



ANNUAL REPORT
EQUATOR PRINCIPLES 2015



Table of Contents

1. INTRODUCTION.....	3
2. EQUATOR PRINCIPLES IMPLEMENTATION.....	4
3. EQUATOR PRINCIPLES REPORTING (EP).....	7
4. CONCLUSIONS.....	9
5. ANNEXES.....	10
CONTACT INFORMATION.....	17



1. INTRODUCTION

The urgency to respond to the environmental crisis and the belief that sustainable businesses are the backbone of the economy of the future, led CIBanco to adopt a green finance vocation and vision. CIBanco identified an opportunity of entering a market segment that has not been served. On March 7th of 2012, CIBanco adopted a new paradigm to become the first green bank of Mexico. This means a new banking experience for our customers in which they have the opportunity of choosing an institution and financial products that care for the environment.

As Mexico's first green bank, we joined the global movement for sustainable development that recognizes the urgency of responding to the environmental challenges facing the world. Profound changes in the patterns of production and consumption are necessary to reverse, mitigate and reduce environmental degradation. The business world is getting involved in green growth. Green businesses are demanding that banks creatively develop new products that meet the requirements of new business models, a challenge that CIBanco has assumed.

CIBanco's mission is to become a leader among the financial services sector that favors sustainability as a business guideline, to achieve mutual benefit for both people and companies. We view financial services as an important tool for companies and citizens to act with more responsibility in terms of protecting and preserving the environment. We believe that sustainability is a profitable business approach that creates long-term value for our shareholders.

For CIBanco, the sustainability of the institution is based on stable economic performance, in addition to the continued support of our human capital, environmental care and a solid ethical foundation. Our economic pillar is based on a wide range of products and traditional banking services, constant innovation and excellent service, along with increasing accessibility. All this, combined with unique products in Mexico that favor the preservation and care of the environment, is what makes our Bank a reliable and rewarding option.

CIBanco signed the Ecuador Principles in 2012, to reinforce its commitment with sustainability, assuming the guidelines for managing social and environmental risks in its project finance activities. This report was prepared under the **Equator Principles III-2013 for non-designated countries**. The report covers the period from January 1st 2015 to December 31st 2015. This is the third time CIBanco prepares this report.

2. EQUATOR PRINCIPLES IMPLEMENTATION

2.1. Description of the Implementation of EP in the credit and risk area

Since we adopted the Equator Principles, we have continued our revision of the operating loan manual and have begun a process to adjust it as follows.

Sustainable approach

We recognize the benefits to the people and the environment of the financing activity we develop. Our private banking business approach is based on:

- Identifying sectors relevant for sustainable development and establishing positive criteria for funding companies active in those sectors.
- Selecting profitable initiatives of the real economy that add value to the environment.
- Ensuring that each selected project is consistent with our investment policy.
- Supervising the purpose of our loans.

2.2. Administrative structure

The Director of Sustainability of the Bank holds responsibility for the implementation of the EP.

2.3. The procedure addressing EP transactions

2.3.1. Identification of Environmental and Social Risks

In line with CIBanco's policy of providing financing to environmentally friendly projects, and in accordance to our commitment to adopt the EP, we have developed a **questionnaire to identify green projects**, with the objective of identifying sustainability practices among businesses and projects that are being supported by the bank, and that seek to prevent, mitigate or reverse environmental damage.

At this stage of the process we also identify the potential social and environmental risks and impacts attached to each project.

2.3.2. Categorization of the projects

For the categorization of the projects we have elaborated a **questionnaire for evaluating social and environmental risks** and define if the proposed operation or project presents a high, medium or low likelihood of incurring in negative environmental or social risks, or having high, medium or low consequences that could affect natural resources, categorizing them as Risk A (high), Risk B (low) and Risk C (low or null).

Both questionnaires are included as Annexes.

2.3.3. Evaluation of Environmental and Social Risks

Under EP, the client should conduct an environmental and social assessment of the project (category A and category B), develop an Action Plan demonstrating how impacts and risks are mitigated and monitored, disclose information and consult with the project affected communities, and establish a grievance mechanism, as appropriate.

Environment

CIBanco funds initiatives, projects and companies committed to the responsible use of natural resources and the environment, which provide innovative technological solutions, in areas such as:

- Renewable energies
- Energy savings and efficiency
- Sustainable infrastructure
- Environmental industry and technology (recycling, transport, air, water, etc..)

Exclusion Criteria

CIBanco has kept its exclusion criterion that states that the bank does not finance companies which products, services or production processes that are not sustainable or have a negative impact on society, or that conflict with the values we share with our customers.

In this sense, CIBanco does not fund projects or undertakings contributing more than 10% of its activity in the following areas:

Non-sustainable businesses:

- Dangerous substances for the environment. Organizations and activities that produce or sell substances that pose a risk to human life or the environment.

- Pornography. Organizations that sell pornographic products and / or that are involved in activities that promote prostitution.
- Tobacco. Organizations and activities that produce or sell tobacco products or related products.
- Arms industry. Organizations and activities that produce and sell weapons and provide services related thereto. They include conventional weapons, such as guns and rockets, and unconventional, such as nuclear, chemical and biological weapons and integrated weapon systems.

Non-sustainable processes:

- Intensive agricultural production. Organizations and activities using animals intensively for consumption that are not environmentally friendly and do not protect animals. Loans will be granted only to organizations with ecological certification.
- Corruption. Organizations that have been convicted in court for corruption, bribery and money laundering, as well as those entities that have violated codes of conduct or treaties in the last three years.
- Animal testing. Organizations and activities using animal experiments for other than medical purposes, or that sell non-medical products that have been tested on animals.

2.3.4. Environmental and Social Risks Management

During 2015 CIBanco did not grant any loans for projects larger than US\$10 million. CIBanco's loan portfolio presents no environmental risks and is consistent with Mexican environmental laws and regulations.

3. EQUATOR PRINCIPLES REPORTING (EP)

As mentioned above, CIBanco adopted the Equator Principles (EP) in March 2012 assuming its responsibility in lending to projects that may affect the environment, showing its commitment to sustainability and economic development in Mexico. CIBanco was the first Mexican bank to do so and to undertake environmental risks assessments of projects. We are therefore committed to annually report about our project finance transactions with total capital costs of US \$10 million or more.

I. Project Finance

CATEGORY	A	B	C
Total			
Sector			
General Manufacture			
Infrastructure			
Oil & Gas			
Power			
Transport			
REGION			
Americas			
Europe			
Asia			
BY COUNTRY DESIGNATION			
Designated			
Non-designated			
INDEPENDENT REVIEW			
Yes			
No			

II. Project related corporate loans

CATEGORY	A	B	C
Total			
Sector			
General Manufacture			
Infrastructure			
Oil & Gas			
Power			

Transport			
REGION			
Americas			
Europe			
Asia			
BY COUNTRY DESIGNATION			
Designated			
Non-designated			
INDEPENDENT REVIEW			
Yes			
No			

III. Project Finance Advisory Services

Number	Project Name	Country	Sector	Host Country Name	Date of transactions closed

4. CONCLUSIONS

In CIBanco we are aware of our responsibility to our customers, employees and shareholders, so we are committed to sustained, profitable and sustainable growth. We continue to invest, innovate and develop products to solidify our leadership as the first green bank in Mexico. CIBanco was the first Mexican bank to sign the Equator Principles, and it is therefore committed to continue implementing the EP in our internal operations and standards, in order to comply with the loans provision required.

Some of the benefits for CIBanco of adopting the EP are:

- Low risk in projects. With the compliance of environmental and social standards, the chances that the national authorities reject a project are reduced.
- Improved national and international reputation.
- Enhanced credibility, transparency and social responsibility.
- Improved perception of the bank's image among shareholders, suppliers, customers and business partners.
- Attraction of customers interested in the sustainable operation of the bank.
- Attraction of new sustainable businesses.

5. ANNEXES

Formulario 1 Identificación de proyectos verdes

De manera congruente con la política de CIBanco de promover el financiamiento de proyectos que protejan el medio ambiente, el objetivo de este cuestionario es identificar los proyectos que están siendo apoyados por el banco y que buscan prevenir, mitigar o remediar un daño ambiental.

Nombre de la Empresa o Proyecto:

Sector al que pertenece:

Monto de la operación:

De la Empresa

¿Actualmente su empresa produce algún bien o servicio que busque directa o indirectamente prevenir o remediar el daño al medio ambiente (ej. agua, tierra, aire u otras áreas)?

Sí	
No.	

Especificar: _____

¿En sus procesos y métodos de producción u operación cuenta con mecanismos para hacer más eficiente el uso de recursos naturales o reducir su consumo, o bien para mitigar el impacto al medio ambiente?

Sí	
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No.	
-----	--

Especificar: _____

¿La empresa elabora un reporte anual de sustentabilidad?

Sí	
No.	

¿Existe un área encargada de temas ambientales?

Sí	
No.	

¿Han realizado algún estudio de impacto ambiental de la operación o actividades de su empresa?

Sí	
No.	

Especificar? _____

¿Cuenta con algún certificado medio ambiental?

ISO 14,000	
Leed	
BCorp	
PROFEPA (industria limpia)	
ProNatura	

Medición de huella de carbono	
Otro	

Del Financiamiento

Describir brevemente el destino del crédito que se le ha concedido o que está solicitando.

Descripción: _____

¿Cuál de las siguientes categorías describe mejor el crédito que quiere contratar o que actualmente tiene con CIBanco?

Para capital de trabajo	
Maquinaria y Equipo	
Para Instalaciones	
Factoraje	
Proyecto en específico	
Otro	

Especificar? _____

¿El crédito va destinado a alguna actividad ambientalmente sustentable?

No.	
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Energía renovable	
Eficiencia energética	
Reciclaje de algún tipo	
Ahorros o tratamiento de agua	
Ahorro o generación de materia prima sustentable	
Construcción sustentable	
Otra	

Especificar? _____

¿Tiene contemplado desarrollar a futuro alguna, de las acciones mencionadas anteriormente u otras que sean ambientalmente sustentables?

Especificar? _____

Formulario 2

Evaluación de Riesgos Sociales y Ambientales de los Proyectos a Financiar

Este formulario tiene el objetivo de establecer si la operación o proyecto propuesto presenta alguna probabilidad de tener algún impacto o riesgo ambiental o social.

Marque SI o NO dependiendo si el financiamiento propuesto puede generar alguno de los impactos indicados.

Cuestionario Socio Ambiental	SI	NO	NO SE
1. ¿El proyecto u operación puede llegar a tener impactos considerables en los recursos naturales? (A)			
2. ¿El proyecto u operación afecta los recursos naturales de uno o más países que no participen en el proyecto (ejemplo: corredores biológicos, cuencas, playas y costas, parques nacionales)? (A)			
3. ¿El proyecto u operación utiliza materiales peligrosos que puedan afectar considerablemente la salud de trabajadores o comunidades cercanas? (A)			
4. ¿El proyecto u operación puede llegar a generar un grado de contaminación considerable en el agua, el suelo o el aire? (A)			
5. ¿Las etapas de operación o construcción consisten en actividades de alto riesgo relacionadas con el uso, la producción o el almacenamiento de desechos y materiales peligrosos? (A)			
6. ¿El proyecto u operación afecta áreas vulnerables desde el punto de vista ambiental o cultural? (A)			
7. ¿El proyecto u operación implica una transformación o degradación considerable del algún hábitat natural? (A)			
8. ¿El proyecto u operación implica una transformación considerable de algún sitio cultural? (A)			
9. ¿El proyecto u operación significa el financiamiento de actividades en una zona geográfica expuesta a peligros naturales, como inundaciones, terremotos o derrumbes? (A/B)			
10. ¿El proyecto u operación puede llegar a tener impactos acumulativos negativos o adversos, directos o indirectos, en poblaciones indígenas o en sus derechos o bienes individuales o colectivos? (A/B)			
11. ¿El proyecto u operación implica un reasentamiento involuntario o desplazamiento económico de la población de la zona? (A)			
12. ¿El proyecto u operación incluye grandes obras de infraestructura? (A/B)			
13. ¿Existen elementos que indiquen el uso de prácticas laborales inadecuadas? (A)			
14. ¿El proyecto u operación genera cantidades significativas de materiales peligrosos? (A)			
15. ¿Existen elementos que indiquen un almacenamiento inadecuado (en cuanto a la seguridad e higiene) de sustancias, productos químicos o alimentos? (A)			

16. ¿El patrocinador del proyecto no cuenta con un sistema de gestión de seguridad e higiene laboral que cumpla estándares de las leyes mexicanas? (A/B)			
17. ¿El proyecto u operación implica el uso de organismos modificados genéticamente? (A)			
18. ¿Existen elementos que indiquen la presencia de contaminación como consecuencia de acciones pasadas realizadas por los dueños anteriores de la propiedad? (A)			
19. ¿Existe la probabilidad de que el proyecto u operación tenga impactos ambientales y socioculturales negativos principalmente locales y de corto plazo, para los cuales existen medidas de mitigación, eficaces y accesibles? (B)			

Anexo I

Categorización Socio-Ambiental (para uso interno)

Resultado	Categoría propuesta	Comentarios y medidas propuestas
Si responde SI a una o más preguntas marcadas con A	A	<p>La operación presenta altas probabilidades de tener impactos ambientales y sociales negativos, con afectación importante a los recursos naturales y se clasifica nivel A (Alto Riesgo).</p> <p>La operación debe remitirse al Comité de Sustentabilidad y debe consultarse los estudios o acuerdos necesarios:</p> <ul style="list-style-type: none"> ▪ Evaluación Ambiental ▪ Plan de Gestión Ambiental ▪ Evaluación de Impacto Ambiental ▪ Evaluación Ambiental Estratégica ▪ Consulta con las partes interesadas ▪ Requisitos para la disponibilidad de información ▪ Supervisión (informes periódicos) ▪ Cláusulas respecto a riesgos socio-ambientales
Si responde SI a una o más preguntas marcadas con B	B	<p>La operación presenta altas probabilidades de tener impactos ambientales y sociales locales y de corto plazo, para los cuales existen medidas de mitigación, eficaces y accesibles, por lo que se clasifica nivel B (Riesgo Medio).</p> <p>La operación debe remitirse al Comité de Sustentabilidad y debe consultarse los estudios o acuerdos necesarios:</p> <ul style="list-style-type: none"> ▪ Análisis ambiental y social de cuestiones identificadas ▪ Plan de Gestión Ambiental ▪ Consulta con las partes interesadas ▪ Requisitos de supervisión (informes periódicos)
Si responde NO a todas las preguntas	C	<p>Sería una operación con bajas probabilidades de presentar un impacto ambiental-social. Se clasifica en categoría C (Bajo Riesgo).</p> <p>No requiere de aprobación</p>

Cuando exista controversia de categorización de nivel A o B, el área de sustentabilidad define la categoría



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