



## **PUBLIC TRANSPARENCY REPORT**

**2024**

**Afore XXI Banorte**

Generated 25-11-2024

# About this report

PRI reporting is the largest global reporting project on responsible investment. It was developed with investors, for investors.

PRI signatories are required to report publicly on their responsible investment activities each year. In turn, they receive a number of outputs, including a public and private Transparency Report.

The public Transparency Reports, which are produced using signatories' reported information, provide accountability and support signatories to have internal discussions about their practices and to discuss these with their clients, beneficiaries, and other stakeholders.

This public Transparency Report is an export of the signatory's responses to the PRI Reporting Framework during the 2024 reporting period. It includes the signatory's responses to core indicators, as well as responses to plus indicators that the signatory has agreed to make public.

In response to signatory feedback, the PRI has not summarised signatories' responses – the information in this document is presented exactly as it was reported.

For each of the indicators in this document, all options selected by the signatory are presented, including links and qualitative responses. In some indicators, all applicable options are included for additional context.

## Disclaimers

### Legal Context

PRI recognises that the laws and regulations to which signatories are subject differ by jurisdiction. We do not seek or require any signatory to take an action that is not in compliance with applicable laws. All signatory responses should therefore be understood to be subject to and informed by the legal and regulatory context in which the signatory operates.

### Responsible investment definitions

Within the PRI Reporting Framework Glossary, we provide definitions for key terms to guide reporting on responsible investment practices in the Reporting Framework. These definitions may differ from those used or proposed by other authorities and regulatory bodies due to evolving industry perspectives and changing legislative landscapes. Users of this report should be aware of these variations, as they may impact interpretations of the information provided.

### Data accuracy

This document presents information reported directly by signatories in the 2024 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented. The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

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# SENIOR LEADERSHIP STATEMENT (SLS)

## SENIOR LEADERSHIP STATEMENT

### SENIOR LEADERSHIP STATEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1	CORE	N/A	N/A	PUBLIC	Senior Leadership Statement	GENERAL

#### Section 1. Our commitment

- Why does your organisation engage in responsible investment?
- What is your organisation's overall approach to responsible investment, and what major responsible investment commitment(s) have you made?

Afore XXI Banorte, as Mexico's largest pension fund and a leader in responsible investment in Latin America, is deeply committed to environmental, social, and governance (ESG) factors. While we recognize ESG challenges, we have a commitment and fiduciary duty to maximize returns on workers' resources under a responsible investment strategy, building sustainable, equitable, healthy, and diverse communities that result in recognition and loyalty from our clients.

Our investment strategy has a long-term sustainable development approach, through which we seek to build climate-resilient portfolios, finance projects, companies, and funds that implement ESG best practices, recognizing that the financial system can contribute to a healthy economic development that goes hand in hand with an environmental and social balance.

We believe that collaboration between investors, companies, regulators, and other stakeholders is essential to improve the management of sustainability issues. We are members of the Task Force on Climate-related Financial Disclosures (TCFD), active signatories of the UN Principles for Responsible Investment, members of the 30% Club México, representative Subcomité de Inversión Responsable in Asociación Mexicana de Afores (AMAFORE) and members Climate Action 100+.

Afore XXI Banorte recognizes that the effects of climate change constitute an investment risk and that the climate transition represents an opportunity. Therefore, investment should seek to protect assets from such risk and at the same time take advantage of the opportunities presented by transition to a low-carbon economy.

Our responsible investment strategy includes 4 focal points

- Mitigation of climate change and natural resource depletion
- Diversity and inclusion
- Ethics and business conduct
- ESG incentives aligned with financial value creation

## Section 2. Annual overview

- Discuss your organisation's progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.
- Reflect on your performance with respect to your organisation's responsible investment objectives and targets during the reporting year. Details might include, for example, outlining your single most important achievement or describing your general progress on topics such as the following (where applicable):
  - refinement of ESG analysis and incorporation
  - stewardship activities with investees and/or with policymakers
  - collaborative engagements
  - attainment of responsible investment certifications and/or awards

### Refinement of ESG analysis and incorporation

In 2023, Afore XXI Banorte developed a methodology to measure the sustainability performance of its portfolio and its alignment with the Sustainable Development Goals (SDGs). Before Afore XXI Banorte aligned 27 commitments in its matrix with 10 of the 17 SDGs, following the indicators of the Global Framework for the SDGs. In addition, the coverage of externally managed assets was expanded through contractual agreements to ensure that external managers apply their responsible investment approach. On the other hand at the end of 2023, through internal methodology as well as the information provided by the internationally recognized rating agency, we reached a coverage of 99% of the aforementioned assets, which represented an increase of 3% compared to the previous year in relative terms.

### Stewardship activities

For all investments in the portfolio, practices or instances of violations of the UN Global Compact principles, covering Human Rights, Labour Rights, Environment, and Corruption, were analyzed. Companies and managers must implement due diligence processes to identify and mitigate such violations. A human rights strategy was created that incorporated key performance indicators (KPIs) to measure performance in this area.

### ESG Risk and Commitment Assessment

Through sector transition risk analysis and quantification of GHG emissions, opportunities and risks were identified in the short, medium, and long term, focusing on the sectors financed by the portfolio. By the end of 2023, 263 commitments related to ESG risks were formalized for 39 issuers in the portfolio, distributed across the corporate governance (52%), environmental (33%), and social (14%) pillars.

### Collaboration with policymakers

Afore XXI Banorte has contributed to strengthening sustainable investment regulation, leading the Subcomité de Inversión Responsable in AMAFORE and working with regulators to align sustainability standards globally. In 2023, together with AMAFORE, a standardized questionnaire for issuers was created, promoting transparency and alleviating multiple reporting burdens.

Synergies were generated at the union level to support the Estrategia de Movilización Financiera (EMFS) of the Ministry of the Secretaría de Hacienda y Crédito Público (SHCP), participating in working groups and workshops to implement the first Mexican taxonomy. They also participated in the pilot process of the Science-based Targets (SBTi) initiative for Financial Institutions, evaluating the robustness and practicality of the criteria. In addition to this, this year we made public our political commitment guidelines and our main contributions.

### Collaborative engagement

Afore XXI Banorte joined the first collaborative investor initiative in Latin America to drive decarbonization and climate action, involving investors from Chile, Colombia, Mexico, and Peru. In this initiative, a relationship will be established with 11 companies in the first half of 2024, with the possibility of expanding the list of companies in a second phase. In addition, through Climate Action 100+, they are actively engaged in 3 commitments with the most polluting companies in Mexico.

### Certifications and Awards

For the 9th consecutive year we are recognised as the Best Pension Fund in Mexico

For the 4th consecutive year we were awarded the Socially Responsible Company (ESR) Distinction.

For the 2nd consecutive year we were recognised as a "Great Place to Work", reflecting our commitment to labour welfare and excellence in human resources management.

First Afore to obtain gold certification in compliance with Mexican Standard NMX-R-025-SCFI-2015 on Labour Equality and Non-Discrimination.

We obtained Morningstar recognition, bronze rating

In addition, our Responsible Investment team is highly trained and holds internationally recognised ESG certifications such as "Certificate in ESG Investing" by CFA Institute, and "Certified Environmental, Social and Governance Analyst" by the European Federation of Financial Analysts Societies EFFAS.

Afore XXI Banorte is the only Afore that, for the third consecutive year, discloses sustainability information and is the first to publish a voluntary TCFD report.

### Section 3. Next steps

■ What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?

To advance our commitment to a resilient future, we will focus on the following actions:

- During 2024 we will initiate the process of joining the Science Based Target Initiative, to set concrete targets and promote the transition of our portfolio to a low-carbon economy.

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- We will join as an active promoter into the CDP's SBT campaign . This campaign brings together financial institutions in the region to encourage high-impact companies to set science-based targets.

- We will seek the adoption of the Taxonomy by promoting investments that contribute to building climate-resilient portfolios and healthy economic development in the country.

- We will promote a just climate transition through active engagement with investee companies terms of disclosure and transparency, GHG emissions inventories, and GHG reduction target setting.

- For polluting sectors such as materials, energy, transport, and utilities we will seek their adherence to Science Based Targets (SBTs) or the establishment of GHG emission reduction targets in line with science-based objectives.

- We will conduct a physical and operational risk analysis by sector in the investment portfolio.

- We will quantify the financial impact of the physical and transition risks identified in the portfolio.

- We will Increase the scope of our climate scenarios to incorporate a time horizon out to the end of the century to determine the evolution of the portfolio's current risks.
- We will increase our participation in thematic impact investments that make a tangible, science-based, and measurable contribution to the SDGs that meet robust sustainability criteria.
- We will continue to promote diversity and inclusion in our portfolio companies by supporting and encouraging initiatives such as the 30 Plus Club, the Global Compact's Women's Empowerment Principles (WEPs), and UN Women.
- We will adopt the recommendations of TNFD (Task Force on Nature-related Financial Disclosures) to integrate biodiversity considerations into financial decision-making.

#### Section 4. Endorsement

**'The Senior Leadership Statement has been prepared and/or reviewed by the undersigned and reflects our organisation-wide commitment and approach to responsible investment'.**

Name

Leonardo Franco Villa Reynolds

Position

Chief Investment Officer

Organisation's Name

Afore XXI Banorte

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**'This endorsement applies only to the Senior Leadership Statement and should not be considered an endorsement of the information reported by the above-mentioned organisation in the various modules of the Reporting Framework. The Senior Leadership Statement serves as a general overview of the above-mentioned organisation's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such. Further, it is not a substitute for the skill, judgement and experience of any third parties, their management, employees, advisors and/or clients when making investment and other business decisions'.**

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# ORGANISATIONAL OVERVIEW (OO)

## ORGANISATIONAL INFORMATION

### REPORTING YEAR

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

What is the year-end date of the 12-month period you have chosen to report for PRI reporting purposes?

	Date	Month	Year
Year-end date of the 12-month period for PRI reporting purposes:	31	12	2023

## SUBSIDIARY INFORMATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2	CORE	N/A	OO 2.1	PUBLIC	Subsidiary information	GENERAL

Does your organisation have subsidiaries?

- (A) Yes
- (B) No

# ASSETS UNDER MANAGEMENT

## ALL ASSET CLASSES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 3	N/A	PUBLIC	All asset classes	GENERAL

What are your total assets under management (AUM) at the end of the reporting year, as indicated in [OO 1]?

USD

(A) AUM of your organisation, including subsidiaries, and excluding the AUM subject to execution, advisory, custody, or research advisory only

US\$ 68,725,976,135.00

(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission, as indicated in [OO 2.2]

US\$ 0.00

(C) AUM subject to execution, advisory, custody, or research advisory only

US\$ 0.00

**Additional information on the exchange rate used: (Voluntary)**

(16.9738) Representative Exchange Rates for Selected Currencies for December 2023

## ASSET BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5	CORE	OO 3	Multiple indicators	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total AUM at the end of the reporting year as indicated in [OO 1].

	(1) Percentage of Internally managed AUM	(2) Percentage of Externally managed AUM
(A) Listed equity	>0-10%	>10-50%
(B) Fixed income	>50-75%	>0-10%
(C) Private equity	0%	>0-10%
(D) Real estate	0%	>0-10%
(E) Infrastructure	0%	>0-10%
(F) Hedge funds	0%	0%
(G) Forestry	0%	0%
(H) Farmland	0%	0%
(I) Other	>0-10%	0%
(J) Off-balance sheet	0%	0%

**(I) Other - (1) Percentage of Internally managed AUM - Specify:**

Derivatives and cash

## ASSET BREAKDOWN: EXTERNALLY MANAGED ASSETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.1	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Externally managed assets	GENERAL

Provide a further breakdown of your organisation's externally managed listed equity and/or fixed income AUM.

	(1) Listed equity	(2) Fixed income - SSA	(3) Fixed income - corporate	(4) Fixed income - securitised	(5) Fixed income - private debt
(A) Active	>10-50%	0%	0%	0%	>75%
(B) Passive	>50-75%	0%	0%		

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.2	CORE	OO 5, OO 5.1	SAM 3, SAM 8	PUBLIC	Asset breakdown: Externally managed assets	GENERAL

Provide a breakdown of your organisation's externally managed AUM between segregated mandates and pooled funds or investments.

	(1) Segregated mandate(s)	(2) Pooled fund(s) or pooled investment(s)
(A) Listed equity - active	>50-75%	>10-50%
(B) Listed equity - passive	0%	>75%
(C) Fixed income - active	>75%	0%
(E) Private equity	>75%	0%
(F) Real estate	>75%	0%
(G) Infrastructure	>75%	0%

## ASSET BREAKDOWN: INTERNALLY MANAGED LISTED EQUITY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 LE	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Internally managed listed equity	GENERAL

**Provide a further breakdown of your internally managed listed equity AUM.**

(A) Passive equity >10-50%

(B) Active – quantitative 0%

(C) Active – fundamental >10-50%

(D) Other strategies >10-50%

**(D) Other strategies - Specify:**

Real Estate Investment Trusts (REITS)

## ASSET BREAKDOWN: INTERNALLY MANAGED FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 FI	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Internally managed fixed income	GENERAL

**Provide a further breakdown of your internally managed fixed income AUM.**

(A) Passive – SSA 0%

(B) Passive – corporate 0%

(C) Active – SSA >75%

(D) Active – corporate >10-50%

(E) Securitised >0-10%

(F) Private debt 0%

## MANAGEMENT BY PRI SIGNATORIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6	CORE	OO 5	N/A	PUBLIC	Management by PRI signatories	GENERAL

**What percentage of your organisation's externally managed assets are managed by PRI signatories?**

>75%

## GEOGRAPHICAL BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 7	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

**How much of your AUM in each asset class is invested in emerging markets and developing economies?**

### AUM in Emerging Markets and Developing Economies

(A) Listed equity	(6) >40 to 50%
(B) Fixed income – SSA	(12) 100%
(C) Fixed income – corporate	(12) 100%
(D) Fixed income – securitised	(12) 100%
(E) Fixed income – private debt	(12) 100%
(F) Private equity	(5) >30 to 40%
(G) Real estate	(12) 100%
(H) Infrastructure	(10) >80 to 90%

# STEWARDSHIP

## STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 8	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship	GENERAL

Does your organisation conduct stewardship activities, excluding (proxy) voting, for any of your assets?

	(1) Listed equity - active	(2) Listed equity - passive	(3) Fixed income - active	(5) Private equity
(A) Yes, through internal staff	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Yes, through service providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(C) Yes, through external managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(D) We do not conduct stewardship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

  

	(6) Real estate	(7) Infrastructure	(11) Other
(A) Yes, through internal staff	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(B) Yes, through service providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(C) Yes, through external managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(D) We do not conduct stewardship	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

## STEWARDSHIP: (PROXY) VOTING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship: (Proxy) voting	GENERAL

Does your organisation conduct (proxy) voting activities for any of your listed equity holdings?

	(1) Listed equity - active	(2) Listed equity - passive
(A) Yes, through internal staff	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(B) Yes, through service providers	<input type="checkbox"/>	<input type="checkbox"/>
(C) Yes, through external managers	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(D) We do not conduct (proxy) voting	<input type="radio"/>	<input checked="" type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9.1	CORE	OO 9	PGS 10.1, PGS 31	PUBLIC	Stewardship: (Proxy) voting	GENERAL

For each asset class, on what percentage of your listed equity holdings do you have the discretion to vote?

Percentage of your listed equity holdings over which you have the discretion to vote	
(A) Listed equity – active	(6) >40 to 50%

## STEWARDSHIP NOT CONDUCTED

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 10	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship not conducted	2

Describe why your organisation does not currently conduct stewardship and/or (proxy) voting.

Stewardship, excluding (proxy) voting  
(K) Other

NA

(Proxy) voting  
(M) Listed equity – passive

Passive ETFs are designed to replicate a specific benchmark index, which limits Afore XXI Banorte's ability to make active decisions on the inclusion or exclusion of individual assets. This makes stewardship activities, particularly voting activities that often involve active decision-making, less applicable. Also, the responsibility for stewardship activities rests with the ETF managers rather than with Afore XXI Banorte. The large managers have their own stewardship programs and participate in proxy voting processes and dialogue with companies on behalf of all ETF investors. So as an asset owner, we seek to have a robust process for selecting, tracking, and monitoring our external managers to ensure they have stewardship practices.

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## ESG INCORPORATION

### INTERNALLY MANAGED ASSETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 11	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Internally managed assets	1

**For each internally managed asset class, does your organisation incorporate ESG factors, to some extent, into your investment decisions?**

	(1) Yes, we incorporate ESG factors into our investment decisions	(2) No, we do not incorporate ESG factors into our investment decisions
(A) Listed equity - passive	<input checked="" type="radio"/>	<input type="radio"/>
(C) Listed equity - active - fundamental	<input checked="" type="radio"/>	<input type="radio"/>
(D) Listed equity - other strategies	<input checked="" type="radio"/>	<input type="radio"/>
(E) Fixed income - SSA	<input checked="" type="radio"/>	<input type="radio"/>
(F) Fixed income - corporate	<input checked="" type="radio"/>	<input type="radio"/>
(G) Fixed income - securitised	<input checked="" type="radio"/>	<input type="radio"/>
(V) Other: Derivatives and cash	<input type="radio"/>	<input checked="" type="radio"/>

## EXTERNAL MANAGER SELECTION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 12	CORE	OO 5, OO 5.1	Multiple indicators	PUBLIC	External manager selection	1

For each externally managed asset class, does your organisation incorporate ESG factors, to some extent, when selecting external investment managers?

	(1) Yes, we incorporate ESG factors when selecting external investment managers	(2) No, we do not incorporate ESG factors when selecting external investment managers
(A) Listed equity - active	<input checked="" type="radio"/>	<input type="radio"/>
(B) Listed equity - passive	<input checked="" type="radio"/>	<input type="radio"/>
(C) Fixed income - active	<input checked="" type="radio"/>	<input type="radio"/>
(E) Private equity	<input checked="" type="radio"/>	<input type="radio"/>
(F) Real estate	<input checked="" type="radio"/>	<input type="radio"/>
(G) Infrastructure	<input checked="" type="radio"/>	<input type="radio"/>

## EXTERNAL MANAGER APPOINTMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 13	CORE	OO 5, OO 5.1	Multiple indicators	PUBLIC	External manager appointment	1

For each externally managed asset class, does your organisation incorporate ESG factors, to some extent, when appointing external investment managers?

	(1) Yes, we incorporate ESG factors when appointing external investment managers	(2) No, we do not incorporate ESG factors when appointing external investment managers
(A) Listed equity - active	<input checked="" type="radio"/>	<input type="radio"/>
(B) Listed equity - passive	<input checked="" type="radio"/>	<input type="radio"/>
(C) Fixed income - active	<input checked="" type="radio"/>	<input type="radio"/>
(E) Private equity	<input checked="" type="radio"/>	<input type="radio"/>
(F) Real estate	<input checked="" type="radio"/>	<input type="radio"/>
(G) Infrastructure	<input checked="" type="radio"/>	<input type="radio"/>

## EXTERNAL MANAGER MONITORING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 14	CORE	OO 5, OO 5.1	Multiple indicators	PUBLIC	External manager monitoring	1

For each externally managed asset class, does your organisation incorporate ESG factors, to some extent, when monitoring external investment managers?

	(1) Yes, we incorporate ESG factors when monitoring external investment managers	(2) No, we do not incorporate ESG factors when monitoring external investment managers
(A) Listed equity - active	<input checked="" type="radio"/>	<input type="radio"/>
(B) Listed equity - passive	<input checked="" type="radio"/>	<input type="radio"/>
(C) Fixed income - active	<input checked="" type="radio"/>	<input type="radio"/>
(E) Private equity	<input checked="" type="radio"/>	<input type="radio"/>
(F) Real estate	<input checked="" type="radio"/>	<input type="radio"/>
(G) Infrastructure	<input checked="" type="radio"/>	<input type="radio"/>

## ESG NOT INCORPORATED

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 16	CORE	OO 11, OO 12–14	N/A	PUBLIC	ESG not incorporated	1

Describe why your organisation does not currently incorporate ESG factors into your investment decisions and/or in the selection, appointment and/or monitoring of external investment managers.

Internally managed  
(O) Other

In this category we're including Derivatives & Cash investments and representing 5.0% of AUMS

# ESG STRATEGIES

## LISTED EQUITY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17 LE	CORE	OO 11	OO 17.1 LE, LE 12	PUBLIC	Listed equity	1

**Which ESG incorporation approach and/or combination of approaches does your organisation apply to your internally managed active listed equity?**

### Percentage out of total internally managed active listed equity

(A) Screening alone	0%
(B) Thematic alone	0%
(C) Integration alone	0%
(D) Screening and integration	>75%
(E) Thematic and integration	0%
(F) Screening and thematic	0%
(G) All three approaches combined	0%
(H) None	0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17.1 LE	CORE	OO 17 LE	LE 9	PUBLIC	Listed equity	1

What type of screening does your organisation use for your internally managed active listed equity assets where a screening approach is applied?

Percentage coverage out of your total listed equity assets where a screening approach is applied

(A) Positive/best-in-class screening only	0%
(B) Negative screening only	>75%
(C) A combination of screening approaches	0%

## FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17 FI	CORE	OO 5.3 FI, OO 11	Multiple, see guidance	PUBLIC	Fixed income	1

Which ESG incorporation approach and/or combination of approaches does your organisation apply to your internally managed active fixed income?

	(1) Fixed income - SSA	(2) Fixed income - corporate	(3) Fixed income - securitised
(A) Screening alone	0%	0%	0%
(B) Thematic alone	0%	0%	0%
(C) Integration alone	0%	0%	0%
(D) Screening and integration	>75%	>50-75%	>75%
(E) Thematic and integration	0%	0%	0%
(F) Screening and thematic	0%	0%	0%

(G) All three approaches combined	0%	>10-50%	0%
(H) None	0%	0%	0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17.1 FI	CORE	OO 17 FI	N/A	PUBLIC	Fixed income	1

What type of screening does your organisation use for your internally managed active fixed income where a screening approach is applied?

	(1) Fixed income - SSA	(2) Fixed income - corporate	(3) Fixed income - securitised
(A) Positive/best-in-class screening only	0%	0%	>75%
(B) Negative screening only	>75%	>50-75%	0%
(C) A combination of screening approaches	>0-10%	>10-50%	0%

## ESG/SUSTAINABILITY FUNDS AND PRODUCTS

### LABELLING AND MARKETING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	OO 11–14	OO 18.1	PUBLIC	Labelling and marketing	1

Do you explicitly market any of your products and/or funds as ESG and/or sustainable?

- (A) Yes, we market products and/or funds as ESG and/or sustainable
- (B) No, we do not offer products or funds explicitly marketed as ESG and/or sustainable
- (C) Not applicable; we do not offer products or funds

**Additional information: (Voluntary)**

We're a Pension Fund with a regulate investments regime

## PASSIVE INVESTMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 19	CORE	OO 5.3 FI, OO 11	LE 8, FI 10	PUBLIC	Passive investments	1

**What percentage of your total internally managed passive listed equity and/or fixed income passive AUM utilise an ESG index or benchmark?**

**Percentage of AUM that utilise an ESG index or benchmark**

(A) Listed equity - passive >10-50%

## THEMATIC BONDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 20	CORE	OO 17 FI	FI 15, FI 17	PUBLIC	Thematic bonds	1

**What percentage of your total environmental and/or social thematic bonds are labelled by the issuers in accordance with industry-recognised standards?**

**Percentage of your total environmental and/or social thematic bonds labelled by the issuers**

(A) Green or climate bonds >10-50%

(B) Social bonds >10-50%

(C) Sustainability bonds >10-50%

(D) Sustainability-linked bonds >10-50%

(E) SDG or SDG-linked bonds >0-10%

(F) Other >0-10%

(G) Bonds not labelled by the issuer 0%

**(F) Other - Specify:**

## SUMMARY OF REPORTING REQUIREMENTS

### SUMMARY OF REPORTING REQUIREMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 21	CORE	Multiple indicators	Multiple indicators	PUBLIC	Summary of reporting requirements	GENERAL

The following table shows which modules are mandatory or voluntary to report on in the separate PRI asset class modules. Where a module is voluntary, indicate if you wish to report on it.

Applicable modules	(1) Mandatory to report (pre-filled based on previous responses)	(2.1) Voluntary to report. Yes, I want to opt-in to reporting on the module	(2.2) Voluntary to report. No, I want to opt-out of reporting on the module
Policy, Governance and Strategy	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Confidence Building Measures	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(T) External manager selection, appointment and monitoring (SAM) – listed equity - active	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(U) External manager selection, appointment and monitoring (SAM) – listed equity - passive	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(V) External manager selection, appointment and monitoring (SAM) – fixed income - active	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
(X) External manager selection, appointment and monitoring (SAM) – private equity	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
(Y) External manager selection, appointment and monitoring (SAM) – real estate	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
(Z) External manager selection, appointment and monitoring (SAM) – infrastructure	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

# SUBMISSION INFORMATION

## REPORT DISCLOSURE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 32	CORE	OO 3, OO 31	N/A	PUBLIC	Report disclosure	GENERAL

How would you like to disclose the detailed percentage figures you reported throughout the Reporting Framework?

- (A) Publish as absolute numbers
- (B) Publish as ranges

# POLICY, GOVERNANCE AND STRATEGY (PGS)

## POLICY

### RESPONSIBLE INVESTMENT POLICY ELEMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 1	CORE	OO 8, OO 9	Multiple indicators	PUBLIC	Responsible investment policy elements	1, 2

Which elements are covered in your formal responsible investment policy(ies)?

- (A) Overall approach to responsible investment
- (B) Guidelines on environmental factors
- (C) Guidelines on social factors
- (D) Guidelines on governance factors
- (E) Guidelines on sustainability outcomes
- (F) Guidelines tailored to the specific asset class(es) we hold
- (G) Guidelines on exclusions
- (H) Guidelines on managing conflicts of interest related to responsible investment
- (I) Stewardship: Guidelines on engagement with investees
- (J) Stewardship: Guidelines on overall political engagement
- (K) Stewardship: Guidelines on engagement with other key stakeholders
- (L) Stewardship: Guidelines on (proxy) voting
- (M) Other responsible investment elements not listed here
- (N) Our organisation does not have a formal responsible investment policy and/or our policy(ies) do not cover any responsible investment elements

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 2	CORE	PGS 1	Multiple, see guidance	PUBLIC	Responsible investment policy elements	1

Does your formal responsible investment policy(ies) include specific guidelines on systematic sustainability issues?

- (A) Specific guidelines on climate change (may be part of guidelines on environmental factors)
- (B) Specific guidelines on human rights (may be part of guidelines on social factors)
- (C) Specific guidelines on other systematic sustainability issues

Specify:

As part of the investment portfolio's ESG strategy, we seek to ensure that our responsible investment policies and ESG assessment processes consider the broad and complex issues that have a significant and long-term impact on global sustainability. Recognizing that systemic sustainability issues not only affect specific sectors but also have macroeconomic and systemic implications, some of the key systemic sustainability issues incorporated into our investment policies include climate change, biodiversity, ecosystem loss, social and economic inequality, human rights, governance and corruption, water, and natural resources, among others.

- (D) Our formal responsible investment policy(ies) does not include guidelines on systematic sustainability issues

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 3	CORE	PGS 1, PGS 2	N/A	PUBLIC	Responsible investment policy elements	6

**Which elements of your formal responsible investment policy(ies) are publicly available?**

**(A) Overall approach to responsible investment**

Add link:

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>

**(B) Guidelines on environmental factors**

Add link:

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>

**(C) Guidelines on social factors**

Add link:

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>

**(D) Guidelines on governance factors**

Add link:

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>

**(E) Guidelines on sustainability outcomes**

Add link:

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>

**(F) Specific guidelines on climate change (may be part of guidelines on environmental factors)**

Add link:

<https://www.xxi-banorte.com/wp-content/uploads/2020/06/GestionCC.pdf>

**(G) Specific guidelines on human rights (may be part of guidelines on social factors)**

Add link:

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>

**(H) Specific guidelines on other systematic sustainability issues**

Add link:

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>

**(I) Guidelines tailored to the specific asset class(es) we hold**

Add link:

<https://www.xxi-banorte.com/asg/>

**(J) Guidelines on exclusions**

Add link:

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>

**(K) Guidelines on managing conflicts of interest related to responsible investment**

Add link:

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>

**(L) Stewardship: Guidelines on engagement with investees**

Add link:

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>

**(M) Stewardship: Guidelines on overall political engagement**

Add link:

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/compromiso-politico-PRI.pdf>

**(N) Stewardship: Guidelines on engagement with other key stakeholders**

Add link:

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>

**(O) Stewardship: Guidelines on (proxy) voting**

Add link:

<https://www.xxi-banorte.com/documentos/asg/politica-ejercicio-derechos-corporativos.pdf>

- (Q) No elements of our formal responsible investment policy(ies) are publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 4	PLUS	PGS 1	N/A	PUBLIC	Responsible investment policy elements	1 – 6

**Does your formal responsible investment policy(ies) identify a link between your responsible investment activities and your fiduciary duties or equivalent obligations?**

**(A) Yes**

Elaborate:

Afore XXI Banorte, as the largest pension fund in Mexico and a leader in responsible investment in Latin America, is deeply committed to environmental, social, and corporate governance (ESG) factors. While we recognize ESG challenges, we have a commitment and fiduciary duty to maximize returns on workers' resources under a responsible investment strategy by building sustainable, equitable, healthy, and diverse communities that result in recognition and loyalty from our clients. We have different measures to ensure policies and processes are executed transparently and adequately.

We consider the following long-term investment value drivers in fulfilling our fiduciary duty, through:

- Incorporation of financially material ESG factors into our investment decision-making consistent with the long-term of our obligations.
- Encouraging the standards of ESG performance in the companies of our portfolio.
- Disclosure of our investment approach clearly and understandably.
- Proper management of GHG emissions and the physical and transitional risks of climate change

The Board of Directors is the highest governance body which approves responsible investment strategies and policies, ensuring that they are aligned with the long-term objectives of the affiliates. It also monitors the overall ESG performance of investments and active engagement processes. In addition, it the Investment Committee oversees that the investment constraints are followed in investment proposals for decision-making, considering the responsible investment strategy, policies, and the integration of ESG factors AXXIB has a second corporate organism focused on alternative investments named "Foro de Consulta" that oversees the investment proposals on this kind of assets and their investment strategy, before presenting it to members of the Investment Committee, considering ESG guidelines and policies. The next link in our measurement process is the CIO, who seeks a closer alignment between the responsible investment and allocation strategy. Additionally, the CIO promotes among not-directly-related staff to know its way around the policies and responsible investment processes.

On the other hand, the ESG Head promote training programs and new implementations for the better functioning of the adoption of ESG factors and responsible investment practices, also monitors the implementation of the responsible investment strategy among the Investment area and key collaborators from legal, risk management, and comptroller departments. Moreover, the ESG head inform periodically to the CIO and the Investment Committee the progress attained. In addition, the ESG Analysts outline the operational activities that were approved by the Investment Committee for the integration of ESG factors and the Responsible Investment process.

Additionally, the compliance department collaborates with the oversight of the processes included in the policies, ensuring that those are indeed implemented in the day-to-day activities and processes. The comptroller verifies and collaborates along ESG activities, mainly to address properly the escalation measures established by Afore XXI Banorte.

Finally, our credit risk models which consider ESG factors are embedded in the technological solution used to quantify and report market, liquidity, and credit risks. Therefore, any update in the credit risk metrics that considers ESG factors is reported and updated along our systems. The Risk Committee meets every month and is presented with the follow-up of all the risk metrics, including the credit risk metric on SSA securities which considers ESG factors.

- (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 5	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

**Which elements are covered in your organisation’s policy(ies) or guidelines on stewardship?**

- (A) Overall stewardship objectives
- (B) Prioritisation of specific ESG factors to be advanced via stewardship activities
- (C) Criteria used by our organisation to prioritise the investees, policy makers, key stakeholders, or other entities on which to focus our stewardship efforts
- (D) How different stewardship tools and activities are used across the organisation
- (E) Approach to escalation in stewardship
- (F) Approach to collaboration in stewardship
- (G) Conflicts of interest related to stewardship
- (H) How stewardship efforts and results are communicated across the organisation to feed into investment decision-making and vice versa
- (I) Other
- (J) None of the above elements is captured in our policy(ies) or guidelines on stewardship

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 6	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

**Does your policy on (proxy) voting include voting principles and/or guidelines on specific ESG factors?**

- (A) Yes, it includes voting principles and/or guidelines on specific environmental factors
- (B) Yes, it includes voting principles and/or guidelines on specific social factors
- (C) Yes, it includes voting principles and/or guidelines on specific governance factors
- (D) Our policy on (proxy) voting does not include voting principles or guidelines on specific ESG factors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 7	CORE	OO 9	N/A	PUBLIC	Responsible investment policy elements	2

Does your organisation have a policy that states how (proxy) voting is addressed in your securities lending programme?

- (A) We have a publicly available policy to address (proxy) voting in our securities lending programme
- (B) We have a policy to address (proxy) voting in our securities lending programme, but it is not publicly available
- (C) We rely on the policy of our external service provider(s)
- (D) We do not have a policy to address (proxy) voting in our securities lending programme
- (E) Not applicable; we do not have a securities lending programme

## RESPONSIBLE INVESTMENT POLICY COVERAGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 8	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy coverage	1

What percentage of your total AUM is covered by the below elements of your responsible investment policy(ies)?

### Combined AUM coverage of all policy elements

(A) Overall approach to responsible investment

(B) Guidelines on environmental factors

(C) Guidelines on social factors

(D) Guidelines on governance factors

(7) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 9	CORE	PGS 2	N/A	PUBLIC	Responsible investment policy coverage	1

**What proportion of your AUM is covered by your formal policies or guidelines on climate change, human rights, or other systematic sustainability issues?**

**AUM coverage**

(A) Specific guidelines on climate change	(2) for a majority of our AUM
(B) Specific guidelines on human rights	(2) for a majority of our AUM
(C) Specific guidelines on other systematic sustainability issues	(2) for a majority of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10	CORE	OO 8, OO 9, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

**Per asset class, what percentage of your AUM is covered by your policy(ies) or guidelines on stewardship with investees?**

**(A) Listed equity**

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%

**(11) 100%**

**(B) Fixed income**

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%

- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

(C) Private equity

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

(D) Real estate

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

(E) Infrastructure

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10.1	CORE	OO 9.1, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

What percentage of your listed equity holdings is covered by your guidelines on (proxy) voting?

(A) Actively managed listed equity

(1) Percentage of your listed equity holdings over which you have the discretion to vote

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%

- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

## GOVERNANCE

### ROLES AND RESPONSIBILITIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11	CORE	N/A	Multiple indicators	PUBLIC	Roles and responsibilities	1

Which senior level body(ies) or role(s) in your organisation have formal oversight over and accountability for responsible investment?

- (A) Board members, trustees, or equivalent
- (B) Senior executive-level staff, or equivalent

Specify:

The Board of Directors is the highest governance body which approves responsible investment strategies and policies, ensuring that they are aligned with the long-term objectives of the affiliates. It also monitors the overall ESG performance of investments and active engagement processes. The CIO, appointed by the Investment and Risk Committees, oversees the Investment Area ensuring alignment with the corporate strategy.

- (C) Investment committee, or equivalent

Specify:

The Investment Committee is responsible for defining, approving, and monitoring the Investment Strategy based on the Investment Path and within regulatory limits. It also oversees that investment restrictions are followed in investment proposals for decision-making, considering the responsible investment strategy, policies, and the integration of ESG factors in the same.

- (D) Head of department, or equivalent

Specify department:

The ESG head oversees developing methodologies and models to incorporate the analysis of Environmental, Social and Corporate Governance (ESG) factors and the practice of active engagement with promoted companies and portfolio projects, aiming to generate a positive impact on our financial performance and promote the improvement of ESG materiality issues among our investments. In addition, he reports monthly on progress to and the portfolio's climate strategy

- (E) None of the above bodies and roles have oversight over and accountability for responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.1	CORE	PGS 1, PGS 2, PGS 11	N/A	PUBLIC	Roles and responsibilities	1, 2

**Does your organisation's senior level body(ies) or role(s) have formal oversight over and accountability for the elements covered in your responsible investment policy(ies)?**

	(1) Board members, trustees, or equivalent	(2) Senior executive-level staff, investment committee, head of department, or equivalent
(A) Overall approach to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Guidelines on environmental, social and/or governance factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Guidelines on sustainability outcomes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Specific guidelines on climate change (may be part of guidelines on environmental factors)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Specific guidelines on human rights (may be part of guidelines on social factors)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Specific guidelines on other systematic sustainability issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(G) Guidelines tailored to the specific asset class(es) we hold	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(H) Guidelines on exclusions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(I) Guidelines on managing conflicts of interest related to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(J) Stewardship: Guidelines on engagement with investees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(K) Stewardship: Guidelines on overall political engagement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(L) Stewardship: Guidelines on engagement with other key stakeholders	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(M) Stewardship: Guidelines on (proxy) voting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(N) This role has no formal oversight over and accountability for any of the above elements covered in our responsible investment policy(ies)	<input type="checkbox"/>	<input type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.2	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1 – 6

**Does your organisation have governance processes or structures to ensure that your overall political engagement is aligned with your commitment to the principles of PRI, including any political engagement conducted by third parties on your behalf?**

(A) Yes

Describe how you do this:

In Mexico, policies related to responsible investments are mostly voluntary. However, as of 2022, our national regulator Comisión Nacional de Ahorro para el Retiro (CONSAR) has an ESG investment regulation that stipulates that all Pension Fund Administrators must incorporate ESG aspects into their strategies, so Afore XXI is in line with this mandate and has a strong governance structure in place to ensure our global policy commitment

Afore XXI has contributed to efforts to strengthen regulation in this area, particularly by seeking to incorporate ESG criteria in our investment and risk processes and thus continue to evolve towards sustainable investments. In addition, synergies have been achieved to contribute to the Estrategia de Movilidad de Financiamiento Sostenible (EMFS) designed by the Secretaria de Hacienda y Crédito Público (SHCP), such as participation in working groups, training to incorporate a nationally or internationally recognized Taxonomy and the establishment of metrics for alignment with said Taxonomy.

The Investment Committee is the governance body with the highest authority to define and/or limit proposed changes or updates to AXXIB's responsible investment strategy. Each month, at the Investment Committee meeting, updates, and follow-up on aspects such as participation in work groups with authorities and regulators, trade/financial associations, public forums, collaborative committees, and engagements with industry companies are presented, are aware of and monitor the updates. It also presents the main changes and regulatory requirements on ESG issues and the lines of action for their implementation. In addition, every quarter, the Investment department presents to the Board the progress of engagement activities and the status of the portfolio about ESG issues.

(B) No

(C) Not applicable, our organisation does not conduct any form of political engagement directly or through any third parties

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 12	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1

**In your organisation, which internal or external roles are responsible for implementing your approach to responsible investment?**

**(A) Internal role(s)**

Specify:

The main responsibility for the application of responsible investment approaches in the investment process lies with the ESG head, who is a woman and leads a team of 4 ESG analysts. Portfolio managers are responsible for communicating about new investment proposals to obtain the ESG analysis of each potential transaction and influence the investment thesis and decision making, also each PM is involved in the establishment, monitoring and compliance of the individual engagement with each company.

**(B) External investment managers, service providers, or other external partners or suppliers**

Specify:

Most of our external managers commit themselves through contractual agreements to follow our responsible investment strategy in the management of our assets, as well as to pay special attention to international human rights legislation and the application of environmental, social and governance criteria in the management of our investment portfolios.

- (C) We do not have any internal or external roles with responsibility for implementing responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 13	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

**Does your organisation use responsible investment KPIs to evaluate the performance of your board members, trustees, or equivalent?**

**(A) Yes, we use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent**

Describe: (Voluntary)

Sustainability is integrated into our performance evaluation and compensation processes. Variable compensation for executive officers includes both financial and non-financial performance targets, reflecting Afore XXI Banorte's key financial and strategic priorities, including our commitment to responsible investing.

The board is responsible for overseeing the overall management of the pension fund by the staff and the execution of Afore XXI Banorte's Responsible Investment policy. Annually, the board reviews updates from the Responsible Investment teams and receives feedback on how asset classes incorporate ESG criteria into their investment management process. This also includes mandatory and voluntary reports, such as Afore XXI's TCFD report, the Annual ESG Report, updates on our SBT goals and other relevant reports.

- (B) No, we do not use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 14	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

**Does your organisation use responsible investment KPIs to evaluate the performance of your senior executive-level staff (or equivalent), and are these KPIs linked to compensation?**

**● (A) Yes, we use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)**

Indicate whether these responsible investment KPIs are linked to compensation

**● (1) KPIs are linked to compensation**

- (2) KPIs are not linked to compensation as these roles do not have variable compensation
- (3) KPIs are not linked to compensation even though these roles have variable compensation

Describe: (Voluntary)

The type of variable compensation in which the investment team participates is called a "Performance Bonus". From 2020, the variable compensation of the Investment Department is modified to align incentives between shareholders, employees, and affiliates as well as attract and retain the best talent (human resources) in the area, considering a scheme that takes into account the short- and long-term (1 and 3-year) results of the Afore, and the RI outcomes designed to strengthen the stability of the area and teamwork and to be recognized as a professional pension manager and maintaining, or where appropriate, supporting the growth of the market share of the Afore. To obtain compliance per collaborator, the multiplication of 2 general indicators:

DO (Indice Desempeño Organizacional): Indicator of the company's profitability. The index represents the annual earning result compared to the expected annual earning. This index applies to all the workers of the company. Among other factors, this indicator has a direct relation to the fund's absolute rate of return (ROE).

IDI (Indices Desempeño Individual): Indicator of performance for the investment team. This index has different indicators that represent the funds' performance on an absolute and relative basis (peer group). It is measured on two horizons: 1 year and 3 years, where most of the weight is attributable to the 3-year metric to align the team performance to the investment horizon. This indicator has a direct relation to the TDF Series both form an absolute and relative basis.

$$\text{Performance Bonus} = \text{IDO} * \text{IDI}$$

Both indicators are directly or indirectly linked to the TDF series performance, and this aligns the performance of the investment team to the fund's performance, competitive environment, and company profitability.

Three ESG KPIs were incorporated into the IDI this year; 1) ESG assessment: to maintain the Afore's performance at the annual PRI assessment (4 and 5-star ratings in all categories); 2) Decarbonisation: which seeks to achieve an "SBT" goal approved aligned with 1.5° scenario, and 3) TRansparency and Disclosure: which seeks the adoption of IFRS Standards, GRI and TCFD into the disclose of ESG policies, strategies and results, as well as the governance and impacts of the climate strategy.

- (B) No, we do not use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 15	PLUS	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

What responsible investment competencies do you regularly include in the training of senior-level body(ies) or role(s) in your organisation?

	(1) Board members, trustees or equivalent	(2) Senior executive-level staff, investment committee, head of department or equivalent
(A) Specific competence in climate change mitigation and adaptation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Specific competence in investors' responsibility to respect human rights	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Specific competence in other systematic sustainability issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) The regular training of this senior leadership role does not include any of the above responsible investment competencies	<input type="radio"/>	<input type="radio"/>

## EXTERNAL REPORTING AND DISCLOSURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 16	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

What elements are included in your regular reporting to clients and/or beneficiaries for the majority of your AUM?

- (A) Any changes in policies related to responsible investment
- (B) Any changes in governance or oversight related to responsible investment
- (C) Stewardship-related commitments
- (D) Progress towards stewardship-related commitments
- (E) Climate-related commitments
- (F) Progress towards climate-related commitments
- (G) Human rights-related commitments
- (H) Progress towards human rights-related commitments
- (I) Commitments to other systematic sustainability issues
- (J) Progress towards commitments on other systematic sustainability issues
- (K) We do not include any of these elements in our regular reporting to clients and/or beneficiaries for the majority of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 17	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

**During the reporting year, did your organisation publicly disclose climate-related information in line with the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations?**

- (A) Yes, including all governance-related recommended disclosures
- (B) Yes, including all strategy-related recommended disclosures
- (C) Yes, including all risk management-related recommended disclosures
- (D) Yes, including all applicable metrics and targets-related recommended disclosures
- (E) None of the above

Add link(s):

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/reporte-riesgos-oportunidades-climaticas-2023.pdf>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 18	PLUS	N/A	N/A	PUBLIC	External reporting and disclosures	6

**During the reporting year, to which international responsible investment standards, frameworks, or regulations did your organisation report?**

- (A) Disclosures against the European Union's Sustainable Finance Disclosure Regulation (SFDR)
- (B) Disclosures against the European Union's Taxonomy
- (C) Disclosures against the CFA's ESG Disclosures Standard
- (D) Disclosures against other international standards, frameworks or regulations

Specify:

For the third consecutive year, we published our voluntary ESG Annual Report have strengthened the number of GRI indicators used, thus improving our ability to assess and communicate our sustainable performance. In addition, this report, which runs from January 1 to December 31, 2023, responds to the requirements of SASB applicable to the Asset Management and Custody Activities industry, as well as the recommendations of TCFD regarding our climate-related risks and opportunities.

Link to example of public disclosures

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/informe-asg-2023.pdf>

- (E) Disclosures against other international standards, frameworks or regulations
- (F) Disclosures against other international standards, frameworks or regulations
- (G) Disclosures against other international standards, frameworks or regulations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 19	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

**During the reporting year, did your organisation publicly disclose its membership in and support for trade associations, think tanks or similar bodies that conduct any form of political engagement?**

(A) Yes, we publicly disclosed our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement

Add link(s):

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/informe-asg-2023.pdf>

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/compromiso-politico-PRI.pdf>

- (B) No, we did not publicly disclose our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement
- (C) Not applicable, we were not members in or supporters of any trade associations, think tanks, or similar bodies that conduct any form of political engagement during the reporting year

## STRATEGY

### CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 20	CORE	N/A	N/A	PUBLIC	Capital allocation	1

**Which elements do your organisation-level exclusions cover?**

- (A) Exclusions based on our organisation's values or beliefs regarding particular sectors, products or services
- (B) Exclusions based on our organisation's values or beliefs regarding particular regions or countries
- (C) Exclusions based on minimum standards of business practice aligned with international norms such as the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council sanctions or the UN Global Compact
- (D) Exclusions based on our organisation's climate change commitments
- (E) Other elements

Specify:

Our exclusion lists are based on 5 elements.

- 1) Legally required exclusions: those required by national/international legislation, prohibitions, conventions, treaties or agreements.
- 2) Exclusions based on our organization's values or beliefs.
- 3) Exclusion based on the selection of minimum standards of business practices and international norms: recommendations or guidelines from international organizations such as: United Nations Global Compact Principles, International Finance Corporation (IFC), World Bank, International Capital Markets Association (ICMA), OECD Guidelines for Multinational Enterprises, Convention on Nuclear Safety, the Inter-American Development Bank, among others.
- 4) Exclusions based on our organisation's climate change commitments
- 5) Positive screening: investments with specific characteristics aligned with ESG pillars

- (F) Not applicable; our organisation does not have any organisation-level exclusions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 21	CORE	N/A	N/A	PUBLIC	Capital allocation	1

**How does your responsible investment approach influence your strategic asset allocation process?**

**(A) We incorporate ESG factors into our assessment of expected asset class risks and returns**

Select from dropdown list:

- (1) for all of our AUM subject to strategic asset allocation**
- (2) for a majority of our AUM subject to strategic asset allocation
- (3) for a minority of our AUM subject to strategic asset allocation

**(B) We incorporate climate change–related risks and opportunities into our assessment of expected asset class risks and returns**

Select from dropdown list:

- (1) for all of our AUM subject to strategic asset allocation**
- (2) for a majority of our AUM subject to strategic asset allocation
- (3) for a minority of our AUM subject to strategic asset allocation

**(C) We incorporate human rights–related risks and opportunities into our assessment of expected asset class risks and returns**

Select from dropdown list:

- (1) for all of our AUM subject to strategic asset allocation**
- (2) for a majority of our AUM subject to strategic asset allocation
- (3) for a minority of our AUM subject to strategic asset allocation

**(D) We incorporate risks and opportunities related to other systematic sustainability issues into our assessment of expected asset class risks and returns**

Select from dropdown list:

- (1) for all of our AUM subject to strategic asset allocation**
- (2) for a majority of our AUM subject to strategic asset allocation
- (3) for a minority of our AUM subject to strategic asset allocation

Specify: (Voluntary)

- (E) We do not incorporate ESG factors, climate change, human rights or other systematic sustainability issues into our assessment of expected asset class risks and returns
- (F) Not applicable; we do not have a strategic asset allocation process

## STEWARDSHIP: OVERALL STEWARDSHIP STRATEGY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 22	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

For the majority of AUM within each asset class, which of the following best describes your primary stewardship objective?

	(1) Listed equity	(2) Fixed income	(3) Private equity	(4) Real estate	(5) Infrastructure
(A) Maximise our portfolio-level risk-adjusted returns. In doing so, we seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.	<input checked="" type="radio"/>				
(B) Maximise our individual investments' risk-adjusted returns. In doing so, we do not seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.	<input type="radio"/>				

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 23	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

How does your organisation, or the external service providers or external managers acting on your behalf, prioritise the investees or other entities on which to focus its stewardship efforts?

The process for prioritising the stewardship activities of investee companies consists of considering:

- 1) Degree of sector materiality
- 2) Majority ownership (significaty influence of the company)

Afore XXIB's stewardship priorities reflect the four issues on which we most frequently engage with companies, where relevant, as they may be a source of significant business risk or opportunity.

Our role, is to better understand how the company's management is managing risks and seizing opportunities to help protect and ensure the long-term resilience of its business model, profitability and market position.

AXXIB's stewardship priorities:

1. Board quality and effectiveness
2. Diversity and inclusion
3. Climate change and natural capital
4. Business impact on people

In the case of external managers, we consider it important that they have a responsible investment policy, processes for involving and monitoring the companies in their portfolio, an ESG risk management strategy, and public information on their performance in ESG factors, as well as a strategy for integrating these factors.

Our strategy specifically seeks to integrate ESG factors into the investment processes and decisions of external managers. These processes include three major stages: the selection, appointment and monitoring of mandates, where we seek to integrate responsible investment principles and practices at each stage.

Our stewardship efforts are contractually supported since all our external investment managers (mandates, mutual funds, international funds and private equity) have an ESG IMA, statement, side letter or any other contractual agreement in which they commit to aligning themselves with certain ESG requirements. In order to monitor compliance with these requirements we follow up on a quarterly, semi-annual, and annual basis (according to each asset class) that allows us to identify the areas of opportunity, as well as the progress in each pillar. Our external investment managers conduct periodic reports regarding votes cast from an external assurance standpoint, managers engage external specialists to conduct specific voting reviews. These service providers review a sample of votes cast by managers and their voting agents to ensure that they accurately reflect the voting policy guidelines.

On the other hand, with the "Development Capital Certificates" (CKDs) once the SWOT result is obtained, the areas of opportunity to negotiate formal commitments with each manager are discussed. In the case of CERPIS, we incorporate these opportunities in the legal documents.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Which of the following best describes your organisation's default position, or the position of the external service providers or external managers acting on your behalf, concerning collaborative stewardship efforts?**

- (A) We recognise the value of collective action, and as a result, we prioritise collaborative stewardship efforts wherever possible
- (B) We collaborate on a case-by-case basis
- (C) Other
- (D) We do not join collaborative stewardship efforts

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24.1	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Elaborate on your organisation’s default position on collaborative stewardship, or the position of the external service providers or external investment managers acting on your behalf, including any other details on your overall approach to collaboration.**

Afore XXI Banorte believes that collaborative engagement with other investors adds value. Collaborative engagement can take place through industry initiatives and collaborative platforms.

The forms of collaborative engagements in which Afore XXI can participate are:

- a) Informal discussions: institutions discuss their views on specific business situations.
- b) Collaborative campaigns: collaborative letter-writing campaigns at the market or sector level.
- c) Follow-up dialogue: company engagement dialogue led by one or more investors and/or collaborative groups one or more investors and/or collaborative groups as a follow-up to a letter or expression of views from a broader group.
- d) Solicitation of support: solicitation of broader support for formal publicly stated objectives (e.g., “vote no” campaigns or support for a shareholder resolution).

Engagement strategies should be designed to achieve meaningful results as cost-effectively and quickly as possible. So, when engaging in some form of collaborative engagement we consider the following elements:

1. Defining the scope of engagement and carefully prioritizing engagement activities to ensure they deliver value and have an impact in terms of improving corporate practices.
2. Delineation of the engagement topic (either climate risk or supply chain risk) in a broader discussion.
3. Development of a clear process that articulates realistic targets and milestones, so that clear indicators are available to measure expectations and effectiveness of the engagement strategy.
4. The engagement process should be tailored to the local context, preferably language and cultural approaches to doing business. Beyond dialogue, clear escalation measures must be in place in case the engagement fails.

The stewardship process is carried out internally, we engage with companies, public policymakers and sector initiatives, and our active and collaborative participation is carried out through a series of initiatives/organizations such as:

- Climate Action 100+: Afore XXI Banorte, collaborate as a member of different engagement groups with Mexico’s most polluting companies.
- Sustainable Development Initiative in Latin America: together with investors from Chile, Colombia and Peru, we joined forces to address the main challenges of climate change in the region through collaborative engagement

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 25	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Rank the channels that are most important for your organisation in achieving its stewardship objectives.**

**(A) Internal resources, e.g. stewardship team, investment team, ESG team, or staff**

Select from the list:

- 1
- 5

**(B) External investment managers, third-party operators and/or external property managers, if applicable**

Select from the list:

- 2
- 5

(C) External paid specialist stewardship services (e.g. engagement overlay services or, in private markets, sustainability consultants) excluding investment managers, real assets third-party operators, or external property managers

**(D) Informal or unstructured collaborations with investors or other entities**

Select from the list:

- 4
- 5

**(E) Formal collaborative engagements, e.g. PRI-coordinated collaborative engagements, Climate Action 100+, or similar**

Select from the list:

- 3
- 5

(F) We do not use any of these channels

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 27	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**How are your organisation's stewardship activities linked to your investment decision making, and vice versa?**

The objective of our active involvement is to obtain information for our investment analysis, encourage corporate behavioural change, as well as to create long-term change and positive impact through active engagement process.

Afore's ESG approach is focused on engagement; we engage with the issuer throughout the investment life cycle. We do not constraint the investment strategy and prefer to work with companies to help them improve their ESG practices and thus, in the long run, maintain their good ESG performance. We discuss (on a regular basis) ESG issues through the various meetings we hold with companies.

We have an active engagement process with issuers in which we establish specific and formal commitments through a contract documents. Using these mechanisms, the issuer/manager commits to comply with the guidelines on Responsible Investments and Environmental, Social and Corporate Governance factors based on the commitment dates set by the issuer and approved by mutual agreement.

During the process of engagement with issuers/managers the ESG analysts conduct engagement activities, the fundamental analysts contribute to the conduct of engagement activities integrating the assessment of ESG factors and climate risks into the corresponding processes, this process also facilitates the communication channel between issuers or external managers and ESG analysts.

In general, monitoring the progress of established commitments contributes to:

- 1) To evaluate the progress of the commitments in order to know how their objectives set out in their strategy are being met and on the basis of these advances to make informed decisions regarding subsequent actions.
- 2) Implement staggered measures to increase or gradually decrease participation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 28	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**If relevant, provide any further details on your organisation's overall stewardship strategy.**

Since we have the honour to be the first pension fund in our local market to integrate ESG factors and exercise responsible investment practices, also we have the challenge of promoting these activities among both investee companies and other investors (including asset managers). We are highly interested in the advancement of the industry towards ESG factors and as a result, we are an active member in the Consejo Mexicano de Finanzas Sostenible (CMFS), which seeks higher disclosure of ESG factors into the annual reports of the companies; we also participate in the development of the stock exchange ESG’s platforms to implement the local standardized questionnaires (Cuestionario ASG homologado) in addition, we also chaired the sub-committee of Responsible Investment of the Asociación Mexicana de Administradores de Fondos para el Retiro (AMAFORE) with the aim to improve and promote responsible investment practices within the members of the association.

Meanwhile, the local market is gaining force and experience in the matter, as of 2020, Afore XXI Banorte has participated in collaborative engagements with overseas and more experienced investors through the initiative Climate Action 100+. This has not only allowed us to work with major international investors on a commitment, but also to take advantage of the transfer of knowledge among more advanced managers in the field. We are convinced and looking forward to carrying out more collaborative engagements with local and overseas investors.

On the other hand, we have a robust engagement process that seeks to directly influence the progress of the most material issues for our portfolio companies and external managers.

## STEWARDSHIP: (PROXY) VOTING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 29	CORE	OO 9, PGS 1	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**When you use external service providers to give recommendations, how do you ensure those recommendations are consistent with your organisation's (proxy) voting policy?**

(A) Before voting is executed, we review external service providers' voting recommendations for controversial and high-profile votes

Select from the below list:

- (1) in all cases

- (2) in a majority of cases
- (3) in a minority of cases

(B) Before voting is executed, we review external service providers' voting recommendations where the application of our voting policy is unclear

Select from the below list:

- (1) in all cases
  - (2) in a majority of cases
  - (3) in a minority of cases
- (D) We do not review external service providers' voting recommendations
- (E) Not applicable; we do not use external service providers to give voting recommendations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 30	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

How is voting addressed in your securities lending programme?

- (A) We recall all securities for voting on all ballot items
- (B) When a vote is deemed important according to pre-established criteria (e.g. high stake in the company), we recall all our securities for voting
- (C) Other
- (D) We do not recall our securities for voting purposes
- (E) Not applicable; we do not have a securities lending programme

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 31	CORE	OO 9.1	N/A	PUBLIC	Stewardship: (Proxy) voting	2

For the majority of votes cast over which you have discretion to vote, which of the following best describes your decision making approach regarding shareholder resolutions (or that of your external service provider(s) if decision making is delegated to them)?

- (A) We vote in favour of resolutions expected to advance progress on our stewardship priorities, including affirming a company's good practice or prior commitment
- (B) We vote in favour of resolutions expected to advance progress on our stewardship priorities, but only if the investee company has not already publicly committed to the action(s) requested in the proposal
- (C) We vote in favour of shareholder resolutions only as an escalation measure
- (D) We vote in favour of the investee company management's recommendations by default
- (E) Not applicable; we do not vote on shareholder resolutions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 32	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

During the reporting year, how did your organisation, or your external service provider(s), pre-declare voting intentions prior to voting in annual general meetings (AGMs) or extraordinary general meetings (EGMs)?

- (A) We pre-declared our voting intentions publicly through the PRI's vote declaration system on the Resolution Database
- (B) We pre-declared our voting intentions publicly by other means, e.g. through our website
- (C) We privately communicated our voting decision to investee companies prior to the AGM/EGM

- (D) We did not privately or publicly communicate our voting intentions prior to the AGM/EGM
- (E) Not applicable; we did not cast any (proxy) votes during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 33	CORE	OO 9	PGS 33.1	PUBLIC	Stewardship: (Proxy) voting	2

**After voting has taken place, do you publicly disclose your (proxy) voting decisions or those made on your behalf by your external service provider(s), company by company and in a central source?**

**(A) Yes, for all (proxy) votes**

Add link(s):

<https://www.xxi-banorte.com/asg/>

- (B) Yes, for the majority of (proxy) votes
- (C) Yes, for a minority of (proxy) votes
- (D) No, we do not publicly report our (proxy) voting decisions company-by-company and in a central source

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 33.1	CORE	PGS 33	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**In the majority of cases, how soon after an investee's annual general meeting (AGM) or extraordinary general meeting (EGM) do you publish your voting decisions?**

- (A) Within one month of the AGM/EGM**
- (B) Within three months of the AGM/EGM
- (C) Within six months of the AGM/EGM
- (D) Within one year of the AGM/EGM
- (E) More than one year after the AGM/EGM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 34	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**After voting has taken place, did your organisation, and/or the external service provider(s) acting on your behalf, communicate the rationale for your voting decisions during the reporting year?**

	(1) In cases where we abstained or voted against management recommendations	(2) In cases where we voted against an ESG-related shareholder resolution
(A) Yes, we publicly disclosed the rationale		
(B) Yes, we privately communicated the rationale to the company	(2) for a majority of votes	(2) for a majority of votes
(C) We did not publicly or privately communicate the rationale, or we did not track this information	○	○
(D) Not applicable; we did not abstain or vote against management recommendations or ESG-related shareholder resolutions during the reporting year	○	○

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 35	PLUS	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**How does your organisation ensure vote confirmation, i.e. that your votes have been cast and counted correctly?**

Afore XXI Banorte recognizes that the voting rights of shareholders or holders are a form of fair expression to defend their interests. Afore XXI Banorte, in line with the best international practices proposed by the United Nations Principles for Responsible Investment, documents the nature of each voting exercise, as well as the direction of the vote and the resolutions issued at the meetings, which are then made transparent to the public on of the Afore's XXI Banorte official website.

Voting in meetings or technical committees is carried out through the following two methods: i) Through an internal representative of the Afore or ii) Through a custodian (external service). In the case of the custodian is empowered to vote, in accordance with the on the notification voting intent communicated by the financial analyst. Finally, evidence of the Afore's participation in the Assembly is presented to the Investment Committee.

In addition, we also have a database in which we monitor the resolution of the vote. We recently incorporated a catalogue of ESG-related issues and resolutions into our database to guide voting decisions and improve transparency and voting, as well as facilitate communication and follow-up of these issues.

**STEWARDSHIP: ESCALATION**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 36	CORE	OO 8, OO 9 HF, OO 9	N/A	PUBLIC	Stewardship: Escalation	2

**For your listed equity holdings, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?**

**(1) Listed equity**

- (A) Joining or broadening an existing collaborative engagement or creating a new one
- (B) Filing, co-filing, and/or submitting a shareholder resolution or proposal
- (C) Publicly engaging the entity, e.g. signing an open letter
- (D) Voting against the re-election of one or more board directors

(E) Voting against the chair of the board of directors, or equivalent, e.g. lead independent director

(F) Divesting

(G) Litigation

(H) Other

(I) In the past three years, we did not use any of the above escalation measures for our listed equity holdings

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 37	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship: Escalation	2

**For your corporate fixed income assets, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?**

- (A) Joining or broadening an existing collaborative engagement or creating a new one
- (B) Publicly engaging the entity, e.g. signing an open letter
- (C) Not investing
- (D) Reducing exposure to the investee entity
- (E) Divesting
- (F) Litigation
- (G) Other
- (H) In the past three years, we did not use any of the above escalation measures for our corporate fixed income assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 38	PLUS	Multiple, see guidance	N/A	PUBLIC	Stewardship: Escalation	2

**Describe your approach to escalation for your SSA and/or private debt fixed income assets.**

(A) SSA - Approach to escalation

Sometimes when AXXIB's efforts to establish dialogues or engagement activities with issuers or external managers are unsuccessful, and to generate a material impact on investments, we established an engagement program with them. The program has a maximum duration of 3 years so that the organization shows a positive trajectory for the establishment and advancement of commitments or response to identified controversies, or, where appropriate, we will require the signing of specific commitments that establish the risks to be addressed by part of the issuer.

The escalation measures are as follows:

1. Month 1, 2 and 3. Approach to issuer, external administrator or placement agent by the ESG team.

2. Approach of Fundamental Analysts/Strategists, to jointly promote a meeting with the company's senior management.
3. Month 5. The ESG team will carry out an internal communication addressed to the CIO where the problem presented with the company or external administrator is expressed.
4. Month 6. Multidisciplinary team: ESG team, Portfolio Manager, Fundamental Analysis Subdirector or CIO working together with the issuer or external administrator.
5. Month 7-9. Letter addressed to the CEO of the company or external manager to express the situation of lack of communication with the company to address ESG issues, emphasizing the possible risks incurred by not observing the responsible investment policies established by the Afore;
6. Month 10. The investment committee will be informed of the issuer's failure to respond, either through written channels or verbal communication.
7. Month 11-13. Escalation of the letter to the president of the company's Board or external administrator.
8. Month 14-24. It will be validated at the same time, if the public reports of the issuer/external administrator, ESG scores, show evidence of change in the management of the identified risks.

In cases where there are commitments signed with the issuers or external administrators, we will validate the progress of the company (at least with one meeting by year). In the case that the trajectory of the commitment is not positive, and the company does not give a response to establish new scopes on the agreed dates, our CIO will inform this at the Investment Committee who will be the responsible to define the measures and/or actions to be taken, among which may be limiting the company's exposure in the investment portfolio.

#### (B) Private debt - Approach to escalation

Sometimes when AXXIB's efforts to establish dialogues or engagement activities with issuers or external managers are unsuccessful, and to generate a material impact on investments, we established an engagement program with them. The program has a maximum duration of 3 years so that the organization shows a positive trajectory for the establishment and advancement of commitments or response to identified controversies, or, where appropriate, we will require the signing of specific commitments that establish the risks to be addressed by part of the issuer.

The escalation measures are as follows:

1. Month 1, 2 and 3. Approach to issuer, external administrator or placement agent by the ESG team.
2. Approach of Fundamental Analysts/Strategists, to jointly promote a meeting with the company's senior management.
3. Month 5. The ESG team will carry out an internal communication addressed to the CIO where the problem presented with the company or external administrator is expressed.
4. Month 6. Multidisciplinary team: ESG team, Portfolio Manager, Fundamental Analysis Subdirector or CIO working together with the issuer or external administrator.
5. Month 7-9. Letter addressed to the CEO of the company or external manager to express the situation of lack of communication with the company to address ESG issues, emphasizing the possible risks incurred by not observing the responsible investment policies established by the Afore;
6. Month 10. The investment committee will be informed of the issuer's failure to respond, either through written channels or verbal communication.
7. Month 11-13. Escalation of the letter to the president of the company's Board or external administrator.

8. Month 14-24. It will be validated at the same time, if the public reports of the issuer/external administrator, ESG scores, show evidence of change in the management of the identified risks.

In cases where there are commitments signed with the issuers or external administrators, we will validate the progress of the company (at least with one meeting by year). In the case that the trajectory of the commitment is not positive, and the company does not give a response to establish new scopes on the agreed dates, our CIO will inform this at the Investment Committee who will be the responsible to define the measures and/or actions to be taken, among which may be limiting the company's exposure in the investment portfolio.

## STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39	CORE	OO 8, OO 9	PGS 39.1, PGS 39.2	PUBLIC	Stewardship: Engagement with policy makers	2

Did your organisation, or the external investment managers or service providers acting on your behalf, engage with policy makers as part of your responsible investment approach during the reporting year?

- (A) Yes, we engaged with policy makers directly
- (B) Yes, we engaged with policy makers through the leadership of or active participation in working groups or collaborative initiatives, including via the PRI
- (C) Yes, we were members of, supported, or were in another way affiliated with third party organisations, including trade associations and non-profit organisations, that engage with policy makers, excluding the PRI
- (D) We did not engage with policy makers directly or indirectly during the reporting year beyond our membership in the PRI

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.1	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, what methods did you, or the external investment managers or service providers acting on your behalf, use to engage with policy makers as part of your responsible investment approach?

- (A) We participated in 'sign-on' letters
- (B) We responded to policy consultations
- (C) We provided technical input via government- or regulator-backed working groups

Describe:

We participated in 'sign-on' letters an example of was through our participation in Subcomité de Inversión Responsable at AMAFORE, where we work with policymakers to foster global alignment of sustainability rules, which encompass areas of corporate behavior and disclosure, as well as taxonomies. During 2023, together with AMAFORE, we managed to create a standardized questionnaire that was answered and published by issuers that same year, to promote standardization and transparency of information, in order to relieve the burdens generated by the existing multiple reporting.

We provided technical input via government- or regulator-backed working groups, synergies have been created at the trade gremial level to contribute to the Estrategia de Movilización de Financiamiento Sostenible (EMFS) designed by the Secretaria de Hacienda y Crédito Público (SHCP), we have participated in , training to incorporate a nationally or internationally recognized Taxonomy and the establishment of metrics to align with this Taxonomy. In this regard, Afore XXI Banorte participated in the workshops for the implementation of the first Mexican taxonomy led by the Secretaria de Hacienda y Crédito Pública (SHCP), with our participation we represent the position of the largest pension fund in Mexico.

We responded to policy consultations, we participated in the pilot process to define the criteria and short-term recommendations of Science-based Targets (SBTi) for Financial Institutions of the SBT initiative to test the criteria in terms of robustness, clarity, and practicality of implementation. Together with the Asociación Mexicana de Capital Privado (AMEXCAP) we actively participated in forums and workshops to define institutional investor requirements related to the adoption of ESG factors.

**(D) We engaged policy makers on our own initiative**

Describe:

We are aware that the engagement process must also be adapted to the local context, preferably taking into account to cultural approaches to doing business, we also believe that region collaborative engagement can add value to this process. During 2023 we joined the first collaborative investor initiative in Latin America aimed at driving the decarbonization of the region's economy and accelerating climate action, which involves Latin America investors (Chile, Colombia, Mexico, and Peru). The initiative will be implemented in two key phases: in the first stage, a relationship will be established with the 11 companies with which it is expected to advance the dialogue process in the first half of 2024.

Subsequently, after the analysis of the results obtained in this initial phase, the possibility of expanding the list of companies in the second phase of this initiative will be considered. On the other hand, through Climate Action 100+, we are currently actively participating as investor members in 3 engagements with 3 of the most polluting companies in Mexico, obtaining favorable results.

(E) Other methods

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.2	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

**During the reporting year, did your organisation publicly disclose details of your engagement with policy makers conducted as part of your responsible investment approach, including through external investment managers or service providers?**

(A) We publicly disclosed all our policy positions

**(B) We publicly disclosed details of our engagements with policy makers**

Add link(s):

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>  
<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/compromiso-politico-PRI.pdf>

(C) No, we did not publicly disclose details of our engagement with policy makers conducted as part of our responsible investment approach during the reporting year

## STEWARDSHIP: EXAMPLES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 40	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Examples	2

**Provide examples of stewardship activities that you conducted individually or collaboratively during the reporting year that contributed to desired changes in the investees, policy makers or other entities with which you interacted.**

(A) Example 1:

Title of stewardship activity:

Engagement with one of the largest GHG emitting companies in the cement sector.

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Since 2020, we have joined other international investors to engage with a one of the most relevant companies in terms of GHG emissions through our membership in the Climate Action 100+ initiative, where we are currently actively participating as a collaborative investor. Among our collaborative engagement actions through CA+100, highlights a leading company in the building materials industry that has adopted several commitments with CA100+ to align with the goals of the Paris Agreement.

In 2023, Afore XXI Banorte presented comments on the company's draft 2050 CO2 reduction roadmap. The company pledged to set a target of reducing total emissions by 47% by 2030 compared to the 1990 baseline. In addition, through the work done by the commitment group, the company has defined its decarbonization objectives validated by Science Based Targets (SBTi) in 2022 to align with a scenario of 1.5°C

(B) Example 2:

Title of stewardship activity:

Engagement with one of the largest GHG emitting companies in the hydrocarbon sector

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) **Fixed income**
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Through our partnership commitment with CA+100, we have been able to engage one of the world's leading state-owned oil and natural gas companies, focused on the hydrocarbon sector.

In 2023 Afore XXI Banorte reviewed the Annual Report 2022 identifying the areas of opportunity of the company, identifying as the most material issues: Transition Risks, GHG Emissions, Pollution, GHG Emissions, Industrial Safety, Occupational Health , Fight against Corruption and we gave continuous follow-up to the GSA strategy that incorporates the 2023-2027 Business Plan with a sustainable approach

During that year we achieved that the company they published their Sustainability Plan, which incorporates 2030 targets aligned with Mexico's GHG emission reduction targets and sets its 2050 ambition on operational health and safety issues. They also presented strengthening their dissemination of information on climate change, through CDP and the standardized questionnaire, and for the first time, are already disclosing information based on TCFD.

They have presented targets of a 30% reduction from 2022 levels by 2030 and 98% of gas use by the end of 2024, and are also considering joining OGMP or OGCI in the coming years.

To focus efforts on engagement with the company and to deepen and establish priority issues we joined the Climate Action 100 Investor Working Group. We are currently in the analysis stage of the Sustainability Plan and are awaiting the next Annual Report of the company and its annual evaluation of Benchmark Net Zero Company

(C) Example 3:

Title of stewardship activity:

Engagement with one of the largest GHG emitting companies in the mining sector.

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) **Led by an external investment manager, real assets third-party operator and/or external property manager**

(2) Primary focus of stewardship activity

- (1) **Environmental factors**
- (2) Social factors
- (3) **Governance factors**

(3) Asset class(es)

- (1) **Listed equity**
- (2) **Fixed income**
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Together with the CA100+ working group, we participated in the engagement of one of the largest mining and infrastructure companies in Latin America to promote their commitments in three main areas: emissions reduction, climate governance and transparency reporting.

In which the main achievements derived from the engagement work carried out have been:

1. In their 2022 Sustainability Report, they announced a roadmap for the reduction of GHG emissions, which included three new targets, which represented an important milestone for the commitment.
2. Net Zero GHG emissions by 2050 (Scope 1 and 2).
3. -15% GHG emissions by 2027 (Scope 1 and 2).
4. -35% GHG emissions by 2035 (Scopes 1 and 2).
5. Improved corporate climate governance disclosure, including the definition of the responsibilities of the Sustainable Development Committee and the creation of a new Climate Change Office.
6. Development of a Scope 3 emissions reduction strategy by 2023.

As the next steps we will be monitoring the disclosure and implementation strategy of its three new GHG reduction targets to ensure that the company is working effectively towards achieving them. Furthermore, governance will continue to be a focus of engagement, with a particular focus on executive compensation and the competence of the Board to manage climate-related risks and opportunities.

(D) Example 4:

Title of stewardship activity:

Engagement with to one of Mexico's leading airport operators

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Based on an ESG analysis of a portfolio company that manages airports in the Pacific and Central Mexico regions, we identified relevant risks and opportunities and through our active engagement applied a formal strategy that resulted in the signing of a Commitment Letter.

Through bilateral negotiations, we were able to establish the following commitments with the company:

1. Alignment to the UN's net zero emissions scenario, 90% reduction in emissions controlled by the operator.

2. Assess climate risks for 100% of the airport infrastructure.
3. Use 100% of treated wastewater at Mexican airports.
4. Prevent 50% of the waste generated at Mexican airports from being disposed of in landfills.
5. Establish management plans for 100% of the flora and fauna species identified within the polygons of airports and recognized as being under some category of risk.
6. Analyse the socio-environmental impact of 100% of its operations on communities and develop mitigation plans.
7. Evaluate 100% of its critical suppliers with ESG criteria established for their contracting.
8. Develop plans to reach 50% of women in positions of responsibility.
9. Take the necessary actions to ensure that at least 5% of newly created positions are assigned to people with disabilities.
10. To implement a program against human trafficking in airports.
11. Implement a plan for communication and monitoring of concerns with stakeholders and communities surrounding airports.
12. Scope 3. Generate outreach emissions mapping.

As part of our engagement process, we will be following up on the progress and compliance dates of each commitment and disclosing them in upcoming reports

(E) Example 5:

Title of stewardship activity:

Engagement with a REITs in the real estate sector

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Based on an ESG analysis of a issuer focused on real estate development, acquisition and management of shopping centres, offices and mixed-use projects of the highest quality in Mexico, we identified relevant risks and opportunities and, through our active engagement, we apply a formal strategy that resulted in the signing of a Commitment Letter.

Through bilateral negotiations, we were able to establish the following commitments with the company:

1. To reduce its energy intensity from fossil fuels by 20%.
2. Commit to a Science Based Target
3. Create a roadmap to eliminate any type of discrimination in operations and promote social inclusion.
4. Conduct awareness campaigns with tenants for water use.
5. Reuse 50% of treated water in properties that have a Wastewater Treatment Plan.
6. Implement a manual and roadmap for proper waste management involving tenants.
7. 80% of the office GPA is LEED certified.
8. Train all staff on sexual harassment and unconscious bias issues/Create a roadmap to eliminate any type of discrimination from its operations and promote social inclusion.
9. Increase the percentage of women in management positions to 40%.
10. Set ESG criteria in annual performance objectives for directors and decision-makers.
11. Train managers and decision-makers on risk and crisis management.

As part of our engagement process, we will be following up on the progress and compliance dates of each commitment and disclosing them in upcoming reports

## CLIMATE CHANGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41	CORE	N/A	PGS 41.1	PUBLIC	Climate change	General

**Has your organisation identified climate-related risks and opportunities affecting your investments?**

**(A) Yes, within our standard planning horizon**

Specify the risks and opportunities identified and your relevant standard planning horizon:

With the aim of identifying the environmental and potential impact of investments to short and medium-term, each transaction is analysed and classified according to the ESG risk grade it presents. This process considers the risk grade related to greenhouse gas emissions, exposure to climate change, business resilience, initiatives to reduce or mitigate the impact of climate change, alignment with the Paris Agreement, and that none of the activities to be financed are exposed in the exclusion list. As part of the climate change exposure identification process, we identify assets in the portfolio by their level of exposure to events that could sharpen due to climate change (floods, droughts, hurricanes, water stress, etc.). In addition, we have an internal methodology for identifying the level of climate change exposure of our portfolio companies that includes 5 key indicators:

- 1) Business Exposure to Carbon-Intensive Operations,
- 2) Exposure to potentially stranded fossil fuel assets,
- 3) Geographic Exposure to Carbon Regulation,
- 4) Geographic Exposure to Climate Vulnerable Regions,
- 5) Reliance on Carbon-Intensive Supply Chain.

**(B) Yes, beyond our standard planning horizon**

Specify the risks and opportunities identified and your relevant standard planning horizon:

In addition to identifying the current exposure of our assets to climate change, we incorporate, particularly in our local equity, private equity and private debt portfolios, medium and long-term climate scenarios for the assets linked to the portfolio (4.5 and 8.5 degree scenarios), as well as water stress scenarios under a "business as usual, 2030" scenario.

On the other hand, part of our individual and collective engagement includes encouraging companies to have a climate change strategy, publication of the TCFD report, as well as the generation of climate change scenarios.

We are working on incorporating a greater number of assets and sectors in our analysis of climate scenarios under different horizons, as well as strengthening methodologies that incorporate climate risk in financial materiality.

- (C) No, we have not identified climate-related risks and/or opportunities affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41.1	CORE	PGS 41	N/A	PUBLIC	Climate change	General

**Does your organisation integrate climate-related risks and opportunities affecting your investments in its overall investment strategy, financial planning and (if relevant) products?**

**(A) Yes, our overall investment strategy, financial planning and (if relevant) products integrate climate-related risks and opportunities**

Describe how climate-related risks and opportunities have affected or are expected to affect your investment strategy, financial planning and (if relevant) products:

The implementation of our strategy is based on an action plan consisting of the following concrete actions:

1. The adoption of an independent climate change management policy and the definition of a climate strategy.
2. Public support for the Paris Agreement through Our Position on Climate Change.
3. Public support for the Taskforce on Climate-Related Financial Disclosures (TCFD).
4. Joining the Science-Based Goals Initiative (SBTi).
5. Identification and monitoring of sustainability outcomes

6. Investment exclusions for companies involved in carbon extraction and processing to reduce our exposure to high-emission companies.
7. Participation in thematic and impact investments that contribute to climate change mitigation/adaptation.
8. Actions of individual and collective engagement with companies and projects promoted on issues of carbon footprint and vulnerability to climate change.
9. Definition of an ESG roadmap for quantifying operational emissions scope 1 and 2.
10. Identify risks and opportunities to climate change.
11. Using scenario analysis for climate change management
12. Definition and communication of metrics to monitor climate change (exposure to physical risks, funded emissions, WACI, implicit portfolio temperature).
13. Establishment of emission reduction targets by highly polluting sectors.

Therefore, mindful of our fiduciary duty to actively understand and manage environmental, social and governance (ESG) risks as well as their relationship to climate as a component in decision-making, management practices and processes, and aligned with the recommendations of the United Nations Responsible Investment Principles (UNPRI), we have developed a climate strategy that includes:

1. Defining emission reduction targets for highly polluting sectors in the portfolio.
2. Identification of investments that contribute to climate change mitigation/adaptation.
3. Aligning efforts against climate change through the SDGs.

○ (B) No, our organisation has not yet integrated climate-related risks and opportunities into its investment strategy, financial planning and (if relevant) products

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 42	PLUS	N/A	N/A	PUBLIC	Climate change	General

#### Which sectors are covered by your organisation's strategy addressing high-emitting sectors?

- (A) Coal
- (B) Gas
- (C) Oil

Describe your strategy:

Since 2020, we have joined with other international investors to engage with one of the most relevant companies in terms of GHG emissions through our participation in the Climate Action 100+ initiative. We are currently actively participating as collaborating investors.

Through our collaborative engagement with CA+100, we have achieved that one of the companies in which we invest, focused on the hydrocarbon sector, publishes its business plan with a sustainable approach, disclosing for the first time its GHG emissions, as well as water and energy indicators, and setting concrete targets until 2027, among which stand out the reduction of GHG emissions, as well as its contribution to adaptation measures. They also created a Sustainability Committee, rejoined the UN Global Compact (UNGC) and developed a Methane Mitigation Plan in collaboration with the Environmental Protection Agency (EPA).

For the oil sector the strategy that we will follow will be through stewardship activities with the companies. We will look for the alignment according to the general trajectories of SBT, looking for an annual reduction of at least 4.2%

It should be noted that the portfolio is monitored using various indicators such as absolute carbon emissions of each issuer, carbon intensity per million sales, weighted average carbon intensity (WACI), GHG emission reduction targets, alignment with the Paris Agreement, and compliance with SBTs. Information on carbon indicators is presented at the vehicle level, by asset type, by sector, and by region, considering for scaling through direct or collaborative engagement the companies with the highest carbon exposure in their operations.

- (D) Utilities
- (E) Cement

Describe your strategy:

The identification of the main issuers in the most polluting sectors in the portfolio is part of Afore XXI-Banorte's climate strategy, which aims to evaluate the climate-related risks and opportunities for each investment strategy proposed to the Investment Committee, as well as to provide an overview of the level of exposure to climate change risk in the portfolio. The indicators used to determine the level of risk by issuer and sector within the portfolio are:

- Temperature for each investment level, asset, and portfolio.
- Alignment of each investment with the Paris Agreement
- Financed emissions by asset type and sector
- Absolute GHG emissions by asset type and sector
- GHG reduction targets for each investment
- Companies with GHG reduction targets validated by SBT
- Polluting sectors by asset type
- List of top companies by emissions financed, WACI, and intensity per million dollars of revenue
- Identification of assets in the portfolio by level of exposure to climate change events (floods, droughts, hurricanes, water stress, etc.)
- Medium and long-term climate scenarios for the assets associated with the portfolio (4.5- and 8.5-degree scenarios).

In addition, to assess climate-related risks and opportunities, we have joined Climate Action 100+ and TCFD, which call on companies to:

- (i) Implement a sound governance framework
- (ii) Implement greenhouse gas mitigation measures along the value chain.
- (iii) Provide enhanced climate-related disclosure.
- (iv) Integrate climate-related issues into financial decision-making.
- (v) mitigate climate risks; and

(vi) promote a net zero emissions economy.

For the cement sector the strategy that we will follow will be through stewardship activities with the companies. We will look for the alignment according to the general trajectories of SBT, looking for an annual reduction of at least 3%.

At the portfolio level, emissions financed by asset type and portfolio temperature were calculated. This exercise identified the most relevant polluting sectors and companies in terms of financed emissions, WACI, and carbon intensity per million dollars of revenue, and generated a list of issuers across the portfolio to be monitored based on their level of climate risk (with greater relevance for 7 issuers concentrating 74% of the portfolio's financed emissions).

Currently, in the active management sector, two issuers in the cement sector have been identified, representing 70% of the financed issues of equity instruments and 59% of the WACI.

The alignment of these issuers with the carbon intensity targets per tonne of cement set by the International Energy Agency and the NGFS climate scenarios has been validated, confirming that the targets set by the companies until 2030 are in line with the Paris Agreement. However, the definition of individual and collective follow-up actions is under negotiation or in progress with the issuers.

It should be noted that the portfolio is monitored using various indicators such as absolute carbon emissions of each issuer, carbon intensity per million sales, weighted average carbon intensity (WACI), GHG emission reduction targets, alignment with the Paris Agreement, and compliance with SBTs. Information on carbon indicators is presented at the vehicle level, by asset type, by sector, and by region, considering for scaling through direct or collaborative engagement the companies with the highest carbon exposure in their operations.

(F) Steel

(G) Aviation

Describe your strategy:

The identification of the main issuers in the most polluting sectors in the portfolio is part of Afore XXI-Banorte's climate strategy, which aims to evaluate the climate-related risks and opportunities for each investment strategy proposed to the Investment Committee, as well as to provide an overview of the level of exposure to climate change risk in the portfolio. The indicators used to determine the level of risk by issuer and sector within the portfolio are:

- Temperature for each investment level, asset, and portfolio.
- Alignment of each investment with the Paris Agreement
- Financed emissions by asset type and sector
- Absolute GHG emissions by asset type and sector
- GHG reduction targets for each investment
- Companies with GHG reduction targets validated by SBT
- Polluting sectors by asset type
- List of top companies by emissions financed, WACI, and intensity per million dollars of revenue
- Identification of assets in the portfolio by level of exposure to climate change events (floods, droughts, hurricanes, water stress, etc.)
- Medium and long-term climate scenarios for the assets associated with the portfolio (4.5- and 8.5-degree scenarios).

For the aviation sector the strategy that we will follow will be through stewardship activities with the companies. We will look for the alignment according to the general trajectories of SBI, looking for an annual reduction of at least 6%.

In addition, to assess climate-related risks and opportunities, we have joined Climate Action 100+ and TCFD, which call on companies to:

- (i) Implement a sound governance framework
- (ii) Implement greenhouse gas mitigation measures along the value chain.
- (iii) Provide enhanced climate-related disclosure.
- (iv) Integrate climate-related issues into financial decision-making.
- (v) mitigate climate risks; and
- (vi) promote a net zero emissions economy.

At the portfolio level, emissions financed by asset type and portfolio temperature were calculated. This exercise identified the most relevant polluting sectors and companies in terms of financed emissions, WACI, and carbon intensity per million dollars of revenue, and generated a list of issuers across the portfolio to be monitored based on their level of climate risk (with greater relevance for 7 issuers concentrating 74% of the portfolio's financed emissions).

Currently, there is only one actively managed issuer in the aviation sector, representing 1.62% of the portfolio's funded issues, 1.5% of its WACI, and 3.6% of its equity carbon intensity.

The definition of individual and collective follow-up actions is under negotiation or in progress with the issuers.

It should be noted that the portfolio is monitored using various indicators such as absolute carbon emissions of each issuer, carbon intensity per million sales, weighted average carbon intensity (WACI), GHG emission reduction targets, alignment with the Paris Agreement, and compliance with SBTs. Information on carbon indicators is presented at the vehicle level, by asset type, by sector, and by region, considering for scaling through direct or collaborative engagement the companies with the highest carbon exposure in their operations.

- (H) Heavy duty road
- (I) Light duty road
- (J) Shipping
- (K) Aluminium
- (L) Agriculture, forestry, fishery
- (M) Chemicals
- (N) **Construction and buildings**

Describe your strategy:

Through direct engagement with the construction and building sector we will seek that companies commit to:

1. Develop a strategy to increase the number of environmental certifications on their properties. Considering within sustainable certifications: LEED, BREEAM, GRESB, EDGE or any other international/national sustainable certification.
2. Align with the UN Zero Net Emissions Scenario through Issuer Adherence to SBTs to define and validate the issuer's GHG emission reduction strategy.

For the construction and building sector the strategy that we will follow will be through stewardship activities with the companies. We will look for the alignment according to the general trajectories of SBTs, seeking to achieve 9 kg de CO2 por metro cuadrada para 2023.

- (O) Textile and leather
- (P) Water
- (Q) Other
- (R) We do not have a strategy addressing high-emitting sectors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 43	CORE	N/A	N/A	PUBLIC	Climate change	General

**Has your organisation assessed the resilience of its investment strategy in different climate scenarios, including one in which the average temperature rise is held to below 2 degrees Celsius (preferably to 1.5 degrees Celsius) above pre-industrial levels?**

- (A) Yes, using the Inevitable Policy Response Forecast Policy Scenario (FPS) or Required Policy Scenario (RPS)
- (B) Yes, using the One Earth Climate Model scenario
- (C) Yes, using the International Energy Agency (IEA) Net Zero scenario
- (D) Yes, using other scenarios

Specify:

Network of Central Banks and Supervisors for Greening the Financial System (NGFS) Climate Scenarios

- (E) No, we have not assessed the resilience of our investment strategy in different climate scenarios, including one that holds temperature rise to below 2 degrees

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 44	CORE	N/A	N/A	PUBLIC	Climate change	General

**Does your organisation have a process to identify, assess, and manage the climate-related risks (potentially) affecting your investments?**

- (A) Yes, we have a process to identify and assess climate-related risks

(1) Describe your process

The climate governance of Afore XXI Banorte is driven from the Board of Directors, the Investments Committee, the Financial Risk Committee and the Audit Committee to key positions in the organization

To identify the environmental and potential impact of investments, each transaction is analysed and classified according to its level of ESG risk. For each investment strategy proposed to the Investment Committee, this process examines the level of risk related to greenhouse gas emissions, exposure to climate change, business resilience, initiatives to reduce or mitigate the impact of climate change, alignment with the Paris Agreement and not exposed to restricted activities or sectors on our list, as well as providing an overview of the level of exposure to climate change risk in the portfolio.

The indicators used to determine and evaluate the level of risk by issuer and sector within the portfolio are integrated into the portfolio analysis, as well as by asset, and are presented when the decision to invest in any instrument is submitted to the Investment Committee. The information is requested through Afore XXI-Banorte's ESG questionnaire or consulted through the company's public information or external providers. Among the data included in the analysis are the following

- Temperature for each investment level, asset, and portfolio.
- Alignment of each investment with the Paris Agreement
- Financed emissions by asset type and sector
- Absolute GHG emissions by asset type and sector
- GHG reduction targets for each investment

- Companies with GHG reduction targets validated by SBT
- Polluting sectors by asset type
- List of top companies by emissions financed, WACI, and intensity per million dollars of revenue
- Identification of assets in the portfolio by level of exposure to climate change events (floods, droughts, hurricanes, water stress, etc.)
- Medium- and long-term climate scenarios for assets associated with the portfolio (4.5- and 8.5-degrees scenarios).

(2) Describe how this process is integrated into your overall risk management

This process is part of Afore XXI-Banorte's due diligence and complements the fundamental and technical analysis process of the issuer or company promoted in the portfolio. The information is requested from the issuer/company through ESG questionnaire, which, in the case of companies in active management, asks for the geographic coordinates of their assets to generate maps of the exposure of their assets to physical risks.

The results of the climate risk analysis are included in the One Pager, which is presented to the team of strategists and the CIO and includes, among other things, the alignment with the Paris Agreement, the carbon emissions intensity of the company compared to its peers, the weight of the emitter's WACI in the portfolio if the emitter is in a highly polluting sector, the reduction or increase in its GHG emissions over the last two years, the absolute Scope 1 and 2 emissions, as well as the main regulatory, technological, physical or controversial risks to which its operations could be exposed.

**(B) Yes, we have a process to manage climate-related risks**

(1) Describe your process

Actions underway to reduce/mitigate climate risk in the investment portfolio include active engagement to promote the calculation of carbon footprints of companies in polluting sectors; setting GHG reduction targets for highly polluting sectors; adhering to SBTs; incorporating green certifications into infrastructure processes; providing better climate-related disclosure; requesting climate event risk assessments; following up on action plans to reduce or mitigate climate change risk; aligning their reporting with international SBT/SASB standards; and the process of third party verification of absolute emissions.

Similarly, for the for most sector, we have incorporated a climate change risk analysis that allows us to identify the level of exposure to climate change events per asset, including risks from tropical cyclones, thunderstorms, droughts, heat waves, floods, and water stress.

The results of this exercise will validate whether the issuer has integrated these risks into its risk management processes, into the investment decision-making of the DD, and whether it has protocols in place to manage, mitigate, and prevent the risk of the event, as well as whether the portfolio is covered by insurance that covers for extreme natural phenomena events. If an area of opportunity is identified regarding the issuer's practices, these areas will be requested through an commitment letter or official statement signed by our CIO.

It should be noted that the portfolio is monitored using various indicators such as absolute carbon emissions of each issuer, carbon intensity per million sales, weighted average carbon intensity (WACI), GHG emission reduction targets, alignment with the Paris Agreement, and adherence to SBTs. Information on carbon indicators is presented at the vehicle level, by asset type, by sector, and by region, considering the companies with the greatest carbon exposure in their operations for scaling through direct or collaborative engagement.

(2) Describe how this process is integrated into your overall risk management

The results of the climate risk analysis are included in the One Pager, which is presented to the team of strategists and the CIO and includes, among other things, the alignment with the Paris Agreement, the carbon emissions intensity of the company compared to its peers, the weight of the emitter's WACI in the portfolio if the emitter is in a highly polluting sector, the reduction or increase in its GHG emissions over the last two years, the absolute Scope 1 and 2 emissions, as well as the main regulatory, technological, physical or controversial risks to which its operations could be exposed.

Based on the findings, risk mitigation or avoidance actions are proposed and incorporated into a commitment letter or statement signed by our CIO.

The One Pager and the engagement signed by the issuer are included in the information presented to the Investment Committee.

The follow-up of these engagements is done every quarter, and the progress is presented to the Investment Committee on a semi-annual basis for their knowledge.

In addition, at the portfolio level, climate change risks are monitored through various indicators such as the absolute carbon emissions of each issuer, carbon intensity per million sales, weighted average carbon intensity (WACI), GHG emission reduction targets, alignment with the Paris Agreement and compliance with SBTs, or through the generation of maps to identify the portfolio's exposure to climate events.

Carbon indicator information is presented at the vehicle level, by asset type, by sector, and by region, with consideration given to scaling through direct or collaborative engagement with companies with the highest carbon exposure in their operations.

- (C) No, we do not have any processes to identify, assess, or manage the climate-related risks affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 45	CORE	N/A	N/A	PUBLIC	Climate change	General

**During the reporting year, which of the following climate risk metrics or variables affecting your investments did your organisation use and publicly disclose?**

**(A) Exposure to physical risk**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

**(3) Metric or variable used and disclosed, including methodology**

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/reporte-riesgos-opportunidades-climaticas-2023.pdf>

**(B) Exposure to transition risk**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

**(3) Metric or variable used and disclosed, including methodology**

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/reporte-riesgos-opportunidades-climaticas-2023.pdf>

**(C) Internal carbon price**

**(D) Total carbon emissions**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used

- (2) Metric or variable used and disclosed
- (3) **Metric or variable used and disclosed, including methodology**
- (2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable
  - <https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/reporte-riesgos-oportunidades-climaticas-2023.pdf>
- ☑ (E) **Weighted average carbon intensity**
  - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
    - (1) Metric or variable used
    - (2) Metric or variable used and disclosed
    - (3) **Metric or variable used and disclosed, including methodology**
  - (2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable
    - <https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/reporte-riesgos-oportunidades-climaticas-2023.pdf>
- ☐ (F) Avoided emissions
- ☑ (G) **Implied Temperature Rise (ITR)**
  - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
    - (1) Metric or variable used
    - (2) Metric or variable used and disclosed
    - (3) **Metric or variable used and disclosed, including methodology**
  - (2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable
    - <https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/reporte-riesgos-oportunidades-climaticas-2023.pdf>
- ☑ (H) **Non-ITR measure of portfolio alignment with UNFCCC Paris Agreement goals**
  - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
    - (1) Metric or variable used
    - (2) Metric or variable used and disclosed
    - (3) **Metric or variable used and disclosed, including methodology**
  - (2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable
    - <https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/reporte-riesgos-oportunidades-climaticas-2023.pdf>
- ☑ (I) **Proportion of assets or other business activities aligned with climate-related opportunities**
  - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
    - (1) Metric or variable used
    - (2) Metric or variable used and disclosed
    - (3) **Metric or variable used and disclosed, including methodology**
  - (2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable
    - <https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/reporte-riesgos-oportunidades-climaticas-2023.pdf>
- ☑ (J) **Other metrics or variables**
  - Specify:
    - Carbon intensity per \$1 million of revenue, absolute emissions linked to investment portfolio
  - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
    - (1) Metric or variable used
    - (2) **Metric or variable used and disclosed**
    - (3) Metric or variable used and disclosed, including methodology
  - (2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable
    - <https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/politica-inversion-responsable.pdf>
- (K) Our organisation did not use or publicly disclose any climate risk metrics or variables affecting our investments during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 46	CORE	N/A	N/A	PUBLIC	Climate change	General

**During the reporting year, did your organisation publicly disclose its Scope 1, Scope 2, and/or Scope 3 greenhouse gas emissions?**

**(A) Scope 1 emissions**

(1) Indicate whether this metric was disclosed, including the methodology

o (1) Metric disclosed

● **(2) Metric and methodology disclosed**

(2) Provide links to the disclosed metric and methodology, as applicable

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/reporte-riesgos-oportunidades-climaticas-2023.pdf>

<https://investors.banorte.com/~media/Files/B/Banorte-IR/Sustainability%202023/Reports/Informe%20Anual%20Integrado%202023.pdf>

**(B) Scope 2 emissions**

(1) Indicate whether this metric was disclosed, including the methodology

o (1) Metric disclosed

● **(2) Metric and methodology disclosed**

(2) Provide links to the disclosed metric and methodology, as applicable

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/reporte-riesgos-oportunidades-climaticas-2023.pdf>

<https://investors.banorte.com/~media/Files/B/Banorte-IR/Sustainability%202023/Reports/Informe%20Anual%20Integrado%202023.pdf>

**(C) Scope 3 emissions (including financed emissions)**

(1) Indicate whether this metric was disclosed, including the methodology

o (1) Metric disclosed

● **(2) Metric and methodology disclosed**

(2) Provide links to the disclosed metric and methodology, as applicable

<https://www.xxi-banorte.com/wp-content/themes/banorte-xxi/assets/asg/reporte-riesgos-oportunidades-climaticas-2023.pdf>

<https://investors.banorte.com/~media/Files/B/Banorte-IR/Sustainability%202023/Reports/Informe%20Anual%20Integrado%202023.pdf>

o (D) Our organisation did not publicly disclose its Scope 1, Scope 2, or Scope 3 greenhouse gas emissions during the reporting year

## SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47	CORE	N/A	Multiple indicators	PUBLIC	Sustainability outcomes	1, 2

**Has your organisation identified the intended and unintended sustainability outcomes connected to its investment activities?**

● **(A) Yes, we have identified one or more specific sustainability outcomes connected to our investment activities**

o (B) No, we have not yet identified the sustainability outcomes connected to any of our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.1	CORE	PGS 47	N/A	PUBLIC	Sustainability outcomes	1, 2

**Which widely recognised frameworks has your organisation used to identify the intended and unintended sustainability outcomes connected to its investment activities?**

- (A) The UN Sustainable Development Goals (SDGs) and targets
- (B) The UNFCCC Paris Agreement
- (C) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (D) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (E) The EU Taxonomy
- (F) Other relevant taxonomies

Specify:

Mexican Sustainable Taxonomy

- (G) The International Bill of Human Rights
- (H) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (I) The Convention on Biological Diversity
- (J) Other international framework(s)
- (K) Other regional framework(s)
- (L) Other sectoral/issue-specific framework(s)
  - (M) Our organisation did not use any widely recognised frameworks to identify the intended and unintended sustainability outcomes connected to its investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.2	CORE	PGS 47	PGS 48	PUBLIC	Sustainability outcomes	1, 2

**What are the primary methods that your organisation has used to determine the most important intended and unintended sustainability outcomes connected to its investment activities?**

- (A) Identify sustainability outcomes that are closely linked to our core investment activities
- (B) Consult with key clients and/or beneficiaries to align with their priorities
- (C) Assess which actual or potential negative outcomes for people are most severe based on their scale, scope, and irremediable character
- (D) Identify sustainability outcomes that are closely linked to systematic sustainability issues
- (E) Analyse the input from different stakeholders (e.g. affected communities, civil society, trade unions or similar)
- (F) Understand the geographical relevance of specific sustainability outcome objectives
- (G) Other method
- (H) We have not yet determined the most important sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48	CORE	PGS 47.2	PGS 48.1, SO 1	PUBLIC	Sustainability outcomes	1, 2

Has your organisation taken action on any specific sustainability outcomes connected to its investment activities, including to prevent and mitigate actual and potential negative outcomes?

- (A) Yes, we have taken action on some of the specific sustainability outcomes connected to our investment activities
- (B) No, we have not yet taken action on any specific sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48.1	PLUS	PGS 48	N/A	PUBLIC	Sustainability outcomes	1, 2

Why has your organisation taken action on specific sustainability outcomes connected to its investment activities?

- (A) We believe that taking action on sustainability outcomes is relevant to our financial risks and returns over both short- and long-term horizons
- (B) We believe that taking action on sustainability outcomes, although not yet relevant to our financial risks and returns, will become so over a long-time horizon
- (C) We have been requested to do so by our clients and/or beneficiaries
- (D) We want to prepare for and respond to legal and regulatory developments that are increasingly addressing sustainability outcomes
- (E) We want to protect our reputation, particularly in the event of negative sustainability outcomes connected to investments
- (F) We want to enhance our social licence-to-operate (i.e. the trust of beneficiaries, clients, and other stakeholders)
- (G) We believe that taking action on sustainability outcomes in parallel to financial return goals has merit in its own right
- (H) Other

## HUMAN RIGHTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49	PLUS	PGS 47	PGS 49.1	PUBLIC	Human rights	1, 2

During the reporting year, what steps did your organisation take to identify and take action on the actual and potentially negative outcomes for people connected to your investment activities?

- (A) We assessed the human rights context of our potential and/or existing investments and projected how this could connect our organisation to negative human rights outcomes
- Explain how these activities were conducted:

We consider corporate culture and employee satisfaction to be essential, so we assess how companies respect labor rights as part of our ESG analysis. As investors, we seek to promote opportunities for women and men through decent and productive work in terms of freedom, justice, security, and dignity, in line with the fundamental conventions of the International Labour Organization (ILO) agency of the United Nations.

Therefore, if we identify that a company/external manager in our portfolio lacks a strong corporate culture and/or is involved in human rights abuses, we take appropriate action through our active engagement.

Some of the specific elements we take into account are:

1. Political and governance commitments.
2. Integration of Human Rights into Corporate Strategy.
3. Incorporation of respect and due diligence on human rights.
4. Remedies and grievance mechanisms.
5. Company's human rights performance - practices.
6. Performance - responses to serious grievances.
7. Evaluation and ongoing monitoring.
8. Transparency and reporting.

In that sense, active engagement is a powerful tool to mitigate the risks associated with human rights violations in our investment portfolio.

**(B) We assessed whether individuals at risk or already affected might be at heightened risk of harm**

Explain how these activities were conducted:

We regularly monitor accident statistics or the materiality of health and safety issues, identifying whether the company has public statistics on fatal or minor injuries and setting targets for reduction if the accident rate is above peers or there has been a relevant controversy. On the other hand, we use third-party information to validate that the companies in our portfolio continue to comply with international guidelines on human rights issues.

We also recognise that human rights abuses often occur deep within supply chains. As investors, we pay particular attention to companies that rely on a supply chain with long links to first- and second-tier suppliers, and urge them to strengthen their selection, assessment and monitoring procedures and mechanisms.

(C) We consulted with individuals and groups who were at risk or already affected, their representatives and/or other relevant stakeholders such as human rights experts

**(D) We took other steps to assess and manage the actual and potentially negative outcomes for people connected to our investment activities**

Specify:

Engagement derived from ESG controversy analysis

Explain how these activities were conducted:

We follow up on ESG controversies in our portfolio through the analysis tool of our internationally recognized rating agency, which has an analytical framework organized into three pillars: Environment, Social, and Governance. In particular, the social pillar is further divided into three sub-pillars representing different material issues: the community, Human Rights and Community Impact), workers (Labor Rights and Supply Chain), and the environment.

Once the issues with ongoing controversies have been identified, the company is contacted to seek updates regarding the identified issue, in case of having possible open issues with a high degree of impact, we proceed to establish remediation commitments with the company.

(E) We did not identify and take action on the actual and potentially negative outcomes for people connected to any of our

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49.1	PLUS	PGS 49	N/A	PUBLIC	Human rights	1, 2

**During the reporting year, which stakeholder groups did your organisation include when identifying and taking action on the actual and potentially negative outcomes for people connected to your investment activities?**

**(A) Workers**

Sector(s) for which each stakeholder group was included

- (1) Energy
- (2) Materials
- (3) Industrials
- (4) Consumer discretionary
- (5) Consumer staples
- (6) Healthcare
- (7) Finance
- (8) Information technology
- (9) Communication services
- (10) Utilities
- (11) Real estate

**(B) Communities**

Sector(s) for which each stakeholder group was included

- (1) Energy
- (2) Materials
- (3) Industrials
- (4) Consumer discretionary
- (5) Consumer staples
- (6) Healthcare
- (7) Finance
- (8) Information technology
- (9) Communication services
- (10) Utilities
- (11) Real estate

**(C) Customers and end-users**

Sector(s) for which each stakeholder group was included

- (1) Energy
- (2) Materials
- (3) Industrials
- (4) Consumer discretionary
- (5) Consumer staples
- (6) Healthcare
- (7) Finance
- (8) Information technology
- (9) Communication services
- (10) Utilities
- (11) Real estate

**(D) Other stakeholder groups**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49.2	PLUS	PGS 47	N/A	PUBLIC	Human rights	1, 2

**During the reporting year, what information sources did your organisation use to identify the actual and potentially negative outcomes for people connected to its investment activities?**

**(A) Corporate disclosures**

Provide further detail on how your organisation used these information sources:

Annually, we require our portfolio companies to provide us with their annual sustainability reports, which serve as an input to validate and/or update the information they report directly to us in our ESG information questionnaires.

**(B) Media reports**

Provide further detail on how your organisation used these information sources:

ESG analysts identify new ESG controversy cases and update existing cases by researching in different information media

**(C) Reports and other information from NGOs and human rights institutions**

**(D) Country reports, for example, by multilateral institutions, e.g. OECD, World Bank**

**(E) Data provider scores or benchmarks**

Provide further detail on how your organisation used these information sources:

Through our international ESG information provider, we consulted the analysis of controversies by company where the performance of social issues is broken down considering human rights factors and impacts such as:

Impact on Local

Communities

Human Rights

Concerns

Civil Liberties

Each ESG controversy case is assessed for the Severity of its impact on society or the environment as Very Severe, Severe, Moderate or Minor. Each ESG controversy case receives a Score and an associated color-coded Flag based on a combination of the assessed Severity of the controversy as well as the assessments of the company's alleged Role and the Status of the case remediation and resolution. This score is considered as part of the ESG analysis and controversy are considered in risk identification.

**(F) Human rights violation alerts**

Provide further detail on how your organisation used these information sources:

Through our data provider, every six months we perform a sweep of the identified controversies. Likewise, if there is a particular case, the ESG controversy is entered into our internal controversy monitoring system to follow up on it start the dialogue process with the company and apply the engagement process.

**(G) Sell-side research**

**(H) Investor networks or other investors**

**(I) Information provided directly by affected stakeholders or their representatives**

Provide further detail on how your organisation used these information sources:

Annually we ask you to provide us with ESG information through our ESG compliance questionnaire, in which you are particularly required to disclose information regarding Health and Safety, Human Capital Development, Supply Chain Standards, Labor Management, and Privacy and Information Security.

- (J) Social media analysis
- (K) Other

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 50	PLUS	PGS 47	N/A	PUBLIC	Human rights	1, 2

**During the reporting year, did your organisation, directly or through influence over investees, enable access to remedy for people affected by negative human rights outcomes connected to your investment activities?**

- (A) Yes, we enabled access to remedy directly for people affected by negative human rights outcomes we caused or contributed to through our investment activities
- (B) Yes, we used our influence to ensure that our investees provided access to remedies for people affected by negative human rights outcomes we were linked to through our investment activities

Describe:

During ESG due diligence we review cases of controversy on ESG issues, including respect for and compliance with human rights and labour rights, in line with applicable legal requirements. If we identify a red flag, we engage in a direct dialogue with the company to disclose our areas of concern, after which formal commitments are made to mitigate the identified risks before participating in the investment proposal.

- (C) No, we did not enable access to remedy directly, or through the use of influence over investees, for people affected by negative human rights outcomes connected to our investment activities during the reporting year

# MANAGER SELECTION, APPOINTMENT AND MONITORING (SAM)

## OVERALL APPROACH

### EXTERNAL INVESTMENT MANAGERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 1	CORE	OO 21	N/A	PUBLIC	External investment managers	4

For the majority of your externally managed AUM in each asset class, which responsible investment aspects does your organisation consider important in the assessment of external investment managers?

	(1) Listed equity (active)	(2) Listed equity (passive)	(3) Fixed income (active)	(5) Private equity	(6) Real estate	(7) Infrastructure
<b>Organisation</b>						
(A) Commitment to and experience in responsible investment	<input checked="" type="checkbox"/>					
(B) Responsible investment policy(ies)	<input checked="" type="checkbox"/>					
(C) Governance structure and senior-level oversight and accountability	<input checked="" type="checkbox"/>					
<b>People and Culture</b>						
(D) Adequate resourcing and incentives	<input checked="" type="checkbox"/>					
(E) Staff competencies and experience in responsible investment	<input checked="" type="checkbox"/>					
<b>Investment Process</b>						
(F) Incorporation of material ESG factors in the investment process	<input checked="" type="checkbox"/>					

(G) Incorporation of risks connected to systematic sustainability issues in the investment process	<input checked="" type="checkbox"/>					
(H) Incorporation of material ESG factors and ESG risks connected to systematic sustainability issues in portfolio risk assessment	<input checked="" type="checkbox"/>					
<b>Stewardship</b>						
(I) Policy(ies) or guidelines on stewardship	<input checked="" type="checkbox"/>					
(J) Policy(ies) or guidelines on (proxy) voting	<input checked="" type="checkbox"/>					
(K) Use of stewardship tools and activities	<input checked="" type="checkbox"/>					
(L) Incorporation of risks connected to systematic sustainability issues in stewardship practices	<input checked="" type="checkbox"/>					
(M) Involvement in collaborative engagement and stewardship initiatives	<input checked="" type="checkbox"/>					
(N) Engagement with policy makers and other non-investee stakeholders	<input checked="" type="checkbox"/>					
(O) Results of stewardship activities	<input checked="" type="checkbox"/>					
<b>Performance and Reporting</b>						
(P) ESG disclosure in regular client reporting	<input checked="" type="checkbox"/>					
(Q) Inclusion of ESG factors in contractual agreements	<input checked="" type="checkbox"/>					
(R) We do not consider any of the above responsible investment aspects important in the assessment of external investment managers	<input type="checkbox"/>					

## SERVICE PROVIDERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 2	CORE	OO 21	N/A	PUBLIC	Service providers	4

**Which responsible investment aspects does your organisation consider important when assessing all service providers that advise you in the selection, appointment and/or monitoring of external investment managers?**

- (A) Incorporation of their responsible investment policy into advisory services
- (B) Ability to accommodate our responsible investment policy
- (C) Level of staff's responsible investment expertise
- (D) Use of data and analytical tools to assess the external investment manager's responsible investment performance
- (E) Other
- (F) We do not consider any of the above responsible investment aspects important when assessing service providers that advise us in the selection, appointment and/or monitoring of external investment managers
- (G) **Not applicable; we do not engage service providers in the selection, appointment or monitoring of external investment managers**

## POOLED FUNDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 3	PLUS	OO 5.2, OO 21	N/A	PUBLIC	Pooled funds	4

**If you invest in pooled funds, describe how you incorporate responsible investment aspects into the selection, appointment and/or monitoring of external investment managers.**

**Provide example(s) below**

(A) Selection	<p>Afore XXI Banorte considers key aspects when assessing the external investment manager's responsible investment policies and practices.</p> <p>At this phase we have 3 basic processes: 1) Identification of a preliminary list of potential fund managers/funds, 2) Request for information, and 3) Detailed due diligence. Among the ESG aspects that are reviewed at the time of the manager/fund review are the following categories: Organisation, People and Culture, Investment Process and Transparency of Information</p> <p>These considerations ensure that the external managers or funds selected by the Afore are aligned with our responsible investment objectives and meet the highest ESG management standards.</p>
(B) Appointment	<p>Once the final status assessment is available, the CIO must present the selected fund manager(s) to the Investment Committee for approval. Once AXXIB selects an external investment manager, is considered the final due diligence, contract negotiation, and account opening. At this phase, ESG clauses are included in the contractual agreements with the selected managers, ensuring compliance with ESG policies and objectives.</p>
(C) Monitoring	<p>Investment management practices are monitored in the annual evaluation, through an ESG questionnaire. In addition, Afore XXIB request periodic information to the external investment managers, including analysis of ESG compliance, carbon risk and identification of areas for improvement.</p>

# SELECTION

## RESPONSIBLE INVESTMENT PRACTICES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 4	CORE	OO 12, OO 21	SAM 5, SAM 6, SAM 7	PUBLIC	Responsible investment practices	General

During the reporting year, did your organisation select new external investment managers or allocate new mandates to existing investment managers?

- (A) Yes, we selected external investment managers or allocated new mandates to existing investment managers during the reporting year
  - (B) No, we did not select new external investment managers or allocate new mandates to existing investment managers during the reporting year
  - (C) Not applicable; our organisation is in a captive relationship with external investment managers, which applies to 90% or more of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 5	CORE	SAM 4	N/A	PUBLIC	Responsible investment practices	4

During the reporting year, what responsible investment aspects did your organisation, or the service provider acting on your behalf, review and evaluate when selecting new external investment managers or allocating new mandates to existing investment managers?

### Organisation

(A) Commitment to and experience in responsible investment (e.g. commitment to responsible investment principles and standards)

Select from dropdown list

- (1) for all of our mandates
  - (2) for a majority of our mandates
  - (3) for a minority of our mandates

(B) Responsible investment policy(ies) (e.g. the alignment of their responsible investment policy with the investment mandate)

Select from dropdown list

- (1) for all of our mandates
  - (2) for a majority of our mandates
  - (3) for a minority of our mandates

(C) Governance structure and senior-level oversight and accountability (e.g. the adequacy of their governance structure and reported conflicts of interest)

Select from dropdown list

- (1) for all of our mandates
  - (2) for a majority of our mandates
  - (3) for a minority of our mandates

### People and Culture

(D) Adequate resourcing and incentives (e.g. their team structures, operating model and remuneration structure, including alignment of interests)

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

(E) Staff competencies and experience in responsible investment (e.g. level of responsible investment responsibilities in their investment team, their responsible investment training and capacity building)

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

**Investment Process**

(F) Incorporation of material ESG factors in the investment process (e.g. detail and evidence of how such factors are incorporated into the selection of individual assets and in portfolio construction)

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

(G) Incorporation of risks connected to systematic sustainability issues in the investment process (e.g. detail and evidence of how such risks are incorporated into the selection of individual assets and in portfolio construction)

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

(H) Incorporation of material ESG factors and ESG risks connected to systematic sustainability issues in portfolio risk assessment (e.g. their process to measure and report such risks)

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

**Performance and Reporting**

(I) ESG disclosure in regular client reporting

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

(J) Inclusion of ESG factors in contractual agreements

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

(K) We did not review and evaluate any of the above responsible investment aspects when selecting new external investment managers or allocating new mandates to existing investment managers during the reporting year

## STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 6	CORE	OO 8, OO 21, SAM 4	N/A	PUBLIC	Stewardship	4

During the reporting year, which aspects of the stewardship approach did your organisation, or the service provider acting on your behalf, review and evaluate when selecting new external investment managers or allocating new mandates to existing investment managers?

(A) The alignment of their policy(ies) or guidelines on stewardship with the investment mandate

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates

- (3) for a minority of our mandates
- (B) Evidence of how they implemented their stewardship objectives, including the effectiveness of their activities**  
Select from dropdown list
  - (1) for all of our mandates**
  - (2) for a majority of our mandates
  - (3) for a minority of our mandates
- (C) Their participation in collaborative engagements and stewardship initiatives**  
Select from dropdown list
  - (1) for all of our mandates**
  - (2) for a majority of our mandates
  - (3) for a minority of our mandates
- (D) Details of their engagements with companies or issuers on risks connected to systematic sustainability issues**  
Select from dropdown list
  - (1) for all of our mandates**
  - (2) for a majority of our mandates
  - (3) for a minority of our mandates
- (E) Details of their engagement activities with policy makers**  
Select from dropdown list
  - (1) for all of our mandates**
  - (2) for a majority of our mandates
  - (3) for a minority of our mandates
- (F) Their escalation process and the escalation tools included in their policy on stewardship**  
Select from dropdown list
  - (1) for all of our mandates**
  - (2) for a majority of our mandates
  - (3) for a minority of our mandates
- (G) We did not review and evaluate any of the above aspects of the stewardship approach when selecting new external investment managers or allocating new mandates to existing investment managers during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 7	CORE	OO 9, OO 21, SAM 4	N/A	PUBLIC	Stewardship	4

**During the reporting year, which aspects of (proxy) voting did your organisation, or the service provider acting on your behalf, review and evaluate when selecting new external investment managers or allocating new mandates to existing investment managers?**

- (A) The alignment of their policy(ies) or guidelines on (proxy) voting with the investment mandate**  
Select from dropdown list
  - (1) for all of our mandates**
  - (2) for a majority of our mandates
  - (3) for a minority of our mandates
- (B) Historical information on the number or percentage of general meetings at which they voted**  
Select from dropdown list
  - (1) for all of our mandates**
  - (2) for a majority of our mandates
  - (3) for a minority of our mandates
- (C) Analysis of votes cast for and against**  
Select from dropdown list
  - (1) for all of our mandates**
  - (2) for a majority of our mandates
  - (3) for a minority of our mandates
- (D) Analysis of votes cast for and against resolutions related to risks connected to systematic sustainability issues**  
Select from dropdown list
  - (1) for all of our mandates**
  - (2) for a majority of our mandates
  - (3) for a minority of our mandates
- (E) Details of their position on any controversial and high-profile votes**

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

(F) Historical information of any resolutions on which they voted contrary to their own voting policy and the reasons why

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

(G) Details of all votes involving companies where the external investment manager or an affiliate has a contractual relationship or another potential conflict of interest

Select from dropdown list

- (1) for all of our mandates
- (2) for a majority of our mandates
- (3) for a minority of our mandates

- (H) We did not review and evaluate any of the above aspects of (proxy) voting when selecting new external investment managers or allocating new mandates to existing investment managers during the reporting year
- (I) Not applicable; our organisation did not select new external investment managers or allocated new mandates to existing investment managers for listed equity and/or hedge funds that hold equity.

## APPOINTMENT

### SEGREGATED MANDATES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 8	CORE	OO 5.2, OO 13, OO 21	N/A	PUBLIC	Segregated mandates	4

Which responsible investment aspects do your organisation, or the service provider acting on your behalf, explicitly include in clauses within your contractual agreements with your external investment managers for segregated mandates?

(A) Their commitment to following our responsible investment strategy in the management of our assets

Select from dropdown list

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

(B) Their commitment to incorporating material ESG factors into their investment activities

Select from dropdown list

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

(C) Their commitment to incorporating material ESG factors into their stewardship activities

Select from dropdown list

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

(D) Their commitment to incorporating risks connected to systematic sustainability issues into their investment activities

Select from dropdown list

- (1) for all of our segregated mandates
- (2) for a majority of our segregated mandates
- (3) for a minority of our segregated mandates

(E) Their commitment to incorporating risks connected to systematic sustainability issues into their stewardship activities

Select from dropdown list

- (1) for all of our segregated mandates
  - (2) for a majority of our segregated mandates
  - (3) for a minority of our segregated mandates
- (F) Exclusion list(s) or criteria
  - Select from dropdown list
  - (1) for all of our segregated mandates
    - (2) for a majority of our segregated mandates
    - (3) for a minority of our segregated mandates
- (G) Responsible investment communications and reporting obligations, including stewardship activities and results
  - Select from dropdown list
  - (1) for all of our segregated mandates
    - (2) for a majority of our segregated mandates
    - (3) for a minority of our segregated mandates
- (H) Incentives and controls to ensure alignment of interests
  - Select from dropdown list
  - (1) for all of our segregated mandates
    - (2) for a majority of our segregated mandates
    - (3) for a minority of our segregated mandates
- (I) Commitments on climate-related disclosure in line with internationally-recognised frameworks such as the TCFD
  - Select from dropdown list
  - (1) for all of our segregated mandates
    - (2) for a majority of our segregated mandates
    - (3) for a minority of our segregated mandates
- (J) Commitment to respect human rights as defined in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights
  - Select from dropdown list
  - (1) for all of our segregated mandates
    - (2) for a majority of our segregated mandates
    - (3) for a minority of our segregated mandates
- (K) Their acknowledgement that their appointment is conditional on the fulfilment of their agreed responsible investment commitments
  - Select from dropdown list
  - (1) for all of our segregated mandates
    - (2) for a majority of our segregated mandates
    - (3) for a minority of our segregated mandates
- (L) Other
  - (M) We do not include responsible investment aspects in clauses within our contractual agreements with external investment managers for segregated mandates

# MONITORING

## RESPONSIBLE INVESTMENT PRACTICES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 9	CORE	OO 14, OO 21	N/A	PUBLIC	Responsible investment practices	4

For the majority of your externally managed AUM in each asset class, which aspects of your external investment managers' responsible investment practices did your organisation, or the service provider acting on your behalf, monitor during the reporting year?

	(1) Listed equity (active)	(2) Listed equity (passive)	(3) Fixed income (active)	(5) Private equity	(6) Real estate	(7) Infrastructure
<b>Organisation</b>						
(A) Commitment to and experience in responsible investment (e.g. commitment to responsible investment principles and standards)	<input checked="" type="checkbox"/>					
(B) Responsible investment policy(ies) (e.g. the continued alignment of their responsible investment policy with the investment mandate)	<input checked="" type="checkbox"/>					
(C) Governance structure and senior level oversight and accountability (e.g. the adequacy of their governance structure and reported conflicts of interest)	<input checked="" type="checkbox"/>					
<b>People and Culture</b>						
(D) Adequate resourcing and incentives (e.g. their team structures, operating model and remuneration structure, including alignment of interests)	<input checked="" type="checkbox"/>					

(E) Staff competencies and experience in responsible investment (e.g. level of responsible investment responsibilities in their investment team, their responsible investment training and capacity building)	<input checked="" type="checkbox"/>					
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**Investment Process**

(F) Incorporation of material ESG factors in the investment process (e.g. detail and evidence of how such factors are incorporated into the selection of individual assets and in portfolio construction)	<input checked="" type="checkbox"/>					
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(G) Incorporation of risks connected to systematic sustainability issues in the investment process (e.g. detail and evidence of how such risks are incorporated into the selection of individual assets and in portfolio construction)	<input checked="" type="checkbox"/>					
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(H) Incorporation of material ESG factors and ESG risks connected to systematic sustainability issues in portfolio risk assessment (e.g. their process to measure and report such risks, their response to ESG incidents)	<input checked="" type="checkbox"/>					
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**Performance and Reporting**

(I) ESG disclosure in regular client reporting (e.g. any changes in their regular client reporting)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
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(J) Inclusion of ESG factors in contractual agreements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
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(K) We did not monitor any of the above aspects of our external investment managers' responsible investment practices during the reporting year	<input type="radio"/>					
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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 10	PLUS	OO 14, OO 21	N/A	PUBLIC	Responsible investment practices	1

**During the reporting year, which information did your organisation, or the service provider acting on your behalf, monitor for externally managed ESG passive products and strategies?**

**(1) Listed equity (passive)**

(A) How the external investment managers applied, reviewed and verified screening criteria	<input checked="" type="checkbox"/>
(B) How the external investment managers rebalanced the products as a result of changes in ESG rankings, ratings or indexes	<input checked="" type="checkbox"/>
(C) Evidence that ESG passive products and strategies meet the responsible investment criteria and process	<input checked="" type="checkbox"/>
(D) Other	<input checked="" type="checkbox"/>
(E) We did not monitor ESG passive products and strategies	<input type="radio"/>
(F) Not applicable; we do not invest in ESG passive products and strategies	<input type="radio"/>

**(D) Other - Specify:**

For all ESG investments, we developed an ESG questionnaire to obtain additional information on the external investment manager's sustainable strategy, proxy voting process, screening strategy, ESG issues controversies, climate change policy, engagement process, etc. For mandate managers we monitored the external investment manager's engagement (in accordance with their responsible investment policy) and requested a detailed record of any material ESG incidents over the past six months.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 11	PLUS	OO 14, OO 21	N/A	PUBLIC	Responsible investment practices	1

**Describe an innovative practice you adopted as part of monitoring your external investment managers' responsible investment practices in a specific asset class during the reporting year.**

As will mention in previous at 2022 PRI Framework report the Afore has ESG clauses already defined for inclusion in the investment external management agreements (IMAs). The clauses are intended to clearly state the importance of ESG factors, these considerations are aligned with the PRI and these will be clauses are legally binding once they are included in the IMA executed by both parties. Non-compliance with these clauses will give rise to an early warning that will require the external manager to commit to compliance later; the persistence of this non-compliance may affect the pension fund decision to renew or terminate the IMA, always considering the financial aspects of the strategies before deciding.

For Mandate managers we have incorporated a reporting process with different periodicity depending on the ESG information requirement. In the case of external passive managers, we have a check list of initial documents for the DDQ that seek to evaluate the advance in terms of responsible investment practices of the managed companies.

Currently, the Afore has pre-designed ESG clauses for inclusion in the legally binding documents of external investment managers, under the same principles mentioned above.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 12	CORE	OO 14, OO 21	N/A	PUBLIC	Responsible investment practices	1

**For the majority of your externally managed AUM in each asset class, how often does your organisation, or the service provider acting on your behalf, monitor your external investment managers' responsible investment practices?**

	(1) Listed equity (active)	(2) Listed equity (passive)	(3) Fixed income (active)	(5) Private equity	(6) Real estate	(7) Infrastructure
(A) At least annually	<input checked="" type="checkbox"/>					
(B) Less than once a year	<input type="checkbox"/>					
(C) On an ad hoc basis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

## STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 13	CORE	OO 8, OO 21	N/A	PUBLIC	Stewardship	1, 2

For the majority of your externally managed AUM in each asset class, which aspects of your external investment managers' stewardship practices did your organisation, or the service provider acting on your behalf, monitor during the reporting year?

	(1) Listed equity (active)	(2) Listed equity (passive)	(5) Private equity	(6) Real estate	(7) Infrastructure
(A) Any changes in their policy(ies) or guidelines on stewardship	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) The degree of implementation of their policy(ies) or guidelines on stewardship	<input checked="" type="checkbox"/>				
(C) How they prioritise material ESG factors	<input checked="" type="checkbox"/>				
(D) How they prioritise risks connected to systematic sustainability issues	<input checked="" type="checkbox"/>				
(E) Their investment team's level of involvement in stewardship activities	<input checked="" type="checkbox"/>				
(F) Whether the results of stewardship actions were fed back into the investment process and decisions	<input checked="" type="checkbox"/>				
(G) Whether they used a variety of stewardship tools and activities to advance their stewardship priorities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(H) The deployment of their escalation process in cases where initial stewardship efforts were unsuccessful	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(I) Whether they participated in collaborative engagements and stewardship initiatives	<input checked="" type="checkbox"/>				
(J) Whether they had an active role in collaborative engagements and stewardship initiatives	<input checked="" type="checkbox"/>				
(K) Other	<input type="checkbox"/>				
(L) We did not monitor our external investment managers' stewardship practices during the reporting year	<input type="radio"/>				

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 14	CORE	OO 9, OO 21	N/A	PUBLIC	Stewardship	1, 2

**For the majority of your AUM in each asset class where (proxy) voting is delegated to external investment managers, which aspects of your external investment managers' (proxy) voting practices did your organisation, or the service provider acting on your behalf, monitor during the reporting year?**

**(1) Listed equity (active)**

(A) Any changes in their policy(ies) or guidelines on (proxy) voting	<input checked="" type="checkbox"/>
(B) Whether their (proxy) voting decisions were consistent with their stewardship priorities as stated in their policy and with their voting policy, principles and/or guidelines	<input checked="" type="checkbox"/>
(C) Whether their (proxy) voting decisions were consistent with their stated approach on the prioritisation of risks connected to systematic sustainability issues	<input checked="" type="checkbox"/>
(D) Whether their (proxy) voting track record was aligned with our stewardship approach and expectations	<input checked="" type="checkbox"/>

(E) The application of their policy on securities lending and any implications for implementing their policy(ies) or guidelines on (proxy) voting (where applicable)

(F) Other

(G) We did not monitor our external investment managers' (proxy) voting practices during the reporting year

## ENGAGEMENT AND ESCALATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 15	PLUS	OO 14, OO 21	N/A	PUBLIC	Engagement and escalation	4

**Describe how your organisation engaged with external investment managers to improve their responsible investment practices during the reporting year.**

During 2023, we worked with external investment managers in multiple dialogues to negotiate the incorporation of ESG clauses in legally binding documents, through the side letters, achieving the incorporation of our sectors and activities prohibited as well as commitments to align with best practices in responsible investment. In addition, we synergize with the most advanced investment managers to learn about their best practices and thus strengthen our processes.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 16	CORE	OO 14, OO 21	N/A	PUBLIC	Engagement and escalation	4

**What actions does your organisation, or the service provider acting on your behalf, include in its formal escalation process to address concerns raised during monitoring of your external investment managers' responsible investment practices?**

	(1) Listed equity (active)	(2) Listed equity (passive)	(3) Fixed income (active)	(5) Private equity	(6) Real estate	(7) Infrastructure
(A) Engagement with their investment professionals, investment committee or other representatives	<input checked="" type="checkbox"/>					
(B) Notification about their placement on a watch list or relationship coming under review	<input checked="" type="checkbox"/>					

(C) Reduction of capital allocation to the external investment managers until any concerns have been rectified	<input checked="" type="checkbox"/>					
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(D) Termination of the contract if failings persist over a (notified) period, including an explanation of the reasons for termination	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
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(E) Holding off selecting the external investment managers for new mandates or allocating additional capital until any concerns have been rectified	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
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(F) Other	<input checked="" type="checkbox"/>					
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(G) Our organisation does not have a formal escalation process to address concerns raised during monitoring	<input type="radio"/>					
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**(F) Other - Specify:**

In case of insufficient or inadequate reporting or results, or any violation of established policies, AXXIB has a process of escalation with three actions and their respective measures that could be considered to improve dialogue and mitigate the lack of information or attention to commitments. We also make timely and formal commitments to external managers to reduce ESG risks in their portfolios and improve responsible investment practices.

## VERIFICATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 17	CORE	OO 14, OO 21	N/A	PUBLIC	Verification	1

**For the majority of your externally managed AUM in each asset class, how did your organisation, or the service provider acting on your behalf, verify that the information reported by external investment managers on their responsible investment practices was correct during the reporting year?**

	(1) Listed equity (active)	(2) Listed equity (passive)	(3) Fixed income (active)	(5) Private equity	(6) Real estate	(7) Infrastructure
(A) We checked that the information reported was verified through a third-party assurance process	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(B) We checked that the information reported was verified by an independent third party	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(C) We checked for evidence of internal monitoring or compliance	<input checked="" type="checkbox"/>					
(D) Other	<input type="checkbox"/>					
(E) We did not verify the information reported by external investment managers on their responsible investment practices during the reporting year	<input type="radio"/>					

# SUSTAINABILITY OUTCOMES (SO)

## SETTING TARGETS AND TRACKING PROGRESS

### SETTING TARGETS ON SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 1	PLUS	PGS 48	SO 2, SO 2.1, SO 3	PUBLIC	Setting targets on sustainability outcomes	1, 2

What specific sustainability outcomes connected to its investment activities has your organisation taken action on?

(A) Sustainability outcome #1

- (1) Widely recognised frameworks used to guide action on this sustainability outcome
  - (1) The UN Sustainable Development Goals (SDGs) and targets
  - (2) The UNFCCC Paris Agreement
  - (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
  - (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
  - (5) The EU Taxonomy
  - (6) Other relevant taxonomies
  - (7) The International Bill of Human Rights
  - (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
  - (9) The Convention on Biological Diversity
  - (10) Other international, regional, sector-based or issue-specific framework(s)
- (2) Classification of sustainability outcome
  - (1) Environmental
  - (2) Social
  - (3) Governance-related
  - (4) Other
- (3) Sustainability outcome name
 

Health
- (4) Number of targets set for this outcome
  - (1) No target
  - (2) One target
  - (3) Two or more targets

(B) Sustainability outcome #2

- (1) Widely recognised frameworks used to guide action on this sustainability outcome
  - (1) The UN Sustainable Development Goals (SDGs) and targets
  - (2) The UNFCCC Paris Agreement
  - (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
  - (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
  - (5) The EU Taxonomy
  - (6) Other relevant taxonomies
  - (7) The International Bill of Human Rights
  - (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
  - (9) The Convention on Biological Diversity
  - (10) Other international, regional, sector-based or issue-specific framework(s)

- (2) Classification of sustainability outcome
- (1) Environmental
  - (2) **Social**
  - (3) Governance-related
  - (4) Other
- (3) Sustainability outcome name
- Equality
- (4) Number of targets set for this outcome
- o (1) No target
  - o (2) One target
  - (3) **Two or more targets**
- (C) **Sustainability outcome #3**
- (1) Widely recognised frameworks used to guide action on this sustainability outcome
- (1) **The UN Sustainable Development Goals (SDGs) and targets**
  - (2) **The UNFCCC Paris Agreement**
  - (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
  - (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
  - (5) The EU Taxonomy
  - (6) Other relevant taxonomies
  - (7) The International Bill of Human Rights
  - (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
  - (9) **The Convention on Biological Diversity**
  - (10) Other international, regional, sector-based or issue-specific framework(s)
- (2) Classification of sustainability outcome
- (1) **Environmental**
  - (2) Social
  - (3) Governance-related
  - (4) Other
- (3) Sustainability outcome name
- Water
- (4) Number of targets set for this outcome
- o (1) No target
  - o (2) One target
  - (3) **Two or more targets**
- (D) **Sustainability outcome #4**
- (1) Widely recognised frameworks used to guide action on this sustainability outcome
- (1) **The UN Sustainable Development Goals (SDGs) and targets**
  - (2) **The UNFCCC Paris Agreement**
  - (3) **The UN Guiding Principles on Business and Human Rights (UNGPs)**
  - (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
  - (5) The EU Taxonomy
  - (6) Other relevant taxonomies
  - (7) The International Bill of Human Rights
  - (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
  - (9) The Convention on Biological Diversity
  - (10) Other international, regional, sector-based or issue-specific framework(s)
- (2) Classification of sustainability outcome
- (1) **Environmental**
  - (2) Social
  - (3) Governance-related
  - (4) Other
- (3) Sustainability outcome name

Green certifications

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets

(E) Sustainability outcome #5

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets
- (2) The UNFCCC Paris Agreement
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity
- (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

Women Board

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets

(F) Sustainability outcome #6

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets
- (2) The UNFCCC Paris Agreement
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity
- (10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

Waste management and information transparency

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets

(G) Sustainability outcome #7

- (1) Widely recognised frameworks used to guide action on this sustainability outcome
  - (1) **The UN Sustainable Development Goals (SDGs) and targets**
  - (2) **The UNFCCC Paris Agreement**
  - (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
  - (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
  - (5) The EU Taxonomy
  - (6) Other relevant taxonomies
  - (7) The International Bill of Human Rights
  - (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
  - (9) **The Convention on Biological Diversity**
  - (10) Other international, regional, sector-based or issue-specific framework(s)
- (2) Classification of sustainability outcome
  - (1) **Environmental**
  - (2) Social
  - (3) Governance-related
  - (4) Other
- (3) Sustainability outcome name
  - Alignment to the Paris Agreement
- (4) Number of targets set for this outcome
  - (1) No target
  - (2) One target
  - (3) **Two or more targets**
- (H) Sustainability outcome #8
- (I) Sustainability outcome #9
- (J) Sustainability outcome #10

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 2	PLUS	SO 1	SO 2.1, SO 4, SO 5	PUBLIC	Setting targets on sustainability outcomes	1

For each sustainability outcome, provide details of up to two of your nearest-term targets.

**(A1) Sustainability Outcome #1: Target details**

(A1) Sustainability Outcome #1:	Health
(1) Target name	Health and safety
(2) Baseline year	2023
(3) Target to be met by	

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

In the case of this indicator, only industrial and energy sectors are considered for its high materiality

(5) Metric used (if relevant)

Percentage of minimum safety guidelines to reduce and/or avoid risks and accidents in the work place.

(6) Absolute or intensity-based (if relevant)

(1) Absolute

(7) Baseline level or amount (if relevant):

22% of the assessable portfolio

(8) Target level or amount (if relevant)

Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting

4%

(10) Do you also have a longer-term target for this?

(2) No

**(A2) Sustainability Outcome #1: Target details**

(A2) Sustainability Outcome #1:

Health

(1) Target name

ESG standards for suppliers

(2) Baseline year

2023

(3) Target to be met by

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

In the case of this indicator, only Consumer Staples sector is considered for its high materiality

(5) Metric used (if relevant) % of issuers with ESG standards for their operators/suppliers

(6) Absolute or intensity-based (if relevant) (1) Absolute

(7) Baseline level or amount (if relevant): 22% of issuers with ESG Standards for their operators/suppliers

(8) Target level or amount (if relevant) Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting 2%

(10) Do you also have a longer-term target for this? (2) No

**(B1) Sustainability Outcome #2: Target details**

(B1) Sustainability Outcome #2: Equality

(1) Target name Women Senior Management #1

(2) Baseline year 2023

(3) Target to be met by

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

(5) Metric used (if relevant) Percentage issuers with top management positions with 30% of women in CKDS

(6) Absolute or intensity-based (if relevant) (1) Absolute

(7) Baseline level or amount (if relevant): 30% of stations with top management positions with 30% of women in CKDS

(8) Target level or amount (if relevant) Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting 3%

(10) Do you also have a longer-term target for this? (2) No

**(B2) Sustainability Outcome #2: Target details**

(B2) Sustainability Outcome #2: Equality

(1) Target name Women Senior Management #2

(2) Baseline year 2023

(3) Target to be met by

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

(5) Metric used (if relevant) Percentage issuers with top management positions with 30% of women in Listed equity

(6) Absolute or intensity-based (if relevant) (1) Absolute

(7) Baseline level or amount (if relevant): 37% issuers with top management positions with 30% of women in Listed equity

(8) Target level or amount (if relevant) Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting 3%

(10) Do you also have a longer-term target for this? (2) No

**(C1) Sustainability Outcome #3: Target details**

(C1) Sustainability Outcome #3: Water

(1) Target name Water saving

(2) Baseline year 2023

(3) Target to be met by

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones..

In the case of this indicator, only Consumer Staples, Material and Industrial sector are considered for its high materiality

(5) Metric used (if relevant)	Percentage of station with average water savings target
(6) Absolute or intensity-based (if relevant)	(1) Absolute
(7) Baseline level or amount (if relevant):	Reduction of 19 million liters
(8) Target level or amount (if relevant)	We are in the process of defining an accurate target according the trend into the energy and industrial sectors observed and involvement through the process of engagement
(9) Percentage of total AUM covered in your baseline year for target setting	6%
(10) Do you also have a longer-term target for this?	(2) No

**(C2) Sustainability Outcome #3: Target details**

(C2) Sustainability Outcome #3:	Water
(1) Target name	Water stress
(2) Baseline year	2023
(3) Target to be met by	

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

In the case of this indicator, only Consumer Staples and Industrial sector are considered for its high materiality

(5) Metric used (if relevant)

Percentage of stations with Duediligence water stress

(6) Absolute or intensity-based (if relevant)

(1) Absolute

(7) Baseline level or amount (if relevant):

7% of stations with Duediligence water stress

(8) Target level or amount (if relevant)

Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting

5%

(10) Do you also have a longer-term target for this?

(2) No

**(D1) Sustainability Outcome #4: Target details**

(D1) Sustainability Outcome #4:

Green certifications

(1) Target name

Total area of certified assets (m2)

(2) Baseline year

2023

(3) Target to be met by

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

In the case of this indicator, only Real Estate sector is considered for its high materiality.

(5) Metric used (if relevant)

Total area of certified assets (m2)

(6) Absolute or intensity-based (if relevant)

(1) Absolute

(7) Baseline level or amount (if relevant):

13,654,834 m2 of surface area with certified assets

(8) Target level or amount (if relevant)

Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting

3%

(10) Do you also have a longer-term target for this?

(2) No

**(D2) Sustainability Outcome #4: Target details**

(D2) Sustainability Outcome #4:

Green certifications

(1) Target name

Average % certified with respect to the GPA

(2) Baseline year

2023

(3) Target to be met by

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

In the case of this indicator, only Real Estate sector is considered for its high materiality

(5) Metric used (if relevant)

% Certified GPA

(6) Absolute or intensity-based (if relevant)

(1) Absolute

(7) Baseline level or amount (if relevant):

25% average certified GPA

(8) Target level or amount (if relevant)

Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting

3%

(10) Do you also have a longer-term target for this?

(2) No

**(E1) Sustainability Outcome #5: Target details**

(E1) Sustainability Outcome #5:

Women Board

(1) Target name

Women in governing bodies

(2) Baseline year

2023

(3) Target to be met by

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

(5) Metric used (if relevant) Proportion of women in governing bodies (REITS)

(6) Absolute or intensity-based (if relevant) (1) Absolute

(7) Baseline level or amount (if relevant): 16 % of women in governing bodies

(8) Target level or amount (if relevant) Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting 3%

(10) Do you also have a longer-term target for this? (2) No

**(E2) Sustainability Outcome #5: Target details**

(E2) Sustainability Outcome #5: Women Board

(1) Target name Women in governing bodies (Equity)

(2) Baseline year 2023

(3) Target to be met by

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

(5) Metric used (if relevant) Percentage of women in governing bodies

(6) Absolute or intensity-based (if relevant) (1) Absolute

(7) Baseline level or amount (if relevant): 71 % of women in governing bodies

(8) Target level or amount (if relevant) Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting 3%

(10) Do you also have a longer-term target for this? (2) No

**(F1) Sustainability Outcome #6: Target details**

(F1) Sustainability Outcome #6: Waste management and information transparency

(1) Target name Analysis or measurement of waste generation

(2) Baseline year 2023

(3) Target to be met by

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

In the case of this indicator, only Consumer Staples, Industrial and Material sector are considered for its high materiality

(5) Metric used (if relevant)

% of issues with Waste generation analysis or measurement

(6) Absolute or intensity-based (if relevant)

(1) Absolute

(7) Baseline level or amount (if relevant):

38% of issues with Waste generation analysis or measurement

(8) Target level or amount (if relevant)

Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting

6%

(10) Do you also have a longer-term target for this?

(2) No

**(F2) Sustainability Outcome #6: Target details**

(F2) Sustainability Outcome #6:

Waste management and information transparency

(1) Target name

Sustainability reporting

(2) Baseline year

2023

(3) Target to be met by

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

(5) Metric used (if relevant) % of issues with a public Sustainability Report

(6) Absolute or intensity-based (if relevant) (1) Absolute

(7) Baseline level or amount (if relevant): 65% of issues with a public Sustainability Report

(8) Target level or amount (if relevant) Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting 10%

(10) Do you also have a longer-term target for this? (2) No

**(G1) Sustainability Outcome #7: Target details**

(G1) Sustainability Outcome #7: Alignment to the Paris Agreement

(1) Target name Theoretical alignment to the Paris Agreement

(2) Baseline year 2023

(3) Target to be met by

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

(5) Metric used (if relevant) Percentage of issues with a theoretical alignment to the Paris Agreement

(6) Absolute or intensity-based (if relevant) (1) Absolute

(7) Baseline level or amount (if relevant): 6% issues with a theoretical alignment to the Paris Agreement

(8) Target level or amount (if relevant) Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting 10%

(10) Do you also have a longer-term target for this? (2) No

**(G2) Sustainability Outcome #7: Target details**

(G2) Sustainability Outcome #7: Alignment to the Paris Agreement

(1) Target name Climate change risk

(2) Baseline year 2023

(3) Target to be met by

(4) Methodology

The sustainability performance measurement process consists of five stages: 1) priority sectors are identified to focus resources and maximize impacts, based on portfolio relevance, pollution and carbon use, resulting in five key sectors: Energy, Real Estate, Consumer Staples, Materials and Industrial. 2) an internal catalog of ESG indicators aligned with the Sustainable Development Goals (SDGs) is created. 3) internal indicators are determined to measure the results of the portfolio, from ESG questionnaires, fact sheets and public information, all linked to the SDGs. 4) sustainability results are mapped through a dashboard that shows the SDGs related to each commitment, allowing the progress and impact of the commitments to be monitored. Finally, sustainability targets are defined to positively influence companies or projects, identifying sectors and material issues where investors can increase positive outcomes and reduce negative ones.

(5) Metric used (if relevant) % of issues with climate change risk considerations

(6) Absolute or intensity-based (if relevant) (1) Absolute

(7) Baseline level or amount (if relevant): 31% of issues with climate change risk considerations

(8) Target level or amount (if relevant) Increase this outcome annually

(9) Percentage of total AUM covered in your baseline year for target setting 10%

(10) Do you also have a longer-term target for this? (2) No

## FOCUS: SETTING NET-ZERO TARGETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 3	PLUS	SO 1	Multiple, see guidance	PUBLIC	Focus: Setting net-zero targets	General

If relevant to your organisation, you can opt-in to provide further details on your net-zero targets.

- (A) Yes, we would like to provide further details on our organisation's asset class-specific net-zero targets
- (B) Yes, we would like to provide further details on our organisation's net-zero targets for high-emitting sectors
- (C) Yes, we would like to provide further details on our organisation's mandate or fund-specific net-zero targets
- (D) No, we would not like to provide further details on our organisation's asset class, high-emitting sectors or mandate or fund-specific net-zero targets
- (E) No, our organisation does not have any asset class, high-emitting sectors or mandate or fund-specific net-zero targets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 3.2	PLUS	SO 3	N/A	PUBLIC	Focus: Setting net-zero targets	General

**Provide details of your nearest-term net-zero targets for high-emitting sectors.**

**Fossil Fuels**

- (A) Coal
- (B) Gas
- (C) Oil

**Target details**

**Fossil Fuels: (C) Oil**

(1) Our organisation has not set any target for this sector

o

(2) Baseline year 2020

(3) Target to be met by 2030

(4) Emissions included in target (1) Scope 1  
(2) Scope 2

(5) Methodology  
The emission factors are mainly taken from American Petroleum Institute (API) Compendium, where no specific operational emission factors are available. Our GHG emissions reporting criteria are based on the operational control approach (Scope 1 + 2). The calculation methodology follows the IPIECA guidelines for the oil & gas activity, aligned with the GHG protocol and the compendium API.

(6) Metric used (9) Other

(7) Baseline amount Intensity-based: 39 kgCO<sub>2</sub>e/boe

(8) Current amount (if different from baseline amount) 18 kgCO<sub>2</sub>e/boe

(9) Targeted reduction with respect to baseline 76%

(10) Asset classes covered Listed equity

**Fossil Fuels**

- (D) Combined oil and gas

**Methane** (E) Gas**Target details****Methane: (E) Gas**

(1) Our organisation has not set any target for this sector

o

(2) Baseline year 2020

(3) Target to be met by 2030

(4) Emissions included in target

(1) Scope 1  
(2) Scope 2

(5) Methodology

The emission factors are mainly taken from American Petroleum Institute (API) Compendium, where no specific operational emission factors are available. Our GHG emissions reporting criteria are based on the operational control approach (Scope 1 + 2). The calculation methodology follows the IPIECA guidelines for the oil & gas activity, aligned with the GHG protocol and the compendium API.

(6) Metric used

(9) Other

(7) Baseline amount Intensity-based: 0.67 kgCO2e/bpce

(8) Current amount (if different from baseline amount) 0.71 kgCO2e/bpce

(9) Targeted reduction with respect to baseline 30%

(10) Asset classes covered

Fixed income

**Methane** (F) Oil**Utilities** (G) Utilities**Materials** (H) Cement

## Target details

### Materials: (H) Cement

(1) Our organisation has not set any target for this sector

o

(2) Baseline year

2019

(3) Target to be met by

2030

(4) Emissions included in target

(1) Scope 1  
(2) Scope 2

(5) Methodology

In order to identify the most polluting sectors, Afore XXI-Banorte analyzed the emissions linked to its portfolio based on the PCAF methodology to measure the emissions associated with the financial activities of the investment portfolio, excluding green bonds, sustainable bonds and derivative products from this calculation. The quantification of funded issuances of equity, fiber, corporate debt, ETFs, Mandates, government debt and Mutual Funds considers Scope 1 and Scope 2 issuances of issuers included in the investment portfolio as of December 30, 2022.

Funded emissions are calculated based on the company's total GHG Scope 1 and 2 emissions \*

(Investment amount/Enterprise Value).

The calculation has a coverage of 83% of the instruments in the portfolio and 80% of the AUMs, GHG emissions data was taken according to MSCI data availability as of December 30, 2021.

Enterprise Value and sales were extracted from Bloomberg and S&P.

Climate metrics included in this analysis included metrics recommended by PRI:

■ Carbon emissions intensity: volume of carbon emissions per-USD million in revenue, expressed in tons CO<sub>2</sub>e / USD million in revenue.

Weighted average carbon intensity (WACI): a portfolio's exposure to high-carbon companies, expressed in tons of CO<sub>2</sub>e / USD million in revenue.

From this analysis and the metrics referred to, the highly polluting sectors in the portfolio were identified as follows: Oil & Gas, Cement and Airlines, for the monitoring of the metrics we have chosen absolute emissions (Cement) or carbon intensity (Aviation) as our main metrics for the definition of decarbonization targets in the portfolio. For the definition of the targets we used gross emissions trajectories establishing linear reductions according to the reductions according to the SBTi General Net Zero and SBTi Sectoral methodology. In accordance with the commitments outlined by the science-based targets according to the sector in the "Gross emission trajectories - SBTi sectoral path".

(6) Metric used (2) Absolute: MtCO2e

(7) Baseline amount 6,023,000 ton de CO2e

(8) Current amount (if different from baseline amount) 42,716,000 ton de CO2e

(9) Targeted reduction with respect to baseline 44%

(10) Asset classes covered Listed equity

**Materials**

- (I) Steel
- (J) Aluminium

**Transportation**

- (K) Aviation

**Target details**

**Transportation: (K) Aviation**

(1) Our organisation has not set any target for this sector ○

(2) Baseline year 2021

(3) Target to be met by 2035

(4) Emissions included in target (1) Scope 1  
(2) Scope 2

(5) Methodology

In order to identify the most polluting sectors, Afore XXI-Banorte analyzed the emissions linked to its portfolio based on the PCAF

methodology to measure the emissions associated with the financial activities of the investment portfolio, excluding green bonds,

sustainable bonds and derivative products from this calculation. The quantification of funded issuances of equity, fiber, corporate debt,

ETFs, Mandates, government debt and Mutual Funds considers Scope 1 and Scope 2 issuances of issuers included in the investment

portfolio as of December 30, 2022. Funded emissions are calculated based on the company's total GHG Scope 1 and 2 emissions \*

(Investment amount/Enterprise Value).

The calculation has a coverage of 83% of the instruments in the portfolio and 80% of the AUMs, GHG emissions data was taken

according to MSCI data availability as of December 30, 2021. Enterprise Value and sales were extracted from Bloomberg and S&P.

Climate metrics included in this analysis included metrics recommended by PRI:

- Carbon emissions intensity: volume of carbon emissions per-USD million in revenue, expressed in tons CO<sub>2</sub>e / USD million in

revenue.

Weighted average carbon intensity (WACI): a portfolio's exposure to high-carbon companies, expressed in tons of CO<sub>2</sub>e / USD million

in revenue.

From this analysis and the metrics referred to, the highly polluting sectors in the portfolio were identified as follows: Oil & Gas,

Cement and Airlines, for the monitoring of the metrics we have chosen absolute emissions (Cement) or carbon intensity (Aviation) as

our main metrics for the definition of decarbonization targets in the portfolio.

For the definition of the targets we used gross emissions trajectories establishing linear reductions according to the

reductions according to the SBTI General Net Zero and SBTI Sectoral methodology. In accordance with the commitments outlined by

the science-based targets according to the sector in the "Gross emission trajectories - SBTI sectoral path".

(6) Metric used	(2) Absolute: MtCO <sub>2</sub> e
(7) Baseline amount	2,684,540 ton de CO <sub>2</sub> e
(8) Current amount (if different from baseline amount)	3,354,500 ton de CO <sub>2</sub> e

(9) Targeted reduction with respect to baseline 45%

(10) Asset classes covered Listed equity

**Transportation**

- (L) Heavy duty road
- (M) Light duty road
- (N) Shipping
- (O) Combined transportation

**Agriculture, forestry, and fishery**

- (P) Agriculture, forestry, and fishery

**Chemicals**

- (Q) Chemicals

**Construction and buildings**

- (R) Construction and buildings

**Textile and leather**

- (S) Textile and leather

**Water**

- (T) Water

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 3.3	PLUS	SO 3	N/A	PUBLIC	Focus: Setting net-zero targets	General

**Provide details of your net-zero targets for specific mandates or funds.**

**(A) Fund or mandate #1**

(1) Name of mandate or fund

Strategy: Asia Pacific Equity

(2) Target details

May 2021, the Mandate became the first U.S. bank to set portfolio-level emissions intensity reduction targets for 2030, targeting three sectors: iron and steel, cement, and aviation.

The Mandate is also in the process of extending the targets in its financing portfolio to the oil and gas, power, and automotive sectors. These targets will be aligned with the International Energy Agency's net zero scenarios for 2050.

The selected sectors were chosen based on their contribution to total global emissions and their importance to the economy as a whole. The targets are based on the transition pathways outlined in credible third-party emissions reduction scenarios, including the IEA's NZE 2050 Scenario and the Development Scenario ("SDS"). For each sector, the Mandate has defined one or more core metrics to monitor progress towards decarbonization, which are intended to be compatible with the reference trajectories used to

assess alignment with global emissions targets.

The methodology includes a qualitative assessment of the holistic view of clients' plans to achieve their decarbonization plans and, on the quantitative side, includes emissions intensity metrics to define 2030 targets.

Targets:

Iron and steel

Scope: Scope 1 and 2 emissions

Base year: 2020

Intensity per ton of raw iron 1,454 tons CO<sub>2</sub>e / ton of crude iron

Target year: 2030

31% reduction in intensity to 1,001 t CO<sub>2</sub>e per tonne

Reference scenario: IEA NZ

Cement

Scope: Scope 1 and 2 emissions

Base year: 2020

Intensity per ton of raw iron 647.8 kg CO<sub>2</sub>e / tonne of cement product

Target year: 2030

29% reduction in intensity to 460 kg CO<sub>2</sub>e per tonne of cement product

Reference scenario: IEA NZ

**(B) Fund or mandate #2**

(1) Name of mandate or fund

Strategy: Continental European

(2) Target details

Currently, approximately 25% of Mandate assets under management ("AUM") with respect to corporate and sovereign issuers is invested for clients in issuers with Science-Based Targets or equivalent. As the transition proceeds and issuers and asset owners continue to position themselves in front of it, we anticipate that by 2030, at least 75% of Mandate corporate and sovereign assets managed on behalf of clients will be invested in issuers with science-based targets or equivalent.

- (C) Fund or mandate #3
- (D) Fund or mandate #4
- (E) Fund or mandate #5
- (F) Fund or mandate #6
- (G) Fund or mandate #7
- (H) Fund or mandate #8
- (I) Fund or mandate #9
- (J) Fund or mandate #10

## TRACKING PROGRESS AGAINST TARGETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 4	PLUS	SO 2	SO 4.1	PUBLIC	Tracking progress against targets	1

**Does your organisation track progress against your nearest-term sustainability outcomes targets?**

**(A1) Sustainability outcome #1:**

(A1) Sustainability outcome #1: Health

Target name: Health and safety

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(A2) Sustainability outcome #1:**

(A2) Sustainability outcome #1: Health

Target name: ESG standards for suppliers

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(B1) Sustainability outcome #2:**

(B1) Sustainability outcome #2: Equality

Target name: Women Senior Management #1

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(B2) Sustainability outcome #2:**

(B2) Sustainability outcome #2: Equality

Target name: Women Senior Management #2

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(C1) Sustainability outcome #3:**

(C1) Sustainability outcome #3: Water

Target name: Water saving

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(C2) Sustainability outcome #3:**

(C2) Sustainability outcome #3: Water

Target name: Water stress

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(D1) Sustainability outcome #4:**

(D1) Sustainability outcome #4: Green certifications

Target name: Total area of certified assets (m2)

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(D2) Sustainability outcome #4:**

(D2) Sustainability outcome #4: Green certifications

Target name: Average % certified with respect to the GPA

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

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**(E1) Sustainability outcome #5:**

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(E1) Sustainability outcome #5: Women Board

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Target name: Women in governing bodies

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Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

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**(E2) Sustainability outcome #5:**

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(E2) Sustainability outcome #5: Women Board

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Target name: Women in governing bodies (Equity)

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Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

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**(F1) Sustainability outcome #6:**

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(F1) Sustainability outcome #6: Waste management and information transparency

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Target name: Analysis or measurement of waste generation

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Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

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**(F2) Sustainability outcome #6:**

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(F2) Sustainability outcome #6: Waste management and information transparency

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Target name: Sustainability reporting

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Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(G1) Sustainability outcome #7:**

(G1) Sustainability outcome #7: Alignment to the Paris Agreement

Target name: Theoretical alignment to the Paris Agreement

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(G2) Sustainability outcome #7:**

(G2) Sustainability outcome #7: Alignment to the Paris Agreement

Target name: Climate change risk

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 4.1	PLUS	SO 4	N/A	PUBLIC	Tracking progress against targets	1

**During the reporting year, what qualitative or quantitative progress did your organisation achieve against your nearest-term sustainability outcome targets?**

**(A1) Sustainability Outcome #1: Target details**

(A1) Sustainability Outcome #1: Health

(1) Target name: Health and safety

(2) Target to be met by

(3) Metric used (if relevant): Percentage of minimum safety guidelines to reduce and/or avoid risks and accidents in the work place.

(4) Current level or amount (if relevant): 22% of the assessable portfolio in the industrial and energy sectors

(5) Other qualitative or quantitative progress: % of issuers with commitments related to the target

(6) Methodology for tracking progress	Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.
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**(A2) Sustainability outcome #1: Target details**

(A2) Sustainability outcome #1:	Health
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(1) Target name	ESG standards for suppliers
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(2) Target to be met by	
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(3) Metric used (if relevant)	% of issuers with ESG standards for their operators/suppliers
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(4) Current level or amount (if relevant)	25% of issuers with ESG Standards for their operators/suppliers
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(5) Other qualitative or quantitative progress	% of issuers with commitments related to the target
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(6) Methodology for tracking progress	Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.
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**(B1) Sustainability Outcome #2: Target details**

(B1) Sustainability Outcome #2:	Equality
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(1) Target name	Women Senior Management #1
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(2) Target to be met by	
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(3) Metric used (if relevant)	Percentage issuers with top management positions with 30% of women in CKDS
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(4) Current level or amount (if relevant)	30% of stations with top management positions with 30% of women in CKDS
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(5) Other qualitative or quantitative progress	% of issuers with commitments related to the target
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(6) Methodology for tracking progress	Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.
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### **(B2) Sustainability Outcome #2: Target details**

(B2) Sustainability Outcome #2:	Equality
(1) Target name	Women Senior Management #2
(2) Target to be met by	
(3) Metric used (if relevant)	Percentage issuers with top management positions with 30% of women in Listed equity
(4) Current level or amount (if relevant)	% of issuers with commitments related to the target
(5) Other qualitative or quantitative progress	37% issuers with top management positions with 30% of women in Listed equity
(6) Methodology for tracking progress	Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.

### **(C1) Sustainability Outcome #3: Target details**

(C1) Sustainability Outcome #3:	Water
(1) Target name	Water saving
(2) Target to be met by	
(3) Metric used (if relevant)	Percentage of station with average water savings target
(4) Current level or amount (if relevant)	Reduction of 19 million liters
(5) Other qualitative or quantitative progress	% of issuers with commitments related to the target
(6) Methodology for tracking progress	Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.

### **(C2) Sustainability Outcome #3: Target details**

(C2) Sustainability Outcome #3:	Water
(1) Target name	Water stress
(2) Target to be met by	

(3) Metric used (if relevant)	Percentage of stations with Duediligence water stress
(4) Current level or amount (if relevant)	7% of issuers with Duediligence water stress
(5) Other qualitative or quantitative progress	% of issuers with commitments related to the target
(6) Methodology for tracking progress	Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.

**(D1) Sustainability Outcome #4: Target details**

(D1) Sustainability Outcome #4:	Green certifications
(1) Target name	Total area of certified assets (m2)
(2) Target to be met by	
(3) Metric used (if relevant)	Total area of certified assets (m2)
(4) Current level or amount (if relevant)	13,654,834 m2 of surface area with certified assets
(5) Other qualitative or quantitative progress	% of issuers with commitments related to the target
(6) Methodology for tracking progress	Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.

**(D2) Sustainability Outcome #4: Target details**

(D2) Sustainability Outcome #4:	Green certifications
(1) Target name	Average % certified with respecto to he GPA
(2) Target to be met by	
(3) Metric used (if relevant)	% Certified GPA
(4) Current level or amount (if relevant)	25% average certified ARB
(5) Other qualitative or quantitative progress	% of issuers with commitments related to the target

(6) Methodology for tracking progress Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.

**(E1) Sustainability Outcome #5: Target details**

(E1) Sustainability Outcome #5: Women Board

(1) Target name Women in governing bodies

(2) Target to be met by

(3) Metric used (if relevant) Proportion of women in governing bodies (REITS)

(4) Current level or amount (if relevant) 16 % of women in governing bodies

(5) Other qualitative or quantitative progress % of issuers with commitments related to the target

(6) Methodology for tracking progress Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.

**(E2) Sustainability Outcome #5: Target details**

(E2) Sustainability Outcome #5: Women Board

(1) Target name Women in governing bodies (Equity)

(2) Target to be met by

(3) Metric used (if relevant) Percentage of women in governing bodies

(4) Current level or amount (if relevant) 71 % of women in governing bodies

(5) Other qualitative or quantitative progress % of issuers with commitments related to the target

(6) Methodology for tracking progress Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.

**(F1) Sustainability Outcome #6: Target details**

(F1) Sustainability Outcome #6:	Waste management and information transparency
(1) Target name	Analysis or measurement of waste generation
(2) Target to be met by	
(3) Metric used (if relevant)	% of issues with Waste generation analysis or measurement
(4) Current level or amount (if relevant)	38% of issuers with Waste generation analysis or measurement
(5) Other qualitative or quantitative progress	% of issuers with commitments related to the target
(6) Methodology for tracking progress	Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.

**(F2) Sustainability Outcome #6: Target details**

(F2) Sustainability Outcome #6:	Waste management and information transparency
(1) Target name	Sustainability reporting
(2) Target to be met by	
(3) Metric used (if relevant)	% of issues with a public Sustainability Report
(4) Current level or amount (if relevant)	65% of issuers with a public Sustainability Report
(5) Other qualitative or quantitative progress	% of issuers with commitments related to the target
(6) Methodology for tracking progress	Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.

**(G1) Sustainability Outcome #7: Target details**

(G1) Sustainability Outcome #7:	Alignment to the Paris Agreement
(1) Target name	Theoretical alignment to the Paris Agreement
(2) Target to be met by	

(3) Metric used (if relevant)	Percentage of issues with a theoretical alignment to the Paris Agreement
(4) Current level or amount (if relevant)	6% issues with a theoretical alignment to the paris agreement
(5) Other qualitative or quantitative progress	% of issuers with commitments related to the target
(6) Methodology for tracking progress	Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.

### (G2) Sustainability Outcome #7: Target details

(G2) Sustainability Outcome #7:	Alignment to the Paris Agreement
(1) Target name	Climate change risk
(2) Target to be met by	
(3) Metric used (if relevant)	% of issues with climate change risk considerations
(4) Current level or amount (if relevant)	6% issues with a theoretical alignment to the paris agreement
(5) Other qualitative or quantitative progress	31% of issues with climate change risk considerations
(6) Methodology for tracking progress	Through our commitment tracking and monitoring process we will monitor the percentage of progress on the targets.

## INDIVIDUAL AND COLLABORATIVE INVESTOR ACTION ON OUTCOMES

### LEVERS USED TO TAKE ACTION ON SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 5	PLUS	SO 2	Multiple	PUBLIC	Levers used to take action on sustainability outcomes	1, 2, 5

During the reporting year, which of the following levers did your organisation use to take action on sustainability outcomes, including to prevent and mitigate actual and potential negative outcomes?

- (A) Stewardship with investees, including engagement, (proxy) voting, and direct influence with privately held assets  
 Select from drop down list:  
 (1) Individually

- (2) With other investors or stakeholders
- (B) Stewardship: engagement with external investment managers
  - Select from drop down list:
    - (1) Individually
    - (2) With other investors or stakeholders
- (C) Stewardship: engagement with policy makers
  - Select from drop down list:
    - (1) Individually
    - (2) With other investors or stakeholders
- (D) Stewardship: engagement with other key stakeholders
- (E) Capital allocation
- (F) Our organisation did not use any of the above levers to take action on sustainability outcomes during the reporting year

## CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 7	PLUS	OO 17 FI, SO 1	N/A	PUBLIC	Capital allocation	1

During the reporting year, did you use thematic bonds to take action on sustainability outcomes, including to prevent and mitigate actual and potential negative outcomes?

### Thematic bond(s) label

(A) Sustainability Outcome #1: Health	(B) Social bonds (C) Sustainability bonds (E) SDG or SDG-linked bonds
(B) Sustainability Outcome #2: Equality	(A) Green/climate bonds (C) Sustainability bonds (D) Sustainability-linked bonds (E) SDG or SDG-linked bonds
(C) Sustainability Outcome #3: Water	(A) Green/climate bonds (C) Sustainability bonds (D) Sustainability-linked bonds
(D) Sustainability Outcome #4: Green certifications	(A) Green/climate bonds (C) Sustainability bonds (D) Sustainability-linked bonds (E) SDG or SDG-linked bonds
(E) Sustainability Outcome #5: Women Board	(B) Social bonds (C) Sustainability bonds (D) Sustainability-linked bonds

(F) Sustainability Outcome #6:  
Waste management and  
information transparency

- (A) Green/climate bonds
- (C) Sustainability bonds
- (D) Sustainability-linked bonds
- (E) SDG or SDG-linked bonds

(G) Sustainability Outcome #7:  
Alignment to the Paris Agreement

- (A) Green/climate bonds
- (C) Sustainability bonds
- (D) Sustainability-linked bonds
- (E) SDG or SDG-linked bonds

## STEWARDSHIP WITH INVESTEES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 8	PLUS	SO 5	N/A	PUBLIC	Stewardship with investees	2

**During the reporting year, how did your organisation use stewardship with investees to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

### (A) Across all sustainability outcomes

(1) Describe your approach	We have entered into formal commitments with managers and companies in the applicable sectors, monitoring progress on a quarterly basis
(2) Stewardship tools or activities used	(1) Engagement
(3) Example	Of the total universe of our commitment matrix, we determined its alignment with the indicators of the goals established by the Global Framework for Sustainable Development Goals.

### (B) Sustainability Outcome #1:

(B) Sustainability Outcome #1:	Health
(1) Describe your approach	We have entered into formal commitments with managers and companies in the applicable sectors, monitoring progress on a quarterly basis.
(2) Stewardship tools or activities used	(1) Engagement
(3) Example	Establish protocols, guidelines and audit its processes for the protection of the health and safety of employees.

**(C) Sustainability Outcome #2:**

(C) Sustainability Outcome #2:	Equality
(1) Describe your approach	We have entered into formal commitments with managers and companies in the applicable sectors, monitoring progress on a quarterly basis.
(2) Stewardship tools or activities used	(1) Engagement
(3) Example	Incorporate policies or strategies for its suppliers in line with best market practices.

**(D) Sustainability Outcome #3:**

(D) Sustainability Outcome #3:	Water
(1) Describe your approach	We have entered into formal commitments with managers and companies in the applicable sectors, monitoring progress on a quarterly basis.
(2) Stewardship tools or activities used	(1) Engagement
(3) Example	Define strategies to reduce water consumption at the sites with the highest consumption in its operation.

**(E) Sustainability Outcome #4:**

(E) Sustainability Outcome #4:	Green certifications
(1) Describe your approach	We have entered into formal commitments with managers and companies in the applicable sectors, monitoring progress on a quarterly basis.
(2) Stewardship tools or activities used	(1) Engagement
(3) Example	Creation of a strategy to increase the number of environmental certifications in its properties. Considering within the sustainable certifications: LEED, BREEAM, GRESB, EDGE, or any international/national sustainable certification.

**(F) Sustainability Outcome #5:**

(F) Sustainability Outcome #5:	Women Board
(1) Describe your approach	We have entered into formal commitments with managers and companies in the applicable sectors, monitoring progress on a quarterly basis.

(2) Stewardship tools or activities used

(1) Engagement

(3) Example

Generate initiatives or policies to confirm its commitment to inclusion and diversity by promoting the incorporation of vulnerable groups in the staff

**(G) Sustainability Outcome #6:**

(G) Sustainability Outcome #6:

Waste management and information transparency

(1) Describe your approach

We have entered into formal commitments with managers and companies in the applicable sectors, monitoring progress on a quarterly basis.

(2) Stewardship tools or activities used

(1) Engagement

(3) Example

Generate and make transparent sustainability reports in accordance with international disclosure standards (TCFD and SASB).

**(H) Sustainability Outcome #7:**

(H) Sustainability Outcome #7:

Alignment to the Paris Agreement

(1) Describe your approach

We have entered into formal commitments with managers and companies in the applicable sectors, monitoring progress on a quarterly basis.

(2) Stewardship tools or activities used

(1) Engagement

(3) Example

Net zero. Alignment with the UN's net zero emissions scenario, through the issuer's adherence to SBTs. Consider joining the Science Based Targets initiative to define and validate the broadcaster's GHG emissions reduction strategy.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 9	PLUS	SO 5	N/A	PUBLIC	Stewardship with investees	2

**How does your organisation prioritise the investees you conduct stewardship with to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

**(A) We prioritise the most strategically important companies in our portfolio.**

Describe how you do this:

We developed a more robust methodology to comprehensively assess the degree of sustainability of eligible projects or categories of thematic bonds, ESG performance, as well as the sustainability practices of the issuer or corporate that ensure positive impacts that contribute to mitigate negative impacts.

As part of our active engagement and in to strengthen the process and generate a measurable impact, we developed a methodology for the relevance of ESG issues that incorporates the materiality by sector, the type of process involved in the commitment, the proportionality of the portfolio by type of asset under the premise that "the greater the materiality, the greater the relevance of the committed issue, and the greater the weight in the portfolio, the more significant the commitments established with the issuers".

Select from the list:

- 1
- 4

**(B) We prioritise the companies in our portfolio most significantly connected to sustainability outcomes.**

Describe how you do this:

We developed a more robust methodology to comprehensively assess the degree of sustainability of eligible projects or categories of thematic bonds, ESG performance, as well as the sustainability practices of the issuer or corporate that ensure positive impacts that contribute to mitigate negative impacts.

As part of our active engagement and in to strengthen the process and generate a measurable impact, we developed a methodology for the relevance of ESG issues that incorporates the materiality by sector, the type of process involved in the commitment, the proportionality of the portfolio by type of asset under the premise that "the greater the materiality, the greater the relevance of the committed issue, and the greater the weight in the portfolio, the more significant the commitments established with the issuers

Select from the list:

- 2
- 4

**(C) We prioritise the companies in our portfolio to ensure that we cover a certain proportion of the sustainability outcomes we are taking action on.**

Describe how you do this:

We developed a more robust methodology to comprehensively assess the degree of sustainability of eligible projects or categories of thematic bonds, ESG performance, as well as the sustainability practices of the issuer or corporate that ensure positive impacts that contribute to mitigate negative impacts.

As part of our active engagement and in to strengthen the process and generate a measurable impact, we developed a methodology for the relevance of ESG issues that incorporates the materiality by sector, the type of process involved in the commitment, the proportionality of the portfolio by type of asset under the premise that "the greater the materiality, the greater the relevance of the committed issue, and the greater the weight in the portfolio, the more significant the commitments established with the issuers

Select from the list:

- 3
- 4

(D) Other

## STEWARDSHIP WITH EXTERNAL INVESTMENT MANAGERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 10	PLUS	OO 5, SO 5	N/A	PUBLIC	Stewardship with external investment managers	2

**During the reporting year, how did your organisation, or the external service providers acting on your behalf, engage with external investment managers to ensure that they take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

### (A) Across all sustainability outcomes

(1) Describe your approach

Through our engagements, both collaborative and individual, we seek to formally promote the sustainability outcomes proposed by the Afore, as well as the alignment to the SDGs. In addition, AXXIB annually requests information on indicators to formally follow up on these goals, and these goals are shared with the new investment proposals to seek involvement from the beginning, as well as to influence investment decisions.

As an administrator, we will seek to define and standardize metrics at the guild level to measure emissions and seek policies to reduce emissions. In addition, we will seek that more and more emitters communicate information on their commitments associated with climate issues in a manner aligned with the recommendations of the TCFD.

### (B) Sustainability Outcome #1:

(B) Sustainability Outcome #1:

Health

(1) Describe your approach

### (C) Sustainability Outcome #2:

(C) Sustainability Outcome #2:

Equality

(1) Describe your approach

### (D) Sustainability Outcome #3:

(D) Sustainability Outcome #3:

Water

(1) Describe your approach

**(E) Sustainability Outcome #4:**

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(E) Sustainability Outcome #4: Green certifications

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(1) Describe your approach

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**(F) Sustainability Outcome #5:**

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(F) Sustainability Outcome #5: Women Board

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(1) Describe your approach

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**(G) Sustainability Outcome #6:**

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(G) Sustainability Outcome #6: Waste management and information transparency

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(1) Describe your approach

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**(H) Sustainability Outcome #7:**

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(H) Sustainability Outcome #7: Alignment to the Paris Agreement

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(1) Describe your approach

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## STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 11	PLUS	SO 5	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

**During the reporting year, how did your organisation use engagement with policy makers to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

### (A) Across all sustainability outcomes

(1) Describe your approach

Our engagement objective is to encourage our investments to adopt best practices in the integration of ESG factors and, in the case of our sustainability outcomes strategy, to align issuers and external managers with our efforts towards international goals such as the SDGs or the Paris Agreement. We carry out engagements through or ESG Platform, meetings, workshops and during the monitoring process with investees

(2) Engagement tools or activities used

- (1) We participated in 'sign-on' letters
- (3) We provided technical input via government- or regulator-backed working groups
- (4) We engaged policy makers on our own initiative

(3) Example(s) of policies engaged on

As we are honored to be the first pension fund in our local market to integrate ESG factors and practice responsible investment practices, we are also challenged to promote these activities both among investee companies and other investors (including asset managers). We are very interested in the industry's progress towards ESG factors, as a result, we are an active member of national organizations such as president of the Consejo Mexicano de Finanzas Sostenibles (CMFS), which seeks greater disclosure by companies of ESG factors; collaborating member in the development of an information bank carried out by the Mexican Stock Exchange and, most recently, president of the Responsible Investment subcommittee of the Asociación Mexicana de Administradoras de Fondos para el Retiro (AMAFORE) to improve and promote responsible investment practices among the association's members. Meanwhile, the local market is gaining strength and experience in the matter, Afore XXI Banorte participating in collaborative engagements with foreign and more experienced investors through the Climate Action 100+ initiative. This not only allowed us to collaborate for the first time with leading investors in an engagement, but also allowed us to check that our practices and processes were adequate and to look for inadequacies in them. We are convinced and looking forward to further collaborations with local and foreign investors.

**(B) Sustainability Outcome #1:**

(B) Sustainability Outcome #1:	Health
(1) Describe your approach	Our engagement objective is to encourage our investments to adopt best practices in the integration of ESG factors and, in the case of our sustainability outcomes strategy, to align issuers and external managers with our efforts towards international goals such as the SDGs or the Paris Agreement. We carry out engagements through or ESG Platform, meetings, workshops and during the monitoring process with investees
(2) Engagement tools or activities used	(1) We participated in 'sign-on' letters (3) We provided technical input via government- or regulator-backed working groups
(3) Example(s) of policies engaged on	

**(C) Sustainability Outcome #2:**

(C) Sustainability Outcome #2:	Equality
(1) Describe your approach	Our engagement objective is to encourage our investments to adopt best practices in the integration of ESG factors and, in the case of our sustainability outcomes strategy, to align issuers and external managers with our efforts towards international goals such as the SDGs or the Paris Agreement. We carry out engagements through or ESG Platform, meetings, workshops and during the monitoring process with investees
(2) Engagement tools or activities used	(1) We participated in 'sign-on' letters (3) We provided technical input via government- or regulator-backed working groups
(3) Example(s) of policies engaged on	

**(D) Sustainability Outcome #3:**

(D) Sustainability Outcome #3:	Water
(1) Describe your approach	Our engagement objective is to encourage our investments to adopt best practices in the integration of ESG factors and, in the case of our sustainability outcomes strategy, to align issuers and external managers with our efforts towards international goals such as the SDGs or the Paris Agreement. We carry out engagements through or ESG Platform, meetings, workshops and during the monitoring process with investees
(2) Engagement tools or activities used	(1) We participated in 'sign-on' letters (3) We provided technical input via government- or regulator-backed working groups

(3) Example(s) of policies engaged on

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**(E) Sustainability Outcome #4:**

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(E) Sustainability Outcome #4: Green certifications

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(1) Describe your approach

Our engagement objective is to encourage our investments to adopt best practices in the integration of ESG factors and, in the case of our sustainability outcomes strategy, to align issuers and external managers with our efforts towards international goals such as the SDGs or the Paris Agreement. We carry out engagements through or ESG Platform, meetings, workshops and during the monitoring process with investees

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(2) Engagement tools or activities used

(1) We participated in 'sign-on' letters  
(3) We provided technical input via government- or regulator-backed working groups

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(3) Example(s) of policies engaged on

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**(F) Sustainability Outcome #5:**

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(F) Sustainability Outcome #5: Women Board

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(1) Describe your approach

Our engagement objective is to encourage our investments to adopt best practices in the integration of ESG factors and, in the case of our sustainability outcomes strategy, to align issuers and external managers with our efforts towards international goals such as the SDGs or the Paris Agreement. We carry out engagements through or ESG Platform, meetings, workshops and during the monitoring process with investees

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(2) Engagement tools or activities used

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(3) Example(s) of policies engaged on

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**(G) Sustainability Outcome #6:**

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(G) Sustainability Outcome #6: Waste management and information transparency

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(1) Describe your approach

Our engagement objective is to encourage our investments to adopt best practices in the integration of ESG factors and, in the case of our sustainability outcomes strategy, to align issuers and external managers with our efforts towards international goals such as the SDGs or the Paris Agreement. We carry out engagements through or ESG Platform, meetings, workshops and during the monitoring process with investees

(2) Engagement tools or activities used

(1) We participated in 'sign-on' letters  
(3) We provided technical input via government- or regulator-backed working groups

(3) Example(s) of policies engaged on

**(H) Sustainability Outcome #7:**

(H) Sustainability Outcome #7: Alignment to the Paris Agreement

(1) Describe your approach

(2) Engagement tools or activities used

(3) Example(s) of policies engaged on

## STEWARDSHIP: COLLABORATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 13	PLUS	SO 5	N/A	PUBLIC	Stewardship: Collaboration	2

**During the reporting year, to which collaborative initiatives did your organisation contribute to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

**(A) Initiative #1**

(1) Name of the initiative Task Force on Climate-related Financial Disclosures (TCFD)

(2) Indicate how your organisation contributed to this collaborative initiative

(C) We publicly endorsed the initiative

(3) Provide further detail on your participation in this collaborative initiative

As signatories of TCFDF we encourage our issuers to adhere to these recommendations, therefore, within the ESG compliance questionnaire that the Afore socialises, there are topics of interest and questions related to the TCFD recommendations.

## (B) Initiative #2

(1) Name of the initiative	Club 30% México
(2) Indicate how your organisation contributed to this collaborative initiative	(C) We publicly endorsed the initiative (E) We supported the coordination of the initiative (e.g. facilitating group meetings) or provided other administrative support
(3) Provide further detail on your participation in this collaborative initiative	<p>. Through this initiative, Afore XXI Banorte is committed to the following actions</p> <ul style="list-style-type: none"><li>- Promote diversity in the boards of directors and senior management of our portfolio companies.</li><li>- Exercise our ownership, participation and voting rights to bring about changes in the boards and senior management of the companies.</li><li>- Promote diversity issues to chairmen and senior management.</li></ul> <p>As owners and asset managers, we have a fiduciary and custodial responsibility for the investments we make on behalf of our members and clients. Part of that responsibility is to evaluate the boards and senior management teams of the companies in which we invest.</p> <p>We believe that boards that promote diversity of expertise, through appropriate gender representation and a broad range of skills and experience, are more likely to deliver better outcomes for investors. As a result, equality and diversity is a key focus of our ESG assessment, which is not only promoted but also monitored and one of the main axes for establishing specific commitments with issuers</p>

## (C) Initiative #3

(1) Name of the initiative	Subcomité de Inversiones Responsables at AMAFORE
(2) Indicate how your organisation contributed to this collaborative initiative	(A) We were a lead investor in one or more focus entities (e.g. investee companies) (B) We acted as a collaborating investor in one or more focus entities (e.g. investee companies) (C) We publicly endorsed the initiative
(3) Provide further detail on your participation in this collaborative initiative	<p>Through the Mexican Retirement Fund Administrators (AMAFORE), we lead the Responsible Investment Subcommittee, whose general objective is to be a common front in the interpretation and adoption of ESG issues and issues related to climate change. By promoting initiatives that are aligned with the Paris Agreement.</p> <p>We are part of the Working Group for the Standardisation of ESG Questionnaires, which aims to standardise the reporting system and request information from all Afores according to international standards.</p> <p>Through the subcommittee, we have also been able to engage in dialogue with CONSAR to understand the nature of the regulatory ESG information requirements that will come into force in the first quarter of 2022.</p>

**(D) Initiative #4**

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(1) Name of the initiative	Climate Action 100+.
(2) Indicate how your organisation contributed to this collaborative initiative	(B) We acted as a collaborating investor in one or more focus entities (e.g. investee companies) (C) We publicly endorsed the initiative
(3) Provide further detail on your participation in this collaborative initiative	Together with other international investors, we have made commitments to relevant companies by joining the Climate Action 100+ initiative for 2020. This is an investor-led initiative to ensure that the world's largest greenhouse gas (GHG) emitting companies take the necessary steps to address climate change. We are currently actively involved in the working groups of three of our largest GHG emitting portfolio companies, where we have a significant position.

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# CONFIDENCE-BUILDING MEASURES (CBM)

## CONFIDENCE-BUILDING MEASURES

### APPROACH TO CONFIDENCE-BUILDING MEASURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 1	CORE	N/A	Multiple indicators	PUBLIC	Approach to confidence-building measures	6

#### How did your organisation verify the information submitted in your PRI report this reporting year?

- (A) We conducted independent third-party assurance of selected processes and/or data related to the responsible investment processes reported in our PRI report, which resulted in a formal assurance conclusion
- (B) We conducted a third-party readiness review and are making changes to our internal controls or governance processes to be able to conduct independent third-party assurance next year
- (C) We conducted an internal audit of selected processes and/or data related to the responsible investment processes reported in our PRI report
- (D) Our board, trustees (or equivalent), senior executive-level staff (or equivalent), and/or investment committee (or equivalent) signed off on our PRI report
- (E) We conducted an external ESG audit of our holdings to verify that our funds comply with our responsible investment policy
- (F) We conducted an external ESG audit of our holdings as part of risk management, engagement identification or investment decision-making
- (G) Our responses in selected sections and/or the entirety of our PRI report were internally reviewed before submission to the PRI
- (H) We did not verify the information submitted in our PRI report this reporting year

## INTERNAL AUDIT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 4	CORE	OO 21, CBM 1	N/A	PUBLIC	Internal audit	6

#### What responsible investment processes and/or data were audited through your internal audit function?

- (A) Policy, governance and strategy
  - Select from dropdown list:
    - (1) Data internally audited
    - (2) Processes internally audited
    - (3) Processes and data internally audited
- (B) Manager selection, appointment and monitoring
  - Select from dropdown list:
    - (1) Data internally audited
    - (2) Processes internally audited
    - (3) Processes and data internally audited

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 5	PLUS	CBM 1	N/A	PUBLIC	Internal audit	6

**Provide details of the internal audit process regarding the information submitted in your PRI report.**

The internal control department verifies the content of the modules with what is established and approved in the Investment Manual and by the Investment Committee. It performs an annual review process of each of the established IR policies, which includes the areas of Investment, risks and processes; a period report is generated to the Audit and Corporate Practices Committee.

## INTERNAL REVIEW

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 6	CORE	CBM 1	N/A	PUBLIC	Internal review	6

**Who in your organisation reviewed the responses submitted in your PRI report this year?**

- (A) Board, trustees, or equivalent
- (B) Senior executive-level staff, investment committee, head of department, or equivalent**
  - Sections of PRI report reviewed
    - (1) the entire report**
    - (2) selected sections of the report
  - (C) None of the above internal roles reviewed selected sections or the entirety of the responses submitted in our PRI report this year