



Climate Change 2017 Information Request Grupo Financiero Banorte SAB de CV

Module: Introduction

Page: Introduction

CC0.1

Introduction

Please give a general description and introduction to your organization.

Our Company, Grupo Financiero Banorte (hence, "GFNorte" or "Our Company") is one of the leading institutions in Mexico, currently the third largest bank in Mexico measured in size of deposits and fourth in credit. Our Company has a network of 1,175 branches, 7,756 ATMs, more than 150,000 POS terminals and 24,312 third party correspondent banking locations as well as 16 SMEs Centers; it is also the only large financial institution which is not owned in majority by a global international bank.

GFNorte offers retail banking products and services, broker dealer services, private and investment banking, mutual funds, leasing and factoring, financial warehousing, insurance, annuities and retirement savings. Moreover, it is also present in Southern Texas through Inter National Bank (INB), as well as in New Jersey and California via the remittance company Uniteller and in New York City through Banorte-Ixe Securities International.

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

Bancentro was acquired by the Company in 1996, followed by Banpaís in 1997 and Bancrecer in December 2001. Additionally, in subsequent years, Inter National Bank (INB) and Uniteller became part of the Company in 2006, assuring locations in the USA, later including Motran in 2007, followed by Ixe Afore, S.A. de C.V., Afore Ahorra Ahora, S.A. de C.V. and Afore Argos, S.A de C.V., all acquired by the Company in 2009. Over the last few years, GFNorte has significantly expanded its financial group through the mergers completed with Ixe GF (2011) and Afore XXI (2012), along with the acquisition of Afore Bancomer in January 2013, thus creating the largest retirement funds management company in Mexico.

On the other hand, our organization implemented Programa Sumando, derived of a strategic alliance with IBM, to establish the foundations of a new client-focused banking model, as well as to develop industrialization processes, which will allow us to provide a better service and to obtain greater efficiency levels, resulting in the improvement of our profitability. By the end of 2016 we developed the NBA/NBO component and the Enterprise Mobility, which promote the digital banking services. Our Company is one of the banks with the best asset quality indicators in the Mexican financial system, with high capitalization and liquidity ratios. GFNorte's shares trade in the Mexican Stock Exchange (Bolsa Mexicana de Valores) with the ticker GFNORTEO and is part of the Mexican Stock Exchange's Sustainable IPC Index (Índice IPC Sustentable) for 5th consecutive year and, starting September 2014, a member of the Emerging Market DJSI; in the Madrid Stock Exchange's Latibex market with the ticker XNOR and in the OTC market through a listed Level 1 ADR Program in OTCQX Premier with the ticker GBOOY. In 2016 GFNorte was included for the first time in the STOXX Index: Global Climate Change Leaders. Banorte also has senior unsecured and subordinated debt outstanding both in the local and international markets.

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

These factors include, but are not limited to:

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

CC0.2

Reporting Year

Please state the start and end date of the year for which you are reporting data.

The current reporting year is the latest/most recent 12-month period for which data is reported. Enter the dates of this year first.

We request data for more than one reporting period for some emission accounting questions. Please provide data for the three years prior to the current reporting year if you have not provided this information before, or if this is the first time you have answered a CDP information request. (This does not apply if you have been offered and selected the option of answering the shorter questionnaire). If you are going to provide additional years of data, please give the dates of those reporting periods here. Work backwards from the most recent reporting year.

Please enter dates in following format: day(DD)/month(MM)/year(YYYY) (i.e. 31/01/2001).

Enter Periods that will be disclosed

Fri 01 Jan 2016 - Sat 31 Dec 2016

CC0.3

Country list configuration

Please select the countries for which you will be supplying data. If you are responding to the Electric Utilities module, this selection will be carried forward to assist you in completing your response.

Select country
Mexico
United States of America

CC0.4

Currency selection

Please select the currency in which you would like to submit your response. All financial information contained in the response should be in this currency.

MXN (\$)

CC0.6

Modules

As part of the request for information on behalf of investors, companies in the electric utility sector, companies in the automobile and auto component manufacturing sector, companies in the oil and gas sector, companies in the information and communications technology sector (ICT) and companies in the food, beverage and tobacco sector (FBT) should complete supplementary questions in addition to the core questionnaire. If you are in these sector groupings, the corresponding sector modules will not appear among the options of question CC0.6 but will automatically appear in the ORS navigation bar when you save this page. If you want to query your classification, please email respond@cdp.net. If you have not been presented with a sector module that you consider would be appropriate for your company to answer, please select the module below in CC0.6.

Further Information

Module: Management

Page: CC1. Governance

CC1.1

Where is the highest level of direct responsibility for climate change within your organization?

Board or individual/sub-set of the Board or other committee appointed by the Board

CC1.1a

Please identify the position of the individual or name of the committee with this responsibility

Job title:
Executive Director of Sustainability and Responsible Investment

Description of its position in the corporate structure:

The Executive Director of Sustainability and Responsible Investment manages the Company's Corporate Responsibility and Sustainability Strategy, based on the positive impact that CSR actions will have in our clients, our employees, the community and other stakeholders, as well as on the environment. He also oversees the alignment of the different business units and services areas with Sustainability policies, standards and programs, working to integrate and communicate CSR activities of the company both internally and as part of our commitment to our stakeholders. During each Board of Directors' meeting, one part of the session's agenda is assigned to review and manage environmental, social and economic impacts. The Executive Director of Sustainability and Responsible Investment reports directly to the Board of Director's Chair about the most relevant topics related with environmental, social and economic issues. It is noteworthy that in 2016, our Corporate Responsibility and Sustainability Department (previous report) was restructured to compose the Sustainability and Responsible Investment Department. We expect this new integral approach will help us to propel the responsible investment. Investment activities constitute one of our core businesses.

Responsibilities:

- Manage the design and implementation of CSR institutional programs to meet the Corporate Responsibility goals across the Company's four CSR pillars: Community Commitment, Equality and Governance, Environmental Responsibility and Value Chain.
- Serve as the Company's primary Corporate Responsibility representative to internal business unit managers and external stakeholders, building strategic partnerships with NGOs and trade associations and providing support for social and environmental communication with investors and other stakeholders.
- Lead internal and external reporting requirements including periodic reports on social and reputational risks to Company senior management and Annual CSR Report and other key CSR reports.
- Promote the consideration of potential risks related with climate change, biodiversity loss and social conflicts within our Company's investment policies, according to the Principles of Responsible Investment of UNEP, for which initiative our Company is a signatory (since beginning of 2017).
- Manage information on climate change related issues.
- Oversee the implementation and usage of the Social and Environmental Management System.
- Establish integrated reporting to provide intangible valuation
- Manage the implemented strategies towards the incorporation into sustainable indexes.
- Oversee and guarantee the establishment of financial literacy programs.

Furthermore, in the period 2015 – 2017, our Executive Director of Sustainability and Responsible Investment assumed the leadership of the Sustainability Committee of the ABM (Association of Banks of Mexico), obtaining the approval of the Protocol of Sustainability Banking, great step to encourage the incorporation of sustainability criteria in the main areas of operation of the Mexican banking sector, also, the participation of committee members into activities of NCD/GIZ and UNEP was promoted.

CC1.2

Do you provide incentives for the management of climate change issues, including the attainment of targets?

Yes

CC1.2a

Please provide further details on the incentives provided for the management of climate change issues

Who is entitled to benefit from these incentives?	The type of incentives	Incentivized performance indicator	Comment
Environment/Sustainability managers	Monetary reward	Emissions reduction project Emissions reduction target Energy reduction project Efficiency target	A monetary reward is given as percentage of the annual bonus that is directly related to performance and/results in: (i) Projects in Scope 1+2: collaboration with Energy Department in the development of renewable energy projects and energy consumption efficiency in operations, reflected in energy consumption indicators and reduction of Scope 1 and 2 emissions. (ii) Projects in Scope 3: (a) Efficient paper consumption. Performance indicators based on percentage of reductions in paper consumption per employee compared to the base year. (b) Increasing the recycled amount of waste and paper. (iii) Ongoing projects: Performance also based on the scores obtained from distinct evaluators in response of disclosure reports for CDP, DJSI, Sustainable IPC Index, GEI México, Vigeo, ESR (CSR Mexican award). (iv) Achieved targets: (a) 24% reduction in GFNorte's emissions intensity per FTE by 2016 against baseline 2009. (b) 10% reduction in our global energy consumption per revenues (CO2e ton/million Mexican Pesos) against 2015. (v) New targets: 10% additional reduction in GFNorte's tonCO2/FTE by 2020 with baseline 2014.

Who is entitled to benefit from these incentives?	The type of incentives	Incentivized performance indicator	Comment
Process operation managers	Monetary reward	Emissions reduction project Emissions reduction target Energy reduction project Efficiency project	Specifically for Alternate Channels department. Their initiatives favor reduction in client's mobility due to transporting to/from the Company's facilities/branches (therefore client's Scope 1), paper consumption reduction and token usage reduction (Scope 3), which contributes to the natural resources consumption, thus reducing waste and equivalent CO2 emissions. Monetary reward is awarded as percentage of an Annual Bonus related to performance and/or results in: (i) Projects: (a) Campaigns for reutilization and recycling of token devices. (b) Spreading the use of online/mobile banking and electronic channels. (c) Promotion of email account statements. (ii) Achievements: (a) 1.2 million of Digital Banking clients ordered more than 963 million of transactions in 2016, a YOY growth of 8%. (b) Mobile banking clients increased 29% and transactions by 6%. (c) 55,171 physical tokens were changed to cellular, 10% increase versus last year. (d) Digital account statements were introduced as default option for account statements delivery in all credit cards accounts. (e) More technologies and features were implemented on ATM for remote sale and self-service to reduce customer need to go to a branch, streamlining operations and reducing emissions from customers' travel. (f) 757 ATMs were replaced with energy efficient models, a 5% increase. This figure is equivalent to 10% of all our ATM's. (g) In 2016 concluded the Multichannel transformation, which aims to homologate our digital services: Online banking, mobile banking, ATM's, among others.
All employees	Recognition (non-monetary)	Efficiency project Efficiency target Other: Behaviour change related indicator	As one of our major efficiency projects in responsible resources management, our Paperless program recognizes the achievements of our Paperless Champions through internal communications and symbolic statues. Generally speaking, the Paperless program monitors the paper consumption of our Company, detecting the consumption peaks to identify the individuals or departments with greater usage, in order to assess and address these opportunities. Moreover, whenever a special project is implemented and has significant results, it is recognized. This way, the Paperless Champion recognition is awarded when an individual or team (be it a group of employees or a whole department) devises a project which will substantially reduce the paper consumption in their operations. (i) Achievements: (a) New initiatives implemented: 1. Papercut, which seeks for efficiency at printing; 2. Mobile Adjuster in insurance and annuities subsidiary, which uses digital technology for claims attention; 3. Implementation of Digital account statement as default option in all our client's credit cards accounts in Banorte. (b) In 2016 Banorte USA had a YOY 9% reduction in paper consumption and 7% in consumption per employee. The savings and provision subsidiaries also managed a 6% reduction in metric tons per employee compared with 2015. (c) 600 tons of paper and cardboard recycled in 2016. (d) Symbolic statues were given to the participant departments. (ii) Current goal: 15% reduction in paper consumption intensity per FTE in the Banking sector by 2020 with baseline 2014.
All employees	Monetary reward	Emissions reduction project Energy reduction project Efficiency project	Premio Ingenio Banorte: This innovation contest is open to all GFNorte's employees. It seeks to promote individual or group participation to propose innovative ideas to implement later on within the Company. Relevant categories of this contest are the "Internal Processes" area, considering operational eco-efficiency (energy, paper and other resources and strategies) and related issues, and the "Social Responsibility" area, which comprises environment protection, climate change mitigation and adaptation, support to community, supply chain matters and ethics. Within the scope of this contest, they must provide a thorough description of the idea, its implementation method, expected impacts, evidence to support the predicted impact, investment to implement it and other relevant issues to analyze the business case. Participants are evaluated based on criteria like innovation, (environmental, social and/or economic) impact of the solution / strategies, relevance of the topic, ease of implementation, originality, and feasibility, among others. Winners obtain the "Innovation" prize, consisting of a monetary reward equivalent to several months of salary, as well as recognition through internal media, direct access to Special Development Programs, an invitation to take part in the Innovation Committee during next year's period and a special mention in their personal record as "Outstanding innovating performance", which will be taken in account to be promoted within the Company later on.
All employees	Monetary reward	Emissions reduction project Energy reduction project Efficiency project	Ingenio Banorte: This innovation contest is open to all GFNorte's employees. It seeks to promote individual or group participation to propose innovative ideas to implement later on within the Company. Relevant categories of this contest are the "Internal Processes" area, considering operational eco-efficiency (energy, paper and other resources and strategies) and related issues, and the "Social Responsibility" area, which comprises environment protection, climate change mitigation and adaptation, support to community, supply chain matters and ethics. Within the scope of this contest, they must provide a thorough description of the idea, its implementation method, expected impacts, evidence to support the predicted impact, investment to implement it and other relevant issues to analyze the business case. Participants are evaluated based on criteria like innovation, (environmental, social and/or economic) impact of the solution / strategies, relevance of the topic, ease of implementation, originality, and feasibility, among others. Winners obtain the "Innovation" prize, consisting of a monetary reward equivalent to several months of salary, as well as recognition through internal media, direct access to Special Development Programs, an invitation to take part in the Innovation Committee during next year's period and a special mention in their personal record as "Outstanding innovating performance", which will be taken in account to be promoted within the Company later on. Among the winner projects for Ingenio Banorte 2016 was the "Web Portal for interaction between social entrepreneurs and investors of Grupo Financiero Banorte", which promotes projects with environmental and social impact through the Venture Capital Fund.

Further Information

Integrated into multi-disciplinary company wide risk management processes

CC2.1a

Please provide further details on your risk management procedures with regard to climate change risks and opportunities

Frequency of monitoring	To whom are results reported?	Geographical areas considered	How far into the future are risks considered?	Comment
Annually	Board or individual/sub-set of the Board or committee appointed by the Board	Mexico and United States (All entities of GFNorte)	> 6 years	Annually

CC2.1b

Please describe how your risk and opportunity identification processes are applied at both company and asset level

Our risk management related to climate change is aligned with the methodology of ISO 31000. Asset risks/opps are considered on subsidiary, regional or individual levels within our Business Continuity Policy (BCP) and a Contingency Plan that set out guidelines for what to do in case of a sinister. This includes events related to natural disasters such as earthquakes (e.g., in Mexico City), hurricanes (e.g., in Monterrey), floods (e.g., branches in states near the sea), among other physical events, for one particular site or a definite region that can affect our facilities and by subsequence, our operations.

This policy define those responsables for executing the actions of the contingency plans and their roles, including Directors, Assistants, Managers, employees (GFNorte trains 10% of each building's employees in brigades) and Committees associated.

Our Sustainability Management System (SMS) is now allowing us to gradually increase our top-down scope strategy, as we are now able to monitor indicators in a per site basis to define the zones which require additional measures.

At company level, our risk/opps identification process is based on a materiality analysis performed by KPMG, an external counselling firm. This analysis is carried out by means of public information related to the significant aspects of several sustainability topics in order to define the vital issues to address, as perceived by our stakeholders and by the company itself. We are also committed to perform continuous follow-ups of every aspect deemed as material to the Company, along with the support of our stakeholders, in order to improve, have feedback about and update our most significant topics to develop. The periodicity in the revision about the advances of the material aspects occurs annually, and the materiality analysis is performed every 3 years.

These issues are published in our annual integrated report in our website as a communication mechanism for all our share and stakeholders.

CC2.1c

How do you prioritize the risks and opportunities identified?

We prioritize the risks that we have identified for the business through the following methods;

1. Since 2015, we use the SMS to periodically gather environmental data from all subsidiaries, which allows us to identify "hot spots" of high consumption/risk and our progress against targets. Hot spots and improvements that are not being achieved in the proposed timeframes are prioritized.
2. The RIECM is an analysis of all our operations' inputs and outputs to determine environmental aspects and impacts related to be evaluated in terms of gravity, periodicity/duration, reversibility, relevance and change over time; the value of this factors then determines the impact's significance to prioritize in the short- and long-term.

In addition, it has been developed a Social and Environmental Risk Management System (SEMS), which is a mechanism for the analysis of social and environmental risks and impacts to promote that the projects for which we provide financing are carried out in a socially responsible manner. It goes through identification, allocation, evaluation and management process of social and environmental risks and impacts, based on the national legal framework, IFC performance standards, World Bank environment, health and safety guidelines and The Ecuador Principles. It considers transactions greater than USD \$1 million of the corporate, structured finance and government credit portfolio.

Our company level prioritization occurs through our materiality study. In 2016 our materiality analysis was updated by KPMG using public information related to the significant aspects of several sustainability topics in order to define the vital issues to address, as perceived by our stakeholders and by the company itself, more than 200 issues were found and grouped by affinity to provide 26 specific final topics, allowing us to prioritize relevant topics for us through a graphical materiality matrix based on the significance to GFNorte and to our stakeholders.

CC2.2

Is climate change integrated into your business strategy?

Yes

CC2.2a

Please describe the process of how climate change is integrated into your business strategy and any outcomes of this process

As a financial institution, we play a significant role as drivers of economic and sustainable development through our financing, lending and investment operations. The inclusion of environmental responsibility as a CSR main pillar is one of the most substantial business strategic decisions made in the last years. With this in mind, the Executive Director of Sustainability and Responsible Investment promoted the creation of a sustainability model for the strategy of the whole Company. In 2016 this model was completed, now, our business value generation strategy includes human, intellectual, financial and natural capitals. The natural capital pursues the efficient use of resources, the reduction of our carbon footprint (in accordance with our SBT considerations for our long term target) and it is, aligned with our 2020 Vision, which seeks for our Company to become the best financial Group in Mexico in 2020 (this model is publicly available in our 2016 Annual Report).

Our short-term strategy (STS) is being carried out in 3 years (2015-2017) and it comprises the implementation of several tools in our operations. For example, the Social and Environmental Management System (SEMS) process, based on the national legal framework and the Equator Principles' guidelines, is incorporated within the business as a tool for the identification, mitigation and management of social and environmental risks of our loan portfolio, it constitutes an institutional regulation. Furthermore, considering sustainable finance is becoming more prominent, driven by the scale and urgency of the challenge of financing sustainable development, since 2017 our Company is signatory of the initiative Principles of Responsible Investment. This initiative represented an opportunity to develop green business that influenced our strategy, thus, we will be measuring environmental impacts and managing risks' prevention and mitigation related with internal activities such as electricity consumption and external activities such as lending, funding and investment processes. The latter aspect will have its strategy of implementation completed by 2018, according our commitment with UNPRI. Moreover, our Environmental Policy was enriched to abide regulatory changes in National Law (regarding the Mexican Climate Change Law and its Guidelines) that refer to emissions calculation and reporting procedures. Our policy is publicly disposed in our Company's internal policies and official webpage. Also, we use our Sustainability Management System to gather the environmental data from all our operations, allowing us an easier measuring and verification of climate related figures.

On the other hand, regulatory changes have also prompted us to align our long-term strategy (LTS). We have aligned our emissions reduction target to that of the National Law; hence, we plan to reduce our emissions intensity per employee in 30% by 2020 against 2009 levels too. Aligned with this commitment, in 2016 we started the concentration of the fifty percent of our Banking Sector's employees in six principal buildings; four of them highly energy-efficient (Contact Center, Tlalpan, the LEED-certified Torre Mayor offices and Torre KOI building), and we are reviewing a supplier's portfolio of renewable energy.

Our LTS' main component is the risks and opportunities management. This way, the direct results of climate-related events, such as extreme weather, are incorporated into normal risk management practices. The specific methodologies depend on the impact type (own facilities, operations, customers) and the business unit (retail banking, recovery banking, insurance, etc.). The business continuity area (BCA) takes into consideration extreme weather events due to climate change and other natural adverse events related thereto in the design and implementation of the risk management strategy (RMS) to ensure that the bank continues to operate in spite of such events. For example, in 2016 we implemented the Mobile units, which give financial services in remote communities and which can be used in case of natural disasters. In addition, risk analysis is part of operating plans of key plans in crucial business units (i.e., insurance and agricultural business), especially given the increasing frequency and severity of extreme climate events (floods, droughts, cyclones, etc.). Under these circumstances, standard procedures to attend affected clients are being developed, such as loan term modifications. Additionally, we are planning to introduce a carbon price in the medium-term as a tool to direct responsible decision-making in the Company's investments, as well as to start participating in the novel carbon markets the Mexican Climate Change Law will create, as soon as they are fully established, by using carbon bonds for carbon-saving projects. In 2017 our Company will be part of a Mexican carbon market simulation. Finally, we are looking to manage our supply chain risks through our materiality matrix, our risk identification, evaluation and classification matrix, as well as surveys to define capacity building initiatives with the most significant suppliers. This way, our LTS will help to keep one of the lowest cost/income ratios in Mexico's financial services industry, along with a recognized CSR program and a solid R&O management structure.

Additional examples are the encouragement to digital banking, consolidation of our GHG corporate report and the promotion of environmental education for our employees.

Such activities have led to the following achievements and strategic advantages over our competitors:

- Two years in a row within a Leadership category by CDP
- 4th consecutive year in the CDP's CDLI
- Inclusion in the STOXX Global Climate Change Leaders 2016
- 7th consecutive year with the CSR award from CEMEFI for Banorte (15th place of 199 participants)
- 3rd consecutive year with the CSR award from CEMEFI for Pensiones y Seguros subsidiary (37th place of 364 participants)
- 6th consecutive year in the Mexican Stock Exchange's Sustainable Index
- 4th consecutive year with GEI2 recognition from SEMARNAT's Programa GEI Mexico
- 3rd year in the Emerging Markets Dow Jones Sustainability Index
- Rise in our price per share by increasing the interest of new investors
- Reduction of 24% emissions intensity per employee in 2016 against 2009 levels
- Enhancement of the firm's prestige (6th more valuable Mexican Brand in 2017)
- Improvement of our corporate image in local level (Honorary Mention from Ecology Department of Monterrey, Mexico)
- Access to a wider community of investors focused in responsible investment
- Centralization of our environmental data gathering, analysis and reporting, increasing transparency to our stakeholders
- Our Company was selected to join to the Euronext Vigeo Emerging Markets 70 Index
- Our Company was selected to join to the FTSE4Good Emerging Sustainability Index

CC2.2c

Does your company use an internal price on carbon?

No, but we anticipate doing so in the next 2 years

CC2.3
Do you engage in activities that could either directly or indirectly influence public policy on climate change through any of the following? (tick all that apply)

Trade associations

CC2.3b
Are you on the Board of any trade associations or provide funding beyond membership?

Yes

CC2.3c
Please enter the details of those trade associations that are likely to take a position on climate change legislation

Trade association	Is your position on climate change consistent with theirs?	Please explain the trade association's position	How have you, or are you attempting to, influence the position?
Asociación de Bancos de México (ABM – Mexican Banking Association)	Consistent	Besides working in conjunction with the UN to sign the Global Compact, the association aims to elaborate a benchmark with other sectors to establish a reference about the GHG emissions generated by the Mexican financial sector.	Banorte participates in the ABM as board member and in the Sustainability Committee, actively participating in the project towards the benchmark elaboration. The reports issued by the ABM enable GFNORTE to analyze its position in relationship with the trends of our industry, and gave us insight on the distribution of emissions and it's most important factors.

Trade association	Is your position on climate change consistent with theirs?	Please explain the trade association's position	How have you, or are you attempting to, influence the position?
Asociación de Bancos de México (ABM – Mexican Banking Association)	Consistent	The ABM together with the UN works in training and encouraging more companies to sign the Global Compact. The trade association has also worked in the establishment of a sustainability protocol. The protocol's main issue is climate change, and therefore its pillars or axes are directed to adaptation and mitigation of climate change through the participation of the financial sector. It has 5 fundamental axes: 1. Corporate Institutionalization of Sustainability Internal Policies 2. Integration of the environmental and social risk evaluation within the investment and credit analysis procedures 3. Sustainability-related financial products and services offer 4. To leverage the responsible consumption of natural resources in internal processes and the value chain, particularly with suppliers. 5. Internal dissemination of sustainability policies and practices and external promotion of sustainable culture. It is noteworthy that our Company had an active participation during the development of such Protocol.	In the period 2015 – 2017, our Executive Director of Sustainability and Responsible Investment assumed the leadership of the Sustainability Committee of the ABM obtaining the approval of the Protocol of Sustainability Banking, which will be a piece of great importance to promote the incorporation of sustainability criteria in the main areas of operation of the Mexican banking sector. Also, in 2016 our Executive Director promoted -as leader of the Sustainability Committee- the adoption from member banks of commitments and related practices such as BIOFIN project of UNEP, Draught Stress Tool from NCD and Green Bonds.
Natural Capital Declaration (NCD)	Consistent	The NCD Project seeks to provide financial institutions with tested methodologies and approaches for identifying natural capital risks. In order to reduce such risks, increase the portfolios' resilience, provide financial security for clients and efficiently allocate capital. The first pilot project is divided in two phases the first consisted on the identification of risks associated with natural capital in the credit risk assessment; the second works to include on methodologies to include environmental risk assessment on credit risk and in 2015 celebrated an alliance for funding with the Swiss Agency for Development and Cooperation and the State Secretariat for Economic Affairs. The second pilot project developed in 2015 an evaluation tool of the risk policies of financial institutions on agricultural commodities, which gives the financial sector an overview of the premises about soy producers, palm oil, meat and timber products in forest ecosystems, the involvement of these and the relationship of these with the portfolio of loans and investments. The third project works on taking into consideration water risks in the corporate bond credit analysis, in order to identify business risks and to encourage greater involvement of enterprises in water management, ensuring long-term safety.	GFNorte participates in the three pilot projects. GFNorte leads the Work Group 2 about the incorporation of natural capital criteria in financial products and services. Developments have been progressively made in two pilot projects: (i) towards the incorporation of natural capital in credit risk evaluation, and (ii) towards the generation of risk policies in agricultural products. It is noteworthy that the efforts done by GFNorte are not only within the Sustainability area, for it has sought to integrate the Risk area and the Agricultural Enterprises Banking. In 2016 our Company participated in the Draught Stress Test, as collaboration with NCD / GIZ. With the input provided for our Company and other 8 banks, a tool for enhancing the finance sector understanding of drought risks was developed. This tool incorporates five drought scenarios for four countries (Brazil, China, Mexico, United States) to account for direct and indirect impacts of drought on 19 industry sectors.
United Nations Environmental Program Finance Initiative (UNEP FI)	Consistent	The UNEP FI is a global partnership between UNEP and the financial sector. Over 200 institutions, including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance. The guidance developed last year, covering the key elements addressing carbon asset risk (CAR) during the processes of making new financing or investment decisions and in managing existing investment portfolios is estimated to be released in 2017. This objective has been postponed by the UNEP FI.	We continue actively participating in the technical working group of the GHG Protocol and UNEP FI joint initiative to develop guidelines in order to establish and provide an emissions calculation methodology to the financial sectors. Our Company seeks to establish a methodology for calculating emissions related to loans and investments of financial institutions to increase our scope in reporting scope 3 emissions. In 2015 we participated in a research that aimed to develop and review the "Carbon Asset Risk Guidance Draft".
UNEP	Consistent	The Biodiversity Finance Initiative (BIOFIN) is a UNDP-managed global partnership that supports countries to enhance their financial management for biodiversity and ecosystems: 30 countries have already started a national BIOFIN process. It makes use of three detailed country-level assessments to develop a biodiversity finance plan, drawing on qualitative and quantitative data, innovative methodologies, and global and national expert input.	Our Company promoted a workshop as collaboration with Banamex, BIOFIN and GIZ, which seeks for a better understanding and visibility about the importance of natural capital expressed in risks and opportunities for clients and suppliers of the financial sector. The workshop plans the development of a) design of methodology of workshop and participants, b) identify natural capital impacts related with the companies' operations, c) socialize results and design strategies to seize opportunities and avoid risks associated with natural capital.

CC2.3f**What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

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

On the other hand, our Department of Sustainability and Responsible Investment presents its sustainability initiatives in board and strategy meetings and throughout the bank, including regional board meetings. In 2016 a sustainable model was completed, now, our business value generation model includes several capitals, among them: human, intellectual, financial and natural. The last one capital pursues the efficient use of resources and the reduction of our carbon footprint, aligned with our 2020 Vision, which seeks for our Company to become the best financial Group in Mexico in 2020.

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

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

It is also worthwhile mention that our procedure of social and environmental risk analysis is included in the institution's regulations as a tool for identification and management of impacts related to lending. Also, since 2017 our Company is signatory of the initiative Principles of Responsible Investment. Thus we will comprise a complete approach of our environmental impacts associated with financial services.

Further Information

Page: CC3. Targets and Initiatives

CC3.1
Did you have an emissions reduction or renewable energy consumption or production target that was active (ongoing or reached completion) in the reporting year?

- Absolute target
- Intensity target

CC3.1a
Please provide details of your absolute target

ID	Scope	% of emissions in scope	% reduction from base year	Base year	Base year emissions covered by target (metric tonnes CO2e)	Target year	Is this a science-based target?	Comment
Abs1	Scope 1+2 (location-based)	100%	14%	2013	69647	2020	Yes, but this target has not been approved as science-based by the Science Based Targets initiative	Considering our commitment for setting science based targets, our Company presented to the SBTi team its proposed targets based in the methodology C-FACT, publicly disposed by Autodesk. According the scientific methodology in emerging countries a reduction of 50% in 2050 in absolute emissions must be achieved. Therefore our medium and long term targets are adjusted to 14% and 50% of reduction, respectively, accomplishing a 2.1 year-over-year absolute reduction. The base year 2013 was selected for its accuracy and certainty according its coverage (no exclusions) and its complete verification. Please bear in mind the emission figure provided for base year is the one published in the 2015 CDP report, which includes emission figures for 2013 with and adjustment on their electricity emission factor (the electricity emission factor is published by SEMARNAT –the Mexican Ministry of Environment and Natural Resources– with one year of lag). Both targets are completely focused to support and reach our emissions intensity target per employee (Int1) and our science based target for intensity per revenue (Int2). The proposed targets (absolute and intensity for S1 and S2) are not validated yet by Science Based Targets Initiative because our lending and investment activities represent more than 5% of our annual revenues (the SBTi threshold for financial institutions' Scope 3 significance) and the methodology for setting SBT's for Scope 3 of financial sector has not been released yet. Thus, any targets of financial institutions cannot be officially reviewed by now.

ID	Scope	% of emissions in scope	% reduction from base year	Base year	Base year emissions covered by target (metric tonnes CO2e)	Target year	Is this a science-based target?	Comment
Abs2	Scope 1+2 (location-based)	100%	54%	2013	69647	2050	Yes, but this target has not been approved as science-based by the Science Based Targets initiative	Considering our commitment for setting science based targets, our Company presented to the SBTi team its proposed targets based in the methodology C-FACT, publicly disposed by Autodesk. According the scientific methodology in emerging countries a reduction of 50% in 2050 in absolute emissions must be achieved. Therefore our medium and long term targets are adjusted to 14% and 50% of reduction, respectively, accomplishing a 2.1 year-over-year absolute reduction. The base year 2013 was selected for its accuracy and certainty according its coverage (no exclusions) and its complete verification. Please bear in mind the emission figure provided for base year is the one published in the 2015 CDP report, which includes emission figures for 2013 with and adjustment on their electricity emission factor (the electricity emission factor is published by SEMARNAT –the Mexican Ministry of Environment and Natural Resources– with one year of lag). Both targets are completely focused to support and reach our emissions intensity target per employee (Int1) and our science based target for intensity per revenue (Int2). The proposed targets (absolute and intensity for S1 and S2) are not validated yet by Science Based Targets Initiative because our lending and investment activities represent more than 5% of our annual revenues (the SBTi threshold for financial institutions' Scope 3 significance) and the methodology for setting SBT's for Scope 3 of financial sector has not been released yet. Thus, any targets of financial institutions cannot be officially reviewed by now.

CC3.1b

Please provide details of your intensity target

ID	Scope	% of emissions in scope	% reduction from base year	Metric	Base year	Normalized base year emissions covered by target	Target year	Is this a science-based target?	Comment
Int1	Scope 1+2 (location-based)	100%	30%	Metric tonnes CO2e per unit FTE employee	2009	3.00	2020	No, but we are reporting another target which is science-based	In 2014 we achieved a 20% of reduction in the emissions intensity per FT employee. Since 2014, we decided to increase the coverage of this goal to 30% with 2020 as target year. In 2016 we achieved a 24% reduction vs base year 2009.
Int2	Scope 1+2 (location-based)	100%	50%	Metric tonnes CO2e per unit revenue	2013	5.16	2020	Yes, but this target has not been approved as science-based by the Science Based Targets initiative	Considering our commitment for setting science based targets, our Company presented to the SBTi team its proposed targets based in the methodology C-FACT, publicly disposed by Autodesk. According the scientific methodology in emerging countries a reduction of 50% in 2050 in absolute emissions must be achieved. Therefore our intensity target per revenue (millions of MXN) was adjusted and comprises a 50% reduction for 2020 (mid-term) and 80% reduction for 2050 (long term) against intensity of 2013. The base year 2013 was selected for its accuracy and certainty according its coverage (no exclusions) and its complete verification. Please bear in mind the emission figure provided for base year is the one published in the 2015 CDP report, which includes emission figures for 2013 with and adjustment on their electricity emission factor (the electricity emission factor is published by SEMARNAT –the Mexican Ministry of Environment and Natural Resources– with one year of lag). The proposed targets (absolute and intensity for S1 and S2) are not validated yet by Science Based Targets Initiative because our lending and investment activities represent more than 5% of our annual revenues (the SBTi threshold for financial institutions' Scope 3 significance) and the methodology for setting SBT's for Scope 3 of financial sector has not been released yet. Thus, any targets of financial institutions cannot be officially reviewed by now.

CC3.1c

Please also indicate what change in absolute emissions this intensity target reflects

ID	Direction of change anticipated in absolute Scope 1+2 emissions at target completion?	% change anticipated in absolute Scope 1+2 emissions	Direction of change anticipated in absolute Scope 3 emissions at target completion?	% change anticipated in absolute Scope 3 emissions	Comment
Int1	Decrease	0.26			Since the unmerging of International Bank in early 2017, the number of employees will decrease by 1.5% and emissions by 4.24%. Considering that the number of employees will remain almost constant during the next years, to reach the goal of intensity established for 2020 it will be necessary to reduce our absolute emissions by 0.26%.
Int2	Decrease	13.81			We used the C-FACT methodology for setting science based targets for achieving a 50% of absolute reduction in 2050 (in-development country). This major goal is directly related with our intensity target, therefore, at intensity target completion we expect to obtain a 13% decrease in the emission generation per unit of revenue (millions of Mexican pesos). The revenue value was estimated according economic reports of our Company and GDP growth prediction in Mexico.

CC3.1e

For all of your targets, please provide details on the progress made in the reporting year

ID	% complete (time)	% complete (emissions or renewable energy)	Comment
Abs1	33.33%	69.12%	In 2016 we used the C-FACT methodology for adjust our targets according to science and achieve a 50% of absolute reduction required for in-development countries in 2050, accomplishing a 2.1 year-over-year absolute reduction.
Abs2	5.56%	17.54%	In 2016 we used the C-FACT methodology for adjust our targets according to science and achieve a 50% of absolute reduction required for in-development countries in 2050, accomplishing a 2.1 year-over-year absolute reduction.
Int1	60.00%	83.06%	In 2014 we achieved a 20% of reduction in the emissions intensity per FT employee. Since 2014, we decided to increase the coverage of this goal to 30% with 2020 as target year. In 2016 we achieved a 24% reduction vs base year 2009.
Int2	33.33%	72.44%	In 2016 we used the C-FACT methodology for adjust our targets according to science and achieve a 50% of absolute reduction required for in-development countries in 2050, this major goal is directly related with our new intensity target per revenue.

CC3.2

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

Yes

CC3.2a

Please provide details of your products and/or services that you classify as low carbon products or that enable a third party to avoid GHG emissions

Level of aggregation	Description of product/Group of products	Are you reporting low carbon product/s or avoided emissions?	Taxonomy, project or methodology used to classify product/s as low carbon or to calculate avoided emissions	% revenue from low carbon product/s in the reporting year	% R&D in low carbon product/s in the reporting year	Comment
Group of products	Online banking, mobile banking and digital account statements. These services help customers to avoid certain activities and therefore the greenhouse gas (GHG) emissions associated with these, such as: a) Travelling by vehicle to our branches in order to perform their financial transactions (Scope 1 emissions) b) Consumption of paper receipts and bank slips the branch would normally issue to customers c) Consumption of printed account statement d) Use of a cellular token instead of a physical one, reducing manufacturing and waste treatment procedures. In 2015 we estimated the kg of CO2e avoided by our customers who use Bxl and Banorte Móvil, by means of a survey carried out last year (it will be renewed every 3 years) and the use of a UK Department for Environment, Food & Rural Affairs (Defra) average road to vehicle distance – gasoline/petrol 2014 factor. We asked for the frequency of use, the distance to the preferred branch and means of transportation. The results were as follows: For our customers that travel by car to our branches, we estimate an average of 1.195 kg of CO2e avoided per transaction done in Bxl in 2015. Furthermore, assuming that all transactions in Bxl would have required our clients to travel by car to their preferred branch, in 2015 we calculated a total of 1,232,684 metric tons of CO2e avoided. Similarly, for customers that travel by car, we estimate an average of 1.109 kg of CO2e avoided per transaction done using Banorte Movil. A total of	Avoided emissions	Evaluating the carbon reducing impacts of ICT			Some numbers associated with the results in online banking are as follows: By the end of 2016: (a) 1.2 million of Digital Banking clients ordered more than 963 million of transactions in 2016, a YOY growth of 8%. (b) Mobile banking clients increased 29%and transactions by 6%. (c) 55,171physical tokens were

Level of aggregation	Description of product/Group of products	Are you reporting low carbon product/s or avoided emissions?	Taxonomy, project or methodology used to classify product/s as low carbon or to calculate avoided emissions	% revenue from low carbon product/s in the reporting year	% R&D in low carbon product/s in the reporting year	Comment
	118,968 metric tons of CO2e were avoided due transactions in Banorte Movil (traveling by car).					<p>changed to cellular, 10% increase versus last year. (d) Digital account statements were introduced as default option for account statements delivery in all credit cards accounts. (e) More technologies and features were implemented on ATM for remote sale and self-service to reduce customer need to go to a branch, streamlining operations and reducing emissions from customers' travel. (f) 757 ATMs were replaced with energy efficient models, a 5% increase. This figure is equivalent to 10% of all our ATM's. (g) In 2016 concluded the Multichannel transformation, which aims to homologate our digital services: Online banking, mobile banking, ATM's, among others. Keep in mind that customers are able to request the Banorte Móvil service by calling the Contact Center or by an ATM, without the need to visit a branch. Please note that for electronic or mobile devices as an alternative of service, we are including them</p>

Level of aggregation	Description of product/Group of products	Are you reporting low carbon product/s or avoided emissions?	Taxonomy, project or methodology used to classify product/s as low carbon or to calculate avoided emissions	% revenue from low carbon product/s in the reporting year	% R&D in low carbon product/s in the reporting year	Comment
						under the consideration that its usage by customers is part of their activities regardless if they use or not our services or products.

CC3.3
Did you have emissions reduction initiatives that were active within the reporting year (this can include those in the planning and/or implementation phases)

Yes

CC3.3a
Please identify the total number of projects at each stage of development, and for those in the implementation stages, the estimated CO2e savings

Stage of development	Number of projects	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	1	46721.54
To be implemented*	0	0
Implementation commenced*	0	0
Implemented*	3	8515.15
Not to be implemented	0	0

CC3.3b
For those initiatives implemented in the reporting year, please provide details in the table below

Activity type	Description of activity	Estimated annual CO2e savings (metric tonnes CO2e)	Scope	Voluntary/Mandatory	Annual monetary savings (unit currency - as specified in CC0.4)	Investment required (unit currency - as specified in CC0.4)	Payback period	Estimated lifetime of the initiative	Comment
Energy efficiency: Building services	Banorte's Integral Energy Control System (SICE) consists in the replacement of existing air conditioning equipment to ones with higher-efficiency depending on their age. Additionally, software that controls lighting and air temperature is installed. Since its launching in 2007 and until its completion in 2016, the system reached coverage of more than 95% Banorte's branches, achieving remarkable monetary and energy savings. Also, in 2016, 757 Banorte's ATMs were substituted for more efficient ATMs in their use of energy (+5%YOY). Furthermore, technologies and features were implemented on ATM for remote sale and self-service to reduce customer need to go to a branch, streamlining operations and reducing emissions from customers' travel.	8172.04	Scope 2 (location-based)	Voluntary	20446114	11063957	<1 year	Ongoing	This program exists since 2007. The figures here provided are only for 2016 and they are based on annual averages. The accumulated savings to 2016 totaled: 150 million pesos, 102 million kWh and 47,073 tons of CO2e.

Activity type	Description of activity	Estimated annual CO2e savings (metric tonnes CO2e)	Scope	Voluntary/ Mandatory	Annual monetary savings (unit currency - as specified in CC0.4)	Investment required (unit currency - as specified in CC0.4)	Payback period	Estimated lifetime of the initiative	Comment
Process emissions reductions	Through our Paperless program we recycled 479 tons of paper and board. Please note that the Paperless program is present in all Banorte, one of its main initiatives consists in spreading awareness among employees for the proper use of paper, another of the program's initiatives is the placement of containers for paper and board recycling in buildings and branches. The recycling initiative benefited more than 5,800 employees in 2016, representing 28% of Banking Sector staff. Also in Insurance and Annuities and USA Sectors, we recycled more than 120 tons of paper and board, totaling 600.87 metric tons of paper recycled by our Company as Group in 2016.	319.66	Scope 3	Voluntary	1087533	0	<1 year	Ongoing	The program was established in 2011, the figures here provided correspond only to 2016. The monetary savings correspond to the revenue generated by the program. The annual CO2e savings were estimated as follows: the total CO2e emissions corresponding to paper-to-landfill were calculated using a 2014 DEFRA factor, as well as de CO2 emissions corresponding to "closed loop" paper disposal (DEFRA factor 2014); we report the difference. The investment required in 2016 was 0 pesos; at the start of the initiative 975 container boxes were purchases for approximately 28000 MXN, we continue to have boxes in stock for additional buildings.

Activity type	Description of activity	Estimated annual CO2e savings (metric tonnes CO2e)	Scope	Voluntary/ Mandatory	Annual monetary savings (unit currency - as specified in CC0.4)	Investment required (unit currency - as specified in CC0.4)	Payback period	Estimated lifetime of the initiative	Comment
Waste recovery	In 2016, the recovery campaign of Banorte's tokens achieved reintroducing 8,682 devices for clients, avoiding the purchase of new ones and the Scope 3 emissions implied in the manufacturing of that number of tokens.	23.45	Scope 3	Voluntary	916688	0	<1 year	Ongoing	Please note the CO2 tons here pointed were estimated through DEFRA factor 30 UK-40, which considers the emissions related with Office machinery and computers with a monetary denominator (purchase). Detailed figures only correspond to reporting year.

Activity type	Description of activity	Estimated annual CO2e savings (metric tonnes CO2e)	Scope	Voluntary/ Mandatory	Annual monetary savings (unit currency - as specified in CC0.4)	Investment required (unit currency - as specified in CC0.4)	Payback period	Estimated lifetime of the initiative	Comment
Low carbon energy purchase	At present, we are evaluating the acquisition of renewable energy. In 2015 we hired a consultant company in order to compare renewable energy of different sources (solar, wind, hydropower) and a cogeneration technology. We believe that this optimal opportunity could save at least 15-20% in electricity expense, compared to buying the same quantity in kW per hour from CFE (electric energy provider in Mexico). Furthermore, using renewable energy will allow us to reduce even more our carbon footprint and to strengthen our reputational image as a Sustainability leader company in Mexico.	46721.54	Scope 2 (market-based)	Voluntary	20000000	0	<1 year	6-10 years	This project is under investigation by now. The calculations here provided correspond to a minimal energy purchase (5 percent). Nevertheless, we expect to increase this percentage while it is decided the source of renewable energy and the facilities that will be covered. The later decision is influenced by the Mexican's renewable energy schemes that are still being published. We consider that the Annual Cost value is 0 because, even when this transition involves change of meters that cost nearly \$500 USD and adjustments in the facilities, these costs would be absorbed by the supplier but it will be reflected in the price of the energy that they supply us until the expense is settled.

CC3.3c
What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Dedicated budget for energy efficiency	Automated charge control system for lighting, light signs and air conditioning equipment to increase energy efficiency, replacing air conditioning equipment, curtains for hurricane protection in certain branches of coastal areas, energy efficient light bulbs, green roof.
Dedicated budget for other emissions reduction activities	Paperless project, solar panels, digitalization, e-banking, electronic platforms and videoconferencing.
Employee engagement	Environmental education.
Financial optimization calculations	Cost-benefit analysis of new systems and investments.

Method	Comment
Internal incentives/recognition programs	Banorte's Ingenio Award contest and Paperless Champion Program.

Further Information

Page: CC4. Communication

CC4.1
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	Status	Page/Section reference	Attach the document	Comment
In mainstream reports (including an integrated report) in accordance with the CDSB Framework	Complete	51 - 62 / Natural capital section	https://www.cdp.net/sites/2017/34/22734/Climate Change 2017/Shared Documents/Attachments/CC4.1/Annual-Report-2016.pdf	The environmental data published in our annual report was verified for Deloitte, additionally, our GHG Emissions Inventory Report 2016 was verified by Asociación de Normalización y Certificación, A.C
In mainstream reports (including an integrated report) in accordance with the CDSB Framework	Complete	52 - 62 / Natural capital section	https://www.cdp.net/sites/2017/34/22734/Climate Change 2017/Shared Documents/Attachments/CC4.1/Informe anual 2016.pdf	The environmental data published in our annual report was verified for Deloitte, additionally, our GHG Emissions Inventory Report 2016 was verified by Asociación de Normalización y Certificación, A.C

Further Information

Module: Risks and Opportunities

Page: CC5. Climate Change Risks

CC5.1
Have you identified any inherent climate change risks that have the potential to generate a substantive change in your business operations, revenue or expenditure? Tick all that apply

- Risks driven by changes in regulation
- Risks driven by changes in physical climate parameters
- Risks driven by changes in other climate-related developments

CC5.1a
Please describe your inherent risks that are driven by changes in regulation

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
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Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Emission reporting obligations	According to the regulations of the 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), our Company complies the said description. Also, in the transients of the law are set ranges of tonnes of CO2 equivalent by year that are obligated to verify their emissions by an accredited external auditor.	Increased capital cost	1 to 3 years	Direct	Virtually certain	Low	If the data and documents required are not submitted the Federal Environmental Protection Agency (PROFEPA) may impose a fine of \$40,020 to \$240,120 MXN. Reporting false information should imply a fine of \$240,120 to \$800,400 MXN. This amount can be tripled in case of recurrence.	We assess our risks through our Sustainability Management System (SMS) platform, which collected data needed for the emissions calculation with a 100% of coverage of GFNorte for 2016. Furthermore, the emission inventory is developed by the Sustainability Area for later verification by an accredited external auditor. Once this information is validated, it is reported to several entities, for example, to the Mexican Ministry of Environmental and Natural Resources by the COA to accomplish with the law.	The costs per year to manage the risk are associated to the SMS of nearly \$1.4 million MXN and the external verification of approximately \$50,000 MXN. Please keep in mind that the SMS enables us to identify, capture, measure and monitor key environmental, social and economic indicators at the GFNorte level. The monitoring and calculation are part of involved area's normal activities and does not involve further costs for the company.

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Fuel/energy taxes and regulations	In order to meet the emissions reduction goal regulations around the Law on Special Tax on Products and Services introduced a tax on fossil fuels. This will impact all the operational cost of all our subsidiaries in Mexico due to their fuels consumption, especially the ones who have transport fleet and active emergency plants.	Increased operational cost	Up to 1 year	Direct	Virtually certain	Low	According to the Law on Special Tax on Products and Services, taxpayers will transfer in the price to those who purchase gasoline or diesel, an amount equivalent to the tax established in this law, but in no case will do so expressly and separately. In Mexico the taxes that have been released are: 13.84 cents per liter of diesel, 7.46 cents per liter of liquefied petroleum gas and 11.41 cents per liter of gasoline. This implies \$224,294.81 MXN for 2016 only of taxes by our fuel consumption. This taxes are increasing almost a 4% year per year.	As part of the approach to integrate environmental data at the Group level, and with the objective to improve the resources management and reporting, Sustainability Management System (SMS) was adopted. All the subsidiaries input data regularly on fuel consumption that enable us to identify peaks, trace them and manage them. The SMS was used for the collection of indicators such as electricity consumption in GFNorte (100% coverage), for the calculation of emissions due to electricity consumption and as a platform for external verification.	The costs associated with these actions are associated to SMS system maintenance, which translates to \$1.4 million MXN annually.

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Renewable energy regulation	<p>More than 90% of our operations is performed in Mexico. The Mexican Law of Climate Change established the following targets:</p> <p>a) 30% GHG emissions reduction by 2020 and 35% of electricity generation must come from clean energy sources</p> <p>b) 50% GHG emissions reduction for 2050. Both targets taking year 2000 as the base year. In relation to the 30% emissions reduction for 2020 target the National Climate strategy provides for an increase in the penetration of renewable energies in the national mix. To meet this target, all the participants of the electric market should be consuming at least 5% of clean energy from their entire energy consumption for 2018 (this percentage will be increasing year by year). If the participant does not comply with this requirement, it will be obliged to purchase Clean Energy Certificates (CELS).</p>	Increased operational cost	1 to 3 years	Direct	Virtually certain	Low	<p>Financial implications due to new commercialization schemes have not been completely published yet; the bases for the operation of the wholesale market are at this moment in revision. Therefore, in case that we have no clean energy supply for the year 2018, the additional cost of the Clean Energy Certificates (CELS) equivalent to 5% of our energy consumption must be absorbed. One CEL is equal to one MWh, so we would need to acquire about 6,300 CELs, according to our annual consumption average. However, its price has not yet been established as it will depend on the supply and demand of the market (it will not be fixed). This market starts from 2018.</p>	<p>We are evaluating potential vendors of renewable energy in order to assess and compare the costs of this type of energy. In 2015 we hired a consultation company in order to compare renewable energy of different sources (solar, wind, hydropower) and a cogeneration technology, facilitating to the implicated areas to choose the best renewable energy option.</p>	<p>The internal revision is part of the usual activities and process improvement of Banorte, it does not involve any additional costs. Although, a few expenses for analyzing this opportunity have been made. The indirect expense for hiring the consultation company implies 2 up 3 million of Mexican pesos; the rate of monetary costs depends on a "success-case" base. We consider that the Annual Cost value is 0 because, even when this transition involves change of meters that cost nearly \$500 USD and adjustments in the facilities, these costs would be absorbed by the supplier but it will be reflected in the price of the energy that they supply us until the expense is settled.</p>

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Air pollution limits	Due to the serious problem with air quality in different parts of the Mexican Republic, a new norm was reformed for mandatory vehicle verification (NOM-167-SEMARNAT), which establishes the maximum permissible limits of contaminants coming from the escapes of the vehicular units. It applies as a first instance in the states of Hidalgo, Puebla, Tlaxcala, Morelos, Estado De México and Ciudad de México.	Increased operational cost	1 to 3 years	Direct	Virtually certain	Low	The mandatory vehicle verification costs \$400 MXN per unit, twice a year, for models below 2016 (hybrid and electric vehicles are exempt). For Banorte, there are 135 vehicles that have to be verified, which implies an expense of \$108,000 MXN. For Seguros y Pensiones, there are 117 vehicles, which implies \$93,600 MXN. Also, for Afore XXI only 14 vehicles are verified, this is another \$11,200 MXN. In total, only the verification involves an amount of \$212,800 MXN. Moreover, the extemporaneous verification involves a fine of \$ 1,500 MXN. In addition, failure to comply with the permissible emission limits of contaminants merits the remediation of the unit in case of rejection and a fine of \$1,400 MXN average.	In Banorte, units that are considered obsolete are identified and they are renewed according to the lease of the fleet supplier every four years. In addition to this, adequate maintenance should be done every half year or 15 thousand kilometres. The acquisition of hybrid or electric vehicles could also be considered.	The obsolete models are removed from the rent and replaced by new units, the cost is reflected in the differential of what we pay month by month for them.

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Fuel/energy taxes and regulations	Fuel is one of the major agricultural and industrial inputs and our Company supports related projects through its financial services. The implementation of taxes or the reduction/ elimination of subsidiaries can directly impact the profitability of agricultural and commercial activities and therefore the ability to pay respective loans. This risk is heightened by the recent approbation of the Tax on Pesticides, which is directly proportional to their toxicity category.	Increased operational cost	1 to 3 years	Indirect (Client)	More likely than not	Low	The Tax on Pesticides will increment production costs for farmers. The average cost on pesticides (before the tax) is 7.54 MXN, the average increase in costs (with a 15% tax) would be 1.4%. For potato and tomato the increase would be 9.7% and 3.7%, respectively, staples such as com and beans only increase 0.2% and 0.4%, respectively. Further costs are unknown.	In regards with agricultural inputs and activities, the Company continues to strengthen its mechanisms to determinate and/or validate the operational costs of the projects to be financed. Such mechanisms allow identifying project's viability and the feasibility of the corresponding support. In 2015 the SEMS regulations were fully adopted and incorporated into the loan granting process and the risk manual in the reputational risk section of the institutional regulations. Also, our Company supports the Natural Capital Declaration program by leading a work group for the development of an assessment tool for risk policies of financial institutions on agricultural commodities, which provides an overview of producers, their impact on these ecosystems and their relation with loan and investment portfolios. In 2016 our Company participated in a drought stress tool with NCD.	The identified costs are related to the processes of personnel training, which are responsible for evaluating projects in the agricultural and forestry sectors (approximately 6 million MXN in expenses/costs). Nevertheless, Banorte's SEMS Plan has provided valuable insight within the matters of climate-change related risks, thus providing a helpful starting point for managing sectorial risks which have been identified with our clients' businesses by identifying costs and methods associated with these potential risks going forward. Other costs, such as those to manage potential risks in the commercial sector are unknown.

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Fuel/energy taxes and regulations	Banorte is part of a location-based energy scheme, so it depends entirely on CFE. Currently, the way in which CFE generates energy is through fossil fuels, so the rates they set depend directly on fluctuations in the cost of these. These costs are affected by taxes and by the global market, and they normally are increasing.	Increased operational cost	Up to 1 year	Direct	More likely than not	Low	We have four different rates (02, 03, HM and OM), each one is charged differently and at different prices. The trend has been an increase of close to 2% of each one year by year, with the exception of the OM rate. This represents an increase of approximately \$460,000 MXN per year.	We are evaluating potential vendors of renewable energy in order to assess and compare the costs of this type of energy. In 2015 we hired a consultation company in order to compare renewable energy of different sources (solar, wind, hydropower) and a cogeneration technology, facilitating to the implicated areas to choose the best renewable energy option. The price of this type of energy is cheaper because it does not depend of a fossil fuel (except for cogeneration), it depends on the disponibility of renewable natural resources.	The internal revision is part of the usual activities and process improvement of Banorte, it does not involve any additional costs. Although, a few expenses for analyzing this opportunity have been made. The indirect expense for hiring the consultation company implies 2 up 3 million of Mexican pesos; the rate of monetary costs depends on a "success-case" base. We consider that the Annual Cost value is 0 because, even when this transition involves change of meters that cost nearly \$500 USD and adjustments in the facilities, these costs would be absorbed by the supplier but it will be reflected in the price of the energy that they supply us until the expense is settled.

CC5.1b

Please describe your inherent risks that are driven by changes in physical climate parameters

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
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Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Change in precipitation extremes and droughts	As a consequence of damages to building infrastructure (e.g. branches and corporate buildings) resulting from extreme weather events, an inability to use or access the assets of the Company, an unexpected closing of our branches and employee absenteeism or delays, may prevent us from providing services to the end customer.	Reduction/disruption in production capacity	3 to 6 years	Direct	About as likely as not	Medium	<p>Considering that an estimated 1% of branches are subject to suffer water damages from floods, the cost of said risk would amount to 133.5 (when total reconstruction is need) million. This number only considers asset damage and does not take into consideration additional losses due to not being able to provide services to clients or delays/absenteeism from our employees. However, an approximate sum of 50 million is estimated as a financial impact of not being able to provide service in our branches during an unexpected closing due to flood damage.</p>	<p>a) A Disaster Recovery Plan (DRP) / Business Continuity Plan (BCP) is in place, allowing the recovery of operations and/or processes that have been defined as critical for the Company. Such plans are validated each year, through testing, which allows good management b) The Company has insurance policies to protect the physical assets c) Once the Company detects a risk of hurricane, floods, etc., such climate drivers are monitored until their conclusion d) The Company publishes alert communications to employees; e) In the event of any impacts, the Civil Protection Regional Committee initiates preventive activities f) The methodology used in these events is that our Security Department participates with the local and federal authorities so as to establish a plan in order to protect our customers and employees.</p>	<p>In general, prevention costs represent in average about a third of the estimated financial implications of not properly managing the risk beforehand, comprising but not limited to the following aspects: a) Maintenance of BCP/DRP's infrastructure b) Licenses of Genesys Voice Platform or Interaction Voice Respond; c) Insurance policies; Additional to such prevention costs, in regards of human-related risks, an annual budget of about 7.9 million pesos is invested in GFNorte for brigade and branch staff training in civil protection in case of contingences including extreme climate-related events and disasters, 5,200 employees are trained each year.</p>

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Change in precipitation extremes and droughts	As a consequence of damages to building infrastructure (e.g. branches and corporate buildings) resulting from extreme weather events, an inability to use or access the assets of the Company, an unexpected closing of our branches and employee absenteeism or delays, may prevent us from providing services to the end customer.	Increased capital cost	3 to 6 years	Direct	More likely than not	Low	The estimated costs related to repairing wind damages from hurricanes causing damage to branches would require an approximate \$175,000 MXN per facility. Considering that an estimated 0.5% of branches are subject to this risk, it would amount up to 10.4 million MXN in expenses to repair damages by hurricanes. This number only considers asset damage and does not take into consideration additional losses due to not being able to provide services to clients or delays/absenteeism from our employees. However, we estimate that the financial impact of not being able to provide service in our branches during an unexpected closing due to hurricanes would amount to more than 3 million.	a) A Disaster Recovery Plan (DRP) / Business Continuity Plan (BCP) is in place, allowing the recovery of operations and/or processes that have been defined as critical for the Company. Such plans are validated each year, through testing, which allows good management b) The Company has insurance policies to protect the physical assets c) Once the Company detects a risk of hurricane, floods, etc., such climate drivers are monitored until their conclusion d) The Company publishes alert communications to employees; e) In the event of any impacts, the Civil Protection Regional Committee initiates preventive activities f) The methodology used in these events is that our Security Department participates with the local and federal authorities so as to establish a plan in order to protect our customers and employees.	In general, prevention costs represent in average about a third of the estimated financial implications of not properly managing the risk beforehand, comprising but not limited to the following aspects: a) Maintenance of BCP/DRP's infrastructure b) Licenses of Genesys Voice Platform or Interaction Voice Respond; c) Insurance policies; Additional to such prevention costs, in regards of human-related risks, an annual budget of about 7.9 million pesos is invested in GFNorte for brigade and branch staff training in civil protection in case of contingences including extreme climate-related events and disasters, 5,200 employees are trained each year.
Change in mean (average) temperature	Increase of electricity consumption in branches and corporate offices related to air conditioning due to changes in temperature.	Increased operational cost	Up to 1 year	Direct	Very likely	Low	Banorte's expense in electric energy has increased 18.9% since 2010 an approximate rate of 4% per year, which is naturally increasing our operation costs by a similar proportion. Should this trend continue, along with our usage patterns and temperature conditions, this would represent 24.15 million of Mexican pesos in electric energy bills for 2016, and then followed by 25.13	Banorte has many initiatives addressing this issue: a) Energy Control Integral System (SICE): setting-up programmed controllers to automatically turn on/off air conditioning (AC) and lighting units when they're not being used. Additionally, AC units are constantly substituted for more efficient	The investment in solar panels was about 1.3 million pesos. We are thus studying its feasibility to implement them in other branches. On the other hand, SICE's has been a great success. Since its implementation in 2007, Banorte has invested an average 4.3

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
							million pesos in 2017.	unit as they reach either 10 years or their end of life. b) Solar panels in two branches of Banorte-lxe. c) Behavioral change and internal practices: We distribute "Ecotips" throughout our main business units, as well as participate in initiatives such as Earth Hour organized by WWF. d) We are currently studying the usage of sustainable materials in the construction of our branches by carrying out pilot in one of them, so as to make a comparison in terms of energy efficiency in order to determine its feasibility to expand this practice; while the branch is now operation we are currently gathering data for the pertinent analysis. E) Banorte is currently evaluating a portfolio of renewable energy providers, also linked to reaching our LTS target of 30% reduction of energy consumption per employee by 2020 against 2009 levels. Also, the Seguros y Pensiones' subsidiary promoted an efficiency initiative by installing LED lights in their representative buildings, monitoring the air conditioner's consumption and replacing the AC's of high consumption by more efficient equipment	million pesos per year, conducting to savings of up to an average of 17.4 million pesos per year, as a result of reducing our energy consumption by a yearly average of 9.7 million kWh. It has now coverage of 98.38%, soon to be reaching the complete scope of Banorte's branches.

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Other physical climate drivers	Other physical climate drivers: Extreme wind gusts. As a consequence of damages to building infrastructure (e.g. branches and corporate buildings) resulting from extreme weather events, an inability to access the assets of the Company, an unexpected closing of our branches and employee absenteeism or delays, may prevent us from providing services to the end customer.	Reduction/disruption in production capacity	3 to 6 years	Direct	About as likely as not	Low	The estimated costs related to repairing wind damages from hurricanes causing damage to branches would require an approximate \$175,000 MXN per facility. Considering that an estimated 0.5% of branches are subject to this risk, it would amount up to 10.4 million MXN in expenses to repair damages by hurricanes. This number only considers asset damage and does not take into consideration additional losses due to not being able to provide services to clients or delays/absenteeism from our employees. However, we estimate that the financial impact of not being able to provide service in our branches during an unexpected closing due to hurricanes would amount to more than 3 million.	a) A Disaster Recovery Plan (DRP) / Business Continuity Plan (BCP) is in place, allowing the recovery of operations and/or processes that have been defined as critical for the Company. Such plans are validated each year, through testing, which allows good management b) The Company has insurance policies to protect the physical assets c) Once the Company detects a risk of hurricane, floods, etc., such climate drivers are monitored until their conclusion d) The Company publishes alert communications to employees; e) In the event of any impacts, the Civil Protection Regional Committee initiates preventive activities f) The methodology used in these events is that our Security Department participates with the local and federal authorities so as to establish a plan in order to protect our customers and employees.	In general, prevention costs represent in average about a third of the estimated financial implications of not properly managing the risk beforehand, comprising but not limited to the following aspects: a) Maintenance of BCP/DRP's infrastructure b) Licenses of Genesys Voice Platform or Interaction Voice Respond; c) Insurance policies; Additional to such prevention costs, in regards of human-related risks, an annual budget of about 7.9 million pesos is invested in GFNorte for brigade and branch staff training in civil protection in case of contingences including extreme climate-related events and disasters, 5,200 employees are trained each year.

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Change in precipitation extremes and droughts	Climate change impacts over environmental services provided by the water have the tendency to affect supply chains, both the Company's and our client's, which are in turn translated in economic terms.	Increased operational cost	1 to 3 years	Indirect (Supply chain)	Likely	Low-medium	Financial impact is directly related to the dependence to the water resources that our client portfolio has (taking into consideration all of our business lines) and to the dependence and use of this resource by the institution. If we keep our water consumption at the same level as this year, and considering that water prices rose about 6% yearly, this would represent an additional cost of about \$837,000 pesos for 2016 to pay for water services within the Company. Being a financial services company, our dependence on water services is low; however, for some clients in our portfolio, these may be higher depending on their business line, which would in turn reduce their capabilities to fulfill their credit obligations.	Awareness and adaptation including adjustments in water usage would be considered. Additionally, as part of the Natural Capital Declaration, we are working in the Pilot Project on Corporate Bond Water Risks, which is a joint project with the German agency GIZ and with VFU. This pilot project seeks to develop a framework and tool to link water risks directly with core financial indicators that analysts use at present to determine the value of a corporate bond. It addresses the following key questions: - For which sectors are water risks significant? - How can water risks be identified, assessed and quantified? - How can water risks be integrated into financial risk assessments of corporate bonds?	Associated costs are determined in proportion to NCD's participation fee. We estimate that the percentage invested in this branch of the initiative represents about 150,000 MXN, considering that there are two more pilot projects and more outcomes coming from this initiative.

CC5.1c

Please describe your inherent risks that are driven by changes in other climate-related developments

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
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Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Reputation	If a sudden change of perception towards the Company from the investors, clients or public in general occurs, as a consequence of the Company's carbon performance, it may result in a reduced stock price.	Reduced stock price (market valuation)	Unknown	Direct	Very unlikely	Unknown	<p>We have analyzed historical data to determine when and how significant reductions in the stock price have occurred, in order to estimate the impact of these type of risks. Therefore, based on previous year's data regarding stock price, we conclude that this sudden change of perception towards the Company could strongly impact in reducing an average of -0.82% in the share price under normal appreciation circumstances. However, in extreme cases, this percentage could even go up to -2% if the perception from the public dramatically diminishes.</p>	<p>We have performed a materiality analysis and taking into consideration opinions from all our stakeholders to define the most relevant topics to them in order to address those topics and manage them. If there are highly significant topics to our stakeholders and we do not consider them in our strategy, this represents a great risk given the possibility to fail and affect them, thus having a direct impact in our reputation. Therefore, we are completely compromised with our stakeholders and the most relevant issues they point out.</p>	<p>Costs associated with the materiality analysis performed by KPMG, representing an amount of 300,000 MXN.</p>

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Reputation	If a sudden change of perception towards the Company from the investors, clients or public in general occurs, as a consequence of the Company's carbon performance, it may result in a reduced availability of capital.	Reduction in capital availability	Up to 1 year	Indirect (Client)	Very likely	Low-medium	By historical data analysis, we have determined average amounts of reductions due to these kinds of impacts. In this case, we estimate an approximate 1.96 billion pesos of reduced available capital in average. However, in very extreme events of this particular nature, this could even go up to 4.77 billion pesos if the perception from the public changes in an unusually dramatic way.	We are currently participating in the NCD with the goal to develop methodologies that incorporate natural capital in the risk assessment in terms of credit, through a previous research and analysis carried out at the financial institution. We also actively take part in UNEP FI in the development of the guide to help the financial sectors to calculate the emissions of their loan and investment portfolios (as a complement of Scope 3), in order to determine the methodology of calculation of emissions related to funding, loans and investments as of 2017 (this objective has been postponed by the UNEP FI). This way, we seek to develop strong relationships in sustainability topics to encourage the inclusion of natural aspects in businesses, which will in turn help to address this particular risk.	By prorating our fee participation costs to take part in the NCD and UNEP FI projects, we estimate that these costs are about 300,000 MXN.

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Uncertainty in market signals	Uncertainty in the markets, especially in Mexico, may result in a lack of interest from investors to take position in Mexican companies.	Other: Higher interest rates for funding (reduction in capital availability), volatility in markets and flows of capital leaving Mexico.	Unknown	Direct	About as likely as not	Unknown	The investments impact is an estimate of \$1.5 million USD in the very start, with a further potential sum of 18 billion USD afterwards. However, this can only happen if the regulatory framework is provided in time. Additionally, we must consider that regarding economic analysis, there are no projections perceiving a growth of more than 3% of our GDP; this diagnose has been decreasing along the year.	The Company is in close contact with clients and constantly monitors their strength. Normal risk management procedures also monitor concentration in industries and specific companies. In case of excessive levels, exposure is reduced. The Company also has the objective to incorporate and establish a link between these analysis and climate change aspects. Finally, related personal is being trained regarding topics of climate change, awareness courses and economic impacts.	Costs implied are related to training and awareness courses about topics of climate change-related economic impacts. Awareness does not imply a high cost in monetary terms, but it does in terms of time resources. On the other side, specific courses for selected significant personnel working in these issues could rise up to about more than \$150,000 pesos.

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Reputation	Negative impact on Customer Service due to operational disruption.	Reduced demand for goods/services	3 to 6 years	Indirect (Client)	About as likely as not	Medium-high	<p>Depending on the nature and extension of the operational disruption's cause, this impact could go from 3 million pesos to about 50 million pesos in extreme cases just for not being able to provide service in a branch. This could even have an additional impact due to customer perception on our inability to provide service, which at the moment has not been measured.</p>	<p>a) A Disaster Recovery Plan (DRP) / Business Continuity Plan (BCP) is in place, allowing the recovery of operations and/or processes that have been defined as critical for the Company. Such plans are validated each year, through testing, which allows good management b) The Company has insurance policies to protect the physical assets c) Once the Company detects a risk of hurricane, floods, etc., such climate drivers are monitored until their conclusion d) The Company publishes alert communications to employees; e) In the event of any impacts, the Civil Protection Regional Committee initiates preventive activities f) The methodology used in these events is that our Security Department participates with the local and federal authorities so as to establish a plan in order to protect our customers and employees.</p>	<p>In general, prevention costs represent in average about a third of the estimated financial implications of not properly managing the risk beforehand, comprising but not limited to the following aspects: a) Maintenance of BCP/DRP's infrastructure b) Licenses of Genesys Voice Platform or Interaction Voice Respond; c) Insurance policies; Additional to such prevention costs, in regards of human-related risks, an annual budget of about 7.9 million pesos is invested in GFNorte for brigade and branch staff training in civil protection in case of contingences including extreme climate-related events and disasters, 5,200 employees are trained each year.</p>
Reputation	The unnecessary energy wasted in Banorte's facilities during non-working hours might be perceived by customers passing nearby our branches and buildings, causing a negative perception of our practices.	Reduced demand for goods/services	Up to 1 year	Indirect (Client)	Likely	Low	<p>By analyzing historical data regarding customer perception events, we estimate that about 1 billion pesos would be at risk due to this particular issue, given that it is a normal practice and taking into account our participation in the Earth Hour, which provides compensation for this impact.</p>	<p>We constantly implement energy-saving projects such as the SICE, which are in turn always properly communicated and disclosed for all our stakeholders to know. This way, we ensure that our channels share with the public our efforts in energy-efficiency to compensate for this impact. Additionally, we always seek to participate in initiatives such as the Earth Hour.</p>	<p>The processes we use to minimize climate risks are already accounted for in our normal processes and would not have an additional cost. Likewise, turning out the lights does not represent significant costs to us. However, costs related to the implementation of projects such as SICE rises up to a cumulative sum of more than 130 million pesos since its beginning in 2007.</p>

Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Reputation	Potential reputational risks originated by the approval of investments and/or credits whose objective represents a polemic matter in terms of environmental and social impact.	Reduced stock price (market valuation)	Up to 1 year	Direct	About as likely as not	Unknown	We have analyzed historical data to determine when and how significant reductions in the stock price have occurred, in order to estimate the impact of these type of risks. Therefore, based on previous year's data regarding stock price, we conclude that this sudden change of perception towards the Company could strongly impact in reducing an average of -0.82% in the share price under normal appreciation circumstances. However, in extreme cases, this percentage could even go up to -2% if the perception from the public dramatically diminishes.	We have an investment analysis process, our Social and Environmental Management System (SEMS), in order to evaluate direct and indirect risks to the institution. Furthermore, we have a list of activities that the Bank has to categorize as "impossible to invest in, discard immediately". Despite that fact, this risk may occur.	Costs associated are related to the inclusion of two analysts within the SEMS analysis team in order to increase our evaluation scope and detail. This has led to a rise in the costs, now reaching 1.5 million pesos yearly.

Further Information

Page: CC6. Climate Change Opportunities

CC6.1
 Have you identified any inherent climate change opportunities that have the potential to generate a substantive change in your business operations, revenue or expenditure? Tick all that apply

- Opportunities driven by changes in regulation
- Opportunities driven by changes in physical climate parameters
- Opportunities driven by changes in other climate-related developments

CC6.1a
 Please describe your inherent opportunities that are driven by changes in regulation

Opportunity driver	Description	Potential impact	Timeframe	Direct/Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
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Opportunity driver	Description	Potential impact	Timeframe	Direct/Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Voluntary agreements	Voluntary standards such as the Equator Principles or the inclusion to Sustainable Indexes. While the Company is always innovating and proactively implementing best international practices, as well as committed to modern and transparent information disclosure, a voluntary standard of this nature could increase the attractiveness of the Company to investors as well as developing new business opportunities that would increase the stock price, generate opportunities to attract capital and have access to make capital investments.	Increased stock price (market valuation)	1 to 3 years	Direct	More likely than not	Low	Opportunities of regulatory measures on financial institutions are in the implementation process to adopt best practices on climate change / global warming. Due to changes in the corporate governance body, the impact on the stock price of GFNorte due to this type of opportunities is distorted. Nevertheless, we can observe positive variation of 0.15% in share price after an announcement of GFNorte obtaining sustainability recognition.	As a method to learn and manage the risk, we are part of international voluntary standards on climate change related issues (e.g. UN Global Compact in 2011 and 2012, the Equator Principles in 2012) in order to be progressively prepared to face future regulation requirements, as well as to exploit the opportunities that could derive from such standards (e.g. cost savings). Also, the implementation phase of the Sustainability Management System (SMS) was completed in October 2014, the tool has helped with the collection and measurement of environmental data at a group level and with the objective to improve the resources management and reporting.	For one, the costs associated with the estimation of the savings or costs of home office are those of the SMS system maintenance (annually for 3 years), as well as for the SEMS: 2.228 million pesos. Other direct costs for GFNorte mainly involve the cost of designing specific products for renewable energy and emissions reductions. These costs are not significant at group level. Banorte's SEMS Plan has provided valuable insight within the matters of climate-change related risks, thus providing a helpful starting point for managing sectorial risks which have been identified with our clients' businesses by identifying costs and methods associated with these potential risks going forward.

Opportunity driver	Description	Potential impact	Timeframe	Direct/Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Other regulatory drivers	Forestry is in a position to be considered a profitable activity by itself through the sustainable management of forests. Also it can be considered a revenue generator for the exchange of carbon credits. Nevertheless, regulatory conditions should be met in order to promote its development as a profitable and safe activity.	Investment opportunities	3 to 6 years	Indirect (Client)	Very likely	Low-medium	The market will need investment to develop, manage and maintain commercial forest plantations, representing financial opportunities in the coming years. This can be done by implementing programs consisting of a 2 billion MXN with annual income of 75 million MXN. Similarly, agri-industrial crops will need working capital for its maintenance and their own fixed assets for power generation (e.g. biodigesters). We foresee loan programs of 1 billion MXN with annual income of 30 million.	As a strategy, the Company maintains inter-institutional relationships with governmental entities, including federal government and development banks, which are responsible for creating support programs that facilitate investors and financial intermediaries to participate in these sectors, so once these support schemes are defined, our institution will create programs that will enable our participation.	The identified costs are related to the processes of personnel training, which are responsible for evaluating projects of this nature (approximately 6 million MXN in expenses/costs).
Renewable energy regulation	The tendency towards the use of alternative energy represents an investment opportunity, this by generating biofuels, among others.	Investment opportunities	3 to 6 years	Indirect (Client)	Very likely	Low-medium	To meet the national goal of penetration of clean energy by 35% by 2024 (according to the General Law of Climate Change and the Law for the Use of Renewable Energy and Energy Transition Financing), the market will need investment for distributed generation. In this matter we estimate that investments will occur in distributed energy generation by the agri-industrial sector (e.g. using biodigesters). We foresee programs of 1 billion MXN with annual income of 30 million MXN.	As a strategy, the Company maintains inter-institutional relationships with governmental entities, including federal government and development banks as FIRA (Fideicomisos Instituidos en Relación con la Agricultura), which are responsible for creating support programs that facilitate investors and financial intermediaries to participate in these sectors, so once these support schemes are defined, our institution will create programs that will enable our participation.	The identified costs are related to the processes of personnel training, which are responsible for evaluating projects of this nature (approximately 6 million MXN in expenses/costs).

Opportunity driver	Description	Potential impact	Timeframe	Direct/Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Renewable energy regulation	Incentives created by the government pushing the usage of renewable energy and their lower costs per kWh motivate Banorte to explore opportunities in the energy market with several technologies where, beside the environmental contribution, a reduction in the energy will be accomplished.	Reduced operational costs	1 to 3 years	Direct	Likely	Medium-high	<p>We believe that this optimal opportunity could save at least 15-20% in electricity expense, compared to buying the same quantity in kW per hour from CFE (electric energy provider in Mexico). The monetary saving expected equals up to 20 million Mexican pesos. Furthermore, using renewable energy could lead us to reduce our carbon footprint and to define goals like "carbon-neutral buildings", among other initiatives. Considering: a) renewable energy, b) energy reduction initiatives and c) purchase of GHG emissions offsets; we could strengthen our reputational image as a Sustainability leader company in Mexico.</p>	In Banorte periodical revisions and analysis of different energy purchase proposals are analyzed by the "Material Resources" area. Furthermore, in 2015 we hired a consultation company in order to compare renewable energy of different sources (solar, wind, hydropower) and a cogeneration technology, facilitating to the implicated areas to choose the best renewable energy option. By now, the decision of purchasing is influenced by the Mexican's renewable energy schemes that are still being published.	The internal revision is part of the usual activities and process improvement of Banorte, it does not involve any additional costs. Although, a few expenses for analyzing this opportunity have been made. The indirect expense for hiring the consultation company implies 2 up 3 million of Mexican pesos; the rate of monetary costs depends on a "success-case" base. We consider that the Annual Cost value is 0 because, even when this transition involves change of meters that cost nearly \$500 USD and adjustments in the facilities, these costs would be absorbed by the supplier but it will be reflected in the price of the energy that they supply us until the expense is settled.

Opportunity driver	Description	Potential impact	Timeframe	Direct/Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
General environmental regulations, including planning	In 2012, the Mexican General Law of climate change was approved; it aims to regulate the greenhouse gas (GHG) emissions, and to mitigate climate change. Therefore, in 2014, the regulations on the National Register of Emissions, also called RENE, were published to oblige the industrial, commercial and service sectors to record, measure and externally verify their atmospheric emissions. The RENE should be completed annually and it will include a section in which interested parties may enter projects or activities that result in mitigation or reduction of emissions. Furthermore, Mexico has developed, as part of the tax reform, a tax on carbon emissions.	Wider social benefits	3 to 6 years	Direct	Likely	Low-medium	The RENE also includes the possibility of registering projects or activities that result in the mitigation, reduction or absorption of GHG. Including projects that involve sustainable management and conservation of ecosystems to increase or conserve carbon sinks form the forestry sector. Up to this day, in Mexico, the reforestation of one hectare with support from a civil association that issues certificates of carbon neutralization has a price of approximately 80,000 MXN. Also, Banorte has evaluated the possibility of neutralizing its scope 1 carbon footprint through a civil association, that promotes sustainable management and use of Mexican forests, the action would involve (in 2015) 10 USD per metric ton amounting to 231,000 MXN.	In 2015, Banorte has evaluated carrying out a reforestation through its corporate volunteering Ayudamos (employees donate each month and it is duplicated by Fundación Banorte). Furthermore, other departments inside the banks are becoming interested in taking action against climate change; the Sustainability department aid in the process by giving recommendations about the associations that can carry out projects, such as Pronatura a Mexican is an environmental organization whose mission is to conserve flora, fauna and priority ecosystems, promoting the development of society in harmony with nature.	The revision is part of the usual activities and process improvement of Banorte; it does not involve any additional costs.

CC6.1b

Please describe your inherent opportunities that are driven by changes in physical climate parameters

Opportunity driver	Description	Potential impact	Timeframe	Direct/Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
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Opportunity driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Change in precipitation extremes and droughts	To strengthen the relationships with clients that have been affected by a weather phenomenon through the development of programs that provide support to them in these circumstances.	Increased production capacity	3 to 6 years	Indirect (Client)	Virtually certain	Medium-high	The company's Risk Policy states an estimate of 87.45 million MXN for risks of this type categorized as medium-high. Furthermore, in 2012 it was established that supporting programs will consider 2% of the revenue (more than 300 million MXN in 2014). This might include, for example, hedging opportunities for our tourism sector and other clients in different sectors in affected areas.	The company established a "Support Program" that aids customers affected by climate contingences. The program includes payment deadline extensions, lower interest rates, and lower payments, also if needed, customers can skip payments. In addition it includes training and market analysis to develop greater sensitivity in staff and to seize potential opportunities.	The activities include the establishment of plans to evaluate the impacts of natural disasters in customer behavior (and ability to pay loans), such activity is part of the usual activities and process improvement of Banorte and it does not involve any additional costs. Plans must also be established for the creation of reserves that support the restructuring of credit to customers.

Opportunity driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Change in precipitation extremes and droughts	Increase in the earnings of the Company by offering specific clauses and/or insurance products for the covering of possible losses because of extreme weather events in sub-sovereign entities.	New products/business services	3 to 6 years	Indirect (Client)	Very likely	Medium-high	<p>Medium-high considering about 2% of revenue of the insurance products (around 10 million MXN in 2014 for Aseguradora Banorte). Since 2005 all insurance policies have included clauses related with the coverage of natural disasters for customers. Therefore increasing product demand. We could expect a revenue increase for the derivatives department of 10% (around 16 million MXN) at Casa de Bolsa Banorte-Ixe and of 2% (300 thousand MXN) for Operadora de Fondos Banorte-Ixe. This opportunity could also mean additional revenue insurance products for our agribusiness clients.</p>	R&D for meeting the demand for insurance products associated with extreme weather events, to meet the needs of vulnerable companies or individuals, as well as continuous training to relevant personnel.	The company's Risk Policy states an estimated range of estimate of 8.745 million MXN for operations categorized with this type of severity. Medium-low was chosen due to the intrinsic cost of the product marketing, training and for the development of communication channels with potential and existing clients. The magnitude of impact was defined according to the ranges established in the methodology of GFNorte for quantification of operational risks.

Opportunity driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Other physical climate opportunities	Extreme wind gusts. Increase in the earnings of the Company by offering specific clauses and/or insurance products for the covering of possible losses because of extreme weather events in sub-sovereign entities.	New products/business services	3 to 6 years	Indirect (Client)	Likely	Medium-high	Medium-high considering about 2% of revenue of the insurance products (around 10 million MXN). Since 2005 all insurance policies have included clauses related with the coverage of natural disasters for customers. Therefore increasing product demand. We could expect a revenue increase for the derivatives department of 10% (around 16 million MXN) at Casa de Bolsa Banorte-Ixe and of 2% (300 thousand MXN) for Operadora de Fondos Banorte-Ixe. This opportunity could also mean additional revenue insurance products for our agribusiness clients.	R&D for meeting the demand for insurance products associated with extreme weather events, to meet the needs of vulnerable companies or individuals, as well as continuous training to relevant staff.	The company's Risk Policy states an estimate of 8.745 million MXN for operations categorized with this type of severity. Medium-low was chosen due to the intrinsic cost of the product marketing, training and for the development of communication channels with potential and existing clients. The magnitude of impact was defined according to the ranges established in the methodology of GFNorte for quantification of operational risks.
Change in mean (average) temperature	Agricultural activity that is developed under irrigation conditions poses the greatest production potential. The limitation of water resulting from climate change requires investments to generate an efficient use of water and energy. If this is the case, investments can be carried out, in order to support the clients that require financing of Banorte.	Investment opportunities	3 to 6 years	Indirect (Client)	Very likely	Low	There is an opportunity to finance 500 million MXN on irrigation infrastructure for energy and water efficiency that may result in \$25 million MXN in profits per year.	We have already implemented a financing program for irrigation modules. Through such program it is possible to guide the operation of this type of projects. If necessary, other programs could be generated in order to achieve an efficient operation.	The identified costs are related to the processes of personnel training, which are responsible for evaluating projects for sustainable forest management, agri-industrial related themes, bioenergy (related to forest or crops), and others (approximately 6 million MXN in expenses/costs).

Please describe your inherent opportunities that are driven by changes in other climate-related developments

Opportunity driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Other drivers	Application of best practices of energy efficiency use and paper reduction in corporate buildings and branches in contribution to reduce operational costs in the Company, as well as supporting climate change mitigation.	Reduced operational costs	Up to 1 year	Direct	Virtually certain	Medium	<p>Although the exact financial implications due to reductions is not fully quantified at this time, we expect in the long-term that these actions contribute to an improvement of 0.5% in the efficiency ratio (expenses and costs / revenues) for Casa de Bolsa Banorte-Ixe and Operadora de Fondos Banorte-Ixe, which considering 2015 figures would 5 million MXN. Also, Afore XXI could save about 205 thousand MXN a year if they joined the Paperless Program and pledged to fulfil the gradual target of 15% by 2020.</p>	<p>There are initiatives established for the efficient use of energy resources in both existing and new buildings, as well as for paper reduction through our "Paperless" campaign. The Operations team works closely with the Corporate Responsibility area to identify the annual savings related with the implementation of these kinds of technology as described in earlier sections of this report. As part of this process, different vendor proposals are evaluated from both an economic and engineering perspective. In addition, as part of the approach to integrate environmental data within our strategy at the</p>	<p>The revision and establishment of Paperless targets is part of the group's improvement processes; it does not involve any additional costs. The costs associated to SMS system maintenance translate to 728,000 MXN (annually for 3 years). Please keep in mind that the SMS enables us to identify, capture, measure and monitor key environmental, social and economic indicators at the GFNorte level. Other economic resources are required to change the infrastructure of branches and corporate offices to include energy efficiency best practices and also comply with new applicable regulations. Costs for certain energy efficiency upgrades and maintenance, as well as the pilot project have been identified as a medium-high according to the ranges established in the methodology of GFNorte for the quantification of operational risks or opportunities, as such the costs are approximately 87.45 million MXN.</p>

Opportunity driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Other drivers	For Almacенadora Banorte: Application of best practices of energy efficiency use and paper reduction in office buildings and warehouses in contribution to reduce operational costs in the institution, as well as supporting climate change mitigation.	Reduced operational costs	3 to 6 years	Direct	Very likely	Medium	For warehouses, programs targeting energy efficiency can save 13% on energy bills (without significant capital investment). Taking into account Almacенadora Banorte's historic spending, we estimate that for Almacенadora Banorte the savings will amount to 56 thousand MX per year (with 2015 data).	As part of the approach to integrate environmental data within our strategy at the Group level, the implementation phase of the Sustainability Management System (SMS) has helped with the collection and measurement of environmental data at a group level and with the objective to improve the resources management and reporting. The platform aid in collecting data for 2014 and 2015. To achieve the energy efficiency potential projects may include migrating to LED technology, the use of timers and sensors, etc.	The costs associated to SMS system maintenance translate to 728,000 MXN (annually for 3 years). Please keep in mind that the SMS enables us to identify, capture, measure and monitor key environmental, social and economic indicators at the GFNorte level. Other economic resources are required to change infrastructure to include energy efficiency best practices and also comply with new applicable regulations.

Opportunity driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Other drivers	Government incentives: To mitigate climate change, the government has instituted incentive schemes, such as loan guarantees for investments in energy saving equipment and the generation of clean energy. These will probably be extended and deepened.	Increased demand for existing products/services	Up to 1 year	Direct	Virtually certain	Low	Government policies and incentives aim to raise investments in areas such as energy-saving equipment and renewable energy. There are currently small-scale programs to offer guarantees and subsidies for installing energy-saving equipment in housing developments and replacing appliances; banks and other financial institutions provide financing. This opportunity might involve several billion dollars in new loans, although the schemes would need to grow considerably to reach this level. For example, in Mexico it is estimated that the production of electricity by geothermal energy requires investments of 117,000 million MXN, of which 65% would be local. Thus presenting an opportunity for financial institutions, that is heightened by the current context of natural and shale gas.	The Company already has extensive experience in lending to different types of customers, including consumers and small and medium size enterprises, which would be the primary targets, often through schemes that involve government guarantees. As a result, it would be relatively easy to create a new program once the policy terms are set.	The main costs involved would mainly be the cost of the funds and capital required to finance loans, as the Company already has the personnel, distribution network and IT systems required for new lending programs.

Opportunity driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Estimated financial implications	Management method	Cost of management
Other drivers	For Banorte: clients are increasingly committed to sustainability and environmental care, organizational changes are needed in order to meet such requirements. Such is the application of best practices of energy efficiency use and paper reduction in branches to reduce operational costs in the institution, as well as supporting climate change mitigation.	Reduced operational costs	1 to 3 years	Direct	Very likely	Medium	Banorte implemented in 2014 a long-term strategy called "Contrato Múltiple" or Multiple Contract. It implies the printing of a larger contract that is expected to exert positive effects on cross-selling and paper printing and consumption because it will only be printed on one occasion and in future contracts only a cover for the products will be printed. We estimate savings of 121.8 million MXN for the next two years, with 145,000 pesos per month.	Retail Banking performs a strategy of "customer onboarding" in which efforts will be focused on individual sales, volume and product by product offer. The "Contrato Múltiple" strategy previous mentioned, now is part of a whole integrative initiative called "Origina" implemented in 2015. This initiative has an expected coverage of 77% of Banorte's branches and seeks the optimization of client's processes through electronic tools. For 2016, the three phase 1 Origina processes are productive: Customers, Funding and Credit Card.	There are intrinsic costs related to the implementation of the new product and service schemes, as well as personnel training. The in-house development of an online course for sales executives and the man-hours needed for the training amount to approximately 550 thousand pesos.

Further Information

Module: GHG Emissions Accounting, Energy and Fuel Use, and Trading

Page: CC7. Emissions Methodology

CC7.1

Please provide your base year and base year emissions (Scopes 1 and 2)

Scope	Base year	Base year emissions (metric tonnes CO2e)
Scope 1	Thu 01 Jan 2009 - Thu 31 Dec 2009	3749
Scope 2 (location-based)	Thu 01 Jan 2009 - Thu 31 Dec 2009	54270
Scope 2 (market-based)		

CC7.2

Please give the name of the standard, protocol or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions

Please select the published methodologies that you use
Programa GEI Mexico
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

CC7.2a

If you have selected "Other" in CC7.2 please provide details of the standard, protocol or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions

CC7.3

Please give the source for the global warming potentials you have used

Gas	Reference
CO2	IPCC Fifth Assessment Report (AR5 - 100 year)
CH4	IPCC Fifth Assessment Report (AR5 - 100 year)
N2O	IPCC Fifth Assessment Report (AR5 - 100 year)

Gas	Reference
Other: HCFC - 22	Other: Official Gazzette of the Federation of Mexico (2015, August 14). Agreement establishing greenhouse gases or compounds grouped for reporting emissions, and its global warming potentials. Ministry of the Environment and Natural Resources. [online] Available in: http://www.dof.gob.mx/nota_detalle.php?codigo=5404077&fecha=14/08/2015 .
Other: HFC - 32	Other: Official Gazzette of the Federation of Mexico (2015, August 14). Agreement establishing greenhouse gases or compounds grouped for reporting emissions, and its global warming potentials. Ministry of the Environment and Natural Resources. [online] Available in: http://www.dof.gob.mx/nota_detalle.php?codigo=5404077&fecha=14/08/2015 .
Other: HFC - 125	Other: Official Gazzette of the Federation of Mexico (2015, August 14). Agreement establishing greenhouse gases or compounds grouped for reporting emissions, and its global warming potentials. Ministry of the Environment and Natural Resources. [online] Available in: http://www.dof.gob.mx/nota_detalle.php?codigo=5404077&fecha=14/08/2015 .

CC7.4
Please give the emissions factors you have applied and their origin; alternatively, please attach an Excel spreadsheet with this data at the bottom of this page

Fuel/Material/Energy	Emission Factor	Unit	Reference
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Further Information

Emissions factors for our Company in 2016 (specified source in comments within spreadsheet).

Attachments

[https://www.cdp.net/sites/2017/34/22734/Climate Change 2017/Shared Documents/Attachments/ClimateChange2017/CC7.EmissionsMethodology/Emission factors GFNorte 2016.xls](https://www.cdp.net/sites/2017/34/22734/Climate%20Change%202017/Shared%20Documents/Attachments/ClimateChange2017/CC7.EmissionsMethodology/Emission%20factors%20GFNorte%202016.xls)

Page: CC8. Emissions Data - (1 Jan 2016 - 31 Dec 2016)

CC8.1
Please select the boundary you are using for your Scope 1 and 2 greenhouse gas inventory

Financial control

CC8.2
Please provide your gross global Scope 1 emissions figures in metric tonnes CO2e

4599.24

CC8.3
Please describe your approach to reporting Scope 2 emissions

Scope 2, location-based	Scope 2, market-based	Comment
We are reporting a Scope 2, location-based figure		

CC8.3a
Please provide your gross global Scope 2 emissions figures in metric tonnes CO2e

Scope 2, location-based	Scope 2, market-based (if applicable)	Comment
58401.93		

CC8.4
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

CC8.5
Please estimate the level of uncertainty of the total gross global Scope 1 and 2 emissions figures that you have supplied and specify the sources of uncertainty in your data gathering, handling and calculations

Scope	Uncertainty range	Main sources of uncertainty	Please expand on the uncertainty in your data
Scope 1	More than 5% but less than or equal to 10%	Assumptions Data Management	The verification opinion expressed in this statement is based on a reasonable level of assurance taking into consideration a materiality index of 5 percent at the corporate level, according to the recommendation of the NMX-SAA-14064-3-IMNC-2007/ISO 14064-3:2006.
Scope 2 (location-based)	Less than or equal to 2%	Data Management	The verification opinion expressed in this statement is based on a reasonable level of assurance taking into consideration a materiality index of 5 percent at the corporate level, according to the recommendation of the NMX-SAA-14064-3-IMNC-2007/ISO 14064-3:2006.
Scope 2 (market-based)			

CC8.6
Please indicate the verification/assurance status that applies to your reported Scope 1 emissions

Third party verification or assurance process in place

CC8.6a

Please provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements

Verification or assurance cycle in place	Status in the current reporting year	Type of verification or assurance	Attach the statement	Page/section reference	Relevant standard	Proportion of reported Scope 1 emissions verified (%)
Annual process	Complete	Reasonable assurance	https://www.cdp.net/sites/2017/34/22734/Climate Change 2017/Shared Documents/Attachments/CC8.6a/ANCE GHG Verification 2016.pdf	Whole document is the statement.	ISO14064-3	100
Annual process	Complete	Limited assurance	https://www.cdp.net/sites/2017/34/22734/Climate Change 2017/Shared Documents/Attachments/CC8.6a/INDEPENDEN ASSURANCE REPORT_BANORTE_2016AR_9JUN17.pdf	Whole document is the statement.	ISAE3000	100

CC8.7

Please indicate the verification/assurance status that applies to at least one of your reported Scope 2 emissions figures

Third party verification or assurance process in place

CC8.7a

Please provide further details of the verification/assurance undertaken for your location-based and/or market-based Scope 2 emissions, and attach the relevant statements

Location-based or market-based figure?	Verification or assurance cycle in place	Status in the current reporting year	Type of verification or assurance	Attach the statement	Page/Section reference	Relevant standard	Proportion of reported Scope 2 emissions verified (%)
Location-based	Annual process	Complete	Reasonable assurance	https://www.cdp.net/sites/2017/34/22734/Climate Change 2017/Shared Documents/Attachments/CC8.7a/ANCE GHG Verification 2016.pdf	Whole document is the statement.	ISO14064-3	100
Location-based	Annual process	Complete	Limited assurance	https://www.cdp.net/sites/2017/34/22734/Climate Change 2017/Shared Documents/Attachments/CC8.7a/INDEPENDEN ASSURANCE REPORT_BANORTE_2016AR_9JUN17.pdf	Whole document is the statement.	ISAE3000	100

CC8.8

Please identify if any data points have been verified as part of the third party verification work undertaken, other than the verification of emissions figures reported in CC8.6, CC8.7 and CC14.2

Additional data points verified	Comment
No additional data verified	

CC8.9

Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?

No

Further Information

Page: CC9. Scope 1 Emissions Breakdown - (1 Jan 2016 - 31 Dec 2016)

CC9.1

Do you have Scope 1 emissions sources in more than one country?

Yes

CC9.1a

Please break down your total gross global Scope 1 emissions by country/region

Country/Region	Scope 1 metric tonnes CO2e
Mexico	4533.92
United States of America	65.32

CC9.2

Please indicate which other Scope 1 emissions breakdowns you are able to provide (tick all that apply)

By business division
By GHG type
By activity

CC9.2a

Please break down your total gross global Scope 1 emissions by business division

Business division	Scope 1 emissions (metric tonnes CO2e)
Afore XXI Banorte	209.98
Almacenadora Banorte	59.88
Arrendadora y Factoraje	113.41
Banorte	1614.43
InterNational Bank	65.32
Seguros y Pensiones Banorte	2536.22

CC9.2c

Please break down your total gross global Scope 1 emissions by GHG type

GHG type	Scope 1 emissions (metric tonnes CO2e)
CO2	4424.94
CH4	44.01
N2O	130.29

CC9.2d

Please break down your total gross global Scope 1 emissions by activity

Activity	Scope 1 emissions (metric tonnes CO2e)
Warehousing vehicles	37.14
Transportation vehicles	4474.27
Emergency plants	39.88
Heating devices	8.41
Kitchens	39.54

Further Information

Page: CC10. Scope 2 Emissions Breakdown - (1 Jan 2016 - 31 Dec 2016)

CC10.1

Do you have Scope 2 emissions sources in more than one country?

Yes

CC10.1a

Please break down your total gross global Scope 2 emissions and energy consumption by country/region

Country/Region	Scope 2, location-based (metric tonnes CO2e)	Scope 2, market-based (metric tonnes CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
Mexico	55768.09		121764.38	0
United States of America	2633.84		4811.75	0

CC10.2

Please indicate which other Scope 2 emissions breakdowns you are able to provide (tick all that apply)

By business division
By activity

CC10.2a

Please break down your total gross global Scope 2 emissions by business division

Business division	Scope 2, location-based (metric tonnes CO2e)	Scope 2, market-based (metric tonnes CO2e)
Afore XXI Banorte	1647.16	
Almacenadora Banorte	102.43	
Banorte	52415.51	
Banorte Ixe Securities Intl	26.02	
InterNational Bank	2607.82	
Seguros y Pensiones Banorte	1602.99	

CC10.2c

Please break down your total gross global Scope 2 emissions by activity

Activity	Scope 2, location-based (metric tonnes CO2e)	Scope 2, market-based (metric tonnes CO2e)
Office activities	58401.93	

Further Information

Page: CC11. Energy

CC11.1
What percentage of your total operational spend in the reporting year was on energy?

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

CC11.2
Please state how much heat, steam, and cooling in MWh your organization has purchased and consumed during the reporting year

Energy type	MWh
Heat	0
Steam	0
Cooling	0

CC11.3
Please state how much fuel in MWh your organization has consumed (for energy purposes) during the reporting year

17776.95

CC11.3a
Please complete the table by breaking down the total "Fuel" figure entered above by fuel type

Fuels	MWh
Diesel/Gas oil	149
Liquefied Natural Gas (LNG)	289.87
Motor gasoline	17242.71
Natural gas	95.67

CC11.4
Please provide details of the electricity, heat, steam or cooling amounts that were accounted at a low carbon emission factor in the market-based Scope 2 figure reported in CC8.3a

Basis for applying a low carbon emission factor	MWh consumed associated with low carbon electricity, heat, steam or cooling	Emissions factor (in units of metric tonnes CO2e per MWh)	Comment
No purchases or generation of low carbon electricity, heat, steam or cooling accounted with a low carbon emissions factor	0		

CC11.5
Please report how much electricity you produce in MWh, and how much electricity you consume in MWh

Total electricity consumed (MWh)	Consumed electricity that is purchased (MWh)	Total electricity produced (MWh)	Total renewable electricity produced (MWh)	Consumed renewable electricity that is produced by company (MWh)	Comment
126579.13	126541.18	37.95	37.95	37.95	This includes the electricity generated during the reporting year from two solar photovoltaic cell pilots at Banorte's buildings.

Further Information

Page: CC12. Emissions Performance

CC12.1
How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to the previous year?

Increased

CC12.1a
Please 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

Reason	Emissions value (percentage)	Direction of change	Please explain and include calculation
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Reason	Emissions value (percentage)	Direction of change	Please explain and include calculation
Emissions reduction activities	0.31	Decrease	Due to emission reduction activities implemented during the year, despite an increase in a) vehicles, b) offices and c) the changes in output (which sums 976 extra tons of CO2e or its equivalent 1.57% gross global increase); emissions have not grown as high as could be expected. Last year a reduction of 1.40% in our electricity consumption per employee (Banking Sector) and a 5% reduction in the average fuel consumption per vehicle in Banorte was achieved (reduction initiatives related: Integral Energy Control System and Ticket car for gasoline consumption monitoring), thus instead of a global increase of 1.57%, we had a 1.26% global increase (785 tons of CO2e). Our total S1 and S2 emissions in the previous year was 62215.70 tCO2e, therefore we arrived a 0.31% reduction $((191.20/62215.70)*100)$.
Divestment			
Acquisitions	0.36	Increase	1. Regarding our electricity consumption, Seguros y Pensiones' subsidiary reported a 15% increase on its 2016 consumption, which led to an extra generation of 204.47 tons of CO2e. It represents a 0.33% increase in our gross global emissions (62215.70 tons of CO2 in 2015). The causes of the increase were a) opening of 2 new offices: Hidalgo and Tampico; b) new multi-storey rent in Vasconcelos corporate building. Both causes are related with our business growth. 2. Our Company incremented its diesel consumption due to opening of a new Banorte building (Torre KOI) which required the complete charge of diesel for its emergency plant in 2016, leading to an extra generation of 21.66 CO2e tons, considering our gross S1+S2 of the previous year (62215.70 CO2e tons) it equals a 0.03% of increase. Both acquisitions represent a 0.36% increase versus S1+S2 of 2015. Calculation: $(204.47+21.66)/(62215.70)*100$.
Mergers			
Change in output	1.11	Increase	1. Our subsidiary Banorte reported a 1% increase on its electricity consumption, leading to an extra generation of 541.37 tons of CO2e. This is directly related to an organic growth of Banking Sector's employees, which incremented by 2% compared to 2015. Both results are related with our business growth: Banorte reported a 14% increase on its revenues compared with previous year 2015. The extra 541.37 tons of CO2e represents a 0.87% versus our 2015's gross global emissions $((541.37/62215.70)*100)$. 2. In our companies Seguros and Pensiones, a 7% increase on its gasoline consumption was recorded, mainly by increase of operative expense due to business growth (for instance, increase in sinisters and reclamations). This result is related with remarkable 19% and 39% increases in Seguros and Pensiones revenues, respectively. The gasoline extra consumption led to a generation of 166.99 tons of CO2e, which equal a 0.27% increase versus our 2015's gross global emissions $((166.99/62215.70)*100)$. 3. Derived of business growth (14% increase in revenues vs 2015), the Banorte's vehicle fleet increased by 8%. Nevertheless, the average consumption per vehicle was reduced in 5%. Thus, our gasoline consumption in Banorte increased 2.73% vs 2015. The 40.93 extra tons of CO2 emitted in 2016 represented a 0.07% increase in our gross global emissions (62215.70 tons of CO2 in 2015). 4. In subsidiary Almacenadora Banorte, a lower entrance in direct warehouses in comparison with 2015 has been recorded. That is directly related with the fuel consumption in forklifts. The reduction of 61.22 tons of CO2e represents a 0.1% of decrease of our 2015's gross global emissions (S1+S2). The sum of all the emissions derived from changes in output is as follow: $(541.37+166.99+40.93-61.22)/(62215.70)*100$
Change in methodology			
Change in boundary			
Change in physical operating conditions			
Unidentified			
Other	0.00	Increase	1. Regarding our electricity consumption, Seguros y Pensiones' subsidiary reported a 15% increase on its 2016 consumption, which led to an extra generation of 204.47 tons of CO2e. It represents a 0.33% increase in our gross global emissions (62215.70 tons of CO2 in 2015). The causes of the increase were a) opening of 2 new offices: Hidalgo and Tampico; b) new multi-storey rent in Vasconcelos corporate building. Both causes are related with our business growth. 2. Our Company incremented its diesel consumption due to opening of a new Banorte building (Torre KOI) which required the complete charge of diesel for its emergency plant in 2016, leading to an extra generation of 21.66 CO2e tons, considering our gross S1+S2 of the previous year (62215.70 CO2e tons) it equals a 0.03% of increase. Both acquisitions represent a 0.36% increase versus S1+S2 of 2015. Calculation: $(204.47+21.66)/(62215.70)*100$.

CC12.1b

Is your emissions performance calculations in CC12.1 and CC12.1a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Location-based

CC12.2

Please describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tonnes CO2e per unit currency total revenue

Intensity figure =	Metric numerator (Gross global combined Scope 1 and 2 emissions)	Metric denominator: Unit total revenue	Scope 2 figure used	% change from previous year	Direction of change from previous year	Reason for change

Intensity figure =	Metric numerator (Gross global combined Scope 1 and 2 emissions)	Metric denominator: Unit total revenue	Scope 2 figure used	% change from previous year	Direction of change from previous year	Reason for change
0.000003262957	metric tonnes CO2e	19307869310.12	Location-based	10.28	Decrease	Despite a global 13% increase in revenues, the operative efficiency we promote allowed us to maintain a steady state in our gross global emissions, thus, we achieved a 10% reduction in our emissions intensity per revenue. Our operative efficiency initiatives seek mainly to expand our services without the need of construct more facilities. With that in mind we positioned us as a major player in the third party correspondent market. In 2016 we reached a historical increase of 350% in our third party correspondents, totaling 24,312 and including points of contact through 7-Eleven, Grupo Control, Soriana, Oxxo, among others. Also, in 2016 we developed the NBA/NBO component and the Enterprise Mobility, which promote the digital banking services. Further information about Digital Banking results can be found in question 3.2a. The intensity figure and % change vs previous year has already taken in consideration our recalculated 2015 Scope 2 emissions according to the electricity emission factor published with 1 year lag in Mexico. The numbers for 2016 are 63001.168 tonCO2e / 19,307,869,310 MXN.

CC12.3

Please provide any additional intensity (normalized) metrics that are appropriate to your business operations

Intensity figure =	Metric numerator (Gross global combined Scope 1 and 2 emissions)	Metric denominator	Metric denominator: Unit total	Scope 2 figure used	% change from previous year	Direction of change from previous year	Reason for change
2.255761681	metric tonnes CO2e	full time equivalent (FTE) employee	27929	Location-based	0.05	Increase	In 2016, due to our business and employees growth, we recorded two main increases in our electricity consumption in subsidiaries Banorte and Seguros y Pensiones. These increases led to an extra generation of 745 extra tons of CO2e. This amount represents the 95% of our global emissions growth in comparison with 2015. Please bear in mind our business growth is related with the change in emissions intensity per FTE. In Banorte we had a 14% increase in revenues, also, in Seguros y Pensiones we had a 19% and 39% increase in revenues, respectively.

Further Information**Page: CC13. Emissions Trading****CC13.1**

Do you participate in any emissions trading schemes?

No, but we anticipate doing so in the next 2 years

CC13.1b

What is your strategy for complying with the schemes in which you participate or anticipate participating?

In 2016, the Ministry of Environment and Natural Resources (SEMARNAT) and the Mexican Stock Exchange (BMV) signed an agreement to implement a pilot program for greenhouse gas emissions trading system, which will set the rules that contemplate the maximum limits of emission of gases that each industry can generate. The program will involve several companies, including Banorte, and it will be operated and monitored by MéxiCO2. The program will prepare us to participate actively in this new carbon market once it begin operating formally in 2018.

CC13.2

Has your organization originated any project-based carbon credits or purchased any within the reporting period?

No

Further Information**Page: CC14. Scope 3 Emissions****CC14.1**

Please account for your organization's Scope 3 emissions, disclosing and explaining any exclusions

Sources of Scope 3 emissions	Evaluation status	metric tonnes CO2e	Emissions calculation methodology	Percentage of emissions calculated using data obtained from suppliers or value chain partners	Explanation
Purchased goods and services	Relevant, calculated	5166.19	Includes paper purchases from all subsidiaries as well as merchandising printing services (such as flyers) from Banorte (1201.83 tCO2e). The emissions from paper purchases were calculated with a factor tonCO2e/ton paper obtained from DEFRA 2016 and by multiplying the 500-sheet packages by a kg factor that takes into account height, width and weight of the paper used in Banorte (1128.88 tCO2e). The rest were calculated from expenditure data converted using DEFRA's 2009 tonCO2e/\$GBP spend factors, considering UK's yearly inflation from 2009 to 2016 and using the yearly average exchange rate from GBP to MXN in 2016. Also, this year we worked to include emerging gas emissions/leakage of refrigerant gases. Because Banorte purchases the recharge service to suppliers that give maintenance to ACs, we report such emissions as Scope 3 (2835.47 tCO2e). Such emissions were calculated using the GWP published by the Federation in the Official Journal and the compositions given in the safety sheets of our suppliers; therefore a weighted factor was used.	0.00%	
Capital goods	Relevant, calculated	2808.53	Includes laptops and tokens bought by Banorte in the reporting year. These were calculated from expenditure data converted using DEFRA's 2009 tonCO2e/\$GBP spend factors, considering UK's yearly inflation from 2009 to 2016 and using the yearly average exchange rate from GBP to MXN in 2016.	0.00%	
Fuel-and-energy-related activities (not included in Scope 1 or 2)	Relevant, calculated	19273.99	Includes the following aspects: electricity T&D and the WTT of fuels, corporate air travels, electricity consumption and electricity T&D by using the DEFRA factors for 2015. Factors used as tonCO2e/kWh or tonCO2e/volume. Data includes all subsidiaries, except WTT travels where only Banorte Ixe Securities International, Arrendadora y Factor, Afore XXI Banorte, Seguros y Pensiones and Banorte report on such category (the subsidiaries enlisted represent a 98% of our global revenues).	0.00%	
Upstream transportation and distribution	Relevant, calculated	2795.00	Includes transport of documents, suitcases, packages and others related to Banorte's (before Banorte-Ixe) business. These were calculated from expenditure data converted using DEFRA's 2009 tonCO2e/\$GBP spend factors, considering UK's yearly inflation from 2009 to 2016 and using the yearly average exchange rate from GBP to MXN in 2016.	0.00%	
Waste generated in operations	Relevant, calculated	2086.93	Includes waste generation for Banorte, based on an estimation carried out for Banorte's buildings. Waste information is based on a study performed in accordance to the Mexican norms NMX-AA-61-1985 and NMX-AA-15-1985 for the determination of waste generated. For this study, certain buildings from Banorte were monitored: Contact Center, Torre Sur (two representative facilities), a traditional branch, an administrative facility with a branch, a preferent center, a module and dual center; each building had its waste generation traced for several days (comprising complete weeks) in order to calculate an average per day and estimate per month. We could thus obtain an intensity factor to determine the waste generation (in tons) per employee for each kind of building. Later, by means of an employee headcount and kind of building where they work, we used these data in order to estimate the total waste generation in Banorte's buildings. It is noteworthy that the number above does not include recycled waste, as it is not considered as waste per se. We then used the factors from Exhibit 17 from EPA's Landfilling WARM Version 14 (March 16) to create an integrated factor of 63% paper, 16% cardboard, 19% municipal solid waste, 0.66% glass, 0.66% metal, 0.66% plastic. These figures used were obtained from the actual data of waste from a corporate offices building where Banorte-Ixe Securities operates. We then multiplied by the estimated tons of waste.	0.00%	
Business travel	Relevant, calculated	1619.80	This number represents air travel made by Arrendadora y Factor, Banorte-Ixe, Banorte-Ixe Securities and Afore XXI, for a total of 98% coverage in revenues. Given that the available information was the distance travelled in kilometers, the methodology shown in the "Corporate Value Chain (Scope 3) Accounting and Reporting Standard" was considered and factors used for the calculation were those described in "Section 2.4 – Airline business travel" of document "Optional Emissions from Commuting, Business Travel and Product Transport" published by USA EPA Climate Leaders based on the distance-method calculation. The conversion factors for CH4 and N2O there provided corresponded to the global warming potentials (GWPs) from the Second Assessment Report (SAR), so we used those reported in the Fifth Assessment Report (AR5 - 100 years) instead, seeking to align ourselves to the new national reporting guidelines. Emission factors and their source are given in the corresponding question in section 7 of this response. For Banorte-Ixe, on the other hand, we used DEFRA 2016's factors for Average class – Domestic, Short Haul and Long Haul air travels.	0.00%	
Employee commuting	Relevant, calculated	78.67	In 2015 we conducted a survey in our Contact Center (housing near a 10% of our employees) asking about their preferred transport method to move to and from the Contact Center. Questions aimed to acquire information about the traveled distance, time and zip code in order to estimate the distance they travel each day. We were able to obtain a total travel distance in kms per day for each transport category, which was then extrapolated to a yearly amount and to represent the total employees in the Contact Center.	100.00%	

Sources of Scope 3 emissions	Evaluation status	metric tonnes CO2e	Emissions calculation methodology	Percentage of emissions calculated using data obtained from suppliers or value chain partners	Explanation
Upstream leased assets	Not relevant, explanation provided			0.00%	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	Relevant, calculated	1922.69	Includes delivery services from Banorte to clients in relation to account statements, credit cards and other mailing aspects. We gathered expenditure data regarding these categories. These figures were then calculated from DEFRA's 2009 tonCO2e/\$GBP spend factors, considering UK's yearly inflation from 2009 up to 2016 and using the yearly average exchange rate from GBP to MXN in 2016.	0.00%	
Processing of sold products	Not relevant, explanation provided			0.00%	GFNorte, as financial institution, does not sell products that are raw materials or intermediate products for other company's processes or operations.

Sources of Scope 3 emissions	Evaluation status	metric tonnes CO2e	Emissions calculation methodology	Percentage of emissions calculated using data obtained from suppliers or value chain partners	Explanation
Use of sold products	Not relevant, explanation provided			0.00%	GFNorte's products do not fall into this category. No direct use-phase emissions are generated because they do not consume energy nor emit GHGs during / while in use, as opposed to fuels, feedstock and other industries. Investments could apply, but they are strictly separated in another category provided below.
End of life treatment of sold products	Not relevant, explanation provided			0.00%	GFNorte manages the treatment of its products by reclaiming physical tokens and cards at the end of their useful life. This was stated in "Waste generation in operations" above, we consider that this is not a relevant category to the Company, because it refers to the end-of-life treatment / disposal methods used by the customers, rather than the Company's.
Downstream leased assets	Not relevant, explanation provided			0.00%	GFNorte does not lease owned buildings or facilities, i.e., it does not act as a lessor in any situation.
Franchises	Not relevant, explanation provided			0.00%	This is not part of its business model. GFNorte does not grant this kind of licenses.

Sources of Scope 3 emissions	Evaluation status	metric tonnes CO2e	Emissions calculation methodology	Percentage of emissions calculated using data obtained from suppliers or value chain partners	Explanation
Investments	Relevant, calculated	1013869.9	The figure includes the emissions derived from the equity portfolio of Afore XXI Banorte, one of our main subsidiaries with investment activities; representing a 28.6% of the Group total investment. The report was generated by the consultancy groups South Pole and YourSRI and measures the carbon footprint of a portfolio taking scope 1-2 emissions into account from the sectors Materials, Industrials, Consumer Staples (61%) and other sectors. The relative carbon footprint is a normalized measure of the portfolio's contribution and is defined as the total carbon emissions of the portfolio per million MXN invested (28.5 tCO2e/Million MXN invested; for Afore XXI Banorte in one year). The Afore XXI-Banorte is associated with greenhouse gas emissions of 1'013'870 tons per year. Each holding's contribution to the carbon footprint is calculated on an equity ownership basis.	100.00%	
Other (upstream)					
Other (downstream)					

CC14.2

Please indicate the verification/assurance status that applies to your reported Scope 3 emissions

Third party verification or assurance process in place

CC14.2a

Please provide further details of the verification/assurance undertaken, and attach the relevant statements

Verification or assurance cycle in place	Status in the current reporting year	Type of verification or assurance	Attach the statement	Page/Section reference	Relevant standard	Proportion of reported Scope 3 emissions verified (%)
Annual process	Complete	Reasonable assurance	https://www.cdp.net/sites/2017/34/22734/Climate Change 2017/Shared Documents/Attachments/CC14.2a/BANORTE CDP INGLES.pdf	Whole document is the statement	ISO14064-3	100
Annual process	Complete	Limited assurance	https://www.cdp.net/sites/2017/34/22734/Climate Change 2017/Shared Documents/Attachments/CC14.2a/INDEPENDENT ASSURANCE REPORT_BANORTE_2016AR_9JUN17.pdf	Whole document is the statement	ISAE3000	13

CC14.3

Are you able to compare your Scope 3 emissions for the reporting year with those for the previous year for any sources?

Yes

CC14.3a

Please identify the reasons for any change in your Scope 3 emissions and for each of them specify how your emissions compare to the previous year

Sources of Scope 3 emissions	Reason for change	Emissions value (percentage)	Direction of change	Comment
Purchased goods & services	Other: More services are accounted than last year	174	Increase	In 2016 the emissions due to refrigerant refills were 2,835.47 tons of CO2e, derived from 1,498 kg of R-22 gas and 1,336 kg of ecological gas R-410A. This represents a 54% of the emissions reported in the category "purchased goods and services". Currently R-410A represents 45% of total recharges in Banorte. Since 2015 Banorte stopped acquiring equipment using R22 (p. 42 2015 Annual Report).
Capital goods	Other: Renewal equipment	14	Increase	In 2016 we had a 14% increment in emissions due to the purchase of technological equipment, such as desktop and laptop computers. This growth is related to an increase in employees and the periodical renovation of equipment for operative efficiency.
Fuel- and energy-related activities (not included in Scopes 1 or 2)	Change in methodology	33	Decrease	Last year we had a double accountancy for emissions related with transmission loss and generation of electricity in Mexico, the correct figure for CDP 2016 (reporting year 2015) is 20,016 tons of CO2e. For CDP 2017 (reporting year 2016), our emissions related with fuel and energy activities not included in Scope 1 and 2 were 19,273 tons of CO2e, arriving a 4% decrease, in part due to an average 2% reduction in emission factors used from DEFRA (electricity trans. Loss and generation Mexico and well to tank fuels).
Upstream transportation & distribution	Change in methodology	37	Decrease	Last year we had a double accountancy for emissions related with transportation, entering in the field the emissions derived from deliver of physical account statements to clients, nevertheless those emissions are also included in Downstream transportation and distribution (where they belong). The correct figure for CDP 2016 is 2,516, arriving a 11% increase, such increment is derived of internal operations according to our business growth.

Sources of Scope 3 emissions	Reason for change	Emissions value (percentage)	Direction of change	Comment
Waste generated in operations	Change in methodology	13	Increase	For reporting year we use the newest version of GHG Emissions Waste Management Analysis (version 14 published in 2016) with the percentage of waste explained in CC14.1. The change lies mostly in the factors variation from the EPA.
Business travel	Change in boundary	46	Increase	We continue to provide a total business travel figure calculated for the report of Scope 3 emissions. Since last year we follow the methodology established by the distance-based method from GHG Protocol and consulting EPA Climate Leaders' Optional Emissions from Commuting, Business Travel and Product Transport's procedures, updating the correspondent emission factors for reporting year 2015 (updated to: 1,104.55 tons of CO2e) and 2016 (1,619.80 tons of CO2e). The figures provided were verified by Deloitte according GRI Standards 305-3. A total of 11,131,466.81 kilometers were registered for Banorte. The rest of the subsidiaries (Banorte Ixe Securities, Arrendadora, Afore XXI Banorte and, for the first time, Seguros y Pensiones Banorte) reported 5,602,512 km traveled. The 46% global increase (considering updated 2015 figure) is due mainly for the inclusion of Seguros y Pensiones subsidiary' data and it is also related with our business growth.
Investments	Other: First inclusion	100	Increase	For CDP 2017 we include, for the first time, an assessment of emissions derived from one of our investment portfolios from Afore XXI Banorte. Thus, we have a 100% increase compared with an empty field from last years. According to the recent signature of Principles for Responsible Investment, we expect to expand our coverage of measurement in the next few years.

CC14.4

Do you engage with any of the elements of your value chain on GHG emissions and climate change strategies? (Tick all that apply)

- Yes, our suppliers
- Yes, our customers

CC14.4a

Please give details of methods of engagement, your strategy for prioritizing engagements and measures of success

Since 2016 we optimized our engagement method with our suppliers through ARIBA tool from SAP as a collaborative project for the management of suppliers of goods and services for the financial group. This tool allow us to reach a 100 percent of scope in our newest suppliers and to take part in the approbation chain for every supplier that offers us a service or product, considering the environmental risks inherent to every supplier's operations.

Our strategy for prioritizing engagements is based in a questionnaire aligned with the second edition of the Supply Chain Sustainability practical guide of the United Nations Global Compact, and considers the following criteria: 1. The supplier's activities belong to a high risk sector activity, 2. The supplier provides products with a high environmental risk, 3. The supplier works in a high-risk country. Once we identified the level of risk of every supplier, we establish a direct relationship through the ARIBA's system, requiring the supplier to upload the corresponding documents for evidencing its correct environmental performance (certifications, permissions from the environmental authorities, among others). If the company doesn't upload in ARIBA the corresponding documents, the process of becoming our supplier stops. The main objective is to promote a responsible management of the supply chain and a beneficial relationship between both parts.

The diagnostic phase started in the end of 2016, the measure of success consisted of the percentage of suppliers evaluated (we have the potential for the 100 percent of new suppliers' evaluation), the quality and content of their replies and the rate of acceptance. This way, as a first step, we can determine the total number of effective responses established with our suppliers, which will helps us to select those with whom we can build stronger relationships to carry out collaborative initiatives in the future. Lastly, in order to assess a correct evaluation – we expect to complete a whole year of suppliers' analysis – by the end of 2017 we will develop a classification matrix of suppliers considering potential social and environmental risks according to the particularities of each sector, company or scope.

Another of our most relevant engagement methods with suppliers involves to encourage them to maintain healthy human rights, labor, environmental and anticorruption practices, including a clause in new contracts and renewals, whereby they manifest their commitment to comply with the Global Compact Principles (without signifying their adherence). For this method, the measure of success is based in the amount of contracts that consider the 10 principles of Global Compact year by year and the proportion of them against the total of contracts. By 2016, 830 suppliers declared their commitment to having knowledge of and adherence to the Global Compact Principles. This figure represents a 57% of our total suppliers in 2016's records. Please note the figure may seem diminished in comparison with CDP 2016's response, this is due an internal regularization of suppliers from health sector (human resources, benefit for employees). Therefore our global amount of suppliers was reduced as well as the suppliers with Global Compact Principles declaration in their contract.

CC14.4b

To give a sense of scale of this engagement, please give the number of suppliers with whom you are engaging and the proportion of your total spend that they represent

Type of engagement	Number of suppliers	% of total spend (direct and indirect)	Impact of engagement
Active engagement	830	19%	The success of our engagement is measured by means of the quantity of suppliers with the declaration signed in their contract. Nevertheless, we can't measure an impact in our suppliers' GHG emissions by now. We are committed to achieve a more comprehensive engagement with ARIBA tool, as detailed in question 14.4a. Note: the percentage of total spend here provided is estimated considering the monetary amount of the suppliers with the Global Compact clause included in its contract (as mentioned in 14.4a). The sum is divided by the Group's total global operation spend of 2016 and it is multiplied by 100.

Further Information

Module: Sign Off

Page: CC15. Sign Off

CC15.1

Please provide the following information for the person that has signed off (approved) your CDP climate change response

Name	Job title	Corresponding job category
Marcos Mancini	Executive Director of Sustainability and Responsible Investment	Director on board

Further Information

CDP: [D][-.][D2]