

## **AUDITING AND CORPORATE PRACTICES COMMITTEE'S ANNUAL REPORT**

Mexico City, March 16, 2023.

### **To the Board of Directors of Grupo Financiero Banorte, S.A.B. de C.V.**

In accordance with the provisions of Articles 43 of the Securities Market Law and 58 of the Law to Regulate Financial Groups, the Auditing and Corporate Practices Committee (the Committee) hereby submits its annual activities report corresponding to fiscal year 2022.

This report shall refer to Grupo Financiero Banorte (GFNorte) and the following relevant entities: Banco Mercantil del Norte, S.A., Casa de Bolsa Banorte, S.A. de C.V., Arrendadora y Factor Banorte, S.A. de C.V. Sofom ER, Seguros Banorte, S.A. de C.V., Pensiones Banorte, S.A. de C.V., Banorte Ahorro y Previsión S.A. de C.V. and Banco Bineo S.A.

### **I. Audit:**

- a) In connection with the assessment of the condition of the Internal Control System (ICS) of GFNorte and its relevant entities, the Committee had continuous communication with the Administration and based itself on the reports received from the Internal Comptrollers and Internal Auditors, and from the Independent External Auditor, highlighting the following:
  - 1. Annual reports from the Chief Executive Officers of the relevant entities regarding their Internal Control activities.
  - 2. Activity reports from the Internal Comptrollers of the relevant entities containing their opinions on the ICS performance, as well as reports on the results from inspection visits by the Regulatory Authorities with the main findings encountered and corrective measures taken.
  - 3. Internal Auditor's management reports with the results of their reviews, main observations, and progress of the corrective measures, as well as their opinion on the effectiveness of the ICS.
  - 4. Independent External Auditor's Reports including his opinion on the basic financial statements and main observations on the ICS
  - 5. Quarterly reports from the Chief Information Security Officer regarding risk indicators thereon.
  - 6. Quarterly reports and records from the Audit Committees of the relevant entities and, if applicable, opinions by the Statutory Auditors

Taking into consideration the foregoing, the Committee is of the opinion that the ICS of GFNorte and its relevant entities generally function effectively and any deficiencies, deviations or aspects requiring an improvement correspond to specific items which were addressed or had corrective measures.

About the performance of Internal Audit, the Committee ensured that it kept its independence and complied with the authorized work schedule, carrying out its activities in accordance with best practices, including the follow-up of any measures necessary to correct the findings that had been encountered.

- b) During the fiscal year, no investigations concerning non-compliance with any accounting records and operating policies and guidelines of GFNorte or its relevant entities were carried out.
- c) In accordance with Article 33 of the General Provisions Applicable to Holding Companies of Financial Groups Regulating External Audit Services issued by National Supervising Commissions, the Committee confirmed that the Firm and Independent External Auditor complied with all personal, professional and independence requirements and obtained a statement from the Firm regarding compliance with the Quality Control Standard of the audited fiscal year.

The Committee ensured there were enough resources to execute the external audit program, validated the professional knowledge and experience of the Independent External Auditor, Manager and the individual Responsible for the Audit, submitted the cost of such audit to the approval of the Board of Directors and participated in the review of the terms of the commission.

The Committee informed the Board of Directors regarding any changes to the team as reported by the Independent External Auditor, making sure that the new members complied with the necessary requirements, for which reason the auditing resources were considered reasonable.

According to the Committee, the Firm, the Independent External Auditor and the employees who participated in the audit of the basic financial statements maintained their independence, carried out their work in accordance with the established plan, implementing best practices and kept a continuous communication, and their reports and opinions are high-quality and useful for the Committee.

- d) The Committee recommended the approval for the following additional services from the Independent External Auditor that were requested by the Management, ensuring they did not compromise its independence: review of the sustainability report and certain local taxes, transfer pricing analysis, and advisory services for the review of criteria to classify accounts as operational in accordance with the new liquidity standard and, together with a group of major Banks, he was hired to define the manner to carry out any works related to Cybersecurity issues, including the position profile for Chief Executive Officer and Chief Operations Officer to be in charge of such project.

These services were provided in compliance with the agreed upon objectives and scopes, the assigned employees were sufficient and had the adequate qualifications and experience for the complexity thereof, results were delivered on the expected dates and the teams maintained continuous communication with the Management.

- e) The Committee, along with the Management and the Independent External Auditor, reviewed with the Management and the Independent External Auditor the audited financial statements of GFNorte and its relevant entities as of December 31, 2022, informing the latter that it carried out its work in accordance with the submitted plan,

applied sufficient procedures on the significant components and relevant issues, and that the auditing evidence provided sufficient and adequate basis for it to issue his opinion. The Committee also reviewed the quarterly financial statements.

As a result thereof, the Independent External Auditor issued an opinion without reservations and reported that it did not identify any significant deficiencies in its Internal Control assessment, execution of substantial procedures and assessment of other issues.

- f) No approval requests were submitted for any modifications to the accounting policies during 2022.
- g) No relevant observations were received during the fiscal year by any shareholders, Directors, relevant officers or third parties regarding accounting, internal control, Internal and External Audit, or any irregular facts of the Administration. In accordance with best practices, a channel exists to receive complaints and the Committee is informed of the same and the results of their due handling.
- h) Based on the Internal Audit report, the Committee, in support of the Board, ensured shareholder rights were respected during the fiscal year.
- i) The Shareholders Meeting and the Board of Directors did not request the Committee to follow up on any particular resolution.

## **II. Corporate Practices:**

- a) Regarding the reports received by Internal Comptrollers and Internal Auditors, the Independent External Auditor and the results from inspection visits made by the Authorities, no observations were made during the fiscal year regarding the performance of the Relevant Officers, which was reflected in the assessment carried out by the Human Resources Committee to approve the deferred compensation payment.
- b) Transactions with related parties were approved by the Board of Directors as of December 31, 2022, and the credits granted through Banco Mercantil del Norte amounted to Ps.\$17.25 billion, an amount below the limit established by the applicable regulations, and intercompany transactions were carried out at market price, as verified by the Independent External Auditor who reported no findings.
- c) Regarding compensation for the Chief Executive Officer and Relevant Officers, a Compensation System approved by the Board of Directors exists, which divides it into ordinary and extraordinary compensations and includes rules to defer the payment of the latter based on assessing risk indicators in a three-year horizon.

As a result of the review carried out by the Internal Auditor, it was determined that the Compensation System referred to above was applied in a consistent manner without exceptions, no changes were made resulting from any unforeseen losses and no significant issues were identified which could affect liquidity, solvency, and the stability of GFNorte and its relevant entities.

- d) During the fiscal year, the Board of Directors did not grant any waivers to any Directors or Relevant Officers to benefit from any business opportunities.
- e) The Committee was informed of the results concerning the inspection visits from the Regulatory Authorities and made sure any observations were addressed or undergo corrective measures, following up on them with the support from Internal Audit.

It recommended to the Board of Directors the approval of the Financial Information Issuance, Consolidation and Publication Manual as requested by the National Banking and Securities Commission (CNBV) and reported the observations from the inspection visit to Banco Mercantil del Norte for fiscal year 2022, as well as the remediation and control strengthening actions to be implemented.

- f) Among other relevant activities of the Committee, the follow-up with the implementation of the new Financial Information Standards and changes to Accounting Criteria of the CNBV stand out.

Regarding Sustainability, the progress on Environmental, Social and Governance (ESG) factors were reviewed in accordance with the defined strategy and the selection process from an Independent Expert to develop the methodology for carbon footprint measuring in the loan portfolio.

Certain aspects of the GFNorte digital transformation were reviewed, including aspects related to Cybersecurity and, regarding the alliance with Rappi, the Committee was informed of the performance of the business regarding growth strategies to attract new clients, the increase of income generation, and the redesign of its value offer, as well as the financial stability of the business. During fiscal year 2022, the Committee was kept informed of the authorization process of the new Digital Bank.

Regarding training courses, the Committee received a presentation by Hwan Kim, Global Partner for Digital Financial Services Practices in Deloitte, which particularly stands out. The main challenges, progress, transformations and ecosystems regarding financial services through Digital Banking were addressed at such presentation.

Sincerely,

**Thomas S. Heather Rodríguez**

Chairman of the Auditing and Corporate Practices Committee  
Grupo Financiero Banorte, S.A.B. de C.V.