

Protocol Sustainability of The bench

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Motivation

Human influence on the earth's climate system is clear: emissions anthropogenic greenhouse gases (GHG) are currently the highest history and recent changes in climate have had impacts widespread in ecosystems, in addition to human settlements. The global warming is unequivocal and, since the 1950s, many of the The observed changes are unprecedented in human history. The temperature of the atmosphere and oceans has risen, the amounts of snow and ice have decreased and the sea level has risen.

Climate change is one of the greatest challenges of our time and its effects adverse impacts undermine the ability of all countries to achieve the sustainable development. The rise in global temperature, the rise in the level of ocean, ocean acidification and other effects of climate change are severely affecting coastal areas and low-lying coastal countries, including many less developed countries.

Due to the above, at present sustainable development faces immense challenges. The depletion of natural resources and the negative effects of environmental degradation, including: desertification, drought, soil degradation, fresh water scarcity and loss of biodiversity, they increase and exacerbate the difficulties facing humanity.

However, it is also a time that offers very important opportunities for the evolution in the way of doing business. Progress has been made significant technological aspects around energy efficiency, taking advantage of waste as well as recycling techniques, among many others, with which it has been managed to tackle some of the problems of sustainable development.

Faced with such a scenario, governments, international organizations, the sector business and non-governmental organizations have taken action in favor of implementing modifications in the way of both producing like consuming goods and services. To do this, within the countries they have mobilized sources of financial and technical assistance, in order to strengthen their scientific, technological and innovation capacities, in such a way that the help fulfill the commitments that the majority have made internationally, to effect fundamental changes.

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It is necessary to build dynamic, innovative and economy-centered economies people, as well as adopting policies that increase productivity, employment formal and dignified financial inclusion, in addition to providing universal access to affordable, reliable, sustainable and modern energy services. The Sustained, inclusive and sustainable economic growth is essential for achieve prosperity.

In the same way, international commitment has been reflected in the emergence of international principles and guidelines such as performance of the International Finance Corporation (IFC), the Principles of Ecuador or the United Nations for responsible investment, to mention Some. This has set a new standard for liability assumed by companies to improve their social and environmental performance. International experiences have shown that having systems of management of adequate environmental and social risks is essential for companies can reduce or eliminate the negative impacts of their operations, as well as protecting communities that may be vulnerable by business practices.

In this sense, Mexico has demonstrated its commitment to the global mission to protect the environment and promote sustainable development, participating in more than 90 international agreements and protocols in force. An example of this is the recent formal adoption of the commitments announced in the framework of the 21st Conference of the Parties (COP 21), at the 2015 Paris Climate Summit, which consist of a voluntary reduction of 25% in the emission of gases and greenhouse compounds.

In line with the previous commitments, and in accordance with the General Law of Climate Change (LGCC) approved in 2012, it is estimated that Mexico will reach a maximum peak of greenhouse gas emissions in 2026, paving the way for the decarbonization of its economy. Likewise, the country has included in its commitments to 2030 an adaptation component whose priority is to protect the population from extreme hydrometeorological phenomena that are linked to changes in the planet's temperature, as well as increasing the resilience of the country's strategic infrastructure and ecosystems that they house our biodiversity.

It should be noted that the commitment made in the framework of the LGCC made Mexico is the second country in the world to implement exchange legislation

climate, with targets to reduce greenhouse gas emissions by 30 percent by 2020 and 50 percent by 2050 with commitments legally binding. The LGCC commits Mexico to provide 35 percent of its energy from clean sources by 2024.

In the same way, and with the aim of promoting the transition towards a competitive low-carbon economy, including the LGCC establishes the formulation of a long-term policy to combat change climate, in addition to the design and promotion of economic and fiscal instruments to encourage the reduction of emissions, as well as the participation of stakeholders public and private in the matter.

In addition to the above, the structural reforms including the Energy Reform and the next Energy Transition Law, provide Mexico with an opportunity unrepeatable to establish guidelines in order to focus present efforts and

futures in the area of sustainable development, including the promotion of strategies low-carbon economical.

The Energy Transition Law (LTE) seeks to coordinate actions in the field promotion of renewable and clean energies, until now dispersed in various legal instruments, and integrate into a single legislative text the commitments and goals for the use of clean energy, as well as the mechanisms to reach them. It also reinforces the national electricity generation goal from clean sources contained in the General Law on Climate Change mentioned above, as well as in the Law for the Exploitation of Renewable Energies and the Financing of the Energy Transition.

In line with all these actions carried out by the Federal Government to promote the country's transition towards the sustainable use of its resources, and understanding that sustainability is a shared responsibility, during

In recent years, the Association of Banks of Mexico has sought to join this effort actively participating in the promotion of the healthy development of the economy, with respect for the ecological and social environment.

The role of financing provider inherent in the banking sector gives it a enormous potential to generate value from the implementation of criteria sustainable in their business model. That is why, as of today, the ABM participates and promotes investment in cutting-edge projects, characterized by consider among its priorities the sustainable use of natural resources and seek low GHG emissions.

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The ABM strives to be a forum for the exchange of ideas, in order to stimulate innovation and improvement in banking practices in Mexico. For the Therefore, the adoption of a sustainability protocol among the members of the ABM is proposed as a voluntary agreement between financial institutions and aims to institutionalize a commitment to sustainable development to contribute with tangible actions for the benefit of the environment and society.

It is worth mentioning that documents with similar objectives have been signed in other countries such as Brazil (2009), Colombia (2012), Vietnam (2012) and Indonesia (2013), Therefore, this Sustainability Protocol represents a great opportunity for ABM member banks to acquire a leading role in the transition to a more sustainable future in Mexico.

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Definition and objectives

Understanding that sustainability is a shared responsibility and in a effort to promote the country's transition towards the sustainable use of its resources, the ABM through this Banking Sustainability Protocol,

aims to institutionalize the banking sector's commitment to the Sustainable Development of Mexico. Likewise, it expresses its intention to join to the public sector in the corresponding axes.

In the same way, this Banking Sustainability Protocol is defined as a voluntary agreement between Financial Institutions, where agrees on a management framework and guidelines on sustainability that, henceforth, they must be internalized and applied by the signatory institutions. For the purposes of this Protocol, the ABM and the signatory financial institutions, henceforth define sustainability as the search for environmental well-being, social and economic for the present generations, without affecting the needs of their future counterparts.

Strategic principles

In order to achieve its objectives, the Banking Sustainability Protocol is consists of 5 strategic principles:

1. Institutionalization of internal sustainability policies.
2. Management of environmental and social risks in investment processes or credit.
3. Sustainable investment.
4. Efficient use of resources in internal processes.
5. Monitoring and dissemination of the sustainability policies and practices of the guild.

Strategic pillar # 1: institutionalization of internal policies of sustainability.

To support the commitment to sustainability, financial institutions consider essential the development of an internal policy that includes a mission, vision and objectives oriented to make the banking operation more and more sustainable. Said policy, aligned with the processes and operations of the institution, will serve as a guide for the implementation of strategies that allow achieve the sustainability of the financial system.

The most important condition for the successful implementation of a sustainability, consists of having the support of the Board of Directors and of senior executives of financial institutions. Thus, sustainability criteria can be included in decision-making at the level strategic and the necessary organizational conditions are generated to align financial activities and operations with more sustainable practices.

The financial institutions that are signatories of this Protocol undertake to work to implement the following strategy:

Establish an internal sustainability policy, with the support of the Council of Administration, which appropriately PROMOTES the operations of the financial activities with sustainability.

The execution of the following actions between the signatories of this Protocol, will facilitate compliance with the first strategic pillar:

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to. Establishment of a corporate governance structure with an entity specialized - sustainability committee, advisor, director, among others - responsible for sustainability issues who will report directly to the Board of Directors.

b. Establishment of a Sustainability Policy - to be distributed periodically to all employees and suppliers - which, at the level of self-regulation, incorporate principles of sustainability.

Strategic pillar # 2: analysis of environmental and social risks.

By implementing a system that allows analyzing environmental and social risks derived from the commercial activities of the clients, financial institutions evaluate, prior to granting financing, the risks of credit, pledges and image associated with the negative impacts that said activities can generate.

There is a growing recognition in the financial community that an adequate analysis of environmental and social risks in investment decisions, is fundamental to evaluate the performance of an investment in the medium and long term, so that the loan portfolio is healthier.

The financial institutions that are signatories of this Protocol undertake to work to implement the following strategy:

Establish a risk analysis system that incorporates the consideration of social and environmental risks as important factors in operations credit and investment.

The execution of the following actions between the signatories of this Protocol, will facilitate compliance with the second strategic pillar:

to. Integration of the consideration of environmental and social risks, using as a basis compliance with applicable Mexican laws in your credit analysis.

b. Establishment of procedures to analyze, categorize and mitigate the environmental and social risks associated with investment projects, through the application of international standards - the principles of

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Ecuador, for example - or through the creation and application of standards specific to the institution.

c. Establishment of specific procedures for risk management in sectors sensitive to environmental and social issues - mining, infrastructure, oil and gas, among others.

d. Inclusion of clauses in the documentation of the loan or investment, which require compliance with environmental and social laws, regulations

or applicable permits.

and. Implementation of a training program on social risks and environmental conditions for staff in responsible areas and at levels relevant throughout the institution.

Strategic pillar # 3: sustainable investment.

It is critical that the financial sector operates in a stable and sustainable manner, since it plays a fundamental role for society by providing a safe and convenient access to savings and investment systems, in addition to facilitating the allocation of economic resources to promote growth, as well as apply adequate risk management and diversification.

In this way, banks promote the creation of companies and jobs, therefore plays a central role in the transition to a greener economy and towards the fulfillment of the country's sustainable development objectives and the world.

The financial institutions that are signatories of this Protocol undertake to work to implement the following strategy:

Establish guidelines and instruments to promote the financing of projects that generate a positive environmental and social impact.

The execution of the following actions between the signatories of this Protocol, will facilitate compliance with the third strategic pillar:

to. Promote the financing of projects that promote sustainability environmental and social such as those involving investment in energy clean, energy efficiency, renewable energy, construction

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sustainable, efficient transportation, water use, waste disposal, among many others.

b. Establishment of training programs to raise awareness among bank employees with respect to special financial products or conditions offered to finance sustainable projects.

c. Liaison with authorities in environmental matters to determine the tax benefits, subsidies or any other stimulus to projects and sustainable initiatives.

d. Links with universities and non-governmental organizations to support projects and initiatives related to sustainability.

Strategic pillar # 4: efficient and ethical use of resources in processes internal

The efficient use of the resources used in the daily operation of financial institutions, not only allows to reduce costs and increase the competitiveness, but facilitates the reduction in dependence on resources natural resources, as well as their associated goods and services.

The financial institutions that are signatories of this Protocol undertake to work to implement the following strategy:

Establish a corporate policy that integrates the principles of sustainability in internal operations.

The execution of the following actions between the signatories of this Protocol, will facilitate compliance with the fourth strategic pillar:

- to. Setting goals to reduce water consumption and residuous generation.
- b. Setting goals for more efficient energy consumption, clean and responsible.
- c. Application of an ethical and sustainable purchasing policy.
- d. Provide financial incentives to promote green efficiency.

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and. Establishment of objectives for the elimination of the use of paper.

Strategic pillar # 5: dissemination of the policies and practices of sustainability of the ABM.

Investors and civil society organizations demand greater openness and transparency with respect to company operations. As a result From this, it is expected that financial institutions, like all companies, provide more detailed and complete information about their operations. In order to increase transparency and accountability, it is important that the bank monitors its performance in terms of sustainability and thus periodically communicate to your stakeholders, both internal and external, with the aim of raising awareness and generating feedback.

The financial institutions that are signatories of this Protocol undertake to work to implement the following strategy:

Establish an efficient communication strategy to spread, between groups of interest, the progress regarding its sustainability performance.

The execution of the following actions between the signatories of this Protocol, will facilitate compliance with the fifth strategic pillar:

- to. Preparation of an annual sustainability report or inclusion of indicators of this nature in the annual report.
- b. Training so that banking personnel have the aptitude and the knowledge necessary to comply with the commitments of the Protocol.
- c. Establishment of a policy of interaction with interest groups and promotion of sustainable practices.
- d. Establishment of internal dissemination and promotion mechanisms - such as training, courses, manuals, among others - of practices in the field of sustainability.

Additional Recommendations

In order to achieve a successful implementation of this Protocol, the Signatory financial institutions propose the following commitments additional:

1. Participate in the ABM Sustainability Committee to promote the dialogue between all institutions, share experiences and propose improvements in the application of the Protocol.
2. Report on the progress of the Protocol to the Sustainability Committee of the ABM so that a balance sheet can be prepared for results and progress.
3. Actively participate in organizations that promote development sustainable nationally or internationally, among which can be mention the following:
 - The Global Compact;
 - the principles of Ecuador;
 - The Finance Initiative of the United Nations Program for the Environment;
 - the ABM Sustainability Committee; and
 - the Private Sector Studies Commission for Development Sustainable.

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THIS SIGNATURE SHEET CORRESPONDS TO THE ADHESION OF *[NAME OF THE ENTITY]* TO THE ASSOCIATION'S SUSTAINABILITY PROTOCOL DE BANCOS DE MÉXICO, AC, VERSION 1.0 OF DATE XX OF XXXX OF 2016 REPRESENTED IN THIS ACT BY *[NAME OF THE LEGAL REPRESENTATIVES]*.

INSTITUTION

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