

**UN**  
environment  
programme



finance  
initiative

Principles for  
Responsible Banking

# Reporting and Self-Assessment Template

---

Principles for Responsible Banking



Reviewed version (V2) from September 2022



## Reporting and Self-Assessment Template

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

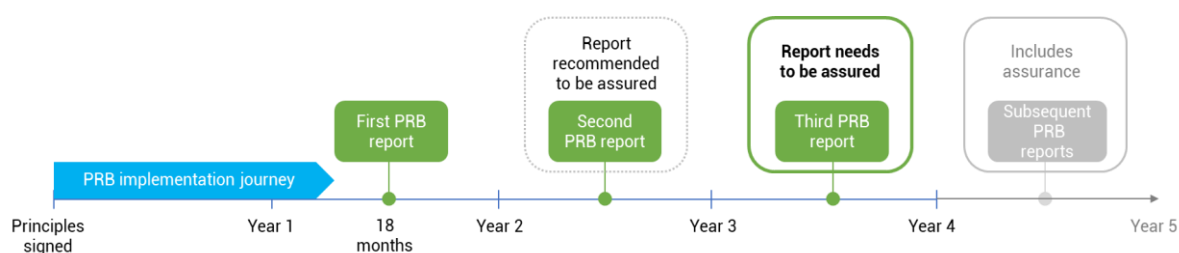
Three [Key Steps](#) are critical to showing that your bank is fulfilling its commitments as a signatory of the PRB, i.e. Impact Analysis, Target Setting & Implementation and Assured Reporting/Accountability. The sections in the Reporting and Self-Assessment Template that relate to the 3 Key Steps also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

### Accommodating different starting points

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

### Timeline for reporting and assurance

Signatory banks need to report on their implementation of the Principles on an annual basis. The first PRB report has to be published within 18 months of signing the Principles, to give the bank some flexibility to align the PRB reporting with its reporting cycle. Publishing the first PRB report at any point earlier than 18 months after signing the Principles is therefore an option. After the first PRB reporting has been published, subsequent reports have to be published annually thereafter, i.e. within 12 months at the latest after the prior report<sup>1</sup>.



### Assurance

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

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

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

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

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

## Purpose of the template

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

# How to use this template

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

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

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

# Principle 1: Alignment



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

## Business model

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

### Response:

*Banco de Machala is a financial institution operating in Ecuador, offering an extensive network of service points nationwide. This makes it easier for clients and financial users to access various products and services, with tailored attention to ensure a secure and customer-oriented banking experience. Currently, there are 127 service points across the country.*

### Links and references:

*[https://www.bancomachala.com/media/56193/memoria\\_institucional\\_2023.pdf](https://www.bancomachala.com/media/56193/memoria_institucional_2023.pdf)*

Coverage Distribution  
A network of 127 service points across the main provinces of the country.

Type of office	Quantity
Main office	1
Branches	13
Local branches	26
Drive-thru services	1
Special offices	5
Overseas branches	2
ATMs	55
Multi-purpose ATMs	23
Virtual Offices	2
<b>TOTAL</b>	<b>126</b>



Source: Banco de Machala S.A.

*Banco de Machala incorporates sustainability into its business model by integrating economic, social, and environmental management, supported by robust governance. The institution has established five strategic cornerstones to guide its operations: "Ethics and Compliance," "Responsible Banking," "Customer Experience," "Corporate Governance," and "Team Experience." Our model promotes sustainable development by aligning with the Sustainable Development Goals (SDGs) in our institutional*



	Microloan	<ul style="list-style-type: none"> <li>• Corporate Credit Card</li> <li>• Visa Agro Credit Card</li> </ul>	
--	-----------	--	--

*The main sectors financed by the portfolio include Agriculture, Livestock, Forestry, and Fishing; Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles; Other Service Activities; and Manufacturing Industries.*

*Similarly, the primary activities financed by the Bank are banana cultivation, shrimp farming and export, construction of all types of residential buildings, real estate sales, leasing, and management.*

*Regarding the geographic distribution of our clients, 44% are in the Guayas Province, followed by 39% in El Oro, and 17% in other provinces.*

### Strategy alignment

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

- Yes  
 No

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

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

- UN Guiding Principles on Business and Human Rights  
 International Labour Organization fundamental conventions  
 UN Global Compact  
 UN Declaration on the Rights of Indigenous Peoples  
 Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: Regulation of the Superintendency of Banks, Resolution SB-2022-2012  
 Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----  
 None of the above

**Response:**

*At Banco de Machala, sustainability is a strategic focal point that shapes our vision and actions. We are committed to the financial health and inclusion of our clients and the community, fostering a culture of savings that enables access to responsible financial solutions and informed decision-making. Additionally, we promote sustainable environmental practices among our clients, reinforcing our commitment to climate change mitigation through carbon footprint measurement and the implementation of decarbonization strategies across our product portfolio.*

*Since December 2019, we have been signatories to the Principles for Responsible Banking under the United Nations Environment*

**Links and references:**

<https://unglobalcompact.org/what-is-gc/participants/149655-Banco-de-Machala-S-A->

[https://www.bancomachala.com/media/56193/memoria\\_institucional\\_2023.pdf](https://www.bancomachala.com/media/56193/memoria_institucional_2023.pdf)

*Programme Finance Initiative (UNEP FI). Aligned with the six principles of this initiative, we have developed and implemented strategies that not only generate value in the financial business but also have a positive impact on society, actively contributing to the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change.*

*We also voluntarily participate in initiatives that allow us to align our business strategy with the expectations of our stakeholders. Among them, we highlight our observance of the Women's Empowerment Principles of UN Women and our participation in the United Nations Global Compact. These commitments have enabled us to strengthen our gender equality policies, promote an inclusive and responsible work environment, and reaffirm our commitment to sustainability and human rights across all our operations.*

*In compliance with local regulations, including Resolution No. SB 2022-1212 from the Superintendence of Banks, we have implemented an Environmental and Social Risk Management System. This system allows us to effectively manage the risks associated with credit operations. It includes a clear methodology for the identification, assessment, management, and monitoring of these risks, in line with the policies established by the Corporate Governance Board.*

*To ensure effective management, we employ qualified personnel selected based on internally defined profiles, specifically tailored to the activities and projects being financed. We also use tools that support the application of procedures, such as an exclusion list. This list acts as an initial filter to ensure that activities or sectors not eligible for financing—due to regulatory, reputational, or risk-related reasons, or because they align with the exclusion lists of international funders—are excluded. Furthermore, our categorization system assigns an environmental and social risk level, which helps determine the level of due diligence required for proper management.*

*The commitments made because of the environmental and social risk analysis are formalized in a Terms and Conditions Letter, which must be approved and signed by the client. Compliance with these commitments is monitored throughout the duration of the credit and verified before the renewal of any new financing operation.*

## Principle 2: - Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from



our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

## 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>2</sup> and fulfil the following requirements/elements (a-d)<sup>3</sup>:

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

**Response:** *In 2023, Banco de Machala defined its priority stakeholder groups and applied a materiality matrix between internal and external groups. This tool helped identify opportunities for sustainability strategies.*

*Additionally, the UNEPFI Impact Analysis Tool was used to understand the environmental, social, and economic impacts (both positive and negative) associated with the portfolio. It also assessed how these impacts align with the needs and priorities of the countries and geographical areas where the bank operates, in order to determine the type of impact (positive or negative).*

**Determination of the product and service mapping:** *According to the structure of the tool, the following "provision of products and services to individuals" was considered:*

- *Consumer Banking: Consumer loans, credit cards, checking accounts, and savings accounts.*
- *Institutional Banking: Commercial and productive loans, including various economic activity sectors and business size segments: SMEs, companies, and large corporations.*

Links and references

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

- i) by sectors & industries<sup>4</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

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

**Response:** *Below are the main sectors and industries that Banco de Machala finances, as well as its portfolio structure by type of loan:*

*i. Sectoral exposure of the portfolio:*

Links and references

<sup>2</sup> That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

<sup>3</sup> Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

<sup>4</sup> 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Sector	2022	2023	Percentage
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	11.93	27.86	3.92
Other activities	93.86	94.9	13.36

ii. Portfolio composition by subsegment:

Credit subsegment	Percentage of participation in the portfolio:
Productive	63.0%
Consumer	29.9%
Mortgage	5.1%
Microloan	1.7%
Student's loan	0.3%
Total	100%

**c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?<sup>5</sup> Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

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

**Response:** *The main challenges and priorities related to sustainable development in Ecuador, where Banco de Machala operates, include:*

- *Climate change and environmental risk management*
- *Access to financial services for vulnerable groups (women, youth, SMEs)*
- *Financial inclusion and financial education*
- *Sustainable economic development and poverty reduction*
- *Natural resource management and biodiversity*

*To address these challenges, Banco de Machala has engaged various stakeholders, including:*

- *Clients: Through surveys and consultations to understand their needs and priorities.*
- *Multilateral organizations: To gain perspectives and expertise on sustainable development.*
- *Companies and productive sectors: To identify opportunities for sustainable financing.*

*Banco de Machala has taken these challenges and priorities into account through:*

Links and references

<sup>5</sup> Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

- *Impact analysis: To identify areas for improvement and opportunities to contribute to sustainable development.*
- *Sustainability strategies: To integrate sustainability considerations into operations and services.*
- *Education and training: To promote financial and sustainable education among clients and employees.*
- *Collaborations and partnerships: To work with stakeholders on sustainable development initiatives.*

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)<sup>6</sup>? Please disclose.

**Response:** Through the UNEPFI Impact Analysis Tool, the identified areas were:

Prioritized impact areas:	Associated positive impacts:	Associated negative impacts	Remarks
Health and financial inclusion	Education Mobility Information Thriving MSMEs Socioeconomic convergence		Credit improves access and usage for the financially excluded, fostering financial inclusion. However, it could also have a negative association with this area if adequate financial education processes are lacking, potentially leading to scenarios of over-indebtedness.
Climate mitigation	Natural disasters Health and safety Bodies of water Air Species Habitat Resource availability	Power Other vulnerable groups Socioeconomic convergence	The Bank has a significant credit portfolio allocation, primarily in the agriculture, livestock, forestry, and fishing sectors in El Oro province. These loans largely support the entire production chain of bananas, shrimp, and other key industries.
<b>Sustainable Development Goals to prioritize:</b> <ul style="list-style-type: none"> <li>• SDG 5: Gender Equality</li> <li>• SDG 8: Decent Work and Economic Growth</li> <li>• SDG 9: Industry, Innovation, and Infrastructure</li> <li>• SDG 10: Reduced Inequalities</li> <li>• SDG 13: Climate Action</li> </ul>			

Links and references

**d) For these (min. two prioritized impact areas): Performance measurement.** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If

<sup>6</sup> To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

*The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.*

**Response:**

**CLIMATE MITIGATION**

*In 2023, through portfolio impact analysis, Banco de Machala confirmed climate mitigation as a priority management area for achieving the Principles for Responsible Banking (PRBs). Two medium- and long-term objectives were established, using the Paris Agreement as a starting point. The agreement establishes a strategic goal of keeping global warming well below 2°C, intending to limit it to just 1.5°C. This latter target was adopted as the Bank's goal.*

*Subsequently, the First Nationally Determined Contribution (NDC) under the Paris Agreement of the United Nations Framework Convention on Climate Change' was reviewed. Ecuador identifies two strategic action areas: adaptation to the adverse effects of climate change and mitigation to reduce emissions.*

*By aligning with the Paris Agreement's requirements and the adaptation and mitigation measures outlined in Ecuador's NDC, Banco de Machala structured its sustainability and risk management strategy for climate risk. This approach facilitated the definition of the Bank's medium- and long-term institutional objectives within these strategic lines.*

*This report reaffirms decarbonization objectives for the two prioritized sectors—banana and shrimp—identified through the quantification of financed emissions in accordance with the Partnership for Carbon Accounting Financials (PCAF) methodology. Examples 4-5 from Annex 1 of the 2023 PRB Feedback Report were referenced.*

*For disaggregating objectives as required, the Bank followed interpretations provided by the NZBA Intermediate Target Disclosure Checklist 2022.*

*Below are the institutional objectives:*

**Long term objective**

Link  
s  
and  
refe  
renc  
es

<b>Objective Delimitation</b>	Achieve a Net Zero portfolio by 2050, decarbonizing the entire credit portfolio, starting from a baseline of 488,314.35 tons of CO <sub>2</sub> equivalent. This will ensure compliance with the Paris Agreement through the progressive implementation of ESG practices, encourage the financing of projects with the best environmental and social practices, and managing the institution's greenhouse gas emissions in order to implement mitigation practices.
<b>Type of objective</b>	Emission intensity
<b>Year of objective achievement</b>	2050
<b>Base year</b>	Base year 2022
<b>Considered scenario</b>	The objective was set based on the scenario of a "global limit of 1.5°C by the end of the century," in accordance with the Paris Agreement.
<b>Scope 1, 2, and 3 emissions of clients:</b>	The goal is to decarbonize the investment portfolio, which involves implementing environmental practices to reduce the emissions of clients.
<b>Portfolio coverage</b>	The analysis conducted for the delimitation of the long-term objective considered 59% of the total portfolio for the year 2022, which corresponds to 93% of the portfolio from the productive segment for the same period.

<b>Sectors</b>	The specific objective is referenced in accordance with the NZBA (Net-Zero Banking Alliance).
<b>In-house operations</b>	Banco de Machala manages its GHG emissions by starting with quantification in order to implement mitigation practices for all three scopes.
<p><b>Medium-term objectives (SBT Initiative)</b>  <b>A) <u>Environmental and social risk assessment of the portfolio</u></b></p>	
<b>Delimitation of the Objective</b>	<p><b>a) <i>Adaptation</i></b>  <b>Evaluate the environmental and social risk of the bank's portfolio by 2030, focusing on the productive portfolio.</b>  Increase the environmental and social risk assessment in the productive portfolio to 32% and in the total portfolio to 19% by 2030, starting from the 2022 baseline.  This will involve promoting the identification, assessment, and mitigation of environmental and social risks at all stages of the bank's portfolio by implementing differentiated due diligence policies for credit operations.  The focus on environmental and social risk assessment and mitigation, based on the Environmental and Social Risk Management System is crucial for maintaining the long-term sustainability of the bank's operations and meeting the ethical and regulatory standards of local authorities and multilateral organizations.  This goal will be achieved by 2030, with milestones set and progress reviewed periodically to make necessary adjustments annually.</p> <p><b>b) <i>Mitigation</i></b>  Reduce the intensity of financed emissions by 10% for shrimp farming by 2030, starting from a baseline of 168,465 tons of CO<sub>2</sub> eq, and by 6% for banana cultivation by 2030, starting from a baseline of 155,593 tons of CO<sub>2</sub> eq, along with their associated operations per ton of CO<sub>2</sub> per kg of shrimp and banana, respectively.</p> <p>In this way, the bank's financing will align with the goals of the Paris Agreement of 1.5°C and the National Climate Change Strategy of Ecuador (MAATE, 2012), improving the productive efficiency and competitiveness of these strategic sectors through environmentally friendly products, such as green and blue loans, food security credits, and others linked to sustainability.</p>
<b>Type of objective</b>	The medium-term objectives are categorized as follows: Adaptation: Absolute values Mitigation: Emissions intensity
<b>Year of objective achievement</b>	2030

<b>Base year</b>	2022
<b>Considered scenario</b>	Banco de Machala will determine the scenario to be used with the SBTi tools, specifically the "Financial Institutions Net-Zero (FINZ) Standard," which is still under development for its long-term goal by 2050, in order to align with the 1.5°C target.
<b>Scope 1, 2, and 3 emissions of clients:</b>	Banco de Machala is currently developing the structure, methods, and scope for engaging its clients in climate mitigation, drawing on, among other inputs, the results from its portfolio measurement exercise
<b>Portfolio coverage</b>	<p><b>a) Adaptation</b> Increasing the environmental and social risk assessment in the productive portfolio to 32% and in the total portfolio to 19% by 2030, starting from the 2022 baseline.</p> <p><b>b) Mitigation</b> Banco de Machala is developing the structure, methods, and scope for engaging its clients in climate mitigation, using, among other inputs, the results from its portfolio measurement exercise, with the goal of achieving net-zero for its entire portfolio.</p>
<b>Sectors</b>	<p><b>a) Adaptation</b> The evaluation of environmental and social risks for the productive segment of the portfolio is prioritized, using the 2022 baseline as a reference.</p> <p><b>b) Mitigation</b> The economic activities of banana cultivation and shrimp farming, belonging to the Agriculture, Livestock, Forestry, and Fishing sectors, are prioritized.</p>
<b>In-house operations</b>	<p><b>a) Adaptation</b> Banco de Machala is currently developing the calculation of its GHG emissions for scopes 1, 2, and 3, which will serve as the baseline from which objectives for emission management can be established.</p> <p>The evaluation and mitigation of risks will be based on the Environmental and Social Risk Management System to achieve the target set for 2030 and comply with the ethical and regulatory standards of local authorities and multilateral organizations.</p> <p><b>b) Mitigation</b> Banco de Machala is currently developing the calculation of its GHG emissions for scopes 1, 2, and 3, which will serve as the baseline from which objectives for emissions management can be set.</p>

In this report, Banco de Machala presents progress regarding its mitigation and adaptation objectives through its KPIs, comparing the 2023 performance with the 2022 baseline, yielding the following results:

1. Mitigation		
Indicator	2022	2023

1.1	Amount invested in incorporating ESG practices / Amount invested in the shrimp and banana sectors.	<p>Banco de Machala has allocated the following amounts to strengthen its sustainable portfolio, aligned with Environmental, Social, and Governance (ESG) criteria:</p> <ul style="list-style-type: none"> <li>• Green Portfolio: \$55,019,919.24</li> <li>• Blue Portfolio: \$25,407,639.86</li> <li>• Food Security Portfolio: \$173,541,476.60</li> </ul> <p>This investment reflects Banco de Machala's commitment to sustainability and its promotion of responsible practices that foster sustainable economic development, environmental protection, and social well-being.</p>	
1.2	Tons of GHG emissions reduced / GHG emissions to be reduced (16,846.50 tons CO2 eq in shrimp and 9,335.58 tons CO2 eq in bananas)	N/A	<p>Banana Cultivation: A 36.28% reduction in absolute emissions compared to the 2022 baseline.</p> <p>Shrimp Farming: A 9.84% reduction in absolute emissions compared to the 2022 baseline.</p>
<b>2. Adaptation</b>			
	<b>Indicator</b>	<b>2022</b>	<b>2023</b>
2.1	Number of loans in the portfolio under the Environmental and Social Risk Management System.	25	164
2.2	Number and percentage of loans rejected due to environmental and social issues.	No loans were rejected during 2022 or 2023, as none were deemed incompatible with the eligibility criteria outlined in the Environmental and Social Risk Management System.	
2.3	The number and percentage of loans with low and moderate risk.	24	147
2.4	The number and percentage of loans with substantial or high risk.	1	17
2.5	Number of complaints and claims resolved / Number of complaints and claims received.	No complaints or claims were received during the 2022 or 2023 period, therefore the indicator is zero.	
2.6	Number of accidents and incidents reported.	No accidents or incidents were reported during the 2022 or 2023 period, so the indicator is zero.	
2.7	Number of field visits made by staff to review environmental and social aspects during loan evaluation.	25	164

Therefore, with these positive results, the progress of the institution towards its climate mitigation and adaptation goals can be evidenced, reaffirming our commitment to the Principles for Responsible Banking.

### **Health and financial inclusion**

Banco Machala S.A., in its 2020-2024 strategic plan, defined one of its objectives as "Financial Education and Inclusion," which has been established within the context of "responsible banking." To achieve this, two SMART objectives were defined.

#### **Objective 1: Financial Access**

Increase the number of women and/or women-led SMEs accessing loans (by 6% until 2030).

#### **Objective 2: Financial Education**

Ensure that 20% more people benefit from the financial education program, promoting informed financial decisions and efficient management of resources granted by the bank by 2030, with an additional 20% by 2050.

The indicators identified to measure these objectives are:

<p><b>Financial inclusion/Financial well-being</b></p>	<ul style="list-style-type: none"> <li>• Number of individuals trained.</li> <li>• Satisfaction index of trained individuals regarding financial education workshops.</li> <li>• Number of female clients obtaining credit from the bank.</li> <li>• Number of natural and legal persons (with women as their legal representatives) obtaining credit from the bank.</li> <li>• Percentage of clients with a good or excellent level of knowledge of their finances<sup>7</sup>.</li> <li>• Financial well-being index.</li> </ul>
--	--

<sup>7</sup> As determined by UNEP in appendix C of indicators of the financial inclusion guide.



### Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?<sup>8</sup>

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

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

*Mitigación Climática y Salud e Inclusión Financiera*

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

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

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

<sup>8</sup> You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

## 2.2 Target Setting (Key Step 2)

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

The targets<sup>9</sup> have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with<sup>10</sup> have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

*You can build upon the context items under 2.1.*

### **Response:**

*As previously mentioned in point 2.1, Banco de Machala has defined its strategic objectives based on its two prioritized areas.*

### **Climate mitigation**

The adaptation and mitigation objectives have been defined, taking into consideration the provisions established in the Paris Agreement, as well as the national strategies reported in Ecuador's NDC. These objectives have been structured according to the formats referenced by UNEP FI, in alignment with the SBT Initiative. More details on the chart below.

### **Long-term objective:**

<b>Delimitation of the Objective</b>	Achieve a Net Zero portfolio by 2050 by decarbonizing the entire credit portfolio, starting from a baseline of 488,314.35 tons of CO <sub>2</sub> equivalent. This aligns with the Paris Agreement through the progressive implementation of ESG practices that promote the financing of projects adhering to best environmental and social practices. Additionally, the institution will manage its greenhouse gas (GHG) emissions to implement effective mitigation practices.
<b>Type of objective</b>	Intensity of emissions
<b>Year of objective achievement</b>	2050
<b>Base year</b>	2022
<b>Considered scenario</b>	The objective was established based on the scenario of a "global 1.5°C limit by the end of the century," in alignment with the Paris Agreement.
<b>Scope 1, 2, and 3 emissions of clients</b>	The objective to decarbonize the investment portfolio involve implementing environmental practices aimed at reducing client emissions.

### *Links and references*

<p><b>Portfolio coverage</b></p>	<p>The analysis conducted to define the long-term objective considered 59% of the total portfolio for the year 2022, which corresponds to 93% of the productive segment portfolio for the same period.</p>
<p><b>Sectors</b></p>	<p>A specific objective is referenced in alignment with the guidelines of the Net-Zero Banking Alliance (NZBA).</p>
<p><b>In-house operations</b></p>	<p>Banco de Machala manages its greenhouse gas (GHG) emissions starting with their quantification, aiming to implement mitigation practices across all three scopes.</p>
<p><b>Medium-term objectives (SBT Initiative)</b>  <b>B) <u>Environmental and Social Risk Assessment of the Portfolio</u></b></p>	
<p><b>Delimitation of the Objective</b></p>	<p><b>c) <i>Adaptation</i></b>  <b>Assess the environmental and social risk of the bank's portfolio by 2030, focusing on the productive portfolio.</b></p> <p><b>The assessment of environmental and social risk will increase in the productive portfolio to 32% and in the total portfolio to 19% by 2030, starting from the 2022 baseline.</b>          To achieve this, the identification, evaluation, and mitigation of environmental and social risks will be promoted at all stages of the bank's portfolio by implementing differentiated due diligence policies for credit operations.          The focus on environmental and social risk assessment and mitigation based on the Environmental and Social Risk Management System is crucial to ensuring the long-term sustainability of the bank's operations and complying with the ethical and regulatory standards set by local authorities and multilateral organizations.</p> <p>Achieving this goal by 2030, with milestones established and progress</p>

<sup>9</sup> Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

<sup>10</sup> Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

	<p>periodically reviewed to make necessary adjustments annually.</p> <p><b>d) Mitigation</b> Reduce the intensity of financed emissions by 10% by 2030 in shrimp farming, based on a baseline of 168,465 tons of CO2 eq, and by 6% for 2030 in banana cultivation, based on a baseline of 155,593 tons of CO2 eq, along with their associated operations per ton of CO2 per kg of shrimp and banana, respectively.</p> <p>In this way, the alignment of the bank's financing with the goals of the Paris Agreement to limit global warming to 1.5°C, and with Ecuador's National Climate Change Strategy (MAATE, 2012), will be achieved. This will improve the productive efficiency and competitiveness of these strategic sectors through environmentally friendly products, such as green loans, blue loans, food security loans, and others related to sustainability.</p>
<b>Type of objective</b>	<p>The medium-term objectives are categorized as follows:</p> <p>Adaptation: Absolute values</p> <ul style="list-style-type: none"> <li>• Mitigation: Emission intensity.</li> </ul>
<b>Year of objective achievement</b>	2030
<b>Base year</b>	2022
<b>Considered scenario</b>	Banco de Machala will determine the scenario to be used with the SBTI tools, specifically the "Financial Institutions Net-Zero (FINZ) Standard," which is still under development for its long-term goal set for 2050, in order to align with the 1.5°C target.
<b>Scope 1, 2, and 3 emissions of clients:</b>	Banco de Machala is developing the structure, methods, and scope for engaging its clients in climate mitigation, using, among other inputs, the results of its portfolio measurement exercise.
<b>Portfolio coverage</b>	<p><b>c) Adaptation</b> Increasing the environmental and social risk assessment in the productive portfolio to 32% and in the total portfolio to 19% by 2030, based on the 2022 baseline.</p> <p><b>d) Mitigation</b> Banco de Machala is in the process of developing the structure, methods, and scope for engaging its clients in climate</p>

	mitigation efforts, using, among other inputs, the results of its portfolio measurement exercise. Its goal is to achieve net zero across its entire portfolio.
<b>Sectors</b>	<p><b>c) Adaptation</b> Environmental and social risk assessment is prioritized for the productive segment of the portfolio, using the 2022 baseline as a reference.</p> <p><b>d) Mitigation</b> The economic activities of banana cultivation and shrimp farming, belonging to the "Agriculture, Livestock, Forestry, and Fishing" sector, are prioritized.</p>
<b>In-house operations</b>	<p><b>c) Adaptation</b> Banco de Machala is currently developing the calculation of its GHG emissions for scopes 1, 2, and 3, which will serve as the baseline from which emission management objectives will be established.</p> <p>The evaluation and mitigation of risks will be based on the Environmental and Social Risk Management System to achieve the goal set for 2030 and comply with the ethical and regulatory standards of local authorities and multilateral organizations.</p> <p><b>d) Mitigation</b> Banco de Machala is currently developing the calculation of its GHG emissions for scopes 1, 2, and 3, which will serve as the baseline from which objectives for emission management can be established.</p>
<p><b>Decarbonization Transition Plan</b> Based on the objectives outlined in the previous section, Banco de Machala established its strategic activities in the "III Report on Responsible Banking Principles 2023 – Progress on the II Support Meeting Report and Individual Comments 2022." These activities are designed to align with its objectives and have been structured according to the framework recommended by the "Individual Progress Report" dated February 29, 2024.</p> <p>Using the "Theory of Change for Climate Change Mitigation," the bank has mapped out short- and long-term actions while considering the interconnections between key actions, inputs, effects, results, and impacts. This approach ensures that the dynamic process ultimately contributes to achieving the objectives identified across the four categories.</p>	

At the same time, the KPIs determined in the previous report for adaptation and mitigation axes were adopted, following the SMART methodology. Therefore, the same activities previously reviewed by UNEP FI are maintained, adjusted to the requirements of the latest feedback, and incorporating the analysis of possible impacts.

- Consequently, based on the actions, a possible negative impact has been identified, which is listed below:

It is possible that some clients may resist change due to the perception of additional costs and increased operational complexities associated with implementing sustainable practices. This may include concerns about initial investments, adjustments in operational processes, and the need to comply with environmental regulations, which could be viewed as a challenge to profitability and efficiency in the short term.

This potential impact will be continuously monitored and reported to our stakeholders through the sessions of the Sustainability Committee, the Comprehensive Risk Management Committee, and the Sustainability Report. If necessary, appropriate corrective measures will be determined through the institution's internal bodies to address any unfavorable outcomes, as outlined in Annex 1 of this PRB Report.

**Health and financial inclusion**

Banco Machala S.A., as part of its 2020-2024 strategic plan, established Education and Financial Inclusion as one of their key objectives, aligning it with the framework of responsible banking. To achieve this, two SMART objectives were defined:

**Objective 1: Financial Access**

Increase the number of women and/or women-led SMEs accessing credit by 6% by 2030.

**Objective 2: Financial Education**

Ensure that 20% more individuals benefit from the financial education program, fostering informed financial decision-making and the efficient management of resources provided by the bank by 2030, with an additional 20% increase by 2050.

The identified indicators for measuring these objectives are:

Financial Inclusion/Financial Well-Being	<ul style="list-style-type: none"> <li>• Number of people trained.</li> <li>• Satisfaction index of the people trained regarding the financial education workshops.</li> <li>• Number of female clients who obtain credit from the bank.</li> <li>• Number of individuals and legal entities (whose legal representation is exercised by</li> </ul>
--	---

	<p>women) who obtain loans from the bank.</p> <ul style="list-style-type: none"> <li>• Percentage of clients with a good or excellent level of knowledge about their finances.<sup>11</sup></li> <li>• Financial well-being index.</li> </ul>	
--	---	--

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

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

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

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Climate change mitigation</i>	<i>A.4.1</i>	<i>Banco de Machala has established the reduction of GHG emissions for Banana Cultivation and Shrimp Farming activities as an impact indicator.</i>
	<i>A.2.1</i>	<i>Banco de Machala engages with its clients regarding strategies for business models aimed at low-carbon economies. This is done through its Environmental and Social Risk Management System.</i>
	<i>...</i>	

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Financial health &amp; inclusion</i>	<i>...</i>	<i>Number of individuals trained in financial education.</i>
	<i>...</i>	<i>Number of agreements/cooperation actions processed.</i>
	<i>...</i>	<i>Satisfaction index of individuals trained in financial education workshops.</i>
		<i>Number of female clients who obtain credit at the bank.</i>
		<i>Number of female legal representatives of SMEs who obtain credit at the bank.</i>
		<i>Percentage of clients who have a good or excellent level of knowledge about their personal finances.</i>
		<i>Financial well-being index.</i>

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

<sup>11</sup> As determined by UNEP in appendix C of indicators of the financial inclusion guide.

<p><b>Response:</b> <b><u>PRIORITIZED AREA: CLIMATE MITIGATION</u></b></p> <ul style="list-style-type: none"> <li>• <b>Amount invested in the incorporation of ESG practices / Amount invested in the shrimp and banana sectors:</b> <ul style="list-style-type: none"> <li>• Banco de Machala has allocated the following amounts to strengthen its sustainable portfolio, aligned with Environmental, Social, and Governance (ESG) criteria: <ul style="list-style-type: none"> <li>• <b>Green portfolio:</b> \$55,019,919.24</li> <li>• <b>Blue portfolio:</b> \$25,407,639.86</li> <li>• <b>Food security portfolio:</b> \$173,541,476.60</li> </ul> </li> </ul> </li> </ul> <p>This investment reflects Banco de Machala's commitment to sustainability and its promotion of responsible practices that foster sustainable economic development, environmental protection, and social well-being.</p> <p><b>Greenhouse gas (GHG) emissions reduced / GHG emissions to be reduced (16,846.50 tons CO2 eq in shrimp and 9,335.58 tons CO2 eq in bananas).</b></p> <p>Regarding the tons of CO2 to be reduced from the activities set as objectives, the following results were obtained through the 2023 quantification exercise and improvement in data quality:</p> <ul style="list-style-type: none"> <li>• Banana Cultivation – A reduction of 36.28% in absolute emissions, compared to the 2022 baseline.</li> <li>• Shrimp Farming – A reduction of 9.84% in absolute emissions, compared to the 2022 baseline.</li> </ul> <p><b>Adaptation indicators</b></p> <ul style="list-style-type: none"> <li>• <b>Number of loans in the portfolio under the Environmental and Social Risk Analysis system.</b> <ul style="list-style-type: none"> <li>• 2022 – A total of 25 evaluations were carried out under the Environmental and Social Risk Analysis system.</li> <li>• 2023 – A total of 164 evaluations were carried out under the Environmental and Social Risk Analysis system.</li> </ul> </li> <li>• <b>Number and percentage of loans rejected due to environmental and social issues.</b> <ul style="list-style-type: none"> <li>• 2022. - No loans were rejected in 2022, as none were found to be incompatible with the eligibility criteria</li> </ul> </li> </ul>	<p><i>Links and references</i></p>
---	------------------------------------



<p>determined by the exclusion list established in the Environmental and Social Risk Analysis System.</p> <ul style="list-style-type: none"> <li>• 2023. – No loans were rejected in 2023, as none were incompatible with the eligibility criteria determined by the exclusion list established in the Environmental and Social Risk Analysis System.</li> </ul> <ul style="list-style-type: none"> <li>• <b>Number and percentage of low- and moderate-risk loans.</b> <ul style="list-style-type: none"> <li>• 2022: A total of 24 low- and moderate-risk loans were evaluated, representing 100% of the loans assessed.</li> <li>• 2023: A total of 147 low- and moderate-risk loans were evaluated, representing 90% of the loans assessed.</li> </ul> </li> <li>• <b>Number and percentage of loans of substantial or high risk.</b> <ul style="list-style-type: none"> <li>• 2022: One substantial or high-risk loan was evaluated (categorized as high), representing 4% of the loans assessed.</li> <li>• 2023: Seventeen substantial or high-risk loans were evaluated (collectively categorized as high), representing 10% of the loans assessed.</li> </ul> </li> <li>• <b>Number of complaints and claims resolved / Number of complaints and claims received:</b> <ul style="list-style-type: none"> <li>• 2022: No complaints or claims were received during 2022; therefore, the indicator is zero.</li> <li>• 2023: No complaints or claims were received during 2023; therefore, the indicator is zero.</li> </ul> </li> <li>• <b>Number of reported accidents and incidents:</b> <ul style="list-style-type: none"> <li>• 2022: No accidents or incidents were reported during 2022; therefore, the indicator is zero.</li> <li>• 2023: No accidents or incidents were reported during 2023; therefore, the indicator is zero.</li> </ul> </li> <li>• <b>Number of field visits made by staff to review environmental and social aspects during the loan evaluation:</b> <ul style="list-style-type: none"> <li>• •2022: A total of 25 field visits were made to evaluate loans.</li> <li>• • 2023: A total of 164 field visits were made to evaluate loans.</li> </ul> </li> </ul>	
---	--

**Health and financial inclusion**

*In terms of access to financing, Banco de Machala has focused its development and improved the allocation of its credit toward women and women-led SMEs, with the goal of directing its strategy toward strengthening the inclusion of those who have been excluded.*

*From December 2022 to June 2024, the number of individuals and legal entities (whose legal representation is held by women) that have accessed financing increased by 12%, particularly those seeking working capital for their businesses. This is in line with the 16% increase in women within the productive segment during the same analysis period.*

*Regarding the second focal point of financial inclusion, the data in Table 17 highlights the significant progress in using digital channels for conducting financial transactions, especially among women. From December 2022 to June 2024, there was an 11% increase in clients using digital channels such as Oronet and Oromóvil, with a specific 13% increase among women, who have increasingly adopted virtual platforms for accessing financial services.*

*Regarding the use of ATMs, by June 2024, we have recorded significant progress, with a total of 71,234 people using them. This represents a significant achievement, as it accounts for 90% of the total number of users registered throughout 2022.*

*However, considering that we are approaching the end of the second half of 2024, we are on track to surpass 2022 totals. This sustained growth reflects our effective strategy to promote financial inclusion and improve access to banking services.*

Regarding financial education, Banco de Machala has developed financial education initiatives, training 11,334 individuals since 2021. During the first semester of 2024, a total of 4,801 people has benefited from our financial education initiatives, of which 68% were women and 50% are from rural areas, both of which are priority variables according to the regulations set forth by the Financial Policy and Regulatory Board.

People trained in Financial Education – Banco Machala

<b>2021</b>	3,022
<b>2022</b>	3,778
<b>2023</b>	4,534
<b>June 2024</b>	4,801

**c) SMART targets** (incl. key performance indicators (KPIs)<sup>12</sup>): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

**Response:**

**Climate mitigation**

**Long term objective**

Achieve a Net Zero portfolio by 2050, decarbonizing the entire credit portfolio, starting from a baseline of 488,314.35 tons of CO<sub>2</sub> eq. Thus, ensuring compliance with the Paris Agreement through the progressive implementation of ESG practices that promote the financing of projects with the best A&S practices, and managing the institution's GHG emissions to implement mitigation practices.

**Medium-term objectives**

**1. Adaptation**

Evaluate the environmental and social risk of the bank's portfolio for 2030, focusing on the productive portfolio.

Increase the environmental and social risk assessment in the productive portfolio to 32% and in the total portfolio to 19% by 2030, based on the 2022 baseline.

This will involve promoting the identification, assessment, and mitigation of environmental and social risks at all stages of the bank's portfolio by implementing differentiated due diligence policies for credit operations.

The focus on environmental and social risk assessment and mitigation based on the Environmental and Social Risk Management System (SARAS in Spanish) is crucial for maintaining the long-term sustainability of the bank's operations and ensuring compliance with ethical and regulatory standards set by local authorities and multilateral organizations.

Achieving this goal by 2030, establishing milestones and periodically reviewing progress to make necessary adjustments annually.

**2. Mitigation**

Reduce the intensity of financed emissions by 10% by 2030 in shrimp farming, based on a baseline of 168,465 tons of CO<sub>2</sub> eq, and by 6% by 2030 in banana cultivation,

*Links and references*

<sup>12</sup> Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

based on a baseline of 155,593 tons of CO2 eq, and their associated operations per ton of CO2 per kg of shrimp and banana, respectively. Thus, achieving alignment of the bank's financing with the goals of the Paris Agreement of 1.5°C, and with Ecuador's National Climate Change Strategy (MAATE, 2012), while improving the productive efficiency and competitiveness of these strategic sectors through environmentally friendly products, such as green, blue, food security credits, and other sustainability-related financial products.

Below are the KPIs for climate mitigation:

1. 1. Amount invested for the incorporation of ESG practices/ Amount invested in the shrimp and banana sector.
2. 2. Tons of GHG emissions reduced/ GHG emissions to be reduced (16,846.50 Tons of CO2 eq in shrimp and 9,335.58 Tons of CO2 eq in banana).

**Health and financial inclusion**

Banco Machala S.A, within its 2020-2024 strategic plan, defined “Financial Education and Inclusion” as one of its objectives, which has been defined in the context of “responsible banking”. To this end, two SMART objectives were defined.

**Objective 1:** Financial Access: Increase the number of women and/or SMEs managed by women that have access to credit (by 6% by 2030).

**Objective 2:** To ensure that 20% more people benefit from the financial education program, promoting informed financial decisions and efficient management of resources provided by the bank. By 2030 and 20% by 2050.

The indicators identified for measuring these objectives are:

<p><b>Financial inclusion/Financial well-being</b></p>	<ul style="list-style-type: none"> <li>• Number of people trained.</li> <li>• Satisfaction rate of trained people regarding financial education workshops.</li> <li>• Number of female clients who obtain credit from the Bank.</li> <li>• Number of natural and legal persons (whose legal representation is exercised by women) who obtain credit from the bank.</li> <li>• Percentage of clients who have a good or excellent level of</li> </ul>
--	--

	<p>knowledge of their personal finances.<sup>13</sup></p> <ul style="list-style-type: none"> <li>• Financial well-being index.</li> </ul>	
<p><b>d) <u>Action plan:</u></b> which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>		
<p><b><u>Response:</u></b></p> <p><b><u>Climate mitigation</u></b></p> <p>Based on the objectives outlined in the previous section, Banco de Machala has identified strategic activities in its "<b>Third Report on Principles of Responsible Banking 2023 - Progress on the II Support Meeting Report and Individual Comments 2022</b>". These activities align with the bank's objectives and are structured according to the framework recommended in the "<b>Individual Progress Report</b>" of February 29, 2024. The "<b>Theory of Change for Climate Change Mitigation</b>" has been used to define both short- and long-term actions, considering the interconnections between key actions and inputs, effects, results, and impacts. This dynamic approach ensures the fulfillment of the bank's objectives across four identified categories.</p> <p>Additionally, the Key Performance Indicators (KPIs) from the previous report were retained for both the adaptation and mitigation axes, following the SMART methodology. As a result, the same activities reviewed by UNEP FI have been maintained, with adjustments made to incorporate feedback from the most recent assessment. These activities also include an analysis of potential impacts.</p> <ul style="list-style-type: none"> <li>• Consequently, based on the actions, a possible negative impact was determined, which are listed below.</li> </ul> <p>Some clients may show resistance to change due to the perception of additional costs and greater operational complexities associated with implementing sustainable practices. This may include concerns about initial investments, adjustments to operational processes, and the need to comply with environmental regulations, which could</p>	<p><i>Links and references</i></p>	

<sup>13</sup> Conforme lo determina UNEP en el apéndice C de indicadores de la guía de inclusión financiera.

<p>be seen as a challenge to short-term profitability and efficiency.</p> <p>This potential impact will be continuously monitored and reported to our stakeholders through sessions of the Sustainability Committee, the Comprehensive Risk Management Committee, and the Sustainability Report. If necessary, the institution's internal bodies will determine appropriate measures to address any unfavorable outcomes. Banco de Machala's progress toward its mitigation and adaptation goals is tracked using the previously presented indicators. These are reported quarterly for internal analysis through the Sustainability Committee and the Comprehensive Risk Management Committee, as well as to our other stakeholders via the Institutional Sustainability Report.</p> <p>It is important to highlight, as previously mentioned, that the Bank will monitor its potential positive impacts at the action level, considering various thematic areas: resources, human rights, nature, interconnections with climate change adaptation, nature, and biodiversity, to accelerate the institution's overall progress. The Action Plan can be found in Annex 1 of this PRB Report.</p>	
--	--

<b>Self-assessment summary</b>			
Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...			
	... first area of most significant impact: ... <i>(Climate mitigation)</i>	... second area of most significant impact: ... <i>(Health and financial inclusion)</i>	<i>(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)</i>
<b>Alignment</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
<b>Baseline</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
<b>SMART targets</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
-------------	--	--	---

## 2.3 Target implementation and monitoring (Key Step 2)

**For each target separately:**

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

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

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

**Response:**

### Climate mitigation

Through this progress report on the Principles for Responsible Banking (PRBs), Banco de Machala presents its advancements concerning mitigation and adaptation objectives, using its KPIs to compare 2023 performance against the 2022 baseline, yielding the following results.

#### **Mitigation indicators**

- **Amount invested in the incorporation of ESG practices/Amount invested in the shrimp farming and banana cultivation sectors:**

Banco de Machala has allocated the following amounts to strengthen its sustainable portfolio, aligned with Environmental, Social, and Governance (ESG) criteria:

- **Green Portfolio:** \$55,019,919.24
- **Blue Portfolio:** \$25,407,639.86
- **Food safety portfolio:** \$173,541,476.60

This investment reflects Banco de Machala's commitment to sustainability and its drive for responsible practices that promote sustainable economic development, environmental protection, and social well-being.

*Links and references*

- **Tons of GHG emissions reduced/GHG emissions to be reduced (16,846.50 Tons of CO2 eq in shrimp and 9,335.58 Tons of CO2 eq in bananas).**

Regarding the tons of CO2 to be reduced from the activities set as a target, through the 2023 quantification exercise and improvement of data quality, the following results are obtained:

- Banana Cultivation. – Reduction of 36.28% of absolute emissions, compared to the 2022 baseline
- Shrimp Farming. – Reduction of 9.84% of absolute emissions, compared to the 2022 baseline

#### **Adaptation indicators**

- **Loans in portfolio under the Environmental and Social Risk Analysis System**

- 2022. – 25 assessments were conducted under the Environmental and Social Risk Analysis System.

- 2023. – 164 assessments were conducted under the Environmental and Social Risk Analysis System.

- **Number and percentage of loans rejected due to environmental and social issues.**

- No loans were rejected in 2022, as none were found to be incompatible with the eligibility criteria determined by the exclusion list established in the Environmental and Social Risk Analysis System.

- No loans were rejected in 2023, as none were incompatible with the eligibility criteria determined by the exclusion list established in the Environmental and Social Risk Analysis System.

- **Number and percentage of low and moderate risk loans.**

- 2022. – 24 low and moderate risk loans were evaluated, representing 100% of assessed loans.

- 2023. – 147 low and moderate risk loans were evaluated, representing 90% of assessed loans.

- **Number and percentage of substantial or high-risk loans.**

- 2022. – One loan was assessed as substantial or high risk (which is categorized as high) and represents 4% of the loans assessed.



- 2023. - 17 loans were assessed as substantial or high risk (which are collectively categorized as high), representing 10% of the loans assessed.
- **Number of complaints and claims resolved / Number of complaints and claims received<sup>14</sup>:**
  - • 2022. – No complaints or claims were received during the 2022 period, so the indicator is zero.
  - • 2023. – No complaints or claims were received during the 2023 period, so the indicator is zero.
- **Number of reported accidents and incidents<sup>15</sup>:**
  - • 2022. - No accidents or incidents were reported during the 2022 period, so the indicator is zero.
  - • 2023. - No accidents or incidents were reported during the 2023 period, so the indicator is zero.
- **Number of field visits conducted by staff to review environmental and social aspects during loan evaluation:**
  - • 2022. – A total of 25 field visits were carried out for the purpose of evaluating loans.
  - • 2023. – A total of 164 field visits were carried out for the purpose of evaluating loans.

*Therefore, by obtaining these positive results, the institution's progress with its climate mitigation and adaptation goals can be seen, reaffirming our commitment to the Principles of Responsible Banking.*

### **Health and financial inclusion**

In reference to health and financial inclusion, we reaffirm our commitment to continue working in this area, which has been identified as a key impact area through the previously mentioned analysis tool. Additionally, following a double materiality analysis of the institution, it was identified as one of the relevant topics where the bank must continue to make efforts.

However, in accordance with the results presented in the Individual Progress Report submitted by UNEP FI, one of the main changes was the strengthening of the SMART objectives, as women leaders of SMEs were included within them. Additionally, two new indicators were added: the number of

<sup>14</sup> The information was provided by the Environmental Risk department

<sup>15</sup> The information was provided by the Environmental Risk department

female legal representatives of SMEs who obtain credit from the bank and the Financial Well-Being Index.	
--	--

## Principle 3: Clients and Customers



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

### 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers<sup>16</sup> in place to encourage sustainable practices?

Yes       In progress       No

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

Yes       In progress       No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities<sup>17</sup>). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

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

#### **Response:**

#### **Climate mitigation**

*The Bank has an environmental and social risk management policy for credit operations. This policy allows us to collaborate closely with our clients in managing these risks, fostering a joint and responsible approach. Through this collaboration, the Bank has worked. It plans to continue promoting Environmental, Social, and Governance (ESG) practices, advising clients on adopting measures that minimize their environmental and social impact while aiming for climate adaptation. Additionally, by financing projects aligned with sustainability standards, we support our clients in transitioning towards more sustainable economic activities, contributing to developing a more resilient and responsible economic environment. On the climate mitigation side, which is one of the prioritized areas, the institution has developed an Action Plan that seeks to work closely with clients to transition towards decarbonizing financed emissions, as well as achieving the proposed objectives and indicators. This Action Plan is outlined in the response to the Individual Progress Report, Annex 1.*

#### **Health and financial inclusion**

#### *Links and references*

*In terms of health and financial inclusion, several strategies have been implemented to promote financial inclusion and assist clients in adopting sustainable practices, particularly those who have submitted inquiries, complaints, or claims. Through our satisfaction survey process, we have identified key areas for improvement to ensure that all clients receive the attention and support they need.*

*Our approach to financial inclusion focuses on:*

**Financial Education:** *We offer training and guidance in financial management and sustainability to empower our clients, helping them make informed decisions.*

**Customer Service:** *Through our satisfaction survey process, we identify areas for improvement in customer service, particularly for those who have filed complaints. This feedback enables us to adapt our services and establish new policies and procedures, ensuring that all clients receive the support they need.*

### 3.2 Business opportunities

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

**Response:**

*Banco de Machala, through its prioritized focus on Health and Financial Inclusion, actively promotes women's access to financial services, their utilization, protection, and financial education. In line with this commitment, the bank has developed the Mipyme Mujer Emprendedora product.*

In this regard, significant progress has been made in strengthening financial access. Over the past year, an increasing number of women have gained access to financing, as evidenced by an 11% rise in the number of female clients with active loans in 2023 compared to the previous year. This growth highlights the positive impact of our initiatives in promoting equitable access to financial services.

*Links and references*

	2022		2023	
	M	F	M	F
Clients with active loans	13,438	9,175	13,982	10,200

<sup>16</sup> A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

<sup>17</sup> Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

*As mentioned above and according to the data presented in the table below, the bank has focused its development in recent years on improving the allocation of its credit toward women and SMEs to strengthen the inclusion of those who are excluded. Thus, between 2022 and 2023, the number of women leading small and medium-sized enterprises who accessed productive credit increased by 38%.*

	2022	2023
<b>Women-led businesses that accessed loans.</b>	2387	3263

*Regarding the sustainable portfolio (green, blue, and food security loans), Banco de Machala is in the process of developing financial products aligned with best practices to encourage business models toward a low-carbon economy. This process is further supported by continuous collaboration with the Environmental Risk team for the transition of clients to ESG practices and the future allocation of sustainable loans.*

## Principle 4: Stakeholders



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

### 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups<sup>18</sup>) you have identified as relevant in relation to the impact analysis and target setting process?

Yes       In progress       No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

#### **Response:**

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

*We maintain constant interaction with our stakeholders through a wide range of channels, both online and in person. This approach allows us to stay in direct contact with their needs and expectations, as well as anticipate and effectively address their concerns.*

*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.*

#### *Links and references*

<sup>18</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

Stakeholders	Value generation	Channels	Frequency
<b>Employees</b>	<ul style="list-style-type: none"> <li>We promote the professional development of our employees through continuous training, ensuring that each team member remains highly specialized in their area of work.</li> <li>We prioritize the health and safety of all our employees, promoting respect for human rights and ensuring inclusion and equity within our organization.</li> <li>We care about the overall well-being of our team, implementing campaigns and activities that support both their physical health and psychological well-being, with the goal of improving their quality of life.</li> </ul>	<ul style="list-style-type: none"> <li>a.- Ethics complaint channel (Intranet)</li> <li>b.- Team meetings</li> <li>c.- Training sessions (mass emails)</li> <li>d.- Work environment assessment</li> <li>e.- Sustainability report</li> </ul>	<ul style="list-style-type: none"> <li>a.- Permanent channel to report violations of the Code of Ethics and Conduct.</li> <li>b.- As needed.</li> <li>c.- As needed.</li> <li>d.- Annual</li> <li>e.- Annual</li> </ul>
<b>Shareholders and other investors</b>	<ul style="list-style-type: none"> <li>We ensure solid financial stability and constant growth in the bank's performance, providing confidence and security in our shareholders' investments.</li> </ul>	<ul style="list-style-type: none"> <li>a.- Assembly of shareholders</li> <li>b.- Annual Report (shareholders)</li> <li>c.- Dedicated section on the website</li> <li>d.- Specialized customer service team</li> <li>e.- Sustainability Report</li> </ul>	<ul style="list-style-type: none"> <li>a.- Annual/Ordinary or Extraordinary, in this case, it must be requested by the majority shareholder.</li> <li>b.- Annual</li> <li>c.- As required</li> <li>d.- As required</li> <li>e.- Annual</li> </ul>

<p><b>Clients</b></p>	<ul style="list-style-type: none"> <li>We provide high-quality products and services, carefully adapting to the needs of our clients and creating personalized offers that meet their expectations.</li> <li>We promote transparency in all the information we share, ensuring the security and trust of our clients in every interaction. We strive for transparency in information, guaranteeing the security and trust of our clients.</li> </ul>	<p>a.- Customer service at offices nationwide  b.- Other remote channels: website, call center  c.- social media and email notifications  d.- Sustainability report</p>	<p>a.- Monday to Friday from 08:30 to 16:00  b.- 24-hours Call center  c.- As needed  d.- Annual</p>	
<p><b>Vendors</b></p>	<ul style="list-style-type: none"> <li>We facilitate opportunities for participation in the bank's operations, offering a carefully selected range of high-quality products and services.</li> <li>We focus on building long-term relationships, creating partnerships that generate mutual benefits for all parties, ensuring a win-win situation.</li> </ul>	<p>a.- Operational service provision meetings  b.- Sustainability report</p>	<p>a.- When required  b.- Annual</p>	
<p><b>Regulatory authorities</b></p>	<ul style="list-style-type: none"> <li>We comply with all national legislation, ensuring the protection of our clients' rights and security.</li> </ul>	<p>a.- Reports/documentation required  b.- Superintendence of Banks monitoring  c.- Shareholders' report with information required by regulations</p>	<p>a.- When required  b.- When requested  c.- Annual</p>	



<p><b>Community</b></p>	<ul style="list-style-type: none"> <li>We contribute to social development by promoting inclusion and offering financial education to empower individuals in managing their resources.</li> </ul>	<p>a. Financial Education Website: <a href="https://www.elbancoparacrecer.com/">https://www.elbancoparacrecer.com/</a>  b. In-person and virtual financial education training sessions  c. Social investment initiatives and sponsorships  d. Sustainability Report</p>	<p>a.- Daily, 24 hours a day  b.- Annually</p>	<p><i>The stakeholders mentioned above represent key players within the bank's ecosystem. These groups not only can be impacted by the decisions and operations implemented but also hold the capacity to significantly influence the institution's performance and strategic direction.</i></p> <p><i>In connection with the above, the bank actively engages its stakeholders in various consultation processes. For example, satisfaction surveys are conducted to assess customer experiences with our products, services, and support, ensuring their voices are heard and considered in the continuous improvement of our offerings. Additionally, the bank actively participates in financial education initiatives aimed at enhancing understanding of financial products, developing decision-making skills, and promoting saving and planning habits across different population segments, including children, youth, and adults in both urban and rural areas.</i></p> <p><i>Similarly, in the development of our sustainability report, each stakeholder group has been actively involved, ensuring their participation. They have been consulted on the topics they consider most relevant, allowing their perspectives to be integrated into our reports and sustainability strategies. This approach not only reinforces our commitment to transparency but also strengthens the trust and support of our stakeholders in the bank's vision and mission.</i></p>
-------------------------	---	---	--	---

## Principle 5: Governance & Culture



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

### 5.1 Governance Structure for Implementation of the Principles

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

Yes       In progress       No

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

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

#### Response:

*The governance structure of Banco de Machala comprises the General Shareholders' Meeting, the Board of Directors, and the Executive Presidency. Additionally, the bank includes the Regulatory and Administrative Committees required by law, which support the Board of Directors and Senior Management in decision-making processes, covering economic, social, and environmental matters. This ensures responsible, transparent, and timely management.*

*Among the administrative committees, the Sustainability Committee plays a key role. Chaired by a member of the Board of Directors, it meets quarterly to support the Board in managing and ensuring compliance with regulations, aligning with best practices in corporate governance, sustainability, financial inclusion, and corporate communication. Additionally, the committee oversees the development and advancement of the Bank's sustainability strategy.*

#### Links and references:

Organizational Structure:

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

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

<pre> graph TD     A[BOARD OF DIRECTORS] --&gt; B[PRESIDENCY]     B --&gt; C[SUSTAINABILITY COMMITTEE]     C --&gt; D[CORPORATE GOVERNANCE COMMITTEE]     C --&gt; E[ENVIRONMENTAL COMMITTEE]     C --&gt; F[SOCIAL COMMITTEE]     C --&gt; G[CORPORATE COMMUNICATION COMMITTEE]         </pre>	<p><b>SUSTAINABILITY COMMITTEE :</b></p>
<p><i>It is important to note that the Bank has a dedicated Sustainability department, which, together with the Environmental Risk Department, establishes policies and procedures for the effective management of environmental and social (E&amp;S) risk, both in credit operations and in the bank’s activities.</i></p> <p><i>Upon this initiative, the Bank has a Corporate Governance Code, which outlines the principles governing the institution's operation and administration, promoting responsible management practices aligned with sustainable development in economic, environmental protection, and social equity spheres. This code defines the corporate governance functions related to sustainability.</i></p> <p><i>Similarly, the Bank has a Comprehensive Manual for Environmental and Social Risk Management (SARAS) and an Environmental and Social Management System (SGAS). These establish institutional policies, functions, and responsibilities regarding environmental and social matters, ensuring continuous improvement in the management of environmental and social risks, both for credit operations and for the bank inherent risks.</i></p> <p><i>We are continuously evaluating improvements to enhance the portfolio of sustainable products offered to our clients, aligning them with their needs. Additionally, we are assessing strategies to increase market participation in these products.</i></p>	

**5.2 Promoting a culture of responsible banking:**

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

<p><b>Response:</b></p> <p><i>Banco de Machala conducts annual training sessions to promote the institution's values and objectives related to environmental and social management, focusing on key themes such as climate change mitigation, health, and financial inclusion. The program aims to train all institutional staff. Additionally, social training on gender equality is provided through the United Nations platform, as part of the UN Women program, of which we are signatories. As a result, our employees will complete five courses accredited by this multilateral organization in 2024.</i></p> <p><i>Training sessions on financial well-being have also been conducted, focusing on understanding the risk level of each branch to create a multiplier effect among users and financial consumers. These sessions emphasize responsible personal finance management and informed decision-making.</i></p> <p><i>Similarly, the Bank maintains a system for monitoring and controlling the environmental and social (E&amp;S) risks of financed companies, adhering to the guidelines established in its Integrated System Manual for the Management of Environmental and Social Risk (SARAS) and the Environmental and Social Management System (SGAS), promoting the institution's environmental management values.</i></p> <p><i>As part of its awareness and communication procedures, Banco de Machala disseminates approved policies and manuals from the CAIR and the Board of Directors to all its staff. Likewise, changes and updates to these policies are reported to the regulatory authority (Superintendencia de Bancos).</i></p>	<p><i>Links and references</i></p>
---	------------------------------------

### 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?<sup>19</sup> Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

<p><b>Response</b></p> <p><i>Banco de Machala has a Policy for Environmental and Social Risk Management, supported by a management system approved by the Comprehensive Risk Management Committee and the Board of Directors. This policy is designed to identify, assess, manage, and monitor environmental and social risks associated with productive credit operations.</i></p> <p><i>As an initial filter, the policy includes an exclusion list to ensure that activities or sectors ineligible for financing by the institution—</i></p>	<p><i>Links and references</i></p>
---	------------------------------------

<sup>19</sup> Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

*whether due to regulatory, reputational, risk appetite, or alignment with the exclusion lists of international financiers—are excluded. Additionally, a categorization system is employed to assign an environmental and social risk level, determining the degree of due diligence required for effective management.*

*Subsequently, a risk report is prepared to determine the level of scrutiny required, based on the identified risks. This report incorporates sectoral and international standards to ensure a comprehensive evaluation. The identified detected and areas for improvement are translated into an Action Plan, from which specific commitments are derived for the client to fulfill. These commitments are formalized in a Terms and Conditions document, which is reviewed, approved, and signed by the client. Compliance with these commitments is monitored throughout the loan term and verified before approving any new financing operations.*

*The results of the risk management process are presented monthly to the Comprehensive Risk Management Committee and the Credit Committee. During these meetings, detailed reports are analyzed, strategic decisions are made to mitigate identified risks, policies are adjusted as necessary, and it is ensured that credit operations remain within the institution's acceptable risk parameters.*

### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes  In progress  No

## Principle 6: Transparency & Accountability



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

## 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes       Partially       No

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

### Response:

*A certification company has been contracted to validate the contents of this document. (This will be worked on after the latest version).*

### Links and references

## 6.2 Reporting on other frameworks

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

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

### Response:

*Banco de Machala adopts international GRI and SASB standards in the preparation of its sustainability report, ensuring robust and globally aligned reporting. This approach enables the bank to effectively communicate its annual progress in accordance with the Principles for Responsible Banking, reinforcing its commitment to responsible banking as a core institutional pillar.*

### Links and references

## 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>20</sup>, target setting<sup>21</sup> and governance structure for implementing the PRB)? Please describe briefly.

### Response:

*The next steps involve the implementation and ongoing monitoring of both short- and long-term objectives, as well as ensuring compliance with established indicators. Additionally, we aim to enhance the quality of information used to evaluate high-carbon-intensity sectors, improving the accuracy of*

### Links and references

<sup>20</sup> For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

<sup>21</sup> For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

<p><i>calculations related to financed operations. Detailed explanations of these measures can be found in the Action Plan in Annexes 1 and 3.</i></p>	
--	--

## 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

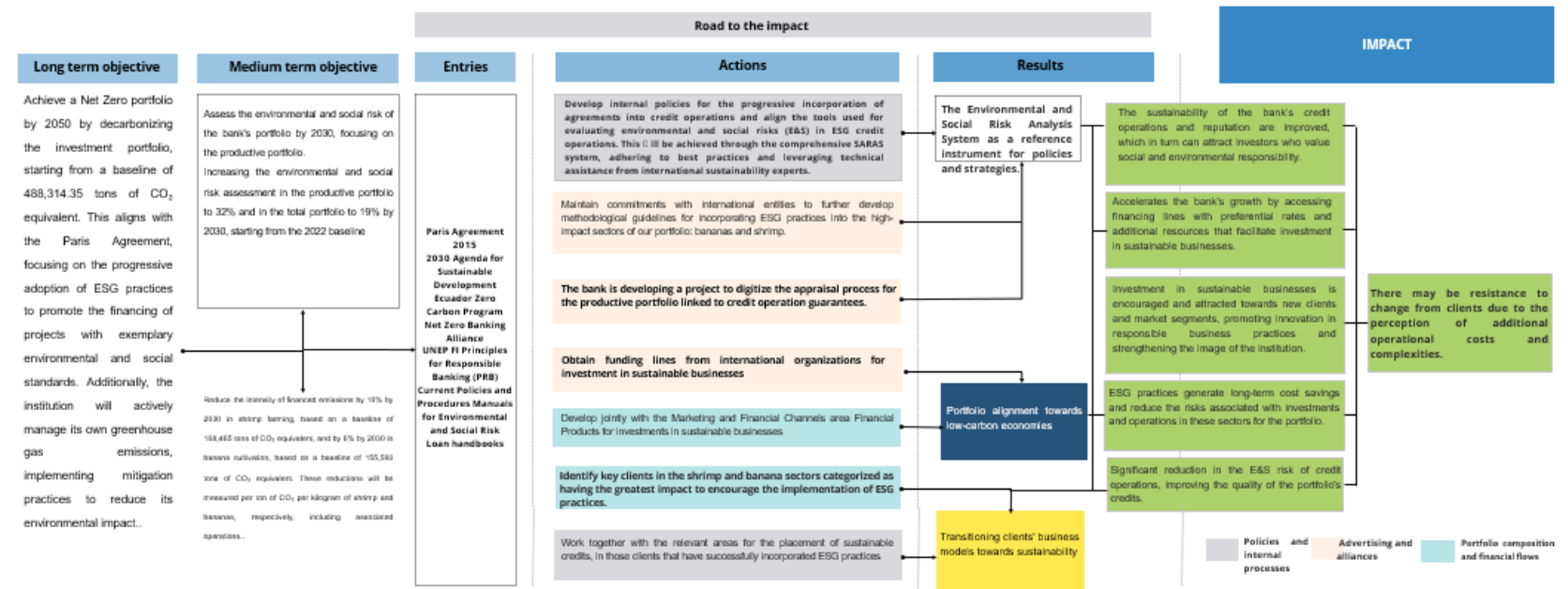
- |   |  |
|---|--|
| <input type="checkbox"/> Embedding PRB oversight into governance  | <input type="checkbox"/> Customer engagement             |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank                                      | <input type="checkbox"/> Stakeholder engagement          |
| <input checked="" type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability    |
| <input type="checkbox"/> Conducting an impact analysis  | <input type="checkbox"/> Data quality                    |
| <input type="checkbox"/> Assessing negative environmental and social impacts                              | <input type="checkbox"/> Access to resources             |
| <input checked="" type="checkbox"/> Choosing the right performance measurement methodology/ies            | <input type="checkbox"/> Reporting                       |
| <input type="checkbox"/> Setting targets  | <input type="checkbox"/> Assurance                       |
| <input type="checkbox"/> Other: ...   | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:



# Annex

## Annex 1. Transition Plan to Decarbonization



Medium-term objective	Date of Implementation	Monitoring	Target year	Actions to execute	KPIs	Action category	Expected results
<p><b>Assess the environmental and social risk of the bank's portfolio by 2030, with a focus on the productive portfolio. The goal is to increase the evaluation of environmental and social risk to 32% for the productive portfolio and 19% for the total portfolio by 2030, starting from the 2022 baseline.</b></p>	January 2025	Quarterly	2030	Develop internal policies for the progressive integration of agreements into credit operations and align risk assessment tools for ESG credit operations through a comprehensive Environmental and Social Risk Management System (SARAS). This system will adhere to best practices and leverage technical assistance from international sustainability experts.	1. Number of loans in the portfolio under the SARAS system. 2. Number and percentage of loans rejected due to environmental and social issues. 3. Number and percentage of loans with low and moderate risk. 4. Number and percentage of loans with substantial or high risk.	Internal policies and processes	Comprehensive SARAS as a referential tool of policies and strategies.
	March 2025	Semi-annual		Maintain commitments with international entities for the further development of methodological guidelines to incorporate ESG practices into the highest-impact sectors of our portfolio: banana and shrimp.	5. Number of complaints and claims resolved / Number of complaints and claims received.	Promotion and partnerships	
	December 2025	Semi-annual		The bank is developing a project to digitize the appraisal process for the productive portfolio linked to collateral for credit operations.	6. Number of reported accidents and incidents. 7. Number of field visits conducted by staff to review environmental and social aspects during loan evaluation. 8. Number of field visits conducted by staff to review environmental and social aspects after loan evaluation (monitoring).	Digitalization of processes	
<p><b>Reduce the intensity of financed emissions by 10% by 2030 for shrimp farming, based on a baseline of 168,465 tons of CO2 equivalent, and by 6% by 2030 for banana cultivation, based on a baseline of</b></p>	September 2025	Semi-annual	2030	Secure funding lines from international organizations to invest in sustainable businesses.	1. Amount invested in the incorporation of ESG practices / Amount invested in the shrimp and banana sectors.	Promotion and partnerships	Alignment of the Portfolio Towards Low-Carbon Economies
	August 2025	Semestral		Develop, in collaboration with the Marketing and Financial Channels departments, financial products for investments in sustainable businesses.	2. Tons of GHG emissions reduced / GHG emissions to be reduced.	Portfolio Composition and Financial Flows	

Medium-term objective	Date of Implementation	Monitoring	Target year	Actions to execute	KPIs	Action category	Expected results
155,593 tons of CO2 equivalent. This reduction applies to associated operations per ton of CO2 per kilogram of shrimp and bananas, respectively.	January 2025	Quarterly		Identify key clients in sectors categorized with the highest impact to encourage the implementation of ESG practices.		Portfolio composition and financial flows.	Transition of clients' business models toward sustainability.
	March 2025	Quarterly		Work together with the relevant departments for the placement of sustainable loans to clients who have successfully incorporated ESG practices		Internal Policies and Processes	

**Annex 2. Matrix for Evaluation and Monitoring of Climate Mitigation Performance**

SECTOR	2022 (base year)						2023						INTERMEDIATE DECARBONIZATION GOALS 2030		
	PORTFOLIO (US\$ MILLIONS)	PERCENTAGE OF PRODUCTIVE PORTFOLIO	TOTAL CO2	CO2E/US MILLION LENT	TOTAL COVERAGE (%)	DATA QUALITY	PORTFOLIO (US\$ MILLIONS)	PERCENTAGE OF PRODUCTIVE PORTFOLIO	TOTAL CO2	CO2E/US MILLION LENT	TOTAL COVERAGE (%)	DATA QUALITY	REDUCTION OBJECTIVE (2030)	METRIC OBJECTIVE (2030)	REDUCTION IN 2023 COMPARED TO THE BASELINE YEAR
A. Agriculture, livestock, forestry, and fishing (Scopes 1, 2, 3).	\$202	92%	349,102	1,728	92%	4	\$ 199.11	91%	269,943	1,355	93%	3	-10% Banana -6% shrimp	Ton CO2 eq	36.28% Banana 9.84% shrimp
C. Manufacturing industries (Scopes 1, 2, 3)	\$43	82%	26,288	611	77%	4	\$ 51.32	82%	44,258	862.35	84%	4	N/A		
D. Electricity, gas, steam, and air conditioning supply (Scopes 1, 2, 3).	\$0	52%	244	741	69%	4	\$ 1.65	89%	167	100.77	89%	4			
F. Construction (Scopes 1, 2, 3).	\$23	87%	4,511	196	76%	4	\$ 33.60	90%	3,632	108.08	91%	4			
G. Wholesale and retail trade; motor vehicle and motorcycle repair (scopes 1, 2, 3)	\$144	70%	55,619	386	62%	4	\$ 160.33	60%	174,900	1,090.85	72%	4			
H. Transportation and storage (Scopes 1, 2, 3).	\$26	52%	28,878	1,111	52%	4	\$ 27.97	56%	19,615	701.31	60%	4			

SECTOR	2022 (base year)						2023						INTERMEDIATE DECARBONIZATION GOALS 2030		
	PORTFOLIO (US\$ MILLIONS)	PERCENTAGE OF PRODUCTIVE PORTFOLIO	TOTAL CO2	CO2E/US MILLION LENT	TOTAL COVERAGE (%)	DATA QUALITY	PORTFOLIO (US\$ MILLIONS)	PERCENTAGE OF PRODUCTIVE PORTFOLIO	TOTAL CO2	CO2E/US MILLION LENT	TOTAL COVERAGE (%)	DATA QUALITY	REDUCTION OBJECTIVE (2030)	METRIC OBJECTIVE (2030)	REDUCTION IN 2023 COMPARED TO THE BASELINE YEAR
Others (Scopes 1, 2, 3).	\$199	26%	23,409	118	25%	4	\$ 236.19	27%	11,076	46.89	34%	4			

**Measurement and Evaluation of Performance for Climate Change Mitigation in Banana Cultivation and Shrimp Farming Activities**

SECTOR	2022 (base year)						2023						INTERMEDIATE DECARBONIZATION GOALS 2030		
	PORTFOLIO (US\$ MILLIONS)	PERCENTAGE OF PRODUCTIVE PORTFOLIO	TOTAL CO2	CO2E/US MILLION LENT	TOTAL COVERAGE (%)	DATA QUALITY	PORTFOLIO (US\$ MILLIONS)	PERCENTAGE OF PRODUCTIVE PORTFOLIO	TOTAL CO2	CO2E/US MILLION LENT	TOTAL COVERAGE (%)	DATA QUALITY	REDUCTION OBJECTIVE (2030)	METRIC OBJECTIVE (2030)	REDUCTION IN 2023 COMPARED TO THE BASELINE YEAR
A012201 – Banana and Plantain cultivation. (Scopes 1, 2, 3).	\$90	99%	151,677.03	1,672.51	99%	4	\$ 95	93%	99,154.70	1,042.78	94%	2	-10% Banana	Ton CO2 eq	36.28% Banana
A032102 - Shrimp Hatchery Operations (Scopes 1, 2, 3)	\$75	92%	168,465.05	2,256.36	92%	4	\$ 66	95%	151,906.53	2,291.97	97%	3	-6% Shrimp	Ton CO2 eq	9.84% Shrimp

**Annex 3. Health and Financial Inclusion Strengthening Plan**

Objectives	Input	Actions	Output	Results	Impacts
<b>O1 – Financial Access: Increase the number of women and/or women-led SMEs accessing credit (by 6% by 2030).</b>	The National Financial Inclusion Strategy	Develop financial training programs for women and SMEs.	Number of women and SMEs trained in financial education.	Growth of financial trust of women and SMEs.	Increased financial inclusion for women and SMEs contributes to reducing the gender gap in access to credit.
	JPRF regulations	Create financial products tailored to the needs of women and SMEs.	Number of tailored financial products launched.	Increase in the number of women and SMEs accessing loans.	Increase women's participation in economic and financial decision-making in their communities.
	Regulations from the Superintendency of Banks	Establish partnerships with organizations that support women entrepreneurs.	Number of partnerships established with organizations that support women entrepreneurs.	Improvement of the financial products	Strengthening financial well-being through access to adequate financial services
	Internal Financial Inclusion Policy and Procedure Manuals	Implement financial inclusion policies in loan evaluation processes	Number of implemented financial inclusion policies.	Strengthening partnerships with organizations that support women entrepreneurs.	Improve skills and capabilities in terms of financial education, for informed decision-making.

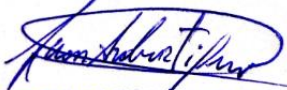
Objectives	Input	Actions	Output	Results	Impacts
<b>O2 – Financial Health: Increase the number of people trained in financial education and digital skills, especially women, youth and SMEs, through partnerships with non-governmental organizations, educational institutions and government entities, contributing to strengthening their financial well-being.</b>	The National Financial Inclusion Strategy	Desarrollar programas de educación financiera y habilidades digitales para mujeres, jóvenes y PYMES	Number of people trained in financial education	Improving financial understanding and digital skills for women, youth and SMEs	Improving the financial and digital well-being of women, youth and SMEs, contributing to reducing the gap in financial education and digital skills
	JPRF regulations	Establish partnerships with non-governmental organizations, educational institutions and government entities to implement financial education programs.	Number of people using digital distribution channels.	Increased financial and digital confidence of vulnerable groups	
	Regulations from the Superintendency of Banks	Create educational materials and digital resources tailored to the needs of vulnerable groups	Number of partnerships established with non-governmental organizations, educational institutions and government entities.	Increase in financial management and business decision-making capacity	
	Internal Financial Inclusion Policy and Procedure		Number of educational materials and digital resources created	Increase in financial management and business decision-making capacity	





## CERTIFICATE OF TRANSLATION

I, JUAN ANDRÉS TIGRERO VACA, CERTIFIED TRANSLATOR AND INTERPRETER, HEREBY CERTIFY THAT I AM COMPETENT TO TRANSLATE FROM THE SPANISH LANGUAGE TO THE ENGLISH LANGUAGE AND THAT THIS DOCUMENT "**REPORTING AND SELF-ASSESSMENT TEMPLATE OF THE PRINCIPLES FOR RESPONSIBLE BANKING 2024**" OF BANCO DE MACHALA, IS A COMPLETE AND ACCURATE TRANSLATION OF THE SPANISH DOCUMENT PRESENTED TO ME.



**CERTIFIED TRANSLATION**  
Juan Andrés Tigero  
Certified Translator - Interpreter  
Registry Number: 1037-16-1377294

Juan Andrés Tigero V.  
Id. 0925321010  
Certified Translator-interpreter  
Registry number: 1037-15-1377294  
Date: November 29, 2024