

1. Name of process

Natural Capital Policy

2. Objective of the process

Establish the natural capital framework and commitments of (GFNorte).

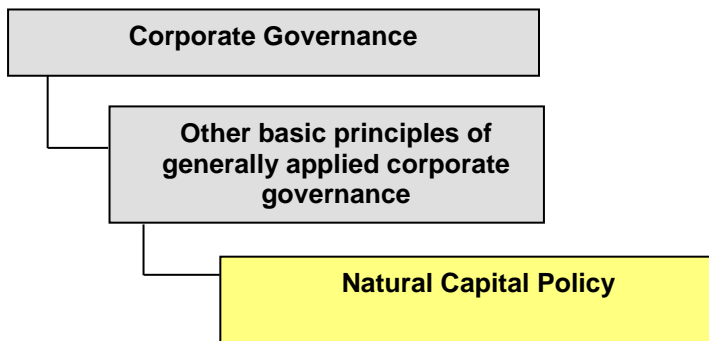
3. Scope.

Areas	This policy is applied to all companies and stakeholders pertaining to Grupo Financiero Banorte.
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4. Route.

Corporate Governance / Other Generally Applied Corporate Governance Principles/ Natural Capital Policy

5. Hierarchical diagram.



6. General policies associated with the process.

- Natural Capital Policy

1. Policy name

Natural Capital Policy

2. Scope

This policy is applied in general to all companies and stakeholders pertaining to Grupo Financiero Banorte.

3. Policy content:

1. Objective:

A. Establish the natural capital framework and commitments of (GFNorte).

2. Introduction:

A. GFNorte recognizes the value of natural capital as an indispensable asset that makes life and provides the goods and services necessary for societies to prosper and economies to grow, as well as understand that the responsible management of natural resources, as well as the conservation of ecosystems and biodiversity, are crucial for profitability and resilience of the companies.

B. Against a global backdrop of increasing deterioration, GFNorte is emerging to undertake actions to preserve nature, curb climate change and achieve development
The company has incorporated the identification of dependencies and the management of impacts as part of their processes, paying special attention to sensitive areas.

C. Integrating natural capital into the business will make it possible to prevent material risks, detect opportunities and make informed decisions, will make it possible to contribute to the reduction of pollution, the protection of biodiversity and the limitation of the effects of change climate.

3. Regulatory Framework:

A. The natural capital policy is based on the agreements and initiatives Mexico and GFNorte are part of, within the national legal framework, as well as in the regulations that frame the processes of the companies that belong to GFNorte. Below is an enunciative, non-limiting list of the main regulatory instruments

1. **International Agreements and Initiatives.**

a. The Natural Capital Declaration

- b. IFC Performance Standards

2. National Regulatory Framework

- a. Ley General del Equilibrio Ecológico y Protección al Ambiente.
- b. Ley General de Vida Silvestre.
- c. Ley General de Cambio Climático.
- d. Ley General para la Prevención y Gestión Integral de Residuos.
- e. Ley de Aguas Nacionales.
- f. Ley Federal del Mar.
- g. Ley General de Desarrollo Forestal Sustentable.
- h. Ley Federal de Sanidad Animal.
- i. Ley Federal de Sanidad Vegetal.
- j. Ley Federal de Responsabilidad Ambiental.

3. GFNorte Regulations

- a. Sustainability Committee.
- b. Environmental Policy.
- c. Socio-environmental risk policy.
- d. Responsible investment policy

4. Initiatives and Commitments:

A. Valuing the role of natural capital in all human activity, GFNorte has aligned itself with important international initiatives to promote the consideration of natural resources, ecosystems and biodiversity in financial institutions and their stakeholders, such as an integral part of the operations.:

1. The Natural Capital Declaration

a. The NCD is a financial sector initiative supported by the Financial Initiative of the United Nations Environment Program (UNEP FI) and the Global Canopy Program (GCP), which seeks to integrate natural capital considerations into products, services, accounting, disclosure and financial reporting processes under four commitments summarized below.

- (i) Develop an understanding of the impacts and dependencies of natural capital on all financial products and services

- (ii) Encourage the development of methodologies that integrate natural capital considerations, considering frameworks such as the Equator Principles and the Principles for Responsible Investment.

- (iii) Work towards building a global consensus for the integration of natural capital into accounting and decision-making, building on The Economics of Ecosystems and Biodiversity (TEEB) for the Business Coalition and other stakeholders.

- (iv) Collaborate with the International Integrated Reporting Committee and other stakeholders to build a global consensus around the development of an Integrated Report that includes natural capital as part of a broader definition of key resources and relationships for an organization's success.

2. IFC Performance Standards (IFC PS)

a. IFC PS are guidelines on Environmental and Social Sustainability created by the International Finance Corporation (IFC), which aim to provide guidance to clients to identify, prevent, mitigate and manage social and environmental risks and impacts. The IFC PS are an integral part of the risk management approach and together, the eight standards define the aspects that the client must respect during the investment cycle, namely

- (i) Assessment and management of environmental and social risks and impacts
- (ii) Work and working conditions
- (iii) Resource efficiency and pollution prevention
- (iv) Community health and safety
- (v) Land acquisition and involuntary resettlement
- (vi) Conservation of biodiversity and sustainable management of living natural resources
- (vii) Indigenous people
- (viii) Cultural heritage

b. Considering further our commitment to the Paris Agreement, the Development Goals, The United Nations Convention on Biological Diversity and the Aichi Targets, the Sustainability and Responsible Investment Specialist will be responsible for to coordinate the following actions with the relevant Directorates-General

1. To strengthen the understanding of dependence and the impacts on natural capital, through regular awareness-raising and training of the Group.
2. To promote the importance of the sustainable use of natural resources as well as the conservation of ecosystems and biodiversity among employees, clients, investors, and other stakeholders.
3. To manage the environmental and social risks involved in financing and investment operations, prioritizing the prevention of impacts in sensitive areas.
4. To supervise compliance of the Group's operations with applicable national legislation on environmental issues.
5. To implement good international practices concerning the sustainable use of resources such as water and energy and the proper management of waste in all corporate buildings.
6. To undertake actions aimed at positively impacting the environment in all its dimensions (environmental, social, and economic), encouraging the participation of society.
7. Collaborate with the private sector, civil associations and non-governmental organizations (NGOs) to promote the conservation of biodiversity

5. Credit and Responsible Investment activities:

- A. GFNorte wishes to be an ally in the preservation of the country's natural capital, so being aware that the projects it finances and the companies in which it invests also impact and depend on nature, it manages these impacts through the Social and Environmental Risk Management System (SEMS) which is documented in detail in section [2.2.3 Social and Environmental Risk Analysis in the credit manual](#) and the [Responsible Investment \(RI\) process](#).
- B. In this way, GFNorte analyses the credit portfolio of Corporate and Business Banking, as well as the investment portfolio of Operadora de Fondos and Afore XXI Banorte, with respect to factors related to resource management, pollution prevention and biodiversity conservation. ([See Socio-environmental Risk Policy and Responsible Investment Policy](#))

C. Promoting the prevention of impacts on sensitive areas as well as the protection of resources, ecosystems and species fundamental to life, GFNorte prioritizes the attention of projects close to the following regions:

1. Natural Protected Areas (NPA).
2. Priority regions for conservation.
3. Wetlands of International Importance, Ramsar sites.
4. Wider Caribbean Region.
5. Epicontinental Coastal, Island and Aquatic Ecosystems.
6. UNESCO World Heritage.
7. Archaeological monuments or monument areas.

D. Particularly, GFNorte, through the relevant General Directorates, is committed to observing and disseminating as part of the process of managing environmental risks and impacts:

1. Sustainable use of resources
2. The prevention of deforestation.
3. The prevention of pollution.
4. The preservation of ecosystems vital to biodiversity.
5. The conservation of biological diversity.
6. The protection of species in some protection status.
7. The prevention of trade in protected species regulated under CITES
8. The respect of indigenous communities for the sustainable use and exploitation of natural resources and the safeguarding of biodiversity
9. The protection of cultural heritage.
10. Other activities cited on the GFNorte exclusion list.

E. If projects and/or companies present deviations in risk management that alter, damage or destroy sensitive areas, (see glossary) GFNorte will condition the financing until the project re-establishes compliance with applicable legislation and international practices, in the determined period.

6. Comunicación:

A. GFNorte recognizes that raising awareness of the importance of natural capital is fundamental to the active and responsible participation of staff, customers, investors and other stakeholders in the Group's various operations involving impacts and dependencies on nature

B. In this regard, the Directorate of Sustainability and Responsible Investment will be responsible for:

1. Keep the regulations related to natural capital updated and manage their publication in the institution's website.
2. To manage an annual training program aimed at the areas involved in the
3. Attend to the comments and doubts of the employees through e-mail sustentabilidad@banorte.com

7. Obligation to inform:

A. Responding to the principle of transparency embodied in our sustainability model, the Sustainability and Responsible Investment Specialist Director will have the role of reporting annually to the organizations to which GFNorte is attached (See section 4), as well as to its stakeholders, the results of the implementation of the environmental principles that have carried out in the exercise.

Glossary

Sec.	Concept	Description
1.	Paris Agreement	Agreement within the framework of the United Nations Framework Convention on Climate Change whose objective is to strengthen the global response to this threat, establishing measures for the reduction of greenhouse gas (GHG) emissions and for the mitigation, adaptation and resilience of ecosystems to the effects of global warming.
2.	Natural Protected Areas (NPA)	<p>Areas of the Mexican territory where the original environments have not been significantly altered by human activity and which are destined by regulation to environmental preservation in different categories, because they possess ecological, cultural or socioeconomic values of great importance that fully justify their conservation, namely.</p> <ul style="list-style-type: none"> - Biosphere Reserves - National Parks - Natural Monuments - Flora and fauna protection areas - Sanctuaries - State Parks and Reserves - Municipal ecological conservation areas - Voluntary conservation areas
3.	Sensitive areas	<p>Geographical extension of regional, national or international importance, whose natural, social, economic and cultural components are of high value and vulnerability. For example:</p> <ul style="list-style-type: none"> - Natural protected areas: mangroves, reefs, habitats of threatened, protected or endangered species. - Areas populated by indigenous people or ethnic minorities. - Areas with unique cultural, historical or archaeological value. <p>Sensitive areas are fundamental for the functioning of ecosystems and the provision of goods and services for human development.</p>
4.	Biodiversity	Diversity of plant and animal species that are part of the natural capital and form the basis of the services it provides. Biodiversity provides resilience to climatic events such as floods and droughts and supports fundamental processes such as the water cycle and soil formation.
5.	Natural Capital	A reserve of renewable and non-renewable natural resources (plants, animals, air, water, soil) that combine to generate benefits for people called ecosystem services. Natural capital comprises biodiversity and natural resources and includes environmental issues such as climate change.

6.	CITES	The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) is an international agreement concluded between governments to ensure that international trade in specimens of wild animals and plants does not threaten their survival.
7.	Epicontinental Coastal, Island and Aquatic Ecosystems	<p>Those ecosystems that stand out for their high environmental and socio-cultural diversity.</p> <p>-Coral Reefs: These are invaluable ecosystems because of their ecological, social and economic importance. They provide ecosystem services such as: 1) protection of cities and communities from coastal erosion caused by hurricanes and tropical storms, or mitigation of the effects of climate change; 2) abundant fisheries and valuable information for medical research; 3) recreation or aesthetic delight; and 4) maintenance of marine biodiversity.</p> <p>-Inter-tidal strip or coastline: it is the only place that is subject to the daily rhythm of the tides. This area is completely without water at low tides (supralittoral zone) and totally submerged at high tides (infralittoral zone). Within the coastal strip, we find rocky coasts, sandy coasts and coastal dunes.</p> <p>-Mangroves: these are characteristic ecosystems of bays, coastal lagoons, estuaries and beaches protected from the waves, which are distributed along almost all the coasts of the country.</p> <p>-Wetlands: land area, generally flat, whose surface is permanently or intermittently flooded. When regularly covered with water, the soil becomes saturated, leaving it devoid of oxygen and giving rise to a hybrid ecosystem between purely aquatic and terrestrial.</p> <p>-The coastal lagoons: These are fluvial-lagoon or estuarine-lagoon systems, characterized not only because they are the storage and nursery of a good number of marine organisms, but also because they are the most abundant in fishing resources.</p> <p>-Island ecosystems: Those composed of islands, which are fragments of natural habitats where species and communities separated from the continent have established, adapted and evolved. In addition, they contain continental species which, together with the island ones, constitute a very diverse biota, sometimes unique in the world, and therefore of critical importance for global biodiversity.</p> <p>-Epicontinental Aquatic Ecosystems: are all those surface waters that are distributed in the continents. Within aquatic ecosystems there are, in a general way, lotic systems (term</p>

		related to running water, for example a stream or a river), and lentic systems (concept applied to stagnant waters, such as swamps, ponds, lakes and wetlands, which are shallow water bodies). Their main problem is the overexploitation of this water resource, which has caused the decrease of liquid available for urban and agricultural use and desertification, in addition to pollution, eutrophication and the introduction of exotic species that have deteriorated these ecosystems.
8.	Global Canopy Programme	It is a “think tank” that works to make the scientific, political and business case for safeguarding tropical forests as the natural capital that provides water, food, energy and climate security for the well-being of all.
9.	Wetlands of International Importance, Ramsar sites	Regulated by the Convention on Wetlands, called the Ramsar Convention, whose objective is the conservation and wise use of wetlands in all their aspects, recognizing that wetlands are extremely important ecosystems for the conservation of biodiversity and the well-being of human communities. Socio-environmental impact: Positive or negative modification of the physical, natural, social or cultural environment, including surrounding communities and workers, caused by commercial activities financed by banks.
10.	Responsible Investment (RI)	GFNorte’s Responsible Investment (RI) process consists of analyzing the environmental, social and corporate governance (ESG) factors of the issuers in which the Group invests, with the aim of improving the management of risks and opportunities, considering the material impact that ESG risks can generate in a long-term investment scenario.
11.	GFNorte Exclusion List	Economic activities or operations classified as risky or prohibited situations, located in the Credit Philosophy chapter of the GFNorte Credit Manual.
12.	Aichi Targets	There are 20 targets grouped into five strategic objectives, which were raised by the governments of 196 countries that signed the Convention on Biological Diversity during the COP 10 on biodiversity held in Aichi Province, Japan in 2010. These targets are part of the 2011-2020 Strategic Plan for Biodiversity that aims to halt the loss of nature.
13.	Monuments or areas of archaeological monuments	These are areas where you can find the movable and immovable property, product of cultures prior to the establishment of the Hispanic culture in the national territory, as well as the human remains, flora and fauna, related to these cultures.
14.	Sustainable Development Goals	The SDG, also known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all

	(SDG)	people enjoy peace and prosperity. There are 17 Goals based on the achievements of the Millennium Development Goals, which include new areas such as climate change, economic inequality, innovation, sustainable consumption, and peace and justice, among other priorities.
15.	UNESCO World Heritage	<p>It is a legacy of monuments and sites of great natural and cultural richness that belong to all of humanity, which have the function of landmarks on the planet, symbols of the awareness of States and peoples about their meaning, emblems of their attachment to the collective property, as well as of the transmission of this heritage to future generations. It is considered:</p> <ul style="list-style-type: none"> - World Natural Heritage: Part of the priceless and irreplaceable natural assets of nations. The loss of any of these would represent a priceless loss for all of humanity. - World Cultural Heritage: Part of the priceless and irreplaceable cultural heritage of nations. The loss of any of these would represent a priceless loss for all humanity.
16.	Equator Principles (EP)	They constitute a voluntary framework for the identification, assessment, and management of social and environmental risks in financing operations. They represent the most important standard in this area within the financial sector, promoting the granting of financing only in cases where the client can demonstrate that its projects are managed with social and environmental responsibility.
17.	Principles of Responsible Investment (PRI)	PRI is an initiative of international investors in collaboration with UNEP FI and the Global Compact, whose approach to investing recognizes the relevance of environmental, social and governance (ESG) factors to better manage risk and generate long-term returns. It is based on active management and the belief that these aspects can have a positive impact on the financial performance of investments.
18.	Wider Caribbean Region	Regulated by the Cartagena Convention whose objective is for the countries of the Wider Caribbean Region to achieve a balance between development and protection of the marine environment.
19.	Priority regions for conservation	<p>Areas whose physical and biotic characteristics favor particularly important conditions from the point of view of biodiversity, such as</p> <ul style="list-style-type: none"> -Areas of Importance for the Conservation of Birds (AICAS) -Priority hydrological regions -Priority marine regions -Priority land regions
20.	Sensitive Sector	A sector of industrial activity that has the potential to cause

		adverse environmental and social risks and impacts in sensitive areas, such as the impact on natural areas, displacement of populations, loss of species, damage to cultural heritage, or to indigenous peoples, among others. Examples of sensitive sectors are mining, oil, and gas, agriculture, energy, chemicals, tourism, forestry, among others.
21.	Ecosystem services	<ul style="list-style-type: none"> -Supply: food, freshwater, wood and fiber, and fuel -Regulation: protection against extreme events, erosion control, water purification, and pollination -Cultural: aesthetic appreciation, spiritual experience, recreation, education -Ecological: nutrient cycling, soil formation, and organic matter production
22.	Social and Environmental Risk Management System (SEMS)	<p>SEMS is the tool for analyzing the risks and impacts generated by the activities financed by Banorte in Corporate and Business Banking, whose objective is promoting the development of projects by portfolio clients in a socially and environmentally responsible manner, in compliance with the law and applying best practices.</p> <p>Based on the Equator Principles, the IFC (International Finance Corporation) Performance Standards and exclusion list of GFNorte, SEMS was integrated into the Bank in 2015, operating as part of the credit process in charge of the Socio Environmental Risk Area (ARSA).</p> <p>The analysis process consists of identification, categorization, assessment and management of risks and impacts that are presented in a socio-environmental due diligence prior to the authorization of the credits requested from Banorte.</p> <p>Thus, the Credit Committee considers the opinion recommendations and conditions imposed by ARSA on the credits to grant the authorization.</p>