

Equator Principles Annual Report

January 01 – December 31, 2023

Content

- I. INTRODUCTION 3**
- II. IMPLEMENTATION OF THE EQUATOR PRINCIPLES IN BANORTE 4**
 - Social and Environmental Risk Management System 4
 - Organizational structure 4
 - Social and Environmental Risk Analysis Process 4
 - Identification..... 5
 - Categorization..... 5
 - Evaluation 5
 - Management..... 5
 - Climate Change 6
 - Nature 6
 - Environmental Impact Assessment. 6
 - Human rights 6
 - Review of the Equator Principles implementation 8
 - Training 8
- III. EQUATOR PRINCIPLES RESULTS REPORT 2023 9**
 - Project financial advisory services 9
 - Bridge Loans..... 9
 - Project-Related Refinance and Project-Related Acquisition Finance 9
 - Project financing 10
 - Project-related corporate loans 12
 - Project Name Reporting for Project Finance..... 13
 - CONTACT 14
- Annex 1. Banorte’s exclusion list..... 15**
- Annex 2. Banortes Equator Principles Evaluation Guide 16**

I. INTRODUCTION

At GFNorte, we consider social and environmental risks as a fundamental part of our business strategy. We maintain that both people and nature should be part of decision-making processes, and that a strong culture of risk prevention, mitigation, and compensation enables us to address present and future global threats such as climate change, biodiversity loss, or pandemic events.

In line with the Universal Declaration of Human Rights, the Paris Agreement, and the Global Biodiversity Framework, we have incorporated social and environmental risk management into business decisions, prioritizing respect for human rights, the fight against global warming and the protection of nature through our policies and institutional processes.

In 2012 we developed the Social and Environmental Risk Management System (SEMS) and adhered to the Equator Principles, being the second Mexican bank to adopt this framework in the country, committing to provide financing to clients who develop projects that are responsible for society and the environment, in compliance with the law and applying the best practices in the sector.

The SEMS oversees the of Socio-Environmental Risk Area (ARSA), which, since 2020, participates in the Central Committees and the National Credit Committees, under approval of the Risk Policy Committee, forming part of the financing decision-making.

This Banorte Ecuador Principles Implementation Report corresponds to the period between January 1 and December 31, 2023, in compliance with Principle 10 (Reporting and Transparency) and Annex B (Minimum requirements for presentation of reports) of version IV of the Equator Principles-2020 [1].

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

II. IMPLEMENTATION OF THE EQUATOR PRINCIPLES IN BANORTE

Social and Environmental Risk Management System

The Social and Environmental Risk Management System (SEMS) was created to identify, categorize, evaluate, and monitor the social and environmental risks and impacts of the financing we provide in Corporate Banking, Commercial Banking, and Infrastructure. SEMS is an integral part of the bank's credit process and is based on national legal frameworks, institutional regulations, and the Equator Principles, the highest standard for social and environmental risk management in the financial sector.

Organizational structure

The Socio-Environmental Risk Area (ARSA), made up of a team of experts in the field, belongs to the Sustainability Direction, which in turn reports to the Executive Direction of Sustainability and Investor Relations and is responsible for the operation and continuous improvement of the SEMS.

The SEMS is supported by the Sustainability Champions, a group of collaborators from the Credit area who serve as a link between ARSA and the bank's territories, to permeate the adequate management of socio-environmental risks at the national level.

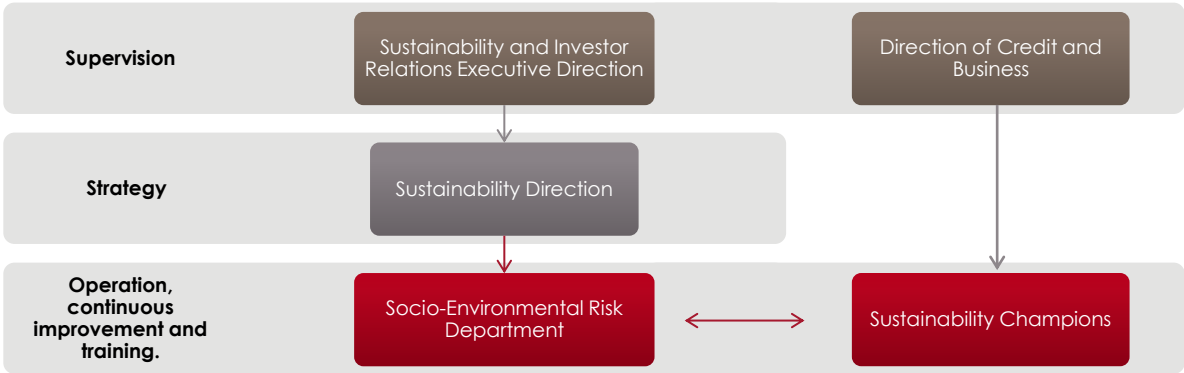


Figure 1. SEMS Organizational Structure

Social and Environmental Risk Analysis Process

The Due Diligence process consists of the identification, categorization, evaluation, and management of social and environmental risks and impacts that include potential impacts on human rights, which are communicated to the Credit Committees, prior to the authorization of financing.



Figure 2. SEMS Process

Identification

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

Categorization

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

Evaluation

Once the financings are categorized, we select those that must be evaluated through a due diligence, depending on the amount of credit, the financial product, and its destination. All sectors will be subject to evaluation, especially sensitive sectors [2].

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 [3] Evaluation, so we ask customers for information related to permits, resoluteness, licenses, plans, programs, specialized studies, and good practices to elaborate the due diligence (Annex 2).

Management

We monitor the socio-environmental performance of the loans evaluated during the life cycle of the financing. We consider the financings analyzed under the Equator Principles and include annual reviews, continuous advice for

2 Sectors of industrial activity that have the potential to cause adverse social and environmental risks and impacts in sensitive areas, such as the affectation of natural areas, displacement of populations, loss of species, damage to cultural heritage or Indigenous peoples, among others. Examples of sensitive sectors are mining, oil and gas, agriculture, energy, chemicals, tourism, forestry, among others.

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

clients and Credit and Business executives, site visits, as well as a monitoring of the reputational risk of the projects.

Climate Change

GFNorte acknowledges its essential role in combating climate change by acting as a financial intermediary between various economic agents and climate mitigation and adaptation efforts. We understand the significant importance of incorporating physical and transition risks into decision-making. Currently, GFNorte evaluates the physical and transition risks of its credit portfolio, the details of which can be found in the [Report on Climate Risk and Opportunities - TCFD 2023](#).

Nature

Banorte believes in the value of Nature as an essential asset that enables life and provides the goods and services necessary for societies to thrive and economies to grow. Additionally, it understands that responsible management of natural resources, as well as the conservation of ecosystems and biodiversity, are crucial for the profitability and resilience of businesses.

In 2019, we incorporated a dependency and impact approach into our [Natural Capital Policy](#).

Furthermore, with the aim of preventing resource depletion and biodiversity loss, the SEMS identifies projects located within 5 Km of Protected Natural Areas (ANP), biological corridors, mangroves, reefs, among others, using a georeferencing tool that utilizes information from the National Commission of Natural Protected Areas (CONANP), the National Commission for the Knowledge and Use of Biodiversity (CONABIO), and the National Water Commission (CONAGUA), which are governmental entities in Mexico. The SEMS validates the correct application and compliance with applicable environmental impact regulations through an evaluation that integrates the following aspect:

Environmental Impact Assessment.

In the case of projects that meet the eligibility criteria, an Environmental Impact Assessment (EIA) is requested, aiming to prevent, mitigate, and restore environmental damage.

Clients are requested to share the following documents as appropriate:

- Environmental Impact Statements (EIS) with programs for the prevention, minimization, mitigation, restoration, and compensation of environmental and social impacts and risks included.
- Resolution of the Environmental Impact Statement by the Ministry of Environment and Natural Resources (SEMARNAT).
- Preventive Report (IP).
- Resolution of the Preventive Report by the Ministry of Environment and Natural Resources (SEMARNAT).

Human rights

Banorte recognizes the value and importance of Human Rights, through the General Direction and the Specialist Direction of Sustainability and Responsible Investment, promotes policies and procedures aimed at the respect and protection of these for its collaborators, suppliers, clients, and groups of interest in general.

There is a [Human Rights Policy](#), which is based on national and international agreements and initiatives on Human Rights of which Mexico and Banorte are part. Currently, work is being done to review the policy to update Banorte's commitments, reference framework and guidelines on Human Rights; This update can be consulted in the 2024 Integrated Annual Report.

Additionally, with the objective of guaranteeing that these rights are considered and that communities are an active in the planning and execution processes of the projects, the SEMS, offers continuous advice to promote, the correct application and compliance with applicable regulations, as well as the establishment of best practices throughout the financing period, through an evaluation that integrates the following aspects:

Reputational risk monitoring.

The Socio-Environmental Risk Area (ARSA) analyzes the reputational risk of clients and projects that have been evaluated under the Equator Principles with a monthly monitoring of controversial issues in social and environmental matters with the use of artificial intelligence tools. If there are relevant findings, the area establishes contact with the stakeholders to clarify or, where appropriate, establish the necessary conditions to mitigate the risks and impacts.

Hiring policies and terms of employment.

Clients are requested to promote a culture of employment equality and non-discrimination in the workplace through the implementation of hiring policies and terms of employment so that equal opportunities are granted to collaborators, regardless of: race, color, religion, gender, sexual orientation, marital or marital status, national origin, disability, or any other status protected by federal, state or local laws, ensuring that the workplace is free of discrimination and other forms of intolerance and violence.

Social Impact Assessment.

For those projects that belong to the energy sector, the application of a social impact evaluation is requested, and its objective is to implement necessary actions to guarantee the sustainability of the project and respect for human rights during its useful life.

Local populations have legitimate rights to a healthy environment, to participate in the decision-making process that affects them and to be consulted in an informed and culturally appropriate manner in advance about the projects that will be developed in their territories. This contains the identification of the communities and towns located in the Area of Influence, as well as the identification, characterization, and measurement of the consequences to the population that could arise from it and the mitigation measures and social management plans. Periodic evidence of its correct application is requested.

Land acquisition and involuntary resettlement.

Projects that have generated some physical or economic displacement of populations are identified and, if so, it is verified if the client considered any alternative with the purpose of minimizing the displacement or if any compensation was offered to the affected groups.

Grievance mechanism.

In cases where there is a presence of affected communities due to their location, the client is encouraged to establish a Grievance Mechanism to receive concerns and complaints from the communities about the projects or the client and facilitate their resolution. This must be adapted to the risks and adverse impacts of the project. Efforts should be made to resolve concerns promptly through an understandable and transparent consultation process that is culturally appropriate and easily accessible, and without cost or retaliation to those who raise the issue or concern. Additionally, the client is requested to inform the affected communities about the mechanism and evidence of its correct application is periodically requested.

Public consultation.

The application of a public consultation is requested with the objective of guaranteeing a transparent process to inform the communities involved so they can express their comments, doubts and concerns and these do not represent a risk in more advanced stages of the process.

Free prior and informed consent.

Based on the International Finance Corporation's Performance Standard 7, indigenous peoples are particularly vulnerable if their lands and resources are significantly modified, occupied, or deteriorated and their languages, cultures, religions, spiritual beliefs and institutions may be threatened and could be more vulnerable to adverse impacts associated with project implementation.

When it is proposed to locate a project or commercialize natural resources on lands traditionally owned or under customary use by indigenous peoples, adverse impacts or possible resettlement could arise, ARSA requests the client to obtain free, prior and informed consent. (FPIC) to ensure that the rights of indigenous peoples are guaranteed in any decision that may impact their lands, territories, or livelihoods. It guarantees the right of these peoples to give or deny their consent to these activities, without fear of reprisals or coercion, within a period of time and with adequate resources.

Review of the Equator Principles implementation

The Sustainability Direction, together with the Socio-Environmental Risk Area, annually review the application of the Equator Principles and the optimal operation of the System, as part of the continuous improvement process of the SEMS. The review considers the achievement of objectives, the identification of areas of opportunity and feedback from areas such as Credit, Risks, Regulations, HR-Training, Communication and Specialized Areas.

Training

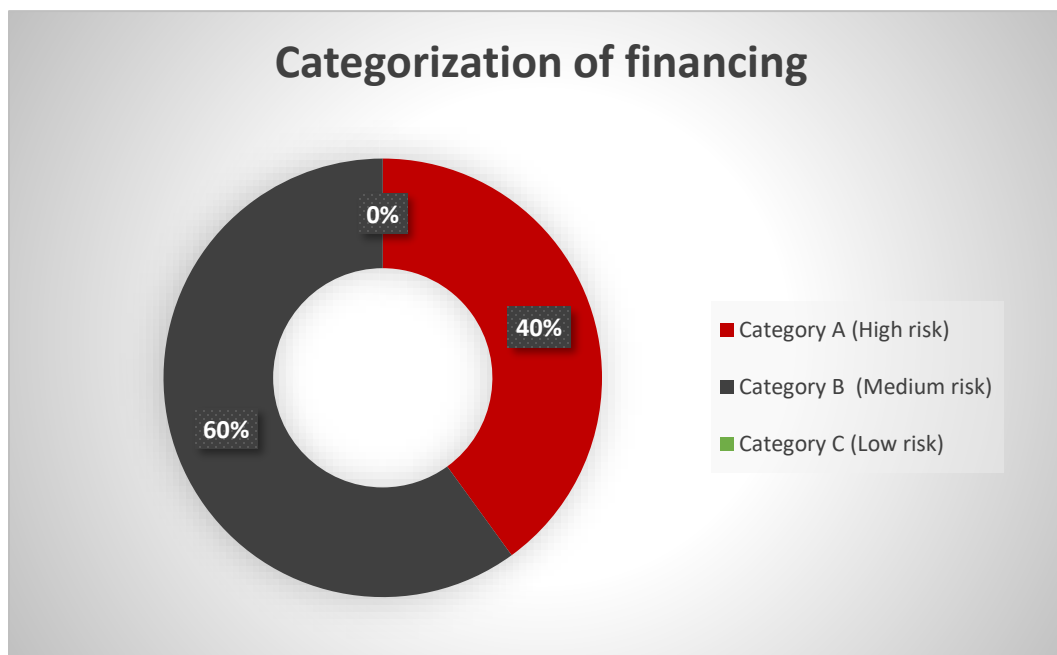
Continuous training of the Credit, Business and Risk areas is a priority objective to consolidate the culture of social, environmental and climate risk management at Banorte. We are sure that awareness and the development of skills are aspects that contribute to adequately managing the related risks and impacts. For this reason, in 2023 we trained 1,710 employees in the previously mentioned areas.

Similarly, with the aim of ensuring capacity improvement and the functioning of the system, in 2023, the ARSA was trained in sustainable accompaniment, application of environmental legislation, management of social and environmental risks in financial institutions, legislation and legal protection of cultural and natural heritage, as well as climate change and nature employing the frameworks of the *Taskforce on Climate-related Financial Disclosures* (TCFD) and the *Taskforce on Nature-related Financial Disclosures* (TNFD).

III. EQUATOR PRINCIPLES RESULTS

REPORT 2023

Since 2020, Banorte has implemented updates to the guidelines of the Equator Principles version IV. Regarding the granting of financings, during the period from January 1st to December 31st, 2023, the application of these Principles yielded the following results.



Graph 1. Categorization of financing granted in 2023.

Sixty percent of the total financings assessed under the Equator Principles are categorized with a B risk level.

Project financial advisory services

Banorte did not authorize any operation of 10 million dollars or more for financial advisory services for projects with significant adverse social and environmental risks.

Bridge Loans

Due to their nature, the information about the bridge loans is not subject to specific reporting requirements of the report [4].

Project-Related Refinance and Project-Related Acquisition Finance

Banorte did not authorize any operation of ten million dollars or more for Refinancing related to Projects and

⁴ <https://equator-principles.com/wp-content/uploads/2020/05/The-Equator-Principles-July-2020-v2.pdf>

Financing of Acquisitions related to Projects.

Project financing

Twenty projects were financed during 2023 (Table 1), all of which belong to the "Americas" region and are located in Mexico (non-designated country).

Most of the projects are in category B, within the construction, infrastructure and tourism sectors with mitigatable social and environmental risks and impacts. In addition, category A projects were financed in the construction and infrastructure sectors.

	Category A	Category B	Category C
Projects by category	8	12	0
By sector			
Energy	0	0	0
Infrastructure	3	4	0
Mining	0	0	0
Oil and gas	0	0	0
Other	0	0	0
Agricultural	0	0	0
Construction	5	7	0
Manufacture	0	0	0
Chemical	0	0	0
Tourism	0	1	0
By region			
America's	8	12	0
Europe, Middle East and Africa	0	0	0
Pacific Asia	0	0	0
By designated country			
Designated	0	0	0
Non-designated	8	12	0
Independent monitoring [⁵]			
Yes	8	12	0
No	0	0	0

Table 1. Project Finance

⁵ All independent reviews were carried out by Banorte's Socio-Environmental Risk Area.

Projects evaluated by Equator Principles						
Category	A		B		C	
Year	2023	2022	2023	2022	2023	2022
Number of projects	8	1	12	14	0	0

Table 2. Projects evaluated by Equator Principles in 2022 and 2023

Infrastructure		
Project	Category	Date
Modernization of wastewater treatment plants	B	10/05/2023
Gas pipeline construction	B	14/04/2023
Highway construction	A	12/06/2023
Highway expansion, interchange, and tollbooth	B	05/07/2023
Highway construction	A	14/07/2023
Construction, equipment, start-up of collectors and wastewater treatment plant	A	01/11/2023
Construction of overpass and base infrastructure for a bridge	B	27/10/2023
Tourism		
Project	Category	Date
Hotel purchase and remodeling	B	27/09/2023
Construction		
Project	Category	Date
Hotel construction and equipment, as well as construction of commercial premises	A	29/03/2023
Apartment construction	B	01/12/2023
Shopping Center construction	B	16/03/2023
Hotel construction and start-up	A	22/05/2023
Condominium construction	B	11/05/2023
Real estate development construction	B	30/05/2023
Apartment towers construction	B	20/04/2023
Housing construction, urbanization works	A	02/08/2023
Industrial warehouses construction	A	10/07/2023
Housing construction	B	12/12/2023
Residential development construction	B	08/11/2023
Hotel construction	A	30/11/2023

Table 3. Project financing in 2023

Project-related corporate loans

In 2023, one corporate loan was financed, which belongs to the Americas region, is in Mexico (not designated country) and has a socio-environmental review by an independent consultant. The project is in category A, belonging to the oil and gas sector with potential risks and/or significant adverse social and environmental impacts that are diverse, irreversible, or unprecedented.

	Category A	Category B	Category C
Projects by category	1	0	0
By sector			
Energy	0	0	0
Infrastructure	0	0	0
Mining	0	0	0
Oil and gas	1	0	0
Other	0	0	0
Agricultural	0	0	0
Construction	0	0	0
Manufacture	0	0	0
Chemical	0	0	0
Tourism	0	0	0
By region			
Americas	1	0	0
Europe, Middle East, and Africa	0	0	0
Pacific Asia	0	0	0
By designated country			
Designated	0	0	0
Non-designated	1	0	0
Independent monitoring			
Yes	1	0	0
No	0	0	0

Table 4. Project-Related Corporate Loans by sector

Oil & gas		
Project	Category	Date
Exploration and Extraction of Hydrocarbons	A	06/11/2023

Table 5. Corporate Project-Related Loan in 2023

Project Name Reporting for Project Finance

In Mexico, according to the Credit Institutions Law ^[6], we cannot disclose the project name of financings because its publication would violate current rules. Article 142 stating that the information and documentation relating to operations and services shall be confidential.

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

For more information, please visit:

<https://investors.banorte.com/~media/Files/B/Banorte-IR/Sustainability%202023/Reports/Integrated%20Annual%20Report%202023.pdf>

<https://investors.banorte.com/~media/Files/B/Banorte-IR/sustainability/policies-and-procedures/en/Human%20Rights%20Policy.pdf>

<https://investors.banorte.com/~media/Files/B/Banorte-IR/Sustainability%202023/Reports/Report%20on%20Climate%20-%20Related%20Risks%20and%20Opportunities%20TCFD%202023.pdf>

⁶ <https://www.diputados.gob.mx/LeyesBiblio/pdf/LIC.pdf>

CONTACT

Beatriz Sánchez Covarrubias
Sustainability and Responsible Investment Director
beatriz.sanchez.covarrubias@banorte.com

Fernando Puente Flores
Sustainability Director
fernando.puente.flores@banorte.com.mx

Diana Itzel Jiménez Márquez
Social and Environmental Risk Manager
diana.jimenez.marquez@banorte.com

Salvador Rosales Reyes
of Social and Environmental Risk Assistant Manager
salvador.rosales.reyes@banorte.com

Aldo Torre Valenzuela
Social and Environmental Risk Coordinator
aldo.torre.valenzuela@banorte.com

Ivonne Mariel Beltrán Bahena
Social and Environmental Risk Coordinator
ivonne.beltran.bahena@banorte.com

Aurora Reyes Juárez
Social and Environmental Risk Analyst
aurora.reyes.juarez@banorte.com



Annex 1. Banorte's exclusion list

Pursuant to section 1.4.7 Risk or Prohibited Situations of the Credit Manual, the following activities or operations are considered prohibited, therefore do not require a preliminary analysis to determine their decline:

- a. Production or activities that involve forced labor (1) or child labor exploitation (2).
- b. Production or commerce of any product or activity considered as illegal, all in the current legal framework.
- c. Any business related to pornography and prostitution.
- d. Trade in protected species regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- e. Production or trade of radioactive material (including warehousing and treatment of radioactive wastes.) asbestos, polychlorinated biphenyl (PCB) and others chemical products that have been prohibited internationally.
- f. Production or trade of pharmaceuticals or pesticides and herbicides subject to international prohibition.
- g. Production or trade of harmful substances that damage the ozone layer subject to international prohibition.
- h. Marine fishing using nets more than 2.5 kilometers in length.
- i. Commercial logging operations in primary rainforest.
- j. Any other activity that violates environmental, health or industrial safety laws.
- k. Churches
- l. Gambling businesses, or individuals or legal entities whose main income/activity comes from the gambling business.
- m. Armament or Military Equipment.
- n. Unions and Political Organizations. The Central Credit Committee, with the additional signature of the General Director of GFNorte, has the exclusive power to authorize financing to the three most important national political parties registered before the National Electoral Institute (INE), by exception, credit may be authorized to other political parties registered before the INE but only for up to 4'000,000 UDIS, and the Risk Policy Committee must be informed of these exceptions.

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

Operations with applicants whose Credit Bureau results show a report with any of the following characteristics are also prohibited:

- Suspension of Payments or Bankruptcy, except procedures extinguished:
 - Prevention Key 80. Client declared in Bankruptcy, Suspension of payments or in Commercial Bankruptcy.
- Fraud, except when the Credit Bureau and/or the creditor indicate that the fraud is not attributable to the customer.
 - Prevention Code 82. Client who caused loss to the grantor due to proven fraud.
 - Observation Code FD. Fraudulent Account.
 - MOP 99. Fraud committed by consumer.
- Prevention Code 78; Business receiving credit cards that caused loss to the Institution.
- UP Observation Code. Account causing loss. Amounts greater than 2,000 UDIS, except when the losses represent less than 5% of the current debts in Credit Bureau.
- Prevention Code 86; Client who disposed of the guarantees backing the credit, without authorization of the grantor.

The above five points are accepted in the case of a debt Restructuring with Banorte granted prior to obtaining the negative result, in accordance with the provisions of the sub-numerals of 1.4.4 Credit Bureau.

Annex 2. Banortes Equator Principles Evaluation Guide

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

Principle I. Review and Categorization

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

Principle II. Social and Environmental Assessment

Evaluation of social and environmental risks and impacts

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

Informed Consultation and Participation (IPC)

- Public Consultation (MIA).

Human rights assessment

- Analysis of potential adverse impacts on human rights

Climate change assessment

- Climate change analysis that considers relevant physical risks.
- For projects that have Scope 1 and 2 emissions totaling more than 100,000 tons of CO₂, consideration of relevant transition risks and analysis of alternatives with less intensity of Greenhouse Gases (GHG) emissions.

Principle III. Applicable Social and Environmental Standards

1 Assessment and Management of Social and Environmental Risks and Impacts

- Related to IFC Principle I

2 Labor and Working Conditions

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

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

3 Resource Efficiency and Pollution Prevention

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

4 Community Health, Safety, and Security

- Safety and health.
 - Identification and evaluation of the risks and impacts for the health and safety of the affected communities.

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

5 Land Acquisition and Involuntary Resettlement

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

6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

- Conservation of biodiversity
 - Project in modified, natural or critically important habitats that can affect ecosystem services.
 - Measures to avoid, minimize, mitigate, and restore the loss of biodiversity and affected ecosystem services (protection of reserve areas, biological corridors, habitat restoration, equivalent compensation).
- Ecosystem services
 - Systemic review to identify priority ecosystem services that could be adversely impacted.
 - Mitigation measures necessary to minimize adverse impacts and maintain the value and functionality of priority services.
 - In the case of priority services, measures to increase the efficiency of the use of resources in their operations.

- Location on non-forest land or land already converted.
- Promotion of actions so that its suppliers adopt good practices on the conservation of biodiversity and the sustainable management of resources.

7 Indigenous People

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

8 Cultural Heritage

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

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

For all Category A and Category B Projects the EPFI will require the client to develop and / or maintain an Social and Environmental Management System (ESMS) to manage the social and environmental risks and impacts of the project, as well as with an Action Plan of the Equator Principles that considers the observations of the independent consultant and the socio-environmental risk area of Banorte.

- Social and Environmental Management System (ESMS).
 - The Social and Environmental Management System is the global environmental, social, health and safety management system that can be applied at the company or project level. The system is designed to continuously identify, assess, and manage project-related risks and impacts.
 - Policy, management programs, organizational capacity, and competence, monitoring and evaluation.
 - Policy with social and environmental objectives and principles that guide the project to achieve good performance.
 - Management programs that describe the measures and actions to mitigate and improve performance, aimed at addressing the identified social and environmental risks and impacts.

- Equator Principles Action Plan (EPAP).
- Programs that include social and environmental action plans with objectives, goals, compliance deadlines, methods, indicators, resources, and responsible parties.
- Personnel responsible for the social and environmental performance of the project with the knowledge, skills, and experience necessary to manage the ESMS efficiently.
- Law consideration.
- Measurement of the effectiveness and efficiency of the ESMS, legal compliance and improvement in the social and environmental performance of the project.

Principle V. Stakeholder Engagement

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

Principio VI. Grievance Mechanism

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

Principio VII. Independent Review

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

Principio VIII. Covenants

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

Principio IX. Independent Monitoring and Reporting

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

Principio X. Reporting and Transparency

- Banorte must report annually to the Association of Principles, the name of the evaluated project, the sector, and the year of closure. Currently, Banorte does not share such information in accordance with article 142 of the Law on Credit Institutions. Article 142 of the Law on Credit Institutions indicates that the information and documentation related to operations and services will be confidential. Thus, credit institutions, protecting the right to privacy of their clients and users, can only give information to the owner, their representatives and, when requested, the judicial authority, the National Banking and Securities Commission, the Bank of Mexico, the Institute for the Protection of Bank Savings and the Commission for the Protection and Defense of Users of Financial Services.
- Information required by Banorte, in time and form.
- Public social and environmental risk and impact assessment
 - Summary of the social and environmental impact assessment available online.
- Level of public GHG emissions
 - In the case of projects whose Scope 1 and 2 emissions exceed 100,000 tons of CO₂ equivalent per year, annual publication of GHG emission levels during their operation phase (considering the sum of Scope 1 and 2 emissions)
- Biodiversity data
 - Periodic reports to the affected communities in which they describe the progress in the implementation of the project's action plans with respect to issues that entail risks or impacts, as well as regarding issues of concern during the consultation process or through the complaint mechanisms.
- Transparency
 - Public information, participation in initiatives, reporting
 - Environmental, social, sector recognition (Clean Industry, STPS, others)
- Structure
 - Environmental, social, sustainability, quality, money laundering, anti-corruption, anti-competitive behavior policy
 - Certifications 14001, ISO 50001, ISO 9001, ISO 45001, others.
- Anti-corruption
 - Internal / external mechanisms to detect irregularities regarding unethical or illegal behavior, which may put the integrity of the organization / project at risk.
- Code of ethics, money laundering, crime prevention, anti-competitive practices

- Fines or penalties