprededora/>

Principle 4: Stakeholders



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

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the principles and improving your bank's impacts. This should include a high-level overview of how your bank has



identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response

The Bank's growth, along with the accomplishments of our goals and objectives throughout the years, is a result of the trust that our stakeholders have placed in our operations, products, and services. We consistently uphold open communication and prioritize transparency in all of our daily activities and outcomes. We categorize our stakeholders as those who are significantly affected by our operations or play a pivotal role in achieving our business objectives.

Our intention with each of these stakeholders is to establish enduring relationships that mutually benefit all parties involved. We engage with them while staying true to our values, principles, and the Machala Code of Ethics.

Links and references

<https://www.bancomia.com/institucional/gobierno-corporativo/>

Stakeholders	Value creation	Channels
Our Staff	We support professional development through ongoing training to ensure an expert team in their respective fields. We ensure the health and safety of each employee and promote respect for human rights, as well as inclusion and equity within the workforce. We prioritize the physical and psychological well-being of our employees through campaigns and activities aimed at enhancing their quality of life.	Complaints channel Team meetings Briefings (Group emails) Assessment of the working environment Sustainability report Intranet
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. 	Nationwide customer service agencies Other remote channels: web, call center, ATMs Social network and email notifications. Sustainability report
Vendors	<ul style="list-style-type: none"> We generate opportunities for participation in the Bank's operations, under the selection of quality products and services. We have a focus on long-term relationships aiming at a win-win relationship. 	OPS meetings Sustainability report
Authorities	<ul style="list-style-type: none"> We comply with local legislation, safeguarding the rights and security of our customers. 	Reports/ necessary documentation Monitoring from the bank superintendency Shareholder's report with regulation-compliant information.
Community	<ul style="list-style-type: none"> We contribute to social development, through the promotion of inclusion and financial education. 	Financial education initiatives Social investment and donation initiatives Global Compact Network Ecuador initiatives Sustainability report

For defining the materiality analysis, the involvement of stakeholders was crucial. We conducted interviews, surveys, and open dialogues with them.



Principle 5: Governance & Culture



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

5.1 Governance Structure for the Principles Implementation

Does your bank have a governance system in place that incorporates the ?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- Which committee has responsibility over the sustainability strategy as well as objective approval and monitoring (including information about the highest level of governance the PRB is subjected to)
- Details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- Remuneration practices linked to sustainability objectives

Response

As part of its governance structure, Banco de Machala comprises the following components:

General Shareholders' Assembly: This is the supreme body of the institution responsible for exercising governance.

Board of Directors: The board is responsible for fulfilling the roles, duties, and authorities outlined in the Bank's Bylaws. It also approves policies and processes necessary for the institution to align with its vision, mission, strategic plan, and annual budget.

Links and references

<https://www.bancomachala.com/institucional/gobierno-corporativo/>

<https://www.bancomachala.com/institucional/gobierno-corporativo/estructura-organizacional/>



Executive Chair: Apart from legal responsibilities, the executive chair annually submits a report to the board, encompassing business matters, financial statements, and relevant documents.

Additionally, the bank has Committees that provide support to the Board and Senior Management in decision-making across economic, social, and environmental aspects. This fosters responsible, transparent, and timely management.

The institution's approach is interdisciplinary, relying on the collaboration of all departments as the strategy progresses. Banco de Machala already has policies in place related to ESG aspects:

Code of Ethics

Personnel Training Policy

Occupational Health and Safety Policy

Environmental and Social Risk Policy

Paperless Policy

Aligned with this, we have:

Committee: Corporate Governance and Sustainability Committee

Objective: To assist the board in matters concerning strategic decisions, implementation, and maintenance of corporate governance practices within Banco de Machala. This committee oversees the bank's alignment with the Principles for Responsible Banking (PRB), ESG, and other initiatives.

Frequency: As needed

Level: Managerial

On the other hand, the Credit Committee participates in authorizing financing that undergoes the SARAS process.

Objective: To evaluate client credit operations for approval or recommendation to the Board, in line with each committee's defined limits.

Level: Managerial

Frequency: Monthly

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response

Links and references



To promote a culture of responsible banking, we have the following key points:

Internal Work Regulations:

Chapter 8 - Salary and Payment Periods (REMUNERATIONS)

Article 58: The bank sets employees salary based on established labor market provisions or norms for job classification and valuation, approved by the Executive Chair, always in compliance with the law.

Chapter 9 - Training and Development

Article 63: The Human Resources Department provides training and development to employees as needed, following the annual training plan created by the Human Resources Department and/or its representative.

Chapter 11 - Non-Discrimination

Article 69: We are committed to maintaining a discrimination and harassment-free workplace. Anyone engaging in such behavior will be subject to sanctions as outlined in this regulation.

Moreover, we strive to work collaboratively not only amongst ourselves but also with our clients, investors, suppliers, regulatory bodies, and the communities they represent. This relationship is built on trust with our regulatory authorities. Our diverse cultural backgrounds enhance our ability to make informed decisions and generate innovative ideas. We acknowledge our responsibility to clients, suppliers, the state, and the public to be a reliable partner with the utmost integrity and ethics. We actively engage and learn from others through open dialogue.

Workplace Diversity:

We highly value the diversity among our employees. We firmly believe that the diversity of perspectives, talents, and contributions enriches our products and services for our clients, our work environment, and the communities where we operate. We support our employees' talents and strive to be an appealing employer. We recognize the value of diverse teams.

Collaboration and Equal Opportunities:

We foster a collaborative environment guided by trust and mutual respect. We adhere to all applicable laws promoting equal opportunities and advancement for everyone. We collaborate without discrimination based on factors such as race, color, gender, nationality, age, religion, disability, marital status, pregnancy, sexual orientation, gender identity and expression, citizenship, or any other legally protected characteristic.

<https://www.bancomachala.com/media/44302/co-digo-de-e-tica-del-banco-de-machala-v-30.pdf>



5.3 Policies and Due Diligence Processes	
<i>Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.</i>	
<i>Please describe what due diligence processes your banks has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.</i>	
Response <i>We have an Environmental and Social Risk Management System which outlines a set of policies, procedures, tools, and internal capacity to identify, monitor, and manage the institution's exposure to environmental and social (E&S) risks posed by its clients.</i> <i>The purpose of implementing an Environmental and Social Management System at the Bank is to establish an organized and systematic process for anticipating potential negative environmental and social impacts resulting from the use of our own or external funds (such as those from multilateral organizations, second-tier banks, development funds, or other funding entities) provided by the Institution to its clients.</i>	Links and references https://www.bancomachala.com/institucional/gobierno-corporativo/
Self-assessment summary	
Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and objectiveves setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	



Principle 6: Transparency and responsibility



We will periodically review our individual and collective implementation of these Principles and will be transparent and accountable for our positive and negative impacts and our contribution to societal goals.

6.1 Guarantee

Has this publicly disclosed information about your PRB commitments been secured by an independent insurer?

Yes Partially No

If applicable, please include the link or description of the guarantee statement.

Response

Links and references

Document: Sustainability report

<https://www.bancomachala.com/institucional/gobierno-corporativo/>

6.2 Reports on other frameworks

Does your bank disclose sustainability information in any of the following standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other:

Response

The reports of Banco de Machala are developed according to GRI and SASB Standards, which allows us to align the annual disclosure of the Bank's management with the advancements of PRB. The latest published report is available to the public on our website:

Links and references

Document: Sustainability report

<https://www.bancomachala.com/institucional/gobierno-corporativo/>



<https://www.bancomachala.com/institucional/gobierno-corporativo/informes-gobierno-corporativo/memoria-de-sostenibilidad/>

6.3 Perspective

"¿What are the next steps your bank will take in the next 12-month reporting period (particularly in impact analysis, goal setting, and governance structure to implement the PRB)? Please describe briefly."

Response

Reaffirm our commitment to the path of sustainability, work diligently on SMART objectives and indicators.

Links and references

<https://www.bancomachala.com/institucional/gobierno-corporativo/>

6.4 Challenges

Here is a brief section to understand the potential challenges your bank is facing regarding the implementation of the Principles for Responsible Banking. Your comments will be useful to contextualize the collective progress of the PRB signatory banks. What challenges have you prioritized in addressing the implementation of the Principles for Responsible Banking? Please choose the top three challenges your bank has prioritized addressing in the last 12 months (optional question). If you wish, you can provide more details about the challenges and how you are addressing them:

- | | |
|---|--|
| <input type="checkbox"/> Incorporation of PRB supervision into governance. | <input type="checkbox"/> Commitment to the client |
| <input type="checkbox"/> Gain or maintain momentum in the bank | <input type="checkbox"/> Stakeholder Engagement |
| <input checked="" type="checkbox"/> Getting started: where to start and what to focus on at first | <input checked="" type="checkbox"/> Data availability |
| <input type="checkbox"/> Carrying out an impact analysis | <input type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessment of negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input checked="" type="checkbox"/> Choosing the right performance measurement methodology(ies) | <input checked="" type="checkbox"/> Reports |
| <input checked="" type="checkbox"/> Set goals | <input type="checkbox"/> Warranty |
| <input type="checkbox"/> Other: ... | <input type="checkbox"/> Prioritize actions internally |

If you wish, you can elaborate on the challenges and how you are addressing them:





Practice ³ (pathway to impact)						Impact ⁴					
1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact indicators		
Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A.1.1	Climate strategy: Does your bank have a climate strategy in place?	Yes / In progress / No	A.2.1	Client engagement process: Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?	Yes / Setting it up / No; If yes: Please specify for which clients (types of clients, sectors, geography, number of clients etc.)	A.3.1	Financial volume of green assets/low-carbon technologies: How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?	bln/mn USD or local currency, and/or % of portfolio; Please specify the definition of green assets and low-carbon technologies used	A.4.1	Reduction of GHG emissions: how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO ₂ e (or applicable metrics) ⁵
A.1.2	Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes / In progress / No; If yes: - please specify: to become net zero by when? - Emissions baseline / base year: What is the emissions baseline / base year for your target? - Climate scenario used: What climate scenario(s) aligned with the Paris climate goals has your bank used?	A.2.2	Absolute financed emissions: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or investment portfolio?	Total GHG emissions or CO ₂ e (please also disclose what is excluded for now and why)	A.3.2	Financial volume lent to / invested in carbon intensive sectors and transition finance: How much does your bank lend to / invest in carbon-intensive sectors and activities? ⁶ How much does your bank invest in transition finance ?	bln/mn USD or local currency, and/or % of portfolio	A.4.2	Portfolio alignment: How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio (please specify which portfolio; for corporate and business clients: % of sectors financed)
A.1.3	Policy and process for client relationships: has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?	Yes / In progress / No	A.2.3	Sector-specific emission intensity (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector (depending on the sector and/or chosen metric): kg of CO ₂ e/ kWh, CO ₂ e / m ² ; kg of CO ₂ e/USD invested, or kg of CO ₂ e/revenue or profit						
A.1.4	Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes / In progress / No; If yes: please specify which parts of the lending and investment portfolio you have analyzed	A.2.4	Proportion of financed emissions covered by a decarbonization target: What proportion of your bank's financed emissions is covered by a decarbonization target, i.e. stem from clients with a transition plan in place?	% (denominator: financed emissions in scope of the target set)						

³ Practice: the bank's portfolio composition in terms of key sectors, its client engagement, and its relevant policies and processes, and, if applicable, its advocacy practices

⁴ Impact: the actual impact of the bank's portfolio

⁵ If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.

⁶ A list of carbon-intensive sectors can be found in the [Guidelines for Climate Target Setting](#).

⁷ Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.



A.1.5	Business opportunities and financial products: Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	Yes / In progress / No; Please specify which ones, and what financial volume and/or % of the portfolio they account for							
B.1.1*	# of products and services in the portfolio with a focus on financial health	Internal data based. Measures how many of the products and services in the portfolio have a financial health focus. We deem a product or service to have this focus when it facilitates decision making and supports financial health increase based on our definition of financial health. This covers products and services embedded with nudges to simplify decision making, round-up, high yield savings accounts, easy investment tools, etc.	B.1.1*	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective means that the bank has measured if the initiative is successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonimized users and # of interactions for anonimized users.	B.3.1*	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	B.4.1 % of customers with a high level of financial health Survey and/or transactional data based. Measures the percentage of customers with a high level of financial health according to the score chosen by the financial institution.
B.1.2*	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of stronger skills, and thus, any individual that is supported with the initiative will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health	B.1.2*	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including financial health tools)	B.3.2	% of customers who use the bank's services to create a financial action plan with the bank	Transactional and/or survey data based. Measures the percentage of customers who create a financial action plan with the bank using the bank's services. A financial action plan is anything that helps the customer build financial resilience. It is done "with the bank" if the bank can visualize, through the transactions of the customer, the results of the plan.	B.4.2 % of customers for which spending exceeded 90% of inflows for more than 6 months last year Survey and/or transactional data based. Measures the percentage of customers with a transaction account and/or savings/investment accounts for which spending exceeded 90% of inflows for more than 6 months in the year within the reporting period compared to the total of customers within PRB scope. Focus on main financial institution customers.
B.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.				B.3.3	% of customers using overdraft regularly	Transactional data based. Measures the percentage of customers using the overdraft option in their accounts or credit cards, regularly. Overdraft can be used to handle unexpected emergencies but more than 1/3 of the year (banks may deviate if proper reasons are provided) denotes regularly and a precursor to lower financial health	B.4.3 % of customers that feel confident about their financial situation in the next 12 months Survey based data. Measures the percentage of customers that answered positively to feeling confident about their financial situation in the next 12 months compared to the total number of customers surveyed. By confident we mean not feeling worried about their financial situation.
						B.3.4	% of customers with a non-performing loan	Transactional data based. Measures the percentage of customers with past-due loans ("past due" defined by policies at each bank) compared to the total amount of customers with loans in the bank's lending portfolio.	B.4.4 % of customers with products connected to long-term saving and investment plans Transactional and/or survey data based. Measures the percentage of customers with products connected to long-term saving and investment plans. "Long-term" will depend on each bank's definition.

B. Financial health



						B.3.5	% of customers showing an increase or stable amounts in savings, deposit and/or investment account balances, quarter on quarter.	Transactional data based. Measures the percentage of customers showing an increase or stable amounts in savings and/or deposit AND/OR investment accounts balances, quarter on quarter.	B.4.5	% of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense	Survey based data. Measures the percentage of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense, one that the customer hadn't planned for and would require them to spend more than what they have available for secondary expenses in their monthly budget or 1/20th of the country's Gross National Income (banks may deviate if proper reasons are provided). A good example is: unforeseen medical bills, large appliance malfunctioning, car repair, etc. Survey based using the question: "If a major unexpected expense arises, how can you cover it right now?" and give the multiple choice options of insurance, emergency funds, loan, credit card, family/friends, etc.
C.1.1*	# of products and services in the portfolio with a focus on financial inclusion	Internal data based. Measures how many of the products and services in the portfolio have a financial inclusion focus. We deem a product or service to have this focus when its design facilitates the access and usage by the prioritized customer. For example, no-fee savings account, low interest microloan, offline access or sim-based banking apps, etc	C.2.1	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective means that the bank has measured if the initiative is successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonimized users and # of interactions for anonymized users.	C.3.1*	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	C.4.1	% of customers with 2 or more active financial products, from different categories, with the bank	Transactional data based. Measures the percentage of customers with 2 or more active financial products, from different categories, with the bank. By active we mean there's at least one usage per month. By category we mean credit/ debt, savings/deposit/payment, insurance, investment, etc. Once a target has been set for this indicator, we encourage banks to ensure responsible selling policies or other initiatives so that the target doesn't become a toxic incentive.
C.1.2*	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health, including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of stronger skills, and thus, any individual that is supported with the initiative will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health	C.2.2	% of customers with effective access to a basic banking product	Transactional data based. Measures the percentage of customers with effective access to a basic banking product. By effective we mean the usage beyond first access. Basic banking products vary by bank. Good examples are: checking accounts, payment accounts, credit cards, saving accounts, deposit accounts, e-money accounts, etc.	C.3.2	% of customers supported with dedicated customer journey/advisory services	*Transactional data based. Where dedicated customer journey/advisory services are in place for prioritized groups, this indicator measures the percentage of customers using such services. Depending on size of bank, either number or percentage can be the unit of measure.			
C.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.	C.2.3	# of new customers per month	Transactional data based. Measures the number of new customers per month. Once the bank sets a target, this indicator can become a KPI to measure the percentage of new customers from the prioritized groups, per month.	C.3.3*	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including financial health tools, if applicable)			

C. Financial Inclusion

Appendix III Greenhouse Gas Emissions



For the development of the greenhouse gas inventory, the following methodology was used:

Fuente de Emisión	Metodología
Energía eléctrica	En base a datos del CENACE (Centro Nacional de Control de Energía).
Desechos biológicos	Directrices del IPCC de 2006 (actualización 2019), para los inventarios nacionales de gases de efecto invernadero. Volumen 5. Capítulo 6: Tratamiento y eliminación de aguas residuales.
Desechos no reciclables	IPCC - "V5_2_Ch2_Waste_Data.pdf" - Vol. 5 "Desechos"- cap. 2 - pág. 2.15.
Viajes aéreos	Thomas, C; Tennant, T; Rools, J. 2000. The GHG Indicator: UNEP Guidelines for calculating Greenhouse Gas Emissions for Business and Non- Commercial Organizations. Creating a standard for a corporate CO2 indicator.
Combustibles (diésel, gasolina, mov. taxis)	Directrices del IPCC 2006 (actualización 2019). Para inventarios nacionales de gases de efecto invernadero. Volumen 2: Energía, capítulo 2: combustión estacionaria y capítulo 3: Combustión móvil.
Gases refrigerantes	(AR5), Myhre, G., D. Shindell, F.-M. Bréon, W. Collins, J. Fuglestedt, J. Huang, D. Koch, J.-F. Lamarque, D. Lee, B. Mendoza, T. Nakajima, A. Robock, G. Stephens, T. Takemura and H. Zhang, 2013: Anthropogenic and Natural Radiative Forcing. In: Climate Change 2013: The Physical Science Basis. Contribution of Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Stocker, T.F., D. Qin, G.-K. Plattner, M. Tignor, S.K. Allen, J. Boschung, A. Nauels, Y. Xia, V. Bex and P.M. Midgley (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA.

For each GHG source, data on activity (invoices, records, and/or summaries from accounting systems) was collected. Subsequently, the corresponding calculation for each source was carried out based on the activity data for GHG.

For the calculation of CO2e emissions, the following process was followed:

a) Source of emission: electricity

To estimate GHG emissions from electricity consumption, the following formula was used:

GHG Emissions in tCO2e = (Activity Data × Emission Factor).

The details of the emission factors used are presented below:

Categoría de emisión	Metodología utilizada	Fuente de emisión	Unidad de medida	Factor de emisión
Indirecta	CENACE 2021	Electricidad	MWh	2021:0,2953 t CO2/MWh



b) Source of emission: Biological waste

To estimate biological waste emissions, estimations were made based on the number of individuals and BOD (Biochemical Oxygen Demand), along with the following factors. The calculation is complex, which is why it is included in the table.

Categoría de emisión	Metodología utilizada	Fuente de emisión	Unidad de medida	Factor de emisión
Directa	IPCC, 2007	Desechos biológicos	No. de personas	<ul style="list-style-type: none"> BOD: 40g/persona/día 65 kg proteína/persona/día 0,16 kg N/ Kg Proteína 1,10 factor de ajuste proteínas no consumidas 1,25 proteínas industrial, y comer, co eliminadas 0,001 kg N2O/Kg N (N separado lodo residual)

c) Source of emission: fuels (gasoline y diesel).

For calculating emissions from fuel combustion, the following formulas were used:

$$\text{CO2 emissions in tCO2e} = (\text{Activity data} \times \text{CO2 emission factor} \times \text{CO2 GWP}) \div 1000$$

$$\text{CH4 emissions in tCO2e} = (\text{Activity data} \times \text{CH4 emission factor} \times \text{CH4 GWP}) \div 1000$$

$$\text{N2O emissions in tCO2e} = (\text{Activity data} \times \text{N2O emission factor} \times \text{N2O GWP}) \div 1000$$

$$\text{tCO2e} = \Sigma \text{tCO2e (CO2, CH4, N2O)}$$

Note: GWP = Global Warming Potential. The detailed emission factors used are presented below:

Type of emission	Method used	Source of emission	Unit of measurement	Emission factor
Direct	IPCC, 2007	Biological waste	Number of people	BOD: 40g per person per day 65 kg protein per person per day 0.16 kg N per kg of Protein

Type of emission	Method used	Source of emission	Unit of measurement	Emission factor
				1.10 Adjustment factor for unconsumed proteins. 1.25 for proteins in industries and eliminated through eating and digestion. 0.001 kg N2O per kg of N (N separated from residual sludge).



Categoría de emisión	Metodología utilizada	Fuente de emisión	Unidad de medida	Factor de emisión
Directa	IPCC 2006 (Actualización 2019)	Diésel	Galones	Densidad del combustible: 0,82 VCN: 43,0 TJ/Gg FE CO2: 74.100 FE CH4: 3,9 Potencial de calentamiento global del CH4: 30 F.E. de N2O: 3,9 Potencial del calentamiento global del N2O:265
Directa	IPCC 2006 (Actualizando 2019)	Cálculo etanol	Galones	VCN: 27,00 TJ/Gg F.E CO2: 70.800 F.E CH4: 18 Potencial de calentamiento global del metano: 28
Directa	IPCC 2006 (Actualizado 2019)	Ecopaís de Vehículos (95% gasolina)	Galones	VCN: 44,30 TJ/Gg F.E CO2: 69300 F.E CH4: 25 F.E NO2: 8 Potencial de Calentamiento global del metano: 30 Potencial del calentamiento global del N2O: 265
Directa	IPCC 2006 (Actualizado 2019)	Diésel de Generadores	Galones	Densidad gasolina: 0,83 VCN: 43 TJ/Gg F.E CO2: 74.100 F.E CH4: 10,00 Potencial de Calentamiento global del CH4: 30 F.E. de N2O: 0,60 Potencial del calentamiento global del N2O: 265



d) Source of emission: Fuel and upstream energy

To estimate upstream emissions from fuels associated with the extraction, refining, and transportation of crude fuel sources to the site, the following formula was used:

$$\text{Emissions in tCO}_2\text{e} = (\text{Activity Data} \times \text{Emission Factor})$$

The detailed emission factors used are presented below:

e) Source of emission: electricity upstream

Additionally, indirect emissions from the production of fuels and other aspects used in electricity generation were estimated. This emission source is based on energy consumption obtained from utility bills.

For calculating emissions from losses, the following formula was used:

$$\text{Upstream Losses Emissions in tCO}_2\text{e} = (\text{Activity Data} \times \text{Loss Percentage} \times \text{Emission Factor}).$$

$$\text{Upstream Energy Consumption Emissions} = (\text{Activity Data} \times \text{EF})$$

Note: EF stands for emission factor.

The detailed emission factors used are presented below:

Categoría de emisión	Metodología utilizada	Fuente de emisión	Unidad de medida	Factor de emisión
Indirecta	DEFRA-SimaPro	Electricidad- producción aguas arriba	MWh	2021: 0,03323415 t CO ₂ /MWh



GRI Content Index in Compliance



GRI standard	Content	Omission	GRI Sectorial Standard Reference Number
GRI 2: General disclosures 2021	2 - 1 Organizational details		10
	2 - 2 Entities included in the organization's sustainability reports		8
	2 - 3 Reporting period, frequency, and contact point		8
	2 - 4 restatements of information		8
	2 - 5 External assurance		8
	2 - 6 Activities, value chain, and other business relationships		11-16 34-36
	2 - 7 Employees		55-56
	2 - 8 Workers who are not employees	Not applicable, the bank only works with their own employees.	
	2 - 9 Governance structure and composition		22
	2 - 10 Nomination and Selection of the Highest governance body		22
	2 - 11 Chair of the Highest Governance Body		22
	2 - 12 Role of the highest governance body in overseeing the management of impacts		22
	2 - 13 Delegation of responsibilities for managing impacts		22
	2 - 14 Role of the highest governance body in sustainability reporting		22
	2 - 15 Conflicts of interest		22
	2 - 16 Communication of critical concerns	Confidential according to internal guidelines.	NA
	2 - 17 Collective knowledge of the highest governing body.		22
	2 - 18 Performance assessment of the highest governance body.		22
	2 - 19 Remuneration policies		30
	2 - 20 Process to determine remuneration	Confidential according to internal guidelines. .	
	2 - 21 annual total compensation ratio	Confidential according to internal guidelines.	
	2 - 22 Statement on sustainable development strategy		4 , 5
	2 - 23 Policy commitments		15 / 81
	2 - 24 Embedding policy commitments.		15 - 20
	2 - 25 Processes to remediate negative impacts	unavailable	
	2 - 26 Mechanisms for seeking advice and raising concerns		31 – 33
	2 - 27 Compliance with laws and regulations		31
	2 - 28 Membership association		71 – 81
	2 - 29 Approach to stakeholder association		17
	2 - 30 Collective bargaining agreements	We don't have these agreements	
GRI 3: 2021 material topics			
GRI 3: 2021 material topics	3-1 Process to establish material topics		72 – 74
	3-2 List of material topics		72
	3-3 Management of material topics		75



SASB parameters index

Standard	Topic	Code	Accounting or activity parameters	omissions	pages/links
Consumer Financing - 2018 ¹	Privacy of the customer	FN-CF-220a.1	Number of account holders whose information is used for secondary purposes	Information not available	Information on safety: https://www.bancomachala.com/seguridades/
		FN-CF-220a.2	Total amount of financial losses as a result of legal proceedings related to customer privacy	no cases of non-compliance were reported	
	Data security	FN-CF-230a.1	Number of data breaches, with the percentage of personally identifiable information (PII) affected, and the number of account holders affected	no cases of non-compliance were reported	
		FN-CF-230a.2	Fraud losses related to cards, by type of fraud (card-present fraud, card-not-present fraud, and other fraud)		NA
		FN-CF-230a.3	Description of the approach to identifying and addressing data security risks		N/A
	Sales practices	FN-CF-270a.1	Percentage of total employee compensation that is variable and linked to the number of products and services sold	Information unavailable	NA
		FN-CF-270a.2	Credit approval rates for credit and prepaid products for applicants with FICO scores above and below 660	Information unavailable	
		FN-CF-270a.3	Average fees for complementary products, APR, average account age, average number of business lines, and average annual fees for prepaid products for customers with FICO scores above and below 660		Public information about product terms: https://www.bancomachala.com/transparencia/
		FN-CF-270a.4	Number of complaints filed with the Consumer Financial Protection Bureau (CFPB), percentage with monetary and non-monetary compensation, percentage disputed by the customer, and percentage that resulted in an investigation by the CFPB	Information unavailable	
		FN-CF-270a.5	Total amount of financial losses as a result of legal proceedings related to sales and service of products	no cases of non-compliance were reported	
	(Activity metrics)	FN-CF-000.A	Number of unique customers with an active credit account and a debit account	To assess the scope of deposit products, the number of accounts is used, while for credit products, the number of cards and the balance value of various types of consumer loans are considered.	N/A



	(Activity metrics)	FN-CF-000.B	Number of credit card and debit card accounts	Number of savings accounts: available (127,001) (retail banking) Number of checking accounts: available (10,053) (retail banking) Number of credit cards: available (23,192) (retail banking).		
Business banking - 2018	Data security	FN-CB-230a.1	Number of data breaches, with the percentage of PII affected, and the number of account holders affected	1) Reported 2 and 3) Not available		
		FN-CB-230a.2	Description of the approach to identifying and addressing data security risks		47	
	Financial inclusion and capacity building	FN-CB-240a.1	Number and amount of outstanding loans that are classified as outstanding loans for small businesses and that are designed to promote small business development and contribute to the socio-economic development of the community	The value of the portfolio is presented.		59
		FN-CB-240a.2	Number and amount of outstanding loans that are classified as non-performing loans for small businesses and that are designed to promote small business development and contribute to the socio-economic development of the community	Not available		NA
		FN-CB-240a.3	Number of checking accounts for minority customers that are provided free of charge to customers who were previously unbanked	Not available		NA
		FN-CB-240a.4	Number of participants in financial education initiatives for unbanked, underbanked, or underserved clients.	Durante el 2022 se capacitó un total de 3,778 personas		42
	Integration of environmental, social, and corporate governance factors in credit analysis.	FN-CB-410a.1	Commercial and industrial credit exposure by industry	We present the economic distribution according to the segment		60
		FN-CB-410a.2	Description of the approach to environmental, social, and governance (ESG) factors in credit analysis	There is an Environmental and Social Management System (ESMS) in place, the objective of which is to timely manage the environmental and social risks generated by clients.		38
	Business ethics	FN-CB-510a.1	Total amount of loss resulting from legal proceedings associated with fraud, anti-competitive behavior, market manipulation, misconduct, or other financial regulations.	no cases of non-compliance reported		



		FN-CB-510a.2	Description of policies and procedures for reporting concerns.		28
	Systemic risk management.	FN-CB-550a.1	Systemically Important Bank (G-SIB) score, by category.	This SASB topic does not pretrain to Banco de Machala	N/A
		FN-CB-550a.2	Description of the approach for integrating results from mandatory and voluntary stress tests into long-term capital adequacy planning and corporate strategy.	This SASB topic does not pretrain to Banco de Machala	NA
	(Activity metric)	FN-CB-000.A	Number and (2) value of checking and savings accounts by segments: (a) personal and (b) small businesses.	The number of savings and checking accounts for individuals and businesses is presented separately; 2) The value of deposits is separately available for savings and checking accounts in individual clients.	35
	(Activity metric)	FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small businesses, and (c) corporate.	Commercial/productive credit portfolio - by size. Of the productive credit granted: *For the corporate segment, it was 36.01%. *For the business segment, it was 41.86%. *For SMEs, it was 22.11%.	N/A



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