

**Banco de
Machala**

Sustainability Report 2023



finance
initiative



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Letter from the Chairman of the Board

(GRI 2-22)

Dear all,

In a world of constant change, Banco de Machala S.A. has taken on the challenge of working with vision, commitment, and responsibility. The year 2023 presented us with great challenges, but also significant achievements that reflect our capacity to adapt and our commitment to the sustainable development of Ecuador. Once again, we have obtained outstanding results in the economic, social and environmental dimensions.

The financial sector plays a fundamental role in the country's economic and social growth and development. Aware of this responsibility, at Banco de Machala we work tirelessly to offer innovative financial solutions that respond to the needs of our clients, from small companies to large companies.



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

This year we have strengthened our focus on technological innovation, which has allowed us to improve the efficiency and quality of our services. Digitization has facilitated access to financial products through our online platform, providing a fast and secure experience. These advances have strengthened the relationship with our customers.

We have reaffirmed our commitment to sustainability, integrating responsible practices into all our operations. We continue to support the agricultural and aquaculture sectors, not only through financing, but also by promoting practices that respect the environment and contribute to development. Our financial education program has been essential in this effort, training hundreds of Ecuadorians in the responsible management of their finances, empowering them to make informed decisions that benefit their personal and family finances.

The growth of Banco de Machala in 2023 is the result of a clear strategic focus, based on our institutional values and an organizational culture that prioritizes ethics, transparency and service excellence. We are proud of the work of our employees; their dedication and professionalism have been fundamental in achieving our objectives.

We reaffirm our commitment to continue moving forward with determination. We look to the future with optimism, knowing that each step brings us closer to contributing to the well-being of Ecuadorians.

Sincerely,

Dr. (H.C.) Esteban Quirola Figueroa

Chairman of the Board

Letter from the Acting Executive President

(GRI 2-22)

Dear all,

2023 was a year of transformation and resilience for Banco de Machala, in which we demonstrated our ability to adapt to the challenges of a constantly changing global and national environment.

Innovation, growth, and sustainable development have been the central pillars of our strategy. Aware of the constant changes, we have redoubled our efforts to anticipate the needs of the market and our customers. This has led us to strengthen our digital capabilities, developing solutions that not only respond to current demands but also open up new opportunities for our customers, allowing us to offer an efficient, accessible, and secure experience.



María Eugenia Navarrete Ortega
Acting Executive President

At the same time, we have reaffirmed our commitment to social and environmental responsibility. We believe that the success of our institution is a fundamental pillar in the development of our operations, promoting environmentally responsible practices and fostering inclusive economic development. We are part of the Ten Principles of the Global Compact and the United Nations Environment Programme Finance Initiative (UNEP-FI)

Our focus on financial education has also been key to our commitment to our customers and to society, allowing more people to access tools that help them to manage financial decision-making responsibly and knowledgeably.

At Banco de Machala, we greatly value the talent, skills, commitment, and dedication of our employees. We continue to invest in their professional and personal

development, fostering a work environment that promotes innovation, collaboration and teamwork.

Looking to the future, we reaffirm our commitment to responsibility, transparency, organizational culture, and our values. These fundamental pillars allow us to build relationships of trust with our clients and actively contribute to the well-being of society.

Sincerely,

Econ. María Eugenia Navarrete Ortega

Acting Executive President

1. About this Report

(GRI 2-2, 2-3, 2-4, 2-5, 2-14, 3-1, 3-2, 3-3)

1.1. Scope

This Sustainability Report considers the financial statements and operations of Banco de Machala from January 1 to December 31, 2023.

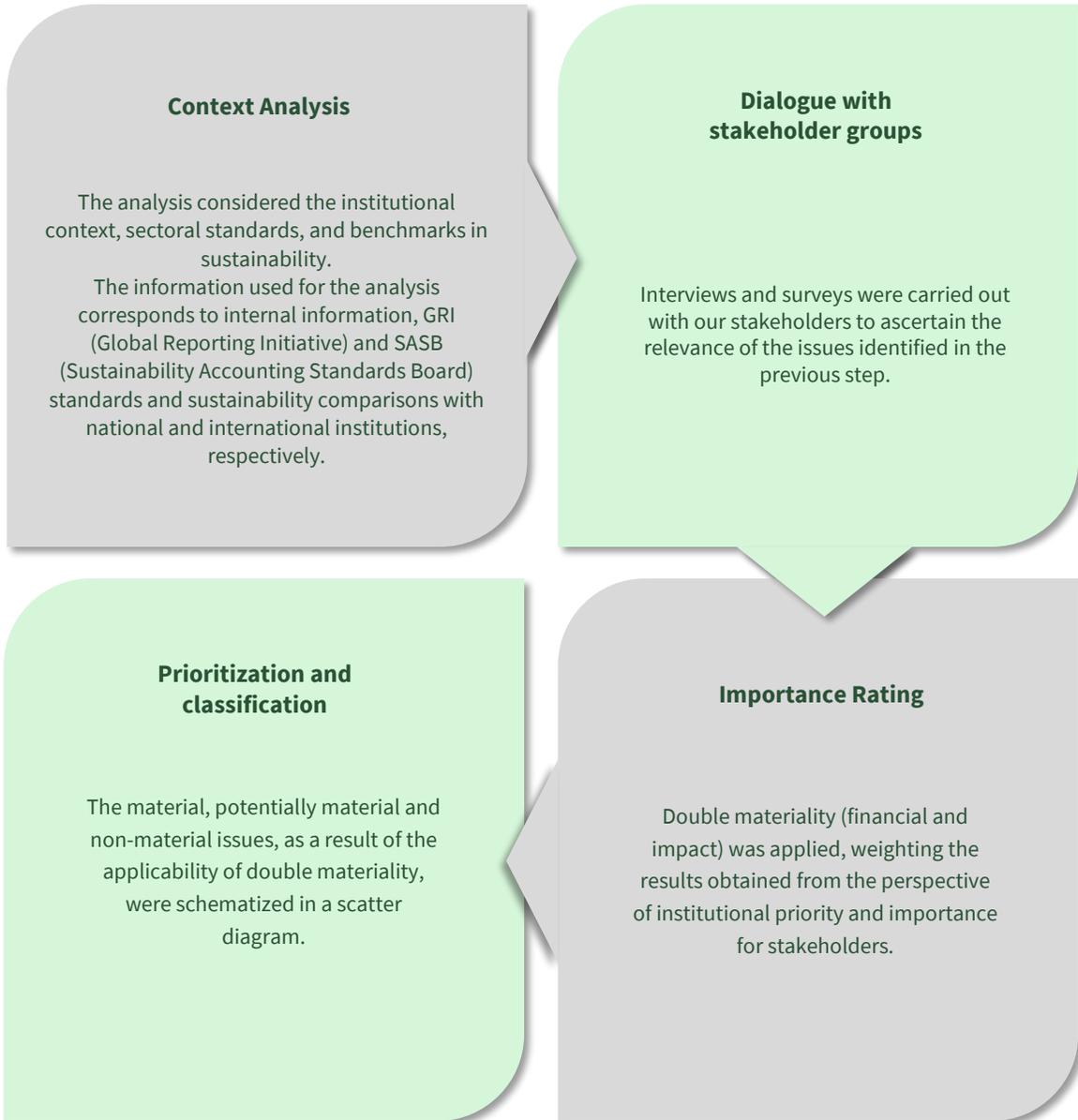
1.2. Inquiries

For queries or suggestions, you can contact us by email at sostenibilidad@bmachala.com or by telephone at 3920404, extension 3345. You can also visit our office at Sucursal Mayor Guayaquil, located at the intersection of P. Icaza 301 and Córdoba.

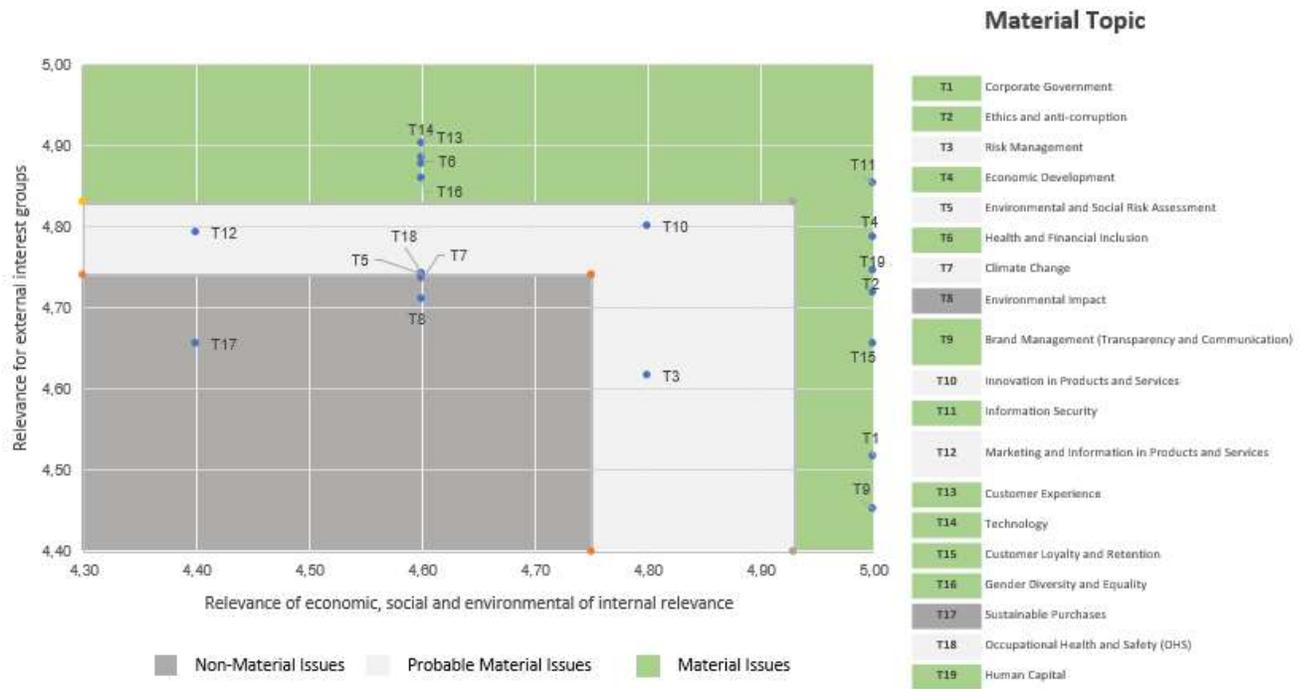
1.3. Material Assessment

In order to maintain consistency and comparability with the preparation of past reports, in terms of the sustainability of environmental, social, and governance (ESG) issues, Banco de Machala has applied the materiality analysis in two dimensions: (i) impact and (ii) financial, based on the standards of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), respectively.

The analysis for 2023 identified 11 material topics for our institution and stakeholders. The process followed is detailed below:



Graphic No. 1 shows the scatter diagram with the results of the dual materiality analysis:



Source and elaboration: Banco Machala, 2024

Once the material issues have been identified, they are included as part of the sustainable business model:



2. Size of our corporation

(GRI 2-1)

2.1. Legal name

Banco de Machala S.A.

2.2. Legal nature

Banco de Machala S.A. is a private limited company under Ecuadorian law. It is a full-service bank formed and organized in accordance with its statutes, whose services are regulated by Ecuadorian law. Its purpose is to carry out all the business and operations permitted to banks under the relevant legal and regulatory provisions in force and other applicable laws.

By means of Resolution No. - 307 issued by the Superintendency of Banks on June 20, 1962, the establishment and operation of the corporation called "Banco de Machala S.A." was approved. It was incorporated by public deed granted on March 29, 1962, before the First Notary of the canton of Machala and registered in the Mercantile Registry of the same canton on June 30, 1962. Its statutes were completely reformed by means of a public deed granted on April 19, 2017, before the tenth surrogate Notary of the Guayaquil Miss Araceli Coello Moreira and registered in the Mercantile Registry of Machala S.A. on June 1, 2017.

The Banco de Machala S.A. is governed by the General Shareholders' Meeting, and its administrative regime corresponds to the following hierarchical bodies: Board of Directors, Executive Presidency, and Vice-Presidencies.

2.3. **Location of headquarters**

Its main office is in the city of Machala in the province of El Oro and enjoys a national strategy and coverage. It does not have branches in other countries.

2.4. **Mission**

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

2.5. **Vision**

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

2.6. **Values**

- **Ethics:** Our decisions and actions will always be framed within behavior.
- **Prudence:** We will proceed in an agile manner, but always emphasizing doing so prudently in the face of risks.
- **Responsiveness:** We will strive to continuously improve our response capacity.
- **Always focused on achieving Results:** We will be striving to achieve the results established as objectives.
- **Communication and Teamwork:** We create an environment that promotes excellent organizational performance.

2.7. **Strategic Objectives**

These are the fundamental objectives that bring us closer to achieving the established vision. As follows:

1. Improve efficiency and profitability.
2. Increase income and market share.
3. Implement a solid, modern, effective and efficient management process.
4. Promote financial inclusion.

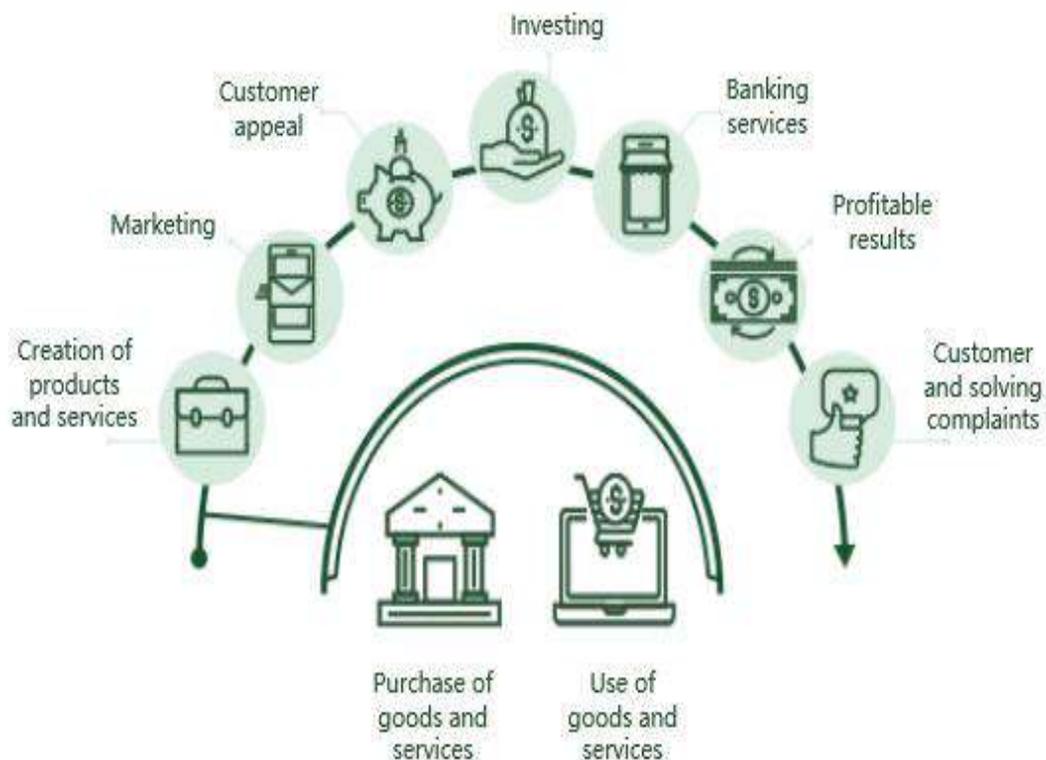
2.8. Strategic guidelines

Abiding by the strategic objectives defined in the Institutional Strategic Plan 2022-2024, Banco de Machala's business is mainly directed at the Consumer and Commercial Segments, aimed at low-risk and profitable clients, as well as at providing cutting-edge and innovative financial services.

3. Our Value Chain

(GRI 2-6)

Banco de Machala is a financial institution that operates in the banking sector of Ecuador. Our value chain includes:





Ample Coverage

The management of our commercial relations is presented in the Sustainable Purchasing section.

Banco de Machala has service points throughout the country that allow its customers and financial users to access products and services through personalized attention for a more convenient and flexible banking experience.

Currently, there are 127 service points nationwide:

Our Bank Branch Network

Network of 127 service points
In the main provinces of the country

TYPE OF OFFICE	QUANTITY
HEADQUARTER	1
BRANCH	13
AGENCIES	26
DRIVE-THRU BANKING	1
SPECIAL OFFICES	5
EXTENDED CASHIER	2
ATMs	55
MULTI-FUNCTIONAL ATMs	20
VIRTUAL KIOSK	3
TOTAL SERVICE POINTS	126



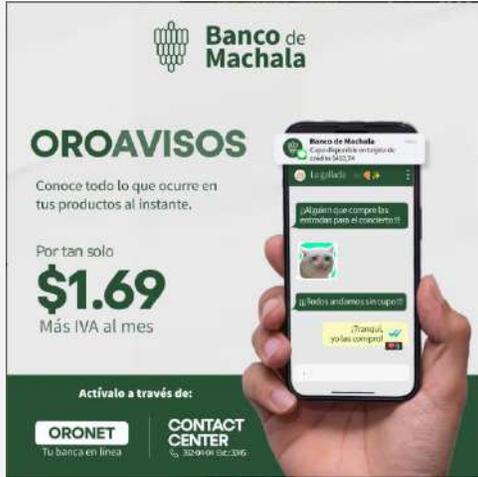
3.1 Products and services

(GRI FS8)

Banco de Machala offers several types of accounts specially designed to meet the needs of our customers.

<p>ACCOUNTS</p> <ul style="list-style-type: none"> - Savings Account - Checking Account 	<p>CREDITS</p> <ul style="list-style-type: none"> - Productive Credit - Consumer Credit - Auto Credit - House Credit - Educational Credit - Pyme Credit - MiPyme female entrepreneur - Microcredit - Female entrepreneur credit - Green credit 	<p>BANKING SERVICES</p> <ul style="list-style-type: none"> - OroInformation 	<p>CREDIT CARD</p> <ul style="list-style-type: none"> - Visa Agro - Visa Kipit - Visa Classic - Visa Gold - Visa Infinite - Business Visa - Business MasterCard Gold - MasterCard Black 	<p>INVESTMENTS</p> <ul style="list-style-type: none"> - Term Deposit Certificate - Online investments
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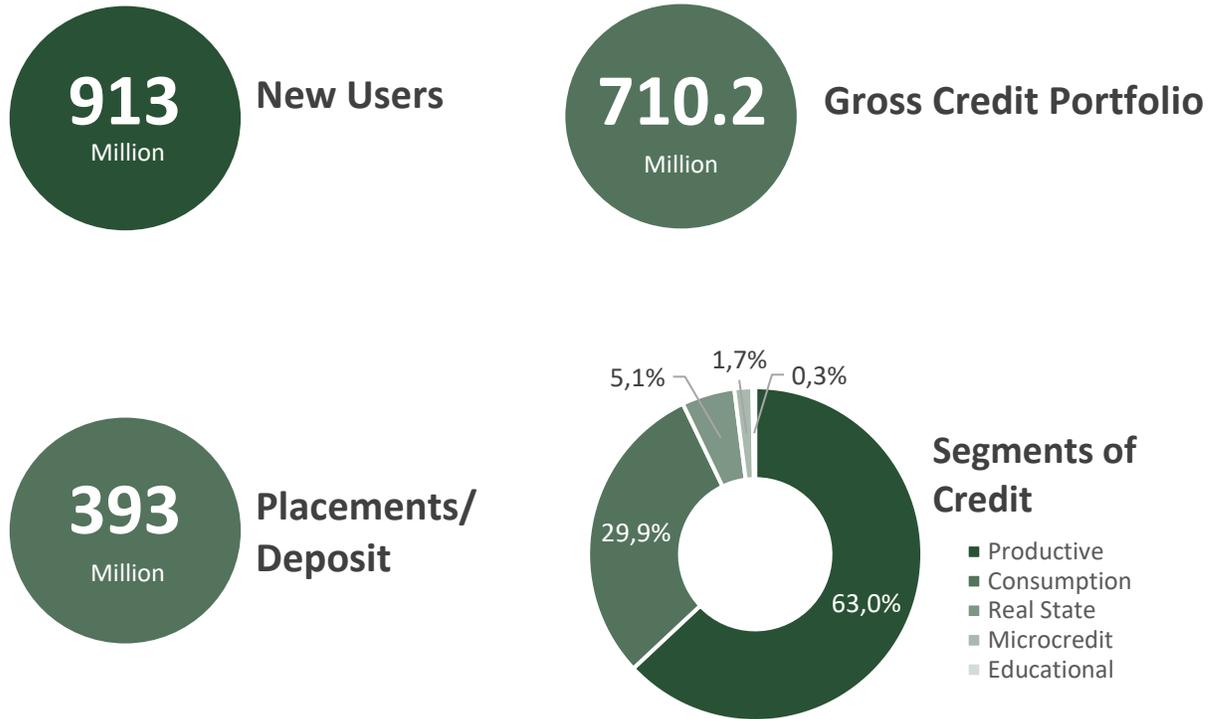
Category	Products and Services	Description	Channel
Accounts	Savings Account	<p>The Banco de Machala savings account is a product that we offer to customers and non-customers with a practical, agile and efficient service, providing a savings alternative that allows customers to make withdrawals, deposits, service payments, and view their transactions easily and securely.</p> <p>This year we ran campaigns to encourage our customers to save, (i) Ahórrate un iPhone y (ii) Ahorro Smart.</p>  <p>Launch of the Programmed Savings service in savings accounts: This is a service provided only for savings accounts and generates a special interest rate for its immobilized values. A new way of saving so that customers can fulfill their short- and long-term projects or dreams.</p>	Agency+ Web
	Checking Account	<p>The Banco de Machala checking account is aimed at customers who carry out some commercial and/or personal activity. It allows finances to be managed as a flexible means of payment through the checkbook and our electronic channels.</p>	Agency
Credits	Productive Credit	<p>Aimed at the industrial and commercial sector. To finance production needs, both in terms of operating capital and business expansion.</p>	Agency
	Consumer Credit	<p>Direct credit for individuals for their personal consumption, such as travel expenses, shopping and more. Applies to dependent and independent persons.</p>	Agency
	Auto Credit	<p>Financing for new vehicles, up to 5 years, is available for dependent and independent persons.</p>	Agency
	House Credit	<p>Aimed at the real estate segment, for building, remodeling, buying (houses and apartments), land, offices and commercial premises.</p>	Agency

	Educational Credit	Credits allocated for baccalaureate, third-level and fourth-level studies.	Agency
	Pyme Credit	Credit to cover short-term capital financing needs.	Agency
	Mipyme female entrepreneur	Up to \$80,000 without warranty.	Agency
	Microcredit	Credit for capital to cover short-term financing needs.	Agency
	Female entrepreneur credit	Financial solutions aimed at female entrepreneurs.	Agency
	Green credit consumer efficient	To finance energy-saving renovations or improvements to your home.	Agency
	Online Credit	So that our customers can access and apply for a loan through Oronet Virtual Banking without having to go to a branch and can do it in just 5 minutes.	Agency
Banking Services	OroAvisos/Oroin formation	<p>In 2024 we plan to launch OroAvisos, the new premium SMS notification service that provides our customers with up-to-date information on all their financial products.</p> 	Oronet + Call Center
Credit Card	Visa Agro Visa Kipit Visa Clásica Visa Oro Visa Infinite Visa Empresarial	Benefits: <ul style="list-style-type: none"> - Oro Rewards program: allows customers to accumulate points for their purchases with customer authorization. - Cash Advance: An agile way of getting cash 	Agency

	<p>MasterCard Gold MasterCard Black</p>	<ul style="list-style-type: none"> - Banco de Machala’s Express Deferred Payment Loan - Recurring debit services: basic services, educational institutions, etc. - Increase in quotas for clients who fulfill specific profiles - Priority Pass service: pass to VIP lounges in airports around the world. - Verified by Visa and SecureCode MasterCard: Services that provide you with additional protection when shopping online. - Skybox and LaarBox: services that allow customers to shop online. <p>Online credit advances: This is a service available to customers through our Oronet online banking service, in which the user can easily and securely make cash advances up to the total amount available on their card, conveniently and without having to go to a branch, and can defer the payment to a term that suits them best.</p> <p>Online deferred payments: This is a service available to customers through our online banking service, Oronet, in which the user can securely and conveniently defer their purchases or current balance for as long as they need, without having to go to a branch.</p> <p>Visa Agro A credit card specializing in Ecuador's agricultural sector. We have 33 strategic partners belonging to the value chain, offering agricultural inputs, machinery and equipment, fertilizers, and fungicides, among others.</p> <p>Visa Kipit A credit card that offers the possibility of furnishing a new house by visiting kipit.shop, a marketplace that offers electrical appliances, furniture, decoration and much more at distributor prices. In this way, we join the real estate sector value chain to boost the country's economy.</p>	
Investment	<p>Term Deposit Certificate</p>	<p>A time deposit is an investment where the client earns interest according to the amounts and terms negotiated, with a fixed nominal interest rate for the period agreed with the client.</p>	<p>Agency</p>
	<p>Online Investment</p>	<p>The online investment product is a service available to customers through our Oronet virtual banking system, in which the user can open a term deposit certificate safely and conveniently without having to go to a branch, at a time that suits them and with a preferential rate.</p>	<p>Web + Oronet</p>

3.2 Participation

Taking into account the objectives described above, the Bank's participation during 2023 corresponds to:



4. Segments, Main Lines of Business and Products

(GRI 2-6)

4.1. Value offer

Analyses have been carried out by strategic segmentation and age group, which has allowed us to refine our value offer of products and services.

BANK	STRATEGIC SEGMENT	GENERATION	PRODUCTS	CHANNELS
PEOPLE	<ul style="list-style-type: none"> - Premium - Preferred - Massive 		<ul style="list-style-type: none"> - Savings account/ Debit Card - Checkings Account - Term Deposit 	<ul style="list-style-type: none"> - ATMs - Internet bank - Mobile bank - Overdrafts and collection - Phone bank - Virtual Kiosk - Web page - Counter
BUSINESSES	<ul style="list-style-type: none"> - Corporate - Business - Preferred Pyme - Pyme - Microcredit 	<ul style="list-style-type: none"> - Generation Z - Millenials - Generation X - Baby Boomers - Silent Generation 	<ul style="list-style-type: none"> - Credit card - Consumer Credit - Educational Credit - Real estate Credit - Productive Credit - Microcredit - Letters of credit - Bank guarantees - Overdrafts - Collections 	

5. Digital and/or remote media

5.1. Support Channels

Banco de Machala offers a variety of channels available to customers nationwide and more than 125 service points for fast and secure transactions.



Banco de Machala's online service allows clients to carry out their banking transactions from their home or office. The client can access Oronet by going to the website www.bancomachala.com.

- Checking balances and movements
- Checking account statements
- Checking and paying Banco de Machala credit cards
- Paying for basic services: water, electricity and telephone
- Paying for and topping up cell phone services: CNT, Movistar, Claro, Tuenti
- Pay for TV and Internet
- Pay for vehicle and school registration
- Pay for citations, adjustments and domain transfers
- Pay for customs, municipal, IRS
- Payment of commercial houses
- Own transfers, between third parties and interbank
- Hiring of SMS GoldAvisos parcel service
- Hiring of Programmed Savings
- Opening of online term deposits
- Online deferred payments
- Online advances
- Online credit
- Online checkbook request

It allows for transactions to be made from anywhere using a cell phone.



- Check balances and movements
- Transfers
- Payment of services
- Check balances
- Check promotions
- Check credits and investments made.

This service allows customers to carry out their transactions quickly and securely through our nationwide network of Banco de Machala ATMs. We have 78 strategically located ATMs that are available 24 hours a day, 365 days a year.

- Cash withdrawals from savings/current accounts/Banred
- Cash advances on BM/Banred credit cards
- Transfers to BM accounts
- Interbank transfers
- Printed balance check of BM savings/current account
- Printed balance check of BM credit card
- Payment of basic services by debiting BM savings/current account
- Deposit in cash/check

Depositing checks at an ATM

This service is available to customers and non-customers through our ATM channel, where users can deposit checks into Banco de Machala savings or checking accounts securely and conveniently without having to go to a branch.



Orofono is a service that allows customers to communicate with the bank by telephone and access their accounts. To access this channel, customers should dial 3920404, adding the area code.

- Account and transfer enquiries
- Visa/MasterCard credit card enquiries
- Debit card, savings account and checking account blocking
- Enquiries about other services
- Personalized attention



Collections and Payments from Banco de Machala is a solution that allows business customers to automate and control all activities related to their company's collections and payments in a secure way, increasing the efficiency of their company, reducing costs and allowing them to have more control of their cash flow thanks to its ease of use.

The following services are available on the Collections and Payments platform:

- **Collection Services:** The client's company will be able to collect invoices online and obtain information on payments made by its customers.
- **Payment Services:** The payment system is a comprehensive solution that allows for a reduction in operating costs and efficient management of the client's business.
- **Service Payment Collections:** A wide portfolio of services from public and private companies, where customers can access and register their payments.
- **Transfers:** This service allows transfers to be made from the Collections and Payments platform to accounts inside and outside the country. This service allows you to keep control of the company's capital flow.
- **Business Banking:** In this module, the client can manage queries about balances, movements, blocks and more operational transactions of the company.

The options in Business Banking are as follows:

- Accounts (check balance, check movements, check checks and block accounts)
- Business credit card (check balance, check transactions and payments)
- Services (register services, make payments for services, scheduled payments, receipts, approvals and queries)
- Loans (check loans and make loan payments)
- Digital account statement (Accept and download account statement)
- Investments (Check active investments)

6. Strategic Alliances and Awards

(GRI 2-28)

New Visa Agro

We are starting 2023 with the official launch of the new Visa Agro, a credit card specializing in Ecuador's agricultural sector. The Visa Agro business has generated more than \$4.3 million in portfolio from January to September 2023. We currently have 33 strategic partners belonging to the value chain, offering agricultural inputs, machinery and equipment, fertilizers and fungicides, among others.



New Visa Kipit from Banco de Machala

We have launched the new Visa Kipit from Banco de Machala, a credit card that gives you the chance to kit out your new home with appliances, furniture, decorations and much more at distributor prices by visiting kipit.shop. In this way we are joining the real estate sector value chain to boost the country's economy.



AAA Rating - Pacific Credit Rating

Banco de Machala has managed to position itself among the most solid banks in the country by obtaining a rating of AAA- according to the evaluation of the Risk Rating Firm Pacific Credit Rating, thus demonstrating its excellent financial management and profitability: 61 years of stability, profitability, support and sustainability.



ISO 37001 Anti-bribery Management System



AENOR SISTEMA DE GESTIÓN ANTISOBORNO ISO 37001
 En de Junio 2023, la Empresa AENOR de España le otorga a Banco de Machala la Certificación en la aplicación del Sistema de Gestión Antisoborno ISO 37001:2016.

We promote transparency in each of our internal processes and in the services we offer to the Bank's customers or financial users; proof of this is the certification in the application of the ISO 37001:2016 Anti-Bribery Management System by AENOR of Spain.

Signing of the Sustainable Finance 2.0 Protocol.



We renewed our commitment to the environment by signing the Ecuador Sustainable Finance Protocol.

Permanent Circular Economy Forum of Ecuador



We held the Permanent National Forum on the Circular Economy for our clients, where the strategy for a sustainable future was developed. Together, we will create an economic model that reduces waste, promotes reuse and encourages innovation.

BM promotes sports



Banco de Machala signs the sports sponsorship agreement with Orense Sporting Club, so that the commercial name of the Orense Stadium will be “Estadio Banco de Machala”; retaining its legendary name “9 de Mayo” in honor of the heroic feat known as The Battle of the Carretas. Official sponsor of the provincial team: Orense Sporting Club.

Alliance CFN B.P. - Banco de Machala

We continue to provide solutions to facilitate access to our productive loans by offering the possibility of accessing a partial credit guarantee through the National Guarantee Fund of CFN B.P.



Signing of the “ARIT Project” Agreement

Banco de Machala, together with CORPEI, signed the agreement to develop the “Arit Project” winner of the Inclusive Circular Ecuador Initiative, which granted us co-financing from the European Union to promote circular economies in the productive sector.



In addition, this year we were part of the Banana & Cocoa Summit 2023, the 2nd Banana Time Production Forum, the Permanent National Forum on the Circular Economy of Ecuador and we participated in the Livestock Fair of the Coast and Galápagos. All these events are aimed at the country’s agricultural sector and focus on presenting the latest technological and scientific advances and innovations in the sector. They are also a space for exhibiting products and services aligned with the value chain that allow for the generation of new sustainable business opportunities and that respond to the trend of circular economies.

57th Felaban Annual Assembly 2023

Banco de Machala participated in the 57th Annual Assembly of FELABAN 2023, the most prestigious business conference in the region. Our Executive President, María Eugenia Navarrete, was part of the panel: “The future of payments and innovative money movement solutions,” organized by Visa.



Program of the IDB Group Amazonía Siempre, IDB INVEST

Banco de Machala is proud to be one of the founding financial institutions of the IDB Group's Banco de Machala is proud to be one of the founding financial institutions of the BID Group Amazonía Siempre Program, which aims to form a financial network that promotes the increase of investment flows, mobilizes capital, promotes financial inclusion, shares knowledge about innovative financial solutions, and generates synergies with the public sector.

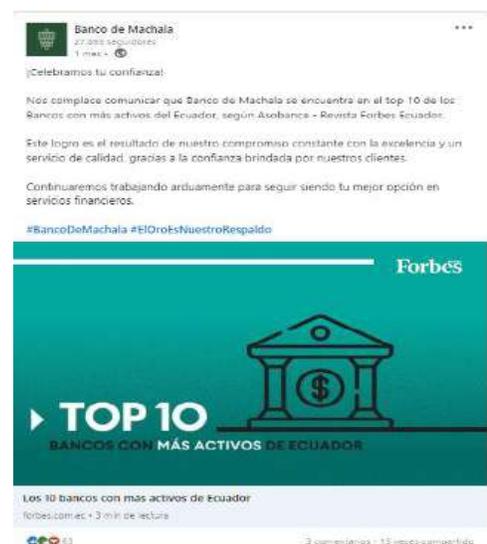


BID Invest e IFC lanzan la Red Financiera de Amazonía

Top 10 – Largest banks by assets

Banco de Machala is in the top 10 banks with the most assets in Ecuador, according to Asobanca – Forbes Ecuador Magazine. This achievement is the result of our constant commitment to excellence and quality service, thanks to the trust placed in us by our customers.

The 10 banks with most assets in Ecuador – Forbes Ecuador



7. List of interest groups

(GRI 2-29)

The progress and sustained achievements of Banco de Machala over the years are the result of the continuous support of our stakeholders. This support has been built on mutual trust, which we have cultivated through honest communication and an honest approach to our operations and results.

We maintain constant interaction with our stakeholders through a wide range of channels, both digital and in-person. This approach allows us to be in direct contact with their needs and expectations, as well as to anticipate and address their concerns effectively. The results of this participation process are reflected in the daily management of our institution, under a framework of continuous improvement, and have been integrated into the materiality analysis of our 2023 report.

Our stakeholders include those who are essential to the success of our organization and who, in turn, are impacted by our actions. We focus on building lasting relationships based on mutual benefit, always guided by our ethical principles and organizational values. Therefore, in every interaction, we strictly follow our Code of Ethics.

Interest group	Value creation	Channels	Frequency
Collaborators	<ul style="list-style-type: none"> - We promote the professional development of our collaborators through continuous training, ensuring that each member of our team remains highly specialized in their area of work. - We look after the health and safety of all our collaborators, promoting respect for human rights and guaranteeing inclusion and equality within our organization. - We care about the overall well-being of our team, implementing campaigns and activities that favor both their physical health and their psychological well-being, with the aim of improving their quality of life. 	<ul style="list-style-type: none"> i. Ethics reporting channel Intranet ii. Team meetings. iii. Training sessions (mass emails) iv. Work environment evaluation v. Sustainability report. 	<ul style="list-style-type: none"> i. Permanent channel for reporting complaints against the Code of Ethics and Conduct. ii. When required. iii. When required. iv. Annual. v. Annual.
Shareholders and other investors	<ul style="list-style-type: none"> - We ensure solid financial stability and constant growth in the bank's performance, providing confidence and security in our shareholders' investments. 	<ul style="list-style-type: none"> i. Shareholders meeting. ii. Annual institutional report iii. Unique website. iv. Specialized care team v. Sustainability report. 	<ul style="list-style-type: none"> i. Annual/ordinary or extraordinary meetings, in this case it must be requested by the majority of shareholders ii. Annual. iii. When required. iv. When required. v. Annual.
Clients	<ul style="list-style-type: none"> - We provide high-quality products and services, carefully adapting to the needs of our customers and creating personalized offers that meet their expectations. - We promote transparency in all the information we share, guaranteeing the security and trust of our clients in each interaction. We seek transparency in information, guaranteeing the security and trust of our clients. 	<ul style="list-style-type: none"> i. Customer service offices nationwide ii. Other remote channels: web, call center iii. Social networks and email notifications 	<ul style="list-style-type: none"> i. Mondays to Fridays from 08:30 to 16:00. ii. Call center 24 hours a day. iii. When required. iv. Annual.

		iv. Sustainability report	
Providers	<ul style="list-style-type: none"> - We facilitate opportunities for participation in the bank's operations, offering a careful selection of high-quality products and services. - We focus on building long-term relationships, creating alliances that generate mutual benefits for all parties, creating a win-win situation. 	<ul style="list-style-type: none"> i. Operational meetings for service provision ii. Sustainability report 	<ul style="list-style-type: none"> i. When required. ii. Annual.
Regulatory authorities	<ul style="list-style-type: none"> - We comply with all national legislations, guaranteeing the protection of our clients' rights and security. 	<ul style="list-style-type: none"> i. Reports/documentation required ii. Monitoring by the Superintendency of Banks iii. Shareholders' report with information required by regulations. 	<ul style="list-style-type: none"> i. When required. ii. When requested. iii. Annual.
Community	<ul style="list-style-type: none"> - We contribute to social development by promoting inclusion and offering financial education to empower people to manage their resources. 	<ul style="list-style-type: none"> i. Website for financial education: https://www.elbancoparacrecer.com/ ii. Face-to-face and virtual financial education training iii. Social investment initiatives and sponsorships iv. Sustainability report 	<ul style="list-style-type: none"> i. Daily, 24 hours a day. ii. Annual programs.

8. Our Sustainability Strategy

(GRI 2-22, 2-23)

8.1. Sustainable Business Model

We are committed to being an institution that creates value for all of its stakeholders, maximizes its positive social and environmental impacts, and mitigates any negative ones that may arise. All of this is managed from a solid corporate governance that ensures decision-making with this approach, guaranteeing responsible business conduct in all our activities and commercial relationships.

Sustainability is integrated transversally in the Bank's operations and internal processes, considering current legal regulations and international standards, agreements and initiatives. Thus, the sustainable business model is consolidated in five strategic axes: "Ethics and Compliance", "Responsible Banking", "Customer Experience", "Corporate Government" and "Team Experience". Our business model promotes sustainable development by embracing the Sustainable Development Goals (SDGs) in its institutional management, implementing actions based on best practices through solid governance and supports local projects that foster growth and improve the quality of life of its stakeholders.



8.2. Prioritized Areas

Banco de Machala carried out a comprehensive analysis of the impacts of its portfolio, adopting the methodology proposed by UNEP - FI, which makes it possible to understand the environmental, social and economic impacts (positive and negative) associated with the portfolio and their correlation with the needs and priorities of the country and geographical coverage in which the bank operates in order to determine the magnitude of the impact.

As a result of this analysis, in 2023 the two most significant impact areas for the bank were identified: (i) Financial Health and Inclusion and (ii) Climate Mitigation; and consequently support for the fulfillment of the following SDGs: 5 Gender Equality, 8 Decent Work and Economic Growth, 9 Industry, Innovation and Infrastructure, 10 Reduced Inequalities and 13 Climate Action; which are embraced by institutional action.



8.3. Climate Mitigation

In 2023, in compliance with the commitments of the UNEP FI initiative, Banco de Machala defined its medium- and long-term objectives in relation to climate mitigation, including SMART (specific, measurable, achievable, relevant, and time-bound) goals and indicators aligned with this prioritized area.

The objectives focus on the reduction of financed emissions and an increase in the evaluation of the environmental and social risk of productive credit operations.

These objectives are reviewed, updated and/or created according to the Bank's activities or according to feedback from our stakeholders.

To calculate financed emissions, the methodology of the Partnership for Carbon Accounting Financials (PCAF) initiative is applied, with a baseline of 2022, in order to establish guidelines for the progressive alignment of the portfolio towards decarbonization, thus strengthening our commitment to sustainability.

The Bank also quantifies its organizational carbon footprint, following the methodology established by ISO 14064-1, which allows it to analyze greenhouse gas (GHG) emissions in all of the Institution's operations and activities.

In addition, the Bank promotes the incorporation of circular economy practices through the "ARIT Project", which allows for the digitization and dematerialization of the appraisal, revaluation and technical inspection process and reduces the gap between credit risk and climate risk by promoting resilience among stakeholders.

The above allows Banco de Machala to comply with the regulations, commitments and objectives defined for climate mitigation and encourages the application and implementation of good environmental, social and governance practices among its stakeholders.

8.4. Financial health and inclusion

(GRI 3-3, 203-2) (SASB FN-CB 240a.4)

With regard to Financial Health and Inclusion, Banco de Machala has defined its objectives as increasing women's access to credit and the number of people trained in financial education. These objectives are updated or created in accordance with the feedback provided by UNEP FI or as defined by the Institution.

The institution bases the management of financial health and inclusion on four pillars: access, use, financial education and financial consumer protection; contributing to improving the income and employment levels of excluded populations through effective inclusion initiatives to reduce poverty and inequality. In this way, the Bank enables people to join the formal financial system, allowing investment in health, education and family businesses; and through workshops, it enables people to improve their financial practices and learn to manage their finances properly.

Banco de Machala complies with the provisions established by current legal regulations on financial health and inclusion, for which, through financial education initiatives, it improves the understanding of financial products, develops or improves the skills and attitudes for making informed financial decisions and develops habits related to saving and spending planning in children, young people and adults in urban and rural areas.

The above allows Banco de Machala to comply with the regulations, commitments and objectives established for financial health and inclusion, as well as promoting the adoption and implementation of these practices among its stakeholders.

9. Governance in Sustainability

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

We promote a culture of responsibility and regulatory compliance, ensuring that our commitments are effectively integrated into the organizational strategies, policies and operational procedures of our institution.

To ensure their implementation, specific policies are developed that reflect our commitments in critical areas, such as information security, occupational health and safety, and equal opportunities in the selection and promotion of employees. These policies are periodically reviewed and updated to align with current regulations and best practices.

In the operational phase, procedures are designed to comply with established policies, integrating them into manuals and guides that detail the actions necessary to ensure compliance in all areas of the bank. These procedures are disseminated among employees and form part of their continuous training. In addition, monitoring mechanisms are established to evaluate compliance with commitments and policies in daily operations. The results are regularly reported to the specialized committees and the Board of Directors, as happened in 2023, when 28 sessions were held to review progress and make informed decisions.

We encourage the active participation of all stakeholders, assigning specific responsibilities to employees at all levels of the organization to ensure compliance. In addition, customers and business partners are informed of and committed to our regulations through clear and transparent communication channels. Finally, a continuous cycle of review and improvement is implemented, which includes updating policies in response to regulatory changes, technological advances and stakeholder feedback, thus guaranteeing the relevance and effectiveness of our policies and procedures.

9.1 Code of Ethics

The Code of Ethics and Conduct constitutes a reference in the relations that the bank establishes with its clients, collaborators, shareholders, suppliers and society in general, in such a way that it promotes compliance with the principles of social responsibility in which it develops its business and activities. It is essential for us that shareholders, directors, legal representatives, employees and collaborators know and apply the guidelines of ethics and conduct in the personal and/or organizational environment, in accordance with the legal provisions and other applicable regulations. This code is approved by the Board of Directors and was last updated on April 17, 2023¹.

9.2 Anti-bribery Policy

At Banco de Machala S.A., we offer financial products and services based on principles of ethics and prudence. We prohibit bribery and corruption, and strictly comply with the applicable legal framework and the requirements of the Anti-bribery Management System, which is aligned with our strategic objectives and is periodically reviewed for continuous improvement. We encourage the submission of concerns and complaints made in good faith or based on reasonable belief, guaranteeing confidentiality, protection against reprisals and ensuring the authority and independence of the Compliance Function. This function, responsible for compliance with the Anti-Bribery Management System, has unrestricted access to the Board of Directors and the Acting Executive President.

We have an Anti-Corruption policy that was approved in an extraordinary session by the bank's Board of Directors on April 20, 2023. Failure to comply with this policy or the code of ethics will be sanctioned in accordance with due process².

¹ Code of Ethics: <https://www.bancomachala.com/transparencia/c%C3%B3digo-de-%C3%A9tica-y-conducta/>

² Anti-Bribery Policy: <https://www.bancomachala.com/transparencia/pol%C3%ADtica-antisoborno/>

9.3 **Privacy Policy**

Banco de Machala recognizes its responsibility to protect the confidentiality and privacy of its customers' financial and personal information. In compliance with the Organic Law on the Protection of Personal Data, the bank has implemented a policy that informs customers and collaborators how their personal data will be managed and protected, ensuring ethical and transparent treatment. This policy was approved by senior management on December 20, 2023. It is socialized through our website and other official communication channels to ensure its widespread knowledge and compliance³.

9.4 **Policy for managing personnel selection**

The Banco de Machala, in compliance with ILO Convention C023 on forced labor, has implemented a policy prohibiting the use of forced or compulsory labor in all its forms, protecting the labor and human rights of all employees. In addition, the institution has a policy stating that all selection and promotion processes will be carried out in compliance with Article 11 of the Constitution of Ecuador, the Regulations for the Eradication of Discrimination in the Workplace, and with a focus on SDG 5, guaranteeing a fair and equal process for all employees, backed by the CEO Support Declaration. This policy is disseminated to all new employees through informative capsules and is available in the institution's internal repository, such as the Intranet. The last update of this policy was made on February 14, 2023.

9.5 **Occupational Health and Safety Policy**

We have a policy and procedure manual for managing occupational health and safety (OHS) risks and opportunities, based on ISO 45001:2018. The aim of this policy is to provide safe and healthy working conditions, prevent work-related injuries

³ Personal Data Protection: <https://www.bancomachala.com/transparencia/ley-org%C3%A1nica-de-protecci%C3%B3n-de-datos-personales/>

and ill health, and adapt to the purpose, size and context of the organization, as well as the specific nature of its risks. Furthermore, it promotes consultation and the active participation of workers. It is the responsibility of all Banco de Machala S.A. employees to comply with and enforce the provisions of this manual.

This policy has been shared with the workers and is located in a visible place for compliance, and will be updated periodically.

9.6 **Environmental and Social Policy**

Banco de Machala is committed to continuously improving its environmental performance and to contributing positively to nature and society. Our policy is based on compliance with the regulations of the Superintendency of Banks SB-2022-1212 and on conducting business in line with the Sustainable Development Goals (SDGs) and the Principles for Responsible Banking. The continuous improvement of the Environmental and Social Risk Management System (ESRMS) is a fundamental pillar for achieving these objectives.

The policy also includes procedures for the management of environmental and social risks in credit operations, allowing the institution to mitigate the associated risks and promote the adoption of ESG (Environmental, Social and Governance) practices among our clients. The results of these efforts are regularly reported to the relevant control bodies within the institution.

10. Corporate Government

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

We are an institution strongly committed to the law, also in using and functioning of our governance.

Our governance framework promotes transparency and ethics in decision-making, guarantees accountability and fosters a culture of good practice. We operate in accordance with our bylaws and corporate governance code⁴, in accordance with the laws and regulations in force in Ecuador, and with national and international best practices.

The framework defines the governance and administrative structure of Banco de Machala, the decision-making and responsibilities in the performance of activities and business, equitable treatment among shareholders, communication mechanisms, and risk management, which is essential for sustainable economic development and trust of our depositors, customers, collaborators and other stakeholders.

The governance structure⁵ is made up of the General Shareholders' Meeting, the Board of Directors and the Executive Presidency.

⁴ Corporate Governance Code: <https://www.bancomachala.com/media/56222/codigo-de-gobierno-corporativo-v70.pdf>

⁵ Organizational Structure: <https://www.bancomachala.com/sostenibilidad/gobierno-corporativo/estructura-organizacional/>

10.1 General Shareholders' Meeting

It is the supreme body of the institution that exercises the government of the bank, and is made up of the shareholders legally summoned, gathered, and registered as such in the book of shares and shareholders. It is chaired by the Chairman of the Board of Directors of the Bank and the Executive President or his substitute shall act as secretary.

Among some of the functions, the following are included:

- To appoint the principal and alternate Directors, Internal Auditor and External Auditor, and to set their remuneration;
- To appoint the Executive President;
- To examine and approve, at the end of each financial year, the Board of Directors' report on the progress of the business, the statements of financial position, profit and loss, changes in financial position, technical equity position, liquidity, solvency, efficiency and profitability ratios;
- Deliberate and decide on any matter related to the Bank's regime, which the Board of Directors submits for its consideration;
- Decide on any other matter that by Law or by the Bylaws is not subject to the decision of another administrative body;
- Establish an appropriate executive succession plan, identifying possible successors and providing for their qualification to give continuity to the administration of the organization; and,
- Appoint its representative to form the Ethics Committee and review the annual report, which contains the rendering of accounts on the management and fulfillment of good corporate governance practices and the code of ethics.

The General Shareholders' Meeting meets once a year in ordinary session, within 90 days after the close of the annual fiscal year, and in extraordinary session if necessary. During the 2023 period, an Ordinary General Meeting was held on February 16, 2023, and an Extraordinary General Meeting was held on October 26, 2023. The Corporate Governance indicators are publicly available on the Bank's website, as established by national legislation (here).

10.2 **Directory**⁶

It is a management body that has the responsibility of fulfilling the functions, duties and powers established in its Articles of Association and in current legislation. In order to understand and approve the policies and processes necessary for the institution to achieve its strategic plan within the framework of the principles of Good Corporate Governance. All the actions of the Board of Directors of Banco de Machala S.A. are framed by the provisions of the Bank's Bylaws and the institution's Corporate Governance Code.

The Directory is particularly responsible for:

- Establishing the Bank's general policy;
- Appoint the Board committees it deems appropriate, in any of the Bank's branches, with the number of members it agrees;
- Analyze, pronounce on and approve each and every one of the reports to be submitted by the Comprehensive Risk Management Committee and the proportionality and validity of the guarantees granted; and,
- To issue the policies and processes that enable the execution of the provisions of the statutes or regulations, as well as other provisions that guarantee an effective framework for ownership and management relations, transparency and accountability; and the policies, processes, manuals, and regulations, that are necessary for the application of the principles of transparency, which

⁶ Management and officials: <https://www.bancomachala.com/institucional/directivos-y-funcionarios/>

are part of the basic principles of social responsibility, and which ensure the operability of the principles of good corporate governance.

The Board of Directors is made up of five main directors and five alternate directors, appointed by the General Shareholders' Meeting for a period of two years, with the possibility of being re-elected indefinitely, and they must remain in their posts until they are duly replaced. Thus, there is a 30% participation of women, an average seniority of 17.6 years and none of the Directors has an executive position in the Bank. The President is elected by the members of the body.

The directors may not vote on resolutions regarding operations or businesses in which they have a personal interest, 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 proxies, in accordance with the guidelines of the Corporate Governance Code.

All the directors have an education related to administration, economics, finance and law. In addition, they receive training during the year in trends, emerging risks and regulatory updates. During 2023, the directors received three training sessions, and the performance self-assessment processes were carried out, obtaining an average rating of 100%.

The Board of Directors ordinarily meets once a month; there may be extraordinary meetings called by the President on his own initiative or, at the request of two of its members of the Executive Presidency or its surrogates. In 2023, 28 sessions were held, always with the full attendance of five directors of the plenary at each session.

	Active Directors	Gender	Senior and Deputy Directors	Title	In operation since (year)
1	Esteban Celio Quirola Figueroa	Male	President of Board of Directors / Senior Director	Dr. H.C.	1962
2	Sonia Catherine Damerval Arosemena	Female	Senior Director	Lawyer	2021
3	Ángel de Jesús Jijón Ycaza	Male	Senior Director	Engineer	2002
4	Próspero Filimón Ordoñez Blacio	Male	Senior Director	Bachelor	2007
5	Jhofre Leonardo Pesantez Piedra	Male	Senior Director	Engineer	2017
6	César Enrique Naranjo Fischer	Male	Deputy Director	Economist	1992
7	Lilavaty Regina Arce Peñafiel	Female	Deputy Director	Engineer	2020
8	Elsy Vilma Paredes Merchán	Female	Deputy Director	Engineer	2017
9	Víctor Manuel Jurado Salazar	Male	Deputy Director	Engineer	2008
10	Héctor Augusto Bravo Castillo	Male	Deputy Director	Sir	1998

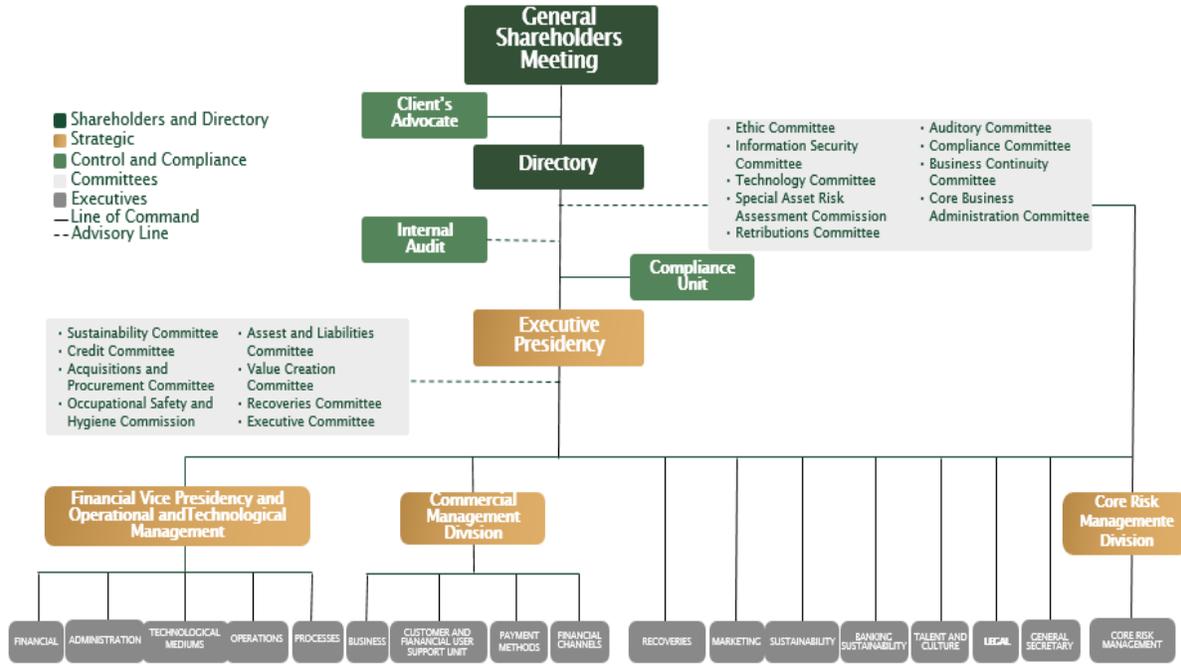
10.3 **Executive President**⁷

The Executive President or whoever for them, in addition to fulfilling the responsibilities established in the laws of the Republic for administrators. Among some of their functions and responsibilities, the following are included in the Bylaws:

- To represent the Bank legally, judicially and extra-judicially.
- To represent the Bank in all acts or contracts that may be necessary for the fulfillment of its corporate purpose, of the resolutions of the General Meeting and of 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 Statutes.
- To have under his care and responsibility all the assets and to supervise the accounting and filing.
- To submit a report on the company's business to the Board of Directors on an annual basis, including accounts, financial statements and other relevant documents.
- To draw up the annual budget, the general plan of activities of the Bank and the annual report referred to in the legal and regulatory provisions in force on the matter and submit them to the Board of Directors for consideration.
- Enforce the resolutions of the General Meeting and the Board of Directors.
- Report to the Board of Directors, at least monthly, on credit, investment, deposit and contingent operations.

⁷ Management and officials: <https://www.bancomachala.com/institucional/directivos-y-funcionarios/>

Economist María Eugenia Navarrete currently serves as Acting Executive President.



10.4 Committees and Commissions

The Bank has the Regulatory and Administrative Committees required by banking law, which support the Board of Directors and Senior Management in their decision-making, thus covering economic, social and environmental issues. This allows for responsible, transparent and timely management.

Below, we present the Regulatory and Administrative Committees, as well as the Commissions of Banco de Machala:

Regulatory Committees	Scope of Action	Frequency
AUDIT COMMITTEE	Ensure compliance with the objectives of internal controls, support the internal audit function and monitor compliance with the bank's mission and objectives.	Monthly
COMPREHENSIVE RISK MANAGEMENT COMMITTEE	It supports the Board of Directors in decision-making based on the identification, measurement, control or mitigation and monitoring of the risks to which the Bank is exposed.	Monthly
SPECIAL RISK ASSET CLASSIFICATION COMMITTEE	Responsible for analyzing global situations to assess the most likely evolution of business, the transparency of risks and their results, which will make it possible to determine the level of provisions required in the event of possible losses due to uncollectibility or loss of value.	Quarterly
COMPLIANCE COMMITTEE	It establishes the route in which the Bank will move in the administration of the risk of money laundering and financing of crimes such as terrorism; and provisions on this same matter, set out in the Organic Monetary and Financial Code, the Law on 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 bodies and the Financial and Economic Analysis Unit.	Monthly
BUSINESS CONTINUITY COMMITTEE	It defines the framework and plans that will guarantee business continuity, that is, the delivery of products and services to our customers and financial users, in the face of expected or unexpected events or incidents.	Quarterly
COMPENSATION COMMITTEE	It aims to offer remuneration and compensation systems that allow it to attract, retain, motivate and build the loyalty of 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
ETHICS COMMITTEE	It establishes the content of the Code of Ethics which, in addition to declarations of principles and responsibilities and of how to proceed within the organization, should place restrictions on the actions of employees.	Quarterly
TECHNOLOGY COMMITTEE	Its objective is to analyze and evaluate proposals and new technologies to meet the needs of the business within the framework of compliance with strategic objectives, with criteria of rationality, austerity and budgetary discipline; efficiency and productivity policies and standards, in accordance with the legal and regulatory framework.	Monthly
INFORMATION SECURITY COMMITTEE	It evaluates and supervises the Information Security Management System to ensure that the criteria of confidentiality, integrity and availability of information are met, in line with the strategic objectives of the business and in accordance with the legal and regulatory framework.	Monthly
OCCUPATIONAL HEALTH AND SAFETY COMMITTEE	Promote the observance of and compliance with risk prevention provisions.	Monthly

Management Committees	Objective	Frequency
SUSTAINABILITY COMMITTEE	It provides support in the management of the Board of Directors and compliance with regulations in accordance with best practices in corporate governance, sustainability, financial inclusion and corporate communication, as well as in the definition and progress of the Bank's sustainability strategy.	Quarterly
ASSETS AND LIABILITIES COMMITTEE (ALCO)	It ensures the efficient administration of resources, provides information for the adequate management of the Bank's liquidity, solvency and profitability; evaluates market trends in relation to interest rates; and establishes the appropriate procedures and mechanisms for the management and administration of these risks.	Weekly
CREDIT COMMITTEE	It approves credit and credit card transactions requested from the bank by customers. The bank will act in matters of credit in accordance with established policies and the provisions issued by the various regulatory bodies; therefore, each approver will be given the capacity to take risks, in accordance with their credit approval powers.	Weekly
ACQUISITIONS AND CONTRACTING COMMITTEE	Analyze, control and approve offers for the acquisition of goods and contracting of works and services in line with the Institution's Financial Planning and Annual Purchasing Plan.	As many sessions needed
RECOVERY COMMITTEE	Establish rules on the recovery process for credit operations granted, under the different modalities approved in accordance with current credit regulations. Develop new strategies and search for new recovery mechanisms for two main reasons: Management of the unproductive portfolio and evaluation of measures to avoid the increase of default levels.	Weekly
VALUE GENERATION COMMITTEE	Establish, support and develop short, medium and long-term commercial initiatives and strategies that enable the goals set by the General Management of the Banco de Machala to be achieved in accordance with the proposed Business Plan and that guarantee the viability of the business.	Monthly
EXECUTIVE COMMITTEE	A consultative body to the Executive Presidency through which compliance with the strategies will be reported.	At request

Within the structure, a number of commissions were created that were considered necessary to contribute to the better fulfillment of the functions of the Bank's committees. The names of the existing commissions are detailed below:



10.5 Senior Management and control figures

The Executive Presidency is accompanied by the Financial Vice-Presidency and the managerial staff with responsibilities assigned for the better functioning of the Bank. In addition, among the control figures and in accordance with the legislation, there are the Commissioner, External Auditor, and Client Ombudsman.

11. Remunerations

(GRI 2-19, GRI 2-20, GRI 2-21, GRI 202-1) (SASB FN-CF-270a.1)

Banco de Machala, in order to improve its performance in the field of compensation, drew up its own remuneration policy.

The Remuneration Policy aims to ensure that the remuneration of Directors is in line with their responsibilities, that is to say, establishing that this remuneration is fees paid for their participation in Ordinary or Extraordinary Board meetings, as well as their participation in the different Committees of the Bank. The remuneration of the principal and alternate Directors, Internal Auditor and External Auditor is set by the Shareholders' Meeting.

Likewise, the aim is for the remuneration of senior executives to be in line with their responsibilities, the competencies of their functions, experience, academic level and education, in order to execute high-level decisions in relation to the functions assigned and the organizational structure defined in the institution, with the aim of recognizing the dedication and responsibility assumed, as well as their performance and fulfillment of the Bank's strategic objectives.

It is worth mentioning that the Remuneration Policy offers remuneration and compensation systems that make it possible to attract, retain, motivate and build the loyalty of the most outstanding professionals.

The Remuneration Committee is made up of the Shareholders' Representative, as Chairman of the Committee, the Executive Presidency and two members of the Board of Directors as Committee Members and a Talent and Culture Delegate as Committee Secretary, who propose for the knowledge and approval of the General

Shareholders' Meeting the policy on which the salary scale and compensation of executives and members of the Board of Directors will be based, and ensure compliance with the approved salary scale.

Compensation ratio⁸

16.1

The ratio of the annual total compensation of the organization's highest-paid individual to the median annual total compensation of all employees (excluding the highest-paid individual) is 16.11.

⁸ For the calculation of the compensation ratio, the base salary of active personnel as of 2023 was considered, provided they have been employed for one year.

12. Ethics and compliance

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

We cultivate a culture focused on integrity, transparency and regulatory compliance, which has allowed us to consolidate the trust of our clients and stand out in the economic, social and environmental spheres.

Similarly, we require all our collaborators and strategic partners to align themselves with the ethical and corporate responsibility standards that we promote. Our culture of values, which encompasses collaborators, shareholders and other stakeholders, is underpinned by the Statute, the Corporate Governance Code, the Code of Ethics and Conduct, as well as the Sustainability Policies and other related documents. These frameworks guarantee our compliance with the laws and regulations that govern our activity and provide clear guidelines to avoid conflicts of interest with our different audiences.

In this sense, we are dedicated to communicating, documenting and disseminating our commitments and values in ethics and transparency, using all available channels. In addition, we have established an “Internal Claims/ (Whistleblower) Channel”, a crucial tool for maintaining an organizational environment based on respect and responsibility. Through this channel, employees can report any breach of the code of conduct or other internal policies, either identified or anonymously, through their immediate superior, the Human Resources Department or the Legal Department.

The reported cases, together with those identified proactively during internal audits, are evaluated by the Human Resources Department, which presents the case with its recommendations to the Ethics Committee. This committee analyzes the situation and makes the final decision, which is communicated to the corresponding area for management.

12.1. Conflict of interest

(GRI 2-15)

With regard to conflicts of interest, the institution's Articles/Bylaws of Association establish that the General Shareholders' Meeting has the authority to hear and decide on the guidelines and application of the current code of ethics, as well as on the policies designed to mitigate conflicts of interest and resolve the cases presented to the committee.

Likewise, the social Bylaws assign to the Board of Directors the responsibility of approving the policy for evaluating and resolving conflicts of interest that may arise between the shareholders and the entity, or with the institutions of the financial group. This policy considers the ownership and management relationships that may generate conflicts of interest, and must address significant influences on the group's financial and operational policies.

Banco de Machala S.A. also has a Code of Ethics and Conduct⁹ that establishes the rules that shareholders, directors, legal representatives, officials and collaborators must follow in their interactions with the institution, customers, suppliers, the State and the general public. This code includes procedures to avoid conflicts of interest and sanctions depending on the seriousness of the breaches.

We are aware that gifts, hospitality, donations and similar benefits can be perceived as bribes, even if there is no intention to that effect. Therefore, we reject any practice of giving or receiving valuables, money or compensation in order to influence transactions, business or benefits.

We have acted in the best interests of our stakeholders and the institution, in order to avoid any conflict of interest, whether real, potential or apparent. Any identified conflict of interest situation must be reported through the Ethics and Transparency

⁹ Code of Ethics and Conduct: <https://www.bancomachala.com/transparencia/c%C3%B3digo-de-%C3%A9tica-y-conducta/>

Channel and informed to the Ethics Committee, which will evaluate whether it constitutes a real, potential or apparent conflict. If so, the Ethics Committee will detail the corrective measures to be followed.

12.2 Corruption prevention

Since June 2023, Banco de Machala has had an Anti-Bribery Management System certified under the ISO 37001:2016 standard, with a national scope that covers the administration of services provided by third parties, specifically in the selection, contracting, evaluation and payment of invoices to suppliers. This system reinforces compliance with the policies and procedures of the institution's Anti-Bribery Management System (ABMS).

To ensure compliance with the Anti-Bribery Management System, the institution maintains an annual Communication Plan aimed at employees, managers, stakeholders, clients and users. This plan is applied to new employees joining the organization as well as to new business partners, and addresses anti-corruption issues adapted to the corresponding profiles. In addition, for new suppliers or external partners, it is mandatory to subscribe to the anti-bribery and anti-corruption policies, which is stipulated in the contracts and service orders.

Provider Training in ISO 37001:2016 (ESMS)		
Providers trained	Duration	Modality
26	1 hour	On-site-Virtual

In addition, between March 21 and 28, 2023, two training sessions were held for managers, assistant managers, bosses and supervisors.

Training for Senior Management on ISO 37001:2016 (SGA)		
Managers, assistant managers, bosses and supervisors trained	Duration	Modality
48	2 hours	On-site-Virtual

On the other hand, the participation of audit staff was recorded in a total of six training sessions on the training of internal auditors in the application of the ISO 37001:2016 standard.

Training of Internal Auditors in the Application of ISO 37001:2016 (SGA)		
Auditors trained	Duration	Modality
19	20 hours	On-site

The bank's employees received virtual training between August 22 and September 22, 2023.

Training of Collaborators in the Application of ISO 37001:2016 (SGA)		
Collaborators trained	Duration	Modality
821	2 hours	Virtual

As part of the strategy to raise awareness among our customers, Banco de Machala disseminated information on anti-bribery issues through the ethics and transparency section of its website, making it accessible to all customers. In addition, from March 10 to April 27, 2023, 25 information capsules were sent to our customers by email.

12.3 Operations assessed for risks related to corruption

To guarantee compliance with anti-corruption and anti-bribery measures, corruption risk assessments are carried out in the processes of contracting, service procurement and other operations from the purchasing and contracting area. In 2023, a total of 214 transactions were evaluated using an Anti-Bribery Risk Matrix, which defines the events and their corresponding risk assessments. In the event of any inconsistency or irregularity related to corruption risks, the Compliance area is informed through the ethics and transparency reporting channel available on the website.

12.4 Channel for reporting cases of corruption and/or bribery

Banco de Machala has several channels for reporting cases of corruption or bribery, the Ethics and Transparency Mailbox, which is available physically at the Bank's Head Office in the city of Machala and at the Main Branch in Guayaquil, and virtually in the "Ethics and Transparency" section of our website. All cases are handled in accordance with the policies and procedures established in the Institutional Transparency Complaints Management Manual. Complaints are received and processed anonymously, and are managed and resolved by the Ethics Committee, guaranteeing the confidentiality and privacy of the results.

To date, there have been no confirmed incidents or cases of corruption that have resulted in dismissals or disciplinary measures for employees in the year of this report.

12.5 Compliance

In accordance with the "Control Regulations for the Administration of the Risk of Money Laundering and Financing of Crimes such as Terrorism (ARLAFDT)" and in line with the Annual Training Plan, the Compliance Unit, in coordination with the Human Resources area, carried out a total of 15 training sessions during the year 2023. These included 4 induction talks, 3 reinduction talks, 1 for those left over from 2022 and 7 sessions on OFAC, aimed at Bank staff in the South Zone and North Central Zone, focusing on the prevention of money laundering and the financing of crimes such as terrorism.

**Training by the
Compliance Unit**

Induction training for new employees. A total of 205 employees were trained and subsequently took a knowledge assessment exam on the "Evaluation of Policies and Procedures on the Prevention of Money

Refresher Training. Approximately 226 employees participated, addressing the following topics: Minimum Requirements for Linking "Natural Person, Legal Person and Final Beneficiary" in accordance with current ARLAFDT Regulations and Entry of Information into the Core

Training by OFAC. Approximately 366 collaborators participated, addressing the following topics: OFAC Definitions and Functions, Usefulness of OFAC Lists for Financial Institutions, Obligations in OFAC Controls for Financial Institutions in the USA, OFAC Economic Sanctions, Fines for Banks for Violation of OFAC Sanctions, Due Diligence for Foreign Correspondent Accounts (Inspection Manual against ML Law. , OFAC Economic Sanctions, Fines for Banks for Violating OFAC Sanctions, Due

In 2023, the Compliance Unit continued to send a total of 100 recommendations on policies and procedures included in our ARLAFDT Internal Control Manual to all employees with access to this medium via email on a weekly basis. Local and international news on money laundering was also shared with the Compliance Committee.

During the year, the staff of the Compliance Unit participated in two virtual training sessions on the prevention of money laundering and the financing of crimes such as terrorism.

13. Risk management

(GRI 2-25, GRI 201-2)

Banco de Machala implements robust identification, measurement, monitoring, control and reporting processes for the efficient management of risks in the Bank's significant activities, enabling it to take advantage of new business opportunities, mitigate losses in the event of risks materializing and protect the Bank's assets and solvency.

In accordance with local regulations and international best practices, the Bank's comprehensive risk management aims to minimize the potential losses that the organization may suffer due to exposure to the different risks to which it is exposed, identifying and quantifying the risks in order to establish the controls and mitigation resources necessary to manage the risk at all times, within the levels of risk possibility established by the Board of Directors, supported by management systems and methodologies for preventive management that allow it to face the environment in an efficient and timely manner.

The comprehensive risk management process considers the management of liquidity, market, credit, operational, environmental, legal and regulatory risks, as well as those risks arising from the macroeconomic environment. To comply with this process, the company has professionals specialized in risk management, management information systems for the identification of early warnings, regulatory reports, methodologies and/or risk measurement models.

The Board of Directors is the governing body that ensures adequate risk management, supported by the Comprehensive Risk Management Committee, which is made up of a member of the Board of Directors who is not a member of the Audit Committee, the Executive Presidency and the officers of the risk unit.

13.1 **Credit risk**

The Bank has a credit risk management process, which covers the entire process from the customer's credit application to its disbursement, as well as continuous monitoring. In addition, it has exposure limits, early warnings, policies, procedures and methodologies that contribute to mitigating this risk.

As a result of the management of this risk, as of December 2023, the Bank presented a total default rate of 1.97% and total provision coverage of 140.93%.

13.2 **Market and Liquidity risk**

Banco de Machala has a conservative strategy for liquidity management at the strategic, tactical and operational levels, for which it has historically maintained a highly secure and low-risk liquidity reserve. In addition, it has policies for liquidity management, the investment portfolio based on principles of diversification and a contingency plan, defining exposure limits at the level of nationality, sector, issuer and type of instrument. During 2023, the Bank has complied with regulatory requirements and maintains a process of continuous improvement.

Market risk is defined as the contingency of incurring losses due to market price movements (interest rate, exchange rate, among others) as a result of on- and off-balance sheet positions. The Bank has methodologies for quantifying interest rate risk, such as the maturity method and duration, as well as value at risk; low levels of risk exposure are observed, which are within the limits approved by the Board of Directors.

13.3 **Environmental and Social risk**

Banco de Machala has a conservative strategy for liquidity management at the strategic, tactical and operational levels, for which it has historically maintained a highly secure and low-risk liquidity reserve. In addition, it has policies for liquidity management, the investment portfolio based on principles of diversification and a contingency plan, defining exposure limits at the level of nationality, sector, issuer and type of instrument. During 2023, the Bank has complied with regulatory requirements and maintains a process of continuous improvement.

During 2023, the institution has implemented its SARAS system in accordance with international standards established by organizations such as the World Bank, the Performance Standards of the International Finance Corporation (IFC¹⁰), the Inter-American Development Bank (IDB¹¹), the Equator Principles¹², among others. Its benefits include:

- Reduction to the exposure of credit, legal and reputational risks;
- Identification and management of environmental and social risks that could affect the bank's financial and operational stability, reducing the likelihood of negative impacts.
- Identification of new business opportunities related to the promotion of sustainability, facilitating access to capital and international financing.

13.4 **Operative Risk**

Banco de Machala's operational risk management is designed to identify possible risks arising from failures or inadequacies in processes, people, information technology and external events. The Bank has an operational risk and business continuity management system, involving all areas through the three lines of defense model. The first line, all managers, are responsible for establishing an adequate environment and compliance with internal control in their processes and for reporting risk events in a timely manner. The second line corresponds to comprehensive risk management, which is in charge of designing policies and maintaining an adequate risk management process. The third line includes the Internal Auditor, who verifies compliance with the policies and processes related to the operational risk management and business continuity system.

During 2023, operational risk management focused on the identification and analysis of risks in the Bank's different institutional processes, new services and projects. For business continuity, the established plans, the impact analysis (BIA),

¹⁰ Performance Standards on Environmental and Social Sustainability: <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifcperformancstandardsspanish.pdf>.

¹¹ Practical manual for the implementation of SARAS in financial institutions: https://www.ecobusiness.fund/fileadmin/user_upload/Sustainability_Academy/Recursos/SARAS_Vol2_ESP_Final.pdf

¹² The Equator Principles: https://equator-principles.com/app/uploads/EP4_Spanish.pdf

the analysis of strategies and risk scenarios (floods, natural phenomena, among others) were reviewed and updated.

13.5 Risk and opportunities derived from climate change

Banco de Machala has maintained a rigorous approach to the identification, classification and prioritization of risks and opportunities. During the 2023 period, the risks identified in 2022 continued to be relevant and were considered as strategic priorities. These risks, both physical climate and transition risks, span the institution's portfolio and are related to the following representative economic activities:

13.6 Weather risk in Banco de Machala's portfolio

8 types of physical risks derived from climate change were evaluated.



13.7 Physical risks at the provincial level

The level of physical risk at a provincial level was evaluated according to the economic sectors of the Banco de Machala and their climatic dangers.

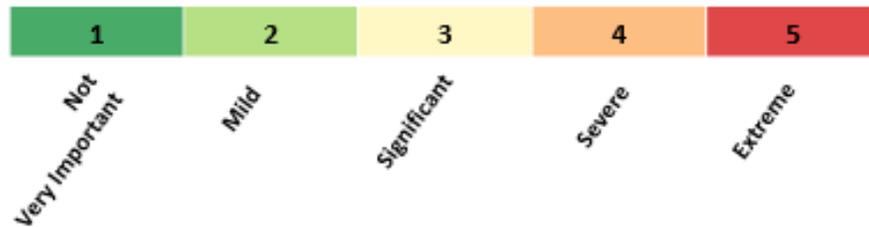


Provinces with the most exposure to financial risk	Guayas, El Oro, Los Ríos: Vulnerable Sectors: Agriculture, Wholesale and Retail. High Exposure: Manufacture, Wholesaler (Country Average).
Short-term Climate Risks (2011-2040)	Risk Persistence: Provinces: Guayas, El Oro, Los Ríos (coastal floods). New Risks: Pichincha: Increase in river flooding (from high to extremely high). Ecuador (general): Increased risk due to river flooding (from medium to high).
Medium-term Climate Risks	Sectors at Risk: Agriculture: Guayas, El Oro, Santa Elena (high risk due to heat stress). Increase in heat stress: Los Ríos. Forest Fires: Significant increase in El Oro (all sectors).
Long-term Climate Risks	Intensifying Risks: Coastal floods, Heat stress, Forest fires: All regions. Critical Sectors: Agriculture: Guayas, El Oro, Los Ríos, Manabí. River Overflows: Manabí, Pichincha, Esmeraldas, Sucumbíos (impact in manufacture and construction).

13.8 Risks of transition

An analysis of transition risks was carried out based on the subcategories defined by the Task Force on Climate-related Financial Disclosures (TCFD): Political & Legal (PL), Technological (T), Market (M), and Reputational (R), and the possible impacts on the economic sectors considered in the study. As a result, sectors A, C and F face severe risk in political and legal actions that attempt to limit actions that contribute to the adverse effects of climate change or policy actions that seek to promote adaptation to climate change.

NACE01	Description	Political and Legal	Technology	Market	Reputational
		P&L	T	M	R
A	Agriculture, forestry , and fishing	4	1	3	4
C	Manufacture	4	3	4	3
F	Construction	4	3	3	2
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	3	1	3	3



13.9 Physical risks: Financial exposure risk

A-Agricultural Assets of BM (140, 96 million USD):

Most Alarming Risks: Coastal Floodings, Heat Stress, Forest Fires.
River Overflows: Steady increase: It will remain in a medium-low level.

C-Inversiones en Manufactura (26,42 millones de USD):

Risks on the Rise: River Flooding, Forest Fires, Heat Stress.
Most Alarming Risks: Coastal Flooding, Forest Fires.

F-Sites and Construction Assets (16.53 million USD):

Risks Increasing: Coastal Floodings, River Overflows, Heat Stress, Forest Fires.

Steady but Grave Risk: Coastal Floodings

G-Medium-Term Climate Risks wholesale and retail trade; repair of motor vehicles and motorcycles (USD 74.59 million)

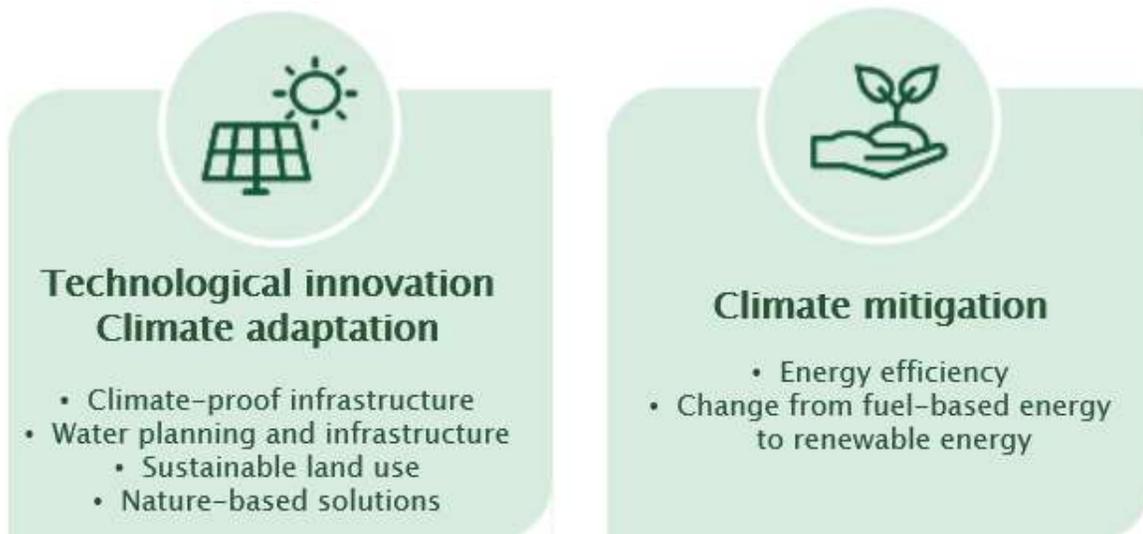
Most Alarming Risks: Coastal Flooding, Forest Fires.

Risks on the Rise: River Flooding, Heat Stress.

The total financial exposures to different climate hazards by sector are shown and how they vary over time. The risk scale was used, assessing exposures to the 8 hazards derived from climate change identified above.

13.10 Weather-related opportunities

The opportunities derived from changes in climate scenarios were identified, along with their respective implications for economic sectors and their associated risks.



13.11 Measures taken to manage the risk or opportunity

Banco de Machala is currently in the strategic planning stage of the management of previously identified and evaluated risks, integrating the identified business opportunities into its management. (Nota de traductor 64A)

Risk, Opportunities and Weather Related Financial Impacts



The next step is to carry out a complete analysis of the gaps derived from the climate and the associated risks according to the Task Force on Climate-Related Financial Disclosures (TCFD), which recommends considering macroeconomic shocks or financial losses caused by storms, droughts, forest fires and other extreme events, or by changing weather patterns. Part of this process will involve access to a platform for interactive results in order to improve the quality of the information, which will be an innovation in the analysis of climate risks.

The next immediate step is to develop a work plan that includes strategies and policies considering climate resilience and low carbon emissions; collection and management of data from internal and external sources; identification and

monitoring of risks, including the calculation of the scope of GHG emissions and their trajectory, among other aspects. The design of the work plan is based on PCAF's alignment support, for adequate climate risk management following global best practices.

The design of the work plan is based on PCAF's alignment support, for adequate climate risk management following global best practices.

14. Economic Performance

14.1 Relevant Financial Data

Banco de Machala has an important track record in the Ecuadorian financial system, with 61 years of operations, its purpose is focused on contributing to the development of productive activities in Ecuador.

Below, we present the main financial indicators for Banco de Machala:

Main Financial and Business Indicators	2022	2023	VAR 22-23 (%/pb)
Assets (thousands of dollars)	1.030.095	1.109.525	7,71%
Contingents (thousands of dollars)	63.368	73.280	15,64%
Gross credit portfolio (thousands of dollars)	638.126	710.190	11,29%
Available funds(thousands of dollars)	168.945	169.370	2,76%
Inversions (thousands of dollars)	173.785	185.754	6,91%
Supplies (thousands of dollars)	8.43	11.43	15.36%
Taxes and contributions (thousands of dollars)	10.629	6.174	41,91%
Net profit (thousands of dollars)	6.053	6.257	3,37%
Operational Efficiency Index (operation costs/total of average assets) (%)	3,72	3,51	-0,21%
Productive assets/total assets (%)	88,97	89,61	3,31%
ROE (%)	8,38	8,15	-2,75%
ROA (%)	0,62	0,58	-5,20%
Liquidity index (%)	27,99	27,29	-0,70%
Heritage(thousands of dollars)	77.666	82.939	6,79%
Solvency Index (technical heritage) (%)	13,03	12,53	-0,50%
Non-Performing Loans Ratio (non-performing loans) (%)	1,11	1,97	0,86%

14.2 Distribution of Economic Value

(GRI 201-1, 201-4)

One of the main responsibilities of the Banco de Machala is to contribute to the development and growth of the country, as well as to improve the quality of life of our collaborators and stakeholders.

We present the main economic value figures with which the Banco de Machala closed its financial years over the last four years.

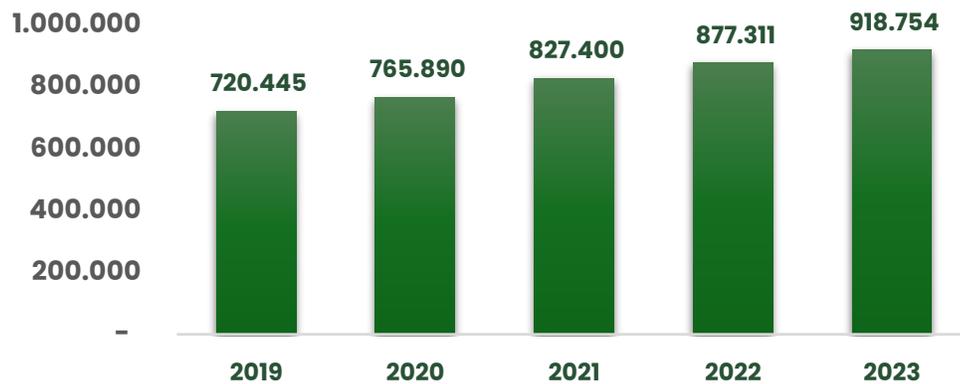
Main figures (Valued in thousands of dollars)	2020	2021	2022	2023	Variation 2022-2023 (%)
Direct economic value generated (Revenue)	71,606	78,601	87,026	102,411	17.68%
Direct economic value distributed (Expenditures)	69,465	75,299	80,972	96,154	18.75%
Payment to suppliers	11,783	13,492	13,213	20,500	55.15%
Remuneration and benefits (payment to collaborators)	12,777	15,101	16,748	18,162	8.44%
Other operational costs	10,092	9,940	10,228	13,050	27.59%
Interests paid (payment to investors)	23,673	24,632	27,644	41,292	49.37%
Taxes and contributions (authority)	7,320	8,539	9,564	6,174	35.44%
Inversions in infrastructure or services	3,635	3,459	2,404	703	-70.76%
Community programs (donations)	186	136	18	37	105.56%
Economic value retained (net utility)	2,141	3,302	6,053	6,257	3.37%

Net profit for 2023 is slightly up on 2022 and remains above US\$6 million. Despite a 19% increase in expenses, income is up 18% on the previous year.

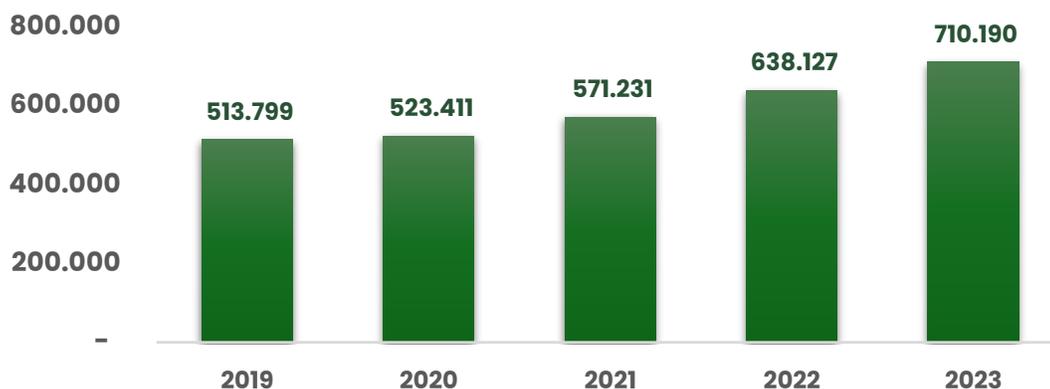
14.3 Breakdown of fundraising and financing

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

At the close of 2023, the deposit balance was US\$918 million, which represents a growth of 6.03% over the previous year. These balances include the different deposit products.



The gross credit portfolio closed with a balance of US\$710 million in 2023, with year-on-year growth of 11.28% compared to the previous year.



Below is the distribution by economic sector (corporations, businesses and SMEs). The scale of our contribution to the country's economy can be seen, with the contribution to the primary sector and to trade standing out in particular.

Economic Sector(En millones y porcentaje)	2022	2023	%
Agriculture, livestock, forestry and fishing.	158.17	199.67	28.11
Wholesale and retail trade, repair of motor vehicles and motorcycles.	89.43	159.88	22.51
Service Activities	125.53	142.42	20.05
Manufacturing industries	32.10	57.24	8.06
Construction	17.85	28.17	3.96
Real estate activities	11.93	27.86	3.92
Other activities	93.86	94.9	13.36

15. Assessment of Environmental and Social Risk

(GRI 201-2, FS1, FS2, FS3, FS4, FS5, FS9, FS10) (SASB FN-CB-410a.2)

Banco de Machala has an environmental and social risk management policy through its Environmental and Social Risk Management System (ESRMS), which enables it to effectively manage risks in credit operations. This policy has been approved by the Comprehensive Risk Management Committee (CRMC) and the Board of Directors.



We have effective tools for proper management, such as an exclusion list that acts as an initial filter, ruling out activities or sectors that are not eligible for financing for regulatory or reputational reasons, due to risk appetite or alignment with the exclusion lists of international funders. The categorization system assigns an environmental and social risk level, determining the due diligence required for its management.

The commitments derived from the analysis are formalized in a Terms and Conditions Letter, which is approved and signed by the client, and its fulfillment is monitored during the term of the credit and verified before renewing any financing operation.



In 2022, the Bank secured \$20 million in financing from the multilateral DEG Invest, which was disbursed in 2023.



This line of financing made it possible to support 43 clients, who are subject to the Monitoring and Follow-up Strategy throughout the credit cycle, promoting good environmental practices in their operations.

The implementation of ESRMS in our credit operations in 2023 is clearly reflected in the results of the management indicators:

ESMRS DEVELOPMENT	
Markers	2023
Total, of operations assessed by ESRMS	164
Total amount of operations evaluated with ESRMS	\$ 89.229.775
Percentage of the portfolio evaluated using ESRMS	20%
Number of accidents/incidents reported by clients	0
Number of field visits made by staff to review environmental and social aspects during the loan evaluation	164
Number of field visits made by staff to review environmental and social aspects after the loan evaluation	100

In addition, the operations are shown evaluated by the level of environmental and social risk:

ESRMS OPERATIONS ASSESSED BY THE ENVIRONMENTAL AND SOCIAL RISK LEVEL	
Risk Level	N°
Low Risk	31
Medium Risk	116
High Risk	17

It is important to mention that, with the aim of aligning ourselves with international best practices and complying with the requirements of multilateral banking, an update of the ESRMS is planned for 2024 as part of our commitment to continuous improvement.

16. Financial health and inclusion

(GRI 413-1, 413-2, FS7, FS8, FS13, FS14, FS15, FS16) (SASB FN-CB-240a.1)

Financial inclusion provides opportunities to improve people's quality of life by facilitating their access to and use of solutions and tools from the traditional financial sector. This process generates tangible benefits when sectors of the population previously marginalized due to factors such as lack of resources, informal employment, remote location or gender, manage to participate actively in the financial system.



Banco Machala S.A, within its 2020–2024 strategic plan, established “Financial Education and Inclusion” as one of its objectives, and has defined Financial Health and Inclusion as a prioritized area in the context of responsible banking.

16.1 Promoting access to credit for women

In this sense, it is possible to see significant progress in strengthening financial access. In the last year, more women have been able to access sources of financing, which is reflected in an 11% increase in the number of female customers with active loans in 2023, compared to the previous year. This growth demonstrates the positive impact of our initiatives in improving access to financial products and services.

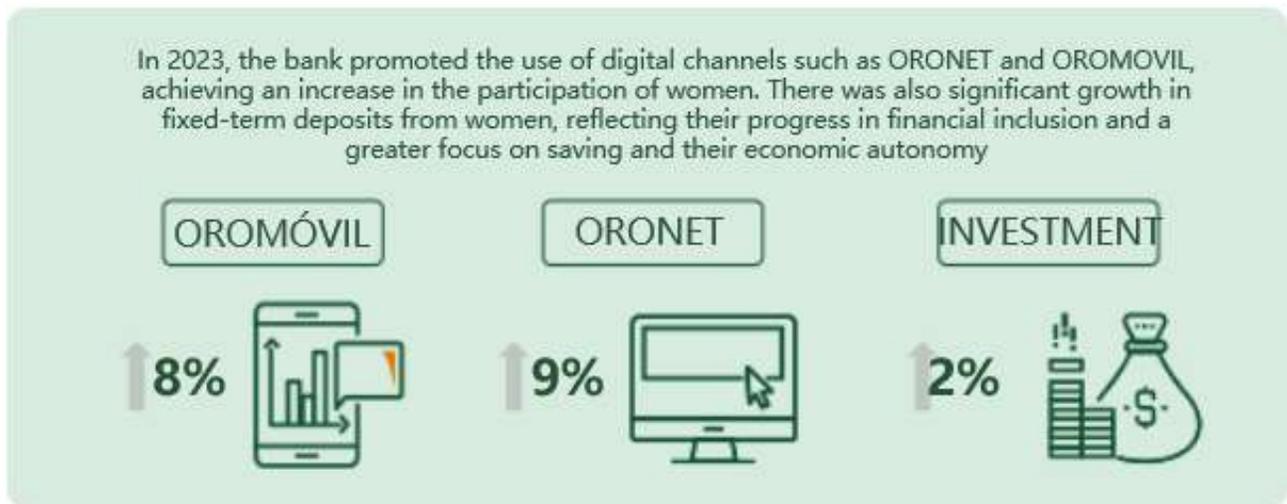
	2022		2023	
	M	F	M	F
Clients with Active Credits	24,825	19,138	26,808	21,184

For the reasons stated above and according to the data reflected in the table described below, in recent years the bank has been focusing its development and improving the destination of its credit towards women and SMEs with the aim of directing its strategy towards strengthening the inclusion of those excluded. Thus, between 2022 and 2023, the number of women leading small and medium-sized enterprises that accessed a productive loan increased by 14%.

	2022	2023
Companies led by women that accessed loans.	320	364

16.2 Digital progress: Adoption of digital channels by women

Likewise, as part of our technological development, the bank promotes the use of digital channels, through advice and promotion of their benefits, with the aim of being closer to the customer and facilitating their transactions.



16.3 Consumer protection

(SASB FN-CF-270a.4)

As part of the integral process of strengthening financial inclusion, we have financial user protection mechanisms so that, within the scope of their rights, they have service channels, procedures, response times, transparency of information and fair treatment, in the presentation of queries, complaints and claims.

During 2023, 5461 requests were handled, including queries, complaints and claims. This result demonstrates progress in the ease of access to service channels and a commitment to effective conflict resolution. The favorable resolution of 78% of cases in favor of the client, in less time than that established by current legal regulations, reflects a level of efficiency and effectiveness in the management of complaints, which is essential to foster confidence in the financial system and promote financial inclusion. Furthermore, this achievement demonstrates the effective implementation of financial consumer protection mechanisms, thus guaranteeing the exercise of their rights and the promotion of a service culture focused on customer needs.

■ Attention of requests in 2023

5.461

■ Favorable resolution of complaints

78 %

16.4 Financial education

Banco de Machala developed the Financial Education Program 2023, based on international best practices; it was presented to and approved by the Corporate Governance Committee on January 9, 2023, and was subsequently approved unanimously at an ordinary meeting of the Board of Directors of Banco de Machala on January 16, 2023. The purpose of the program is to support the development of knowledge on financial issues that provide clarity in the decision-making of clients and/or financial users, collaborators and the general public.

PURPOSE

"That the financial users of the Banco de Machala acquire financial capabilities, that is, aptitudes, skills and knowledge that allow them to understand, administer and plan their personal and family finances in an adequate way, with the main objective of obtaining financial well-being"

The Program was developed based on strategic alliances with foundations, private companies, public institutions and academia. In addition, internal socialization workshops were held to promote a culture of financial well-being among the institution's employees. During 2023, Banco de Machala S.A. trained 4,534 people.



 **63%**

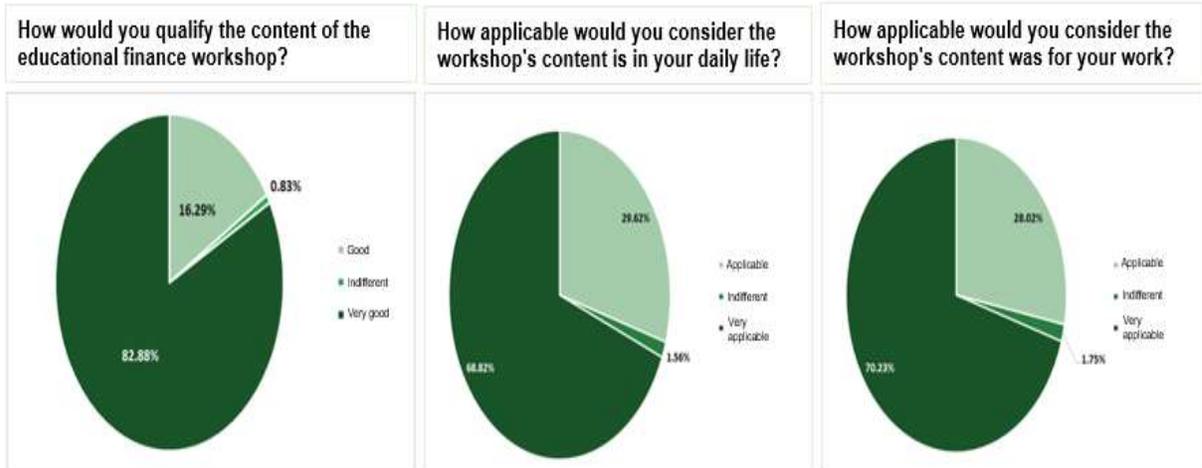
 **37%**

The financial education workshops were held in the cities of: Machala, Guayaquil, Quito, Manta, Loja, Cuenca, Ambato, Santo Domingo, Quevedo and Valencia. Also, in compliance with article 6 of the aforementioned resolution, the target group benefitting from the PEF was segmented as indicated in the following table:

COMPLIANCE FINANCIAL EDUCATION PROGRAM 2023 - BANCO DE MACHALA				
Age group	%	Total Planification 2023	Total Trained 2023	Status
School children 5-8 years old	2%	91	91	Complete
Pre-teens 9 – 12 years old	2%	91	91	Complete
Youth 13 -17 years old	6%	272	272	Complete
Young adults 18-24 years old	36%	1.632	1.632	Complete
Adults 25 – 64 years old	53%	2.403	2.403	Complete
Over 65 years old	1%	45	45	Complete
Total	100%	4.534	4.534	

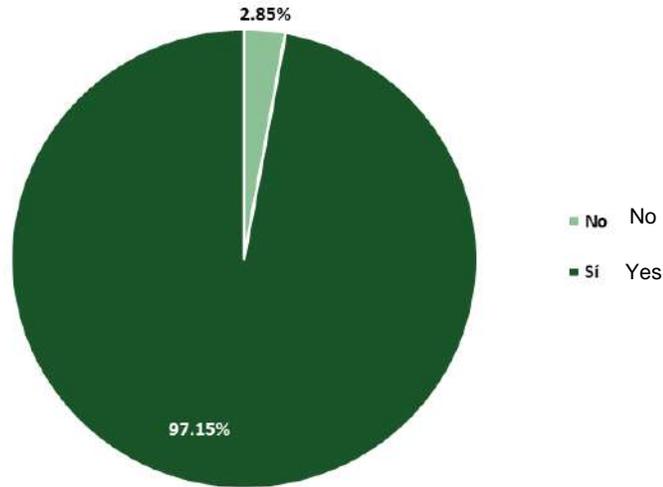
With regard to the training modality, during the period of analysis, face-to-face and virtual workshops were held. 70% of the total attendees were trained in person and the remaining 30% virtually using the Zoom, Google Meets and Teams platforms.

The evaluation mechanism for both modalities was the application of an evaluation of acquired knowledge, which consisted of 5 questions. In addition, a 5-question satisfaction survey was conducted, the results of which were as follows:

PERCEPTION FINANCIAL EDUCATION WORKSHOPS 2023 RESULTS


- 82.88% of participants indicated that the training content is very good and 16.29% considered the content to be good.
- 68.82% of participants indicated that the training content is very applicable to their daily life, while 29.62% found it applicable.
- For 70.23% of participants the training content is applicable to their work and for 28.02% it is applicable.

In addition, participants were asked if they agree with the impact areas identified by the bank in order to work on them for the contribution of the Sustainable Development Goals (SDGs), 97.15% of the participants expressed a favorable response.



16.5 Institutional portal: The Bank for growth

The Financial Education Standard, updated by the regulatory body through Resolution No. SB-2023-02637 of December 19, 2023, establishes that the Financial Education Plan must include direct access to the entity's financial education website, which will serve as a reference and consultation tool..

Banco de Machala designed the page on its website:
“El Banco para crecer.com”

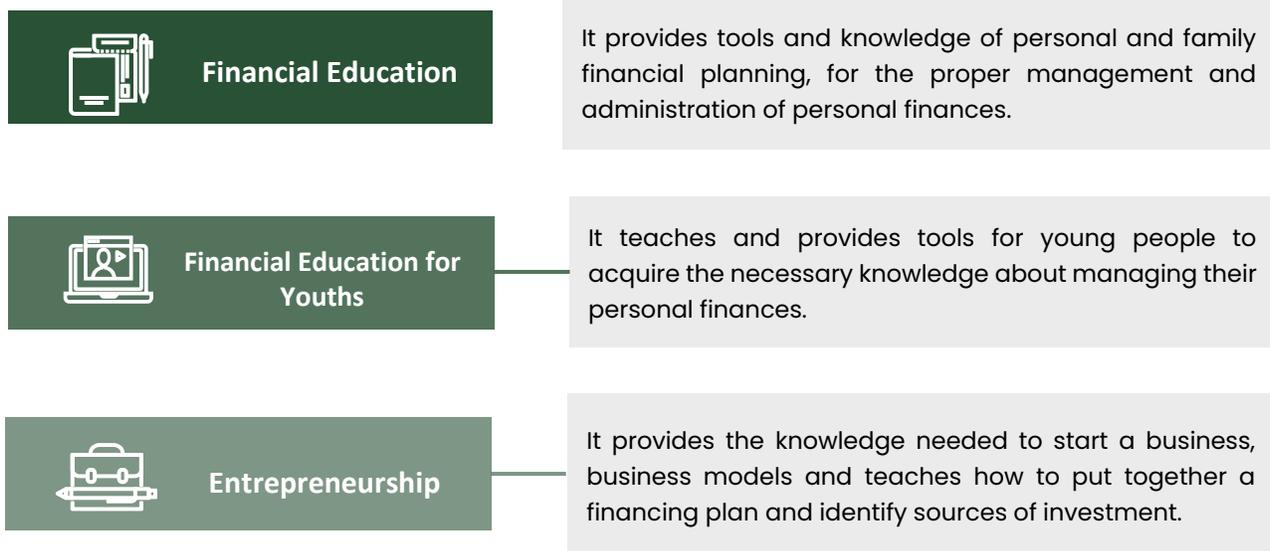


<https://www.elbancoparacrecer.com/>



The financial education platform of Banco de Machala S.A. provides users with relevant and easy-to-consult information and tools that support learning about financial products and services and disseminates the regulations issued by the supervisory body with respect to financial users.

The digital platform has been available to the public since 2021, providing a space for learning and developing skills, aptitudes and knowledge that allows users to understand, manage and plan their personal and family finances properly. It has four free courses, which can be used from anywhere and at any time:



The highest number of visits to the website during 2023 came from the provinces of Guayas, El Oro, Pichincha, Azuay, Manabí and Loja. The platform had a reach of 1,690 visitors and 1,254 users.

On the other hand, a process of dissemination and awareness-raising, in terms of financial education, has been carried out through institutional social networks.

Banco de Machala S.A. has a presence on the following social networks:

 Facebook	https://www.facebook.com/bancomachala?mibextid=LQQJ4d
 Instagram	https://www.instagram.com/bancomachala?igsh=NDZzNXJubnN4bGx6
 LinkedIn	https://www.linkedin.com/company/bancomachala/
 X	https://x.com/bcomachala?s=11&t=DG_bGLx9MdJpfu8UuX7vEw

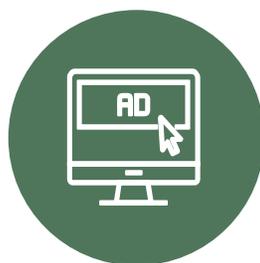
Information with informative and educational content on the proper management of personal finances, alerts, advice, security measures, general information on the products and services offered, among others, financial planning, savings, use of transactional channels and electronic means of payment, was disseminated through social networks.

The content of the publications was planned and designed in accordance with the established communication strategy. The cities with the highest levels of access to social networks are Guayaquil, Machala, Quito, Santo Domingo, Manta, Cuenca, Loja, Milagro and Quevedo, and the publications were distributed as follows:



Awareness

66.511
Users



Publicings

19
Facebook, Instagram,
Twitter, LinkedIn



Age Range

25 to 34 Years old

17. Climate Change

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

At Banco de Machala, we understand the importance of actively contributing to the fight against climate change and we recognize that, through our business vision, we have the capacity to generate a positive impact on this global challenge.

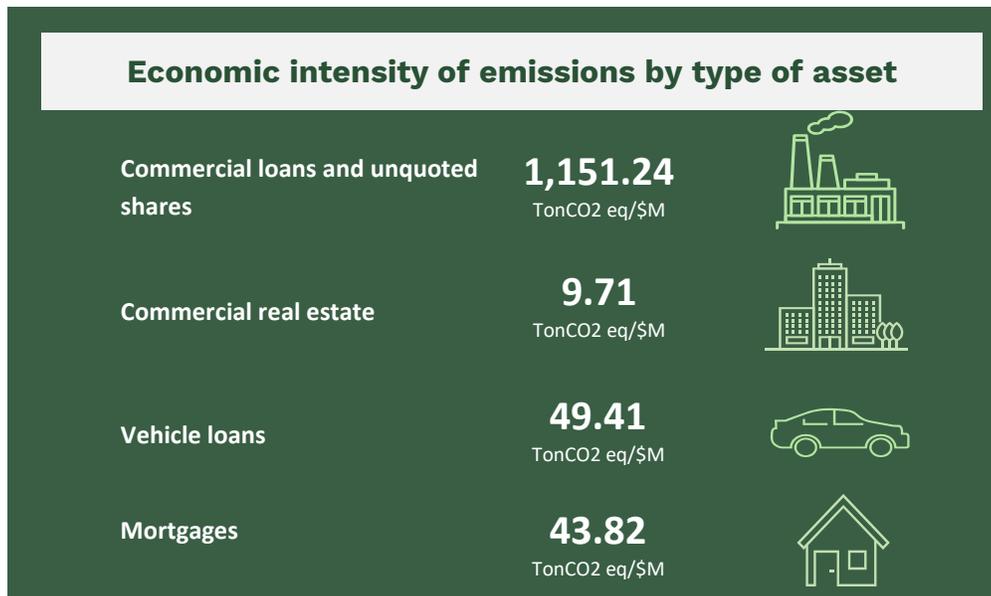
Climate Mitigation	Accessions
<p>During 2023, we prioritize Climate Mitigation as a key area, establishing concrete actions that align with SDG 13: Climate Action and the Paris Agreement.</p>	<p>Our commitment to sustainability is reflected in our adherence to international agreements such as: United Nations Environment Program (UNEP-FI), Partnership for Carbon Accounting Financials (PCAF) and UN Women, among others.</p>

17.1 Financed Emissions

In March 2023, Banco de Machala joined the PCAF initiative for the first time, establishing a 2022 baseline to assess the environmental impact of its credit operations and laying the foundations for decarbonizing its portfolio.

In this sense, the Bank took an inventory of the financed emissions in its portfolio for the year 2023, taking the baseline for the year 2022 as a reference, using the Partnership for Carbon Accounting Financials (PCAF) methodology.

FINANCED EMISSIONS		
Absolute Emissions	2023	2022
Scope 1, 2 and 3 of financed emissions	523.417,82 tCO ₂ e	488.311,61 tCO ₂ e



The results reveal that the economic activities in our portfolio with the highest carbon intensity are mainly related to shrimp farming, followed by the wholesale of banana and plantain crops and, lastly, banana and plantain farming. This reflects the correlation with the sectors to which the bank preferably directs its financing.

BREAKDOWN OF THE FINANCED EMISSIONS OF GREATEST IMPACT	
Economic Sector	Emissions scope 1, 2 and 3 (tons CO2e)
Shrimp farm exploitation	151,895.78
Wholesale of bananas and plantains	141,616.62
Banana and plantain cultivation	99,147.12

In line with the progressive decarbonization of its portfolio, the bank has set science-based targets aligned with 1.5°C climate scenarios. These objectives, defined for the medium and long term, were set using the SMART methodology (specific, measurable, achievable, realistic and time-bound), and focus on the reduction of financed emissions and on increasing the evaluation of environmental and social risk in the productive portfolio. These objectives are reviewed and updated according to the feedback provided by UNEP FI or as determined by the institution.

17.2 Organizational Carbon Footprint

We quantify our greenhouse gas (GHG) emissions, covering both direct and indirect emissions (Scope 1, Scope 2 and Scope 3), corresponding to operations under our full control and those that do not, which correspond to upstream and downstream, in accordance with ISO 14064:2018. The base year for this study is 2023. To carry out this accounting, we use the operational control approach, ensuring that all emissions under our operational influence are correctly included.

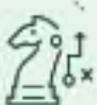
The global warming potential indices and emission factors used in this analysis were taken from the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), which guarantees accuracy and consistency with the latest scientific guidelines. According to our inventory, the main greenhouse gas emitted is carbon dioxide (CO₂), although the calculation of methane (CH₄) and nitrous oxide (N₂O) emissions is also included.

STANDARDS FOR THE QUANTIFICATION OF GHG		
ISO Standards 14064-1:2019	Greenhouse Gas Protocol (GHG Protocol)	ISO standard INTE B5:
It includes the principles and requirements for the design and management of organizations' GHG inventories and for reporting.	It establishes the requirements for taking an inventory of GHG emissions and what an organization must comply with in order to demonstrate Carbon Neutrality.	It encompasses the categorization of GHG emissions in three Scopes: Scope 1: Direct Emissions Scope 2: Energy-related indirect GHG emissions Scope 3: Other indirect GHG emissions

N°	EMISSIONS	Sources of emission	TOTAL (Ton CO2e)	Percentage
Category 1: Direct GHG emissions and removals in tons of CO2e				
1.1	Direct emissions from stationary combustion	Fossil fuel generators	17,48	1,25%
1.2	Direct emissions from mobile combustion	Gasoline for fossil-fuel vehicles	0,80	0,06%
		Diesel vehicles	21,00	1,50%
		Ecopais gasoline fossil-fuel vehicles	39,67	2,84%
		Ecopais ethanol fuel anthropogenic vehicles	0,01	0,00%
1.3	Direct fugitive emissions caused by the release of GHGs in anthropogenic systems	Refrigerant gases	468,62	33,51%
Direct emissions in tons of CO2 from HCFCs		Refrigerant gasR-22	36,79	2,63%
Ecopais-ethanol vehicles - biogenic		Ethanol biofuel	1,35	0,10%
Subtotal			547,57	39,16%
2	Category 2: Indirect GHG emissions caused by imported energy			
2.1	Indirect emissions from imported electricity	Energy	434,95	31,10%
2.2.	Indirect emissions from transmission and distribution losses of imported energy	Energy losses in transmission and distribution	47,54	3,40%
Subtotal			482,49	34,50%
3	Category 3: Indirect GHG emissions caused by transportation			
3.2	Emissions from the transportation and distribution of goods upstream	Ground transportation of valuables	9,73	0,70%
3.5	Emissions caused by the transportation of customers and visitors	Taxis	88,06	6,30%
		Flights	34,81	2,49%
Subtotal			132,61	9,48%
4	Category 4: Indirect GHG emissions caused by products used by the organization			
4	Category 4: Indirect GHG emissions caused by products used by the organization	Paper	83,81	5,99%
4.2	Emissions from purchased capital goods	Issues of capital goods	60,80	4,35%
4.3	Emissions from the disposal of liquid waste	Biological waste - municipal treatment	53,02	3,79%
Subtotal			197,63	14,13%
Total Emissions with biogenic and HCFCs			1.398,44	100,00%
Total Emissions without biogenic or HCFCs			1.360,31	97,27%

GHG emissions Scope 1 Ton CO2e	Anthropogenic direct	547,57	39,16%
	Anthropogenic biogenic direct emissions from biomass	1,35	0,10%
	Direct emissions in tons of CO2 from HCFCs	36,79	2,63%
GHG emissions Scope 2 tons CO2e	Energy	482,49	34,50%
GHG emissions Scope 3 tons CO2e	Other indirect	330,24	23,61%
TOTAL		1.398,44	100,00%

17.3 Circular Economy in our operation



Our strategy in this area continues to consolidate, with the aim of promoting, coordinating and mobilizing economic actors in the transition towards a Circular Economy.

Our objective is to build economic and environmental resilience, contributing to the well-being of companies, society and the environment.





Banco de Machala was selected as the only winning bank in the “More Inclusive Circular Ecuador (+ECI)” initiative through the “ARIT Project”.

It was selected by the Corporation for the Promotion of Exports and Investments (CORPEI), with co-financing from the European Union (EU).



The ARIT (Appraisals, Reappraisals and Technical Inspection) project is a transformation initiative that seeks to reduce the gap between credit risk analysis (“Survey Component”) and climate risk assessment (“Climate Component”). Its purpose is to increase the impact of the bank's actions in the face of the effects of climate change and to foster resilience among our customers. To this end, the project focuses on the dematerialization and digitization of the appraisal, re-appraisal and technical inspection processes, allowing for more efficient data capture and almost real-time assessment of the climate risk of assets used as

mortgage collateral. This, in turn, helps reduce the vulnerability of our portfolio to climate risks.

Environmental	Social	Economic
Reduction in the use of physical transportation of documents and people, and consumables such as paper, which helps to reduce greenhouse gas emissions.	Access to information for a greater number of people.	Reduction in transportation costs and working hours.
	Access to online appraisal and inspection, improving inclusion and equal opportunities.	Savings in paper, printing, storage and transportation.
	Transparency and traceability of operations.	Offering faster and more efficient services.

The project establishes specific goals for the years 2025 and 2030, focused on dematerialization, climate risk management, training and the creation of a new financial product. These goals are detailed in the following table:

GOALS OF THE ARIT PROJECT	
Year Target 2025	Year Target 2030
Banco de Machala S.A. has dematerialized the appraisal, re-appraisal and technical inspection process.	By 2030, at least 80% of customers vulnerable to physical climate risk (high and substantial) have been trained by Banco de Machala S.A.
Banco de Machala S.A. has incorporated climate risk into its environmental and credit risk assessment, strengthening the Environmental and Social Risk Management System (ESRMS).	Between now and 2030, Banco de Machala S.A. has created or promoted a financial product focused on the adaptability of climate change.

17.4 **Materials used by weight or volume**

(GRI 301-1, GRI 302-1, GRI 302-2, GRI 302-3, GRI 303-5, GRI 306-3)

We maintain a constant focus on identifying opportunities for improvement and strengthening our actions, which allows us to move forward on the path to eco-efficiency. This effort is aligned with our commitment to promote sustainable business and support our climate change strategy.

In our direct operations, we use natural resources such as energy, water and paper, and we manage the waste generated. Aware of the impact of our actions, we are committed to implementing a strategy to reduce consumption that is coherent with our corporate purpose. To this end, we carry out permanent monitoring to ensure the responsible use of these resources, contributing to sustainability and minimizing our environmental impact.



Paper



Energy



Water



**Generated
Residue**

17.4.1 Paper

REDUCTION INITIATIVE ACTIONS: ZERO PAPER

The Banco de Machala has implemented a comprehensive approach to promote the rational use of paper. Within this framework, the “Zero Paper” program has been established, which includes a series of operational initiatives aimed at drastically reducing paper consumption in all areas of the organization:

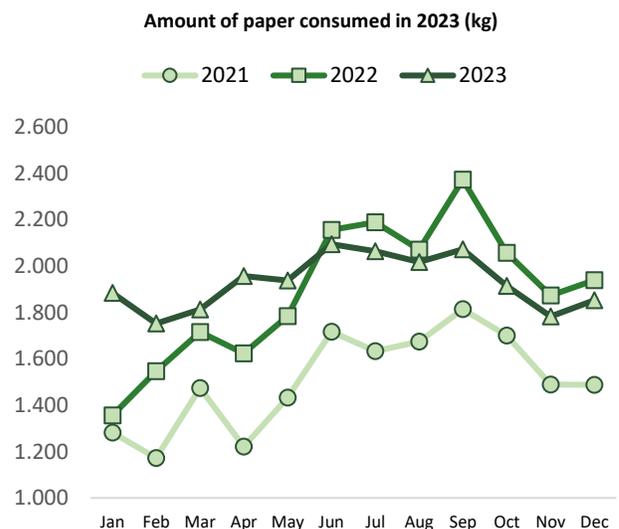
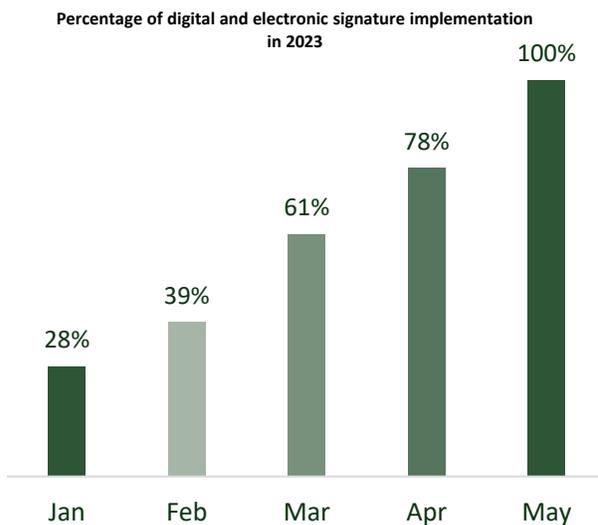
- Monthly printing limit per employee
- Double-sided printing policies, by default
- Black and white printing configuration
- Transition to digitization (digital signature)



PAPER CONSUMPTION

		2022	2023
	Sheets of paper consumed annually (kg)	22.687	23.144
	Average monthly amount of paper consumed (Kg)	1.891	1.869
	Sheets of paper printed annually (Kg)	4.849.916	4.947.601

In 2023, a reduction of 1.16% in the average monthly paper consumption was achieved compared to 2022. However, Banco de Machala continues to make ongoing efforts to achieve significant new reductions, reaffirming its commitment to sustainability and efficiency in the use of resources.



17.4.2 Energy

(GRI 302-1, GRI 302-3)

ACTIONS OF INITIATIVES TO REDUCE ENERGY CONSUMPTION IN 2023	
	<p>Banco de Machala has made significant investments and changes to its infrastructure with the aim of optimising the use of electricity and reducing its carbon footprint.</p>
	<p>Upgrading of the air conditioning system in the main branch building in Guayaquil, implementing a chiller system, a modern and efficient technology that allows for a more rational use of energy.</p>
	<p>Upgrading of the lighting system in the Guayaquil Main Branch building, replacing fluorescent lights with LED lights on several floors of the building.</p>
<p>In order to understand the energy impact of operations, the pattern of energy consumption within the organization was analyzed in detail, through the use of fuels and electricity, which are acquired from external and non-renewable sources.</p>	

In order to understand the energy impact of operations, the energy consumption pattern within the organization was analyzed in detail, through the use of fuels and electricity, which are acquired from external and non-renewable sources.

2023, there was an increase in the consumption of electricity and fuel, which resulted in an increase in energy intensity in the operations of the Banco de Machala. This growth is attributed to the expansion of the scope of the greenhouse gas emissions report, since in 2022 and previous years only 17 facilities were considered, while in 2023 47 were evaluated. The reason for this expansion in the number of facilities evaluated lies in the bank's commitment to improve the accuracy and transparency of its environmental footprint report.

Total annual internal electrical energy consumption in gigajoules

	2019	2020	2021	2022	2023
Kwh	2.814.985,03	2.513.689,29	2.157.777,77	2.193.361,86	3.579.156,90
Gj*	10.133,94	9.049,28	7.767,99	7.896,10	12.884,96
Mwh	2.814,99	2.513,69	2.157,78	2.193,36	3.579,16

GJ*Gigajoules,unit of energy equivalent to one billion joules. 1 kWh represents 0.0036 gigajoules.

Fuel consumption (Gj)

TIPO DE COMBUSTIBLE	2023
DIESEL	2.088,34
ECOPAÍS	4.685,26
EXTRA	51,10
GENERATORS(DIESEL)	778,89
GENERATORS (ECOPAÍS)	325,55
TOTAL	7.929,14

Energy intensity

Intensity	2019	2020	2021	2022	2023
Intensity	13.834,65	9.882,17	24.975,38	8.797,41	13.168,76
(Gj/employee)	18,37	13,03	30,83	10,36	14,28

17.4.3 Water Consumption

(GRI 303-5)

ACTIONS FOR WATER CONSUMPTION REDUCTION INITIATIVES IN 2023



The Banco de Machala has adopted measures to promote the rational use of water in all its facilities.



One of the most significant initiatives has been the installation of 65% push taps in the facilities of the main branch building in Guayaquil. These push-button sink taps help to precisely control the flow.



In addition, in the bathrooms, pumping systems have been installed to lower the flush valves on the toilets. These systems allow for more precise control of the water flow during the flushing process, optimizing its use and reducing the volume of water used in each flush.

For the present 2023 report, an analysis of drinking water consumption has been included in comparison with the previous year. This is a key addition, as it broadens the scope of the study and offers a more comprehensive view of the institution's

environmental impacts. This facilitates the identification of opportunities for improvement and the implementation of more effective strategies to reduce water consumption.

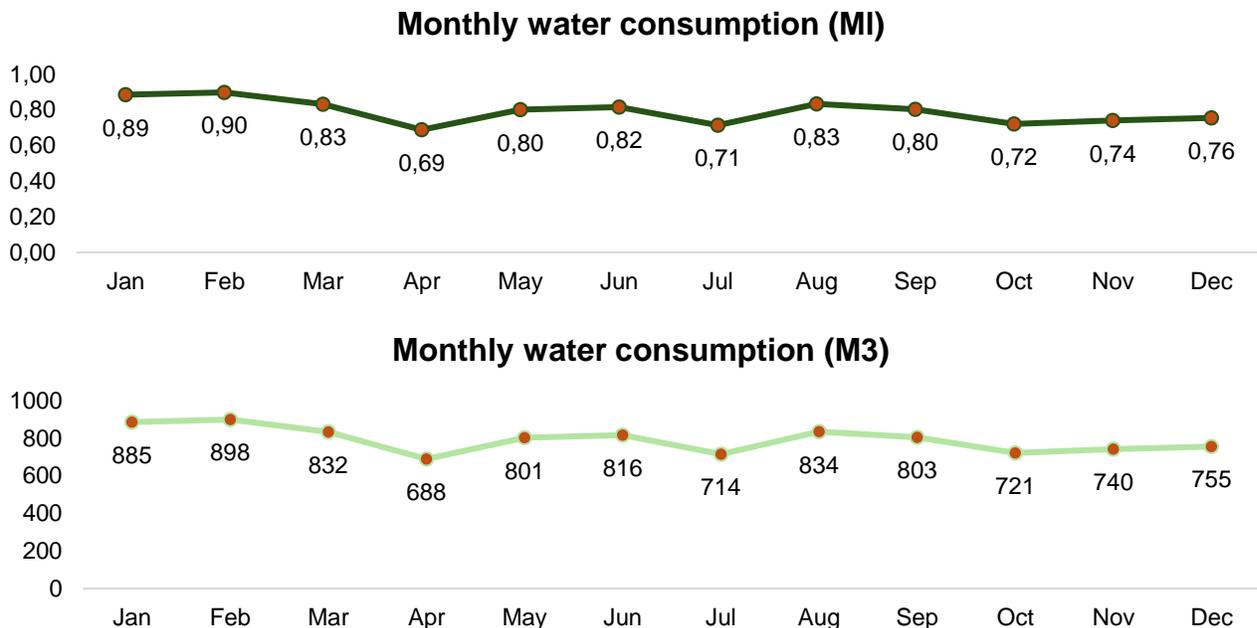
The Banco de Machala facilities, being located in urban areas, are connected to drinking water and sewerage networks, without facing water stress problems. In this context, the internal water consumption recorded in the 33 facilities evaluated during 2023 is presented. Although this analysis does not cover all the sites, it highlights the institution's commitment, which continues to expand, to include all locations in future reports.

Internal drinking water consumption in MI* (1 m3 = 0.001 MI)

Source: Water consumed from the supply system corresponding to each sector	2023
M3	9,487
MI*	9,487

MI*: Megaliter, a unit of measurement equivalent to 1 m3 = 0,001 MI

During the year 2023, monthly water consumption is relatively stable, as can be seen in the graph below:



17.4.4 Generated Residue

(GRI 306-3, GRI 306-4)

INITIATIVE ACTIONS FOR WASTE MANAGEMENT IN 2023	
	<p>Banco de Machala has maintained a comprehensive approach to waste management, ensuring the correct disposal of the different types of waste generated in its facilities.</p>
	<p>The most commonly generated hazardous waste, such as printer toner, has been handled with special attention, being delivered to the supplier, which in this case is XEROX, guaranteeing its treatment and final disposal in accordance with the highest standards of safety and environmental protection.</p>
	<p>Recyclable waste, such as paper, cardboard, plastic and glass, is channeled to companies specializing in recycling, such as Fibrnac, with an emphasis on waste reduction and the promotion of a circular economy.</p>
	<p>Non-hazardous, non-recyclable waste is sent to the municipal collector for final disposal. Clear procedures have been established for the segregation and classification of this waste, ensuring its proper management and minimizing its environmental impact.</p>

In 2023, hazardous and recyclable waste was generated, which was properly managed by companies specialized in its treatment and final disposal. Unlike the previous report, these results have been incorporated into the current report with the aim of providing more detailed information on waste management, thus contributing to greater transparency and monitoring of the institution's environmental impacts.

Recyclable waste in metric tons

Type of waste	Metric ton	Business	Final disposal method
Mixed paper	6,12	Fibrnac	Reciclaje
Cardboard	0,79	Fibrnac	Reciclaje
Archive	4,32	Fibrnac	Reciclaje
Waste C	0,30	Fibrnac	Reciclaje
Trash	1,98	Fibrnac	Reciclaje

Hazardous waste in metric tons

Type of waste	Metric ton	Business	Method
Printer toners	0,672	XEROX	Incineration without energy recovery

17.5 Sustainable purchases

(GRI 2-6, 204-1)

We build relationships of trust with our suppliers, whom we consider strategic allies in the business. These partners share our commitment to sustainability and are fully aligned with our values and long-term objectives.

At Banco de Machala, we have implemented a series of initiatives over the years to integrate sustainability into every stage of the product and service procurement process. This approach covers everything from identifying needs to selecting and contracting products and services that are environmentally friendly and produced under socially responsible conditions.

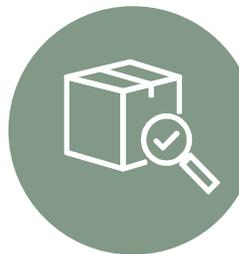
We focus on avoiding any negative impact during the purchasing process, such as corruption, non-compliance with labor laws, safety, occupational health and environmental issues.



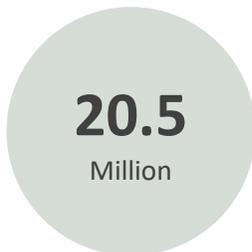
Purchasing and Procurement

Our Purchasing and Contracting team ensures that decisions are based on sustainability, financial and compliance criteria. In addition, our suppliers have a reporting channel on our website to report irregularities or make complaints related to the procurement of goods and services.

Supplier rating

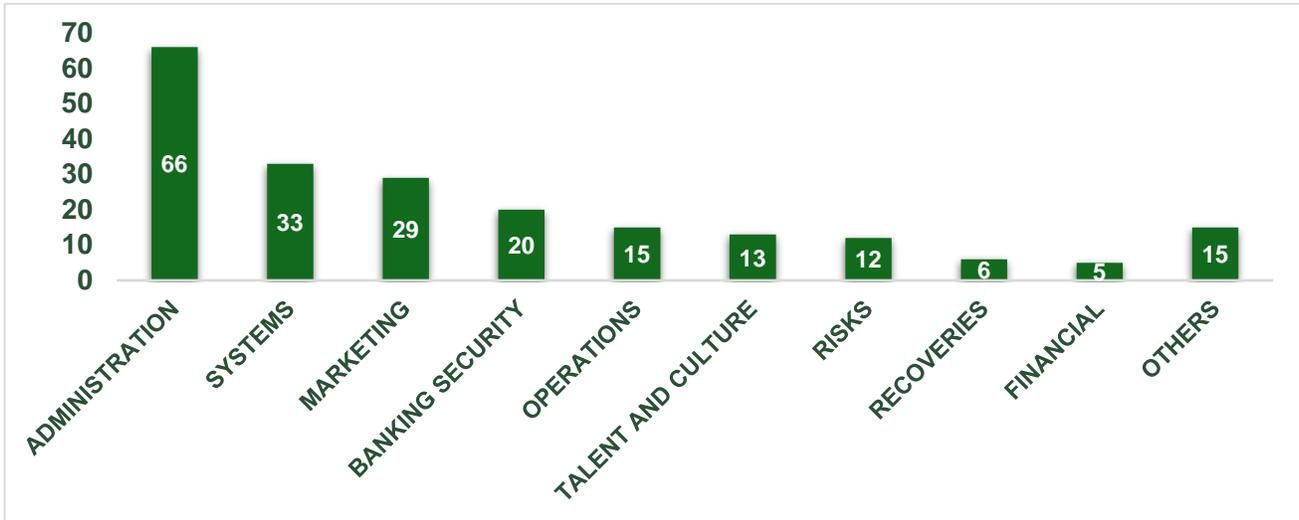


This process includes external verification and qualification of compliance with sustainability, financial and legal requirements, among others, for those suppliers who maintain a contractual relationship or according to their turnover in accordance with the Bank's Manuals and Policies.



Payments

Banco de Machala collaborates with approximately 214 suppliers, to whom a total disbursement of more than USD 20.5 million was made during 2023. Local suppliers are distributed in cities such as Guayaquil, Quito, Manta, Durán, Samborondón, Cuenca, Machala, Ambato, Loja and Santo Domingo, while international suppliers come from the United States, Uruguay, Mexico and Colombia.



	Number of suppliers	%
Local	209	97.66%
Foreign	5	2.34%
Total	214	100.00%

The commercial relationship with these suppliers is classified into two categories:

permanent and general, with permanent suppliers being those with whom a formal contract is in place. This information is updated on a quarterly basis.

Number of providers by specialty: providers have been segmented by department:

In addition to being evaluated and rated, our suppliers are informed about the anti-bribery clauses, based on our ISO 37001 Anti-Bribery Management System, which is certified and in full force.

18 Innovation in products and services

(GRI 3-3, 203-1)

18.1 Savings account

During 2023, we are committed to promoting a culture of saving among our customers through three innovative campaigns such as: (i) Ahórrate un iPhone (Save for an iPhone), (ii) Ahorro Smart (Smart Saving) and (iii) Ahorro Programado (Scheduled Saving).



- ✓ Ahórrate un iPhone (Save for an iPhone): We offered our customers the chance to win an iPhone if they maintained a minimum balance in their savings accounts for a certain period of time.
- ✓ Ahorro Smart (Smart Saving): We developed a digital tool that allowed our clients to set personalized savings goals and receive reminders to achieve them.
- ✓ Ahorro Programado (Scheduled Saving): We implemented a program of automatic transfers that helped our clients to save in a regular and disciplined way.

These initiatives had a positive impact on our customers and financial users by strengthening financial awareness and education, retention and loyalty, and had a positive impact on the local economy by promoting a culture of saving.

18.2 Launch of the Programmed Savings service:

Scheduled Savings is an exclusive service for savings accounts at Banco de Machala, designed to help our clients achieve their short- and long-term financial goals, as they will be able to: (i) set personalized savings goals, (ii) set deadlines to achieve their goals, (iii) deposit fixed amounts periodically and (iv) earn a special interest rate on their deposits.

Furthermore, this service allows us to monitor our customers' progress and adjust their deposits according to their needs and objectives. With these campaigns, we promote financial protection, stability and peace of mind by having a fund that can be used for a financial emergency.

18.3 Online Credit

So that our customers can apply for a loan of up to \$20,000 and up to 60 months, through their Oronet Virtual Banking, and in just 5 minutes and without having to go to a bank branch.

18.4 Insurances

Regulatory insurance

With the online credit product launched in 2023, it was possible to grant credit insurance policies (desgravamen) in a 100% digital process, which provided customers with financial peace of mind and asset security.

Benefits:

- 100% digital process: No need to visit a branch.
- Instant evaluation: Get a quick and secure response.
- Electronic signature: Simplifies the contracting process.
- Credit life insurance policies: Protect your credits with personalized insurance.

18.5 Visa Agro

A credit card specializing in Ecuador's agricultural sector, we have 33 strategic partners belonging to the value chain, offering agricultural inputs, machinery and equipment, fertilizers and fungicides, among others.

Benefits:

- Instant credit available
- Payment plans for production cycles
- Financing for inputs and equipment
- Wide network of establishments
- Access to better negotiating conditions
- Agro assistance coverage
- Visa Kipit

A credit card that offers the possibility of furnishing your new home by visiting kipit.shop, a marketplace that offers electrical appliances, furniture, decoration and much more at distributor prices. In this way we join the real estate sector value chain to boost the country's economy.

18.6 Online investment

The online investment product is a service available to customers through our Oronet virtual banking system, in which the user can open a term deposit certificate safely and conveniently without having to go to a branch, at a time that suits them and with a preferential rate.

Characteristics:

- Minimum opening amount: \$300.
- Term from 30 days.

Benefits:

- Attractive interest rate according to the amount to be invested.
- Optional automatic renewal.
- Payment of interest periodically or on maturity.
- Elimination of signatures on documents.

18.7 Referral of Customers from Counters to ATMs

In July, a promoter was given the task of referring customers who transact over the counter to the ATMs located in the branches. This initiative has alleviated the congestion at the counters and increased the number of transactions carried out at the ATMs.

18.8 Deposits by cheque in ATMs

This service is available to customers and users of Banco de Machala, who can deposit checks into savings or current accounts through our ATM channel, safely and conveniently, without having to go to a branch.

Characteristics:

- Maximum deposit amount: up to \$30,000.
- Maximum number of checks: 10
- Available 24 hours a day
- Active savings or checking account.
- Endorsed checks.

18.9 **Renovation of ATMs and installation of new commercial outlets**

With the aim of increasing the number of ATM transactions, four ATMs in the virtual office of the parent company in the city of Machala and one ATM in the Portovelo branch were updated.

With the aim of expanding the ATM coverage network, six new points were implemented: four in the provinces of Guayas, in Terpel, Tuti Durán, Plaza Vizcaya and Milagro, and two in the province of El Oro, in the Zaruma agency and in Puerto Bolívar. Thus offering new service points for our customers.

In addition, ATMs were relocated to strategic points in the provinces of Azuay, Ponce Enriquez Agency and in the province of El Oro, Plaza Tarcila.

18.10 **Oronet**

18.10.1 **Collections for Payments of Services**

In August, we expanded our portfolio to 477 services authorized for collections and it continues to grow constantly, with the aim of meeting the transactional needs of our customers, as our focus will always be to be aligned and prepared for any changes that may arise in the market.

Services that are frequently used include: Water, Electricity, Traffic, Internet, Municipal Payments, Mobile Phone Plans, Mobile Phone Top-ups, TV Top-ups, Pay TV, IRS Payments, Judiciary Council, Corporation Collection, among others.

18.10.2 **New direct collection - De Prati**

In July, a commercial agreement was reached with the company De Prati to collect payments online through the Counter and Oronet online banking channels, thus providing our customers and users with a convenient way to make payments.

18.10.3 **Online consultation of Bank References - CONCECEL**

From April onwards, a commercial agreement was reached with the company CONECEL so that the Institution's customers who currently have an active account and who wish to purchase the services offered by the company Claro, can request their bank details directly from authorized offices in order to purchase the different plans and services, among others.

18.10.4 **Collections of funds in Receipts and Payments**

In our commitment to offer a convenient and secure payment experience. Our Collections and Payments platform has expanded its portfolio to more than 80 different services through our face-to-face and digital channels. With this, the benefits for our users and customers are based on fundamental pillars such as convenience, security, efficiency and coverage.

19 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 security policies, procedures and standards to guarantee efficient levels of integrity, confidentiality and availability of our customers' information.

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Applying the standards of the norm

- ISO/IEC 27001
- Framework NIST (National Institute of Standards and Technology) for cybersecurity

Banco de Machala monitors the use of its information resources and technological means to ensure their appropriate use and protect them from possible attacks and/or internal or external vulnerabilities.

For Banco de Machala S.A., it is essential to maintain an architecture of Information Security and Cybersecurity software and hardware components that are updated for efficient operation, so in the internal plan drawn up for the year 2023, the technological renovations of the following tools were carried out, in order to efficiently control the prevention of obsolescence and the assurance of security components:

Renewal of the Information Leak Prevention Tool.

Renewal of the intrusion prevention system.

Renewal of GYE firewall perimeter protection components.

Renewal of electronic transaction encryption equipment – Atalla.

Based on the strategic plan and the risk treatment plan, the following controls were implemented:

Security checks on the new Google WorkSpace email platform.

Controls on mobile devices – MDM.

Implementation of a user support process based on IVR (Interactive Voice Response) service.

External audit of the Information Security Management System (ISMS).

Migration of user authentication in VPNs through Active Directory - LDAP.

Evaluation of the security and cybersecurity incident process.

Security guidelines for the Hyperconvergence project.

Operating System updates for Information Security tools.

We comply with the Organic Law on the Protection of Personal Data, guaranteeing the privacy and security of our customers. Our internal policies and procedures are designed to ensure regulatory compliance and strengthen information protection, reinforcing our commitment to data confidentiality.

With the aim of raising awareness among employees and managers about the importance of personal data security and protection, the Second Information Security and Cybersecurity Fair was held at the Bank in 2023. On October 18, 2023, a face-to-face talk was given to the management group, with a presentation by lawyer Rafael Serrano, an expert in new technology law, focused on the Organic Law on Personal Data Protection and the measures that the Bank will implement to comply with the regulations.

In addition, personalized workshops were held with each area of the Bank to identify activities involving the processing of personal data. This allowed an evaluation to be carried out to establish a work plan to guarantee compliance with the Law.

At the same time, a culture of internal security is being promoted, informing all collaborators about risks and procedures, and training new personnel in the protection of sensitive data. Campaigns aimed at customers were also carried out, raising awareness about the safe use of digital channels.

20 Marketing and information products and services

(GRI 3-3)

20.1 Responsible Communication

Banco de Machala, committed to responsible management and the promotion of ethical sales practices, strictly complies with current regulations established by the various control bodies with regard to product communications and labeling, under constant monitoring by these bodies.



In 2023, Banco de Machala did not fall short of regulatory requirements, nor were there any reported cases of data leaks or violations of our customers' privacy, providing a robust ecosystem of protection in all channels based on the three pillars of confidentiality, integrity and availability.

Likewise, the institution ensures that the contracts signed with its clients contain truthful, transparent and relevant information, thus facilitating informed decision-making when acquiring a product or service.

For the presentation of non-conformities, clients and financial users have the following channels available:

- a) Web page: enter www.bancomachala.com and download the "Formulario de Reclamos".
- b) Orofono (Contact Center): Call 392 04-04 (if calling from a cellphone, put the prefix of your province beforehand).
- c) Support 24/7: Our Contact Center is available 24 hours a day, from Monday to Sunday.

- d) Customer Service in offices: Visit our branches of the Banco de Machala nationwide, our opening hours: Monday to Friday, from 8:30 a.m. to 4:00 p.m.

20.2 Publicity in Digital Marketing 2023

Social Networks

Various types of communications were made on social networks, especially on Facebook and Instagram, which are the digital platforms on which the bank has the largest number of followers. This indicates a greater scope for offering products and services that are appropriate to the needs of our customers and financial users through our distribution channels.

Title: Lanzamiento de “Visa Agro”

Message:

The first credit card specializing in the agricultural sector in Ecuador has arrived: VISA Agro, the only one that offers:

Immediate availability of credit, multiple financing options

Payment plans adapted to production cycles.



Title: Ahórrate un iPhone 14

Message:

Participate with \$25 a month and save yourself an iPhone 14 at Banco de Machala!

All you have to do is increase the balance of your savings account by \$25 a month 🏦 and you will be entered into the monthly draw for 3 Smart TVs 📺. What's more, if you maintain your balance for 3 months you could win one of 3 iPhone 14s 📱.



Title: Gánate la camiseta de Orense

Message:

¡GIVEAWAY

ORENSE!

Win the official 2023 Orense S.C. shirt and enjoy the Banco de Machala experience at its official launch. 🏟️ 🟢

♥️ Fill in the form you'll find in our bios.

You're already participating! 🏆 🙌 🙌



Title: Gana un año de colegiatura

Message:

Take advantage of the exclusive benefits with your Banco de Machala credit cards and get your children back to school with everything they need 📖 📚 👩 👨

Find out more at bacomachala.com



Title: Promociones de establecimientos con tarjetas de crédito para el Día de la Madre.

Menssage:

With your Banco de Machala cards, spoil mum this month!



Take advantage of the benefits of your Banco de Machala Visa and MasterCard and give her all the gifts she's ever dreamed of. 🎁 Watches, shoes, clothes and much more to make her look fabulous. ✍️



Título: Promociones de establecimientos con tarjetas de crédito para el Día del Padre.

Message:

Looking for the perfect gift for dad? We have special discounts for you! Use your Banco de Machala card and take advantage of exclusive discounts. Make this Father's Day an unforgettable occasion.



Title: Promociones de establecimientos “Rutas de Sabores”

Message:

Celebrate the Guayaquil festivities on this Route of Flavors! Enjoy exclusive discounts at the most delicious restaurants in the city when you pay with your Banco de Machala cards. Discover the flavor of our traditions with unique benefits.



Title: 61 años

Message:

We are celebrating 61 years of supporting your goals!

Thank you for making us a part of every moment: that dream come true, the first step towards making your business venture a reality and that new achievement that has been fundamental to the well-being of your family. Let's continue building a better future together!



Title: Calificación PCR

Message:

At Banco de Machala, our track record of stability and profitability has earned us an AAA rating from Pacific Credit Rating. We will continue to support the dreams and efforts of all Ecuadorians, because together we are building a prosperous future.



Title: Ahorro Programado

Message:

You are one step away from making your dreams come true! Watch our complete tutorial on the Banco de Machala YouTube channel and learn how to activate your Programmed Savings Account.



Title: Inversiones en Línea “Nueva tasa preferencial”

Message:

The best rate for your investments! Start boosting your savings with up to 8.25% interest rate at Banco de Machala. Take advantage of this opportunity to make your money grow! *Rate varies according to term and amount invested.



Title: Promociones de establecimientos “Fiestas de Machala”

Message:

Celebrate the holidays in Machala in style with exclusive discounts at our partner establishments! Use your Banco de Machala credit cards and enjoy the best offers while you celebrate in style



Title: Créditos Productivos

Message:

At Banco de Machala, we are committed to providing you with the best opportunities so that you can give your patients the best care.

For this reason, we have increased the availability of our loans and we now have the backing of the CFN and the National Guarantee Fund.



Title: Ahorra Smart y conecta tu hogar

Message:

Add a touch of innovation to your home while saving the smart way! Increase your balance by \$25 a month for 3 months and enter the draw for exciting prizes, including 2 Echo Show 10, 6 robot vacuum cleaners and 6 tablets. Don't miss the opportunity to win while saving for the future!



Title: Promociones de establecimientos “Rutas de Sabores”

Message:

The Route of Flavors continues throughout October. Enjoy the best of gastronomy with your Banco de Machala cards and get exclusive benefits in restaurants. Make the most of it until October 31, 2023!



Title: Promociones de establecimientos “Black Weekend”

Message:

Find exclusive discounts for you until December 2, 2023.

Don't miss this unique opportunity to save while you shop!



Title: Promociones de establecimientos “Vive Quito con Sabor”

Message:

Let's celebrate the wonderful Festivities of Quito together!

With your Banco de Machala cards you can toast our wonderful city, its history and everything that unites us in these very special celebrations!



Title: Promociones de establecimientos “Ilumina tu Navidad”

Message:

Celebrate Christmas with your Banco de Machala credit card! Don't miss out on our incredible Christmas promotions



Title: Inversiones en Línea “Nueva tasa preferencial”

Message:

Save your lottery ticket with Banco de Machala and watch your money grow! ✨

Get a preferential rate of 8.70% on Inversiones En Línea



20.3 Mailing

Different campaigns were communicated, whether for product launches, promotion of services, channels and online products. These included the following:

 <p>VISA Agro</p> <p>Llegó la primera tarjeta de crédito especializada en el sector agro del Ecuador</p> <p>Solicítela aquí</p> <p>Conozca más</p> <p>Llegó la primera VISA Agro del Ecuador</p>	 <p>Crédito EN LÍNEA</p> <p>El dinero que necesitas en tan solo 5 minutos</p> <p>Quiero mi crédito</p> <p>Hola, <NOMBRE1> <APELLIDO1></p> <p>Tienes un crédito aprobado de \$<MONTO></p> <p>Accede ahora a tu banca Oronet y obtén tu efectivo en tu cuenta Banco de Machala, sin firmas ni garantías.</p> <p>Quiero mi crédito</p> <p>Conoce más aquí</p>	 <p>TUS IMPUESTOS PREDIALES</p> <p>no serán un pendiente más</p> <p>Realiza tus pagos hasta el 15 de enero con el 10% de descuento</p> <p>Difíere hasta 12 meses con tus Tarjetas EM en la ventanilla de cada municipio</p>
<p>Title:: Lanzamiento Visa Agro</p>	<p>Title: Oferta de Crédito en Línea</p>	<p>Title: Impuesto Prediales</p>
 <p>Avances en efectivo EN LÍNEA</p> <p>Hola, <NOMBRE></p> <p>Obtén tu avance en efectivo con tu tarjeta <MARCA> <AFINIDAD> Banco de Machala de hasta <CUPO></p> <p>Hasta el 100% de tu cupo disponible</p> <p>Difíere hasta 48 meses</p> <p>Acreditación inmediata</p> <p>Realiza tu avance</p>	 <p>AHÓRRATE un iPhone 14!</p> <p>Incrementa \$25 mensuales en el saldo de tu cuenta de ahorros durante 3 meses y</p>	 <p>Crédito EN LÍNEA</p> <p>Está un paso de obtener tu crédito</p> <p>Quiero mi crédito</p> <p><NOMBRE1>, solicita hoy tu crédito aprobado de hasta \$<MONTO> en solo 5 minutos</p> <p>Accede a tu banca Oronet y obtén tu efectivo en tu cuenta Banco de Machala, sin firmas ni garantías.</p> <p>Quiero mi crédito</p>
<p>Title: Avances de Efectivo</p>	<p>Title: Campaña “Ahórrate un Iphone 14”</p>	<p>Title:Crédito en Línea</p>



Title: Beneficios en “San Valentín”



Title: Beneficios de Tarjetas de Crédito



Title: Campaña “BDM te regala un año de colegiatura”



Title: Inversiones en Línea



Title: Diferidos en Línea



Title: Campaña “Experiencia VIP”



Title: Campaña “Junio es para PAPA”



Title: Campaña “Auto Credit”



Title: Campaña “No des vueltas, mantén tu matrícula al día”

Title: Cajeros Automáticos	Title: Beneficios de Tarjetas “Rutas de Sabores”	Title: Campañas de Seguridad anti Pishing
		
Title: Continuidad de negocio	Title: Campaña “Inverte tu décimo”	Title: Comunicados varios

21 Customer Service

(GRI 2-16, 2-25, GRI 418-1) (SASB FN-CF-270a.4)

In compliance with the strategic guidelines defined by Senior Management, high centralized standards of service to customers and financial users have been maintained, processes that have allowed us to optimize the time of attention of the cases entered and to generate recommendations or opportunities for improvements for the products and/or services of the bank, with the purpose of increasing the level of satisfaction that will contribute to customer loyalty. The results of this management are monitored monthly by the Acting Executive President.



In this context, in the period 2023, 5,461 cases were received (4% complaints, 96% claims) including those exposed by customers through the Customer Ombudsman and Superintendency of Banks, a number of complaints that represents only 0.09% of the total

transactions made by customers through face-to-face and digital channels.



It is important to mention that 74% of the cases were resolved within 5 days and 19% within 10 days, which is less time than that established in the regulatory provisions. 78% of the cases were resolved in favor of the client, which demonstrates that Banco de Machala S.A. maintains its

commitment to guarantee the interests of its clients and to protect the user.

Providing a quality service is a strategy to attract more and better commercial business and demonstrating commitment to the customer increases the reputation of the entity. That is why, in compliance with current legal regulations, our institution makes physical and virtual channels available to customers for the submission of queries, complaints and claims. These are dealt with according to the type of requirement through our Claims Administration System (SAR). We have a Customer Ombudsman, appointed by the Superintendency of Banks, who, in his capacity as mediator, deals with the requirements made by customers.

As for the digital process for filing complaints, users and/or customers can access it through our website, in the “consumer protection” section at the following link:



The physical channels authorized for this service are open from 8:30 a.m. to 4:00 p.m., Monday to Friday.

With regard to the feedback provided by stakeholders, Banco de Machala, in its commitment to strengthening consumer protection, runs financial education workshops aimed at boosting the development of financial capabilities (attitude, skill and knowledge) and, in addition, teaches about the rights and obligations of users and customers. This part of the content sets out the mechanisms, bodies and procedures for the submission of complaints or claims.

22 Technology and customer experience

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

The banking sector is undergoing a transformation driven by technology, which is expanding the capacity to provide a personalized service based on data, and to connect with customers whenever and wherever they need it, by digital means. In 2023, we implemented a new service in our Oronet Online Banking, called Programmed Savings.

A new form of saving was introduced to the financial market, allowing customers to meet their short, medium and long-term goals in a safe and profitable way for future projects by contracting a savings account service called “Programmed Savings”.

SCHEDULED SAVINGS

	It was introduced to the financial market as a new form of saving
	It allows clients to meet their short, medium and long-term goals
	Safe and profitable for future projects

In addition, the following services have been implemented in our banking system:

- We have expanded the services offered by Banco de Machala through its Reciclador and ILT (Intelligent Teller Machine) ATMs, which allow customers to make cash and cheque deposit transactions, as well as withdrawals without the help of a bank representative.
- The number of collection points was increased to 400 establishments through the service provided by Facilito.
- Bank reference consultations for the company Conecel.

22.1 **Digital transformation and omnichannel/versatile approach**

In order to be closer to our customers and financial users, as an institution we reinvent ourselves every day. We are aware of the evolution of the digital transformation, which is why we implemented the services of Programmed Savings, Check Deposit at ATMs, and Expansion of collections to 400 establishments by Facilito and Bank Reference Queries for the company Conecel. No additional expenses were incurred to implement these innovations, as the development of these improvements was carried out by internal resources led by the Technological Media area.

23 Gender Diversity and Equality

(GRI 401-3, 406-1)

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



Code of Ethic and Conduct

Principles and values that all collaborators are oriented to act under

Among them, respect and non-discrimination



Manual for Managing Personnel Selection

Diversity, inclusion and equal opportunities are guaranteed in all internal recruitment and hiring processes.

Likewise, the Internal Labor Regulations establish non-discrimination as one of its fundamental aspects.

In the event of any case of discrimination or harassment, the institution's collaborators can report it through the internal complaints channel, acting immediately. It should be noted that no internal complaints were received in this regard in 2023.

In addition, remuneration has been established in an institutionalized manner with ranges by professional profile, avoiding any type of bias.

Women on the management team

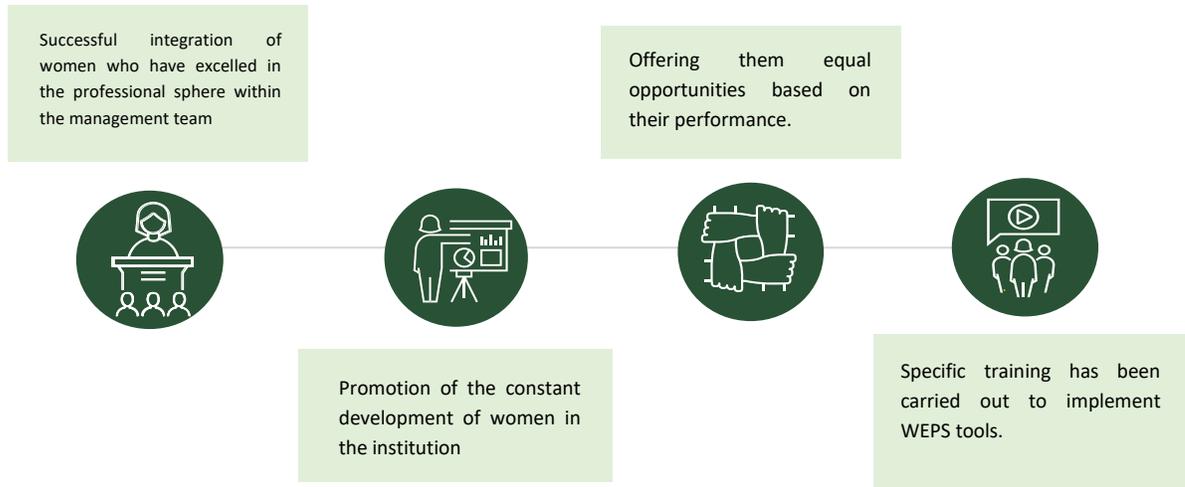
The proportion of women on the management team is 57%.

Maternity and paternity leave

19 female employees took maternity leave

9 employees made use of the paternity leave

Within this framework, Banco de Machala is committed to initiatives that promote gender equality and the empowerment of women through active participation in the Women's Empowerment Principles (WEPS) program of UN Women. In this sense, significant progress has been made, including:



As progress has been made along this path, specific training has been carried out to implement WEPS tools effectively. This training has facilitated the analysis and implementation of necessary changes that deepen gender equality, aimed at a positive impact within the banking institution.

24 Occupational Health and Safety

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

“It is important to establish the influence that occupational health and safety management has on corporate reputation.”

The approach and strategies of occupational health and safety management in providing tools aimed at protecting the worker are recognized, which allow the generation of policies and fulfillment of objectives for the health and safety of workers, whose main purpose is the prevention of occupational risks and the contingency in the event of accidents and illnesses in the workplace.

At Banco de Machala, the management of health and safety at work contributes to the administration of these risks, and its principles are focused on strategies and methods of constant transformation in accordance with the characteristics and needs of our company.

24.1 Occupational Health and Safety Committee (OHSC)

BANCO DE MACHALA has a Central Committee for Health and Safety at Work (HSW) based at the Head Office, and subcommittees in Guayaquil, Quito and Loja, with bimonthly meetings for the central committee and monthly meetings for the subcommittees.

The following are some of the main functions of the health and safety at work committee and/or subcommittees:



Analyze and give an opinion on the internal health and safety regulations (IHSR), to be processed by the Ministry of Labor. Likewise, it will have the power to, ex officio or at the request of a party, suggest or propose reforms to the regulations.



Cooperate and carry out risk prevention campaigns, and ensure that all workers receive adequate training in this area.



Monitor compliance with the legal occupational health and safety bodies and the internal health and safety regulations (IHSR).

24.2 **Weekly occupational health and safety dialogues (WOHSD)**

Staff training and capacity-building takes place through the weekly occupational health and safety dialogues (DSSSO), where the annual training program was carried out. The aim of the program is to provide employees with preventive measures, through simple procedures, for different events that may arise in an adequate and timely manner. In addition, the aim is to raise awareness among people so that they act preventively in all their daily activities. The program covered the following areas:

1	Prevention measures against the COVID-19 pandemic.
2	Emergency preparedness and response: fires.
3	Emergency preparedness and response: seismic movements.
4	Emergency preparedness and response: volcanic eruptions.
5	Emergency preparedness and response: bomb threats.
6	Emergency preparedness and response: acts of war (attacks, terrorism).
7	Preparación y respuesta ante emergencias: grandes concentraciones humanas (manifestaciones, desorden civil).
8	Emergency preparedness and response: tsunami threat.
9	Emergency preparedness and response: epidemics and pandemics.
10	Flood prevention measures.
11	Psychosocial violence prevention program.
12	Comprehensive program for the prevention and reduction of the use and consumption of alcohol, tobacco and other drugs in the workplace.
13	Promotion in the workplace of the importance of HIV/AIDS prevention.
14	Ergonomic risk prevention program.
15	Reproductive health risk prevention program.
16	Psychosocial risk prevention program.
17	Digestive disease prevention program.
18	Safety signage.
19	Safety diamond.

24.3 **Vaccination campaigns:**

In line with our commitment to look after the health of our collaborators, in January 2023, in coordination with the Ministry of Public Health, we organized vaccination days against seasonal influenza.

VACCINATION CAMPAIGN			
	Description	Date	City
1	Vaccination against seasonal influenza	January 12 and 13 of 2023	Guayaquil
2	Vaccination against seasonal influenza	January 17 and 18 of 2023	Machala

24.4 Occupational health and safety management manual (OHSMM)

The health and safety of workers is one of the fundamental components for the optimal functioning of any entity and, in turn, reflects the state of productivity of the same. Seen in this way, a healthy individual is the most important factor in the productive processes of the institution.



BANCO DE MACHALA S. A. is committed to providing its employees, suppliers and/or visitors with a safe working environment by identifying, preventing, prioritizing and controlling risks that may affect people's health and safety.

This manual sets out the components of preventive occupational health and safety (OHS) management through the implementation of a logical, step-by-step method based on the PDCA (plan, do, check and act) cycle, serving as a general guideline for the organization in its planning to deal with present risks. **All of this, in compliance with the legal requirements applicable to occupational health and safety**, establishes the system as a management tool, with the aim of administering resources and promoting good practices, preventing possible accidents and illnesses arising from the development of activities. The main components of the manual are:

24.5 **Politics**

We have a policies and procedures manual for managing occupational health and safety (OHS) risks and opportunities, taking ISO45001:2018 as a reference guide.

Commitments

One of the commitments established in this policy is:

“To provide safe and healthy working conditions for the prevention of work-related injuries and deterioration of health, and which is 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

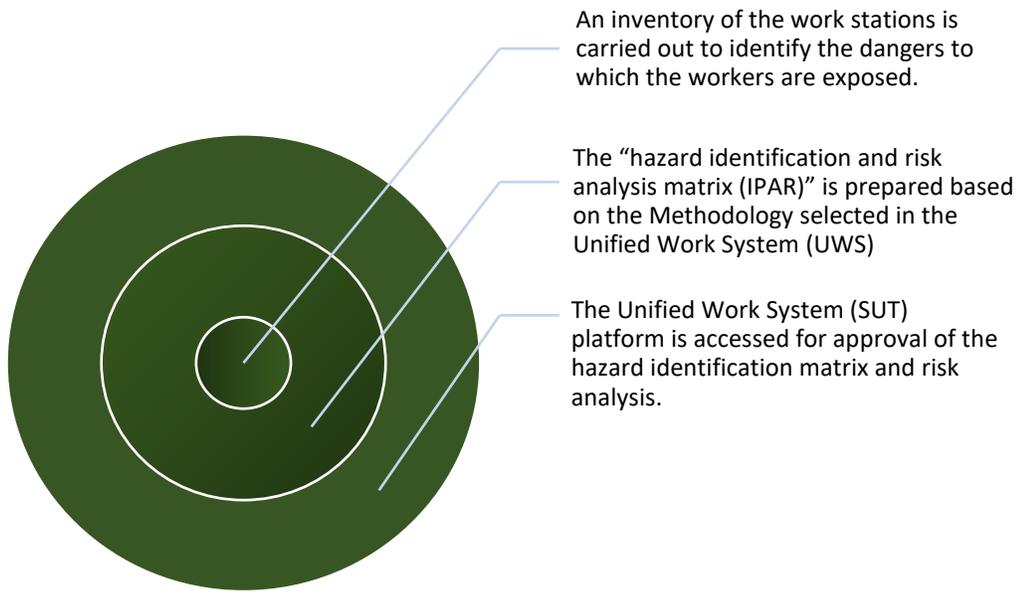
As part of our commitments, we undertake to provide the necessary financial resources and to establish the implementation of this policy.

Responsibilities

It is the responsibility of all BANCO DE MACHALA employees to comply with and enforce the provisions of the policies and procedures manual for managing occupational health and safety (OHS) risks and opportunities.

Hazard identification and risk assessment

For the identification of hazards and the evaluation of risks in occupational health and safety, the following is considered:



24.6 Management indicators report

In accordance with the stipulations of art. 57 of the general occupational risk insurance regulations (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 occupational risk prevention management indicators are sent to the IESS General Occupational Risk Insurance:

- a) Frequency index (FI).
- b) Severity index (SI).
- c) Hazard rate (HR).



During 2023, our institution had two workplace accidents, which were reported and the protocols indicated by the competent authority were established. We therefore maintain excellent management results.

Also, **one proactive indicator** of occupational risk prevention management is maintained, which is “Weekly occupational health and safety dialogues (DSSSO)”.

24.7 **Physical risk prevention program**

We are maintaining the course on risk prevention in the event of tremors and earthquakes, which is given during the induction process for new employees.

24.8 **The institution's medical service**

It was established that it was necessary to contract medical services for the institution in compliance with current legislation in Ecuadorian territory, in accordance with Art. 430 of the labor code (RO167, 12.16.2005) (ref. 05.22.2016), we have a department in the Greater Guayaquil Branch and one in the Headquarters in the city of Machala.

In order to achieve effective health protection, the institution's medical service implements and promotes controls to prevent damage that could occur due to the common and specific risks of the activities they perform and to promote healthy health practices in their collaborators, seeking in all cases the scientific adaptation of man to work and vice versa.

The institution's medical service works in close collaboration with the Occupational Health and Safety Department (OHSD) in order to achieve the most comprehensive prevention of occupational risks.

24.9 **Planned workplace inspections**

As part of the proactive indicators for the management of occupational risk prevention in our institution, a safety inspection plan has been drawn up covering the Head Office, Branches, Agencies and Counters.



The plan has been fulfilled according to the established schedule.

The reports with the observations and opportunities for improvement were sent to those responsible for the sites visited, in the hope that preventive measures will be taken to achieve safer and more reliable sites where our collaborators carry out their functions and activities.

24.10 **Occupational risk prevention management**

The institution's occupational health and safety plan is updated solely by the Occupational Health and Safety Coordinator, who is responsible for monthly monitoring of compliance with the plan and for making any necessary rescheduling or adjustments due to unforeseen circumstances that may arise during the year of implementation of the plan.

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

“BANCO DE MACHALA S.A., whose main activity is that of private banks, authorized financial services, works permanently to achieve high standards of occupational health and safety, the environment, social responsibility and quality of service, complying with current national legislation and our internal regulations, to develop safe and healthy work areas and procedures, aimed at eliminating foreseeable losses that could result in occupational injuries or illnesses for its employees, damage to equipment and property, or that seriously affect the environment; thus establishing a comprehensive system of safety, health and environment, through the continuous improvement of our operational and administrative processes.

Additionally, as part of our safety program, the Occupational Health and Safety Department continues to implement the following programs and campaigns:

 <p>The psychosocial risk prevention program was carried out as established by law and uploaded to the Unified Labor System (ULT).</p>	 <p>Preparation of medical records for health surveillance.</p>	 <p>The comprehensive program for the prevention and reduction of the use and consumption of alcohol, tobacco and other drugs in the workplace was carried out as established by law and uploaded to the ULT.</p>
 <p>The training plan was recorded, carried out according to plan and uploaded to the ULT.</p>	 <p>The occupational risk declaration and action plan were carried out according to plan and uploaded to the ULT.</p>	 <p>Emergency response plan drills were carried out in all offices.</p>

It should be noted 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.

24.11 **Emergency preparedness and response**

The continuous expansion of industrial processes and scientific advances gave way to a series of increasingly specific and more complex technological risks which, together with natural risks, exponentially increased the dangers to which societies and organizations are exposed.

To guarantee an adequate level of security for the facilities and the people involved in its processes, BANCO DE MACHALA S. A. has taken care to increase the level of protection of its collaborators, clients and visitors against the risks derived from all its activities, giving rise to the creation of emergency response plans, which is the document belonging to the Self-Protection Plan to guarantee business continuity.

General objectives:

- To facilitate the prevention of risks to people, property and the environment, in all those activities, sites, spaces and facilities that may be affected by emergency situations.
- To promote an adequate response to possible emergency situations.
- Integration of the Emergency Response Plan into other higher-level plans.

Specific objective:

- Description of the establishment, its facilities and the sectors, or areas of potential risk.
- Identify, analyze and evaluate internal and external risks.
- Establish forms of collaboration with the public authorities.
- Guarantee the reliability of the facilities and the means of protection.
- Guarantee the availability of trained and prepared personnel for rapid and effective action.

- Guarantee immediate intervention, evacuation and/or confinement (if necessary).
- Guarantee the intervention of external aid.
- Identify the existing means of protection necessary to mitigate possible events (human and material).
- Organize human and material resources and plan their duties.

25 Human Capital

25.1 Demographic

(GRI 2-7, 2-30, 401-1, 405-1)

Our team plays a fundamental role in achieving our objectives. 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 source of stable employment, which also contributes to the development of the economy through financial activity. We closed 2023 with 936 employees, which is a 10% increase in our institutional workforce. **100% of our employees have a permanent contract and work full-time.**

Description	Female	Male	Total
Number of employees	543	393	936
Number of permanent employees	540	393	933
Number of temporary employees	3	-	3
Number of employees on non-guaranteed hours	-	-	-
Number of full-time employees	543	393	936
Number of part-time employees	-	-	-

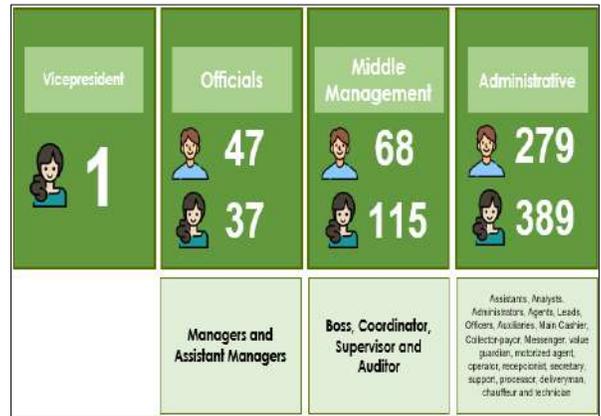
In terms of geographical distribution, the results for 2023 reflect the nature of the offices located in each province. Most of the employees are concentrated in the provinces of El Oro and Guayas, because the headquarters and the largest branch of Banco de Machala are located there. The third province with the highest representation of human talent is Pichincha, followed by Azuay and Los Ríos.

2023									
Azuay	El Oro	Guayas	Loja	Los Ríos	Manabí	Pichincha	Santo Domingo	Tungurahua	Total
Number of employees									
21	230	591	14	16	10	33	7	14	936
Number of permanent employees									
21	229	589	14	16	10	33	7	14	933
Number of temporary employees									
-	1	2	-	-	-	-	-	-	3
Number of employees on non-guaranteed hours									
-	-	-	-	-	-	-	-	-	-
Number of full-time employees									
21	230	591	14	16	10	33	7	14	936
Number of part-time employees									
-	-	-	-	-	-	-	-	-	-

As part of our commitment to gender equality and young talent, the highest percentage of our employees are aged between 26 and 35, and of the total number of women and men, they account for 42% and 31%, respectively.

At Banco de Machala, our organizational structure is based on four fundamental pillars that work in harmony to provide high quality financial services to our customers. These pillars are: the strategic level, represented by the Vice-President; the Officer level, made up of specialized professionals who play key roles in specific areas; the Middle Management level, composed of leaders who supervise and coordinate daily operations; and the Administrative level, which includes collaborators who provide operational and logistical support for the efficient functioning of the bank. Each of these positions plays a vital role in achieving our objectives and in providing exceptional services to our customers.

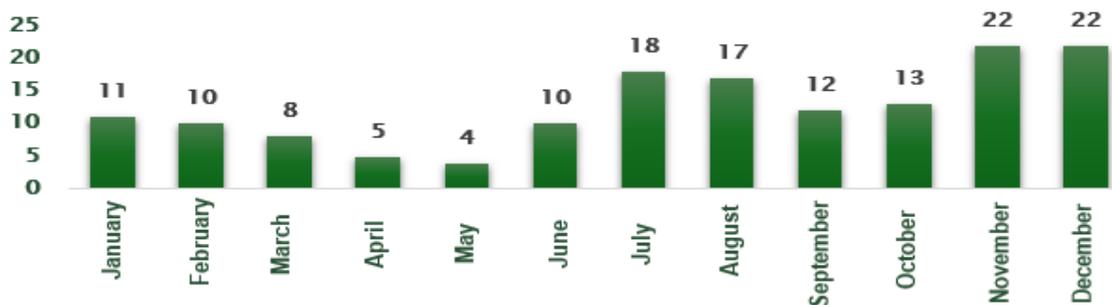
It is possible to show that, in this structure, by 2023, the participation of women was of great relevance, starting with leadership from the vice-presidency to the significant presence in managerial and administrative positions, where their percentage was higher than that of men.



On the other hand, with regard to the staff fluctuation rate, by 2023 there was a 14% increase in staff departures compared to 2022.

During this period of analysis, the institution applied a methodology called downsizing, which consisted of an internal restructuring of the workforce, due to the automation of the main processes, together with the digitization of financial products and services through online platforms and mobile applications, all of which led to improved efficiency and significant cost reductions.

Banco de Machala's commitment to the development of young talent is reflected in our internship program, which started with 11 participants and ended with 22, doubling the number of young students who joined our organization. This increase, throughout 2023, highlights the importance of offering practical learning opportunities to future professionals.



25.2 Employee development

(GRI 201-3, 401-2, 404-1, 404-2, 404-3)

By trying to live the organizational values, the collaborators work to support the objectives of the institution. To this end, multiple actions and initiatives are deployed to promote their integral development, that is, to elaborate and execute an Annual Training Plan that aims to develop the soft and technical skills of our personnel.

During 2023, we invested \$15,096 in internal training, carrying out a total of 92 training events, both virtual and face-to-face. This represented a 24% increase in training programs compared to 2022.

These workshops totaled 949 hours and dealt with the following topics:

Topic	Objective
Hispanic Insurance Platform	To publicize all the procedures available to be carried out on the platform.
Oroavisos	To publicize all the procedures available to be carried out on the platform.
Mass creation of clients and opening of payroll accounts.	To instruct business and operations personnel about the new massive process of customer creation and payroll account opening.
Fraud Prevention.	To instruct financial and communication channel collaborators on how to react to a possible fraud event.
Process for the Application of Targeted Financial Sanctions OFAC - UN	Provide insight into complying with the best practices required by international standards (new correspondent banks in the USA), as well as a talk on the topic of money laundering risk management in order to provide feedback and reinforce knowledge.
Financial Education Workshop	Contribute to the development of financial knowledge and knowledge of the National Financial System for making sound and informed decisions.
Workshop - Tabletop exercise on RANSOMWARE	Evaluate the bank's security incident response process.

Likewise, in order to apply continuous improvement and monitoring to job responsibility, we carry out a performance evaluation every year, which is based on organizational competencies (results orientation, sense of belonging, innovation, communication and customer orientation) and functional competencies (attitude towards superiors, quality of work, leadership, decision-making, etc.).

Performance evaluation is compulsory for all Bank staff with more than six months' seniority and is carried out digitally in the internal system. Therefore, the coverage was 100% of those to whom it applied according to these conditions.

Banco de Machala's employees, in addition to the benefits granted by law, receive organizational benefits designed to provide economic stability and security in access to health, thus ensuring that the main needs of employees are met. One of the main benefits is the granting of bank loans at preferential rates, such as emergency, consumer, educational and housing loans.

- Emergency credit: to resolve any domestic calamity, health problems, etc.
- Consumer credit: for the purchase of personal property, various repairs, financing of travel or restructuring of any type of liabilities, etc.
- Credit card: for personal use.
- Educational credit: for the financing of professional or technical education and training of human talent.
- Mortgage credit: for construction, purchase of housing, land or real estate.

With regard to obligations related to defined benefit plans and other retirement plans, the Bank rigorously complies with the annual provisions established by current law. In addition, with regard to other retirement modalities, the Bank ensures compliance with the provisions of the control bodies through the timely payment of contributions to the Ecuadorian Institute of Social Security (IESS).

26 GRI Index of conformity

Declaration of use	Banco de Machala has reported the information cited in this GRI content index for the period from January 1 to December 31, 2022 with reference to the GRI Standards.
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GRI Standard	Content	Page	Omission/Response
GRI 1: Fundamentals 2021	It is applied transversally throughout the report		
	THE ORGANIZATION AND ITS REPORTING		
	2 - 1 Details of the organization	12-14	
	2 - 2 Entities included in the sustainability report of the organization	9-11	
	2 - 3 Reporting period, frequency and point of contact	9-11	
	2 - 4 Restatement of information	9-11	
	2 - 5 External verification	9-11	
	ACTIVITIES AND EMPLOYEES		
	2 - 6 Activities, chain of value and other commercial relations	14-15	
	2 - 7 Employees	125-127	
	2 - 8 Workers that are not employees	NA	Not applicable.
	CORPORATE GOVERNMENT		
	2 - 9 Governance structure and composition	39-47	
	2 - 10 Nomination and selection of the highest governance body	39-47	
	2 - 11 Chairman of the highest governing body	39-47	
	2 - 12 Role of the highest governance body in overseeing impact management	39-47	
	2 - 13 Delegation of responsibility for impact management	39-47	
	2 - 14 Role of the highest governance body in preparing sustainability reports	39-47	
GRI 2: General Content 2021	2 - 15 Conflicts of interest	39-47	
	2 - 16 Communication of critical concerns	111-113	
	2 - 17 Collective knowledge of the highest governance body	39-47	
	2 - 18 Evaluating the performance of the highest governance body	39-47	
	2 - 19 Remuneration policies	48-49	
	2 - 20 Process for determining remuneration	48-49	
	2 - 21 Annual total compensation ratio	48-49	
	STRATEGIES, POLICIES AND PRACTICES		
	2 - 22 Sustainable development strategy statement	32-35	
	2 - 23 Policy commitment	32-35	
	2 - 24 Incorporation of policy commitments	35-39	
	2 - 25 Processes to remedy negative impacts	55-64	
	2 - 26 Mechanisms for seeking advice and raising concerns	49	
	2 - 27 Compliance with laws and regulations	49	
	2 - 28 Membership of associations	24-29	
	PARTICIPATION FROM GROUPS OF INTEREST		
	2 - 29 Approach to stakeholder participation	29-31	
	2 - 30 Collective bargaining agreements	125-127	We do not have collective bargaining agreements
	COMPLEMENTARY GRI STANDARDS		
GRI 3: Material Topics 2021	3-1 Process for determining material topics	9-11	

	3-2 List of material topics	9-11	
	3-3 Management of material topics	9-11	
	ECONOMIC DEVELOPMENT		
GRI 201: Economic Development 2016	201-1 Direct economic value generated and distributed	66-68	
	201-4 Financial assistance received from the government	66-68	
	RISK MANAGEMENT		
	201-2 Financial implications and other risks and opportunities due to climate change	55-64	
	HEALTH AND FINANCIAL INCLUSION		
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts, including the extent of impacts.	34-35	
GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs.	70-78	
	413-2 Operations with significant actual and potential negative impacts on local communities.	70-78	No event has occurred
	ETHICS AND ANTI-CORRUPTION		
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	49-50	
	205-2 Communication and training about anti-corruption policies and procedures	49-50	
	205-3 Confirmed incidents of corruption and actions taken	49-50	No event has occurred
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	NA	No event has occurred
GRI 415: Public policy 2016	415-1 Political contributions	49-50	
	CLIMATE CHANGE		
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	90-92	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	84-85	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	85-87	
	302-2 Recycled inputs used	84-86	
	302-3 Energy intensity	86-87	
GRI 303: Water and effluents 2018	303-5 Water consumption	84-89	
GRI 305: Emissions 2016	305-1 Direct GHG emissions (scope 1)	79-84	
	305-2 Energy indirect GHG emissions (Scope 2)	79-84	
	305-3 Other indirect GHG emissions (Scope 3)	79-84	
	305-4 GHG emissions intensity	79-84	
GRI 306: Effluents and waste 2016	306-3 Significant spills	89-90	
	306-4: Transport of hazardous waste	89-90	
	INNOVATION IN PRODUCTS AND SERVICES		
GRI 3: Temas Materiales 2021	3-3 Management of material issues	93-97	
	HUMAN CAPITAL		
GRI 201: Economic performance 2016	201-3 Defined benefit plan obligations and other retirement plans	128-129	
GRI 401: EMPLOYMENT 2016	401-1 New employee hires and employee turnover	125-127	
	401-2 Benefits for full-time employees that are not given to part-time or temporary employees	128-129	
	401-3 Parental leave	114-116	
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	128-129	
	404-2 Programs for upgrading employee skills and transition assistance programs	128-129	
	404-3 Percentage of employees receiving regular performance and career development reviews	128-129	

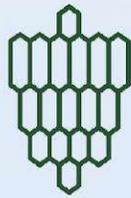
OCCUPATIONAL HEALTH AND SAFETY (OHS)			
GRI 403: Occupational Health and Safety	403-1 Occupational health and safety management system	116-125	
	403-2 Hazard identification, risk assessment, and incident investigation	116-125	
	403-3 Occupational health services	116-125	
	403-4 Worker participation, consultation, and communication on occupational health and safety	116-125	
	403-5 Worker training on occupational health and safety	116-125	
	403-6 Promotion of worker health	116-125	
	403-7 Prevention and mitigation of the impacts on the health and safety of workers directly linked to commercial relationships	116-125	
	403-8 Coverage of the occupational health and safety management system	116-125	
	403-9 Injuries due to occupational accidents	116-125	
	403-10 Occupational illnesses and diseases	116-125	
DIVERSITY AND GENDER EQUALITY			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	125-127	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	128-129	
	401-3 Parental leave	114-116	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity in governance bodies and employees	125-127	
GRI 406: Non-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	114-116	
CORPORATE GOVERNMENT			
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	48-49	
CUSTOMER ATTENTION			
GRI 203: Indirect Economic Impacts 2016	203-1 Development and impact of investment in infrastructure and types of services	93-97	
GRI 416: User health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories.	113-114	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services.	NA	No event has occurred
GRI 417: Marketing and labeling	417-1 Requirements for product and service information and labeling.	113-114	
TECHNOLOGY			
GRI 203: Indirect economic impacts 2016	203-1 Development and impact of investment in infrastructure and types of services	93-97	
MARKETING AND INFORMATION ON PRODUCTS AND SERVICES			
GRI 3: Material topics 2021	3-3 Management of material issues	100-111	
GRI 417: Marketing and labeling	417-2 Incidents of non-compliance concerning product and service information and labeling.	NA	No cases of non-compliance were detected
	417-3 Instances of non-compliance concerning marketing communications.	NA	No cases of non-compliance were detected
SEGURIDAD DE LA INFORMACIÓN			
GRI 416: User health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories.	113-114	
GRI 417: Marketing and Labeling	417-1 Requirements for product and service information and labeling.	113-114	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data.	98-100, 111-114	

GRI Sector Standards Financial Sector			
GRI Standard	Content	N° Ref.	Omission
FS1	with specific social and environmental components applied to business lines	68-70	
FS2	Procedures for assessing and screening environmental and social risks in business lines.	68-70	
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	68-70	
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	68-70	
FS5	Interactions with clients/investors/business partners regarding environmental, social and related risks and opportunities.	68-70	
FS6	Percentage of the portfolio by business line by region, size (micro/SME/large) and sector.	66-68	
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	70-78	
FS8	Monetary value of products and services designed to provide a specific environmental benefit for each business line broken down by purpose.	16-18, 70-78	
FS9	Coverage/Scope and frequency of audits to ensure the implementation of environmental and social risk policies and analysis.	68-70	
FS10	Percentage and number of companies included in the company's portfolio with which the reporting organization has interacted on environmental or social issues.	68-70	
FS13	Access points in sparsely populated or economically disadvantaged areas by type	70-78	
FS14	Initiatives to improve access to financial services for disadvantaged people.	70-78	
FS15	Policies for the fair design and sale of financial products and services.	70-78	
FS16	Initiatives to improve financial education by type of beneficiary	70-78	

27 SASB Index Parameters

Standard	Topic	Code	Accounting or activity parameter	Page	Omission
Consumer finance - 2018	Customer privacy	FN-CF-220a.1	Number of account holders whose information is used for secondary purposes	98-100	
		FN-CF-220a.2	Total amount of economic losses as a result of legal proceedings associated with customer privacy	NA	No cases of non-compliance were detected
	Data security	FN-CF-230a.1	(1) Number of information leaks (2) with percentage indicating personally identifiable information (3) number of account holders affected	98-100	No cases of non-compliance were detected
		FN-CF-230a.2	Losses from card-related fraud (1) card-not-present fraud and (2) card-present fraud and other fraud	NA	
		FN-CF-230a.3	Description of the approach taken to identify and address data security risks	98-100	
	Sales practices	FN-CF-270a.1	Percentage of total compensation for covered employees that is variable and linked to the number of products and services sold	48-49	
		FN-CF-270a.2	Approval rate for (1) credit and (2) prepaid products for applicants with FICO scores above and below 660	NA	Information not available.
		FN-CF-270a.3	(1) Average fees for complementary products, (2) average APR, (3) average age of accounts, (4) average number of commercial lines, and (5) average annual fees for prepaid products for customers with FICO scores above and below 660	NA	Information not available.
		FN-CF-270a.4	(1) Number of complaints filed with the Consumer Financial Protection Bureau (CFPB), (2) percentage with monetary and non-monetary compensation, (3) percentage disputed by consumer, (4) percentage that resulted in investigation by the CFPB.	72, 111-113	
		FN-CF-270a.5	Total amount of loss as a result of legal proceedings associated with the sale and service of products	NA	No cases of non-compliance were detected
	(Activity metric)	FN-CF-000.A	Number of unique customers with (1) active credit account and (2) debit account	66-68	
(Activity metric)	FN-CF-000.B	Number of (1) credit card accounts and (2) debit accounts	NA		
Commercial banking - 2018	Data security	FN-CB-230a.1	(1) Number of information leaks (2) with percentage indicating personally identifiable information (3) number of account holders affected	NA	No cases of non-compliance were detected
		FN-CB-230a.2	Description of approach taken to identify and address data security risks	98-100	
	Financial inclusion and capacity building	FN-CB-240a.1	(1) Number and (2) amount of qualified outstanding loans for programs designed to promote small businesses and contribute to the socioeconomic development of the community	70-78	

		FN-CB-240a.2	(1) Number and (2) amount of past due and non-accrual loans qualified for programs designed to promote small business and the socio-economic development of the community.	70-78	
		FN-CB-240a.3	Number of no-cost checking accounts provided to previously unbanked minority customers.	NA	
		FN-CB-240a.4	Number of participants in financial education initiatives for unbanked, underbanked or underserved customers.	70-78	
	Incorporation of environmental, social and corporate governance factors in credit analysis	FN-CB-410a.1	Commercial and industrial credit exposure by industry	66-68	
		FN-CB-410a.2	Description of the approach to environmental, social and corporate governance (ESG) factors in credit analysis	68-70	
	Business ethics	FN-CB-510a.1	Total amount of loss as a result of legal proceedings associated with fraud, anti-competitive behavior, market manipulation, malpractice or other financial regulations	NA	No cases of non-compliance were detected
		FN-CB-510a.2	Description of whistleblowing policies and procedures	49-50	
	Systemic risk management	FN-CB-550a.1	Global systemically important bank (G-SIB) score, by category	NA	This SASB topic does not correspond to Banco de Machala.
		FN-CB-550a.2	Description of the approach to incorporating results of mandatory and voluntary stress tests into capital adequacy planning and long-term corporate strategy	NA	This SASB topic does not correspond to Banco de Machala.
	(Activity metric)	FN-CB-000.A	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	NA	
	(Activity metric)	FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business and (c) corporate	66-68	



Banco de Machala



finance initiative



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AAA-
Pacific Credit Rating

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