

Contribution to the

# **Sustainable Development Goals**

2018

By aligning our operations, products and services with the Sustainable Development Goals we turn our focus to Mexico's social and environmental priorities toward the year 2030.



## Methodology

The methodology used to determine our contribution to the SDG is based on the following frameworks and tools:



**SASB Sustainability Accounting Standard (SASB Standard) for commercial banks**



**Business Reporting on the Global Reporting Initiative (GRI) SDG**



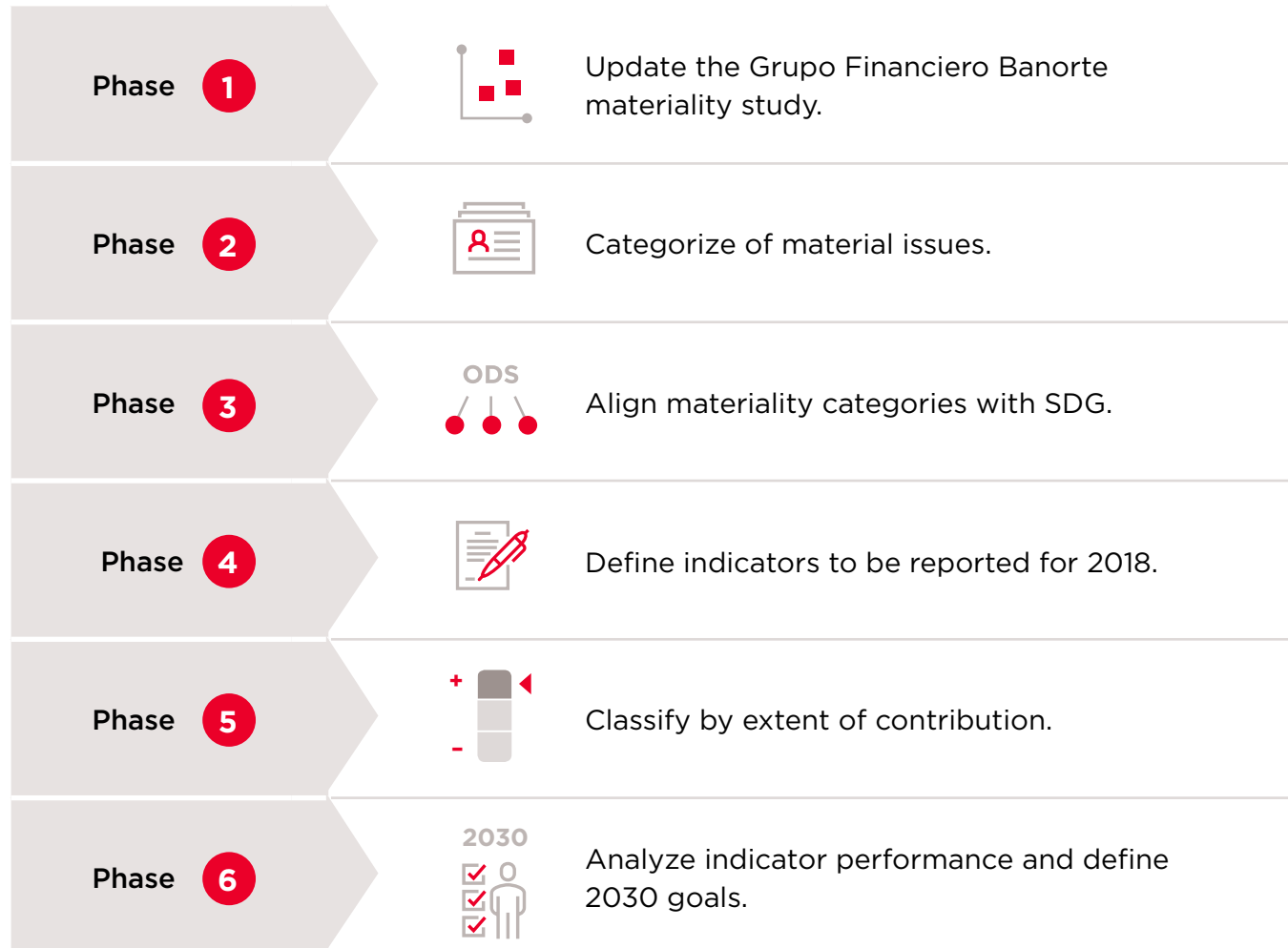
**SDG Accelerator and Bottleneck Assessment (ABA), of the UNPD**



**SDG Compass**

**SDG Compass, of the Global Compact**

This methodology had six phases:

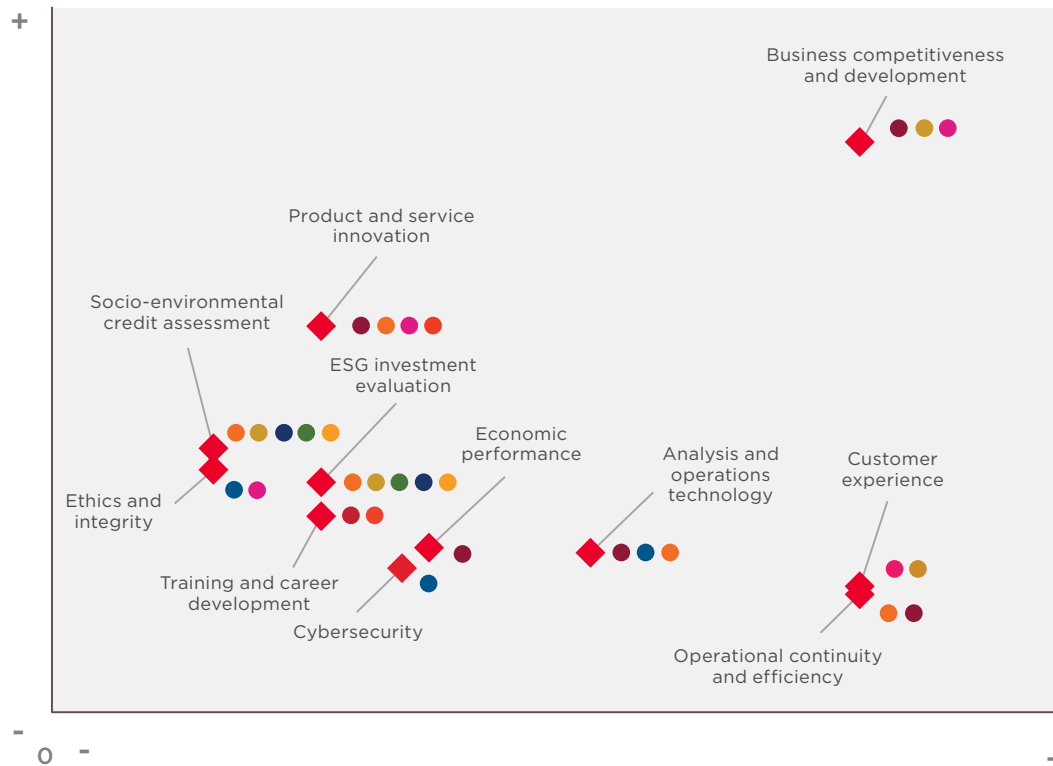




## Materiality

Based on a series of surveys and interviews, consistent with the methodology and principles recommended by the Global Reporting Initiative (GRI), we consulted with employees, clients and sustainability leaders to define our environmental, social and governance (ESG) aspects. The result was a list of 30 material issues, which we grouped by category and aligned with the SDG.

Relationship of materiality with Sustainable Objective Goals



Contribution to  
the Sustainable  
Development Goals





# Competitiveness and Business Development



Remaining competitive by creating shared value is a priority for Banorte. That is why we listen closely to our employees, clients and communities, and are always attentive to their interests. It's also why we integrate sustainability into our business strategy, being responsible toward our environment and providing social benefits through good corporate practices and support for the community.



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IMPACT LEVEL

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## SDG 10. REDUCED INEQUALITIES

**Target 10.2** Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.



### Our social commitment

At Grupo Financiero Banorte, we have a social policy grounded in the Mexican Constitution, the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact, the Equator Principles and the Women's Empowerment Principles.

Based on these frameworks, **we make sure our daily operations and all the initiatives we support respect basic human rights at all times, including non-discrimination, workplace safety and health, personal and professional well-being, risk and impact management, and recognition of women's role** at work and in daily life.



## Customer experience

At Banorte, we strive to continuously improve the quality of our services. We offer our employees a sensitive, empathic training consistent with our sales strategy and governed by our institutional values. We provide outstanding service to our customers, aiming to be the highest-rated bank in terms of service, to successfully meet the needs of every one of them, avoiding any hint of discrimination or insensitivity.

Toward the end of 2017, we began the Customer Voice in Real Time Management Program, which consists of a series of questionnaires applied to clients through digital channels, using the Net Promoter Score (NPS) methodology. This internationally recognized methodology tells us to what extent our clients would recommend us, and their level of satisfaction with our products, services and channels.

At present we have received more than 2 million feedbacks from customers, at 40,000 points of interaction with Banorte. We have used this information to design and transform our processes, products and services, and improve the customer experience.



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## Yo Soy **VOLUNTARIO BANORTE**

### Corporate volunteering

Our corporate volunteer programs are a tool for building employee awareness about various social and environmental causes important to our country, encouraging them to help build a more just and sustainable Mexico.

In 2018, 1,072 employees from our Banorte Volunteer Corp devoted 6,468 hours of volunteer time to support the community and the environment.

### Financial education

According to the National Financial Inclusion survey, **only 41% of Mexico's population uses some kind of savings or retirement planning mechanism**, and only 31% of the adult population have received some type of financial education.

GFNorte is concerned about bringing financial knowledge to our customers, employees and community, because we consider it highly important that they understand and make responsible use of our products and services, to their own benefit.



In 2018, **1,072 employees from our Banorte Volunteer Corp devoted 6,468 hours of volunteer time** to support the community and the environment.

## Financial education activities 2018

### Financial Education Program

#### Summer workshops

**Location:** Secretary of Public Safety in Cuajimalpa, Iztacalco and Cuauhtémoc



**13 volunteers**



Attendance:  
**90 children**  
between 6 and 15



**39 hours**



### Banorte adopts a community

#### Family finance workshops

**Locations:** adopted communities in 7 states affected by the earthquakes



**15 volunteers**



Attendance:  
**310 people**



**120 hours**  
of financial education  
in five communities

## SDG 8: DECENT WORK AND ECONOMIC GROWTH

**Target 8.4** Improve global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation in accordance with the 10-year framework of programs on sustainable consumption and production with developed countries taking the lead.

IMPACT  
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### Sustainable business

The sustainable growth of a business depends on its economic results, its care for the environment, and on generation of social value. At Banorte, we are convinced that good environmental and social management and corporate governance, as well as alignment with best global sustainability practices, are a sign of transparency and accountability, and keep this company open to new global markets and investors.

### Banorte is recognized by leading global sustainability indexes

**and rating firms:** the Mexican Stock Exchange IPC Sustentable; Emerging Markets Index prepared by Euronext Vigeo-Eiris, a leading European stockbroker; the London Stock Exchange's FTSE4Good; the Integrated Latin American Markets Index (MILA), of the Dow Jones Pacific Alliance (2017), New York Stock Exchange; and the Bloomberg Gender Equity Index.



## Initiatives



## Indexes





## SDG 13. CLIMATE ACTION

**Target 13.3** Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

IMPACT  
LEVEL



### Our environmental commitment

Grupo Financiero Banorte recognizes the challenges posed by climate change and its effects on our planet. We understand the environmental risks our country faces and the need to take action to reduce greenhouse gas (GhG) emissions, and we know that our position as source of funding enables us to be an active part of the solution.

**We have an environmental policy based on Mexican laws, the United Nations Framework Convention on Climate Change, the Global Compact, the Declaration of Natural Capital and the Equator Principles.** Accordingly, we make sure that our day-to-day operations and initiatives incorporate rational use of resources, energy efficiency, risk and environmental impact management, proper waste handling, awareness and continuing education on these issues.



## Reduced energy and emissions

Mexico is  
**one of the ten top**  
greenhouse gas generating  
countries in the world.



World Resources Institute (CAIT), Climate Data Explorer, 2012.

Keenly aware of this situation, GFNorte joins in efforts to mitigate climate change, introducing programs on energy efficiency and reduced emission. We have corporate campaigns encouraging employees to turn off lights and computer equipment when not in use, and as to avoid corporate travel we use videoconferencing mechanisms, thus reducing our carbon footprint.

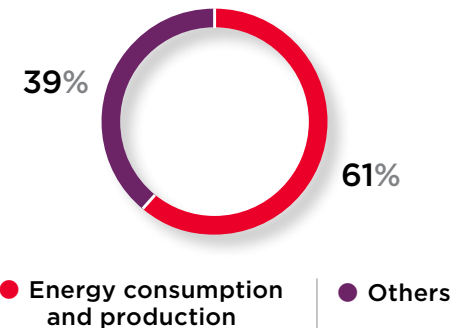
Our indicators reflect the group's constant growth alongside a diminished impact, with the following reductions:

↓ **3 million kWh = 7,988 metric tons of CO<sub>2</sub>**

↓ **2.1% energy** used per employee

↓ **26.7% per net income** vs. 2017

Consumption and electrical  
energy generation are  
estimated to account for  
**61% of emissions**  
nationwide.



NATIONAL EMISSIONS

## SDG 12. RESPONSIBLE PRODUCTION AND CONSUMPTION

**Target 12.5** Substantially reduce waste generation through policies on prevention, reduction, recycling and reuse.

IMPACT  
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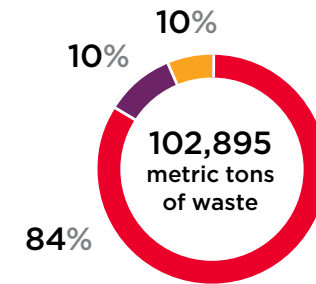
### Appropriate waste management

**Mexico generates 102,895 metric tons of waste a day. Only 83.93% is collected, and less than 10% is recycled.<sup>1</sup>**

We at GFNorte know that the main alternative for reducing waste is responsible consumption. Aware that the largest component of our waste is paper, we encourage its reuse and recycling, and the use of alternatives through process segregation and digitalization.

**In 2018 we sent 522 metric ton of paper waste for recycling, 4.5% more than the year before. And through various paper reduction initiatives we reduced our use by 62 metric tons, based on digital channels and operating efficiency. We also received 32,181 physical tokens from our customers, 5,656 of which were put back into use and 26,525 were disposed off and parts recovered for recycling.**

<sup>1</sup> SEMARNAT (2017),  
<https://www.gob.mx/semarnat/acciones-y-programas/residuos-solidos-urbanos-rsu>



● Collected ● Recycled ● Others

WASTE GENERATED IN MEXICO DAILY



## SDG 15. LIFE ON LAND

**Target 15.2** By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

IMPACT  
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### Reforestation

**A quarter of Mexico's territory is covered by forests. But every year more than 155,000 hectares are deforested,** which significantly affects quality of life in society and contributes to climate change, because huge amounts of carbon dioxide are released.<sup>2</sup>

GFNorte knows how important forests are as an indispensable resource for life, and as a refuge for countless animal and vegetable species. They improve air quality, capture rainfall, contribute to ground filtration and act as significant carbon sinks.

This past year, with the help of **168 volunteers**, we reforested **3 hectares**, planting a total of **2,600 trees** in two forests near our corporate offices in Mexico City.

<sup>2</sup> FAO (2011), "Acumulan pérdidas bosques densos en México por deforestación", <http://www.fao.org/in-action/agronoticias/detail/es/c/507489/>







## Product and service innovation



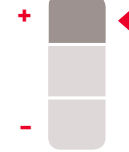
One of GFNorte's priorities is to innovate in the products and services we offer, always in an effort to support prosperity for this country for families and for businesses. Through our products, we try to provide social benefits linked to gender equality, decent work, and financial inclusion.



## SDG 8. DECENT WORK AND ECONOMIC GROWTH

**Target 8.5** Achieve full and productive employment and decent work for all women and men.

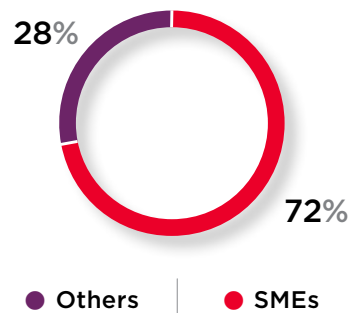
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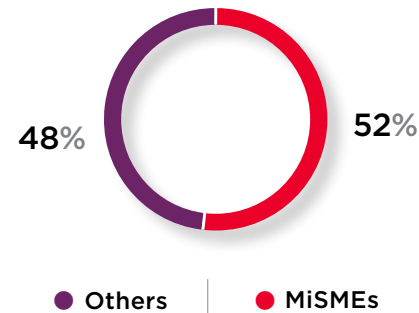
### SME Jobs

According to the National Commission for the Protection and Defense of Financial Service Users (CONDUSEF), **in Mexico, micro, small and mid-sized enterprises (MiSMEs) generate 72% of the jobs and 52% of the country's GDP.**

As a Mexican company, Banorte is committed to being a part of this country's economic development, through financial offerings that help create jobs. In 2018, Banorte's SME clients reported the creation of 215,754 jobs.



JOB GENERATION



GROSS DOMESTIC PRODUCT (GDP)

## Payroll

**Almost 60% of workers in Mexico are employed informally, and although these practices are on the decline in some states, there are still 130 million people with informal jobs**, meaning they have no access to social security, a pension or retirement savings, nor the legal benefits that formal employment implies in this country.<sup>3</sup>

At present, Banorte handles more than 8 million payroll accounts with more than 45,000 companies. In addition to the legal benefits of formal employment, a Banorte payroll account holder enjoys the following:

- Life insurance for the outstanding balance, in the event of death
- Free unemployment insurance covering up to six months of pay, applicable to the loan.



Currently, Banorte handles **more than 8 million payroll accounts for more than 45,000 companies.**

<sup>3</sup> ILO, “El empleo informal en México, situación actual, políticas y desafíos”, [https://www.ilo.org/wcmstp5/groups/public/---americas/---ro-lima/documents/publication/wcms\\_245619.pdf](https://www.ilo.org/wcmstp5/groups/public/---americas/---ro-lima/documents/publication/wcms_245619.pdf)

## SDG 10. REDUCED INEQUALITIES

**Target 10.2** Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

IMPACT  
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### Financial inclusion: physical infrastructure

The number of channels for accessing the financial system have grown at an average annual rate of 11% over the past five years; however, 26% of municipalities in Mexico are still considered financially lagging due to geographic restrictions.<sup>4</sup>

Grupo Financiero Banorte strives to bring our services closer to all Mexicans, reducing geographic barriers, expanding our infrastructure and providing maximum security in every one of our channels. The following shows GFNorte's coverage of the Mexican territory through its correspondents, ATMs and bank branches.



<sup>4</sup> National Financial Inclusion Steering and Technical Committee (2017), National Report on Financial Inclusion, <https://www.cnbv.gob.mx/inclusi%C3%B3n/Documents/Reportes%20de%20IF/Reporte%20de%20Inclusion%20Financiera%208.pdf>



## Correspondents



Note: Figures as of December 2018.

## Financial inclusion: Digital infrastructure

In Mexico, 57.4% of the population has internet access and two out of three cell phone users have a smartphone,<sup>5</sup> which has given more people access to digital services like mobile banking.

At Banorte, our most widely accessed channels are Banorte Móvil and Banorte online banking. Any device equipped with a connection to the Internet can access our various banking services.

In 2018, through Banorte Online Banking, we served 2,224,293 customers, who performed 1,423,942,318 transactions. Furthermore, through our Banorte Móvil smartphone app we served 1,508,744 customers with 311,685,105 transactions.



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<sup>5</sup> INEGI/SCT/IFT (2017), “En México, 71.3 millones de usuarios de internet y 17.4 millones de hogares con conexión a este servicio: ENDUTIH”, [http://www.beta.inegi.org.mx/contenidos/saladeprensa/boletines/2018/otrtemecon/endutih2018\\_02.pdf](http://www.beta.inegi.org.mx/contenidos/saladeprensa/boletines/2018/otrtemecon/endutih2018_02.pdf)

## SDG 9. INNOVATION AND INFRASTRUCTURE

**Target 9.1** Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with special emphasis on accessible and equitable access for all.

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### Infrastructure and Development

Financial institutions, through responsible investment of their shareholders' equity and close involvement with governments in design, planning and financing, are able to make projects possible with a huge economic and social impact, which have a positive impact on the lives of our customers as well as in the capital markets.

Banorte is a Mexican bank and for Mexicans, thus we support the development of communities and local economies working hand-in-hand with various levels of governments. We provide financing for contractors working on public infrastructure projects at the federal, state and municipal level, through public-private-partnership mechanisms, financed public work, traditional public work and concessions.

Banorte is a Mexican bank, and for Mexicans, thus **we support the development of communities and local economies.**

We have developed a model that guarantees correct execution and completion of public works, on time and within budget. For every project, we design unique structures that help mitigate risks in the construction and execution process, in service provision, operation and maintenance.

**This year, we participated in the following projects, bringing security and social development to our country:**

Sector	Number of Projects	Amount (MXN million)
Mobility	34	19,326
Energy	23	14,415
Urban complexes	15	6,308
Security	8	3,002
Water	7	2,809
Education	5	2,694
Others	5	350
Health	2	151
<b>Total</b>	<b>99</b>	<b>49,055</b>

### **Orientation and guidance on development projects**

At GFNorte, one of our priorities is to extend the culture of prevention and risk minimization to all parts of the institution and outside of it as well. For this reason, using our **Social and Environmental Risk Management System (SEMS)**, our specialized team provides consultancy and guidance to clients to help them improve their management of the social and environmental risks involved in projects they execute.

For every project, **we design unique structures that help mitigate risks in the construction and execution process**, in service provision, operation and maintenance.





Based on best national and international practices, we recommend measures to ensure proper working conditions in terms of health and safety; protection of indigenous peoples and cultural heritage; efficient use of resources; reduction of atmospheric emissions; and conservation of biodiversity, among other aspects. In 2018 we provided recommendations on managing risk in 464 projects in the following industries:

Industry	Number of Projects
Agriculture	81
Construction	178
Energy	2
Forestry	5
Infrastructure	15
Manufacturing	89
Mining	3
Tourism	2
Fishing	2
Oil and gas	63
Chemicals	24
<b>Total</b>	<b>464</b>

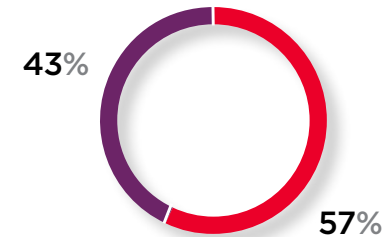


In 2018 we provided recommendations on managing risk in **464 projects in various industries.**

## SDG 5. GENDER EQUALITY

**Target 5.a** Undertake reforms to give women equal access to financial services.

IMPACT  
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● Women | ● Men

BANORTE CREDIT CARD ACCOUNTS

### Gender-based financial products

In Mexico, only 65% of women report having a bank account, four percent less than men (72%)<sup>6</sup>. With this in mind, various public policies and federal strategies have been devised to promote equity.

Banorte analyzes the placement of its financial products by gender for the purpose of detecting inclusion gaps in each segment. In 2018, **43% of our credit card accounts were held by women, and 57% by men. We also detected that 38.6% of our SME accounts for individuals with business activities are held by women, and 61.4% by men.**



<sup>6</sup> INEGI/CNBV (2018), National Financial Inclusion Survey, [http://www.beta.inegi.org.mx/contenidos/programas/enif/2018/doc/enif\\_2018\\_resultados.pdf](http://www.beta.inegi.org.mx/contenidos/programas/enif/2018/doc/enif_2018_resultados.pdf)

In 2004, Banorte became the first and only financial institution in Mexico to develop a product for Mexican women: Mujer Banorte, an account that gives women access to our financial services, in order to encourage their economic empowerment and financial inclusion.

In 2018, **Mujer Banorte had more than 84,000 credit cards and 20,495 debit cards, and offers medical care benefits for women, like screening for breast and cervical-uterine cancer.**



## SDG 3. HEALTH AND WELLNESS

**Target 3.8** Achieve universal health coverage, including financial risk protection and access to quality essential health-care services.

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### Medical expense insurance

The vast majority of expenses paid out for medical care are not provided for in the Mexican family budget, and every year around 650,000<sup>7</sup> Mexican households have to care for some sick family member.

GFNorte offers insurance products that attend to our clients' basic health needs and protect their family equity. We are concerned about Mexican families' safety and peace of mind, so we make sure our customers can cover their current needs and provide for their families' future. In 2018, we placed 620,731 Major Medical Insurance policies; 5,210,471 individuals who held Personal Accident Policies, and 5,316,111 life insurance clients.



Every year around  
**650,000 Mexican households**  
have to care for some sick  
family member.

<sup>7</sup> INEGI, "¿De qué mueren los mexicanos?",  
<http://cuentame.inegi.org.mx/poblacion/defunciones.aspx?tema=P>







## Education and Development



For us, promoting the development of people and communities under equal conditions is of primordial importance. That's why we have various training programs, education and community development strategies.



## SDG 8. DECENT WORK AND ECONOMIC GROWTH

**Target 8.5** Achieve full, productive employment and decent work for all men and women.

IMPACT  
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### Salaries and benefits

According to UN women, despite existing laws and regulations on equal pay, worldwide there is a wage gap of between 15% and 20% between men and women, whether or not they have children.

For GFNorte, equal pay for equal work is the concept of paying people in strict accordance with their job description, regardless of gender. Every one of our employees receives benefits above those mandated by law, along with additional benefits that protect them and their interests.



#### MAIN BENEFITS

Annual bonus	Car loans
Grocery vouchers	Sports facility assistance
Subsidized contributions to IMSS savings fund	Mortgage loans
Paid vacation and vacation bonus	Insurance
Comprehensive health system	Pension and retirement plan
Cash loans	Commercial promotions

#### GENERAL JOB CATEGORY

#### WAGE GAP

Senior management	10.4%
Middle management	8.8%
General staff	1%

## SDG 5. GENDER EQUITY

**Target 5.5** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.

IMPACT  
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### Gender focus in employee training

To continue participating in a competitive market, it is important that training opportunities be available equally to men and women. At GFNorte, concerned about empowering the talent of our human capital, **we trained a total of 19,143 employees during the year, 51% of women and 49% were men.** Additionally, we will be holding a pilot mentoring program, the purpose of which is to create a mentoring network made up of group directors, who will help strengthen management skills for women employees in managerial and junior executive levels who have more than five years of experience.



To continue participating in a competitive market, it is important that **training opportunities be available equally to men and women.**

**19,143 employees  
trained in 2018**



**51% women**



**49% men**



## SDG 4. QUALITY EDUCATION

**Target 4.c** Substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries.



Through the program “Mil sueños por cumplir”, **we provided 1,575 scholarships to children of GFNorte employees.**

### Education and training

Education is the basis of progress and development for people and societies. **In Mexico, four out ten preschools are staffed by a single teacher for all the children, who must also administer and manage the school.<sup>8</sup>**

Around mid-2016, Fundación Banorte redesigned its strategy to focus all its efforts on preschool education. That strategy include making teachers, administrators and other people influential in preschool education area of the importance of teaching socio-emotional skills. One of the main purposes of preschool education is to help children acquire these skills in early childhood. With this in mind, **we contributed to the training of 1,171 school administrators and supervisors in public preschools, offering leadership and management training through the Internal Specialization Course for Transformative Educational Leaders.**

Furthermore, through the program, we provided 1,575 scholarships to children of GFNorte employees so that they could acquire the tools needed to develop fully through education, arts and sports.



<sup>8</sup> INEE (2010), La educación preescolar en México. Condiciones para la enseñanza y el aprendizaje, Mexico, National Institute for Educational Evaluation.



## SDG 1. ENDING POVERTY

**Target 1.5** Build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental disasters.

IMPACT  
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### BANORTE ADOPTA UNA COMUNIDAD

We completed reconstruction of **a crafts market and 370 homes** in adopted communities, and we continue to work on rebuilding and repairing another 245 homes.

### Banorte Adopts a Community

In September 2017, two strong earthquakes struck Mexico, taking a heavy toll in terms of human life and property damage in the states of Chiapas, Guerrero, Mexico State, Morelos, Oaxaca, Puebla and Tlaxcala, as well as Mexico City.

As a way to support Mexicans following this disaster, **we strengthened our “Banorte Adopta una Comunidad” strategy, adopting nine communities damaged in the earthquakes in various states. Concretely we supported four organizations with donations totaling Ps. 37.53 billion, benefiting 2,800 people.**

Furthermore, in collaboration with the United Nations Program for Development (UNPD) we held four practical workshops on home reinforcement in adopted communities, inviting international experts to advise local communities on rebuilding homes in earthquake-prone areas. This was the basis for the development of a Structural Home Reinforcement Manual, a publication that funded.



## 2018 actions

1

We helped beneficiaries learn homebuilding basics and provided training in community organization, resilience, mutual aid and trades, among others,

**to strengthen the community's social fabric.**



2

We conducted **15 field visits** to selected communities to supervise work on the project, interview beneficiaries and identify opportunities for further development and intervention in the second and third years.



3

We took part in comprehensive actions (including through our Volunteer Corps) carried out under the Banorte Adopts a Community program **in seven communities visited** during the year.



## SDG 2. ZERO HUNGER

**Target 2.3** Double the agricultural productivity and incomes of small-scale food producers, respecting the environment and biodiversity in each region.

**Target 2.A** Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and technological outreach and development services.

IMPACT  
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Through various programs, we supported projects in all activities of this sector, totaling **Ps. 23.52 billion pesos.**

### Agricultural Banking

Agriculture is the largest sources of jobs worldwide, providing a sustenance for 40% of the world's population. Agriculture is also the most important factor in developing food security.

Banorte considers financing to the agricultural sector of primordial importance. In 2018, through various programs, **we supported projects in all activities of this sector, totaling Ps. 23.52 billion pesos. Banorte ranks fourth in loans to the agricultural market, financing more than 280,000 hectares of crops and benefiting more than 80,000 producers.**



Through these efforts we supported activities for sheep, beef and pork farmers totaling around 1.2 million heads of cattle. Finally, we placed Ps. 4.54 billion pesos in loans to agroindustry; supported more than 230 clients in the primary sector with a total of Ps. 8.96 billion pesos, and extended Ps. 6.78 billion pesos in credit for commercial activities.

**Ps 4.54 million pesos in agroindustry loans placed.**



**Fourth place** in loan placements for the agriculture market, financing **more than 280,000 hectares of production** and benefiting more than **80,000 producers.**







## Socio-environmental assessment of lending and investment activities



GFNorte believes it is highly important to identify, classify, assess and manage the potential risks of the projects we finance, and to this end we have developed a Social and Environmental Risk Management System (SEMS).



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IMPACT LEVEL

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## SDG 11. SUSTAINABLE CITIES AND COMMUNITIES

**Target 11.4** Strengthen efforts to protect and safeguard the world's cultural and natural heritage.

IMPACT  
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We also created a methodology for incorporating environmental, social and corporate governance aspects into the investment process at the Fund Manager and Afore and Banorte, which includes involving the companies. With this we seek to reduce the risk of our portfolio, add value for our clients and beneficiaries, and detect new business opportunities.

### Management of environmental and social risks

**Sustainable cities represent balanced economic development, because they strive for the well-being and prosperity of all their inhabitants,** making rational use of their resources and minimizing negative impacts.

For GFNorte, it is essential that the development projects we finance are executed in a socially and environmentally sustainable manner. Because of this, we use our SEMS system to verify that our loans are made in keeping with Mexican legislation, IFC Performance Standards and the Equator Principles, to properly manage their risks. In 2018, we identified and categorized the social and environmental risks of 3,462 loans, finding that our loan portfolio represented an overall low risk. We also evaluated 31 new projects under international standards of risk management.

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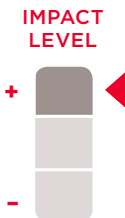
**11 SUSTAINABLE CITIES AND COMMUNITIES**



We also made sure the resources we place generate value for the world around us, benefits for communities and positive changes in the environment. Specifically, **GFNorte looks to finance projects that contribute to the sustainability of our cities. This past year, we financed Ps. 3.96 billion in sustainable projects**, including:

- Renewable energy generation
- Sustainable agriculture, raising and reproducing beneficial insects
- Freshwater treatment
- Construction of wastewater treatment plants (WTP)
- Collection, reuse and recycling of cardboard, paper and metal

**Target 11.1** Ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums.



In Mexico, **75% of zoned land is marked for housing.**



## Housing

In Mexico, 75% of zoned land is marked for housing. But most of the population has no access to financing to purchase their own home, which means only a minority can participate in this market.

GFNorte is proud to be an ally for Mexico, and we want more families to be able to build lasting equity. In 2018, we funded 30 affordable entry-level housing projects totaling 9,135 homes. We also financed another 89 projects for building 9,882 middle-income and residential-level homes.

Seguros Banorte wants to give clients peace of mind about their family equity. This year **we insured 42,072 homes for account-holders, and 160,671 for clients who had taken out a mortgage loan, resulting a total of 202,743 homes** distributed throughout Mexico.





## SDG 13. CLIMATE ACTION

**Target 13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

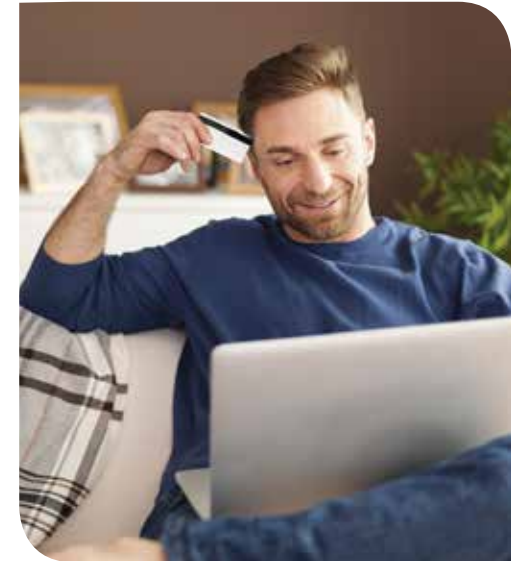
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### Homeowners' insurance

In 2017, the National Household Survey found **a total of 34.1 million households in Mexico, which means, according to the Mexican Association of Insurance Institutions (AMIS), that only 4.5% of these are covered by any insurance not related to a mortgage loan.**

Seguros Banorte wants to give clients peace of mind about their family equity. This year we insured 42,072 homes for account-holders, and 160,671 for clients who had taken out a mortgage loan, resulting a total of 202,743 homes distributed throughout Mexico.



## Casualty Insurance

Natural phenomena like flooding, earthquakes and tsunamis, among others, can result in catastrophic losses to crops, tourist facilities, and buildings that are part of the world's cultural heritage. Various types of insurance have been designed to meet the needs of every company and industry so that they can face the risk of asset loss, either from accidents or theft or from natural phenomena and civil liability.

**Here at GFNorte we are aware of the risks facing Mexican companies and governments, and we want to help them protect themselves against economic, social and environmental losses.** GFNorte works together with public and private institutions in building safe and resilient economies and communities, offering insurance that covers everything from workplaces—a total of 9,572 office locations—to hotels—a total of 586 locations.

GFNorte offers insurance that covers everything from workplaces—a total of **9,572 office locations—to hotels—a total of 586 locations.**



## SDG 7. AFFORDABLE, CLEAN ENERGY

**Target 7.b** By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries.

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In 2018, **we contributed to the generation of 1,190 MW of renewable energy, with 479 million dollars in financing.**

### Financing for renewable energy

In 2018, Mexico ratified its commitment to the Paris Agreement, an instrument for globally facing climate change.

As part of our commitment to this Agreement and the transition to a low-carbon economy, we finance renewable energy generation. Since 2012, we have placed resources for building wind farms and solar energy facilities, as well as natural gas cogeneration projects. In 2018, we contributed to the generation of 1,190 MW of renewable energy, with 479 million dollars in financing.

### SMEs and Eco-loans (NAFIN and FATERGED)

Mexico is of the 20 most electricity-consuming countries of the OECD.<sup>9</sup> Toward the end of 2018, we granted an Eco-Loan totaling Ps. 564,750.

<sup>9</sup> SENER, Prospectiva del sector eléctrico 2012-2026:  
[https://www.gob.mx/cms/uploads/attachment/file/62958/Prospectiva\\_  
del\\_Sector\\_El\\_ctrico\\_2012-2026.pdf](https://www.gob.mx/cms/uploads/attachment/file/62958/Prospectiva_del_Sector_El_ctrico_2012-2026.pdf)



## SDG 14. LIFE UNDER WATER

**Target 14.a.** Increase scientific knowledge in order to improve ocean health and to enhance the contribution of marine biodiversity.

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### Emerging risk mitigation

Water is the most important element for life on our planet; it is essential for human beings as well as the rest of the species that inhabit the rivers, lakes, seas and oceans.

One serious problem we are facing today across the globe is the reduced availability and growing contamination of water. Furthermore recently, sea coasts like the Mexican Caribbean have been affected by an explosion of Sargassum growth, which raised a nationwide alert, particularly in the tourist industry, about the environmental, economic and health hazards this imbalance represents.

Concerned about responding to this issue, **Banorte worked through its risk management area to develop practical guidelines for preventing and managing the spread of Sargassum, based on national and international research.** Taking advantage of its close relationship with clients, we focused the material on the agriculture and tourism industries, which were most affected by the multiplication of this problem.







## Ethics and integrity



Preventing and fighting corruption requires that companies encourage pervasive culture of ethics and integrity. GFNorte seeks to safeguard the interests of investors, employees, authorities and society by applying good practices of transparency, honesty and social and environmental responsibility, in managing our business.



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## SDG 10. REDUCED INEQUALITIES

**Target 10.3** Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

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### Social policy; Code of Conduct and Ethic Points

Mexico is one of the countries that has been visited by the most international observers in recent years due to the number of reported cases of human rights violation against vulnerable people and communities. Aware of this situation, Banorte has diagnosed, evaluated and ensured respect for human rights in our own operations, in line with the guidelines of the International Declaration on Human Rights.

**Our social policy promotes a culture of non-discrimination against anyone who interacts directly or indirectly with the institution,** either through our employment conditions or through our products and services. We try to offer a healthy environment of equal opportunity within this institution, and encourage fair and equitable access to our products and services.



Similarly, our Code of Conduct prohibits any discrimination on the basis of gender, age, religion, race, social or ethnic origin, physical disability, nationality, sexual preference, family responsibilities, marital status or any other condition that might lead to discrimination.

**GFNorte also provides an anonymous whistleblowers' hotline called Ethic Points**, to receive complaints from anywhere in the financial group. These reports are classified as either internal control or human resource matters.



**We try to offer a healthy environment of equal opportunity** within this institution, and encourage fair and equitable access to our products and services.

## SDG 16. PEACE, JUSTICE AND SOLID INSTITUTIONS

**Target 16.4** By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.

**Target 16.5** Substantially reduce corruption and bribery in all their forms

**Target 16.6** Develop effective, accountable and transparent institutions at all levels

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### Corporate Governance

**GFNorte abides by the highest standards of corporate governance to ensure it is both responsible and competitive, and to be able to provide more benefits to society and generate more value.**

We comply with best practices so that our institution can make ethical, just and transparent decisions. Through a distinguished group of experts that make up the specialized committees of the Board of Directors, we make sure the company has mechanisms for transparency and accountability required by national law and by our shareholders.



With this, we can focus our decisions and actions on increasing the value of this institution in a solid and solvent manner.

### Anti-corruption policy

The battle against corruption has become an increasingly important concern in every sphere of the global economy. The International Monetary Fund (IMF) estimates that bribery costs the world about 2% of global GDP every year<sup>10</sup>, and the costs of corruption as a whole are much greater, since bribery is just one aspect.

GFNorte has introduced a host of policies and procedures in this area, which are part of our institutional regulations. **Our anti-corruption policy forbids any type of bribery or corruption in all activities involving the Financial Group.** Furthermore, our Code of Conduct establishes the basic principle of doing business in good faith and with full respect for letter and spirit of the law.

### Fair competition policy

Economic competition encourages economic agents to make efficient use of their resources to produce goods and services, and to continuously improve them to be more competitive and offer benefits to their customers, thus promoting economic growth and social benefits.

In keeping with the Code of Conduct and the General Internal Control Guidelines, the Board of Directors and the Senior management of GFNorte prohibit any act or transaction intended to impede access

**Our Code of Conduct establishes the basic principle of doing business in good faith and with full respect for letter and spirit of the law.**



<sup>10</sup> IMF (2016), Corrupción: costos y estrategias de mitigación, <https://www.imf.org/external/pubs/ft/sdn/2016/sdn1605.pdf>

by competitors or limit their ability to compete in markets, or to induce distortions in the process of free and open competition. Our fair competition policy promotes free competition, respects legal ordinances in this regard, and prohibits any practice that might have the intent or effect of impeding competitor's access or limiting their ability to compete in market, or which might distort the process of free competition. **Our Code of conduct establishes the basic principle of doing business in good faith and in strict compliance with the law.**

### **Money laundering and terrorism financing prevention**

Mexico is a member of the Financial Action Task Force (FATF), an inter-governmental organization founded to prevent and combat money laundering and terrorism financing. To do so, various actions have been taken to enforce stricter standards, with legislative measures that strengthen the system and ensure a high level of compliance.

In 2017, we modified the money-laundering clause of our Code of Conduct in order to signal our strengthened commitment to battle financing and investment in illegal activities. The clause obligates board members, officers and employees of the company to support efforts against money laundering and terrorism financing, and to make a commitment to taking the actions stipulated in the regulations to prevent allowing our institution to be used as a channel to legitimate resources obtained from illegal activities.

We also have online training available in anti-money-laundering procedures, which 19,143 employees have already completed.



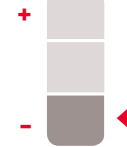
**Mexico is a member of the Financial Action Task Force (FATF)**, an inter-governmental organization founded to prevent and combat money laundering and terrorism financing.



## SDG 17. PARTNERSHIPS TO ACHIEVE THE GOAL

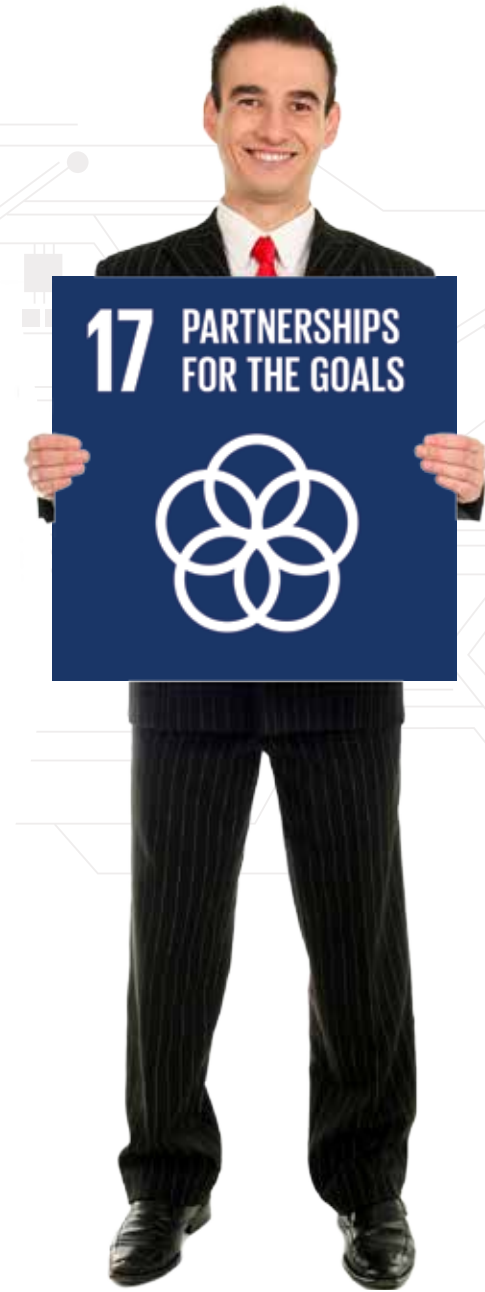
**Target 17.9** Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the Sustainable Development Goals.

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### Participation in international frameworks

GFNorte wants to be an agent of change for the Mexican financial industry, contributing actively to projects and actions that have a positive impact in this country. We firmly believe that sharing ideas and global benchmarks can strengthen and expand knowledge and serve as a tool for facing economic, social and environmental challenges, which is why we make effort to maintain and strengthen ties of cooperation.



## Participation in initiatives

We want to be a benchmark in financial industry sustainability, so we keep abreast of all the best practices nationally and internationally, and participate in initiatives that address priority issues for our activity and for global needs.

### National initiatives

#### The Association of Mexican Bankers (ABM)

The ABM is an industry organization of Mexican banks, representing the general interests of the banking sector and promoting good relations within the industry. We are signatories of this association's Sustainability Protocol and sit on its sustainability and corporate responsibility committees.

#### The Mexican Alliance for Biodiversity and Business (AMEBIN)

AMEBIN is an initiative created in 2016 in the context of the COP 13 convention on biodiversity. Since that time, we are among private-sector companies whose objectives include preserving biodiversity.



## International Initiatives

### Global Reporting Initiative (2009)

An international standard for reporting and communicating companies' sustainability actions in economic, environment and social areas.



### The United Nations Global Compact (2011)

An international initiative that promotes implementation of 10 universally accepted principles to encourage Corporate Social Responsibility (CSR).



### The Natural Capital Declaration (2012)

A voluntary initiative by the financial industry, created during the Rio +20 Earth Summit, recognizing the role of natural resources in the economy by integrating them into financial products and services.



### The Equator Principles (2012)

A financial industry standard for determining, assessing and managing environmental and social risk in financed projects.



### UNEPFI (2013)

The United Nations Environmental Program Financial Initiative was created to identify, promote and encourage adoption of best sustainability practices at all levels of operation in financial institutions.



### **Sustainable Development Goals (2015)**

A global initiative grouping together 17 goals to eliminate the problems we face today in areas like the environment, society and governance, seeking to ensure prosperity for all through sustainable development.

### **Principles for Responsible Investment (2017)**

An initiative consisting of six principles that seek to improve banks' capacity to meet their commitments to beneficiaries and better align investment activities with environmental, social and governance concerns.

### **Principles for Responsible Banking (2018)**

An initiative by 28 leading banks of the world and the UNEPFI, the purpose of which is to align banking with the SDG and the Paris Agreement, in keeping with the challenges posed by climate change and sustainable development.





## Inclusion in national and international indexes

We strive to continually improve our performance, so at GFNorte we take the directives of the world's leading sustainability indexes seriously. Each year we report on the progress of our operations in economic, social and environmental terms.

### Mexican Stock Exchange (BMV) IPC Sustentable Index (2011)

Made de up of 30 Mexican companies, in which Banorte was ranked first in its industry and second in the nation.

### Euronext Vigeo-Eiris Emerging Markets Index (2016), a leading European trading firm

Recognizes 70 emerging market companies (four Mexicans) with the most advanced practices in the area of sustainability.



**London Stock Exchange Emerging Markets  
FTSE4Good Indexes (2016)**

Made up of 508 companies (24 Mexican), this index takes into account actions regarding climate change, labor standards and risk management, among others.

**The New York Stock Exchange Dow Jones Integrated  
Market Pacific Alliance Index (MILA) (2017)**

Includes 42 companies from Chile, Colombia, Mexico and Peru (eight Mexican) with the highest ratings on environmental, social and corporate governance aspects.

**New York Stock Exchange Bloomberg Gender  
Equity Index (2017)**

Made up of 54 companies from North and South America (two Mexican), analyzing their commitment to gender equity in the workplace.



## Our commitment to the Sustainable Development Goals

As founders of the Principles for Sustainable Banking, we accept our commitment to aligning our operations, products and services with the 17 Sustainable Development Goals. Based on these principles, we identified the areas in which we have the greatest influence and how we as a financial group can contribute in a focused manner to meeting these goals.

This document is our baseline for integrating a business strategy for sustainable value creation, offering an increasing number of products and services that favor economic growth, address social needs, and promote environmental protection.

As a financial group, **we know we play a key role in promoting the sustainability of various economic sectors through responsible investment practices, analysis of social and environmental impacts, promoting financial inclusion, financing public works, incorporating environmental, social and governance concerns and building awareness among our employees, customers and the community.**

Aware of this important role, here at GFNorte we intend to continue working for a strong Mexico, and for sustainable development.

At GFNorte we intend to continue working **for a strong Mexico, and for sustainable development.**



# Contact

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