Welcome to your CDP Climate Change Questionnaire 2022

C0. Introduction

C0.1

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

Our Company, Grupo Financiero Banorte (hence, “GFNorte”, “the Group” or “Our Company”) is one of the leading financial institutions in Mexico. It has the most diversified business, operates under a universal banking model, with a wide variety of products and services through its various subsidiaries, owning a solid stake in each of these. Currently the second largest bank in Mexico; first in pension funds (Afore XXI Banorte), second in government, mortgage, car and payroll loans, third in consumer credits, as well as branches, ATM´s correspondents and point of sales (POS), and fourth in company loans and credit cards. Our Company has a network of 1,151 branches, 9,668 ATMs, 154,443 POS terminals and 18,425 correspondents; it is also the only large financial institution which is not owned in majority by a global international bank. Additionally, we operate the money transfer companies Motran and Uniteller, as well as Banorte-Ixe Securities.

Our growth capacity through new acquisitions can be resumed as follows:
Banorte was founded in 1899 in the city of Monterrey, where it began operations as a regional bank. In 1992, in the banking privatization process, Banorte was acquired by a group of businessmen, led by Mr. Roberto González Barrera. Through a series of strategic acquisitions following the Mexican financial crisis in the mid-1990s, Banorte consolidated a national presence in Mexico. It currently operates as a financial group called Grupo Financiero Banorte (GFNorte), under a universal banking model offering a wide variety of products and services through its brokerage house, pension and insurance companies, Afore, mutual funds, as well as the leasing and factoring and the storage companies. At the end of December 2021, GFNorte manages $1,063,331 million pesos in AUM.

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

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

C0.2

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

	Start date	End date	Indicate if you are providing emissions data for past reporting years
Reporting year	January 1, 2021	December 31, 2021	No

C0.3

(C0.3) Select the countries/areas in which you operate.

Mexico
United States of America

C0.4

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

MXN

C0.5

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

Financial control

C-FS0.7

(C-FS0.7) Which activities does your organization undertake, and which industry sectors does your organization lend to, invest in, and/or insure?

	Does your organization undertake this activity?	Insurance types underwritten	Industry sectors your organization lends to, invests in, and/or insures
Banking (Bank)	Yes		Exposed to all broad market sectors
Investing (Asset manager)	Yes		Exposed to all broad market sectors
Investing (Asset owner)	Yes		Exposed to all broad market sectors
Insurance underwriting (Insurance company)	Yes	General (non-life) Life and/or Health	Exposed to all broad market sectors

C0.8

(C0.8) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier
Yes, an ISIN code	MXP370711014

C1. Governance

C1.1

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

Yes

C1.1a

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

Position of individual(s)	Please explain
Director on board	Our Chairman is strongly committed to mobilizing capital strategically through financing and investing in activities that contribute to sustainable development, as

	well as the transition to a fair, low-carbon, and more resource-efficient economy. He has being activly the voice of the Group on climate-realted issues internally and externally by participating on events such as Global leaders for Climate Action in COP 26.

C1.1b

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

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

C1.1d

(C1.1d) Does your organization have at least one board member with competence on climate-related issues?

	Board member(s) have competence on climate-related issues	Criteria used to assess competence of board member(s) on climate-related issues
Row 1	Yes	In 2021, we started an ESG training program for the Board of Directors, which is taught by an external advisor. The first phase was called "Handbook for the Director: Development Session on ESG Best Practices in the Banking Sector", and was focused on investors' expectations in terms of ESG performance, the role of the Board of Directors and the Support Committees on corporate sustainability, as well as special ESG considerations applicable to banks and holding companies of financial groups.

C1.2

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

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

C1.3

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

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

C1.3a

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

Entitled to incentive	Type of incentive	Activity incentivized	Comment

Other C-Suite Officer	Monetary reward	Efficiency target	A percentage of the variable compensation of the CAO is related to decrease operating expenses as a result from energy efficiency and renewable energy supply initiatives, as well as responsible resources consumption and waste recycling. The Energy and Mantainance, Material Resources and General Services deparments have also monetary incentives related with this activities since they report to the CAO.
Environment/Sustainability manager	Monetary reward	Emissions reduction project Emissions reduction target Behavior change related indicator Company performance against a climate-related sustainability index Portfolio/fund alignment to climate-related objectives	The annual bonus of the Sustainability and Responsible Investment department (including middle management to directors), corresponds to the following responsibilities: (i) Measuring environmental indicators management and their performance (energy consumption, GHG emissions, waste disposal, waste recycled, among others), (ii) Proposal of operational efficiency projects, (iii) Development of ESG targets, (iv) Employee awareness about sustainability, (v) Management of socio-environmental risks in credit and investment portfolios, (vi) Development of Sustainable Financial Products, and (vii) Response to ESG rating agencies and investors.
All employees	Non-monetary reward	Other (please specify) Employee facing environmental concerns.	Our Sustainability Champions network aims to sensitize our employees and be spokespersons on sustainability issues regarding the programs, campaigns and activities that are implemented. For this, at least two Champions were convened per floor of our main administrative buildings, which sign a letter of commitment and attend monthly meetings where the Sustainability and Responsible Investment department shares information regarding current issues of sustainability and ongoing projects.

			For each of them we gave an acknowledgment with which they can also be identified by other employees. Also, as the Social and Environmental Risk Management System (SEMS) have a group of executives that serve as a link between the Social and Environmental Risk Area (ARSA) and the Credit departments to promote the proper management of social and environmental risks in all the territories of the country. They receive recognition awards and are periodically trained in ESG issues.
Chief Risk Officer (CRO)	Monetary reward	Portfolio/fund alignment to climate-related objectives Other (please specify) Climate-related risks management	A percentage of the variable compensation of the CRO/COO is related to the integration of ESG and climate-related risks in the risk analysis process. This objective includes the generation of databases, the design and development of methodologies for the quantification of climate-related risks, the integration of climate commitments in the evaluation processes for the origination of assets, the accoutaibility of climate-related issues, the application of the PACTA methodology in relevant sectors of the corporate loan portfolio, the integration of ESG and climate-related risks in the internal taxonomy, as well as the incorporation of the main ESG and climate concepts in internal regulations.
Other, please specify Internal working group on Climate Change	Non-monetary reward	Portfolio/fund alignment to climate-related objectives Other (please specify) Climate-related risks management	In 2021, we created an internal working group on climate change, which is composed by 36 members of the Sustainability, Risk, Credit, Specialized Areas, Innovation and Insurance departments. The group meets each week, with additional meetings called when necessary, depending on the issue in question. The working group was formed in order to build awareness about the

			importance of climate change, generate capacities, develop tools and align ourselves with the four pillars of the TCFD recommendations, qualitatively and quantitatively. In 2021, the group focused primarily on structuring the process of assessing climate risk in our operations and in the business and analyzing various methodologies for temperature scenarios and climate stress testing. The results were reflected in our first report of TCFD recommendations, which includes an acknowledgment of the participation of each of the members.

C-FS1.4

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

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

C2. Risks and opportunities

C2.1

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

Yes

C2.1a

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

	From (years)	To (years)	Comment
Short-term	0	4	
Medium-term	5	14	
Long-term	15	30	

C2.1b

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

The financial impact on a particular business depends on the payment capacity that the client has at the time of its analysis. In this payment capacity, we include different qualitative and quantitative aspects; for the qualitative part we consider the type of administration that the business has, experience in the sector, seniority in the activity, who are its clients, suppliers, perspectives of the sector, among other issues, and for the quantitative part we consider the type of short or long-term credit if it has the capacity to pay to face this debt with the Institution, how it obtains its income, etc. Once evaluated, the case is analysed in the corresponding committee and authorized. It is important to highlight the follow-up given to clients, which controls a possible negative impact on that particular sector. We have tools or models where, depending on the client's risk level or risk scale, they are analysed in the corresponding committee, that is, the greater the exposure to financing and the type of credit risk, a corresponding committee is assigned.

The financial or strategic impact is managed with different metrics and their respective risk thresholds consolidated in Risk Appetite and is governed mainly by the following pillars;

1. The financial Group seeks to maintain a general medium-low risk profile based on a diversified business model, focused on Retail Banking with relevant market shares, and a Wholesale Banking business model that highlights the relationship with customers in the Group's main markets:

(i) Maintaining a diversified portfolio avoiding risk concentrations

(ii) Leadership position in priority businesses for the Group's strategy, applying innovative strategies and targeted campaigns

(iii) Emphasis on generating business with a comprehensive vision of the client, seeking the growth of the Group through the placement of new products and services to the current client base, seeking to increase profitability per client

(iv) Internal culture focused on customer satisfaction, so that the Group is recognized for its quality of service

(v) Innovation to enrich the offer of segments, products and channels with new technologies that meet customer needs in a functional and attractive way

2. Maintain a proactive strategy related to Environmental, Social and Corporate Governance risks, incorporating this culture in all the Group's activities.

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

C2.2

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

Value chain stage(s) covered

Direct operations
Upstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

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

- Operations:
1. We follow a management system for risks assessment through our Environmental Impacts Matrix (RIECM), which prioritize 128 environmental aspects by weighting their type, activity, input and output, six possible environmental impacts, time, gravity, relevance, reversibility and evolution. The result of this assessment comprises values from 0 to 505+ (the higher the value, the higher relevance) and determines the impact's significance to prioritize in the short- and long-term. In addition, in this matrix we have identified the current environmental laws that apply to us and if we are complying with it, prioritizing these regulations depending on their economic sanctions.
2. We have a Command Center called "COPS", which is responsible for monitoring and providing information on the state of the weather on a national scale, with the aim of monitoring and identifying meteorological phenomena that may affect the assets of the

company, the different economic activities and the loss of human lives. This is done by consulting the official media of the National Meteorological Service (SMN), a dependency of the National Water Commission (CONAGUA), which is part of the Ministry of the Environment and Natural Resources (SEMARNAT). The COPS is operated by the Protection, Security and Intelligence Directorate.
3. To address high impact external events, GFNorte has a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) that set out guidelines for what to do in case of a sinister based on a same-time data replication system at an alternate computer site. All the above cover the backup and recovery of the Institution's critical applications in the event or any relevant operating contingency such as earthquakes, hurricanes, floods, among other physical events, for one particular site or a definite region that can affect our facilities and by subsequent, our operations. Likewise, we have a methodology for business continuity which is based on the international practices of the DRII (Disaster Recovery International Institute). This methodology is made up of five phases that range from the identification of risks, business areas and processes classified as critical, to monitoring and follow-up for continuous improvement.
4. There is a Recovery and Continuity Committee, which is the body with faculties for in case of service interruption, evaluate the impact of damages, identify affected business areas, estimate the recovery time. This Committee reports directly to the Risk Policies Committee (CRP). Also, the CPR is in charge of the assessment of the scope and effectiveness of the BCP, its disclosure among the corresponding areas and identification, if the case, of the necessary adjustments for its update and strengthening. At least once a year, the CPR should test the BCP to verify its effectiveness.
5. Since August 2020, the risk appetite department developed a Sustainability Risk Score for the Group, which evaluates historical data from 177 sectoral ESG indicators and establishes risk thresholds (appetite, tolerance and capacity) for each of these indicators. The Score was developed in order to implement best ESG practices and to define mitigation plans and/or corrective actions if the Score is within the tolerance and capacity thresholds. In October 2021, the Score was presented and approved by the CPR.

- Business:
1. For lending activities:
Since 2012, we implemented a Social and Environmental Risk Management System (SEMS) aligned with the Equator Principles (EP) into credit risk management processes. The analysis process includes the following stages:
(i) Identification: The Social and Environmental Risk Area (ARSA) identifies the potential environmental and social risks and impacts of the credits and verifies that none of the activities to be financed are on the exclusion list (not risky or prohibited activities).
(ii) Categorization: The ARSA assigns a level of socio-environmental risk to the credits depending on the magnitude of their impacts and the possibility of mitigating them, classified according to the EP in A (high risk), B (medium risk) and C (low risk).
(iii) Evaluation: once the financing are categorized, the ARSA selects those that must be evaluated through a due diligence, depending on the amount of credit, the financial product and its destination. All sectors will be subject to evaluation, especially sensitive sectors. The evaluation consists in verifying the compliance of the projects to be

financed with the national legal framework and the guidelines of the EP, the IFC Performance Standards and the SEMS Evaluation, so the ARSA asks customers for information related to permits, resolutives, licenses, plans, programs, specialized studies and good practices to elaborate the due diligence.
(iv) Management: monitoring the socio-environmental performance of the credits during the life cycle of the financing. Mainly considers the credits analyzed under the EP and includes annual reviews, continuous advice for clients and business executives, site visits and reputational risk monitoring of the projects.
The environmental and social analysis process is documented in a due diligence and submitted to the Credit Committees prior to the authorization of the credits.
2. For investment activities:
(i) Asset Management (Operadora de Fondos Banorte): As singatories of the Principles for Responsible Investment (PRI) since 2020, the Sustainability and Responsible Investment Department annually analyze the ESG performance and transparency, media controversies, inclciding the Scope 3 emissions (category 15. Investments of the GHG Protocol) of the most representative issuers of the portfolio.The results are reported to the Asset Management Department and to the Investment Committee in order to be considered through the investment strategy process.
(ii) Asset Owners (Afore XXI Banorte): We have designed an internal approach to manage climate change in our portfolio with the following actions:
Climate Change Policy,
Participation in the Investment Committee
Direct and Collaborative engagement with issuers
Keeping with our commitment to mitigating climate change and aligned with the NDC, we defined the following medium- and long-term goals for managing GHG emissions: 1st :2025, with at least 20% of the portfolio of alternative instruments in the RE sector; 2nd for 2030 with at least 50%. In addition, sine 2021 we are part of climate action 100+.
3. For insurance activities:
For all hydrometeorological phenomena such as hurricane, storm surge, flood, heavy rainfall, hail and windstorm, among others (excluding tsunami), we use Catastrophe (CAT) Models not only to establish the pricing but also to determine the amount of CAT reinsurance capacity we need and also to determine the reserves. The models we use are ERN (statutory), RMS and AIR.

C2.2a

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

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Current regulation risk is defined as the potential loss due regulatory inspections, examinations, inquiries and audits that could result in sanctions or the imposition of corrective measures. - Operational risks: as a financial company, our direct impacts related

		with climate change are derived mainly from fuel and electricity consumption. Therefore, the identified risks regard the Mexican General Climate Change Law, National Registry of Emissions. - Business risks: there are no current regulations for climate-related issues for financial institutions. Nevertheless, as part of our SEMS process we verify that our clients comply with the national environmental regulations due this represent a risk for both.
Emerging regulation	Relevant, always included	Emerging regulation risk is defined as a potential loss due to governmental regulation frequent revisions and changes. Many of the climate-related applicable laws and regulations have been subject to extensive changes in recent years. - Operational risks: since 2009 we started calculating our GHG emissions and we verified them since 2013; by 2015 it was already mandatory for companies with emissions exceeding 25 thousand tons of CO2e per year to report them to SEMARNAT and by 2018 its verification was also mandatory, in accordance with the General Law on Climate Change and its regulations on National Registry of Emissions. Therefore, this did not affect our activities or imply an additional cost once it entered into force. - Business risks: in Mexico there is no regulation related to climate-related issues for financial institutions yet. Nevertheless, we already have operating since 2012 our Social and Environmental risk Management System (SEMS) that analyzes the environmental and social risks involved in the activities we finance, and we have already developed an internal methodology to incorporate ESG issues into our investment decision-making. As part of the SEMS process, we follow up to upgrades of the current and new regulations in the Mexican government newspaper (DOF) and it is integrated to our periodic reviews.
Technology	Relevant, always included	Technological risks is defined as the potential loss due a lack of ability to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner. - Operational risks: we constantly evaluate technological improvements or innovations that support the transition to a lower-carbon and have a significant impact on our organization. Our ability to remain competitive in the markets in which we operate depends partially on our ability to upgrade our information technology infrastructure on a timely and profitable basis, through continuous investment. The opening of new offices and branches requires us to improve our information technology infrastructure, and to maintain and upgrade our software and hardware systems and back office operations. For that reason, one of our relevant contracts of the Group includes the agreements with IBM de Mexico, Comercializacion y Servicios, S. de R.L. de C.V.: (i) for the acquisition of products (equipment or software licenses) and services,

		and (ii) leasing of technological equipment. Any failure to improve effectively or upgrade our information technology infrastructure and management information systems in a timely manner or to achieve the expected results from our alliance with IBM could materially and adversely affect our competitiveness, financial position and results of operations, and result in losses for our customers, resulting in liabilities for us. - Business risks: through the SEMS process we share recommendations to our clients from different industrial sectors about good environmental and social practices, which may include the use of high efficiency technology to reduce resources consumption and improve their processes.
Legal	Relevant, always included	Legal risk is defined as a potential loss due to non-compliance with the applicable legal and administrative provisions, the issuance of applicable administrative and judicial unfavorable resolutions and the application of sanctions, in relation to the operations that Banorte carries out. - Operational risks: our Legal department attends claims and issues regarding environmental topics, in case these issues arise. In 2021, GFNorte did not receive any environmental fines, which was reported in our Integrated Annual Report and verified by a third party in accordance with GRI 307-1: “Non-compliance with environmental laws and regulations”. - Business risks: one of the objectives of the SEMS is to avoid non-compliance with environmental legislation as it may have consequences for penalties, including monetary, operative and administrative sanctions.
Market	Relevant, always included	Market risk is defined as a potential loss due to changes in risk factors that affect the valuation or expected results of active, passive or contingent liability operations. - Operational risks: due to the growing demand for the best ESG practices from global investors, it is important to have an updated sustainability strategy that allows us to be more competitive on an international level. This is reflected with better ratings issued by the ESG Rating Agencies and adherence and permanence in sustainability indices, which open new market opportunities. - Business risks: lack of sustainable financial products, such as green credit lines, green, social and sustainable bonds, ESG funds, climate insurance, among others, can limit our offer in the market, which has repercussions in the loss of some potential clients who seek these products.
Reputation	Relevant, always included	Reputational risk is defined as the potential loss in the development of the activity of each of the entities that make up the Group caused by the deterioration in the perception that the different interested parties, both internal and external, have of their solvency and viability.

		- Operational risks: because the Group is a publicly-owned corporation, it must effectively manage its behavior, discourse and image in society, aware of the impact these variables have on its corporate reputation. One of our basic operational principles has been to safeguard the group's reputation through prudent but transparent communication, to avoid rumors or the generation of voids that might be filled with incorrect information. Faced with these momentary challenges, we chose to distribute appropriate information on events through internal and external media and social networks, contributing to our stewardship of the group's intangible capital. - Business risks: as part of the SEMS and responsible investment process, the reputational risk of projects and assets with significant risks are analyzed through the monitoring of controversial issues. By having a relationship with clients or controversial projects in our portfolios, the image of the Group can be affected with our stakeholders, losing presence and brand value.
Acute physical	Relevant, always included	Acute physical risks are included within the operational risk. Operational risk is defined as the potential loss, either direct or indirect, due different causes including natural disasters such as cyclones, hurricanes, floods, among others. - Operational risks: according to the National Institute of Ecology and Climate Change (INECC), in Mexico there are 25 tropical cyclones a year generated on average; 4 to 5 can enter to the territory and cause serious damage. The degree of direct exposure to tropical cyclones, in any of their categories, is high in at least 17 states of the country: Baja California, Baja California Sur, Sinaloa, Sonora, Nayarit, Jalisco, Colima, Michoacán, Guerrero, Oaxaca, Chiapas, Quintana Roo, Yucatán, Campeche, Tabasco, Veracruz and Tamaulipas. However, the level of vulnerability to the catastrophic presence of a phenomenon of this nature and to the process of climate change is particularly severe in Colima, Veracruz, Tamaulipas, Baja California and Baja California Sur, according to Analysis of the frequency and intensity of tropical cyclones to prevent the effects, present and future, due to variability and climate change in Mexico, published by the INECC. Our facilities and branches located less than 50 kms from the coast are classify as high risk, then, those who are located more than 50 km in near coastal states are classified with medium risk, the others are considered as low risk. Therefore, 377 facilities are directly exposed to hurricanes due their location, and 47 are in high risk locations. Regarding floods (level of rainfall greater than 872 millimeters according to the National Water Commission), according to the National Commission for Knowledge and Use of Biodiversity (Conabio), the states that present a high risk of flooding in most of their municipalities are Baja California, Baja California Sur and Quintana Roo. Therefore, 67 facilities are exposed to floods.

		- Business risks: as part of the credit process, the projects that are vulnerable to physical risks due to their geographical location requires insurance policies that may cover the possible damages that may be caused by natural disasters. Similarly, in the SEMS process it is requested that they also have an emergency response plans civil protection programs.
Chronic physical	Not relevant, included	Chronic physical risks are included within the operational risk. Operational risk is defined as the potential loss, either direct or indirect, due different causes including sudden changes in weather patterns such as higher/lower temperatures, among others. - Operational risks: The climate in Mexico is expected to become more extreme, that is, prolonged droughts and severe rains in abnormal seasons. According to the National Institute of Ecology and Climate Change (INECC), the states most affected by drought conditions were Sonora, Sinaloa and Baja California. It is assumed that the states facing drought are the states with the highest temperatures in the country and this represents a risk of increased energy consumption. Therefore, 115 facilities are exposed to drought conditions. - Business risks: due to the changes in the climate that directly affect the activities of our clients, we identify the potential physical chronic risks and begin the development of a series of guides to prevent and manage the different problems that can arise in the different sectors. An example is the recent massive arrival of sargassum on the Mexican coast of the Caribbean that has affected the tourism sector.

C-FS2.2b

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

	We assess the portfolio's exposure
Banking (Bank)	Yes
Investing (Asset manager)	Yes
Investing (Asset owner)	Yes
Insurance underwriting (Insurance company)	Yes

C-FS2.2c

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

	Type of risk management process	Proportion of portfolio covered by risk	Type of assessment	Time horizon(s) covered	Tools and methods used	Provide the rationale for implementing this process to assess your

		manageme nt process				portfolio's exposure to climate-related risks and opportunities
Banking (Bank)	A specific climate-related risk management process	43	Qualitative only	Short-term Medium-term Long-term	UNEP FI Portfolio Impact Analysis Tool for Banks 2DII Paris Agreement Capital Transition Assessment (PACTA) tool Risk models Scenario analysis Internal tools/methods	The process to assess our portfolio's exposure to climate-related risks and opportunities was carried out as part of the implementation of the TCFD recommendations in a first scope of the portfolio. Real estate and tourism sector for the analysis of physical risks and oil and gas for the analysis of transition risks. These sectors represent 43% of the wholesale portfolio. In parallel, the UNEP FI portfolio impact analysis tool and the PACTA methodology were applied.
Investing (Asset manager)	A specific climate-related risk management process	72	Qualitative and quantitative	Short-term Medium-term Long-term	Internal tools/methods	To assess the climate-related risks and opportunities in our portfolio, we focus on our listed equities where we quantify our scope 3 emissions

						helped by the public disclossure made by the issuers. The main objective of this activity is to: (i) Evaluate our portfolio exposure to climate-related risks and opportunities; ii) Understand our issuers strategies related to climate risks and opportinuties; (iii) Identify the issuers that represent the largest carbon footprint in the portfolio; and (iv) Make engagements to define GHG emission reduction targets, mitigation and/or adaptation plans in conjunction with the issuers.
Investing (Asset owner)	A specific climate-related risk management process	70	Quantitative only	Short-term Medium-term Long-term	Internal tools/methods External consultants	In order to assess the climate-related risks and opportunities, we joined Climate Action 100+ and TCFD, through which we ask companies to: (i) Implement a solid governance framework; (ii) Take measures to reduce GHG

						emissions along the value chain; (iii) Provide enhanced climate-related disclosure; (iv) Consider climate-related issues into financial decision-making; (v) Mitigate climate risk; and (vi) Promote an economy of net zero emissions. Also we measure the achievement of 8 goals defined by our Investment Committee that includes the definition of policies, buildings with sustainable certifications and involvement with tenants from Real Estate investments to take carried out training on energy efficiency, water consumption and waste. We are currently strengthening these goals to implement specific targets for each objective depending on the type of assets in the real estate sector.

Insurance underwriting (Insurance company)	Integrated into multi-disciplinary company-wide risk management process	4	Qualitative and quantitative	Medium-term	Risk models Scenario analysis Stress tests Internal tools/methods External consultants Other, please specify Reinsurance	We developed an hydrometeorological related CAT coverage for Property Damage and Business Interruption on Property programs. We also proved hydrometeorological related CAT coverage on a stand-alone basis both for Property businesses and for Agricultural programs.

C-FS2.2d

(C-FS2.2d) Does your organization consider climate-related information about your clients/investees as part of your due diligence and/or risk assessment process?

	We consider climate-related information
Banking (Bank)	Yes
Investing (Asset manager)	Yes
Investing (Asset owner)	Yes
Insurance underwriting (Insurance company)	Yes

C-FS2.2e

(C-FS2.2e) Indicate the climate-related information your organization considers about clients/investees as part of your due diligence and/or risk assessment process, and how this influences decision-making.

Portfolio

Banking (Bank)

Type of climate-related information considered

Emissions data
Energy usage data

Process through which information is obtained

Directly from the client/investee
Public data sources

Industry sector(s) covered by due diligence and/or risk assessment process

Energy
Transportation
Real Estate

State how this climate-related information influences your decision-making

The information related to the climate is part of the priority aspects evaluated by the Environmental and Social Risk Management System, these topics have a weighting that assigns a rating to the client that is considered to support or not the financing. When a client fails to comply with any aspect, we provide a grace period to satisfy the requirements. If the client does not present evidence of compliance, the social and environmental risk departmet communicates the results to the Credit Committees and the financing may be conditioned or not authorized, depending on the severity of the non-compliance.

Portfolio

Investing (asset manager)

Type of climate-related information considered

Emissions data
Emissions reduction targets
TCFD disclosures

Process through which information is obtained

Data provider
Public data sources

Industry sector(s) covered by due diligence and/or risk assessment process

Materials
Transportation
Consumer Services
Food, Beverage & Tobacco
Telecommunication Services
Media & Entertainment

State how this climate-related information influences your decision-making

A core activity of our Responsible Investment Process is the attendance to our Asset Manager Investment Committee where we share the results on ESG aspects of the instruments in which we invest this includes; i) Internal ESG rating of funds ii) Carbon emissions per fund iii)Reputational score and iv)Engagement. The information shared thorugh our report and presentation incorporates the climate related data selected above, having as purpose to support the Investment Committe into the integration of ESG issues to the investment strategy.
In addition, we also try to reward issuers with outstanding ESG performance, using

various responsible investment strategies depending on the mandate for the fund in question.
i) ESG Integration: Within the range of products offered by Operadora de Fondos Banorte, our NTESEL fund is a relatively managed mutual fund whose investment strategy is determined by a quantitative model involving ESG criteria, among others, to screen instruments for acceptance. With an ESG rating of 56.7 points, according to an internal evaluation, and 63 points from an independent consultant, the fund had a total value of Ps. 1.32 billion in assets under management at the close of the year.
ii) Positive and negative screening: In collaboration with Franklin Templeton, Operadora de Fondos Banorte launched our NTEESG fund, made up of issuers who follow the best global ESG practices and who meet this subsidiary's Responsible Investment Policy guidelines. The fund's aim is to deliver returns superior to its benchmark. With an ESG rating of 7.26 points according to the manager's rating (19% higher than the benchmark index), the fund closed the year with a total of Ps. 2.15 billion in assets under management.

C2.3

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

Yes

C2.3a

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

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Banking portfolio

Risk type & Primary climate-related risk driver

Acute physical

Cyclone, hurricane, typhoon

Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

According to the National Institute of Ecology and Climate Change (INECC), in Mexico there are 25 tropical cyclones a year generated on average; 4 to 5 can enter to the territory and cause serious damage. The degree of direct exposure to tropical cyclones, in any of their categories, is high in at least 17 states of the country: Baja California, Baja California Sur, Sinaloa, Sonora, Nayarit, Jalisco, Colima, Michoacán, Guerrero, Oaxaca, Chiapas, Quintana Roo, Yucatán, Campeche, Tabasco, Veracruz and Tamaulipas. However, the level of vulnerability to the catastrophic presence of a phenomenon of this nature and to the process of climate change is particularly severe in Colima, Veracruz, Tamaulipas, Baja California and Baja California Sur, according to Analysis of the frequency and intensity of tropical cyclones to prevent the effects, present and future, due to variability and climate change in Mexico, published by the INECC. Our facilities and branches located less than 50 kms from the coast are classify as high risk, then, those who are located more than 50 km in near coastal states are classified with medium risk, the others are considered as low risk. Therefore, 377 facilities are directly exposed to hurricanes due their location, and 47 are in high risk locations.
Regarding floods (level of rainfall greater than 872 millimeters according to the National Water Commission), according to the National Commission for Knowledge and Use of Biodiversity (Conabio), the states that present a high risk of flooding in most of their municipalities are Baja California, Baja California Sur and Quintana Roo. Therefore, 67 facilities are exposed to floods.

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

33,173,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The increase in the severity and frequency of climate-related events can cause monetary losses due to the disruption or temporary closure of operations and damage to property. Therefore to calculate the estimated potential financial impact we considered the following aspects:
i) 47 facilties that are located in high-risk locations impacted by an extreme

hydrometeorological event
ii) 2 extreme hydrometeorological events per year per facility
iii) The temporary closure of 10 hours on average per facility affected by the event
iv) The average net operating profit of the last 3 years of the facilities in question
v) The maximum cost derived from floods of 768.79 on minimum wages, according to a governmental analysis in Mexico

Cost of response to risk

36,400,000

Description of response and explanation of cost calculation

We have implemented in our commercial network a recovery strategy for branches called "Bunker Branches". To determine the new or existing branches that are suitable under this modality, we hold different working groups in which the commercial team participates as receiving client, the Material Resources Department and the Technology Department in charge of the implementation, as well as the Protection, Security and Intelligence Department and the Business Continuity Department for feasibility and advice for enabling support. Bunker Branches should be located in geographical areas of high hydrometeorological risk, have alternate routes for clients and collaborators to enter the site, in addition to criteria of coverage and profitability of the branch in question. We currently have 15 Bunker Branches, which have infrastructure that include an emergency plant, anticyclonic curtains, satellite link and engineering. These adjustments allow us to provide operational continuity to our clients in the event of any contingency and/or disaster in the affected area. States covered by Bunker Branches are Baja California Sur, Tamaulipas, Colima, Guerrero, Chiapas, Campeche, Sinaloa and Quintana Roo.
Furthermore, we have an insurance policy whose coverage includes movable and immovable property, property of third parties under Banorte's custody for which Banorte is legally responsible, property in the process of construction and installation, improvements and adaptations of any kind, as well as machinery and equipment, electronic equipment and mobile equipment. This insurance covers losses due to material damage, caused directly to the covered goods by accidental, sudden and unforeseen risks due to the materialization of hydrometeorological risks.
The cost of response to the risk considers the implementation of "Bunker Branches" and the Insurance policy costs.

Comment

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Current regulation
Enhanced emissions-reporting obligations

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

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

Time horizon

Short-term

Likelihood

Unlikely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

86,435

Potential financial impact figure – maximum (currency)

5,186,100

Explanation of financial impact figure

If the data and documents required are not submitted the Federal Environmental Protection Agency (PROFEPA) may impose a fine of $86,435 to $518,610 MXN. Reporting false information should imply a fine of $518,610 to $1,728,700 MXN. This amount can be tripled in case of recurrence ($5,186,100 MXN).

Cost of response to risk

124,512

Description of response and explanation of cost calculation

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

Comment

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Technology

Transitioning to lower emissions technology

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

According to Our World in Data, a publication of the University of Oxford, Mexico's energy matrix is comprised of 75.2% non-renewable sources, and therefore the price of energy is subject largely to fluctuations in the price of fossil fuels. Furthermore, recent energy reform bills in this country are focused on empowering state-owned productive enterprises, which could slow private investment in renewable energy projects and foster uncertainty in the operation of the electrical market.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

4,240,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Any increase in the price of fossil fuels results directly in a rise in electricity prices. We have seen this effect first-hand in the cost of the electrical energy we consume, as the average annual price per kilowatt hour has risen by approximately 1.12% in the last three years.

Cost of response to risk

210,000

Description of response and explanation of cost calculation

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

Comment

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Banking portfolio

Risk type & Primary climate-related risk driver

Acute physical

Cyclone, hurricane, typhoon

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

The increase in average global surface temperatures results in more frequent, intense and unpredictable climate events, primarily in coastal regions. Specifically for clients in the Real Estate and Tourism sectors, these hydrometeorological phenomena may disrupt business and physically affect assets, which may in turn increase their insurance premiums. For Mexico, the regions most exposed to such climate events are the eastern, southeastern and southwestern regions of the country, were there´s a certain concentration of financed projects in these zones.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

We understand that the climate risks to which our clients are directly exposed pose an indirect risk to ourselves. These risks in turn will depend on the nature of the industry in which each of them operates. The materialization of climate risk could increase the probability of default by clients, or an impairment of the value of the collateral backing our loans, which would require increased reserves, additional capital to meet regulatory requirements, and a reduction in Banorte profits.

The materialization of hydrometeorological phenomena may affect disrupt our clients operations, increase the capital expenditures necessary to repair damage, and erode the value of assets. This deterioration of their assets may shorten their useful life, which could in turn affect our clients’ payment capacity and the collateral that guarantees their loans.

Cost of response to risk

500,000

Description of response and explanation of cost calculation

In January 2021, GFNorte joined a pilot program for the United Nations Environmental Program Finance Initiative (UNEP-FI), aimed at banks interested in aligning themselves with TCFD recommendations. Pursuant to the four recommendations of the framework, we defined the following goals: i) Make climate change a priority on the agendas of our government bodies ii) Define a business strategy that responds to climaterelated risks and opportunities. iii) Include climate risk in the institution's risk management processes. iv) Develop metrics and targets to mitigate risks, take advantage of opportunities and improve disclosure on climate aspects.
We formed an internal work group in order to build awareness about the importance of climate change, generate capacities, develop tools and align ourselves with the four pillars of the TCFD recommendations, qualitatively and quantitatively. In 2021, the group focused primarily on structuring the process of assessing climate risk in our operations and in the business and analyzing various methodologies for temperature scenarios and climate stress testing.

Comment

Identifier

Risk 5

Where in the value chain does the risk driver occur?

Banking portfolio

Risk type & Primary climate-related risk driver

Current regulation
Carbon pricing mechanisms

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

To encourage an orderly reduction in GHG emissions, Mexico began a pilot project in 2020 to introduce an Emissions Trading System (ETS) that will formally take effect in 2023, and that includes the Oil & Gas industry, among others. The companies regulated under the ETS are those emitting more than 100,000 tCO_2 from direct sources (scope 1) per year—together accounting for approximately 40% of the country's GHG emissions.
In addition, Mexico's Income Tax Law stipulates the amount of taxes on carbon applicable to all productive sectors that produce or import fossil fuels, encompassing 23% of Mexico's total GHG emissions. The tax is levied on the difference in their CO_2

emissions compared to natural gas, a fuel that is exempt from the tax.
With an average production of 1.75 million barrels of oil a day, Mexico is one of the world's leading producers (ranking 11th in 2021). Most of Mexico's oil and gas is produced in the eastern and northeastern portions of the country, primarily in offshore territorial waters controlled by the Mexican government.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

We understand that the climate risks to which our clients are directly exposed pose an indirect risk to ourselves. These risks in turn will depend on the nature of the industry in which each of them operates. The materialization of climate risk could increase the probability of default by clients, or an impairment of the value of the collateral backing our loans, which would require increased reserves, additional capital to meet regulatory requirements, and a reduction in Banorte profits.
Clients of GFNorte who are regulated by the ETS and/ or who pay taxes on the use of fossil fuels will experience a rise in direct and indirect operating costs. Because the Oil & Gas industry is the most affected by both these regulations due to the nature of its operations, its financial stability may be significantly compromised in the event of a constant and significant increase in carbon prices under either of these mechanisms, and this may contribute to an inability to fulfill their financial obligations. ETS-regulated companies are also subject to a GHG emissions cap, and for every metric ton of carbon dioxide they emit over that threshold they must buy emission permits in government auctions, on the secondary market, or through carbon offsets in the voluntary market (up to 10% of the total). The cap on GHG emissions established by the ETS in the first year will be 273.1 million tCO2e, and this amount will gradually decline each year, in accordance with the Nationally Determined Contributions (NDC) to which Mexico committed in the Paris Agreement. Although the price will be set according to market supply and demand, the average in 2021 was USD 17.20/ tCO2e in global markets, fluctuating between a low of USD 1.12 in the pilot program in Shenzhen, China, and a

high of USD 49.78/ tCO2e in the European Union (World Bank). Taxes on carbon may be as much as 3% of the selling price of fuel, which would indicate a range between Ps. 7.00/ tCO2e and Ps. 65/ tCO2e (approximately USD 0.40 and USD 3.00, respectively). These taxes would be paid monthly

Cost of response to risk

500,000

Description of response and explanation of cost calculation

In January 2021, GFNorte joined a pilot program for the United Nations Environmental Program Finance Initiative (UNEP-FI), aimed at banks interested in aligning themselves with TCFD recommendations. Pursuant to the four recommendations of the framework, we defined the following goals: i) Make climate change a priority on the agendas of our government bodies ii) Define a business strategy that responds to climaterelated risks and opportunities. iii) Include climate risk in the institution's risk management processes. iv) Develop metrics and targets to mitigate risks, take advantage of opportunities and improve disclosure on climate aspects.
We formed an internal work group in order to build awareness about the importance of climate change, generate capacities, develop tools and align ourselves with the four pillars of the TCFD recommendations, qualitatively and quantitatively. In 2021, the group focused primarily on structuring the process of assessing climate risk in our operations and in the business and analyzing various methodologies for temperature scenarios and climate stress testing.

Comment

Identifier

Risk 6

Where in the value chain does the risk driver occur?

Banking portfolio

Risk type & Primary climate-related risk driver

Emerging regulation
Mandates on and regulation of existing products and services

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

In line with the goal of keeping the average increase in global surface temperatures to at most 1.5° C compared to pre-industrial levels, GHG emissions from global economic activity must be limited to only 360 gigatons of tCO2e by 2050. In a scenario of orderly transition, new regulations can be expected to restrict drilling for fossil fuels, which would mean a number of stranded assets: (i) oil and gas reserves left unburned; (ii) exploration and development infrastructure yielding no profit; (iii) idle production and processing facilities; and (iv) unused distribution channels.

Time horizon

Long-term

Likelihood

Likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

We understand that the climate risks to which our clients are directly exposed pose an indirect risk to ourselves. These risks in turn will depend on the nature of the industry in which each of them operates. The materialization of climate risk could increase the probability of default by clients, or an impairment of the value of the collateral backing our loans, which would require increased reserves, additional capital to meet regulatory requirements, and a reduction in Banorte profits.
For our clients in the Oil & Gas sector, emerging regulations that limit drilling for fossil fuels or the use of infrastructure to operate may cause a significant loss of revenue, which translates into lower liquidity that could affect their payment capacity and credit rating. They could also lead to the cancellation of potential projects throughout the fossil fuel value chain, along with exponential devaluation and early decommissioning of existing assets. According to research at the University of Exeter, England, around half of the world's fossil fuels will lose their value by 2036, which would represent losses of between USD 11 billion and 14 billion. In this context, Mexico would cease to exploit between 58.4% and 64.4% of its proven, probable and possible reserves of oil and gas.

Cost of response to risk

500,000

Description of response and explanation of cost calculation

In January 2021, GFNorte joined a pilot program for the United Nations Environmental Program Finance Initiative (UNEP-FI), aimed at banks interested in aligning themselves with TCFD recommendations. Pursuant to the four recommendations of the framework, we defined the following goals: i) Make climate change a priority on the agendas of our government bodies ii) Define a business strategy that responds to climaterelated risks and opportunities. iii) Include climate risk in the institution's risk management processes. iv) Develop metrics and targets to mitigate risks, take advantage of opportunities and improve disclosure on climate aspects.
We formed an internal work group in order to build awareness about the importance of climate change, generate capacities, develop tools and align ourselves with the four pillars of the TCFD recommendations, qualitatively and quantitatively. In 2021, the group focused primarily on structuring the process of assessing climate risk in our operations and in the business and analyzing various methodologies for temperature scenarios and climate stress testing.

Comment

Identifier

Risk 7

Where in the value chain does the risk driver occur?

Banking portfolio

Risk type & Primary climate-related risk driver

Market
Changing customer behavior

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

To achieve the goal of net-zero emissions by 2050, investment flows and firm commitments are required from various economic agents aimed at making the transition to low-carbon technologies. This will allow for increasingly efficient, cheap and stable renewable energy (including nuclear energy). At the same time, fossil fuel prices will probably become more volatile as climate scenarios assume the reduction in demand for primary energy, lower use and exploitation of fossil fuels, and lower emissions.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

We understand that the climate risks to which our clients are directly exposed pose an indirect risk to ourselves. These risks in turn will depend on the nature of the industry in which each of them operates. The materialization of climate risk could increase the probability of default by clients, or an impairment of the value of the collateral backing our loans, which would require increased reserves, additional capital to meet regulatory requirements, and a reduction in Banorte profits.

Lower demand for fossil fuels would mean lower prices, which would have a negative impact on our clients in the Oil & Gas sector, because this is their primary source of revenue. Furthermore, considering market dynamics, lower prices will also lead to lower supply. These effects would reduce revenues for GFNorte because they would mean less credit placed in the industry, and this credit would also yield increasingly lower returns.

Cost of response to risk

500,000

Description of response and explanation of cost calculation

In January 2021, GFNorte joined a pilot program for the United Nations Environmental Program Finance Initiative (UNEP-FI), aimed at banks interested in aligning themselves with TCFD recommendations. Pursuant to the four recommendations of the framework, we defined the following goals: i) Make climate change a priority on the agendas of our government bodies ii) Define a business strategy that responds to climaterelated risks and opportunities. iii) Include climate risk in the institution's risk management processes. iv) Develop metrics and targets to mitigate risks, take advantage of opportunities and improve disclosure on climate aspects.

We formed an internal work group in order to build awareness about the importance of climate change, generate capacities, develop tools and align ourselves with the four pillars of the TCFD recommendations, qualitatively and quantitatively. In 2021, the group focused primarily on structuring the process of assessing climate risk in our operations and in the business and analyzing various methodologies for temperature scenarios and climate stress testing.

Comment

C2.4

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

Yes

C2.4a

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

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Energy source

Primary climate-related opportunity driver

Use of lower-emission sources of energy

Primary potential financial impact

Reduced direct costs

Company-specific description

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

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

72,000,000

Potential financial impact figure – maximum (currency)

90,000,000

Explanation of financial impact figure

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

Cost to realize opportunity

35,000,000

Strategy to realize opportunity and explanation of cost calculation

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

Comment

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

Identifier

Opp2

Where in the value chain does the opportunity occur?

Banking portfolio

Opportunity type

Markets

Primary climate-related opportunity driver

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

Primary potential financial impact

Increased diversification of financial assets

Company-specific description

Though the latest years with the aim to boost sustainability issues in the financial markets we have developed a Sustainable Bond Framework,(SBF). For sustainable bonds issuance, all the proceeds will be used to finance or refinance, in whole or in part, loans to eligible companies or projects that provide positive environmental and/or social impacts that fall into the eligible categories based on the International Capital Market Association (ICMA) Green Bond Principles (GBP) and the Social Bond Principles (SBP). The eligible are; Renewable Energy, Energy Efficiency, Natural Resources and Biodiversity, Sustainable Mobility and Water Management, Affordable Basic Infrastructure and Access to Essential Services, Affordable Housing and Food Safety. Social projects that apply to any category mentioned before and meet the corresponding description must have positive social results especially, but not exclusively, for a specific group of the target population. The benefits from issuing a thematic bond are:
(i) Increase our investor diversification;
(ii) Increase in the demand of the debt issued;
(iii) Strengthen our commitment with sustainability to investors and other stakeholders; and
(iv) Contribute to internal and external sustainability commitments in line with SDG´s and Paris Agreement.

For further information, go to our Sustainability Bond Framework in the following link: https://investors.banorte.com/~/media/Files/B/Banorte-IR/Sustainability%202021/Banorte_Sustainable_Bond_Framework.pdf

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

8,501,800,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

Cost to realize opportunity

500,000

Strategy to realize opportunity and explanation of cost calculation

A second-party opinion (SPO) gives investors confidence as it ensures that the thematic bonds issuance are in line with market expectations and industry best practices. Banorte hired Sustainalytics to review the Sustainability Bond Framework and provide a SPO on the Framework's environmental and social credentials, as well as its alignment with the Green Bond Principles (GBP) and Social Bonds Principles (SBP). Also, there are additional costs associated with issuance in the market that are not being considered within the cost to realize the opportunity since they will depend on how the management is carried out and the characteristics of the bond.

Comment

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Improved ratings by sustainability/ESG indexes

Primary potential financial impact

Increased access to capital

Company-specific description

Different global rating agencies such as MSCI, SAM, FTSE4Good, Sustainalytics, among others, evaluate our performance in ESG factors periodically through different public sources. We understand that highlighting with good results allows us to adhere to sustainability indices, which converge in attracting and retaining institutional investors interested in ESG issues.

The indices to which we currently belong are the following:

- Bloomberg Gender Equality Index (GEI)
- FTSE4Good Emerging Markets Latam
- FTSE4Good BIVA

- MSCI Mexico ESG Select Focus Index
- Dow Jones Sustainability Index MILA
- S&P/BMV Total Mexico ESG Index
- Banco Interamericano de Desarrollo (BID)
- Index Americas

However, there are other indices to which we could adhere if we improve our ESG performance; MSCI Emerging Markets ESG Index, DJSI Emerging Markets and VigeoEiris Emerging Markets Sustainability Index to mention a few of the ones we are looking to join.

Currently, the Principles for Responsible Investment (PRI) initiative has more than 3,000 signatories worldwide that together represent $103.4 tn of USD in AUM, which is 20% more than 2019. One of the commitments involved in being a PRI signatory is the integration of ESG criteria in investment processes.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

We have identified that 19.4% of our investors already have responsible investment strategies and that 3.56% of GFNorte's outstanding shares are traded through ESG funds or ETFs (source: BNY Mellon).

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

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

Comment

Identifier

Opp4

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Development of climate adaptation, resilience and insurance risk solutions

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation

Comment

Identifier

Opp5

Where in the value chain does the opportunity occur?

Banking portfolio

Opportunity type

Products and services

Primary climate-related opportunity driver

Development and/or expansion of low emission goods and services

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

We have an internal taxonomy based on 1,147 sectoral activity codes (CAS, in Spanish) of which 91 are classified as sustainable and 64 have the potential to be so. In order to reduce the credit risk of the portfolio and increase its resilience, we have identified opportunities to develop financial products and services with benefits for clients whose projects contribute positively to the environment and society. The creation of products and services seeks to attract new sustainable customers and that customers who are already in the portfolio, can move towards sustainable labeling.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

8,501,800,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The figure reported only includes customers that were analyzed by SEMS but does not include customer acquisition. At the close of the 2021, the value of our sustainable portfolio in corporate and commercial loans was estimated at Ps. 8.50 billion, which was invested in projects in the following areas:
(i) Renewable energy (wind and solar)
(ii) Clean energy
(iii) Sustainable building
(iv) Sustainable agriculture
(v) Wastewater treatment
(vi) Waste recycling (paper, metal, plastic)
(vii) Financing for vulnerable members of society (women)

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

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

Comment

C3. Business Strategy

C3.1

(C3.1) Does your organization's strategy include a transition plan that aligns with a 1.5°C world?

Row 1

Transition plan

Yes, we have a transition plan which aligns with a 1.5°C world

Publicly available transition plan

Yes

Mechanism by which feedback is collected from shareholders on your transition plan

We do not have a feedback mechanism in place, but we plan to introduce one within the next two years

Attach any relevant documents which detail your transition plan (optional)

TCFDBANORTEeng.pdf

C3.2

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

	Use of climate-related scenario analysis to inform strategy
Row 1	Yes, qualitative and quantitative

C3.2a

(C3.2a) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenario	Scenario analysis coverage	Temperature alignment of scenario	Parameters, assumptions, analytical choices
Transition scenarios IEA NZE 2050	Portfolio		PACTA (Paris Agreement Capital Transition Assessment) methodology was applied to Banorte's activities portfolio related with the exploration and production of oil and gas, energy, cement, and steel manufacturing, as well as aviation. PACTA is a methodology which allows to assess the corporate portfolios alignment or compliance with the different Paris Agreement climatic scenarios. PACTA is based in the measurement of three metrics that show the evolution in different scenarios: 1) Technology/fuel mix, which is focused on technology changes; 2) Production volume trajectory which measures production trends and 3) Emission intensity which compares the current and projected issuance intensity of a portfolio.

C3.2b

(C3.2b) Provide details of the focal questions your organization seeks to address by using climate-related scenario analysis, and summarize the results with respect to these questions.

Row 1

Focal questions

Transition risks
i) Is Banorte's portfolio aligned with the Paris Agreement scenarios suggested by PACTA?
ii) How do we get aligned?
iii) Are these actions part of our climate strategy?

Physical risks
i) What are the most appropriate scenarios for our region?
ii) What variables do we need to define to model the scenarios?
iii) Will it be necessary to develop internal methodologies?

Results of the climate-related scenario analysis with respect to the focal questions

The application of the PACTA methodology showed that Banorte's portfolio with the highest intensity of emissions presents opportunities to align with the suggested scenarios, however, it was possible to confirm that the actions defined in our climate strategy consider the assumptions of the 2° scenarios. to achieve global temperature reduction. Among these actions, the increase in the sustainable portfolio, the creation of sustainable financial products and decarbonization stand out.
The research carried out as part of the TCFD implementation allowed us to know that the NGFS scenarios are the best alternative to start the internal modeling of scenarios, due to their frequent use around the world. These scenarios include assumptions, as the case of the Net Zero 2050 scenario that considers limiting the temperature below 1.5°, which is of great interest to the institution. Additionally, the training received as part of the TCFD pilot for banks, confirmed that it would be very useful to support the development of commonly used scenarios, with the development of internal methodologies currently used in regulatory climate stress exercises in the Risk area.
Our first TCFD report summarizes the variables proposed to start with the development of scenarios and stress tests.

C3.3

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

	Have climate-related risks and opportunities	Description of influence

	influenced your strategy in this area?	
Products and services	Yes	As founders and signing members of the Principles for Responsible Banking (PRB), our commitment for Principle 3. Clients & Customers, is to work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations. Our ability to maintain our competitive position depends, in part, on the success of new products and services we offer our clients and to our ability to continue offering products and services from third parties. In addition, we are aware that financial institutions represent a trigger for the transition towards a low-carbon economy and a more sustainable future. As a financial Group, we offer different sustainable financial products for some of our business lines, the purpose of which is to benefit our clients through their good performance and mobilize capital towards economic activities that are aligned with global goals and objectives in terms of sustainability. These products include: (i) Eco-credit SMEs, (ii) Thematic bonds such as investors and intermediary underwriters, (iii) Sustainable insurance, (iv) NTEESG Fund, and (v) Banorte Rewards. Moreover, due to the growing demand that we have observed from our customers, we will continue to develop new sustainable financial products (as disclosed in C2.4a Opp 2 and Opp 5). To do this we will rely on our “Banorte Cells” system, an innovative system for working with multidisciplinary teams, which substantially accelerates execution. In this case, the Banorte Cell function in the following order; (i) Creation of a plan; define sustainable financial products, quantify results, train the commercial areas and promote the products, (ii) Implementation with Risk, Finance, Wholesale and Retail Banking, Products and Sustainability departments (iii) Weekly meetings to review Indicators and results. The development of new sustainable financial products will not only allow us to retain our clients, it also represents an opportunity to enter to new markets; emerging companies whose business is aligned with the global sustainability goals.
Supply chain and/or value chain	Yes	In the real estate and tourism sector, the most visible climate-related impacts are lag in their execution programs, budget variations and/or project modifications to mitigate future events. This could require additional terms or

		modifications to the loan repayment schedule to avoid default. However, these impacts have not affected directly our overdue portfolio yet (as disclosed in C2.4a Risk 4). Specialized areas of real estate and tourism have been integrated to the internal working group on climate change. In 2021, the group focused primarily on structuring the process of assessing climate risk in our operations and in the business and analyzing various methodologies for temperature scenarios and climate stress testing.
Investment in R&D	Yes	As disclosed in C2.4a Risk 4, Risk 5, Risk 6 and Risk 7, in January 2021, GFNorte joined a pilot program for the United Nations Environmental Program Finance Initiative (UNEP-FI), aimed at banks interested in aligning themselves with TCFD recommendations. Pursuant to the four recommendations of the framework, we defined the following goals: i) Make climate change a priority on the agendas of our government bodies ii) Define a business strategy that responds to climaterelated risks and opportunities. iii) Include climate risk in the institution’s risk management processes. iv) Develop metrics and targets to mitigate risks, take advantage of opportunities and improve disclosure on climate aspects. As a result of GFNorte’s collaboration with the World Wildlife Fund Mexico, for the purpose of improving the bank’s capacities for understanding, applying methodologies and addressing the financial risks relating to environmental deterioration, we drafted two working papers: “Initial diagnosis of voids and opportunities for integrating nature-related risks in Grupo Financiero Banorte’s SocioEnvironmental Risk Management System (SEMS)” and “Main environmental and social risks relating to beef and pork livestock farming and some crops in Mexico.” We also began developing a computer tool that can provide a spatial and socio-environmental characterization of sites of interest where banks intend to offer loans or financing, in order to avoid possible environmental and social impacts. The tool will be developed by the National Commission for Knowledge and Use of Biodiversity (CONABIO), in collaboration with the French Alliance for Development, WWF México, and GFNorte.
Operations	Yes	To mitigate climate risk (as disclosed in C2.4a Risk 1), we have a command center that conducts live monitoring of high-impact climate events, as well as 15 sub-committees in different regions of the country, involving 462 employees during the 2021 We also provide theoretic and practical

		training which was completed by 1,046 of our active brigade members. We also have a resilience plan to ensure business processes and the efficient return to operations following meteorological crises at eight more branches for a total of 15 branches with adaptation measures implemented.

C3.4

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

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Capital expenditures Capital allocation Claims reserves	Revenues and direct costs: In 2021 we recorded 40 climate-related events, three of which had an economic impact on 42 of our branches. The physical impact totaled approximately Ps. 843,000 in infrastructure damage, and we estimate the loss of close to Ps. 11.2 million in net income from the interruption in services totaling approximately 480 hours. Capital allocation: At the close of the year, the value of our sustainable portfolio in corporate and commercial loans was estimated at Ps. 8.50 billion, which was invested in projects with positive environmental impacts, including renewable energy (wind and solar), clean energy, sustainable building, sustainable agriculture, wastewater treatment, and waste recycling (paper, metal, plastic) projects. Claim reserves: there is a reserve labeled as a contingency fund, whose resources are used in cases of damage to physical assets caused by natural disasters. Capital expenditures: for acute physical risks such as hurricanes, cyclones and floods, we have implemented in our commercial network a recovery strategy for branches called "bunker branches". We currently have 15 Bunker Branches, which have infrastructure that include an emergency plant, anticyclonic curtains, satellite link and engineering. For 2021, eight more branches were updated to bunker branches, at a total cost of Ps. 18.5 million.

C3.5

(C3.5) In your organization’s financial accounting, do you identify spending/revenue that is aligned with your organization’s transition to a 1.5°C world?

No, but we plan to in the next two years

C-FS3.6

(C-FS3.6) Does the policy framework for your portfolio activities include climate-related requirements for clients/investees, and/or exclusion policies?

Yes, we have exclusion policies for industries and/or activities exposed or contributing to climate-related risks

C-FS3.6b

(C-FS3.6b) Provide details of your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.

Portfolio

Investing (Asset owner)

Type of exclusion policy

Thermal coal
Coal mining
Mountaintop removal mining

Year of exclusion implementation

2,020

Timeframe for complete phase-out

By 2025

Application

New business/investment for new projects
New business/investment for existing projects
Existing business/investment for existing projects

Country/Region the exclusion policy applies to

Mexico
United States of America

Description

Afore XXI Banorte explicitly and systematically incorporates ESG factors into the investment process and decision and decision making through a holistic approach at all stages, e.g. in screening. approach at all stages, e.g. in screening. Screnning is part of our approach to consider portfolio construction and asset selection as a strategy for incorporating ESG criteria. The objective of screening is to apply filters to lists of potential investments to rule out issuers that are listed as restricted investments. The restricted activities or sectors on our list are aligned with the methodology that governs the methodology that governs MSCI- ESG Research's Business Involvement Screening, International Finance Corporation (IFC), Inter-American Development Bank

(IADB), World Bank and (IDB), World Bank and the Principles for Responsible Investment (PRI).

C-FS3.6c

(C-FS3.6c) Why does the policy framework for your portfolio activities not include climate-related requirements for clients/investees, and/or exclusion policies?

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

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

C-FS3.7

(C-FS3.7) Does your organization include climate-related requirements in your selection process and engagement with external asset managers?

	Climate-related requirements included in selection process and engagement with external asset managers
Row 1	Yes

C-FS3.7a

(C-FS3.7a) Provide details of the climate-related requirements included in your selection process and engagement with external asset managers.

Coverage

All assets managed externally

Mechanisms used to include climate-related requirements in external asset manager selection

Include climate-related requirements in investment mandates
Include climate-related requirements in performance indicators and incentive structures
Include climate-related requirements in requests for proposals
Preference for investment managers with an offering of funds resilient to climate change
Publish requirements of external investment managers in relation to climate issues

Review investment manager’s climate performance (e.g., active ownership, proxy voting records, under-weighting in high impact activities)
Review investment manager’s climate-related policies
Use of external data on investment managers regarding climate risk management

Describe how you monitor and engage with asset managers to ensure investment activities are consistent with your climate strategy

In the process of appointing our external managers, the legal area of the Afore plays a fundamental role, since together with the investment area, the requirements of the mandate are set out in a formal agreement. For Afore XXI Banorte, it is important that all ESG requirements established in the RFP are addressed in the legal documentation. In addition, ESG clauses have been established in the appointment process that can ensure that the Afore's commitment to responsible investment principles are met and/or respected.
Through a feedback process, the Afore and the external manager will agree on the legal documentation considering that the clauses can be negotiated and adapted to the particular circumstances. In most cases, this communication takes place between the external manager and the Afore's legal department in conjunction with the Afore's investment and ESG analysis managers. To this end, the Afore currently has ESG clauses already defined for incorporation in the IMAs.

C-FS3.8

(C-FS3.8) Does your organization include covenants in financing agreements to reflect and enforce your climate-related policies?

	Climate-related covenants in financing agreements	Primary reason for not including climate-related covenants in financing agreements	Explain why your organization does not include climate-related covenants in financing agreements and your plans for the future
Row 1	No, but we plan to include climate-related covenants in the next two years	No instruction from management	

C4. Targets and performance

C4.1

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

Absolute target
Intensity target

C4.1a

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

Target reference number
Abs 1

Year target was set
2021

Target coverage
Company-wide

Scope(s)
Scope 1
Scope 2

Scope 2 accounting method
Location-based

Scope 3 category(ies)

Base year
2020

Base year Scope 1 emissions covered by target (metric tons CO2e)
3,461.75

Base year Scope 2 emissions covered by target (metric tons CO2e)
63,339.46

Base year Scope 3 emissions covered by target (metric tons CO2e)

Total base year emissions covered by target in all selected Scopes (metric tons CO2e)
66,801.21

Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1
100

Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2
100

Base year Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)

Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes

100

Target year

2030

Targeted reduction from base year (%)

50

Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]

33,400.605

Scope 1 emissions in reporting year covered by target (metric tons CO2e)

2,760.33

Scope 2 emissions in reporting year covered by target (metric tons CO2e)

53,964.32

Scope 3 emissions in reporting year covered by target (metric tons CO2e)

Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)

56,724.65

% of target achieved relative to base year [auto-calculated]

30.1687948467

Target status in reporting year

Revised

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

Target ambition

Please explain target coverage and identify any exclusions

The Abs 1 target includes 100% of scope 1 and scope 2 emissions, there are no exclusions made. It is important to mention that scope 2 emissions represent approximately 92% of the entire emissions considered in the target (scope 1+ 2).

Plan for achieving target, and progress made to the end of the reporting year

Taking into account that 92% of the total emissions included in the goal are scope 2, the supply of renewable energy will be vital to reduce the carbon footprint. Therefore, in the short term we will be seeking to replace the supply of electrical energy with renewable sources, which do not generate GHG emissions and also are between 20% and 30% cheaper as they do not depend on fuel prices. Although the current political climate in Mexico obscures visibility on the matter of energy, we are exploring alternatives for the supply of electrical energy, like the Wholesale Power Market (MEM by its acronym in Spanish) and distributed generation. Moreover, there are plans to update our vehicle fleet to low carbon emission vehicles.

List the emissions reduction initiatives which contributed most to achieving this target

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Target reference number

Abs 2

Year target was set

2021

Target coverage

Company-wide

Scope(s)

Scope 1
Scope 2

Scope 2 accounting method

Location-based

Scope 3 category(ies)

Base year

2020

Base year Scope 1 emissions covered by target (metric tons CO2e)

3,461.75

Base year Scope 2 emissions covered by target (metric tons CO2e)

63,339.46

Base year Scope 3 emissions covered by target (metric tons CO2e)

Total base year emissions covered by target in all selected Scopes (metric tons CO2e)

66,801.21

Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1

100

Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2

100

Base year Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)

Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes

100

Target year

2050

Targeted reduction from base year (%)

100

Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]

0

Scope 1 emissions in reporting year covered by target (metric tons CO2e)

2,760.33

Scope 2 emissions in reporting year covered by target (metric tons CO2e)

53,964.32

Scope 3 emissions in reporting year covered by target (metric tons CO2e)

Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)

56,724.65

% of target achieved relative to base year [auto-calculated]

15.0843974233

Target status in reporting year

Revised

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

Target ambition

Please explain target coverage and identify any exclusions

The Abs 2 target includes 100% of scope 1 and scope 2 emissions, there are no exclusions made. It is important to mention that scope 2 emissions represent approximately 92% of the entire emissions considered in the target (scope 1+ 2).

Plan for achieving target, and progress made to the end of the reporting year

Taking into account that 92% of the total emissions included in the goal are scope 2, the supply of renewable energy will be vital to reduce the carbon footprint. Therefore, in the short term we will be seeking to replace the supply of electrical energy with renewable sources, which do not generate GHG emissions and also are between 20% and 30% cheaper as they do not depend on fuel prices. Although the current political climate in Mexico obscures visibility on the matter of energy, we are exploring alternatives for the supply of electrical energy, like the Wholesale Power Market (MEM by its acronym in Spanish) and distributed generation. Moreover, there are plans to update our vehicle fleet to low carbon emission vehicles.

List the emissions reduction initiatives which contributed most to achieving this target

C4.1b

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

Target reference number

Int 1

Year target was set

2021

Target coverage

Company-wide

Scope(s)

Scope 1
Scope 2

Scope 2 accounting method

Location-based

Scope 3 category(ies)

Intensity metric

Metric tons CO2e per unit FTE employee

Base year

2020

Intensity figure in base year for Scope 1 (metric tons CO2e per unit of activity)

0.12

Intensity figure in base year for Scope 2 (metric tons CO2e per unit of activity)

2.12

Intensity figure in base year for Scope 3 (metric tons CO2e per unit of activity)

Intensity figure in base year for all selected Scopes (metric tons CO2e per unit of activity)

2.23

% of total base year emissions in Scope 1 covered by this Scope 1 intensity figure

100

% of total base year emissions in Scope 2 covered by this Scope 2 intensity figure

100

% of total base year emissions in Scope 3 (in all Scope 3 categories) covered by this Scope 3 intensity figure

% of total base year emissions in all selected Scopes covered by this intensity figure

100

Target year

2025

Targeted reduction from base year (%)

30

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

1.561

% change anticipated in absolute Scope 1+2 emissions

-25

% change anticipated in absolute Scope 3 emissions

0

Intensity figure in reporting year for Scope 1 (metric tons CO2e per unit of activity)

0.09

Intensity figure in reporting year for Scope 2 (metric tons CO2e per unit of activity)

1.73

Intensity figure in reporting year for Scope 3 (metric tons CO2e per unit of activity)

Intensity figure in reporting year for all selected Scopes (metric tons CO2e per unit of activity)

1.82

% of target achieved relative to base year [auto-calculated]

61.2855007474

Target status in reporting year

New

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

Target ambition

Please explain target coverage and identify any exclusions

The Int 1 target includes 100% of scope 1 and scope 2 emissions of the Group, there are no exclusions made. It is important to mention that scope 2 emissions represent approximately 92% of the entire emissions considered in the target (scope 1+ 2). Also, the intensity metric considers 100% of the FTE of the Group.

Plan for achieving target, and progress made to the end of the reporting year

Taking into account that 92% of the total emissions included in the goal are scope 2, the supply of renewable energy will be vital to reduce the carbon footprint. Therefore, in the short term we will be seeking to replace the supply of electrical energy with renewable sources, which do not generate GHG emissions and also are between 20% and 30% cheaper as they do not depend on fuel prices. Although the current political climate in Mexico obscures visibility on the matter of energy, we are exploring alternatives for the supply of electrical energy, like the Wholesale Power Market (MEM by its acronym in Spanish) and distributed generation. Moreover, there are plans to update our vehicle fleet to low carbon emission vehicles.
In addition, we are considering that our workforce will remain stable in the following years.

List the emissions reduction initiatives which contributed most to achieving this target

Target reference number
Int 2

Year target was set
2021

Target coverage
Company-wide

Scope(s)
Scope 1
Scope 2

Scope 2 accounting method
Location-based

Scope 3 category(ies)

Intensity metric
Metric tons CO2e per unit FTE employee

Base year
2020

Intensity figure in base year for Scope 1 (metric tons CO2e per unit of activity)
0.12

Intensity figure in base year for Scope 2 (metric tons CO2e per unit of activity)
2.12

Intensity figure in base year for Scope 3 (metric tons CO2e per unit of activity)

Intensity figure in base year for all selected Scopes (metric tons CO2e per unit of activity)
2.23

% of total base year emissions in Scope 1 covered by this Scope 1 intensity figure
100

% of total base year emissions in Scope 2 covered by this Scope 2 intensity figure
100

% of total base year emissions in Scope 3 (in all Scope 3 categories) covered by this Scope 3 intensity figure

% of total base year emissions in all selected Scopes covered by this intensity figure

100

Target year

2030

Targeted reduction from base year (%)

60

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

0.892

% change anticipated in absolute Scope 1+2 emissions

-50

% change anticipated in absolute Scope 3 emissions

0

Intensity figure in reporting year for Scope 1 (metric tons CO2e per unit of activity)

0.09

Intensity figure in reporting year for Scope 2 (metric tons CO2e per unit of activity)

1.73

Intensity figure in reporting year for Scope 3 (metric tons CO2e per unit of activity)

Intensity figure in reporting year for all selected Scopes (metric tons CO2e per unit of activity)

1.82

% of target achieved relative to base year [auto-calculated]

30.6427503737

Target status in reporting year

New

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

Target ambition

Please explain target coverage and identify any exclusions

The Int 2 target includes 100% of scope 1 and scope 2 emissions of the Group, there are no exclusions made. It is important to mention that scope 2 emissions represent approximately 92% of the entire emissions considered in the target (scope 1+ 2). Also, the intensity metric considers 100% of the FTE of the Group.

Plan for achieving target, and progress made to the end of the reporting year

Taking into account that 92% of the total emissions included in the goal are scope 2, the supply of renewable energy will be vital to reduce the carbon footprint. Therefore, in the short term we will be seeking to replace the supply of electrical energy with renewable sources, which do not generate GHG emissions and also are between 20% and 30% cheaper as they do not depend on fuel prices. Although the current political climate in Mexico obscures visibility on the matter of energy, we are exploring alternatives for the supply of electrical energy, like the Wholesale Power Market (MEM by its acronym in Spanish) and distributed generation. Moreover, there are plans to update our vehicle fleet to low carbon emission vehicles.
In addition, we are considering that our workforce will remain stable in the following years.

List the emissions reduction initiatives which contributed most to achieving this target

C4.2

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

No other climate-related targets

C4.3

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

Yes

C4.3a

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

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	1	33,400.6
To be implemented*	0	0

Implementation commenced*	0	0
Implemented*	2	1,396.7
Not to be implemented	1	44,337.62

C4.3b

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

Initiative category & Initiative type

Company policy or behavioral change
Resource efficiency

Estimated annual CO2e savings (metric tonnes CO2e)

888.3

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

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

5,797,463

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

0

Payback period

<1 year

Estimated lifetime of the initiative

>30 years

Comment

Security protocols applied during the COVID-19 pandemic required us to develop new forms of remote work and staggered office hours, which allowed us to vacate two administrative buildings and 29 bank branches (it does not imply an additional investment). This contributed directly to the reduction of our energy use by 2,100 MWh, associated with the emission of 888.3 metric tons of tCO2e.

Initiative category & Initiative type

Company policy or behavioral change
Site consolidation/closure

Estimated annual CO2e savings (metric tonnes CO2e)

307.68

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

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

2,008,103

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

0

Payback period

<1 year

Estimated lifetime of the initiative

>30 years

Comment

We have a program for automatic shutoff of computers outside of working hours, which allows us to monitor equipment in the networks of our administrative buildings. By our estimates, this program has saved us Ps. 2 million, corresponding to 727.39 MWh and emissions of 307.68 tCO2e which we avoided. As the automatic shutdown of computer equipment program was implemented by our IT team, it does not imply an additional investment.

C4.3c

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

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

C-FS4.5

(C-FS4.5) Do any of your existing products and services enable clients to mitigate and/or adapt to the effects of climate change?

Yes

C-FS4.5a

(C-FS4.5a) Provide details of your existing products and services that enable clients to mitigate and/or adapt to climate change, including any taxonomy used to classify the products(s).

Product type/Asset class/Line of business

Banking
Corporate loans

Taxonomy or methodology used to classify product

Green Bond Principles (ICMA)

Description of product

In line with market trends and needs, we have a green bond reference framework aligned with the Green Bond Principles. Backed by a favorable second opinion from Sustainalytics, this framework sets the guidelines for future debt issues the proceeds of which go to financing or refinancing projects in the areas of renewable energy, energy efficiency, natural resources and biodiversity, sustainable mobility and water stewardship, provided they meet the criteria established in that document. Consult our green bond reference framework at: https://investors.banorte.com/~/media/Files/B/Banorte-IR/sustainability/policies-and-procedures/en/GreenBondFramework_010520.pdf

Product enables clients to mitigate and/or adapt to climate change

Mitigation

Portfolio value (unit currency – as specified in C0.4)

8,501,800,000

% of total portfolio value

1.2

Type of activity financed/insured or provided

Green buildings and equipment
Low-emission transport
Renewable energy
Sustainable agriculture

Product type/Asset class/Line of business

Investing
Fixed Income

Taxonomy or methodology used to classify product

Green Bond Principles (ICMA)

Description of product

Thematic investment. Through our subsidiaries Afore XXI and Operadora de Fondos, we strive to have a positive impact on the environment and society by investing in financial instruments with a sustainable focus. In 2021, our exposure to this type of asset totaled Ps. 19.06 billion in thematic bonds and Ps. 23.17 billion in alternative instruments (CKDs and CERPIs).

Product enables clients to mitigate and/or adapt to climate change

Mitigation

Portfolio value (unit currency – as specified in C0.4)

42,230,000,000

% of total portfolio value

0.04

Type of activity financed/insured or provided

Green buildings and equipment
Low-emission transport
Renewable energy

Product type/Asset class/Line of business

Banking
Debt and equity underwriting

Taxonomy or methodology used to classify product

Green Bond Principles (ICMA)

Description of product

During the year, Banorte participated as lead underwriter in 12 thematic bond tranches for four different issuers: Banobras, FIRA, U-Storage and Compartamos, for a total of Ps. 27.50 billion, in which the bid-to-cover ratio averaged 2.5x.

Product enables clients to mitigate and/or adapt to climate change

Mitigation

Portfolio value (unit currency – as specified in C0.4)

27,500,000,000

% of total portfolio value

29.9

Type of activity financed/insured or provided

Green buildings and equipment
Sustainable agriculture

C5. Emissions methodology

C5.1

(C5.1) Is this your first year of reporting emissions data to CDP?

No

C5.1a

(C5.1a) Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?

Row 1

Has there been a structural change?

No

C5.1b

(C5.1b) Has your emissions accounting methodology, boundary, and/or reporting year definition changed in the reporting year?

	Change(s) in methodology, boundary, and/or reporting year definition?
Row 1	No

C5.2

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

Scope 1

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

3,461.75

Comment

Scope 2 (location-based)

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

63,339.46

Comment

Scope 2 (market-based)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

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

Scope 3 category 1: Purchased goods and services

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

95.72

Comment

Scope 3 category 2: Capital goods

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

2,247.54

Comment

Scope 3 category 3: Fuel-and-energy-related activities (not included in Scope 1 or 2)

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

853.56

Comment

Scope 3 category 4: Upstream transportation and distribution

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

2,798.28

Comment

Scope 3 category 5: Waste generated in operations

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

34.62

Comment

Scope 3 category 6: Business travel

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)
500.61

Comment

Scope 3 category 7: Employee commuting

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment
Relevant, not calculated.

Scope 3 category 8: Upstream leased assets

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment
Not relevant, not calculated.

Scope 3 category 9: Downstream transportation and distribution

Base year start
January 1, 2020

Base year end
December 31, 2020

Base year emissions (metric tons CO2e)
1,761.36

Comment

Scope 3 category 10: Processing of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Not relevant, not calculated.

Scope 3 category 11: Use of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Not relevant, not calculated.

Scope 3 category 12: End of life treatment of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Not relevant, not calculated.

Scope 3 category 13: Downstream leased assets

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Not relevant, not calculated.

Scope 3 category 14: Franchises

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Not relevant, not calculated.

Scope 3 category 15: Investments

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

105,005.32

Comment

Scope only includes Banorte´s asset manager (Operadora de Fondos).

Scope 3: Other (upstream)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Not evaluated.

Scope 3: Other (downstream)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Not evaluated.

C5.3

(C5.3) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

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

C6. Emissions data

C6.1

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

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

2,760.33

Comment

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

C6.2

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

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

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

Comment

C6.3

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

Reporting year

Scope 2, location-based

53,964.32

Comment

C6.4

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

No

C6.5

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

Purchased goods and services

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

3,841.67

Emissions calculation methodology

Spend-based method

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

0

Please explain

The calculation of the emissions derived from purchased good and services includes printing and publishing purchases, as well as refrigerant gas refills. The figure was calculated from expenditure data an converted using DEFRA's 2009 tonCO2e/$GBP spend factors, considering UK's yearly inflation and using the yearly average exchange rate from GBP to MXN in 2021.

Capital goods

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

95.13

Emissions calculation methodology

Spend-based method

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

0

Please explain

For this calculation we included office machinery and computer purchased. The figure was calculated from expenditure data an converted using DEFRA's 2009 tonCO2e/$GBP spend factors, considering UK's yearly inflation and using the yearly average exchange rate from GBP to MXN in 2021.

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

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

685.9

Emissions calculation methodology

Fuel-based method

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

100

Please explain

Includes the following aspects: electricity transmission and distribution (T&D), well to tank (WTT) of fuels, electricity consumption and electricity T&D by using the DEFRA´s tool of "Conversion Factors 2021 Full set for advanced users". Factors used as tonCO2e/kWh or tonCO2e/volume according to our different sources of fuel (gasoline, diesel, LP gas and natural gas), and electricity consumption and the location (Mexico).

Upstream transportation and distribution

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

2,674.85

Emissions calculation methodology

Spend-based method

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

0

Please explain

To obtain the emissions derived from upstream transportation and distribution , we considered post office and correspondence, luggage transfer and others. The figure was calculated from expenditure data an converted using DEFRA’s 2009 tonCO2e/$GBP spend factors, considering UK’s yearly inflation and using the yearly average exchange rate from GBP to MXN in 2021.

Waste generated in operations

Evaluation status

Not relevant, calculated

Emissions in reporting year (metric tons CO2e)

685.97

Emissions calculation methodology

Waste-type-specific method

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

0

Please explain

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

Business travel

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

302.84

Emissions calculation methodology

Distance-based method

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

100

Please explain

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

Employee commuting

Evaluation status

Relevant, not yet calculated

Please explain

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

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

Downstream transportation and distribution

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

1,391.39

Emissions calculation methodology

Spend-based method

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

0

Please explain

For the emissions associated with dowstream transportation and distribution, we identified the following: shipping abroad, shipping of credit card plastics and credit card account statements. The figure was calculated from expenditure data an converted using DEFRA's 2009 tonCO2e/$GBP spend factors, considering UK's yearly inflation and using the yearly average exchange rate from GBP to MXN in 2021.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

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

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

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

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

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

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

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

Franchises

Evaluation status

Not relevant, explanation provided

Please explain

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

Other (upstream)

Evaluation status
Not evaluated

Please explain

Other (downstream)

Evaluation status
Not evaluated

Please explain

C6.10

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

Intensity figure
35,048

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
56,724.65

Metric denominator
unit total revenue

Metric denominator: Unit total
1.62

Scope 2 figure used
Location-based

% change from previous year
26.1

Direction of change
Decreased

Reason for change
Group´s net income is considered as unit total revenue. The reason for change can be explained as the Group´s GHG emissions decreased 15.1% (scope 1 + 2), and the net

income increased 15%, both compared to 2020. The decrease in GHG emissions is mainly related to a reduction in the national electrical emissions factor for 2021, which was 14.4% lower than the previous year.

Intensity figure
30,667

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
56,724.65

Metric denominator
full time equivalent (FTE) employee

Metric denominator: Unit total
1.82

Scope 2 figure used
Location-based

% change from previous year
18.3

Direction of change

Reason for change
The reason for change can be explained as the Group´s GHG emissions decreased 15.1% (scope 1 + 2), and the FTE increased 4.3%, both compared to 2020. The decrease in GHG emissions is mainly related to a reduction in the national electrical emissions factor for 2021, which was 14.4% lower than the previous year.

C7. Emissions breakdowns

C7.9

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

C7.9a

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

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	0	No change	0	
Other emissions reduction activities	307.7	Decreased	0.54	We have a program for automatic shutoff of computers outside of working hours, which allows us to monitor equipment in the networks of our administrative buildings. By our estimates, this program has saved us Ps. 2 million, corresponding to 727.39 MWh and emissions of 307.68 tCO2e which we avoided.
Divestment	0	No change	0	
Acquisitions	0	No change	0	
Mergers	0	No change	0	
Change in output	0	No change	0	
Change in methodology	9,060.52	Decreased	16	Reduction in the national electrical emissions factor for 2021, which was 14.4% lower than the previous year.
Change in boundary	888.3	Decreased	1.56	Security protocols applied during the COVID-19 pandemic required us to develop new forms of remote work and staggered office hours, which allowed us to vacate two administrative buildings and 29 bank branches. This contributed directly to the reduction of our energy use by 2,100 MWh, associated with the emission of 888.3 metric tons of tCO2e.
Change in physical operating conditions	0	No change	0	
Unidentified	0	No change	0	
Other	0	No change	0	

C7.9b

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

Location-based

C8. Energy

C8.1

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

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

C8.2

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

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

C8.2a

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

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh

Consumption of fuel (excluding feedstock)	HHV (higher heating value)	0	10,647.2	10,647.2
Consumption of purchased or acquired electricity		0	127,580.6	127,580.6
Total energy consumption		0	138,227.9	138,227.9

C8.2g

(C8.2g) Provide a breakdown of your non-fuel energy consumption by country.

Country/area

Mexico

Consumption of electricity (MWh)

127,580.6

Consumption of heat, steam, and cooling (MWh)

0

Total non-fuel energy consumption (MWh) [Auto-calculated]

127,580.6

C9. Additional metrics

C9.1

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

Description

Waste

Metric value

1,196

Metric numerator

Tons of waste

Metric denominator (intensity metric only)

FTE Employee

% change from previous year

12.6

Direction of change

Decreased

Please explain

In 2021, we extended the Waste Separation Program to a total of six buildings: Torre Santa Fe, Reforma 383 and Tlalpan, located in Mexico City, and the Call Center, Torre Sur and Torre KOI in Monterrey. Having done this, we were able to channel a total of 489.5 metric tons of waste for recycling; the proceeds raised from 2.6 metric tons of this waste went to social causes like maintenance and repair of school furniture. Furthermore, in keeping with standards on the appropriate disposal of dead files, this year we recycled a total of 463.7 metric tons of paper, equivalent to 50,754 boxes of documents destroyed.

C10. Verification

C10.1

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

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

C10.1a

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

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

ARBANORTE2021_vf.pdf

Page/ section reference
184-188

Relevant standard
ISAE3000

Proportion of reported emissions verified (%)
100

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Reasonable assurance

Attach the statement

Declaración_Banorte CDP (ENG).pdf

Page/ section reference
All

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.1b

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

Scope 2 approach
Scope 2 location-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance

Limited assurance

Attach the statement

ARBANORTE2021_vf.pdf

Page/ section reference

184-188

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 2 approach

Scope 2 location-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Reasonable assurance

Attach the statement

Declaración_Banorte CDP (ENG).pdf

Page/ section reference

All

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1c

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

Scope 3 category

Scope 3: Purchased goods and services
Scope 3: Business travel
Scope 3: Investments

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

ARBANORTE2021_vf.pdf

Page/section reference
184-188

Relevant standard
ISAE3000

Proportion of reported emissions verified (%)
100

C10.2

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

C10.2a

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

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C5. Emissions performance	Year on year change in emissions (Scope 1 and 2)	GRI Standard	305-5: Reduction of GHG emissions
C8. Energy	Energy consumption	GRI Standards	302-1: Energy consumption 302-3: Energy intensity 302-4: Reduction of energy consumption
C2. Risks and opportunities	Other, please specify	GRI Standard	201-2: Financial implications and other risks and

	Financial implications and other risks and opportunities due to climate change		opportunities due to climate change
C6. Emissions data	Year on year emissions intensity figure	GRI Standard	305-4: GHG emissions intensity

C11. Carbon pricing

C11.2

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

No

C11.3

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

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

C12. Engagement

C12.1

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

Yes, our customers/clients

Yes, our investees

C-FS12.1b

(C-FS12.1b) Give details of your climate-related engagement strategy with your clients.

Type of clients

Customers/clients of Banks

Type of engagement

Education/information sharing

Details of engagement

Included climate change considerations in client management mechanism

Encourage better climate-related disclosure practices

% client-related Scope 3 emissions as reported in C-FS14.1a

Portfolio coverage (total or outstanding)

Rationale for the coverage of your engagement

Other, please specify

Clients that are evaluated by our Social and Environmental Risk Management System

Impact of engagement, including measures of success

Until now, clients have shown a high level of commitment to comply with the requirements of the Environmental and Social Risk Management System, including aspects of climate change. The impact of the involvement has been determined qualitatively, however, we plan to define metrics that allow us to better estimate success.

C-FS12.1c

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

Type of engagement

Information collection (Understanding investee behavior)

Details of engagement

Include climate-related criteria in investee selection / management mechanism
Climate-related criteria is integrated into investee evaluation processes
Collect climate-related and carbon emissions information from new investee companies as part of initial due diligence
Collect climate-related and carbon emissions information at least annually from long-term investees

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

22.2

Investing (Asset managers) portfolio coverage

Investing (Asset owners) portfolio coverage

12.7

Rationale for the coverage of your engagement

Engagement targeted at investees with the highest potential impact on the climate

Impact of engagement, including measures of success

Since our joining with Climate Action 100+ (CA100+), we have been working to stablish an open dialogue with local issuers that contribute with highest Greenhouse Gas (GHG) in the world. In Mexico there is three main companies that contributes with highest GHG

"GMEXICO, CEMEX and PEMEX" and as a local investor we were invited (by CA100+) to work accompanied by other investors and coordinate engagement activities and dialogue with this companies. The main goals of CA100+ are governance, disclosure and action (mitigation/reduction GHG) through follow-up meetings, reviewing annual reports, monitoring goals set by these issuers. Particularly in the case of PEMEX, the size of the group of investors involved in the engagement has been growing, we are currently 29 members. Likewise, PEMEX has shown greater awareness of its ESG efforts and for this 2021 report they have committed to have available their sustainability report in different languages, as well as to be clearer in their medium and long-term goals.

Type of engagement

Information collection (Understanding investee behavior)

Details of engagement

Collect climate-related and carbon emissions information from new investee companies as part of initial due diligence

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

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

0

Investing (Asset managers) portfolio coverage

0.52

Investing (Asset owners) portfolio coverage

Rationale for the coverage of your engagement

Engagement targeted at investees with the highest potential impact on the climate

Impact of engagement, including measures of success

For the second year in a row, we led the CDP's Non-Disclosure Campaign (NDC) in Mexico, which encourages companies to report their actions against climate change, deforestation and water stress through its questionnaires. The request went out to 24 issuers, 45% of which responded and 21% agreed to participate.

C-FS12.2

(C-FS12.2) Does your organization exercise voting rights as a shareholder on climate-related issues?

	Exercise voting rights as a shareholder on climate-related issues
Row 1	Yes

C-FS12.2a

(C-FS12.2a) Provide details of your shareholder voting record on climate-related issues.

Method used to exercise your voting rights as a shareholder

Exercise voting rights directly

How do you ensure your shareholder voting rights are exercised in line with your overall climate strategy?

Percentage of voting disclosed across portfolio

14

Climate-related issues supported in shareholder resolutions

Climate transition plans

Climate-related disclosures

Emissions reduction targets

Do you publicly disclose the rationale behind your voting on climate-related issues?

No

C12.3

(C12.3) Does your organization engage in activities that could either directly or indirectly influence policy, law, or regulation that may impact the climate?

Row 1

Direct or indirect engagement that could influence policy, law, or regulation that may impact the climate

Yes, we engage indirectly through trade associations

Yes, we engage indirectly by funding other organizations whose activities may influence policy, law, or regulation that may significantly impact the climate

Does your organization have a public commitment or position statement to conduct your engagement activities in line with the goals of the Paris Agreement?

Yes

Attach commitment or position statement(s)

TCFDBANORTEeng.pdf

Paris Agreement Capital Transition Assesment PACTA Report 2021.pdf

Describe the process(es) your organization has in place to ensure that your engagement activities are consistent with your overall climate change strategy

We regularly participate in Sustainability Committees, working groups and projects focused on climate change through the Bank of Mexico (BM), the Mexico Banks Association (ABM), the Mexican Stock Exchange (BMV), the Green Financial Advisory Council (CCFV) among others. These organizations are responsible for permeating global trends in the matter and consulting with member banks on the viability of initiatives to act in accordance with institutional plans and strategies. Additionally, as part of our adherence to initiatives such as the Principles for Responsible Banking, the Equator Principles, the Principles for Responsible Investment, TCFD and the NZBA, we continuously train through webinars. In all cases, the process we follow includes:
1. The review of initiatives according to their importance and contribution to our sustainability and climate strategies.
2. The evaluation of needs in terms of resources, time, collaborators, budget
3. The presentation of the initiatives to our executive management and, if necessary, the senior management for validation.

C12.3b

(C12.3b) Provide details of the trade associations your organization engages with which are likely to take a position on any policy, law or regulation that may impact the climate.

Trade association

Other, please specify

Mexican Banks Association

Is your organization's position on climate change consistent with theirs?

Consistent

Has your organization influenced, or is your organization attempting to influence their position?

We publicly promote their current position

State the trade association's position on climate change, explain where your organization's position differs, and how you are attempting to influence their position (if applicable)

The position of the Mexico Banks Association (ABM) regarding climate change is consistent with the Paris Agreement ratified by Mexico in 2016. For this reason, the Association encourages collective and urgent action by the financial sector to achieve the objectives of the agreement, through adherence to initiatives such as the TCFD and the NZBA. Additionally ABM promotes the development of environmental, social and climate risk management systems, as well as the development of sustainable taxonomies and the issuance of bonds and credits that contribute to the adaptation and mitigation of the climate change, among other actions.

Funding figure your organization provided to this trade association in the reporting year, if applicable (currency as selected in C0.4) (optional)

0

Describe the aim of your organization's funding

Have you evaluated whether your organization's engagement with this trade association is aligned with the goals of the Paris Agreement?

Yes, we have evaluated, and it is aligned

C12.3c

(C12.3c) Provide details of the funding you provided to other organizations in the reporting year whose activities could influence policy, law, or regulation that may impact the climate.

Type of organization

Other, please specify

Global framework/initiative

State the organization to which you provided funding

UNEP FI - TCFD

Funding figure your organization provided to this organization in the reporting year (currency as selected in C0.4)

500,000

Describe the aim of this funding and how it could influence policy, law or regulation that may impact the climate

TCFD is currently the global standard for climate risk management and disclosure; its scope includes financial and non-financial institutions. The resources provided to TCFD result from our subscription, however, due to the relevance it has gained globally, some regulatory bodies such as the Basel Committee on Banking Supervision or the National Banking and Securities Commission in Mexico (CNBV), have considered its recommendations to build new principles that can be seen as regulatory in the medium term.

Have you evaluated whether this funding is aligned with the goals of the Paris Agreement?

Yes, we have evaluated, and it is aligned

C12.4

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

Publication

In mainstream reports, incorporating the TCFD recommendations

Status

Complete

Attach the document

TCFDBANORTEeng.pdf

Page/Section reference

All

Content elements

Governance
Strategy
Risks & opportunities
Emission targets
Other metrics

Comment

Publication

In voluntary sustainability report

Status

Complete

Attach the document

ARBANORTE2021_vf.pdf

Page/Section reference

80-93, 166-168, 170, and 171

Content elements

Governance
Strategy

Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment

C-FS12.5

(C-FS12.5) Indicate the collaborative frameworks, initiatives and/or commitments related to environmental issues for which you are a signatory/member.

	Environmental collaborative framework, initiative and/or commitment	Describe your organization's role within each framework, initiative and/or commitment
Row 1	CDP Signatory Climate Action 100+ Equator Principles Net Zero Banking Alliance Paris Agreement Capital Transition Assessment (PACTA) Partnership for Carbon Accounting Financials (PCAF) Principle for Responsible Investment (PRI) Science-Based Targets Initiative for Financial Institutions (SBTi-FI) Task Force on Climate-related Financial Disclosures (TCFD) Task Force on Nature-related Financial Disclosures (TNFD) UN Global Compact UNEP FI UNEP FI Principles for Responsible Banking UNEP FI TCFD Pilot	In all cases, Banorte's role is focused on the application of the guidelines, principles and recommendations of each initiative, as a way of expressing our commitment to sustainability and the environmental, social, economic and governance aspects that comprise it; among these topics, climate change, biodiversity, human rights, environmental and social risk management, emission reduction and decarbonization, responsible investment, disclosure of risks related to climate and nature. As a responsible bank, we support the objectives of each initiative, ratifying and disseminating its importance in the financial sector and among our stakeholders (employees, customers, investors, shareholders, peers, among others).

C14. Portfolio Impact

C-FS14.0

(C-FS14.0) For each portfolio activity, state the value of your financing and insurance of carbon-related assets in the reporting year.

Lending to all carbon-related assets

Are you able to report a value for the carbon-related assets?

No, but we plan to assess our portfolio's exposure in the next two years

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

Lack of internal resources

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

Lending to coal

Are you able to report a value for the carbon-related assets?

No, but we plan to assess our portfolio's exposure in the next two years

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

Lack of internal resources

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

Lending to oil and gas

Are you able to report a value for the carbon-related assets?

No, but we plan to assess our portfolio's exposure in the next two years

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

Lack of internal resources

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

Investing in all carbon-related assets (Asset manager)

Are you able to report a value for the carbon-related assets?

No, but we plan to assess our portfolio's exposure in the next two years

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

Lack of internal resources

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

Investing in coal (Asset manager)

Are you able to report a value for the carbon-related assets?

No, but we plan to assess our portfolio's exposure in the next two years

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

Lack of internal resources

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

Investing in oil and gas (Asset manager)

Are you able to report a value for the carbon-related assets?

No, but we plan to assess our portfolio's exposure in the next two years

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

Lack of internal resources

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

Investing all carbon-related assets (Asset owner)

Are you able to report a value for the carbon-related assets?

No, but we plan to assess our portfolio's exposure in the next two years

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

Lack of internal resources

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

Investing in coal (Asset owner)

Are you able to report a value for the carbon-related assets?

No, but we plan to assess our portfolio's exposure in the next two years

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

Lack of internal resources

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

Investing in oil and gas (Asset owner)

Are you able to report a value for the carbon-related assets?

No, but we plan to assess our portfolio's exposure in the next two years

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

Lack of internal resources

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

Insuring all carbon-related assets

Are you able to report a value for the carbon-related assets?

No, but we plan to assess our portfolio's exposure in the next two years

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

Lack of internal resources

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

Insuring coal

Are you able to report a value for the carbon-related assets?

No, but we plan to assess our portfolio's exposure in the next two years

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

Lack of internal resources

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

Insuring oil and gas

Are you able to report a value for the carbon-related assets?

No, but we plan to assess our portfolio's exposure in the next two years

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

Lack of internal resources

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

C-FS14.1

(C-FS14.1) Does your organization measure its portfolio impact on the climate?

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Please explain why you do not measure the impact of your portfolio on the climate
Banking (Bank)	No, but we plan to do so in the next two years		Recently, Banorte joined PCAF in order to apply its methodology to quantify financed emissions. This exercise will be relevant to measure the impacts of the portfolio on climate change and start with the definition of goals that allow moving towards the reduction of emissions and subsequent decarbonization.
Investing (Asset manager)	Yes	Portfolio emissions	
Investing (Asset owner)	Yes	Portfolio emissions	
Insurance underwriting (Insurance company)	No, and we do not plan to do so in the next two years		

C-FS14.1a

(C-FS14.1a) Provide details of your organization's portfolio emissions in the reporting year.

Investing (Asset manager)

Portfolio emissions (metric unit tons CO2e) in the reporting year

125,240

Portfolio coverage

76

Percentage calculated using data obtained from clients/investees

100

Emissions calculation methodology

The Global GHG Accounting and Reporting Standard for the Financial Industry

Please explain the details and assumptions used in your calculation

According to the GHG Protocol methodology for calculating scope 3 emissions, category 15 for investment, we quantified a total of 125,240 tCO2e corresponding to 121 issuers whose securities are included in the portfolio of our Fund Manager. This covers 76% of the total equity assets of this subsidiary.

Investing (Asset owner)

Portfolio emissions (metric unit tons CO2e) in the reporting year

93,991,125

Portfolio coverage

56.3

Percentage calculated using data obtained from clients/investees

100

Emissions calculation methodology

Other, please specify

External provider

Please explain the details and assumptions used in your calculation

We obtain the greenhouse gas emissions of scope 3 of our portfolio companies based on MSCI and the Climate Data & Metrics module. Portfolio coverage only considers lisetd equity assets.

C-FS14.2

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

	Portfolio breakdown
Row 1	Yes, by asset class Yes, by country/region

C-FS14.2a

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

Asset class	Portfolio metric	Portfolio emissions or alternative metric

Investing Listed Equity	Absolute portfolio emissions (tCO2e)	125,240
Investing Listed Equity	Absolute portfolio emissions (tCO2e)	93,991,125

C-FS14.2c

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

Portfolio	Country/region	Portfolio metric	Portfolio emissions or alternative metric
Investing (Asset manager)	Mexico	Absolute portfolio emissions (tCO2e)	125,240

C-FS14.3

(C-FS14.3) Did your organization take any actions in the reporting year to align your portfolio with a 1.5°C world?

	Actions taken to align our portfolio with a 1.5°C world	Please explain why you have not taken any action to align your portfolio with a 1.5°C world
Banking (Bank)	No, but we plan to in the next two years	We are currently looking to find an external provider to help us assess this requirement.
Investing (Asset manager)	No, but we plan to in the next two years	
Investing (Asset owner)	No, but we plan to in the next two years	
Insurance underwriting (Insurance company)	No, and we do not plan to in the next two years	

C15. Biodiversity

C15.1

(C15.1) Is there board-level oversight and/or executive management-level responsibility for biodiversity-related issues within your organization?

	Board-level oversight and/or executive management-level responsibility for biodiversity-related issues	Description of oversight and objectives relating to biodiversity	Scope of board-level oversight

Row 1	Yes, executive management-level responsibility	Currently, our executive director participates as a member of the Task Force on Nature-Related Financial Disclosures (TNFD), forming part of the working groups that are making the decisions to define the initiative. The role that Banorte currently has is relevant because it is in charge of representing the banking system, Mexico and the Latin American region to expose the challenges and opportunities around nature, including biodiversity, ecosystems and resources. Once the final version of the framework is ready, we will implement the required recommendations, just as we did with TCFD.	Risks and opportunities to our own operations Risks and opportunities to our bank lending activities The impact of our own operations on biodiversity The impact of our bank lending activities on biodiversity

C15.2

(C15.2) Has your organization made a public commitment and/or endorsed any initiatives related to biodiversity?

	Indicate whether your organization made a public commitment or endorsed any initiatives related to biodiversity	Biodiversity-related public commitments	Initiatives endorsed
Row 1	Yes, we have made public commitments and publicly endorsed initiatives related to biodiversity	Commitment to respect legally designated protected areas Commitment to avoidance of negative impacts on threatened and protected species Commitment to secure Free, Prior and Informed Consent (FPIC) of Indigenous Peoples Commitment to no trade of CITES listed species Other, please specify Task Force on Climate Related Financial Disclosures (TNFD)	SDG Other, please specify Task Force on Climate-Related Financial Disclosures (TNFD)

C15.3

(C15.3) Does your organization assess the impact of its value chain on biodiversity?

	Does your organization assess the impact of its value chain on biodiversity?	Portfolio
Row 1	Yes, we assess impacts on biodiversity in our upstream value chain only	Bank lending portfolio (Bank)

C15.4

(C15.4) What actions has your organization taken in the reporting year to progress your biodiversity-related commitments?

	Have you taken any actions in the reporting period to progress your biodiversity-related commitments?	Type of action taken to progress biodiversity- related commitments
Row 1	Yes, we are taking actions to progress our biodiversity-related commitments	Land/water protection Education & awareness

C15.5

(C15.5) Does your organization use biodiversity indicators to monitor performance across its activities?

	Does your organization use indicators to monitor biodiversity performance?	Indicators used to monitor biodiversity performance
Row 1	No, we do not use indicators, but plan to within the next two years	State and benefit indicators Other, please specify Relevant indicators by sector

C15.6

(C15.6) Have you published information about your organization's response to biodiversity-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Report type	Content elements	Attach the document and indicate where in the document the relevant biodiversity information is located
In voluntary sustainability report or other voluntary communications	Impacts on biodiversity Risks and opportunities	As a result of GFNorte's collaboration with the WWF Mexico, for the purpose of improving the bank's capacities for understanding and addressing the financial risks relating to environmental deterioration, we drafted two working papers. 1, 2

[1]Main environmental and social risks in relation to the raising of cattle, pigs and some vegetables.pdf

[2]Initial diagnosis of the gaps and opportunities for the integration of nature related risks.pdf

C16. Signoff

C-FI

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

C16.1

(C16.1) Provide details for the person that has signed off (approved) your CDP climate change response.

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

SC. Supply chain module

SC0.0

(SC0.0) If you would like to do so, please provide a separate introduction to this module.

SC0.1

(SC0.1) What is your company's annual revenue for the stated reporting period?

	Annual Revenue
Row 1	35,048,000,000

SC1.1

(SC1.1) Allocate your emissions to your customers listed below according to the goods or services you have sold them in this reporting period.

Requesting member

KPMG International

Scope of emissions

Scope 2

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO2e

Uncertainty (±%)

Major sources of emissions

The GHG emissions that correspond to KPMG services accounted for energy consumption for the use of computers for video calls, as well as some commuting to the offices. However, we consider that it is not representative for any of the related parties.

Verified

No

Allocation method

Market value or quantity of goods/services supplied to the requesting member

Unit for market value or quantity of goods/services supplied

Hours

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

SC1.2

(SC1.2) Where published information has been used in completing SC1.1, please provide a reference(s).

There´s no published information that has been used in completing SC1.1.

SC1.3

(SC1.3) What are the challenges in allocating emissions to different customers, and what would help you to overcome these challenges?

Allocation challenges	Please explain what would help you overcome these challenges
Other, please specify	The challenges to quantify GHG emissions corresponding to KPMG services are; i) Quantifing the hours of services provided

	ii) Separate hours given through video calls and face-to-face meetings However, we consider that it is not representative for any of the related parties.

SC1.4

(SC1.4) Do you plan to develop your capabilities to allocate emissions to your customers in the future?

Yes

SC1.4a

(SC1.4a) Describe how you plan to develop your capabilities.

The plan to develop our internal capabilities to allocate emissions to our customers will be part of our climate strategy that is been under review and will be implemented since 2022.

SC2.1

(SC2.1) Please propose any mutually beneficial climate-related projects you could collaborate on with specific CDP Supply Chain members.

Requesting member

KPMG International

Group type of project

Reduce Logistics Emissions

Type of project

Consolidated logistics

Emissions targeted

Actions that would reduce both our own and our customers' emissions

Estimated timeframe for carbon reductions to be realized

1-3 years

Estimated lifetime CO2e savings

Estimated payback

Details of proposal

SC2.2

(SC2.2) Have requests or initiatives by CDP Supply Chain members prompted your organization to take organizational-level emissions reduction initiatives?

No

SC4.1

(SC4.1) Are you providing product level data for your organization's goods or services?

No, I am not providing data

FW-FS Forests and Water Security (FS only)

FW-FS1.1

(FW-FS1.1) Is there board-level oversight of forests- and/or water-related issues within your organization?

	Board-level oversight of this issue area	Explain why your organization does not have board-level oversight of this issue area and any plans to address this in the future
Forests	No, and we do not plan to in the next two years	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.
Water	No, and we do not plan to in the next two years	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

FW-FS1.1c

(FW-FS1.1c) Does your organization have at least one board member with competence on forests- and/or water-related issues?

Forests

Board member(s) have competence on this issue area

No, and we do not plan to address this within the next two years

Primary reason for no board-level competence on this issue area

Important but not an immediate priority

Explain why your organization does not have at least one board member with competence on this issue area and any plans to address this in the future

The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

Water

Board member(s) have competence on this issue area

Not assessed

Primary reason for no board-level competence on this issue area

Important but not an immediate priority

Explain why your organization does not have at least one board member with competence on this issue area and any plans to address this in the future

The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

FW-FS1.2

(FW-FS1.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests- and/or water-related issues.

Name of the position(s) and/or committee(s)

Sustainability committee

Reporting line

Other, please specify

Risk Policy Committee, which reports directly to the board.

Issue area(s)

Forests

Water

Responsibility

Assessing risks and opportunities

Coverage of responsibility

Risks and opportunities related to our banking portfolio

Frequency of reporting to the board on forests- and/or water-related issues

As important matters arise

FW-FS2.1

(FW-FS2.1) Do you assess your portfolio's exposure to forests- and/or water-related risks and opportunities?

	We assess our portfolio’s exposure to this issue area	Explain why your portfolio's exposure is not assessed for this issue area and any plans to address this in the future

Banking - Forests exposure	Yes	
Banking – Water exposure	Yes	
Investing (Asset manager) – Forests exposure	Yes	
Investing (Asset manager) – Water exposure	Yes	
Investing (Asset owner) – Forests exposure	No, and we do not plan to in the next two years	
Investing (Asset owner) – Water exposure	No, and we do not plan to in the next two years	
Insurance underwriting – Forests exposure	No, and we do not plan to in the next two years	
Insurance underwriting – Water exposure	No, and we do not plan to in the next two years	

FW-FS2.1a

(FW-FS2.1a) Describe how you assess your portfolio's exposure to forests- and/or water-related risks and opportunities.

Portfolio
Banking (Bank)

Exposure to
Forests-related risks and opportunities

Type of risk management process
A specific ESG-related risk management process

Proportion of portfolio covered by risk management process
25

Type of assessment
Qualitative and quantitative

Time horizon(s) covered
Short-term

Tools and methods used

UNEP FI Portfolio Impact Analysis Tool for Banks
Other, please specify
IFC Performance Standards

Provide the rationale for implementing this process to assess your portfolio's exposure to forests- and/or water-related risks and opportunities

With our SEMS, we identified, categorized and evaluated forests-related risks through a due diligence process, considering sustainable use of natural resources and biodiversity conservation. The due diligence considers the IFC Performance Standards (PS), and specifically for the forest-related issues, it is used the PS3. Resource efficiency and pollution prevention, and PS6. Conservation of biodiversity and management of natural resources. In 2021, we identified the risks and potential impacts of 30% of the corporate portfolio and 49% of the commercial portfolio.

Portfolio

Banking (Bank)

Exposure to

Water-related risks and opportunities

Type of risk management process

A specific ESG-related risk management process

Proportion of portfolio covered by risk management process

25

Type of assessment

Qualitative and quantitative

Time horizon(s) covered

Short-term

Tools and methods used

UNEP FI Portfolio Impact Analysis Tool for Banks
Other, please specify
IFC Performance Standards

Provide the rationale for implementing this process to assess your portfolio's exposure to forests- and/or water-related risks and opportunities

With our SEMS, we identified, categorized and evaluated water-related risks through a due diligence process, considering water extraction, treatment, reuse and recycling. The due diligence considers the IFC Performance Standards (PS), and specifically for the water-related issues, it is used the PS3. Resource efficiency and pollution prevention, and PS6. Conservation of biodiversity and management of natural resources. In 2021, we identified the risks and potential impacts of 30% of the corporate portfolio and 49% of the commercial portfolio.

Portfolio

Investing (Asset manager)

Exposure to

Forests-related risks and opportunities

Type of risk management process

A specific ESG-related risk management process

Proportion of portfolio covered by risk management process

72

Type of assessment

Qualitative and quantitative

Time horizon(s) covered

Short-term

Tools and methods used

UNEP FI Portfolio Impact Analysis Tool for Banks

Other, please specify

GRI Standards, SASB and CDP

Provide the rationale for implementing this process to assess your portfolio's exposure to forests- and/or water-related risks and opportunities

To analyze ESG performance, we use an in-house methodology that was developed considering the GRI Standards and SAS indicators, as well as the CDP questionnaire on forest aspects. This methodology encompasses key indicators for each of the 17 industry groups included in the scope of analysis, weighting them according to our industry materiality matrix and evaluating them based on best global practices. If the issue is material for the sector of the analyzed company, our internal methodology evaluates approximately 5 indicators related to forests-related risks and opportunities.

Portfolio

Investing (Asset manager)

Exposure to

Water-related risks and opportunities

Type of risk management process

A specific ESG-related risk management process

Proportion of portfolio covered by risk management process

72

Type of assessment

Qualitative and quantitative

Time horizon(s) covered

Short-term

Tools and methods used

UNEP FI Portfolio Impact Analysis Tool for Banks
Other, please specify
GRI Standards, SASB and CDP

Provide the rationale for implementing this process to assess your portfolio's exposure to forests- and/or water-related risks and opportunities

To analyze ESG performance, we use an in-house methodology that was developed considering the GRI Standards and SAS indicators, as well as the CDP questionnaire on water security aspects. This methodology encompasses key indicators for each of the 17 industry groups included in the scope of analysis, weighting them according to our industry materiality matrix and evaluating them based on best global practices. If the issue is material for the sector of the analyzed company, our internal methodology evaluates approximately 19 indicators related to water-related risks and opportunities, water consumption and discharges, and water reduction targets.

FW-FS2.2

(FW-FS2.2) Does your organization consider forests- and/or water-related information about clients/investees as part of its due diligence and/or risk assessment process?

	We consider forests- and/or water-related information	Explain why information related to this issue area is not considered and any plans to address this in the future
Banking – Forests-related information	Yes	
Banking – Water-related information	Yes	
Investing (Asset manager) – Forests-related information	Yes	
Investing (Asset manager) – Water-related information	Yes	
Investing (Asset owner) – Forests-related information	Yes	
Investing (Asset owner) – Water-related information	Yes	

Insurance underwriting – Forests-related information	No, and we do not plan to in the next two years	
Insurance underwriting – Water-related information	No, and we do not plan to in the next two years	

FW-FS2.2a

(FW-FS2.2a) Indicate the forests- and/or water-related information your organization considers about clients/investees as part of your due diligence and/or risk assessment process, and how this influences decision making.

Portfolio

Banking (Bank)

Information related to

Forests

Type of information considered

Scope and content of forests policy
Commitment to eliminate deforestation/conversion of other natural ecosystems
Certification of forests risk commodities

Process through which information is obtained

Directly from the client/investee

Industry sector(s) covered by due diligence and/or risk assessment process

Energy
Materials
Transportation
Food, Beverage & Tobacco
Utilities
Real Estate

State how these forests- and/or water-related information influences your decision making

Depending on the risk associated with the projects evaluated by the socio-environmental risk area, conditions are established to verify regulatory compliance within a certain period of time. For projects with a conditional opinion, there is constant monitoring by the sustainability, legal and credit areas, as well as the Central and National Credit Committee. In case of not complying with the established conditions, it could result in blockages of the disposal lines or that the credit is not authorized.
Among the aspects related to forests that are requested in the due diligence include;
i) Land use change studies
ii) Permits and authorizations for change of land use

iii) Environmental Impact Statement (MIA) and negative impact compensation and mitigation programs
iv) Georeferencing to identify any incidence in protected natural areas
v) Certificates of sustainable production, depending on the forest commodity

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Portfolio
Banking (Bank)

Information related to
Water

Type of information considered
Water withdrawal and/or consumption volumes
Water withdrawn from water stressed areas
Water discharge treatment data
Breaches to local water regulations
Impingements on the human right to water in communities

Process through which information is obtained
Directly from the client/investee
Public data sources

Industry sector(s) covered by due diligence and/or risk assessment process
Energy
Materials
Transportation
Food, Beverage & Tobacco
Utilities
Real Estate

State how these forests- and/or water-related information influences your decision making
Depending on the risk associated with the projects evaluated by the socio-environmental risk area, conditions are established to verify regulatory compliance within a certain period of time. For projects with a conditional opinion, there is constant monitoring by the sustainability, legal and credit areas, as well as the Central and National Credit Committee. In case of not complying with the established conditions, it could result in blockages of the disposal lines or that the credit is not authorized.
Among the aspects related to forests that are requested in the due diligence include;
i) Water stressed areas studies
ii) Permits and authorizations for withdrawal, consumption volumes and discharge treatment
iii) Environmental Impact Statement (MIA) and negative impact compensation and mitigation programs
iv) Georeferencing to identify any incidence in water bodies
v) Certificates of sustainable production, depending on the forest commodity

FW-FS2.3

(FW-FS2.3) Have you identified any inherent forests- and/or water-related risks in your portfolio with the potential to have a substantive financial or strategic impact on your business?

	Risks identified for this issue area	Primary reason why your organization has not identified any substantive risks for this issue area	Explain why your organization has not identified any substantive risks for this issue area
Forests	No	Not yet evaluated	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.
Water	No	Not yet evaluated	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

FW-FS2.4

(FW-FS2.4) Have you identified any inherent forests- and/or water-related opportunities in your portfolio with the potential to have a substantive financial or strategic impact on your business?

	Opportunities identified for this issue area	Primary reason why your organization has not identified any substantive opportunities for this issue area	Explain why your organization has not identified any substantive opportunities for this issue area
Forests	No	Not yet evaluated	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.
Water	No	Not yet evaluated	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

FW-FS3.1

(FW-FS3.1) Do you take forests- and/or water-related risks and opportunities into consideration in your organization’s strategy and/or financial planning?

Forests

Risks and opportunities related to this issue area taken into consideration in strategy and/or financial planning

No, we do not take risks and opportunities into consideration

Explain why forests- and/or water-related risks and opportunities have not influenced your strategy and/or financial planning

The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

Water

Risks and opportunities related to this issue area taken into consideration in strategy and/or financial planning

No, we do not take risks and opportunities into consideration

Explain why forests- and/or water-related risks and opportunities have not influenced your strategy and/or financial planning

The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

FW-FS3.2

(FW-FS3.2) Has your organization conducted any scenario analysis to identify forests- and/or water-related outcomes?

Forests

Scenario analysis conducted to identify outcomes for this issue area

No, we have not conducted any scenario analysis to identify outcomes for this issue area, and we don’t plan to in the next two years

Explain why your organization has not conducted scenario analysis for this issue area and any plans to address this in the future

The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

Water

Scenario analysis conducted to identify outcomes for this issue area

No, we have not conducted any scenario analysis to identify outcomes for this issue area, and we don’t plan to in the next two years

Explain why your organization has not conducted scenario analysis for this issue area and any plans to address this in the future

The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

FW-FS3.3

(FW-FS3.3) Do any of your existing products and services enable clients to mitigate deforestation and/or water insecurity?

	Existing products and services that enable clients to mitigate deforestation and/or water insecurity	Explain why your organization does not offer products and services which enable clients to mitigate deforestation and/or water insecurity and any plans to address this in the future
Forests	No, and we do not plan to address this in the next two years	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.
Water	No, and we do not plan to address this in the next two years	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

FW-FS3.4

(FW-FS3.4) Does the policy framework for the portfolio activities of your organization include forests- and/or water-related requirements that clients/investees need to meet?

	Policy framework includes this issue area	Explain why your organization does not include this issue area in the policy framework and any plans to address this in the future
Forests	No, and we do not plan to include this issue area in the next two years	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.
Water	No, and we do not plan to include this issue area in the next two years	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

FW-FS3.5

(FW-FS3.5) Does your organization include covenants in financing agreements to reflect and enforce your forests- and/or water-related policies?

	Covenants included in financing agreements to reflect and enforce policies for this issue area	Explain why your organization does not include covenants for this issue area in financing agreements and any plans to address this in the future
Forests	No, and we do not plan to in the next two years	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

Water	No, and we do not plan to in the next two years	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

FW-FS4.1

(FW-FS4.1) Do you engage with your clients/investees on forests- and/or water-related issues?

	We engage with clients/investees on this issue area	Explain why you do not engage with your clients/investees on the issue area and any plans to address this in the future
Clients – Forests	No, and we do not plan to in the next two years	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.
Clients – Water	No, and we do not plan to in the next two years	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.
Investees – Forests	No, and we do not plan to in the next two years	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.
Investees – Water	No, and we do not plan to in the next two years	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.

FW-FS4.2

(FW-FS4.2) Does your organization exercise its voting rights as a shareholder on forests- and/or water-related issues?

	We exercise voting rights as a shareholder on this issue area	Issues supported in shareholder resolutions	Give details of the impact your voting has had on this issue area	Explain why your organization does not exercise voting rights on this issue area and any plans to address this in the future
Forests	No, and we do not plan to in the next two years			The current priority is climate change,

				however, we understand that they are related issues and it will be a topic that we will be covering in a short term.
Water	Yes	Reduce water withdrawal and/or consumption Improve water efficiency	Our asset owner, Afore XXI Banortem joined the United Nations initiative to integrate the Principles for Responsible Investment in its investment process, recognizing that environmental, social and governance factors can present risks and opportunities for companies and their respective investments. The risks may be linked to operations, regulatory compliance, competitive position and the reputation of the company. Similarly, opportunities may include improved efficiencies, innovation, and operating cost savings. The Afore encourages companies to assess and manage environmental, social, and governance risks and opportunities to create and preserve value for their investors. Regarding the resolutions and the direction of the vote to be cast, the Afore will analyze the relevance and compliance with the requirements in the investment process with respect to the position of the promoted company if: (i) The approval of the resolution helps to improve the practices of the company (ii) Resolution approval may enhance shareholder value (iii) The company's current position on environmental, social or governance issues could have negative effects (reputation, litigation, boycotts, etc...) in the short, medium and long term (iv) The company has already taken the appropriate action to respond to the problem contained in the resolution. We believe that as shareholders, we can suggest, in accordance with our ESG Policy for	

			Responsible Investment in Active Property, that the Boards of Directors adopt policies or analyzes of environmental issues, such as enhancing sustainable practices in their operations, and water supply and its conservation. For more information, please referred to our Voting Exercise Policy (only available in Spanish): https://www.xxi-banorte.com/wp-content/uploads/2020/06/Politica_ejercicio.pdf	

FW-FS4.3

(FW-FS4.3) Does your organization provide financing and/or insurance to smallholders in the agricultural commodity supply chain?

	Provide financing and/or insurance to smallholders in the agricultural commodity supply chain	Primary reason for not providing finance and/or insurance to smallholders	Explain why your organization does not provide finance/insurance to smallholders and any plans to change this in the future
Row 1	No, but we plan to in the next two years	Other, please specify Lack of internal resources for the information management.	We do provide financing and insurance to smallholders in the agricultural commodity supply chain, nevertheless, we were not able to gather the information on time due to a lack of internal resources.

FW-FS4.4

(FW-FS4.4) Does your organization engage in activities that could directly or indirectly influence policy, law, or regulation that may impact forests and/or water security?

	Direct or indirect engagement that could influence policy, law, or regulation that may impact this issue area	Primary reason for not engaging in activities that could directly or indirectly influence policy, law, or regulation that may impact this issue area	Explain why you do not engage in activities that could directly or indirectly influence policy, law, or regulation that may impact this issue area
Forests	No, and we do not plan to in the next two years	Important but not an immediate priority	The current priority is climate change, however, we understand that they are related issues and it will be a topic that we will be covering in a short term.
Water	No, and we do not plan to in the next two years	Important but not an immediate priority	The current priority is climate change, however, we

			understand that they are related issues and it will be a topic that we will be covering in a short term.

FW-FS5.1

(FW-FS5.1) Does your organization measure its portfolio impact on forests and/or water security?

	We measure our portfolio impact on this issue area	Explain how your organization measures its portfolio impact on this issue area, including any metrics used to quantify impact	Primary reason for not measuring portfolio impact on this issue area	Explain why your organization does not measure its portfolio impact on this issue area and any plans to change this in the future
Banking – Impact on Forests	No, but we plan to in the next two years			
Banking – Impact on Water	No, but we plan to in the next two years			
Investing (Asset manager) – Impact on Forests	Yes			
Investing (Asset manager) – Impact on Water	Yes			
Investing (Asset owner) – Impact on Forests	Yes			
Investing (Asset owner) – Impact on Water	Yes			

Insurance underwriting – Impact on Forests	No, and we don't plan to in the next two years			
Insurance underwriting – Impact on Water	No, and we don't plan to in the next two years			

FW-FS5.2

(FW-FS5.2) Does your organization provide finance or insurance to companies operating in any stages of the following forest risk commodity supply chains, and are you able to report on the amount of finance/insurance provided?

	Finance or insurance provided to companies operating in the supply chain for this commodity	Amount of finance/insurance provided will be reported	Explain why your organization is unable to report on the amount of finance/insurance provided for this commodity
Lending to companies operating in the timber products supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We do provide financing for this commodity, nevertheless, we were not able to gather the information on time due to a lack of internal resources.
Lending to companies operating in the palm oil products supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We do provide financing for this commodity, nevertheless, we were not able to gather the information on time due to a lack of internal resources.
Lending to companies operating in the cattle products supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We do provide financing for this commodity, nevertheless, we were not able to gather the information on time due to a lack of internal resources.
Lending to companies operating in the soy supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We do provide financing for this commodity, nevertheless, we were not able to gather the information on time due to a lack of internal resources.
Lending to companies operating in the	Yes	No, but we plan to assess our portfolio's exposure to	We do provide financing for this commodity, nevertheless, we were not able to gather the

rubber supply chain		this commodity in the next two years	information on time due to a lack of internal resources.
Lending to companies operating in the cocoa supply chain	Yes	No, but we plan to assess our portfolio’s exposure to this commodity in the next two years	We do provide financing for this commodity, nevertheless, we were not able to gather the information on time due to a lack of internal resources.
Lending to companies operating in the coffee supply chain	Yes	No, but we plan to assess our portfolio’s exposure to this commodity in the next two years	We do provide financing for this commodity, nevertheless, we were not able to gather the information on time due to a lack of internal resources.
Investing (asset manager) to companies operating in the timber products supply chain	No		
Investing (asset manager) to companies operating in the palm oil products supply chain	No		
Investing (asset manager) to companies operating in the cattle products supply chain	No		
Investing (asset manager) to companies operating in the soy supply chain	No		
Investing (asset manager) to companies operating in the rubber supply chain	No		
Investing (asset manager) to	No		

companies operating in the cocoa supply chain			
Investing (asset manager) to companies operating in the coffee supply chain	No		
Investing (asset owner) to companies operating in the timber products supply chain	No		
Investing (asset owner) to companies operating in the palm oil products supply chain	No		
Investing (asset owner) to companies operating in the cattle products supply chain	No		
Investing (asset owner) to companies operating in the soy supply chain	No		
Investing (asset owner) to companies operating in the rubber supply chain	No		
Investing (asset owner) to companies operating in the	No		

cocoa supply chain			
Investing (asset owner) to companies operating in the coffee supply chain	No		
Insuring companies operating in the timber products supply chain	No		
Insuring companies operating in the palm oil products supply chain	No		
Insuring companies operating in the cattle products supply chain	No		
Insuring companies operating in the soy supply chain	No		
Insuring companies operating in the rubber supply chain	No		
Insuring companies operating in the cocoa supply chain	No		
Insuring companies operating in the coffee supply chain	No		

FW-FS6.1

(FW-FS6.1) Have you published information about your organization's response to forests- and/or water-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In a voluntary sustainability report

Status

Complete

Attach the document

ARBANORTE2021_vf.pdf

Page/Section reference

82-84

Content elements

Governance

Risks and opportunities

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