

Monex Grupo Financiero

UN Global Compact

2006

Progress

Report

I. Statement

The UN Global Compact unites hundreds of businesses and organizations around ten common principles of social responsibility in the areas of human rights, labor, environmental protection, and anti-corruption.

Social responsibility refers to the way in which companies and organizations voluntarily adopt labor, social, and environmental concerns in their daily operations, and to the way they interact with all their stakeholders.

In general, these principles are applicable on two fronts:

- Internal: socially responsible businesses consider their co-workers in areas ranging from labor conditions (health, safety, work environment, etc.) to a commitment to transparency with their investors, shareholders, and business partners.
- External: includes the community, suppliers, regulators, and society in areas ranging from ethics to environmental protection.

The UN Global Compact is a voluntary initiative centered on a company's public commitment to adopt and support ten basic principles of social responsibility derived from internationally accepted conventions and agreements along four strategic areas in which businesses have significant potential to contribute to effect positive change:

- 1) Human rights
- 2) Labor conditions
- 3) Environment
- 4) Transparency / Anti-corruption

At Monex Grupo Financiero, we joined the UN Global Compact on June 9, 2005, when the GC was launched in Mexico. As a socially responsible business, Monex Grupo Financiero is committed to enforcing the ten principles that make up this initiative, and to applying them in its daily operation. We also strive to promote them in the community in order to foster a more sustainable development.

This document describes the actions we undertook during 2006, as well as the results we have achieved.

Héctor Lagos Dondé
Chairman and CEO

II. *Principle 1* Businesses should support and respect the protection of internationally proclaimed human rights

Our commitment: At Monex, we accept and abide by the United Nations' Universal Declaration on Human Rights. We have published it in our Human Resources Handbook, as well as our policies related to Declaration articles pertaining to the financial industry.

This handbook is available at our online portal and all employees have access to it.

Systems:

- Human Resources policies on recruiting, promotion and training, vacation time, and days off.
- Monex Code of Ethics
- Civil Protection Program.
- Labor contract.

Actions:

- 1) Our HR Handbook contains clear recruiting and promotion policies, including: Avoiding all forms of distinction when hiring or promoting personnel with regard to gender, social condition and ethnic origin. Discrimination is understood as any form of distinction, exclusion, or preference based on race, gender, religion, political views, ethnical or social origin resulting in the annulment or alteration of equal opportunity or treatment in employment and occupation. Our Labor Contract stipulates general conditions, including hours, salary, position, and non-disclosure requirements, among others. Company benefits meet and exceed those dictated by applicable laws.
- 2) We design training programs for all employees based on their individual needs. Monex has a scholarship and degree issuance expense reimbursement program.
- 3) Our Code of Ethics defines the conditions according to which our employees, customers, suppliers, and shareholders are to be treated.
- 4) For us, having an optimal work environment is of paramount importance. That is why, for the past four years, we have participated in The Great Place to Work Institute's Organizational Climate survey, which includes a review of company practices. We also use another survey to which all employees respond anonymously
- 5) We have implemented a Corporate Social Responsibility program. For three years in a row, we have earned the "Socially Responsible Business" distinction presented by the Mexican Philanthropy Center (CEMEFI) based on our compliance with all criteria in four major areas: Quality of Life, Ethics and Corporate Governance, Environment, and Community Outreach.
- 6) We have a Civil Protection Program that describes safety procedures

at our facilities (emergency exits, fire extinguishers, fire brigades, etc.), as well as applicable plans and programs.

- 7) At Monex, we decided to launch Fundación Monex, a foundation that seeks to support community initiatives throughout Mexico. We are focusing on supporting productive projects in communities with high migration rates. We are currently working with Fundación Comunitaria del Bajío on various programs.

Results:

- 1) Our staff is diverse and embraces different ideologies, social conditions, gender, etc. In 2006, we hired 230 employees. Promotions are based on performance, as evidenced by the evaluation forms we have designed for this purpose. In 2006, we performed 42 position promotions and 20 area transfers.
- 2) In 2006, we achieved the goals of our Training Program, providing training to 1682 employees from all areas. We granted eight graduate degree scholarships and we reimbursed degree issuance expenses to three of our employees.
- 3) We have implemented a system for reporting Code of Ethics violations. No reports were filed in 2006.
- 4) We have received The Great Place to Work Institute award for four years in a row. In 2006, we ranked 25th on the list.
- 5) For the past three years, we have been recognized as a Socially Responsible Business (Empresa Socialmente Responsable, or ESR) by the Mexican Philanthropy Center (CEMEFI) and by the Alliance for Social Responsibility in Mexico (AliaRSE).
- 6) Our Civil Protection Program is one of the criteria evaluated in order to be recognized as a Socially Responsible Business.
- 7) More than \$250,000 pesos have been contributed by Fundación Monex to support various community projects in conjunction with Fundación Comunitaria del Bajío.

III. Principle 2 Businesses should make sure that they are not complicit in human rights abuses

Our commitment: At Monex, we take into consideration our behavior in the area of human rights, and we are committed to preventing human rights abuses. Thus, we have implemented policies aimed at ensuring respect, justice, equality, and quality of life for our employees, suppliers, customers, and shareholders.

Systems:

- Human Resources policies on recruiting, promotion and training, vacation time, and days off.
- Monex Code of Ethics
- Civil Protection Program.
- Labor contract.

Actions:

- 1) Our HR Handbook contains clear recruiting and promotion policies, including: Avoiding all forms of distinction when hiring or promoting personnel with regard to gender, social condition and ethnic origin. Discrimination is understood as any form of distinction, exclusion, or preference based on race, gender, religion, political views, ethnical or social origin resulting in the annulment or alteration of equal opportunity or treatment in employment and occupation. Our Labor Contract stipulates general conditions, including hours, salary, position, and non-disclosure requirements, among others. Company benefits meet and exceed those dictated by applicable laws.
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- 6) We have a Civil Protection Program that describes safety procedures at our facilities (emergency exits, fire extinguishers, fire brigades, etc.), as well as applicable plans and programs.

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Results:

- 1) Our staff is diverse and embraces different ideologies, social conditions, gender, etc. In 2006, we hired 230 employees. Promotions are based on performance, as evidenced by the evaluation forms we have designed for this purpose. In 2006, we performed 42 position promotions and 20 area transfers.
- 2) In 2006, we achieved the goals of our Training Program, providing training to 1682 employees from all areas. We granted 8 graduate degree scholarships and we reimbursed degree issuance expenses to 3 of our employees.
- 3) We have implemented a system for reporting Code of Ethics violations. No reports were filed in 2006.
- 4) We have received The Great Place to Work Institute award for four years in a row. In 2006, we ranked 25th on the list.
- 5) For the past three years, we have been recognized as a Socially Responsible Business (Empresa Socialmente Responsable, or ESR) by the Mexican Philanthropy Center (CEMEFI) and by the Alliance for Social Responsibility in Mexico (AliaRSE).
- 6) Our Civil Protection Program is one of the criteria evaluated in order to be recognized as a Socially Responsible Business.
- 7) More than \$250,000 pesos have been contributed by Fundación Monex to support various community projects in conjunction with Fundación Comunitaria del Bajío.

IV. Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Our commitment: At Monex Grupo Financiero, we have collective labor agreements with SINATIFBANC (*Sindicato Nacional de Trabajadores de Instituciones Financieras, Bancarias, Organizaciones y actividades auxiliares de Crédito empleados de oficina similares y conexos de la República Mexicana*), the national union that represents employees in the financial industry in Mexico.

We also participate in the committees of the Mexican Association of Securities Intermediaries (AMIB), a self-regulation organization that works in conjunction with stock brokerage operators as well as committees of the Mexican Banks Association (ABM).

Systems:

- The company has collective labor agreements with SINATIFBANC for each of the companies that make up the financial group: Grupo Financiero, Monex Casa de Bolsa, S.A. de C.V. ; Monex Operadora de fondos S.A. de C.V.; Banco Monex S.A. de C.V. Institución de Banca Múltiple and Monex Financiera Sociedad Financiera de Objeto Limitado.
- The company is a member of the Mexican Association of Securities Intermediaries (AMIB) and the Mexican Banks Association (ABM).
- Monex Code of Ethics.

Actions:

- 1) Annual revisions of collective labor agreements and salary tiers in conjunction with SINATIFBANC.
- 2) Monthly meetings with the Mexican Association of Securities Intermediaries and the Mexican Banks Association.
- 3) We have implemented a system for reporting Ethics Code violations.

Results:

- 1) Annual presentation of changes to the collective labor agreement and salary tiers.
- 2) Active participation in the committees of the Mexican Association of Securities Intermediaries, in the fields of human resources, comptrollership, administration, IT, mutual funds, management, fixed income securities, and equity securities. Major decisions affecting the industry are made at these meetings.
- 3) We have implemented a system for reporting Code of Ethics violations. No reports were filed in 2006.

V. *Principle 4* Businesses should uphold the elimination of all forms of forced and compulsory labor

Our commitment: At Monex Grupo Financiero, we do not engage in any kind of forced or compulsory labor.

Systems:

- Internal policies published in our Human Resources Handbook, available to all employees through the company's online portal.
- Individual labor agreement and semi-monthly payroll payments.
- External surveys.

Actions:

- 1) Our Human Resources Handbook describes company policy that specifically states that we avoid all forms of forced labor. The HR Handbook is available to all employees through the company's online portal.
- 2) Upon being hired, every employee signs an individual contract that specifies the corresponding labor conditions.
- 3) The salaries we pay exceed the minimum levels paid at each of the locations where we operate, and payroll payments are made in a timely fashion.
- 4) We participate in the Great Place to Work Institute's organizational climate survey, which includes questions regarding company practices. Our employees also take part in an anonymous survey.
- 5) We have implemented social responsibility practices in accordance with the guidelines set by the Mexican Philanthropy Center (CEMEFI), and we demonstrate compliance with all aspects in the four areas assessed by CEMEFI: Quality of Life, Ethics and Corporate Governance, Environment, and Community Outreach.

Results:

- 1) Our employees are aware of company policy that stipulates that we avoid all forms of forced labor as:
 - A means of coercion or education.
 - Punishment for expressing an opinion.
 - On-the-job disciplinary action.
 - A means of discrimination.

- 2) Our labor agreement stipulates specific conditions in terms of hours, salary, position, non-disclosure requirements, etc. Company benefits meet and exceed those mandated by applicable laws.
- 3) The company pays employee salaries one or two days before the usual paydays, taking special care in order to avoid delays in payroll payments.
- 4) For four consecutive years, we have been recognized by The Great Place to Work Institute as one of the best companies to work for; in 2006, we were ranked in 25th place.
- 5) For the past three years, we have earned the Socially Responsible Business (Empresa Socialmente Responsable, or ESR) distinction presented by the Mexican Philanthropy Center (CEMEFI) and the Alliance for Social Responsibility in Mexico (AliaRSE).

VI. Principle 5 Businesses should uphold the effective abolition of child labor

Our commitment: At Monex Grupo Financiero, we do not hire minors; the minimum hiring age is 18.

Systems:

- Internal policies published in our Human Resources Handbook, available to all employees through the company's online portal, including minimum hiring age and other requirements.
- Personnel recruitment, screening, and hiring procedures.

Actions:

- 1) All hiring is conducted in accordance with the company's recruitment, screening, and hiring policies and procedures. The minimum age of admission for employment at Monex is 18, and thus the company upholds Convention No. 138 of the International Labor Organization.

Results:

- 1) At Monex, no employee is under the age of 18. When a person is hired, we require that they submit an official ID and birth certificate in order to verify their age.

VII. *Principle 6* Businesses should uphold the elimination of discrimination in respect of employment and occupation

Our commitment: At Monex, we avoid any type of hiring distinction with regard to gender, social condition, and ethnical origin, and we provide equal treatment in terms of opportunities for selection, interviewing, and hiring.

We do not discriminate when hiring, promoting, nor at any other time. Discrimination is understood as any form of distinction, exclusion, or preference based on race, color, gender, religion, political views, national ascent or social origin resulting in the annulment or alteration of equal opportunity or treatment in employment and occupation.

Systems:

- Internal policies published in our Human Resources Handbook, available to all employees through the company's online portal, including minimum hiring age and other requirements.

Actions:

- 1) We have a strict screening procedure, and hiring is conducted in accordance with established policies and procedures for recruitment, selection, and hiring.
- 2) We participate in The Great Place to Work Institute's Organizational Climate survey, which includes a review of company practices. We also use a separate survey to which our employees respond anonymously.
- 3) We have implemented social responsibility practices in accordance with the guidelines set by the Mexican Philanthropy Center (CEMEFI), and we demonstrate compliance with all aspects in the four areas assessed by CEMEFI: Quality of Life, Ethics and Corporate Governance, Environment, and Community Outreach.

Results:

- 1) At Monex, we avoid all forms of discrimination with regard to employment and occupation. This includes recruitment as well as salary raises and promotions. In 2006, we conducted 42 promotions and 20 area transfers, regardless of race, gender, political views, ethnical or social origin. At Monex, 40% of our employees are women.
- 2) We have received The Great Place to Work Institute award for four years in a row. In 2006, we ranked 25th on the list.
- 3) For the past three years, we have been recognized as a Socially Responsible Business (Empresa Socialmente Responsable, or ESR) by the Mexican Philanthropy Center (CEMEFI) and by the Alliance for Social Responsibility in Mexico (AliaRSE)

VIII. *Principle 7* **Businesses should support a precautionary approach to environmental challenges**

Our commitment: Monex, as a financial services company, has adopted the following commitments: Promote a culture of respect for the environment; promote health inside and outside the organization; participate in environmental improvement initiatives with the community, society, and the government; work on civil protection programs for our employees; and promote sustainable development based on economic progress, striving to optimize and improve water and energy use practices.

Systems:

- Civil Protection Programs.
- Internal Environmental Programs.
- Internal policies, available to all employees through the company's online portal.

Actions:

- 1) Implemented changes to our facilities in order to make them more energy-efficient.
- 2) Launched a solid waste separation program.
- 3) Our facilities are smoke-free.

Results:

- 1) We perform ongoing maintenance to our substation, transformer, and power switches. We have also installed a new substation and control panel. Additionally, we replaced lamps and fixtures with low-wattage units that require 5 times less power.
- 2) We deployed color-coded (grey/green) garbage cans in the kitchenettes on all floors to facilitate the separation of organic and inorganic waste. Printer/copier paper is recycled. We hired a janitorial services company that meets ISO-9000 standards, and we provided solid waste separation training to all employees. We recycle 80 percent of paper sheets, resulting in the added benefit of reducing paper purchasing requirements.
- 3) We have implemented a no-smoking policy at our facilities, because of the detrimental health and environmental impact of cigarette smoking. Our facilities are smoke-free.
- 4) Monex has partnered with Mexico's National Commission on National Protected Areas (CONANP) and Ecobanca, A.C. to launch a Green Funds program. Thus, Monex contributes a percentage of the yields from these funds to CONANP projects. In 2006, Monex donated \$207,061.39 pesos.

IX. Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility

Our commitment: Monex, as a financial services company, has adopted the following commitments: Promote a culture of respect for the environment; promote health initiatives inside and outside the organization; participate in environmental improvement initiatives with the community, society, and the government; work on civil protection programs for our employees; and promote sustainable development based on economic progress, striving to optimize and improve water and energy use practices.

Systems:

- Civil Protection Programs.
- Internal Environmental Programs.
- Code of Ethics, asserting the company's environmental commitment, as well as our expectations from our suppliers.

Actions:

- 1) We have implemented changes to our facilities in order to make them more energy-efficient.
- 2) We launched a solid waste separation program.

Results:

- 1) We perform ongoing maintenance to our substation, transformer, and power switches. We have also installed a new substation and control panel. Additionally, we replaced lamps and fixtures with low-wattage units that require 5 times less power.
- 2) We deployed color-coded (grey/green) garbage cans in the kitchenettes on all floors to facilitate the separation of organic and inorganic waste. Printer/copier paper is recycled. We hired a janitorial services company that meets ISO-9000 standards, and we provided solid waste separation training to all employees. We recycle 80 percent of paper sheets, resulting in the added benefit of reducing paper purchasing requirements.
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X. Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies

Our commitment: Monex, as a financial services company, has adopted the following commitments: Promote a culture of respect for the environment; promote health inside and outside the organization; participate in environmental improvement initiatives with the community, society, and the government; work on civil protection programs for our employees; and promote sustainable development based on economic progress, striving to optimize and improve water and energy use practices.

Systems:

- Civil Protection Programs.
- Internal Environmental Programs.
- Code of Ethics, asserting the company's environmental commitment, as well as our expectations from our suppliers.

Actions:

- 1) Implemented changes to our facilities in order to make them more energy-efficient.
- 2) Launched a solid waste separation program.

Results:

- 1) We perform ongoing maintenance to our substation, transformer, and power switches. We have also installed a new substation and control panel. Additionally, we replaced lamps and fixtures with low-wattage units that require 5 times less power.
- 2) We deployed color-coded (grey/green) garbage cans in the kitchenettes on all floors to facilitate the separation of organic and inorganic waste. Printer/copier paper is recycled. We hired a janitorial services company that meets ISO-9000 standards, and we provided solid waste separation training to all employees. We recycle 80 percent of paper sheets, resulting in the added benefit of reducing paper purchasing requirements.
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XI. Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery

Our commitment: At Monex, we are committed to establishing lasting business relationships based on honest dialog, ensuring compliance with the law at all times. For us, fostering the application of high ethical standards among our employees is a top priority.

Systems:

- Code of Ethics, asserting our ethical commitment to all our stakeholders.
- Internal operating handbooks.
- Ethical Training Program for all employees.
- Incorporating in our sales executives' incentive systems metrics aimed at ensuring compliance with ethical standards.

Actions:

- 1) Dissemination of operating guidelines among all employees through:
 - Internal Code of Ethics and Securities Code of Ethics.
 - Operating handbooks: Purchasing; securities transactions; minimum criteria, measures, and procedures on customer identification and KYC; risk.
 - Ethics Training Program for all employees.
 - Confidentiality addendums.
 - Anti-Money Laundering training and publication of prevention bulletins.
 - Securities Performance Measurement – Yield Adjustment by Customer Risk" practice
 - *Enlace Monex*, our internal publication, features a Values section aimed at our employees' children.

Results:

- All employees sign a document stating they are aware of applicable Codes of Ethics.
- Counterparty risk ratings from Fitch Ratings and Standard & Poor's attesting to our capacity to meet our counterparty commitments.
- Great Place to Work Institute awards.
- Recognition as a Socially Responsible Business
- 2006 Social Responsibility Best Practices award in compliance with Principle 10 of the UN Global Compact (Securities Performance Measurement – Yield Adjustment by Customer Risk" practice)
- Anti-Money Laundering compliance.
- Our employees receive ongoing ethics training.