Welcome to your CDP Climate Change Questionnaire 2021

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

Our Company, Grupo Financiero Banorte (hence, “GFNorte”, “the Group” or “Our Company”) is one of the leading institutions in Mexico, currently the second largest bank in Mexico; first in pension funds (Afore XXI Banorte), second in government, mortgage, car and payroll loans, third in consumer credits, as well as branches, ATM´s correspondents and point of sales (POS), and fourth in company loans and credit cards. Our Company has a network of 1,193 branches, 9,387 ATMs, 159,780 POS terminals and 16,984 correspondents; it is also the only large financial institution which is not owned in majority by a global international bank. Additionally, we operate the money transfer companies Motran and Uniteller, as well as Banorte-Ixe Securities.

Our growth capacity through new acquisitions can be resumed as follows:

Banorte was founded in 1899 in the city of Monterrey, where it began operations as a regional bank. In 1992, in the banking privatization process, Banorte was acquired by a group of businessmen, led by Mr. Roberto González Barrera. Through a series of strategic acquisitions following the Mexican financial crisis in the mid-1990s, Banorte consolidated a national presence in Mexico. It currently operates as a financial group called Grupo Financiero Banorte (GFNorte), under a universal banking model offering a wide variety of products and services through its brokerage house, pension and insurance companies, Afore, mutual funds, as well as the leasing and factoring and the storage companies. At the end of June 2020, GFNorte manages US $125 billion in AUM and is already the second largest financial group in Mexico since the acquisition of Grupo Financiero Interacciones, consolidated in July 2018.

The shares of GFNorte are listed on the Mexican Stock Exchange (BMV) with the ticker "GFNORTEO" - the most relevant share in Mexico - in the Stock Exchange of Madrid under the "XNOR" symbol and in the US market through an ADR listed in the OTCQX market with the "GBOOY" symbol. Also, GFNorte is part of the following sustainability indexes: Bloomberg Gender Equality Index (GEI), FTSE4Good Emerging Markets Latam, FTSE4Good BIVA, MSCI Mexico ESG Select Focus Index, MSCI ACWI ESG Universal, MSCI ACWI Climate Change, MSCI Mexico ESG Universal, Dow Jones Sustainability Index MILA Pacific Alliance, S&P/BMV Total Mexico ESG Index and Index Americas.

GFNorte cautions that the information in this questionnaire contains forward looking statements. These forward-looking statements are found in various places throughout this

document and include, without limitation, statements concerning our future business development and economic performance of the Company. While these forward-looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to:
(i) General market, macro-economic, governmental and regulatory trends;
(ii) Movements in local and international securities markets, currency exchange rates, and interest rates;
(iii) Competitive pressures;
(iv) Technological developments;
(v) Changes in the financial position or credit worthiness of our customers, obligors and counterparties; and
(vi) Climate-related issues.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years
Reporting year	January 1, 2020	December 31, 2020	No

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

Mexico
United States of America

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

MXN

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Financial control

C-FS0.7

(C-FS0.7) Which organizational activities does your organization undertake?

Bank lending (Bank)

Investing (Asset manager)
Investing (Asset owner)
Insurance underwriting (Insurance company)

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Chief Executive Officer (CEO)	Our CEO participates in the Sustainability Committee, which was created with the purpose of defining the Group's sustainability strategy and its accountability. This Committee reports directly to the Risk Policy Committee (CPR) and is integrated by seven members; five members of the Board of Directors (including the CEO) an alternate Board Member and the Chief Risk Officer (CRO). In turn, the CPR reports to the Board of Directors.

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding business plans	Climate-related risks and opportunities to our own operations	Currently, during the second and third meetings of the Board of Directors, issues related to the Integrated Annual Report (which includes climate-related issues), and the external auditor who verify the document are scheduled. Moreover, some additional relevant topics related to sustainability issues are included sporadically as they arise throughout the year.

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Sustainability committee	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our own operations	Half-yearly
Credit committee	CEO reporting line	Managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities	More frequently than quarterly
Investment committee	Investment - CIO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our investing activities	More frequently than quarterly
Risk committee	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our own operations	Annually

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

As founders and signatories of the Principles for Responsible Banking (PRB), our commitment with Principle 5. Governance and Culture is to implement these Principles through effective governance and enhance responsible banking culture. Therefore, to promote, manage and monitor the ESG issues we have the following organizational structures:

1. Sustainability Committee:

Since 2019 our Sustainability Committee meets semi-annually and has the following functions:

(i) Define the sustainability strategy and action plan and its alignment with the Group's business strategy;

(ii) Periodically review sustainability policies;

(iii) Promote environmental, social and corporate governance issues;

(iv) Set goals and follow up on results;
(v) Integrate environmental, social and corporate governance aspects into business risks;
(vi) Communicate relevant sustainability issues related inside and outside the Group;
(vii) Promote strategic alliances inside and outside the Group;
(viii) Encourage employee´s engagement in sustainability initiatives; and
(ix) Assign a budget item and define the amount for the activities derived from the topics discussed in the Committee
The Committee is composed by the Head of Economic Analysis (Chair), Head of Sustainability and Responsible Investment (secretary), Chief Administration Officer (CAO), Chief of Risk and Credit Officer (CRO/CCO), Chief Product Officer (CPO), Chief Wholesale Banking Officer, Chief Retail Banking Officer, Chief Government Banking Officer, Chief Legal Officer (CLO), Public Relations Officer (PRO), and a representative of the Internal Audit department.
During 2020, the issues covered on the Committee and the percentage of attendance for the meetings were:

- 1st Meeting: Global, domestic and internal context, GFNorte ESG Performance, Subgroup results and Principles for Responsible Banking implementation with a 78% of attendance.
- 2nd Meeting: Global, domestic and internal context, GFNorte ESG Performance, Subgroup results, Sustainability strategy and ESG goal setting with a 90% of attendance.

Likewise, subcommittees have been developed for each issue (risks, environment and social), which are made up of strategic operative positions and whose purpose is to follow up on the actions and comply with the goals established by the Committee. The subcommittees that involves climate-related issues are;

- Environment Subcommittee: is comprised with the areas of sustainability, facilities, material resources and general services and aims to manage the strategy and plan of action against climate change, strengthen current initiatives and promote others to reduce our environmental impact, and to properly manage performance indicators of operations.
- Risk Subcommittee: conformed by the area of sustainability, risk, credit and specialized areas (tourism, real estate and agriculture), the objective is to promote the consideration of environmental and social risks within the granting process of credit.

2. Central and National Credit Committees:
In 2019, the CPR approved the Sustainability and Responsible Investment department through the Socio-Environmental Risk Area (ARSA) has an active participation as an speaking member of the Central Credit Committee and National Credit Committee for the projects with high or medium socio-environmental risk with a credit amount equal to or greater than $500,000,000 pesos and belonging to sensitive sectors. During 2020, ARSA participate in 33 National Credit Committee sessions and 6 in Central Credit Committee.

3. Investment Committee (asset owner):
As part of the implementation of responsible investment, the duties of the Afore XXI Investment Committee includes;
(i) The incorporation of an analysis of the characteristics and risks of each issuer, and of ESG factors in each investment or investment proposal that make up the retirement fund portfolio

(ii) To validate the ESG ranking, it should provide annual follow-up and prepare opinions on issuers whose ratings represent a risk to the portfolio.
During 2020, ESG topics were discussed in 100% of the sessions of the Investment Committee from which 33.3% were associated with climate change strategy.

4. Risk Policies Committee (CPR):
In October 2020, the CPR approved a Sustainability Risk Score for the Group, which evaluates historical data from 177 sectoral ESG indicators and establishes risk thresholds (appetite, tolerance and capacity) for each of these indicators in order to improve the Group´s ESG performance and to define mitigation plans and/or corrective actions if the Score is within the tolerance and capacity thresholds. This Score is presented annually by the risk appetite department.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity inventivized	Comment
Other C-Suite Officer	Monetary reward	Efficiency target	A monetary reward is given to the Chief Administrative Officer (CAO) as percentage of the annual bonus that is directly related to performance and results in decreasing the operating expenses. In conjunction with the Energy Department, initiatives to reduce this expense includes energy efficiency and renewable energy projects are performed. Moreover, areas like Material Resources and General Services are also considered in this category as they manage the efficient use of other resources (waste, water, fuels, etc).
Management group	Monetary reward	Energy reduction project	The annual bonus of the Energy and Maintenance, Material Resources, Real Estate and Acquisitions

			departments (including middle management to directors), corresponds to the development and implementation of initiatives for an efficient use of resources including: (i) Energy efficiency (reductions also are reflected in Scope 1 and 2 GHG emissions), (ii) Waste disposal projects associated with reducing and recycling programs (paper priority), and (iii) Business travel and employee´s commuting (Scope 3 GHG emissions).
Environment/Sustainability manager	Monetary reward	Emissions reduction project Emissions reduction target Behavior change related indicator Company performance against a climate-related sustainability index Portfolio/fund alignment to climate-related objectives	The annual bonus of the Sustainability and Responsible Investment department (including middle management to directors), corresponds to the following responsibilities: (i) Measuring environmental indicators management and their performance (energy consumption, GHG emissions, waste disposal, waste recycled, among others), (ii) Proposal of operational efficiency projects, (iii) Development of ESG targets, (iv) Employee awareness about sustainability, (v) Management of socio-environmental risks in credit and investment portfolios, (vi) Development of Sustainable Financial Products, and (vii) Response to ESG rating agencies and investors.
All employees	Non-monetary reward	Other (please specify) Employee facing environmental concerns.	Our Sustainability Champions network aims to sensitize our employees and be spokespersons on sustainability issues regarding the programs, campaigns and activities that are implemented. For this, at least two Champions were convened per floor of our main administrative buildings, which sign a letter of commitment and attend monthly meetings where the Sustainability and Responsible Investment department shares information regarding current issues of sustainability and ongoing projects. For

			each of them we gave an acknowledgment with which they can also be identified by other employees. Also, as the Social and Environmental Risk Management System (SEMS) have a group of executives that serve as a link between the Social and Environmental Risk Area (ARSA) and the Credit departments to promote the proper management of social and environmental risks in all the territories of the country. They receive recognition awards and are periodically trained in ESG issues.

C-FS1.4

(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG principles, including climate change?

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	Yes, as the default investment option for all plans offered	Employees have a retirement plan called "Plan de Contribución Definida", which is in addition to the retirement savings plan scheme established by Mexican law. This plan allows employees to save a percentage of their salary and Banorte also makes a complementary contribution. The plan is administered by our Afore XXI Banorte, which is a signatory of the Principles of Responsible Investment (PRI) since 2017. For more information about Afore XXI Banorte responsible investment strategy and performance, visit the following link (only available in Spanish): https://www.xxi-banorte.com/asg/

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	3	
Medium-term	3	5	
Long-term	5	10	10 or more.

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

The financial impact on a particular business depends on the payment capacity that the client has at the time of its analysis. In this payment capacity, we include different qualitative and quantitative aspects; for the qualitative part we consider the type of administration that the business has, experience in the sector, seniority in the activity, who are its clients, suppliers, perspectives of the sector, among other issues, and for the quantitative part we consider the type of short or long-term credit if it has the capacity to pay to face this debt with the Institution, how it obtains its income, etc. Once evaluated, the case is analysed in the corresponding committee and authorized. It is important to highlight the follow-up given to clients, which controls a possible negative impact on that particular sector. We have tools or models where, depending on the client's risk level or risk scale, they are analysed in the corresponding committee, that is, the greater the exposure to financing and the type of credit risk, a corresponding committee is assigned.
The financial or strategic impact is managed with different metrics and their respective risk thresholds consolidated in Risk Appetite and is governed mainly by the following pillars;
1. The financial Group seeks to maintain a general medium-low risk profile based on a diversified business model, focused on Retail Banking with relevant market shares, and a Wholesale Banking business model that highlights the relationship with customers in the Group's main markets:
(i) Maintaining a diversified portfolio avoiding risk concentrations
(ii) Leadership position in priority businesses for the Group's strategy, applying innovative strategies and targeted campaigns
(iii) Emphasis on generating business with a comprehensive vision of the client, seeking the growth of the Group through the placement of new products and services to the current client base, seeking to increase profitability per client
(iv) Internal culture focused on customer satisfaction, so that the Group is recognized for its quality of service
(v) Innovation to enrich the offer of segments, products and channels with new technologies that meet customer needs in a functional and attractive way
2. Maintain a proactive strategy related to Environmental, Social and Corporate Governance risks, incorporating this culture in all the Group's activities.

3. A stable and recurring policy of generating results and remuneration to shareholders (dividends), based on a strong capital base, solvency, liquidity and an effective diversification strategy of assets and liabilities:
(i) Growth strategy with high quality of the Group's assets, taking care of the credit origination processes and parameters as well as the control and monitoring processes
(ii) Portfolio approach considering the risk-return-opportunity relationship with adequate levels of capitalization to ensure the solvency of the institution
(iii) Stability of financial results creating value for shareholders through the generation of recurring profits.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Direct operations
Upstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

We have identify, assess and respond to climate-related risks and opportunities from the following perspectives:

- Operations:
1. We follow a management system for risks assessment through our Environmental Impacts Matrix (RIECM), which prioritize 128 environmental aspects by weighting their type, activity, input and output, six possible environmental impacts, time, gravity, relevance, reversibility and evolution. The result of this assessment comprises values from 0 to 505+ (the higher the value, the higher relevance) and determines the impact's significance to prioritize in the short- and long-term. In addition, in this matrix we have identified the current environmental laws that apply to us and if we are complying with it, prioritizing these regulations depending on their economic sanctions.
2. To address high impact external events, GFNorte has a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) that set out guidelines for what to do in case of a sinister based on a same-time data replication system at an alternate computer site.

All the above cover the backup and recovery of the Institution's critical applications in the event or any relevant operating contingency such as earthquakes, hurricanes, floods, among other physical events, for one particular site or a definite region that can affect our facilities and by subsequent, our operations.
3. There is a Recovery and Continuity Committee, which is the body with faculties for in case of service interruption, evaluate the impact of damages, identify affected business areas, estimate the recovery time. This Committee reports directly to the Risk Policies Committee (CRP). Also, the CPR is in charge of the assessment of the scope and effectiveness of the BCP, its disclosure among the corresponding areas and identification, if the case, of the necessary adjustments for its update and strengthening. At least once a year, the CPR should test the BCP to verify its effectiveness.
4. In August 2020, the risk appetite department developed a Sustainability Risk Score for the Group, which evaluates historical data from 177 sectoral ESG indicators and establishes risk thresholds (appetite, tolerance and capacity) for each of these indicators. The Score was developed in order to implement best ESG practices and to define mitigation plans and/or corrective actions if the Score is within the tolerance and capacity thresholds. In October 2020, the Score was presented and approved by the CPR.

- Business:
1. For lending activities:
Since 2012, we have integrated a Social and Environmental Risk Management System (SEMS) aligned with the Equator Principles (EP) into credit risk management processes. The analysis process includes the following stages:
(i) Identification; the Social and Environmental Risk Area (ARSA) identifies the potential environmental and social risks and impacts of the credits and verifies that none of the activities to be financed are on the exclusion list (not risky or prohibited activities).
(ii) Categorization; the ARSA assigns a level of socio-environmental risk to the credits depending on the magnitude of their impacts and the possibility of mitigating them, classified according to the EP in A (high risk), B (medium risk) and C (low risk).
(iii) Evaluation; once the financing are categorized, the ARSA selects 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 EP, the IFC Performance Standards and the SEMS Evaluation, so the ARSA asks customers for information related to permits, resolutives, licenses, plans, programs, specialized studies and good practices to elaborate the due diligence.
(iv) Management; monitoring the socio-environmental performance of the credits during the life cycle of the financing. Mainly considers the credits analyzed under the EP and includes annual reviews, continuous advice for clients and business executives, site visits and reputational risk monitoring of the projects.
The process is documented in a due diligence and submitted to the Credit Committees prior to the authorization of the credits.

2. For investment activities:

(i) Asset Management; in line with the Principles for Responsible Investment (PRI), the Sustainability and Responsible Investment Department annually analyze the ESG performance and transparency, media controversies, and Scope 3 emissions (category 15. Investments of the GHG Protocol) of the most representative issuers of listed equity assets. The results are reported to the Asset Management Department in order to be considered through the investment strategy process.
(ii) Asset Owners (Afore XXI Banorte): We have designed an internal approach to manage climate change in our portfolio in which we respond to this important challenge with the following actions:
-Climate Change Policy,
-Participation in the Investment Committee
-A higher level of stringency for fund managers; and.
-Strong engagement with companies
Collaborative engagement activities: Through the Green Finance Advisory Council (CCFV) we request listed companies to disclose their ESG information in a standardized and consistent manner, considering the recommendations of the TCFD and SASB standards.
Likewise, through the Mexican Afore Association (AMAFORE), we lead the Responsible Investment Subcommittee, whose general objective is to be a common front in the interpretation and adoption of ESG issues, including those related to climate change and promote initiatives that are aligned with the Paris Agreement.
Keeping with our commitment to mitigating climate change and aligned with the Nationally Determined Contributions (NDC), we defined the following medium- and long-term goals for managing GHG emissions: The first, for 2025, with at least 20% of the portfolio of alternative instruments in the real-estate sector; and the second, for 2030 with at least 50%. In addition, during 2020 we are the first asset manager in Mexico to join the Climate Action 100+ Initiative by engaging with these companies is to improve climate governance, strengthen climate-related financial disclosures and set short-, medium- and long-term goals for emission reduction, in order to achieve the target of zero emissions by 2050.

3. For insurance activities:
For all hydrometeorological phenomena such as hurricane, storm surge, flood, heavy rainfall, hail and windstorm, among others (excluding tsunami), we use Catastrophe (CAT) Models not only to establish the pricing but also to determine the amount of CAT reinsurance capacity we need and also to determine the reserves. The models we use are ERN (statutory), RMS and AIR.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain

Current regulation	Relevant, always included	Current regulation risk is defined as the potential loss due regulatory inspections, examinations, inquiries and audits that could result in sanctions or the imposition of corrective measures. - Operational risks: as a financial company, our direct impacts related with climate change are derived mainly from fuel and electricity consumption. Therefore, the identified risks regard the Mexican General Climate Change Law, National Registry of Emissions. - Business risks: there are no current regulations for climate-related issues for financial institutions. Nevertheless, as part of our SEMS process we verify that our clients comply with the national environmental regulations due this represent a risk for both.
Emerging regulation	Relevant, always included	Emerging regulation risk is defined as a potential loss due to governmental regulation frequent revisions and changes. Many of the climate-related applicable laws and regulations have been subject to extensive changes in recent years. - Operational risks: since 2009 we started calculating our GHG emissions and we verified them since 2013; by 2015 it was already mandatory for companies with emissions exceeding 25 thousand tons of CO2e per year to report them to SEMARNAT and by 2018 its verification was also mandatory, in accordance with the General Law on Climate Change and its regulations on National Registry of Emissions. Therefore, this did not affect our activities or imply an additional cost once it entered into force. Also, we attended to several trainings on the new carbon emissions trading market in Mexico, which will take effect in 2021. - Business risks: in Mexico there is no regulation related to climate-related issues for financial institutions yet. Nevertheless, we already have operating since 2012 our Social and Environmental risk Management System (SEMS) that analyzes the environmental and social risks involved in the activities we finance, and we have already developed an internal methodology to incorporate ESG issues into our investment decision-making. As part of the SEMS process, we follow up to upgrades of the current and new regulations in the Mexican government newspaper (DOF) and it is integrated to our periodic reviews.
Technology	Relevant, always included	Technological risks is defined as the potential loss due a lack of ability to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner. - Operational risks: we constantly evaluate technological improvements or innovations that support the transition to a lower-carbon and have a significant impact on our organization. Our ability to remain competitive in the markets in which we operate depends partially on our ability to upgrade our information technology infrastructure on a timely and profitable basis, through continuous investment. The opening of new

		offices and branches requires us to improve our information technology infrastructure, and to maintain and upgrade our software and hardware systems and back office operations. For that reason, one of our relevant contracts of the Group includes the agreements with IBM de Mexico, Comercializacion y Servicios, S. de R.L. de C.V.: (i) for the acquisition of products (equipment or software licenses) and services, and (ii) leasing of technological equipment. Any failure to improve effectively or upgrade our information technology infrastructure and management information systems in a timely manner or to achieve the expected results from our alliance with IBM could materially and adversely affect our competitiveness, financial position and results of operations, and result in losses for our customers, resulting in liabilities for us. - Business risks: through the SEMS process we share recommendations to our clients from different industrial sectors about good environmental and social practices, which may include the use of high efficiency technology to reduce resources consumption and improve their processes.
Legal	Relevant, always included	Legal risk is defined as a potential loss due to non-compliance with the applicable legal and administrative provisions, the issuance of applicable administrative and judicial unfavorable resolutions and the application of sanctions, in relation to the operations that Banorte carries out. - Operational risks: our Legal department attends claims and issues regarding environmental topics, in case these issues arise. In 2018, GFNorte did not receive any environmental fines, which was reported in our Integrated Annual Report and verified by a third party in accordance with GRI 307-1: “Non-compliance with environmental laws and regulations”. - Business risks: one of the objectives of the SEMS is to avoid non-compliance with environmental legislation as it may have consequences for penalties, including monetary, operative and administrative sanctions.
Market	Relevant, always included	Market risk is defined as a potential loss due to changes in risk factors that affect the valuation or expected results of active, passive or contingent liability operations. - Operational risks: due to the growing demand for the best ESG practices from global investors, it is important to have an updated sustainability strategy that allows us to be more competitive on an international level. This is reflected with better ratings issued by the ESG Rating Agencies and adherence and permanence in sustainability indices, which open new market opportunities. - Business risks: lack of sustainable financial products, such as green credit lines, green, social and sustainable bonds, ESG funds, climate insurance, among others, can limit our offer in the market, which has

		repercussions in the loss of some potential clients who seek these products.
Reputation	Relevant, always included	Reputational risk is defined as the potential loss in the development of the activity of each of the entities that make up the Group caused by the deterioration in the perception that the different interested parties, both internal and external, have of their solvency and viability. - Operational risks: because the Group is a publicly-owned corporation, it must effectively manage its behavior, discourse and image in society, aware of the impact these variables have on its corporate reputation. One of our basic operational principles has been to safeguard the group's reputation through prudent but transparent communication, to avoid rumors or the generation of voids that might be filled with incorrect information. Faced with these momentary challenges, we chose to distribute appropriate information on events through internal and external media and social networks, contributing to our stewardship of the group's intangible capital. - Business risks: as part of the SEMS and responsible investment process, the reputational risk of projects and assets with significant risks are analyzed through the monitoring of controversial issues. By having a relationship with clients or controversial projects in our portfolios, the image of the Group can be affected with our stakeholders, losing presence and brand value.
Acute physical	Relevant, always included	Acute physical risks are included within the operational risk. Operational risk is defined as the potential loss, either direct or indirect, due different causes including natural disasters such as cyclones, hurricanes, floods, among others. - Operational risks: according to the National Institute of Ecology and Climate Change (INECC), in Mexico there are 25 tropical cyclones a year generated on average; 4 to 5 can enter to the territory and cause serious damage. The degree of direct exposure to tropical cyclones, in any of their categories, is high in at least 17 states of the country: Baja California, Baja California Sur, Sinaloa, Sonora, Nayarit, Jalisco, Colima, Michoacán, Guerrero, Oaxaca, Chiapas, Quintana Roo, Yucatán, Campeche, Tabasco, Veracruz and Tamaulipas. However, the level of vulnerability to the catastrophic presence of a phenomenon of this nature and to the process of climate change is particularly severe in Colima, Veracruz, Tamaulipas, Baja California and Baja California Sur, according to Analysis of the frequency and intensity of tropical cyclones to prevent the effects, present and future, due to variability and climate change in Mexico, published by the INECC. Our facilities and branches located less than 50 kms from the coast are classify as high risk, then, those who are located more than 50 km in near coastal states are classified with medium risk, the others are considered as low risk. Therefore, 394 branches and 49 buildings are directly exposed to hurricanes due their location, and 104 branches and

		11 buildings are in high risk locations. Regarding floods (level of rainfall greater than 872 millimeters according to the National Water Commission), according to the National Commission for Knowledge and Use of Biodiversity (Conabio), the states that present a high risk of flooding in most of their municipalities are Baja California, Baja California Sur and Quintana Roo. Therefore, 57 branches and 9 are exposed to floods. - Business risks: as part of the credit process, the projects that are vulnerable to physical risks due to their geographical location requires insurance policies that may cover the possible damages that may be caused by natural disasters. Similarly, in the SEMS process it is requested that they also have an emergency response plans civil protection programs.
Chronic physical	Not relevant, included	Chronic physical risks are included within the operational risk. Operational risk is defined as the potential loss, either direct or indirect, due different causes including sudden changes in weather patterns such as higher/lower temperatures, among others. - Operational risks: The climate in Mexico is expected to become more extreme, that is, prolonged droughts and severe rains in abnormal seasons. According to the National Institute of Ecology and Climate Change (INECC), the states most affected by drought conditions were Sonora, Sinaloa and Baja California. It is assumed that the states facing drought are the states with the highest temperatures in the country and this represents a risk of increased energy consumption. Therefore, 101 branches and 14 buildings are exposed to drought conditions. - Business risks: due to the changes in the climate that directly affect the activities of our clients, we identify the potential physical chronic risks and begin the development of a series of guides to prevent and manage the different problems that can arise in the different sectors. An example is the recent massive arrival of sargassum on the Mexican coast of the Caribbean that has affected the tourism sector.

C-FS2.2b

(C-FS2.2b) Do you assess your portfolio's exposure to climate-related risks and opportunities?

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	Since 2012 we have been signing members of the Equator Principles and we have a Social and Environmental Risk Management System (SEMS), developed to analyze the risks and impacts of our lending in the wholesale & corporate banking.

		SEMS is an integral part of the Bank's lending process and it works based on the identification, categorization, evaluation and management of those risks. During this analysis, we identify the potential risks and impacts of our financing, and apply our exclusion list. We classify risks into categories: A for high risk, B for medium risk, and C for low risk, according to the magnitude of impact and possibilities for mitigation. We then evaluate the projects' compliance with the Equator Principles, the IFC Performance Standards and the domestic legal framework (SEMS Assessment). Finally, we regularly follow up on projects, providing advice and contributing value to our clients. We have a list of 1,147 codes called CAS by its acronym in Spanish that are used to identify customer activities according to their sector, of which 91 CAS were defined as Sustainable, since they generate positive impacts. These CAS constitute the bank's sustainable taxonomy and are used to measure the climate-related risks and opportunities.
Investing (Asset manager)	Yes	For the listed equity assets, we measure the climate-related risks and opportunities disclosed by the issuers and quantify our scope 3 emissions derived from investments in order to: (i) Evaluate our portfolio exposure to climate-related risks and opportunities; (ii) Identify the issuers that represent the largest carbon footprint in the portfolio; and (iii) Make engagements to define GHG emission reduction targets, mitigation and/or adaptation plans in conjunction with the issuers.
Investing (Asset owner)	Yes	In order to assess the climate-related risks and opportunities, we joined Climate Action 100+ and TCFD, through which we ask companies to: (i) Implement a solid governance framework; (ii) Take measures to reduce GHG emissions along the value chain; (iii) Provide enhanced climate-related disclosure; (iv) Consider climate-related issues into financial decision-making; (v) Mitigate climate risk; and (vi) Promote an economy of net zero emissions. Also we measure the achievement of 8 objectives defined by our Investment Committee that includes the definition of policies, buildings with sustainable certifications and involvement with tenants from Real Estate investments to take carried out training on energy efficiency, water consumption and waste.
Insurance underwriting	Yes	We developed an hydrometeorological related CAT coverage for Property Damage and Business Interruption on Property programs. We also proved hydrometeorological related CAT

(Insurance company)		coverage on a stand-alone basis both for Property businesses and for Agricultural programs.
Other products and services, please specify	Not applicable	

C-FS2.2c

(C-FS2.2c) Describe how you assess your portfolio's exposure to climate-related risks and opportunities.

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	Majority of the portfolio	Qualitative and quantitative	With our SEMS, we identify, categorize and evaluate climate-related risks through a due diligence process, considering greenhouse gas emissions of the sectors with high intensity emission. The due diligence considers the IFC Performance Standards (PS), and specifically for the climate-related issues, it is used the PS3. Resource efficiency and pollution prevention. Additionally, the Equator Principles IV, which are in the process of being implemented, emphasize climate change issues for all sectors. In 2020, we identified the risks and potential impacts of 3,383 loans, representing the analysis of 54.1% of the corporate portfolio and 61.1% of the commercial portfolio. Also, according to the Sustainable CAS, the value of our sustainable portfolio in corporate and commercial loans was estimated at $11,965 billion pesos (4.05%) of the corporate and business portfolio), which was invested in various projects; Renewable energy (wind and solar), clean energy sustainable agriculture, sustainable building, waste recycling (paper, metal, plastic), energy efficiency. Our climate portfolio, which by now, includes only renewable energy financing, totals $8,158 billion pesos (2.76% of the corporate and business portfolio).
Investing (Asset manager)	Minority of the portfolio	Qualitative and quantitative	If the issue is material for the sector of the analyzed company, our responsible investment methodology evaluates approximately 25 indicators related to climate-related risks and opportunities, GHG emissions and GHG emission reduction targets. The indicators are based on GRI and SASB standards, and CDP´s Climate Change questionnaire.

Investing (Asset owner)	Majority of the portfolio	Qualitative and quantitative	We are in the process of collecting data, such as the physical location of the projects of our portfolio that will allow us to identify the vulnerability of climate risks on the investments. Additionally, we are requesting information regarding climate vulnerability, insurances or protocols for natural disasters, and adaptation measures in case of a shortage of resources, included into projects. Our model for evaluating the environmental impact of the portfolio is comprehensive, with which we seek to strengthen and establish the necessary measures and actions to support and promote the integration of ESG factors in the investment strategy, as well as the incorporation of climate risks, not only in the management from our internal portfolios but also from other fund managers with which we collaborate. In line with our fiduciary duty, we seek to understand and manage the investment risks associated with climate change, ensuring that the administrators and operators of our investment are permeating and integrating sustainability considerations and implementation of strategies to mitigate climate change, both in their practices and in asset management. So far, we have a materiality matrix that identifies sustainability issues or main risks that may affect the financial situation or the operating performance of companies within a particular sector. Based on the matrix and our questionnaire, we identify and manage main risks.
Insurance underwriting (Insurance company)	Minority of the portfolio	Quantitative	We use CAT models to determine the CAT reserves. For CAT reserving we run ERN which is the statutory model, for pricing and for CAT reinsurance capacity we use RMS and AIR. These models require Lat / Long data on all risks, specific information on construction codes / characteristics and loss history data. There is no temperature related data to enter the model, however the algorithms do consider it.

C-FS2.2d

(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Majority of the portfolio	With our SEMS, we identified, categorized and evaluated water-related risks through a due diligence process, considering water extraction, treatment, reuse and recycling. The due diligence considers the IFC Performance Standards (PS), and specifically for the climate-related issues, it is used the PS3. Resource efficiency and pollution prevention, and PS6. Conservation of biodiversity and management of natural resources. In 2020, we identified the risks and potential impacts of 3,383 loans, representing the analysis of 54.1% of the corporate portfolio and 61.1% of the commercial portfolio. Also, according to the Sustainable CAS, the value of our sustainable portfolio in corporate and commercial loans was estimated at $11,965 billion pesos (4.05% of the corporate and business portfolio), which was invested in various projects; Renewable energy (wind and solar), clean energy, sustainable agriculture, sustainable building, waste recycling (paper, metal, plastic), energy efficiency.
Investing (Asset manager)	No, but we plan to do so in the next two years		If the issue is material for the sector of the analyzed company, our responsible investment methodology evaluates approximately 19 indicators related to water-related risks and opportunities, water consumption and discharges, and water reduction targets. The indicators are based on GRI and SASB standards.
Investing (Asset owner)	No, we don't assess this		
Insurance underwriting (Insurance company)	No, we don't assess this		
Other products and services, please specify	Not applicable		

C-FS2.2e

(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Majority of the portfolio	With our SEMS, we identified, categorized and evaluated forests-related risks through a due diligence process, considering sustainable use of natural resources and biodiversity conservation. The due diligence considers the IFC Performance Standards (PS), and specifically for the climate-related issues, it is used the PS3. Resource efficiency and pollution prevention, and PS6. Conservation of biodiversity and management of natural resources. In 2020, we identified the risks and potential impacts of 3,383 loans, representing the analysis of 54.1% of the corporate portfolio and 61.1% of the commercial portfolio. Also, according to the Sustainable CAS, the value of our sustainable portfolio in corporate and commercial loans was estimated at $11,965 billion pesos (4.05% of the corporate and business portfolio), which was invested in various projects; Renewable energy (wind and solar), clean energy sustainable agriculture, sustainable building, waste recycling (paper, metal, plastic), energy efficiency. Our climate portfolio, which by now, includes only renewable energy financing, totals $8,158 billion pesos (2.76% of the corporate and business portfolio).
Investing (Asset manager)	No, but we plan to do so in the next two years		If the issue is material for the sector of the analyzed company, our responsible investment methodology evaluates approximately 5 indicators related to forests-related risks and opportunities and biodiversity behavior. The indicators are based on GRI and SASB standards.
Investing (Asset owner)	No, we don't assess this		
Insurance underwriting (Insurance company)	No, we don't assess this		

Other products and services, please specify	No, we don't assess this		

C-FS2.2f

(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	The Social and Environmental Risk Analysis Process follow a process of identification, categorization, evaluation and management of risk and impacts that is documented in a due diligence submitted to the Credit Committees, prior to the authorization of the credits. 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 Evaluation, so we ask customers for information related to permits, resolution's, licenses, plans, programs, specialized studies and good practices related with relevant topics as climate change, natural resources, biodiversity, human rights, among others, to elaborate the due diligence.
Investing (Asset manager)	Yes, for some	As part of the guidelines established in the Responsible Investment Policy, individual or collective engagement must be carried out with the issuers that comply with an engagement profile in order to mitigate non-financial risks, improve their performance and transparency in ESG factors. According to the Responsible Investment Manual, the criteria used to define the engagement profile is the following: (i) Lack of disclosure of sectoral material indicators; (ii) Sectoral material indicators with low performance (less than 25 points); and (iii) Lack of climate goals, as well as non-ambitious goals or goals not met. Engagement is done through letters and/or face-to-face sessions with issuers to establish agreements in conjunction.
Investing (Asset owner)	Yes	We focus on encouraging direct investors to mitigate these risks and promote continuous improvement by evaluating the environmental and social impacts throughout the life cycle of their real estate assets, Likewise, we are developing a Climate Strategy to have an overview of the portfolio's exposure with high vulnerability to

		climate change, considering ESG factors as part of the monitoring and follow-up of each of our assets, by type of sector, through their respective managers. By our endorsement of the TCFD principles, we seek to raise awareness among local issuers about the importance of disclosing information related to climate change. Additionally, Afore XXI Banorte is the first asset manager in Mexico to join the Climate Action 100+, a five-year initiative supported by more than 450 global investors which together manage USD 41 billion AUM seeking to engage 160 of the world's most systemically important greenhouse gas emitters to promote a low-carbon energy transition and meet the goals of the Paris Agreement. The goal is to improve climate governance, strengthen climate-related financial disclosures and set short-, medium- and long-term goals for emission reduction, in order to achieve the target of zero emissions by 2050.
Insurance underwriting (Insurance company)	Yes	We require information, particularly construction codes, loss data and in many cases we make an underwriting engineering inspection.
Other products and services, please specify	Not applicable	

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Current regulation

Enhanced emissions-reporting obligations

Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Policy and legal risk

Company-specific description

According to the regulations of the Mexican General Law of Climate Change (LGCC) in relation with the National Emissions Register (RENE), article 3. VI-h, the companies from financial sector that emit more than 25,000 tonnes of CO2 equivalent from their entire operations are obligated to report their emissions in the Annual Certificate of Operation (COA). Also, in the transients of the law are set ranges of tonnes of CO2 equivalent by year that are obligated to verifiy their emissions by an accredited external auditor. Our Company falls in a regulated category, considering 99% of its operations are in Mexican territory and they generate around 70 thousand tons of CO2e each year.

Time horizon

Short-term

Likelihood

Unlikely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

61,610

Potential financial impact figure – maximum (currency)

3,696,600

Explanation of financial impact figure

If the data and documents required are not submitted the Federal Environmental Protection Agency (PROFEPA) may impose a fine of $92,780 to $369,660 MXN. Reporting false information should imply a fine of $369,660 to $1,232,200 MXN. This amount can be tripled in case of recurrence ($3,696,600 MXN).

Cost of response to risk

104,815.74

Description of response and explanation of cost calculation

Annually, we collect data needed for the emissions calculation with a 100% of coverage of GFNorte. This data is verified by an accredited external auditor since 2012 and by regulation since this year. Once this information is validated, it is reported to several entities, for example, to the Mexican Ministry of Environmental and Natural Resources (SEMARNAT) by the COA to accomplish with the law. In 2017 we created an emissions management system aligned with the ISO14064 for emissions accounting, which is also verified. This action ensures that there will be continuity in case of a sudden change of responsibilities in the Sustainability Department.

Comment

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Technology

Transitioning to lower emissions technology

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

According to the Mexican Ministry of Energy (SENER) in its last National Electricity Sector Prospect report, all scenarios show that in the short term, there will be a significant increase in the average cost of energy because until the year 2021 it will not be possible to add new capacity to the national electrical grid (which currently supplies us with all the energy), so the system is forced to use similar quantities of natural gas, with a higher price; therefore, the price of electricity increases proportionally to the increase in the price of natural gas. In the same report it can be seen that in the medium term it seems that the price will remain stable as of 2022, but always upward.
On the other hand, the parastatal company responsible for managing the national electricity grid faces, in addition to the high costs of fuels and their volatility, interruptions in the supply of natural gas and droughts in recent years that affect the power of hydroelectric plants (this also damages the electrical emission factor), have made the price of energy continue rising.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

8,626,256.47

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

According to the Mexican Ministry of Energy (SENER) in its last National Electricity Sector Prospect report, the average annual growth of fuel prices in a conservative scenario in a short-medium term are as follows: 0.8% carbon, 3.6% fuel oil, 2.5% diesel and 3.4% natural gas. Actually, the national grid depends on these fossil fuels and their prices, and by a weighted average of the current installed capacity, an approximate increase of 2.37% is estimated in the short-medium term. Considering that our electricity consumption does not have much variation, the report year expense was used as a basis to obtain the figure. This figure does not include inflation, nor the exchange rate from dollars to pesos.

Cost of response to risk

210,000

Description of response and explanation of cost calculation

Because the current network generates electric power from the use of fossil fuels as the main source, the changes in electricity prices depend on fuel costs, which are also subject to the price of the dollar (both seems that will be increasing). On the other hand, the cost of renewable energy is approximately 30% cheaper than conventional energy because its sources do not imply a cost and are inexhaustible, and also it does not generate GHG emissions, or polluting gases. Currently, we are managing the purchase of renewable energy supply through a third party that is providing advice on the subject, as well as alternatives to evaluate and select a provider depending on our needs. Also, the management costs are related to the third party consulting.

Comment

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Acute physical

Increased severity and frequency of extreme weather events such as cyclones and floods

Primary potential financial impact

Increased capital expenditures

Climate risk type mapped to traditional financial services industry risk classification

Capital adequacy and risk-weighted assets

Company-specific description

According to the National Institute of Ecology and Climate Change (INECC), in Mexico there are 25 tropical cyclones a year generated on average; 4 to 5 can enter to the territory and cause serious damage. The degree of direct exposure to tropical cyclones, in any of their categories, is high in at least 17 states of the country: Baja California, Baja California Sur, Sinaloa, Sonora, Nayarit, Jalisco, Colima, Michoacán, Guerrero, Oaxaca, Chiapas, Quintana Roo, Yucatán, Campeche, Tabasco, Veracruz and Tamaulipas. However, the level of vulnerability to the catastrophic presence of a phenomenon of this nature and to the process of climate change is particularly severe in Colima, Veracruz, Tamaulipas, Baja California and Baja California Sur, according to Analysis of the frequency and intensity of tropical cyclones to prevent the effects, present and future, due to variability and climate change in Mexico, published by the INECC. Our facilities and branches located less than 50 kms from the coast are classify as high risk, then, those who are located more than 50 km in near coastal states are classified with medium risk, the others are considered as low risk. Therefore, 394 branches and 49 buildings are directly exposed to hurricanes due their location, and 104 branches and 11 buildings are in high risk locations.

Regarding floods (level of rainfall greater than 872 millimeters according to the National Water Commission), according to the National Commission for Knowledge and Use of Biodiversity (Conabio), the states that present a high risk of flooding in most of their municipalities are Baja California, Baja California Sur and Quintana Roo. Therefore, 57 branches and 9 are exposed to floods.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

21,788,253.28

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

According to a governmental analysis in Mexico, the maximum domestic cost derived from floods equals to 768.79 minimum wages or $94,731.54 MXN. Considering two rain periods per year in the vulnerable states in Mexico, the total cost estimated is $189,463.07 MXN per damaged building. We estimate the total financial implications considering the 104 branches and 11 buildings located in states with high vulnerability.

Cost of response to risk

18,800,000

Description of response and explanation of cost calculation

Among the preventive measures we have in place are 16 first-response sub-committees involving 498 individuals from 16 regions of Mexico, and a command central equipped to monitor high-impact weather phenomena live. In 2020, the central tracked 52 such phenomena. Additionally, 223 active brigade members conducted an annual in-person theoretic and practical training; 91% of the personnel selected participated in the training, which consisted of five modules. This program had a total cost of $6.8 million pesos. Finally, we have a resilience plan to ensure business processes and the efficient return to operations following meteorological crises at eight branches, at a total cost of $12 million pesos.

Comment

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Chronic physical
Rising mean temperatures

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

We have clearly evidenced industries or activities that are affected by climate change. Specifically for the agricultural industry, we had seen the following effects:
(i) Nut crops do not reach the temperatures required for cultivation, which reduces the quality of the product and, therefore, does not meet the required standards
(ii) In hot regions like Sinaloa, crops that are affected by higher temperatures, for example, tomatoes.
(iii) In livestock regions such as Durango, San Luis Potosi and Nuevo Leon, the effect of droughts affect the cattle increasing the mortality rate or the costs incurred by the producers themselves to maintain production standards or levels.
(iv) In states where there is a shortage of water such as Sonora, we finance clients where we make sure that we have water wells, considering that a redistribution of it is necessary.
It is important to note that for the different activities there are risk controls such as insurance that protect us against the effects of frost, droughts, fires, etc., which the client acquires to protect their own activity.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The portfolio classified in the agricultural sector represents approximately 5% of our corporate and business loan portfolios, of which there is an overdue portfolio ratio of 1.7%. There is no specific quantification of the climate-related risks or the financial impact on this type of risk, however each client evaluated in the different committees of the Institution present a series of projections according to their request for financing or credit, establishing certain parameters or assumptions, which quantify whether the customer can record any additional impact or exposure on its sales costs, operating expenses or other cash outflows. In these scenarios we try to measure possible future impacts that the activity we are financing may present.

Cost of response to risk

Description of response and explanation of cost calculation

Given these scenarios, it is encouraged to review the insurance option or the rescheduling of credits, also using the guarantee schemes granted by FIRA (Trusts Established in Relation to Agriculture) for the sector. FIRA is comprised by four public trusts that have the character of entities of the Federal Public Administration, in which the Ministry of Finance and Public Credit acts as trustee and as trustee the Bank of Mexico, whose purpose includes the granting of credit guarantees to projects related to agriculture, livestock, poultry, agribusiness, fishing and other related or related activities carried out in rural areas.

Comment

Identifier

Risk 5

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market

Uncertainty in market signals

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Within the energy sector, specifically the hydrocarbon sector, we have identified that upstream clients (exploration and extraction of crude oil and natural gas), midstream (transportation and distribution of hydrocarbons), and downstream (production and commercialization of petroleum derivatives) , could represent the following risks for Banorte;

(i) Increase in reserves, restructurings and write-offs

(ii) Loss of potential customers due to reputation risk

(iii) Downgrading of credit rating

(iv) Increase in funding costs due to higher risk associated with customers and stock issues

(v) Decrease in profit generation
(vi) Emerging regulations that limit the exploitation of these resources, for example, the Energy Transition Law (LTE)
(vii) National and international pressure from different stakeholders regarding Mexico's commitment to the Paris Agreements
This is due to the fact that they have activities that can generate environmental and social effects, as well as significant reputation and financial impacts on their value chain, including their financial providers.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Our upstream, midstream and downstream clients represent 7.7% our our entire loan-book portfolio.

Cost of response to risk

0

Description of response and explanation of cost calculation

The process of evaluation and granting of credit for this segment includes a specialized socio-environmental analysis, which serves to determine the potential impact on the source of payment of the credit, possible social and environmental risks. Also, we reduce the exposure limit and the average reserves generated as a prospective strategy to reduce the risk of up, mid and downstream clients.

Comment

Identifier

Risk 6

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation

Regulation and supervision of climate-related risk in the financial sector

Primary potential financial impact

Increased insurance claims liability

Climate risk type mapped to traditional financial services industry risk classification

Capital adequacy and risk-weighted assets

Company-specific description

Climate risk materializes in the frequency and severity of hydrometeorological phenomena. In that sense, normally all insured properties localized in coastal areas will receive most of the impact. Nevertheless, other areas might also be affected given the size that some cyclones might have. Given that, the company might have a higher loss rate given that such cases have a higher impact on the retained risks.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Given our business (insuring risk), every year we deal with claims' payments derived from natural catastrophes, many of them surely derived from climate change, but such risks are part of our business portfolio. We still don't have a valuation regarding what percentage of those materialized perils derive from the climate change phenomenon and what percentage falls in the "normal year" weather conditions. Nevertheless, what we have estimated under our annual own risk and solvency assessment (ORSA) is what will happen if the claims derived from hydrometeorological risks increase by 400% (from the “normal” best estimation) for a single year.

Cost of response to risk

Description of response and explanation of cost calculation

The company runs cat models regularly in order to evaluate the risk exposure and in order to buy whatever CAT XL Reinsurance Capacity is needed. We also run the statutory CAT model for CAT reserving. Also, we have a reinsurance scheme base on excess-loss programs.

Comment

Identifier

Risk 7

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Emerging regulation

Regulation and supervision of climate-related risk in the financial sector

Primary potential financial impact

Increased insurance claims liability

Climate risk type mapped to traditional financial services industry risk classification

Capital adequacy and risk-weighted assets

Company-specific description

The regulation has classified hydrometeorological as a risk that might derive into a catastrophic risk. Therefore, a Probable Maximum Loss regulatory framework is in place; under such framework a catastrophic reserve must be constituted as well as a reinsurance program that reduce the companies’ exposure.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Cost of response to risk

Description of response and explanation of cost calculation

We ran the statutory CAT model on a monthly basis and we ran other commercial CAT models as part of the reinsurance policy in force.

Comment

Identifier

Risk 8

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market
Uncertainty in market signals

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Due to changes in the current government's strategy related to the energy sector , a series of reforms have been proposed in the Electricity Industry Law (LIE), which involve benefiting state own companies, as well as limiting accessibility to the grid to new private participants who are mostly renewable energy generators. Although most of these reforms have been rejected in the Senate, this has caused greater uncertainty in the electricity market, which has practically eliminated the interest of investors in the

development of new renewable energy projects in Mexico. In addition, it could lead to an increase in the costs of electricity and affect its affordability. For Banorte, this has the following repercussions:
(i) Impacts on the financial performance of our clients in the renewable energy sector, which could increase the past due portfolio (credit risk);
(ii) Lower capacity to attract and place portfolio in the renewable energy sector (market risk);
(iii) Increase operating costs due to electricity consumption (operational risk); and
(iv) Possibility of non-compliance with the established climate goals and objectives, which could affect our corporate reputation in front of our investors and other stakeholders (reputation risk).

Time horizon

Short-term

Likelihood

More likely than not

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

As of December 2020, our ten renewable energy projects totaled $8.89 billion pesos in financing and accounted for 1.10% of Banorte's total portfolio. Moreover, our asset owner (Afore XXI), totaled $9.45 billion pesos in AUM invested in renewable projects that together represent 4.0% of Mexico's energy capacity and 12% of its renewable energy. It is important to mention that all financed/invested projects are currently in operations but can be affected with changes in the national energy policies already proposed by the government (this figure is not yet calculated).

Cost of response to risk

Description of response and explanation of cost calculation

The cost of response risk is associated with the time analyzing the future impact of the recent government changes in energy policies, the impact and evolution of the Energy Industry Law in middle and long term and the development of new policies and methodologies to find an adequate equilibrium to continuing being competitive in the market and primarily taking care of the Project Finance clients that already are in GFNorte´s portfolio. New methodologies include evaluating traditional credit with the purpose of calculating environmental costs in different portfolios, primarily in Project Finance portfolio and developing an environmental financial ratio that will consider EBITDA impacts caused by environmental costs.

Comment

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Energy source

Primary climate-related opportunity driver

Use of lower-emission sources of energy

Primary potential financial impact

Reduced direct costs

Company-specific description

Replacing the supply of conventional energy to renewable gives us economic and environmental benefits due renewables are not subject to a price of fuel, which allows it to be a fixed price (there is also variable costs for transmission, inflation and dollar price) and does not generate GHG emissions, which allows us to reduce the cost of energy consumption and our environmental impact to achieve the goals set for our stakeholders.

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

72,000,000

Potential financial impact figure – maximum (currency)

90,000,000

Explanation of financial impact figure

The savings were estimated considering 613 facilities and the price of kWh and the billable demand of these sites during the reporting year comparing it against a fixed price of the renewable energy kWh (wind source) provided as part of the proposal of our possible supplier. The minimum potential financial impact figure considering a supply of 80% of the energy from the facilities included in the scope because it is subject to the availability of the resource for its generation and the maximum considering 100% of the supply.

Cost to realize opportunity

35,000,000

Strategy to realize opportunity and explanation of cost calculation

The strategy to realize the opportunity includes the evaluation of energy generating suppliers from renewable sources and the respective adjustments to our buildings and branches. This improvements will be made to the facilities to be in compliance with the norms of physical ground, precision of the transformers, meters to the limit of property and any other applicable norm, in case they do not comply with something. The cost to realize the opportunity can be deducted from the potential savings, a pact can be sought with the provider to apply this modality.

Comment

Due to the national uncertainty related to energy policies, we are monitoring any possible scenario that could affect the contract with the energy supplier.

Identifier

Opp3

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Markets

Primary climate-related opportunity driver

Increased diversification of financial assets (e.g., green bonds and infrastructure)

Primary potential financial impact

Increased diversification of financial assets

Company-specific description

We developed a Green Bond Framework (GBF), in which it is established that for green bonds issued, all the proceeds will be used to finance or refinance, in whole or in part, loans to eligible companies or projects that provide positive environmental impacts that falls into the Eligible Green Categories based on the ICMA Green Bond Principles (GBP). The Green Eligible Categories are; Renewable Energy, Energy Efficiency, Natural Resources and Biodiversity, Sustainable Mobility and Water Management. For this purposes, we use our internal taxonomy (Sustainable CAS), for the identification and labeling of projects that generate a positive impact on the environment or society. The Sustainable CAS are the first filter to identify potentially eligible projects according to their compatibility with the Eligible Green Categories. The benefits from issuing a green bond are:
(i) Increase our investor diversification;
(ii) Increase in the demand of the debt issued;
(iii) Strengthen our commitment with sustainability to investors and other stakeholders; and
(iv) Contribute to internal and external sustainability commitments in line with SDG´s and Paris Agreement.
For further information, go to our Green Bond Framework in the following link: https://investors.banorte.com/~/media/Files/B/Banorte-IR/sustainability/policies-and-procedures/en/GreenBondFramework_010520.pdf

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

11,965,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

According to the Sustainable CAS, the value of our sustainable portfolio in corporate and commercial loans was estimated at $11.965 billion pesos (4.05% of the corporate and business portfolio), which was invested in various projects; construction of wind and solar farms, cogeneration of energy from natural gas. capture, pumping, treatment and distribution of fresh water, sustainable agriculture and collection, recycling and disposal of metal waste. On the other hand, our climate portfolio, which by now, includes only renewable energy financing, totals $8.892 billion pesos (1.10% of the corporate and business portfolio).

Cost to realize opportunity

500,000

Strategy to realize opportunity and explanation of cost calculation

A second-party opinion (SPO) of your green bond framework ensures that your bond is in line with market expectations and industry best practices. A second-party opinion gives investors confidence in your green bond issuance. Banorte hired Sustainalytics to review the Green Bond Framework and provide a SPO on the Framework's environmental credentials and its alignment with the Green Bond Principles 2018 ("GBP"). This Framework has been published in a separate document and it is available in the following link: https://www.sustainalytics.com/sustainable-finance/wp-content/uploads/2020/05/Banorte-Green-Bond-Framework-Second-Party-Opinion.pdf
Also, there are additional costs associated with issuance in the market that are not being considered within the cost to realize the opportunity since they will depend on how the management is carried out and the characteristics of the bond.

Comment

Identifier

Opp4

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Improved ratings by sustainability/ESG indexes

Primary potential financial impact

Increased access to capital

Company-specific description

Different global rating agencies such as MSCI, SAM, FTSE4Good, Sustainalytics, among others, evaluate our performance in ESG factors periodically through different public sources. We understand that highlighting with good results allows us to adhere to sustainability indices, which converge in attracting and retaining institutional investors interested in ESG issues.
The indices to which we currently belong are the following:
- Bloomberg Gender Equality Index (GEI)
- FTSE4Good Emerging Markets Latam
- FTSE4Good BIVA
- MSCI Mexico ESG Select Focus Index
- Dow Jones Sustainability Index MILA
- S&P/BMV Total Mexico ESG Index
- Banco Interamericano de Desarrollo (BID)
- Index Americas

However, there are other indices to which we could adhere if we improve our ESG performance; MSCI Emerging Markets ESG Index, DJSI Emerging Markets and VigeoEiris Emerging Markets Sustainability Index to mention a few of the ones we are looking to join.
Currently, the Principles for Responsible Investment (PRI) initiative has more than 3,000 signatories worldwide that together represent $103.4 tn of USD in AUM, which is 20% more than 2019. One of the commitments involved in being a PRI signatory is the integration of ESG criteria in investment processes.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

We have identified that 37.1% of our investors already have responsible investment strategies and that 9.8% of GFNorte's outstanding shares are traded through ESG funds or ETFs (source: BNY Mellon). Following the trend of the last 5 years (growth of 2.43%), we estimate that if we continue or improve our ESG performance and remain or adhere to sustainability indices, the percentage of shares in ESG funds or ETFs would increase to 10.52% in 3 years, which could represent an increase in the value of the share.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

The evaluations carried out by the ESG Rating Agencies represent a framework of best practices in the financial sector and support the definition of our continuous improvement plan. In this sense, our Sustainability Committee, through the Subcommittees and the Department of Sustainability and Responsible Investment, is in charge of adopting the criteria evaluated in the development of the sustainability strategy, ensuring the implementation of the best ESG practices and promote them throughout the Group.

Comment

Identifier

Opp5

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Development of climate adaptation, resilience and insurance risk solutions

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

There is an opportunity for an increased demand for property insurance covering hydrometeorological risks given the estimated increment of storms as well as more economic value in the risk geographic areas.
As well, there is an opportunity in product design based on climate change awareness, which we are currently exploring. We are also developing CAT Wind parametric products.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation

Comment

Identifier

Opp2

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Products and services

Primary climate-related opportunity driver

Development and/or expansion of low emission goods and services

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

From our list of 1,147 CAS (internal taxonomy), 91 were defined as Sustainable and 64 have the potential to be so. In order to reduce their credit risk and have a more resilient portfolio, we have identified the opportunity to develop financial products and services with benefits for clients that are labeled as sustainable, with the intention of fostering adoption of the necessary practices to enter this segment. This also seeks the migration of customers labeled as conventional to be sustainable and the attraction of new sustainable customers.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

35,636,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The figure reported only includes only customers that were analyzed by SEMS but does not include customer acquisition. At the end of 2019, we found that 312 clients have the potential to be sustainable, representing a total of $35,636 million pesos.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

The strategy to achieve this opportunity does not involve costs, everything is managed with staff, analysis and internal tools;
(i) Perform internal analysis of the financial behavior of clients that are currently labeled with CAS Sustentables compared to conventional CAS.
(ii) Verify the appetite of the institution in the different sectors for the generation of specific products and services for sustainable clients.
(iii) Develop the sustainable product or service.

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

C3.1a

(C3.1a) Is your organization's low-carbon transition plan a scheduled resolution item at Annual General Meetings (AGMs)?

	Is your low-carbon transition plan a scheduled resolution item at AGMs?	Comment
Row 1	No, we do not hold AGMs	

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

No, but we anticipate using qualitative and/or quantitative analysis in the next two years

C3.2b

(C3.2b) Why does your organization not use climate-related scenario analysis to inform its strategy?

There are not climate-related scenarios developed by now. Banorte is currently participating in the third phase TCFD-UNEP FI 2021 program for banks, in which we involved various business areas (Risk, Credit, Specialized Areas, Sustainability, Insurance and Innovation) in the task of developing capabilities to identify, manage and disclose climate-related risks and opportunities. Internally, we start engaging with these areas by the end of 2020 and the pilot started in January 2021 (currently underway). It includes nearly 50 banks and investors who are exploring ways to develop and/or strengthen their climate risk assessments, consolidate best practices in climate risk management, and standardize climate disclosures across the industry. Using a flexible programme format, we are building capacities around:

- Transition and physical risks related to Climate Change
- Climate stress testing
- Sectoral risk assessments

For 2022, we are planning to publish our first TCFD report according to its recommendations.

C3.3

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	As founders and signing members of the Principles for Responsible Banking (PRB), our commitment for Principle 3. Clients & Customers, is to work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations. Our ability to maintain our competitive position depends, in part, on the success of new products and services we offer our clients and to our ability to continue offering products and services from third parties. In addition, we are aware that financial institutions represent a trigger for the transition towards a low-carbon economy and a more sustainable future. As a financial Group, we offer different sustainable financial products for some of our business lines, the purpose of which is to benefit our clients through their good performance and mobilize capital towards economic activities that are aligned with global goals and objectives in terms of sustainability. These products include: (i) Eco-credit SMEs, (ii) Thematic bonds such as investors and intermediary underwriters, (iii) Sustainable insurance, (iv) NTEESG Fund, and (v) Banorte Rewards. Moreover, due to the growing demand that we have observed from our customers, we will continue to develop new sustainable financial products (as disclosed in C2.4a Opp 2 and Opp 3). To do this we will rely on our "Banorte Cells" system, an innovative system for working with multidisciplinary teams, which substantially accelerates execution. In this case, the Banorte Cell function in the following order; (i) Creation of a plan; define sustainable financial products, quantify results, train the commercial areas and promote the products, (ii) Implementation with Risk, Finance, Wholesale and Retail Banking, Products and Sustainability departments (iii) Weekly meetings to review Indicators and results. The development of new sustainable financial products will not only allow us to retain our clients, it also represents an opportunity to enter to new markets; emerging companies whose business is aligned with the global sustainability goals.

Supply chain and/or value chain	Yes	In the real estate and infrastructure sector, the most visible climate-related impacts are lag in their execution programs, budget variations and/or project modifications to mitigate future events. This could require additional terms or modifications to the loan repayment schedule to avoid default. For the agricultural sector, impacts could occur when climate change affect crop yields or the expected volumes or qualities are not achieved, causing them not to be able to pay for financing. However, these impacts have not affected directly our overdue portfolio yet (as disclosed in C2.4a Risk 4). Specialized areas of agriculture, real estate, tourism and infrastructure have been integrated to the Risks Subcommittee. Through this Subcommittee, we have developed tools to identify relevant risks for clients associated with ESG issues, as well as to explore their practices and trends in sustainability.
Investment in R&D	Yes	In line with global trends, the Mexican Bankers' Association is promoting a project to create a Sustainable Taxonomy for all of the Mexican banking industry for short term, and invited members of the Sustainability Committee to participate in this effort. GFNorte has continued participating in the 2020 pilot testing and sharing experiences, hoping to obtain feedback for its practices and help increase this type of financing. Also, we were Co-Chairs of the Informal Working Group for the development of the Taskforce on Nature-Related Financial Disclosures (TNFD), along with the French bank BNP Paribas and the Green Finance Institute of the UK, guiding framework development and promotion from August 2020 to its global launch in June 2021. In addition, during 2020 we collaborated in the filling out of forms for the preparation of the Sustainable Development Report aligned to the 2030 Agenda by the ABM, where the section on "Identification of Green financing flows" that is part of the taxonomy project. Moreover, for our real estate portfolio (as disclosed in C2.4a Opp 2 and Opp 3): (i) We develop a survey to analyse the market´s appetite for sustainable certifications to estimate the potential to increase our sustainable portfolio; and (ii) In alliance with third-parties' consultants in sustainable certifications, we had 10 different training and consulting sessions for internal capacity development, as well as to complement our market analysis.

Operations	Yes	Since CFE is the one who supplies the energy to the national electricity grid, we are subject to the prices it establishes (as disclosed in C2.3a Risk 2). The cost of energy increased by 22.85% considering the average cost per kWh consumed, which represented an increase of $68 million pesos (assuming the same energy consumption). In this sense, since October 2019 it was approved the supply of renewable energy for the supply of 70% of Banorte´s energy consumption. In 2020 we followed up on this contract and, by the end of the year, our energy supplier has already obtained various permits and will attempt start operations in 2021. If it is successful (as disclosed in C2.4a Risk 8), we expect to reduce the Group's GHG emissions by close to 50% and we estimate a reduction of up to $90 million pesos annually (as disclosed in C2.4a Opp 1). Among the preventive measures we have in place are 16 first-response sub-committees involving 498 individuals from 16 regions of Mexico, and a command central equipped to monitor high-impact weather phenomena live. In 2020, the central tracked 52 such phenomena. Additionally, 223 active brigade members conducted an annual in-person theoretic and practical training; 91% of the personnel selected participated in the training, which consisted of five modules. This program had a total cost of $6.8 million pesos. Finally, we have a resilience plan to ensure business processes and the efficient return to operations following meteorological crises at eight branches, at a total cost of $12 million pesos. (as disclosed in C2.3a Risk 3).

C3.4

(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Capital expenditures Access to capital Provisions or general reserves	Revenues and direct costs: due to climate events, 112 of our branches had to close temporarily last year. The physical impact totaled approximately $345,000 pesos in infrastructure damage, and we estimate the loss of close to $19.8 million pesos in net income from the interruption in services totaling approximately 870 hours. Capital expenditures: as regards our energy matrix, in 2020 we followed up on our contract with Thermion to supply 70% of the energy we consume from renewable sources, specifically the Delaro wind farm. By

		the end of the year Delaro had obtained various permits and will attempt start operations in 2021. If it is successful, we expect to reduce the Group's GHG emissions by close to 50%. This cost of renewable energy supply requires an initial investment of $35 million pesos, after this, we estimate a cost of $12 million pesos per year for the communication of our electricity consumption since the meters are independent of the national grid and must be segregated. Capital allocation and provisions or general reserves: for the two main up, mid and downstream clients of the energy sector, the exposure limit remains the same on average as a prospective strategy to reduce the risk. Likewise, the average reserves generated for these clients under the up, mid and downstream modality at 0.60% average of the exposure. Capital allocation: according to the Sustainable CAS, the value of our sustainable portfolio in corporate and commercial loans was estimated at $11,965 billion pesos (4.05% of the corporate and business portfolio), which was invested in various projects; construction of wind and solar farms, cogeneration of energy from natural gas. capture, pumping, treatment and distribution of fresh water, sustainable agriculture and collection, recycling and disposal of metal waste. Our climate portfolio, which by now, includes only renewable energy financing, totals $8,158 billion pesos (2.76% of the corporate and business portfolio). Claim reserves: there is a reserve labeled as a contingency fund, whose resources are used in cases of damage to physical assets caused by natural disasters. Access to capital: We have identified that 37.1% of our investors already have responsible investment strategies and that 9.8% of GFNorte's outstanding shares are traded through ESG funds or ETFs (source: BNY Mellon).

C3.4a

(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

As founders and signing members of the Principles for Responsible Banking (PRB), our commitment for Principle 1. Alignment, is to align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks. Our business strategy already incorporates a sustainability model, but we will be working to fortify it by incorporating the priority issues of the 2030 Agenda, the National Development Plan, internal economic projections and new materiality analyses.

C-FS3.6

(C-FS3.6) Are climate-related issues considered in the policy framework of your organization?

No, but we plan to consider climate-related issues in our policy framework in the next two years

C-FS3.6c

(C-FS3.6c) Why are climate-related issues not considered in the policy framework of your organization?

At the moment, we have an Environmental Policy (https://investors.banorte.com/~/media/Files/B/Banorte-IR/sustainability/policies-and-procedures/en/PolticaAmbiental_en.pdf) that addresses the issue of climate change in general in section 4. Internal Initiatives and Commitments, number 5. In a transparent manner, to annually gather, evaluate and report through appropriate communication channels an analysis of physical or transitional risks and opportunities that the company identifies as possible or actual in relation to climate change issues.
It is important to mention that we are developing a Climate Change Policy whose objectives are:

- Develop climate risk management capacities;
- Reduce GHG emissions from institutional operations and portfolios;
- Allocate capital towards a low carbon economy; and
- Improve the transparency of our efforts to mitigate the impacts of climate change.

C-FS3.7

(C-FS3.7) Are climate-related issues factored into your external asset manager selection process?

Yes, for all assets managed externally

C-FS3.7a

(C-FS3.7a) How are climate-related issues factored into your external asset manager selection process?

	Process for factoring climate-related issues into external asset management selection	Comment
Row 1	Review asset manager's climate-related policies Assessment of asset manager's climate-related performance (e.g. active ownership, proxy voting records, under-weighting in high impact activities) Use of external data on asset managers regarding climate-related risk management	Our asset owner scheduled periodically meetings with their external managers and issuers in order to communicate the potential ESG risks and commitment.

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Both absolute and intensity targets

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Year target was set

2016

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Base year

2013

Covered emissions in base year (metric tons CO2e)

69,647

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2020

Targeted reduction from base year (%)

14

Covered emissions in target year (metric tons CO2e) [auto-calculated]

59,896.42

Covered emissions in reporting year (metric tons CO2e)

66,801.21

% of target achieved [auto-calculated]

29.1858535595

Target status in reporting year

Expired

Is this a science-based target?

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

Target ambition

2°C aligned

Please explain (including target coverage)

Considering our commitment for setting science based targets, our Company presented to the SBTi team its proposed targets based in the methodology C-FACT, publicly disposed by Autodesk. According the scientific methodology in emerging countries a reduction of 50% in 2050 in absolute emissions must be achieved. Therefore our medium and long term targets are adjusted to 14% and 50% of reduction, respectively, accomplishing a 2.1 year-over-year absolute reduction. The base year 2013 was selected for its accuracy and certainty according its coverage (no exclusions) and its complete verification. Please bear in mind the emission figure provided for base year is the one published in the 2015 CDP report, which includes emission figures for 2013 with and adjustment on their electricity emission factor published by SEMARNAT –the Mexican Ministry of Environment and Natural Resources. Both targets are completely focused to support and reach our emissions intensity target per employee (Int1) and our science based target for intensity per revenue (Int2). The proposed targets (absolute and intensity for S1 and S2) are not validated yet by Science Based Targets Initiative because our lending and investment activities represent more than 5% of our annual revenues (the SBTi threshold for financial institutions' Scope 3 significance). Nevertheless, the methodology for setting SBT's for Scope 3 for financial institutions was launched at the end of 2020 and we will be working on developing and aligning our targets based on this methodology and Net-Zero Banking Alliance guidelines.

Target reference number

Abs 2

Year target was set

2016

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Base year

2013

Covered emissions in base year (metric tons CO2e)

69,647

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2050

Targeted reduction from base year (%)

100

Covered emissions in target year (metric tons CO2e) [auto-calculated]

0

Covered emissions in reporting year (metric tons CO2e)

66,801.21

% of target achieved [auto-calculated]

4.0860194983

Target status in reporting year

Replaced

Is this a science-based target?

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

Target ambition

1.5°C aligned

Please explain (including target coverage)

Our new long-term goal was defined based on our joining the Banking Alliance's Net Zero initiative led by the industry and convened by the United Nations. This brings together more than 50 banks from 29 countries in order to achieve net zero emissions by 2050. This supports our importance and ambition that we have to be able to mitigate the environmental impacts of climate change and promote strategies for decarbonization throughout all the Group's aspects. Moreover, we will be working on developing and aligning our short and mid-term targets based on SBTi methodology for financial institutions and this methodology.

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number

Int 1

Year target was set
2014

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (location-based)

Intensity metric
Metric tons CO2e per unit FTE employee

Base year
2009

Intensity figure in base year (metric tons CO2e per unit of activity)
2.94

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure
100

Target year
2020

Targeted reduction from base year (%)
30

Intensity figure in target year (metric tons CO2e per unit of activity) [auto-calculated]
2.058

% change anticipated in absolute Scope 1+2 emissions
-6.3

% change anticipated in absolute Scope 3 emissions
0

Intensity figure in reporting year (metric tons CO2e per unit of activity)
2.23

% of target achieved [auto-calculated]
80.4988662132

Target status in reporting year
Expired

Is this a science-based target?
No, but we are reporting another target that is science-based

Target ambition

Please explain (including target coverage)

Since 2014, we define an intensity target of 30% tonCO2e/FTE reduction using 2009 as the base year (56,821 tonCO2e and 19,327 FTE), and 2020 as the target year, and considering 100% of the Scope 1 and Scope 2 emissions. For 2020, our intensity indicator was 2.23 tonCO2/FTE (66,801.21 tonCO2e and 29,920 FTE). For Scope 1 and Scope 2, the intensity goal equals to 2.72% reduction YOY since 2009, considering recalculated values. Although we did not meet that goal, we did achieve 71.8% of the target. The reason for the shortfall was primarily the lack of supply of renewable energy, given current circumstances in the Mexican energy market. During 2021 we will be updating the target and aligning it with the SBTi methodology for financial institutions and Net-Zero Banking Alliance guidelines.

Target reference number

Int 2

Year target was set

2016

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Intensity metric

Metric tons CO2e per unit revenue

Base year

2013

Intensity figure in base year (metric tons CO2e per unit of activity)

5.16

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

100

Target year

2020

Targeted reduction from base year (%)

50

Intensity figure in target year (metric tons CO2e per unit of activity) [auto-calculated]

2.58

% change anticipated in absolute Scope 1+2 emissions

0

% change anticipated in absolute Scope 3 emissions

0

Intensity figure in reporting year (metric tons CO2e per unit of activity)

2.19

% of target achieved [auto-calculated]

115.1162790698

Target status in reporting year

Expired

Is this a science-based target?

Yes, we consider this a science-based target, but it has not been approved by the Science Based Targets initiative

Target ambition

2°C aligned

Please explain (including target coverage)

Considering our commitment for setting science based targets, our Company presented to the SBTi team its proposed targets based in the methodology C-FACT, publicly disposed by Autodesk. According the scientific methodology in emerging countries a reduction of 50% in 2050 in absolute emissions must be achieved. Therefore our medium and long term targets are adjusted to 14% and 50% of reduction, respectively, accomplishing a 2.1 year-over-year absolute reduction. The base year 2013 was selected for its accuracy and certainty according its coverage (no exclusions) and its complete verification. Please bear in mind the emission figure provided for base year is the one published in the 2015 CDP report, which includes emission figures for 2013 with and adjustment on their electricity emission factor published by SEMARNAT –the Mexican Ministry of Environment and Natural Resources. Both targets are completely focused to support and reach our emissions intensity target per employee (Int1) and our science based target for intensity per revenue (Int2). The proposed targets (absolute and intensity for S1 and S2) are not validated yet by Science Based Targets Initiative because our lending and investment activities represent more than 5% of our annual revenues (the SBTi threshold for financial institutions' Scope 3 significance). Nevertheless, the methodology for setting SBT's for Scope 3 for financial institutions was launched at the end of 2020 and we will be working on developing and aligning our targets based on this methodology and Net-Zero Banking Alliance guidelines.
Due to our net income growth of 125% from the base year, we already achieved our medium-term goal.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

No other climate-related targets

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	0	0
To be implemented*	1	44,337.62
Implementation commenced*	0	0
Implemented*	1	359.1
Not to be implemented	0	0

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Low-carbon energy consumption
Wind

Estimated annual CO2e savings (metric tonnes CO2e)

44,337.62

Scope(s)

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

96,000,000

Investment required (unit currency – as specified in C0.4)

47,000,000

Payback period

4-10 years

Estimated lifetime of the initiative

11-15 years

Comment

As regards our energy matrix, in 2020 we followed up on our contract with Thermion to supply 70% of the energy we consume from renewable sources, specifically the Delaro wind farm. By the end of the year, Delaro had obtained various permits and will attempt to start operations in 2021. If it is succesful, we expecto a major reduction in the Group´s GHG emisssions close to 50% and potential monetary savings up to $96 billion pesos. This imply an investment of $35 million pesos and annual costs of $12 million pesos for the communication of our electricity consumption since the meters are independent of the national grid and must be segregated.

Initiative category & Initiative type

Energy efficiency in buildings

Building Energy Management Systems (BEMS)

Estimated annual CO2e savings (metric tonnes CO2e)

359.1

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

1,780,000

Investment required (unit currency – as specified in C0.4)

0

Payback period

<1 year

Estimated lifetime of the initiative

Ongoing

Comment

Using monitoring equipment in the network of corporate offices, has boosted our goal of using electric energy adequately. In 2020, we ran a program to automatically shut down computers outside of working hours. This result was reflected in savings of $1.78 million pesos, a reduction of 711.013 MWh of electricity, equivalent to 359.1 metric tons of CO2 avoided.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Dedicated budget for energy efficiency	
Financial optimization calculations	
Employee engagement	
Internal incentives/recognition programs	

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Group of products

Description of product/Group of products

Online banking, mobile banking and digital account statements. The usage of this services avoid clients commuting to branches or ATM´s, physical token usage and paper consumption and, in consequence, their environmental impacts associated.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Evaluating the carbon-reducing impacts of ICT

% revenue from low carbon product(s) in the reporting year

9.4

% of total portfolio value

0

Asset classes/ product types

Bank lending

Other, please specify

Online banking, mobile banking and digital account statement.

Comment

The group of products here described are part of the entire customer experience that we offer to our clients, they do not have an extra cost for their use, therefore there are no revenues directly obtained from these products. We estimate an average of 1.195 kg of CO2e avoided per online banking transaction and 1.109 kg of CO2e avoided per mobile banking app transaction. In 2020, 799 and 1,085 million transactions were performed through online and mobile banking, respectively.

Level of aggregation

Product

Description of product/Group of products

Total loan-book value of our climate portfolio including wholesale banking; and SME Eco-loans (it excludes investments in renewable energy projects from Afore XXI). Financing or investing in this sector boosts Mexico to a low-carbon economy.

Are these low-carbon product(s) or do they enable avoided emissions?

Low-carbon product

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

The EU Taxonomy for environmentally sustainable economic activities

% revenue from low carbon product(s) in the reporting year

0.1

% of total portfolio value

0.81

Asset classes/ product types

Bank lending

Project Finance

Comment

Figure reported in "% of total revenues from climate change product(s) in FY 2020" corresponds to the sum of: (i) Climate portfolio of the Wholesale banking; and (ii) SME Eco-loans portfolio, both divided by the Corporate and Commercial loan-book. It does not included investments in renewable energy projects from Afore XXI disclosed in the annual report since it does not fit with the calculation. Nevertheless, during 2020 there were no new renewable projects placement due to uncertain conditions in the investment climate in the country. Therefore, we disclose the same emissions avoided from the previous year, which was estimated with the capacity installed of the renewable projects financed and considering that the emission factor for this type of projects is "0" and the national electric emission factor of 0.505 tonCO2e/ MWh. The capacity factor for wind and solar farms are 0.41 and 0.25 respectively, which are the Mexican average figures.

Level of aggregation

Product

Description of product/Group of products

Thematic bonds. As an active investor and investment banking underwriter for this type of asset, we guarantee that the proceeds for this instruments will be allocated to green (most with a climate focus), or social projects.

Are these low-carbon product(s) or do they enable avoided emissions?

Low-carbon product and avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Green Bond Principles (ICMA)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

0.61

Asset classes/ product types

Investing
Fixed Income

Comment

Our Asset Owner (Afore XXI Banorte) and Asset Manager (Operadora de Fondos) traded $6.64 billion pesos in AUM in thematic bonds. In addition, In 2020, Banorte acted as lead underwriter for the second reopening of the AGUA 17-2X sustainable issue totaling Ps. 1.6 billion, bringing the total issue amount to Ps. 4.0 billion. The bond received ratings of mxAA- and AA/mex from S&P Global Ratings and Fitch Ratings, respectively. The green, social and sustainable bond market is still very recent in Mexico as there are only 53 bonds issued that represents about 3% of the total fixed income assets in circulation. During 2020, 12 thematic bonds were issued in the Mexican market representing 66.710 billion pesos.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

January 1, 2013

Base year end

December 31, 2013

Base year emissions (metric tons CO2e)

4,021.11

Comment

Scope 2 (location-based)

Base year start

January 1, 2013

Base year end

December 31, 2013

Base year emissions (metric tons CO2e)

65,626.41

Comment

Scope 2 (market-based)

Base year start

Base year end

Base year emissions (metric tons CO2e)

0

Comment

We did not had scope 2 market-based emissions in the base year.

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

ISO 14064-1
Programa GEI Mexico
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

3,461.75

Comment

Our data base includes the following: Diesel for utility vehicles, diesel for emergency plants, LP gas for utility vehicles, LP gas for forklifts, LP gas for kitchen, gasoline for utility vehicles and natural gas for heating.

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based

63,339.46

Comment

Due to the late publication of the national electricity emission factor, we calculated the emissions published in our Annual Report with the factor of 2019. In our data base, we have updated the total emissions with the factor of 2020 (the updated figure is reported in this assessment).

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO2e

95.72

Emissions calculation methodology

The calculation of the emissions derived from purchased good and services includes printing and publishing purchases. The figure was calculated from expenditure data an converted using DEFRA's 2009 tonCO2e/$GBP spend factors, considering UK's yearly inflation from 2009 to 2020 and using the yearly average exchange rate from GBP to MXN in 2020.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Capital goods

Evaluation status

Relevant, calculated

Metric tonnes CO2e

2,247.54

Emissions calculation methodology

For this calculation we included office machinery and computer purchased. The figure was calculated from expenditure data an converted using DEFRA's 2009 tonCO2e/$GBP spend factors, considering UK's yearly inflation from 2009 to 2020 and using the yearly average exchange rate from GBP to MXN in 2020.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Relevant, calculated

Metric tonnes CO2e

853.56

Emissions calculation methodology

Includes the following aspects: electricity transmission and distribution (T&D), well to tank (WTT) of fuels, electricity consumption and electricity T&D by using the DEFRA´s tool of "Conversion Factors 2019 Full set for advanced users". Factors used as tonCO2e/kWh or tonCO2e/volume according to our different sources of fuel (gasoline, diesel, LP gas and natural gas), and electricity consumption and the location (Mexico).

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Upstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO2e

2,798.28

Emissions calculation methodology

To obtain the emissions derived from upstream transportation and distribution , we considered post office and correspondence, luggage transfer and others. The figure was calculated from expenditure data an converted using DEFRA’s 2009 tonCO2e/$GBP spend factors, considering UK’s yearly inflation from 2009 to 2020 and using the yearly average exchange rate from GBP to MXN in 2020.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Waste generated in operations

Evaluation status

Not relevant, calculated

Metric tonnes CO2e

34.62

Emissions calculation methodology

For waste generated in operations we identified the following types of waste considered in order to proceed with the calculation: Aluminum, PET, mixed paper for office, food waste, and mixed municipal solid waste. By identifying the amount of waste generated by each category, we multiplied each by its particular emission factors, obtained from EPA´s "GHG Emission Factor Hub".

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

500.61

Emissions calculation methodology

The calculation is made by selecting the appropriate factor for the trip, which in this case a generic one is used, and multiplied by the kilometers traveled by the employee. These data are obtained in the institutional portal, in the travel expense settlement section, when the travel destination is loaded, the distances are predetermined and they are recorded, it is downloaded into a database (Excel). The scope of the calculation is at the Group level, it includes all subsidiaries. To calculate the figure, we use the methodology of GHG Protocol, specifically by the "Transport Tool Version 2.6", by defining mode of transport as aircraft scope 3 and type of activity as passenger distance (air domestic, short/long haul).

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Employee commuting

Evaluation status

Relevant, not yet calculated

Please explain

We are making an internal diagnostic with the Institute of Transport and Policy Development (ITDP), in order to obtain the current enviromental profile of employee commutting and relevant KPI´s including GHG emissions associated with this category to develop a sustainable mobility plan. This diagnosis will be released at the end of 2021.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Though GFNorte leases a high percentage of the buildings and facilities where it operates (i.e., it acts as a lessee) , due to an improvement in our accounting methodology, we have reclassified all the emissions generated therein are now already fully reported as emissions disclosed in their corresponding Scope 1 and Scope 2 from the Company's own operations, according to each emissions source's nature. For this reason, there are no Scope 3 emissions to report in this specific category.

Downstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO2e

1,761.36

Emissions calculation methodology

For the emissions associated with dowstream transportation and distribution, we identified the following: shipping abroad, shipping of credit card plastics and credit card account statements. This figures was calculated from DEFRA's 2009 tonCO2e/$GBP spend factors, considering UK's yearly inflation from 2009 up to 2020 and using the yearly average exchange rate from GBP to MXN in 2020.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

GFNorte, as financial institution, does not sell products that are raw materials or intermediate products for other company´s processes or operations.

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

GFNorte's products do not fall into this category. No direct use-phase emissions are generated because they do not consume energy nor emit GHGs during / while in use, as opposed to fuels, feedstock and other industries.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

GFNorte manages the treatment of its products by reclaiming physical tokens and cards at the end of their useful life, but also promoting the digitalization of these products. This was stated in "Waste generation in operations" above; we consider that this is not a relevant category to the Company, because it refers to the end-of-life treatment /disposal methods used by the customers, rather than the Company's.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

GFNorte does not lease owned buildings or facilities, i.e., it does not act as a lessor in any situation.

Franchises

Evaluation status

Not relevant, explanation provided

Please explain

This is not part of its business model. GFNorte does not grant this kind of licenses.

Other (upstream)

Evaluation status

Not evaluated

Please explain

Other (downstream)

Evaluation status

Not evaluated

Please explain

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

2.23

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

66,801.21

Metric denominator

full time equivalent (FTE) employee

Metric denominator: Unit total

29,920

Scope 2 figure used

Location-based

% change from previous year

6.54

Direction of change

Decreased

Reason for change

There has been a change in the intensity figure due to two main factors: the nominator (tonCO2e) had a 7.31% decrease , as well as the denominator (FTE) reflected in a 0.82% decrease.

Intensity figure

2.19

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

66,801.21

Metric denominator

unit total revenue

Metric denominator: Unit total

30,508

Scope 2 figure used

Location-based

% change from previous year

10.98

Direction of change

Increased

Reason for change

There has been a change in the intensity figure due to two main factors: the nominator (tonCO2e) had a 7.31% decrease , as well as the denominator (net income) reflected in a 16.48% decrease.

C7. Emissions breakdowns

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	0	No change	0	
Other emissions reduction activities	359.1	Decreased	0.5	One of the energy efficiency initiatives underway is the automatic shutdown of computer equipment in administrative buildings. The result was savings of $1.78 million, a reduction of 711.013 MWh of electricity, equivalent to 359.1 tonCO2e avoided.
Divestment	0	No change	0	
Acquisitions	0	No change	0	
Mergers	0	No change	0	
Change in output	0	No change	0	
Change in methodology	1,430.63	Decreased	1.98	The 2020 national electricity factor was reduced approximately 2.18% for the use of the Scope 2 calculation.
Change in boundary	0	No change	0	
Change in physical operating conditions	0	No change	0	
Unidentified	0	No change	0	
Other	3,475.36	Decreased	4.82	Due to the sanitary measures implemented in our corporate buildings, the number of personnel operating in administrative buildings

				was reduced, therefore a reduction in energy consumption is reflected.

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Location-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	HHV (higher heating value)	0	13,327.39	13,327.39
Consumption of purchased or acquired electricity		0	128,254.3	128,254.3
Total energy consumption		0	141,581.69	141,581.69

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

Description
Waste

Metric value
0.1

Metric numerator
Ton waste

Metric denominator (intensity metric only)
FTE Employee

% change from previous year

Direction of change

Please explain
Based on the results of the waste separation program introduced at our Santa Fe corporate Offices, we estimated waste generation based on the kilograms/employee (this indicator of kilos per employee was calculated by dividing monthly waste generation by average monthly employee attendance, to portray the reduction in on-site workers due to public health measures), counting recyclable and non-recyclable inorganic waste as well as organic waste. Estimating similar results in all our locations with the same economic activity, we extrapolated this indicator to 112 corporate buildings with a scope of 45.7% of our total employees (not considering branch offices).

We calculated a total generation of 1,364.2 metric tons of waste generated.Please bear in mind that 1,212.4 metric tons were dead files, so they are not included in the calculated estimation of waste generated. The recycled waste includes the following: PET, aluminum, cardboard and paper. On the other hand, we monitored the non-recyclables and organic waste. The % change compared to last year is not available due to a change in the calculation methodology of the indicator.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Underway but not complete for reporting year – previous statement of process attached

Type of verification or assurance

Reasonable assurance

Attach the statement

Plan de Verificación_Banorte.pdf

Page/ section reference

Document "Plan de Verificacion_Banorte"

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement

Annual Report Banorte 2020.pdf

Page/ section reference
Pages 114-115

Relevant standard
ISAE3000

Proportion of reported emissions verified (%)
100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach
Scope 2 location-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Underway but not complete for reporting year – previous statement of process attached

Type of verification or assurance
Reasonable assurance

Attach the statement

Plan de Verificación_Banorte.pdf

Page/ section reference
Document "Plan de Verificacion_Banorte"

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 2 approach

Scope 2 location-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Annual Report Banorte 2020.pdf

Page/ section reference

Pages 114-115

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1c

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope 3 category

Scope 3 (upstream & downstream)

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Underway but not complete for reporting year – previous statement of process attached

Type of verification or assurance

Reasonable assurance

Attach the statement

Plan de Verificación_Banorte.pdf

Page/section reference

Document "Plan de Verificacion_Banorte"

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

Yes

C10.2a

(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C8. Energy	Energy consumption	ISAE3000	GRI Standards: 302-1: Energy Consumption within the organization 302-3: Energy Intensity. 302-4: Reduction of energy consumption.
C6. Emissions data	Year on year emissions intensity figure	ISAE3000	GRI Standards: 305-4: GHG emissions intensity
C5. Emissions performance	Year on year change in emissions (Scope 1 and 2)	ISAE3000	GRI Standards: 305-5: Reduction of GHG emissions

C11. Carbon pricing

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

No

C11.3

(C11.3) Does your organization use an internal price on carbon?

No, but we anticipate doing so in the next two years

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our customers

Yes, our investee companies

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement

Information collection (understanding customer behavior)

Details of engagement

Collect climate change and carbon information at least annually from long-term customers

% of customers by number

12.7

% of customer - related Scope 3 emissions as reported in C6.5

0

Portfolio coverage (total or outstanding)

Minority of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement

The clients included in this scope represent the most significant environmental and social impacts. In 2020, we made 26 due diligence, equivalent to 11.4% and 17.9% of the corporate and business banking portfolios, respectively and they are classified as high (1), medium (25) and low (0) risk. Additionally, we analyzed 404 lesser-impact projects that were managed through recommendations of the IFC Industry-Specific Environmental, Health and Safety Guidelines. As an additional comment, the figure presented in "% of customers by number" is calculated with the clients with due diligence plus the recommendations, divided by the customers analzed by SEMS.

Impact of engagement, including measures of success

Annually, the evaluated projects are monitored to verify their compliance with the law and international guidelines. In addition, advice services are provided to both credit executives and clients, and site visits are made to projects classified as high (A) and medium (B) risk that were evaluated under the Equator Principles (EP). During 2020, seventeen projects were evaluated in the manufacturing, tourism, agriculture industries, oil and gas, infrastructure, power and construction.

C-FS12.1c

(C-FS12.1c) Give details of your climate-related engagement strategy with your investee companies.

Type of engagement

Information collection (Understanding investee behavior)

Details of engagement

Included climate change in investee selection / management mechanism

% of investees by number

7.3

% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

80.5

Portfolio coverage

Minority of the portfolio

Rationale for the coverage of your engagement

The percentage of companies in which Afore XXI Banorte participates is 7.3%, but these are the companies in which we have the largest position and the most GHG emission-intensity issuers. The companies were selected based on the following criteria:
(i) Percentage of position in the portfolio: Corresponds to issuers with high representativeness in the portfolio.
(ii) Inclusion in the CA100+ list, which considers the companies that generate the most greenhouse gas emissions (by being on this list, more than one investor joins the commitment group and strengthens the commitments through this initiative).

Impact of engagement, including measures of success

The Climate Action 100+ signatories have agreed on a common agenda for discussion with companies. The initiative aims to secure commitments from the boards and senior management of its focus companies to:
(i) Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risks and opportunities.
(ii) Take action to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below two degrees above pre-industrial levels.
This allows investors to assess the robustness of companies' business plans against a range of climate scenarios, including well below two degrees scenario, and to improve investment decision making.

Type of engagement

Information collection (Understanding investee behavior)

Details of engagement

Collect climate change and carbon information at least annually from long-term investees

% of investees by number

54.8

% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

2.5

Portfolio coverage

Minority of the portfolio

Rationale for the coverage of your engagement

We made a first outreach to the issuers evaluated through a questionnaire to support our analysis, with a 43.2% response rate. As a complement, we led the CDP's Non-Disclosure Campaign (NDC) in Mexico, which encourages companies to report their actions against climate change, deforestation and water stress through its questionnaires.

Impact of engagement, including measures of success

The request went out to 23 issuers, from which 58.3% agreed to participate. This allowed us to include 3 more issuers into our scope 3 emissions for category 15. investment calculated.

Type of engagement

Information collection (Understanding investee behavior)

Details of engagement

Collect climate change and carbon information at least annually from long-term investees

% of investees by number

100

% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

100

Portfolio coverage

All of the portfolio

Rationale for the coverage of your engagement

In late September 2020, the Green Finance Advisory Board (CCFV) issued a request to issuers regarding disclosure of ESG data, signed by 80 investors and firms that operate in the Mexican financial market which together account for Ps. 6.31 billion in assets under administration—equivalent to 25.5% of Mexico's GDP. The request basically suggests that companies disclose ESG information in a consistent and standardized form, based on TCFD recommendations and SASB standards.

Impact of engagement, including measures of success

We perceive an increase in the level of ESG disclosure and a greater adoption of the requested standards. From our internal analysis, we identified that 8.7% of the issuers reported under SASB standards and 5% issued a report under the TCFD recommendations, considering all issuers listed on the Mexican Stock Exchange (BMV).

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Trade associations

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Mexican Banking Association (ABM).

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The ABM´s posture includes the following point:
• Represent and defend the general interests of its associates in any common management before the public administration and before private organizations.
• Facilitate communication between partner institutions to build consensus on issues that require the establishment of standards that increase the efficiency of the sector.
• Promote the development of banking activities through forums in which national and international experiences are shared that result in best practices and innovation.
• Carry out studies and research oriented to the development and proper functioning of the banking and financial system in general, as well as those related to the improvement of its methods and operating practices.
• Present to the various authorities proposals for updating laws, regulations, circulars, rules and regulations to adapt them to the changing reality of the financial system, the economy and international practices, to increase the competitiveness of the institutions operating in Mexico.
• Disseminate information on products, services, agreements and topics of the national agenda in which there is a trade interest.
These points include, but are not limited to, to integrate climate change into the operations and businesses of the financial institutions and are managed within the Sustainability Committee of this same association.

How have you influenced, or are you attempting to influence their position?

GFNorte is member with voting rights in 38 of its Committees in order to propose and promote the updating of laws, regulations, circulars, rules and provisions to adapt them to the changing reality of the financial system, the economy and international practices. Specifically for the Sustainability Committee, we actively participate to seek alignment with the Paris Agreement and the SDGs by sharing our experience in the adoption of global initiatives and good practices for financial institutions. In addition, we encourage adherence to all the frameworks in which we participate, mainly to PBR, PRI and EP.

Trade association

Green Finance Advisory Council (CCFV).

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

CCFV is a representative body of the Mexican financial sector that seeks to promote the financing of projects and investment assets that generate environmental and social benefits, through the creation of capacities, the development of financial vehicles and the preparation of recommendations and proposals to promote the objectives of sustainable development.

How have you influenced, or are you attempting to influence their position?

We are co-chairs of the CCFV. Also, we actively participate in the following working groups:
• Working group 1, Taxonomy and Definitions;
• Working group 2, Public Policies; and
• Working group 3, Education and Diffusion.

Moreover, we participated in the following initiatives:
• In late September 2020, the Green Finance Advisory Board (CCFV) issued a request to issuers regarding disclosure of ESG data, signed by 80 investors and firms that operate in the Mexican financial market which together account for $6.31 billion pesos in assets under administration—equivalent to 25.5% of Mexico's GDP. The request basically suggests that companies disclose ESG information in a consistent and standardized form, based on TCFD recommendations and SASB standards.
• Through the CCFV, at the end of 2018 we signed an "Investor´s Statement on the Disclosure of ESG Information in Mexico" recognizing that this is an important source for investment analysis and efficient resource allocation together with 51 institutional investors representing a total of $4.52 billion pesos in AUMs managed.
• In 2017 we singed the "Investors Statement in Favor of Financing Green Bonds in Mexico" along with other 55 institutional investors recognizing that green bonds are a key instrument for financing climate solutions.

Trade association

Mexican Alliance for Business and Biodiversity (AMEBIN).

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

AMEBIN is an initiative created in 2016 within the framework of COP 13 on Biodiversity, in which large companies, financial institutions, civil society organizations and international cooperation agencies promote action towards conservation, sustainable use and restoration of biodiversity.

How have you influenced, or are you attempting to influence their position?

We participate as a private sector company that has biodiversity among its priority sustainability issues, forming part of the Alliance's working groups and periodically assisting to the events that have arisen from it. We also seek to be a reference for the financial sector in the consideration of natural capital in business, being one of the two banks participating in this initiative.

Trade association

Mexican Stock Exchange (BMV).

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The Mexican Stock Exchange, in search of more companies reaching the Sustainable Market, recently launched the S&P/BMV Total Mexico Index, which includes companies that apply ESG criteria, with the main objective of providing a central exposure the Mexican equity market and significantly boost ESG performance.

How have you influenced, or are you attempting to influence their position?

Since September 2020, we chair the Committee in order to continue promoting the best practices on issues that benefit the ESG performance of the Mexican market.

Trade association

Mexican Association of Retirement Fund Managers (AMAFORE).

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

AMAFORE created a Sub-Committee on Responsible Investment, which works to establish an industry-wide common front for interpreting and adopting ESG criteria.

How have you influenced, or are you attempting to influence their position?

Afore XXI Banorte chairs this Sub-Committee, which underscores our support for standardization and disclosure of ESG information by harmonizing pension fund managers' interests regarding information requirements for stakeholders.

Trade association

Task Force on Nature-Related Financial Disclosures (TNFD).

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The goal of TNFD is to create resilience in the global economy by reducing the flow of funding to activities negative for nature and persons, and increase funding to nature-positive activities, in keeping with the Paris Agreement, the Post 2020 Biodiversity Targets and the Sustainable Development Goals (SDG).

How have you influenced, or are you attempting to influence their position?

Banorte Co-Chaired the Informal Working Group for the development of this initiative, along with the French bank BNP Paribas and the Green Finance Institute of the UK, guiding framework development and promotion from August 2020 to its global launch in June 2021.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

We participate actively in various committees, boards and associations in the national and international financial industry, leading important sustainability initiatives for banking. In this area, we will work to strengthen our relationship with NGOs and government agencies in order to promote sustainable incentives.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In voluntary sustainability report

Status

Attach the document

annual-report-banorte-2020.pdf

Page/Section reference

All

Content elements

Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment

Publication

In mainstream reports

Status

Complete

Attach the document

Equator Principles Annual Report 2020_.pdf

Page/Section reference

All

Content elements

Governance
Strategy
Risks & opportunities

Comment

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

	Industry collaboration	Comment
Reporting framework	Equator Principles Principles for Responsible Investment (PRI) UNEP FI Principles for Responsible Banking	
Industry initiative	Principles for Responsible Investment (PRI) UNEP FI Principles for Responsible Banking Climate Action 100+ Natural Capital Finance Alliance Science-Based Targets Initiative for Financial Institutions (SBTi-FI) UNEP FI UNEP FI TCFD Pilot	
Commitment	We Are Still In Collective Commitment to Climate Action	

C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

	We conduct analysis on our	Disclosure metric	Comment

	portfolio's impact on the climate		
Bank lending (Bank)	No, but we plan to do so in the next two years		Banorte is participatinng in the TCFD-UNEP FI 2021 program for banks, in which we involved various business areas in the task of developing capacities to identify, manage and disclose climate-related risks and opportunities.
Investing (Asset manager)	Yes	Category 15 "Investment" total absolute emissions	
Investing (Asset owner)	Yes	Category 15 "Investment" total absolute emissions	
Insurance underwriting (Insurance company)	No		
Other products and services, please specify	Not applicable		

C-FS14.1a

(C-FS14.1a) What are your organization's Scope 3 portfolio emissions? (Category 15 "Investments" total emissions)

Category 15 (Investments)

Evaluation status

Relevant, calculated

Scope 3 portfolio emissions (metric tons CO2e)

539,790

Portfolio coverage

More than 0% but less than or equal to 10%

Percentage calculated using data obtained from client/investees

100

Emissions calculation methodology

GHG Protocol methodology for calculating scope 3 emissions, category 15. Investments, Equity Investments.

Please explain

The emissions reported as scope 3 portfolio emissions were calculated according to the shareholding ownership percentage of the issuers
evaluated under responsible investment methodology multiplied by their scope 1 and 2 emissions publicly disclosed (only available for fiscal
year 2018). The scope of this emissions correspond to:
(i) Asset Manager: 94.9% of the listed equity AUM; and
(ii) Asset Owner: 7.3% of the listed equity AUM.

C-FS14.1c

(C-FS14.1c) Why do you not conduct analysis to understand how your portfolio impacts the climate? (Scope 3 Category 15 "Investments" emissions or alternative carbon footprinting and/or exposure metrics)

For issues related to financing (including project finance), reliable data is not available to perform the calculation because it is not an obligation to disclose this information publicly. Although the due diligence carried out by SEMS contemplates the emissions of the projects, our clients are not yet obliged because it is not part of the contractual terms established by the bank, with the exception of clients that are evaluated under the Equator Principles (EP).

C-FS14.2

(C-FS14.2) Are you able to provide a breakdown of your organization's Scope 3 portfolio impact?

	Scope 3 breakdown	Comment
Row 1	Yes, by asset class Yes, by country/region	

C-FS14.2a

(C-FS14.2a) Break down your organization's Scope 3 portfolio impact by asset class.

Asset class	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Listed equity	Total carbon absolute emissions (CO2e)	Metric tons CO2e	105,005.32	Asset Manager: we calculated 105,005.32 tCO2e corresponding to 94.4% of the locally listed equity assets, based on the GHG Protocol methodology for Scope 3 emissions (associated with investments).

Listed equity	Total carbon absolute emissions (CO2e)	Metric tons CO2e	434,784.74	Asset Owner: we calculated 434,784.74 tonCO2e corresponding to 7.3% of the locally listed equity asset. It includes companies in which we have the largest position and the highest GHG emission-intensity.

C-FS14.2c

(C-FS14.2c) Break down your organization's Scope 3 portfolio impact by country/region.

Country/Region	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Mexico	Total carbon absolute emissions (CO2e)	Metric tons CO2e	539,790.06	All the issuers included in the figure reported in question FS14.1a are Mexican.

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	As founders and signing members of the PRB, our commitment for Principle 1. Alignment, is to align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks. There are not climate-related scenarios developed by now. Nevertheless, we are currently working on the development of technical capacities and tools that allow us to carry out climate-related scenarios in our portfolios (lending and investing).
Investing (Asset manager)	No, but we plan to do so in the next two years	There are not climate-related scenarios developed by now. Nevertheless, we are currently working on the development of technical capacities and tools that allow us to carry out climate-related scenarios in our portfolios (lending and investing).

Investing (Asset owner)	No, but we plan to do so in the next two years	We are in the process of implementing a climate goal, maintaining a commitment to invest in a sustainable way and support the transition towards a low-carbon economy aligned with the Paris Agreement and that contribute to keeping global warming below 2 ° C. In this way, we joined the initiatives Climate Action 100+ and (TCFD), through which we will ask companies to: (i) Implement a solid governance framework (ii) Take measures to reduce GHG emissions along the value chain (iii) Provide enhanced climate-related disclosure (iv) Consider climate-related issues into financial decision-making. (v) Mitigate climate risk. (vi) Promote an economy of net zero emissions.
Insurance underwriting (Insurance company)	No	
Other products and services, please specify	Not applicable	

C15. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Chief Financial and Operational Officer.	Chief Financial Officer (CFO)

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

Please confirm below

I have read and accept the applicable Terms