

Second-Party Opinion

Banorte Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Natural Resources and Biodiversity, (iv) Sustainable Mobility, and (v) Water Management – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 11, 14 and 15.



PROJECT EVALUATION / SELECTION Banorte's ESG Risk Group will identify and propose projects that fall within the Eligible Green Categories. The Green Bond Working Group, comprising members of the Department of Sustainability and Responsible Investment, and of the Department of Treasury will have final approval. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Banorte's Sustainability Team will be in charge with overseeing bond proceed allocation. Pending allocation, net proceeds will be temporarily invested in accordance with preapproved investment policies. Banorte's processes for management of proceeds is in line with market practice.



REPORTING Banorte intends to report allocation proceeds including net proceeds raised, amount of proceeds allocated per category, amount used for financing or refinancing, and total amount of unallocated proceeds, on its website and on an annual basis until bond maturity. In addition, Banorte is committed to reporting on relevant impact key performance indicators. Sustainalytics views Banorte's allocation and impact reporting as aligned with market practice.

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Introduction

Banco Mercantil del Norte S.A. ("Banorte", or the "Bank"), a subsidiary of Grupo Financiero Banorte S.A.B. de C.V. ("GFNorte" or "Group"), provides retail banking products and services, such as chequing and savings accounts, credit cards, investment funds, insurance, and retirement services. The Bank was established in 1899 in Monterrey, Mexico, and today is one of the largest financial institutions in the country.

Banorte has developed the Green Bond Framework (the "Framework") under which it intends to issue multiple green bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects with positive environmental outcomes such as generation of renewable energy, energy efficiency, preservation of natural resources and biodiversity conservation, clean transportation and sustainable water management. The Framework defines eligibility criteria in five areas:

1. Renewable Energy
2. Energy Efficiency
3. Natural Resources and Biodiversity
4. Sustainable Mobility
5. Water Management

Banorte engaged Sustainalytics to review the Green Bond Framework, dated April 2020, and provide a second-party opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2018 ("GBP").¹ This Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the ICMA Green Bond Principles 2018
- The credibility and anticipated positive impacts of the use of proceeds
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.3, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Banorte's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Banorte representatives have confirmed (1) they understand it is the sole responsibility of Banorte to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information; and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Banorte.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Green Bond Framework is available on Banorte's website in English: <https://investors.banorte.com/en/sustainability/resources/policies-and-procedures>; In Spanish: <https://investors.banorte.com/es/sustainability/resources/policies-and-procedures>.

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Banorte has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Green Bond Framework

Sustainalytics is of the opinion that the Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of Banorte's Green Bond Framework:

- Use of Proceeds:
 - The five eligible categories are aligned with those recognized by the GBP 2018. Sustainalytics is of the opinion that investments in projects under these five categories will deliver positive environmental outcomes.
 - Within the "Renewable Energy" category, Banorte intends to invest bond proceeds in projects generating energy from wind, solar, biogas produced by anaerobic digestion and biomass from waste sources. For biomass projects, the Bank's eligibility criteria stipulate that the feedstock for biomass power generation will be procured only from biodegradable municipal waste, agricultural residues, and forestry residues and will generate less than 100g CO₂/kWh of lifecycle emissions. Banorte's Framework states that agriculture and forestry residues must come from sustainable activities, and Sustainalytics has communicated to Banorte that best practice is for residues to come from agricultural production and forests that are either certified or managed with a sustainable forest management plan. Banorte also intends to invest in renewable energy transmission and distribution projects. Sustainalytics notes that if non-renewable energy sources will be connected to the transmission and distribution projects financed by the Bank, green bond proceeds will only be used to finance the percentage of the project corresponding to the percentage of renewable energy transmitted by the project.
 - For the "Energy Efficiency" category, Banorte intends to finance energy recovery and storage projects, energy reduction projects, and green buildings. Sustainalytics notes that energy reduction projects are limited to improvements in electric-powered systems. For its green building eligibility criteria, the Bank uses credible third-party certification systems specifically LEED (Gold and above), EDGE (Advanced or Zero Carbon) and BREEAM (Very Good and above). Sustainalytics positively views the establishment of minimum certification levels for green buildings and views these as robust and credible schemes. For Sustainalytics' assessment of these certification schemes, please refer to Appendix 1.
 - For the "Natural Resources and Biodiversity" category, the Bank intends to finance agricultural activities (excluding meat production) that are certified under a recognized third-party certification scheme, such as UTZ, Rainforest Alliance, and Organic SAGARPA Mexico; forestry activities that are FSC or PEFC certified; and fishery activities that are MSC or ASC certified. Sustainalytics has conducted an evaluation of the certifications and considers these to strengthen the Framework. For Sustainalytics' assessment of these certification schemes, please refer to Appendix 2, 3 and 4.
 - Within the "Sustainable Mobility" category, the Bank intends to finance low-carbon transportation infrastructure, development and upgrade of mass transportation systems and clean transport vehicles. Sustainalytics notes positively the inclusion of quantitative thresholds for passenger transportation of 75 grams CO₂ per passenger kilometer (gCO₂/p-km), and for freight transport of 25 grams CO₂/tonne-kilometer (gCO₂/t-km). This means that Banorte will

- only finance, for example, hybrid vehicles operating below the 75 gCO₂/p-km threshold. Sustainalytics considers the inclusion of this emissions intensity threshold to be aligned with international trajectories for low-carbon transportation.
- For the “Water Management” category, the Bank intends to finance infrastructure for the sustainable management of water including urban drainage systems, river training and wastewater treatment, recycle or reuse. Sustainalytics notes the exclusion of water treatment from fossil fuel operations.
 - Project Evaluation and Selection:
 - Banorte’s ESG Risk Group, headed by the Department of Sustainability and Responsible Investment, will be in charge of identifying projects using an in-house taxonomy. Banorte’s Sustainable CAS⁴ will be used as a first filter to identify potentially eligible projects that fall within the Eligible Green Categories. The Green Bond Working Group, comprising members of the Department of Sustainability and Responsible Investment and the Department of Treasury will approve projects proposed by the ESG Risk Group and will oversee compliance with the Framework. Sustainalytics considers this to be in line with market practice.
 - Banorte has established an allocation timeframe of 24 months post issuance for new projects, and a lookback period of 24 months or less for existing projects while exempting renewable energy projects, specifically wind and solar projects. Sustainalytics views a longer lookback period for wind and solar energy projects to be aligned with market expectation as they have immediate positive environmental impacts. Sustainalytics encourages the Bank to report transparently on the ages of the loans included in the bonds.
 - Management of Proceeds:
 - Banorte has established an internal tracking system with the Sustainability Team responsible with overseeing bond proceeds allocation. Pending allocation, net proceeds will be temporarily invested in accordance with preapproved investment policies adopted by internal committees.
 - Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Banorte intends to publish annual reports on its website within one year of issuance, and until bond maturity. Allocation reporting will include net proceeds raised, amount of proceeds allocated per category, amount used for financing or refinancing, and total amount of unallocated proceeds. The impact reporting will include key performance indicators such as GHG emissions avoided, renewable energy capacity installed or generated, land surface, and amount of water saved, recycled or reused.
 - Based on Banorte’s commitment to annual reporting, including its intention to provide impact reporting that includes relevant quantitative metrics, Sustainalytics is of the opinion that this process is in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Green Bond Framework aligns to the four core components of the GBP 2018. For detailed information please refer to Appendix 5: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of Banorte

Contribution of framework to Banorte’s sustainability strategy

As a subsidiary of GFNorte, Banorte follows the sustainability and corporate governance principles of the Group. GFNorte has demonstrated a strong commitment to sustainability, and its approach outlined in its latest Annual Report 2019⁵ is organized around three pillars that underscore its sustainability agenda: “Responsible Business, Our Planet, and Our People”.

- Responsible Business – GFNorte has incorporated ESG factors into its credit and investment portfolio to manage risks and impacts, and identify potential business opportunities.
- Our People – GFNorte intends to promote social programs that will improve the living conditions of communities and employees.

⁴ Sustainable CAS comprises 91 Sustainable Sector Activity Codes that have been identified by the Bank to have positive environmental and social impacts.

⁵ GFNorte, “Annual Report 2019”, at: https://investors.banorte.com/~/_media/Files/B/Banorte-IR/financial-information/annual-reports/en/2019/annualreportbanorte2019.pdf.

- Our Planet – GFNorte will pursue initiatives to strengthen the corporate environmental culture, and to measure and reduce the consumption of resources and waste generation.

GFNorte's sustainability strategy is implemented by the Specialized Department of Sustainability and Responsible Investment who has aligned the Bank's sustainability agenda with the SDGs and the Paris Climate Change Agreement. In addition, the Sustainability Committee is in charge of implementing the sustainability agenda across the different areas of the Group and reports progress directly to the CEO. The Committee is subdivided in three sub-committees comprising of (i) Risk Subgroup, (ii) the Environmental Subgroup, and (iii) the Human Capital Subgroup. The Group's sustainability agenda is guided by a framework which includes an Environmental Policy⁶ (aligned to ISO 14000 "Environmental Management" standard), and a Social Policy⁷ (aligned with the UN's Universal Declaration of Human Rights).

GFNorte is a member of various local and international sustainability initiatives such as the Global Reporting Initiative, the United Nations Global Compact, CDP, and the Mexico GHG Programme.⁸ In 2017, GFNorte became the first financial group in Mexico to join the UNEP-Finance Initiative's Principles for Responsible Investing ("PRI") and has subsequently joined the Principles for Responsible Banking ("PRB"), which mandates signatories to align their objectives with those of the SDGs and climate accords.⁹ GFNorte's sustainability performance has been highlighted through the inclusion of the company in the Dow Jones Sustainability Index MILA for the third year in a row, in the FTSE4Good SI for the fourth year in a row, and the Bloomberg Gender Equality Index since 2017. These indices track companies' sustainability performance and gender equality, and represent widely recognized industry benchmarks for sustainability referencing.

In addition, GFNorte updated its materiality exercise in 2018 and identified 30 material issues including: (i) green financing, (ii) environmental challenges, and (iii) ESG investment evaluation. These are being addressed by GFNorte through programs and initiatives that are aligned with the SDGs and the PRB. In 2018, GFNorte launched "Sustainable Banorte", a program to foster sustainability through different programs instituted across the Group's operations. For example, the Sustainability Ambassador Network, consisting of 515 employees, was created to promote a sustainability culture throughout the Group by supporting environmental education initiatives, recycling implementation strategies, highlighting the importance of natural capital in business, and sustainable mobility.

In 2016, GFNorte became a member of the Science Based Targets initiative ("SBTi") setting absolute and intensity-based GHG emission reduction targets, and the Group reports its progress annually in its CDP questionnaire.¹⁰ In early 2020, GFNorte announced an agreement to source 70% of its electricity needs from a wind energy project by the first quarter of 2021.¹¹

Based on the above, Sustainalytics considers Banorte to be well positioned to issue green bonds given the extensive policies, programs and commitments it adheres to as part of GFNorte. Furthermore, the issuance of green bonds aligns with the Bank's sustainability strategy and will contribute to the realization of its sustainability strategy.

Well positioned to address common environmental and social risks associated with the projects

While the net proceeds from the bonds issued under the Framework will be directed towards eligible projects recognized by the GBP 2018 to have overall positive environmental outcomes, Sustainalytics recognizes that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects financed by Banorte could include negative environmental and social impacts from large infrastructure and construction projects, and community relations issues. As a financing provider, Banorte has limited involvement in the development of specific projects. Nonetheless, Banorte should take steps to mitigate the risks related to the projects that it will finance.

Banorte attempts to mitigate social and environmental risks through adherence to GFNorte's Social and Environmental Risk Management System ("SEMS"). Through this System, GFNorte identifies, categorizes,

⁶ GFNorte, "Environmental Policy", at: <https://investors.banorte.com/~media/Files/B/Banorte-IR/sustainability/policies-and-procedures/en/environmental-policy.pdf>.

⁷ GFNorte, "Social Policy", at: https://investors.banorte.com/~media/Files/B/Banorte-IR/sustainability/policies-and-procedures/en/social_policy.pdf.

⁸ Mexico GHG Program is a voluntary GHG accounting and reporting program and GFNorte has participated in 2019 for the fifth consecutive year. At: <https://ghgprotocol.org/mexico-ghg-program>.

⁹ GFNorte, Global Initiatives", at: <https://investors.banorte.com/en/sustainability/performance/global-initiatives>.

¹⁰ CDP, "Grupo Financiero Banorte SAP de CV – Climate Change 2019", at: https://www.cdp.net/en/formatted_responses/responses?campaign_id=66216852&discloser_id=831723&locale=en&organization_name=Grupo+Financiero+Banorte+SAB+de+CV&organization_number=22734&program=Investor&project_year=2019&redirect=https%3A%2F%2Fcdp.credit360.com%2Fsurvey%2F9hz110bc%2F45335&survey_id=65670419.

¹¹ GFNorte, "Banorte firma contrato de autoabastecimiento de energía eléctrica con Thermion", (2020), at: <https://investors.banorte.com/es/news-and-events/thermion>.

evaluates and tracks the socio-environmental risks of projects it is considering financing. In addition, GFNorte screens suppliers to detect risks associated with failing to comply with applicable laws, as well as asking suppliers to disclose their corporate sustainability strategies and socially responsible initiatives. The Group's Socio-Environmental Risk Policy¹² is aligned with the Equator Principles (of which GFNorte has been a signatory since 2012), and which serves as a risk management framework "for determining, assessing and managing environmental and social risk in projects."¹³ Projects are also evaluated for compliance with the International Finance Corporation ("IFC") Performance Standards providing another layer of environmental and social risk due diligence, and the Bank regularly follows up on projects to provide advice to clients. GFNorte exclusionary criteria further addresses social and environmental risks related to labour protections and environmental standards, for example, through specifying that production or activities that involve unfair labour practices to be excluded.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Banorte has implemented sufficient measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by the GBP 2018. Sustainalytics has focused the following analysis on where the impact is specifically relevant in the local context.

The role of financial institutions supporting the transition to a low carbon economy

As a signatory to the Paris Agreement, Mexico has set ambitious GHG emission reduction targets in its Intended Nationally Determined Contribution ("INDC") to lower GHG emissions by 22% (36% with international support)¹⁴ by 2030 and by 50% by 2050, below 2000 levels. These goals have been enshrined into law in its General Climate Change Law ("LGCC") in 2018.¹⁵ However, a lack of efficient government planning and monitoring suggests that Mexico needs more robust channels for private climate finance to achieve the government's ambitions.¹⁶ Thus, the participation of the financial institutions is an essential component to close the gap in funding and achieve these goals.

The International Energy Agency ("IEA") estimates that if we are to limit global warming to 1.5°C, the annual investment in low-carbon technologies and energy efficiency needs to increase sixfold "from around \$390 billion in 2013 to \$2.3 trillion per year by 2035."¹⁷ Through several UNEP-FI initiatives, private financial institutions are working with to better incorporate ESG considerations into their financing decisions.¹⁸ The UNEP-FI has stated that "bank loans are the most important source of external finance for companies and will play a crucial role in steering businesses."¹⁹ Thus, financial institutions such as Banorte are vital players in the drive to mobilize capital to limit the impacts of global warming, and the eligible categories under Banorte's Green Bond Framework will advance the transition to low carbon economy.

Renewable Energy in Mexico

In 2015, Mexico passed its new Energy Transition Law ("LTE") intended to advance renewable energy projects to enable the country meet its international commitments to increase the share of clean energy in power generation by 30% by 2021, 35% by 2024, and 43% by 2030.^{20,21} Renewable energy generation in Mexico has the potential to have significant positive environmental impacts, as well as continuing to spur economic development. Furthermore, power demand is growing at a rate of approximately 2.9% per year, driven by

¹² GFNorte, "Política de Riesgo Socioambiental", at: https://investors.banorte.com/~/_media/Files/B/Banorte-IR/sustainability/policies-and-procedures/es/Politica%20de%20riesgo%20socioambiental.pdf.

¹³ Equator Principles, "The Equator Principles", at: <https://equator-principles.com/about/>.

¹⁴ The "unconditional" targets are those that Mexico will implement with its own resources, while the "conditional" actions are those that could be implemented if a new multilateral climate regime is established from which Mexico could obtain additional resources. At:

https://www.gob.mx/cms/uploads/attachment/file/162973/2015_indc_ing.pdf.

¹⁵ WRI, "Choosing the Right Path: Low-Cost Policy Options for Enhancing Mexico's Climate Goals While Achieving Long-Term Social Benefits", at: https://wriorg.s3.amazonaws.com/s3fs-public/choosing-right-path_0.pdf.

¹⁶ GIZ, "Learning from each other: cooperation in climate policy with Mexico", at: <https://www.giz.de/en/worldwide/25691.html>.

¹⁷ Fabian, N., (2015), "Economics: Support low-carbon investment", Nature, at: <https://www.nature.com/news/economics-support-low-carbon-investment-1.17015>.

¹⁸ IISD, "UN Secretary-General Releases Strategy for Financing 2030 Agenda", (2018), at: <https://sdg.iisd.org/news/un-secretary-general-releases-strategy-for-financing-2030-agenda/>.

¹⁹ UNEP, "Financial Institutions Taking Action on Climate Change", at: <http://www.unepfi.org/fileadmin/documents/FinancialInstitutionsTakingActionOnClimateChange.pdf>.

²⁰ García Padrón, Juan A., (2016), "The Mexican Energy Reform and Clean Energy: Lessons from the Swedish-Norwegian Scheme of Clean Energy Certificates", Natural Resources Journal, at: <https://digitalrepository.unm.edu/cgi/viewcontent.cgi?article=1016&context=nrij>.

²¹ Gobierno Federal, "Intended Nationally Determined Contribution", (2014) at: https://www.gob.mx/cms/uploads/attachment/file/162973/2015_indc_ing.pdf.

increasing consumption in both rural and urban areas.²² As of 2015, Mexico generated 15.4% of its electricity from renewable sources,²³ of which approximately two-thirds was from hydro.²⁴ According to a report from the International Renewable Energy Agency (“IRENA”), Mexico has the potential to generate 46% of its electricity from renewable sources by 2030. The IRENA report contemplates the rapid expansion of wind and solar photovoltaic generation, with additional substantial contributions from hydroelectricity and geothermal power.²⁵ Banorte’s Green Bond Framework contemplates financing for several renewable energy technologies identified as crucial to ensure Mexico achieves its targets.

Green Buildings

With buildings producing nearly 40% of global energy-related emissions, and as the second-largest construction market in Latin America, building design will be an integral part of Mexico’s ability to reach its climate targets.²⁶ The IFC forecasts that only about 9% of new construction in the country will consist of green buildings by 2025.²⁷ A report by the American Council for an Energy Efficient Economy (“ACEEE”) ranked Mexico 12th out of 25 countries evaluated for the energy efficiency performance and policies. While not being one of the top countries on the list, Mexico rose from being ranked 19th in the 2016 edition out of 23, due to policies and steps taken to reduce energy consumption and intensity.²⁸ These efforts are outlined in Mexico’s National Program for the Sustainable Use of Energy²⁹ and focus on (i) enacting standards based on the best available technology, (ii) providing incentives to consumers to replace and install new energy-efficient systems, and (iii) through educational programs to promote the benefits of using energy efficiently.³⁰

Banorte’s Green Bond Framework includes financing for green building projects which will advance the national goals to increase energy efficiency from the built environment. The Framework allows financing specifically for buildings certified as LEED “Gold” or higher, BREEAM “Very Good” or higher, and EDGE “Advanced” or “Zero Carbon” (for a comparison of green building certifications please refer to Appendix 1). Sustainalytics also recognizes that the upper levels of green building certifications, namely LEED Gold and Platinum and BREEAM “Very Good” or above, are often considered to represent the highest levels of environmental performance.

Sustainable mobility

Mexico’s energy demand per capita increased by 18% between 1990 and 2010, with the transport sector being one of the main contributors to the rising demand.³¹ To meet Mexico’s GHG emission reduction targets, models estimate that changes in the transportation sector are necessary, such as better urban infrastructure, more efficient vehicles and lower carbon fuels.^{32,33} While electric and hybrid vehicle sales increased 86% over the first six months of 2019 compared to the same period of 2018,³⁴ this figure still represents only 1.6% of car sales during the first half of 2019.³⁵ Sustainalytics is of the opinion that the use of proceeds of the green bonds related to “Sustainability mobility” will have positive environmental impacts supporting the adoption of low carbon vehicles by providing financing for the acquisition of electric and hybrid vehicle models, and for improving public transport infrastructure.

²² IEA, “Countries: Mexico”, at: <https://www.iea.org/countries/mexico>.

²³ The World Bank, “Renewable electricity output (% of total electricity output) – Mexico”, at: <https://data.worldbank.org/indicator/EG.ELC.RNEW.ZS?locations=MX>.

²⁴ IEA, “Electricity production from renewable sources, excluding hydroelectric (% of total) – Mexico”, at: <https://data.worldbank.org/indicator/EG.ELC.RNWX.ZS?locations=MX>.

²⁵ IRENA, “Renewable Energy Prospects: Mexico” (2015), at: http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA_REmap_Mexico_report_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56B1.

²⁶ WRI, “Will Mexico Rise to the Zero-carbon Buildings Challenge?”, (2020) at: <https://www.wri.org/blog/2020/02/zero-carbon-buildings-mexico>.

²⁷ IFC <https://www.edgebuildings.com/wp-content/uploads/2017/09/Mexico-Green-Building-Market-Intelligence.pdf>.

²⁸ ACEEE, “The 2018 International Energy Efficiency Scorecard”, (2018), at: <https://www.aceee.org/sites/default/files/publications/researchreports/i1801.pdf>.

²⁹ Secretaría de Energía, “Programa Nacional Para el Aprovechamiento Sustentable de la Energía 2014-2018”, at: <https://www.gob.mx/cms/uploads/attachment/file/224/PRONASEpendt.pdf>.

³⁰ ACEEE, “The 2018 International Energy Efficiency Scorecard”, (2018), at: <https://www.aceee.org/sites/default/files/publications/researchreports/i1801.pdf>.

³¹ Veysey, Jason, et al., (2015), “Pathways to Mexico’s climate change mitigation targets: A multi-model analysis”, Elsevier, at: <https://reader.elsevier.com/reader/sd/pii/S0140988315001346?token=BEB2C0B32E0C38F48A2E1F33E0EADC25500ED13DD7B9DB7B8FFBFB18B7C484B7D04637ED4EE829C2CCF3348C2EE8A37D>.

³² *Ibid.*

³³ The World Bank, “Climate Investment Opportunities in Emerging Markets”, (2016) at: <http://documents.worldbank.org/curated/en/602971510740408248/pdf/121277-WP-IFC-Climate-Investment-Opportunity-Report-Dec-PUBLIC.pdf>.

³⁴ El Economista, “Autos híbridos y eléctricos continúan ganando mercado; CDMX lidera las compras”, (2019), at: <https://www.eleconomista.com.mx/empresas/Autos-hibridos-y-electricos-continuan-ganando-mercado-CDMX-lidera-las-compras-20191004-0040.html>.

³⁵ AMIA, “Boletín Híbridos y Eléctricos”, at: <http://www.amia.com.mx/descargarb2.html>.

Alignment with/contribution to SDGs

The Sustainable Development Goals (“SDGs”) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3: By 2030, double the global rate of improvement in energy efficiency
Natural Resources and Biodiversity	14. Life below water 15. Life on Land	14.2. By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans 15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
Sustainable Mobility	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport.
Water Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

Conclusion

Banorte has developed the Green Bond Framework under which it will issue green bonds and the use of proceeds to finance power generation from renewable sources, increase energy efficiency, sustainable use of natural resources and biodiversity conservation, clean transportation, and sustainable management of water. Sustainalytics considers that the projects funded by the green bond proceeds will provide positive environmental impact.

The Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Green Bond Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 11, 14 and 15. Additionally, Sustainalytics is of the opinion that Banorte has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Banorte is well-positioned to issue green bonds and that the Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

Appendices




Appendix 1: Comparison of Green Building Certification Schemes

	LEED ³⁶	BREEAM ³⁷	EDGE ³⁸
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, BREEAM can be used for new, refurbished and extension of existing buildings.	EDGE (or "Excellence in Design for Greater Efficiencies") is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.
Certification levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding 	<ul style="list-style-type: none"> • EDGE Certified • EDGE Advanced • EDGE Zero Carbon
Areas of assessment	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation Design • Regional Priority 	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<p>1. Climatic Conditions of the Location Monthly average wet and dry bulb temperature; Monthly average outdoor wind velocity; Monthly average outdoor humidity; Solar radiation intensity; Annual average rainfall; Carbon dioxide intensity of the electricity grid; Average cost of energy (by fuel type) and water.</p> <p>2. Building Type and Occupant Use Homes: for both apartments and houses (assumptions for area and occupancy are based on income categories); Hotels: for both hotels and resorts (assumptions for area, occupancy and the type of support services are based on the star rating of the property); Offices: assumptions are based on occupancy density and hours of use; Hospitals: assumptions are based on the type of hospital (e.g., nursing home, private or public hospital, clinic or diagnostic center); Retail: assumptions are based on the type of retail building (e.g., department store, mall, supermarket, light industry or warehouse); Education: assumptions are based on the type of educational facility (e.g., pre-school, university or sports facility), as well as occupancy density and hours of use.</p> <p>3. Design and Specifications Thermal properties of the building envelope; Window to Wall Ratio; Building Orientation</p>

³⁶ USGBC, "LEED rating system", at: www.usgbc.org/LEED.




³⁷ BREEAM, "Rating Benchmark", at: https://www.breeam.com/BREEAMIntNDR2016SchemeDocument/content/03_scoringrating_all/rat_benmks_all.htm.

³⁸ EDGE, "Certify", at: <https://www.edgebuildings.com/certify/>.

			<p>4. Calculation of the End Use Demand</p> <p>Overall energy demand in buildings; heating ventilation and air conditioning demand; virtual energy for comfort, energy demand for hot water requirements; lighting energy demand; water demand in buildings; estimations on rainwater harvesting or recycled water onsite; embodied energy in building materials.</p>
Requirements	<p>Prerequisites (independent of level of certification) + Credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification.</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operations and Maintenance).</p>	<p>Prerequisites depending on the levels of certification, and credits with associated points.</p> <p>This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p>	<p>Prerequisites depending on the level of certification.</p> <p>To achieve the minimum level, EDGE Certified, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.</p>
Qualitative Considerations	Widely recognized internationally, and strong assurance of overall quality.	Widely accepted within the industry. Sustainalytics considers BREEAM Very Good (provided a minimum score of 70% is achieved in the energy category), Excellent and Outstanding to be representative of best practice.	Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.
Performance display			

Appendix 2: Certifications Schemes for Agriculture

	Rainforest Alliance	UTZ	Organic SAGARPA Mexico
Background	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.	The UTZ Label is a global certification system for coffee, cocoa, tea and hazelnuts. The UTZ certification incorporates environmental, social, farm management and farming practices considerations. UTZ merged with Rainforest Alliance in January 2018.	The Organic SAGARPA Mexico label is a Mexican certification system overseen, administered and enforced by the Mexican Secretariat of Agriculture (SAGARPA) through the National Service of Health, Food Safety and Quality (SENASICA). The organic label was enacted by the Organic Products Law (LPO) in 2006, Regulations for Organic Products and Guidelines for Organic Production and the General Rules for the Use of the National Seal which were published in 2013 and the program became fully operational in April 2017.
Clear positive impact	Promoting sustainable practices in agriculture, forestry and tourism.	Promoting sustainable practices in Coffee, Cocoa Tea and Hazelnut farming and trading.	Promoting sustainable and organic farming practices that improve water quality, conserve energy, increase and protect biodiversity and contribute to soil health.
Minimum standards	Rainforest alliance establishes a minimum threshold for impact through critical criteria and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.	UTZ establishes a minimum threshold for impact through mandatory points and additional points, and requires farmers to go beyond by demonstrating compliance with an increasingly large proportion of both mandatory and additional points.	The Organic SAGARPA Mexico label sets production and labeling requirements, including that certified products are: <ul style="list-style-type: none"> • Produced without genetic engineering and without sewage sludge; • Produced using allowed substances only and managed in such a way that applications to the soil or to the plant, including mineral fertilizers of natural origin composed by plant and/or animal material, animal waste and other organic materials, are free from prohibited materials according to the National List of Permitted Substances for the Agricultural and Livestock Organic Operation.
Scope of certification or programme	Rainforest alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.	UTZ addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.	The Organic SAGARPA Mexico label addresses key risks through the regulated use of external inputs, restricting and banning the use of synthetic chemical products to preserve soil quality, raising practices, pest and weed control.
Verification of standards and risk mitigation	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	1. Organic Practices: Methods should be reviewed and implemented in accordance with the LPO and additional regulations. Depending on the production activity there is a land conversion period of 1 to 3 years.



			<p>2. Organic plan: Each producer/ operator who wishes to produce, certify and trade products using the label must establish an Organic Masterplan describing and accounting for all activities carried out in the production.</p> <p>3. Contact an Organic Certification Body (OCO) approved by SENASICA: Producers wishing to produce, certify and commercialize their products as Organic should approach an OCO approved by SENASICA, who will guide them through the certification process.</p> <p>4. Certification of organic products: Once the previous steps have been covered, OCO's will carry out at least one organic inspection in which the compliance with regulations will be verified. After reviewing the outcomes of the inspection, OCO's can issue the corresponding certificate.</p>
Third party expertise and multi-stakeholder process	Standard setting is aligned with the ISEAL Standard Setting Code.	Standard setting is aligned with the ISEAL Standard Setting Code.	The National Service of Health, Food Safety and Quality (SENASICA) which develops the rules and regulation receives input from the National Council for Organic Production (CNPO).
Performance Display			
Third-party verified	<ul style="list-style-type: none"> • Africert • Conservacion y Desarrollo Certified S.A. • Imaflora • IMO India • CERES • IBD • Indocert • NaturaCert • Productos y Procesos Sostenables, A.C. • NEPCon 	60 UTZ approved certification bodies split by country and by relevant commodity (coffee, cocoa, tea, hazelnut, herbals. Rooibos)	As of March 2020, there are 18 approved organizations accredited by SENASICA

Appendix 3: Overview and Analysis of FSC and PEFC Certifications

FSC and PEFC are both based on rigorous standards and on a multi-stakeholder structure. Both organizations are in line with international norms such as the International Labor Organization (ILO) conventions, the Convention on Biological Diversity (CBD), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In addition to compliance with laws in the country of certification, both schemes have a set of minimum requirements that companies are required to meet to obtain and maintain certifications. These requirements include compliance with standards around sustainable management of forests, management of environmental impact of operations, preservation of biodiversity, management of socio-economic and community relations, and sourcing of sustainable wood (chain of custody). Furthermore, both FSC and PEFC require external annual audits to ensure compliance and achieve and maintain certification. Despite these similarities, PEFC has faced certain criticisms from civil society actors. These are highlighted below:

- (i) **Type of organization:** Since the FSC is an international labelling and certification system, it sets its own global standards. The PEFC, in contrast, is not a standard setter, but a mutual recognition scheme. The PEFC sets sustainability benchmarks according to international norms and endorses national certification schemes that comply with these benchmarks. A common criticism of this model is that it allows for more flexibility in the interpretation of international PEFC benchmarks as per regional, cultural, and socio-economic context, and results in the endorsement of less rigorous national certification schemes. However, the process for being endorsed by the PEFC is thorough; any national certification system seeking to obtain PEFC endorsement must submit to a comprehensive assessment process, including independent evaluation and public consultation. This evaluation of compliance with international PEFC benchmarks is carried out by independent, accredited certification organizations.
- (ii) **Indigenous People's Rights:** FSC and PEFC both identify indigenous rights as an important standard in forest management. Both certification schemes require that forest management activities consider and do not infringe on indigenous people's rights, and the activities are carried out using frameworks ensuring their free and informed consent. A criticism of PEFC is that it requires only engagement with indigenous people in forest management decisions, while the FSC provides performance-oriented targets, and requires forest managers operating on indigenous lands to obtain indigenous people's consent through binding agreements.
- (iii) **Sourcing wood from non-certified sources:** Both FSC and the PEFC have established standards around sourcing wood from non-certified and controversial sources. FSC's standards direct forest managers to avoid wood harvested in violation of traditional and civil rights. A criticism of the comparable PEFC standard is that it limits identification of controversially sourced wood to situations where the local legislation is violated. However, PEFC standards explicitly reference the violation of local, national, and international legislation with regards to worker's and indigenous people's rights as being a controversial source of wood.

Appendix 4: Certifications for Aquaculture

	Marine Stewardship Council ³⁹	Aquaculture Stewardship Council ⁴⁰
Background	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.
Clear positive impact	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.
Minimum standards	<p>A minimum score must be met across each of the performance indicators.</p> <p>As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.</p>	<p>Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based.</p> <p>Certification may be granted with a “variance” to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions, but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.</p>
Scope of certification or programme	<p>The MSC standard consists of a fisheries standard and a chain of custody standard.</p> <p>The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts.</p> <p>The Chain of Custody standard addresses certified spearfishing, product identification, separation, traceability and records, and good management.</p>	<p>ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance.</p> <p>Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.</p>
Verification of standards and risk mitigation	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065.</p> <p>Certification is valid for up to five years.</p>	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065.</p> <p>Major non-compliances must be remedied within three months.</p>
Third party expertise and multi-stakeholder process	Aligned with the UN Code of Conduct for Responsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)	<p>Developed in line with United Nations Food and Agriculture Organization (UN FAO) and International Labour Organisation (ILO) principles.</p> <p>Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.</p>
Performance display		

³⁹ MSC, The MSC Fisheries Standard: <https://www.msc.org/standards-and-certification/fisheries-standard>

⁴⁰ ASC, Farm standards: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

Qualitative considerations	<p>The MSC label is the most widely recognized sustainable fisheries label worldwide, and is generally accepted to have positive impacts on marine environments.</p> <p>Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.</p>	<p>Widely recognized, and modeled on the successful MSC certification.</p> <p>Some criticism has been focused on the ability to certify with a “variance”, in which certain aspects of the standard can be interpreted or waived during the audit procedure.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>
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Appendix 5: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Banco Mercantil del Norte S.A.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 1, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Natural Resources and Biodiversity, (iv) Sustainable Mobility, and (v) Water Management - are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 11, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Banorte's ESG Risk Group will identify and propose projects that fall within the Eligible Green Categories. The Green Bond Working Group, comprising members of the Department of Sustainability and Responsible Investment, and of the Department of Treasury will have final approval. Sustainalytics considers the project selection process to be line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Banorte's Sustainability Team will be in charge with overseeing bond proceed allocation. Pending allocation, net proceeds will be temporarily invested in accordance with preapproved investment policies. Banorte's processes for management of proceeds is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

Banorte intends to report allocation proceeds including net proceeds raised, amount of proceeds allocated per category, amount used for financing or refinancing, and total amount of unallocated proceeds, on its website and on an annual basis until bond maturity. In addition, Banorte is committed to reporting on relevant impact key performance indicators. Sustainalytics views Banorte's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): Renewable energy capacity installed (MW), expected energy generation (MWh), transmission lines installed (km), "green" spaces certified (m2), surface with biodiversity management (ha), transportation infrastructure built (km), water saved, recycled or reused (m3). |

Means of Disclosure

- ☐ Information published in financial report ☒ Information published in sustainability report
- ☐ Information published in ad hoc documents ☐ Other (please specify):
- ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://investors.banorte.com/en/deuda/certificados-bursatiles>.

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- ☐ Consultancy (incl. 2nd opinion) ☐ Certification
- ☐ Verification / Audit ☐ Rating
- ☐ Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria,

and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

Sustainalytics

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