![Grupo Financiero Banorte logo]

Taking action against
the climate challenge

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Letter from the Chairman of the Board

Climate change has become a central factor in our risk management strategy, given its capacity to influence both the macroeconomic environment and the specific industries in which we operate.

Environmental issues are top at the list of global risks. Assessing these, disclosing them, and acting on them is essential to ensure optimal and responsible business development. In its 2025 Global Risks Report, the World Economic Forum (WEF) estimates that the top four risks over the next ten years relate to the environment. And the most prominent of these risks is extreme weather events which, to a large extent, are caused by climate change.

In view of this situation, Grupo Financiero Banorte considers it essential to communicate the actions we took in 2024 to incorporate climate change into our assessments and management of climate-related risks and opportunities affecting our operations and activities. For the fourth year in a row, I am pleased to present this report, prepared in accordance with the disclosure framework of the Task Force on Climate-related Financial Disclosures (TCFD).

Climate change has become a central factor in our risk management strategy, given its capacity to influence both the macroeconomic environment and the specific industries in which we operate. We recognize that climate-related risks, whether physical or transitional, can have a significant impact on our assets, our investment portfolios and, ultimately, on the value we offer our shareholders. At the same time, we have identified various opportunities arising from the transition to a low-carbon economy, including the promotion of new sustainable investments, innovation in green financial products, and strengthening our resilience to extreme weather events.

In this report, we have taken a comprehensive approach to addressing risks and opportunities in accordance with the four key areas established by the TCFD framework: governance, strategy, risk management, and metrics and targets. To this end, we have made a detailed analysis of physical risks, both short- and long-term, and the risks arising from the transition to a more sustainable economic model. In turn, we have identified opportunities for leadership in sustainable project financing and efficient resource management, ultimately supporting environmental sustainability and the well-being of the communities in which we operate.

Through this disclosure process, our aim is not only to conform to international best practices, but also to offer our investors, customers, communities and other stakeholders a clear and transparent view of how climate change could influence our future performance. Similarly, we reaffirm our commitment to continue advancing in the incorporation of environmental, social and governance (ESG) criteria into our strategic and operational decisions.

As a financial group, we understand that climate change presents both a challenge and an opportunity, which is why we are convinced that, with proper management of climate risks and a strategic vision focused on sustainability, we can not only protect the interests of our stakeholders, but also support the development of a more resilient and equitable economy, which in turn contributes to the sustainability of Mexico.

Going forward, GFNorte intends to continue to align itself with the international disclosure standards established by the International Sustainability Standards Board (ISSB), steadily strengthening our transparency and accountability. In addition, in 2026 we plan to launch our first report focused exclusively on nature-related risks, which will further our leadership in environmental management.

These actions, together with our integrated strategy and focus on key industries, position GFNorte as a leader in sustainable finance and in building a more equitable and resilient economy, committed to the global goals of mitigating climate change.

We are grateful for your trust in our management and we pledge to continue working with transparency, innovation and responsibility, to face the climate challenges of the future.

Many thanks

CARLOS HANK GONZÁLEZ
Chairman of the Board of Directors
Grupo Financiero Banorte

Executive Summary

At GFNorte, we incorporate climate change and its risks and opportunities into our decision-making process.

Throughout 2024, Grupo Financiero Banorte (GFNorte) continued to manage climate risks and opportunities in line with TCFD recommendations, and began an effort to identify the new requirements contained in the International Financial Reporting Standards (IFRS) on Climate-Related Disclosures (IFRS S2), issued by the IFRS Foundation, while continuing our disclosure of aspects relating to governance, strategy, risk management, as well as climate-related goals and metrics. **In this fourth report, we prioritize the progress and results obtained from strategic projects to manage our climate and nature-related risks and opportunities,** based on the collaborative work of the Sustainability Macrocell group and, in turn, the Sustainable Financing, Operational Eco-efficiency and Climate and Nature-Related Risk Cells. This results included the labeled funding of our sustainable bond, the development of sustainable products, the sustainable financing of sustainability-linked credit, the reduction of our carbon footprint and of the environmental impacts associated with the use of resources in our operations, as well as the definition and verification of carbon footprint targets, the analysis of physical and transition risks, the development of scenarios and climate stress tests, and progress in introducing decarbonization policies for our operations.

At GFNorte, we incorporate climate change and its risks and opportunities into our decision-making process, encompassing various governance bodies and levels within the organization, from the Board of Directors, the Risk Policies Committee, the Audit and Corporate Practices Committee, the Sustainability Committee, the Specialized Climate Change Team, and through various collaborative working groups or "Cells" mentioned above, which oversee the execution of sustainability projects.

Under a dynamic climate strategy approach, we have gradually and consistently progressed toward a resilient, low-emission economy. In 2024 we began the work of automating processes and mapping the necessary efforts to tie together the information collected from customers and incorporate it into existing systems.
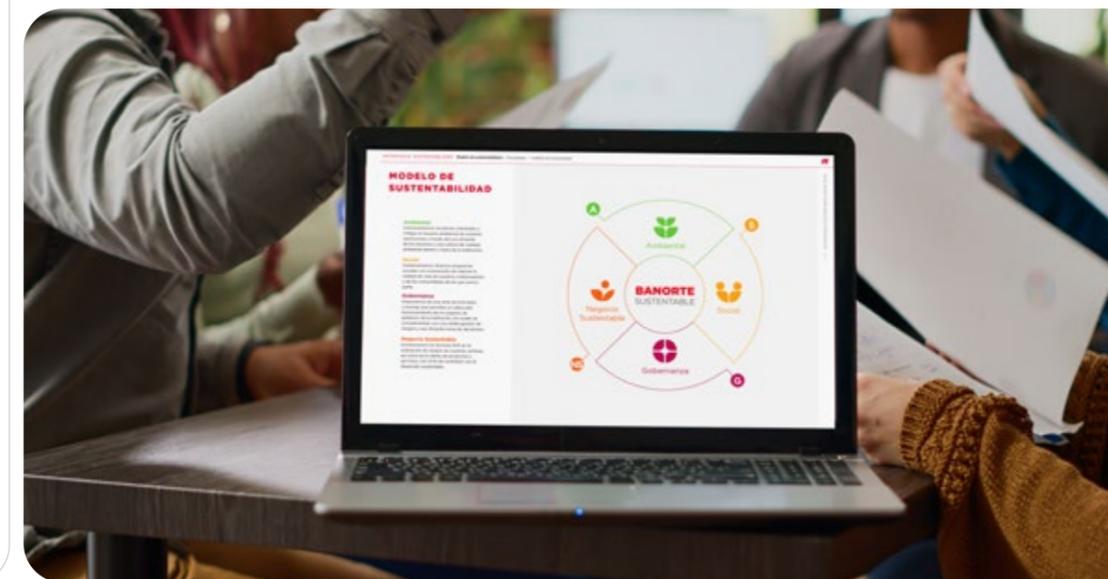
We continued to work on five strategic work axes: 1) analysis of physical, transition, and nature-related risks, 2) sustainable financing, 3) decarbonization, 4) business, and 5) accountability and transparency, aligned with the five guiding pillars of the climate risk transition strategy: modeling climate risk, greening the value proposition, decarbonizing the portfolio, integrating climate change into operations, and reporting commitments and progress.

We updated our identification of climate-related risks and opportunities, in collaboration with the Risks areas, and the specialized Business and Sustainability areas, for both physical risks (acute and chronic) and transition risks (political, legal, technological and market), in the short (0-4 years), medium (5-14 years), and long term (over 15 years) for industries that are highly climate-exposed in the corporate and business portfolio.

In the physical risk analysis, acute climatic phenomena were expanded to include drought, and chronic phenomena such as variations in temperature patterns and sea level rise were considered. The drought analysis focused in particular on the agricultural industry, which includes a set of clients operating in the primary sector. In addition, we updated our analyses of hydrometeorological risks of cyclones, floods and storm tides, and included the aforementioned chronic phenomena to determine the level of exposure and possible effects on the profitability

of the branches, as well as the exposure of the real estate, lodging and mortgage portfolios. We maintained our classification of municipalities in the Mexican Republic by level of risk, based on their geographical location, but increased the granularity of resolution. We found that the concentration of branches and assets in the portfolios indicated for the areas currently classified as the highest risk, is low.

In the analysis of transition risks, we updated the indicator that tracks the sensitivity of our wholesale portfolio customers in the most polluting industries to changes in the carbon price, and conducted an analysis of the impacts on the direct and indirect costs of these industries.

To complement the historical analyses, we conducted exercises based on internationally-used climate scenarios such as those provided by the Intergovernmental Panel on Climate Change (IPCC) and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). We also applied stress tests to estimate potential losses and the institution's resilience to adverse climate scenarios.

This year we continued assessing the physical risks of climate change using two comprehensive approaches: top-down—aimed at assessing the institution's capital adequacy and bottom-up—focused on estimating the direct impact on our operations and specific portfolios. The first approach involved the inclusion of a climate scenario in our Capital Adequacy Assessment, to comprehensively analyze the relationship between climate, economic and financial variables in light of the deterioration of global climatic conditions, and then analyze the possible impact on various of the institution's assets.

In the physical risk analysis, acute climatic phenomena were expanded to include drought, and chronic phenomena such as variations in temperature patterns and sea level rise were considered.

The bottom-up approach, on the other hand, allows for a more in-depth estimate of specific impacts at various levels of projected rise in global temperatures through the year 2100, in a range of +1.8°C to +4.8°C compared to current averages. This approach gives us a granular perspective on the possible repercussions for our direct operations and strategic portfolios. We also weighed the impact of events such as cyclones, flooding and storm tides whose destructive potential could deplete the value of collateral in our real-estate, lodging and mortgage portfolios. These scenarios are aligned with IPCC scenarios, which ensures that our assessments are based on the best practices and knowledge available. The results of our projections indicate that, although impacts remain within manageable ranges by 2030, as the time horizon extends and/or scenarios become more pessimistic, these impacts increase. This could translate into an increase in the probability of default (PD) by our clients, as well as a depletion of the value of the collateral that backs our loans, requiring additional preventive and resilience measures.

To address transition risks, we focused on key industries that would be seriously affected by the climate transition, specifically those that are currently the biggest emitters of greenhouse gases (GHG). Once segmented, we analyzed scenarios for each industry to assess and measure transition risks, relying on models provided by the NGFS as well as other relevant economic variables and factors.

Since 2023, GFNorte has incorporated Climate Shock as a fundamental metric of transition risks; this indicator measures whether our customers could withstand the cost of an increase in the carbon price, assuming Scope 1 emissions in proportion to their EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). Using NGFS's updated Net Zero and Delayed Transition scenarios for 2030, 2040, and 2050, we estimated how this Climate Shock would behave. We also incorporated, for our wholesale portfolio, an analysis of the costs associated with direct (scope 1) and indirect (scope 2 and 3) emissions by our clients. In all three exercises (shock, direct costs and indirect costs) we developed a traffic light system to classify customers and quantify the impact the carbon price increase would have under different scenarios. The results indicate that the most significant impacts would be felt in the aluminum, iron, steel, and agricultural industries. Furthermore, to analyze the impact of transition risk on the oil and gas industry, we prepared a financial projection of clients in this industry over a 10-year horizon. This analysis focused on the interest payment coverage ratio, allowing us to predict how regulatory measures and decarbonization trends would affect these companies' capacity to fulfill their financial obligations in the context of climate transition. As the carbon price and the costs associated with mitigation rise, we evaluated whether oil and gas companies could adapt financially to the new regulatory context, anticipating the effects of carbon policies on their cost structures and long-term economic viability.

For the second year, this report includes a section focused on nature-related risk, discussing our efforts to identify information and define metrics relevant to Mexico, such as water, in order to establish a precedent for managing and disclosing this type of risk. We analyzed more than 100 tools proposed by the Taskforce on Nature-related Financial Disclosures (TNFD), particularly for analyzing water footprint according to the basin physical risk and the operational risk of water.

As a result of this analysis, we found that customers in the agricultural industry who have faced droughts in the past have the infrastructure to withstand water shortages. Next year, given the relevance and importance of nature-related risk issues to Grupo Financiero Banorte, and coupled with our commitment to disclose, this type of analysis will be included in its own TNFD report.

This year, we made significant progress in our decarbonization strategy by implementing three key policies in Banorte's portfolio. These policies reinforce our commitment to supporting clients in their energy transition, facilitating credit for their emission reduction initiatives and aligning us with our goal of reaching zero net emissions by 2050. These measures represent a concrete step towards reducing climate risks and reaffirm our commitment to sustainability, while ensuring compliance with the climate commitments we have adopted.

In 2024, we had our calculation of financed emissions (scope 3, category 15) in the credit portfolio for priority industries validated by an independent third party to test the traceability and quality of the data and processes used. The scope of the measurement of financed emissions and reduction targets covered the oil & gas, energy, real estate & lodging, agricultural, aluminum, iron & steel, coal, transportation, cement and construction industries in the wholesale portfolio and mortgages in the retail portfolio, as well as some financial instruments in the Bank's portfolio. It also encompassed the shares, corporate bonds and sovereign bonds of the issuers in which we invest as fund manager-- Operadora de Fondos Banorte. To ensure that we meet the established goals, GFNorte continues working to deploy the decarbonization strategy and follow up on the goals established at the bank level, with the Net Zero Banking Alliance (NZBA), and at the financial group level, with the Science Based Targets Initiative (SBTi).

Reporting on climate-related risks and opportunities under TCFD guidelines represents one of this institution's greatest efforts in terms of climate information disclosure. In this spirit, and in an effort to constantly improve and remain up to date in the application of the most exacting global and regulatory standards in the field, in 2025 pertinent adjustments will be made to complement the IFRS S2 approach and maintain continuous and transparent disclosure to authorities, investors and customers.

Introduction

Climate change is a long-term phenomenon that refers to significant and lasting alterations in the Earth's climate patterns. Although the climate has changed naturally over millions of years, in recent years it has been evolving much more rapidly, influenced mainly by human activity. This has emerged as one of the main global challenges, with economic and social consequences for all industries and regions. Financial institutions play a fundamental role in this new reality, as they confront the need to manage climate risks in their own portfolios, while also taking on responsibility for facilitating and financing the transition to a low-carbon economy.

In this regard, changing climate conditions pose significant risks that can affect our customers. Physical risks such as droughts, floods and extreme temperatures present tangible threats to businesses, putting the economic stability of the country at risk. At the same time, changes in regulatory, social and market expectations towards more sustainable practices increase the pressure to adapt business models and investment strategies. This report analyzes how these risks affect us and describes the measures we are implementing to assess, mitigate and manage these impacts.

This report is structured according to the four pillars recommended by the TCFD reporting framework: governance, strategy, climate risk management, and climate metrics and targets.

However, climate change also presents a number of opportunities to finance sustainable practices, renewable energy, resilient infrastructure, among others, which can help both, companies and communities, to adapt to and mitigate it. In response, we are developing and promoting innovative products and services that support our customers' transition to more sustainable business models.

Aware that climate change is a collective challenge that requires the joint involvement of all of us, this report highlights our commitment to transparency and responsibility towards our customers, investors, and society in general. As we continue on our path towards decarbonization, we reaffirm our commitment to a more sustainable future and actively contribute to shaping a more equitable global economy.

Governance

→ Governance bodies

- Board of Directors
- Risk Policies Committee
- Sustainability Committee
- Sustainability Macrocell
- Climate and Nature-Related Risk Cell
- Climate Change and Nature Specialist Team
- Training

→ Incentives aligned with climate change

Leadership with a climate vision for a more sustainable future

With TCFD as our guide, we lead with clarity towards a safer future. We manage climate risks to ensure long-term stability.

Governance bodies

GFNorte climate governance structure

At GFNorte, oversight of climate risks and the identification of sustainable opportunities have become a strategic priority that requires the participation of everyone in the organization. Because of this, we incorporate climate change management through a solid climate governance framework, with the following hierarchical structure:

1. Board of Directors

2. Risk Policies Committee

3. Sustainability Committee

4. Sustainability Macrocell (created in 2023)

5. Climate and Nature-Related Risk Cell (created 2023)

6. Climate Change and Nature Specialist Team

Board of Directors

↑

Risk Policies Committee

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Sustainability Committee

↑

Sustainability Macrocell
(created in 2023)

↑

Climate and Nature-Related Risk Cell
(created 2023)

↑

**Climate Change and
Nature Specialist Team**

As shown in the figure, in a bottom-up approach, each of the bodies reports to that immediately above it, so that climate issues are taken all the way up to the Board of Directors.

Board of Directors

The Board of Directors is the financial group's highest governance body, and takes the actions necessary to ensure sound corporate governance, thus safeguarding the interests of shareholders, clients, employees, suppliers and the communities we serve. It is made up of 13 members, eight of whom are independent and two of whom are women.

In order to ensure an open communication channel between the organization and the board, some board members sit on the Risk Policies and Audit and Corporate Practices Committees. In the Risk Policies Committee, each month relevant environmental, social, corporate governance and sustainable business issues are discussed based on their priority in the materiality matrix.

In the July 2024 board meeting, the sustainability team discussed the progress made in various projects managed in the Sustainability Macrocell, among them the allocation of the proceeds of the sustainable bond issuance of February 2024 and progress related to climate- and nature-related risks and opportunities.

For more information about the composition of the Board and the governance structure of the Group, please refer to the **following link.**

Risk Policies Committee

The purpose of the Risk Policies Committee (RPC) is to manage the risks to which the institution is exposed and ensure that transactions are conducted in keeping with the desired risk profile, the comprehensive risk management framework, and global risk exposure limits approved by the board.

The RPC meets monthly. It is made up of at least two regular board members, alternate board members, the CEO of GFNorte, the head of the Comprehensive Risk Management Unit, the Chief Audit Executive and various Managing Directors, along with guests who are invited to participate by speaking but are not given a vote.

In 2024, in the section of the RPC meetings devoted to sustainability risk, the achievements of the Social and Environmental Risk Management System (SEMS) were discussed, along with the identified sustainable finance opportunities, the 2023 report on Climate-related Risks and Opportunities, the results of the calculation of our carbon footprint, our update of Target Markets, the results of the internal sustainability score, and the results of the evaluations by rating agencies and other organizations regarding environmental, social and governance matters and climate- and nature-related risks. Also, to improve risk management, a climate indicator scorecard was introduced, known as the Key Climate Indicators (KCI), to measure progress of our main initiatives in ESG issues, sustainable finance, the evolution of climate-related risks and follow-up on decarbonization policies for the loan portfolio.

Sustainability Committee

GFNorte's Sustainability Committee (SC) is in charge of defining the Group's sustainability strategy, aligning it with institutional objectives, and implementing it through ESG initiatives led by the strategic departments represented in it.

Additionally, in matters of climate change, the SC has the authority to approve the climate strategy and validate action plans for its execution. It sets goals for reducing GHG emissions and decarbonizing the loan portfolio, supervises management of environmental and social risks in decision-making; and promotes the adoption of best sustainable practices and best corporate governance practices, encouraging the involvement of Group leaders at all levels. It is also responsible for supervising the Subcommittee on Diversity, Equality and Inclusion. Similarly, it reviews and authorizes proposals by the Sustainability Macrocell, the Climate and Nature-Related Risk Cell, and the Specialist Climate Change and Nature Team.

The SC meets three times a year, reporting to the RPC, which in turn reports to the Board of Directors. In 2024, the committee discussed key matters with the board such as financial literacy and health projects, sustainable finance opportunities, the sustainability standards of the IFRS Foundation on General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and on climate-related disclosures (IFRS S2), and the impact of their implementation, among others.

Climate change matters discussed in the 2024 Sustainability Committee

Meeting	Topics discussed	Attendance
1	› Improvements to the 2023 Integrated Annual Report and Hurricane Otis Business Case › Progress of the Sub-Committee on Diversity, Equality and Inclusion › Results of financial literacy and health initiatives › First Annual Responsible Investment Report	57%
2	› Identification of Sustainable Finance Opportunities › Proposed project aligned with a positive impact on nature and biodiversity › IFRS S1 and S2 sustainability standards and impact of their implementation › 2024 Integrated Annual Report and increased scope of indicators to submit for assurance	86%
3	› Allocation of the proceeds of the Sustainable Bond › Progress of operational eco-efficiency projects › Diversity, equity and inclusion › Financial literacy program	64%

Sustainability Macrocell

Cells are an innovative format for multidisciplinary collaboration, tested at the bank as a way to meet institutional goals. The Sustainability Macrocell was created by the Sustainability Department, in coordination with the Customer Experience Department, to address and track sustainability priorities, in line with the updated materiality exercise for 2023-2025 that resulted in our sustainability strategy.

In 2024, we updated the composition of the Sustainability Macrocell to focus our efforts on the Group's material topics.

With this, the Macrocell is now made up of four execution cells:

SUSTAINABLE FINANCE CELL

CLIMATE AND NATURE-RELATED RISK CELL

FINANCIAL LITERACY CELL

OPERATIONAL ECO-EFFICIENCY CELL

The Sustainability Macrocell meets monthly and reports to the Sustainability Committee. In 2024, more than 40 projects developed in the execution Cells were reported and priority issues were given follow-up, such as the first Sustainable Bond issue, management of climate-related risks and opportunities, monitoring of targets for financial inclusion and financial literacy initiatives for employees, customers and the community, and tracking of the targets for reducing financed emissions in the loan portfolio, as well as operational eco-efficiency initiatives, such as the purchase of renewable energy in the wholesale electricity market.

Climate and Nature-Related Risk Cell

The purpose of the Climate and Nature-Related Risk Cell is to manage the physical and transition risks, both climate- and nature-related, in the group's portfolio and financial instruments, by generating databases, checking information, and developing methodologies, models, internal processes, and regulations. This cell also discusses and enhances the climate strategy, transition plan, and various initiatives proposed by the Climate Change and Nature Specialist Team, through feedback from the business areas of the bank that it calls upon regularly, based on the Group's specific objectives.

In 2024, the Cell addressed various fundamental issues, among them strengthening the information collection process for certain industries in order to improve the quality of data used to measure financed emissions and expand coverage of our footprint calculation. It also applied models and methodologies to analyze physical and transition risks, incorporating different trajectories for future scenarios in high-carbon-intensity industries.
Also, as part of GFNorte's commitment to publish its first report under TNFD recommendations in 2026, this year the Cell took the first steps toward estimating nature-related risk in three segments of the portfolio. For more information about these steps, see **Integrated Annual Report.**

Climate Change and Nature Specialist Team

GFNorte's Climate Change and Nature Specialist Team (CCNST) is responsible for proposing the Group's climate strategy along with the pertinent plans and actions that will allow it to achieve the targets set based on requirements and best practices aligned with international initiatives like the NZBA, the SBTi, the Carbon Disclosure Project (CDP) and the Partnership for Carbon Accounting Financials (PCAF).

Specifically, the CCNST includes members of GFNorte's Risks and Sustainability areas, who provide a complementary, comprehensive approach to the assessment of climate-related risks and opportunities. In 2024, the Sustainability department created a new deputy director post, in charge of coordinating the Group's efforts on climate change and nature. This also guarantees that the 2026 report on nature-related risks and opportunities will be aligned with current efforts by GFNorte.

CCNST Structure

CCNST

Executive Departament of Sustainability and Investor Relations

Departament of Sustainability and Responsible Investment

Sub-Departament of Climate Change and Nature

Climate

Environment

Nature

Adjunct Managing Director of Credit and Climate Related Risk

Departament of Risk Methodologies and Modeling

Sub-Departament Climate and Nature Related Risks

Physical risk

Natural-related risks

Sub-Departament Climate and Nature Related Risks

Transition risks

Finance emissions

Training

In order to strengthen employee capacities and skills in the area of climate change and anticipate climate challenges in managing risks and seizing opportunities, GFNorte developed various training programs on topics related to human rights, social and environmental risk management and their role within the Group's operation. Similarly, through strategic alliances, free online courses were made available on topics like climate risks, financed emissions, sustainability standards, and others, sharing the knowledge of specialists in each area, which amounted to a total of 924 hours.

Furthermore, to reinforce the technical capacities of our commercial areas and help them identify opportunities for the placement of sustainable financing, five training sessions were held for executives from commercial banking in 2024, in which 273 employees from Corporate Banking, Business Banking, Investment Banking, and Specialist Areas, among others, attended.

To further support the incorporation of sustainability into GFNorte's strategy and operations, an online course on the Sustainability Reporting Standards issued by the Mexican Financial Reporting Standards Board (CINIF) was given to the Risk and Credit area with an attendance of 91%.

Climate change training 2024

Type of training	Hours spent
Mandatory	350
Specialized	574
Total	924

Incentives aligned with climate change

GFNorte considers it vital to motivate and recognize the contribution of the departments and teams whose hard work and dedication enable us to meet climate commitments. Therefore, we have a scheme of both monetary and non-monetary incentives for employees whose institutional objectives support the execution of our climate strategy.

Monetary incentives are attached to targets defined by the departments and are entered into the internal performance evaluation platform. This platform allows us to track progress and determine whether these goals have been met.

Monetary and nonmonetary incentives for institutional climate change action

Position	Type of incentive	Goals				
		Climate governance	Climate strategy	Climate-related risks	Metrics and targets	Accountability
Executive Department of Investor Relations and Sustainability	Monetary	X	X			X
Management positions in the Sustainability Department	Monetary		X		X	X
Executive Department of Wholesale Credit Risk	Monetary	X	X	X	X	X
Management positions in the Executive Department of Wholesale Credit Risk	Monetary		X	X	X	X
Climate Change and Nature Specialist Team	Non-monetary	X	X	X	X	X

The scope of each position's goals depends on their specific job description, and may include the following:

Climate governance:
Creation of policies and definition of climate-related training.

Climate strategy:
Definition, validation, implementation, and monitoring of the climate change strategy.

Climate-related risks:
Development and continuous improvement, validation, implementation, and monitoring of internal models for the management of physical and transition risks under various climate scenarios, as well as climate stress testing.

Metrics and targets:
Quantification of Scope 1, 2, and 3 GHG emissions, as well as the measurement of progress toward GHG emissions reduction targets.

Accountability:
Development, review, and approval of mandatory and voluntary reports on climate change.

Strategy

→ GFNorte climate strategy

→ Scope

→ Climate-exposed industries

→ Time horizons

→ Risks, opportunities and resilience

→ Risk assessment

- Climate scenarios
- Physical risks
- Transition risks
- Nature-related risk
- Stress testing

A solid and responsible strategy for positive impact

We act with a long-term vision, integrating climate risk analysis into our planning to strengthen trust and financial stability.
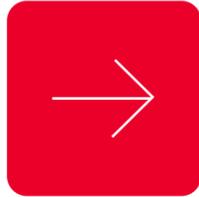
GFNorte climate strategy

Climate change is one of the most pressing global threats today. The effects of physical and transition risks threaten the security and health of populations, the balance of nature, and the stability of economies. Organized, guided worldwide action is urgently needed to mitigate and adapt to these effects and build a resilient, just, sustainable and prosperous future.

At GFNorte, we are aware that, as part of the financial industry, we can play a crucial role in responding to this crisis. Therefore, we have joined in the call to limit global warming to 1.5°C by 2030 and achieve net-zero greenhouse gas emissions by 2050. In 2024, we strengthened our climate strategy, which rests on five fundamental pillars, aligning ourselves with best global practices and prioritizing topics that are material to the Group. These pillars are as follows:

GFNorte Climate Strategy 2024-2030

MODEL

Physical risk, hotspots,
FS climate risk
Climate Scenarios, stress testing
natural-related risk.

GREEN

Retail and wholesale
Green financing
Sustainable bond issuance.

Pillars

DECARBONIZE

Decarbonization targets
validated by SBTi.
Client advisory, Industry forums

INTEGRATE

Decarbonization
Policy and SEMS.
Structure and pricing climate
risk, cells.

DISCLOSE

Ratings, associations,accreditations.
Reports and analysis
per international standards.

Guiding Pillars of GFNorte Climate Strategy 2024-2030

GUIDING PILLARS

MODEL   GREEN   DECARBONIZE   INTEGRATE   DISCLOSE

STRATEGIC WORK AXES

Analysis of physical, transition and nature-related risks

Sustainable finance

Decarbonization

Business

Accountability and transparency

Stress testing

Sustainable taxonomy

Loan portfolio | Operations

Goals and results | Information management | Institutional governance

Stakeholders

Climate scenarios

Portfolio | Products

Carbon footprint and targets

Compliance

Investors | Global initiatives

Sustainable loans | Sustainable bonds

Customer assistance

Institutional policies

> TCFD
> ISSB IFRS S1/ IFRS S2
> CDP
> SBTi
> NZBA
> TNFD
> PRB
> EP
> PRI

GFNorte believes that climate strategy should be dynamic over time, to gradually and steadily advance toward building a resilient, low-emission economy.

Scope

This report was limited to the management of climate-related risks and opportunities in our operations and those of our clients, consistent with TCFD recommendations.

The following table sums up the scope of the report:

Scope of the report

	Scope 1	Scope 2	Scope 3
Quantification of emissions	Operations	Operations	**Bank, Leasing, and Factoring** ❯ Oil and gas ❯ Power generation ❯ Real estate and lodging ❯ Mortgage ❯ Agriculture and livestock ❯ Aluminum ❯ Iron and Steel ❯ Coal ❯ Transportation ❯ Cement ❯ Construction ❯ Other Financial Instruments **Fund Manager** ❯ Stocks ❯ Corporate Bonds ❯ Sovereign Bonds
Target setting	Operations	Operations	**Bank, Leasing, and Factoring** ❯ Oil and gas ❯ Power generation ❯ Real estate and lodging ❯ Mortgage ❯ Agriculture and livestock ❯ Aluminum ❯ Iron and Steel ❯ Coal ❯ Transportation ❯ Cement ❯ Construction

	Scope 1	Scope 2	Scope 3
Analysis of physical risks • Scenarios • Stress testing	Branches	-	❯ Branches ❯ Real estate and lodging ❯ Mortgage ❯ Agriculture and livestock
Analysis of transition risks • Scenarios • Stress testing	-	-	❯ Real estate ❯ Power generation ❯ Oil and gas ❯ Agriculture and livestock ❯ Iron and Steel ❯ Coal ❯ Transportation ❯ Cement ❯ Construction
Analysis of nature-related risks	-	-	❯ Agriculture (primary activity)

Climate-Exposed Industries

GFNorte has an internal taxonomy of 41 Climate-Exposed Industries (CEI), which were identified based on official 1,156 Industry Activity Codes (IAC). In 2024, we reviewed and updated the IAC of some clients which by the nature of their operations belonged to some CEI, and in 2025 we will be reviewing the entire catalog in order to align it with the industry classification of various initiatives.

The following table shows the climate-exposed industries we identified.

In connection with our strategy on nature-related risk, we prepared an industry mapping according to the IFRS Foundation's Sustainability Accounting Standards Board (SASB) to determine which portfolios to analyze under TNFD guidelines.

Climate-Exposed Industries 2024

#	CEI
1	State and municipal government
2	Oil and gas
3	Real-estate services
4	Retail
5	Financial and insurance services
6	Transportation, postal, and warehousing services
7	Lodging services
8	Civil engineering construction
9	Professional services
10	Building construction
11	Other manufacturing
12	Power generation
13	Agriculture and livestock
14	Cement manufacturing
15	Food, beverage, and tobacco manufacturing
16	News media
17	Corporate and business management services
18	Furniture rental services
19	Water and gas utilities
20	Chemical product manufacturing
21	Recreational services

#	CEI
22	Paper product manufacturing
23	Federal government
24	Waste management
25	Educational services
26	Food and beverage preparation services
27	Plastic and rubber product manufacturing
28	Textile and apparel manufacturing
29	Iron and steel manufacturing
30	Specialized construction
31	Aluminum manufacturing
32	Other services
33	Healthcare and social assistance services
34	Wood and wood product manufacturing
35	Basic metal manufacturing, excluding iron, steel, and aluminum
36	Non-metallic mineral mining
37	Metallic mineral mining, excluding coal and iron
38	Coal mining
39	Electric utilities
40	Iron ore mining
41	Mortgage

Time horizons

Aware that climate change is one of the most pressing issues of recent decades, and since its consequences materialize over long periods of time, which may extend beyond traditional strategic planning, we have established the following time horizons for identifying and analyzing physical and transition risks.

We also prepared very long-term scenarios and stress testing (through the year 2100) based on various global socioeconomic and climate change scenarios projected by the IPCC, to identify the vulnerability of our operations and those of our clients.

Time horizons defined by GFNorte for climate risk analysis

Horizon	From (years)	To (years)
Short	0 years	4 years
Medium	5 years	14 years
Long	15 years	30 years

Risks, opportunities and resilience

GFNorte identifies climate risks and opportunities through the Risk, Business and Sustainability areas for physical (acute and chronic) and transition (political, legal, technological and market) risks over the short, medium and long term.

The main effects of the materialization of acute physical risks on our credit portfolio are seen in the impairment of value of guarantees and collateral, as well as the destruction of infrastructure and damage to or interruption of our customers' operations as a result of the increased frequency and severity of extreme weather events. There may also be impacts on our customers' operations derived from long-term changes (chronic physical risks) in weather patterns, such as increased temperatures and decreased precipitation in some areas of the country.

The materialization of these risks could imply a decrease in the credit quality of our customers with the consequent reduction in GFNorte's profits.

Transition risks arise as political, legal, technological, and market changes take place as required to mitigate and adapt to climate change. GHG reduction measures, for example, will impact all sectors of the economy but to varying degrees. Significant investment will be required to move towards clean energy generation and achieve net-zero targets. Industries that are more difficult to decarbonize will face higher transition risks, such as oil & gas, power generation, agriculture and livestock, cement, and steel, because these are more GHG-intensive. The materialization of such risks would affect their cash flow and profits because it adds costs to their operations, erodes their revenues and results in idle or unproductive assets, which would ultimately reduce their capacity to keep up with their credit obligations.

But the transition to a greener, low-carbon economy will also yield new business opportunities, as considerable investment will be required to achieve this transition, so GFNorte is firmly committed to supporting its clients through sustainable finance for projects that reduce emissions from their operations; generate renewable energy, as well as new products and services with a sustainable approach; support sustainable agriculture and livestock projects; and promote real estate developments that comply with energy efficiency and/or waste recycling standards, among others.

The following table lists some opportunities and risks facing the climate-exposed industries identified by GFNorte, with different materialization periods.

(See the table on time horizons defined by GFNorte for climate risk analysis).
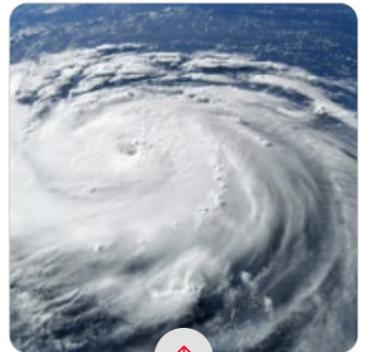
Risks and opportunities for industries in the corporate and business portfolio

PORTFOLIO	RISKS	TIMEFRAME	OPPORTUNITIES	TIMEFRAME
Oil and gas **MXN29.60bn**	PR: Damage from hurricanes in the Gulf of Mexico	ST/MT	Increased demand for financing in projects for the transition of business models	ST/MT
	PR: Extreme weather events	ST/MT	Energy diversification	ST/MT
	PR: Changes in weather conditions	MT/LT	Prospecting projects	ST/MT
	TR: Change in energy demand	MT/LT	Innovation in the value chain	MT/LT
	TR: Carbon tax	LT	Operational and technological efficiency	ST/MT
	TR: Implementation of the Emissions Trading System	MT	Carbon sequestration and storage in the southeast region	MT
	TR: Climate regulations	ST/MT		
	TR: Divestment in fossil fuel projects	MT/LT		
	TR: Budgetary underspending in infrastructure maintenance and investment	ST		
	TR: Business model focused on the refining segment	ST		

*Figures as of December 2023. PR: Physical risk; TR: Transition risk

PORTFOLIO	RISKS	TIMEFRAME	OPPORTUNITIES	TIMEFRAME
Power generation **MXN27.06bn**	FR: Prolonged droughts in the Lerma River Basin	ST/MT	Increased demand for financing	ST/MT
	FR: Fluctuation in renewable energy generation	ST	Participation in carbon markets	ST/MT
	FR: Extreme weather events	ST	Generation of deposits for discarded solar panels	ST/MT
	TR: Change in consumer preferences	MT	Clean Energy Certificates (CECs)	MT/LT
	TR: Carbon tax	ST/MT	International Renewable Energy Certificates (IRECs)	ST/MT
	TR: Implementation of the Emissions Trading System (ETS)	MT	Investment in clean technologies	MT/LT
	TR: Changes in energy policies	ST/MT	Development of smart infrastructure	MT/LT
	TR: Competition with traditional energies	MT/LT	Expansion of geothermal energy in the Neovolcanic Axis region	ST/MT
	TR: Support for decarbonization in electricity generation	MT		

*Figures as of December 2023. PR: Physical risk; TR: Transition risk

PORTFOLIO	RISKS	TIMEFRAME	OPPORTUNITIES	TIMEFRAME
Real-estate and lodging **MXN104.06bn**	FR: Flooding in tourist areas of the Riviera Maya	ST/MT	Increase in income due to higher demand for financing	MT
	FR: Materialization of climate-rleated events	MT/LT	Need for new urban buildings	ST/MT
	FR: Increase in temperatures and extreme climatic events	MT/LT	Development of eco-resorts in Baja California Sur	MT
	FR: Water scarcity	LT	New projects with a focus on reducing emissions	MT
	TR: Increase in costs due to higher energy consumption	MT	Supply of sustainable products	MT
	TR: Change in market preferences	ST/MT	Sustainable buildings	ST/MT
	TR: Energy efficiency regulations	MT	Innovation in design and construction	ST/MT
	TR: Regulatory restrictions on environmental matters	MT/LT	Investments in sustainable technologies	ST/MT
	TR: Regulations on mandatory green construction in urban areas	MT	Renovation of assets	ST/MT

*Figures as of December 2023. PR: Physical risk; TR: Transition risk

PORTFOLIO	RISKS	TIMEFRAME	OPPORTUNITIES	TIMEFRAME
Agriculture and livestock **MXN11.38bn**	FR: Crop losses due to prolonged droughts in northern Mexico	ST/MT	Increase in income due to higher demand for insurance	MT/LT
	FR: Impact on the quantity and quality of grain and livestock production	MT/LT	New projects with a focus on reducing emissions	ST
	FR: Changes in precipitation patterns	MT/LT	Supply of sustainable products	ST
	FR: Increase in temperatures	MT/LT	Increased demand for technology financing	ST/MT
	FR: Decrease in soil moisture	MT/LT	Sustainable agriculture	ST/MT
	FR: Water scarcity	MT	Crop diversification	ST/MT
	TR: Changes in consumer practices	MT	Carbon credits for agroforestry projects	ST/MT
	TR: Changes in agricultural policies	MT	Innovative agricultural technologies	MT
	TR: Regulations on the use of agrochemicals	MT/LT	Regenerative agriculture in the Bajío region	MT
			Smart solar-powered irrigation systems	MT

*Figures as of December 2023. PR: Physical risk; TR: Transition risk

PORTFOLIO	RISKS	TIMEFRAME	OPPORTUNITIES	TIMEFRAME
Cement, aluminum, iron and steel **MXN11.91bn**	PR: Impact of heat waves on cement production in Monterrey	ST/MT	Increased demand for project financing	ST/MT
	PR: Impact on production due to extreme weather events	MT/LT	Development of low-carbon technologies	MT/LT
	PR: Variability in the availability of water resources	LT	Investment in prospecting and processing technologies	MT/LT
	TR: Change in the demand for sustainable materials	ST/MT	Development of cement from recycled materials in the Bajío region	MT
	TR: Environmental and emissions regulations and litigation	MT	Recycling and circularity	ST/MT
	TR: Implementation of the ETS	MT	Innovation in efficient processes	ST/MT
	TR: Changes in environmental regulation and soil restoration	MT/LT	Value chains	MT/LT
	TR: Carbon taxes for intensive industries	MT/LT	Products and services	MT/LT
			Promoting new projects with a focus on reducing emissions	ST

*Figures as of December 2023. PR: Physical risk; TR: Transition risk

PORTFOLIO	RISKS	TIMEFRAME	OPPORTUNITIES	TIMEFRAME
Transportation **MXN11.34**bn	PR: Increased risk associated with the transportation profession	MT/LT	Sustainable product offering	ST
	PR: Damage to the rail network due to landslides in Chiapas	ST/MT	Infrastructure development for clean vehicles	MT
	PR: Impact on transport infrastructure due to climatic events	MT/LT	Promotion of sustainable mobility	ST/MT
	PR: Variations in fuel efficiency due to climate change	LT	Increased demand for transport financing	ST
	TR: Increase in the price of fossil fuels	ST/MT	Investment in sustainable vehicles and technologies	ST/MT
	TR: Change in demand towards sustainable transport	MT	Investment in road and highway improvements	MT/LT
	TR: Carbon tax	MT	Expansion of electric corridors for freight transportation in northern Mexico	MT/LT
	TR: Emissions regulations and environmental standards:	ST/MT		
	TR: Prohibition of diesel-powered freight vehicles in urban areas	MT		

*Figures as of December 2023. PR: Physical risk; TR: Transition risk

Physical risks by industry

The following table summarizes the main physical risks identified in each industry group:

Physical risks by industry

Risk / Industry	Oil & Gas	Energy generation	Building, real estate and lodging	Agriculture and livestock	Cement, aluminum, iron and steel	Transportation
Acute						
Tropical cyclone	X	X	X	X	X	X
Extreme rainfall		X	X	X		X
Flooding	X	X	X	X	X	X
Storm surges			X	X		
Drought				X		
Chronic						
Extreme temperatures	X	X	X	X	X	X

Transition risks by industry

The following summarizes the main transition risks identified in each industry group:

Transition risks by industry

Risk / Industry	Oil & Gas	Energy generation	Building, real estate and lodging	Agriculture and livestock	Cement, aluminum, iron and steel	Transportation
Regulatory risks						
Regulations	X	X	X	X	X	X
Carbon price/tax	X	X		X	X	X
Idle assets	X	X	X			X
Market risks						
Reduced demand	X					
Shift in consumer preferences	X	X	X	X	X	X
Supply chain risks				X	X	
Technology risks						
New technologies	X	X	X	X	X	X

Risk assessment

In the current context, climate-related physical risks –both acute and chronic—and transition risks are a growing concern for the financial industry. Acute risks, such as cyclones, floods, storm surges and droughts, have immediate and disruptive impacts, while chronic climate risks, such as gradual sea level rise, desertification and changes in weather patterns, present long-term challenges that progressively affect the value of assets and financial operations.

Evaluating such risks is essential to anticipate possible losses, protect assets and guarantee operational continuity in the face of projected climate scenarios, thus ensuring the resilience of our operations in a changing environment.

In GFNorte we used global social, economic, demographic and climate change scenarios to perform various physical and transition risk analyses. We also incorporated changes in environmental policies and carbon taxes, as projected by the IPCC and the NGFS.

Climate scenarios

A climate scenario is a plausible approach to future climate, based on observed interactions of climate and society, which is used as a tool for climate change research. Although many climate scenarios have been proposed, in an effort to develop generalized scenarios for modeling the effects of climate change and as parameters for Integrated Assessment Models (IAMs), the IPCC commissioned the scientific community to generate representative models of emissions and global socioeconomic changes, known as Representative Concentration Pathways (RCP) scenarios and Shared Socioeconomic Pathways (SSP) scenarios. The NGFS meanwhile presented in its Phase IV report seven scenarios based on the SSP scenarios, which provide a solid basis for the assessment and understanding of climate risks in the global financial system.

The RCP scenarios were published for the first time in the IPCC's Fifth Assessment Report (AR5) and were initially developed to describe future concentrations of greenhouse gases in the atmosphere. They were named based on the radiative forcing in the atmosphere caused by the estimated concentration of carbon dioxide equivalent (CO_2e) by the year 2100.

For example, the RCP 2.6 scenario represents a future in which significant measures are taken to reduce emissions, resulting in a radiative forcing of 2.6 W/m², limiting the temperature increase to 2 degrees Celsius or less. In contrast, RCP 8.5 represents a scenario in which no climate action is taken, resulting in a radiative forcing of 8.5 W/m², with high atmospheric concentrations of CO_2e and significantly higher global warming.

The SSP scenarios were published in the IPCC's Sixth Assessment Report (AR6), focusing on socioeconomic aspects and are used to understand how socioeconomic decisions and trends can influence greenhouse gas emissions. SSP scenarios are divided into five different pathways that describe possible futures, ranging from a sustainable world with low emissions (SSP1) to a world characterized by regional fragmentation and high emissions (SSP3). These scenarios were proposed in recognition of two core features of our society: its capacity for adaptation, meaning the ability to withstand events that occur as a result of climate change, like flooding and drought; and its capacity for mitigation, which considers the obstacles we need to overcome to reduce greenhouse gas emissions and limit climate change. Each SSP scenario proposes different approaches and measures for mitigation, reflecting how different socioeconomic contexts could influence our strategies and capacity to address these global challenges.

SSP scenarios

| SSP Scenario	Scenario name	Adaptation challenges*	Mitigation challenges*	Brief description
SSP1	Sustainability (Taking the Green Road)	Low	Low	The world shifts gradually toward a more sustainable path, emphasizing more inclusive development. The global commons take priority over consumption, with investment in education and health, and growth shifts toward a broader emphasis on human well-being.
SSP2	Middle of the Road	Medium	Medium	Social, economic, and technological trends do not shift. Some countries make relatively good progress in wages and technology, while others fall short of expectations. Some progress in environmental conservation and reduction of resource and energy intensity, but environmental systems experience degradation.
SSP3	Regional Rivalry (A Rocky Road)	High	High	Resurgent nationalism pushes countries to increasingly focus on domestic energy and food security goals and local environmental problems, with little investment in education and technological development. Inequalities between and within countries worsen, and concern centers around security issues, with environmental issues taking a back seat, leading to strong environmental degradation in some regions.
SSP4	Inequality (A Road Divided)	High	Low	Highly unequal investments in human capital, combined with increasing disparities in economic opportunities and political power lead to inequality and stratification within and among countries. Internationally connected societies, with technological progress that contributes to growth coexist alongside a set of fragmented, low-tech economies with little resources or education. Tension and conflict become commonplace. The energy industry diversifies between investments in the consumption of fossil fuels and renewable energy. Environmental problems are only solved at the local level in areas with medium to high resources.
SSP5	Fossil-fueled Development (Taking the Highway)	Low	High	This world places increasing faith in competitive markets, innovation and participatory societies to produce rapid technological progress and development of human capital as the path to sustainable development. There are also strong investments in health, education, and institutions to enhance human and social capital. At the same time, the push for economic and social development is coupled with the exploitation of abundant fossil fuel resources and the adoption of resource and energy intensive lifestyles around the world. All these factors lead to rapid growth of the global economy, while global population peaks and declines in the 21st century. Local environmental problems like air pollution are successfully managed but there is a significant deterioration of environmental systems.

*Level of socioeconomic challenges in the future

Climate is created through the interaction of multiple complex systems, primarily atmosphere, ocean, earth's crust, cryosphere, and biosphere. These systems exchange mass and energy by means of various chemical and physical processes. Although we do not yet fully understand all of these interactions, we must make an effort to incorporate them into models that allow us to better understand and predict future changes in the climate. One way to do this is through what are called coupled models, which translate these interactions into a set of equations, obtained either from fundamental or phenomenological laws. These models relate or "couple" equations to shed more light on interactions that occur simultaneously, and have become a fundamental tool for climate analysis.

Although coupled models for climate analysis yield meaningful results regarding climate change, they only address natural systems within their premises. They do not encompass the effect of human policies and actions on the climate, or vice versa. For instance, we know that climate can affect socioeconomic dynamics, such as the rate of gross domestic product (GDP) growth, population growth, and the prices of some inputs, to mention a few. To consider these interactions, another type of tool called integrative assessment modeling **(AIM)** is used, which seeks a more qualitative description of some key processes between the environment and society **(Interaction of factors in IAMs.)** For the purposes of GFNorte's analysis, various coupled models were used to project both climatic variables and the behavior of various physical phenomena, as well as vulnerability to events associated with climate change.

Interaction of factors in IAMs

Thermal refrigeration hydroelectric energy.

Need for thermal refrigeration, electrical energy, energy demands, wind, solar.

Water

Irrigation

Bioenergy

Land

Households

Energy

Precipitation

Food

Energy demand

Harvests

Climate

Socioeconomics

Health
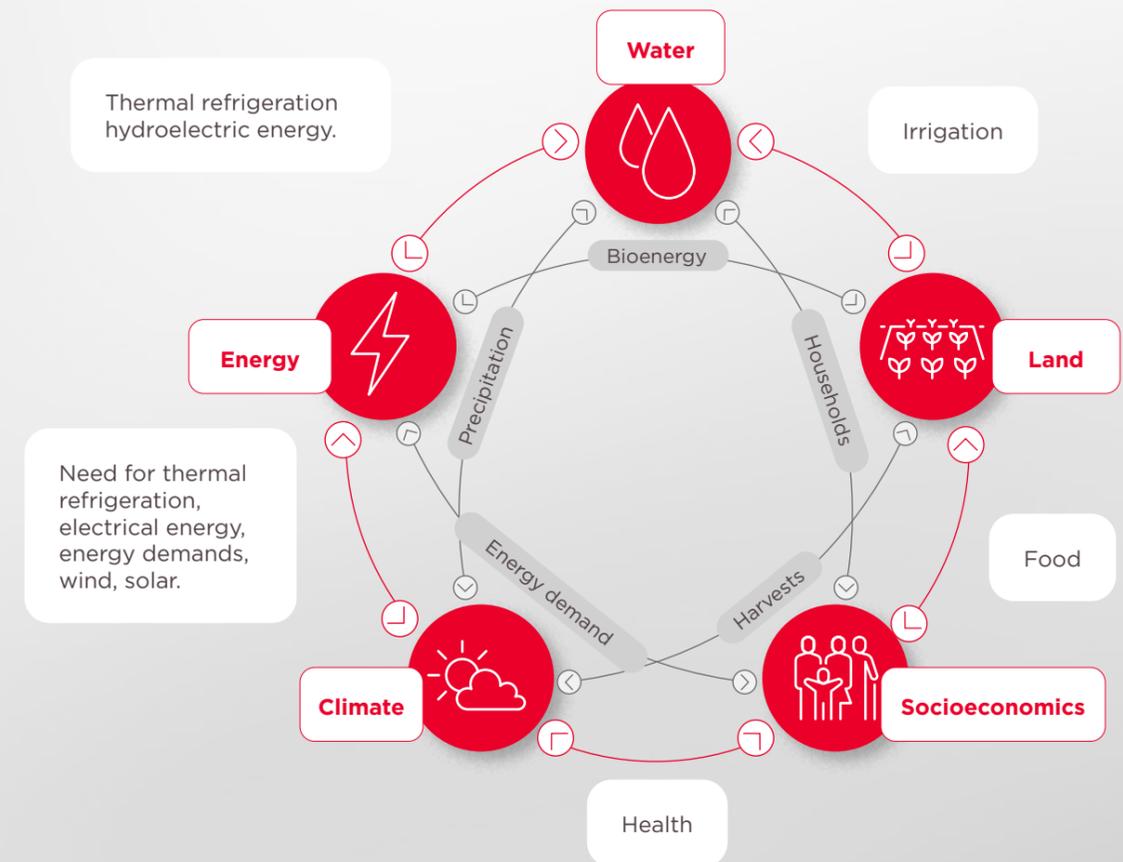
IAM based on SSP scenarios to reach different RCP values

RCP 8.5
RCP 6.0
RCP 4.5
RCP 3.4
RCP 2.6
RCP 1.9

SSP1   SSP2   SSP3   SSP4   SSP5

■ Viable for all IAMs   ■ Viable for some IAMs   ■ Not Viable
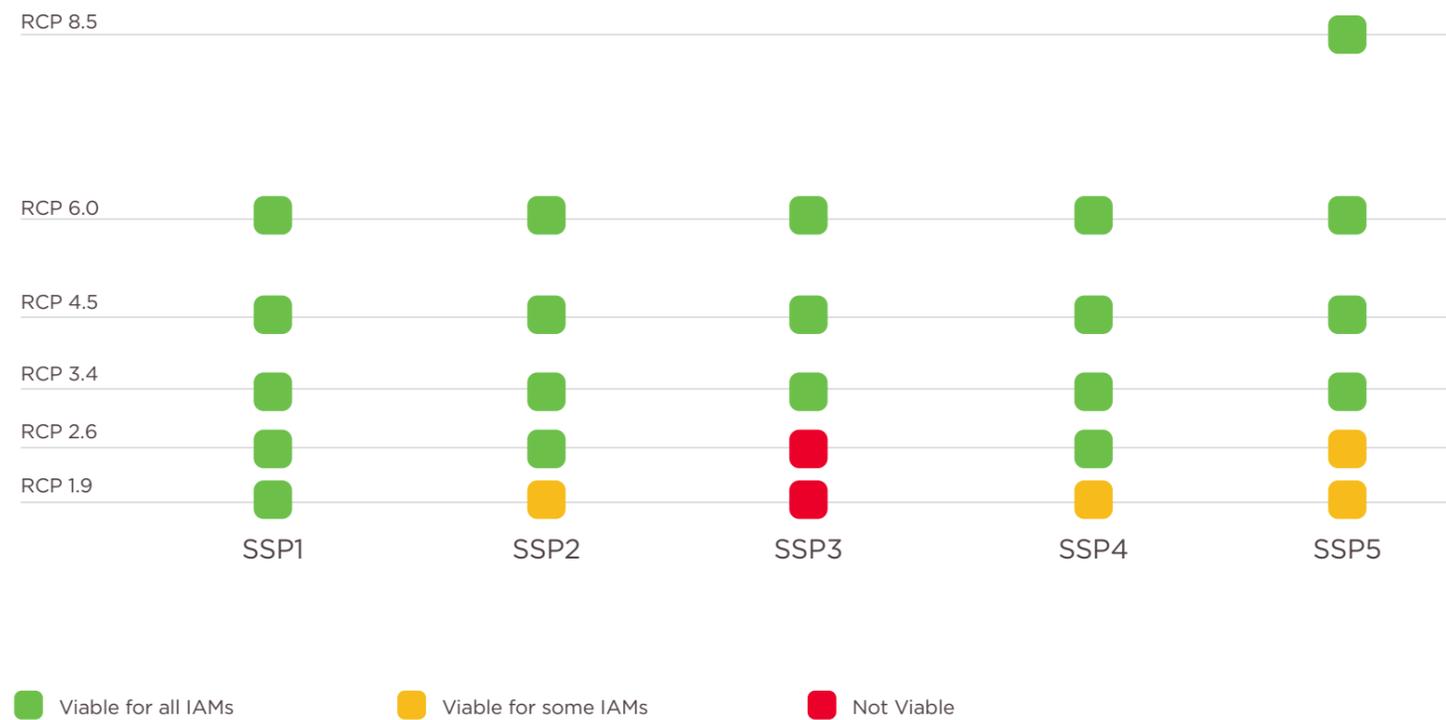
Adapted from Primer to Climate Scenarios https://climatescenarios.org/primer/mitigation/

The relationship between the RCP and SSP scenarios is not rigid: the SSP scenarios can be used as input parameters for different models and achieve different RCP goals. The figure entitled **IAMs models based on SSP scenarios to achieve different RCP values,** shows the 5 SSP scenarios, which were evaluated by different IAMs to observe their behavior and determine the RCPs they were likely to reach, considering their different premises. The SSP3 scenario, for example, is incompatible with an RCP 1.9 and RCP 2.6, which represents a point of low emissions and GHG concentration in the atmosphere, while for the SSP2, SSP4 and SSP5 scenarios, these RCPs were achievable only for certain models. These evaluations also allow us to draw a relationship between the RCP scenarios most compatible with the SSP scenarios, considering the premises of both, and this is the relationship most used by the different IAMs.

The relationships between the RCP and SSP scenarios are typically used as specific combinations, or within a given range, by the IAMs. In this way, an IAM model can specify that it uses an SSP1-1.9 scenario, where the SSP number represents the type of socioeconomic trajectory, and the number 1.9 represents the particular RCP scenario to which it is being related, and which can be interpreted as the maximum level of radiative forcing that the model can achieve.

These scenarios allow scientists and policymakers to explore the effect that different environmental policies could have on the planet, in climate-related and socioeconomic terms.

Description of SSP-RCP scenarios

SSP Scenario	RCP Scenario	Temperature target	Temperature range	GHG emissions
SSP1-1.9	RCP 1.9*	< 1.5 °C	1.4 [1.0 to 1.8] °C	Very low
SSP1-2.6	RCP 2.6	< 2 °C	1.8 [1.3 to 2.4] °C	Low
SSP2-4.5	RCP 4.5	< 3 °C	2.7 [2.1 to 3.5] °C	Intermediate
SSP3-7.0	RCP 7.0*	< 4 °C	3.6 [2.8 to 4.6] °C	High
SSP5-8.5	RCP 8.5	> 4°C	4.4 [3.3 to 5.7] °C	Very high

* RCP scenarios not included in AR5

Description of RCP scenarios

RCP	Radiative forcing	Temperature	Emissions trend
2.6	2.6 W/m^2	~2.0 °C	Emissions decreasing strongly
4.5	4.5 W/m^2	~2.4 °C	Emissions decreasing slowly
6	6.0 W/m^2	~2.8 °C	Emissions stabilizing
8.5	8.5 W/m^2	~4.3 °C	Emissions rising

The figure entitled **Expected global average temperature increase for each SSP scenario** presents the temperature trajectories of the different SSP-RCP scenarios. It shows that, in general, an SSP5-8.5 scenario has the highest projected temperature increase compared to the pre-industrial average. In contrast, an SSP1-1.9 scenario has the lowest temperature increase, and is also the only one in which the temperature increase remains below 2°C, thus conforming by the provisions of the Paris Agreement.

The scenarios developed by the NGFS offer a long-term projection framework that incorporates a wide range of variables related to possible climate and economic changes.

They are designed to support financial institutions and regulators in anticipating and managing the risks arising from climate change, while promoting global financial stability and sustainability. By encouraging the inclusion of environmental considerations in financial policies and practices, the NGFS scenarios help countries and companies prepare for an uncertain future in which the transition to low-carbon economies will be vital. These scenarios take into account international political goals and ambitions, reflected in mechanisms such as carbon taxes and specific environmental regulations. By varying fundamental parameters in climate models, such as average temperature and carbon emission projections, different trajectories are generated that illustrate possible future developments and their implications.

The following table summarizes the seven main NGFS scenarios, which provide an essential frame of reference for the incorporation of climate risks into financial planning.

Expected global average temperature increase for each SSP scenario

Legend: ● SSP1-1.9 ● SSP1-2.6 ● SSP2-4.5 ● SSP3-7.0 ● SSP5-8.5

Y-axis: Increase in temperature (°C), from 1 to 5

X-axis: 2020, 2040, 2060, 2080, 2100

* Adapted from Climate Change 2021: The Physical Science Basis.
  https://www.ipcc.ch/report/ar6/wg1/

NGFS Phase IV scenarios

Category	Scenario	Description
Orderly	Net Zero 2050	Limits global warming to 1.5 °C through stringent climate policies and innovation, reaching global net zero CO_2 emissions around 2050.
	Below 2°C	Gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2 °C.
	Low Demand	Assumes that significant behavioral changes, reducing energy demand, would mitigate pressure on the economic system to reach global net zero CO_2 emissions around 2050.
Disorderly	Delayed Transition	Assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below °2C. Negative emissions are limited.
Hothouse world	Nationally determined contributions	Foresees that currently pledged conditional NDCs are implemented fully, and respective targets on energy and emissions in 2025 and 2030 are reached in all countries
	Current Policies	Assumes that only currently implemented policies are preserved, leading to high physical risks and zero transition risks.
Too little, too late	Fragmented World	Assumes a delayed and divergent climate policy response among countries globally, leading to high transition risks in some countries and high physical risks everywhere due to the general inefficacy of the transition.

Physical risks

In 2024, we added drought analysis, focusing on the primary activities of the agriculture and livestock industry. We also incorporated the analysis of chronic risks relating to rising sea levels, focusing on our branches.

In 2024, GFNorte continued using specialized tools to model physical risks and quantify their impact on our direct operations and those of our customers. Using these tools, we classified the municipalities of Mexico according to their exposure to acute climate risks, covering both our branches and our mortgage, real-estate services and lodging, and agriculture and livestock portfolios. In 2024, we added drought analysis, focusing on the primary activities of the agriculture and livestock industry. We also incorporated the analysis of chronic risks relating to rising sea levels, focusing on our branches.

For the physical risk analysis, we used different IPCC scenarios, either RCP or SSP depending on the type of risk being analyzed, taking into account the level of detail of the data and the available tools. For the purposes of this report, the scenarios presented are the extremes; on the one hand, those that keep the temperature increase to less than 2 °C, which are SSP1-2.6 and RCP 2.6, and on the other hand, those with lower mitigation measures, which are SSP5-8.5 and RCP 8.5. During the analysis process, other intermediate scenarios were also calculated, and these are occasionally included in this report, such as the RCP 4.5 or SSP3-6 scenarios. In each section, the scenario used for each analysis is specified.

1,172 branches

These scenarios were applied to the branches and the portfolios of real estate and lodging services, agriculture and livestock and mortgage. At the end of December 2023, there were 1,172 branches in Mexico, distributed in eight territorial zones: Center, Northeast, North, South, North Mexico, West, Peninsular, and South Mexico. In the real-estate services and lodging services portfolios, 286 customers are included, with a total balance of MXN104.06 billion. Of this amount, the largest financing balances are located in the states of Quintana Roo, Baja California Sur, Mexico City, Nuevo Leon and Mexico State. To study the agriculture and livestock sector, customers with activities in the primary sector were selected. This selection was made through the CAS. Accordingly, 196 customers were detected in the corporate and business segment, and 167 customers (92.1% of the total), we were able to obtain the location of their operations through public sources. The mortgage portfolio is the bank's largest consumer portfolio, with 176,815 loans and a total balance of MXN253.28 billion. The largest concentration of these is in the states of Mexico City, Nuevo Leon, Jalisco, the Mexico State and Queretaro.

The total number of registered locations and the breakdown by portfolio is summarized in the table entitled "Portfolio Summary."

The mortgage portfolio is the bank's largest consumer portfolio, with 176,815 loans and a total balance of MXN253.28 billion.

→

The largest concentration of these is in the states of Mexico City, Nuevo Leon, Jalisco, the Mexico State and Queretaro.

The physical risk exercises shown below use information from geographic locations shown on the maps contained in the table entitled "Geolocation of branches and portfolios." These maps identify the location of bank branches, properties in the mortgage portfolio and in the real-estate and lodging services portfolio, as well as the distribution of customer operations in the agriculture and livestock sector.

Portfolio summary

Portfolio	No. of customers	Balance (MXN bn)	Percentage of customer balance geolocated
BRANCHES	1,172	NA	100%
REAL-ESTATE AND LODGING SERVICES	286	104.06	66%
AGRICULTURE AND LIVESTOCK	196	11.38	92%
MORTGAGE	176,815	253.28	100%

Geolocation of branches and portfolios

BRANCHES

REAL-ESTATE AND LODGING SERVICES

AGRICULTURE AND LIVESTOCK

MORTGAGE
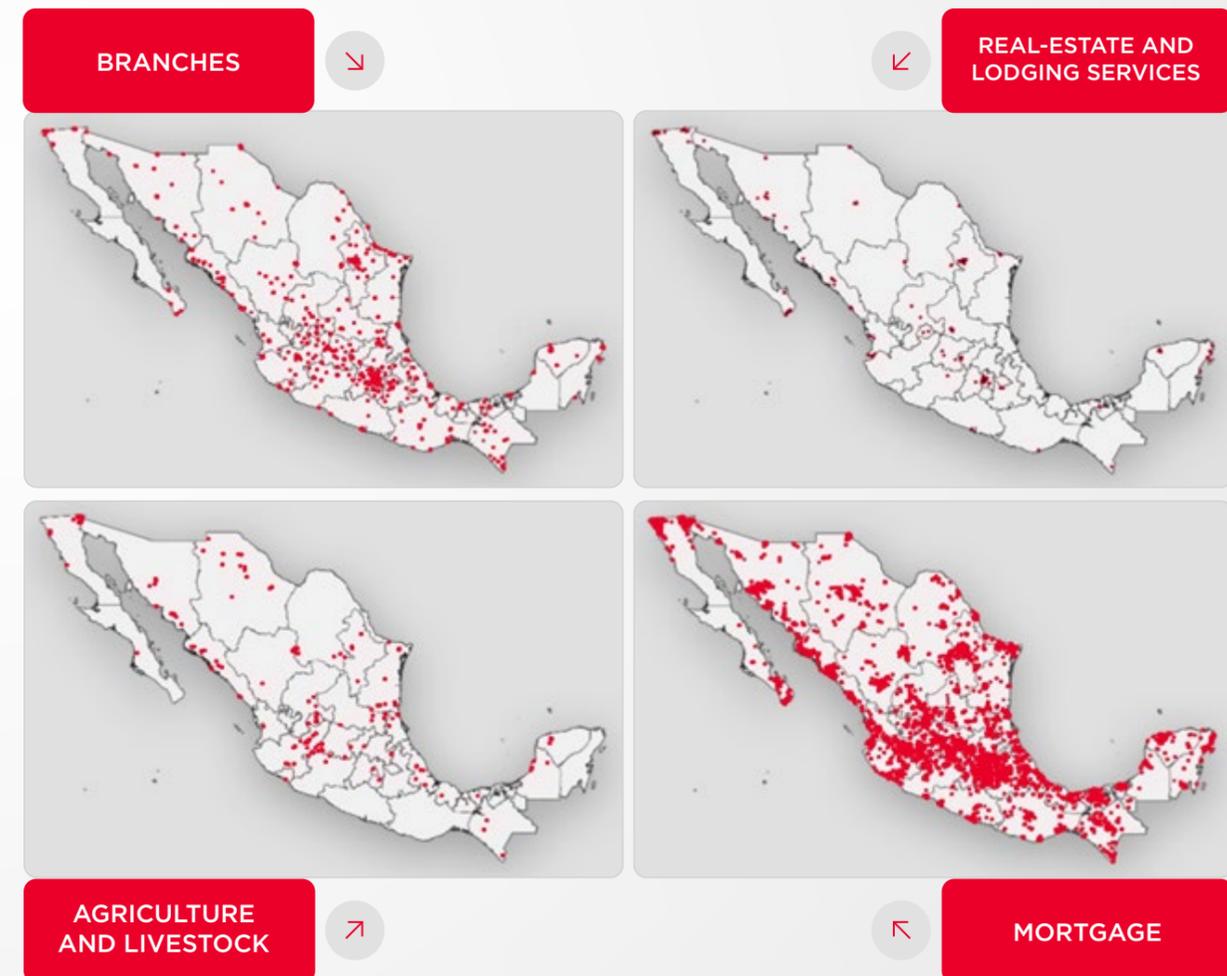
Hydrometeorological risks

The hydrometeorological risks we modeled included tropical cyclones, pluvial flooding and storm surges; the latter also called storm tides. For tropical cyclones and storm surges, historical records of cyclones from the North Atlantic and Northeast Pacific basins were used, covering the period from 1950 to 2024. For pluvial flooding, the results of a coupled general circulation model with hydrological components were used. With this information, we developed a "traffic light" system for risk, which reflects the impact that these phenomena could have on guarantees and branches, with a resolution of approximately 3 km, covering the entire country.

From this exercise, we obtained a quantitative rating of the risk of each municipality relating to each type of hydro-meteorological risk. This is considered a theoretic exercise. The figure below shows the cumulative theoretical impacts from 2024 to 2050, according to a traffic light system in which green reflects no impact, yellow reflects medium impact, and red denotes high impact, defined on the basis of a statistical analysis.

Theoretical hydro-meteorological risk by municipality
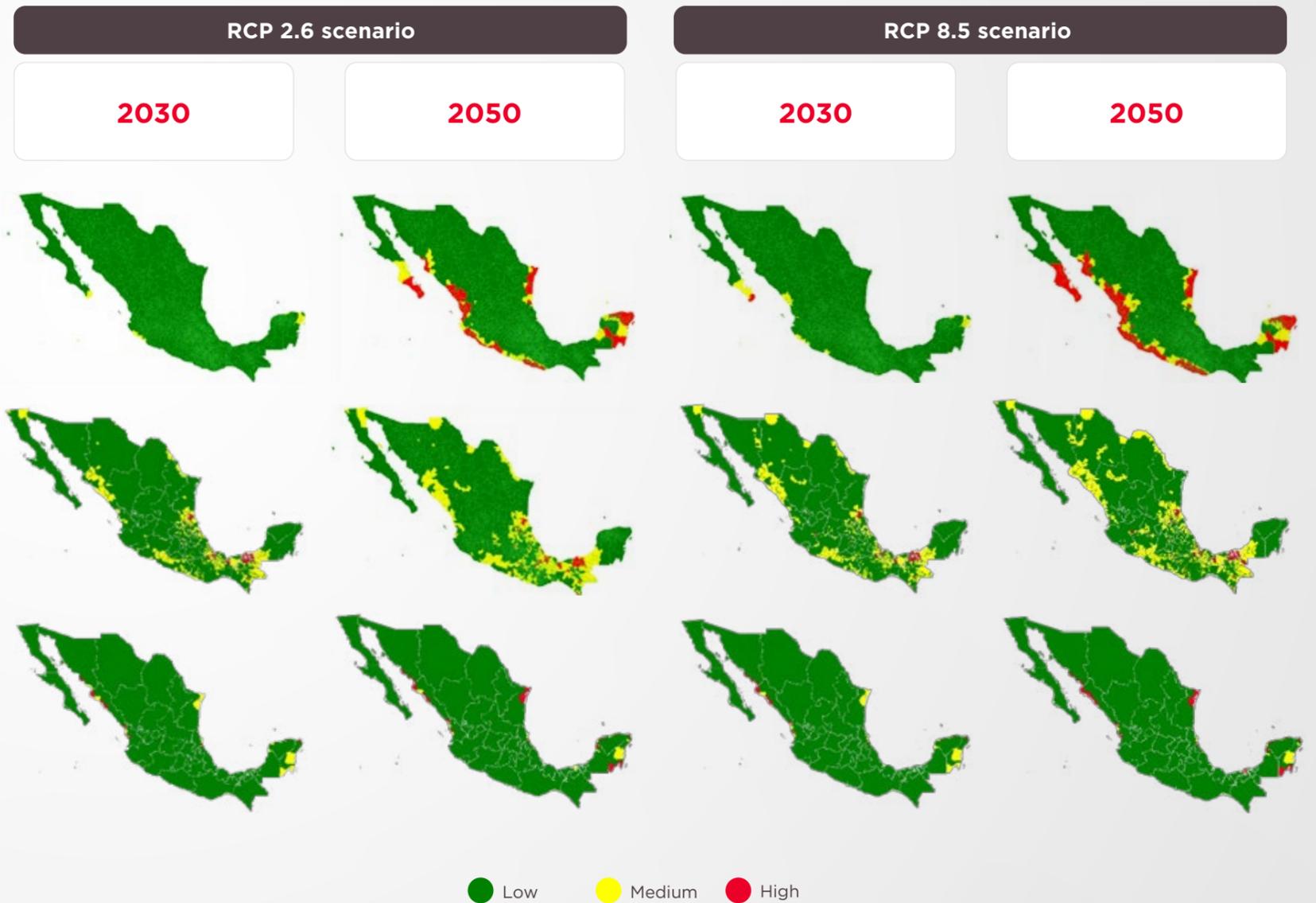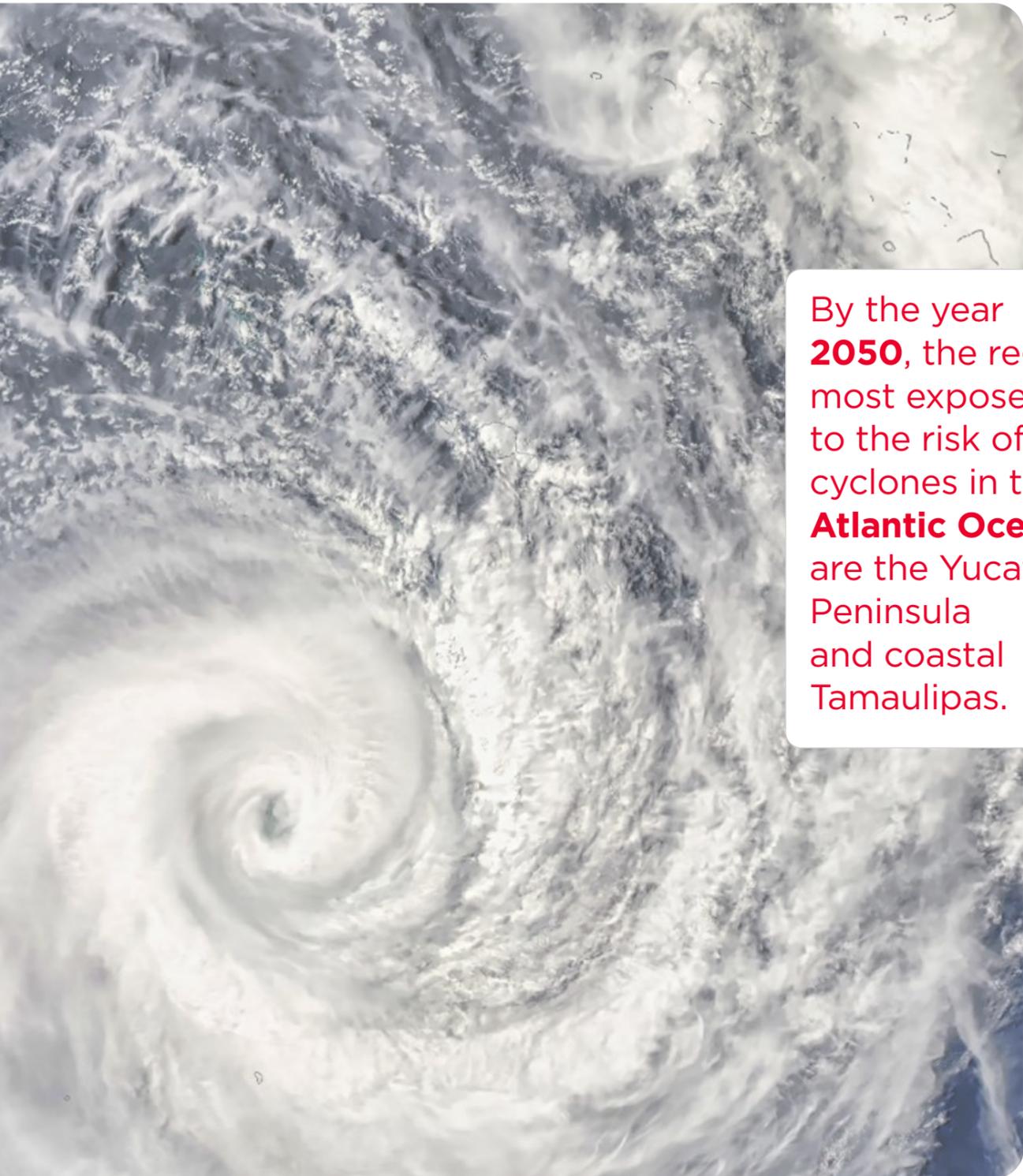
	RCP 2.6 scenario		RCP 8.5 scenario	
	2030	**2050**	**2030**	**2050**

Cyclone

Flooding

Storm Surge

● Low   ● Medium   ● High

By the year **2050**, the regions most exposed to the risk of cyclones in the **Atlantic Ocean** are the Yucatan Peninsula and coastal Tamaulipas.

On the **Pacific side, cyclone risk is concentrated** along the entire coast, affecting the states of Baja California Sur, Sinaloa, Nayarit, Jalisco, Colima, Michoacan, Guerrero and Oaxaca.

As can be seen in the maps contained in this figure, the risk of each type of hydro-meteorological phenomenon affects each geographical area differently. By the year 2050, the regions most exposed to the risk of cyclones in the Atlantic Ocean are the Yucatan Peninsula and coastal Tamaulipas. On the Pacific side, cyclone risk is concentrated along the entire coast, affecting the states of Baja California Sur, Sinaloa, Nayarit, Jalisco, Colima, Michoacan, Guerrero and Oaxaca. However, each state will be affected to a different degree and, depending on the type of properties, the level of exposure may vary in each region. The regions most affected by flooding would be Oaxaca, Veracruz, Puebla and Mexico State. Depending on the climate change scenario followed, the effects will be more severe. Finally, the regions most affected by storm surges related to cyclone activity are concentrated in Yucatan, Sinaloa and Veracruz.

Risks of tropical cyclones

Tropical cyclones are one of the most significant climate threats and are particularly damaging in coastal areas. Cyclones are also called hurricanes when they have very intense winds. These physical phenomena include destructive winds, intense rainfall, and storm surges, which can cause structural damage to properties and damage to city infrastructure, potentially reducing the value of the properties in our mortgage and lodging services portfolios and threatening the operational continuity of our branches. The destruction that this type of phenomenon can cause depends on the wind intensity, a category 5 hurricane being the most destructive type of tropical cyclone. The increasing severity and unpredictability of cyclones, attributed to climate change, necessitates a detailed analysis of our assets' exposure, applying risk models based on historical cyclone data and climate change scenarios.

To analyze the physical risk of cyclones, we classified municipalities according to their vulnerability to these phenomena, using a resolution of 0.025° between centroids, which is equivalent to a linear distance of less than 3 km (depending on the latitude), and historical data from the North Atlantic and Northeast Pacific cyclonic basins. This allows us to clearly visualize the regions that will be hardest hit by different climate change scenarios and generate metrics to support decision-making with a focus on short- and long-term climate risk.

The increasing severity and unpredictability of cyclones, attributed to climate change, necessitates a detailed analysis of our assets' exposure, applying risk models based on historical cyclone data and climate. change scenarios.

Traffic light chart of tropical cyclone risk
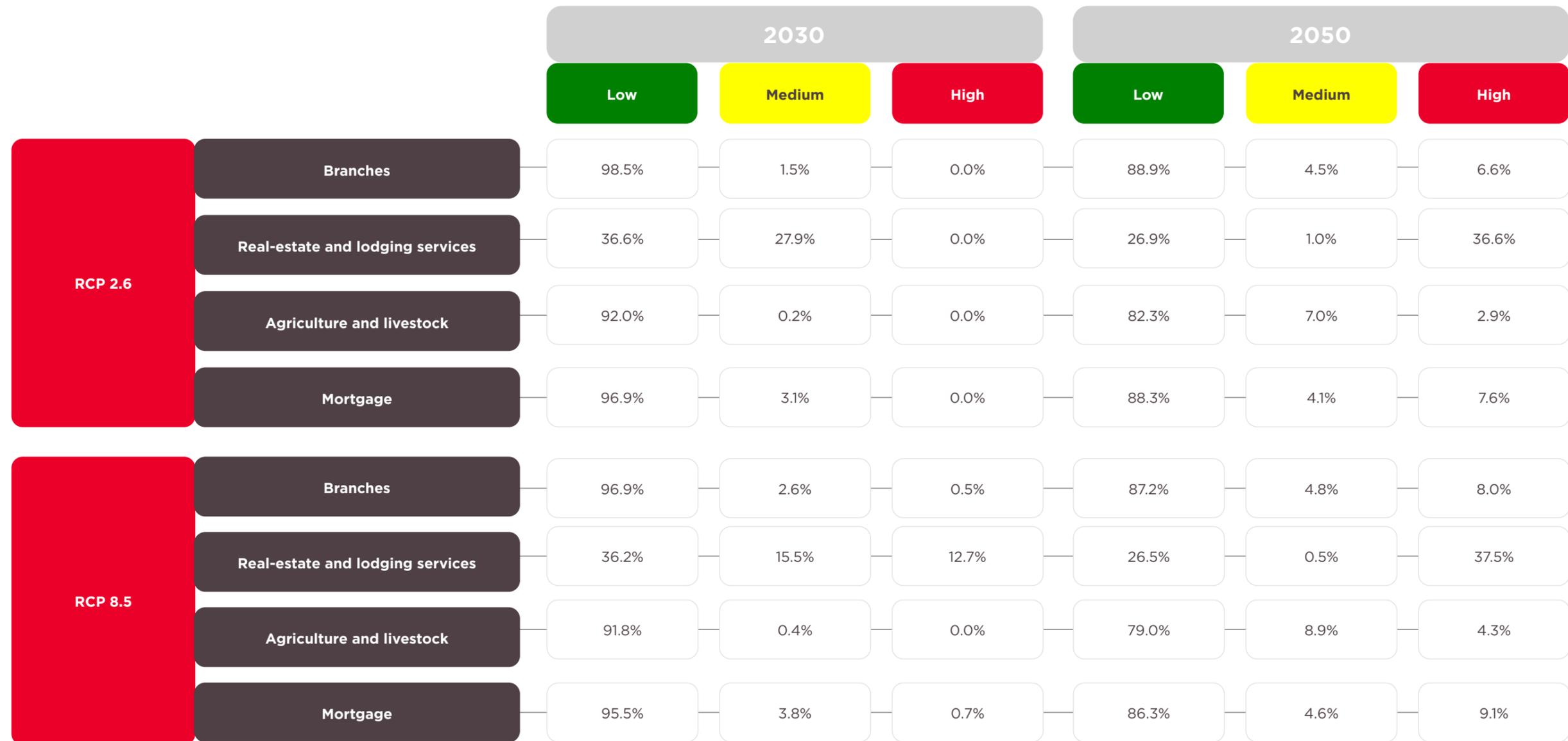
		2030			2050		
		Low	Medium	High	Low	Medium	High
RCP 2.6	Branches	98.5%	1.5%	0.0%	88.9%	4.5%	6.6%
	Real-estate and lodging services	36.6%	27.9%	0.0%	26.9%	1.0%	36.6%
	Agriculture and livestock	92.0%	0.2%	0.0%	82.3%	7.0%	2.9%
	Mortgage	96.9%	3.1%	0.0%	88.3%	4.1%	7.6%
RCP 8.5	Branches	96.9%	2.6%	0.5%	87.2%	4.8%	8.0%
	Real-estate and lodging services	36.2%	15.5%	12.7%	26.5%	0.5%	37.5%
	Agriculture and livestock	91.8%	0.4%	0.0%	79.0%	8.9%	4.3%
	Mortgage	95.5%	3.8%	0.7%	86.3%	4.6%	9.1%

* Due to the lack of detail in the geolocation, the traffic light risk chart excludes 36% of the real-estate and lodging service portfolio and 8% of the agriculture and livestock portfolio.

Pluvial flood risk

Pluvial, or rain-induced, flooding represents a growing risk due to the intensification of rainfall, exceeding the capacity of cities to handle large amounts of rain in a short period of time. These floods pose a significant threat to the integrity and value of properties. For the analysis of this type of risk, we used a coupled hydrographic model and a granularity of 0.025° between centroids, resulting in a classification of municipalities that allows us to visualize the impacts on properties, considering different climate change scenarios. We can thus identify and prioritize areas at high risk of future flooding. Detailed mapping allows us not only to prevent losses, but also to design adaptation strategies. By identifying particularly exposed areas, we can improve measures for operating continuity at our branches and develop mitigation policies for our portfolios.

By identifying particularly exposed areas, we can improve measures for operating continuity at our branches and develop mitigation policies for our portfolios.

Traffic light chart of pluvial flood risk
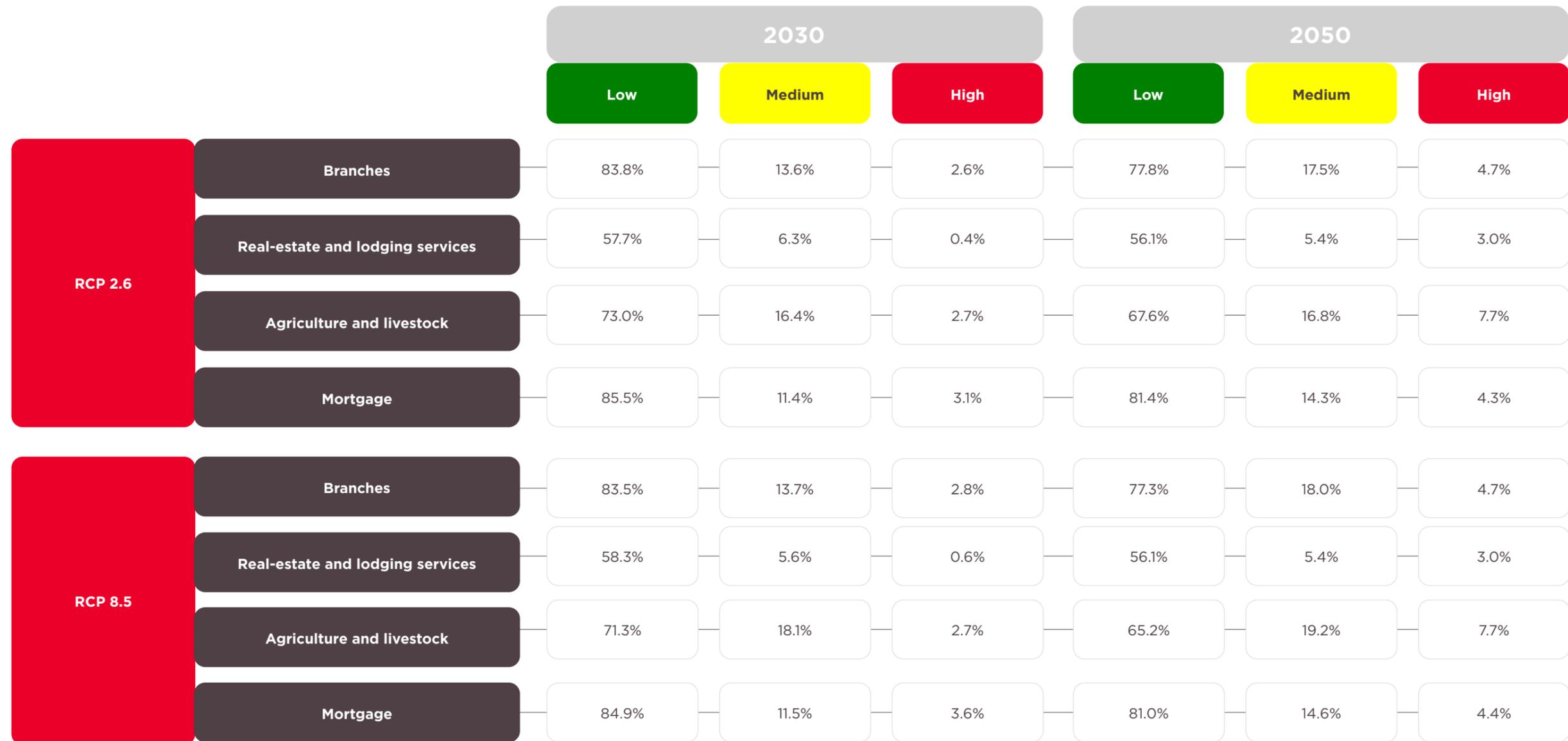
		2030			2050		
		Low	**Medium**	**High**	**Low**	**Medium**	**High**
RCP 2.6	Branches	83.8%	13.6%	2.6%	77.8%	17.5%	4.7%
	Real-estate and lodging services	57.7%	6.3%	0.4%	56.1%	5.4%	3.0%
	Agriculture and livestock	73.0%	16.4%	2.7%	67.6%	16.8%	7.7%
	Mortgage	85.5%	11.4%	3.1%	81.4%	14.3%	4.3%
RCP 8.5	Branches	83.5%	13.7%	2.8%	77.3%	18.0%	4.7%
	Real-estate and lodging services	58.3%	5.6%	0.6%	56.1%	5.4%	3.0%
	Agriculture and livestock	71.3%	18.1%	2.7%	65.2%	19.2%	7.7%
	Mortgage	84.9%	11.5%	3.6%	81.0%	14.6%	4.4%

* Due to the lack of detail in the geolocation, the traffic light risk chart excludes 36% of the real-estate and lodging service portfolio and 8% of the agriculture and livestock portfolio.

Storm surge risk

A storm surge is a phenomenon associated with cyclones and severe storms, and is particularly dangerous for properties in coastal areas. It can result in rapid and devastating floods, affecting properties and infrastructure. The influence of climate change on rising sea levels and storm intensity amplifies these risks, compromising the viability of operations in coastal areas and the integrity of our mortgage, and real-estate and lodging service portfolio. Identifying areas at risk of storm surge allows us to anticipate these impacts and incorporate this information into the decision-making process.

Storm surges are characterized by a rise in sea level and high waves, both triggered by a cyclone. This rise in sea level can cause severe flooding in coastal areas, which is often one of the main causes of mortality in a hurricane.

Although the term storm surge is often used interchangeably (in Spanish) with tidal wave, the former encompasses not only the rise in sea level caused by a cyclone but also other factors that increase the sea level. The impact of the storm surge depends on various factors, such as the intensity of the cyclone's winds, the coastal and underwater topography, as well as mitigation measures. Depending on the location and the mitigation measures, they also have a major impact on properties.

Identifying areas at risk of storm surge allows us to anticipate these impacts and incorporate this information into the decision-making process.

Traffic light chart of storm surge risk
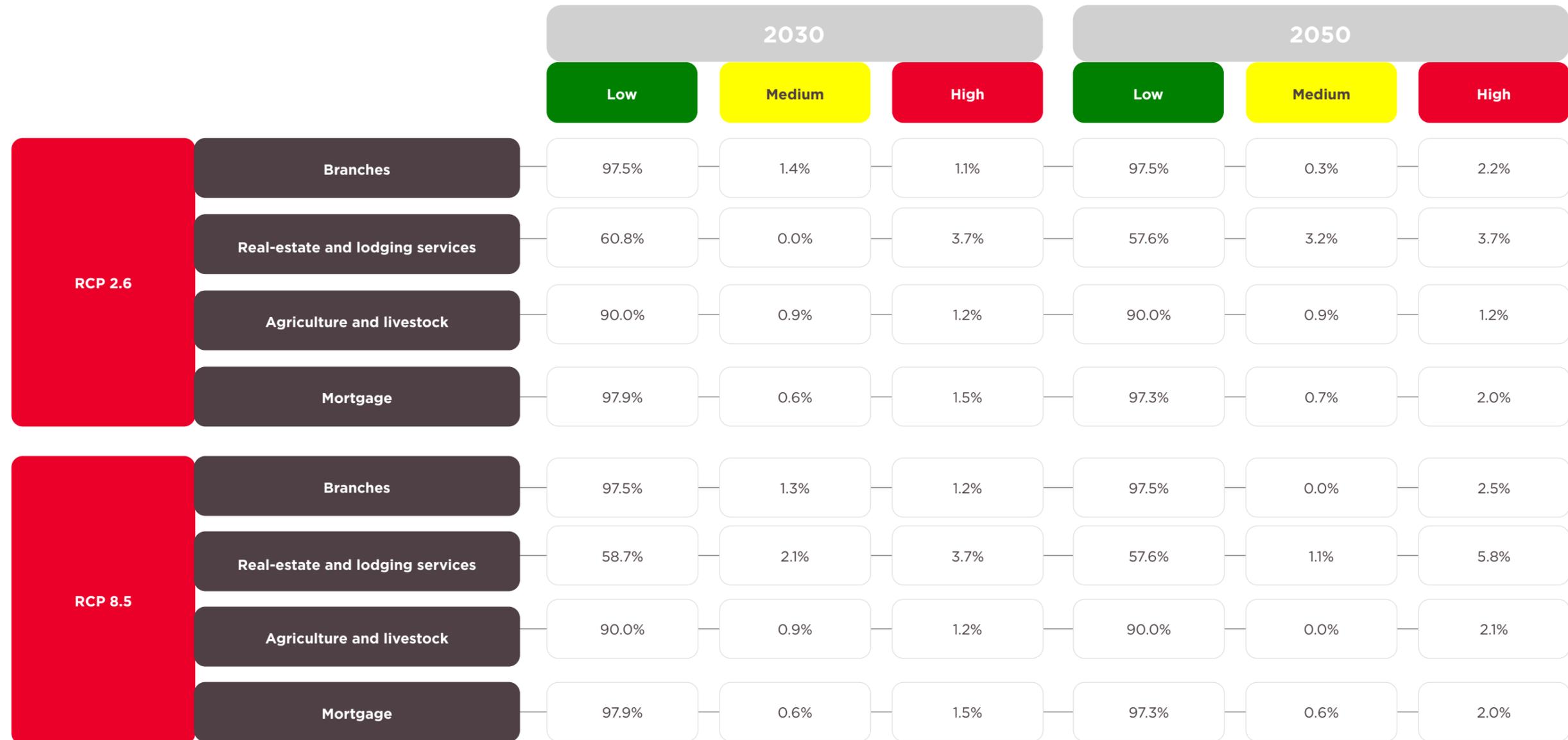
		2030			2050		
		Low	Medium	High	Low	Medium	High
RCP 2.6	Branches	97.5%	1.4%	1.1%	97.5%	0.3%	2.2%
	Real-estate and lodging services	60.8%	0.0%	3.7%	57.6%	3.2%	3.7%
	Agriculture and livestock	90.0%	0.9%	1.2%	90.0%	0.9%	1.2%
	Mortgage	97.9%	0.6%	1.5%	97.3%	0.7%	2.0%
RCP 8.5	Branches	97.5%	1.3%	1.2%	97.5%	0.0%	2.5%
	Real-estate and lodging services	58.7%	2.1%	3.7%	57.6%	1.1%	5.8%
	Agriculture and livestock	90.0%	0.9%	1.2%	90.0%	0.0%	2.1%
	Mortgage	97.9%	0.6%	1.5%	97.3%	0.6%	2.0%

*Due to the lack of detail in the geolocation, the traffic light risk chart excludes 36% of the real-estate and lodging service portfolio and 8% of the agriculture and livestock portfolio.

Drought risk

A drought is defined as a period of time in which rainfall is significantly lower than average. Precipitation and temperature are the two factors that most determine the presence of a drought, so variations in each of these affect conditions, especially at the population level, where precise predictions of risk are crucial for taking the necessary measures and avoid economic losses. This means we need to learn about the factors that influence these physical variables. Droughts are particularly damaging for farmers, because they depend on expected rainfall to continue producing their crops. **Droughts are also closely related to climate fluctuation, and in Mexico's case, with the El Niño-Southern Oscillation (ENSO) phenomenon.**

According to data from the National Center for Disaster Prevention (CENAPRED, for its acronym in Spanish), the states most frequently subject to droughts are Michoacan, Durango, Zacatecas, San Luis Potosi, and Puebla, while the highest recorded economic losses, directly associated with the effect of droughts, are in Zacatecas, followed by Durango, San Luis Potosi, and Guanajuato.

Droughts are a natural phenomenon that have significantly affected the national territory, accounting for 4% of the total economic loss from events recorded by CENAPRED in 2000-2022, second only to the impact of tropical cyclones, rains, and earthquakes, and on a par with the economic impact of floods.

In 2024, we began a detailed analysis of the impact of drought on the primary agricultural industry, using the North American Drought Monitor (NADM) as a tool. This monitor, developed in partnership between Mexico, the United States and Canada, represents a solid and technical methodology for evaluating the scope of drought in various regions, facilitating the identification of risks for critical industries, such as agriculture. The tool relies on various metrics and indices that reflect the impact of drought on water availability, the status of crops and the health of vegetation, among other factors.

The NADM methodology classifies drought into five levels of severity, each with different implications for agricultural activities. For this analysis, we have chosen to focus on the most critical categories: Extreme Drought (D3) and Exceptional Drought (D4), which are the most likely to influence customer default rates, due to the magnitude of production losses.

NADM drought level classification

| Category	Description	Potential impact on agriculture and livestock
ABNORMALLY DRY D0	Dry conditions that may delay sowing or crop growth.	Moderate impact at the start of the agricultural season.
MODERATE DROUGHT D1	Slight damage to crops and pastures, low water levels in streams and reservoirs.	Reduction in agricultural yield; mitigable in areas with irrigation infrastructure.
SEVERE DROUGHT D2	Probable crop losses, water shortages, high risk of fires.	Significant crop and fodder losses; moderate impact in areas with good water management.
EXTREME DROUGHT D3	Significant crop losses, severe water shortages, widespread restrictions.	Sharp drops in production; high cost of irrigation or relocation of livestock.
EXCEPTIONAL DROUGHT D4	Catastrophic crops and pasture losses, total lack of water.	Massive production losses; emergency situations in areas without adequate irrigation.

We chose to focus on the most severe levels of drought because of the magnitude of the impacts observed in the most affected areas. Extreme Drought (D3) and Exceptional Drought (D4) entail not only a significant loss of crops and pastures, but also an almost total depletion of water sources, forcing farmers to take drastic measures, such as reducing their production or even temporarily ceasing operation. These conditions result in a depletion of the customers' assets, which increases the probability of default and directly affects the credit risk of the financial institutions that support this industry.

The primary agricultural sector is extremely sensitive to adverse weather conditions, especially drought. This phenomenon can have devastating effects on agricultural and livestock production, increasing operating costs, triggering losses in asset value and impairing producers' ability to meet their financial obligations. The consequences of drought affect both small producers and large commercial operations, directly impacting the industry's profitability and the stability of agricultural finance.

Using the locations obtained from customers and the NADM information, we were able to determine how many customer locations are exposed to the various categories on the monitor.
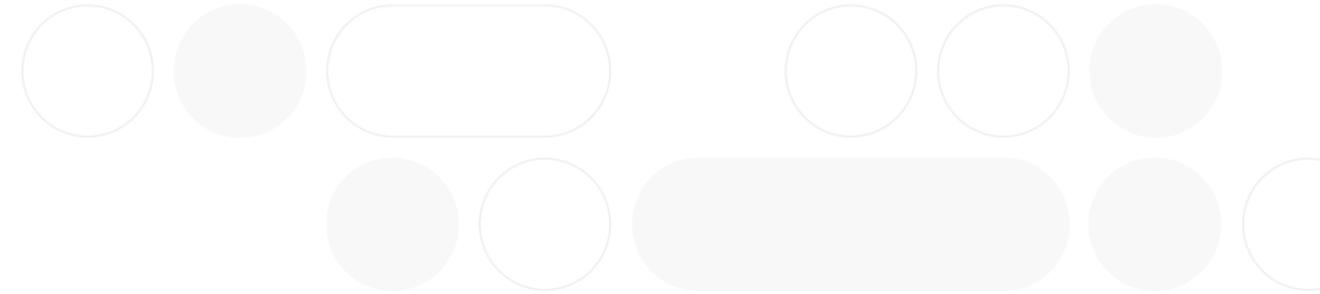
Number of customer locations and cumulative portfolio balance in each NADM category

| NADM	NO. OF LOCATIONS	% OF LOCATIONS	% OF TOTAL BALANCE
D0	38	17.8	16.8
D1	33	15.4	14.7
D2	35	16.4	25.5
D3	56	26.2	25.3
D4	3	1.4	0.5
No drought	20	9.3	9.4
Not located	29	13.6	7.9
	214	**100**	**100**

The table entitled **Number of customer locations and cumulative portfolio balance in each NADM category** shows the number and percentage of locations and proportion of the total portfolio balance exposed to each NADM category. The category with the greatest percentage of customers is D3, with 56 locations, equivalent to 26.2%. In terms of portfolio balance, the largest percentage corresponds to D2, with 25.5%. In both cases, the lowest percentage falls into category D4, with just 1.4% of locations and 0.5% of the balance. This may be because there are few areas of the country exposed to such dire drought conditions, as can be seen in the map entitled **NADM categories and customer locations as of December 2023**, but since meteorological conditions were not changed, this area increased considerably in subsequent months.

NADM categories and customer locations as of December 2023

DO — Abnormally dry
D1 — Moderate drought
D2 — Severe drought
D3 — Extreme drought
D4 — Exceptional drought
No drought
Customer locations
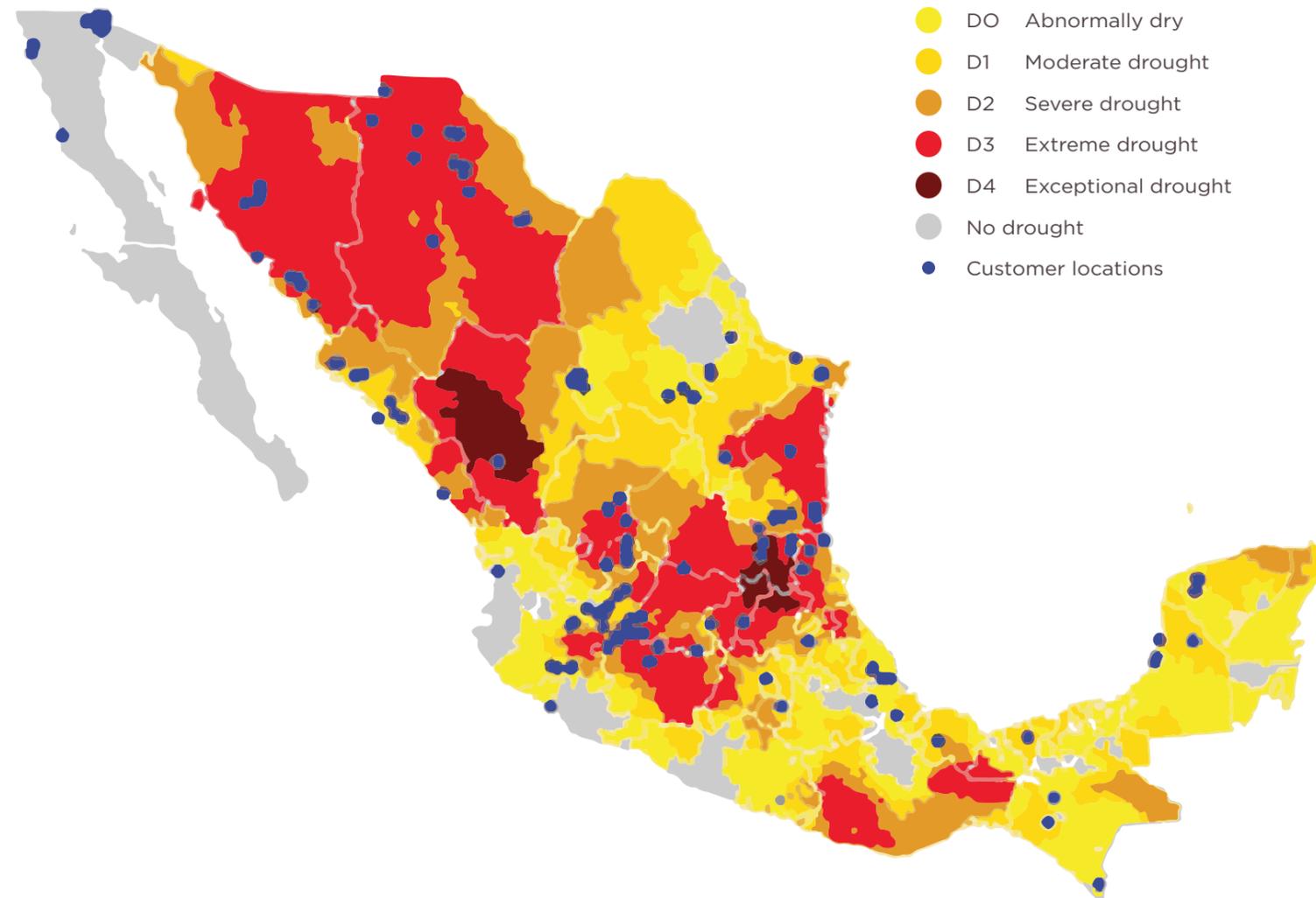
Our preliminary results indicate that there may be a relationship between probability of default and customer location in regions that are more exposed to drought, and which are not adapted to withstand it, which would suggest a direct correlation between the intensity of drought and the impact on customers that are not equipped to withstand drought and meet their financial obligations. This finding highlights the need to continue monitoring and adjusting the parameters of risk models, incorporating the impacts of climatic phenomena more precisely into credit assessment.

GFNorte is working to better anticipate the risks associated with drought and adopt more effective mitigation strategies, such as diversifying portfolios into less vulnerable areas and developing financial products adapted to adverse climatic conditions.

Risk of sea level rise

Rising sea levels are a chronic climate risk which, although their direct impact on properties in Mexico seems limited, according to our analysis, we should not ignore their possible operational and logistical effects. According to the projections by the National Aeronautics and Space Administration (NASA) under the different SSP climate change scenarios, the rise in sea level shows a linear trend, with projected variations ranging from 1 meter to as much as 1.7 meters by the year 2150.

Rising sea level poses a growing risk to the world's coastal areas. This phenomenon is mainly due to the melting of the ice sheets of Greenland and Antarctica and of glaciers, as well as to the thermal expansion of the oceans and changes in ocean currents. According to the most recent projections, under the most severe climate change scenario (SSP5-8.5), sea levels could rise by 1 meter as early as 2100, and under the scenario with the most drastic mitigation measures (SSP1-1.9), we could delay this level of increase until 2150.

This accelerated rise would have a direct impact on coastal areas and their infrastructures, as well as on the communities and economies that depend on them. Although these effects may seem distant, it is crucial that we begin to consider the implications for properties and business operations from now on, as the risks progressively increase over time.

Rising sea level poses a growing risk to the world's coastal areas. This phenomenon is mainly due to the melting of the ice sheets of Greenland and Antarctica and of glaciers.

Rise in sea levels

Increase in sea level (meters)

Years

SSP5-8.5
SSP3-7.0
SSP2-4.5
SSP1-2.6
SSP1-1.9
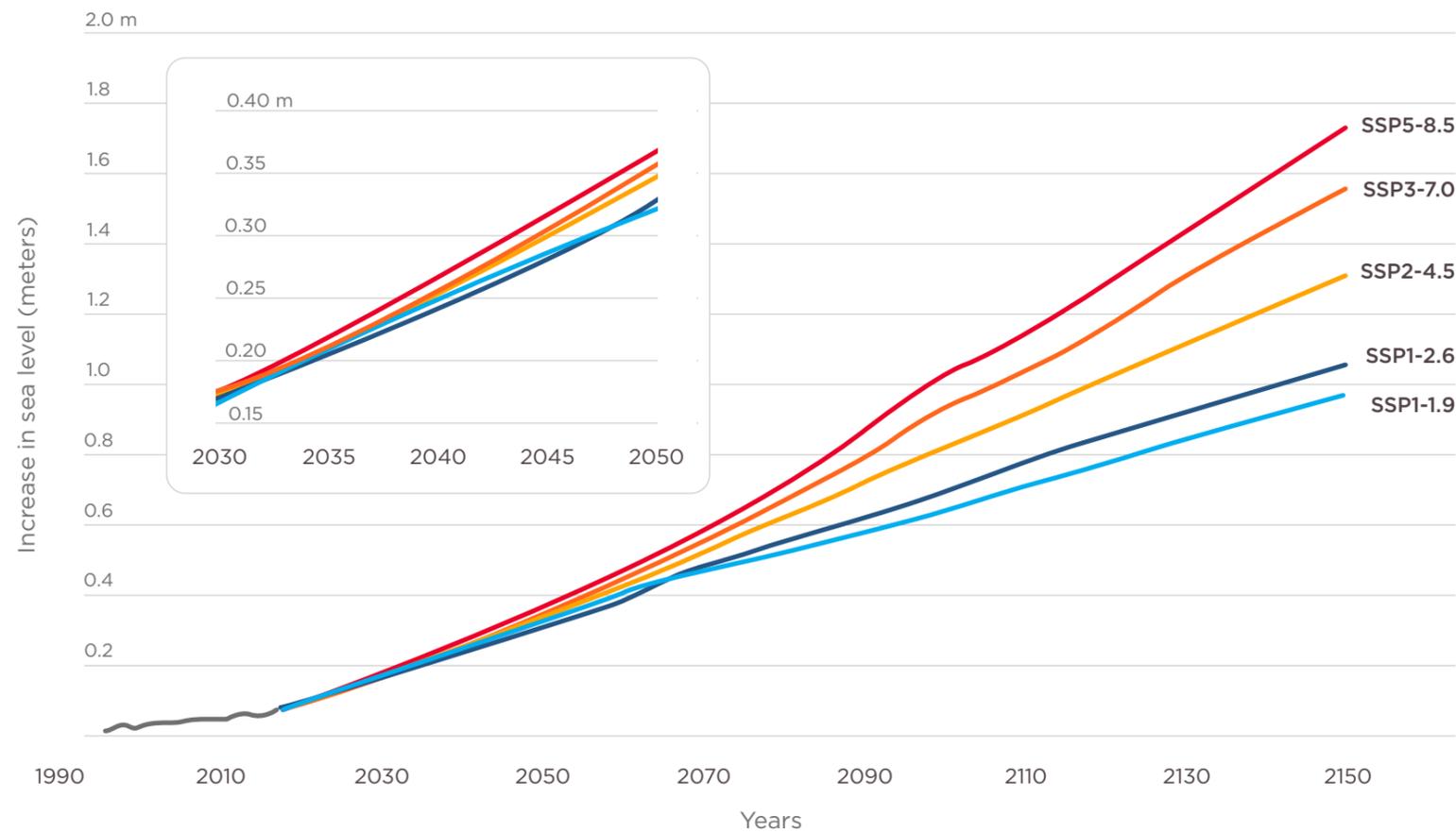
* Prepared based on data from Sea Level - Climate Change: Vital Signs of the Planet. https://climate.nasa.gov/vital-signs/sea-level/

Although this risk has a long time frame, it is crucial to consider that these gradual changes could have a significant impact on the daily operation of branches and on real estate projects, especially in coastal areas. The most likely indirect effects include access difficulties, logistical disruptions, and increased costs associated with insurance and preventive maintenance of exposed infrastructure.

Regions affected by rising sea levels
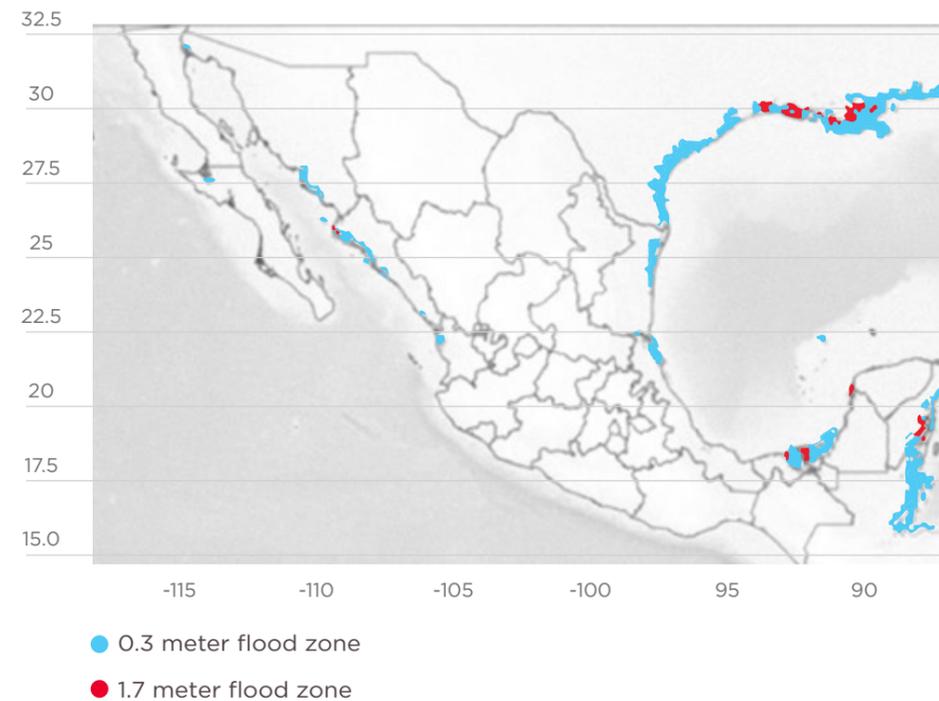
● 0.3 meter flood zone
● 1.7 meter flood zone

In our analysis of the most vulnerable coastal areas in Mexico, as can be seen in the map, some areas are visibly susceptible to flooding, especially the coasts of the Gulf of Mexico, such as Tabasco and Veracruz; on the Yucatan Peninsula, which includes Campeche, Yucatan and Quintana Roo; and in the Gulf of California, where Baja California Sur, Sonora, Sinaloa, and Nayarit are located. **These areas, marked in blue, represent the areas with the greatest impact by 2050,** under the worst-case scenario for sea level rise, while the level it would reach by 2150 under the worst-case scenario is shown in red. Although the size of the affected areas does not grow considerably between 2050 and 2150, **the severity and depth of the flooding will increase significantly, with no mitigation measures being sufficient to stop this process.** And even though the properties in the portfolio are not directly affected, the floods are likely to compromise access routes, critical infrastructure and services, which could disrupt normal operations in these industries. It is therefore essential to consider these types of long-term risks in strategic and operational plans.

Unlike acute physical risks, such as hurricanes or floods, which have an immediate and more visible impact, chronic risks, such as sea level rise, present other types of challenges. These include the need for long-term planning, investments in resilient infrastructure as a method of mitigation, and adaptation strategies. In addition, the slow but steady nature of these risks can affect the valuation of assets over time. Therefore, although significant direct impacts are not expected in the short term with a 1-meter rise in sea level, it is important that these types of climate risks are considered in our risk and planning assessments. The ability to adapt to these chronic changes will be key to ensuring long-term operational and financial sustainability.

In our analysis, none of the branches are directly affected by 2050; however, in this type of event, infrastructure damage and the adjustments necessary to adapt to the change in economic activity in the municipalities must be taken into account.

The ability to adapt to these chronic changes will be key to ensuring long-term operational and financial sustainability.

Risk of change in temperature and precipitation patterns

The states of Yucatan, Sinaloa and Campeche; while the lowest temperatures are recorded in Mexico State, Tlaxcala and Mexico City.

Mexico's unique geography features a wide diversity of climates, so there are significant differences between precipitation and temperature across the country. Looking at maximum and minimum temperatures and precipitation in the period 2000-2023, we can see that the highest temperatures are recorded in the north of the country and areas close to an ocean: the states of Yucatan, Sinaloa and Campeche; while the lowest temperatures are recorded in Mexico State, Tlaxcala and Mexico City. These three states with the lowest temperatures are located close to each other in the center of the country, in Mexico's central valley. The states with the lowest rainfall are located in the north of the country (Baja California, Baja California Sur and Coahuila), and those with the highest rainfall in the south (Tabasco, Chiapas, and Veracruz).

We analyzed the vulnerability of customers in agriculture and livestock, mortgage, real-estate and lodging industries, as well as our bank branches, to the IPCC's SSP1, SSP3 and SSP5 scenarios of global socioeconomic and climate change. For each scenario, we projected temperature and precipitation in 2015-2100, using a CNRM-CM6-1 model, which is a coupled general circulation model that considers components of the atmosphere, ocean, land surface, and sea ice.

We projected temperature and precipitation anomalies to which the various portfolios, branches, and municipalities of Mexico would be exposed, and organized them into three risk categories: low, medium and high.

We projected temperature and precipitation anomalies to which the various portfolios, branches, and municipalities of Mexico would be exposed, and organized them into three risk categories: low, medium and high. With these categories, risk distribution analyses were carried out at a temporal and spatial level, and at the portfolio balance level. The results of the spatial and temporal distribution of risk are presented for the case of the municipalities, and can be divided by scenario, since each scenario involves different concentrations of GHGs and socioeconomic developments, so that this affects how each variable evolves in spatio-temporal terms. This can be seen in the table entitled **Maps of maximum temperature projections under SSP1, SSP3 and SSP5 scenarios**, for the maximum temperature variable, and **Maps of precipitation projections under SSP1, SSP3 and SSP5 scenarios** for the precipitation variable, at two time intervals: 2030 and 2050.

Maps of maximum temperature projections under SSP1, SSP3 and SSP5 scenarios

	2030	2050
→ SSP1		
→ SSP3		
→ SSP5		
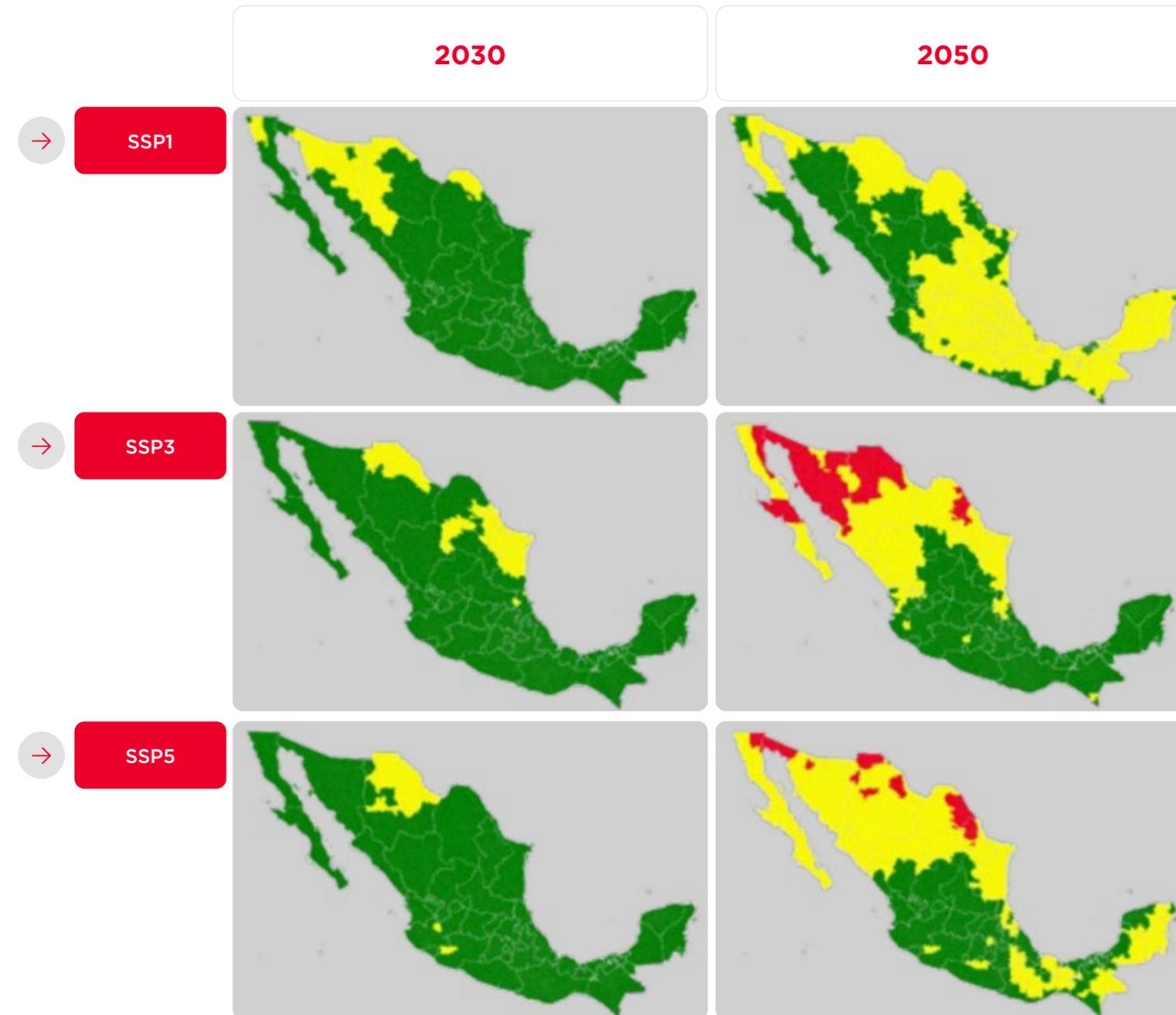
What these maps show is that under the SSP1 scenario, at year 2030, there are no municipalities with a high risk, and the municipalities that are at a medium risk level are in the northern part of the country, mainly affecting the states of Sonora, Chihuahua, Baja California and Coahuila. By the year 2050, however, the percentage of municipalities at a medium risk level occupy most of the territory. Significantly, however, despite the growing number of municipalities that are at a medium risk level, no municipality moved to the high risk category, indicating that this scenario keeps temperature anomalies below the high risk threshold. Under the SSP3 scenario for the year 2030, the results are consistent with those of SSP1: all municipalities are at a medium risk level, distributed mainly in the north of the country and in the areas surrounding the Gulf of Mexico. **By the year 2050, however, some municipalities, mainly located in the north, move to the high risk level, while the medium risk level has expanded to almost the entire northern zone and to some municipalities in the southern zone.** Under the SSP5 scenario, by 2030 there are few municipalities at a high risk level, these located mainly in the states of Chihuahua, Jalisco and Guerrero. By 2050, some municipalities in the north reach the high risk level, and most of the country's municipalities are at a medium risk level, located in the north and south.

Maps of precipitation projections under SSP1, SSP3 and SSP5 scenarios

	2030	2050
SSP1		
SSP3		
SSP5		
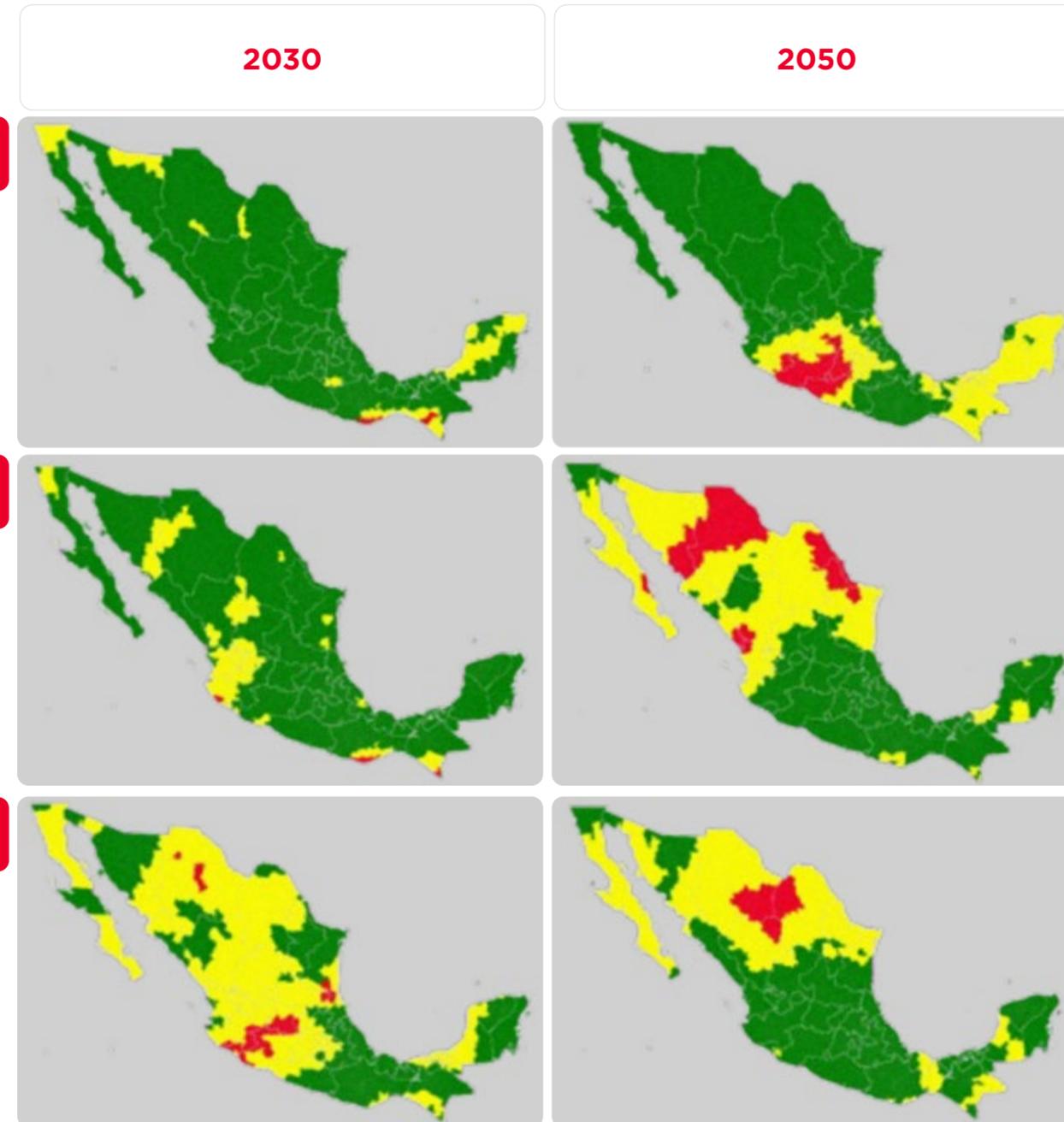
Applying the IPCC scenarios to precipitation risk, under the SSP1 scenario, we find that by 2030 there are municipalities at high risk in southern Mexico, especially affecting the states of Chiapas and Oaxaca. The municipalities at medium risk are located in the north and south. By 2050, the risk areas are highly localized in the center and south, and a specific area with high-risk municipalities is observed, affecting the states of Guerrero, Michoacan, Puebla, Mexico State, Mexico City, Queretaro, and Guanajuato. Under the SSP3 scenario, for the year 2030, there are geographic belts of municipalities at high risk, mainly in the states of Chiapas and Oaxaca, and some belts with municipalities at medium risk in the central and northern areas. By the year 2050, the number of municipalities at high risk increases greatly, distributed in belts in the northern zone. In contrast, the southern zone shifts to having no municipalities at high risk, and few municipalities at medium risk. The SSP5 scenario results in the highest percentage of municipalities at high and medium precipitation risk by 2030, affecting mostly the northern and central zones, and some areas in the southern zone, mainly those municipalities close to the Pacific Ocean and the Gulf of Mexico.

By 2050, the impact will be concentrated in the north, mainly in the states of Chihuahua and Coahuila, with a few municipalities at medium risk in the south, mainly on the Pacific coast.

We obtained risk distribution matrices for maximum temperature and precipitation variables in terms of our portfolio balance, organized by customer location in the real estate and lodging services, mortgage, and agriculture and livestock portfolios, as well as for Banorte bank branches. The results are shown in the tables entitled Exposed balance of customers in the real estate and lodging services portfolio, **Exposed balance of customers in the mortgage portfolio, Exposed balance of customers in the agriculture and livestock portfolio,** and **Branches exposed** for each portfolio mentioned, respectively.

Exposed balance of clients by portfolio and branches

Real estate and lodging services portfolio

Scenario	Year	Temperature Low	Medium	High	Precipitation Low	Medium	High
SSP1	2030	90%	10%	0%	66%	34%	0%
SSP1	2050	38%	62%	0%	61%	34%	5%
SSP3	2030	87%	13%	0%	96%	4%	0%
SSP3	2050	47%	49%	5%	55%	44%	1%
SSP5	2030	99%	1%	0%	53%	43%	5%
SSP5	2050	41%	57%	2%	84%	15%	1%

Mortgage portfolio

Scenario	Year	Temperature Low	Medium	High	Precipitation Low	Medium	High
SSP1	2030	97%	3%	0%	94%	6%	0%
SSP1	2050	25%	74%	1%	43%	47%	11%
SSP3	2030	81%	19%	0%	85%	15%	0%
SSP3	2050	68%	27%	4%	71%	26%	3%
SSP5	2030	88%	12%	0%	34%	60%	6%
SSP5	2050	65%	33%	2%	77%	22%	1%

Agriculture and livestock portfolio

Scenario	Year	Temperature Low	Medium	High	Precipitation Low	Medium	High
SSP1	2030	94%	6%	0%	93%	7%	0%
SSP1	2050	24%	76%	0%	57%	43%	0%
SSP3	2030	91%	9%	0%	84%	16%	0%
SSP3	2050	60%	28%	12%	70%	19%	10%
SSP5	2030	91%	9%	0%	20%	66%	14%
SSP5	2050	52%	44%	5%	71%	22%	7%

Branches exposed

Scenario	Year	Temperature Low	Medium	High	Precipitation Low	Medium	High
SSP1	2030	95%	5%	0%	93%	7%	0%
SSP1	2050	22%	76%	1%	47%	45%	8%
SSP3	2030	82%	18%	0%	86%	13%	1%
SSP3	2050	66%	28%	5%	70%	24%	5%
SSP5	2030	92%	8%	0%	34%	61%	5%
SSP5	2050	62%	34%	3%	76%	22%	1%

In the case of the real-estate and lodging services portfolio, the maximum balance exposed to high risk from maximum temperatures is 5% for the year 2050, under the SSP3 and SSP5 scenarios. The maximum balance exposed to high risk due to precipitation anomalies is also 5%, for the year 2050 under the SSP1 scenario, and for the year 2030 under the SSP5 scenario. In the case of the mortgage portfolio, a maximum of 4% of the portfolio is exposed to high temperature risk in 2050 under the SSP3 scenario, and a maximum of 11% for precipitation in 2050 under the SSP1 scenario. The agriculture and livestock industry portfolio has the highest balance exposed, with a maximum of 12% for the highest temperature variable in 2050 under the SSP3 scenario, and a maximum of 14% for the precipitation variable in 2030 under the SSP5 scenario. In the case of maximum temperature and its impact on our branches by balance, the maximum balance exposed to a high risk level is 5%, corresponding to the year 2050 of the SSP3 scenario. Precipitation risk analysis reveals a maximum exposed balance of 8%, which corresponds to the year 2050 under the SSP1 scenario.

Considering the temperature projections of the above-mentioned scenarios, we analyzed energy consumption as a component of the monthly expenses of the branches that are likely to be affected by climate change. As the atmospheric temperature increases, the branches will need to acquire and install cooling systems, both for the people in the branch and for the computer systems, which will result in an increase in energy consumption and a decrease in profits.

To analyze energy consumption by Banorte's branches, we used monthly energy consumption data for each branch in 2023, alongside maximum temperatures recorded in this period. The results of these models allow us to project the behavior of energy consumption for each territory, considering the maximum temperature projections associated with the SSP1, SSP3 and SSP5 scenarios, which in turn correlates with the annual cost of electricity consumption, considering projected electrical rates, in order to determine the economic impact that the temperature increase will have on the branches. The results can be seen in the figure entitled

Increase in energy consumption for each Banorte territory for the years 2030 and 2050 based on the temperature projections of the SSP1, SSP3 and SSP5 scenarios, and show the increase in the annual energy cost compared to the payment made in 2023, associated with the increase in energy consumption. To facilitate the analysis, two time cut-off points were chosen: the year 2030 and the year 2050. It can be seen that in all scenarios there is already an increase in the cost of energy, as a result of the combined effect of inflation in electricity prices and the increase in energy consumption. In general, this increase remains between 26% and 27% of the cost paid in 2023, with 2023 being the scenario with the highest increase. By 2050, the cost increases by between 102% and 103%, with the maximum corresponding to the SSP1 scenario.

Increase in energy consumption for each Banorte territory for the years 2030 and 2050 based on the temperature projections of the SSP1, SSP3 and SSP5 scenarios

Legend: ● 2030   ● 2050

% Increase over 2023

Scenario	2030	2050
SSP1	26.68%	103.64%
SSP3	27.32%	102.99%
SSP5	26.77%	102.56%
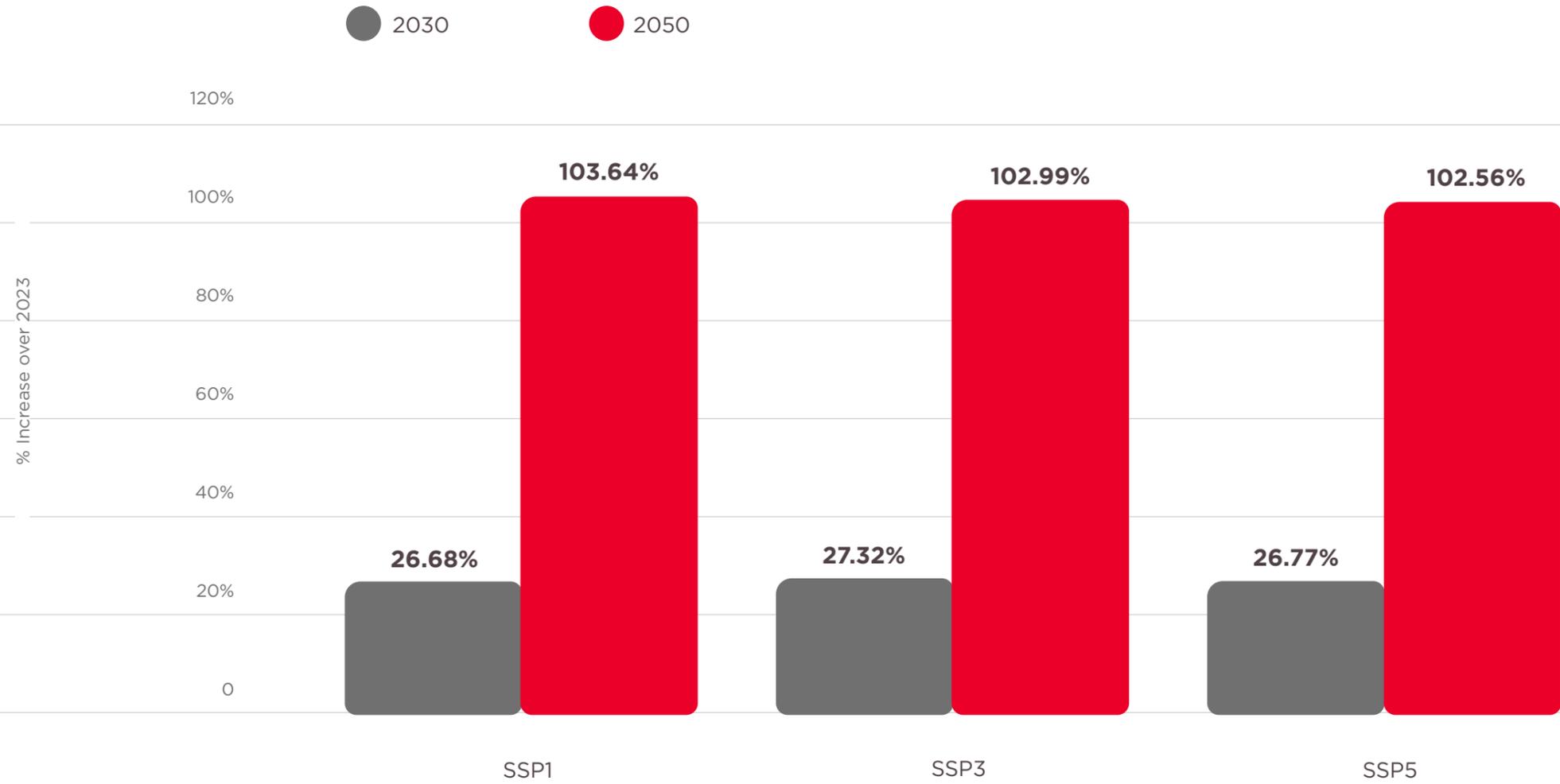
Branches

In 2024, six weather events were recorded, five of which had economic impacts on 43 of our branches. The cost of physical damages to these properties was approximately MXN $650,810 and, in terms of profitability, we estimate a net operating loss of approximately MXN $44.56 million from 100 hours of interrupted operations.

As a preventive measure against climate risks, we have a training program focused on risk regulation and detection, which was completed by 6,167 of our active brigade members, covering 1,175 branches and 186 buildings and administrative offices. We also have a resilience plan in place to ensure business continuity and an efficient return to operations in our branches. The cost of these measures during the year totaled MXN $46.62 million.

Banorte's climate adaptation plan includes a command center, known as "COP", responsible for monitoring and providing information on national weather conditions across the country. We also have a business continuity plan (BCP) that integrates various measures against these risks, a business continuity methodology based on international practices from the Disaster Recovery Institute International (DRII), and a Disaster Recovery Plan (DRP) to address the possibility of damage to Banorte's Main Data Center.

In our commercial banking network, we have a recovery strategy for branch channels called "bunker branches." These branches allow us to maintain operational continuity for our customers in the event of contingencies or disasters in the affected area.

Additionally, we have insurance against losses caused by material damages directly caused to covered assets by accidental, sudden, and unforeseen risks related to hydro-meteorological events.

6,167
active brigade members

186
buildings

1,175
branches

MXN$46.62
million

Impact on branches

	Cost of physical damages	Cost to profitability
HURRICANE BERYL	$216.30	$11,449.32
HURRICANE JHON	$312.44	$3,548.15
HURRICANE MILTON	$27.12	$17,637.52
TROPICAL STORM ILEANA	$52.95	$5,673.44
TROPICAL STORM HELENE	$42.00	$6,254.97

Figures in thousands of pesos

Transition risks

At present there is a limited availability of historical events useful for precisely measuring the potential losses companies might face due to transition risks relating to climate change. This lack of historical data means that to evaluate such risk, we must rely primarily on climate scenario analysis, an essential tool for anticipating possible economic losses derived from policy changes, technological advances and market fluctuations. These changes can have a significant impact on the financial sector, especially on loan portfolios exposed to carbon-intensive industries. To effectively measure the economic effects and conduct a detailed credit risk analysis, we have key risk metrics, including the cost of direct emissions, the cost of indirect emissions and the evaluation of a climate shock, which allow us to assess our customers' ability to absorb increases in carbon costs.

These assessment tools depend on the GHG emissions data provided by our customers, as well as their financial statements, which allow us to calculate the associated risks more accurately. We also use the carbon price trajectories provided by different NGFS scenarios, such as Net Zero by 2050 and Delayed Transition, and take into account the decarbonization targets specific to each industry, facilitating a comprehensive as well as an industry-specific assessment of transition risks.

In 2023, GFNorte introduced a classification system for transition risks, segmenting the wholesale portfolio of corporate, business and federal government banking into the ten sectors with the highest emissions (oil and gas, energy, real-estate and lodging, infrastructure, agribusiness, aluminum, iron and steel, coal mining, transportation, cement, and construction), in addition to an additional group that includes customers from other industries that meet the established evaluation criteria. This classification allows for an exhaustive analysis of the industries with the greatest climate exposure and strategic planning tailored to their needs and challenges.

To accurately identify the level of our customers' vulnerability to the rising costs associated with carbon emissions, we have developed heat maps that visually reflect credit exposure. **Using a five-color scale**, these maps make it possible to indicate the degree of impact of the carbon price on each customer, both for their own activities and for the emissions of their supply chain. This tool facilitates a clear understanding of transition risks and helps guide our strategic decisions in line with our goals of sustainability and financial resilience.

Risk levels

- ● No impact
- ● Low
- ● Moderate-low
- ● Moderate
- ● Moderate-high
- ● High

Risk levels

- ⚫ No impact
- 🟢 Low
- 🟢 Moderate-low
- 🟡 Moderate
- 🟠 Moderate-high
- 🔴 High

Direct cost

INDUSTRY	NET ZERO SCENARIO			DELAYED TRANSITION		
	2030	2040	2050	2030	2040	2050
Agriculture and livestock	🟠	🟠	🟢	⚫	🟡	🟢
Aluminum	🟠	🟠	🟢	⚫	🟢	🟠
Iron and steel	🟠	🔴	🟠	⚫	🟠	🟡
Coal	🔴	🟠	🔴	⚫	🟡	🟠
Cement	🔴	🔴	🔴	⚫	🔴	🟠

Indirect cost

INDUSTRY	NET ZERO SCENARIO			DELAYED TRANSITION		
	2030	2040	2050	2030	2040	2050
Agriculture and livestock	🟠	🟠	🟡	⚫	🟠	🟢
Aluminum	🔴	🟠	🟠	⚫	🔴	🟠
Iron and steel	🟠	🟠	🟠	⚫	🟠	🟡
Coal	🔴	🔴	🔴	⚫	🟠	🟠
Cement	🔴	🔴	🔴	⚫	🔴	🔴

This analysis revealed that the clients most sensitive to transition risk at the close of December 2023 are those involved in the agriculture and livestock, iron and steel, coal, cement and aluminum industries. We also saw some differences in risk exposure between the Net Zero 2050 and Delayed Transition scenarios (see table). Exposure to transition risk under the Delayed Transition scenario is generally lower than in the Net Zero 2050 scenario, which is attributed to fluctuations in the price of coal resulting from the introduction of stricter policies under the Net Zero scenario framework. The following is a more detailed analysis of the different carbon price trajectories under these two scenarios.

Carbon price under the NGFS scenarios

● Delayed Transition   ● Net zero 2050

Figures in 2010 USD

Year	Net zero 2050	Delayed Transition
2020	0	
2025	19	
2030	142	0
2035	281	75
2040	448	146
2045	769	227
2050	938	324
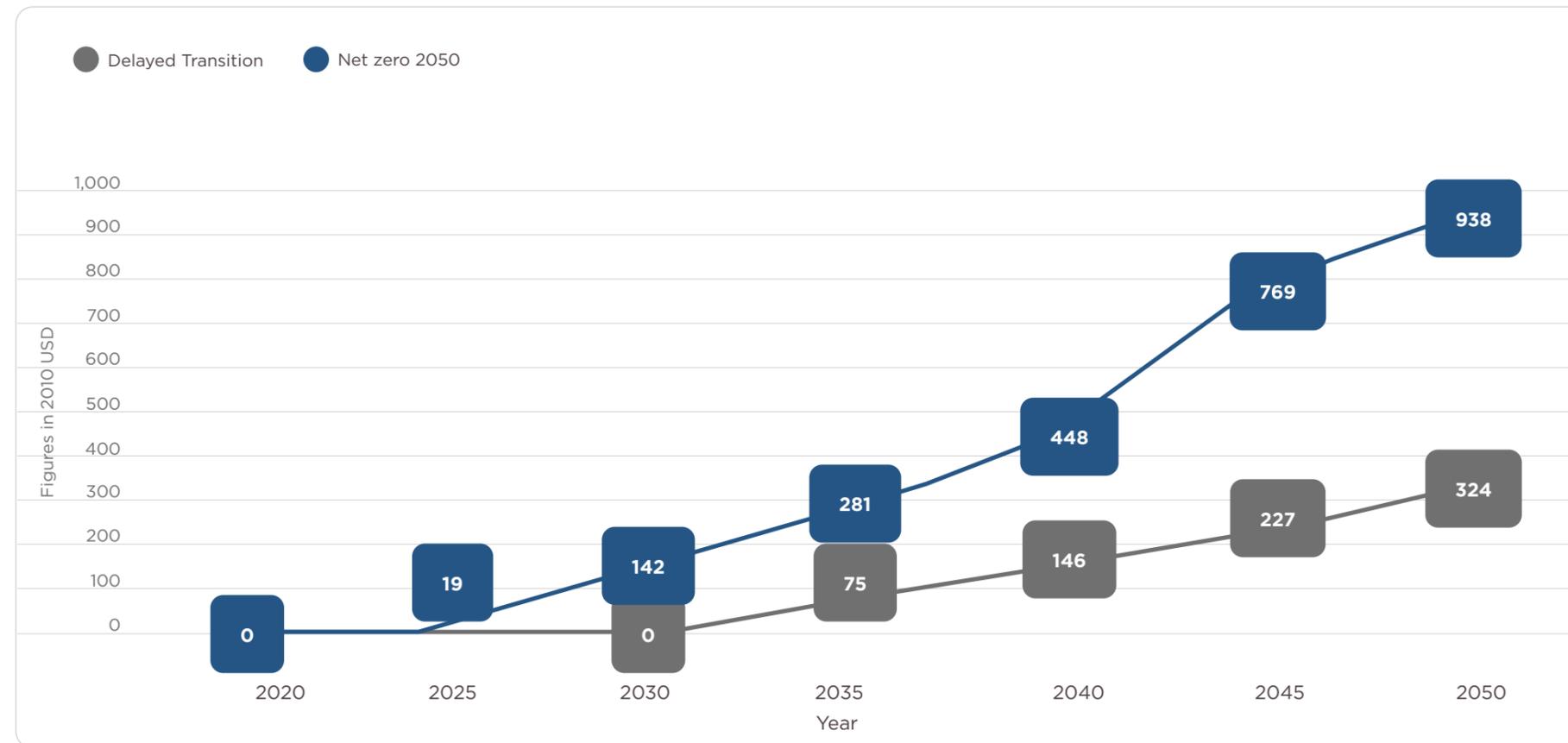
In contrast to the previous year, in this exercise we had access to higher quality data, so that for some customers we were able to improve these indicators with data quality 1, 2 and 3 (according to the PCAF methodology). The results were incorporated into a traffic light indicator where they were divided for the different scenarios and risk thresholds. This traffic light reveals the difficulty our customers would have when faced with policy changes such as an increase in the carbon price.

The above information was obtained from an updated version for the year 2024 with the IAM Global Change Analysis Model (GCAM) 6.0, specifically for the Mexico region. With the help of the carbon price and the direct cost calculation, we incorporated climate shock as a metric to assess the impact of transition risks on our loan portfolio. This indicator measures a customer's response to a change in the carbon price, given their emissions.

FOR A COMPANY i, A SCENARIO k AND A YEAR t
THIS CAN BE EXPRESSED IN THE FOLLOWING FORMULA:

$$\varepsilon(i,k,t) = \frac{\text{Scope 1 emissiones} * \text{Carbon price } (i,k,t)}{\text{EBITDA } (i, k=0, t=0)}$$

The following shows how this indicator by customer and classified by the traffic light system is distributed.

● High risk   ● Medium risk   ● Low risk

Net Zero (NZ) climate shock by sector

Sector	NZ shock 2030			NZ shock 2040			NZ shock 2050		
	Red	Yellow	Green	Red	Yellow	Green	Red	Yellow	Green
Real estate	8%		92%	8%		92%	8%		91%
Power generation	27%		73%	27%	18%	55%	27%		73%
Oil and gas	6%	7%	87%	9%	13%	78%	12%	38%	50%
Agriculture and livestock	30%	47%	23%	47%	49%	4%	68%	31%	1%
Aluminum			100%			100%			100%
Iron and steel		64%	36%	18%	73%	9%	45%	55%	
Coal*	100%			100%			100%		
Transportation	2%	3%	95%	2%	5%	93%	4%	7%	89%
Cement	40%	50%	10%	60%	40%		80%	20%	
Construction	16%	3%	81%	16%	17%	67%	17%	40%	43%
Others	7%	6%	88%	8%	16%	76%	10%	33%	57%

* The indicator for the coal industry is classified as red in the traffic light system according to Banorte's policies.

Overall Shock of the Net Zero scenario

Risk Traffic light	High risk	Medium risk	Low risk
2030	10%	10%	80%
2040	14%	17%	70%
2050	17%	27%	56%

The table entitled **Overall Shock of the Net Zero scenario** presents an analysis of the difficulties that the industries identified would face due to transition risks under the Net Zero scenario by the years 2030 to 2050. The results indicate that a significant proportion of customers in the agriculture and livestock, coal and cement industries are within the high-risk threshold, with a tendency for these risks to increase over time. In contrast, some industries that will face fewer difficulties in adapting to this transition will be real estate and transportation, with a high percentage in the green zone by 2050.

In the short and medium term, overall risk exposure in the portfolio is relatively low. However, in the long term, it is estimated that about 50% of the portfolio could face challenges due to rising carbon prices.

For the Delayed Transition climate scenario, it is assumed that no new climate policies are introduced until 2030, so global emissions will not decline until then. The results of this scenario are presented below for the years 2040 and 2050 only.

Climate Shock Delayed Transition (DT)
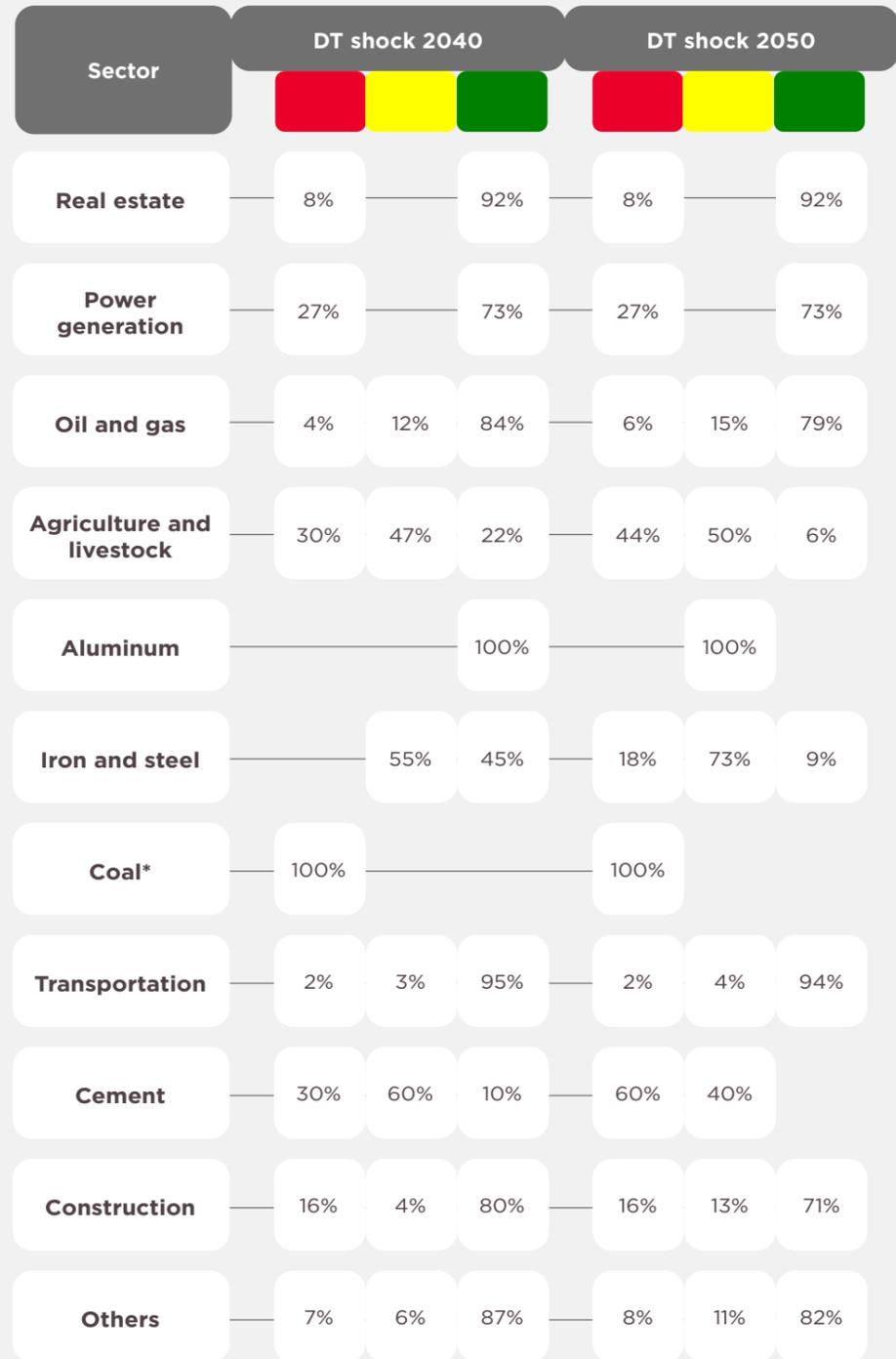
Sector	DT shock 2040			DT shock 2050		
	🔴	🟡	🟢	🔴	🟡	🟢
Real estate	8%		92%	8%		92%
Power generation	27%		73%	27%		73%
Oil and gas	4%	12%	84%	6%	15%	79%
Agriculture and livestock	30%	47%	22%	44%	50%	6%
Aluminum			100%			100%
Iron and steel		55%	45%	18%	73%	9%
Coal*	100%			100%		
Transportation	2%	3%	95%	2%	4%	94%
Cement	30%	60%	10%	60%	40%	
Construction	16%	4%	80%	16%	13%	71%
Others	7%	6%	87%	8%	11%	82%

*The indicator for the coal industry is classified as red in the traffic light system according to Banorte's policies.

Overall Shock of the Delayed Transition Scenario

	Alto	Medio	Bajo
2040	10%	10%	80%
2050	12%	14%	74%
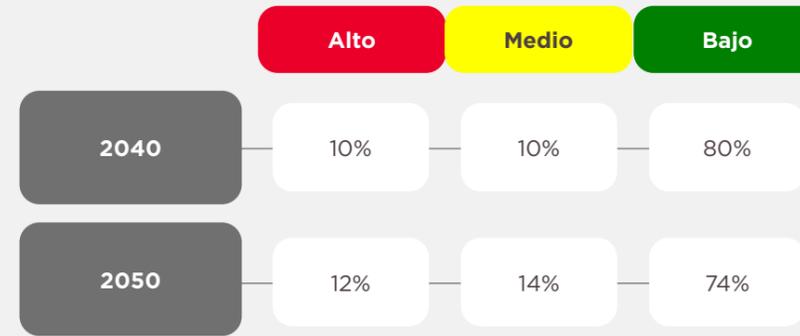
In contrast to the Net Zero scenario, we can see that for the years 2040 and 2050 a smaller percentage of customers are within the red traffic light zone, and 80% and 74% are in the green zone. Once again, the greatest sensitivity appears to be in the coal, agriculture and livestock, and cement industries, which, by the nature of their activities, will face grater challenges in adapting to the requirements of climate transition.

Bottom-up approach

Financial statement projections under NGFS scenarios, affecting interest payment coverage ratio

Scenario analysis with a focus on financial statement projection has the objective of evaluating the impact of various climate transition trajectories on the financial ratio of interest payment coverage among customers in the oil & gas, and agriculture and livestock industries. Through this assessment, we quantified our customers' financial vulnerability to different climate scenarios, in order to gain a deeper understanding of the risks faced by our portfolio. The analysis was carried out using NGFS climate projection models, including GCAM, MESSAGEiX and REMIND.

The following table shows the different carbon price levels used by the various NGFS models. For our financial analysis, we decided to use the GCAM model, as it is at an intermediate level to achieve the temperature reduction targets of both 2°C and 1.5°C, with a gradual progression and in a conservative range in the first projected years. However, it reaches more ambitious levels in the medium term, consistent with limiting the temperature increase to below 1.5°C in accordance with the optimal range of carbon prices established by the IPCC.

Carbon price per tCO2 (Net Zero 2050)

● NiGEM (GCAM)   ● NiGEM (MESSAGEiX-GLOBIOM)   ● NiGEM (REMIND-MAgPIE)
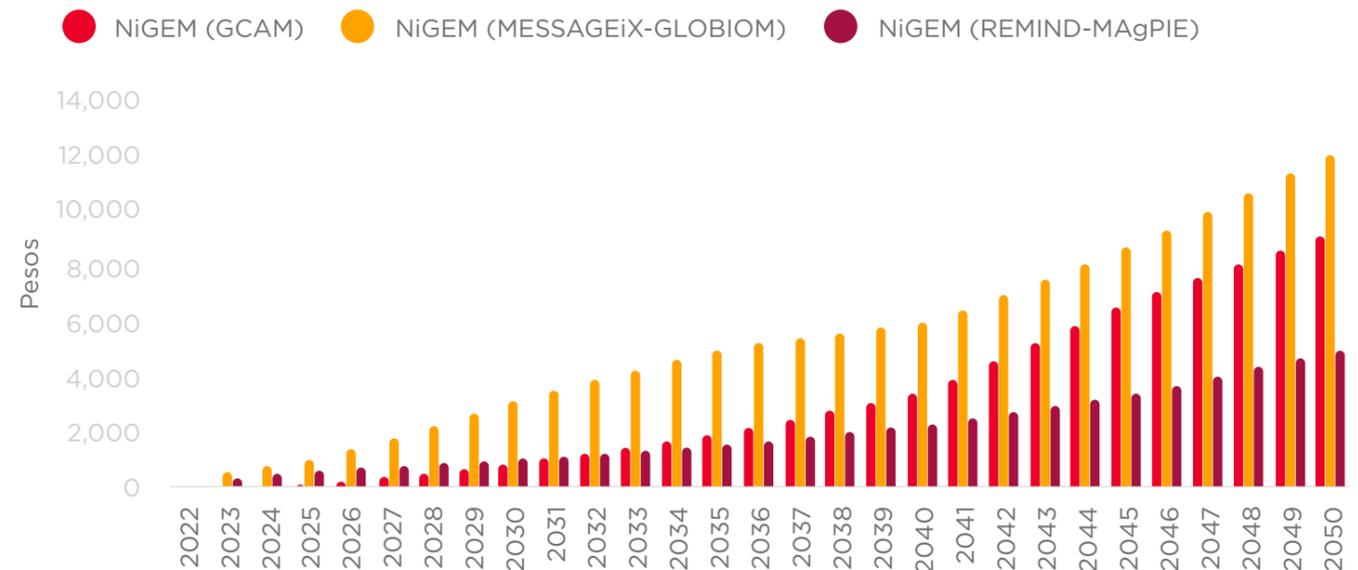
* Source: Prepared in-house based on data from the NGFS

Based on the NiGEM (GCAM) model, different transition scenarios were projected, such as Net Zero 2050, Delayed Transition and Fragmented World, to estimate the effects on the financial accounts of customers in the oil and gas, and agriculture industries. Assumptions for macroeconomic and climate variables, interest rates and CO_2 emission prices were applied using a bottom-up projection approach to analyze the impact on the financial statements. This allowed us to calculate the interest coverage ratio and determine how it might deteriorate.

The results of the analysis reveal that, under a Net Zero 2050 scenario, the interest coverage ratio for the oil and gas industry deteriorates by 28% on a weighted average basis compared to a baseline scenario. This indicates a reduction in customers' ability to cover their financial expenses out of their operating profits, suggesting greater financial vulnerability in a context of regulatory pressure and changes in demand.

We found that clients with lower loan balance are proportionately more likely to show a depletion of their coverage ratio, meaning the small and mid-sized companies in the oil and gas industry may be in a more precarious position regarding transition risks. Many of them may be facing additional challenges from transition risks because of their reduced capacity for adaptation, diversification and dependence.

The deterioration in financial ratios observed under the Net Zero 2050 transition scenario reveals how vulnerable the industry is in its ability to meet financial commitments such as making interest payments, under such a transition scenario. This behavior is due primarily to reduced cash flow margins caused by rising costs, the destruction of demand which cannot be offset by price adjustments.

In addition, our analysis for the agricultural and livestock industry reveals that, under a Net Zero 2050 scenario, the interest payment coverage ratio deteriorates by a weighted average of 17% compared to a baseline scenario. This deterioration suggests greater financial vulnerability in a context of regulatory pressure, higher costs and changes in consumption patterns.

The deterioration in financial ratios under the Net Zero 2050 transition scenario reveals that the agriculture and livestock industry may be unable to meet financial commitments such as making interest payments, under such a transition scenario. This behavior is due primarily to reduced cash flow margins caused by rising prices of key inputs, reduced operating margins, and changes in demand which cannot be offset by price adjustments.

Interest Coverage in a Baseline Scenario and Net Zero 2050
(Weighted average by Oil and Gas portfolio balance)

— Base Scenario   — Net Zero 2050

Times (x)

2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
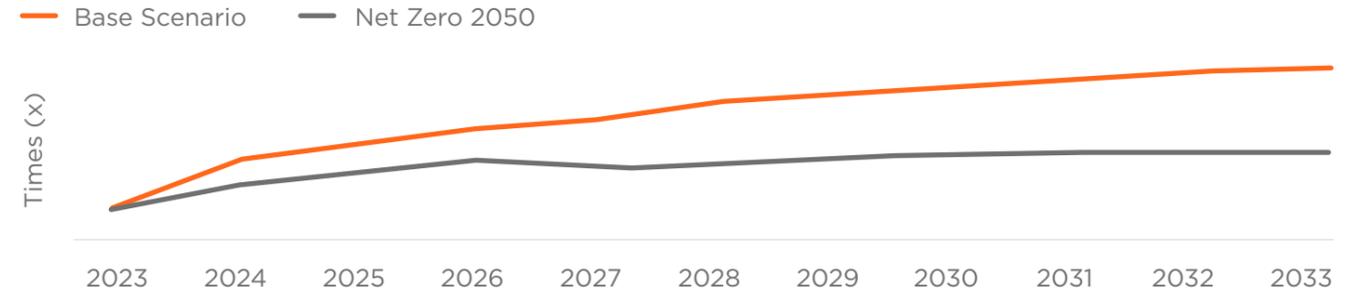
Deterioration of the interest payment coverage ratio for the oil & gas portfolio

● Low   ● Moderate   ● High

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Net Zero 2050	-11%	-12%	-15%	-18%	-23%	-24%	-25%	-25%	-27%	-28%
Delayed Transition	-7%	-9%	-8%	-8%	-10%	-9%	-9%	-7%	-9%	-10%
Fragmented world	-7%	-9%	-9%	-9%	-11%	-10%	-11%	-8%	-7%	-6%

*Considering CO_2 emissions intensity (scopes 1 and 2)

Interest payment coverage under current policies and Net Zero 2050 scenario
(Weighted Average by Balance of the Agricultural Portfolio)

— Current Policies   — Net Zero 2050

Times (X)

2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
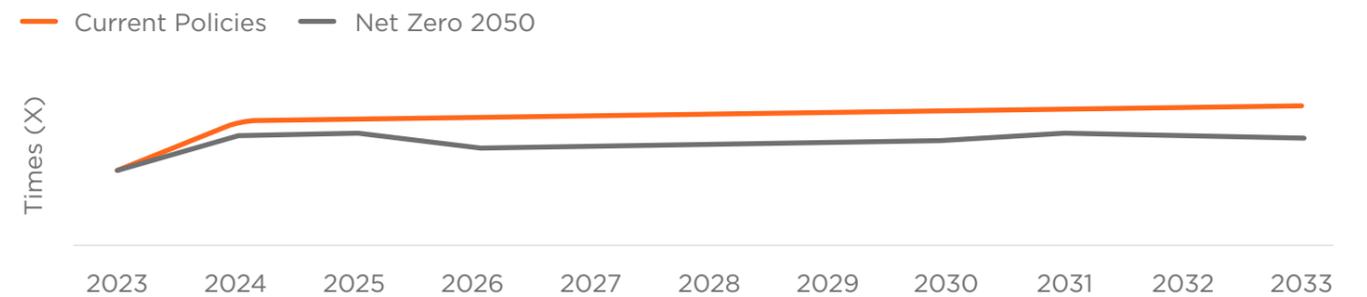
The table below projects potential changes in the interest payment coverage ratio for our portfolio of loans to the agriculture and livestock industry, assuming current policies remain in place until 2033:

Deterioration of the interest payment coverage ratio for the agriculture and livestock portfolio

● Low   ● Moderate   ● High

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Net Zero 2050	-11%	-11%	-20%	-19%	-19%	-19%	-20%	-13%	-15%	-17%
Delayed Transition	0%	0%	0%	0%	0%	0%	0%	-18%	-16%	-15%
Fragmented world	0%	0%	0%	0%	0%	0%	0%	-4%	-3%	-2%

*Considering CO_2 emissions intensity (Scope 1):

Deterioration of the interest payment coverage ratio for the agriculture and livestock portfolio (Scope 1+2)

● Low   ● Moderate   ● High

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Net Zero 2050	-11%	-11%	-21%	-21%	-21%	-22%	-23%	-17%	-20%	-22%
Delayed Transition	0%	0%	0%	0%	0%	0%	0%	-18%	-17%	-16%
Fragmented world	0%	0%	0%	0%	0%	0%	0%	-4%	-3%	-2%

*Considering CO_2 emissions intensity (Scope 1 and 2):

These findings signal the need for a proactive approach to climate risk management. Understanding how different transition scenarios can impact our clients allows us not only to adjust our credit policies, but also to develop accompanying strategies that strengthen our portfolio's resilience in the face of the challenges posed by the transition to a more sustainable economy. By incorporating this perspective into our financial decisions, Banorte is positioning itself as an organization committed to sustainability and the mitigation of climate risk in various industries.

This analysis not only provides insight into our client portfolio's exposure to climate transition risks, but can inform and guide our future mitigation and adaptation strategies. By better understanding the potential impact on our clients' financial health, Banorte can strengthen its approach to sustainability and support a more effective transition to a low-carbon economy.

Nature-related risk

The relationship between climate change and water scarcity is complex and multifaceted. Some of the issues that financial institutions are struggling to address today are changes in precipitation patterns, rising temperatures, deglaciation, salinization of water sources, and the growing demand for natural resources, to name only a few.

GFNorte is aware that addressing the current outlook on water safety issues through initiatives for the management of nature-related risks is a key point in climate action. Since 2021, we have worked together with other financial institutions and global companies from various industries to support the Taskforce on Nature-related Financial Disclosures (TNFD), a multilateral initiative that supports business and financial sector organizations in incorporating environmental considerations into their business strategies and in the reporting of their nature-related impacts, dependencies, risks and opportunities. At the end of 2023, our Board of Directors approved the adoption of this framework, committing us to disclose the results in our annual report containing information from fiscal year 2025.

In adopting the framework on disclosure of nature-related issues and the following up on the assessment guidance published in September 2023 by the same organization, we began to apply the evaluation methodology developed by the TNFD, which is grouped into four phases: Locate, Evaluate, Assess, and Prepare (LEAP). The first step, then, was to locate the impacts and dependencies in key industries 🔎 **see Annual Report.** We conducted an exploratory analysis of the 105 tools recommended in the TNFD catalog, classifying them according to the topic they address. These topics range from generalities about nature to others specific to measuring biodiversity loss, water footprint, ecosystem services, etc. Most of the tools use both geospatial data and artificial intelligence. The results of this analysis led to the selection of the tools used in this report.

The classification catalog was updated with the incorporation of GFNorte's Classification of Industry Activity – Climate-Exposed Industries (CIA-CEI), and related the industries in our portfolio under our industry classification with those of the SASB classification system.

In the first step in risk management, we constructed the basis for portfolio analysis using client geolocation, and the portfolios that were relevant from the perspective of nature-related risks were selected. In this first stage, we considered the following industries:

› Agriculture, in relation to primary activities

› Infrastructure, for investment projects

› Extractives and minerals processing industries

On this basis, we estimated a water footprint of the agriculture and livestock sector (only for primary activities), using a physical water risk approach. In addition, the range of indicators used to calculate water safety was expanded. Based on this, 32 indicators are currently being analyzed, divided into 12 risk categories, grouped, in turn, into three types of risk: basin physical risk, regulatory risk and reputational risk.

Water stress risk

Water scarcity significantly affects the financial industry in various ways. Companies that depend on water for their production processes, like agriculture, manufacturing and energy, must absorb higher operating costs because they have to invest in water-saving technologies or purchase water at higher prices.

Investment risks rise in every industry, because they depend on water, and water scarcity threatens their profitability. Financial institutions in turn may have to contend with rising credit risks relating to the inability of companies exposed to this problem to meet their financial commitments. Insurance companies may see an increase in claims related to damage caused by droughts or water shortages, and these may also affect the fiscal stability of local and national governments. The result can be a reduced ability to attract investment and increased financing costs. The pressure on public resources may force governments to allocate more resources to managing water scarcity, which can divert funds from other critical areas, such as education and health. These factors underscore the importance of adequate water management and the need for the financial industry to take into account the risks associated with water scarcity in investment and financing decisions.

It is essential that we develop and monitor indicators on the possible water risks faced by our clients. GFNorte is aware of the water security problems in our country, so we have joined in the effort to incorporate methodologies for calculating the water footprint of portfolios most susceptible to the effects of water scarcity. Analyzing water footprint not only contributes to environmental sustainability, but can also improve the financial resilience of organizations and create opportunities in the market.

The water footprint is an indicator that measures the total volume of fresh water used to produce goods and services throughout their life cycle. This measure considers the water used in different processes, from agricultural and livestock production to the manufacture of industrial products.

The water footprint is divided into three components:

› Green water footprint: the amount of rainwater stored in the soil and used by plants. It refers to the water that evaporates or transpires from plants.

› Blue water footprint: Water that is extracted from surface or ground water sources for use in production. It includes water used for irrigation and other industrial processes.

› Grey water footprint: the volume of water needed to dilute pollutants and maintain water quality, that is, the water needed to restore a water resource that has been damaged by pollution.

Thus, understanding the water footprint can help us to better manage water resources and promote more sustainable practices in production and consumption.

Agriculture is one of the industries most affected by climate change and is susceptible to changes in the water cycle, as it depends heavily on water resources. Changes in water availability directly affect crop yields and food security.

Agriculture and livestock industry analysis

For the water footprint analysis, we looked at clients in the agriculture and livestock industry engaged in primary activities, a portfolio that totaled MXN $11.38 billion at the end of December 2023. In addition, we were able to obtain the operational locations of farms, industrial plants or private homes by conducting a targeted structured search. To do this, the agriculture and livestock portfolio was classified by product type.

The table entitled **Products in the agriculture and livestock portfolio with primary activity shows the main commodities that make up the portfolio of industries with primary activity.** Here, products of animal origin are the most representative, accounting for 67% of the portfolio balance. Within this segment, production activities are divided into products such as cattle, pig and sheep farming, and poultry. This information is important for calculating the water footprint at industry level.

Products in the agriculture and livestock portfolio with primary activity

Products	No. Customers	Percentage of balance
Aquatic	6	3%
Animal	88	67%
Cereal	18	4%
Fibers	16	7%
Fruit trees	18	4%
Herbaceous	15	6%
Others	3	0%
Tubers	6	2%
Vegetables	26	6%
Total	**196**	**100%**

We used a tool created by the World Wildlife Fund (WWF), designed to help companies and investors assess and respond to water-related risks in their operations, value chain and investments. This tool helps identify how water resources can physically affect a company's operations and how negative impacts on water can create regulatory and reputational risks.

The results of the calculation of the three types of risk are shown below:

Basin physical risk in the agricultural industry: primary activity

● 4.0 Very High Risk   ● 3.5 High Risk   ● 3.0 Medium Risk   ● 2.5 Low risk
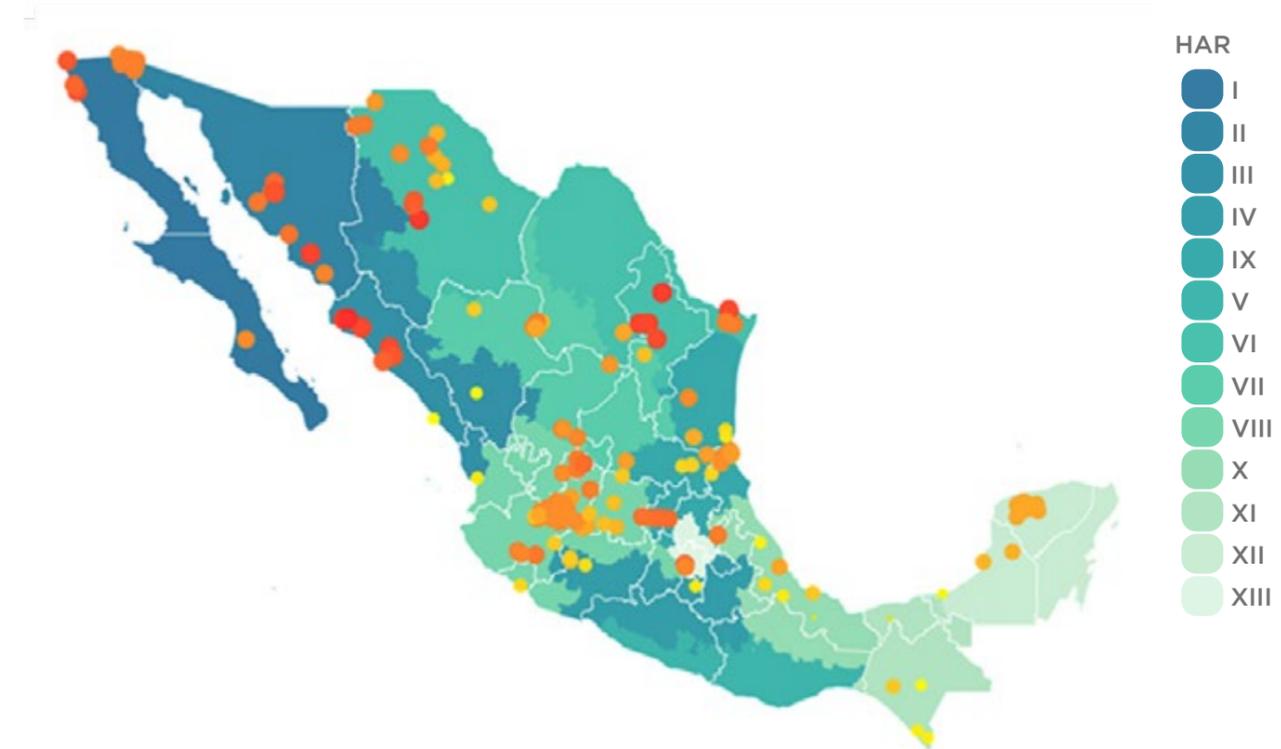
HAR

■ I
■ II
■ III
■ IV
■ IX
■ V
■ VI
■ VII
■ VIII
■ X
■ XI
■ XII
■ XIII

* HAR: Hydrological-administrative regions: I: Baja California Peninsula; II: Northwest; III: North Pacific; IV. Balsas; V: South Pacific; VI: Rio Bravo; VII: North Central Basins; VIII: Lerma-Santiago-Pacific; IX: North Gulf; X: Central Gulf; XI: Southern Border; XII: Yucatan Peninsula; XIII: Mexico City Valley.

The category **Basin physical risk in the agriculture and livestock industry: primary activity** encompasses both natural conditions and those induced by industrial activity in watershed regions. It comprises four risk categories covering different aspects of physical risks: water scarcity, flooding, water quality and the state of ecosystem services. Physical risks therefore take into account water scarcity or excess, its unsuitability for use, and/or the degradation of surrounding ecosystems, which in turn negatively affect water ecosystem services.

The category **Regulatory risk to the agricultural industry: primary activity** is closely related to the concept of good governance and the prosperity of companies in stable, effective and properly enforced regulatory environment. It is aligned with the framework of Target 6.5 of the United Nations Sustainable Development Goals (SDG 6.5.1) and comprises four risk categories: supportive environment, institutions and governance, management instruments and infrastructure, and finance. See risk categories in the table entitled **Indicators for calculating the water footprint** for more details.

Regulatory risk of the agricultural industry: primary activity

● 1.6 Low risk   ● 2.0 Medium Risk   ● 2.4 High Risk   ● 2.8 Very High Risk

RHA
I
II
III
IV
IX
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XI
XII
XIII

* HAR: Hydrological-administrative regions: I: Baja California Peninsula; II: Northwest; III: North Pacific; IV. Balsas; V: South Pacific; VI: Rio Bravo; VII: North Central Basins; VIII: Lerma-Santiago-Pacific; IX: North Gulf; X: Central Gulf; XI: Southern Border; XII: Yucatan Peninsula; XIII: Mexico City Valley.

Reputational risk of the agriculture and livestock industry: primary activity

● 3.8 Very High Risk   ● 3.4 High Risk   ● 3.2 Medium Risk   ● 3.0 Low risk

RHA
I
II
III
IV
IX
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XI
XII
XIII

* HAR: Hydrological-administrative regions: I: Baja California Peninsula; II: Northwest; III: North Pacific; IV. Balsas; V: South Pacific; VI: Rio Bravo; VII: North Central Basins; VIII: Lerma-Santiago-Pacific; IX: North Gulf; X: Central Gulf; XI: Southern Border; XII: Yucatan Peninsula; XIII: Mexico City Valley.

The category **Reputational risk of the agriculture and livestock industry: primary activity** represents the perceptions of stakeholders and local communities about whether companies are doing business sustainably or responsibly with regard to water. It encompasses four sub-categories of risk: cultural importance of water for local communities, importance of freshwater biodiversity, media scrutiny/coverage of communication on water-related issues, and risk of political conflicts over water in watershed regions. See risk categories in the table below for more details.

In this report, we have calculated water footprint based on the three types of risk outlined above, which are divided into 12 subcategories of risk and 32 water risk indicators, as shown in the table **Indicators for calculating the water footprint.** To obtain a representative result for our portfolio in the industry, we calculated an average of results—weighted by portfolio balance—in the three risks analyzed.

Mexico faces several significant water-related challenges, including the distribution of water resources, prolonged droughts in the central and northern regions of the country, and flooding in the southern region and in coastal areas. All of this has caused shrinking water availability and overexploitation of aquifers and underground deposits, while fueling conflict over the use of water basins and the management of and access to water in marginalized regions of the country. The table entitled **Indicators for calculating the water footprint shows a risk level** ranging from medium to high, where the index 1-2 means low risk, 2-3 medium risk, 3-4 high risk and 4-5 very high risk.

The use of water footprinting tools is crucial for companies and investors because it allows for a comprehensive assessment of water-related risks in their operations and supply chains. It also helps to identify and mitigate potential physical, regulatory and reputational threats associated with water management. By adopting these tools, organizations can improve their resilience to water challenges, ensure the sustainable use of water resources and strengthen their environmental performance. They can also use the tools to assess the water risks of their investment portfolios and thus make more informed decisions.

Indicators for calculating the water footprint

| Type of risk	Category of risk	Index
Physical	1. Water scarcity 2. Flooding 3. Water quality 4. Ecosystem services status	3.56
Regulatory	5. Enabling environment 6. Institutions and governance 7. Management instruments 8. Infrastructure and finance	2.79
Reputational	9. Cultural Importance 10. Biodiversity importance 11. Media scrutiny 12. Conflict	3.17

Stress testing

GFNorte carries out regular scenario analyses and climate stress testing (for physical and transition risks) with the aim of estimating potential losses under different scenarios in which they may materialize. It also tracks the sensitivity of various assets exposed to climate risks and evaluates its own resilience.

GFNorte incorporates scenario analysis and climate stress tests into its environmental risk management processes under two approaches: top-down and bottom-up. The aim of the first approach is to analyze globally the relationship between the climatic, economic and financial variables involved in the deterioration in the world's climatic conditions and, subsequently, to analyze the possible impacts on the institution's various assets. The second approach directly analyzes the possible impact on specific industries considered to be highly exposed to climate change due to the materialization of physical and transition risks in the short, medium and long term.

In 2024, GFNorte was selected to participate in the program "First pilot climate scenario analysis for the Mexican financial sector 2024" carried out in collaborative partnership with organizations such as the Sustainable Finance Committee, TCFD Consortium Mexico and Bank of Mexico. In this pilot for climate scenario analysis, we are analyzing physical risks and transition risks considering climate scenarios over a long-term horizon (50 years). The program will last approximately one year, starting in late 2024 according to the organizers' work plan.

Below are the results of the institution's climate scenario analysis and stress testing.

Climate scenario in the Capital Adequacy Assessment

GFNorte incorporates a climate scenario into its annual capital adequacy assessment, calculating the capital required in the event that climate risks materialize and thereby guaranteeing that the institution has sufficient capital to face said losses.

The climate scenario is performed using a top-down approach and is based on the projections of the national macroeconomic variables of the baseline scenario. It incorporates climate shocks derived from the change in the trajectory of greenhouse gas emissions and compounds that affect temperature and, consequently, have an impact on the country's different production chains due to the change in the frequency and severity of physical risks. The main variables affected in the climate scenario are: gross domestic product, TIIE benchmark rate, rates on Cetes and MBonos, inflation, peso-dollar and peso-euro exchange rates, unemployment rate and price and the Mexican stock exchange's Pricing and Trading Index.

The triggers for updating the 2024 climate scenario were as follows:

› Emissions Trajectory: This considers the equivalent carbon dioxide (CO_2e) emissions measured in kilotons for each economic industry and for each state in the republic. Assumptions include an exponential growth in CO_2e emissions as in this period (2024-2026) the necessary actions are not taken by industries and economic sectors to achieve the 2030 emission reduction target contained in the General Law on Climate Change. The factors for the impact on the national economy are considered only for the period 2024-2026 to maintain consistency with the time period of the exercise. The short-term path is an increase in CO_2e emissions which, in turn, leads to a change in physical events and monetary losses and, therefore, a negative impact on GDP and the main macroeconomic variables.

› Temperature: An analysis is made of the minimum, average and maximum temperature at the state and national level, because the trajectory of CO_2e emissions has a direct impact on it and, therefore, on the frequency and severity of physical events on the planet.

› Severity and frequency of hydro-meteorological events: The scenario assumes changes in the average global mean temperature, resulting in more frequent, intense and unpredictable climatic events such as cyclones and floods. The materialization of these hydro-meteorological phenomena has a direct impact on the operations of hotels and restaurants, mainly in coastal areas. It also affects airport services, causing delays in the delivery of goods and international trade in general.

› Frequency and severity of temperature events: The trajectory of the global average temperature is expected to cause changes in the frequency of droughts in the country's main agricultural areas, which in turn causes movements in the price of the main products of the basic basket and, in general, in the price of most raw materials, as well as affecting the imports and exports of these products. These events mainly affect the agriculture and livestock industry.

› Frequency and severity of geological events: These include heavy rains and storms, as well as the elimination of underground water due to changes in temperature, which causes subsidence and landslides affecting the construction and real estate industries due to damage to infrastructure, roads, homes, buildings and utilities.

Based on the above triggers, we analyzed the various climate, macroeconomic and financial variables to determine how they might behave in light of a change in the amount of greenhouse gas emissions, or in the frequency and severity of climatic events and, with this, a climatic factor was determined for each of the variables. Finally, based on the projections of the baseline scenario, the climate factor was applied to each of the variables in order to obtain a scenario with climate impact.

The methodology and results of the updated climate scenario were presented to the Risk Policy Committee for approval. Under this scenario, financial projections were made for the years 2024, 2025 and 2026 and, based on the results obtained, we determined that GFNorte does have sufficient regulatory capital to continue its involvement in securities market and lending activity in the short term.

Climate risk management

→ Processes for identifying, assessing and managing climate risks

- Risk Manual
- Social and Environmental Risk Management System
- Policies for decarbonizing the wholesale portfolio
- Target markets
- Risk policies for portfolio rating
- Restricted activities: coal, oil and non-conventional gas

Managing today's risks for a more resilient future

We promote responsible and proactive climate risk management, enabling us to adapt to regulatory demands and the expectations of our stakeholders.

Climate risk management

At GFNorte, risk management is a key component of our business strategy and governance model. We have a robust framework of policies, manuals, processes, procedures, and specific methodologies that guide our daily operations and ensure effective management of risks, especially as regards climate challenges. As part of the implementation of our climate strategy, which is organized on four pillars--Model, Emphasize green solutions, Decarbonize, Incorporate and Disclose (MEDIR, which means "measure" in Spanish)--and according to TCFD recommendations, we have taken a series of actions that directly impact institutional regulations. These range from updating our manuals and policies up through creating management frameworks that bolster our oversight of environmental and social risks.

In addition, this comprehensive approach considers the probability of default of clients in climate-exposed industries and sets limits on our activities in such industries. We thus ensure that our internal processes and our decision-making are consistent with our commitment to sustainability, promoting responsible and proactive management of climate risks, so that we can adapt to regulatory requirements and our stakeholders' expectations.

Processes for identifying, assessing and managing climate risks

Risk Manual

GFNorte has an internal regulatory document known as the Risk Manual, which is centralized in a portal managed by the Comprehensive Risk Management Unit (CRMU) for everything related to risk and credit policies, and by the regulatory comptroller for operational, administrative and CRMU processes. The main risks that have been identified and monitored by the CRMU are the socio-environmental risk of financing, sustainability risk, climate risk, and nature-related risk. One area in which the CCNST works is to decide on processes and methodologies for obtaining additional information from clients to analyze the physical and transition risks related to climate change and nature.

Social and Environmental Risk Management System

GFNorte's Social and Environmental Risk Management System (SEMS) allows for the identification, categorization, assessment, and management of the environmental and social risks associated with the activities we finance in Corporate, Business, and Infrastructure Banking. The SEMS risk analysis is an integral part of the credit process and the bank's financing decision-making. Learn more 👆 **here.**

SEMS considers climate change a priority within the risk management framework. In line with the Equator Principles, it supports the objectives of the Paris Agreement and recognizes the need to enhance the availability of climate-related information when assessing the physical and transition risks of financed projects.

SEMS serves to avoid negative climate impacts, and when avoidance is not possible, it assists in the reduction, mitigation, and/or compensation of these impacts. To this end, it incorporates climate risk into all phases of the social and environmental risk analysis process.

Social and environmental risk analysis process

LENDING PROCESS → IDENTIFICATION → CATEGORIZATION → ASSESSMENT → MANAGEMENT
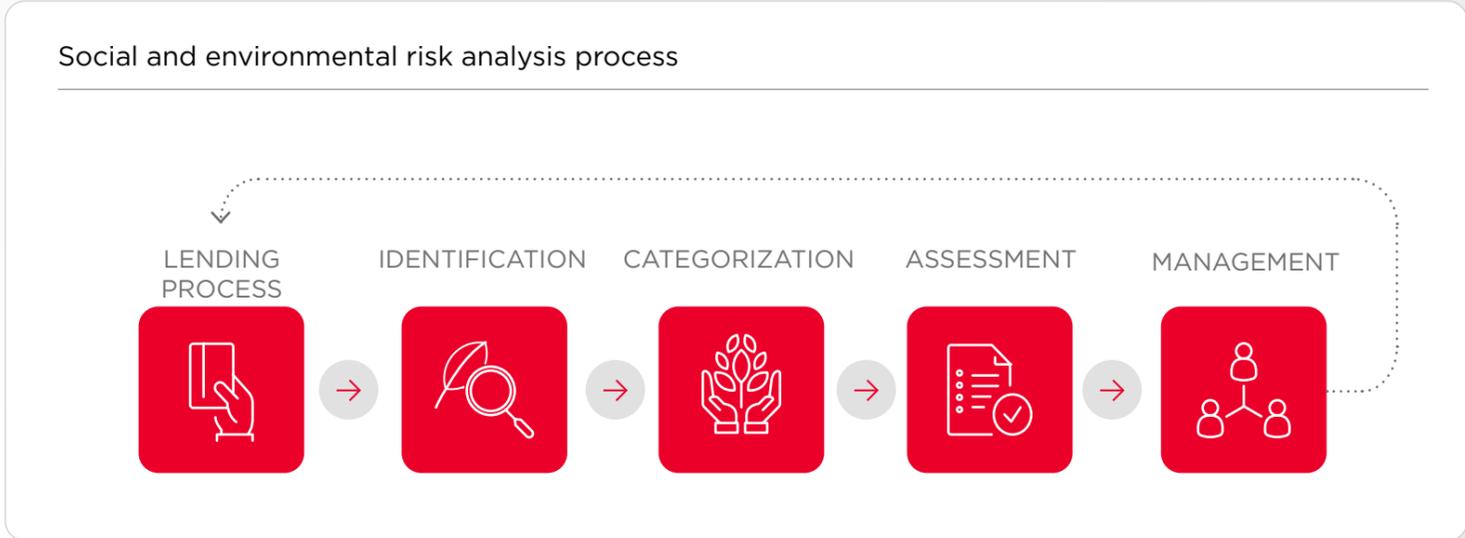
During the assessment phase, SEMS examines the performance of each project according to the International Finance Corporation (IFC)'s Performance Standards (PS), specifically PS 1. Assessment and management of environmental and social risks and impacts; PS 3. Resource efficiency and pollution prevention; and PS 6. Biodiversity conservation and sustainable management of living natural resources. View the latest Equator Principles Report. 👆 **here.**

Policies for decarbonizing the wholesale portfolio

To advance in Banorte's Portfolio Decarbonization Policy, the RPC approved certain policies aimed at supporting our clients in their transition plans toward more sustainable operations. These policies are designed to address the financing needs of the more carbon-intensive industries, channeling resources that they can use to pursue their decarbonization goals and align with the institution's commitments to achieve Net Zero by 2050. By this approach, GFNorte reaffirms its commitment to supporting clients in the adoption of cleaner and more responsible practices, thus contributing to the global transition toward a low-emission economy.

The following provides further detail about the three recently approved policies, which focus on offering comprehensive support in key industries, fostering structural changes that can mitigate climate impact in the long term.

Target markets

One of the risk management tools available to GFNorte is the concept of Target Markets (TM), by which we determine the appetite for the wholesale portfolio's credit placement in industries with attractive economic, credit and socio-environmental characteristics. The tool is regularly updated by means of a consensual Management Opinion (MO), by territory and industry, indicating whether or not it is a target market. The MO is complemented by a risk analysis that includes a statistical model with variables of credit, financial and macroeconomic behavior, informative data on estimated growth determined with GDP projections, and a metric of industry carbon intensity that singles out the most polluting sectors and those that will require more investment to transition toward a zero-carbon economy.

Risk policies for portfolio rating

GFNorte has developed internal credit portfolio rating models that have been certified by the National Banking and Securities Commission (CNBV, by its initials in Spanish), which are used in calculating the necessary loan-loss reserves and the allocating regulatory capital to cover credit risk. These models are fundamental for managing and evaluating the credit quality of our portfolios

in multiple industries, providing a comprehensive view of the risk profile and allowing for optimal capital allocation. To ensure their accuracy and effectiveness, the models are recalibrated every 18 months at the most, guaranteeing their alignment with current regulatory standards and their capacity to reflect changing market conditions.

In the most recent recalibration of the model for the Business and Corporate portfolios, two new variables were introduced that evaluate the maturity of the actions that companies take in the face of climate risk. The first of this is the establishment of GHG emission reduction targets aligned with the goal of Net Zero Emissions, and the second is transparency in the disclosure of analyses of how climate risks affect their operations.

Since Mexico does not at present have a specific banking regulation for climate risk management, these new variables are incorporated as rating improvements. As companies adopt more advanced and transparent climate policies, they will be able to improve their credit rating, which translates into a reduction in their PD. This approach helps both GFNorte and its clients strengthen their resilience to climate change by promoting practices that benefit both financial stability and environmental sustainability.

Restricted activities: coal, oil and non-conventional gas

In 2024 we introduced a policy on the restriction of lending to activities involved in carbon products, which are highly GHG-intense, as well as those that have a higher carbon, sulfur, and impurities content. The aim is to progressively limit exposure to these industries until they are totally phased out by 2030. The policy covers both new projects and the expansion of existing projects, as well as companies where a material part of their annual income or installed capacity for power generation is related to these activities. Exceptions to the policy are made for companies whose financing is specifically and exclusively dedicated to decarbonization or transitioning to zero-carbon emission alternatives. The policy is monitored by means of a metric that is one of the key climate indicators discussed each month in the RPC meeting.

Climate metrics and targets

→ Carbon footprint

- Scope 1 and 2 emissions
- Scope 3

→ GHG emission reduction targets

- Scope 1 and 2 GHG emission targets at the Group level
- Targets for reduction of financed emissions at the Group level
- Financed emission reduction targets at the bank level (Banorte)

→ Decarbonization plan
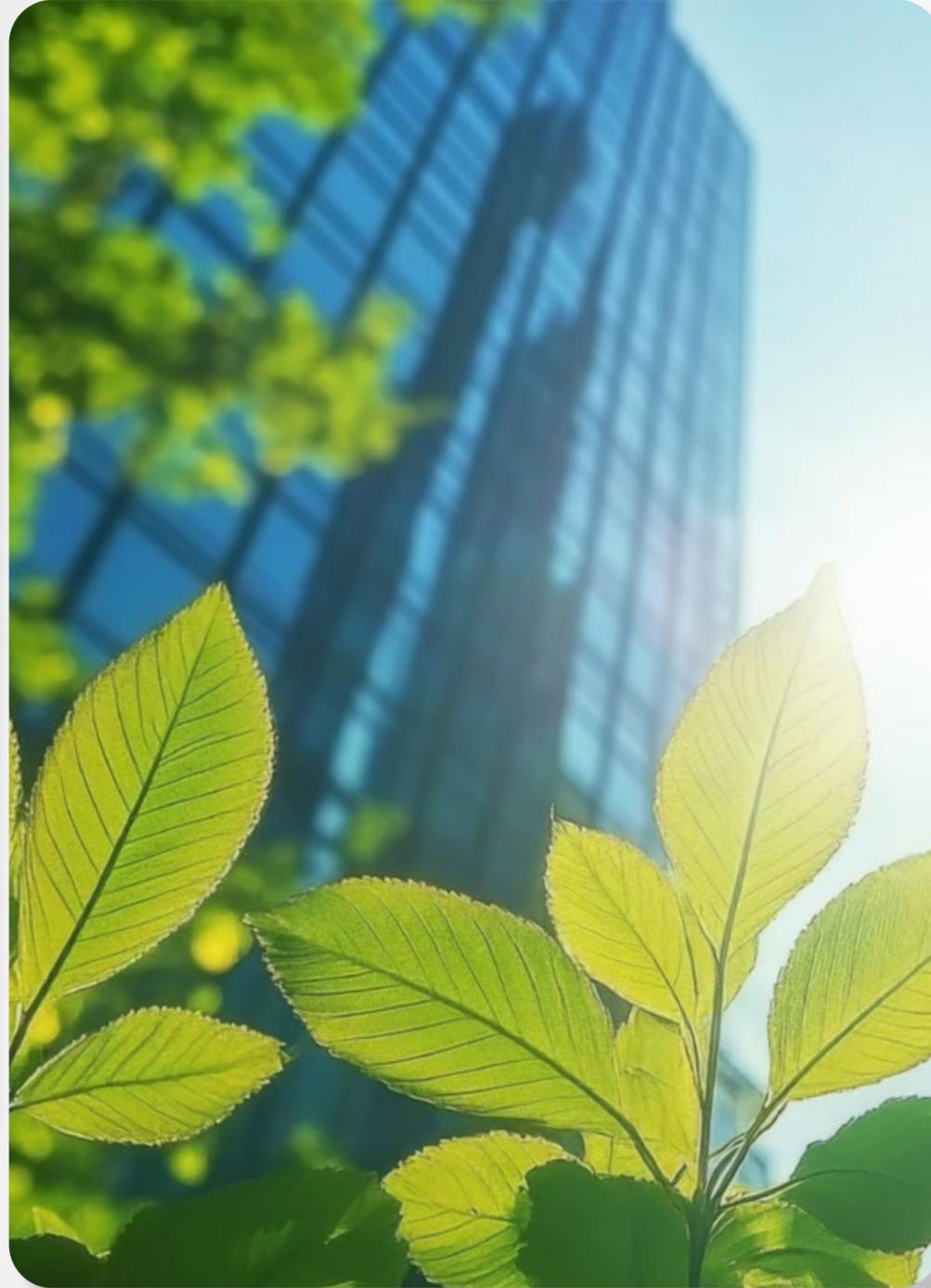
Measuring impact to drive change

Our methodology allows us to keep a detailed and precise record of emissions from our activities, providing a solid foundation for planning and executing mitigation strategies.

Climate metrics and targets

Carbon footprint

At GFNorte, we manage the GHG emissions generated by our direct and indirect activities, including carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O), and we use the operational control approach as recommended in the GHG Protocol guidelines. This methodology enables us to keep a precise and detailed record of the emissions produced by our activities, giving us a solid basis for planning and executing mitigation strategies. To ensure traceability and data quality, our scope 1 and 2 GHG emissions inventory is verified every three years by an independent reviewer and an organization accredited by the Ministry of Environment and Natural Resources (SEMARNAT, by its initials in Spanish) for the validation of emissions these organizations are referred to as OC-VV-GEI, by their initials in Spanish).

Through this approach, we have identified key areas of environmental impact in our operations, indicating what actions we should take to reduce our carbon footprint and meet our sustainability commitments.

Scope 1 and 2 emissions

Scope 1 and 2 emissions correspond to emissions produced directly and indirectly, respectively, by the company's activities. Scope 1 emissions refer to those that come directly from sources controlled by GFNorte, while Scope 2 emissions include indirect emissions related to the consumption of electricity acquired for our facilities. The table below shows the performance of each of our subsidiaries in relation to both scopes, allowing us to evaluate the impact of each business unit within the Group and to establish measures for optimizing energy resources and reducing emissions based on these results.

GHG scope 1 and 2 emissions declined by 13%, resulting from a 1.2% reduction in energy consumption following awareness-building initiatives on energy efficiency, and the startup of renewable energy projects.

GHG emissions - Scope 1 and 2 for the Group, by subsidiary and scope

Company	Scope	2022 (tCO$_2$e)	2023 (tCO$_2$e)	2024 (tCO$_2$e)	Chge. (%)
Warehousing	1	173.6	221.4	245.1	11%
	2	83.6	103.6	115.1	11%
	1 + 2	257.2	325.0	360.1	11%
Leasing and factoring	1	74.6	37.3	0.0	-100%
	2	0.0	0.0	0.0	0%
	1 + 2	74.6	37.3	0.0	-100%
Banorte	1	1,289.1	1,513.0	1,430.5	-5%
	2	55,070.9	57,440.4	49,596.5	-14%
	1 + 2	56,360.0	58,953.4	51,027.0	-13%
Insurance and Pensions	1	1,345.9	1,454.3	1,439.2	-1%
	2	738.5	690.8	808.0	17%
	1 + 2	2,084.4	2,145.1	2,247.2	5%
Grupo Financiero Banorte	1	2,883.3	3,225.9	3,114.8	-3%
	2	55,893.0	58,234.8	50,519.6	-13%
	1+2	58,776.3	61,460.7	53,634.4	-13%

* Figures as of the close of December 2024.
To calculate the Scope 1 emissions, we used the factors published by the Ministry of Environment and Natural Resources (SEMARNAT) in the "Agreement to establish the technical characteristics and the formulas to apply methodologies for the calculation of greenhouse gas or greenhouse compound emissions.[2]

To calculate Scope 2 emissions, we used, the National Electrical Emission Factor 2023, issued by the Energy Regulatory Commission (CRE) [3]. Scope 2 emissions are market-based.
Due to internal changes, the fuel consumption of Arrendadora y Factor Banorte (our leasing and factoring subsidiary) is consolidated into Banorte's as of June 2023, so these are not reported individually for 2024.

[2] Official Gazette of the Federation.

[3] aviso_fesen_2023.pdf

## GHG emissions - Scope 1 and 2, by the AFORE, by scope

GHG emissions - Scope 1 and 2 in tCO$_2$e					
Company	Scope	2022 (tCO$_2$e)	2023 (tCO$_2$e)	2024 (tCO$_2$e)	Chge. (%)
Afore XXI Banorte *Joint Venture**	1	145.41	204.13	194.89	-5%
	2	1,094.80	1,113.99	1,127.38	1%
	1 + 2	1,240.21	1,318.12	1,322.27	0%

* Figures as of December 2024.

Methods and sources of emission factors used in the calculation are the same as those used for the Group, as described above.

Because GFNorte does not hold operating control of the retirement fund manager (Afore), information on this company is not incorporated into these indicators, nor was it covered by the 2024 assurance process.

Emissions intensity of the Group in tCO$_2$e
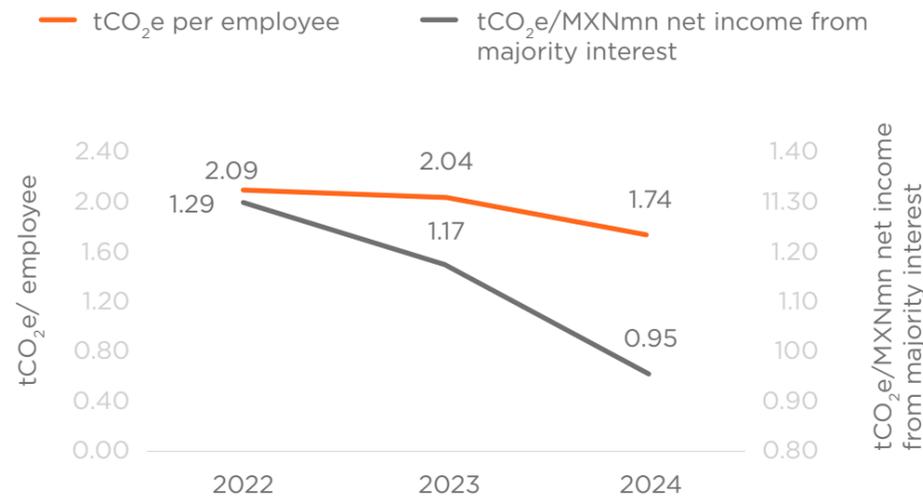
* To calculate emissions intensity, we used a base of 30,908 employees, including full-time employees, those working on a fee basis and other professional service providers, and MXN56.19bn in net income from majority interest. Includes scope 1 and 2 emissions from Group operations.

Emissions intensity for AFORE XXI in tCO$_2$e
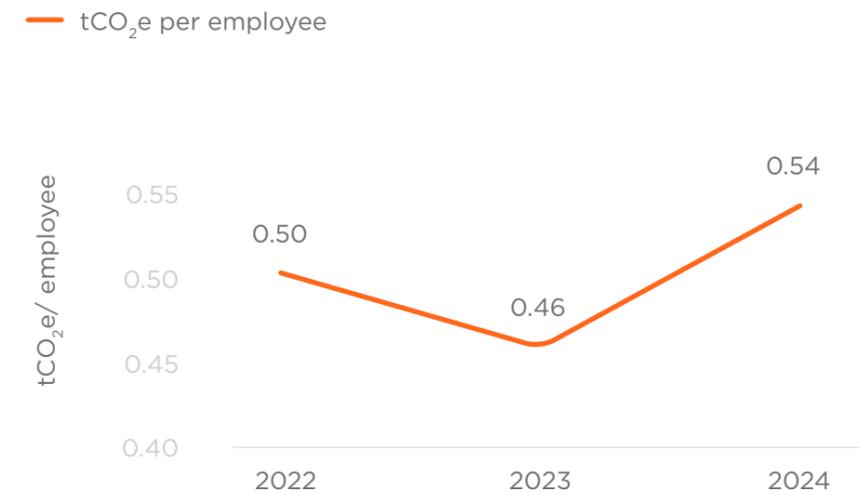
* To calculate emission intensity for the AFORE, we used a base of 2,432 employees, including full-time employees, those working on a fee basis and other professional service providers. The emissions included in this calculation correspond to scope 1 and 2 emissions by AFORE XXI operations.

To reduce our scope 2 carbon footprint through the use of renewable energy with guaranteed traceability of its generation, during the year we acquired 16,277 International Renewable Energy Certificates (IRECs), aligned with RE100 criteria. These certificates represent a total of 16,277 MWh of energy generated in the country through solar and wind technologies, from plants with less than 15 years of operation.

With this, emission intensity per employee and per million pesos of net income from majority interest was reduced by 14.9% and 18.6% respectively, associated primarily with an increase of 2.6% in the number of employees and 7.2% in net income compared to the previous year.

Scope 3

Scope 3 emissions include indirect emissions not directly controlled by the organization, that is, those generated in its value chain.

These are divided into 15 categories, the first of which are classified as "upstream" activities (prior to operation, such as the production and supply of materials) and the rest as "downstream" (post-operating phases, relating to the distribution, use and disposal of products). This approach gives us a comprehensive view of the environmental impacts of our entire value chain and helps highlight prioritize areas where our carbon footprint can be reduced. The following is a breakdown of our Scope 3 GHG emissions for categories 1, 2, 3, 4, 5, 6, and 9, which reflect the main sources of indirect emissions in our operating portfolio.

Scope 3 GHG emissions by GFNorte, cat. 1-14

GHG Protocol category	Description	Source	2022	2023	2024	Coverage
1	Purchased goods and services	Advertising print material, consultancy, refrigerant gas suppliers	6,755.8	11,657.3	7,120.1	95%
2	Capital goods	Purchase of laptops, desktops, ATMs, tablets, POS and POST, Thin Client, printers, multi-functionals, tokens, headsets, monitors	828.0*	18,013.0	20,056.9	95%
3	Fuel- and energy-related activities (not included in Scope 1 and 2)	Electricity transmission and distribution (T&D), and fuel well to tank (WTT)	9,853.1	10,245.8	10,123.0	100%
4	Upstream transportation and distribution	Correspondence, internal mail, and other internal shipments	1,335.7	2,461.9	2,209.9	95%
5	Waste generated in operations	Waste sent for recycling and to municipal landfills	180.1	282.7	248.3	39%
6	Business travel	Flights related to work matters	223.8	1,225.4	1,054.0	100%
9	Downstream transportation and distribution	International shipments, delivery of credit cards, and statement mailings	723.4	502.0	924.0	95%

* Figures as of December 2024

Category 1, 2, 4 and 9 emissions were calculated based on the expenses and factors supplied by the United States Environmental Protection Agency (US EPA) in the document "Supply Chain GHG Emission Factors for US Commodities and Industries v1.1.1."[4] The most recent factors published are for the year 2018 so we adjusted them for inflation in the intervening period and the exchange rate at the close of 2024. *Counting only laptops and desktop computers. 🔗 **see here.**

Category 3 emissions were calculated using the fuel-based method and the factors provided by the UK Department for Environment, Food & Rural Affairs (DEFRA) in the document 🔗 **"Conversion factors 2020: full set."** [5] Based on the 2023 Annual Report, the difference in category 3 figures from that year is the result of a correction in their calculation.

Category 5 emissions were calculated using the type-of-waste method, and category 6, based on distance. Both categories use the factors supplied by the US EPA in its "Emission Factors for Greenhouse Gas Inventories 2024."[6] 🔗 **see here.**

Scope 3 emissions by AFORE XXI (tCO$_2$e), cat. 1-14

GHG Protocol category	Description	Source	2022	2023	2024
1	Purchased goods and services	Refrigerant gas suppliers	40.03	50.5	0.0
3	Fuel- and energy-related activities (not included in Scope 1 and 2)	Electricity transmission and distribution (T&D), and fuel well to tank (WTT)	214.6	229.4	229.4
6	Business travel	Flights related to labor issues	37.8	73.0	66.0

* Figures as of the close of December 2024.

Because GFNorte does not hold operating control of the retirement fund manager (Afore), information on this company is not incorporated into these indicators, nor was it covered by the 2024 assurance process. The methods and sources of emission factors used for the calculation are the same as those used for the Group, as described above.

At the same time, Scope 3 GHG emissions category 15, also known as financed emissions, are crucial for the financial industry, as they relate to indirect emissions from financing and investments provided by financial institutions. For this reason, we have been quantifying financed emissions for various subsidiaries since 2022. These emissions are presented by subsidiary and by asset class in the following table:

GFNorte financed emissions - scope 3, cat. 15

Company	Asset class	Coverage 2023 (%)	2021 (tCO$_2$e)	2022 (tCO$_2$e)	2023 (tCO$_2$e)	Chge. (%)	Data quality
Banorte	Mortgage	100%	184,657	209,132	197,118	-6%	4.0
	Commercial real-estate	77%	711,980	724,549	298,213	-59%	3.7
	Investment projects	100%	943,032	825,194	888,578	8%	4.33
	Corporate loans	100%	7,921,188	8,364,004	9,471,080	13%	3.98
Leasing and factoring	Corporate loans	100%	544,732	402,658	707,907	76%	2.8
Operadora de Fondos Banorte	Stocks	98%	57,303	81,013	239,034	195%	2.02
	Corporate bonds	95%	7,496	18,815	42,557	126%	1.6
	Sovereign bonds	100%	1,557,426	1,450,290	1,623,931	12%	2.0
Grupo Financiero Banorte	**Assets on the balance sheet**	**27%**	**10,305,589**	**10,525,537**	**11,562,895**	**10%**	
	Off-balance assets	**69%**	**1,622,225**	**1,550,118**	**1,905,524**	**22.9%**	

* Figures as of the close of December 2023.

Coverage percentages and financed emissions in tCO$_2$e reported for fiscal year 2024 are limited to what was required under the NZBA and SBTi initiatives, because in that year the methodology was in the process of validation by our external auditor. The financed emissions reported for on-balance assets include subsidiaries Banorte (the bank) and Arrendadora y Factor Banorte (leasing and factoring), while emissions from off-balance assets correspond to Operadora de Fondos Banorte (our fund management subsidiary). In both cases, we used the Global Greenhouse Gas Accounting and Reporting Standard A, published by the PCAF.

The "coverage" column shows the percentage of the total balance or investment within the asset class. Mortgage loans, commercial real estate, and investment projects include short and long-term financing, while corporate loans include long-term financing. Short-term financing is defined as loans with maturities of less than one year, and long-term financing is defined as loans with maturities of more than one year.

To calculate financed emissions for Banorte (the bank) and Arrendadora y Factor Banorte (leasing and factoring), Scope 1, 2, and 3 greenhouse gas emissions were considered based on the availability of corresponding factors in the PCAF database. Investment projects and corporate loans encompass industries that are more carbon-intensive, including energy generation, oil & gas, aluminum, agriculture, coal, cement, construction, iron and steel, and transportation. Sources used for calculations include internal databases as well as clients' public reports and PCAF emission factors.

To calculate financed emissions for stocks, Real Estate Investment Trust (REIT), and corporate debt held by Operadora de Fondos Banorte (our fund management subsidiary), we included Scope 1 and 2 greenhouse gas emissions by the issuers in which we invest. Furthermore, in keeping with the PCAF standard, we included scope 3 emissions by the oil & gas, mining, transportation, construction, raw materials, building and industrial sectors.

To quantify financed emissions from sovereign bonds, we used Mexico's consumption emissions, where emissions intensity refers to the CO2 emissions per Gross Domestic Product based on Purchasing Power Parity (PPP-adjusted tCO_2e/GDP). Sources used for calculations include internal databases, as well as issuers' public reports, Refinitiv, and CDP. The data quality column shows the result of a weighted average of the client/issuer balances that make up the asset classes by their respective data quality. PCAF's data quality scale is used, where data quality 1 is of the highest quality, and data quality 5 is the lowest.

Financed emissions of AFORE XXI - scope 3, cat. 15

| Company	Asset class	Coverage 2023 (%)	2021 (tCO_2e)	2022 (tCO_2e)	2023 (tCO_2e)	Chge. (%)
AFORE XXI	Stocks	100%	321,802	309,956	448,099	44%
	REITs	71%	35,905	40,249	35,635	-11%
	Corporate bonds	62%	639,541	626,891	559,591	-7%
	Sovereign bonds	100%	9,036,920	9,036,920	11,527,460	28%

* Figures as of the close of December 2023.

Because GFNorte does not hold operating control of the retirement fund manager (Afore), information on this company is not incorporated into these indicators, nor was it covered by the 2024 assurance process.

To calculate financed emissions for stocks, REITs, and corporate debt held by Afore XXI Banorte, we included Scope 1 and 2 greenhouse gas emissions by the issuers of each instrument. If the issuer's enterprise value was not available for calculation, market capitalization was used. In the case of international companies with a presence in Mexico and a sustainability report at the subsidiary level, emissions of greenhouse gases at the Mexico level were used; otherwise, emissions at the corporate level were used for calculations. To quantify emissions from sovereign bonds, Mexico's consumption emissions were used, where emissions intensity refers to CO_2 emissions per Gross Domestic Product based on Purchasing Power Parity (PPP-adjusted tCO_2e/GDP). Sources used for calculations include internal databases, as well as MSCI, Bloomberg, Alladin S&P, CDP and Refinitiv.

GHG emission reduction targets

Scope 1 and 2 GHG emission targets at the Group level

We defined our Scope 1 and 2 GHG emission reduction targets with a coverage of 100%, including emissions by GFNorte and AFORE XXI, using the Absolute Contraction Approach, aligned with the scenario of a 1.5°C rise in global temperature.
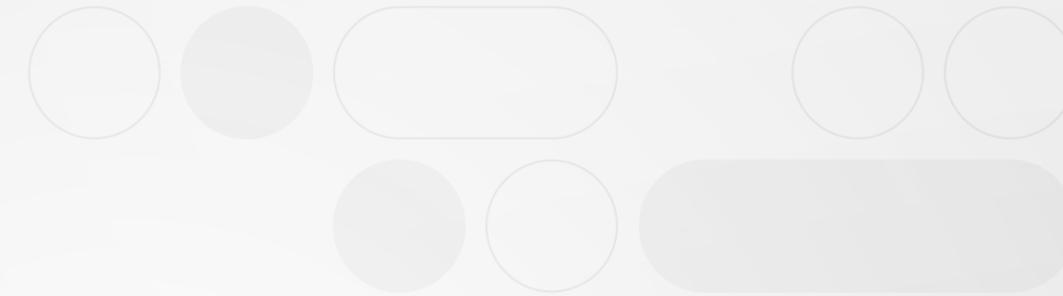
In 2024, we reduced our scope 1 and 2 emissions by 12.5%. This was due to reductions of 1.2% in energy consumption and of 12.1% in scope 2 emission through the purchase of 16,277 International Renewable Energy certificates corresponding to the 2024 reporting year.

Progress against the scope 1 and 2 emission reduction target

- Scope 1+2 Emissions (Estimated)
- Scope 1+2 Emissions (Real)
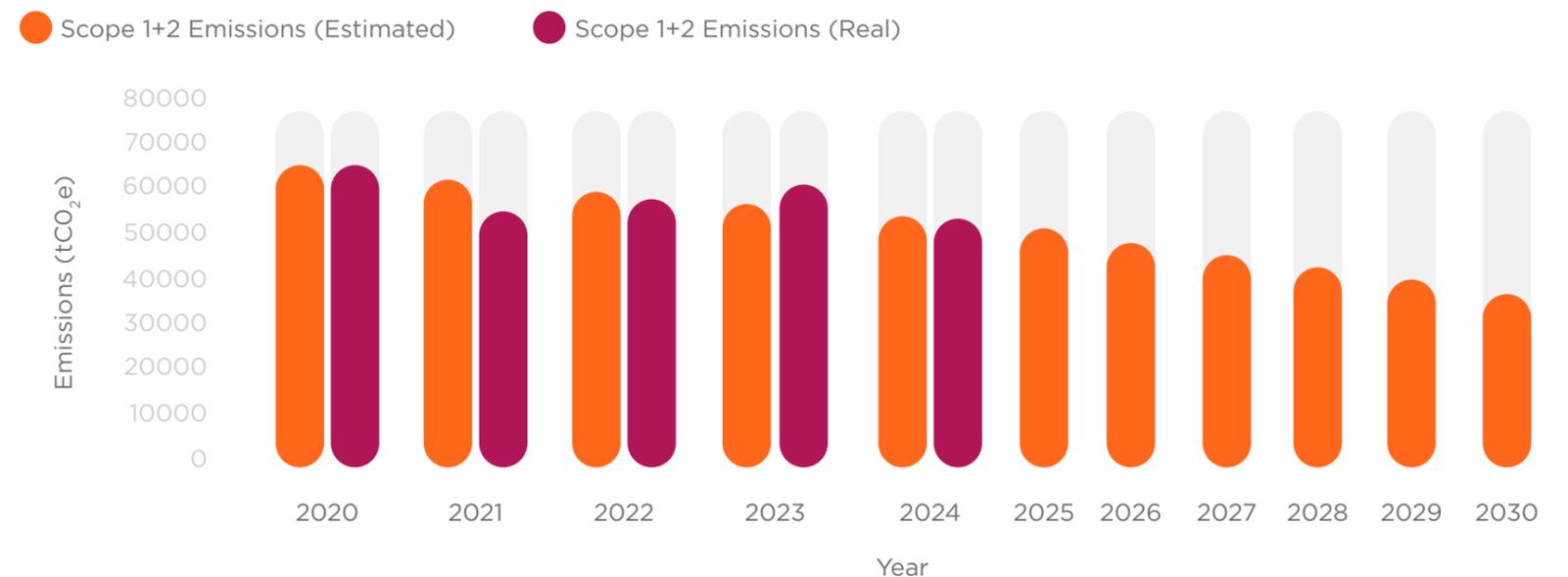
Targets for reduction of financed emissions at the Group level

We set GHG scope 3 category 15 reduction targets with a coverage of 19.5% of GFNorte's assets. For this purpose, we used the Science-Based Target-Setting Manual for the Financial Industry complemented by the Sectorial Decarbonization Approach (SDA) and the Portfolio Coverage Approach, all supplied by the SBTi. These tools allow us to set emission reduction targets based on scientific scenarios of 1.5°C and below 2°C, according to the asset class and industry. This ensures a more precise, industry-level alignment with our climate commitments.

Scope 3 emission reduction targets at the Group level

Asset class	KPI 2021 (Base year)	KPI 2022	KPI 2023	Metric	Coverage (% of assets)	Target	Target year	Methodology	Climate scenario
Mortgage	8.90	8.19	7.96	$kgCO_2e/m^2$	100%	42.1%	2030	SDA	SBTi 1.5°C
Commercial real estate	42.0	43.4	28.48	$kgCO_2e/m^2$	77%	52.5%	2030	SDA	SBTi 1.5°C
Energy generation	0.49	0.50	0.43	tCO_2e/MWh	100%	73.7%	2030	SDA	SBTi 1.5°C
Corporate loans – Oil & Gas	1.45%	3.71%	4.25%	Percentage coverage	95%	27.4%	2026	SBTi Portfolio coverage	SBTi 1.5°C
Corporate loans – other long-term loans					67%				
Common and preferred stock	10.5%	3.4%	6.8%	Percentage coverage	100%	34.1%	2026	SBTi Portfolio coverage	SBTi 1.5°C
Corporate bonds					100%				
Exchange-traded funds (ETFs)					100%				

* Figures as of December 2023.

Short term refers to loans with maturities of less than one year; long term means loans with maturities of more than one year. In both cases, with respect to the base year (2022 for the purposes of this exercise). The targets for the mortgage and commercial real estate segments apply only to Banorte (the bank), and include short- and long-term loans, except for investment projects in commercial real estate, which is not included in this target. Targets for both these asset classes were set using the SDA Tool for Commercial Real Estate and Residential Mortgages, version 1.2, which provides a reference framework for decarbonization of the real-estate industry.

The target for energy generation includes investment projects and corporate loans with short- and long-term maturities. We used the "Science Based Targets Setting Tool" version 2.1 to set the target for energy generation, so that we could align our targets with the reduction of emissions required to mitigate climate change in carbon-intensive industries.

Corporate loans include the portfolios of Banorte and Arrendadora y Factor Banorte. This asset class includes loans to the oil & gas industry at short and long terms, and other long-term loans, primarily from other highly carbon-intensive industries. This industry-based approach allows us to focus our decarbonization efforts on key areas, ensuring that our commitments reflect both market realities and the environmental responsibility we assume in our financing operations.

The Common and Preferred Stock, Corporate Bonds, and Exchange-Traded Funds (ETFs) correspond to the "Investments in Securities" account. This account includes negotiable financial instruments, assets available for sale and held to maturity, by all subsidiaries of the Group that manage assets on the balance sheet. ETFs directly consider the commitments of the instrument managers, not constituent issuers, to the SBTi. In line with SBTi methodologies, the exercise covers all mandatory asset classes and their respective coverages, unless the asset class does not exist in the Group's balance sheet. Additionally, coverage also includes mortgages, which are a voluntary asset class.

Our scope 1, 2 and 3 GHG emission reduction targets have been validated and approved by SBTi; we are the first financial institution in Latin America whose targets have been subject to this additional verification process.

Financed emission reduction targets at the bank level (Banorte)

In addition, we have set specific targets for highly carbon-intensive industries served by Banorte (the bank), covering 43.4% of our loan portfolio. These targets were developed following NZBA guidelines and applying both SDA and Absolute Contraction methodologies.

To set these targets, we used the 1.5°C science-based scenarios proposed by SBTi, as well as the Net Zero Emissions 2050 (NZE 2050) scenario of the International Energy Agency (IEA). This approach allows us to adapt our decarbonization strategies to the specific needs and challenges of each industry, aligning our actions with the global goals of mitigating climate change and ensuring an orderly and responsible transition to a low-carbon economy.

Scope 3 targets at the bank level (Banorte)

Industry	KPI 2021 (Base year)	KPI 2022	KPI 2023	Metric	Industry coverage (% of portfolio)	Target 2030	Board approved ranges	Methodology	Climate scenario	Total financed emissions (tCO$_2$e)
Mortgage	8.9	8.19	7.96	kgCO$_2$e/ m^2	100%	42.10%	20% - 39%	SDA	SBTi 1.5°C	197,117.92
Commercial real estate	42	43.36	28.48	kgCO$_2$e/ m^2	75%	52.50%	19% - 37%	SDA	SBTi 1.5°C	298,213.44
Subtotal of real estate portfolio										**495,331.36**
Energy generation	0.49	0.5	0.43	tCO$_2$e/ MWh	100%	73.70%	34% - 68%	SDA	SBTi 1.5°C	1,435,101.59
Oil & Gas	2,109,250	1,875,030	1,893,070	tCO$_2$e	95%	21.00%	24% - 47%	Absolute contraction	IEA – NZE 2050	1,893,070.39
Agriculture & livestock	1,691,253	1,789,475	1,626,191	tCO$_2$e	100%	35.00%	18% - 35%	Absolute contraction	IEA – NZE 2050	1,626,190.71
Aluminum	5,973	15,273	36,666	tCO$_2$e	100%	35.00%	18% - 35%	Absolute contraction	IEA – NZE 2050	36,666.46
Iron & steel	50,136	45,027	261,002	tCO$_2$e	100%	22.00%	11% - 22%	Absolute contraction	IEA – NZE 2050	261,001.95
Coal	1,418	156	4,244	tCO$_2$e	100%	68.00%	34% - 68%	Absolute contraction	IEA – NZE 2050	4,244.27
Transportation	46,608	51,729	63,818	tCO$_2$e	100%	18.00%	9% - 18%	Absolute contraction	IEA – NZE 2050	63,818.10
Cement	1,161,167	1,194,810	1,275,564	tCO$_2$e	100%	17.00%	3% - 18%	Absolute contraction	IEA – NZE 2050	1,275,564.42
Construction	164,519	194,841	256,281	tCO$_2$e	100%	35.00%	18% - 35%	Absolute contraction	IEA – NZE 2050	256,281.26
Subtotal of carbon intensity industries										**6,851,939.15**

* Figures as of December 2023.

As with the scope 3 targets at the group level, we defined financing terms according to maturity, classified into short and long term, using the base year 2022 as a reference. All industries covered by our analysis include both short and long-term loans, allowing us to comprehensively assess decarbonization commitments according to the time horizon of each loan.

The reported ranges are between the optimistic and conservative scenarios for the measures that Banorte would have to take, depending on the market response and economic conditions. These ranges have been approved by the Board of Directors and are included for informational purposes, in order to make informed strategic decisions consistent with the organization's climate targets. In line with the NZBA guide, the exercise covers the nine mandatory highly carbon-intense industries, which ensures that our emission reduction commitments are focused on areas of greatest impact.

GHG emission reduction targets set for these industries were presented to and approved by the Sustainability Committee, the RPC and the Board of Directors, firmly underscoring our institutional commitment to sustainability and proactive management of the risks associated with climate change.

Decarbonization plan

In 2024, in order to advance along the path of decarbonization and achieve the emission reduction targets for our internal operations and our portfolio, we worked in areas aligned with the Group's position on climate change. Details of these, as well as our next steps, are listed below.

Scope 1 and 2 emissions:

› To guarantee best sustainability practices are in place throughout our branch network, we began a pilot project focused on distributed energy generation involving installation of solar panels on rooftops to supply part of the buildings' electricity consumption.

› We are also working on a first phase to certify a portfolio of 14 branches under the Excellence in Design for Greater Efficiencies (EDGE) scheme, which will allow us to optimize energy resources, water and the energy embodied in the materials, a process we will complete in 2025. In addition, we are upgrading air-conditioning equipment at 43 branches to reduce our energy consumption.

› We began the EDGE Advanced certification process for two major corporate buildings located in Nuevo León, which will be completed during 2025. We also installed five charging stations for plug-in hybrid and electric vehicles in one of these buildings.

› Contributing to the reduction of our Scope 2 carbon footprint, in the reporting year we purchased 16,277 International Renewable Energy Certificates (IRECs), equivalent to a total of 16,277 of MWh from solar and wind technology.

› To raise environmental awareness among our employees, we created a series of informative and demonstrative capsules on best practices in energy efficiency, waste reduction, separation and recycling, which have been shown within our facilities, as well as through our internal media.

› Under our climate governance structure, through a multidisciplinary work team called the "Operational Ecoefficiency Cell", which meets every two months and involves six separate departments of the Group, we identify, evaluate, develop and implement projects focused on ecoefficiency within the Group in the areas of energy, water, waste, mobility and emissions. These projects are presented in the Sustainability Macrocell once they have achieved a more advanced degree of maturity.

› As next steps, to encourage the development of emission reduction initiatives, we will work on setting an internal carbon price. We will also evaluate the gradual replacement of some of our internal combustion-engine vehicles with hybrid or electric vehicles.

Scope 3 emissions

› On January 1, 2024, we introduced specific limits on financing to activities based on coal, oil and unconventional gas. In a transitional period, these activities will be capped at increasingly lower levels, from now until January 2030, when the full ban will apply. As part of this effort, we conducted a series of training sessions for our account executives in March 2024 with a participation of more than 1,000 employees to identify clients to whom these restrictions would apply.

› In February 2024, we issued our first sustainable bond in the amount of MXN $13.06 billion. As a result of this issuance, during 2024 we worked with both our business areas and our clients to identify and finance projects that could be eligible for financing with the bond's proceeds, taking into account the specific characteristics of each financing destination aligned with our Reference Framework.

› As part of the process of identifying eligible projects, in 2024 GFNorte approached clients in industries considered strategic for the reduction of our financed emissions to discuss ESG issues, including the current conditions of the industry, its performance and trends, as well as applicable regulations, in order to determine the main areas of opportunity in ESG matters and thus identify financing opportunities. For Corporate Banking, we are working with clients in the hospitality and industrial park industries, while for Business Banking we are working with clients in the commercial real estate, transportation and livestock industries.

› To strengthen our climate governance, we worked within two multidisciplinary teams called "Climate Risk Cell" and "Sustainable Finance Cell" in which more than ten departments are involved. Within each of these, projects related to the development of sustainable products, the labeling of financing, models for climate risk management, and measurement of the carbon footprint of the credit portfolio are reported. Once they reach a certain level of maturity, the projects are presented to the Sustainability Macrocell which, in turn, reports to the RPC. These committees meet quarterly and monthly, respectively.

In 2024, the topics addressed were:

- Performance of the SEMS

- Climate strategy: decarbonization

- Disclosure of climate information in the Climate Risks and Opportunities Report, based on TCFD recommendations.

- Follow-up on ESG indicators

- Progress of the first stage for the identification of impacts and dependencies of nature based on the recommendations of the TNFD.

› We worked for transparency in reporting sustainability-related indicators, as well as climate-related risks and opportunities, incorporating two variables related to decarbonization goals and climate risk into our New Internal Risk Rating (NIRR), in order to encourage our clients to make efforts and investments to reduce atmospheric emissions and disclose climate risk. Likewise, we are working on aligning with the requirements of the Sustainability Reporting Standards (SRS), issued in 2024 by the CINIF, promoting a more efficient management of resources in environmental matters.

› Finally, in 2024 we strengthened the sources of information, automating some processes for calculating the scope 3 category 15 emissions footprint, which for the first time will be part of the verification process by an independent third party. This Risks and Opportunities report provides details on the progress of each of our goals.

Conclusions

This report shares GFNorte's progress in climate-related risk and opportunity management, in keeping with the recommendations of the TCFD. Throughout this report, we demonstrate how climate change is integral to the agendas of the institution's most important governing bodies and, furthermore, how the Group has developed internal teams of specialists that focus their attention on these priority issues for the business.

In terms of its climate strategy, GFNorte made substantial progress over the previous year, having restructured the strategy into five guiding pillars based on the MEDIR methodology, which consist of: Modeling climate risk, Emphasizing the green value proposition, Decarbonizing the portfolio, Integrating climate change into operations, and Reporting on commitments and progress. This structure gives us a quantitative baseline useful for measuring and adjusting the strategy and working toward global commitments, measuring scope 1, 2, and 3 emissions, and defining decarbonization targets. Furthermore, we developed in-house methodologies for scenario building and stress testing that can be incorporated into the organization's risk management.

The analysis of physical risks gave us a detailed understanding of vulnerability to hydro-meteorological events, showing that, as temperatures rise in the climate scenarios used by the IPCC, our branches and our real-estate, lodging and mortgage portfolios present increasing exposure. An analysis of cyclone risk revealed that the greatest impacts on the value of mortgage portfolio collateral are in Quintana Roo, Sinaloa, Baja California Sur, Yucatan, and Nayarit, while for real-estate and lodging portfolios, they were in Quintana Roo, Baja California Sur, Sinaloa, Nayarit, and Jalisco. This confirms the need to strengthen mitigation actions, although GFNorte has sufficient capital to absorb losses caused by the materialization of various hydro-meteorological risks, according to stress tests we conducted.

In our analysis of transition risks, the scenarios we used were Delayed Transition and Net Zero. The first of these assumes a gradual deployment of climate measures beginning in 2030, allowing portfolios to gradually adapt. In contrast, the Net Zero scenario is more severe, as it assumes structural changes that will make it more difficult for companies to prepare for change. Based on the results of this analysis, GFNorte has decided to assist its clients in improving their practices, allowing them to transition in a stable manner according to their own needs. The results of the climate shock analysis indicate that industries with a high transition risk, because of their higher level of carbon emission, are aluminum, iron, steel, and agriculture and livestock. This could threaten their profitability under the projected scenarios. These industries together represent 1.2% of Banorte's portfolio—although this is a manageable percentage, we will work to reduce its impact on emission through decarbonization strategies.

In quantifying our emissions, we found that scope 1 and 2 emissions, which are direct and indirect emissions generated by the company's activities, decreased last year. For scope 3 emissions, which are the most material for the financial industry, the exercise focused on the most relevant industries for the bank's portfolio: oil & gas, agriculture and livestock, and cement being the most emission-intensive industries. In the case of our fund manager, Operadora de Fondos Banorte, the measurement focused on stocks, corporate bonds, and sovereign bonds, and found that the highest emissions were among equity issuers. Greenhouse gas reduction targets were adjusted for scope 1 and 2 in keeping with our commitments under the SBTi. Financed emissions targets were defined and validated using SBTi methodologies and the guidelines of the NZBA, covering 43.4% of Banorte's loan portfolio.

List of acronyms

ACPC	Audit and Corporate Practices Committee	**CO$_2$e**	Carbon dioxide equivalent	**EP**	Equator Principles
BCP	Business continuity plan	**CONAGUA**	National Water Commission	**ESG**	Environmental, social and governance
CCNST	Climate Change and Nature Specialist Team	**CRE**	Energy Regulatory Commission	**ETF**	Exchange-traded fund (also known as TRAC)
CDP	Carbon Disclosure Project	**CRMU**	Comprehensive Risk Management Unit	**GCAM**	Global Change Analysis Model
CENAPRED	National Center for Disaster Prevention	**DEFRA**	Department of the Environment, Food and Rural Areas	**GDP**	Gross domestic product
CEI	Climate-exposed industries	**DRII**	Disaster Recovery Institute International	**GFNorte**	Grupo Financiero Banorte
CH$_4$	Methane	**DRP**	Disaster recovery plan	**GHG**	Greenhouse gases
CINIF	Mexican Council for Financial Reporting Standards	**EBITDA**	Earnings before income tax, depreciation and amortization	**HAR**	Hydrological-administrative regions
CNBV	National Banking and Securities Commission, in Spanish	**EDGE**	Excellence in Design for Greater Efficiencies	**IAC**	Industry activity codes
CO$_2$	Carbon dioxide	**ENSO**	El Niño Southern Oscillation	**IAM**	Integrated assessment models

List of acronyms

IEA	International Energy Agency	**KCI**	Key climate indicators	**NZBA**	Net Zero Banking Alliance
IFC	International Finance Corporation	**LEAP**	Locate, Evaluate, Analyze and Prepare	**NZE**	Net Zero Emissions
IFRS	International Financial Reporting Standards	**MEDIR**	Model, Emphasize green solutions, Decarbonize, Integrate and Report	**PCAF**	Partnership for Carbon Accounting Financials
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	**MO**	Management Opinion	**PD**	Probability of Default
IFRS S2	Climate-related Disclosures	**N₂O**	Nitrous oxide	**PRB**	Principles for Responsible Banking
IM	Internal Models	**NADM**	North American Drought Monitor	**PRI**	Principles for Responsible Investment
INEGI	National Institute for Statistics, Geography and Informatics	**NASA**	National Air and Space Administration	**PS**	Performance Standard
IPCC	Intergovernmental Panel on Climate Change	**NIRR**	New Internal Risk Rating	**RCP**	Representative Concentration Pathway
IREC	International Renewable Energy Certificate	**NGFS**	Network for Greening the Financial System	**REIT**	Real Estate Investment Trust
ISSB	International Sustainability Standards Board	**NiGEM**	National Institute Global Econometric Model	**RPC**	Risk Policies Committee

List of acronyms

Acronym	Definition	Acronym	Definition	Acronym	Definition
S1	Scope 1 emissions	SDA	Sectoral Decarbonization Approach	TCFD	Task Force on Climate-related Financial Disclosures
S2	Scope 2 emissions	SDG	Sustainable Development Goals	TM	Target Markets
S3	Scope 3 emissions	SEMARNAT	Ministry of the Environment and Natural Resources	TNFD	Task Force on Nature-Related Financial Disclosures
SASB	Sustainability Accounting Standards Board	SEMS	Social and Environmental Management System	UN	United Nations
SBTi	Science-Based Targets initiative	SRS	Sustainability Reporting Standard	WEF	World Economic Forum
SC	Sustainability Committee	SSP	Shared Socioeconomic Pathways	WWF	World Wildlife Fund
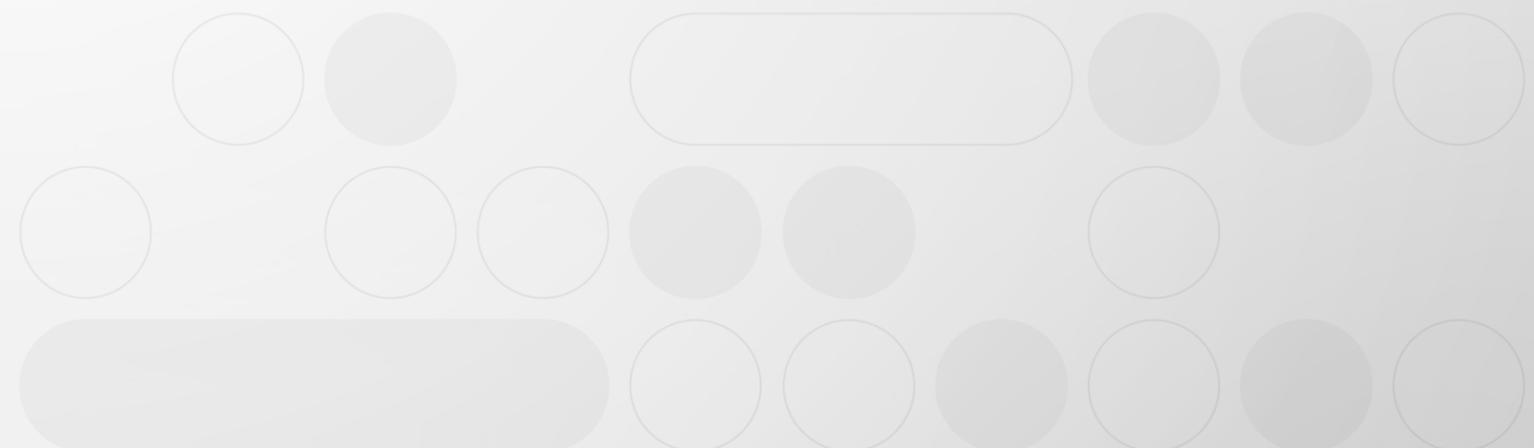
Glossary

Adaptation
Ecological, social, or economic changes that occur in response to real or expected climate effects or impacts. Includes changes in processes, practices, and structures to moderate the potential damages or benefit from opportunities associated with climate change.

Biodiversity
The variability of living organisms in all environments, including land and marine ecosystems, other aquatic ecosystems and ecological complexes; includes species and inter-species diversity and ecosystem diversity, resulting from billions of years of evolution by natural processes.

Capital adequacy assessment
A component of comprehensive risk management, consisting of a calculation to determine whether an institution's net capital would be sufficient to cover the potential losses derived from the risks to which it could be exposed in different scenarios, including those in which adverse economic conditions prevail.

Climate change
Article 1 of the United Nations Framework Convention on Climate Change defines climate change as "a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods." The UNFCCC differentiates between climate change attributable to human activities that alter the composition of the atmosphere and climate variability attributed to natural causes.

Desired risk profile
Risk profile that GFNorte is willing to assume in accordance with its business model and strategies, to achieve its objectives.

Expected loss
A standard counterparty risk metric, defined as the value of a potential loss cause by counterparty default.

Exposure at default
Amount that the bank is exposed to losing at the time of default on a loan.

Fossil fuel
A general term referring to underground geological deposits of combustible organic materials formed from the decomposition of plants and animals that after hundreds of millions of years of heat and compression in the earth's crust becomes crude oil, coal, natural gas, or heavy oil.

Framework for Comprehensive Risk Management
Set of objectives, policies, guidelines, and procedures that regulate GFNorte's comprehensive risk management activity.

Fugitive emissions
Leaks and discharges of fossil carbon streams from extraction to final oxidation.

Greenhouse gases (GHG)
Gaseous constituents of the atmosphere, both natural and manmade, that absorb and re-emit infrared radiation, for example, carbon dioxide (CO_2).

Loss severity
Measures the intensity of the loss that is not expected to be recovered in the event of default, expressed as a percentage of the Exposure at Default (ED).

Glossary

Mitigation
Efforts to reduce or prevent greenhouse gas emissions. May include the use of new technologies and renewable energies, improvements in the energy efficiency of old equipment or change in management practices or consumer habits.

Nature-related risk
The TNFD defines nature-related risks as the potential threats posed to an organization linked to its and society's dependencies on nature and nature impacts.

Physical risk
Risks resulting from climate change such as natural disasters that are more frequent and intense in the short term (acute) or longer-term shifts (chronic) in climate patterns.

› **Acute Risk:** Refers to event-driven incident, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods.

› **Chronic Risk:** Refers to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause in sea level rise or chronic heat waves.

Primary sector
Sector of the economy engaged in activities that require the exploitation of natural resources to extract raw materials.

Probability of default
A credit rating measure, defined as the probability that a borrower will fail to perform its obligation to the bank in accordance with the originally agreed terms and conditions.

Radiative forcing
Change in the net flux of radiative energy to the Earth's surface measured at the upper edge of the troposphere (about 12,000m above sea level) as a result of internal changes in the composition of the atmosphere, or changes in the external contribution of solar energy.

Risk profile
Quantitative and qualitative description of the different risks to which GFNorte is exposed at any given time.

Risk exposure Limits
Permissible magnitude of exposure to different types of risk by business unit, risk factor, cause or origin.

Scope 1 GHG emissions
Direct emissions from fuel combustion from fixed or mobile sources, fugitive emissions, farming, forestry, waste generation and changes in land use.

Scope 2 GHG emissions
Indirect emissions resulting from the purchase of electrical, steam or cooling energy.

Scope 3 GHG emissions
Other indirect emissions not under the company's control; products and services purchased, business travel, employee commuting, waste disposal, use of products sold, transportation and distribution (upstream and downstream), investments, leased assets, and franchises. For financial institutions, scope 3 emissions from investment are the most significant category.

Strengthened conditional target
A target that requires external support to reduce greenhouse gas emissions.

Glossary

Transition risk

Risks stemming from the transition to a low-emission economy, including extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Transition risks may pose varying financial and reputational risk levels to organizations depending on these changes' nature, speed, and focus.

› **Legal risk:** Potential losses from noncompliance with the applicable legal and administrative provisions, administrative or court rulings against the organization, and sanctions, regarding the operations Banorte engages in.

› **Market risk:** Potential losses from changes in risk factors that affect the valuation or expected results of borrowing, lending, or contingent transactions.

› **Regulation risk:** Potential loss due to inspections, examination, investigation, and regulatory audits that may result in sanctions or the imposition of corrective measures.

› **Emerging regulation risk:** Potential losses due to frequent reviews and changes in government regulation.

› **Reputational risk:** Potential losses from the operations of each of the group's entities caused by diminished perceptions among internal and external stakeholders regarding its solvency and viability.

› **Technological risk:** Potential losses due to the inability to promptly improve or effectively upgrade our information technology infrastructure and data management systems.

Water footprint

Total volume of fresh water used for the production of goods and services throughout their lifecycle.

Water security

A society's capacity to obtain water in an amount and of a quality acceptable for survival and the performance of its various activities. Also implies an acceptable level of water-related risk, including droughts, flooding or pollution.

Water stress

One of the most immediate and serious effects of climate change, defined as a lack of community access to sufficient and safe potable water. Refers to scarcity, drought, flooding, water pollution and other water-related issues.

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Credit and Climate Risk

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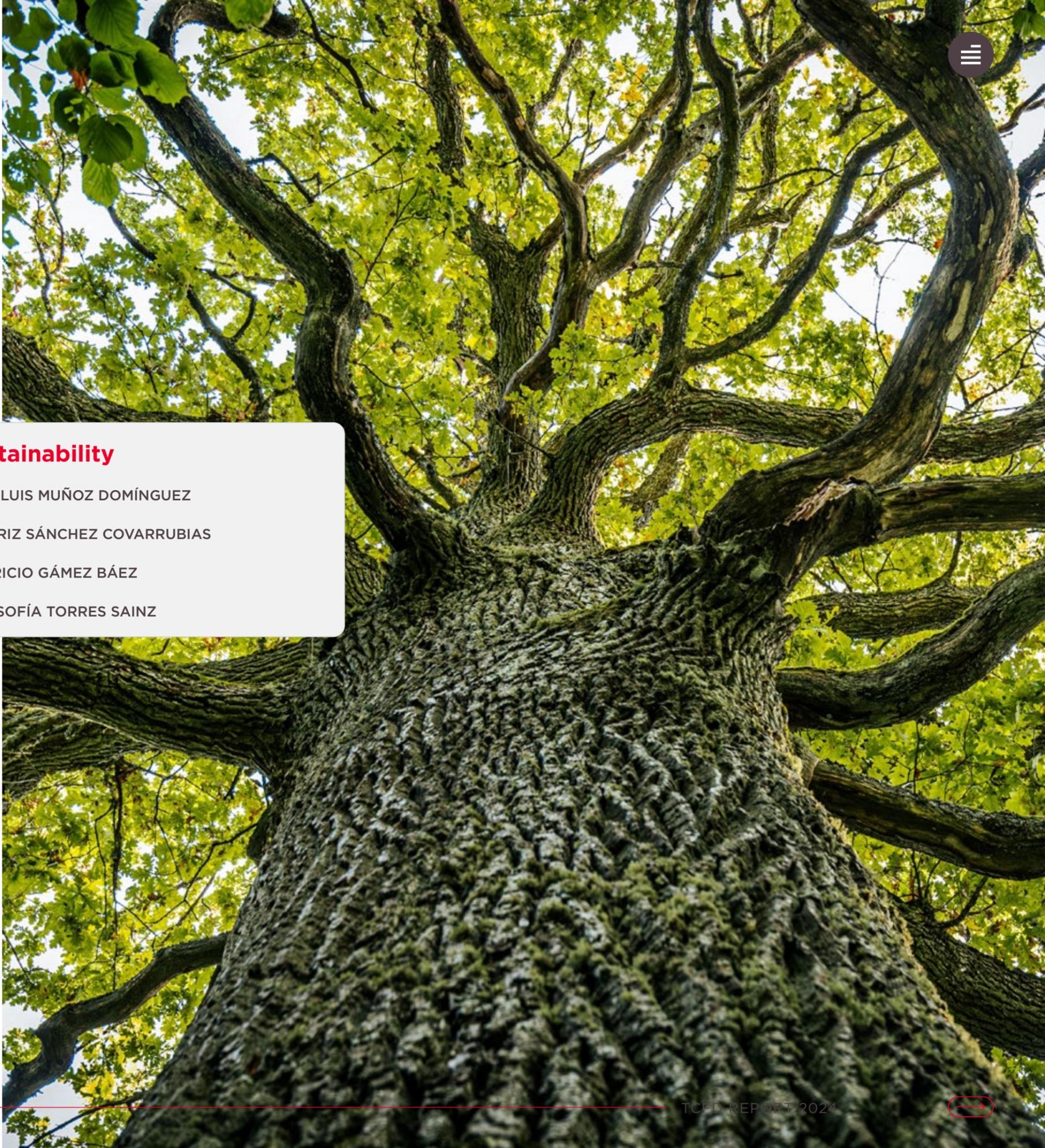
REPORT ON CLIMATE-
RELATED RISKS AND
OPPORTUNITIES

TASK FORCE ON
CLIMATE-RELATED
FINANCIAL DISCLOSURES

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