



\*Illustrative image only

# Annual Report

# Equator Principles

2020

January 1st – December 31st

**Content**

INTRODUCTION ..... 1

IMPLEMENTATION OF THE EQUATOR PRINCIPLES AT BANORTE ..... 1

    Social and Environmental Risk Management System ..... 1

    Organizational Structure ..... 1

    Social and Environmental Risk Analysis Process ..... 2

**Identification**..... 2

**Categorization**..... 2

**Evaluation**..... 2

**Management**..... 2

**Review of the Equator Principles implementation** ..... 2

    Training ..... 3

REPORTING RESULTS FROM EQUATOR PRINCIPLES 2020 ..... 3

    Project Finance ..... 3

    Project-Related Corporate Loans ..... 4

    Project Finance Advisory Services ..... 4

    Bridge Loans ..... 4

    Project-Related Refinance and Project-Related Acquisition Finance ..... 4

PROJECT NAME REPORTING FOR PROJECT FINANCE ..... 5

CONTACT ..... 6

ANNEX 1. BANORTE EXCLUSION LIST..... 7

ANNEX 2. BANORTE EQUATOR PRIINCIPLES EVALUATION GUIDE..... 9

## INTRODUCTION

At Banorte we are convinced that the most resilient companies are those that consider risk prevention and management as an essential part of their operations. Likewise, we are certain that the consideration of environmental, climatic and social elements as part of these risks is essential in the current global scenario to guarantee a balanced, safe and prosperous economic development.

Since 2012 we have developed an Environmental and Social Risk Management System and we adhere to the Equator Principles, being the second Mexican bank to adopt this framework in the country, committing ourselves to promoting and granting financing to clients that develop socially and environmentally responsible projects, in compliance with the law and applying the best practices in the sector.

SEMS is in charge of the Specialized Socio-Environmental Risk Department (ARSA) which since January 2020 participates with voice in the Central Credit Committee and also the National Credit Committee, upon approval of the Risk Policy Committee.

This Report of Banorte's Equator Principles Implementation corresponds to the period from January 1 to December 31, 2020, in compliance with Principle 10 (Reports and Transparency) and Annex B (Minimum reporting requirements) of version IV of the Principles of Ecuador-2020<sup>[1]</sup>

## IMPLEMENTATION OF THE EQUATOR PRINCIPLES AT BANORTE

### Social and Environmental Risk Management System

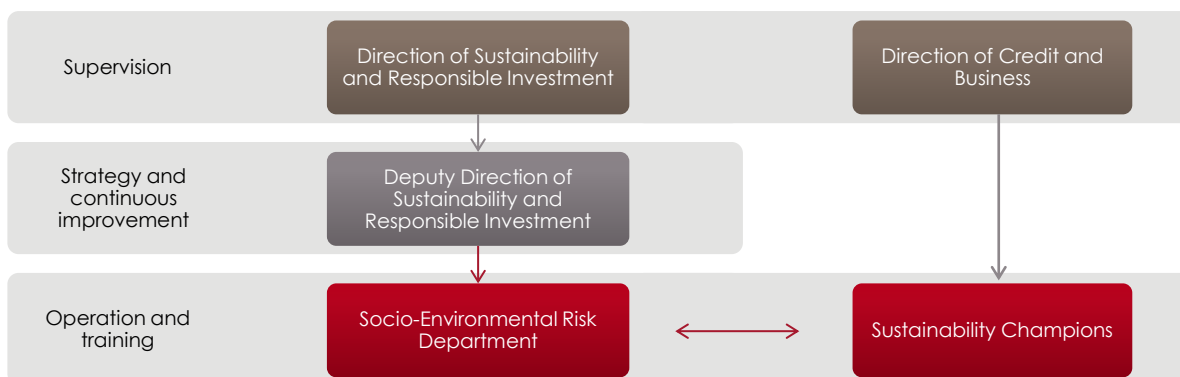
The Socio-Environmental Risk Management System (SEMS) was established to identify, categorize, evaluate and to manage the risks and impacts of the financing we provide in Corporate, Commercial and Infrastructure banking. The SEMS is an integral part of the bank's credit process and is based on the national legal framework, institutional regulations, socio-environmental risk policy and the Equator Principles, which is the highest standard for risk management in the financial sector.

### Organizational Structure

The Specialized Socio-Environmental Risk Department (ARSA), integrated by specialists in environmental and social matters, is part of the Direction of Sustainability and Responsible Investment is in charge of the SEMS operation and continuous improvement.

The ARSA is supported by the Champions of Sustainability, a group of Credit department partners who act as a link with the Business and Credit areas of the Bank to promote at national level, an adequate social and environmental risk management.

Figure 1 SEMS Organizational Structure



<sup>1</sup> <https://equator-principles.com/wp-content/uploads/2020/05/The-Equator-Principles-July-2020-v2.pdf>

## Social and Environmental Risk Analysis Process

El proceso de análisis consiste en la identificación, categorización, evaluación y gestión de riesgos e impactos documentados, que se presentan ante los Comités de Crédito, previo a la autorización de los financiamientos.



### Identification

We identify the potential environmental and social risks and impacts of the loans and verifies that none of the activities to be financed are on the exclusion list (Annex 1), that is, they are not risky or prohibited activities.

### Categorization

We assign a level of socio-environmental risk to the credits depending on the magnitude of their impacts and the possibility of mitigating them. The risk is classified according to the Equator Principles in category A (high risk), category B (medium risk) and category C (low risk).

### Evaluation

Once the financings are categorized, we select those that must be evaluated through a due diligence, depending on the amount of credit, the financial product and its destination. All sectors will be subject to evaluation, especially sensitive sectors.

The evaluation consists in verifying the compliance of the projects to be financed with the national legal framework and the guidelines of the Equator Principles, the IFC Performance Standards and the SEMS<sup>2</sup> Evaluation, so we ask customers for information related to permits, resoluteness, licenses, plans, programs, specialized studies and good practices to elaborate the due diligence. (Annex 2)

### Management

We monitor the socio-environmental performance of the loans evaluated during the life cycle of the financing. We mainly consider the financings analyzed under the Equator Principles and include annual reviews, continuous advice for clients and Credit and Business executives, site visits, as well as a monitoring of the reputational risk of the projects.

### Review of the Equator Principles implementation

As a part of the SEMS continuous improvement process, the Direction of Sustainability and Responsible Investment together with the ARSA verify the operation of the System and the application of the Equator Principles through annual reviews. These consider the achievement of objectives, the identification of improvement opportunities and the feedback of areas like Credit, Risks, Regulations, HR-Training, Communication and Specialized Areas.

In addition, since 2019 the new initiatives defined to manage environmental and social risks are considered in the Risks subgroup of the Sustainability Committee. This working group is led by ARSA and includes members from the Credit Areas, Specialist Areas, Financial Risk, and Operational Risk, who have knowledge and experience aimed at the implementation of the different projects.

<sup>2</sup> SEMS evaluation represents the third evaluation framework created for credits less than 1 million dollars. Its objective is to analyze the most relevant environmental, social and reputational impacts of credits and its compliance with the current national legislation and international guidelines.

## Training

Ongoing training in the Credit, Commercial and Risk areas is a priority for building a culture of socioenvironmental risk management and sustainability at GFNorte. We are confident that we can better manage our impacts through awareness-raising and skill-building. With this in mind, in 2020 we strengthened our annual online training program, investing 2,031 hours in 1,358 employees.

We also share issues of relevance to the business through our internal channels, periodically developing content for collaborators on topics such as the global application of the Equator Principles IV, updates on Mexican legislation, emerging risks, environmental and social risk management in priority sectors and case studies. In the same way, and in order to ensure the improvement of capacities and the functioning of the system, in 2020 the ARSA received training on risk management and climate risks.

## REPORTING RESULTS FROM EQUATOR PRINCIPLES 2020

Banorte's SEMS has begun the implementation of the guidelines of the Equator Principles IV, this report being the first aligned to that version.

## Project Finance

As it is possible to observe 11 investment projects were financed during 2020, which belong to the "Americas" region and are located in Mexico (non-designated), in addition, these have a socio-environmental review by an independent consultant.

These projects belong to the Energy, Infrastructure, Oil and Gas sectors, as well as Construction and Tourism. All projects were categorized with risk B, because the risks and environmental and social impacts they generate can be mitigated

	Category A	Category B	Category C
<b>Projects by category</b>	<b>0</b>	<b>11</b>	<b>0</b>
<b>By sector</b>			
<b>Power</b>	0	1	0
<b>Infrastructure</b>	0	3	0
<b>Mining</b>	0	0	0
<b>Oil and gas</b>	0	1	0
<b>Other</b>	0	6	0
<i>Agricultural</i>	0	0	0
<b>Construction</b>	0	2	0
<b>Manufacture</b>	0	0	0
<b>Chemical</b>	0	0	0
<b>Tourism</b>	0	4	0
<b>By región</b>			
<b>Americas</b>	0	11	0
<b>Europe, Middle East and Africa</b>	0	0	0
<b>Pacific Asia</b>	0	0	0
<b>By designated country</b>			
<b>Designated</b>	0	0	0
<b>Non-designated</b>	0	11	0
<b>Independent review</b>			
<b>Yes</b>	0	11	0
<b>No</b>	0	0	0

## Project-Related Corporate Loans

	Category A	Category B	Category C
<b>Projects by category</b>	<b>0</b>	<b>6</b>	<b>0</b>
<b>By sector</b>			
<b>Power</b>	0	0	0
<b>Infraestructure</b>	0	0	0
<b>Mining</b>	0	0	0
<b>Oil and gas</b>	0	1	0
<b>Other</b>	0	5	0
<i>Agricultural</i>	0	0	0
<i>Construction</i>	0	0	0
<i>Manufacture</i>	0	4	0
<i>Chemical</i>	0	0	0
<i>Tourism</i>	0	1	0
<b>By región</b>			
<b>Americas</b>	0	6	0
<b>Europe, Middle East and Africa</b>	0	0	0
<b>Pacific Asia</b>	0	0	0
<b>By designated country</b>			
<b>Designated</b>	0	0	0
<b>Non-designated</b>	0	6	0
<b>Independent review</b>			
<b>Yes</b>	0	6	0
<b>No</b>	0	0	0

In 2020, 6 corporate loans linked to projects were financed, which represents an increase of 100% compared to 2019, they have a socio-environmental review by an independent consultant. All of them belong to the Americas region and are located in Mexico which is a non-designated country.

All projects were classified in category B because environmental and social risks and impacts can be mitigated, and they are located in various sectors. Manufacturing was the one with the highest number, followed by Oil and gas and Tourism.

## Project Finance Advisory Services

Banorte did not authorize any transaction of 10 million dollars or more for Project Finance advisory services with significant social and/or environmental risks.

## Bridge Loans

Due to their nature, the information about the bridge loans is not subject to specific reporting requirements of the report.<sup>[3]</sup>

## Project-Related Refinance and Project-Related Acquisition Finance

Banorte did not authorize any operation of 10 million dollars or more for Refinancing related to Projects and Financing of Acquisitions related to Projects.

<sup>3</sup> <https://equator-principles.com/wp-content/uploads/2020/05/The-Equator-Principles-July-2020-v2.pdf>

## PROJECT NAME REPORTING FOR PROJECT FINANCE

In Mexico, according to the Credit Institutions Law <sup>[4]</sup>, we cannot disclose the project name of financings because its publication would violate current rules. In particular, Article 142 stating that the information and documentation relating to operations and services shall be confidential.

So credit institutions that protect the right to privacy of its customers and users, they can only give news or information to the owner, their representatives and when requested by the judicial authority, the National Banking and Securities Commission, Bank of Mexico, the Institute for Protection of Bank Savings and the Commission for the Protection and Defense of Financial Services Users.

**For more information, please visit:**

<https://investors.banorte.com/~media/Files/B/Banorte-IR/financial-information/annual-reports/en/2020/annual-report-banorte-2020.pdf>

---

<sup>4</sup> [http://www.diputados.gob.mx/LeyesBiblio/pdf/43\\_200521.pdf](http://www.diputados.gob.mx/LeyesBiblio/pdf/43_200521.pdf)

**CONTACT**

Mariuz Calvet Roquero  
Director of Sustainability and Responsible Investment  
[mariuz.calvet@banorte.com](mailto:mariuz.calvet@banorte.com)  
Tel. +52 (55) 1103- 40000 Ext. 1862

Britzia Silva Enciso  
Deputy Director of Sustainability and Responsible Investment  
[britzia.silva@banorte.com.mx](mailto:britzia.silva@banorte.com.mx)  
Tel. +52 (55) 1103- 40000 Ext. 1773

Diana Itzel Jiménez Márquez  
Coordinator of Social and Environmental Risk  
[diana.jimenez.marquez@banorte.com](mailto:diana.jimenez.marquez@banorte.com)  
Tel. +52 (55) 1103- 40000 Ext. 2498

Ivonne Mariel Beltrán Bahena  
Coordinator of Social and Environmental Risk  
[ivonne.beltran.bahena@banorte.com](mailto:ivonne.beltran.bahena@banorte.com)  
Tel. +52 (55) 1103- 40000 Ext. 2495

Salvador Rosales Reyes  
Analyst of Social and Environmental Risk  
[salvador.rosales.reyes@banorte.com](mailto:salvador.rosales.reyes@banorte.com)  
Tel. +52 (55) 1103- 40000 Ext. 2149





## ANNEX 1. BANORTE EXCLUSION LIST

### Banortes Exclusion List

#### 03.02 Prohibited or Risk Situations

The following activities and operations are considered prohibited. For this reason, these activities do not require a preliminary analysis to determinate their disapproval:

- a) Production or activities that involve forced labor (1) or child labor exploitation.
- b) Production or commerce of any product or activity considered as illegal, all in the current legal framework.
- c) Any business related to pornography and prostitution.
- d) Wildlife crime regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- e) Production or trade of radioactive material (including warehousing and treatment of radioactive wastes,) asbestos, polychlorinated biphenyl (PCB) and others chemical products that have been prohibited internationally.
- f) Production and trade of pharmaceutical or pesticide and herbicides that has been prohibited internationally.
- g) Production or trade of harmful substances that destroy ozone, which have been prohibited internationally.
- h) Sea fishing using nets more than 2.5 km long.
- i) Commercial forestry at commercial level in primary tropical rainforest.
- j) Any other activity that is in violation of environmental, health or industrial safety laws.
- k) Churches
- l) Gambling
- m) Military Equipment
- n) Candidates, Political Exposed Persons, Unions, Political Organizations, the Central Credit Committee, has the exclusivity authority to approve the financing; this process also requires the signature of the CEO. Banorte can only provide financing the three largest political parties in the country registered with the National Electoral Institute (Instituto Nacional Electoral: INE); an exception can be made for the financing of other political parties registered in the INE, but only for 4 million Units of Investment (UDI) this process further requires that the Risk Policy Committee (Comité de Políticas de Riesgo) is informed about any such exceptions.

- (1) Forced labor means all labor or service that is involuntary, that is obtained through the use of threat, force or punishment.
- (2) Child labor exploitation means the employment of children characterized by economic exploitation, , or with a probable risk of danger for the child, or interferes with the formal education of the child, or that causes harm to the health of the child, or has a negative impact on the physical, mental, spiritual, moral or social welfare of the child.

For the case of SOFOL (Limited Scope Financial Institutions) mortgage loans, the prior authorization of the Risk Policy Committee is required, due to the "zero limit" according to the number 1.1.5.3.2.2. Specific Limit for Credit Risk for SOFOL Mortgages (Límite Específico de Riesgo de Crédito para Sofoles Hipotecarias) in the Risks Manual.

Transaction with applicants, whose credit score, which is determined by the Credit Bureau (Buró de Crédito) has one the following characteristics:

- Suspension of payments or bankruptcy, except expired procedures (1).
- Fraud, except when the Credit Bureau and/or the creditor determine that the fraud is not attributable to the client (2).
- Prevention Code 78, business receptors of credit cards that result in losses for the institution.
- Bankruptcy to 2,000 UDI.
- Observation Code UP. Account that result in bankruptcy. Amount superior to 2,000 UDI.
- Prevention Code 86; Client that have guarantees that support their line of credit, without authorization of the guarantor.

(1) The Codes that determine Suspension of Payments or Bankruptcy are:

- Prevention Code 80. Client declared to be Bankrupt, Suspension or Payments or Insolvency.

(2) The Codes that determine Fraud are:

- Prevention Code 82. Client that results in a loss to the guarantor by proven fraud.
- Observation Code FD. Fraudulent Account.
- MOP 99. Fraud committed by the consumer.

## ANNEX 2. BANORTE EQUATOR PRINCIPLES EVALUATION GUIDE

The review criteria that guide the course of evaluations under the Equator Principles in Banorte are presented below.

### Principle I. Review and Categorisation

- A - High risk - Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented;
- B - Medium risk - Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; and
- C - Low risk - Projects with minimal or no adverse environmental and social risks and/or impacts.

### Principle II. Environmental and Social Assessment

#### Evaluation of environmental and social risks and impacts

- Environmental Impact Statement (MIA). Carried out by the client, expert internal or external consultants.
- Resolution of Environmental Impact.
- Methodology for risk identification.
- Environmental and social conditions (flora, fauna, geography, culture, economy).
- Prevention, minimization, mitigation, compensation and restoration measures.
- Accumulated impacts.

#### Informed Consultation and Participation (IPC)

- Public Consultation (MIA).

#### Human rights assessment

- Analysis of potential adverse impacts on human rights

#### Climate change assessment

- Climate change analysis that considers relevant physical risks.
- For projects that have Scope 1 and 2 emissions totaling more than 100,000 tons of CO<sub>2</sub>, consideration of relevant transition risks and analysis of alternatives with less intensity of GHG emissions.

### Principle III. Applicable Environmental and Social Standards

#### 1 Assessment and Management of Environmental and Social Risks and Impacts

- Related to IFC Principle I

#### 2 Labor and Working Conditions

- Working conditions and terms of employment
  - Safe and healthy working conditions according to national legislation (Federal Labor Law and STPS).
  - Prevention of child and forced labor, exploitation and intimidation, especially in the case of women.
  - Appropriate human resource procedures
- Non-discrimination and equal opportunities
  - Principles of equal opportunities, fair work and non-discrimination

- Safety and health at work
  - Occupational health and safety system (internal and contractors).
  - Identification of the risks inherent to the industrial sector.
  - Prevention of accidents, injuries and occupational diseases.
  - Training in occupational health and safety.
- Handling of hazardous materials
  - Proper management of hazardous materials, including their handling, storage, transportation, and disposal as waste.
  - Avoid the manufacture, marketing and use of hazardous chemicals or materials that have been internationally banned
- Emergency preparedness and response
  - Emergency preparedness and response plan.
  - Identification of risk areas, potential affected parties, response procedures, provision of equipment and resources.
  - Emergency preparedness and response plan documented and communicated to workers, affected communities and competent public bodies.
  - Emergency preparedness and response plan continually reviewed and modified as needed.
  - Joint work with local authorities and affected communities to establish adequate emergency response plans.

### **3 Resource Efficiency and Pollution Prevention**

- Water consumption
  - Measures to avoid or reduce water consumption.
- Energy consumption
  - Measures to avoid or reduce energy consumption.
- Climate change and greenhouse gases
  - Actions to reduce GHG emissions.
  - Actions to mitigate / adapt to climate change.
  - Annual quantification of direct and indirect emissions from the project (GHG Report).
- Pollution Prevention
  - Methods of prevention, minimization or control of the generation of pollutants in the air, water or soil.
  - Consideration of the existing environmental conditions in the project area (environmental liabilities, soil assimilation capacity, present and future land use, proximity to important areas of biodiversity).
- Waste
  - Prevention, minimization, recovery, reuse, disposal and treatment of hazardous and non-hazardous waste.
  - Consideration of security measures for humans and the environment.
  - Disposal of waste through companies authorized by public regulatory bodies.
  - Consideration of control of pests and vectors of diseases important to public health.
  - Use of pesticides with low toxicity to humans and minimal effects on the environment.

- Design of a pesticide application and elimination regime that avoids damage to human health and the environment.
- Handling of pesticides is developed by trained personnel, with the appropriate equipment and in compliance with the packaging and labeling regulations for their safe use.

#### **4 Community Health, Safety, and Security**

- Safety and health
  - Identification and evaluation of the risks and impacts for the health and safety of the affected communities.
  - Prevention, mitigation and control measures in accordance with the nature and magnitude of the project, as well as good international practices.
  - Prevention and / or minimization of community exposure to diseases transmitted by water, other vectors, as well as those that could be the result of project activities.
  - Additional risks, derived from the entry of members of the public to the project facilities, such as operational accidents.
- Handling of hazardous materials
  - Minimization of the possibilities that workers and the community are exposed to hazardous materials and substances that the project may generate.
  - Control of safety in the transport of hazardous materials and wastes.
  - Prevention or control of the exposure of workers and the community to pesticides.
- Ecosystem services
  - Risks and adverse impacts on the health and safety of the communities, derived from the modification or degradation of ecosystems (loss of mangroves and forests, causing floods, landslides, fires, among others). Corresponding prevention and mitigation measures.

#### **5 Land Acquisition and Involuntary Resettlement**

- Physical or economic displacement
  - Physical or economic displacement of populations (due to expropriation, restrictions on the use of land or resources, eviction, adverse impacts on livelihoods).
  - In the case of physical displacement, offering a property with a value equal to or greater than the loss, with security of tenure, without risk of eviction, equivalent or superior characteristics and location advantages.
  - In the case of economic displacement, effects on commercial structures, compensation to the business owner for the cost of restoring commercial activities elsewhere, for the net income lost during the transition period, and for the costs of transfer and reinstatement. of the plant, machinery and other equipment
- Compensation and opportunities for displaced persons
  - Compensation for loss of property, as well as assistance to improve or re-establish their livelihoods and quality of life for displaced people and communities.
  - Denial of compensation. Planning, execution and monitoring of resettlement.
  - Opportunities for displaced people and communities to obtain development benefits from the project.
  - Consideration of the participation of the displaced communities and the host communities, for the planning and execution of the payment of compensation, the reestablishment of the means of subsistence and the resettlement
- Frameworks or action plans for resettlement and / or reestablishment of livelihoods in relation to: the rights of affected people, compensation for the total value of land and other lost assets,

mitigation of the negative impacts of displacement, identification of development opportunities, the budget.

## **6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

- Conservation of biodiversity
  - Project in modified, natural or critically important habitats that can affect ecosystem services.
  - Measures to avoid, minimize, mitigate and restore the loss of biodiversity and affected ecosystem services (protection of reserve areas, biological corridors, habitat restoration, equivalent compensation).
- Ecosystem services
  - Systemic review to identify priority ecosystem services that could be adversely impacted.
  - Mitigation measures necessary to minimize adverse impacts and maintain the value and functionality of priority services.
  - In the case of priority services, measures to increase the efficiency of the use of resources in their operations.
  - Location on non-forest land or land already converted.
  - Promotion of actions so that its suppliers adopt good practices on the conservation of biodiversity and the sustainable management of resources

## **7 Indigenous People**

- Human rights assessment
  - Presence of indigenous populations in the project area.
  - Promotion of respect and preservation of human rights.
  - Identification of direct and indirect impacts on the communities of indigenous peoples and corresponding mitigation or restoration measures.
  - Benefits and opportunities for sustainable development for indigenous peoples, consistent with their culture.
  - Continuous contact with the indigenous peoples affected by the project, during the public consultation process.
  - Prevention and reduction of impacts on natural resources and natural areas of importance to indigenous peoples.
- Process of consultation and informed participation
  - Carrying out a process of consultation and informed participation.
  - Obtaining the Free, Prior and Informed Consent of the indigenous peoples affected for the development of the project.
  - Delivery of reports to affected indigenous communities on their rights to land according to national legislation.
  - Delivery of compensation and other actions for affected indigenous peoples.

## **8 Cultural Heritage**

- Identification of tangible or intangible forms of cultural heritage.
- Hiring of competent professionals to collaborate in the identification and protection of cultural heritage.
- Adherence to national legislation and application of good practices regarding the protection of cultural heritage.
- Chance finds management.
- Consultation with affected communities that make use of cultural heritage.
- Reproducible, irreproducible and / or critical tangible cultural heritage.
- Location in legally protected cultural heritage areas. Additional programs to promote and enhance the conservation objectives of the protected area.

#### **Principle IV. Environmental and Social Management System and Equator Principles Action Plan**

- For all Category A and Category B Projects<sup>6</sup> the EPFI will require the client to develop and / or maintain an Environmental and Social Management System (ESMS) to manage the environmental and social risks and impacts of the project, as well as with an Action Plan of the Equator Principles that considers the observations of the independent consultant and the socio-environmental risk area of Banorte
  
- Environmental and Social Management System (ESMS).
  - The Environmental and Social Management System is the global environmental, social, health and safety management system that can be applied at the company or project level. The system is designed to continuously identify, assess and manage project-related risks and impacts.
  - Policy, management programs, organizational capacity and competence, monitoring and evaluation.
  - Policy with environmental and social objectives and principles that guide the project to achieve good performance.
  - Management programs that describe the measures and actions to mitigate and improve performance, aimed at addressing the identified environmental and social risks and impacts.
  
- Equator Principles Action Plan (EPAP).
  - Programs that include environmental and social action plans with objectives, goals, compliance deadlines, methods, indicators, resources and responsible parties.
  - Personnel responsible for the environmental and social performance of the project with the knowledge, skills and experience necessary to manage the ESMS efficiently.
  - Consideration of the legislation.
  - Measurement of the effectiveness and efficiency of the ESMS, legal compliance and improvement in the environmental and social performance of the project

#### **Principle V. Stakeholder Engagement**

- Potentially significant adverse impacts on Affected Communities
- Consideration of stakeholder participation (affected communities, workers and others), through a process of consultation and informed participation, before the construction phase. Evidence of interaction with stakeholders (documentation)
- Stakeholders designate the populations directly affected by the project activities. Other stakeholders refer to those not directly affected by the project, but who have an interest in it, such as national and local authorities, neighboring projects and / or non-governmental organizations.
- The consultation process should include: The perspectives and interests of men and women, the consideration of the different concerns and priorities of men and women regarding the impacts, the mitigation mechanisms and the benefits and opportunities derived from the project, the documentation of the In itself, mainly the measures adopted to avoid or minimize risks and adverse impacts for the communities, informing those affected about the way in which their concerns and opinions have been taken into account for decision-making.
- Consultation process adapted to the risks and impacts of the project, the development phase, the linguistic preferences of the affected communities, their forms of dialogue, their decision-making processes and the needs of disadvantaged and vulnerable groups. Project information and documentation of the environmental and social impact assessment available to the affected communities and, where appropriate, other stakeholders, in the local language and in a culturally appropriate way.
- Consideration of the results of the stakeholder participation process.

### **Principio VI. Grievance Mechanism**

- Documented grievance mechanism, designed to receive and facilitate the resolution of concerns and complaints related to the environmental and social performance of the project.
- Appropriate to the risks and impacts of the project and the affected communities. Communicated to affected communities and / or workers.
- Consideration of project workers and their organizations, workers hired by third parties and workers in the supply chain.
- Understandable, transparent, culturally appropriate, easily accessible, cost-free and without retaliation for those who raised the issue or concern.

### **Principio VII. Independent Review**

- The project consultant must supervise its compliance with the Equator Principles and will prepare the corresponding reports to have the evidence requested by the Bank in the annual review.
- Independent environmental and social consultant or qualified experts to supervise the environmental and social performance of the project and its compliance with the Equator Principles.
- Review of the evaluation documentation, the AP, the ESMS, the stakeholder participation process and compliance with the Equator Principles.
- Proposal or evaluation of an action plan for the Equator Principi

### **Principio VIII. Conventions**

- The client is committed to complying with the Equator Principles and must periodically provide the information that Banorte requests to carry out the corresponding evaluations
- Compliance with all current national environmental and social laws, regulations and permits and with the Equator Principles.
- Compliance with the ESMP and the Action Plan of the Equator Principles, during the construction and operation phases of the project.
- Periodic reports by the client, in the format defined by Banorte, and prepared by internal personnel or external experts that document compliance with the current national regulatory framework, the ESMP and the action plan of the Equator Principles.
- Dismantling of the facilities, whenever applicable and timely.
- Consent to share the data corresponding to the name of the project, sector and year of closure with the Secretariat of the Association of the Principles of Ecuador for publication on the website of the Association.

### **Principio IX. Independent Monitoring and Reporting**

- The project consultant must supervise its compliance with the Equator Principles and prepare the corresponding reports to have the evidence requested by the Bank in the annual review.
- Monitoring of the project's compliance with the Equator Principles by the independent social and environmental consultant appointed by the client. Verification of the information shared with Banorte.

### **Principio X. Reporting and Transparency**

- Banorte must report annually to the Association of Principles, the name of the evaluated project, the sector and the year of closure. Currently, Banorte does not share such information in accordance with article 142 of the Law on Credit Institutions. Article 142 of the Law on Credit Institutions indicates that the information and documentation related to operations and services will be confidential. Thus, credit institutions, protecting the right to privacy of their clients and users, can only give information to the owner, their representatives and, when



requested, the judicial authority, the National Banking and Securities Commission, the Bank of Mexico, the Institute for the Protection of Bank Savings and the Commission for the Protection and Defense of Users of Financial Services.

- Information required by Banorte, in due time and form.
- Public environmental and social risk and impact assessment
  - Summary of the environmental and social impact assessment available online.
- Level of public GHG emissions
  - In the case of projects whose Scope 1 and 2 emissions exceed 100,000 tons of CO2 equivalent per year, annual publication of GHG emission levels during their operation phase (considering the sum of Scope 1 and 2 emissions)
- Biodiversity data
  - Periodic reports to the affected communities in which they describe the progress in the implementation of the project's action plans with respect to issues that entail risks or impacts, as well as with regard to issues of concern during the consultation process or through the complaint mechanisms.
- Transparency
  - - Public information, participation in initiatives, reporting
  - - Environmental, social, sector recognition (Clean Industry, STPS, others)
- Structure
  - Environmental, social, sustainability, quality, money laundering, anti-corruption, anti-competitive behavior policy
  - Certifications 14001, ISO 50001, ISO 9001, ISO 45001, others.
- Anti-corruption
  - Internal / external mechanisms to detect irregularities regarding unethical or illegal behavior, which may put the integrity of the organization / project at risk
  - Code of ethics, money laundering, crime prevention, anti-competitive practices
  - Fines or penalties