

Materiality Analysis

In 2022, we conducted a materiality analysis through the concept of double materiality under international trends:

- Impact Materiality. All stakeholders are considered, and the most significant impacts of Monex's business abroad are identified economically, socially, and environmentally.
- Financial Materiality. This dimension provides detailed information for investors and other capital providers based on ESG factors that could financially affect Monex's business condition, performance, and cash flows.

Process for Impact Materiality

We prepared the impact materiality analysis based on the Global Reporting Initiative (GRI) recommendations:

- First, we identified potentially relevant topics and analyzed the main sector risks and opportunities, critical topics assessed by international rating agencies, frequently asked questions by investors and analysts in 2021, and press coverage of the company.
- Then, the topics were prioritized by our primary stakeholders. Through surveys and interviews, we consulted employees, suppliers, main shareholders, and trade and financial-related organizations. For customers of different businesses, we consulted Monex's customer relations teams.
- For prioritization, we also interviewed key directors and managers of the Group and our business lines (subsidiaries) to provide their strategic perspectives.
- The integration of our main stakeholders and top management's perspective allowed us to determine the material topics (impact materiality).
- Finally, the material topics underwent an internal validation process by senior management.

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Materiality Analysis

The impact of material topics has allowed us to determine the Sustainable Development Goals (SDGs) to which we strategically contribute.

MATERIAL TOPIC	SDG	MATERIAL TOPIC	SDG
Ethics and anticorruption		Product innovation	
Corporate governance		Financial inclusion	  
Digital transformation	 	Disclosure and transparency of financial information	
Regulatory compliance		Diversity and equal opportunities	 
Economic performance	 	Cybersecurity	  
Customer service		Sustainable investment	  
Attraction and retention of employees		Own and Portfolio ESG Risks	 
Training and development of employees	 		

Financial Materiality Process

- The Sustainability Accounting Standards Board (SASB)—an international benchmark for ESG information for investors—has determined, through a global analysis and consultation process, a list of material topics by industry on which it has based its standards.
- At Monex, we decided to apply the topics that SASB established for the industries in which we operate, specifically in the financial sector: Commercial Banking, Asset Management, and Investment Banking and Brokerage. Therefore, we can ensure appropriate management of the risks and opportunities arising from these material topics and contribute to improving our ESG performance.

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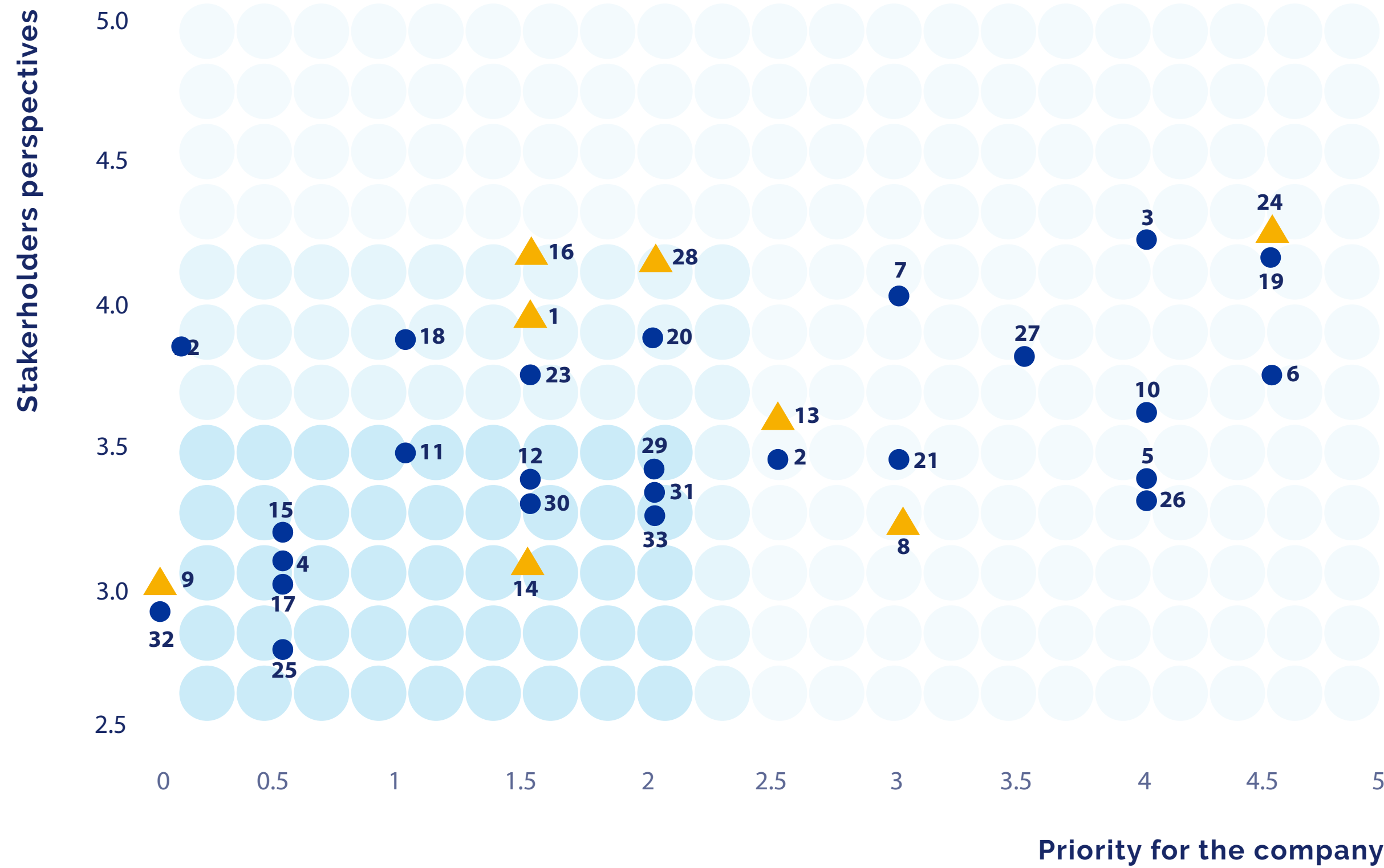
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Materiality Analysis

This is the matrix that integrates both materialities:



Matrix of Integrated Materiality



Materiality of impact

Material issues

Emerging issues

Non-proactive management issues

Financial materiality

Material issues	▲ 24	Ehitics and anticorruption
	19	Corporate governance
	6	Digital transformation
	3	Regulatory compliance
	10	Economic performance
	5	Customer service
	26	Attraction and retention of employees
	27	Training and development of employees
	7	Product innovation
	21	Disclosure and transparency of financial information
	▲ 8	Financial inclusion
	▲ 13	Cybersecurity
	2	Sustainable investment
	▲ 16	Own ESG risks and of the portafolio
	▲ 28	Diversity and equal opportunities
Emerging issues	▲ 1	Sustainable financing
	22	Disclosure and transparency of sustainable information (ESG)
	23	Relationship with authorities
	18	Environmental and social impact of the portfolio
	22	Relationship with investors
Non-proactive management issues	29	Remuneration and incentives to employees
	31	Work climate
	33	Financial education
	12	Development of the importer and exporter market (Mexico)
	30	Health and social security
	▲ 14	Systemic risk management
	11	Evolution of the foreign exchange and stock market (economic, social and political factors)
	15	Customer data management
	4	Responsible supply chain
	17	Operational ecoefficiency
	25	Tax strategy
	▲ 9	Selling practices / product information
	32	Socioeconomic development of communities

Portfolio Risk Analysis

Impact Identification and Sizing—Introduction

The Responsible Banking Principles (RBP) demand the identification of positive and negative impacts of our portfolio. At Monex, as detailed below, we have used the tools offered by UNEP FI, especially the most appropriate ones for the products included in our portfolio.

UNEP FI has established the potential impact areas under its Impact Radar initiative (see image).

Organizational Scope: In this exercise, we incorporated the currency exchange and international payments (41.7%) and credit portfolio (6.1%) segments, reaching 48% of Monex's total portfolio.

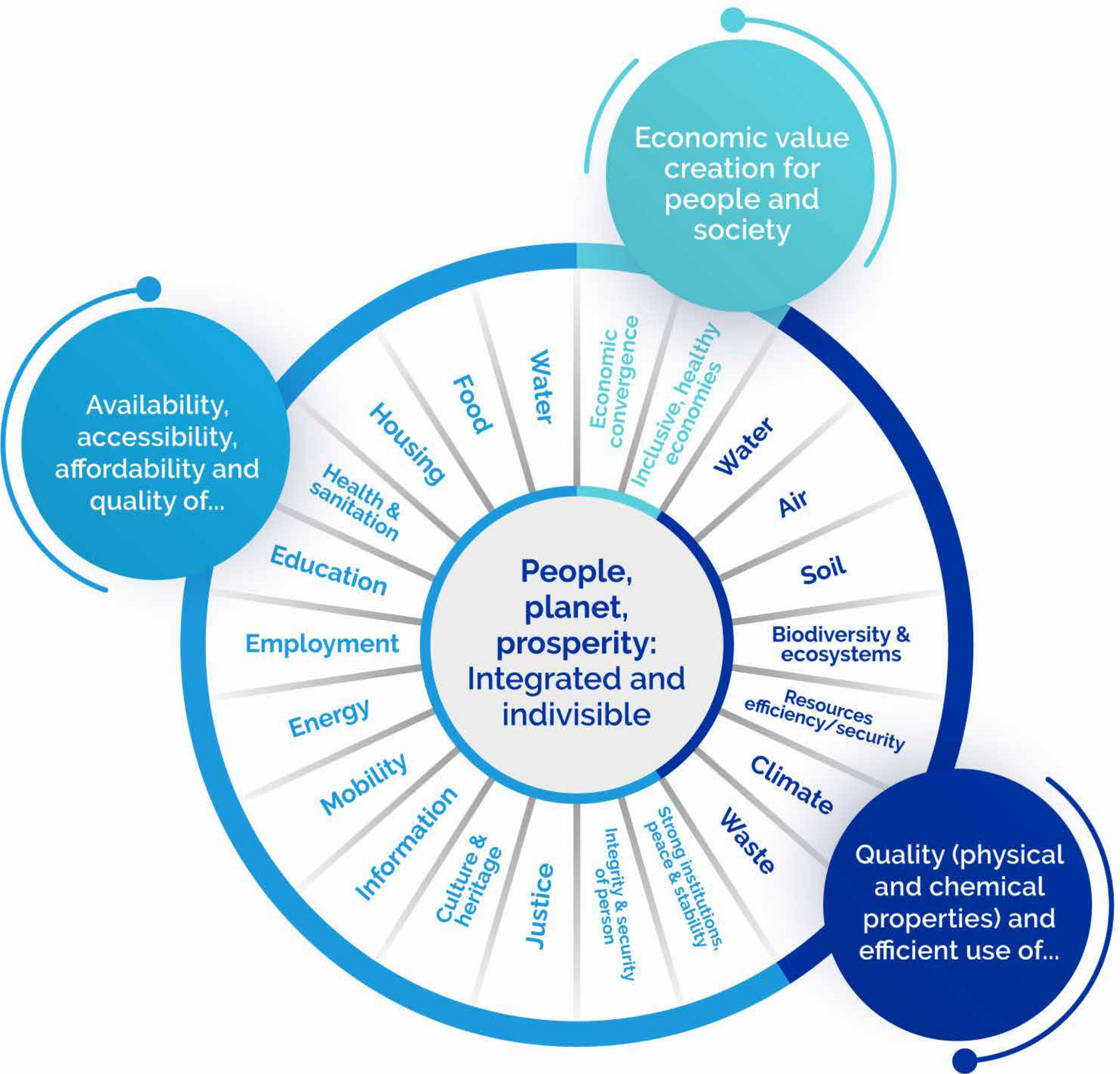
- Consequently, we used the following tools: 1) Investment Portfolio Impact Analysis Tool for currency exchange and international payments, and 2) Portfolio Impact Analysis Tool for Banks for credit.

Geographic Scope: Mexico. We excluded international transactions from the scope.

Types of Business: Business Banking, Trading | Execution.

Scale of Exposure: All sectors and industries of both businesses.

Context and Significance: The tool provides Monex's portfolio's economic, social, and environmental impact areas. It also provides a criticality rating for each impact area by country.



Source: Adapted from The Impact Radar (UNEP FI, 2018).

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Impact Identification and Sizing—Results

Principal Impact Areas – Currency Exchange and International Payments

Since Monex is the national leader in the payments and international exchange business, we included all our currency exchange business in this analysis.

Using the classification proposed by the tool, the services were classified as follows: individual foreign exchange (3%); remittances (direct or through transfer companies) (1%); SMEs (e.g., import/export activities) (24%); large companies (e.g., import/export activities, return of benefits or dividends) (38%); institutional investors (pension funds and insurance companies) (13%); government (1%); other companies (17%).

Below, we explain the relationship between our activity and the areas of potential impact. This theoretical framework and our management will allow us to extend the positive impacts and decrease, mitigate, or directly eliminate negative ones.

TYPE OF IMPACT	SIGNIFI-CANCE	IMPACT AREA	TYPE OF IMPACT	SIGNIFI-CANCE	IMPACT AREA
Positive	1	Economic convergence	Negative	1	Economic convergence
	2	Inclusive & healthy economies		2	Inclusive & healthy economies
	3	Employment		3	Strong institutions
	4	Strong institutions			

The principal impact areas of international payments and changes are:

The mobilization of capital through the foreign exchange market **can positively contribute to:**

- Stimulate the local economy in Mexico (primary market), distributed to the population through salaries, local supply agreements, etc.
- Provide economic stability to companies to develop more robust corporate governance and focus on the medium to long term.

The mobilization of capital through the foreign exchange market **can negatively contribute to:**

- Create inequalities if not acting responsibly in exercising the different beneficiary companies (indirect impact of Monex).
- Represent risks and impacts associated with capital flows on ethics, local taxes, and the inappropriate use of resources. In that regard, Monex strictly applies "Know Your Client" policies.

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Principal Impact Areas – Corporate Credit Portfolio

All the credit portfolio was integrated with the following sectors (listed from highest to lowest proportion): Other Financial Services, except for Insurance and Pension Fund Activities (17%), Real Estate Housing Development (14%), Industrial Real Estate Development (8%), Trusts and Similar Financial Entities (7%), among others.

We present below an explanation of the relationship between our type of activity and the impact areas.

This theoretical framework and our management will allow us to extend the positive impacts and decrease, mitigate, or directly eliminate negative ones.

The principal impact areas of the credit portfolio are the following:

TYPE OF IMPACT	SIGNIFI-CANCE	IMPACT AREA	TYPE OF IMPACT	SIGNIFI-CANCE	IMPACT AREA
Positive	1	Economic convergence	Negative	1	Strong institutions
	2	Inclusive & healthy economies		2	Resource efficiency/security
	3	Mobility		3	Waste
	4	Cultural heritage		4	Water availability
	5	Housing		5	Cultural heritage
	6	Strong institutions			

Corporate credit, by the main sectors to which it is directed, **may positively contribute to:**

- Financial activities that facilitate the availability of resources for companies and citizens, contributing more to their governance.
- Availability of infrastructure by third parties and impact on mobility, tourism, and culture.
- Housing development.

Corporate credit, by the main sectors to which it is directed, **may negatively contribute to:**

- Risk due to the type of sectors exposed to poor ethical practices; to this end, Monex has controls in place.
- Risk of dynamic financial activities that contribute to other resource-intensive and waste-generating activities. Real estate developments and infrastructure, including cultural heritage, could also be affected. There is an analysis methodology to limit such risks.

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Portfolio Risk Analysis

Commitments and Targets

Based on the most significant impact areas of the portfolio - foreign exchange (FX) & international payments and corporate credit - a series of commitments were established, aligned with different Sustainable Development Goals (SDGs).

First Target:

Related Impact Areas: Economic convergence; Inclusive and healthy economies; Employment.

Commitment: Contribute to creating employment by supporting companies with profits of up to USD\$13.35 million in sales ^[1] in the wholesale, retail, and manufacturing sectors.

The sectors have been determined by those in the Group's portfolio that contribute the most to Mexico's employment, according to the *National Institute of Statistics and Geography (Instituto Nacional de Estadística y Geografía (INEGI))*.

Business Targets:

- Growth in cross-selling from FX/credit payments in those sectors.
- Growth of FX transactions/payments in those sectors.
- Credit growth in these sectors.

Related SDGs: 8 (Decent Work and Economic Growth), 9 (Industry, Innovation, and Infrastructure), and 10 (Reduced Inequalities).

[1] Based on Monex's internal classification of company segments; includes companies with relationships through any commercial channel.

Second Target:

Related Impact Areas: Inclusive and healthy economies; Efficiency/security of resources.

Commitment: Contribute to the ecoefficiency of the customers' business operation.

Business Targets:

- Increase debt purchase with ESG (environmental, social, and governance) criteria for its distribution to customers in the secondary market—facilitate customers' understanding of the funding opportunities based on the performance with high ESG standards.
- Provide financing for environmentally responsible practices (e.g., generation with renewable energies, energy efficiency).
- Obtain ESG-linked funding: explore the issuance of green and/or sustainable bonds and any other financing mechanism of this type.

Related SDGs: 7 (Affordable and Clean Energy), 9 (Industry, Innovation, and Infrastructure), 12 (Responsible Consumption and Production), and 13 (Climate Action).

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