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Principles for  
Responsible Banking

# Reporting and Self-Assessment Template

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Principles for Responsible Banking



Reviewed version (V2) from September 2022



## Reporting and Self-Assessment Template

The following template sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking (PRB). Your bank discloses which actions it has undertaken to implement the PRB by self-assessing its progress on each of the 6 Principles. This template is therefore structured in accordance with the 6 Principles that signatories have committed to.

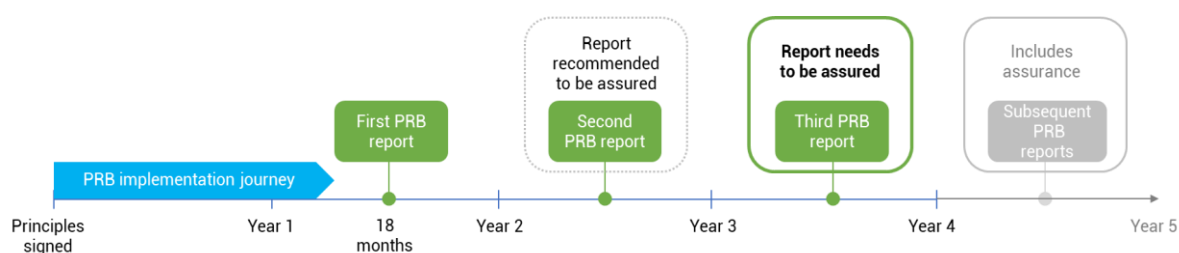
Three [Key Steps](#) are critical to showing that your bank is fulfilling its commitments as a signatory of the PRB, i.e. Impact Analysis, Target Setting & Implementation and Assured Reporting/Accountability. The sections in the Reporting and Self-Assessment Template that relate to the 3 Key Steps also require a self-assessment summary to demonstrate the extent to which the bank has fulfilled the respective requirements of the Key Steps.

### Accommodating different starting points

Your bank has an initial four-year period from signing to implement the 6 Principles including to bring its reporting fully in line with the requirements. Your bank may not be able to provide all information required in this template in the first report. You should build on your implementation progress annually. Feedback, support, capacity building, training and peer learning are available to all signatory banks to help them progress with both implementation and reporting.

### Timeline for reporting and assurance

Signatory banks need to report on their implementation of the Principles on an annual basis. The first PRB report has to be published within 18 months of signing the Principles, to give the bank some flexibility to align the PRB reporting with its reporting cycle. Publishing the first PRB report at any point earlier than 18 months after signing the Principles is therefore an option. After the first PRB reporting has been published, subsequent reports have to be published annually thereafter, i.e. within 12 months at the latest after the prior report<sup>1</sup>.



### Assurance

The last report within the initial 4 year implementation period (and subsequent reports thereafter) needs to be assured, which means that at least the third PRB report needs to be assured. Banks are encouraged to put the assurance process in place well before that and have earlier PRB reports already assured.

<sup>1</sup> Early reporting is permitted, although sufficient time to show progress from one year to the other should be taken into account.

All items that relate to the three [Key Steps](#) (highlighted in yellow) require limited assurance by year four of signing the PRB, undertaken by an independent third party with relevant expertise in the field. These are:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Target Implementation and Monitoring
- 5.1 Governance Structure for Implementation of the Principles

An assurer provides limited assurance of your self-assessment in these listed areas. You can do this by including it in your existing assured reporting. Where third-party assurance is not feasible, an independent review may be conducted. Assurance requirements are described in more detail in the [Guidance for Assurance providers: Providing limited assurance for reporting](#).

## Purpose of the template

The purpose of this template is to assist signatories in disclosing their progress on implementing the PRB. The disclosed information is used by the UNEP FI Secretariat as the basis for the individual review of each bank's progress, as well as for reporting the collective progress made by the PRB Signatory Group. To measure collective progress in a consistent manner, some standardized questions to be completed by the banks are integrated into the template. The open questions give banks the flexibility to disclose the progress they make, considering the diverse business models and various contextual differences in which banks operate.

# How to use this template

This template gives banks the chance to provide summaries of the annual progress made in implementing each Principle. It is designed for your bank to provide references/links to where in your existing reporting/public domains (websites) the required information can be found to support your answers. The aim is to keep any additional reporting burden to a minimum while ensuring transparency and accountability as set out in Principle 6. When referring to other documents, please specify the pages where the exact information appears.

The Reporting and Self-Assessment Template shall not be amended structurally and content-wise. The content and text of the template can be applied to corporate layout and designed accordingly, without omitting parts of the texts. The Reporting and Self-Assessment Template can be integrated into your bank's reports (annual report, sustainability report or relevant reporting formats) or can be published as a stand-alone document. It needs to be publicly available and will be listed on the UNEP FI Signatories page.

The reporting needs to be published in English. Information that is referenced to within the Reporting and Self-Assessment Template should also be available in English. Where that is not possible, it is recommended to include the summary of relevant information as text in the Template, so that all necessary information can be taken into account when the UNEP FI Secretariat reviews the bank's performance.

# Principle 1: Alignment

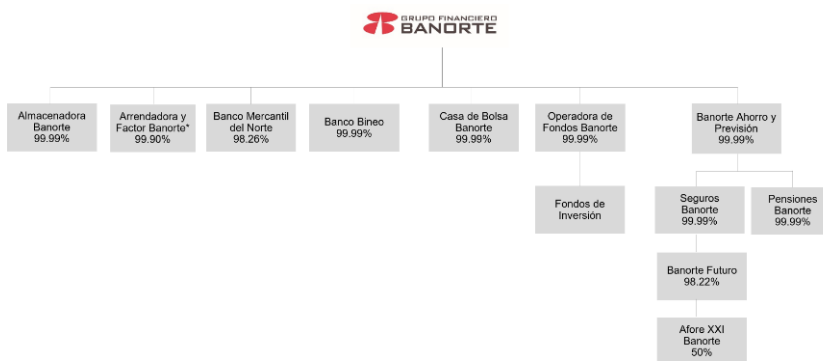


We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

## Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

*Grupo Financiero Banorte (GFNorte), is a leading financial institution in Mexico and the one with the broadest business diversification in the market. It operates as a universal banking institution, providing in addition, a wide array of products and services through its broker dealer, annuities & insurance companies, retirement savings funds (Afore), mutual funds, leasing & factoring company, and warehousing business.*



\* Sólida merges with Arrendadora y Factor Banorte on July 1st 2020, and changes its name to Arrendadora y Factor Banorte

*Banco Mercantil del Norte (Banorte), is a Financial Institution authorized to operate banking and loan financial transactions. Its main activity is to offer all products and services within the universal banking industry in Mexico. Our business is organized in two main segments: retail banking and wholesale banking.*

1. *Retail Banking. This segment serves clients through our branches, ATM network, online, telephone and mobile banking third party correspondents, POS, and our contact center. The retail banking segment offers services to individuals, small- and medium-size enterprises ("SME") and state and municipal governments. Products and*

Web page - [About GFNORTE](#)

Web page - [Structure](#)

[4Q22 Earnings Report](#), p. 13

[2022 Integrated Annual Report](#), p. 9-11

services offered through this segment include checking and deposit accounts, credit and debit cards, mortgages, car loans, payroll and personal loans, payroll dispersion accounts, as well as car, home and life insurance offered through a cross-selling agreement with our affiliate Seguros Banorte, S.A. de C.V. (“Seguros Banorte”).

2. Wholesale Banking: Our wholesale banking segment comprises i) Corporate and Enterprise Banking, which includes structured loans, syndicated loans, financing for acquisitions and investment plans, as well as cash management, collections, trust services, payroll payment, checking accounts, lines of credit, and loans; ii) Transactional Banking, which includes a comprehensive model of cash management solutions and online banking, (iii) Government Banking, which includes checking accounts, loans, cash management, payroll payment services and comprehensive advisory services on public finance, and; iv) International Banking, which includes letters of credit, documentary collections, banking guarantees, stand-by letters of credit, letters of credit financing, cross-border financing for import and export transactions, international transfer services and specialized local banking services to foreign-based companies with operations in Mexico.

#### Performing Loan Portfolio:

Stage 1 + 2 loans, Performing Loan Portfolio (Million Pesos)	4Q21	3Q22	4Q22	Change	
				3Q22	4Q21
<b>Stage 1 + 2 loans, Performing Loan Portfolio</b>					
Mortgages	200,551	218,039	<b>226,932</b>	4%	13%
Auto Loans	27,800	30,018	<b>32,173</b>	7%	16%
Credit Card	39,536	43,145	<b>45,127</b>	5%	14%
Payroll	55,034	64,970	<b>67,051</b>	3%	22%
<b>Consumer</b>	<b>322,920</b>	<b>356,172</b>	<b>371,283</b>	<b>4%</b>	<b>15%</b>
<b>Commercial</b>	<b>203,256</b>	<b>212,036</b>	<b>229,126</b>	<b>8%</b>	<b>13%</b>
<b>Corporate</b>	<b>140,925</b>	<b>144,045</b>	<b>147,752</b>	<b>3%</b>	<b>5%</b>
<b>Government</b>	<b>154,318</b>	<b>163,788</b>	<b>171,720</b>	<b>5%</b>	<b>11%</b>
<b>Stage 1 + 2 loans, Performing Loan Portfolio</b>	<b>821,419</b>	<b>876,040</b>	<b>919,881</b>	<b>5%</b>	<b>12%</b>

The top 10 sectors of the commercial and corporative loan portfolio are the following;

- Real Estate services
- Temporary lodging services
- Transportation-related services
- Institutions offering non-market credit and financial intermediation
- Building
- Professional, scientists and technical services
- Construction of civil engineering works
- Wholesale trade of groceries, food, beverages, ice and tobacco and Retail trade of groceries, food, beverages, ice and tobacco
- Retail trade in self-service and department stores

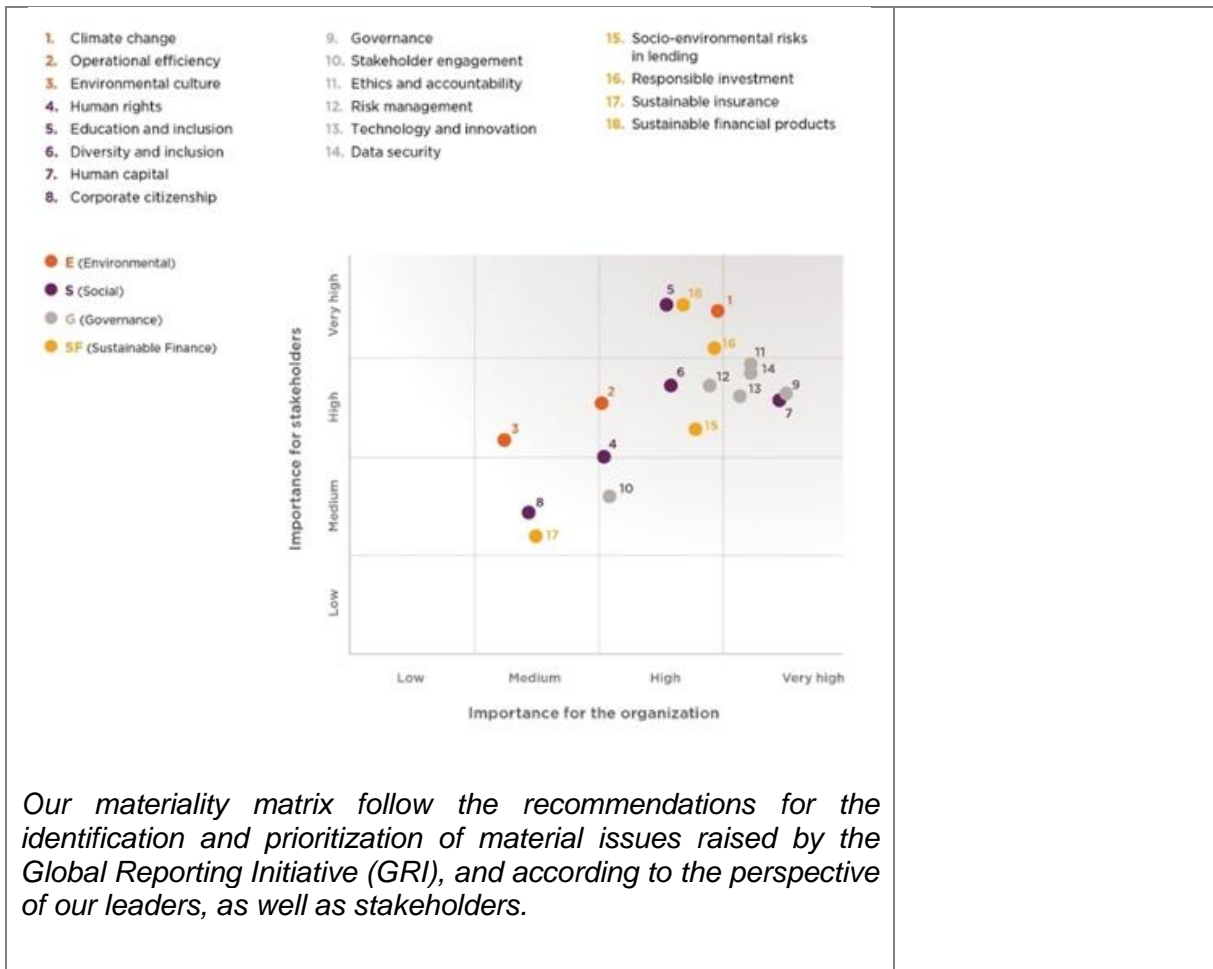
<ul style="list-style-type: none"> <li>• <i>Manufacture of products based on non-metallic minerals</i></li> </ul> <p><i>The concentration of these sectors with respect to the commercial and corporate loan portfolio without government is 69%.</i></p> <p><i>Among the six largest institutions, Banorte is the only commercial bank that is managed by a Mexican management team. It only operates in Mexico.</i></p>	
<p><b>Strategy alignment</b></p> <p><b>Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?</b></p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p> <p><b>Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?</b></p> <p><input checked="" type="checkbox"/> UN Guiding Principles on Business and Human Rights</p> <p><input checked="" type="checkbox"/> International Labour Organization fundamental conventions</p> <p><input checked="" type="checkbox"/> UN Global Compact</p> <p><input type="checkbox"/> UN Declaration on the Rights of Indigenous Peoples</p> <p><input type="checkbox"/> Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: -----</p> <p><input type="checkbox"/> Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----</p> <p><input type="checkbox"/> None of the above</p>	
<p><i>As a financial institution, we understand that we are a fundamental piece for the fulfillment of the goals that we have established as a society: the Sustainable Development Goals (SDG) and the Paris Agreement. This implies mobilizing capital strategically through investments that contribute to sustainable development, as well as the transition to a fair, low-carbon, and more resource-efficient economy.</i></p> <p><i>Our current sustainability strategy's model is sustained by three pillars: Environmental, Social and Corporate Governance. These converge into a central pillar called Sustainable Finance.</i></p>	<p>Web page - <a href="#">Sustainability Strategy</a></p> <p>Web page- <a href="#">Materiality</a></p>



1. *Environmental: Initiatives aimed at mitigating the environmental impact of our operations through resource use efficiency and a culture of environmental care inside and outside the institution.*
2. *Social: Social program created to improve quality of life of our employees and for the communities where we have a presence.*
3. *Corporate Governance: Principles and standards to ensure the proper functioning of the institution's governance bodies, complemented by a solid risk management and efficient decision-making.*
4. *Sustainable Finance: Integration of ESG factors in evaluation risks in our portfolios, as well as products and services we offer in order to promote sustainable development.*

*Each pillar contains 18 material issues which we have prioritized through our materiality matrix. According to the latest exercise, the top five material issues are the following:*

1. *Climate Change*
2. *Sustainable Financial Products*
3. *Ethics and Accountability*
4. *Corporate Governance*
5. *Financial Education and Inclusion*



## Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

### 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>2</sup> and fulfil the following requirements/elements (a-d)<sup>3</sup>:

**a) Scope:** What is the scope of your bank’s impact analysis? Please describe which parts of the bank’s core business areas, products/services across the main geographies that the

<sup>2</sup> That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

<sup>3</sup> Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

*In 2022 we carried out the third exercise of applying the Portfolio Impact Tool developed by the Finance Initiative of the United Nations Environment Program (UNEP FI), to understand and manage the actual and potential positive and negative impacts across the spectrum of environmental, social and economic issues of our Corporate and Business portfolios and in all the regions of Mexico in which the bank has operations. Consumer and Infrastructure segments are not yet considered, we are working on aligning their taxonomy with the guidelines of the impact measurement tool.*

[2022 Integrated Annual Report](#), p. 54

**b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries<sup>4</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

*Below, is the composition of the Corporate and Business portfolios that were analyzed. These segments correspond to 41% of the total portfolio.*

[2022 Integrated Annual Report](#), p. 109

*Corporate banking represents the 16% of the portfolio*

Corporate banking		
Code ISIC	SECTOR	Perce ntage
L	Real estate activities	17.60 %
C	Manufacturing	15.73 %
H	Transportation and storage	11.77 %
K	Financial and insurance activities	10.25 %
M	Professional, scientific and technical activities	10.21 %
I	Accommodation and food service activities	9.68%
S	Other service activities	7.25%
F	Construction	6.27%
D	Electricity, gas, steam and air conditioning supply	5.78%

<sup>4</sup> 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

G	Wholesale and retail trade; repair of motor vehicles and motorcycles	2.59%	
J	Information and communication	1.46%	
B	Mining and quarrying	1.40%	
Business banking represents 25% of the portfolio			
<b>Code ISIC</b>	<b>SECTOR</b>	<b>Percentage</b>	
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	21.53%	
	Construction	12.47%	
F	Real estate activities	10.91%	
L	Accommodation and food service activities	10.33%	
I	Manufacturing	9.15%	
H	Transportation and storage	9.03%	
S	Other service activities	8.88%	
M	Professional, scientific and technical activities	6.90%	
K	Financial and insurance activities	4.90%	
A	Agriculture, forestry and fishing	4.63%	
D	Electricity, gas, steam and air conditioning supply	0.56%	
J	Information and communication	0.55%	
B	Mining and quarrying	0.16%	

**c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?<sup>5</sup> Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

*This step aims to put your bank's portfolio impacts into the context of society's needs.*

*In Mexico, some of the most important environmental and social challenges are climate change, water scarcity, waste generation, land use, among other aspects. At GFNorte, we have identified climate change as one of the most relevant issues for the institution through our materiality exercise in which our main stakeholders participate.*

[2022 Integrated Annual Report](#), p. 54

*The results of the application of the impact tool have also shown that climate change is a priority, for which reason, during 2022 we focused our efforts on training the internal working groups that include various areas of the bank, the quantification of emissions, the definition of reduction goals, risk management and the application of methodologies such as the impact tool, in line with the global initiatives of which we are a part.*

*The rest of the challenges that are important for the country, such as water or waste, will be considered in future objectives and action plans.*

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)<sup>6</sup>? Please disclose.

*The Portfolio Impact Tool made it possible to determine the financing sectors where it is possible to identify the most significant positive and negative impacts, as well as the priority impact areas for Mexico. In general, it can be observed that, both for Corporate Banking and Business Banking, the real estate sector appears as the activity with the greatest positive impacts in aspects of mobility and development, efficiency and security of resources, as well as housing. In the same way, this sector presents negative impacts in terms of climate change, waste and water availability, in line with the country's priorities.*

[2022 Integrated Annual Report](#), p. 54

**d) For these (min. two prioritized impact areas): Performance measurement.** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

<sup>5</sup> Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

<sup>6</sup> To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

*The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.*

*During 2023, we will be working with the business areas so that they include within their responsibilities, objectives that allow mitigating negative impacts and potentiating positive impacts, in accordance with the Sustainable Development Goals and the guidelines of the Principles for Responsible Banking.*

NA

### Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?<sup>7</sup>

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

**Climate change mitigation**, climate change adaptation, **resource efficiency** & circular economy, biodiversity, **financial health & inclusion**, human rights, gender equality, decent employment, **water, pollution**, other: please specify **mobility**

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.:  
(optional)

<sup>7</sup> You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

## 2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets<sup>8</sup> have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with<sup>9</sup> have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

*You can build upon the context items under 2.1.*

*Taking into consideration the materiality matrix, we selected the topics of climate change and financial education and inclusion for PRB goal setting purposes.*

*Climate change: we quantify scope 1 and scope 2 GHG emissions in accordance with the GHG Protocol methodology, and scope 3 GHG emissions with the Partnership for Carbon Accounting Financials (PCAF) methodology. Likewise, we use the Science Based Targets (SBT) and Net Zero Banking Alliance (NZBA) methodologies to define decarbonization goals, which are in line with the 1.5°C scenario sought by the Paris Agreement.*

*Please bear in mind that the decarbonization goals are still in the validation process by the SBT initiative, so there may be adjustments in the short term.*

*Financial Education and Inclusion:*

*We conducted an internal exercise based on materiality to outline financial inclusion indicators, which we included in our roadmap as part of the commitment we signed with UNEP FI.*

*As Signatories to the Commitment to Financial Health and Inclusion we are required to:*

- Set targets within the first 18 months after signing that make a substantial contribution to the financial health and inclusion of societies.*
- Report within 18 months on financial health and inclusion targets, and annually thereafter on their progress against these targets.*

*Web page - [Environmental](#)*

*Web page – [Financial Education and Inclusion Scorecard](#)*

*[Commitment to Financial Health and Inclusion, UNEP FI](#)*

**b) *Baseline:*** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

*You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.*

*A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.*

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Climate change mitigation</i>	<i>A.4.1</i>	<i>Reduce 34% of the financed emissions in the real estate and temporary accommodation portfolio at 2030.</i>

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Financial health &amp; inclusion</i>	<i>C1.2</i>	<i>By 2025, achieve that at least 40% of the employees in the business areas will have effective training on financial inclusion, responsible credit and/or financial health.</i>

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

NA	NA
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<sup>8</sup> Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

<sup>9</sup> Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

**c) SMART targets** (incl. key performance indicators (KPIs)<sup>10</sup>): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

**Climate Change**

Sector	Emissions (tCO <sub>2</sub> )	Baseline	Portfolio Coverage	2030 Target
Real State	187,337.08	2021	100%	34%

Please bear in mind that emissions reported (187,337.08 tCO<sub>2</sub>e) are the same from the baseline (2021).

Web page - [Environmental](#)

**Financial Inclusion**

KPI	BASE YEAR	KPI BASE YEAR	TARGET YEAR	KPI TARGET YEAR
achieve that at least 40% of the employees in the business areas will have effective training on financial inclusion, responsible credit and/or financial health.	2022	0% employees in the business areas with effective training on financial inclusion	2025	40% or more employees in the business areas with effective training on financial inclusion

**d) Action plan:** which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

*We have just defined KPIs and targets and still in the process of development and validation.*

NA

**Self-assessment summary**

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... (please name it) <i>Climate change mitigation</i>	... second area of most significant impact: ... (please name it) <i>Financial health and inclusion</i>	(If you are setting targets in more impact areas) ... your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

<sup>10</sup> Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

## 2.3 Target implementation and monitoring (Key Step 2)

### For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

**Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only):** describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

*We have just defined KPIs and targets and still in the process of development and validation.*

NA

## Principle 3: Clients and Customers



We will 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.

### 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers<sup>11</sup> in place to encourage sustainable practices?

Yes       In progress       No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes       In progress       No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities<sup>12</sup>). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

*This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).*

*As part of the social and environmental risk management in financing activities, we share good sector practices with our clients in sensitive sectors such as oil and gas, mining, energy, agriculture, tourism, infrastructure, among others, based on the Health, Safety and Environment Guidelines of IFC. In 2022, we shared 294 recommendations with clients whose credits were analyzed by our Social and Environmental Risk Management System.*

[Socio-environmental Risk Policy](#)

### 3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

*We have implemented initiatives for people to acquire basic knowledge and skills to manage their funds better and increase and protect their assets through the proper and responsible use of financial products and services.*

[2022 Integrated Annual Report](#), p. 183-186

<p><i>The workshops focused on the following:</i></p> <p><i>10 Financial Habits Seminar with 799 beneficiaries</i></p> <p><i>11 Personal Finance Workshops with 272 beneficiaries</i></p> <p><i>6 Master Conferences with 844 beneficiaries</i></p>	
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## Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

### 4.1 Stakeholder identification and consultation

*Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups<sup>13</sup>) you have identified as relevant in relation to the impact analysis and target setting process?*

Yes       In progress       No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

*On a biannual basis, we consult them which are the issues that we must prioritize in our sustainability strategy through specific communication channels for each one. The stakeholders with which we interact are:*

- *Investors*
- *Customers*
- *Collaborators*
- *Governmental agencies*
- *Sector and union authorities*
- *Community*

*Web page - [Materiality](#)*

*[2022 Integrated Annual Report](#), p. 213*

<sup>11</sup> A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

<sup>12</sup> Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

<sup>13</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

- Media
- Providers
- NGO's

The results of the consultation are used to construct the materiality matrix, being the input from the impact perspective. Moreover, the financial perspective input of the materiality matrix is based on interviews with senior management.

The latest materiality matrix assessment was made in 2020 and we will be updating this exercise in 2023.

In addition, in the following table are listed other topics that we regularly interact with our stakeholders, as well as the departments, the channels and the frequency of these interactions.

Frequency of stakeholder interaction:				
<input type="checkbox"/> Annual <input checked="" type="checkbox"/> Regular <input type="checkbox"/> Constant				
Stakeholder	Value Proposition	Communication Channels	Responsible Area(s)	
<b>Investors</b>	We promote good practices in transparency and financial and ESG communication. Investors were interested in investing due to our excellent business growth management.	<input checked="" type="checkbox"/> Quarterly Reports <input checked="" type="checkbox"/> Investor Website <input checked="" type="checkbox"/> "Norte Económico" Podcast <input checked="" type="checkbox"/> Annual Report <input checked="" type="checkbox"/> Newsletters	<input checked="" type="checkbox"/> Conferences <input checked="" type="checkbox"/> E-mail <input checked="" type="checkbox"/> Annual Results <input checked="" type="checkbox"/> Shareholders' Meeting <input checked="" type="checkbox"/> Website	Investor Relations and Corporate Governance
<b>Clients</b>	We offer high-quality products and services that meet the requirements of each client through practical, ethical, and responsible advice. We promote better communication by incorporating technological and digital solutions. We also promote the incorporation of sustainable practices.	<input checked="" type="checkbox"/> Branch Network <input checked="" type="checkbox"/> Banorte Móvil <input checked="" type="checkbox"/> UNE <input checked="" type="checkbox"/> Media Advertising <input checked="" type="checkbox"/> Banortal	<input checked="" type="checkbox"/> Website <input checked="" type="checkbox"/> Social Media <input checked="" type="checkbox"/> "Norte Económico" Podcast <input checked="" type="checkbox"/> Satisfaction Surveys	Commercial Area, Marketing, Specialized Queries and Claims Unit
<b>Employees</b>	We promote a culture that reflects our principles and values, ensuring equal opportunities for all. We create development and growth opportunities by building highly competitive profiles. One of our priorities is ensuring our employees' overall wellness, health, and safety.	<input checked="" type="checkbox"/> Institutional Website <input checked="" type="checkbox"/> Banorte News <input checked="" type="checkbox"/> Collaborative Tools: Skype/Microsoft Teams <input checked="" type="checkbox"/> BanorTV/Aidea Solutions <input checked="" type="checkbox"/> EthicsPoint Hotline <input checked="" type="checkbox"/> Human Capital Development <input checked="" type="checkbox"/> Course (Corporate WhatsApp)	<input checked="" type="checkbox"/> Yammer <input checked="" type="checkbox"/> E-mail <input checked="" type="checkbox"/> Banorte Support Line <input checked="" type="checkbox"/> Weekly COVID-19 Update <input checked="" type="checkbox"/> AssiMed App <input checked="" type="checkbox"/> Union Magazine <input checked="" type="checkbox"/> Organizational Climate Survey <input checked="" type="checkbox"/> Collaborative Intranet	Human Resources
<b>Government Agencies</b>	We promote a culture of regulatory compliance with applicable laws, always safeguarding the rights of our clients and stakeholders.	<input checked="" type="checkbox"/> Website <input checked="" type="checkbox"/> Participation in Forums <input checked="" type="checkbox"/> E-mail <input checked="" type="checkbox"/> Contact Numbers	<input checked="" type="checkbox"/> Committees <input checked="" type="checkbox"/> Online Meetings <input checked="" type="checkbox"/> Face-to-face Meetings	Sustainability and Responsible Investment and Fundación Banorte
<b>Industry Authorities and Trade Associations</b>	We actively promote an ESG management agenda prioritizing relevant banking sector issues.	<input checked="" type="checkbox"/> Contact Numbers <input checked="" type="checkbox"/> Website <input checked="" type="checkbox"/> Social Media	<input checked="" type="checkbox"/> Online Meetings and Visits <input checked="" type="checkbox"/> Meetings and Site Visits <input checked="" type="checkbox"/> E-mail	Communication and Public Affairs
<b>Community</b>	We always seek the social development of our community through inclusion and financial education. We also promote investment initiatives benefitting the community through donations, volunteer efforts, and other programs.	<input checked="" type="checkbox"/> Contact Numbers <input checked="" type="checkbox"/> Website <input checked="" type="checkbox"/> Social Media <input checked="" type="checkbox"/> Community Visits	<input checked="" type="checkbox"/> Meetings and Site Visits Corporate <input checked="" type="checkbox"/> Volunteering <input checked="" type="checkbox"/> E-mail	Sustainability and Responsible Investment and Fundación Banorte
<b>Media</b>	We constantly report on the performance of our business while creating a culture of financial education.	<input checked="" type="checkbox"/> E-mail <input checked="" type="checkbox"/> Public Tenders <input checked="" type="checkbox"/> Online Meetings and Visits	<input checked="" type="checkbox"/> Meetings and Site Visits <input checked="" type="checkbox"/> Contact Numbers	Communication and Institutional Relations
<b>Suppliers</b>	We build solid relationships, emphasizing that both parties benefit through commitment and compliance with quality criteria.	<input checked="" type="checkbox"/> Online Meetings and Visits <input checked="" type="checkbox"/> Meetings and Site Visits	<input checked="" type="checkbox"/> E-mail <input checked="" type="checkbox"/> Contact Numbers <input checked="" type="checkbox"/> Public Tenders	Sourcing and Expense Control
<b>Nonprofits</b>	We strengthen our partnerships to continue offering social investment and other environmental opportunities related to our line of business. We seek to promote education and financial inclusion.	<input checked="" type="checkbox"/> Website <input checked="" type="checkbox"/> Social Media	<input checked="" type="checkbox"/> E-mail <input checked="" type="checkbox"/> Contact Numbers	Sustainability and Responsible Investment and Fundación Banorte

## Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

### 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes       In progress       No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

*Since 2019, the Sustainability Committee meets semiannually. It is composed by twelve C-Suites members and a representative of the Internal Audit department.*

*Its functions include:*

- **Approve the Group's sustainability strategy and action plan.**
- **Periodically review sustainability policies.**
- *Promote ESG issues.*
- **Set ESG targets and periodically monitor its progress.**
- *Integrate ESG aspects into business risks.*
- *Communicate relevant sustainability issues related inside and outside the Group.*
- *Promote strategic alliances inside and outside the Group.*
- *Encourage employee's engagement in sustainability initiatives.*

*The Sustainability Committee reports to the Risk Policy Committee, which in turn reports to the Board of Directors.*

*Other Committees that oversees the implementation of the sustainability strategy:*

*Web page – [ESG Structure](#)*

*[2022 Integrated Annual Report](#), p. 89*

- *Risk Policies Committee (CPR): Composed of a majority of independent members, the CPR meets monthly and a Sustainability Risk section is already included in the agenda.*
- *Audit and Corporate Practices Committee (CAPS): Composed of only independent members, the CAPS meets monthly and, in terms of sustainability, is in charge of managing the audit process of the Group's Integrated Annual Report and receiving any comments or observations originated by the main stakeholders.*

*Planning, development and implementation of the Sustainability strategy is the responsibility of the Sustainability department in conjunction with strategic directions (depending on the topic). However, climate change mitigation and financial health and inclusion issues are mainly addressed by two specific working bodies:*

- *Climate Change Working Group (GTCC): Integrated by the Risk, Credit, Specialist Areas and Sustainability Departments, meets weekly since 2021 to train, plan and implement actions that allow compliance with TCFD, NZBA, SBTi, CDP and PCAF initiatives. In 2022, the GTCC focused on the quantification of the bank's scope 3 category 15 GHG emissions, the definition of decarbonization targets based on science, the development of climate scenarios modelling and climate stress tests, and the estimation of potential financial impacts associated with climate-related risks.*
- *Diversity, Equity and Inclusion Subcommittee: our subcommittee is a collegiate, inter-sectorial group made up of representatives from various areas of the bank, seeking to bring the equality and inclusion approach into the institutional mainstream.*

*Banorte has a set of practices and initiatives to identify and create equal opportunities for the various groups that make up our workforce.*

## **5.2 Promoting a culture of responsible banking:**

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

*At GFnorte, the continuous training of the institution, as well as of the work groups that collaborate in the different environmental, social and governance initiatives, is an essential aspect, in order to strengthen our sustainable culture.*

[2022 Integrated Annual Report](#), p. 161

*During 2022 and as part of the Social and Environmental Risk Management System operation, we provided 569.5 hours of training to Corporate and Business Banking, to sustainability champions and other strategic work groups, on risk management issues, as well as challenges and opportunities for environmental impact assessment in Mexico.*

Topic	Number of collaborators	Hours
Social and Environmental Management Risks	304	304
Challenges and Opportunities for EIA and Sustainability of Projects and Investments in Mexico	59	265.5

*Regarding climate change, the internal working group received training on various topics, adding a total of 929 hours invested.*

Topic	Number of collaborators	Hours
CDP: general knowledge	23	1
TCFD for banks	3	4
Climate stress testing methodologies	2	4
Workshop on climate scenarios and their application in the analysis of financial risks	6	12
Leadership for climate action	1	30
Risk Symposium Association of Banks of Mexico	12	20
Executive Program Sustainable Finance and Risk Analysis	3	60
Challenges and Opportunities for EIA and Sustainability of Projects and Investments in Mexico	12	4.5
Trading and Risk Management	1	34
Advice from expert consultants	12	28

### 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?<sup>14</sup> Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

<sup>14</sup> Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

*Since 2012 we have had a Social and Environmental Risk Management System (SEMS) created to identify, categorize, evaluate and monitor the risks involved in the financing we grant in Corporate, Business and Infrastructure Banking. SEMS is an integral part of the bank's credit process, it is based on the Equator Principles and the Performance Standards of the International Finance Corporation (IFC).*

*During the analysis, we identify the potential risk of the financings and apply our exclusion list. We classify the risks in category A (high risk), B (medium risk) and C (low risk) according to the magnitude of the impacts and their possibility of mitigation. Subsequently, we choose the credits that will be evaluated through their compliance with national legislation and global standards, depending on their destination, amount of financing, and sector to which they belong.*

*We select investment projects, working capital and/or bridge loans belonging to sensitive sectors. Loans with amounts greater than 10 million dollars are evaluated under the Equator Principles, loans with amounts between 1 million dollars and up to 10 million dollars under the IFC Performance Standards, and loans of less than 1 million dollars through internal SEMS evaluation. Finally, we manage the projects, participating in the Credit Committees, providing advice to our clients, making site visits and monitoring controversial issues.*

[Socio-environmental Risk Policy.pdf \(banorte.com\)](#)

[Natural Capital Policy.pdf \(banorte.com\)](#)

[2022 Integrated Annual Report, p. 58-60](#)

### **Self-assessment summary**

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

- Yes  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

- Yes  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

- Yes  In progress  No

## Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

### 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes       Partially       No

If applicable, please include the link or description of the assurance statement.

*Banorte's 2022 PRB Reporting and Self Assessment Template contains information that was extracted from the listed links and references throughout the document. Some of the indicators obtained from the 2022 Integrated Annual Report or TCFD Recommendations Report were verified with a limited assurance by an independent third party and may coincide with the information detailed in this report.*

[2022 Integrated Annual Report](#), p. 221-229

### 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other: Equator Principles

*The indicators that were verified with a limited assurance by an independent third party are the following:*

*GRI:*

- 2-9
- 2-15
- 2-26

[2022 Integrated Annual Report](#), p. 221-229

- 2-27
- 2-29
- 3-2
- 201-2
- 202-1
- 205-2
- 302-1
- 302-3
- 302-4
- **305-1 (Climate change mitigation)**
- **305-2 (Climate change mitigation)**
- **305-3 (Climate change mitigation)**
- **305-4 (Climate change mitigation)**
- **305-5 (Climate change mitigation)**
- 306-3
- 306-4
- 308-1
- 401-1
- 404-1
- 404-2
- 404-3
- 405-1
- 405-2
- 414-1
- 417-3
- 418-1
- **FS-1 (Climate change mitigation)**
- **FS-2 (Climate change mitigation)**
- FS-4
- **FS-5 (Climate change mitigation)**
- FS-8
- **FS-10 (Climate change mitigation)**
- FS-11
- **FS-13 (Financial health and inclusion)**
- **FS-14 (Financial health and inclusion)**
- **FS 15 (Climate change mitigation)**
- **FS-16 (Financial health and inclusion)**

<p>SASB:</p> <ul style="list-style-type: none"> <li>• FN-CF-220a.1</li> <li>• FN-CF-220a.2</li> <li>• FN-CF-230a.1</li> <li>• FN-CF-270a.4</li> <li>• FN-CB-230a.1</li> <li>• FN-CB-230a.2</li> <li>• FN-CB-240a.1</li> <li>• FN-CB-240a.2</li> <li>• <b><u>FN-CB-240a.3 (Financial health and inclusion)</u></b></li> <li>• <b><u>FN-CB-240a.4 (Financial health and inclusion)</u></b></li> <li>• FN-CB-410a.1</li> <li>• <b><u>FN-CB-410a.2 (Climate change mitigation)</u></b></li> <li>• FN-CB-510a.1</li> <li>• FN-CB-510a.2</li> <li>• FN-IB-410a.2</li> <li>• FN-AC-410.a1</li> <li>• <b><u>FN-AC-410a.2 (Climate change mitigation)</u></b></li> <li>• FN-AC-510a.1</li> </ul> <p><i>These indicators were selected according to the materiality of the corresponding topic.</i></p>	
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### 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>15</sup>, target setting<sup>16</sup> and governance structure for implementing the PRB)? Please describe briefly.

<p>Governance:</p> <ul style="list-style-type: none"> <li>• <i>Update sustainability strategy with a double materiality perspective.</i></li> <li>• <i>Develop an action plan per department aligned with material issues.</i></li> <li>• <i>Executive remuneration aligned with ESG metrics and targets.</i></li> </ul>	<p>NA</p>
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<sup>15</sup> For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

<sup>16</sup> For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

- *Implementation of a comprehensive sustainability culture program*

*Climate change mitigation:*

- *Develop a short- and medium-term decarbonization action plan.*
- *Increase data quality of our scope 3 category 15 GHG emissions.*
- *Engage with clients on climate-related issues.*
- *Develop sustainable financial products.*

*Financial Inclusion and Education:*

- *Develop a short-medium term action plan.*
- *Define common measurements of success and share current best practices and successful approaches to financial inclusion within the working group to see how we improved and adopted more widely KPIs across the sector.*

*Impact analysis*

- *Implement the new version of The Portfolio Impact Analysis Tool for Banks.*
- *During 2023, we will be working with the business areas so that they include within their responsibilities, objectives that allow mitigating negative impacts and potentiating positive impacts, in accordance with the Sustainable Development Goals and the guidelines of the Principles for Responsible Banking.*

## 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- |   |  |
|---|--|
| <input type="checkbox"/> Embedding PRB oversight into governance  | <input checked="" type="checkbox"/> Customer engagement    |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank                                      | <input checked="" type="checkbox"/> Stakeholder engagement |
| <input checked="" type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability      |
|   | <input checked="" type="checkbox"/> Data quality           |
| <input type="checkbox"/> Conducting an impact analysis  | <input type="checkbox"/> Access to resources               |
| <input type="checkbox"/> Assessing negative environmental and social impacts                              | <input type="checkbox"/> Reporting                         |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies                       | <input type="checkbox"/> Assurance                         |
| <input checked="" type="checkbox"/> Setting targets   | <input type="checkbox"/> Prioritizing actions internally   |
| <input type="checkbox"/> Other: ...   |  |

If desired, you can elaborate on challenges and how you are tackling these:

# Annex

A set of indicators has been produced for the impact areas of climate mitigation and financial health & inclusion. These indicators will support you in your reporting and in showing progress against PRB implementation. Banks are expected to set targets that address minimum two areas of most significant impact within the first four years after signing the PRB. That means that Banks should ultimately set targets using impact indicators. Acknowledging the fact that banks are in different stages of implementation and on different levels of maturity and therefore might not be able to report on impact from the beginning, a Theory of Change approach has been used to develop the set of indicators below.<sup>17</sup> The Theory of Change shows the **pathway to impact** and considers the relationship between inputs, actions, outputs, and outcomes in order to achieve impact. The Theory of Change for climate mitigation can be found [here](#), the Theory of Change for financial health & inclusion can be found [here](#).

**How to use:** Both practice (action, outcome and output) and impact performance need to be understood because practice is the conduit for achieving desired impacts (including targets). The Theory of Change allows to identify metrics and set targets which align with a bank's maturity. The indicators below are all connected to a bank's impact and can be considered as steps towards measuring impact. Some of the practice indicators (on the action, output, and outcome levels respectively) are connected to portfolio composition and financial targets<sup>18</sup> (highlighted in **green**) or to client engagement<sup>19</sup> targets (highlighted in **blue**), which enable your overall target. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex to measure your performance and baseline.<sup>20</sup> Once you have set the target, you can use the indicators as guidance for your action plan as well as defining Key Performance Indicators (KPIs) which you can then use to measure progress against the set targets.

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<sup>17</sup> It is not required from banks to work with the Theory of Change concept internally. In fact, the Theory of Change has been used to structure the requirements of setting SMART targets using relevant indicators.

<sup>18</sup> Financial targets also aim for real economy outcomes but are not directly expressed as such. Instead, they are expressed with financial indicators and metrics, e.g., to redirect flows of lending and investments to sectors, activities or projects aligned with SDGs and/or related to the selected impact area. Banks can also set financial targets related to specific types of customers e.g., low-income customers or female entrepreneurs.

<sup>19</sup> Client engagement targets involve engaging relevant clients and customers to enable your overall target. The purpose of client engagement is to support clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

<sup>20</sup> You might not be able to report on all indicators and/or or levels of practice (i.e. from left to right), in which case you should report on all applicable indicators on the respective level of practice no matter if it is an action, output or outcome indicator.

- **For Signatories of the Net-Zero Banking Alliance:** please report on the climate targets set as required in the [Guidelines for Climate Target Setting](#). As a member of the Alliance, you are required to publish first 2030 targets for priority sectors within 18 months and further sectoral targets within 36 months after signing. You can use the PRB template to disclose the required climate target information if its publication date is in line with the committed NZBA timeframe.
- **For Signatories of the Collective Commitment to Financial Health & Inclusion:** please report on financial health and/or financial inclusion targets set as required in the [Financial Health and Inclusion Commitment Statement](#). As a signatory to the Commitment, you have agreed to set a SMART ambitious target within 18 months after signing. To facilitate your process, please refer to the [Guidance on Target Setting for Financial Health and Inclusion](#) and the [Core Indicators](#) to measure financial health and inclusion. Keep in mind that signatories of the Commitment are encouraged to measure as many indicators as possible from the Core Set or their equivalent to be able to set a SMART impact driven target.

Impact area	Practice <sup>21</sup> (pathway to impact)									Impact <sup>22</sup>		
	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	A.1.1	<b>Climate strategy:</b> Does your bank have a climate strategy in place?	Yes / In progress / No	A.2.1	<b>Client engagement process:</b> Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?	Yes / Setting it up / No;  If yes: Please specify for which clients (types of clients, sectors, geography, number of clients etc.)	A.3.1	<b>Financial volume of green assets/low-carbon technologies:</b> How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?	bln/mn USD or local currency, and/or % of portfolio; please specify the definition of green assets and low-carbon technologies used	A.4.1	<b>Reduction of GHG emissions:</b> how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO <sub>2</sub> e (or applicable metrics) <sup>23</sup>
	A.1.2	<b>Paris alignment target:</b> Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes / In progress / No;  If yes: - please specify: to become <b>net zero by when?</b> - <b>Emissions baseline / base year:</b> What is the emissions baseline / base	A.2.2	<b>Absolute financed emissions:</b> What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or	Total GHG emissions or CO <sub>2</sub> e (please also disclose what is excluded for now and why)	A.3.2	<b>Financial volume lent to / invested in carbon intensive sectors and activities and transition finance:</b> How much does your bank lend to / invest in carbon-intensive	bln/mn USD or local currency, and/or % of portfolio	A.4.2	<b>Portfolio alignment:</b> How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio (please specify which portfolio; for corporate and business clients: % of sectors financed)

<sup>21</sup> Practice: the bank's portfolio composition in terms of key sectors, its client engagement, and its relevant policies and processes, and, if applicable, its advocacy practices

<sup>22</sup> Impact: the actual impact of the bank's portfolio

<sup>23</sup> If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.

		year for your target? - <b>Climate scenario used:</b> What climate scenario(s) aligned with the Paris climate goals has your bank used?		investment portfolio?			sectors and activities <sup>24</sup> ? How much does your bank invest in transition finance <sup>25</sup> ?			
<b>A.1.3</b>	<b>Policy and process for client relationships:</b> has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?	Yes / In progress / No	<b>A.2.3</b>	<b>Sector-specific emission intensity</b> (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector ( <i>depending on the sector and/or chosen metric</i> ): kg of CO <sub>2</sub> e/ kWh, CO <sub>2</sub> e / m <sup>2</sup> ; kg of CO <sub>2</sub> e/USD invested, or kg of CO <sub>2</sub> e/revenue or profit					
<b>A.1.4</b>	<b>Portfolio analysis:</b> Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes / In progress / No;  <i>If yes:</i> please specify which parts of the lending and investment portfolio you have analyzed	<b>A.2.4</b>	<b>Proportion of financed emissions covered by a decarbonization target:</b> What proportion of your bank's financed emissions is covered by a decarbonization target, i.e. stem from clients with	% <i>(denominator: financed emissions in scope of the target set)</i>					

<sup>24</sup> A list of carbon-intensive sectors can be found in the [Guidelines for Climate Target Setting](#).

<sup>25</sup> Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.

	<b>A.1.5</b>	<b>Business opportunities and financial products:</b> Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	Yes / In progress / No; Please specify which ones, and what financial volume and/or % of the portfolio they account for		a transition plan in place?							
<b>B. Financial health</b>	<b>B.1.1</b>	# of products and services in the portfolio with a focus on financial health	Internal data based. Measures how many of the products and services in the portfolio have a financial health focus. We deem a product or service to have this focus when it facilitates decision making and supports financial health increase based on our definition of financial health. This covers products and services embedded with nudges to simplify decision making, round-up, high yield savings accounts, easy investment tools, etc.	<b>B.2.1</b>	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective	<b>B.3.1</b>	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	<b>B.4.1</b>	% of customers with a high level of financial health	Survey and/or transactional data based. Measures the percentage of customers with a high level of financial health according to the score chosen by the financial institution.

						means that the bank has measured if the initiative is successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users.						
	<b>B.1.2</b>	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of	<b>B.2.2</b>	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including	<b>B.3.2</b>	% of customers who use the bank's services to create a financial action plan with the bank	Transactional and/or survey data based. Measures the percentage of customers who create a financial action plan with the bank using the bank's services. A financial action plan is anything that helps the customer build financial resilience. It is done "with the bank" if the bank can visualize,	<b>B.4.2</b>	% of customers for which spending exceeded 90% of inflows for more than 6 months last year	Survey and/or transactional data based. Measures the percentage of customers with a transaction account and/or savings/investment accounts for which spending exceeded 90% of inflows for more than 6 months in the year within the reporting period compared to the total of customers within PRB scope. Focus on main

			stronger skills, and thus, any individual that is supported with the initiative will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			financial health tools)			through the transactions of the customer, the results of the plan.			financial institution customers.
	B.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.				B.3.3	% of customers using overdraft regularly	Transactional data based. Measures the percentage of customers using the overdraft option in their accounts or credit cards, regularly. Overdraft can be used to handle unexpected emergencies but more than 1/3 of the year (banks may deviate if proper reasons are provided) denotes regularity and a precursor to lower financial health	B.4.3	% of customers that feel confident about their financial situation in the next 12 months	Survey based data. Measures the percentage of customers that answered positively to feeling confident about their financial situation in the next 12 months compared to the total number of customers surveyed. By confident we mean not feeling worried about their financial situation.
							B.3.4	% of customers with a non-performing loan	Transactional data based. Measures the percentage of customers with past-due loans ("past due"	B.4.4	% of customers with products connected to long-term saving and investment plans	Transactional and/or survey data based. Measures the percentage of customers with products

								defined by policies at each bank) compared to the total amount of customers with loans in the bank's lending portfolio.			connected to long-term saving and investment plans. "Long-term" will depend on each bank's definition.	
							B.3.5	% of customers showing an increase or stable amounts in savings, deposit and/or investment account balances, quarter on quarter.	Transactional data based. Measures the percentage of customers showing an increase or stable amounts in savings and/or deposit AND/OR investment accounts balances, quarter on quarter.	B.4.5	% of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense	Survey based data. Measures the percentage of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense. We consider a major unexpected expense, one that the customer hadn't planned for and would require them to spend more than what they have available for secondary expenses in their monthly budget or 1/20th of the country's Gross National Income (banks may deviate if proper reasons are provided). A good example is: unforeseen medical bills, large appliance malfunctioning, car repair, etc. Survey based

												using the question: "If a major unexpected expense arises, how can you cover it right now?" and give the multiple choice options of insurance, emergency funds, loan, credit card, family/friends, etc.
<b>C. Financial Inclusion</b>	<b>C.1.1</b>	# of products and services in the portfolio with a focus on financial inclusion	Internal data based. Measures how many of the products and services in the portfolio have a financial inclusion focus. We deem a product or service to have this focus when its design facilitates the access and usage by the prioritized customer. For example, no-fee savings account, low interest microloan, offline access or sim-based banking apps, etc	<b>C.2.1</b>	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective means that the bank has measured if the initiative is	<b>C.3.1</b>	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	<b>C.4.1</b>	% of customers with 2 or more active financial products, from different categories, with the bank	Transactional data based. Measures the percentage of customers with 2 or more active financial products, from different categories, with the bank. By active we mean there's at least one usage per month. By category we mean credit/debt, savings/deposit/payment, insurance, investment, etc. Once a target has been set for this indicator, we encourage banks to ensure responsible selling policies or other initiatives so that the target doesn't become a toxic incentive.

					successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users.						
	C.1.2	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of stronger skills, and thus, any individual that is supported with the initiative	C.2.2	% of customers with effective access to a basic banking product	Transactional data based. Measures the percentage of customers with effective access to a basic banking product. By effective we mean the usage beyond first access. Basic banking products vary by bank. Good examples are: checking accounts, payment accounts, credit cards, saving accounts, deposit accounts, e-	C.3.2	% of customers supported with dedicated customer journey/advisory services	"Transactional data based. Where dedicated customer journey/advisory services are in place for prioritized groups, this indicator measures the percentage of customers using such services. Depending on size of bank, either number or percentage can be the unit of measure.		

			will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			money accounts, etc.						
	C.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.	C.2.3	# of new customers per month	Transactional data based. Measures the number of new customers per month. Once the bank sets a target, this indicator can become a KPI to measure the percentage of new customers from the prioritized groups, per month.	C.3.3*	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including financial health tools, if applicable)			