

## Grupo Financiero Banorte SAB de CV - Climate Change 2018

### C0. Introduction

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#### C0.1

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

Our Company, Grupo Financiero Banorte (hence, “GFNorte” or “Our Company”) is one of the leading institutions in Mexico, currently the third largest bank in Mexico measured in size of deposits and fourth in credit. Our Company has a network of 1,148 branches, 7,911 ATMs, 165,441 POS terminals and 26,131 third party correspondent banking locations; it is also the only large financial institution which is not owned in majority by a global international bank. GFNorte offers retail banking products and services, broker dealer services, private and investment banking, mutual funds, leasing and factoring, financial warehousing, insurance, annuities and retirement savings. Moreover, it is also present in USA (New Jersey and California) via the remittance company Uniteller and in New York City through Banorte Securities.

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

Banorte was founded in 1899 in the city of Monterrey, where it began operations as a regional bank. In 1992, in the banking privatization process, Banorte was acquired by a group of businessmen, led by Mr. Roberto González Barrera. Through a series of strategic acquisitions following the Mexican financial crisis in the mid-1990s, Banorte consolidated a national presence in Mexico. It currently operates as a financial group called Grupo Financiero Banorte (GFNorte), under a universal banking model offering a wide variety of products and services through its brokerage house, pension and insurance companies, Afore, mutual funds, as well as as the leasing and factoring companies and the storage company. At the end of March 2018, GFNorte manages US \$ 135 billion in assets in custody. Grupo Financiero Banorte (GFNorte) offers a wide variety of products and services through its bank, brokerage house, pension and insurance companies, Afore, investment funds, as well as the leasing, factoring and storage companies. At the end of March 2018, measured by its assets, Banorte is already the second largest financial group in Mexico.

The shares of GFNorte are listed on the Mexican Stock Exchange (BMV) with the ticker "GFNORTEO" - the third most liquid share in Mexico and one of the companies with the highest float, greater than 80% - in the Stock Exchange of Madrid under the "XNOR" symbol and in the US market through an ADR listed in the OTCQX market with the "GBOOY" symbol. Also GFNorte is part of the following sustainability indexes: IPC Sustentable, Dow Jones Sustainability Index, FTSE 4Good and Vigeo Emerging Markets 70.

Grupo Financiero Banorte, S.A.B. de C.V. (“GFNorte” or “Our Company”) cautions that the information in this questionnaire contains forward looking statements. These forward looking statements are found in various places throughout this document and include, without limitation, statements concerning our future business development and economic performance of the Company. While these forward looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to:

- (1) General market, macro-economic, governmental and regulatory trends;
- (2) Movements in local and international securities markets, currency exchange rates, and interest rates;
- (3) Competitive pressures;
- (4) Technological developments;
- (5) Changes in the financial position or credit worthiness of our customers, obligors and counterparties; and
- (6) Climate-related issues.

## C0.2

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

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Row 1	January 1 2017	December 31 2017	No	<Not Applicable>
Row 2	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Row 3	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Row 4	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

## C0.3

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

Mexico

United States of America

## C0.4

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

MXN

**C0.5**

**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.**

Financial control

**C1. Governance**

**C1.1**

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

Yes

**C1.1a**

**(C1.1a) Identify the position(s) of the individual(s) on the board with responsibility for climate-related issues.**

Position of individual(s)	Please explain
Chief Executive Officer (CEO)	Our CEO Marcos Ramirez (member of the Board), is responsible for reviewing issues related to climate change, as he is the one who decides in which initiatives we became signatories, and also the one who approves the sustainability strategy. For this, our COO Rafael Arana, who reports directly to him within the executive committee, is the one that defines the sustainability strategy, with climate change being one of the priority issues.

**C1.1b**

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

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action	

**C1.2**

**(C1.2) Below board-level, provide the highest-level management position(s) or committee(s) with responsibility for climate-related issues.**

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Chief Operating Officer (COO)	Assessing climate-related risks and opportunities	Half-yearly

### C1.2a

**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored.**

Our COO is in charge of defining and reviewing the group's sustainability strategy (including all topics related to climate change). In turn, the implementation of this strategy is carried out through two areas; the Executive Head of Relations with Investors, Sustainability and Financial Intelligence and the Executive Head of Material Resources.

The Head of Investor Relations, Sustainability and Financial Intelligence have a Specialist Department of Sustainability and Responsible Investment. This area is responsible for the following points:

- Sustainable Finances: Socio-Environmental Risk Management System (SEMS) in the credit portfolio (Equator Principles and IFC methodology) and Responsible Investment (Principles of Responsible Investment).
- Social Initiatives (including employees, clients, suppliers and community): community engagement, volunteering, Human Rights and employee engagement.
- Transparency and Stakeholder Engagement: elaborate the Integrated Annual Report, sustainability questionnaires and investors' requirements, participation in Sustainability Indexes in national and global stock exchanges.

On the other hand, in the Head of Material Resources there is an Energy and Maintenance Department. This is in charge of all the infrastructure and operation, including; the monitoring and reporting of our energy consumption and their respective emissions, as well as the implementation of energy efficiency initiatives, waste management and water care.

### C1.3

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

Yes

### C1.3a

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**(C1.3a) Provide further details on the incentives provided for the management of climate-related issues.**

**Who is entitled to benefit from these incentives?**

Environment/Sustainability manager

**Types of incentives**

Monetary reward

**Activity incentivized**

Emissions reduction project

**Comment**

A monetary reward is given as percentage of the annual bonus that is directly related to performance and/results in: (i) Projects in Scope 1+2: collaboration with Energy Department in the development of energy projects and energy consumption efficiency in operations, reflected in energy consumption indicators and reduction of Scope 1 and 2 emissions. (ii) Projects in Scope 3: (a) Efficient paper consumption. Performance indicators based on percentage of reductions in paper consumption per employee compared to the base year. (b) Increasing the recycled amount of waste and paper. (iii) Ongoing projects: Performance based on the scores obtained from distinct evaluators in response of disclosure reports for CDP, DJSI, Sustainable IPC Index, GEI México, Vigeo, ESR (CSR Mexican award). (iv) Results: (a) 15% reduction in GFNorte's energy intensity per unit revenue by 2017 against 2016. (b) 3% reduction in our global energy consumption per full time employee against 2016. (v) Ongoing targets: 10% additional reduction in GFNorte's tonCO<sub>2</sub>/FTE by 2020 with baseline 2014.

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**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Monetary reward

**Activity incentivized**

Efficiency project

**Comment**

Specifically for Alternate Channels department. Their initiatives favor reduction in client's mobility due to transporting to/from the Company's facilities/branches (therefore client's Scope 1), paper consumption reduction and token usage reduction (Scope 3), which contributes to the natural resources consumption, thus reducing waste and equivalent CO<sub>2</sub> emissions. Monetary reward is awarded as percentage of an Annual Bonus related to performance and/or results in: (i) Projects: (a) Campaigns for reutilization and recycling of token devices. (b) Spreading the use of online/mobile banking and electronic channels. (c) Promotion of email account statements. (ii) Achievements: (a) 2.3 million of clients performed 160 million of banking transactions through Internet (b) Mobile banking clients

increased 5% and transactions by 107%. (c) 502,663 clients acquired cellular token in 2017, a 77% increase versus 2016. (d) 561 ATMs were replaced with energy efficient models.

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**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Recognition (non-monetary)

**Activity incentivized**

Efficiency project

**Comment**

As one of our major efficiency projects in responsible resources management, our Paperless program recognizes the achievements of our Paperless Champions through internal communications and symbolic statues. Generally speaking, the Paperless program monitors the paper consumption of our Company, detecting the consumption peaks to identify the individuals or departments with greater usage, in order to assess and address these opportunities. Moreover, whenever a special project is implemented and has significant results, it is recognized. This way, the Paperless Champion recognition is awarded when an individual or team (be it a group of employees or a whole department) devises a project which will substantially reduce the paper consumption in their operations. (i) Achievements: (a) Initiatives implemented: 1. Origina, which seeks for efficiency at printing; 2. Optimization of the payroll contract process (new), in 2017 this initiative saved 44 tons of paper; (b) In 2017 GFNorte had a YOY 10.73% reduction in paper consumption and 17.89% in consumption per employee (c) 499 tons of paper and cardboard were recycled in 2017. (d) Papercut avoided the use of 1.81 tons of paper and (f) Mobile adjuster allowed savings up to 10 tons of paper. (ii) Current goal: 15% reduction in paper consumption intensity per FTE in the Banking sector by 2020 with baseline 2014.

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**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Monetary reward

**Activity incentivized**

Other, please specify (Sustainability-related projects)

**Comment**

Ingenio Banorte: This innovation contest is open to all GFNorte's employees. It seeks to promote individual or group participation to propose innovative ideas to implement later on within the Company. Relevant categories of this contest are the "Internal Processes" area, considering operational eco-efficiency (energy, paper and other resources and strategies) and related issues, and the "Social

Responsibility" area, which comprises environment protection, climate change mitigation and adaptation, support to community, supply chain matters and ethics. Within the scope of this contest, they must provide a thorough description of the idea, its implementation method, expected impacts, evidence to support the predicted impact, investment to implement it and other relevant issues to analyze the business case. Participants are evaluated based on criteria like innovation, (environmental, social and/or economic) impact of the solution / strategies, relevance of the topic, ease of implementation, originality, and feasibility, among others. Winners obtain the "Innovation" prize, consisting of a monetary reward equivalent to several months of salary, as well as recognition through internal media, direct access to Special Development Programs, an invitation to take part in the Innovation Committee during next year's period and a special mention in their personal record as "Outstanding innovating performance", which will be taken in account to be promoted within the Company later on. Among the winner projects for Ingenio Banorte 2017 was the "Bank credit with impact" (3rd place). Impact discount loans have a built-in incentive that lowers the interest rate for borrowers as long as they achieve social / environmental objectives, in addition to financial profitability.

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#### **Who is entitled to benefit from these incentives?**

Chief Operating Officer (COO)

#### **Types of incentives**

Monetary reward

#### **Activity incentivized**

Other, please specify (Efficiency in operations)

#### **Comment**

A monetary reward is given to the COO as percentage of the annual bonus that is directly related to performance and/results in decreasing the operating expenses: staff expense, administration and promotion expenses, among others. Within the administration category, the expenditure in energy consumption is measured. In conjunction with the Energy Department, initiatives to reduce this expense, such as the development of energy projects and energy consumption efficiency in operations, are performed. Furthermore, the expense in other supplies is measured, such as paper consumption, reduced with digital tools, and the expenditure in business travel, reduced by video conferences and online meetings.

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## **C2. Risks and opportunities**

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### **C2.1**

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**(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.**

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

## C2.2

**(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.**

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

## C2.2a

**(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.**

	Frequency of monitoring	How far into the future are risks considered?	Comment
Row 1	Six-monthly or more frequently	>6 years	

## C2.2b

**(C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.**

At Company-level. Our risks identification and assessment process is based on a materiality analysis performed by an external counselling firm (Valora), and the Sustainability and Investors Relations Department. This analysis is carried out by means of public information related to the significant aspects of sustainability in order to prioritize the issues to manage, as perceived by our stakeholders and by the company itself. We perform frequently follow-ups of every aspect deemed as material to the Company, along with the support of our stakeholders, in order to improve, have feedback about and update our most significant issues. The periodicity in the revision of issues management occurs annually, and the materiality analysis is performed every 3 years. To the end of 2017 we identified more than 200 material topics, grouped into 26 categories. The level of prioritization is graphically displayed in a public materiality matrix (axe Y "Company, axe X "Stakeholders). The materiality issues related with the environment are a) compliance, b) technology and innovation, c) energy eco-efficiency, d) responsible investment, e) financing of infrastructure and sustainable projects, f) development of communities, g) value chain, h) brand management and reputation, i) management of water, waste and paper and j) internal purchasing processes.



Among the Company-level risks, the loan and financing risks area managed through our Social and Environmental Risk Management System (SEMS). On a daily basis, we perform identification, allocation, evaluation and management of risks related to our loan and financing activities, based on the national legal framework, IFC performance standards and The Ecuador Principles. This strategy involves the departments SEMS and Credit, which review the customer's activity, the financial product, the destination of the credit and reputation. We assess the risks identified assigning a level of socio-environmental risk, depending on the magnitude of their impacts and the possibility of mitigating them (low risk (C), medium risk (B) and high risk (A)). The result is reviewed by the Credit department, who manages it in order to approve or denial financing. The financial impact of the credit determines standard of assessment: i) superior to 1 million dollars: Performance Standards; ii) superior to 10 million dollars: Principles of Ecuador; iii) lower than 1 million dollars: internal SEMS evaluation.

This process is published in our annual integrated report an within an Equator Principles document, as a communication mechanism for all our share and stakeholders.

At asset-level. Our Company assess the material risks under the methodology of ISO 31000. Asset risks/opps are considered on subsidiary, regional or individual levels within our Business Continuity Policy (BCP) and a Contingency Plan that set out guidelines for what to do in case of a sinister. This includes events related to natural disasters such as earthquakes (e.g., in Mexico City), hurricanes (e.g., in Monterrey), floods (e.g., branches in states near the sea), among other physical events, for one particular site or a definite region that can affect our facilities and by subsequence, our operations. This policy define responsible staff for executing the actions of the contingency plans and their roles, including Directors, Assistants, Managers, employees (our Company trains 10% of each building's employees in brigades) and Committees associated. This methodology also studies expense or fall in revenue arising out of a disaster, change in market conditions, failure of a product, or other events under or beyond a management's control.

Specifically, we follow a management system for risks assessment through our Environmental Impacts Matrix (RIECM), which prioritize impacts by weighting their type, activity, input and output, environmental impact, time, gravity, relevance, reversibility and evolution. The result of this assessment comprises values from 0 to 505+ (the higher the value, the higher relevance) and determines the impact's significance to prioritize in the short- and long-term. We define the financial impact of risks as follows (currency units on C0.4): 1. Insignificant to Minor >0 and <1,500,000; 2. Moderate to Higher >1,500,000 and <150,000,000; 3. Severe to Very severe >150,000,000 and =<1,500,000,000. Starting from a Moderate impact, we consider a substantive financial impact in our business. Furthermore, our Sustainability Management System (SMS) is now allowing us to gradually increase our top-down scope strategy, as we are now able to monitor indicators in a per site basis to define the zones which require additional measures through "hot spots" of

high consumption/risk and our progress against targets. Hot spots and improvements that are not being achieved in the proposed timeframes are prioritized.

## C2.2c

### (C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	We analyze the regulatory demands in Mexico, the country where 99% of our operations is performed. The relevance of this kind of risk is reflected in our materiality matrix, in which the compliance with regulations is considered an external impact with highly significance to our financial Group and our stakeholders. As a financial company, our impacts related with climate change are derived mainly from fuel and electricity consumption. Therefore, the identified risks regard the following regulations: Mexican General Climate Change Law, National Registry of Emissions, Energy transition law, among others.
Emerging regulation	Relevant, always included	We constantly seek for changes and emerging regulation in Mexico, the country where 99% of our operations is performed. In consequence we prepare for sudden changes. For example, we reported our emissions data to the National Registry of Emissions before the 2018 regulation that demanded a mandatory reporting to Companies above 25 thousand tons of CO <sub>2</sub> e per annum. Thus, this new regulation will not significantly affect our activities. Furthermore, we attended several trainings about the new carbon market system in Mexico, which will come into force in 2021.
Technology	Relevant, sometimes included	We constantly evaluate technological improvements or innovations that support the transition to a lower-carbon and have a significant impact on our organization. For instance, we evaluate the renewable energies options in Mexico, such as wind power and co-generation. This assessment involves areas such as Acquisitions, Legal and Energy.
Legal	Relevant, always included	Our Legal department attends claims and issues regarding environmental topics, in case these issues arise. In 2017, GFNorte did not receive any environmental fines, which was verified by a third party in accordance with GRI 307-1: "Non-compliance with environmental laws and regulations".
Market	Relevant, sometimes included	As a financial institution, we are in constant relation with most of socioeconomic sectors through our loan and investment activities. In consequence, changes in the market for certain commodities, products and services as climate-related risks are taken into account as an indirect effect to our Company. For example, increased cost of fuels and pesticides impact directly on agricultural and industrial sector and it may affect the profitability of their commercial activities and therefore the ability to pay respective loans. Also, the climate-change related risks are managed by our SEMS initiative, providing a helpful starting point for managing sectorial risks which have been identified with our clients' businesses by identifying costs and methods associated with these potential risks going forward.
Reputation	Relevant, always included	Our Company is focused on its 2020 Vision, with the objective of becoming the best financial group in Mexico. Therefore, we take care of every need from our stakeholders and we consider our brand management and reputation within our materiality analysis, which is a primary source for our risk and opportunities analysis.
Acute physical	Relevant,	Our Maintenance Department constantly over watches the state of our buildings, particularly those in vulnerable areas to physical

	Relevance & inclusion	Please explain
	always included	risks such as floods, hurricanes or cyclones. According to the Mexican Institute of Ecology and Climate Change, vulnerability in Mexico is a likely risk considering our geographic position (between two oceans, latitude and reliefs). The 11% of our branches is located in six states with high vulnerability (Veracruz, Tabasco, Chiapas, Oaxaca, Guerrero, Michoacan).
Chronic physical	Relevant, always included	The 28% of our branches is located in northern states of Mexico, where, a desert environment is predominant. In these states (Baja California, Sonora, Chihuahua, Coahuila and Nuevo Leon), the high temperatures may affect the performance of air conditioning equipment in the long term. We mitigate this risk with our Integral Energy Control System and the replacement of older models of equipment for more efficient ones. Also, in the most recent construction of corporate building, we installed windows with double insulated glass and we optimised work spaces for natural lighting.
Upstream	Relevant, sometimes included	Our emissions from upstream activities such as transportation and distribution, waste, capital goods and business travel are analysed every year. The risks related with our purchased goods, waste and business travel, are relevant to us. Regarding Purchased goods, we consider the risks of emerging gas emissions/leakage of refrigerant gases, particularly the R—22. Our company purchases the recharge service to suppliers that give maintenance to AC. In order to diminish the use of chlorofluorocarbons, we constantly replace our air conditioning equipment. The renovation of equipment is part of our Maintenance annual budget. The waste risks due to incorrect disposition are avoided through recycling and the risks from business travel are diminished by our current digital transformation. We encourage employees to reduce unnecessary business travel, promoting a better use of technology-based alternatives like online meetings and other tools that support collaborative working from different locations.
Downstream	Relevant, sometimes included	As a financial company, the risks related with our banking activities are always included in our risk assessment. Our Social and Environmental Management System analyses every year -under Equator Principles- the impact of loans. It assigns a level of social and environmental risk to credits, depending on the magnitude of their impacts and the possibility of mitigating them. Risk is classified into three categories: low risk (C), medium risk (B) and high risk (A). In addition, special attention is paid to sensitive industrial sectors such as mining, oil and gas, chemicals, among others, due to its high potential for affecting natural areas, indigenous communities and cultural heritage.

## C2.2d

### (C2.2d) Describe your process(es) for managing climate-related risks and opportunities.

The decision to manage climate-related risks is performed by the Sustainability and Responsible Investment department, and it is approved by the Executive Direction of Investor Relations, which submits high-impact proposals to our COO. The capitalization of opportunities is performed by several departments, supported by Sustainability and RI.

At asset level, through the RIECM, we analyse our operations' inputs and outputs to prioritize environmental issues. At company level, our materiality study allows us to prioritize relevant topics as perceived by our stakeholders and by the company itself.

Through SEMS, we analyse loans' environmental sector-specific physical risks. It is based on national legal framework, IFC, World Bank and The Ecuador Principles. The result -from low to high risk- is reviewed by the Credit department, which approves or denials financing. Categories of assessment: i) more than 1 mdd: IFC; ii) more than 10 mdd: Principles of Ecuador; iii) less than 1 mdd: internal SEMS evaluation. The analysis of transition risks to a low carbon economy is performed by Material Resources department and Sustainability. For example, in order to buy renewable energy without further complications, in 2017 we performed the optimization of billing in our location-based supply.

We assess the opportunities in conjunction with departments which are able to capitalize them. For example, our Material Resources department seeks for the optimization of expenditure. By joining this goal with the opportunity of energy efficiency, we achieve the capitalization of an opportunity. This was particularly reflected in the hiring of a supplier of a vehicle fleet, which renews obsolete units every 4 years. This action prepared us for emerging regulations, such as a reformed norm for mandatory vehicle verification (NOM-167-SEMARNAT). By now, it applies only to certain Mexican cities, but our company is already doing it in the entire country.

The risk and opportunities management is in Mexico, considering that 99% of our operations are performed there.

## **C2.3**

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

Yes

### **C2.3a**

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

**Identifier**

Risk 1

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Enhanced emissions-reporting obligations

**Type of financial impact driver**

Policy and legal: Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

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

**Time horizon**

Current

**Likelihood**

Virtually certain

**Magnitude of impact**

Low

**Potential financial impact**

800400

**Explanation of financial impact**

If the data and documents required are not submitted the Federal Environmental Protection Agency (PROFEPA) may impose a fine of \$40,020 to \$240,120 MXN. Reporting false information should imply a fine of \$240,120 to \$800,400 MXN. This amount can be tripled in case of recurrence.

**Management method**

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

**Cost of management**

1470000

**Comment**

The importance of the assessment of policy and legal risks is reflected in our materiality matrix, in which the compliance with regulations is considered an external impact with highly significance to our financial Group and our stakeholders.

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**Identifier**

Risk 2

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Enhanced emissions-reporting obligations

**Type of financial impact driver**

Policy and legal: Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

Due to the serious problem with air quality in different parts of the Mexican Republic, a new norm was reformed for mandatory vehicle verification (NOM-167-SEMARNAT), which establishes the maximum permissible limits of contaminants coming from the escapes of the vehicular units. It applies as a first instance in the states of Hidalgo, Puebla, Tlaxcala, Morelos, Estado De México and Ciudad de México.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Low

**Potential financial impact**

200000

**Explanation of financial impact**

The mandatory vehicle verification costs \$400 MXN per unit, twice a year, for models below 2016 (hybrid and electric vehicles are exempt). For Banorte, there are 135 vehicles that have to be verified, which implies an expense of \$108,000 MXN. For Seguros y Pensiones, there are 117 vehicles, which implies \$93,600 MXN. Also, for Afore XXI only 14 vehicles are verified, this is another \$11,200 MXN. In total, only the verification involves an amount of \$212,800 MXN. Moreover, the extemporaneous verification involves a fine of \$ 1,500 MXN. In addition, failure to comply with the permissible emission limits of contaminants merits the remediation of the unit in case of rejection and a fine of \$1,400 MXN average.

**Management method**

In Banorte, units that are considered obsolete are identified and they are renewed according to the lease of the fleet supplier every four years. In addition to this, adequate maintenance should be done every half year or 15 thousand kilometres.

**Cost of management**

**Comment**

The obsolete models are removed from the rent and replaced by new units, the cost is reflected in the differential of what we pay month by month for them.

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**C2.4**

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

Yes

**C2.4a**

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

**Identifier**

Opp1

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Resilience

**Primary climate-related opportunity driver**

Other

**Type of financial impact driver**

Increased reliability of supply chain and ability to operate under various conditions

**Company- specific description**

Our Maintenance Department constantly over watches the state of our buildings, particularly those in vulnerable areas to physical risks such as floods, hurricanes or cyclones. According to the Mexican Institute of Ecology and Climate Change, vulnerability in Mexico is a likely risk considering our geographic position (between two oceans, latitude and reliefs). The 11% of our branches is located in six states with high vulnerability (Veracruz, Tabasco, Chiapas, Oaxaca, Guerrero, Michoacan). Derived from the risk of flooding or other

extreme weather events, which can cause damage to buildings, supplies and equipment, we invest in resilient infrastructure that can better withstand damage from storms, strong winds and flooding.

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium

**Potential financial impact**

15300000

**Explanation of financial impact**

According to a governmental analysis in Mexico, the maximum domestic cost derived from floods equals to 768.79 minimum wages or 61 thousand MXN. Considering two rain periods per year in the vulnerable states in Mexico, the total cost estimated is 122,000 MXN per damaged building. We estimate the total financial implications considering the 11% of our branches, located in states with high vulnerability (Veracruz, Tabasco, Chiapas, Oaxaca, Guerrero, Michoacan).

**Strategy to realize opportunity**

By now, we have equipped 15 of our branches located in high risk areas, with anticyclone curtains, which can better withstand damage from storms, strong winds and flooding. This installation involves a cost of approximately 100 thousand MXN per branch. We estimate the total cost of the realization of opportunity considering the equipment of the 11% of our branches, located in states with high vulnerability (Veracruz, Tabasco, Chiapas, Oaxaca, Guerrero, Michoacan) with anticyclone curtains.

**Cost to realize opportunity**

12600000

**Comment**

By now, we have equipped 15 of our branches located in high risk areas, with anticyclone curtains.

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**Identifier**

Opp2

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Resilience

**Primary climate-related opportunity driver**



Other

**Type of financial impact driver**

Increased reliability of supply chain and ability to operate under various conditions

**Company- specific description**

According to the Mexican Institute of Ecology and Climate Change, vulnerability in Mexico is a likely risk considering our geographic position (between two oceans, latitude and reliefs). Derived from the risk of flooding or other extreme weather events, which can cause damage to buildings, supplies and equipment, we invest in resilient alternatives that can better withstand damage from storms, strong winds and flooding, and ensure the continuity of our operation.

**Time horizon**

Current

**Likelihood**

Very likely

**Magnitude of impact**

Medium

**Potential financial impact**

50000000

**Explanation of financial impact**

Considering that an estimated 1% of branches are subject to suffer water damages from floods, the cost of said risk would amount to 133.5 million (when total reconstruction is need). This number only considers asset damage and does not take into consideration additional losses due to not being able to provide services to clients or delays/absenteeism from our employees. However, an approximate sum of 50 million MXN is estimated as a financial impact of not being able to provide service in our branches during an unexpected closing due to flood damage.

**Strategy to realize opportunity**

We launched a mobile ATM program, which consists of optimised vehicles for performing banking operations and to access to geographical areas where the construction of branches is not feasible. Also, these units are prepared to offer financial services in places affected by natural disasters as an indirect result from climate change. Magnitude of impact: the mobile ATM's will be present in the 8 territories covering Mexico and they would involve an approximate cost of 31 million of Mexican pesos. By now, we have equipped 2 of our territories with a mobile ATM.

**Cost to realize opportunity**

31760000

**Comment**

By now, we have equipped 2 of our territories with a mobile ATM.

## C2.5

### (C2.5) Describe where and how the identified risks and opportunities have impacted your business.

	Impact	Description
Products and services	Impacted for some suppliers, facilities, or product lines	From different approaches, our products and services have been impacted by risks and opportunities related with climate change. For example, we launched a mobile ATM program, which consists of optimized vehicles for performing banking operations and to access to geographical areas where the construction of branches is not feasible. Also, these units are prepared to offer financial services in places affected by natural disasters as an indirect result from climate change. Magnitude of impact: the mobile ATMs are present in 6 out of the 8 territories covering Mexico. Timescale: underway. Additionally, considering efficiency in the use of fuel and paper, we optimized the delivery of credit account statements, thus, as a default option the digital delivery is activated instead of home delivery, unless the clients explicitly ask for a home delivery. The magnitude of impact is measured by the 100% of our clients with credit cards and online banking. Timescale: ongoing. The digital transformation of our banking services has the side benefit of reducing the emissions produced by customers travelling. According to a previous estimation of emissions avoided due to digital banking, for our customers that travel by car to our branches: we estimate an average of 1.195 kg of CO <sub>2</sub> e avoided per transaction done in BxI, and an average of 1.109 kg of CO <sub>2</sub> e avoided per transaction through our Mobile banking app. Magnitude of impact: Low. Timescale: mid-term.
Supply chain and/or value chain	Impacted for some suppliers, facilities, or product lines	As a first step to the mitigation of environmental impacts of our supply chain, we introduced the ARIBA tool to optimize the register of new suppliers. Within ARIBA, a sustainability supplement is included to measure the environmental and social impacts of every supplier. Among its questions is included the emissions section, which asks for the supplier emissions' inventory and its strategy of reduction / mitigation. Magnitude of impact: 100% of Material Resources' new suppliers (categories included in C12.1a). Timescale: ongoing. As a second step, we will create a matrix of our supply chain impacts, looking forward to develop further strategies of collaboration with our suppliers in order to reduce their environmental impact. Timescale: short term.
Adaptation and mitigation activities	Impacted for some suppliers, facilities, or product lines	Our Maintenance Department constantly over watches the state of our buildings, particularly those in vulnerable areas to physical risks such as floods, hurricanes or cyclones. According to the Mexican Institute of Ecology and Climate Change, vulnerability in Mexico is a likely risk considering our geographic position (between two oceans, latitude and reliefs). The 11% of our branches is located in six states with high vulnerability (Veracruz, Tabasco, Chiapas, Oaxaca, Guerrero, Michoacan). 15 of our branches in coastal areas (approximately a 12% of the total number of branches in states with high vulnerability) are equipped with curtains to prevent damage in case of cyclones and hurricanes. Timescale of impact: short term. Timescale of action: underway.
Investment in R&D	Impacted for some suppliers, facilities, or product lines	The research and development is part of our technological transformation and it is directly related with the use of natural resources and electricity consumption. At GFNorte we continue to promote the use of innovative technological tools to provide value to our customers and users through solutions that anticipate their needs in a practical, simple and safe way. Our technology programs and projects are classified into the following categories: Operate the Bank, Change the Bank and

	Impact	Description
		Transform the Bank. Within the category Transform the Bank, we count with: Odyssey, IBM Managed Services. Through the transfer of managed infrastructure services to IBM, we will be able to improve controls and tools for the management of services related to infrastructure, reduce costs, have new services and improve current ones. This technological renovation implies the saving of energy by the use of new technologies and sites with optimal levels of efficiency (green computing centers). Magnitude of impact: Moderate. Magnitude of action: The Transform the Bank category represented the 25% of the total productive capacities in the Technology department of our Company. Timescale of impact: underway to mid-term.
Operations	Impacted	From different approaches, our operations have been impacted by risks and opportunities related with climate change. Operations category relates to every activity performed on a daily basis in order to ensure the business continuity. One of the risks derived from climate change is related with our electricity consumption and its CO2e emissions. The adaption is required in several ways. For example, the 28% of our branches is located in northern states of Mexico, where, a desert environment is predominant. In these states (Baja California, Sonora, Chihuahua, Coahuila and Nuevo Leon), the high temperatures may affect the performance of air conditioning equipment in the long term. We mitigate this risk with our Integral Energy Control System and the replacement of older models of equipment for more efficient ones. Also, in the most recent construction of corporate building, we installed windows with double insulated glass and we optimized work spaces for natural lighting. Magnitude of impact: 28% of our entire network branch. Timescale of impact: mid to long term.
Other, please specify	Please select	

## C2.6

### (C2.6) Describe where and how the identified risks and opportunities have factored into your financial planning process.

	Relevance	Description
Revenues	Impacted for some suppliers, facilities, or product lines	a) Our Company is a financial group integrated by 6 major subsidiaries. Several of them perform investment activities through brokerage house and fund operator departments; activities with impact in our revenues each year. In 2017, one of our main subsidiaries, Afore XXI, signed the Declaration of Green Bonds in the Mexican Stock Exchange, through which the risk represented by climate change for investments is recognized, as well as the commitments of Mexico in the matter. Also, it has committed to invest in sectors such as renewable energy, low carbon transport, infrastructure for water and waste, sustainable construction and energy efficiency. At the end of 2017, Afore XXI designed the 9.5% of its Structured Investment per Sector in Renewable energies. The Structured Investment category equals to the 5% of the entire Afore XXI portfolio. b) Another financial implication may be derived from the substitution of existing products and services with lower emissions options. For example, in the financial sector it has been promoted the adoption of digital banking and additional digital tools, whose are called: Fintech. In Banorte we are constantly investing in our digital transformation, divided in for categories: Operating the Bank, Changing the Bank and Transforming the Bank. Depending on the update of our technologies and the establishment of innovative digital banking products, we may face

	Relevance	Description
		a reduction or increase in the demand of products and services and a consequent impact in our revenues.
Operating costs	Impacted	From different approaches, our financial planning related with operating costs may be impacted by risks and opportunities related with climate change. Operations category relates to every activity performed on a daily basis in order to ensure the business continuity. One of the opportunities is the move to more efficient buildings. This reduces operating costs through efficiency gains and cost reductions in electricity expense. The magnitude of this impact can be measured by the reduction in MWh per FTE. Despite of the increase in operation, employees and revenues (+24% YOY), there was a 2% reduction in MWh/employee, which results in a reduction in expense. More than 90% of our employees are located in buildings with energy efficiency considerations, such as SICE (branches), LEED and natural lighting (staff buildings).
Capital expenditures / capital allocation	Impacted for some suppliers, facilities, or product lines	One of our impacts related with capital expenditure is the correction of damages in our branches caused by natural disasters such as floods and hurricanes. This may cause an increase in capital costs and a reduction of revenues from decreased production capacity. Our Business Continuity Plan is prepared in case of such events. According to the Mexican Institute of Ecology and Climate Change, vulnerability in Mexico is a likely risk considering our geographic position (between two oceans, latitude and reliefs). The 11% of our branches is located in six states with high vulnerability (Veracruz, Tabasco, Chiapas, Oaxaca, Guerrero, Michoacan). Therefore, 15 of our branches in coastal areas (approximately a 12% of the total number of branches in states with high vulnerability) are equipped with curtains to prevent damage in case of cyclones and hurricanes. This has represented a total expenditure of approximately 12,600,000 MXN.
Acquisitions and divestments	Impacted for some suppliers, facilities, or product lines	As part of our acquisitions process, we launched the ARIBA tool from SAP as a collaborative project for the management of suppliers and the inclusion of climate change criteria. This tool allows us to reach a 100 percent of scope in our newest suppliers (nationals and foreigners) from the categories: Dining rooms, Technology, Marketing, Works and maintenance; Operations (i.e. ATM's, transfer of values); General services, Health services and Security and protection. Through ARIBA, we include socio environmental criteria in the approbation chain for those suppliers. Also, we establish a relation with suppliers interested in participating along with us in the achievement of the Mexican award: Socially Responsible Company.
Access to capital	Impacted for some suppliers, facilities, or product lines	As a result of climate change considerations in our Environmental Policy and our management of emissions and other environmental issues related with our sector, we have been recognized by certain stock indexes such as: Dow Jones Sustainability Index, FTSE 4Good, Vigeo Emerging Markets and IPC Sustentable. Being part of these indexes increases our visibility to environment responsible investors. This strengthens our access to capital and impacts the entire Group, in the stock exchange market as GFNORTEO.
Assets	Impacted for some suppliers, facilities, or product lines	a) Our Company is a financial group integrated by 6 major subsidiaries. Several of them perform investment activities through brokerage house and fund operator departments; activities with impact in our revenues each year. In 2017, one of our main subsidiaries, Afore XXI, signed the Declaration of Green Bonds in the Mexican Stock Exchange, through which the risk represented by climate change for investments is recognized, as well as the commitments of Mexico in the matter. Also, it has committed to invest in sectors such as renewable energy, low carbon transport, infrastructure for water and waste, sustainable construction and energy efficiency. At the end of 2017, Afore XXI designed the 9.5% of its

	Relevance	Description
		Structured Investment per Sector in Renewable energies. The Structured Investment category equals to the 5% of the entire Afore XXI portfolio. b) Our Company is actively involved in the financing of electricity generation from renewable sources since 2012. We have financed 11 projects with a generation capacity of 1,190 MW, of which 647 are from wind energy, 433 from photovoltaic and 110 from cogeneration with natural gas in open cycle. These projects represent an investment amount of \$ 1,087 million dollars, of which GFNorte has financed \$ 479 million dollars, equivalent to 44% of the investments. Our strategy aims to take advantage of the opportunities that the energy reform has generated for the electricity market, which is why we have consolidated our relationship with investors, the federal government and the banking sector, with a firm commitment to extend financing and investment in clean energy.
Liabilities	Not evaluated	
Other	Please select	

### C3. Business Strategy

#### C3.1

##### (C3.1) Are climate-related issues integrated into your business strategy?

Yes

#### C3.1a

##### (C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?

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

#### C3.1c

##### (C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.

I, III, VIII. As a financial institution, we play a significant role as drivers of economic and sustainable development through our financing, lending and investment operations. For GFNorte, generating value means growing our business while at the same time contributing to improve the social and environmental context of our country. Our main objective, reflected in our 2020 Vision, is to become the best financial Group in Mexico. With this objective in mind, we renewed our business and value generation model. The inclusion of environmental responsibility as a Sustainability main pillar is one of the most substantial business strategic decisions made. Our business model includes technology, human, intellectual, financial and natural capitals. The natural capital pursues the efficient use of resources and adaptation to climate change through the reduction of our carbon footprint, this objective is part of our

global strategy and its consideration was influenced by the emerging strategies to mitigate climate change at a national and international level. We have aligned our emissions reduction target to that of the National Determined Contributions (Mexican General Law on Climate Change); hence, we plan to reduce our emissions intensity per employee in 30% by 2020 against 2009 levels. Also, we have committed to the SBT initiative to reduce our carbon footprint with a regulated contribution according to our business and country. Our SB targets are consistent with our long term horizon. Other substantial decision performed, was the concentration of the fifty percent of our Banking Sector's employees in six principal buildings; four of them highly energy-efficient (finished in 2017, buildings considered: Contact Center, Tlalpan, the LEED-certified Torre Mayor and Torre KOI). This decision was supported by the Sustainability Direction in order to perform initiatives related with environmental impacts mitigation with a broader coverage.

II. At a Group level, our operations are aligned to the clauses of our Environmental Policy. This Policy is publicly available, and it is based on the United Nations Framework Convention on Climate Change and the Rio Declaration on Environment and Development, in order to ensure compliance with their current strategies and commitments. Additionally, our Policy considers a transparent analysis of the risks and opportunities that the Company identifies as latent or current in relation to climate change and the adoption of practices that promote the efficient and responsible use of resources under the concept of eco-efficiency.

IV, V. Our short-term strategy (STS) is being carried out in 3 years (2015-2017) and it comprises the implementation of several tools in our operations. For example, the Social and Environmental Management System (SEMS) process, based on the national legal framework and the Equator Principles' guidelines, is incorporated within the business as a tool for the identification, mitigation and management of social and environmental risks of our loan portfolio, it constitutes an institutional regulation. Furthermore, considering sustainable finance is becoming more prominent, driven by the scale and urgency of the challenge of financing sustainable development, since 2017 our Company is signatory of the initiative Principles of Responsible Investment. This initiative represented an opportunity to develop green business that influenced our strategy, thus, we will be measuring environmental impacts and managing risks' prevention and mitigation related with internal activities such as electricity consumption and external activities such as lending, funding and investment processes. The latter aspect will have its strategy of implementation completed by 2018, according our commitment with UNPRI.

V. On the other hand, regulatory changes have also prompted us to align our long-term strategy (LTS). Our LTS' main component is the risks and opportunities management. This way, the direct results of climate-related events, such as extreme weather, are incorporated into normal risk management practices. The specific methodologies depend on the impact type (own facilities, operations, customers) and the business unit (retail banking, recovery banking, insurance, etc.). The business continuity area (BCA) takes into consideration extreme weather events due to climate change and other natural adverse events related thereto in the design and implementation of the risk management strategy (RMS) to ensure that the bank continues to operate in spite of such events. For example, we implemented the Mobile units, which give financial services in remote communities and which can be used in case of natural disasters. In addition, risk analysis is part of operating plans of key plans in crucial business units (i.e., insurance and agricultural business), especially given the increasing frequency and severity of extreme climate events (floods, droughts, cyclones,

etc.). Under these circumstances, standard procedures to attend affected clients are being developed, such as loan term modifications. Additionally, we are planning to introduce a carbon price in the medium-term as a tool to direct responsible decision-making in the Company's investments, as well as to start participating in the novel carbon markets the Mexican Climate Change Law will create, as soon as they are fully established, by using carbon bonds for carbon-saving projects. In 2017 our Company participated on a Mexican carbon market simulation. Finally, we are looking to manage our supply chain risks through our materiality matrix, our risk identification, evaluation and classification matrix, as well as surveys to define capacity building initiatives with the most significant suppliers. This way, our LTS will help to keep one of the lowest cost/income ratios in Mexico's financial services industry, along with a recognized CSR program and a solid R&O management structure.

VII. Strategic advantages over our competitors:

- Three years in a row within a Leadership category by CDP
- CSR award from CEMEFI for Banorte (Eight years in a row) and our Insurance and Annuities business unit (three years in a row)
- 6th consecutive year in the Mexican Stock Exchange's Sustainable Index
- 4th consecutive year with GEI2 recognition from SEMARNAT's Programa GEI Mexico
- 3rd year in the Emerging Markets Dow Jones Sustainability Index
- Rise in our price per share by increasing the interest of new investors
- Enhancement of the firm's prestige (8th more valuable Mexican Brand in 2018)
- Access to a wider community of investors focused in responsible investment
- Our Company was selected to join to the Euronext Vigeo Emerging Markets 70 Index
- Our Company was selected to join to the FTSE4Good Emerging Sustainability Index

### C3.1g

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#### **(C3.1g) Why does your organization not use climate-related scenario analysis to inform your business strategy?**

Currently, we are developing the bases to begin with the analysis of the climate-related scenarios in line with the TCFD since there is a commitment of us to do it as part of the founding group of the Principles for Responsible Banking. For this, we have initially identified and evaluated the climate risks and opportunities in our operations that may affect the business in the short, medium and long term. Additionally, we are in the process of mapping these aspects of our value chain, mainly in our customers of the credit portfolio and the assets that integrate our investment portfolio, whose impacts derived from climate change in their activities have repercussions on the profitability of the business. For funding, in conjunction with other banking institutions and organizations, the concept of climate finances is being developed to clearly identify this type of credit, trying to standardize the definitions of the financial sector to have everything on the same basis. Likewise, through the internal definition of sectorial activity codes, we distinguish clients whose activity generates a positive or negative impact related to climate change and other environmental issues. On the other hand, we are working on

an analysis to evaluate the Environmental, Social and Governance (ESG) risks and opportunities in our investment portfolio. This will allow us to identify the assets that are most vulnerable or resilient to climate change, in order to generate a more sustainable portfolio that will provide us with better long-term returns. Also, we calculate our scope 1 and 2 emissions under national and international methodologies and emission factors, and they are verified by an accredited third party. Likewise, we have set short, medium and long term goals to reduce the emissions of these scopes with the Autodesk C-Fact methodology, as part of the SBT initiative. For financing and investment activities (scope 3), which turn out to be our greatest impact as a banking sector, we are still working on its measurement because there are still no well-established methodologies to carry it out. All these efforts constitute the starting point to be able to adapt our risks and opportunities to the different future scenarios.

## **C4. Targets and performance**

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### **C4.1**

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

Both absolute and intensity targets

#### **C4.1a**

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

##### **Target reference number**

Abs 1

##### **Scope**

Scope 1+2 (location-based)

##### **% emissions in Scope**

100

##### **% reduction from base year**

14

##### **Base year**

2013

##### **Start year**

2016

##### **Base year emissions covered by target (metric tons CO2e)**

69647



**Target year**

2020

**Is this a science-based target?**

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

**% achieved (emissions)**

0

**Target status**

Underway

**Please explain**

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

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**Target reference number**

Abs 2

**Scope**

Scope 1+2 (location-based)

**% emissions in Scope**

100

**% reduction from base year**

54

**Base year**

2013

**Start year**

2016

**Base year emissions covered by target (metric tons CO2e)**

69647

**Target year**

2050

**Is this a science-based target?**

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

**% achieved (emissions)**

0

**Target status**

Underway

**Please explain**

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

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## C4.1b

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

**Target reference number**

Int 1

**Scope**

Scope 1+2 (location-based)

**% emissions in Scope**

100

**% reduction from baseline year**

30

**Metric**

Metric tons CO<sub>2</sub>e per unit FTE employee

**Base year**

2009

**Start year**

2014

**Normalized baseline year emissions covered by target (metric tons CO<sub>2</sub>e)**

3

**Target year**

2020

**Is this a science-based target?**

No, but we are reporting another target that is science-based

**% achieved (emissions)**

30

**Target status**

Underway

**Please explain**

In 2014 we achieved a 20% of reduction in the emissions intensity per FT employee. Since 2014, we decided to increase the coverage of this goal to 30% with 2020 as target year. In 2017 we achieved a 9% reduction vs base year 2009.

**% change anticipated in absolute Scope 1+2 emissions**

21

**% change anticipated in absolute Scope 3 emissions**

0

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**Target reference number**

Int 2

**Scope**

Scope 1+2 (location-based)

**% emissions in Scope**

100

**% reduction from baseline year**

50

**Metric**

Metric tons CO<sub>2</sub>e per unit revenue

**Base year**

2013

**Start year**

2016

**Normalized baseline year emissions covered by target (metric tons CO<sub>2</sub>e)**

5.16

**Target year**

2020

**Is this a science-based target?**

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

**% achieved (emissions)**

70

**Target status**

Underway

**Please explain**

Considering our commitment for setting science based targets, our Company presented to the SBTi team its proposed targets based in the methodology C-FACT, publicly disposed by Autodesk. According the scientific methodology in emerging countries a reduction of 50% in 2050 in absolute emissions must be achieved. Therefore our intensity target per revenue (millions of MXN) was adjusted and comprises a 50% reduction for 2025 (mid-term) and 80% reduction for 2050 (long term) against intensity of 2013. The base year 2013 was selected for its accuracy and certainty according its coverage (no exclusions) and its complete verification. Please bear in mind the emission figure provided for base year is the one published in the 2015 CDP report, which includes emission figures for 2013 with and

adjustment on their electricity emission factor (the electricity emission factor is published by SEMARNAT –the Mexican Ministry of Environment and Natural Resources– with one year of lag). The proposed targets (absolute and intensity for S1 and S2) are not validated yet by Science Based Targets Initiative because our lending and investment activities represent more than 5% of our annual revenues (the SBTi threshold for financial institutions’ Scope 3 significance) and the methodology for setting SBT’s for Scope 3 of financial sector has not been released yet. Thus, any targets of financial institutions cannot be officially reviewed by now.

**% change anticipated in absolute Scope 1+2 emissions**

-13.81

**% change anticipated in absolute Scope 3 emissions**

0

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## C4.2

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**(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.**

**Target**

Waste

**KPI – Metric numerator**

Paper metric tons

**KPI – Metric denominator (intensity targets only)**

per unit FTE employee

**Base year**

2014

**Start year**

2015

**Target year**

2020

**KPI in baseline year**

0.044

**KPI in target year**

0.037

**% achieved in reporting year**

30

**Target Status**

Underway

**Please explain**

Waste and paper recycling, related to Waste and Paper Management. 15% reduction in total paper consumed per employee in Banking Sector, base year 2014

**Part of emissions target**

0

**Is this target part of an overarching initiative?**

No, it's not part of an overarching initiative

**C4.3**

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

Yes

**C4.3a**

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

	Number of projects	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	0	
To be implemented*	1	2058
Implementation commenced*		
Implemented*	3	11141
Not to be implemented		

**C4.3b**

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

**Activity type**

Energy efficiency: Building services

**Description of activity**

Building controls

**Estimated annual CO<sub>2</sub>e savings (metric tonnes CO<sub>2</sub>e)**

10499

**Scope**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

22028260

**Investment required (unit currency – as specified in CC0.4)**

16531790

**Payback period**

<1 year

**Estimated lifetime of the initiative**

Ongoing

**Comment**

Banorte's Integral Energy Control System (SICE) consists in the replacement of existing air conditioning equipment to ones with higher-efficiency depending on their age. Additionally, software that controls lighting and air temperature is installed. Since its launching in 2007 and until its completion in 2016, the system reached coverage of more than 95% Banorte's branches, achieving remarkable monetary and energy savings. The saving figures here provided are only for 2017 and they are based on annual averages. The accumulated savings to 2017 totaled: 174 million pesos, 120 million kWh and 70,173 tons of CO<sub>2</sub>e.

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**Activity type**

Process emissions reductions

**Description of activity**

Other, please specify (Waste recovery)

**Estimated annual CO<sub>2</sub>e savings (metric tonnes CO<sub>2</sub>e)**

520.34

**Scope**

Scope 3

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

1161587

**Investment required (unit currency – as specified in CC0.4)**

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

Ongoing

**Comment**

Through our Paperless program we recycled 499 tons of paper and board. Please note that the Paperless program is present in all Banorte, one of its main initiatives consists in spreading awareness among employees for the proper use of paper, another of the program's initiatives is the placement of containers for paper and board recycling in buildings and branches. The recycling initiative benefited more than 6500 employees in 2017, representing 28% of Banking Sector staff. The program was established in 2011, the figures here provided correspond only to 2017. The monetary savings correspond to the revenue generated by the program. The annual CO2e savings were estimated as follows: the total CO2e emissions corresponding to paper-to-landfill were calculated using a 2014 DEFRA factor, as well as de CO2 emissions corresponding to "closed loop" paper disposal (DEFRA factor 2014); we report the difference. The investment required in 2017 was 0 MXN; at the start of the initiative 975 container boxes were purchases for approximately 28000 MXN, we continue to have boxes in stock for additional buildings.

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**Activity type**

Process emissions reductions

**Description of activity**

Other, please specify (Waste recovery)

**Estimated annual CO2e savings (metric tonnes CO2e)**

122

**Scope**

Scope 3

**Voluntary/Mandatory**

Voluntary



**Annual monetary savings (unit currency – as specified in CC0.4)**

1690000

**Investment required (unit currency – as specified in CC0.4)**

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

Ongoing

**Comment**

As part of our banking services, in 2017 we optimized the hiring process for payroll accounts in order to diminish the use of paper. At the end of 2017 we saved 117 tons of paper. The total CO2e emissions corresponding to paper-to-landfill were calculated using a 2017 DEFRA factor.

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**Activity type**

Energy efficiency: Processes

**Description of activity**

Process optimization

**Estimated annual CO2e savings (metric tonnes CO2e)**

2058

**Scope**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

7814247

**Investment required (unit currency – as specified in CC0.4)**

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

1-2 years

**Comment**

In 2017, we developed a strategy for the automatic turn-off of employees' computers. We started with the raising awareness campaign and, on July 1st, the script for automatic turn off will be released. We consider the investment value is 0 MXN because the process is developed internally as part of the work functions of the IT and Sustainability departments, without external services.

## C4.3c

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

Method	Comment
Dedicated budget for energy efficiency	Automated charge control system for lighting, light signs and air conditioning equipment to increase energy efficiency, replacing air conditioning equipment, curtains for hurricane protection in certain branches of coastal areas, energy efficient light bulbs, green roof.
Dedicated budget for other emissions reduction activities	Paperless project, solar panels, digitalization, e-banking, electronic platforms and videoconferencing.
Financial optimization calculations	Cost-benefit analysis of new systems and investments.
Employee engagement	Raising awareness campaign: Taking care of my planet (emissions and energy topics) related with SDG.
Internal incentives/recognition programs	Banorte's Ingenio Award contest and Paperless Champion Program.

## C4.5

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

Yes

### C4.5a

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

##### Level of aggregation

Group of products

##### Description of product/Group of products

Online banking, mobile banking and digital account statements. These services help customers to avoid certain activities and therefore the greenhouse gas (GHG) emissions associated with these, such as: a) Travelling by vehicle to our branches in order to perform their

financial transactions (Scope 1 emissions) b) Consumption of paper receipts and bank slips the branch would normally issue to customers c) Consumption of printed account statement d) Use of a cellular token instead of a physical one, reducing manufacturing and waste treatment procedures. Avoided emissions for third-parties: 223,361 tons of CO<sub>2</sub>e.

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

Avoided emissions

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

Evaluating the carbon-reducing impacts of ICT

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

0

**Comment**

The group of products here described are part of the entire customer experience that we offer to our clients, they do not have an extra cost for their use, therefore there are no revenues directly obtained from these products. Methods. The avoided emissions were estimated by our 2015's study -with triennial renewal- where we obtained the kg of CO<sub>2</sub>e avoided by our customers who use BxI and Banorte Móvil and travel by car. Input: frequency of use, distance to preferred branch, means of transportation. Conversion factor: DEFRA gasoline/petrol 2014. Results. For our customers that travel by car to our branches: we estimate an average of 1.195 kg of CO<sub>2</sub>e avoided per transaction done in BxI, and an average of 1.109 kg of CO<sub>2</sub>e avoided per transaction done using our Mobile banking app. In 2017, 160 and 29 millions of transactions were performed through BxI and Mobile Banking, respectively.

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## **C5. Emissions methodology**

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### **C5.1**

---

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

**Scope 1**

**Base year start**

January 1 2013

**Base year end**

December 31 2013

**Base year emissions (metric tons CO<sub>2</sub>e)**

4021.11

**Comment**

**Scope 2 (location-based)**

**Base year start**

January 1 2013

**Base year end**

December 31 2013

**Base year emissions (metric tons CO2e)**

65626.41

**Comment**

**Scope 2 (market-based)**

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

**C5.2**

---

**(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.**

ISO 14064-1

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

Other, please specify (Programa GEI Mexico)

**C5.2a**

---

**(C5.2a) Provide details of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.**

Mexican government releases every year the emission factor for electricity purchased through the main supplier for electricity: CFE. This data is aligned with the GEI Mexico Program, which is related with the General Climate Change Law and demands to companies with emissions above 25,000 tons of CO2e to report annually their emissions into its platform. We report every year and we use its data to calculate and compare our emissions inventory.

**C6. Emissions data**

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**C6.1**

---

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

**Row 1**

**Gross global Scope 1 emissions (metric tons CO2e)**

4315.08

**End-year of reporting period**

<Not Applicable>

**Comment**

**Row 2**

**Gross global Scope 1 emissions (metric tons CO2e)**

<Not Applicable>

**End-year of reporting period**

<Not Applicable>

**Comment**

<Not Applicable>

**Row 3**

**Gross global Scope 1 emissions (metric tons CO2e)**

<Not Applicable>

**End-year of reporting period**

<Not Applicable>

**Comment**

<Not Applicable>

**Row 4**

**Gross global Scope 1 emissions (metric tons CO2e)**

<Not Applicable>

**End-year of reporting period**

<Not Applicable>

**Comment**

<Not Applicable>

**C6.2**

---

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

**Row 1**

**Scope 2, location-based**

We are reporting a Scope 2, location-based figure

**Scope 2, market-based**

**Comment**

**C6.3**

---

**(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO<sub>2</sub>e?**

**Row 1**

**Scope 2, location-based**

75625.15

**Scope 2, market-based (if applicable)**

<Not Applicable>

**End-year of reporting period**

<Not Applicable>

**Comment**

**Row 2**

**Scope 2, location-based**

<Not Applicable>

**Scope 2, market-based (if applicable)**

<Not Applicable>

**End-year of reporting period**

<Not Applicable>

**Comment**

<Not Applicable>

**Row 3**

**Scope 2, location-based**

<Not Applicable>

**Scope 2, market-based (if applicable)**

<Not Applicable>

**End-year of reporting period**

<Not Applicable>

**Comment**

<Not Applicable>

**Row 4**

**Scope 2, location-based**

<Not Applicable>

**Scope 2, market-based (if applicable)**

<Not Applicable>

**End-year of reporting period**

<Not Applicable>

**Comment**

<Not Applicable>

**C6.4**

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

No

**C6.5**

---

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

**Purchased goods and services**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

5195.39

**Emissions calculation methodology**

Includes paper purchases from all subsidiaries as well as merchandising printing services (such as flyers) from Banorte (295.40 tCO<sub>2</sub>e). The emissions from paper purchases were calculated with a factor tonCO<sub>2</sub>e/ton paper obtained from DEFRA 2017 and by multiplying the 500-sheet packages by a kg factor that takes into account height, width and weight of the paper used in Banorte (995.65 tCO<sub>2</sub>e). The rest were calculated from expenditure data and converted using DEFRA's 2009 tonCO<sub>2</sub>e/\$GBP spend factors,

considering UK's yearly inflation from 2009 to 2017 and using the yearly average exchange rate from GBP to MXN in 2017. Also, this year we worked to include emerging gas emissions/leakage of refrigerant gases. Because Banorte purchases the recharge service to suppliers that give maintenance to ACs, we report such emissions as Scope 3 (3,904.35 tCO<sub>2</sub>e). Such emissions were calculated using the GWP published by the Federation in the Official Journal and the compositions given in the safety sheets of our suppliers; therefore a weighted factor was used.

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

0

**Explanation**

**Capital goods**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

2576.85

**Emissions calculation methodology**

Includes laptops and tokens bought by Banorte in the reporting year. These were calculated from expenditure data and converted using DEFRA's 2009 tonCO<sub>2</sub>e/\$GBP spend factors, considering UK's yearly inflation from 2009 to 2017 and using the yearly average exchange rate from GBP to MXN in 2017.

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

0

**Explanation**

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

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

19670.38

**Emissions calculation methodology**

Includes the following aspects: electricity transmission and distribution, WTT of fuels, corporate air travels, electricity consumption and electricity T&D by using the DEFRA factors for 2017. Factors used as tonCO<sub>2</sub>e/kWh or tonCO<sub>2</sub>e/volume. Data includes all subsidiaries, except WTT travels where only Banorte Ixe Securities International, Arrendadora y Factor, Afore XXI Banorte, Seguros y Pensiones and Banorte report on such category (the subsidiaries enlisted represent a 98% of our global revenues).

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

0



**Explanation**

**Upstream transportation and distribution**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

3247.33

**Emissions calculation methodology**

Includes transport of documents, suitcases, packages and others related to Banorte's (before Banorte-Ixe) business. These were calculated from expenditure data and converted using DEFRA's 2009 tonCO<sub>2</sub>e/\$GBP spend factors, considering UK's yearly inflation from 2009 to 2017 and using the yearly average exchange rate from GBP to MXN in 2017.

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

0

**Explanation**

**Waste generated in operations**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

2125.17

**Emissions calculation methodology**

Includes waste generation for Banorte, based on an estimation carried out for Banorte's buildings. Waste information is based on a study performed in accordance to the Mexican norms NMX-AA-61-1985 and NMX-AA-15-1985 for the determination of waste generated. For this study, certain buildings from Banorte were monitored: Contact Center, Torre Sur (two representative facilities), a traditional branch, an administrative facility with a branch, a preferent center, a module and dual center; each building had its waste generation traced for several days (comprising complete weeks) in order to calculate an average per day and estimate per month. We could thus obtain an intensity factor to determine the waste generation (in tons) per employee for each kind of building. Later, by means of an employee headcount and kind of building where they work, we used these data in order to estimate the total waste generation in Banorte's buildings. It is noteworthy that the number above does not include recycled waste, as it is not considered as waste per se. We then used the factors from Exhibit 17 from EPA's Landfilling WARM Version 14 (March 16) to create an integrated factor of 63% paper, 16% cardboard, 19% municipal solid waste, 0.66% glass, 0.66% metal, 0.66% plastic. These figures used were obtained from the actual data of waste from a corporate offices building where Banorte Securities operates. We then multiplied by the estimated tons of waste.

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

0

**Explanation**

**Business travel**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

1799.02

**Emissions calculation methodology**

This number represents air travel made by Arrendadora y Factor, Banorte, Banorte-Ixe Securities and Afore XXI, for a total of 99% coverage in revenues. Given that the available information was the distance travelled in kilometers, the methodology shown in the “Corporate Value Chain (Scope 3) Accounting and Reporting Standard” was considered and factors used for the calculation were those described in “Section 2.4 – Airline business travel” of document “Optional Emissions from Commuting, Business Travel and Product Transport” published by USA EPA Climate Leaders based on the distance-method calculation. The conversion factors for CH4 and N2O there provided corresponded to the global warming potentials (GWPs) from the Second Assessment Report (SAR), so we used those reported in the Fifth Assessment Report (AR5 - 100 years) instead, seeking to align ourselves to the new national reporting guidelines. For Banorte, on the other hand, we used DEFRA 2017’s factors for Average class – Domestic, Short Haul and Long Haul air travels.

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

0

**Explanation**

**Employee commuting**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

78.67

**Emissions calculation methodology**

As part of our triennial study, we conducted a survey in our Contact Center (housing near a 10% of our employees) asking about their preferred transport method to move to and from the Contact Center. Questions aimed to acquire information about the traveled distance, time and zip code in order to estimate the distance they travel each day. We were able to obtain a total travel distance in km per day for each transport category, which was then extrapolated to a yearly amount and to represent the total employees in the Contact Center. We will update this calculation at the end of 2018.

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

0

**Explanation**

**Upstream leased assets**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO<sub>2</sub>e**

**Emissions calculation methodology**

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

**Explanation**

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

**Downstream transportation and distribution**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

1725.29

**Emissions calculation methodology**

Includes delivery services from Banorte to clients in relation to account statements, credit cards and other mailing aspects. We gathered expenditure data regarding these categories. These figures were then calculated from DEFRA's 2009 tonCO<sub>2</sub>e/\$GBP spend factors, considering UK's yearly inflation from 2009 up to 2017 and using the yearly average exchange rate from GBP to MXN in 2017.

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

0

**Explanation**

**Processing of sold products**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO<sub>2</sub>e**

**Emissions calculation methodology**

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

**Explanation**

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

**Use of sold products**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO<sub>2</sub>e**

**Emissions calculation methodology**

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

**Explanation**

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

**End of life treatment of sold products**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO<sub>2</sub>e**

**Emissions calculation methodology**

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

**Explanation**

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

**Downstream leased assets**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO<sub>2</sub>e**

**Emissions calculation methodology**

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

**Explanation**

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

**Franchises**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO<sub>2</sub>e**

**Emissions calculation methodology**

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

**Explanation**

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

**Investments**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

1013869.9

**Emissions calculation methodology**

The figure includes the emissions derived from the equity portfolio of Afore XXI Banorte, one of our main subsidiaries with investment activities; representing a 28z%o of the Group total investment. The report was generated by the consultancy groups South Pole and YourSRI and measures the carbon footprint of a portfolio taking scope 1-2 emissions into account from the sectors Materials, Industrials, Consumer Staples (61%) and other sectors. The relative carbon footprint is a normalized measure of the portfolio's contribution and is defined as the total carbon emissions of the portfolio per million MXN invested (28.5 tCO<sub>2</sub>e/Million MXN invested; for Afore XXI Banorte in one year). The Afore XXI-Banorte is associated with greenhouse gas emissions of 1'013'870 tons per year. Each holding's contribution to the carbon footprint is calculated on an equity ownership basis. Taking into consideration the dynamism of the portfolio, this study by a third party organisation will be renewed every 3 years.

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

100

**Explanation**

**Other (upstream)**

**Evaluation status**

**Metric tonnes CO<sub>2</sub>e**

**Emissions calculation methodology**

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

**Explanation**

**Other (downstream)**

**Evaluation status**

Metric tonnes CO2e

Emissions calculation methodology

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

Explanation

**C6.7**

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**(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?**

No

**C6.10**

---

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

**Intensity figure**

0.0000033436

**Metric numerator (Gross global combined Scope 1 and 2 emissions)**

79940.23

**Metric denominator**

unit total revenue

**Metric denominator: Unit total**

23908000000

**Scope 2 figure used**

Location-based

**% change from previous year**

2.47

**Direction of change**

Increased

**Reason for change**

For the calculation of our scope 2 emissions, derived from the consumption of electricity, we updated the Emission Factor of the National Electric System (Mexico) according to the estimated by the Energy Regulatory Commission, based on the methodologies issued in terms of Article 12 of the Regulation of the Energy Transition Law. For 2017 there was a 27% increase in this factor (tCO2e / MWh), which is reflected in the calculation of absolute emissions of scope 2 generated by our institution. In contrast, at the Group

level we reduced electricity consumption by 1.89% per employee; likewise, we decreased fuel consumption by 5% and scope 1 absolute emissions.

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## C7. Emissions breakdowns

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### C7.1

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**(C7.1) Does your organization have greenhouse gas emissions other than carbon dioxide?**

Yes

#### C7.1a

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**(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).**

Greenhouse gas	Scope 1 emissions (metric tons of CO <sub>2</sub> e)	GWP Reference
CO <sub>2</sub>	4150.68	IPCC Fifth Assessment Report (AR5 – 100 year)
CH <sub>4</sub>	41.2	IPCC Fifth Assessment Report (AR5 – 100 year)
N <sub>2</sub> O	123.19	IPCC Fifth Assessment Report (AR5 – 100 year)

### C7.2

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**(C7.2) Break down your total gross global Scope 1 emissions by country/region.**

Country/Region	Scope 1 emissions (metric tons CO <sub>2</sub> e)
Mexico	4315.08

### C7.3

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**(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.**

By business division

By activity

#### C7.3a

**(C7.3a) Break down your total gross global Scope 1 emissions by business division.**

Business division	Scope 1 emissions (metric ton CO <sub>2</sub> e)
Afore XXI Banorte	202.8
Almacenadora Banorte	30.65
Arrendadora y Factoraje Banorte	112.96
Banorte	1597.65
Seguros y Pensiones Banorte	2371.02

**C7.3c**

**(C7.3c) Break down your total gross global Scope 1 emissions by business activity.**

Activity	Scope 1 emissions (metric tons CO <sub>2</sub> e)
Warehousing vehicles	18.22
Transportation vehicles	4184.1
Emergency power plants	78.81
Kitchens	33.95

**C7.5**

**(C7.5) Break down your total gross global Scope 2 emissions by country/region.**

Country/Region	Scope 2, location-based (metric tons CO <sub>2</sub> e)	Scope 2, market-based (metric tons CO <sub>2</sub> e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
Mexico	75599.27		129895.66	
United States of America	25.88		103.92	

**C7.6**

**(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.**



By business division

By activity

**C7.6a**

**(C7.6a) Break down your total gross global Scope 2 emissions by business division.**

Business division	Scope 2, location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Afore XXI Banorte	2223.3	
Almacenadora Banorte	136.31	
Banorte	71185.85	
Banorte Securities	25.88	
Seguros y Pensiones Banorte	2053.81	

**C7.6c**

**(C7.6c) Break down your total gross global Scope 2 emissions by business activity.**

Activity	Scope 2, location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Office activities	75625.15	

**C7.9**

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

Increased

**C7.9a**

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

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption		<Not Applicable>		
Other emissions reduction activities	233.26	Decreased	0.37	Derived from our efforts to replace old vehicle units for new ones with more efficient use of fuel, in 2017 we achieved a 5% reduction in our global gasoline consumption. These 114,739 liters (without considering our former business unit INB) equal a reduction of 233.26 tons of CO2e. Furthermore, in our subsidiary Almacenadora Banorte we hired a new supplier, who give us a detailed description of the use of fuel (LP Gas), as a result, in 2017 decreased its consumption in 51%, which avoided the emission of 18.93 tons of CO2e. Altogether, the CO2e savings represent a 0.40% of our global Scope 1 and Scope 2 from 2016 (233.26+18.93/63001).
Divestment	2673.14	Decreased	4.24	Our Company finished the divestment of Inter National Bank Company (INB) at the end of 2016, starting 2017 without that business unit. For 2016, the values accounted for INB were 65.32 tCO2e (Scope 1) and 2607.82 (Scope 2). Combined, they represented a 4.24% of the absolute emissions of our Company in 2016 (2607/63001). According to the GHG Protocol Standard Guidance, on its chapter 5 "Tracking emissions over time", structural changes such as divestment may trigger recalculation of historical emissions. Therefore, we removed the historical data of INB in our 2017 annual report and our 2017 DJSI response. After removing INB, the new value for 2016 absolute emissions is: 4533.92 tCO2e (Scope 1) and 55794.11 (Scope 2), combined: 60328 tons of CO2e.
Acquisitions		<Not Applicable>		
Mergers		<Not Applicable>		
Change in output	4771.34	Increased	7.57	In 2017, our business growth demanded more staff. From 27929 employees in 2016, we increased to 29915 to the end of the reporting year, particularly in our subsidiaries Afore XXI, Banorte and Almacenadora (located in Mexico). Inevitably, this affected the electricity consumption of the subsidiaries involved, resulting in an increase of 8131 MWh and the generation of 4732.41 tons of CO2e. Please note: the consumption of electricity per employee decreased 4% in comparison with 2016 (considering INB's values), thus, consumption did not grow as high as expected. This reflects our efforts in our awareness campaigns, as well as the efficiency projects such as Integral Energy Control System and the instalation of efficient ATM machines. Additionally, there was a 76% YoY increase in diesel consumption for the re-load of emergency power plants in buildings Torre KOI and Tlalpan, both

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
				buildings had infrastructure modifications for the relocation of employees in 2017. The increase of 11,603 liters of diesel led to a generation of 38.93 CO2e tons. Altogether, the increase in electricity and diesel, led to an extra generation of 4771.34 tons of CO2e, a 7.57% increase vs absolute 2016 emissions (4771.33/63001).
Change in methodology	15098.78	Increased	23.97	To calculate our Scope 2 emissions derived from electrical consumption, we updated the National Electrical System Emission factor (location-based Mexico/CFE) according to the estimated by the Energy Regulatory Commission, based on methodologies issued under Article 12 of the regulation in the Law of Energy Transition. In 2017 a 27% increase was registered in this emission factor (from 0.458 tCO2e/MWh to 0.582 tCO2e/MWh), which reflects in the calculation of absolute Scope 2 emissions generated by our institution. In contrast, on the Group level, electricity per employee was reduced by 4% (considering INB's 2016 values) and 1.89% (excluding INB's 2016 values). This change in methodology led to an extra generation of 15098.78 tons of CO2e and equals to 23.97% growth compared with 2016 absolute emissions (the presented change in emissions does not consider our year-over-year electricity consumption increase due to changes in output).
Change in boundary		<Not Applicable>		
Change in physical operating conditions		<Not Applicable>		
Unidentified		<Not Applicable>		
Other		<Not Applicable>		

### C7.9b

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

Location-based

## C8. Energy

### C8.1

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

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

### C8.2

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

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

### C8.2a

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

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	16640.44	16640.44
Consumption of purchased or acquired electricity	<Not Applicable>	0	129999.58	129999.58
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	37.95	<Not Applicable>	37.95

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total MWh
Total energy consumption	<Not Applicable>	37.95	146640.02	146677.97

## C8.2b

### (C8.2b) Select the applications of your organization's consumption of fuel.

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

## C8.2c

### (C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

#### Fuels (excluding feedstocks)

Liquefied Petroleum Gas (LPG)

#### Heating value

LHV (lower heating value)

#### Total fuel MWh consumed by the organization

202.1

#### MWh fuel consumed for the self-generation of electricity

202.1

#### MWh fuel consumed for self-generation of heat

0

#### MWh fuel consumed for self-generation of steam

<Not Applicable>

#### MWh fuel consumed for self-generation of cooling

<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**

<Not Applicable>

---

**Fuels (excluding feedstocks)**

Natural Gas

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

28.36

**MWh fuel consumed for the self-generation of electricity**

28.36

**MWh fuel consumed for self-generation of heat**

0

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**

<Not Applicable>

---

**Fuels (excluding feedstocks)**

Diesel

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

294.47

**MWh fuel consumed for the self-generation of electricity**

294.47

**MWh fuel consumed for self-generation of heat**

0

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**

<Not Applicable>

---

**Fuels (excluding feedstocks)**

Petrol

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

16115.51

**MWh fuel consumed for the self-generation of electricity**

16115.51

**MWh fuel consumed for self-generation of heat**

0

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**

<Not Applicable>

---

## **C8.2d**

---

**(C8.2d) List the average emission factors of the fuels reported in C8.2c.**

**Acetylene**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Agricultural Waste**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Alternative Kiln Fuel (Wastes)**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Animal Fat**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Animal/Bone Meal**

**Emission factor**



<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Anthracite Coal**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Asphalt**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Aviation Gasoline**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Bagasse**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Bamboo**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Basic Oxygen Furnace Gas (LD Gas)**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Biodiesel**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Biodiesel Tallow**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Biodiesel Waste Cooking Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Bioethanol**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Biogas**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Biogasoline**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Biomass Municipal Waste**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Biomethane**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Bitumen**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Bituminous Coal**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Black Liquor**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Blast Furnace Gas**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Brown Coal Briquettes (BKB)**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Burning Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Butane**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Butylene**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Charcoal**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Coal**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Coal Tar**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Coke**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Coke Oven Gas**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Coking Coal**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**



<Not Applicable>

**Comment**

<Not Applicable>

**Compressed Natural Gas (CNG)**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Condensate**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Crude Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Crude Oil Extra Heavy**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Crude Oil Heavy**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Crude Oil Light**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Diesel**

**Emission factor**

2.94309

**Unit**

kg CO<sub>2</sub>e per liter

**Emission factor source**

Official Gazette of the Federation of Mexico (2015, September 03). AGREEMENT that establishes the technical particularities and formulas for the application of methodologies for the calculation of emissions of greenhouse gases or compounds. Mexico, Ministry of Environment and Natural Resources.

**Comment**

**Distillate Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Dried Sewage Sludge**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Ethane**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Ethylene**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Fuel Gas**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Fuel Oil Number 1**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Fuel Oil Number 2**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Fuel Oil Number 4**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Fuel Oil Number 5**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Fuel Oil Number 6**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Gas Coke**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Gas Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Gas Works Gas**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**GCI Coal**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**General Municipal Waste**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Grass**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Hardwood**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Heavy Gas Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Hydrogen**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Industrial Wastes**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Isobutane**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**



<Not Applicable>

**Isobutylene**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Jet Gasoline**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Jet Kerosene**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Kerosene**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Landfill Gas**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Light Distillate**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Lignite Coal**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Liquefied Natural Gas (LNG)**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Liquefied Petroleum Gas (LPG)**

**Emission factor**

1.63817

**Unit**

kg CO<sub>2</sub>e per liter

**Emission factor source**

Official Gazette of the Federation of Mexico (2015, September 03). AGREEMENT that establishes the technical particularities and formulas for the application of methodologies for the calculation of emissions of greenhouse gases or compounds. Mexico, Ministry of Environment and Natural Resources.

**Comment**

Our Company also uses LPG for mobile units (warehousing vehicles). The emission factor is 1.683167419 kgCO<sub>2</sub>e per liter. The source is: Official Gazette of the Federation of Mexico (2015, September 03). AGREEMENT that establishes the technical particularities and formulas for the application of methodologies for the calculation of emissions of greenhouse gases or compounds. Mexico, Ministry of Environment and Natural Resources.

**Liquid Biofuel**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Lubricants**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Marine Fuel Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Marine Gas Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Metallurgical Coal**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Methane**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Motor Gasoline**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Naphtha**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Natural Gas**

**Emission factor**

2.14892

**Unit**

kg CO2e per m3

**Emission factor source**

Official Gazette of the Federation of Mexico (2015, September 03). AGREEMENT that establishes the technical particularities and formulas for the application of methodologies for the calculation of emissions of greenhouse gases or compounds. Mexico, Ministry of Environment and Natural Resources.

**Comment**

**Natural Gas Liquids (NGL)**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Natural Gasoline**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Non-Biomass Municipal Waste**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Non-Biomass Waste**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Oil Sands**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Oil Shale**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Orimulsion**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Other Petroleum Gas**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Paraffin Waxes**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Patent Fuel**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**



<Not Applicable>

**Comment**

<Not Applicable>

**PCI Coal**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Peat**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Pentanes Plus**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Petrochemical Feedstocks**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Petrol**

**Emission factor**

2.34794

**Unit**

kg CO2e per liter

**Emission factor source**

Official Gazette of the Federation of Mexico (2015, September 03). AGREEMENT that establishes the technical particularities and formulas for the application of methodologies for the calculation of emissions of greenhouse gases or compounds. Mexico, Ministry of Environment and Natural Resources.

**Comment**

**Petroleum Coke**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Petroleum Products**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Pitch**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Plastics**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Primary Solid Biomass**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Propane Gas**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Propane Liquid**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Propylene**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Refinery Feedstocks**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Refinery Gas**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Refinery Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Residual Fuel Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Road Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**SBP**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Shale Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Sludge Gas**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Softwood**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Solid Biomass Waste**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Special Naphtha**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Still Gas**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Straw**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Subbituminous Coal**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Sulphite Lyes**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>



**Tar**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Tar Sands**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Thermal Coal**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Thermal Coal Commercial**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Thermal Coal Domestic**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Thermal Coal Industrial**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Tires**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Town Gas**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Unfinished Oils**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Vegetable Oil**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Waste Oils**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Waste Paper and Card**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Waste Plastics**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Waste Tires**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**White Spirit**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Wood**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Wood Chips**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Wood Logs**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Wood Pellets**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Wood Waste**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**Other**

**Emission factor**

<Not Applicable>

**Unit**

<Not Applicable>

**Emission factor source**

<Not Applicable>

**Comment**

<Not Applicable>

**C8.2e**

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**(C8.2e) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.**

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	37.95	0	0	37.95
Heat	0	0	0	0
Steam	0	0	0	0
Cooling	0	0	0	0

## C8.2f

**(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.**

### Basis for applying a low-carbon emission factor

No purchases or generation of low-carbon electricity, heat, steam or cooling accounted with a low-carbon emission factor

### Low-carbon technology type

<Not Applicable>

### MWh consumed associated with low-carbon electricity, heat, steam or cooling

<Not Applicable>

### Emission factor (in units of metric tons CO<sub>2</sub>e per MWh)

<Not Applicable>

### Comment

Our Company uses a location-based scheme for the purchase of electricity; and a self-generation of energy with solar panels.

## C9. Additional metrics

### C9.1

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

#### Description

Waste

**Metric value**

0.36

**Metric numerator**

Metric paper ton

**Metric denominator (intensity metric only)**

Full time employee

**% change from previous year**

17

**Direction of change**

Decreased

**Please explain**

The reduction of paper consumption is derived from the adoption of digital tools in order to promote the efficiency of resources and technological innovation. The emissions due to paper use are part of our Scope 3.

## C10. Verification

### C10.1

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

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

### C10.1a

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

**Scope**

Scope 1



**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

1

[AR\\_BANORTE\\_2017.pdf](#)

**Page/ section reference**

133

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

**Scope**

Scope 1

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Reasonable assurance

**Attach the statement**

1

[dictamen\\_CDPIngBanorte.pdf](#)

**Page/ section reference**

All

**Relevant standard**

NMX-SAA-14064-3-IMNC: Instituto Mexicano de Normalización y Certificación A.C

**Proportion of reported emissions verified (%)**

100

---

**Scope**

Scope 2 location-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

2

[AR\\_BANORTE\\_2017.pdf](#)

**Page/ section reference**

133

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

**Scope**

Scope 2 location-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Reasonable assurance

**Attach the statement**

2

[dictamen\\_CDPIngBanorte.pdf](#)

**Page/ section reference**

All

**Relevant standard**

NMX-SAA-14064-3-IMNC: Instituto Mexicano de Normalización y Certificación A.C

**Proportion of reported emissions verified (%)**

100

---

**Scope**

Please select

**Verification or assurance cycle in place**

Please select

**Status in the current reporting year**

Please select

**Type of verification or assurance**

Please select

**Attach the statement**

**Page/ section reference**

**Relevant standard**

Please select

**Proportion of reported emissions verified (%)**

---

**C10.1b**

---

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

**Scope**

Scope 3- all relevant categories

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Attach the statement**

3

[dictamen\\_CDPIngBanorte.pdf](#)

**Page/section reference**

All

**Relevant standard**

NMX-SAA-14064-3-IMNC: Instituto Mexicano de Normalización y Certificación A.C

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**Scope**

Scope 3- at least one applicable category

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Attach the statement**

3

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**Page/section reference**

133

**Relevant standard**

ISAE3000

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## **C10.2**

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

Yes

### **C10.2a**

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

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C5. Emissions performance	Year on year change in emissions (Scope 1 and 2)	ISAE3000	A third party verifies the reduction in emissions of GHG from our Company, in accordance with GRI Standards, specifically (GRI 305-5). <a href="#">AR_BANORTE_2017.pdf</a>
C8. Energy	Other, please specify (YoY change in energy consumption)	ISAE3000	A third party verifies the reduction in emissions of GHG from our Company, in accordance with GRI Standards, specifically (GRI 302-4). <a href="#">AR_BANORTE_2017.pdf</a>

## C11. Carbon pricing

### C11.1

**(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?**

No, and we do not anticipate being regulated in the next three years

### C11.2

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

No

### C11.3

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

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

## C12. Engagement

### C12.1

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

Yes, our suppliers

Yes, our customers

#### C12.1a

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**(C12.1a) Provide details of your climate-related supplier engagement strategy.**

**Type of engagement**

Compliance & onboarding

**Details of engagement**

Included climate change in supplier selection / management mechanism

Climate change is integrated into supplier evaluation processes

**% of suppliers by number**

28

**% total procurement spend (direct and indirect)**

28

**% Scope 3 emissions as reported in C6.5**

0

**Rationale for the coverage of your engagement**

As part of our compliance with our suppliers, we launched the ARIBA tool from SAP as a collaborative project for the management of suppliers and the inclusion of climate change criteria. This tool allows us to reach a 100 percent of scope in our newest suppliers (nationals and foreigners) from the categories: Dining rooms, Technology, Marketing, Works and maintenance; Operations (i.e. ATM's, transfer of values); General services, Health services and Security and protection. Through ARIBA, we include socio environmental criteria in the approbation chain for those suppliers. Also, we establish a relation with suppliers interested in participating along with us in the achievement of the Mexican award: Socially Responsible Company. Since 2017 we are developing a matrix aligned with the Supply Chain Sustainability practical guide of the United Nations Global Compact, which considers: 1. The supplier's activities belong to a high risk sector activity, 2. The supplier provides products with a high environmental risk, 3. The supplier works in a high-risk country. This matrix classifies the supplier according its potential social and environmental risks with regards to the particularities of its sector and geographic location.

**Impact of engagement, including measures of success**

The metrics for success are constantly evolving due to the gradual implementation of the ARIBA tool. In 2017, we ran the analysis of ESG criteria from 162 new suppliers belonging to the categories mentioned in the Coverage column. This was a positive result in comparison with the assessed suppliers in 2016. The number of suppliers represents a 28% of the total new suppliers and the expense in them (considering the 2017 average expense per supplier). With the analysis we obtained an approximation of the suppliers with major representation in the categories (Health services and Technology). Also, we included in 2017 a clause to promote the adoption of ESG practices. The interested suppliers may be candidates to sponsorship from our Company in order to be recognized with the

Mexican Award Socially Responsible Company. The interested suppliers will work with our Sustainability Department to fulfill the requirements of the award and the impact will be measured by the practices performed.

### **Comment**

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## **C12.1b**

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

### **Type of engagement**

Education/information sharing

### **Details of engagement**

Run an engagement campaign to education customers about your climate change performance and strategy

### **Size of engagement**

100

### **% Scope 3 emissions as reported in C6.5**

0

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

On a daily basis, we perform identification, allocation, evaluation and management of risks related to our loan and financing activities, based on the national legal framework, IFC performance standards and The Ecuador Principles. This strategy involves the departments SEMS and Credit, which review the customer's activity, the financial product, the destination of the credit and reputation. We assess the risks identified assigning a level of socio-environmental risk, depending on the magnitude of their impacts and the possibility of mitigating them (low risk (C), medium risk (B) and high risk (A)). The result is reviewed by the Credit department, who manages it in order to approve or denial financing. The financial impact of the credit determines standard of assessment: i) superior to 1 million dollars: Performance Standards; ii) superior to 10 million dollars: Principles of Ecuador; iii) lower than 1 million dollars: internal SEMS evaluation. The 100% of the credits that meet these considerations and fall in categories A, B or C; are assessed. As a result of the analysis, our SEMS department establishes direct contact with customers with potential risks and emits recommendations. The categories of assessment include: Environmental and social risk, environmental and social evaluation, Environmental management systems, resources management and reduction of pollution, biodiversity and sustainability and environmental risks and impacts. The aforementioned topics may include the management of GHG emissions, in case of applicable.

### **Impact of engagement, including measures of success**

The impact of this engagement can be measured by the behavior of the analyzed credits each year. In comparison with 2016, there was no significant change in the number of credits analyzed per level of risk. Instead, there was an increase in the number of

recommendations for good ESG practices, from our SEMS department. 2017, we emitted 361 recommendations and we consolidated 32 due diligences in order to verify the compliance of environmental and social regulations of projects in categories A and B of risk.

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## **C12.3**

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

Trade associations

### **C12.3b**

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

Yes

### **C12.3c**

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

**Trade association**

Asociación de Bancos de México (ABM – Mexican Banking Association)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

Besides working in conjunction with the UN to sign the Global Compact, the association aims to elaborate a benchmark with other sectors to establish a reference about the GHG emissions generated by the Mexican financial sector.

**How have you, or are you attempting to, influence the position?**

Banorte participates in the ABM as board member and in the Sustainability Committee, actively participating in the project towards the benchmark elaboration. The reports issued by the ABM enable GFNORTE to analyze its position in relationship with the trends of our industry, and gave us insight on the distribution of emissions and it's most important factors.

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**Trade association**

Natural Capital Declaration (NCD)

**Is your position on climate change consistent with theirs?**

Consistent



**Please explain the trade association's position**

The NCD Project seeks to provide financial institutions with tested methodologies and approaches for identifying natural capital risks. In order to reduce such risks, increase the portfolios' resilience, provide financial security for clients and efficiently allocate capital. The first pilot project is divided in two phases the first consisted on the identification of risks associated with natural capital in the credit risk assessment; the second works to include on methodologies to include environmental risk assessment on credit risk and includes an evaluation tool of the risk policies of financial institutions on agricultural commodities, which gives the financial sector an overview of the premises about soy producers, palm oil, meat and timber products in forest ecosystems, the involvement of these and the relationship of these with the portfolio of loans and investments. The third project works on taking into consideration water risks in the corporate bond credit analysis, in order to identify business risks and to encourage greater involvement of enterprises in water management, ensuring long-term safety.

**How have you, or are you attempting to, influence the position?**

GFNorte participates in the three pilot projects. GFNorte leads the Work Group 2 about the incorporation of natural capital criteria in financial products and services. Developments have been progressively made in two pilot projects: (i) towards the incorporation of natural capital in credit risk evaluation, and (ii) towards the generation of risk policies in agricultural products. It is noteworthy that the efforts done by GFNorte are not only within the Sustainability area, for it has sought to integrate the Risk area and the Agricultural Enterprises Banking.

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**Trade association**

United Nations Environmental Program Finance Initiative (UNEP FI)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The UNEP FI is a global partnership between UNEP and the financial sector. Over 200 institutions, including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance. The guidance developed last year, covering the key elements addressing carbon asset risk (CAR) during the processes of making new financing or investment decisions and in managing existing investment portfolios is estimated to be released in 2017. This objective has been postponed by the UNEP FI.

**How have you, or are you attempting to, influence the position?**

We continue actively participating in the technical working group of the GHG Protocol and UNEP FI joint initiative to develop guidelines in order to establish and provide an emissions calculation methodology to the financial sectors. Our Company seeks to establish a methodology for calculating emissions related to loans and investments of financial institutions to increase our scope in

reporting scope 3 emissions. In 2017 we were part of the Regional Roundtable of Sustainable Finance for Latin America and the Caribbean organized by the UNEP FI.

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**Trade association**

UN Principles of Responsible Investment (PRI)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The UNPRI initiative comprises six principles that seek to improve the ability to meet commitments with beneficiaries and align investment activities with ESG issues.

**How have you, or are you attempting to, influence the position?**

In the first year of membership, we focus on the fourth principle: Promote the acceptance and application of the PRI in the investment sector. Also, in July 2017, we joined the call of a group of 390 global investors representing \$ 22 billion in assets, so that the leaders of the G20 maintain their commitments of the Paris Agreement.

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**Trade association**

Mexican Alliance for Business and Biodiversity (AMEBIN)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

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

**How have you, or are you attempting to, influence the position?**

We participate as a private sector company that has biodiversity among its objectives, forming part of the Alliance's working groups and periodically assisting the events that have arisen from it.

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**C12.3f**

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

Our manuals, policies and procedures are developed based on the mission and vision of the Company and in order to ensure the attainment of strategic objectives. Since environmental stewardship is part of the overall strategy, internal regulations are constantly updated to be in line with the strategy and top management decisions. Also, because full collaboration from all parts is needed to achieve a strategy's targets, short courses and messages (Working for my planet campaign) on such matters are constantly issued to employees. Furthermore, the code of conduct, applicable to all subsidiaries, encourages directors, advisers and employees to take care of the resources available by the institution. It promotes the recycling of office material such as paper and the conscious use of electricity and water, through the digital files instead of printing and separation of organic and inorganic waste.

On the other hand, our Department of Sustainability and Responsible Investment presents its sustainability initiatives to the Executive Direction of Investor Relations and the CEO of the Company, who reports to the Board. We align our operations to a business value generation model including several capitals, among them: human, intellectual, financial and natural. The last one capital pursues the efficient use of resources and the reduction of our carbon footprint, aligned with our 2020 Vision, which seeks for our Company to become the best financial Group in Mexico in 2020.

Additionally, our publicly disposed Environmental Policy is aligned to our sustainability declaration and it applies to the whole consolidated Group. It was developed in order to support our commitments on environmental initiatives towards our stakeholders, and it is aligned to the ISO 14000 series in order to meet all its requirements in the long term through the following:

1. Management of environmental impacts and risks
2. Monitoring of carbon footprint
3. Waste management
4. Environmental criteria in procurement processes
5. Collaboration with stakeholders
6. Promotion and adoption of eco-efficient internal practices
7. Commitment to national and international initiatives. The policy has been endorsed and supported by the areas involved and the Sustainability Working Group.

Furthermore, in 2017 our president of board of directors sent a letter to our shareholders, reinforcing our commitment to tackle climate change and to continue working in a business strategy aligned with the Paris Agreement and its goal of limiting global warming.

It is also worthwhile mention that our procedure of social and environmental risk analysis is included in the institution's regulations as a tool for identification and management of impacts related to lending.

Also, since 2017 our Company is signatory of the initiative Principles of Responsible Investment. Thus we will comprise a complete approach of our environmental impacts associated with financial services.

## **C12.4**

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

**Publication**

In mainstream reports in accordance with the CDSB Framework

**Status**

Complete

**Attach the document**

1

[AR BANORTE 2017.pdf](#)

**Content elements**

Governance

Strategy

Risks & opportunities

Emissions figures

Emission targets

Other metrics

---

**Publication**

In mainstream reports in accordance with the CDSB Framework

**Status**

Complete

**Attach the document**

2

[IABANORTE2017esp.pdf](#)

**Content elements**

Governance

Strategy

Risks & opportunities  
Emissions figures  
Emission targets  
Other metrics

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## C14. Signoff

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### C-FI

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

### C14.1

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**(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

	Job title	Corresponding job category
Row 1	Managing Director Operations Administration and Finance	Chief Operating Officer (COO)

## Submit your response

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**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

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