



LEA 02	Discipline: Mandatory	Principle: PRI 1, 2, 3
<p><b>Reason for interaction</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> To support investment decisionmaking in a company's material ESG issues</li> <li><input checked="" type="checkbox"/> To enhance corporate transition or identify the need for additional or different investments</li> <li><input checked="" type="checkbox"/> To engage investor ESG objectives</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage in internal staff</li> </ul>	<p><b>Type of engagement</b></p> <p>Individual/internal staff engagements</p>	
	<p>Collaborative engagements</p>	
	<p>Service provider engagements</p>	

# RI TRANSPARENCY REPORT

## 2020

GRUPO FINANCIERO BANORTE S A B DE C V

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2020 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO TG		🔒	n/a							
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Private							✓
OO 08	Segregated mandates or pooled funds	✓	Private							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	Active ownership practices for listed assets	✓	Public							✓
OO 11	ESG incorporation practices for all assets	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO LE 01	Breakdown of listed equity investments by passive and active strategies	✓	Public							✓
OO LE 02	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
OO FI 01	Breakdown of fixed income investments by passive and active strategies	✓	Public							✓
OO FI 02	Reporting on strategies that are <10% of actively managed fixed income	🔒	n/a							✓
OO FI 03	Fixed income breakdown by market and credit quality	✓	Public							✓
OO SAM 01	Breakdown of externally managed investments by passive and active strategies	✓	Private							✓
OO PE 01	Breakdown of private equity investments by strategy	🔒	n/a							✓
OO PE 02	Typical level of ownership in private equity investments	🔒	n/a							✓
OO PR 01	Breakdown of property investments	🔒	n/a							✓
OO PR 02	Breakdown of property assets by management	🔒	n/a							✓
OO PR 03	Largest property types	🔒	n/a							✓
OO INF 01	Breakdown of infrastructure investments	🔒	n/a							✓
OO INF 02	Breakdown of infrastructure assets by management	🔒	n/a							✓
OO INF 03	Largest infrastructure sectors	🔒	n/a							✓
OO HF 01	Breakdown of hedge funds investments by strategies	🔒	n/a							✓
OO End	Module confirmation page	✓	-							

CCStrategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 01 CC	Climate risk	✓	Private							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public						✓	
SG 03	Conflicts of interest	✓	Public							✓
SG 04	Identifying incidents occurring within portfolios	✓	Private							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Private							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 07 CC	Climate-issues roles and responsibilities	✓	Private							✓
SG 08	RI in performance management, reward and/or personal development	✓	Private							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09.2	Assets managed by PRI signatories	✓	Private	✓						
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
SG 12	Role of investment consultants/fiduciary managers	✓	Public				✓			
SG 13	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13 CC		🔒	n/a							✓
SG 14	Long term investment risks and opportunity	✓	Private	✓						
SG 14 CC		✓	Private							✓
SG 15	Allocation of assets to environmental and social themed areas	✓	Private	✓						
SG 16	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
SG 17	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
SG 18	Innovative features of approach to RI	✓	Private							✓
SG 19	Communication	✓	Public		✓				✓	
SG End	Module confirmation page	✓	-							

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	ESG incorporation strategies	✓	Public	✓						
SAM 02	Selection processes (LE and FI)	✓	Public	✓						
SAM 03	Evaluating engagement and voting practices in manager selection (listed equity/fixed income)	✓	Public		✓					
SAM 04	Appointment processes (listed equity/fixed income)	✓	Public	✓						
SAM 05	Monitoring processes (listed equity/fixed income)	✓	Public	✓						
SAM 06	Monitoring on active ownership (listed equity/fixed income)	✓	Public	✓						
SAM 07	Percentage of (proxy) votes	✓	Public		✓					
SAM 08	Percentage of externally managed assets managed by PRI signatories	✓	Private	✓						
SAM 09	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public	✓					✓	
SAM End	Module confirmation page	✓	-							

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Percentage of each incorporation strategy	✓	Public	✓						
LEI 02	Type of ESG information used in investment decision	✓	Private	✓						
LEI 03	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 04	Types of screening applied	✓	Public	✓						
LEI 05	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 06	Processes to ensure fund criteria are not breached	✓	Private	✓						
LEI 07	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 08	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 09	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 10	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 11	ESG issues in index construction	🔒	n/a	✓						
LEI 12	How ESG incorporation has influenced portfolio composition	✓	Private	✓						
LEI 13	Examples of ESG issues that affected your investment view / performance	-	n/a	✓						
LEI End	Module confirmation page	✓	-							

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising collaborative engagement	✓	Public		✓					
LEA 06	Role in engagement process	✓	Public		✓		✓			
LEA 07	Share insights from engagements with internal/external managers	✓	Private	✓	✓					
LEA 08	Tracking number of engagements	✓	Public		✓					
LEA 09	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 10	Engagement methods	✓	Private		✓					
LEA 11	Examples of ESG engagements	✓	Private		✓					
LEA 12	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 13	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 14	Securities lending programme	✓	Private		✓					
LEA 15	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 16	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 17	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 18	Proportion of ballot items that were for/against/abstentions	✓	Private		✓					
LEA 19	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 20	Shareholder resolutions	✓	Private		✓					
LEA 21	Examples of (proxy) voting activities	-	n/a		✓					
LEA End	Module confirmation page	✓	-							

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Incorporation strategies applied	✓	Public	✓						
FI 02	ESG issues and issuer research	✓	Private	✓						
FI 03	Processes to ensure analysis is robust	✓	Public	✓						
FI 04	Types of screening applied	✓	Public	✓						
FI 05	Examples of ESG factors in screening process	✓	Private	✓						
FI 06	Screening - ensuring criteria are met	✓	Public	✓						
FI 07	Thematic investing - overview	✓	Private	✓						
FI 08	Thematic investing - themed bond processes	✓	Public	✓						
FI 09	Thematic investing - assessing impact	✓	Public	✓						
FI 10	Integration overview	✓	Public	✓						
FI 11	Integration - ESG information in investment processes	✓	Public	✓						
FI 12	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 13	ESG incorporation in passive funds	🔒	n/a	✓						
FI 14	Engagement overview and coverage	✓	Private		✓					
FI 15	Engagement method	✓	Private	✓	✓					
FI 16	Engagement policy disclosure	✓	Private	✓	✓					
FI 17	Financial/ESG performance	✓	Private							✓
FI 18	Examples - ESG incorporation or engagement	-	n/a	✓	✓					
FI End	Module confirmation page	✓	-							

Confidence building measures				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
CM1 01	Assurance, verification, or review	✓	Public							✓
CM1 02	Assurance of last year`s PRI data	✓	Public							✓
CM1 03	Other confidence building measures	✓	Public							✓
CM1 04	Assurance of this year`s PRI data	✓	Public							✓
CM1 05	External assurance	🔒	n/a							✓
CM1 06	Assurance or internal audit	🔒	n/a							✓
CM1 07	Internal verification	✓	Public							✓
CM1 01 End	Module confirmation page	✓	-							



# GRUPO FINANCIERO BANORTE S A B DE C V

## Reported Information

## Public version

## Organisational Overview

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Basic information

OO 01

Mandatory

Public

Gateway/Peering

General

OO 01.1

Select the type that best describes your organisation or the services you provide.

- Non-corporate pension or superannuation or retirement or provident fund or plan
- Corporate pension or superannuation or retirement or provident fund or plan
- Insurance company
- Foundation
- Endowment
- Development finance institution
- Reserve - sovereign or government controlled fund
- Family office
- Other, specify

Financial Group

OO 01.3

Additional information. [Optional]

We are signatories of this initiative as a Financial Group (Grupo Financiero Banorte or GFNorte). However, according to the nature in which the assets are managed, we have developed two specific responsible investment strategies; one for our pension fund Afore XXI Banorte and another for our Asset Manager referred as Asset Manager Banorte in this report.

Afore XXI Banorte has a structure of twenty-one Investment Societies for Retirement Funds (SIEFORES by its acronym in spanish), ten Siefiores corresponding to Target Date Funds (TDF's), and eleven Siefiores to Private Pension Funds. Both have the purpose to offer long-term investment and higher returns throughout the different stages of retirement savings. In this way, for the TDF's, the resources are invested in the SIEFORE according to the client's generation and for the Private Pension Funds the aim is to be aligned with the same investment philosophy and beliefs of Afore XXI Banorte. Most of the Private Pension Funds replicate the same structure of the TDF's, but in some cases, we design a tailored made portfolio reflecting the client requirements.

In addition, o Asset Manager Banorte has a product offering structured through different types of investments and strategies within a wide range of financial assets that, together with an Investment Advisor, allow clients to build the portfolio that best suits their particular liquidity, investment horizon, and diversification needs.

For each response of the report it is specified in the scope, whether it applies to Afore XXI Banorte or Asset Manager Banorte.

OO 02

Mandatory

Public

Peering

General

OO 02.1

Select the location of your organisation's headquarters.

Mexico

**OO 02.2** | Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

**OO 02.3** | Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

30167

**OO 02.4** | Additional information. [Optional]

GFNorte only operates in Mexico.

From the 30,167 FTE reported of the Group; 3,581 are from Afore XXI Banorte.

OO 03	Mandatory	Public	Descriptive	General
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**OO 03.1** | Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

**OO 03.3** | Additional information. [Optional]

GFNorte will turn its second-year reporting formally to the initiative of the United Nations. The next reported information corresponds to the subsidiary's efforts of pension fund manager Afore XXI Banorte and Banorte's Asset Manager.

OO 04	Mandatory	Public	Gateway/Peering	General
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**OO 04.1** | Indicate the year end date for your reporting year.

31/12/2019

**OO 04.2** | Indicate your total AUM at the end of your reporting year.

Include the AUM of subsidiaries, but exclude advisory/execution only assets, and exclude the assets of your PRI signatory subsidiaries that you have chosen not to report on in OO 03.2

	trillions	billions	millions	thousands	hundreds
Total AUM		882	313	654	305
Currency	MXN				
Assets in USD		45	080	993	017

Not applicable as we are in the fund-raising process

<b>OO 04.5</b>	Additional information. [Optional]
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Reported AUM's only includes Afore XXI Banorte.

<b>OO 06</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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**OO 06.1**

Select how you would like to disclose your asset class mix.

as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	5	13
Fixed income	71	0
Private equity	0	2.5
Property	0	2.7
Infrastructure	0	4.8
Commodities	1	0
Hedge funds	0	0
Fund of hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Money market instruments	0	0
Other (1), specify	0	0
Other (2), specify	0	0

as broad ranges

**OO 06.2** Publish asset class mix as per attached image [Optional].

<b>Asset Class Mix</b>	<b>\$</b>	<b>877,451,792,553</b>	<b>100%</b>
Fixed Income	\$	623,312,826,703	71%
Listed Equity	\$	41,861,971,857	5%
Others	\$	6,996,391,753	1%
Property	\$	91,105,555,619	10%
Mandates	\$	114,175,046,620	13%

**OO 06.3** Indicate whether your organisation has any off-balance sheet assets [Optional].

- Yes
- No

**OO 06.5** Indicate whether your organisation uses fiduciary managers.

- Yes, we use a fiduciary manager and our response to OO 5.1 is reflective of their management of our assets.
- No, we do not use fiduciary managers.

**OO 06.6** Provide contextual information on your AUM asset class split. [Optional]

Figures reported only consider AUM’s of Afore XXI Banorte. Please note that 6.2 chart does not consider the swaps in the fixed income assets.

Afore XXI Banorte:

Afore XXI Banorte obeys the maximum exposition by asset class established by the Investment Regime defined by the National Commission of the Saving System for the Retirement (CONSAR). Through this regulation, CONSAR determines in detail the asset classes which are allowed and forbidden to invest as well as the limits of them.

<b>OO 09</b>	<b>Mandatory</b>	<b>Public</b>	<b>Peering</b>	<b>General</b>
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**OO 09.1** Indicate the breakdown of your organisation’s AUM by market.

	Developed Markets
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15

	Emerging Markets
--	------------------

83.6

	Frontier Markets
--	------------------

0

	Other Markets
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1.4

Total 100%

100%

OO 09.2 Additional information. [Optional]

Figures reported only consider AUM's of Afore XXI Banorte.

### Asset class implementation gateway indicators

OO 10	Mandatory	Public	Gateway	General
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OO 10.1 Select the active ownership activities your organisation implemented in the reporting year.

Listed equity – engagement

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We require our external managers to engage with companies on ESG factors on our behalf.
- We do not engage directly and do not require external managers to engage with companies on ESG factors.

Listed equity – voting

- We cast our (proxy) votes directly or via dedicated voting providers
- We require our external managers to vote on our behalf.
- We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

Fixed income SSA – engagement

- We engage with SSA bond issuers on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with SSA bond issuers on ESG factors. Please explain why you do not.

Please explain why you do not engage directly and do not require external managers to engage with companies on ESG factors.

Afore XXI Banorte:

One of our opportunity areas identified last year were the engagement activities with fixed income issuers. The main reason why we do not engage with the issuers or those asset class is that, the asset class represents less than 2% of AUMs in our portfolio. Currently the percentage of assets where we implemented ESG considerations into the decision-making process is around 98% of AUMs( 86% internally managed), the remaining corresponding to Corporate (financial) and Securitised.

Some of Corporate (financial) and Securitised issuers, are large corporations and organizations where we have found some difficulties to establish channels of communication - mainly sovereign issuers- where we tried to have contact through financial intermediaries. Other reason is that, we prefer to concentrate on those assets and issuers who have an investment responsible strategy implemented and we can start, as soon as possible, to implement engagement activities. Through the incorporation of ESG factors we have developed an in-house methodology to evaluate equity and Fixed income (corporate non-financial)

assets, thematic bonds and Sovereign bonds. For further detail, visit: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica\\_RentaFija.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica_RentaFija.pdf)

#### Fixed income Corporate (financial) – engagement

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Please explain why you do not engage directly and do not require external managers to engage with companies on ESG factors.

Afore XXI Banorte:

One of our opportunity areas identified last year were the engagement activities with fixed income issuers. The main reason why we do not engage with the issuers or those asset class is that, the asset class represents less than 2% of AUMs in our portfolio. Currently the percentage of assets where we implemented ESG considerations into the decision-making process is around 98% of AUMs ( 86% internally managed), the remaining corresponding to Corporate (financial) and Securitised.

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#### Fixed income Corporate (non-financial) – engagement

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

#### Fixed income Corporate (securitised) – engagement

- We engage with companies on ESG factors via our staff, collaborations or service providers.
- We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Please explain why you do not engage directly and do not require external managers to engage with companies on ESG factors.

Afore XXI Banorte:

One of our opportunity areas identified last year were the engagement activities with fixed income issuers. The main reason why we do not engage with the issuers or those asset class is that, the asset class represents less than 2% of AUMs in our portfolio. Currently the percentage of assets where we implemented ESG considerations into the decision-making process is around 98% of AUMs (86% internally managed), the remaining corresponding to Corporate (financial) and Securitised. Some of Corporate (financial) and Securitised issuers, are large corporations and organizations where we have found some difficulties to establish channels of communication - mainly sovereign issuers- where we tried to have contact through financial intermediaries. Another reason is that, we prefer to concentrate in those assets and issuers who has an investment responsible strategy implemented and we can start, as soon as possible, to implement engagement activities. Through the incorporation of ESG factors we have developed an in-house methodology to evaluate equity and Fixed income (corporate non-financial) assets, thematic bonds and Sovereign bonds. For further detail, visit: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica\\_RentaFija.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica_RentaFija.pdf)



**OO 11.1** Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

Listed equity

- We address ESG incorporation.
- We do not do ESG incorporation.

Fixed income - SSA

- We address ESG incorporation.
- We do not do ESG incorporation.

Fixed income - corporate (financial)

- We address ESG incorporation.
- We do not do ESG incorporation.

Fixed income - corporate (non-financial)

- We address ESG incorporation.
- We do not do ESG incorporation.

Fixed income - securitised

- We address ESG incorporation.
- We do not do ESG incorporation.

Commodities

- We address ESG incorporation.
- We do not do ESG incorporation.

**OO 11.2** Select the externally managed assets classes in which you and/or your investment consultants address ESG incorporation in your external manager selection, appointment and/or monitoring processes.

Asset class	ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes
Listed equity	<div data-bbox="395 338 1474 423" style="background-color: #0070C0; color: white; padding: 5px;">Listed equity - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Private equity	<div data-bbox="395 651 1474 736" style="background-color: #0070C0; color: white; padding: 5px;">Private equity - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Property	<div data-bbox="395 965 1474 1050" style="background-color: #0070C0; color: white; padding: 5px;">Property - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Infrastructure	<div data-bbox="395 1279 1474 1364" style="background-color: #0070C0; color: white; padding: 5px;">Infrastructure - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation

OO 11.4 Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.

Afore XXI Banorte:

For the selection and appointment of a manager, we analyze with the following information included in the Request For Proposal (RFP) template:

- General information of the prospective Manager (mission of the company, membership in a commercial and / or financial group as a subsidiary or parent company, AUMs, experience in asset management and mandates, principal clients, principal competitors, potential executives and operatives in charge of the mandate, government bodies, etc.).

- Comprehensive questionnaire of the "personality" of the prospective agent. That is to say, the effectiveness to adhere to investment criteria and timely identification of risks and approved by the respective committees, as well as the capacity to execute the mandate and the costs of managing it.
- Description of your investment philosophy incorporating ESG within the analysis and making-decision process. The Team designated to the analysis of these factors, follow-up policies and updates of controversies.
- Legal elements, criteria of transparency, integrity and confidentiality applied by the President in a standard manner.
- Other means through which Afore XXI Banorte can deepen the knowledge of the prospective agent.
- The outcome of the analysis based on RFP results is a score revealing the investment management quality and performance, were previously described, different aspects are evaluated, mainly qualitative ones. As it is included in our Investment Manual, we classified as eligible those managers that comply with the following aspects:
  - Respond duly to the questionnaire or information requirements asked for the Afore,
  - Being signatory or participant of an initiative or organization related to Responsible Investment,
  - Proxy Voting Policy publicly available
  - Have an exclusion sectors list, as well as acknowledge and align to the Exclusion, restricted and prohibited sectors list of Afore XXI Banorte
  - Have a specialized/assigned intern area dedicated to ESG appointment and monitoring processes
  - Have a methodology to rate in ESG themes their portfolio
  - Consider training programs about ESG themes.

The monitoring of managers are carried out through the following methods:

- ESG questionnaire for mandates (In this document the mandate explain its Responsible Investment strategy and best practices)
- Monitoring calls, whereby we are not only discussing the financial outcomes or risks, but also the ESG risks identified in the portfolio, as well its performance in ESG management,
- Six-monthly reports to possible updates into the management strategies of the mandates,
- Annual monitoring where the manager reports its process and improvements of its portfolios,
- Monitoring to controversies or relevant events that could mean a risk to the investment, through a template where we ask the manager to give an explicatory description of the controversy and its contingency plan

Investment managers must have minimum compliance of policies and control of ESG factors in its investment process. Also, within the monitoring and control of the management carried out, it is necessary to analyze the management of the ESG factors in their investments. The last and critical issue considered to the selection of a manager is based on the strategy that Afore XXI Banorte determines through its committees. For further detail, visit: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_Gesti%C3%B3nMandatos.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_Gesti%C3%B3nMandatos.pdf)

Asset Manager Banorte:

We include a questionnaire within our sub advisory's selection process on whether or not the asset manager considers ESG factors through their investment process. It is important to mention that all of our current partners are signatories of the PRI.

OO 12	Mandatory	Public	Gateway	General
OO 12.1	Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.			

**Core modules**

- Organisational Overview
- Strategy and Governance

**RI implementation directly or via service providers**

**Direct - Listed Equity incorporation**

- Listed Equity incorporation

**Direct - Listed Equity active ownership**

- Engagements
- (Proxy) voting

**Direct - Fixed Income**

- Fixed income - SSA
- Fixed income - Corporate (non-financial)

**RI implementation via external managers**

**Indirect - Selection, Appointment and Monitoring of External Managers**

- Listed Equities
- Private Equity
- Property
- Infrastructure

**Closing module**

- Closing module

**OO 12.2 Additional information. [Optional]**

Nothing else to add.

**Peering questions**

<b>OO LE 01</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Gateway</b>	<b>General</b>
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<b>OO LE 01.1</b>	Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.
-------------------	---

**Percentage of internally managed listed equities**

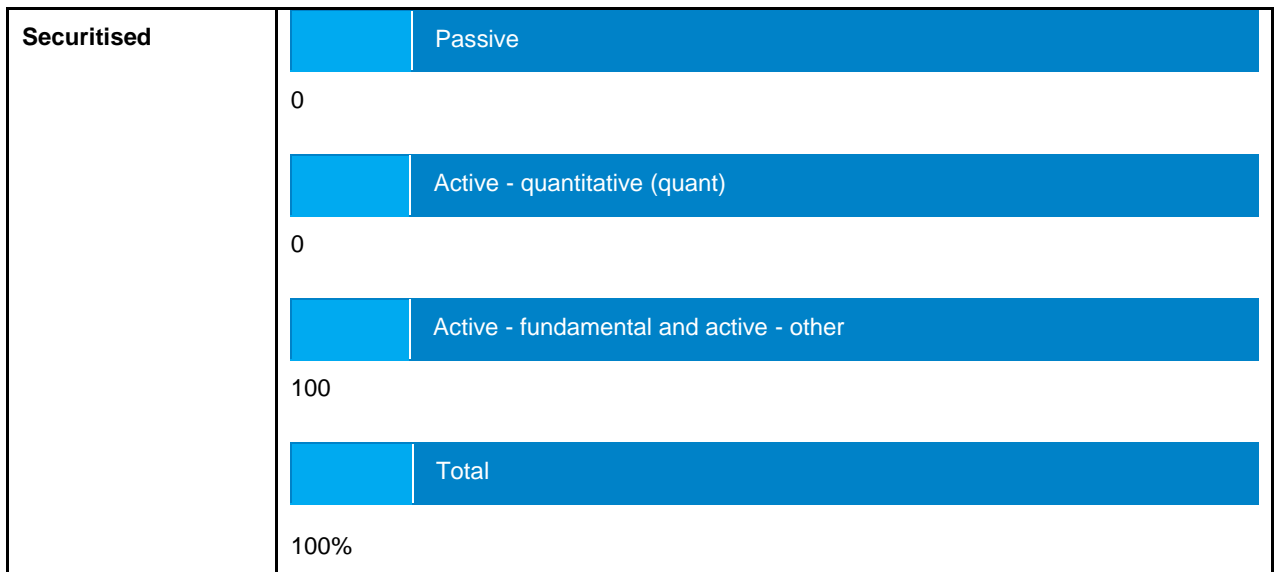
	Passive	0
	Active - quantitative (quant)	0
	Active - fundamental and active - other	100
	Total	100%
<b>OO LE 01.2</b>	Additional information. [Optional]	

Afore XXI Banorte:

The stock picking, among other strategies, represents an important management activity were took place in our first efforts to incorporate ESG criteria into the investments process. This way, the financial analysis is managed by the Fundamental Analysis Specialist, who requests an ESG analysis with the main risks and opportunities about the ESG issues related to the investment proposal. The ESG team analyzes the company’s management of ESG issues, and the level of compliance of other ESG requests like politics, processes and others. For further details, visit: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_RentaVarPropActiva.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_RentaVarPropActiva.pdf) or [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG\\_Integ.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG_Integ.pdf)

<b>OO FI 01</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Gateway</b>	<b>General</b>
<b>OO FI 01.1</b>	Provide a breakdown of your internally managed fixed income securities by active and passive strategies			

<b>SSA</b>	<p>Passive 0</p> <p>Active - quantitative (quant) 0</p> <p>Active - fundamental and active - other 100</p> <p>Total 100%</p>
<b>Corporate (financial)</b>	<p>Passive 0</p> <p>Active - quantitative (quant) 0</p> <p>Active - fundamental and active - other 100</p> <p>Total 100%</p>
<b>Corporate (non-financial)</b>	<p>Passive 0</p> <p>Active - quantitative (quant) 0</p> <p>Active - fundamental and active - other 100</p> <p>Total 100%</p>



**OO FI 01.2** Additional information. [Optional]

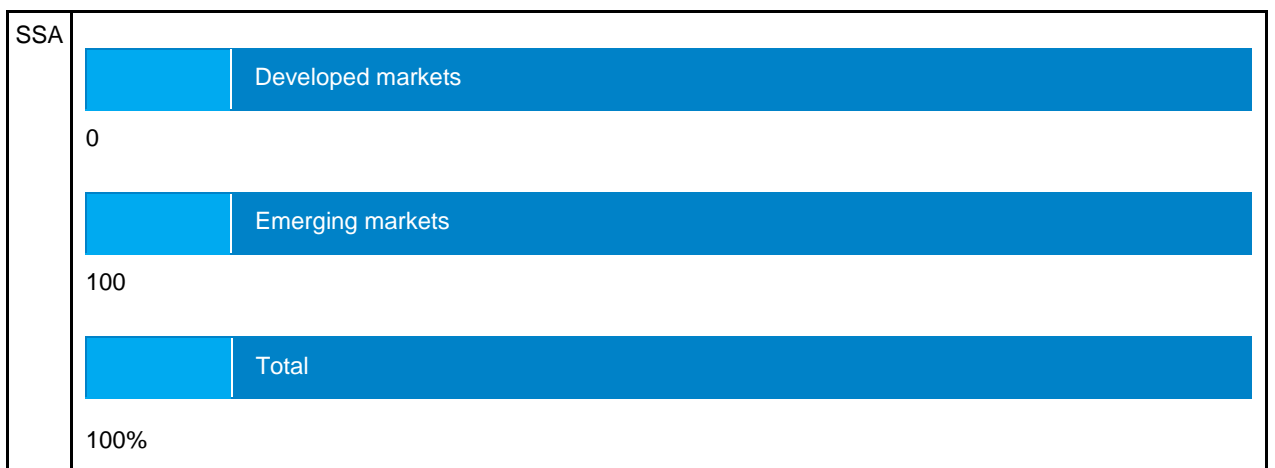
Figures reported only consider AUM's of Afore XXI Banorte.

Our Fixed Income team actively manages approximately \$623 mm pesos in assets. These are segmented across the Government, Securitized and Corporate Bond markets.

**OO FI 03** Mandatory Public Descriptive General

Update: this indicator has changed from "Mandatory to report, voluntary to disclose" to "Mandatory". **Your response to this indicator will be published in the Public Transparency Report.** This change is to enable improved analysis and peering.

**OO FI 03.1** Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.



**OO FI 03.2** Indicate the approximate (+/- 5%) breakdown of your corporate and securitized investments by investment grade or high-yield securities.

Type	Investment grade (+/- 5%)	High-yield (+/- 5%)	Total internally managed
Corporate (non-financial)	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%	<b>100%</b>

**OO FI 03.3** Additional information. [Optional]

Figures reported only consider AUM's high-yield Afore XXI - Banorte.

If you are invested in private debt and reporting on ratings is not relevant for you, please indicate below

OO FI 03.2 is not applicable as our internally managed fixed income assets are invested only in private debt.



# GRUPO FINANCIERO BANORTE S A B DE C V

Reported Information

Public version

Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Investment policy

SG 01

Mandatory

Public

Core Assessed

General

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 01.1**

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

**SG 01.2**

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Fiduciary (or equivalent) duties <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input checked="" type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**SG 01.3**

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

**SG 01.4**

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

Afore XXI Banorte:

As a pension fund manager, our main commitment with our affiliated active employees is to safeguard their savings and offer long-term strategies with greater investment returns. We have a diversified portfolio that allow us to manage its risks with a proper asset allocation strategy. The secondary commitment is the integration of ESG issues in decision- making, planning processes, and a continue communication with issuers, to align our value chain under the Principles of Responsible Investment. The Afore considers that the real economic impact (from an ESG point of view) is related to controversies on ESG pillars that can affect the cash flow and financial stability of companies we invested in, but with the early recognition and analysis of the risks of an investment proposal and the economic status globally, can prevent losses in the portfolio. To further detail visit our policy: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG\\_Integ.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG_Integ.pdf)

Asset Manager Banorte:

Due to limited number of characters information can be found on 01.6

**SG 01.5**

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

Afore XXI Banorte:

We pursue responsible investment practices to improve the financial performance of investments, to promote sustainable investments and to reduce systematically the risk exposure of the portfolio. Because of this, since 2018, we integrated ESG issues into the investment process, which showed the climate change risks, its impact on the local economy and the level of vulnerability of the investments in the portfolio. As an investor, we are highly involved in the migration to low carbon investments, to prevent global average temperatures from rising more than 2° Celsius. We are aware that without the private sector, the possibilities to accomplish it are low. Therefore, we are developing an investment strategy to invest in low carbon investments. Additionally, we established defined objectives to the infrastructure sector which, in our consideration, is one of the most vulnerable sectors confronting climate change risks. Our objectives are set for 2030 and consider it that, to at least 50% of the Infrastructure issuers in the portfolio, must meet with the following:

- Have an ESG policy, program, initiative or implemented projects.
- Have buildings certified under LEED or similar certification,
- To incorporate clean technology and/or renewable energy to reduce its carbon footprint,
- Have strategies and processes to mitigate risks related to climate change,

- Have insurance coverage of climate change damages or green investments that help mitigate climate change,
- Develop reports or documentation of the risks and/or opportunities related to ESG,
- In risk analysis, consider climate change and its related events, and
- Involvement with shareholders.

Additionally, during 2020 we are going to incorporate into the ESG analysis, the main controversies that may cause a downgrade of the company's ESG score. Also, we are working on an investment strategy to increase investment in projects that help to decrease the carbon footprint of the portfolio.

Due it is an important matter to stakeholders, we have developed a methodology to analyze how the issuers manage the ESG factors, and evaluated their capability and commitment to adopt ESG issues,. This methodology provides a qualitative review of the company or investment project considering different sources of public information of the company. The model has been adapted to asses' specific sectors, different types of assets. The latest update to the model was the addition of a new indicator for listed equity issuers about their disclosure of information.

Asset Manager Banorte:

Variations: in addition to our traditional investment policy, we have a framework of internal guidelines that are complementary, which includes;

A responsible investment policy where we declare our adherence to the initiative, our strategy and commitments

A manual detailing our implementation processes and the areas involved

Procedures for the application of ESG transparency analysis, monitoring of public controversies, communication channel with broadcasters and involvement.

It is important to mention that most of the content of these documents is informative, they do not directly influence investment processes so far, unless it is indicated by the Asset Manager General Direction.

Key elements: According to our Responsible Investment Manual, the Asset Manager General Direction may take into consideration in the decision-making process of investment the ESG analyzes, carried out by the Sustainability and Responsible Investment Department, in cases where the application of the reputational risk algorithm determines a high level of risk in investments equal to or greater than 1% of total assets under management.

Exceptions: We developed an exclusion list in which Asset Manager Banorte is prohibited from investing. This list includes all the assets whose activity is involved in the following areas: nuclear energy, production and/or commercialization of radioactive materials (including storage and treatment of radioactive waste), asbestos and polychlorinated biphenyls (PCBs), production and/or commercialization of chemicals industrial, pesticides, and organic pollutants, tobacco, chemical and nuclear weapons, uranium extraction for weapons, manufacture of firearms, land mines, artisanal mining, cluster bomb manufacturing, any business related to pornography and prostitution, churches, gambling and companies involved in Iran or Sudan. Also, this list includes sovereign bonds of countries that are sanctioned by the United Nations; Iraq, Libya, Mali, Central African Republic, Republic of Guinea, Democratic Republic of North Korea, Democratic Republic of the Congo, Somalia, Sudan, South Sudan and Yemen.

No

<b>SG 01.6</b>	Additional information [Optional].
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Asset Manager Banorte:

We are convinced that by managing ESG factors when making investment decisions, we can generate longterm value, prevent risks and detect opportunities in our portfolios.

The Responsible Investment Policy is based on the international agreements and initiatives to which Mexico and GFNorte adheres,the current national legal framework and the regulations of GFNorte.

Down below we share some of our team work characteristics:

Area specialized in managing third-party resources (clients) within GFNorte.

Transparency in decision-making and no conflict of interest.

With more than 50 professionals dedicated to managing your resources.

Disciplined investment processes that optimize the risk-return ratio.

Excellent rating (mex) as Investment Manager by Fitch Ratings.

ISO 9001: 2008 Quality Certification in the investment process.

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

<b>SG 02.1</b>	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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Policy setting out your overall approach

URL/Attachment
----------------

URL

URL
-----

[https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG\\_Integ.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG_Integ.pdf)

Attachment (will be made public)

Formalised guidelines on environmental factors

URL/Attachment
----------------

URL

URL
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[https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_ASG.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_ASG.pdf)

Attachment (will be made public)

Formalised guidelines on social factors

URL/Attachment
----------------

URL

URL
-----

[https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_ASG.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_ASG.pdf)

Attachment (will be made public)

Formalised guidelines on corporate governance factors

URL/Attachment
----------------

URL

URL

[https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_ASG.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_ASG.pdf)

- Attachment (will be made public)
- Fiduciary (or equivalent) duties

URL/Attachment

- URL

URL

<https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Responsabilidad.pdf>

- Attachment (will be made public)
- Asset class-specific RI guidelines

URL/Attachment

- URL

URL

<https://www.xxi-banorte.com/aforeXB/afore/index.aspx#!/asg>

- Attachment (will be made public)
- Sector specific RI guidelines
- Screening / exclusions policy

URL/Attachment

- URL

URL

[https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG\\_Integ.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG_Integ.pdf)

- Attachment (will be made public)
- Engagement policy

URL/Attachment

- URL

URL

[https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_RentaVarPropActiva.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_RentaVarPropActiva.pdf)

- Attachment (will be made public)
- (Proxy) voting policy

URL/Attachment

- URL

URL

[https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica\\_ejercicio.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica_ejercicio.pdf)

- Attachment (will be made public)
- We do not publicly disclose our investment policy documents

**SG 02.2**

Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

- URL

URL

[https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG\\_Integ.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG_Integ.pdf)

- Attachment
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment

URL/Attachment

- URL

URL

[https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG\\_Integ.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG_Integ.pdf)

- Attachment
- Governance structure of organisational ESG responsibilities

URL/Attachment

URL

URL

<http://www.banorte.com>

Attachment

ESG incorporation approaches

URL/Attachment

URL

URL

[https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG\\_Integ.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG_Integ.pdf)

Attachment

Active ownership approaches

URL/Attachment

URL

URL

[https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_RentaVarPropActiva.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_RentaVarPropActiva.pdf)

Attachment

Reporting

Climate change

URL/Attachment

URL

URL

<https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/PosturaCC.pdf>

Attachment

We do not publicly disclose any investment policy components



**Afore XXI Banorte:**

During the reported year, we have improved and formalized different processes like, proxy voting, active ownership (engagement with issuers), implementing ESG factors in Fixed Income analysis, among others. We believe in continuous improvement, but to keep and resumed some activities, it is necessary to define a process and agents involved, so we included in the policies the proper information to formalized our responsible investment practices.

Our responsible investment practices are found in the policies publicly available on the website, as they are described below:

**ESG Integration for Investments Management through Mandates:** This policy describes our process and engagement activities with listed equity external managers, and the criteria for appointment, monitoring, and assessment of the managers. This policy was developed during the reported year, but several of the processes were already implemented. One of the new implementations was the Investment Restrictions List to mandates. In this list are mentioned activities, sectors, and countries where we consider goes against our investment ethics and well-being of the society.

**Guidelines for Responsible Investment + Climate Change:** The guidelines described in the policy are the general filters that an investment proposal goes through to be approved at ESG basis, where we explain the person involved, the processes and its outcomes. This document includes the first mention of the Afore’s stance on Climate Change and the efforts to control and prevent its risks.

**Guidelines for Responsible Investment for Structured Assets:** The policy describes the processes, engagement activities and guidelines followed by Infrastructure, Property and Private equity managers. As well, it includes the 2030 strategy goals that we established to the infrastructure managers, that reach the improvement of engagement activities, information disclosure and spread awareness in climate change. One of the new implementations was the Investment Restrictions List to managers’ investments. In this list are mentioned activities, sectors, and countries where we consider goes against our investment ethics and well-being of the society.

**Responsible Investment in Active Ownership ESG:** This policy talks about the specific engagement strategies applied with listed equity issuers, the sources of information and the criteria used to evaluate listed equity assets. One of the new implementations was the Investment Restrictions List. In this list are mentioned activities, sectors, and countries where we consider goes against our investment ethics and well-being of the society.

**Responsible Investment for Fixed Income ESG:** In the reporting year, we established our scope and approach with fixed income assets analysis and the strategy to integrate ESG factors in the investment process of fixed income proposals; due to the nature of fixed income assets, we divided the approach of the analysis by corporate, sovereign and thematic bunds. This allows us to define the sources of information and strategy.

**Proxy Voting Policy:** During the reporting year and based on the PRI recommendations, we enhance and formalized the proxy voting process and the logbook of the intentions of the vote. The policy covers issues as a conflict of interests, corporate governance and composition of the board characteristics we are looking for, description of proxy voting as an engagement activity, list of situations or themes to be treated where an internal or external representative will attend an assembly among others.

**Asset Manager Banorte:**

We have a responsible investment policy setting out our overall approach that includes the following components:

- Definition of ESG and responsible investment and its approach in relation to investment.
- ESG incorporation approaches.
- Reporting.

We also develop an exclusion list that defines the activities and countries in which Asset Manager Banorte is prohibited from investing.

For more information about our responsible investment policy and the exclusion list, please visit our sustainability webpage: <https://investors.banorte.com/en/sustainability/resources/policies-and-procedures>

SG 03	Mandatory	Public	Core Assessed	General
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SG 03.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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Yes

**SG 03.2**

Describe your policy on managing potential conflicts of interest in the investment process.

To improve our transparency practices, formalized processes and implementing policies that improve the pension fund's accountability, we have our own Ethics Code, where explicitly mentions that we must identify and address conflicts of interest. This policy applies to the members of the Investment Committee, the CIO, strategists and the traders in Afore XXI Banorte. The subject of conflicts of interest is also included in the Proxy Voting Policy and must take into consideration the decision of the sense of the vote in Shareholders Assemblies.

In 2019, we were the first Pension Fund in Mexico to adopt the CFA Institute Asset Manager Code. The Asset Manager Code clearly outlines the ethical and professional responsibilities of firms that manage assets on behalf of affiliated clients. For investors, the code provides a benchmark of ethical conduct that they should expect from asset managers and offers a higher level of confidence in firms that adopt the code

For further details, please visit: <http://cmcm.banxico.org.mx/docs/declaracion-de-compromiso/%7B317BE323-9EBE-28A9-F0B2-B7AB84C8194C%7D.pdf>

No

**SG 03.3**

Additional information. [Optional]

**Afore XXI Banorte**

Our Board of Directors must prepare and approve a code of best practices whose main objective is to eliminate potential conflict of interest in the activities and decision-making regarding investments and risk management. Directors must refrain from exercising their right to vote in cases where they have started to face a conflict of interest. The Investment Committee's purpose is to determine the investment policy and strategy.

We seek that other issuers in our portfolio be aligned on the same line to improve and follow the best practices in transparency, for this reason, the mitigation and policies for the management of conflicts of interest is part of our governance section of the questionnaire we send as a request of information.

Our Code of Best Practices, includes, between others:

- We must communicate current and potential conflicts of interest that may exist between Afore XXI Banorte and the persons with whom they have a patrimonial nexus, either directly through Afore XXI Banorte operations or indirectly through mandates or similar as well as the investment in authorized vehicles that have been issued or structured by persons with whom they have a net worth,

- The Management Board must be composed of at least five members, including an independent director, the CEO of Afore XXI Banorte and the other members or officials designated by the governing body of Afore XXI Banorte.

- Among the members appointed by the governing body, a non-independent director and the manager of the Investment Area of Afore XXI Banorte must be considered.

- Each member will have the right to vote. The members of the Investment Committee shall establish the internal procedure for the adoption of the resolutions in case of a tie in the voting.

- The Board must meet at least once a month, and their sessions will be valid only if they have a quorum of 80% of its members who participate with a vote, within which the assistance of the CEO of Afore XXI Banorte and an Independent Director will be required.

- A detailed memorandum must be drawn up, which will be available for the CONSAR.

- The Regulatory Comptroller and the head of the Risk Management must attend the sessions of the Investment Committees of Afore XXI Banorte participating with voice but without a vote.

- The members of the Investment Committee with voice and vote cannot be members of the Financial Risk Committee except the CEO.

- Independent Directors who are members of an Investment Committee preferably must demonstrate the minimum experience of five years.

- The Independent Directors and those attending the meetings of the Investment Committee must state the potential conflicts of interest that arise in their case regarding the management issues of the investment portfolios that are the object of their evaluation. Independent Directors must abstain from exercising their right to vote in cases where they have stated that they are facing a conflict of interest

Asset Manager Banorte:

Transparency in decision-making and no conflict of interest.

## Objectives and strategies

SG 05	Mandatory	Public	Gateway/Core Assessed	General
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**SG 05.1** Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not set/reviewed

**SG 05.2** Additional information. [Optional]

Afore XXI Banorte:

The investment strategies for each asset class are reviewed annually, considering the underlying asset class, the investment horizon according to our Glidepath, expected returns, as well as the deviation vs. its benchmark and, are presented to our Investment Committee and Risk Committee for their approval.

Asset Manager Banorte:

The sustainability area is in charge of reviewing the investment strategy annually responsible. Later, it is reviewed with our Asset Manager's general management for its approval and adoption in its processes. Further, the area of sustainability is who executes the action plan.

## Governance and human resources

SG 07	Mandatory	Public	Core Assessed	General
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**SG 07.1** Indicate the internal and/or external roles used by your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.

Roles

- Board members or trustees
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Internal Roles (triggers other options)

Select from the below internal roles

- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
  - Sustainability department.**
    - Oversight/accountability for responsible investment
    - Implementation of responsible investment
    - No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
- Dedicated responsible investment staff
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investor relations
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify (1)
- Other role, specify (2)
- External managers or service providers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment

**SG 07.2**

For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

Afore XXI Banorte:

The CIO and the ESG team, are the project leaders on implementing the ESG factors into our investment process. Our objectives are to be able to measure the vulnerability and impact of ESG risks, to promote the public disclosure of ESG information, to be pioneers in Mexico on implementing ESG factors into the investment processes and to enhance the responsible investment practices of the Investment strategy (internal & externally).

As part of the pursuing of these objectives, we have established commitments and engagement activities, to permeate our best practices of responsible investment criteria with internal and external managers of our portfolio (including issuers & government) to the issuers. The ESG team is in charge of analyzing the investment vehicles in the portfolio, develop proposal policies to present to our Investment Committee, of the continuous monitoring and follow-up of the issuer's progress, agreements, and controversies, between other activities.

The Investment Committee members of Afore XXI Banorte perform, mainly, the following functions:

Approve the proposal of the Investment Manual for the SIEFORES. This Manual contains the policies and processes of the investment area, which also includes de Responsible Investment policies and the integration of ESG factors into the investment process and methodology.

To support our commitment to Responsible Investment, we established as part of the functions of our Investment Committee:

Incorporate in the analysis of the characteristics and risks of the issuers, the ESG Factors of each of the investments or investment proposals.

To validate the ESG ranking; this committee must follow up on an annual basis and issue their opinions regarding the investment analysis whose rating represents a risk to the portfolio.

The Responsible Investment area oversight, implement and operate the ESG factors within the Investment area. They help portfolio managers and analysts to integrate these factors in the final analysis of an issuer.

Our board members supervise quarterly the implementation and integration of the policies throughout the life cycle of investments and take into consideration the report of the main ESG activities included in the Investment Committee' s presentation.

Down below the policies by asset type:

ESG Integration for Investments Management trough Mandates: [https://www.xxi-banorte.com/aforeXB/afore/recursos/documentos/pdf/ASG/Lineam\\_Gesti%C3%B3nMandatos.pdf](https://www.xxi-banorte.com/aforeXB/afore/recursos/documentos/pdf/ASG/Lineam_Gesti%C3%B3nMandatos.pdf)

Guidelines for Responsible Investment for Structured Assets: <https://www.xxi-banorte.com/aforeXB/afore/recursos/documentos/pdf/ASG/InvResponsable.pdf>

Responsible Investment in Active Ownership ESG Policy: [https://www.xxi-banorte.com/aforeXB/afore/recursos/documentos/pdf/ASG/Lineam\\_RentaVarPropActiva.pdf](https://www.xxi-banorte.com/aforeXB/afore/recursos/documentos/pdf/ASG/Lineam_RentaVarPropActiva.pdf)

Responsible Investment for Fixed Income ESG Policy: [https://www.xxi-banorte.com/aforeXB/afore/recursos/documentos/pdf/ASG/Lineam\\_RentaVarPropActiva.pdf](https://www.xxi-banorte.com/aforeXB/afore/recursos/documentos/pdf/ASG/Lineam_RentaVarPropActiva.pdf)

Asset Manager Banorte:

Sustainability and Responsible Investment Department:

1. Propose a responsible investment implementation strategy
2. Execute ESG analysis
3. Present results to the Asset Manager General Direction
4. Promote PRI in the stock market
5. Generate information in the Integrated Annual Report and at the PRI initiative

Asset Manager General Direction:

6. Approval of the responsible investment strategy
7. Share the portfolio with the Sustainability and Responsible Investment Department
8. Review ESG analysis results and define its approach

**SG 07.3**

Indicate the number of dedicated responsible investment staff your organisation has.

Number

17

**SG 07.4**

Additional information. [Optional]

Afore XXI Banorte:

We have assigned different resources for the integration of the ESG factors in the investment and decision-making process:

- 3 full-time ESG analysts focus on responsible investment practices
- An external ESG services provider of international prestige.
- 4 portfolio managers plus 6 fundamental analysts

Thanks to the collaboration of the areas in the Investment department, we have accomplished:

Ranked 135 issuers from the portfolio,

Formalized ESG process and operational investment process like proxy voting, appointment of mandates under ESG factors, among others.

Down below the policies by asset type:

ESG Integration for Investments Management through Mandates: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_Gesti%C3%B3nMandatos.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_Gesti%C3%B3nMandatos.pdf)

Guidelines for Responsible Investment for Structured Assets: <https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/InvResponsable.pdf>

Responsible Investment in Active Ownership ESG Policy: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_RentaVarPropActiva.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_RentaVarPropActiva.pdf)

Responsible Investment for Fixed Income ESG Policy: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica\\_RentaFija.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica_RentaFija.pdf)

Asset Manager Banorte:

- Sustainability and Responsible Investment Director
- Asset Manager Director
- Two ESG dedicated team composed by a manager and a specialist

## Promoting responsible investment

SG 09

Mandatory

Public

Core Assessed

PRI 4,5

SG 09.1

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

### Select all that apply

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

GFNorte:

We report our progress since 2018 considering Afore XXI Banorte and Asset Manager Banorte in the scope.

- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- AVCA: Sustainability Committee
- France Invest – La Commission ESG
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

**GFNorte:**

Since 2011, we report to the CDP Climate Change questionnaire the following climate-related issues: corporate governance, risks and opportunities, GHG emissions metrics and targets, among others. For more information, please visit our latest CDP Climate Change Response in the following link:  
[https://investors.banorte.com/~media/Files/B/Banorte-IR/sustainability/GFNorte\\_CDPCC2019.pdf](https://investors.banorte.com/~media/Files/B/Banorte-IR/sustainability/GFNorte_CDPCC2019.pdf)

- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

**Afore XXI Banorte:**

We're certificating our Traders by CFA's exams and also received training on different programs & topics like ethics, good practices, investment tendencies, etc. CFA institue, provides us training on-site.

- Climate Action 100+
- Code for Responsible Investment in SA (CRISA)
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- ESG Research Australia
- Invest Europe Responsible Investment Roundtable
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Bond Principles

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

GFNorte is committed to sustainable investment and to supporting the transition toward a low-carbon economy. With this approach in mind it has been an active investor in the relatively young market for local green bonds and/or social bonds.

Afore XXI Banorte and Asset Manager Banorte have a total of Ps. 2.39 million in assets under management in the green and/or social bond market, more than double the amount invested the year before in this type of asset (+111.21%).

- HKVCA: ESG Committee
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Financial Action in the 21st Century
- Principles for Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)



Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

**GFNorte:**

We are part of the 28 founding banks of the Principles of Responsible Banking that seek to define the role of banks in society and the economy of the 21st century according to the Sustainable Development Goals and the Paris Agreement on climate change.

- United Nations Global Compact

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

**GFNorte:**

Since 2009 we form part as this initiative that encourages implementation of 10 universally accepted principles to promote corporate social responsibility

- Other collaborative organisation/initiative, specify

Equators Principle (EP)

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

**GFNorte:**

Standards within the financial sector to determine, assess and manage the environmental and social risks of financing. We form part of EP since 2012. For more information, please visit our latest EP Report in the following link: [https://investors.banorte.com/~/\\_media/Files/B/Banorte-IR/financial-information/annual-reports/en/2018/Equator%20Principles%20Annual%20Report%202018.pdf](https://investors.banorte.com/~/_media/Files/B/Banorte-IR/financial-information/annual-reports/en/2018/Equator%20Principles%20Annual%20Report%202018.pdf)

- Other collaborative organisation/initiative, specify

Consejo Consultivo de Finanza Verdes

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Afore XXI Banorte presides this Council, where the aimed is to promote the disclosure of ESG related information of all the members who signed the iniative.

- Other collaborative organisation/initiative, specify  
AMAFORE

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Afore XXI Banorte:

The Mexican Asociation of Afores (AMAFORE for its acronym in Spanish), aimed is to disseminate the pension fund system among mexicans, to promote knowledge and understanding. In collaboration with the Afores in Mexico, we promote financial education initiatives, organize discussion forums to identify best practices in management of retirement savings systems, promote research, build alliances strategies, establish dialogue to improve the pension system and promote regulatory and economic policies in search of a better retirement for mexican workers.

- Other collaborative organisation/initiative, specify  
Bankers Assosiation of Mexico

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

GFNorte:

Since 2015 we form a part of the Social Responsibility, Financial Education and Sustainability committees, and are signatories to the Sustainability Protocol of the ABM.

SG 10	Mandatory	Public	Core Assessed	PRI 4
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SG 10.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

SG 10.2

Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.

Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)

Description

Afore XXI Banorte: Association with CFA Institute. We are beneficiaries of courses or conferences imparted by CFA in ESG matters.

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Provided financial support for academic or industry research on responsible investment

Provided input and/or collaborated with academia on RI related work

Encouraged better transparency and disclosure of responsible investment practices across the investment industry

Description

Afore XXI Banorte:

After our first request of information about ESG matters for decision-making, we have observed the interest and concern to disclose more information about the ESG factors and their sustainable strategies. In the case of local managers, we have shared our practices in responsible investment to encourage them to improve their processes and transparency.

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Spoke publicly at events and conferences to promote responsible investment

#### Description

Afore XXI Banorte:

We have participated in several conferences and talks about social responsibility and responsible investment. We have given ourselves the task of associating strategically with our managers to promote ESG factors in the sector, showing that these practices are being taken globally. Our CIO presented to the Issuer's Council the strategy and ESG Model methodology of the Afore and spread the internal concern about others not being adopting these practices. Also we had participation in the Mexican Association of FIBRAS1 to spread the latest dispositions of CONSAR and our strategy to integrate ESG criteria into the investment process.

#### Frequency of contribution

- Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad hoc
  - Other
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI

#### Description

Within our questionnaires, companies are asked if they are affiliated with PRI. From our approach with PRI we have given ourselves to the task of promoting and consider their adhesion to this organization.

#### Frequency of contribution

- Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad hoc
  - Other
- Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)
- Wrote and published articles on responsible investment in the media
- A member of PRI advisory committees/ working groups, specify
- On the Board of, or officially advising, other RI organisations (e.g. local SIFs)

#### Description

Our CIO has spread the recommendation to integrate ESG factors in the investment process to the managers and companies in the portfolio. Through Shareholders Assemblies we have perceived the improvement of companies and the strengthen on its management activities about ESG matters.

### Frequency of contribution

- Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad hoc
  - Other
- Other, specify

### specify description

Consejo Consultivo de Finanzas

### Description

We participate in the Green Finance Advisory Board that seeks the development of a solid Mexican green bond market and specific actions related to Responsible Investment.

### Frequency of contribution

- Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad hoc
  - Other
- No

#### SG 10.3

Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]

#### GFNorte:

At the end of the year, we joined the PRI Advisory Committee for Latin America, whose goal is to support events and workshops in the region to educate and provide tools for strengthening responsible investment practices, representing PRI in local events, and learning about the strategy and work program.

#### Afore XXI Banorte:

During 2019, Afore XXI Banorte adopted the Code of Conduct of the CFA, we were the first-ever pension fund in Mexico to adopt the code and joins more than 1,000 institutions worldwide that claim compliance with the code. The Asset Manager Code clearly outlines the ethical and professional responsibilities of firms that manage assets on behalf of affiliated active workers. For our affiliate's workers, the code provides a benchmark of ethical conduct they should expect from asset managers and offers a higher level of confidence in firms that adopt the code.

We have participated in several discussion forums about ESG factors in investments, we promoted acceptance, implementation and collaborative work of all the principles. Also, our CIO is an active member of the Consejo Consultivo de Finanzas Verdes that collaborates with MexicoO2 which is a platform subsidiary of Grupo Bolsa Mexicana de Valores.

Due the recent CONSAR dispositions, the AFORES must include ESG factors into their investment decision-making process, and they required that every public company must obtain an ESG score determined by a Rating Agency (this change will be applied by 2022), we have been promoting this matter to the issuers and recommending and encouraging them to take the corresponding measures to be ranked by a Ratings Agency.

In the case of local managers, we have shared our practices in responsible investment to encourage them to improve their processes and transparency, regarding the prior, we have met with 21 managers to promote responsible investment practices.

In the following URL you can find our participation in different initiatives and organizations:

<http://cmcm.banxico.org.mx/registro-publico.html>

[https://www.bmv.com.mx/docs-pub/SALA\\_PRENSA/CTEN\\_NOTI/Declaraci%C3%B3n%20de%20inversionistas%20ASG%20en%20M%C3%A9xico.pdf](https://www.bmv.com.mx/docs-pub/SALA_PRENSA/CTEN_NOTI/Declaraci%C3%B3n%20de%20inversionistas%20ASG%20en%20M%C3%A9xico.pdf)

<http://www.mexico2.com.mx/nosotros.php>

Asset Manager Banorte:

During the reporting year we been vocal in our support of ESG issues through various forums, events and workshops, including the following:

- ESG in Credit Risk and Ratings, ally: UN-PRI
- Educational Workshop Focused on ESG/responsible investment in private markets investing, ally: Partners Group
- ESG Day Blackrock, ally: Blackrock
- Regional PRI event for LatAm 2019, ally: UN-PRI
- Workshop ESG, ally: RobecoSam
- Climate change: Portfolio decarbonization for top management and investors, ally: CDP
- MX Sustainable Finance, ally: CCFV

## Outsourcing to fiduciary managers and investment consultants

SG 12	Mandatory	Public	Core Assessed	PRI 4
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 12.1** Indicate whether your organisation uses investment consultants.

Yes, we use investment consultants

**SG 12.2** Indicate how your organisation uses investment consultants in the selection, appointment and/or monitoring of external managers.

We use investment consultants in our selection and appointment of external managers

### Asset class

- Listed Equity (LE)
  - Private equity (PE)
  - Infrastructure (INF)
  - Property (PR)
  - Other asset classes
- We use investment consultants in our monitoring of external managers
- We do not use investment consultants for selection, appointment and monitoring of external managers.

### SG 12.3

Indicate if your organisation considers responsible investment in the selection, appointment and/or review processes for investment consultants.

- Responsible investment is considered when evaluating investment consultants' investment beliefs, strategies and policies in the selection process.
- Responsible investment is considered when evaluating investment consultants' public commitment to, and promotion of, responsible investment in the selection process.
- Responsible investment is considered when reviewing investment consultants' approach to investment manager ratings, research and recommendations in the monitoring process.
- Consultants' responsibilities in terms of responsible investment in manager selection, appointment and monitoring processes are included in our contractual agreements with the investment consultants.
- We do not consider responsible investment in the selection, appointment and/or review processes for investment consultants.

### SG 12.4

Indicate whether you use investment consultants for any the following services. Describe the responsible investment components of these services.

- Custodial services

### Describe how responsible investment is incorporated

Afore XXI Banorte:

During the reporting year, we evaluated our voting process and its outcomes. We initiated the classification of themes generally included into the shareholder assembly agendas, to define the policies and the cases where a proxy voting would be necessary. to the assemblies. Moreover, the logbook matrix of the voting decisions in 2019 will be public in the website. For further details, please visit: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica\\_ejercicio.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica_ejercicio.pdf)

- Investment policy development
  - Strategic asset allocation
  - Investment research
  - Other, specify (1)
  - Other, specify (2)
  - Other, specify (3)
  - None of the above
- No, we do not use investment consultants.

**SG 12.5**

Indicate whether your organisation considers any of the following responsible investment factors in the monitoring of fiduciary managers

- Including responsible investment as a standard agenda item at performance review meetings
- Discussing whether the fiduciary manager has acted in accordance with your organisation's overall investment beliefs/ strategy/ policy on responsible investment and ESG factors
- Reviewing the fiduciary manager's PRI Transparency or Assessment reports
- Reviewing the fiduciary manager's responsible investment reporting (excluding PRI generated reports)
- Reviewing ESG characteristics/factors used by the fiduciary manager in portfolio construction
- Reviewing the fiduciary manager's incorporation approaches of ESG through-out asset classes
- Reviewing the impact of ESG factors on financial performance
- Encouraging your fiduciary managers to consider joining responsible investment initiatives/organisations or participate in educational or collaborative projects with other investors
- Including responsible investment criteria as a formal component of overall manager performance evaluation
- Reviewing the fiduciary manager's ESG incorporation in external managers' selection, appointment, monitoring
- Reviewing how ESG materiality is defined by the fiduciary manager
- Other general aspects of your monitoring; specify
- We do not consider responsible investment in the monitoring processes for fiduciary managers.

**SG 12.6**

Describe the approach you take to monitoring your fiduciary managers and the reason(s) for this approach [Optional].

Afore XXI Banorte:

All assets managed "externally" are being evaluated using the ESG factors, because, first of all, our external managers are actually signatories of PRI.

We use the following elements to formally integrate responsible investment practices in the selection and monitoring process:

**ESG Incorporation**

Use of a detailed questionnaire to capture responsible investment practices specifically applied to our portfolios.

We have managed to know the policies and initiatives of our mandates regarding the application of ESG factors within their investment process. This information will be presented biannually to the Investment Committee to see the evolution of its processes and progress in the incorporation of the ESG factors within its investment. The outcomes achieved have been to expand our know-how through the knowledge of international standards and to provoke an engagement with the administrators to follow up on their ESG projects and innovations.

**Engagement**

Discussion of ESG risks and opportunities at a portfolio level as part of a formal and periodically meetings.

Discussion of the ESG performance, as part of the monitoring and evaluation process and presenting the performance results in our Investment Committee.

To carry out this analysis, we have direct contact with the administrator, with whom several meetings are established to discuss the implementation of the ESG factors and their current status of the portfolio and the administrator.

**Monitoring**

Semiannual reports with tracking information.

Annual monitoring. Reveal their ESG activities and advances for each fund in which they have invested and based on a set of common monitoring indicators for the management company and the underlying investments of the fund.

Monitoring of ESG incidents based on our dispute format, in case of any controversy, the proposal for a remediation plan. The following scheme summarizes the dispute monitoring and management process (incorporating ESG guidelines), which is followed by external managers: For infrastructure assets we monitor their sustainability indicators as well as the way in which ESG principles are permeating managers and tenants.

On a quarterly basis we monitor ESG scoring evolution on each individual factor. Our approach to ESG monitoring within our managers is to foster improvement within our scoring criteria on a long-term basis. If we see a downgrade within this guideline, we engage in a deep dive analysis with our managers to understand the further actions in this



regard if it's necessary. ESG analysis is embedded in a holistic evaluation of the whole mandate within other traditional metrics.

## ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
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<b>SG 13.1</b>	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities
- No, our organisation does not currently carry out scenario analysis and/or modelling

<b>SG 13.3</b>	Additional information. [OPTIONAL]
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Afore XXI Banorte:

We identify risks and opportunities for each type of industry and asset through a qualitative model that analyses the commitment of companies to sustainable principles and their low incidence in controversies, that mainly affect corporate governance and their organization's reputation. The model uses a rating scale of AAA to CCC, being the CCC with the lowest score.

These commitments are based on the three fundamental pillars a company needs to manage to be sustainable in the long term: environmental, social and corporate governance. Within the analysis of these three factors, we promote our fiduciary responsibility to incorporate the ESG factors into long-term investments and encourage greater disclosure of ESG information.

We use actively our shareholders' rights to engage with the companies in which we invest constructively, the results are sustainable corporate behaviour among the companies. Our approach with companies follows the following guidelines:

- Have a consistent sustainability strategy
- Effectively manage the environmental impact
- Promote social development effectively
- Managing corporate risk effectively

## Communication

SG 19	Mandatory	Public	Core Assessed	PRI 2, 6
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<b>SG 19.1</b>	Indicate whether your organisation typically discloses asset class specific information proactively. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.
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	Selection, Appointment and Monitoring
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Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

The information disclosed to clients/beneficiaries is the same

- Yes
- No

<b>Disclosure to public and URL</b>	
Disclosure to public and URL	<input checked="" type="checkbox"/> How responsible investment considerations are included in manager selection, appointment and monitoring processes <input checked="" type="checkbox"/> Details of the responsible investment activities carried out by managers on your behalf <input type="checkbox"/> E, S and/or G impacts and outcomes that have resulted from your managers' investments and/or active ownership <input type="checkbox"/> Other
Frequency	<input type="checkbox"/> Quarterly or more frequently <input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad-hoc/when requested
URL	<a href="https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_Gesti%C3%B3nMandatos.pdf">https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_Gesti%C3%B3nMandatos.pdf</a>

Listed equity - Incorporation

Do you disclose?

- We do not proactively disclose it to the public and/or clients/beneficiaries
- We disclose to clients/beneficiaries only.
- We disclose it publicly

The information disclosed to clients/beneficiaries is the same

- Yes
- No

Disclosure to public and URL	Disclosure to clients/beneficiaries
<p><b>Disclosure to public and URL</b></p> <ul style="list-style-type: none"> <li><input checked="" type="radio"/> Broad approach to ESG incorporation</li> <li><input type="radio"/> Detailed explanation of ESG incorporation strategy used</li> </ul>	<p><b>Disclosure to clients/beneficiaries</b></p> <ul style="list-style-type: none"> <li><input checked="" type="radio"/> Broad approach to ESG incorporation</li> <li><input type="radio"/> Detailed explanation of ESG incorporation strategy used</li> </ul>
<p><b>Frequency</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Quarterly or more frequently</li> <li><input type="checkbox"/> Biannually</li> <li><input checked="" type="checkbox"/> Annually</li> <li><input type="checkbox"/> Less frequently than annually</li> <li><input type="checkbox"/> Ad-hoc/when requested</li> </ul>	<p><b>Frequency</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Quarterly or more frequently</li> <li><input type="checkbox"/> Biannually</li> <li><input checked="" type="checkbox"/> Annually</li> <li><input type="checkbox"/> Less frequently than annually</li> <li><input type="checkbox"/> Ad-hoc/when requested</li> </ul>
<p><b>URL</b></p> <p><a href="https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_RentaVarPropActiva.pdf">https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_RentaVarPropActiva.pdf</a></p>	

Listed equity - Engagement

Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

The information disclosed to clients/beneficiaries is the same

- Yes
- No

Disclosure to public and URL	Disclosure to clients/beneficiaries
<div data-bbox="256 331 1173 394" style="background-color: #0070C0; color: white; padding: 2px;">Disclosure to public and URL</div> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Details on the overall engagement strategy</li> <li><input type="checkbox"/> Details on the selection of engagement cases and definition of objectives of the selections, priorities and specific goals</li> <li><input type="checkbox"/> Number of engagements undertaken</li> <li><input type="checkbox"/> Breakdown of engagements by type/topic</li> <li><input type="checkbox"/> Breakdown of engagements by region</li> <li><input type="checkbox"/> An assessment of the current status of the progress achieved and outcomes against defined objectives</li> <li><input type="checkbox"/> Examples of engagement cases</li> <li><input type="checkbox"/> Details on eventual escalation strategy taken after the initial dialogue has been unsuccessful (i.e. filing resolutions, issuing a statement, voting against management, divestment etc.)</li> <li><input type="checkbox"/> Details on whether the provided information has been externally assured</li> <li><input type="checkbox"/> Outcomes that have been achieved from the engagement</li> <li><input type="checkbox"/> Other information</li> </ul>	<div data-bbox="1198 331 1449 443" style="background-color: #0070C0; color: white; padding: 2px;">Disclosure to clients/beneficiaries</div> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Details on the overall engagement strategy</li> <li><input type="checkbox"/> Details on the selection of engagement cases and definition of objectives of the selections, priorities and specific goals</li> <li><input type="checkbox"/> Number of engagements undertaken</li> <li><input type="checkbox"/> Breakdown of engagements by type/topic</li> <li><input type="checkbox"/> Breakdown of engagements by region</li> <li><input type="checkbox"/> An assessment of the current status of the progress achieved and outcomes against defined objectives</li> <li><input type="checkbox"/> Examples of engagement cases</li> <li><input type="checkbox"/> Details on eventual escalation strategy taken after the initial dialogue has been unsuccessful (i.e. filing resolutions, issuing a statement, voting against management, divestment etc.)</li> <li><input type="checkbox"/> Details on whether the provided information has been externally assured</li> <li><input type="checkbox"/> Outcomes that have been achieved from the engagement</li> <li><input type="checkbox"/> Other information</li> </ul>
<div data-bbox="256 1843 1173 1906" style="background-color: #0070C0; color: white; padding: 2px;">Frequency</div> <ul style="list-style-type: none"> <li><input type="checkbox"/> Quarterly or more frequently</li> <li><input type="checkbox"/> Biannually</li> </ul>	<div data-bbox="1198 1843 1449 1906" style="background-color: #0070C0; color: white; padding: 2px;">Frequency</div> <ul style="list-style-type: none"> <li><input type="checkbox"/> Quarterly or more frequently</li> </ul>

<input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad-hoc/when requested	<input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad-hoc/when requested
<div style="background-color: #0070C0; color: white; padding: 5px;">URL</div> <p><a href="https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_RentaVarPropActiva.pdf">https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_RentaVarPropActiva.pdf</a></p>	

Listed equity – (Proxy) Voting

Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

The information disclosed to clients/beneficiaries is the same

- Yes
- No

Disclosure to public and URL	Disclosure to clients/beneficiaries
<p data-bbox="256 331 1125 398"><b>Disclosure to public and URL</b></p> <p data-bbox="256 405 906 521"> <input checked="" type="radio"/> Disclose all voting decisions  <input type="radio"/> Disclose some voting decisions  <input type="radio"/> Only disclose abstentions and votes against management         </p>	<p data-bbox="1150 331 1447 421"><b>Disclosure to clients/beneficiaries</b></p> <p data-bbox="1150 427 1410 651"> <input checked="" type="radio"/> Disclose all voting decisions  <input type="radio"/> Disclose some voting decisions  <input type="radio"/> Only disclose abstentions and votes against management         </p>
<p data-bbox="256 696 1125 763"><b>Frequency</b></p> <p data-bbox="256 770 603 972"> <input type="checkbox"/> Quarterly or more frequently  <input type="checkbox"/> Biannually  <input checked="" type="checkbox"/> Annually  <input type="checkbox"/> Less frequently than annually  <input type="checkbox"/> Ad hoc/when requested         </p>	<p data-bbox="1150 696 1447 763"><b>Frequency</b></p> <p data-bbox="1150 770 1437 1028"> <input type="checkbox"/> Quarterly or more frequently  <input type="checkbox"/> Biannually  <input checked="" type="checkbox"/> Annually  <input type="checkbox"/> Less frequently than annually  <input type="checkbox"/> Ad hoc/when requested         </p>
<p data-bbox="256 1070 1125 1137"><b>URL</b></p> <p data-bbox="256 1144 1114 1205"> <a href="https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica_ejercicio.pdf">https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica_ejercicio.pdf</a> </p>	

**Fixed income**

**Do you disclose?**

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

**The information disclosed to clients/beneficiaries is the same**

- Yes
- No

<b>Disclosure to public and URL</b>	
Disclosure to public and URL	<input type="radio"/> Broad approach to RI incorporation <input checked="" type="radio"/> Detailed explanation of RI incorporation strategy used
Frequency	<input type="checkbox"/> Quarterly <input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad hoc/when requested
URL	<a href="https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica_RentaFija.pdf">https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica_RentaFija.pdf</a>

<b>SG 19.2</b>	Additional information [Optional]
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Nothing to add.

# GRUPO FINANCIERO BANORTE S A B DE C V

## Reported Information

### Public version

### Indirect – Manager Selection, Appointment and Monitoring

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.



## Listed Equity and Fixed Income Strategies

SAM 01

Mandatory

Public

Gateway

PRI 1

SAM 01.1

Indicate which of the following ESG incorporation strategies you require your external manager(s) to implement on your behalf for all your listed equity and/or fixed income assets:

Active investment strategies

Active investment strategies	Listed Equity				
Screening	<input checked="" type="checkbox"/>				
Thematic	<input type="checkbox"/>				
Integration	<input checked="" type="checkbox"/>				
None of the above	<input type="checkbox"/>				

SAM 01.2

Additional information. [Optional]

Afore XXI Banorte:

Exclusionary Screening

Our analysis is qualitative and quantitative. Through the ESG integration we do not seek to restrict investment to certain sectors, countries or companies, however, we have an exclusion matrix by type of asset, in which we restrict sectors or projects with reputational, ethical and socio-environmental dangers (for example: nuclear energy, radioactive materials, child exploitation, alcoholic beverages, trawling, among others).

Our overarching exclusions are:

Tobacco industry, alcoholic beverages, black turns, transit hotels, nuclear energy, life-threatening pharmaceuticals, uranium extraction for weapons, artisanal mining, land mines, manufacture of cluster bombs, weapons and ammunition, animal testing, transgenics, trawling, coal mining and processing, pesticides or herbicides, narcotics, woods and forest products, chemical and nuclear weapons, exploitation of child labour, substances that deplete the ozone layer, compounds of polychlorinated biphenyls, non-adherent asbestos fibers, wildlife trade, considerable degradation of a national park or other similar protected area, companies involved with Iran or Sudan.

Thematic

For infrastructure assets (CKDs & CERPIS), we invest on projects that offers assets specialized in sustainability (for example, clean energy, green technology, hospitals, and sustainable agriculture).

Integration

Our application of ESG factors with external managers began with a questionnaire for them to reveal and explain their policies and processes (how they implement and apply responsible investment from due diligence, selection, to the investment process). In this questionnaire you can see topics such as policies, screenings, engagement, proxy voting and a detailed description of the scores of the portfolios to be able to make a joint analysis by Manager.

In the "ESG integration process", there are certain filters aligned with international policies and standards, which make the investment selection process more solid. In general terms, we seek to influence a responsible investment practice through the incorporation of ESG factors.

Therefore our ESG integration process covers screening, sustainability, themed investment and integration. We are in the process of improving this report through specific objectives and requirements by topic.

Asset Manager Banorte:

We include a questionnaire within our sub advisory's selection process on whether or not the asset manager considers ESG factors through their investment process. It is important to mention that all of our current partners are signatories of the PRI.

**Selection**

<b>SAM 02</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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**SAM 02.1** | Indicate what RI-related information your organisation typically covers in the majority of selection documentation for your external managers

	LE					Private equity	Property	Infrastructure
Your organisation's investment strategy and how ESG objectives relate to it	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG incorporation requirements	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG reporting requirements	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
No RI information covered in the selection documentation	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**SAM 02.2** | Explain how your organisation evaluates the investment manager's ability to align between your investment strategy and their investment approach

Strategy

	LE					Private equity	Property	Infrastructure
Assess the time horizon of the investment manager's offering vs. your/beneficiaries' requirements	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the quality of investment policy and its reference to ESG	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the investment approach and how ESG objectives are implemented in the investment process	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's firm-level vs. product-level approach to RI	<input checked="" type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assess the ESG definitions to be used	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### ESG people/oversight

	LE					Private equity	Property	Infrastructure
Assess ESG expertise of investment teams	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the oversight and responsibilities of ESG implementation	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review how is ESG implementation enforced /ensured	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review the manager's RI-promotion efforts and engagement with the industry	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### Process/portfolio construction/investment valuation

	LE				Private equity	Property	Infrastructure
Review the process for ensuring the quality of the ESG data used	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree the use of ESG data in the investment decision making process	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree the impact of ESG analysis on investment decisions	<input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review and agree ESG objectives (e.g. risk reduction, return seeking, real-world impact)	<input type="checkbox"/>				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree manager's ESG risk framework	<input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review and agree ESG risk limits at the portfolio level (portfolio construction) and other ESG objectives	<input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review how ESG materiality is evaluated by the manager	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review process for defining and communicating on ESG incidents	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree ESG reporting frequency and detail	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other, specify	<input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### SAM 02.3

Indicate the selection process and its ESG/RI components

- Review ESG/RI responses to RfP, RfI, DDQ etc.
- Review responses to PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire (LP DDQ)
- Review publicly available information on ESG/RI
- Review assurance process on ESG/RI data and processes
- Review PRI Transparency Reports
- Request and discuss PRI Assessment Reports
- Meetings with the potential shortlisted managers covering ESG/RI themes
- Site visits to potential managers offices
- Other, specify

**SAM 02.4**

When selecting external managers does your organisation set any of the following:

	LE					Private equity	Property	Infrastructure
ESG performance development targets	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG score	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG weight	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Real world economy targets	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other RI considerations	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

You selected an 'Other' option in table SAM 02.4 above, please specify

Afore XXI Banorte:

We use the following elements to formally integrate responsible investment practices in the selection and monitoring process:

- Use of a detailed questionnaire to capture responsible investment practices specifically applied to Afore XXI Portfolios.
- Discussion of ESG risks and opportunities at a portfolio level as part of a formal and periodically meetings.
- Discussion of the ESG performance, as part of monitoring and evaluate process and presenting the performance results in our Investment Committee.
- Semiannual reports with tracking information.
- Annual monitoring. Reveal their ESG activities and advances for each fund in which they have invested, and based on a set of common monitoring indicators for the management company and the underlying investments of the fund.
- Monitoring of ESG incidents based on the Afore XXI Banorte dispute format, in case of any controversy, the proposal for a remediation plan. The following scheme summarizes the dispute monitoring and management process (incorporating ESG guidelines), which is followed by external managers:

Definition of investment strategies --->Investment Policy Review ---> Managers Evaluation---> Manager Selection --->Investment --->

Monitoring and Tracking ---> Stage Final

SAM 03	Mandatory	Public	Additional Assessed	PRI 2
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**SAM 03.1** Indicate how your organisation typically evaluates the manager’s active ownership practices in the majority of the manager selection process.

Engagement

	LE				
Review the manager’s engagement policy	<input checked="" type="checkbox"/>				
Review the manager’s engagement process (with examples and outcomes)	<input checked="" type="checkbox"/>				
Ensure whether engagement outcomes feed back into the investment decision-making process	<input checked="" type="checkbox"/>				
Other engagement issues in your selection process specify	<input checked="" type="checkbox"/>				

If you select ‘Other’ option, specify

Afore XXI Banore: ESG compliance questionnaire.

(Proxy) voting

	LE
Review the manager’s voting policy	<input checked="" type="checkbox"/>
Review the manager’s ability to align voting activities with clients’ specific voting policies	<input checked="" type="checkbox"/>
Review the manager’s process for informing clients about voting decisions	<input checked="" type="checkbox"/>
Ensure whether voting outcomes feed back into the investment decision-making process	<input checked="" type="checkbox"/>
Review the number of votes cast as a percentage of ballots/AGMs or holdings and available rationale	<input checked="" type="checkbox"/>
Other active ownership voting issues in your selection process; specify	<input type="checkbox"/>

**SAM 03.2**

Describe how you assess if the manager’s engagement approach is effective.

- Impact on investment decisions
- Financial impact on target company or asset class
- Impact on ESG profile of company or the portfolio
- Evidence of changes in corporate practices(i.e. ESG policies and implementation activities)
- Other, specify
- None of the above

**SAM 03.3**

Describe how you assess if the manager’s voting approach is effective/appropriate

- Impact on investment decisions
- Impact on ESG profile of company or the portfolio
- Evidence of changes in corporate practices(i.e. ESG policies and implementation activities)
- Other, specify
- None of the above

**SAM 03.4**

Additional information [OPTIONAL]

Afore XXI Banorte:

As mentioned above, our application of ESG factors with external managers began with a questionnaire where we asked them to reveal and explain their policies and processes that concern how they implement and apply responsible investment within their investment process. In this questionnaire you can see topics such as policies, screenings, engagement, proxy voting and a detailed description of the scores of your portfolio to be able to make a joint analysis by manager.

This questionnaire therefore covers screening, sustainability and integration. Our engagement activities also applied to mandates. In the last year, we initiated a first approach to managers through a questionnaire asking about manager’s processes and policies for proxy voting, engagement, ESG criteria, screening, sustainability, themed investment and integration.

Additionally, on a semi-annual basis, we update these matters and also we asked about the follow up of possible controversies that may happened in the last period and we carry out a punctual monitoring of the manager’s voting process.

During this process, we have carried out an analysis of our portfolio to identify mandates with assets that have exposure to some of the restricted sectors on our exclusion list. As an example, we identify tobacco exposure in his our mandates, but its tobacco-related operations or activities represented less than 10% of the company’s total annual income, we conclude that it aligns with our list of excluded sectors.

**Appointment**

<b>SAM 04</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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**SAM 04.1**

Indicate if in the majority of cases and where the structure of the product allows, your organisation does any of the following as part of the manager appointment and/or commitment process

- Sets standard benchmarks or ESG benchmarks
- Defines ESG objectives and/ or ESG related exclusions/restrictions
- Sets incentives and controls linked to the ESG objectives
- Requires reporting on ESG objectives
- Requires the investment manager to adhere to ESG guidelines, regulations, principles or standards
- Other, specify (1)
- Other, specify (2)
- None of the above

**SAM 04.2**

Provide an example per asset class of your benchmarks, objectives, incentives/controls and reporting requirements that would typically be included in your managers' appointment.

## Asset class

- Listed equity (LE)

## Benchmark

- Standard benchmark
- ESG benchmark, specify

## ESG Objectives

- ESG related strategy, specify  
Afore XXI Banorte: We require that they reveal to us if they have an ESG strategy or specific policies.
- ESG related investment restrictions, specify  
Afore XXI Banorte: We require them to disclose if they have a list of investment restrictions, as a well as to consider our exclusion list for sectors and projects.
- ESG integration, specify  
Afore XXI Banorte: We request them to display their ESG strategy and how they will incorporate it into the investment process.
- Engagement, specify  
Afore XXI Banorte: Once a year we have meetings with managers to follow up on ESG commitments, and periodically we have follow-up calls with managers.
- Voting, specify  
Afore XXI Banorte: We seek to improve corporate governance practices and increase transparency in its operations through voting policies.
- Promoting responsible investment  
Afore XXI Banorte: We promote the adoption of Responsible Investment Principles into their strategies and operations.
- ESG specific improvements
- Other, specify
- ESG guidelines/regulation, principles/standards, specify



## Incentives and controls

- Fee based incentive
- Communication and remedy of breaches
- Termination
- No fee/ breach of contract

## Reporting requirements

- Monthly
  - Quarterly
  - Bi-annually
  - Annually
  - Ad-hoc/when requested
- Private equity

## Benchmark

- Standard benchmark, specify  
Afore XXI Banorte: We have different approved indexes according to the Glidepath of our Siefores.
- ESG benchmark, specify

## ESG Objectives

- ESG related strategy, specify  
Afore XXI Banorte: We required that they reveal to us if they have an ESG strategy or specific policies.
- ESG related investment restrictions, specify  
Afore XXI Banorte: We require them to disclose if they have a list of investment restrictions, as a well as to consider our exclusion list for sectors and projects.
- ESG integration, specify  
Afore XXI Banorte: We request them to display their ESG strategy and how they will incorporate it into the investment process.
- Engagement, specify  
Afore XXI Banorte: Once a year we have meetings with managers to follow up on ESG commitments, and periodically we have follow-up calls with managers.
- Voting, specify  
Afore XXI Banorte: We seek to improve corporate governance practices and increase transparency in its operations through voting policies.
- Promoting responsible investment  
Afore XXI Banorte: We promote the issuers lo adopt Responsible Investment Principles into their strategies and operations.
- ESG specific improvements
- Other, specify
- ESG guidelines/regulation, principles/standards, specify

## Incentives and controls

- Fee based incentive
- Communication and remedy of breaches
- Termination
- No fee/ breach of contract

## Reporting requirements

- Ad-hoc/when requested
- Annually
- Bi-annually
- Quarterly
- Monthly
- Property
- Infrastructure

## Benchmark

- Standard benchmark, specify  
Afore XXI Banorte: We have different approved indexes according to the Glidepath of our Siefors.
- ESG benchmark, specify

## ESG Objectives

- ESG related strategy, specify  
Afore XXI Banorte: We require that they reveal to us if they have an ESG strategy or specific policies.
- ESG related investment restrictions, specify  
Afore XXI Banorte: We require them to disclose if they have a list of investment restrictions, as a well as to consider our exclusion list for sectors and projects.
- ESG integration, specify  
Afore XXI Banorte: TWe request them to display their ESG strategy and how they will incorporate it into the investment process.
- Engagement, specify  
Afore XXI Banorte: Once a year we have meetings with managers to follow up on ESG commitments, and periodically we have follow-up calls with managers.
- Voting, specify  
Afore XXI Banorte: We seek to improve corporate governance practices and increase transparency in its operations through voting policies.
- Promoting responsible investment  
Afore XXI Banorte: We promote the issuers lo adopt Responsible Investment Principles into their strategies and operations.
- ESG specific improvements  
Afore XXI Banorte: Goal of 10 years (2020- 2030) that will apply to our investments into real estate sector and consists into identify potential risks, evaluate them and carried out commitments and / or adaptation measures.

- Other, specify
- ESG guidelines/regulation, principles/standards, specify

### Incentives and controls

- Fee based incentive
- Communication and remedy of breaches
- Termination
- No fee/ breach of contract

### Reporting requirements

- Ad-hoc/when requested
- Annually
- Bi-annually
- Quarterly
- Monthly

### SAM 04.3 Indicate which of these actions your organisation might take if any of the requirements are not met

- Discuss requirements not met and set project plan to rectify
- Place investment manager on a "watch list"
- Track and investigate reason for non-compliance
- Re-negotiate fees
- Failing all actions, terminate contract with the manager
- Other, specify
- No actions are taken if any of the ESG requirements are not met

### SAM 04.4 Provide additional information relevant to your organisation`s appointment processes of external managers. [OPTIONAL]

Afore XXI Banorte:

Due to the nature of investments in CKDs, we implemented an alternative process called the "Ventanilla Única" Process. This process aims to establish guidelines for the interaction of Managers, Co-investors and brokers interested in presenting a CKD or CERPI. The "Ventanilla Única" works as a first documentary filter. Two questionnaires are integrated (one general and one specific ESG) as part of the minimum documentation necessary to enter an application. This is a platform that performs a preliminary analysis of the minimum requirements that managers must meet, in order to be candidates evaluated by the "Review Group".

Responsible Investment Policy: <https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/InvResponsable.pdf>

External managers for mandates will be eligible as long as they consider a comprehensive vision that contemplates the impact on the global financial system, plus the evaluation and impact of ESG factors within their investment analysis, taking into consideration the elements approved by the Committee of Investment of Afore XXI Banorte. The process of selecting mandates consists of 7 stages: 1) Definition of investment strategies; 2) Investment Policy Review (including ESG); 3) Managers Evaluation; 4) Manager Selection; 5) Investment; 6) Monitoring and Tracking and 7) Stage Final

URL: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_Gesti%C3%B3nMandatos.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_Gesti%C3%B3nMandatos.pdf)

## Monitoring

<b>SAM 05.1</b>	When monitoring managers, indicate which of the following types of responsible investment information your organisation typically reviews and evaluates
-----------------	---

	LE					Private equity	Property	Infrastructure
ESG objectives linked to investment strategy (with examples)	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Evidence on how the ESG incorporation strategy(ies) affected the investment decisions and financial / ESG performance of the portfolio/fund	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compliance with investment restrictions and any controversial investment decisions	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG portfolio characteristics	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
How ESG materiality has been evaluated by the manager in the monitored period	<input type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Information on any ESG incidents	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Metrics on the real economy influence of the investments	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PRI Transparency Reports	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PRI Assessment Reports	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
RI-promotion and engagement with the industry to enhance RI implementation	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changes to the oversight and responsibilities of ESG implementation	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general RI considerations in investment management agreements; specify	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>SAM 05.2</b>	When monitoring external managers, does your organisation set any of the following to measure compliance/progress
-----------------	---

	LE					Private equity	Property	Infrastructure
ESG score	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG weight	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG performance minimum threshold	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Real world economy targets	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other RI considerations	<input checked="" type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you select any `Other` option(s), specify

Afore XXI Banorte:

The ESG team is in charge of monitoring the projects and companies in the portfolio, on ESG criteria. Therefore, any relevant changes on the score and controversies identified are presented in the Investment Committee. After each session the committee members share its comments and concerns to the CIO and if necessary, a monitoring plan.

**SAM 05.3**

Provide additional information relevant to your organisation`s monitoring processes of external managers. [OPTIONAL]

Afore XXI Banorte:

We use the following elements to formally integrate responsible investment practices in the selection and monitoring process:

- Use of a detailed questionnaire to capture responsible investment practices specifically applied to our portfolios.
- Discussion of ESG risks and opportunities at a portfolio level as part of a formal and periodically meetings.
- Discussion of the ESG performance, as part of monitoring and evaluation process and presenting the performance results in our Investment Committee.
- Semi-annual reports with tracking information.
- Annual monitoring. Reveal their ESG activities and advances for each fund in which they have invested, and based on a set of common monitoring indicators for the management company and the underlying investments of the fund.
- Monitoring of ESG incidents based on our dispute format, in case of any controversy, the proposal for a remediation plan.

For infrastructure assets (CKDs) we monitor their sustainability indicators as well as the way in which ESG principles are permeating managers and tenants and for this purpose, our Investment Committee approved a goal of 10 years (2020- 2030) that will apply to our investments into real estate sector and consists into identify potential risks, evaluate them and carried out commitments and / or adaptation measures.

Responsible Investment Guidelines for Managing Mandates URL: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_Gesti3nMandatos.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_Gesti3nMandatos.pdf)

Responsible Investment for the Management of Structured Instruments URL: <https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/InvResponsable.pdf>

**SAM 06**

**Mandatory**

**Public**

**Additional Assessed**

**PRI 1**

**SAM 06.1**

When monitoring managers, indicate which of the following active ownership information your organisation typically reviews and evaluates from the investment manager in meetings/calls

Engagement

	LE				
Report on engagements undertaken (summary with metrics, themes, issues, sectors or similar)	<input type="checkbox"/>				
Report on engagement ESG impacts (outcomes, progress made against objectives and examples)	<input checked="" type="checkbox"/>				
Information on any escalation strategy taken after initial unsuccessful dialogue	<input type="checkbox"/>				
Alignment with any eventual engagement programme done internally	<input type="checkbox"/>				
Information on the engagement activities' impact on investment decisions	<input type="checkbox"/>				
Other RI considerations relating to engagement in investment management agreements; specify	<input checked="" type="checkbox"/>				
None of the above	<input type="checkbox"/>				

If you select any `Other` option(s), specify

Afore XXI Banorte:

Annually answer the ESG compliance questionnaire

(Proxy) voting

	LE
Report on voting undertaken (with outcomes and examples)	<input checked="" type="checkbox"/>
Report on voting decisions taken	<input type="checkbox"/>
Adherence with the agreed upon voting policy	<input checked="" type="checkbox"/>
Other RI considerations relating to (proxy) voting in investment management agreements; specify	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

**SAM 07**

**Mandatory**

**Public**

**Core Assessed**

**PRI 2**

**SAM 07.1**

For the listed equities for which you have given your external managers a (proxy) voting mandate, indicate the approximate percentage (+/- 5%) of votes that were cast during the reporting year.

Votes cast (to the nearest 5%)

%

13.7

Specify the basis on which this percentage is calculated.

- Of the total number of ballot items on which they could have issued instructions
- Of the total number of company meetings at which they could have voted
- Of the total value of your listed equity holdings on which they could have voted
- We do not collect this information.

## Outputs and outcomes

**SAM 09**

**Mandatory**

**Public**

**Additional Assessed**

**PRI 1,6**

**SAM 09.1**

Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.

Add Example 1

Topic or issue	ESG ratings, scores, weights and process.
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity <input type="checkbox"/> Private equity <input type="checkbox"/> Property <input type="checkbox"/> Infrastructure
Scope and process	Questionnaire are sent to each of the managers, for them to present a disclosure of their ESG policy, their process of integration of the ESG factors within their investment policy, controversies and visualized opportunities for the portfolio.
Outcomes	ESG score, ratings, weights, controversies and opportunities.

Add Example 2

Topic or issue	ESG ratings, scores, weights and process.
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Private equity <input type="checkbox"/> Property <input checked="" type="checkbox"/> Infrastructure
Scope and process	<p>The monitoring of investments in infrastructure is carried out only by internal personnel of XXI Banorte, under the following framework:</p> <ul style="list-style-type: none"> <li>• Exposure of the company to a high-risk materiality issue.</li> <li>• Involvement of the company in some sector or activity excluded by XXI Banorte.</li> <li>• Opportunity area for engagement with the company.</li> <li>• Update of the sustainability indicators questionnaire.</li> </ul> <p>Tracing</p> <p>The follow-up of investments in infrastructure is carried out annually and in the following circumstances:</p> <ul style="list-style-type: none"> <li>• Internal methodology update.</li> <li>• Controversy or catastrophe that affects the ESG pillars, as a result of the company's operations.</li> <li>• Relevant event that affects the management of the company's Board of Directors.</li> <li>• Holder Assemblies - Right to Vote.</li> </ul>
Outcomes	Currently, we have covered 22% of meetings with CKDs and have an ESG score of 57% of the total. We have received 96% of ESG compliance questionnaires.

Add Example 3



Topic or issue	ESG ratings, scores, weights and process.
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Private equity <input checked="" type="checkbox"/> Property <input type="checkbox"/> Infrastructure
Scope and process	<p>The monitoring of investments in infrastructure is carried out only by internal personnel of XXI Banorte, under the following framework:</p> <ul style="list-style-type: none"> <li>• Exposure of the company to a high-risk materiality issue.</li> <li>• Involvement of the company in some sector or activity excluded by XXI Banorte.</li> <li>• Opportunity area for engagement with the company.</li> <li>• Update of the sustainability indicators questionnaire.</li> </ul> <p>Tracing</p> <p>The follow-up of investments in infrastructure is carried out annually and in the following circumstances:</p> <ul style="list-style-type: none"> <li>• Internal methodology update.</li> <li>• Controversy or catastrophe that affects the ESG pillars, as a result of the company's operations.</li> <li>• Relevant event that affects the management of the company's Board of Directors.</li> <li>• Holder Assemblies - Right to Vote.</li> </ul>
Outcomes	Currently, we have covered 22% of meetings with CKDs and have an ESG score of 57% of the total. We have received 96% of ESG compliance questionnaires.

- Add Example 4
- Add Example 5
- Add Example 6
- Add Example 7
- We are not able to provide examples

# GRUPO FINANCIERO BANORTE S A B DE C V

## Reported Information

Public version

Direct - Listed Equity Incorporation

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## ESG incorporation in actively managed listed equities


### Implementation processes

LEI 01	Mandatory	Public	Gateway	PRI 1
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LEI 01.1	Indicate which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities; and the breakdown of your actively managed listed equities by strategy or combination of strategies.
----------	---

#### ESG incorporation strategy (select all that apply)

- Screening alone (i.e., not combined with any other strategies)
- Thematic alone (i.e., not combined with any other strategies)
- Integration alone (i.e., not combined with any other strategies)
- Screening and integration strategies

Percentage of active listed equity to which the strategy is applied — you may estimate +/- 5%	 100
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- Thematic and integration strategies
- Screening and thematic strategies
- All three strategies combined
- We do not apply incorporation strategies

Total actively managed listed equities
--

100%

LEI 01.2	Describe your organisation's approach to ESG incorporation and the reasons for choosing the particular strategy/strategies.
----------	---

Afore XXI Banorte is committed to look for their clients' s best interests and consider all kinds of tools as possible for making better investment decisions to reduce risks and reach long-term returns on our investments.

By Including ESG issues in our management activities, we look forward to generating into the issuers, the need to strengthen their sustainable development policies, to ensure their capability to adapt to the environmental and social international corporate trends, to manage regulatory and reputational risks and improving their operational efficiency. While the issuers are improving their policies, Afore XXI Banorte assesses the compliance of the companies in the portfolio on ESG terms previously described, through an in-house methodology where we analyze the prior shared by the company and publicly available information (index of disclosure). This allows us to evaluate the company's performance vs its ESG score. This score is rated on a scale from CCC to AAA, with AAA being the highest score. The latest update was to include a Disclosure of Information Index provided by our Finance Platform Agency. The issuers that get rated below BBB we consider are those whose policies and disclosure of information level, were deficient or lack of scope for their industry. However, we do not exclude an issuer because of its ESG score, reminding that ESG analysis is complementary to the decision-making process. Each issuer is evaluated considering the sector and

the activity in which it is involved, In this analysis, the environmental, social and corporate governance factors are weighted to adjust the relevance of the pillars.

Listed Equity Policy [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_RentaVarPropActiva.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_RentaVarPropActiva.pdf)

**Asset Manager Banorte:**

Given the current outlook of the Mexican market, we developed an inhouse methodology based on a transparency analysis of the ESG factors based on the GRI Standards indicators. Also, we look at the controversies they are exposed to, which enables us to rate their level of reputational risk. During the reporting year, we analyse the 30 most representative issuers of our holdings (94.7% of the AUM of the listed equity) with both methodologies.

Additionally, according to the GHG Protocol methodology for calculating scope 3 emissions, meaning those associated with investments, we calculate a total of 89,473.10 metric tons of CO2e, corresponding to 84.9% of investment in equity assets. These emissions correspond to public information as of fiscal year 2018 and include those issuers' scope 1 and 2 emissions.

<b>LEI 01.3</b>	If assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]
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**Afore XXI Banorte**

In our in-house methodology, the score is rated on a scale from CCC to AAA, with AAA being the highest score. Additionally, we include a Disclosure of Information Index, provided by our Finance Platform Agency. The issuers that get rated below BBB, we consider are those whose policies and disclosure of information level, were deficient or lack of scope for their industry. However, we do not exclude an issuer because its ESG score, reminding that ESG analysis is complementary to financial analysis, but we do exclude a company if it is found involved in any activity listed in our Investment Restrictions<sup>1</sup> for each asset, which contains activities as child labor, nuclear energy, gambling sites, among others.

**(A) Implementation: Screening**

<b>LEI 04</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>LEI 04.1</b>	Indicate and describe the type of screening you apply to your internally managed active listed equities.
-----------------	--

**Type of screening**

- Negative/exclusionary screening

**Screened by**

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

Description
-------------

Afore XXI Banorte:

The Investment Restrictions List elaborated by Afore XXI Banorte has 27 restrictions, all applied to each class of assets managed. Every restriction of a product, activity, sector, country or ESG practices is suited according to the segmentation of the asset (sectors, industries, geography) as it applies.

- Positive/best-in-class screening
- Norms-based screening

**Screened by**

- UN Global Compact Principles
- The UN Guiding Principles on Business and Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify

International Finance Corporation (IFC), World Bank, International Capital Market Association(ICMA), Inter-American Development Bank (IDB).

Description
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The Afore XXI Banorte List of Restricted Investment Activities describes the activities, sectors and countries in which reputational risk is considered high, which could affect the society or the environment and those prohibited or penalized activities by an international organization. Some of the restrictions were adopted from international guidelines or relevant financial organisms that enhance the Responsible and proactive engagement as International Finance Corporation (IFC) (who provides us training programs), World Bank, Inter-American Development Bank (IDB), among others.

LEI 04.2	Describe how you notify clients and/or beneficiaries when changes are made to your screening criteria.
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Afore XXI Banorte has a different class of assets that involves engagement activities with external asset managers. According to the class of asset, we share the Investment Restrictions List by:

- a) If it is a mandate (external asset manager): we sign a contractual agreement of the Investment Restrictions List.
- b) If it is a portfolio manager from Afore XXI Banorte, first, we analyze (in an integral way) the change of the screening criteria and information to our Investment Committee before making public the change.
- c) If it is an investment proposal from our portfolio manager: The Investment Restrictions List is included in the eligibility criteria and in our internal systems.

LEI 05	Mandatory	Public	Core Assessed	PRI 1
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**LEI 05.1**

Indicate which processes your organisation uses to ensure ESG screening is based on robust analysis.

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies.
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar.
- Third-party ESG ratings are updated regularly to ensure that portfolio holdings comply with fund policies.
- Trading platforms blocking / restricting flagged securities on the black list.
- A committee, body or similar with representatives independent of the individuals who conduct company research reviews some or all screening decisions.
- A periodic review of internal research is carried out.
- Review and evaluation of external research providers.
- Other; specify
- None of the above

**LEI 05.2**

Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your ESG screening strategy.

- <10%
- 10-50%
- 51-90%
- >90%

**LEI 05.3**

Indicate how frequently third party ESG ratings are updated for screening purposes.

- Quarterly or more frequently
- Bi-Annually
- Annually
- Less frequently than annually

**LEI 05.5**

Additional information. [Optional]

Afore XXI Banorte




In the construction of the Investment Restrictions List, were considered sources like International Finance Corporation (IFC), World Bank, International Capital Market Association (ICMA), Inter-American Development Bank (IDB) and UN PRI guidelines about Screening. We also considered the current status of the investments under management to define our strategy and which investments could be a breach of our restrictions list and whether to establish a disinvest plan or an exception to the investment vehicle. This does not mean that we invest in controversial sectors or activities, instead we managed our portfolio identifying and classifying the activities that may cause a risk during the investment period.

## (C) Implementation: Integration of ESG factors

LEI 08	Mandatory	Public	Core Assessed	PRI 1
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**LEI 08.1**

Indicate the proportion of actively managed listed equity portfolios where E, S and G factors are systematically researched as part of your investment analysis.

ESG issues	Proportion impacted by analysis
Environmental	 Environmental <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%
Social	 Social <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%
Corporate Governance	 Corporate Governance <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%

**LEI 08.2**

Additional information. [Optional]

Figures reported only consider AUM's of Afore XXI Banorte.

Afore XXI Banorte:

To comply our commitment as a PRI signatory, we adopted the principle #1, by incorporating ESG issues into the investment analysis. Currently, ESG analysis is complementary to the financial analysis, but it is considerate as a requirement to keep receiving our funding sources. This criterion applies to Listed Equity portfolio.

LEI 09	Mandatory	Public	Core Assessed	PRI 1
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**LEI 09.1**

Indicate which processes your organisation uses to ensure ESG integration is based on robust analysis.

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Third-party ESG ratings are updated regularly
- A periodic review of the internal research is carried out
- Structured, regular ESG specific meetings between responsible investment staff and the fund manager or within the investments team
- ESG risk profile of a portfolio against benchmark
- Analysis of the impact of ESG factors on investment risk and return performance
- Other; specify
- None of the above

**LEI 09.2**

Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your integration strategy.

- <10%
- 10-50%
- 51-90%
- >90%

**LEI 09.3**

Indicate how frequently third party ESG ratings that inform your ESG integration strategy are updated.

- Quarterly or more frequently
- Bi-Annually
- Annually
- Less frequently than annually

**LEI 09.4**

Indicate how frequently you review internal research that builds your ESG integration strategy.

- Quarterly or more frequently
- Bi-Annually
- Annually
- Less frequently than annually

**LEI 09.5**

Describe how ESG information is held and used by your portfolio managers.

- ESG information is held within centralised databases or tools, and it is accessible by all relevant staff
- ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- Systematic records are kept that capture how ESG information and research were incorporated into investment decisions
- Other; specify
- None of the above



Afore XXI Banorte:

We have a specialized team of 3 full-time analysts, which is responsible for the ESG analysis of the portfolio. In the first stage of integration, we started with the listed equity portfolio, and later, with the property and infrastructure assets. We attend to update the analysis as new information becomes available like internal research, news, meetings, company's reports, and our ESG ratings agency. If during or after the analysis issues of concern are identified, the ESG team researches the issue, and dialogue with the company to seek for an explanation or statement and of future or ongoing plan action. Once an ESG analysis is complete, the ESG team sends a brief description to the Investment department of the company's operations, risks, and strengths identified to support the ESG score.

# GRUPO FINANCIERO BANORTE S A B DE C V

## Reported Information

### Public version

### Direct - Listed Equity Active Ownership

## PRI disclaimer

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## Overview

LEA 01

Mandatory

Public

Core Assessed

PRI 2

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

LEA 01.1

Indicate whether your organisation has an active ownership policy (includes engagement and/or voting).

Yes

LEA 01.2

Attach or provide a URL to your active ownership policy.

Attachment provided:

URL provided:

URL

[https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_RentaVarPropActiva.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_RentaVarPropActiva.pdf)

LEA 01.3

Indicate what your active engagement policy covers:

General approach to Active Ownership

- Conflicts of interest
- Alignment with national stewardship code requirements
- Assets/funds covered by active ownership policy
- Expectations and objectives
- Engagement approach

Engagement

- ESG issues
- Prioritisation of engagement
- Methods of engagement
- Transparency of engagement activities
- Due diligence and monitoring process
- Insider information
- Escalation strategies
- Service Provider specific criteria
- Other; (specify)
- (Proxy) voting approach

## Voting

- ESG issues
  - Prioritisation and scope of voting activities
  - Methods of voting
  - Transparency of voting activities
  - Regional voting practice approaches
  - Filing or co-filing resolutions
  - Company dialogue pre/post-vote
  - Decision-making processes
  - Securities lending processes
  - Other; (specify)
  - Other
  - None of the above
- No

## LEA 01.4 Do you outsource any of your active ownership activities to service providers?

- Yes

### LEA 01.5

Where active ownership activities are conducted by service providers, indicate whether your active ownership policy covers any of the following:

- Outline of service provider's role in implementing your organisation's active ownership policy
  - Description of considerations included in service provider selection and agreements
  - Identification of key ESG frameworks which service providers must follow
  - Outline of information sharing requirements of service providers
  - Description of service provider monitoring processes
  - Other; (specify)
  - None of the above
- No

## LEA 01.6 Additional information [optional]

Afore XXI Banorte:

The Active Ownership Policy defines engagement activities as those which allow us to exert our shareholder rights over the companies we're invested, to promote the proper management of ESG issues and improve information disclosure. This allows us to have an understanding of a company's internal strategies, policies, continuous improvement process and assess the improvement based on recommendations given by the ESG team.

During the reported year, we strengthened the active ownership process through periodical meetings, collaborative engagements with stakeholder groups and the commitment to take into consideration the outcomes of ESG analysis in the decision-making process.

URL [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam\\_RentaVarPropActiva.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Lineam_RentaVarPropActiva.pdf)

Asset Manager Banorte:

We developed an Engagement Manual that establishes the procedure to approach the issuers as well as recommendations to improve the level of transparency in ESG factors.

## Engagement

LEA 02

Mandatory

Public

Core Assessed

PRI 1,2,3

LEA 02.1

Indicate the method of engagement, giving reasons for the interaction.

Type of engagement	Reason for interaction
Individual / Internal staff engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> We do not engage via service providers

LEA 02.4

Additional information. [Optional]

Afore XXI Banorte:

Due the Mexican equity market is recently introducing ESG and sustainability topics of conversation, our role as investors following our fiduciary duty is not to punish those that have not developed the proper processes or policies in these matters, but understand how ESG issues can be applied to develop prevention, mitigation or control strategies, seek to improve reporting and monitoring practices and availability to discuss these issues with investors. In the same way, there are leading Mexican companies and internationally competitive in sustainability issues, so we encourage the conversation and information exchange to benefit ourselves for the improvement of our processes or requirements to other future issuers.

However, our Investment Committee approved the following methods of engagement with issuers:

- Periodically meetings,
- Engagement's matrix where we identify and follow up the different agreements that we establish with the issuers,
- Monthly progress follow-up of the ESG score by issue, etc.

Asset Manager Banorte:

As part of our Collaborative Engagement, at the end of 2019 we signed the investor declaration on ESG disclosure in Mexico in conjunction with 24 other institutional investors, with which we seek to increase the transparency of ESG data from issuers. Furthermore, we recognize that ESG factors represent risks and opportunities that may affect the quality of assets and we consider it to be a source of information that complements investment analysis and decision-making processes.

To learn more about the statement, visit the following link:  
<http://www.mexico2.com.mx/uploads/mexico/file/Declaraci%C3%B3n%20de%20inversionistas%20en%20M%C3%A9xico-%20Final%20versi%C3%B3n%20carta.pdf>

LEA 03	Mandatory	Public	Core Assessed	PRI 2
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

LEA 03.1	Indicate whether your organisation has a formal process for identifying and prioritising engagements.
----------	---

Yes

LEA 03.2	Indicate the criteria used to identify and prioritise engagements for each type of engagement.
----------	--

Type of engagement	Criteria used to identify/prioritise engagements
Individual / Internal staff engagements	<div style="background-color: #0070C0; color: white; padding: 2px; margin-bottom: 5px;">Individual / Internal staff engagements</div> <ul style="list-style-type: none"> <li><input type="checkbox"/> Geography/market of the companies</li> <li><input checked="" type="checkbox"/> Materiality of the ESG factors</li> <li><input checked="" type="checkbox"/> Exposure (size of holdings)</li> <li><input checked="" type="checkbox"/> Responses to ESG impacts that have already occurred</li> <li><input type="checkbox"/> Responses to divestment pressure</li> <li><input type="checkbox"/> Consultation with clients/beneficiaries</li> <li><input type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)</li> <li><input type="checkbox"/> Follow-up from a voting decision</li> <li><input type="checkbox"/> Client request</li> <li><input checked="" type="checkbox"/> Breaches of international norms</li> <li><input type="checkbox"/> Other; (specify)</li> <li><input type="checkbox"/> We do not outline engagement criteria for our individual engagements</li> </ul>
Collaborative engagements	<div style="background-color: #0070C0; color: white; padding: 2px; margin-bottom: 5px;">Collaborative engagements</div> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Potential to enhance knowledge of ESG issues through other investors</li> <li><input type="checkbox"/> Ability to have greater impact on ESG issues</li> <li><input checked="" type="checkbox"/> Ability to add value to the collaboration</li> <li><input type="checkbox"/> Geography/market of the companies targeted by the collaboration</li> <li><input type="checkbox"/> Materiality of the ESG factors addressed by the collaboration</li> <li><input type="checkbox"/> Exposure (size of holdings) to companies targeted by the collaboration</li> <li><input checked="" type="checkbox"/> Responses to ESG impacts addressed by the collaboration that have already occurred</li> <li><input type="checkbox"/> Responses to divestment pressure</li> <li><input type="checkbox"/> Follow-up from a voting decision</li> <li><input type="checkbox"/> Alleviate the resource burden of engagement</li> <li><input type="checkbox"/> Consultation with clients/beneficiaries</li> <li><input type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)</li> <li><input type="checkbox"/> Other; (specify)</li> <li><input type="checkbox"/> We do not outline engagement criteria for our collaborative engagement providers</li> </ul>

No

**LEA 03.3**

Additional information. [Optional]

Afore XXI Banorte:

According to our investment policy, we do not restrict investment on companies based at ESG scores, however relevant risks and the ESG score are relevant for the decision-making process. We inform the companies about their ESG score and risks identified, as well as recommendations to improve their practices. When a company becomes

part of the portfolio, we establish a follow-up plan to assess the improvements and updates of the company related to ESG management.

We promote responsible investment practices and engage with the following companies:

- Companies listed in the Mexican Stock Exchange, IPO's and issuers in the secondary market (principally with companies that are already part of the portfolio, secondary the companies in an investment proposal)
- Companies with opportunity areas that are easier to attack.
- Issuers listed in Mexican Stock Exchange and private issuers in the portfolio involved in related ESG issues controversies.

Asset Manager Banorte:

Through the Green Finance Advisory Council (CCFV) together with 25 institutional investors we signed an investor's statement on the disclosure of ESG information in Mexico, representing a total of \$ 4.52 billion pesos in AUMs managed.

LEA 04	Mandatory	Public	Core Assessed	PRI 2
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

LEA 04.1	Indicate whether you define specific objectives for your organisation's engagement activities.
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Individual / Internal staff engagements	<input type="radio"/> All engagement activities <input type="radio"/> Majority of engagement activities <input checked="" type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out by internal staff
Collaborative engagements	<input type="radio"/> All engagement activities <input type="radio"/> Majority of engagement activities <input checked="" type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out through collaboration

LEA 04.2	Additional information. [Optional]
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Afore XXI Banorte:

Due to the stage of implementation of ESG and Responsible investment practices in the investment process, we look for companies that are committed to aligning their strategies with our ESG requirements as to disclosure of information, policies and strategies formalized, specifically established objectives, between others. Afore XXI Banorte also considers the adaptation strategies of the companies to international trends related to the ESG issues, so can we evaluate their maturity and level of accomplishment through follow- up and updates meetings with companies.

LEA 05	Mandatory	Public	Core Assessed	PRI 2
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LEA 05.1	Indicate whether you monitor and/or review engagement outcomes.
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Individual / Internal staff engagements	<input type="radio"/> Yes, in all cases <input checked="" type="radio"/> Yes, in a majority of cases <input type="radio"/> Yes, in a minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes when the engagement is carried out by our internal staff.
Collaborative engagements	<input type="radio"/> Yes, in all cases <input type="radio"/> Yes, in a majority of cases <input checked="" type="radio"/> Yes, in a minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes when the engagement is carried out through collaboration.

**LEA 05.2** Indicate whether you do any of the following to monitor and/or review the progress of engagement activities.

Individual / Internal staff engagements	<input checked="" type="checkbox"/> Define timelines/milestones for your objectives <input type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input type="checkbox"/> Revisit and, if necessary, revise objectives on a continuous basis <input type="checkbox"/> Other; specify
Collaborative engagements	<input checked="" type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input type="checkbox"/> Revisit and, if necessary, revise objectives on a continuous basis <input checked="" type="checkbox"/> Other; specify through follow-up meetings.

**LEA 05.3** Additional information. [Optional]

Afore XXI Banorte

The follow-up of investments in equity assets is carried out annually and in the following circumstances:

- Update of internal methodology any change at their ESG Score
- A controversy or catastrophe that affects the ESG pillars, as a result of the company's operations,
- Relevant event that affects the management of the company's Board of Directors,
- Shareholder Assemblies - Right to Vote

Asset Manager Banorte:

Our analysis is based on the transparency of ESG factors. During the reporting year we analyzed the 30 most representative issuers of our equity holdings. Prior to this analysis, we looked for the annual sustainability reports, which allows us to identify which issuer has public information and which did not, and thus monitor the effectiveness of the investor statement for ESG disclosure in Mexico.

LEA 06	Mandatory	Public	Additional Assessed	PRI 2,4
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**LEA 06.1** Indicate whether your organisation has an escalation strategy when engagements are unsuccessful.

Yes

**LEA 06.2** Indicate the escalation strategies used at your organisation following unsuccessful engagements.

- Collaborating with other investors
- Issuing a public statement
- Filing/submitting a shareholder resolution
- Voting against the re-election of the relevant directors
- Voting against the board of directors or the annual financial report
- Submitting nominations for election to the board
- Seeking legal remedy / litigation
- Reducing exposure (size of holdings)
- Divestment
- Other; specify

No

**LEA 06.3** Additional information. [Optional]

Afore XXI Banorte

As responsible investors, we look for a 100% accomplishment of the engagement objectives. Every objective that we set with the issuer considers its capacity to accomplish it, looking that the engagement process is constructive and represents an opportunity for improvement for the issuer. Due to the status of the Mexican public market, we have noticed that some issuers don't address ESG issue's in their strategic, also considering the lack of specialized personnel to manage this matters, that's why we try to involve these issuers in our role and strategy as a responsible investor, and we guide them during the process so they can be able to solve the requests of information.

LEA 08	Mandatory	Public	Gateway	PRI 2
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**LEA 08.1** Indicate whether you track the number of your engagement activities.

Type of engagement	Tracking engagements
<b>Individual/Internal staff engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track
<b>Collaborative engagements</b>	<input type="radio"/> Yes, we track the number of collaborative engagements in full <input checked="" type="radio"/> Yes, we partially track the number of our collaborative engagements <input type="radio"/> We do not track

LEA 08.2

Additional information. [Optional]

Afore XXI Banorte

The engagements matrix registers a description of the topics covered in monitoring/ follow-up meetings that we have had with the issuer and registers the outcomes of the engagement activities. This engagement matrix is shared with the portfolio managers and added to the material that we present into the Investment Committee.

**(Proxy) voting and shareholder resolutions**

LEA 12

Mandatory

Public

Descriptive

PRI 2

LEA 12.1

Indicate how you typically make your (proxy) voting decisions.

Approach

- We use our own research or voting team and make voting decisions without the use of service providers.

Based on

- Our own voting policy
- Our clients` requests or policies
- Other (explain)
- We hire service providers who make voting recommendations and/or provide research that we use to guide our voting decisions.
- We hire service providers who make voting decisions on our behalf, except in some pre-defined scenarios where we review and make voting decisions.
- We hire service providers who make voting decisions on our behalf.

LEA 12.2

Provide an overview of how you ensure that your agreed-upon voting policy is adhered to, giving details of your approach when exceptions to the policy are made.

Afore XXI Banorte:

First of all, the investment, legal and risk department of Afore XXI Banorte analyses the resolutions of the assembly' s to determine the best sense of vote for each resolution according to our fiduciary duty. This analysis starts by classifying the resolutions in an operational or structural resolution and their impact at the company. Next, we determine the sense of vote and share it with the internal representative or our proxy service provider.

According to our voting policy, every vote will be reported to the CIO of the Afore and the Investment Committee.

The Proxy Voting Policy was elaborated in conformity with the approval of the Portfolio Managers, including specific criteria applied for each type of asset. Therefore, the investment teams are aware of the specifications in the policy and how they applied in the analysis to determine the intention of the vote.

LEA 12.3

Additional information.[Optional]

In 2020, Afore XXI Banorte has established specific policies to exercise our right to vote in the Shareholders Assemblies, where we identified the type of resolutions into the agenda that require our attendance.

LEA 15	Mandatory	Public	Descriptive	PRI 2
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**LEA 15.1** Indicate the proportion of votes participated in within the reporting year in which where you or the service providers acting on your behalf raised concerns with companies ahead of voting.

- 100%
- 99-75%
- 74-50%
- 49-25%
- 24-1%
- Neither we nor our service provider(s) raise concerns with companies ahead of voting

**LEA 15.2** Indicate the reasons for raising your concerns with these companies ahead of voting.

- Vote(s) concerned selected markets
- Vote(s) concerned selected sectors
- Vote(s) concerned certain ESG issues
- Vote(s) concerned companies exposed to controversy on specific ESG issues
- Vote(s) concerned significant shareholdings
- Client request
- Other

**LEA 15.3** Additional information. [Optional]

Afore XXI Banorte

Before attending to a shareholders assembly, the analyst that determined the intention of the vote and the Portfolio Manager, communicate to the CEO or CFO of the company our concerns and requires included them into the assembly's agenda. To enhance voting practices, we are going to increase the attendance to assemblies and recommending the issuers to include as a subject ESG performances and progress.

LEA 16	Mandatory	Public	Core Assessed	PRI 2
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**LEA 16.1** Indicate the proportion of votes where you, and/or the service provider(s) acting on your behalf, communicated the rationale to companies for abstaining or voting against management recommendations. Indicate this as a percentage out of all eligible votes.

- 100%
- 99-75%
- 74-50%
- 49-25%
- 24-1%
- We do not communicate the rationale to companies
- Not applicable because we and/or our service providers did not abstain or vote against management recommendations

**LEA 16.4** Additional information. [Optional]

Afore XXI Banorte

Some of the issues that could generate to vote against a resolution are the following:

- Acquisition/fusion with other company that does not reflect appropriate management or Due Diligence in their process,
- A transaction that does not make any profits,
- A governance issue (compensation, anti-corruption, bribe payments, board composition, among others),
- Conflicts of interest,
- Adjustments in the statutes.

In the reported year, we reported to our Investment Committee and abstained to vote in a fixed income issuer's assembly because of conflict of interest.

<b>LEA 17</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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**LEA 17.1** For listed equities in which you or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

- We do track or collect this information

Votes cast (to the nearest 1%)

%

13.7

Specify the basis on which this percentage is calculated

- Of the total number of ballot items on which you could have issued instructions
- Of the total number of company meetings at which you could have voted
- Of the total value of your listed equity holdings on which you could have voted
- We do not track or collect this information

**LEA 17.2** Explain your reason(s) for not voting on certain holdings

- Shares were blocked
- Notice, ballots or materials not received on time
- Missed deadline
- Geographical restrictions (non-home market)
- Cost
- Conflicts of interest
- Holdings deemed too small
- Administrative impediments (e.g., power of attorney requirements, ineligibility due to participation in share placement)
- Client request
- Other (explain)

**LEA 17.3** Additional information. [Optional]

Figures reported only consider AUM's of Afore XXI Banorte.

During the reported year, the policymaking and the establishment of the processes related to proxy voting were under revision and continuous improvement. As an initial stage, we attend the shareholder assemblies of the companies where our holding represents at least 10% of the company's stocks. We are strengthening the proxy voting process by increasing our coverage of companies (including proxy voting processes) because our objective in the long term is to be represented in all the shareholder assemblies of the companies in the portfolio.

**LEA 19****Mandatory****Public****Core Assessed****PRI 2****LEA 19.1** Indicate whether your organisation has a formal escalation strategy following unsuccessful voting.

- Yes
- No

**LEA 19.2** Indicate the escalation strategies used at your organisation following abstentions and/or votes against management.

- Contacting the company's board
- Contacting the company's senior management
- Issuing a public statement explaining the rationale
- Initiating individual/collaborative engagement
- Directing service providers to engage
- Reducing exposure (holdings) / divestment
- Other

**LEA 19.3** Additional information. [Optional]

Afore XXI Banorte

In prior years, we have notified to the issuer about the abstaining or voting against a resolution, in order to modify or only communicate our insight for this resolution. Some of the themes that could generate to vote against a resolution are the following:

- Acquisition/fusion with other company that does not reflect appropriate management or Due Diligence in their process
- A transaction that does not make any profits
- A governance issue (compensation, anti-corruption, bribe payments, board composition, among others)
- Conflicts of interest
- Modifications in the statutes

In the reporting year, we do not issue a vote against management or resolution.

# GRUPO FINANCIERO BANORTE S A B DE C V

## Reported Information

Public version

Direct - Fixed Income

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.



## ESG incorporation in actively managed fixed income

### Implementation processes

FI 01	Mandatory	Public	Gateway	PRI 1
FI 01.1	Indicate (1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and (2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.			

SSA	<table border="1"> <thead> <tr> <th>Strategy</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Screening alone</td> <td>0</td> </tr> <tr> <td>Thematic alone</td> <td>0</td> </tr> <tr> <td>Integration alone</td> <td>0</td> </tr> <tr> <td>Screening + integration strategies</td> <td>99</td> </tr> <tr> <td>Thematic + integration strategies</td> <td>0</td> </tr> <tr> <td>Screening + thematic strategies</td> <td>0</td> </tr> <tr> <td>All three strategies combined</td> <td>1</td> </tr> <tr> <td>No incorporation strategies applied</td> <td>0</td> </tr> <tr> <td><b>Total (any strategy)</b></td> <td><b>100%</b></td> </tr> </tbody> </table>	Strategy	Percentage	Screening alone	0	Thematic alone	0	Integration alone	0	Screening + integration strategies	99	Thematic + integration strategies	0	Screening + thematic strategies	0	All three strategies combined	1	No incorporation strategies applied	0	<b>Total (any strategy)</b>	<b>100%</b>
Strategy	Percentage																				
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	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	1
	No incorporation strategies applied	0
		100%

**FI 01.2** Describe your reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

Afore XXI Banorte:

Screening

Our analysis is qualitative and quantitative. Afore XXI Banorte through the ESG integration doesn't seek to restrict investment to certain sectors, countries or companies, however, we have an exclusion matrix by type of asset, in which we restrict sectors or projects with reputational, ethical and socio-environmental dangers (for example: nuclear energy, radioactive materials, child exploitation, alcoholic beverages, trawling, among others)

In the "ESG integration process", there are certain filters aligned with international policies and standards, which make the investment selection process more solid. In general terms, Afore XXI Banorte seeks to influence a responsible investment practice through the incorporation of ESG factors. During this process, we focus on government and corporate fixed income issues as they are a relevant part of the investment portfolio.

Integration of Environmental, Social and Corporate Governance factors in the Investment Process:

URL: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG\\_Integ.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/ESG_Integ.pdf)

**FI 01.3** Additional information [Optional].

FI 01.2 additional information:

Afore XXI Banorte:

For corporate non-financial assets, we have a materiality matrix by sector, which works as a reference to identify the sectors with the most exposure and therefore with the greatest probability of having a material problem.

Thematic

We develop a policy that defines the types of permissible bonds, the destination of the resources, the main components and the types of categories eligible for each investment project. In the case of thematic bonds, we develop an internal model that analyzes the most relevant information of the bonds, their indicators, as well as the disclosure of information.

For SSA bonds, the ESG area will periodically be responsible for building a database that integrates quantitative indicators with themes for each pillar for investments in sovereign debt, as well as qualitative factors that could affect risk and price. Some of the main sources of information are the World Bank, MSCI, FAO, UN, INEGI and UNEP, Transparencia Mexicana. The ASG analysis for sovereign debt considers 8 "key issues" plus 34 risks distributed in the 3 pillars: Environmental, with a weight of 20%, Social (20%) and Government (60%).

Integration

We have an Annual Investment Plan approved by the Afore XXI Banorte Investment Committee that seeks to keep the portfolio diversified and reduce risk, always in compliance with the fiduciary duty. The traditional financial analysis is integrated with the ESG analysis, in the identification of risks, considering credit risk and identifying the returns of asset classes.

Fixed Income Responsible Investment Policy: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica\\_RentaFija.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica_RentaFija.pdf)

The information varies according to our types of assets, for SSA we only have public information at the country level.

FI 03	Mandatory	Public	Additional Assessed	PRI 1
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<b>FI 03.1</b>	<b>Indicate how you ensure that your ESG research process is robust:</b>
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- Comprehensive ESG research is undertaken internally to determine companies' activities; and products and/or services
- Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- Internal audits and regular reviews of ESG research are undertaken in a systematic way.
- A materiality/sustainability framework is created and regularly updated that includes all the key ESG risks and opportunities for each sector/country.
- Other, specify
- None of the above

<b>FI 03.2</b>	<b>Describe how your ESG information or analysis is shared among your investment team.</b>
----------------	--

- ESG information is held within a centralised database and is accessible to all investment staff
- ESG information is displayed on front office research platforms
- ESG information is a standard item on all individual issuer summaries, research notes, 'tear sheets', or similar documents
- Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- Records capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

<b>FI 03.3</b>	<b>Additional information. [Optional]</b>
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Afore XXI Banorte:

At a portfolio level, our investment approach is to identify the ESG risks that are material. An ESG risk is material if it has an impact within the context of a portfolio strategy. The Materiality Matrix identifies, the main sustainability problems by type of sector. The materiality of each of the ESG pillars varies by sector. Our materiality matrix is based on the mapping made by the Sustainability Accounting Standards Board (SASB). This matrix is used by the ESG analyst team to identify sustainability problems that are likely to affect the financial condition or operating performance of the companies.

## (A) Implementation: Screening

FI 04	Mandatory	Public	Gateway	PRI 1
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FI 04.1	Indicate the type of screening you conduct.
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Select all that apply

	SSA	Corporate (non-financial)	
Negative/exclusionary screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Positive/best-in-class screening	<input type="checkbox"/>	<input type="checkbox"/>	
Norms-based screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

FI 04.2	Describe your approach to screening for internally managed active fixed income
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Afore XXI Banorte

The manager may not invest in companies or projects related to the production, trade or use of the products, substances and activities mentioned below: black spins and / or betting sites, passing hotels, radioactive materials, energy nuclear, uranium extraction for armament, artisanal mining, industrial chemicals, pesticides or herbicides, wood and forest producers, chemical and nuclear weapons, pharmaceuticals that threaten life, narcotics, alcoholic beverages, tobacco, land mines, bomb manufacturing, weapons and ammunition, animal testing, transgenics, trawling, carbon extraction and processing, exploitation of child labor, substances that deplete the ozone layer, wildlife and wildlife trade, degradation of a national park or protected area, companies involved in Iran or Sudan or companies whose owners or subsidiaries have breached obligation is public or participates in any commercial, criminal, civil or any other litigation that calls into question its good name as well as any connection or connection with criminal, drug trafficking or money laundering organizations.

FI 04.3	Additional information. [Optional]
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Additional 04.2 Afore XXI Banorte

Our norms-based screening is based on minimum standards of business practices:

Minimum standards of business practices.

- Export Controls
- Organization Conventions
- Labor International
- UN Global Compact Standards<sup>14</sup>
- Framework of the World Commission on Dams (WCD Framework)
- Stockholm Convention
- Rotterdam Convention

- World Health Organization (WHO)
- Integrated Watershed Management (IRBM)

FI 06	Mandatory	Public	Core Assessed	PRI 1
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<b>FI 06.1</b>	Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.
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Type of screening	Checks
<b>Negative/exclusionary screening</b>	<input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year. <input type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above
<b>Norms-based screening</b>	<input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year. <input type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above

<b>FI 06.2</b>	Additional information. [Optional]
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Afore XXI Banorte:

Within our investment process, we have preliminary detection filters to rule out issuers, both corporate and government, exposed to unsustainable activities.

This ensures that our investments are aligned with ethical motivations and reduces reputational risks. Before starting the integration of ESG criteria, we contemplate two types of ESG filtering depending on the type of emission 1) Negative / exclusionary screening: Exclusion of certain sectors, companies or practices of a fund or portfolio based on specific ESG criteria and 2) Norms-based screening: Filtering investments by minimum standards of business practices based on international standards.

## (B) Implementation: Thematic

FI 08	Mandatory	Public	Core Assessed	PRI 1
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<b>FI 08.1</b>	Indicate whether you encourage transparency and disclosure relating to the issuance of themed bonds as per the Green Bonds Principles, Social Bond Principles, or Sustainability Bond Guidelines..
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- We require that themed bond proceeds are only allocated to environmentally or socially beneficial projects
- We require the issuer (or 3rd party assurer) to demonstrate a process which determines the eligibility of projects to which themed bond proceeds are allocated
- We require issuers to demonstrate a systematic and transparent process of disbursing themed bond proceeds to eligible projects until all funds are allocated
- We require issuers to report at least once per year on the projects to which proceeds have been allocated including a description of those projects
- Other, specify
- None of the above

<b>FI 08.2</b>	Describe the actions you take when issuers do not disburse bond proceeds as described in the offering documents.
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Afore XXI Banorte

The thematic bonds must be aligned with GBP recommendations and with the Green Bond Principles MX otherwise they will be exposed to significant reputational risk if green and / or social bonds do not obey environmental and social commitments.

When the issuers do not disburse the income of the bonds as described in the investment prospectus, they will receive a call of attention from us and will have to justify the disbursements, in case of not attending the request they will not be considered for future reinvestments.

<b>FI 09</b>	<b>Mandatory</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>FI 09.1</b>	Indicate how you assess the environmental or social impact of your thematic investments.
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- We require issuers to report at least once per year on specific environmental or social impacts resulting from our themed investments
- We ensure independent audits are conducted on the environmental or social impact of our investments
- We have a proprietary system to measure environmental and social impact
- We measure the impact of our themed bond investments on specific ESG factors such as carbon emissions or human rights
- Other, specify
- None of the above

<b>FI 09.2</b>	Additional information. [Optional]
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Afore XXI Banorte

Will request to an issuer of a green, social or sustainable bond, the following:

- The objectives of environmental and / or social sustainability.
- The process by which the issuer determines how the projects fit within the categories of Green Projects and / or eligible Social Projects identified in the table of bond types.
- Related eligibility criteria, including, if applicable, exclusion criteria or any other process aimed at identifying and managing the potentially important social and environmental risks associated with the projects.

Issuers must present this information within the context of the general objectives, strategies and policies of the issuer, and / or processes related to environmental and / or social sustainability. Issuers will also be asked to publish the green standards or certifications referred to in the project selection.

In addition to this, we will apply its internal methodology to obtain the ESG analysis of the issuer, as well as internal score that will be considered in the due diligence of the investment.

As long as the bonds have not been fully amortized, the issuer must report annually the balance of the resources from the issue that have been used to finance eligible green, social and / or sustainable projects, and where applicable, the temporary investments of resources not assigned to that date.

The issuer shall provide at least annually the list of the Projects that have been partially or totally financed with the resources from the issue, as well as a brief description, the amounts assigned and the expected impact on mitigation and / or adaptation to climate change of each of these projects.

The legal documentation of the issue, reported annually, must contain the opinion of an independent third party on compliance with the four previous components of the "Principles of Green MX Bonds" issued by the CCFC. This documentation should describe the relevant skills and experience of the company issuing the opinion, as well as the review and confirmation of the alignment of your bond or program with the four basic components of GBP.

Fixed Income Responsible Investment Policy: [https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica\\_RentaFija.pdf](https://www.xxi-banorte.com/aforeXB/afore/resources/documents/pdf/ASG/Politica_RentaFija.pdf)

## (C) Implementation: Integration

FI 10	Mandatory	Public	Descriptive	PRI 1
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FI 10.1	Describe your approach to integrating ESG into traditional financial analysis.
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Afore XXI Banorte:

The ESG analysis team is independent of the investment management and financial analysis teams. This guarantees the quality and independence of ESG analysis. In addition, all ESG analyzes are presented to the investment committee. We have a matrix of excluded sectors and projects and an internal evaluation methodology with AAA to CCC ratings that is independent of the credit analysis performed by our risk area.

FI 10.2	Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.
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	SSA
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Afore XXI Banorte

For SSA bonds, the ESG analyst will periodically be responsible for building a database that integrates quantitative indicators with themes for each pillar for investments in sovereign debt, as well as qualitative factors that could affect risk and price. Some of the main sources of information are the World Bank, MSCI, FAO, UN, INEGI and UNEP, Transparencia Mexicana. The ESG analysis for sovereign debt considers 8 "key issues" plus 34 risks distributed in the 3 pillars: Environmental, with a weight of 20%, Social (20%) and Government (60%) in order to improve the understanding of solvency and integrate them into the financial risk analysis.

	Corporate (non-financial)
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Afore XXI Banorte:

The ESG analysis for corporate issues considers 9 "key issues" plus 40 topics distributed in the 3 pillars: Environmental, Social and Corporate Governance, where the weight of each pillar is directly related to the relevance by type of sector. The internal analysis includes: company management risks, industry risks, international industry trends. Also, the weight of the pillars is determined by the type of sector to be evaluated.



<b>FI 10.3</b>	Additional information [OPTIONAL]
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Afore XXI Banorte

At the portfolio level, our investment approach seeks to identify the ESG risks that are material. An ESG risk is material within the context of a portfolio strategy if it has an impact on the issuer's sector. The Materiality Matrix aims to identify, by sector, where are the main sustainability problems that at first glance highlights the risk exposures within each sector are focused. The materiality of each of the ESG pillars varies by sector. Our materiality matrix is based on the mapping carried out by the Sustainability Accounting Standards Board (SASB). This matrix is used by the ESG analyst team to identify sustainability problems that are likely to affect the financial condition or operational performance of the companies. So, in case that the sector presents issues that could be material (more than 50% of the industries in this sector), the ESG Analyst needs a more detailed analysis will be carried out before moving on to the next stage of the process.

<b>FI 11</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>FI 11.1</b>	Indicate how ESG information is typically used as part of your investment process.
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Select all that apply

	SSA	Corporate (non-financial)	
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is used to adjust the internal credit assessments of issuers.	<input type="checkbox"/>	<input type="checkbox"/>	
ESG analysis is used to adjust forecasted financials and future cash flow estimates.	<input type="checkbox"/>	<input type="checkbox"/>	
ESG analysis impacts the ranking of an issuer relative to a chosen peer group.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
An issuer's ESG bond spreads and its relative value versus its sector peers are analysed to find out if all risks are priced in.	<input type="checkbox"/>	<input type="checkbox"/>	
The impact of ESG analysis on bonds of an issuer with different durations/maturities are analysed.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Sensitivity analysis and scenario analysis are applied to valuation models to compare the difference between base-case and ESG-integrated security valuation.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ESG analysis is integrated into portfolio weighting decisions.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Companies, sectors, countries and currency and monitored for changes in ESG exposure and for breaches of risk limits.	<input type="checkbox"/>	<input type="checkbox"/>	
The ESG profile of portfolios is examined for securities with high ESG risks and assessed relative to the ESG profile of a benchmark.	<input type="checkbox"/>	<input type="checkbox"/>	
Other, specify in Additional Information	<input type="checkbox"/>	<input type="checkbox"/>	

<b>FI 11.2</b>	Additional information [OPTIONAL]
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Afore XXI Banorte

ESG Score vs. Yield: weighted average yield is plotted with respect to the Market Value of the corporate assets portfolio by type of instrument and sector versus the obtained ESG score reported in the ESG analysis.

ESG Score vs Alpha: The difference in performance of the Issuer vs Benchmark is plotted by type of instrument and sector versus the ESG score obtained reported in the ESG analysis.

This universe will be analysed using a proprietary model to rate each issuer from worst to best in its class; the selection is based considering the best rating.

<b>FI 12</b>	<b>Mandatory</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>FI 12.1</b>	Indicate the extent to which ESG issues are reviewed in your integration process.
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	Environment	Social	Governance
SSA	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (non-financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all

**FI 12.2** Please provide more detail on how you review E, S and/or G factors in your integration process.

**SSA**

Afore XXI Banorte

The ESG analyst will periodically be responsible for building a database that integrates quantitative indicators with themes for each pillar for investments in sovereign debt, as well as qualitative factors that could affect risk and price. Some of the main sources of information will be the World Bank, FAO, UN, INEGI and UNEP, Transparencia Mexicana. The ESG analysis for sovereign debt considers 8 "key issues" plus 34 risks distributed in the 3 pillars: Environmental, with a weight of 20%, Social (20%) and Corporate Governance (60%). Exposure and management scores for each risk factor are calculated, after evaluating a country's performance in sub-factors.

**Corporate (non-financial)**

Afore XXI Banorte:

For the ESG analysis of corporate fixed income assets, we have an internal methodology that allows generating an additional score from the score provided by our ESG rating agency (a company of recognized international prestige), plus access to the ESG Data module of Bloomberg, which includes the ESG information disclosure index and the ratings of other ESG rating agencies. The ESG analysis for corporate debt considers 9 "key issues" plus 40 issues distributed in the 3 pillars: Environmental, Social and Corporate Governance, where the weight of each pillar is directly related to the relevance by type of sector. The internal analysis includes company management risks, industry risks, international industry trends. Also, the weight of the pillars is determined by the type of sector to be evaluated.

**FI 12.3** Additional information.[OPTIONAL]

Afore XXI Banorte

In addition to the internal methodology for each type of asset, we have a series of indicators that allow evaluating and monitoring controversies, claims or disasters.

- SSA: A process of searching for public information is carried out in various media.
- Corporate: Controversy reports are considered and additionally the information that the issuer publishes about ex ante elements for risk management.

# GRUPO FINANCIERO BANORTE S A B DE C V

## Reported Information

## Public version

## Confidence building measures

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Confidence building measures

CM1 01	Mandatory	Public	Additional Assessed	General
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**CM1 01.1** Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:

- Third party assurance over selected responses from this year's PRI Transparency Report
- Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year
- Third party assurance or audit of the correct implementation of RI processes (that have been reported to the PRI this year)
- Internal audit of the correct implementation of RI processes and/or accuracy of RI data (that have been reported to the PRI this year)
- Internal verification of responses before submission to the PRI (e.g. by the CEO or the board)
  - Whole PRI Transparency Report has been internally verified
  - Selected data has been internally verified
- Other, specify
- None of the above

**CM1 01.2** Additional information [OPTIONAL]

Afore XXI Banorte:  
Managing Investment Directors of each asset class, the CEO and the CIO reviewed the PRI Report. The selected data has been verified internally by the Investment staff and supervised by the internal comptroller department.

CM1 02	Mandatory	Public	Descriptive	General
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**CM1 02.1** We undertook third party assurance on last year's PRI Transparency Report

- Whole PRI Transparency Report was assured last year
- Selected data was assured in last year's PRI Transparency Report
- We did not assure last year's PRI Transparency report
- None of the above, we were in our preparation year and did not report last year.

**CM1 02.3** Additional information [OPTIONAL]

Afore XXI Banorte:  
We didn't assure last year's PRI Transparency report, because we presented our first report.

CM1 03	Mandatory	Public	Descriptive	General
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**CM1 03.1**

We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:

- We adhere to an RI certification or labelling scheme
- We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report
- ESG audit of holdings
- Other, specify  
 Afore XXI Banorte:  
 Our Investment Committee is authorized to approve and oversee compliance with investment policies.
- None of the above

**CM1 03.5**

Additional information [OPTIONAL]

**3.01 additional information**

The reported information includes investment policies approved by the Investments Committee and applications by Investment staff. The Internal Controller issued an opinion on the data presented after the submission of the report.

**CM1 04**

**Mandatory**

**Public**

**Descriptive**

**General**

**CM1 04.1**

Do you plan to conduct third party assurance of this year's PRI Transparency report?

- Whole PRI Transparency Report will be assured
- Selected data will be assured
- We do not plan to assure this year's PRI Transparency report

**CM1 04.3**

Additional information [OPTIONAL]

**Afore XXI Banorte:**

Currently, our confidence-building measures have an internal control system, however the next step to take will be to coordinate the internal assurance review on the information presented to improve the credibility of our information. Through our internal auditing, it is possible to verify that our internal control mechanisms on ESG reporting and those specific to IR processes are working as intended. This will help Grupo Banorte and Afore XXI Banorte to prepare for external third-party assurance of ESG information, and should result in a more efficient assurance process.

**CM1 07**

**Mandatory**

**Public**

**Descriptive**

**General**

**CM1 07.1**

Indicate who has reviewed/verified internally the whole - or selected data of the - PRI Transparency Report . and if this applies to selected data please specify what data was reviewed

**Who has conducted the verification**

- CEO or other Chief-Level staff

Sign-off or review of responses

- Sign-off
- Review of responses
- The Board

Sign-off or review of responses

- Sign-off
- Review of responses
- Investment Committee

Sign-off or review of responses

- Sign-off
- Review of responses
- Compliance Function
- RI/ESG Team
- Investment Teams
- Legal Department
- Other (specify)

**CM1 07.2**

Additional information [OPTIONAL]

Afore XXI Banorte:

Our Investment Committee approved all the policies, strategies, and processes presented in this report, and they were reviewed by the legal department. ESG Investment Policies were also published on our official page of Afore XXI Banorte.