

Principles for Responsible Banking

Reporting and Self-Assessment Template

The following table sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking. Signatory banks need to report on their implementation of the Principles the first time within latest 18 months after signing and annually thereafter (in line with their annual reporting cycle).

How to use this template:

This template does NOT require your bank to produce an additional report. Rather, this template is designed for your bank to provide references/links to where in your existing reporting/public domains the required information can be found. The aim is to keep additional reporting burden to a minimum while ensuring transparency and accountability as set out in Principle 6.

Within this reporting template, there are six areas for self-assessment that are key to showing that your bank is fulfilling its commitments as a signatory of the Principles for Responsible Banking. They are highlighted.


1. Impact Analysis
2. Target Setting
3. Plans for Target Implementation and Monitoring
4. Progress on Implementing Targets
5. Governance Structure for Implementation of the Principles
6. Progress on Implementing the Principles for Responsible Banking

Only for these six highlighted items, it is required that:

- a) An assurer provides limited assurance of your self-assessment. 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.
- b) You provide your bank's conclusion/statement if it has fulfilled the respective requirements.

Accommodating different starting points:

Banks have different starting points and operate in different contexts. Your bank may not be able to provide all information required in this template the first time you report. That is fine. Your bank has up to four years from signing to bring its reporting fully in line with the requirements. Feedback, support and peer learning are available to all signatory banks to help them progress with both implementation and reporting.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank's full response/ relevant information
 <p>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.</p>		
<p>1.1 <i>Describe</i> (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, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>We are a Mexican banking institution with headquarters in Leon Guanajuato. Our business model is focused on lending to businesses, including small and medium-sized enterprises "SMEs". In 2019 we engaged on a strategy to strengthen our retail banking segment, bolstering our digital channels to improve and facilitate services to all clients.</p> <p>We operate under the commercial name of BanBajío. Our main activities include receiving deposits, underwriting loans, payments reception, securities operations, trusts, leasing and factoring.</p> <p>We are a leading bank in the agrobusiness segment, as we stand as the 1st place on discounted operations to FIRA, a decentralised trust established by the central bank to foster credit penetration on the Agriculture industry.</p>	<p>Annual Report 2021 BMV, page 78.</p>
<p>1.2 <i>Describe</i> how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>We are currently designing our sustainability strategy. As a first step we have determined the double materiality, that integrates financially material matters determined by SASB (Sustainability Accounting Standard Board) with impact-based materiality, which accounts for social and environmental factors. The latter comes as a result of the engagement with both internal and external stakeholders.</p> <p>Then we matched material issues with OSDs, to better identify and maximize our contributions. Our ESG priorities defined in</p>	<p>ESG Executive Report 2021, pages 6, 9.</p>

	<p>the materiality assessment will serve as the base of our strategy.</p> <p>We have established an ESG workgroup, which is going to follow up on the main indicators defined from the strategy starting 2022. Also, it will serve as a stage to access and capitalize risks and opportunities that come along from the initiatives. The workgroup will include managing directors responsible for the departments with the greater number of initiatives within the strategy.</p> <p>In this way, we will move forward with the sustainability embedded as part of the business. We will develop innovative financial solutions for all our clients, create value for our employees, and work in favour of the community and the environment.</p>	
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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:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:

- a) **Scope:** The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.
- b) **Scale of Exposure:** In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.
- c) **Context & Relevance:** Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.
- d) **Scale and intensity/salience of impact:** In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

Scope: Commercial loans: Companies, SMEs, Agro, Financial Institutions, and Government. Loans to individuals: Mortgages, Auto and Consumer.

Scale of exposure: México, as we only have operations within the country.

We have analysed the positive and negative impacts from our portfolio in relation to sustainability in Mexico, including loans to Businesses, SMEs, Agro, Financial institutions, and Government, with a process that considered UNEP-FI's recommendations. We identified, under *Portfolio Impact Analysis Tool*, the most relevant impacts in Commercial banking, 9 positives and 6 negatives, while in Personal banking we had 5 positives and 2 negatives.

We analysed all areas of impact with the objective of aligning resources for the most relevant areas to the bank under two approaches: 1) The share of the portfolio, or share of clients for the individuals' segment, and 2) country-needs. For both inputs the priority was given to those areas that had the greatest impact for bank.

Our most relevant areas of positive impact for the commercial banking (9) are related to 1) Inclusive, healthy economies, 2) economic convergence, 3) housing, 4) food, 5) culture and heritage, 6) water, 7) mobility, 8) strong institutions, peace and stability, and 9) resources efficiency/security. As for personal banking (5) our most relevant positive impact areas are 1) inclusive, healthy economies, 2)

**ESG
Executive
Report 2021,
pages 14-17.**

<p>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>economic convergence, 3) employment, 4) housing, and 5) mobility.</p> <p>On the other hand, our most relevant negative impact areas in commercial banking (6) are those related to 1) waste, 2) resources efficiency/security, 3) climate, 4) strong institutions, peace and stability, 5) water, and 6) culture and heritage. As for personal banking (2) our most relevant negative impact areas are related to 1) inclusive, healthy economies, and 2) resources efficiency/security.</p>	
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Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

The bank used *Portfolio Impact Analysis Tool* from UNEP-FI, taking under consideration commercial loans, that includes: Companies, SMEs, Agro, Financial Institutions, and Government, as well as consumer, auto and mortgages loans. In this way we have identify the areas of most significant impact for our positive, negative or mixed contributions.

Next steps to improve the impact analysis of the portfolio are to identify the financed technologies that the clients employ.

<p>2.2 Target Setting</p> <p><i>Show</i> that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.</p> <p><i>Show</i> that these 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. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p><i>Show</i> that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p>	<p>We have set several goals taking into consideration the main impacts from net positive or net negative contributions.</p> <p>These goals are aligned with their respective ODS and have defined indicators with annual and medium term (2025) targets for their evaluation. The medium-term targets are the following:</p> <p>Personal banking We will increase the size of personal banking in BanBajío, with consumer loans reaching a share of 5% of the total portfolio.</p> <p>Commercial banking We’ll continue to support Mexico’s productive sector by maintaining the loan portfolio as our main productive asset.</p> <p>We’ll maintain leadership in the Agro sector, with the support of FIRA, a decentralised trust established by the central bank to foster the Agriculture industry.</p>	<p>ESG Executive Report 2021, pages 18-20.</p>
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Target Setting.</p>		
<p><small>The goals have been constructed to address the main identified impacts. Also they were built for the indicators previously established to evaluate the acquired compromises, that answer to the main net positive or net negative impacts for the bank (coming from the application of <i>Portfolio Impact Analysis Tool</i>).</small></p>		
<p><small>The goals are established for short and medium time perspective. The short time perspective are annual goals set at the 1st quarter of each year, and the medium time perspective are goals set for 2025.</small></p>		

<p>2.3 Plans for Target Implementation and Monitoring</p> <p><i>Show</i> that your bank has defined actions and milestones to meet the set targets.</p> <p><i>Show</i> that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	<p>A first set of goals were set as a result of the impact map. We have defined goals for short and medium term (annual and for 2025).</p> <p>In order to reach each goal we have several initiatives in place described in the ESG executive summary, the Annual Social Responsibility report and the report to the Mexican stock market “BMV”.</p>	<p>CSR Annual Report 2021</p> <p>Annual Report 2021 BMV, pages 132, 140.</p> <p>ESG Executive Report 2021, pages 10, 11, 18-20.</p>
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.</p>		
<p>For each goal we have set several initiatives. Moreover, the group of defined indicators set for each goal will be closely monitored annually to evaluate the compliance with the annual target and its progress towards the medium term target (2025).</p>		
<p>2.4 Progress on Implementing Targets</p> <p><u>For each target separately:</u></p> <p><i>Show</i> that your bank has implemented the actions it had previously defined to meet the set target.</p> <p><i>Or explain</i> why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</p> <p><i>Report</i> on your bank’s progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p>	<p>The progress and the accomplishments of the targets will be closely monitored by the sustainability team, with the backup of the different business departments. The ESG workgroup will be inform periodically on their respective meetings.</p>	<p>Future Integrated Annual Report 2022 (to be published in 2023)</p>
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets</p>		

Given that during 2021 we have worked on setting the goals, we will monitor their progress on the ESG workgroup meetings along the year, and the general public will be informed on the annual integrated report.



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.

<p>3.1 <i>Provide an overview</i> of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>Our code of conduct reflects the main guidelines for the relations within employees and with external agents, such as clients.</p> <p>We are currently working on the elaboration of a policy under the ESMS framework to address the environmental and social evaluation of our loans. This framework will reinforce our compromise to improve the performance of our clients on ESG matters.</p>	<p>Code of conduct</p> <p>ESG Executive Report 2021, pages 10, 11.</p> <p>Future Integrated Annual Report 2022 (to be published in 2023)</p>
<p>3.2 <i>Describe</i> 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. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>All clients evaluated under ESMS framework will be suggested to implement ESG goals, with the purpose of promoting awareness on sustainability matters.</p> <p>BanBajío, along with development banks, will grant loans with preferred conditions to those agriculture companies that implement sustainable practices. Additionally, we provide tutoring about financial management to our clients and different stakeholder as part of our financial education program.</p>	<p>ESG Executive Report 2021, pages 10,11.</p> <p>Financial education</p> <p>Future Integrated Annual Report 2022 (to be published in 2023)</p>



Principle 4: Stakeholders

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

4.1 *Describe* which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

We consulted several business departments during the development of the map of impact. These departments helped to identify the client profile of each product/ service and gave feedback on regards to client’s expectations.

Also, we realized a materiality study, in which several stakeholders were consulted in order to prioritize material issues: investors, clients, regulators, suppliers, employees, the management team. All of them were approached with different tools.

With the aforementioned process and the involvement of all stakeholders we were able to better appreciate the positive and negative impacts coming from our activities. We maintain a circular communication with the different stakeholders, with specialized teams and through channels/platforms that are available at their disposal.

ESG Executive Report 2021, pages 6,14.



Principle 5: Governance & Culture

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

5.1 *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 effective implementation of the Principles.

We have established ESG workgroup, which is presided by the Chief Financial Officer and has the participation on the managing directors responsible for the main departments from the bank. Starting 2022, we will closely follow up on the main indicators from the strategy and it will serve as a stage to access and capitalize risks and opportunities that come along from the initiatives.

Given each initiative is different the responsibility for the implementation will be divided among the involved business

ESG Executive Report 2021 Pages 21, 22.

	<p>departments; and they will in turn be responsible for the disclosure to the ESG workgroup.</p>	
<p>5.2 <i>Describe</i> the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>For the establishment of the Environmental and Social Management System “ESMS” we have involved different business departments in the ESG workgroup. In the near future, we will design an ESG training plan for the personnel with help from a specialized independent third party.</p> <p>Information about sustainability and the progress of our initiatives will be constantly communicated internally to all employees. Additionally, all the outcomes from the ESG workgroup will be communicated to the Risk Committee, which in turn will communicate them to the Board of Directors.</p>	<p>Future Integrated Annual Report 2022 (to be published in 2023)</p>
<p>5.3 Governance Structure for Implementation of the Principles</p> <p><i>Show</i> that your bank has a governance structure in place for the implementation of the PRB, including:</p> <p>a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</p>	<p>The ESG workgroup was defined by the board of director and the upper management, and it will be the responsible to monitor the progress towards the goals set based on both positive and negative impacts from the portfolio.</p> <p>The ESG workgroup will also be responsible for the coordination and implementation of an Environmental and Social Management Plan “ESMP”. The objective of the ESMP is to identify risks of the financed activities engaged by clients during the credit origination process.</p>	<p>Future Integrated Annual Report 2022 (to be published in 2023)</p>
<p>Please provide your bank’s conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p>		
<p>We have fulfilled the requirement with an articulated governance structure around the ESG workgroup and with the involvement of the business departments directly on the initiatives to achieve the desired goals. Furthermore, we will reinforce knowledge on the matter among the bank’s personnel with proper training and raise awareness with continue communication about our strategy, its results and impacts.</p>		



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 Progress on Implementing the Principles

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

BanBajío has advanced in the implementation of the principles, as demonstrated in this Annex and the executive summary. Our compromise is with sustainability is robust, starting with the upper management.

ESG Executive Report 2021, pages 24-31.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking

After our adherence to the principles, we have completed the following milestones: 1) Integration of responsible banking principles on the sustainability strategy, since its inception, 2) Analysis of credit portfolio’s impact, 3) goals setting, 4) Establishment of annual and medium term goals, 5) annual review of short term goals, 6) Strengthening of team’s knowledge and culture around sustainability and the bank’s role in it.

On the executive summary we expose the initiatives and their relation to the six principles.

Annex: Definitions

- a. **Impact:** An impact is commonly understood as being a change in outcome for a stakeholder. In the context of these Principles this means (aligned with GRI definition) the effect a bank has on people/the society, the economy and the environment and

with that on sustainable development. Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.

- b. Significant Impact: Impact that in terms of scale and/or intensity/salience results in a particularly strong/relevant change in outcome for a stakeholder. In the context of these Principles, the concept of *significant* impact is used to ensure banks focus where their actions/business (can) matter most for people, economy and environment and to provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of “materiality”.