2020

ANNUAL REPORT

TRANSFORMING CHALLENGES INTO OPPORTUNITIES

Genomma Lab.®
Internacional

Genomma Lab.® Internacional

TRANSFORMING CHALLENGES **INTO OPPORTUNITIES**

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OUR PURPOSE

“Empowering people to have excellent health and well-being.”

ABOUT **US**

GRI 102-1; 102-2; 102-4; 102-6; 102-7; 102-9

Genomma Lab Internacional, S.A.B. de C.V. is one of the leading pharmaceutical and personal care products companies in Mexico with an increasing international presence. Genomma Lab develops, sells and markets a broad range of premium branded products, many of which are leaders in the categories in which they compete. Genomma Lab relies on the combination of a successful new product development process, a consumer-oriented marketing, a broad retail distribution network and a low-cost, highly flexible operating model.

OUR **OPERATION**

SALES 2020

$13.87 bn MXN

52%
OVER-THE-COUNTER PRODUCTS

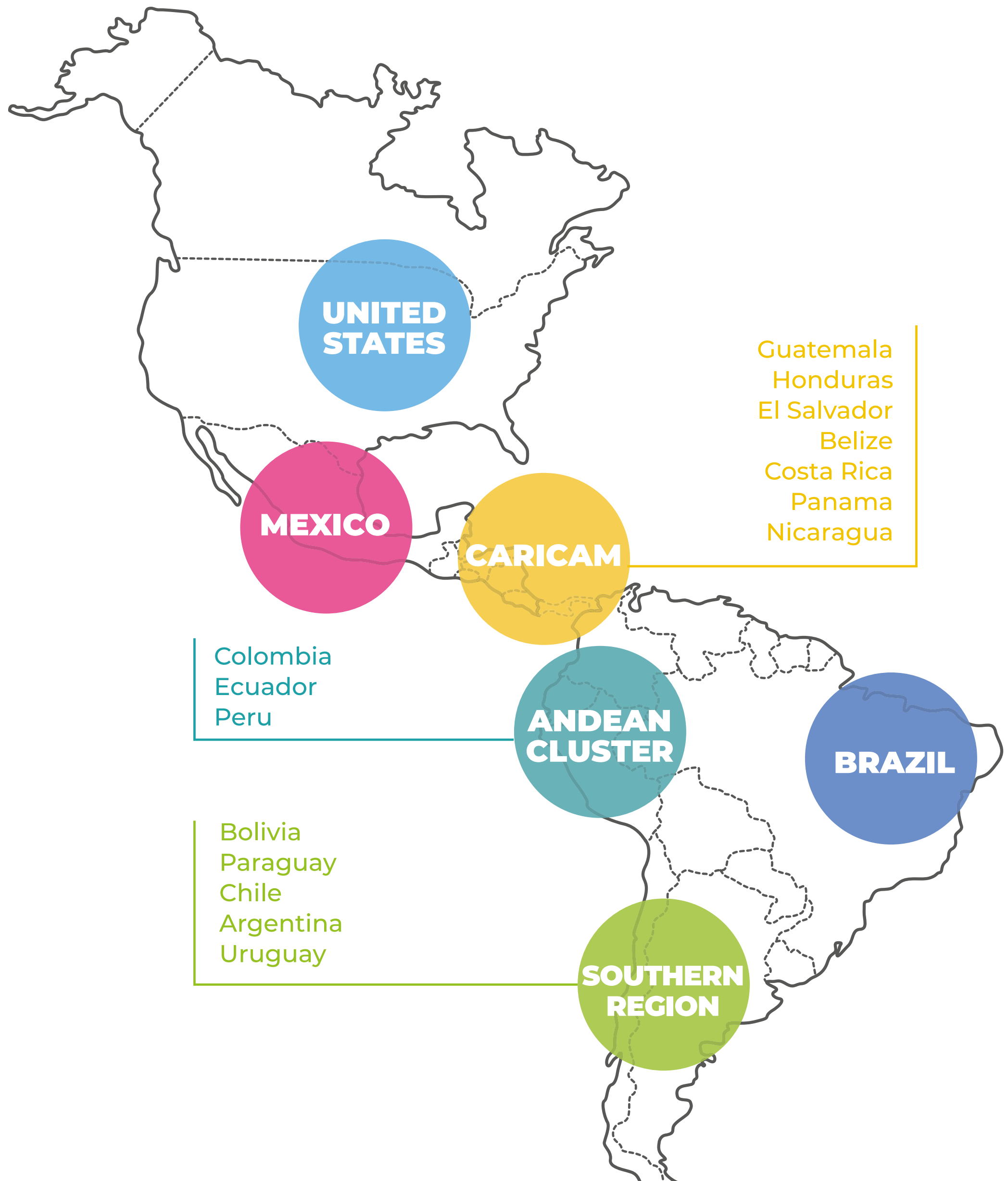
48%
PERSONAL CARE

SALES BY REGION

43%
SALES IN MEXICO

11%
SALES IN UNITED STATES

46%
SALES IN LATAM



18
COUNTRIES

+50
BRANDS

+400,000
POINTS OF SALE

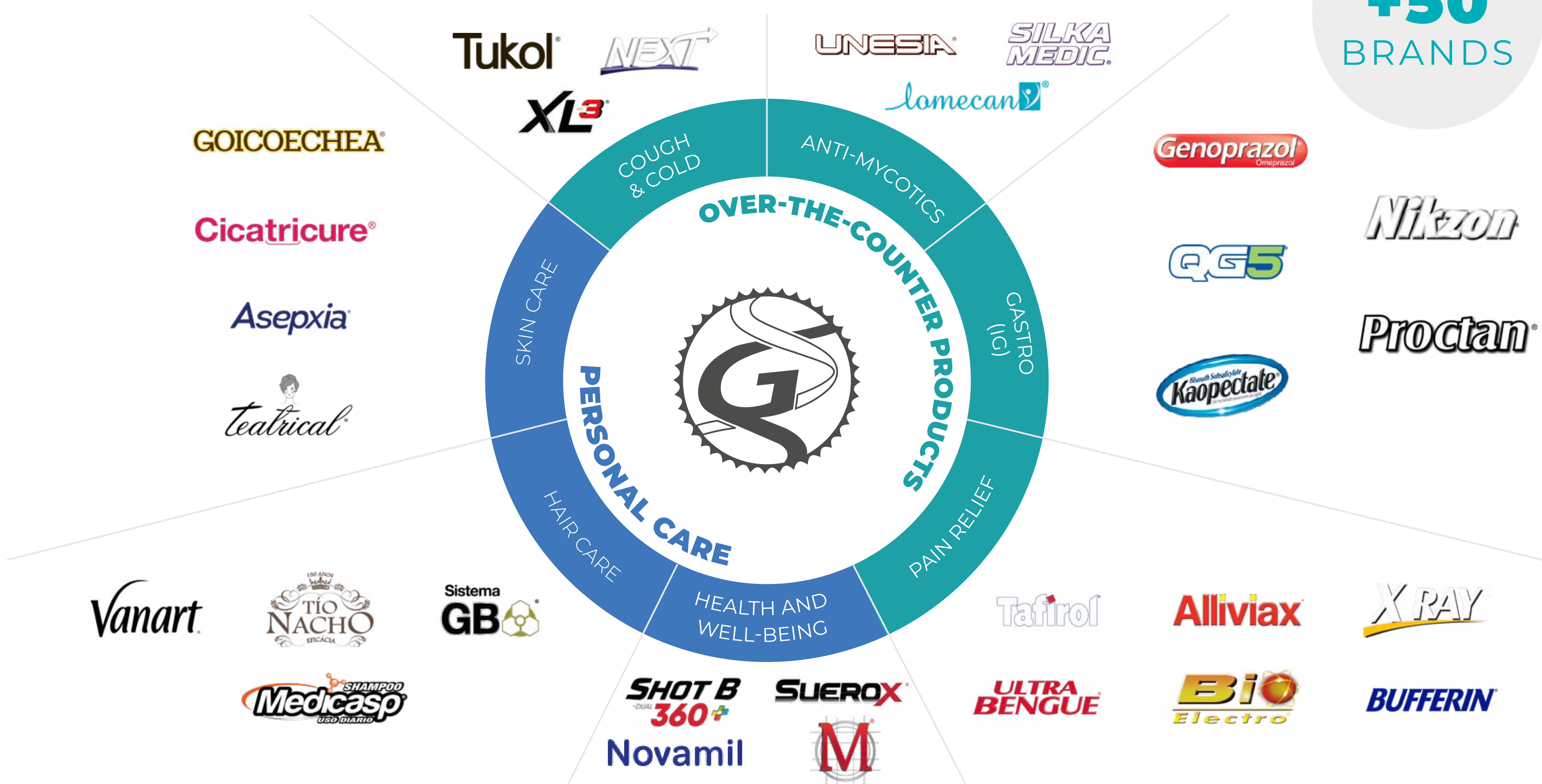
1,319
COLLABORATORS

45%
WOMEN

55%
MEN

OUR BRANDS

+50
BRANDS



MESSAGE FROM
RODRIGO HERRERA
CHAIRMAN OF THE BOARD OF DIRECTORS GRI 102-14; 102-20

To our investors,

I am addressing you on behalf of Genomma Lab Internacional's Board of Directors to share with you, throughout this report, the results achieved by the Company during 2020, a challenging year for all humanity, in which we faced a global contingency that represented great challenges but at the same time a unique opportunity to reinvent ourselves.

We are a company genuinely concerned about people's health and well-being and, in line with our corporate purpose to *"Empower people to have excellent health and well-being"*, we have taken our capability to adapt ourselves one-step further, which has undoubtedly been the key element to achieve our main goals in the face of a globally adverse environment.

During 2020 we have made important decisions: to keep our plans and initiatives going, based on our growth strategy launched in 2019, in which strengthening and caring for our human talent has been an essential component. The most important thing for the Company is the safety of our employees, empowered and proud to contribute to the general well-being, through their daily work.

> "We believe in empowering development in the countries where we operate, through the generation of value, meaningful jobs, infrastructure development, and greater accessibility to health and well-being through our products"

We believe in empowering development in the countries where we operate, through generation of value, meaningful jobs, infrastructure development, and greater accessibility to health and well-being through our products.

A clear example of this are the investments made in our First Industrial Cluster in Mexico, and the long-term alliances we maintain with our commercial partners in the 18 countries where we operate, confirming that our priority is to provide value to all of our stakeholders, in the face of a volatile and challenging environment.

In addition, I would like to share with you that during the year we achieved a solid performance in terms of sales while continued to improve Genomma's profitability. The results achieved during the year show the right execution of a committed team, capable of transforming a challenging environment into an opportunity to grow and demonstrate our true potential, fulfilling our operational and growth strategy.

I would also like to highlight the qualitative vision that the Executive team, employees as well as the members of the Board of Directors are pursuing, which is to influence the quality of life of more than 100,000,000 recurring consumers. At the same time, we are providing our own product innovation touch, reflected in superior formulas with the highest standards of safety and efficacy.

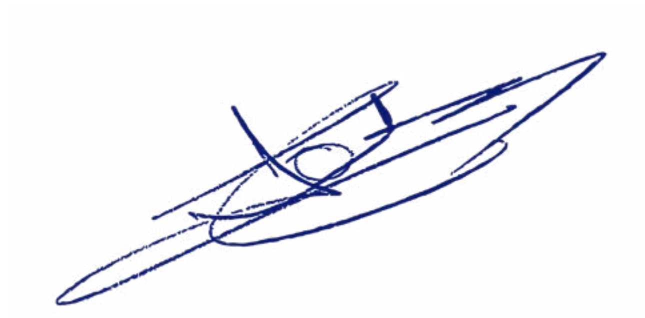
Our priority is to integrate sustainability processes throughout our operations, with the objective of incorporating best practices that allow us to reduce our impact on the environment and focus our corporate responsibility efforts on projects that consistently and decisively improve people's lives..

Furthermore, I am convinced that every organization should have a robust and efficient corporate governance, with a high-level degree of commitment based on best practices; these practices must reach all members of the organization including every element of our value chain.

Finally, as members of the Board of Directors, we assume the responsibility of acting for the benefit of all our stakeholders, always recognizing and strengthening our relationship, and contributing to the integral development of the environment with continuous improvement in our economic, social and environmental performance, which is our main philosophy.

I am extremely grateful to all our employees, business partners, investors, members of the Board of Directors and Executive Team, for making Genomma Lab a world-class leading Company and, particularly, for the vote of confidence you place in our ability to create integral value for all of you and our environment.

I am confident that 2021 will be, once again, an extraordinary year for Genomma Lab.



Rodrigo Herrera Aspra
Chairman of the Board of Directors of
Genomma Lab Internacional, S.A.B. de C.V
May, 2021

"... we assume the responsibility of acting for the benefit all our stakeholders, always recognizing and strengthening our relationship, and contributing to the integral development of the environment with continuous improvement in our economic, social and environmental performance..."

LETTER FROM **JORGE BRAKE**

CHIEF EXECUTIVE OFFICER OF GENOMMA LAB GRI 102-11; 102-14; 102-20

To our stakeholders,

2020 was an atypical year for all of humanity. We faced —and continue to face — a health contingency that has left an unprecedented mark in health, economic and social terms. It has also been a time of reinvention, that have allowed us to speed up the trasformation process which have already started, and which have turned into a great opportunity to challenge our own paradigms.

The Company has demonstrated that it is prepared to face unimaginable challenges. Over the last year, we confirmed that our growth strategy, launched in 2019, is the right one, as it has enhanced our unique and resilient business model, allowing us to generate value for our shareholders and the environment.

Challenges that arose during the last year have allowed us to materialize our purpose as a Company, *"to empower people to have excellent health and well-being"*

> "...It has also been a time of reinvention, that have allowed us to speed up the trasformation process which have already started, and which have turned into a great opportunity to challenge our own paradigms..."

connecting more than ever with the communities where we operate.

Our commitment to the consumer is our priority, we are aware that our products have a direct impact on people's quality of life. Therefore, we have strengthened our internal control mechanisms to ensure the highest quality and the due regulatory compliance in each country where we operate, making sure that our advertising strategies are ethical, truthful and verifiable at all times.

TRANSFORMING CHALLENGES INTO OPPORTUNITIES

Despite the challenging environment, the results achieved in 2020 give us an optimistic outlook for what is next to come. With ***determination and leadership***, we were able to adapt ourselves at the right moment without losing sight of our short and long-term goals.

A clear example of this is the progress achieved in our ***Industrial Cluster and the continuous focus on innovation and optimization of our portfolio***, aimed at meeting the consumer's need for the highest quality products for hygiene, health and well-being. At the same time, we strengthened our commercial channels, allowing us to ***generate more meaningful jobs*** by increasing our sales force in the traditional channel and strengthening the relationships with our main suppliers, thus improving ***domestic economies*** in every country where we operate.

We created a ***Global Crisis Committee***, integrated by the executive team and key leaders of the organization. Due to different challenges presented throughout the year, this has allowed us to make the right decisions, considering the specific situation of each country where we operate, and always making sure that we are agile and precise when reacting to challenges and opportunities.

During 2020, our operation remained in line with our four pillar growth strategy, achieving great results.

PRODUCT INNOVATION AND PORTFOLIO OPTIMIZATION

In 2020, we made an important ***transformation to our portfolio***, according to the macroeconomic situation we face. During the year, we achieved the implementation of several brand extensions, international launches and entered in new categories with high growth potential.

We have accomplished significant achievements, including the implementation of multiple improvements in our ***our innovation model*** and the development of ***key metrics*** in order to ensure that we meet the objectives we set for ourselves. Furthermore, we conducted a ***criticality and risk-control analysis*** aimed at ensuring that we strengthen our supply, inventory and point-of-sale placement plans to achieve optimal management.

BEST-IN-CLASS GO-TO-MARKET

We strengthened our ability to ***improve visibility of our top brands*** at the point of sale.

We continued to execute the ***"perfect store" model for the retail channel***. Additionally, we continued to increase our presence in all the points of sale where our products are present, as well as our product offering, which is ideal and necessary to achieve market share across the regions where we operate, and ensuring that more people in hard-to-reach areas have access to our products.

We adapted our operation to the new reality, consolidating Genomma's presence in the ***e-commerce channel***, strengthening our digital communication content and forging new commercial alliances with customers and platforms that have online sales in all the countries where we operate.

WORLD-CLASS SUPPLY CHAIN

2020 was a year of important progress for our manufacturing projects, including our ***distribution center.*** We consolidated ***the structure and attracted the right talent,*** relying on a team of experts for the execution and operation of the project.

In addition, we ***simplified and optimized the supplying processes*** with our business partners, and reconfigured our ***Demand Planning*** model, seeking at all times to optimize our inventory levels and to continue improving our customer service.

WINNING CULTURE

Our employees have played an essential role in every challenge we faced this year, and our priority in the current contingency has been to ***ensure the integrity*** of all team members. We adapted our work scheme into a remote work model, achieving the continuity of operations, and with no change in the economic compensation and benefits of the entire team.

Our priority has been to ***stay connected and increasing communication channels*** with the whole team, which has allowed us to generate certainty, remain our unity, achieve the highest level of productivity and have a clear focus on the business priorities. With a meritocracy framework, ***we are constantly adapting our corporate culture to promote the development of each of our employees, retaining key talent,*** improving teamwork practices, and having an unparalleled organizational environment.

We know that there are challenges that can be foreseen and others that may take us by surprise, but ***our tested strategy capable to adapt in adverse situations*** guides us to transform an adverse environment into opportunities.

OUR 2020 RESULTS

During 2020, consolidated net sales increased +9.1%, reaching 13.87 billion pesos, due to the extraordinary operational execution and a continued focus on profitability, thus achieving an EBITDA margin of 21.1%. Likewise, net income closed at 1.47 million pesos, an increase of +92.3%. The above is the result of a strict cost and expense control implemented in the Company as well as strong marketing efficiencies.

Due to the challenging macroeconomic context and even with important challenges to overcome in our operations, ***these results reflect the resilience of our business model and the leadership of our management team as well as our people's efforts and commitment.***

Regarding our balance sheet, during the year we refinanced part of our debt through agreements with new financial institutions, for more than 700 million pesos. We also made several short-term issuances for 1.25 billion pesos under our Company's Recurring Debt Issuer Program and concluded the successful long-term placement of our long-term local bond LAB-20 for 2.50 billion pesos. With the refinancing process achieved during the year, the Company's net leverage closed at 1.5x with 69.3% long-term debt, reaffirming the market's confidence and interest in our strategy.

Finally, during 2020, we repurchased 605,000 shares for a total amount of 11.1 million pesos.

> "...we reinforced and made available to our stakeholders new channels for reporting any anomaly or violation of our ethical and integrity guidelines."

SUSTAINABILITY IS THE PATH TO THE FUTURE

The recent crisis has reaffirmed our conviction to ***act with a focus on the well-being of future generations.*** During the past year, we decided to take action to make ***sustainability*** a key element in the ***continuity and permanence*** of our business model, being aware of the importance of considering at all times the economic, social and environmental impact that our operations may have on the environment.

We strengthened our social initiatives at a global level through strategic alliances with various health institutions, as well as with governments and civil society organizations. We have also strengthened our social initiatives, which have allowed us to benefit people affected by the current health crisis.

Likewise, we are continuously working to strengthen and update ***our integrity policies***, for instance, by updating our Code of Conduct and Ethics and launching a new version incorporating our suppliers and business partners. On the other hand, we reinforced and made available to our stakeholders ***new channels*** for reporting any anomaly or violation of our ethical and integrity guidelines.

We also seek to extend this strong ***commitment to sustainability throughout our value chain by communicating, promoting and evaluating*** the adoption of corporate social responsibility practices from our critical suppliers through the implementation of the ***Supplier Sustainability Program.***

We created a high-level ***Global Sustainability Committee*** composed of Company's key leaders with the objective of charting a clear path towards a sustainable future, resulting in the launch of our ***our 2025 Sustainability Strategy,*** a document composed of ten strategic pillars transversal to our operation, with specific goals of action towards 2025, aligned with ***UN Sustainable Development Goals.***

Through these actions, Genomma Lab has been recognized as part of the ***the Dow Jones Sustainability MILA Pacific Alliance Index,*** and the ***S&P/BMV Total Mexico ESG Index,*** an update of the prestigious ***IPC Sustentable Index of the Mexican Stock Exchange***, of which we have been part for seven years in a row.

At the same time, we reaffirmed our commitment as members of the ***United Nations Global Compact*** since 2008, and joined the ***first generation*** of its ***Target Gender Equality*** initiative. In addition, we have been awarded as a ***Socially Responsible Company (ESR)*** by Centro Mexicano para la Filantropía A.C. (Mexican Center for Philanthropy, CEMEFI.) for the past 14 years.

*This year we have reaffirmed that the **GEN** that makes us unique, allows us to be an **exceptional company**, and gives us the capacity to adapt and to continue creating value for our employees, partners, shareholders, consumers, customers and various stakeholders with whom we have a relationship.*

I want to conclude by thanking you for the trust you place in us every day. We are constantly transforming ourselves into a more innovative and disruptive company, seeking the best results and creating value for all of you.

Jorge Luis Brake Valderrama
Chief Executive Officer of Genomma Lab Internacional, S.A.B. de C.V
May, 2021

> "We are constantly transforming ourselves into a more innovative and disruptive company..."

OUR 2020 PERFORMANCE

SALES
$13.87 bn MXN
+9.1%
vs. 2019

EBITDA
$2.92 bn MXN
+18.3%
vs. 2019

NET INCOME
$1.47 bn MXN
+92.3%
vs. 2019

+100,000
products purchased by consumers every hour

ELIMINATION OF MICROPLASTICS
in all our rinse-off Personal Care products

Consolidation of the
GLOBAL SUSTAINABILITY COMMITTEE

Adhesion to SEMARNAT's **CLEAN TRANSPORTATION PROGRAM** in Mexico

Launch of the
SUSTAINABILITY PROGRAM FOR SUPPLIERS

1.5 MILLION
people benefited by our social initiatives

Integration to the **DOW JONES SUSTAINABILITY INDEX MILA**

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Integration to the
S&P/BMV TOTAL MEXICO ESG INDEX

EMPRESA SUSTENTABLE

Integration to the
TARGET GENDER EQUALITY
of the United Nations Global Compact

OUR FINANCIAL RESULTS

PS. MILLION

CONSOLIDATED STATEMENT OF INCOME

	ANNUAL GROWTH	2020[1]	SALES %	2019[1]	SALES %
Net Sales	9.1%	13,870.1	100.0%	12,712.9	100.0%
Gross Profit	6.1%	8,588.1	61.9%	8,097.9	63.7%
Operating Profit	18.8%	2,768.0	20.0%	2,330.8	18.3%
EBITDA[2]	18.3%	2,923.0	21.1%	2,471.7	19.4%
Net Profit	92.3%	1,470.4	10.6%	764.5	6.0%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	ANNUAL GROWTH	2020[1]	2019[1]
Cash and Equivalents	128.0%	2,103.9	922.9
Total Assets	14.9%	22,132.6	19,254.8
Total Debt	6.5%	6,424.0	6,034.7
Stockholders' Equity	20.8%	9,634.2	7,974.1

STOCK MARKET DATA

	ANNUAL GROWTH	2020[1]	2019[1]
Price LAB B	1.40%	18.84	18.58
Earnings per Share	93.8%	1.45	0.75
Book Value per Share	16.8%	9.19	7.87
Outstanding Shares	-	1,048.0	1,048.0

OPERATION

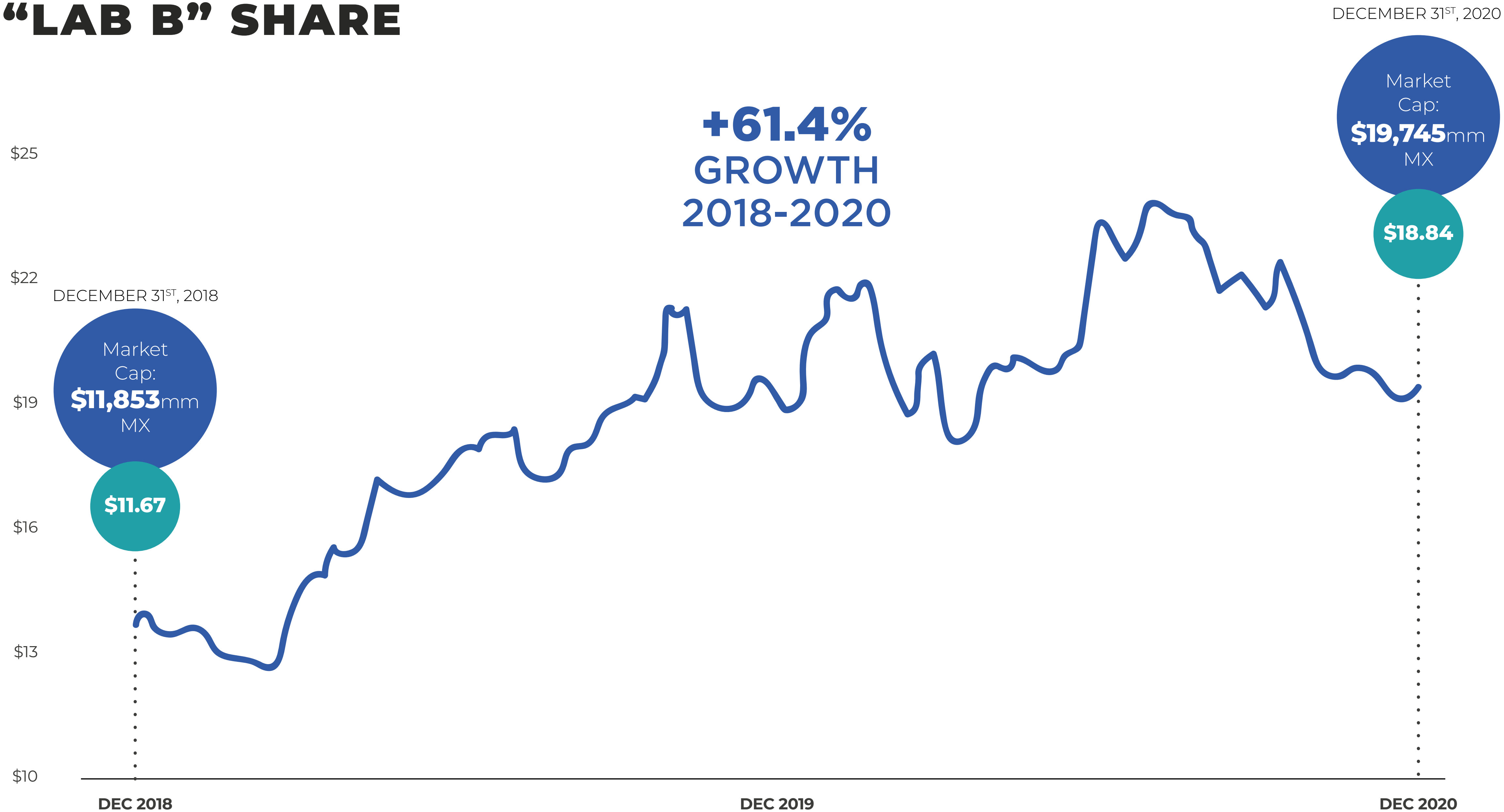
	ANNUAL GROWTH	2020[1]	2019[1]
Collaborators	16.0%	1,319	1,137

Please click the following link to download the 2020 year-end financial results:

1 Figures in millions of nominal pesos and under IFRS (International Financial Reporting Standards), except for the stock data, number of units and collaborators.

2 EBITDA represents profits (losses) before financial expenses, taxes, operating depreciation, and amortization, which excludes the depreciation of molds that are integrated into the cost of sales.

OUR "LAB B" SHARE



VALUE CREATION MODEL

OUR DNA: ORIGIN AND PATH

- PURPOSE
- VALUES AND PRINCIPLES
- MISSION
- VISION

HOW WE DO THINGS TO ACHIEVE RESULTS

STRATEGIC PILLARS

- PRODUCT INNOVATION AND PORTFOLIO OPTIMIZATION
- BEST-IN-CLASS GO-TO-MARKET
- WORLD-CLASS SUPPLY CHAIN
- WINNING CULTURE

OPERATING MODEL

OPERATING AND SUPPORT AREAS

- MANUFACTURING
- PROMOTION AND SALES
- INNOVATION AND DEVELOPMENT
- LOGISTICS AND DISTRIBUTION
- CORPORATE ADMINISTRATON

SUSTAINABILITY

SUSTAINABILITY MODEL

- RESPONSIBLE BUSINESS
- ENVIRONMENT
- SOCIETY

OUR PRIORITIES: WHO WE CARE ABOUT

- Collaborators
- Consumers
- Communities
- Clients
- Suppliers and Business Partners
- Investors

OUR DNA: **ORIGIN AND PATH**

OUR PURPOSE

“Empower people to have excellent health and well-being”

OUR MISSION

To improve and preserve people’s health and well being through innovative, safe and effective products, providing development opportunities to our employees and profitability to our shareholders, as well as positively impacting the community and the environment.

OUR VISION

To be the leading company in our categories of OTC and personal care products, and to be acknowledged for having a positive impact on the health and well-being of people, communities and the environment.

OUR VALUES AND PRINCIPLES

- We are reliable
- We believe in meritocracy
- We are humble
- We are transparent
- We care about you
- We learn from our mistakes
- We are inclusive
- We are transformational leaders
- We have fun

HOW WE DO THINGS **TO ACHIEVE RESULTS**

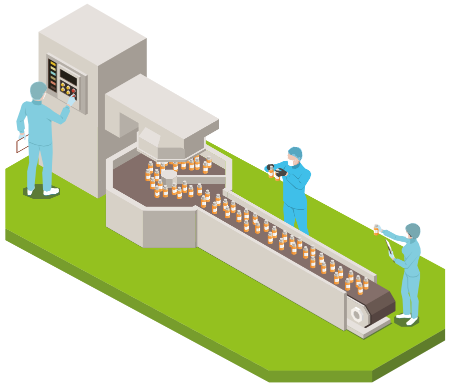
STRATEGIC PILLARS

PRODUCT INNOVATION AND PORTFOLIO OPTIMIZATION

New products, optimization, diversification and adaptation of our portfolio; generating value for our consumers and groups of interest.

BEST-IN-CLASS GO-TO-MARKET

To have the best execution and visibility of our products in the various points of sale. Solid strategy to enter new sales channels to reach more people.



WORLD-CLASS SUPPLY CHAIN

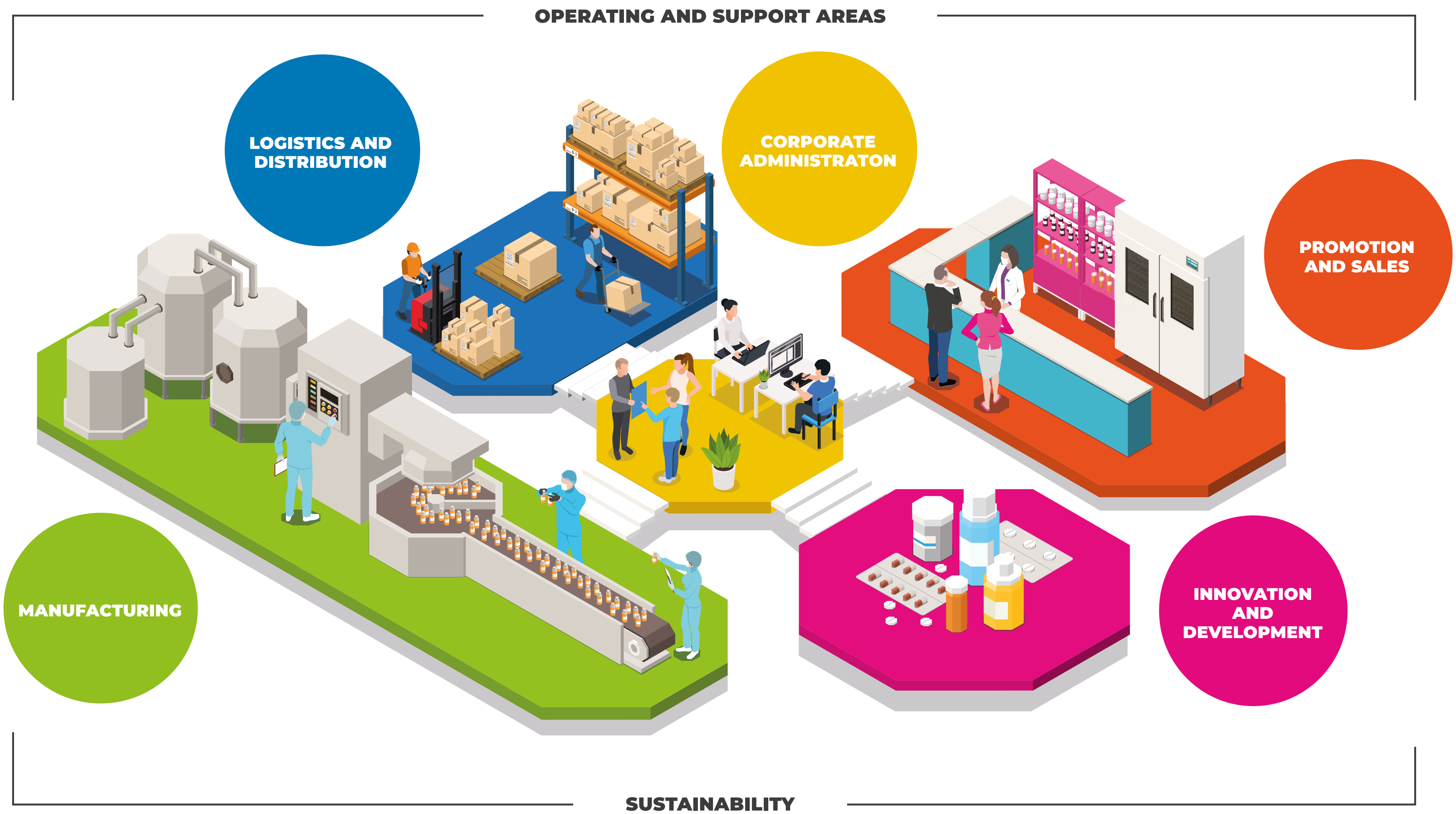
Make our operation more efficient through infrastructure and artificial intelligence that improve profitability, as well as having trusting relationships with our suppliers and commercial partners.

WINNING CULTURE

Boost quality of life and productivity of our people. Our talent is key to achieve our vision, through a winning corporate culture, constant development and training.

OPERATING MODEL

We are able to operate successfully thanks to the interaction and integration of the business, operational and sustainability areas.



SUSTAINABILITY MODEL

During 2020 we updated our sustainability model, aligning it with our business model, our stakeholders' priorities and the current local, regional and global context. This allows us to prioritize actions in each of our business areas towards a more sustainable management in collaboration with our different stakeholders.

MANAGING OUR SUSTAINABILITY

GRI 102-20; 103-1; 103-2

Global Sustainability Committee

As part of our commitment to bring sustainability practices to every component throughout our operation, in 2020 we created the **Global Sustainability Committee** to outline the Company's short and long-term environmental, social, and economic goals. The Committee is responsible for monitoring the implementation and progress of sustainability initiatives, as well as designing action plans, policies and procedures that respond to the risks and opportunities of our business model in this matter.

The Committee is chaired by the President of the Board of Directors and the CEO, and is made up of leaders of the following areas:

- INSTITUTIONAL RELATIONS
- FINANCE
- HUMAN RESOURCES
- CONNECT & DEVELOP
- MARKETING
- REGULATORY AFFAIRS
- MANUFACTURING
- SUPPLY CHAIN
- INVESTOR RELATIONS
- SOCIAL RESPONSIBILITY AND SUSTAINABILITY
- QUALITY
- COUNTRY MANAGERS

Structure of the Sustainability Committee

In turn, the Global Social Responsibility Committee is part of this Committee, which enables the execution of social initiatives with local and international impact. This committee is lead by the Vice President of Institutional Relations and integrated by Ambassadors with Purpose for each country or region where we operate.

SUSTAINABILITY INDEXES & RECOGNITIONS

Dow Jones Sustainability Index MILA

Genomma Lab was recognized as the first and only pharmaceutical company to join the Dow Jones Sustainability Index MILA, an index that recognizes the best environmental, social and corporate governance practices of companies in Mexico, Peru, Colombia and Chile.

S&P/BMV Total Mexico ESG Index

Genomma Lab is part of the S&P/BMV Total Mexico ESG Index, formerly IPC Sustentable, an index that recognizes the sustainability performance of companies listed on the Mexican Stock Exchange. The Company was previously part of IPC Sustentable for seven consecutive years.

Socially Responsible Company (Empresa Socialmente Responsable, ESR)

The Company has been recognized by the Mexican Center for Philanthropy (Centro Mexicano para la Filantropía, CEMEFI) as a Socially Responsible Company for 15 consecutive years.

OUR PRIORITIES: WHO WE CARE ABOUT

OUR STAKEHOLDERS

GRI 102-21; 102-40; 102-42; 102-43

We engage with various stakeholders that are important for us in terms of their level of influence and interaction. We seek to maintain a relationship of harmony, cooperation, and transparency, as well as a constant dialogue to meet their expectations and adequately communicate every subject they consider a priority.

HOW DO WE CREATE VALUE FOR THEM?

COLLABORATORS

We offer an honest, safe, healthy, ethical and inclusive work environment with opportunities for growth and development.

INVESTORS

We offer profitability by increasing our revenues and optimizing our costs. At the same time, we ensure a relationship of trust and transparency in our investments, projects and risk management.

CONSUMERS

We improve the quality of life of thousands of people who consume our products, whether OTC medications or Personal Care products.

COMMUNITIES

We promote the integral well-being of communities and the environment through our social and environmental initiatives.

CLIENTS

We satisfy the needs and expectations of our clients through an efficient service that guarantees quality products and services.

SUPPLIERS AND BUSINESS PARTNERS

We encourage reliable, long-term, win-win relationships, seeking continued improvement in each component of our value chain.

OUR **MATERIALITY**

GRI 102-44; 102-46; 102-47

During 2020, we updated our materiality based on the standards of the Global Reporting Initiative (GRI) methodology in order to prioritize the relevant issues that have the greatest impact within and outside the Company, considering the perspective of our stakeholders. As part of our continued improvement, for this analysis we followed the Guide for Integrating the SDGs into Corporate Reporting, a methodology developed by Global Compact and GRI, in order to understand the relationship between our material issues and the SDGs.

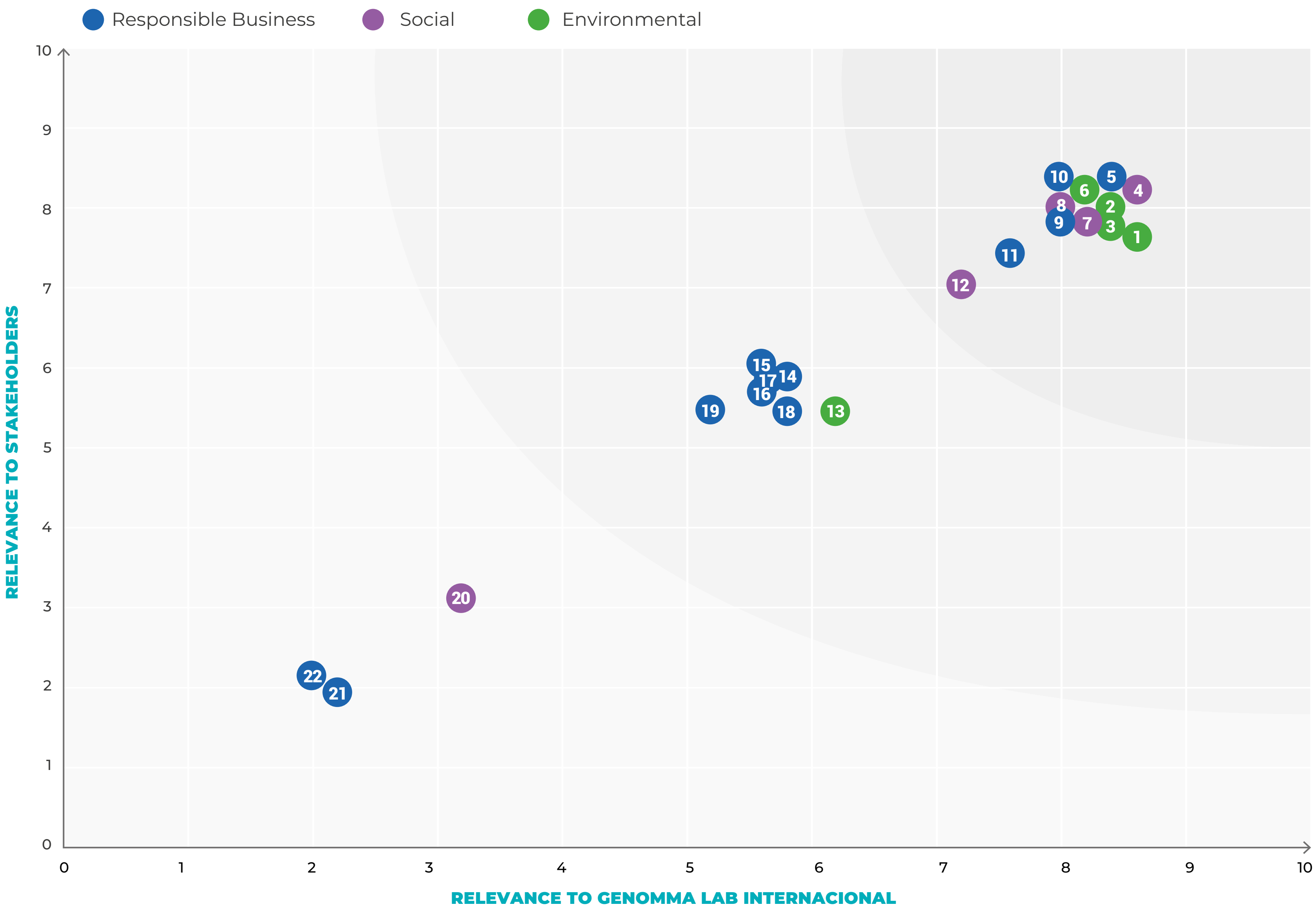
The first step on the materiality study was to select relevant topics for the Company according to a sector trend analysis and the regional context.
Subsequently, a survey was conducted among 11 stakeholders to determine their position on the relevant issues identified. These groups were conformed from members of the Company and external stakeholders.

Finally, in order to prioritize the issues through a materiality matrix, relevant issues were weighted based on criteria such as the score given by stakeholders, risks and opportunities associated with the business model, the contribution to the SDGs, GRI indicators, and ESG issues included in international reporting methodologies, as well as trends in the personal care and pharmaceutical sector. Resulted from the ponderation, material issues were assigned to a category (priority, important or low). Additionally, topics were categorized according to the axes of our Sustainability Model: Environment, Society and Responsible Business, in order to facilitate their integration into our strategy.

This report seeks to communicate our performance on these material issues, since they are relevant to our various stakeholders.

> “…As part of our continued improvement, for this analysis we followed the Guide for Integrating the SDGs into Corporate Reporting, a methodology developed by Global Compact and GRI…”

MATERIALITY MATRIX



	MATERIAL TOPIC	RELEVANCE
1	Water management	Priority
2	Packaging and waste	Priority
3	Operational waste	Priority
4	Diversity, Inclusion and Gender Equity in our team	Priority
5	Anti-corruption practices	Priority
6	Climate Change	Priority
7	Attracting talent and developing our employees	Priority
8	Community engagement	Priority
9	Responsible management of the value chain	Priority
10	Consumer satisfaction	Priority
11	Product safety and quality	Priority
12	Promoting health and well-being	Priority
13	Responsible and sustainable supply	Important
14	Product innovation	Important
15	Ingredient transparency	Important
16	Animal testing	Important
17	Ethical advertising and trade practices	Important
18	Risk management	Important
19	Corporate governance	Important
20	Product pricing and affordability	Low
21	Human Rights	Low
22	Tax compliance	Low

RELATIONSHIP AND COMMUNICATION WITH OUR STAKEHOLDERS

GRI 103-1; 103-2

STAKEHOLDERS	RELATIONSHIP	IDENTIFIED CONCERNS	COMMUNICATION CHANNELS	RESULTS
Collaborators	Our talent is the key enabler of our growth strategy, as well as of our business model. Therefore, we seek to offer a safe, healthy, ethical and inclusive work environment with opportunities for growth and development.	Water management -Packaging and waste -Operational waste -Promoting health and well-being -Diversity, Inclusion and Gender Equity in our team -Product safety and quality -Ethical advertising and trade practices -Anti-corruption practices	-Internal communication -Launch of our social platform “Gen App”, which allows daily interaction with all members of the organization. -Work environment surveys -Ethical line of complaint “GEN Te-Escucha”. -Town Hall sessions -Open dialogue sessions with Senior Management	-Communication of Organizational Changes, Training, Benefits, Among Others -Improvement of work environment -Knowledge of the Company’s Values and Integrity Policies -Report of Ethics Cases
Consumers	Our purpose as a Company is to “Empower people to have excellent health and well-being”, and it is thought directly on the impact we have on the lives of thousands of people who consume our products, both over-the-counter medications and personal care products.	-Climate Change -Packaging and waste -Diversity, Inclusion and Gender Equity in our team -Community engagement -Product safety and quality -Ingredient transparency -Consumer satisfaction	-Web page -Consumer Service line	-Consumer satisfaction -Understanding expectations
Clients	We satisfy the needs and expectations of our clients through an efficient service that guarantees the quality of our products and services. We consistently manage our relationship with our clients considering a fair and ethical treatment in order to build solid long term relationships.	-Packaging and waste -Promoting health and well-being -Product pricing and affordability -Product safety and quality -Product innovation -Consumer satisfaction	-Direct relationship with sales representatives -Web page -Customer Service line	-Communication of product selection, prices, quality of our products and services. -Customer satisfaction and exceeding expectations

STAKEHOLDERS	RELATIONSHIP	IDENTIFIED CONCERNS	COMMUNICATION CHANNELS	RESULTS
Communities	One of our priorities as a company is the well-being and health of communities in vulnerable situations, especially in the places where we operate, in which we seek to contribute in a positive and constant manner with actions that promote their integral development, as part of our various social programs.	-Climate change -Water management -Promoting health and well-being -Community engagement -Product safety and quality	-Direct communication with the social responsibility and sustainability area. -Community service line -Dialogue with surrounding communities -Development of social initiatives and volunteering -Genomma Lab Foundation -Corporate volunteering	-Identification of concerns and needs -Holistic well-being -Trustful relationships -Social license to operate -Mitigation of social and environmental risks
Suppliers and business partners	We seek to promote good sustainability practices among the members of our value chain, ensuring that they are aligned with the standards we have established as a Company and guaranteeing a reliable and integral working relationship, in which all parties benefit, and continuous improvement is encouraged.	-Water management -Climate change -Packaging and waste -Promoting health and well-being -Product pricing and affordability -Community engagement -Product innovation -Consumer satisfaction -Tax compliance	-Direct communication with procurement representatives -Supplier portal -Supplier helpline	-Efficient supply chain -Long-term relationships -Alignment with the Company's values, standards, and policies -Increased efficiency, reliability and transparency
Authorities	We manage our operations and relations with governmental, regulatory and legislative authorities always in line with the applicable laws and regulations in the countries where we operate, in addition to complying with the provisions of our Code of Conduct and Ethics, Anti-Corruption Policy and Integrity Policies.	-Packaging and waste -Operational waste -Promoting health and well-being -Product safety and quality -Ethical advertising and trade practices -Anti-corruption practices	-Direct communication with the regulatory affairs area -Direct communication with the legal area	-Legal compliance -Adaptation to new local, national and regional regulations -Reduced legal risks -Increased confidence and reputation of the company
Chambers and industry associations	We actively participate in various national and regional chambers and industry associations, taking part in various forums, working groups and industry initiatives, with the aim of creating alliances and sharing best practices.	-Responsible and sustainable supply -Packaging and waste -Diversity, Inclusion and Gender Equality in our team -Community engagement -Product safety and quality -Product innovation	Direct communication with the regulatory affairs area. -Regular meetings -Annual conferences and forums -Working groups	-Development of coordinated initiatives with industry chambers. -Adaptation to new local, national and regional regulations. -Sharing industry best practices

STAKEHOLDERS	RELATIONSHIP	IDENTIFIED CONCERNS	COMMUNICATION CHANNELS	RESULTS
Investors	We offer profitability to our investors by increasing our revenues and improving our profitability while optimizing our costs. At the same time, we ensure transparency in our financial performance, business opportunities and expectations, as well as in our environmental, social and corporate governance management.	-Climate change -Water management -Promoting health and well-being -Attracting talent and developing our employees -Corporate governance -Responsible management of the value chain -Product innovation	-Direct communication with the Investor Relations area -Periodic meetings -Quaterly financial reports -Investor Relations website -Annual Report -Public Filings	-Communicating the Company's Financial, Environmental and Social Performance -Transparency and Reliability Among Investors -Attracting Investors
NGOs and Academy	We establish strategic relationships with NGOs, such as foundations and local health institutions, in order to strengthen well-being initiatives aimed at communities and groups in vulnerable situations. We also establish alliances with national and international academic institutions to promote education and the development of technical and innovative capabilities.	-Responsible and sustainable supply -Diversity, Inclusion and Gender Equity in our team. -Community engagement -Product safety and quality -Product innovation	-Direct communication with the Social Responsibility and Sustainability area. -Direct communication with the Medical Management area. -Direct communication with the Connect & Develop area. -Website -Annual Report	-Understanding of the Company's economic, environmental and social performance. -Building strategic alliances to promote environmental development -Collaboration in skills development projects
Multilateral organizations	In 2018, the World Bank IFC and the IDB Invest, part of the Inter-American Development Bank granted us long-term financing to support our first manufacturing project in Mexico, offering us strategic advice on various technical, social and environmental aspects. In addition, since 2008 we have been a member of the United Nations Global Compact, actively participating in initiatives that promote the private sector's contribution to the United Nations Sustainable Development Goals.	-Responsible and sustainable supply -Climate change -Diversity, Inclusion and Gender Equity in our team -Ethical advertising and trade practices -Product safety and quality -Responsible value chain managemen	-Direct communication with the Investor Relations area. -Direct communication with the social responsibility and sustainability area. -Direct communication with the legal area -Annual Monitoring Report on Sustainability -Annual Report	-Understanding of the Company's economic, environmental and social performance. -Implementation of best environmental and social practices -Reduction of environmental and social risks.

OUR 2025 SUSTAINABILITY STRATEGY

GRI 103-1; 103-2; 103-3

During 2020, a year of significant challenges and great opportunities, we decided it was time to set ambitious goals and align our actions with our objective of building a sustainable future, taking advantage of every opportunity offered by our business model.

Thus, we developed our 2025 Sustainability Strategy, comprised of specific actions aligned with 10 strategic areas of our operation, ranging from the responsible development of our products to our relationship with the communities in which we operate.

In the construction of our 2025 Sustainability Strategy, we considered the UN SDGs, our materiality analysis, our Sustainability Model, the risks and opportunities associated with our business model, analysis of the regional context and sectoral trends.

OUR CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

From our operation, we contribute in different ways to the United Nations SDGs, with a special focus on those that are directly related to our business model and where we can have a greater favorable impact. We identified our priority SDGs through an analysis of our business model, Sustainability Model, our risks and opportunities, material issues, and our stakeholders' perspective.

In line with the above, the actions of our 2025 Sustainability Strategy are aligned with and seek to actively contribute to the fulfillment of specific goals of the United Nations Sustainable Development Goals.

See our 2025 Sustainability Strategy here. >>>

2025 SUSTAINABILITY MODEL & SUSTAINABILITY STRATEGY

RESPONSIBLE BUSINESS

- Our products
- Our logistics
- Our manufacturing plant
- Our supply chain

ENVIRONMENT

- Our waste management
- Our water management
- Our actions on climate change
- Our integral management

SOCIETY

- Our team
- Our contribution to society

SUSTAINABILITY STRATEGY 2025

(CONTINUED)

The following chart represents the relationship between the axes of our Sustainability Model, the most relevant issues to address according to our materiality analysis, as well as the strategic pillars considered in our 2025 Sustainability Strategy, the topics covered by each pillar and the Sustainable Development Goals to which we seek to contribute through each pillar.

See the specific goals and our progress in each pillar of the 2025 Sustainability Strategy on page 200 of this Report.

SUSTAINABILITY MODEL	RELATED MATERIAL TOPIC	2025 SUSTAINABILITY STRATEGY PILLAR	OUR ACTIONS	SDG
RESPONSIBLE BUSINESS	Packaging and waste	Our products	Use of certified cardboard Recyclability of packaging and waste management plans Reduction of packaging material Integration of recycled resin Elimination of microplastics	12 PRODUCCIÓN Y CONSUMO RESPONSABLES
RESPONSIBLE BUSINESS	Responsible management of the value chain	Our value chain	Supplier Sustainability Program Sustainability criteria for suppliers	12 PRODUCCIÓN Y CONSUMO RESPONSABLES
RESPONSIBLE BUSINESS	Responsible management of the value chain Climate change	Our manufacturing plant	Environmental performance certifications	9 INDUSTRIA, INNOVACIÓN E INFRAESTRUCTURA
RESPONSIBLE BUSINESS	Responsible management of the value chain Climate change	Our logistics	Global clean transportation programs Reduction of CO_2 emissions	7 ENERGÍA ASEQUIBLE Y NO CONTAMINANTE
ENVIRONMENT	Operational waste	Our waste management	Integral waste management plans at our sites	12 PRODUCCIÓN Y CONSUMO RESPONSABLES

SUSTAINABILITY MODEL	RELATED MATERIAL TOPIC	2025 SUSTAINABILITY STRATEGY PILLAR	OUR ACTIONS	SDG
ENVIRONMENT	Water management	Our water management	Wastewater treatment, recycling and reuse	6 AGUA LIMPIA Y SANEAMIENTO
ENVIRONMENT	Climate change	Our actions on climate change	Use of renewable energy and energy from co-generation Science Based Targets (SBTs	9 INDUSTRIA, INNOVACIÓN E INFRAESTRUCTURA
ENVIRONMENT	Climate change Packaging and waste Water management Operational waste	Our integral management	Internal recognition of sustainability Internal training on sustainability	13 ACCIÓN POR EL CLIMA
SOCIETY	Promoting health and well-being Attracting talent and developing our employees Diversity, Inclusion and Gender Equity in our team.	Our team	Holistic well-being programs Ethics and anti-corruption training Responsibility-based training programs Gender equity Inclusion of people with disabilities Occupational health and safety programs	4 EDUCACIÓN DE CALIDAD 5 IGUALDAD DE GÉNERO 8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO 16 PAZ, JUSTICIA E INSTITUCIONES SÓLIDAS
SOCIETY	Impulso a la salud y bienestar Vinculación con las comunidades	Our contribution to society	Medicine Promotion Best Practices Policy Corporate volunteering Commercial initiatives with a cause Benefit to communities	3 SALUD Y BIENESTAR

UNITED NATIONS GLOBAL COMPACT

WE SUPPORT UN GLOBAL COMPACT

Since 2008, Genomma Lab Internacional, S.A.B. de C.V. has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption.

INNOVATION

GRI 102-2; 102-44

Innovation is one of the **the key pillars of our growth strategy,** and during last year it was a decisive component in the Company's adaptation to the health crisis caused by the COVID-19 pandemic.

Through innovation and optimization of our portfolio, we **continue striving to create value for our consumers, customers and society in general.** Our innovation model allows us to combine **science with the expectations and needs of our consumers,** aiming to develop products that improve their health and well-being.

INNOVATION IN 2020

INNOVATION COMMITTEE

Our innovation model is supervised by the Innovation Committee, which involves our General Management as well as leaders of strategic areas related to product research, development and launching. Its main purpose is to approve initiatives and provide feedback to streamline the process.

ALLIANCES FOR INNOVATION

Alliances are fundamental to our innovation model, ensuring access to technological, human and research resources. We have established various alliances with academic institutions, suppliers and business partners, with whom we work in a coordinated manner at each stage of our innovation process.

During 2020 we achieved a significant diversification in terms of innovation initiatives, which we classify as follows:

NP New Products

Development and launch of new brands for our portfolio.

LE Line Extensions

Any variation in the formulation or presentation of products belonging to any of the previously existing brands within our portfolio.

EIP Expansion of International Presence

Replication of successful brand launches in other countries in which we operate.

A Affordability

Diversification and adaptation in the presentation of our products to be more accessible to our consumers across the different sales channels.

EP Environmental Performance

Sustainability of our products including to reduce the environmental impact, from packaging to formulation.

PERSONAL CARE

SKIN CARE PRODUCTS

Cicatricure®

During 2020, **Cicatricure®**, our premium brand specialized in skin regeneration, had line extensions such as **Cicatricure® Agua Micelar,** , as well as the expansion of **Cicatricure® Gold Lift** to the United States, Mexico, Brazil and Chile. At the same time, seeking to improve the environmental performance, its packaging is certified by Forest Stewardship Council®, which means that the cardboard used to produce it comes from responsibly managed forests.

Asepxia®

Asepxia® is our facial care brand that specializes in oily skin and imperfections. In 2020, we launched a line extension with the introduction of **Asepxia® Charcoal** in Mexico, the United States and Latin American region.

Teatrical®

Among the innovation in our skin care brand **Teatrical®**, we launched **Teatrical® Pro-Aclarant** with SPF 15 sunscreen in the United States, and **Teatrical® Agua Micelar** in Mexico and Latin America.

NP New Products LE Line Extensions EIP Expansion of International Presence A Affordability EP Environmental Performance Progress on our 2025 Sustainability Strategy

PERSONAL CARE

HAIR PRODUCTS

Vanart®

In 2020, **Vanart®**, our hair care brand with more than +60 years of history, was introduced in Nicaragua and Peru. In addition, seeking to make our products affordable, the brand launched its single-use sachet presentation in Colombia, Bolivia and Peru.

Medicasp®

Medicasp® is our shampoo brand specialized in the treatment of dandruff. In 2020, aiming to reach more people at an affordable price, the brand launched the single-use sachet presentation in Peru and Bolivia.

NP New Products LE Line Extensions EIP Expansion of International Presence A Affordability EP Environmental Performance Progress on our 2025 Sustainability Strategy

PERSONAL CARE

HAIR PRODUCTS

Tío Nacho®

Tío Nacho®, our premium hair care brand with royal jelly and natural ingredients, expanded internationally in 2020 to the United States, and Latin America. Additionally, we launched **Tío Nacho® Coco** with presentations for the traditional channel, seeking to generate greater accessibility for our consumers.

Sistema GB®

Our **Sistema GB®** brand features shampoos and solutions that stimulate regrow of lost hair. In 2020, the brand improved its environmental performance by certifying its packaging through the Forest Stewardship Council®, meaning that the cardboard used to produce it comes from responsibly managed forests.

ELIMINATING MICROPLASTICS IN OUR PERSONAL CARE PRODUCTS

All of our rinse-off products globally eliminated microplastics from their formulations during 2020.

EP

NP New Products | LE Line Extensions | EIP Expansion of International Presence | A Affordability | EP Environmental Performance | Progress on our 2025 Sustainability Strategy

PERSONAL CARE

HEALTH AND WELL-BEING

Novamil®

In 2020 we launched **Novamil®**, in Mexico, which seeks to meet the specific nutritional needs of babies, in addition to providing a nutritional response to digestive disorders that can occur in a child's early years.

Suerox®

As part of our sustainability goals, we integrated post-consumer recycled resin into the bottle of **Suerox®**, our hydrating beverage.

Groomen®

In 2020, we launched our **Groomen®**, brand of razors in Mexico, featuring high-tech blades and an activated carbon band with double lubrication.

NP New Products LE Line Extensions EIP Expansion of International Presence A Affordability EP Environmental Performance Progress on our 2025 Sustainability Strategy

OTC MEDICATIONS

PAIN RELIEF

COUGH & COLD

Alliviax®

As part of the **Alliviax®**, family, we introduced the new **Alli-Triple®** line, focused on the relief of three types of systemic pain: lumbar, cervical and sciatica. In addition, we launched **Alliviax® 4's** (4 tablet packaging) in Mexico, a product focused on affordability and distribution through the traditional channel.

Tukol®

Tukol® adapts to the needs of each country or region where it has presence, making products with organic ingredients available to all consumers, like the launch of **Tukeli®** in Mexico, **Tukol® Natura** in Peru and **Tukol® Helix** in Ecuador. In addition, as part of our new growth strategy in the United States, we introduced the **Tukol® Honey** brand to the market.

Next®

Our anti-flu brand **Next®** expanded its international presence to Brazil in 2020. In addition, as part of a multivitamin category, we launched **Next® Immune** Immune for the United States and **Next® Go** in Argentina.

NP New Products | LE Line Extensions | EIP Expansion of International Presence | A Affordability | EP Environmental Performance | Progress on our 2025 Sustainability Strategy

OTC MEDICATIONS

ANTIBACTERIAL

Bufferin®

As part of the **Bufferin®** family, in 2020 we launched **Bufferin® Hand Sanitizer**, a premium product with a touch of Aloe and Vitamin C, to our U.S. portfolio.

XL-3®

In 2020, as an extension of **XL-3®**, brand, and adapting to consumer needs in response to the health crisis, we launched the new **XL-3® AB** antibacterial product line for Mexico.

Next®

In Argentina, a complete line of antibacterial products was launched under the **Next-AB®** brand.

NP New Products | LE Line Extensions | EIP Expansion of International Presence | A Affordability | EP Environmental Performance | Progress on our 2025 Sustainability Strategy

SAFETY AND EFFICACY OF **OUR PRODUCTS**

GRI 103-1; 416-1; 417-1

PRODUCT REGULATION

At Genomma Lab we strictly comply with the regulations for each of our products in all the countries where we operate. The involvement of our Regulatory Affairs department is essential to ensure compliance and the safe design of the products from our portfolio.

Our regulatory process is based on three strategic pillars:

- REGULATORY OPERATIONS
- REGULATORY SUPPORT FOR INNOVATION
- INNOVATION AND EXTERNAL INFLUENCE

REGULATORY OPERATIONS

Over the year, our Regulatory Affairs team was able to complete more than 2,000 procedures globally, despite it being an atypical and complex year, as various of the health entities involved in these regulatory procedures restricted and/or closed their services to the private sector, while others changed their work modality. Likewise, during 2020, we complied with the regulations of the annual audit, achieving a significant increase in the results at a global level. We continue to move successfully forward on the path to achieving a greater regulatory improvement in all our categories.

REGULATORY SUPPORT FOR INNOVATION

It is essential to provide regulatory support to our entire innovation process in order to guarantee competitive and sustainable growth. This process is based on 3 aspects:

- Shielding: Evaluating innovation processes from a regulatory perspective to promote the design of safe and effective products.
- Perspective: Providing context on trends that allow us to maximize our opportunities.
- Continuous Improvement: Optimizing processes through the incorporation of experiences and lessons learned.

The Regulatory Affairs team verifies the viability of innovations from the regulatory perspective, sales conditions, the suitability of the proposed denomination, claims proposed by the innovation and development teams, the desired formulation and ingredients, the Good Manufacturing Practices (GMP) certification requirements, and the registration feasibility, which together are key elements to determine the comprehensive regulatory feasibility.

To carry out a concrete and feasible evaluation of the proposal, information on the projects are required, such as: formulation and technical data sheets, therapeutic indication or purpose of use, claims proposed for advertising the product and, if possible, the trademark under which it is intended to be registered.

In this way, an exhaustive search is carried out within the different products on the market, in order to give an informed opinion.

INNOVATION AND EXTERNAL INFLUENCE

Notably, we have succeeded in shielding our regulatory management thanks to our presence in various sectoral organizations within the Personal and Home Care Industry in Mexico, such as the National Chamber of the Cosmetic Products Industry (Cámara Nacional de la Industria de Productos Cosméticos, CANIPEC), the National Association of Personal and Home Care Products Industry (Asociación Nacional de la Industria de Productos del Cuidado Personal y del Hogar A.C.), as well as the Association of Manufacturers of Over-the-Counter Medications (Asociación de Fabricantes de Medicamentos de Libre Acceso A.C., AFAMELA) in Mexico. In Latin America, we hold for the second time the vice presidency of the Cosmetics, Toiletries and Home Care Industry Council (Consejo de la Industria de Cosméticos, de Aseo Personal y Cuidado del Hogar, CASIC) through the representation of Luciana Santi, Global Corporate Leader of Regulatory Affairs. These institutions allow us to be updated on the most relevant issues within the sectors in which we participate.

For more information on our Cosmetic and Pharmaceutical Sector Leadership, please refer to page 127 of this report.

PRODUCT SAFETY

Guaranteeing safety in the use of our products is key to maintaining the daily operation of the Company. It works as a catalyst to generate a relationship of trust with our consumers.

The product safety assurance process is based on 3 key aspects:

CONSUMER SAFETY

STANDARDS AND PROCESSES

CONTINUED IMPROVEMENT

During 2018, it was created the ***Safety Assessment Team (SAT),*** comprised of experts who support safety assessments in categories where regulatory references are not sufficiently clear to ensure the comprehensive safety of our products.

This team of experts led by Carlos Caro, Global Senior Manager of Regulatory Affairs, is made up of various professionals with different backgrounds, bringing in a comprehensive approach. Some of the members of the ***Safety Assessment Team*** are:

Bradley Johnson, *Microbiólogo, USA.*

Carlos Elías Caro, *Pharmaceutical Chemist, Colombia.*

Oscar Rodríguez: *Pharmaceutical Chemist, México.*

Francisco Jordana: *Pharmaceutical Chemist Biotechnology, México.*

Regina Juárez: *Biotechnological Engineer, Mexico.*

Soledad Busnelli: *Graduate in Food Technology, Argentina.*

The SAT examines special cases within the **Personal Care, Food and Phytomedicines** categories, since some categories, such as OTC medications, have regulatory schemes and standards that allow us to guarantee quality and safety. In this sense, for **OTC medications we apply quality and safety criteria in our ingredients in accordance with the official pharmacopoeias (Mexico's FEUM and USA's USP, among others).** Additionally, the process is complemented by our Medical Management, a highly qualified team that follows up on Pharmacovigilance, Technovigilance and Cosmetovigilance.

Finally, the safety ***assessment*** process is complemented with different tools and actions to accelerate it, such as the following:

BRAIN: A tool that provides toxicological parameters for about 1,100 ingredients used in cosmetics manufacturing. The tool allows us to quickly establish the Margin of Safety (MoS) of a cosmetic ingredient in a formulation and generates regulatory restriction alerts for the ingredient to be analyzed.

Regulatory Feasibility Assessment (RFA): This process evaluates an idea or innovation, considering the nature of the active ingredient, as well as the regulatory classification and the global mapping of sales status at Genomma Lab.

Product Assessment (PA): Evaluates a formulation, considering the nature of the active ingredients, minimum quantities and maximum allowed limits if applicable. It also considers allergen mapping and other requirements related to product safety: toxicology, allergens, fragrances, GMO (Genetically Modified Organisms), and irradiation.

As part of this process, we have established internal guidelines aimed at continually improving the overall safety of our products, which are detailed below:

- Hypoallergenicity
- Microplastics
- Packaging / Prepackaged Products
- Claims Support Documentation
- Absence (or "free of") Claims
- Preservatives
- Products intended for use during pregnancy
- USA products with UV filter
- Animal testing
- Cosmetic Arts

Additionally, we monitor changes on new safety restrictions on ingredients to ensure that timely adjustment actions are implemented in accordance with the regulation. The adjustment process involves different areas of the Company such as Regulatory Affairs, Quality, Research and Development and Business Units.

MEDICAL MANAGEMENT

Our Medical Management department is made up of an experienced and highly qualified medical and scientific team. This department is responsible for providing medical support to the communication strategies followed by the Company in relation to the functionality of our products, through a dynamic and strategic execution in coordination with clinical and cosmetic efficacy studies. Hence, this team actively participates in the global innovation process carried out by the Company..

In 2020, **231 global Cosmetic Efficacy studies** studies were conducted. The main brands studied were: Asepxia®, Vanart®, Cicatricure®, Teatrical®, Tío Nacho®, Zan Zusi® y Revie®, all showing good safety and efficacy results, based on current and globally standardized methodologies.

RESEARCH ALLIANCES

For the fourth consecutive year, we have worked closely with internationally recognized agencies to conduct cosmetic efficacy studies, such as Kosmoscience®, IpClin®, Allergisa® and Medcin® in Brazil.

PHARMACOVIGILANCE

The pharmacovigilance process is based on establishing strategies that allow monitoring the safety of our pharmaceutical products, identifying possible adverse reactions or safety problems, and establishing their safety level in regulatory documents. This allows them to be commercialized, increases the confidence of our consumers, and contributes to the overall growth of the Company. We are aligned with the Official Mexican Standard NOM-220-SSA1-2016, regarding the implementation and operation of pharmacovigilance, and with its latest amendment issued on September 30, 2020 in the Official Journal of the Federation, which sets a new scope for the Medical and Personal Care Industry to be the main responsible for generating and monitoring the safety of marketed products, creating evidence of the activities carried out so that in the event of detecting any risk, they can be presented to the competent authority as part of the product safety plan.

We are mainly aligned with the following national and international standards and regulations:

- Good Pharmacovigilance Practices for the Americas, 2011.
- COFEPRIS Sep. 2020 NOM 220 SSA1 2016 modification.
- INVIMA Decree 667 May 28, 2004 No 2004009455 resolution.
- Manual of Good Pharmacovigilance Practices RM No. 1053-2020-MINSA.
- Sanitary Standard for Pharmacovigilance, Resolution 20, No. ARCSA- DE- 020- 2016- YMIH.
- AGEMED National System of Surveillance and Control T-N-19-RM0250-SNVYC.

In 2020, we implemented new measures regarding pharmacovigilance support for regulatory compliance according to the modified regulations for Mexico, and we fully complied with providing this information to the authorities regarding the previously applied regulations. Internationally, we have initiated the implementation process of the pharmacovigilance unit in different countries such as: Ecuador, Peru, Bolivia, and Colombia. Likewise, we have implemented strategies to support pharmacovigilance documentation for regulatory compliance in these countries.

At the same time, **we continue to provide full attention and follow-up of adverse events or adverse reactions reported by consumers through our reporting system** , deployed in all the countries where we operate. For the review, comments and observations to the modification made to NOM 220-SSA1-2016 on pharmacovigilance in Mexico, we actively participated in a **working group with the National Chamber of the Pharmaceutical Industry (Cámara Nacional de la Industria Farmacéutica, CANIFARMA)** and workshops held to increase knowledge and understanding of the amendments through collaboration with the **Mexican Association of Pharmacovigilance (Asociación Mexicana de Farmacovigilancia).**

LABELING AND **RESPONSIBLE ADVERTISING**

The labeling support, management and review procedure is carried out based on the different global regulations regarding product labeling for each of our product categories.

LABELING EVALUATION IN PERSONAL CARE AND NUTRITIONAL CATEGORIES

The design and review from a regulatory perspective is carried out in two stages:

- In the first stage, wording and claims are defined, and the appropriate endorsement is established.
- In the second stage, the safety assessment of the product formula is performed, confirming the list of ingredients, and the determination of whether to include precautions or adjustments to the directions of use in order to ensure the safe use of the product by consumers.

SAFETY

Regarding our Personal Care category, the necessary precautions are set forth to guarantee the safe use of the product, according to the target population and type of product.

In the Nutritional category, we evaluate the content of allergens or any type of ingredient such as colorants subject to specific precautions, in order to effectively inform the consumer about the presence of allergens.

EFFICACY

Claims on labeling are validated to ensure that they are adequately supported by truthful and verifiable information. This support is recorded in an internal document called ***"Claims assessment"*** and ***"Claims' Support Document".***

LABELING EVALUATION OF OVER-THE-COUNTER MEDICATIONS

In the case of our **Medications,** labeling is developed according to the characteristics of the product, **pharmacological monograph and/or information approved by the health authorities of each country as established in the regulations.** Likewise, from a safety point of view, our labeling contains the dosage, therapeutic indication of the product, warnings, indications and contraindications according to the target population, as well as adverse reactions, and particular precautions for sensitive populations (such as pregnant women and children, among others). **These guidelines in our labeling guarantee that consumers have within reach the necessary information for correct administration and use of the products.**

Finally, the batch code is included to guarantee the proper traceability of our products in the market, as well as the customer service telephone numbers to ensure correct and transparent communication between the consumer and the Company.

Likewise, our Pharmacovigilance System engages in the responsible labeling process, promoting changes in the labels of our products when the risk analysis and management process determines that there are identified risks that have not been previously described or that have sufficient evidence to be considered as having an impact on the safety of consumers, by own initiative or as request of the regulatory authority.

During 2020, this review was carried out in correlation to the events and adverse reactions reported, prioritizing that none of them generate any type of impact on the safety of the product and therefore, changes in the labels of our products.

RESPONSIBLE ADVERTISING

Under the current model of advertising material generation, our Regulatory Affairs department participates early on, starting at the idea generation stage, through sessions based on the One Mission Model (advertising creation forums), contributing ideas and evaluating and informing on the risks that the initiatives may have in the regulatory and health areas. Likewise, any advertising material that goes out to the general public must be reviewed by the Regulatory Affairs department, according to the country where it will be used, especially when the material must be submitted for approval to the Health Authority.

At Genomma Lab we subscribe to and fully comply with all the advertising ethics codes dictated by the industry chambers in which we participate, in line with our commitment to have competitive advertising that complies with the legal and ethical frameworks established in the markets where we commercialize our products.

As stated in our Global Advertising and Communication Policy, all our advertising material must comply with the principles of honesty, truthfulness, responsibility, respect and protection of society, ensuring that the messages we deliver provide the necessary and correct information for consumers to make the best decision when purchasing our products.

During 2020, the Medical Management department actively participated in providing medical-scientific support for the claims in the advertising of our products globally. This department carries out the search and analysis of scientific information, which is recorded to structure the Medical Claim Support. On the other hand, efficacy studies and safety information of our products have been included in these supports in order to strengthen them. It is worth to mention that, as a continuous improvement of this process, the Medical Management department constantly works on a database containing the claims support information for the different brands in our portfolio.

CONTINUOUS UPDATING

As part of our commitment to comply with the advertising Codes of Ethics of the sectorial chambers in which we participate, in December 2020 our global team was trained by CANIPEC, Mexico's Personal and Home Care Products Industry (Industria del Cuidado Personal y del Hogar de México), on the guidelines of the Code of Self-Regulation and Advertising Ethics for Cosmetics and Home Care Products (Código de Autorregulación y Ética Publicitaria de Productos Cosméticos y Aseo Doméstico, COSMEP).

The purpose of this activity was to train the Genomma Lab team to comply with the Good Advertising Practices dictated globally for cosmetic products, through the COSMEP Code, which was developed to maintain, reinforce and improve practices in the advertising of personal care products, in order to generate benefits for both consumers and companies, fulfilling their ethical commitment to society.

For more details on our team's ongoing regulatory training, see page 80.

GO-TO-**MARKET**

GRI 102-6; 103-1; 103-2; 416-1

One of the top priorities within our business strategy is to ensure that **our products are always available to our consumers.** . During 2020, we focused on reinforcing and expanding our presence in the traditional channel in Mexico and in the countries where we operate. In this way, we strengthened our **Direct Distribution Partnership,** in order to reach the most remote communities and to serve small businesses.

We improved our performance at the point of sale, enhancing the visibility and communication of our products. Likewise, aware of the importance that other channels have gained as a result of the mobility restrictions established in the countries where we serve, we reinforced our presence in e-commerce platforms and digital channels in response to the changing needs of our consumers and the growth of new purchasing modalities.

AFFORDABILITY AND ACCESSIBILITY OF OUR **PRODUCTS**

GRI 103-1; 416-1

We are committed to maintaining a commercial strategy that allows us to offer high quality products in every market segment and channels, as well as to **facilitate access to products for every population sector, reaching different marketing channels such as retail markets, pharmacies, convenience stores, and small businesses.** We seek to make our products affordable and available to more people in the place, time and presentation they require.

As part of our business model, it is our priority to offer value-added products, as well as to develop and maintain prestigious brands for the premium, high and medium segments. We want to impact people's **quality of life** by maintaining the availability of our **products at accessible prices** that are sustainable for the entire value chain. Therefore, through our market research area, we seek to understand the needs and expectations of the population at different socioeconomic levels, in order to offer the best products at the best prices in each segment.

EXPANDING OUR **PRESENCE**

We seek to offer a unique value proposition to our customers and consumers, always placing the right amount of product in the right place at the right time.

During 2020, we served more than **400,000 points of sale** across Mexico, the United States and Latin America.

POINT-OF-SALE VISIBILITY

Our visibility and communication strategy at the point of sale aims to generate greater visual impact on consumers. We seek the execution of a perfect store, integrating technology in a constant process of improvement.

In line with this objective, through the strategic acquisition of a company specialized in the development and manufacture of product displays and shelving, we improved our point-of-sale execution.

DIRECT DISTRIBUTION PARTNERSHIP

Through our direct distribution model, we seek to expand our presence in the traditional sales channel, which includes grocery stores, local and family businesses. This distribution model aims to bring our products to communities with limited accessibility, which is why we launched new presentations of our product portfolio, including presentations more suitable for the consumer's needs throughout this channel.

During 2020, this model proved to be an important tool to face the challenges of lower traffic in convenience stores and strong social distancing measures. This distribution model was launched in Mexico during 2019 and expanded throughout the country during 2020; it has also been adapted to markets such as Colombia, Peru and Central America.

We developed a mobile application, **GEN ORDER**, which allows small retailers to order products efficiently and safely. In the first stage of the project, more than 1,000 points of sale were served under this modality.

In 2020, we served more than 350,000 points of sale sale in the traditional channel, currently covering populations totaling more than 45 million inhabitants and providing job opportunities for more than 2,600 active deliverymen.

GEN ORDER

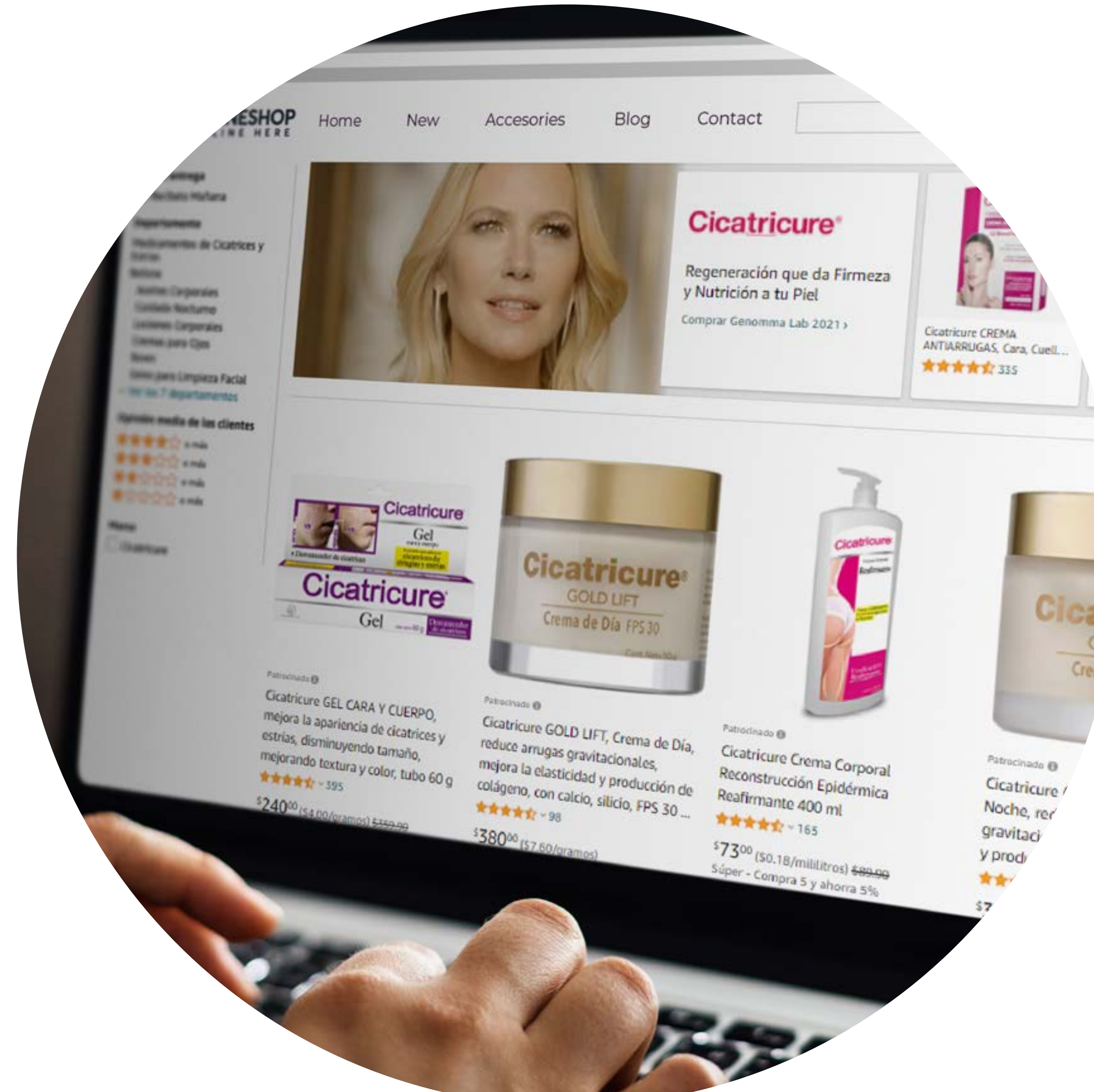
STRENGTHENING TRADE AGREEMENTS

We have focused on strengthening our commercial alliances, mainly with independent pharmacies, allowing us to achieve greater benefits in our relationship with our customers, increasing our presence and visibility in countries such as Brazil, Peru and Colombia.

E-COMMERCE

We have successfully ventured into the **new consumer trends and the high demand related to shopping on digital platforms,** as consequence of new shopping habits and social distancing. The current situation represented an opportunity to get closer to our customers and consumers in a more efficient way.

In 2020, we focused on **taking our communication in e-commerce platforms to the next level,** ensuring that our products are up to date and available, through strategic alliances with key players in this sector, in order to respond more effectively to current consumer needs.



SUPPLY CHAIN

One of our main goals to support our **growth strategy** is to implement more efficient and sustainable processes in our supply chain, positively influencing our stakeholders. We consider it essential to maintain an ethical and reliant relationship with each of the suppliers that are part of our supply chain. Likewise, it is essential that during the manufacturing process and logistics operation of our products, **resources are used efficiently through the implementation of energy efficiency initiatives.**

MANUFACTURING

OUR NEW INDUSTRIAL CLUSTER

GRI 102-10

During 2020, we continued to make progress in the consolidation of our first Industrial Cluster, which aims to make our supply chain more efficient. The new Industrial Cluster located in San Cayetano, State of Mexico, required an investment of approximately 100 million dollars to be built.

+ 77,000 m² of construction

State-of-the-art equipment

New energy co-generation grid

Highly trained manufacturing team

World-class central warehouse

Over-The-Counter Medications Production Facility

- **+ 10,000 m²** for OTC drugs manufacturing operations
- **Laboratorio de clase mundial**
- **OTC** solids production line
- **OTC** semi-solids production line
- **OTC** liquids production line

Personal Care **Production Facility**

- **+ 27,000 m²** for Personal Care (PC) manufacturing operations
- **Isotonic beverage production** line
- **Shampoo production** line

2021 INDUSTRIAL CLUSTER VIDEO

RELATIONSHIP WITH MULTILATERAL ORGANIZATIONS

The International Finance Corporation (IFC), a member of the World Bank Group, IDB Invest and the Inter-American Development Bank (IDB), both members of the IDB Group, signed a joint financing package to support the manufacturing project. During 2018, both institutions provided the Company with a competitive long-term financing structure, as well as strategic advice in various social and environmental areas given their extensive experience in the pharmaceutical industry.

SUPPLY **CHAIN**

GRI 102-9; 103-1; 204-1; 308-1; 414-1

Relationships with our suppliers are fundamental for the competitiveness of our business model. Therefore, these alliances are built based on certain key values that have characterized Genomma over time, such as trust, honesty, respect and integrity. When selecting our business partners, we offer equal opportunities to participate in our value chain, seeking to involve them effectively in the process and have them aligned with the Company's values and principles. Our supply strategy is aimed at achieving the following objectives:

- Inventory optimization
- Optimization of cost of goods sold (COGS)
- Optimization of logistics
- Implementation of new technologies for inventory management
- Certification and continued evaluation of our operational team.

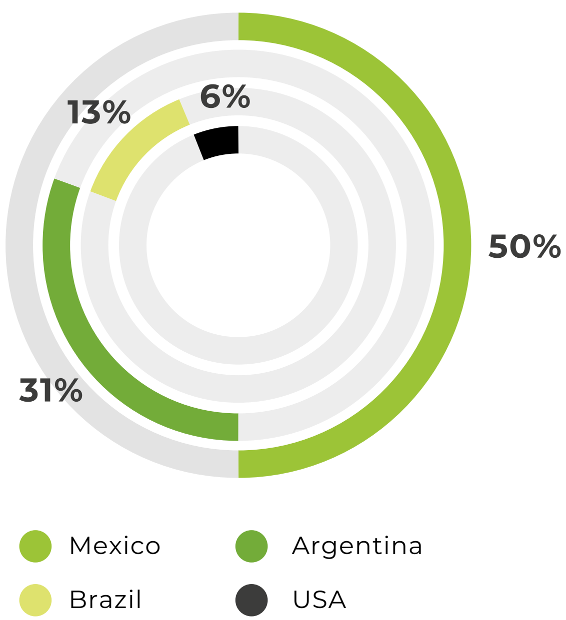
> "...we offer equal opportunities to participate in our value chain, seeking to involve them effectively in the process and have them aligned with the Company's values and principles..."

SUPPLIERS

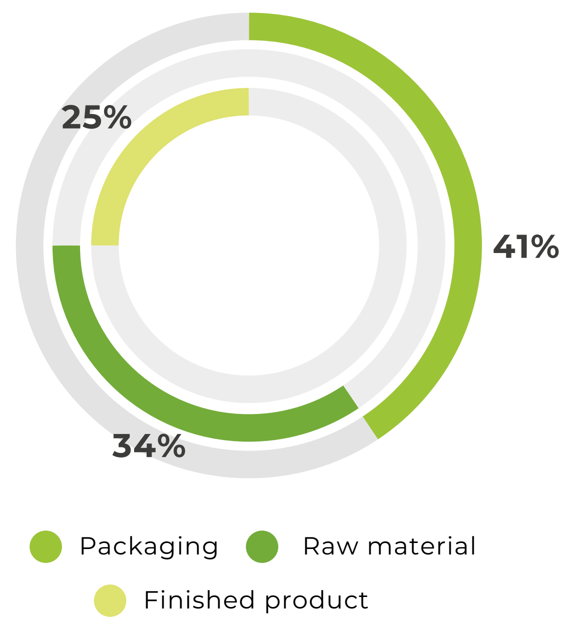
Most of our commercial agreements with supply chain suppliers are in Mexico, Argentina, the United States and Brazil, represented by 433 vendors that provide finished product, packaging and raw materials. The product that they provide for us to commercialize is added to the volume manufactured in our pilot production line in Mexico, and soon in the lines that will operate in our new Industrial Cluster.

The countries mentioned above export the finished product to the rest of the Latin American countries where we operate.

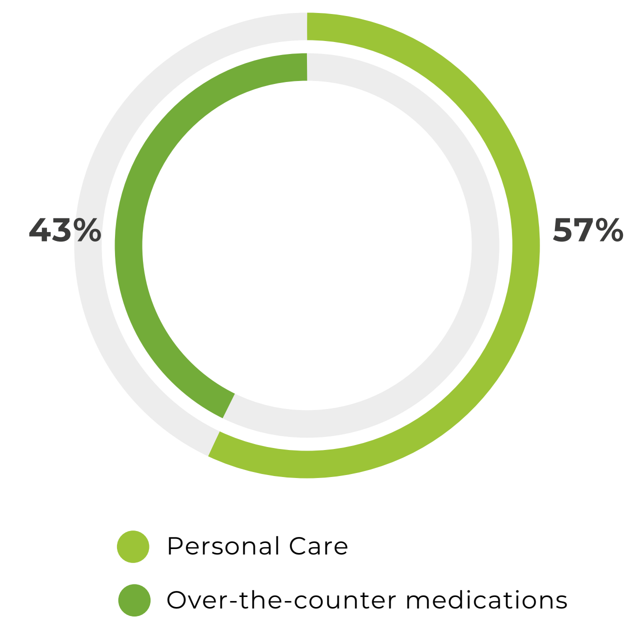
SUPPLY CHAIN VENDORS BY COUNTRY WHERE THE COMMERCIAL AGREEMENT IS IN PLACE



TYPE OF VENDORS IN THE SUPPLY CHAIN

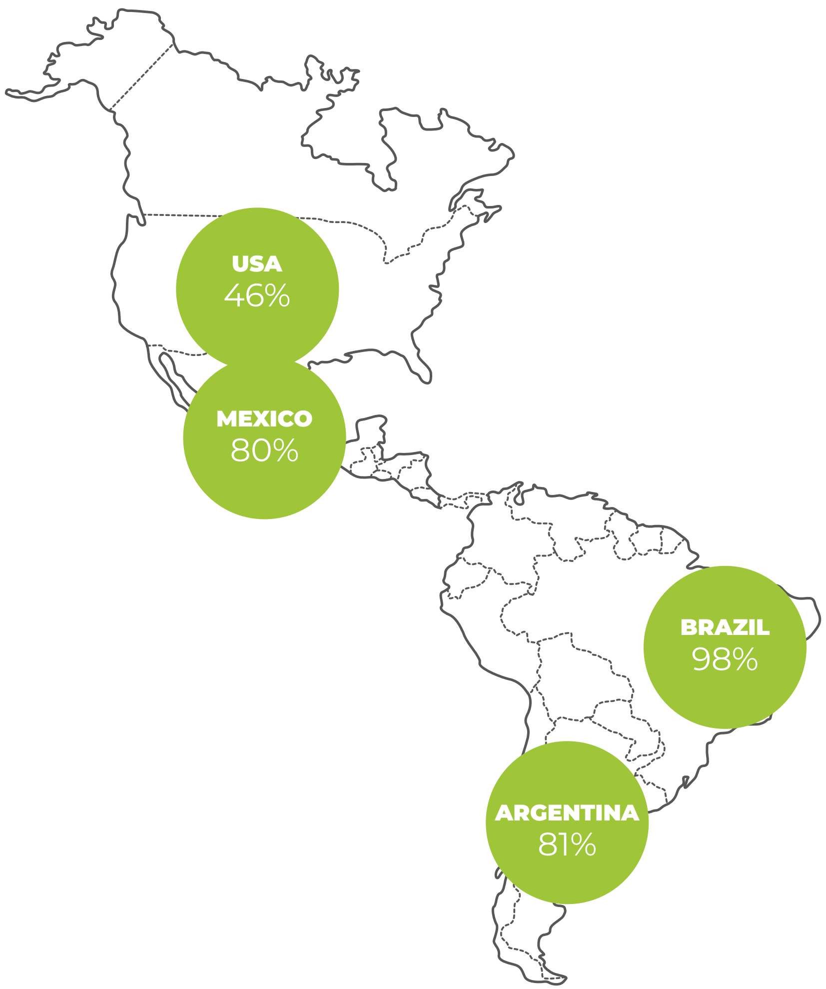


VENDORS BY CATEGORY OF SUPPLIED PRODUCT



We seek to allocate the largest proportion of our supply chain procurement budget to **local suppliers**, which are located in the same country where commercial agreement are in place.

PERCENTAGE OF PROCUREMENT BUDGET ALLOCATED TO LOCAL SUPPLIERS BY COUNTRY



GUAVA LEAF

Since 2010, the **community supplier** DYCTRO S.A. de C.V. has been a strategic ally in our value chain, given its production model where the guava leaf *(Psidium guajava)* is harvested and commercialized in the Totonac farming communities of Veracruz. Quercetin, the active ingredient found in our product QG5® is obtained from this leaf, which is used to relieve colitis and its symptoms. During 2020, we acquired 9 tons of guava leaf, boosting the economic growth of the Totonac farming communities in the State of Veracruz, Mexico.

IDENTIFYING CRITICAL SUPPLIERS

We consider critical suppliers those that could have a significant impact on the continuity of our business model and operation. We identify our critical suppliers of finished products and raw materials using the Pareto Principle, considering the origin of the products with the highest sales, both in terms of volume and value. Likewise, we consider the supply volume and the supply of critical and non-substitutable components in our supply chain.

In 2020, we identified a total of 76 critical suppliers: 38 located in Argentina, 27 in Mexico, 6 in the United States and 5 in Brazil, considering both finished product and input suppliers, which are necessary for the continuity of our value chain and operational strategy.

QUALITY ASSURANCE AMONG OUR SUPPLIERS

During 2020, we conducted **88 quality audits of suppliers,** guided by our Quality Management System (see page 59 for more information), which includes the due diligence of facilities, equipment, staff and management of Good Manufacturing Practices (GMPs), among other aspects.

Under the circumstances of these audits, improvement plans are established with respect to any risks identified during the assessment. We are committed to not entering into and/or continuing a business relationship with suppliers who have not met or exceeded our quality standards.

Our API (Active Pharmaceutical Ingredient) suppliers must hold the **API Good Manufacturing Practices** certification. In the case of our finished product suppliers, they must hold the **GMP certification**, as well as the corresponding **export certificate** for each country involved, as applicable.

Our suppliers are constantly trained in order to ensure their correct alignment to our Quality Management System, considering the following areas:

- Good Manufacturing Practices
- Good Documentation Practices
- Incident Analysis
- Implementation of CAPA Plans (Corrective and Preventive Actions)
- Re-engineering of Technical Documents.

SUSTAINABILITY PROGRAM FOR SUPPLIERS

One of our main challenges is to integrate sustainability into our decision making, prioritizing the management of our value chain. Therefore, during 2020 we launched our **Sustainability Program for Suppliers**, which seeks to promote **good environmental, social and ethical practices** among the members of our value chain, ensuring that they are aligned with standards established by our Company and guaranteeing a reliable, honest and integral working relationship, in which all parties find a benefit and encourage continuous improvement in every process.

At first stage of this initiative, we ask our suppliers to comply with the provisions of our **Code of Conduct and Ethics for Suppliers**, which includes guidelines such as work ethics, fair labor conditions, respect for human rights, the prohibition of child and forced labor, fair remuneration, occupational health and safety, as well as principles for proper environmental management.

This Code is applicable to every supplier, business partner and third parties that supply certain products or services to the Company. During 2020, 100% of our critical suppliers in Mexico signed the Code. In accordance with our 2025 Sustainability Strategy, **our goal for 2021 is that 100% of our global suppliers are aware of and aligned to our Code of Conduct and Ethics for Suppliers,** mainly in countries such as Argentina, Mexico, Brazil and the United States.

REVIEW OUR CODE OF CONDUCT AND ETHICS FOR SUPPLIERS

Progress on our 2025 Sustainability Strategy

In addition, during 2020 we began the **process of evaluating suppliers on various sustainability issues**,considering a documentary audit of their environmental, social and ethical performance. In this regard, **we met our 2020 goal** of evaluating 100% of our critical suppliers identified in Mexico for their sustainability performance. In accordance with our 2025 Sustainability Strategy, our goal for 2022 is to evaluate **100% of our supply chain vendors in Argentina, Mexico, Brazil, and the United States on sustainability matters.**

Progress on our 2025 Sustainability Strategy

We awarded a grant to participate in the process of certification as a **Socially Responsible Company (Empresa Socialmente Responsable, ESR) by the Mexican Center for Philanthropy (Centro Mexicano para la Filantropía, CEMEFI)**) to the suppliers that obtained a better score in their sustainability evaluation. As a result, our packaging supplier, Citrulsa de México, received the ESR certification following the call for proposals launched in 2020.

The medium-term purpose of the Sustainability Program for Suppliers is to establish plans for continuous improvement in sustainability, providing them with ongoing training on sustainability issues applied to their operations, thus reducing any potential risks and strengthening our relationship.

QUALITY ASSURANCE OF **OUR PRODUCTS**

GRI 418-1

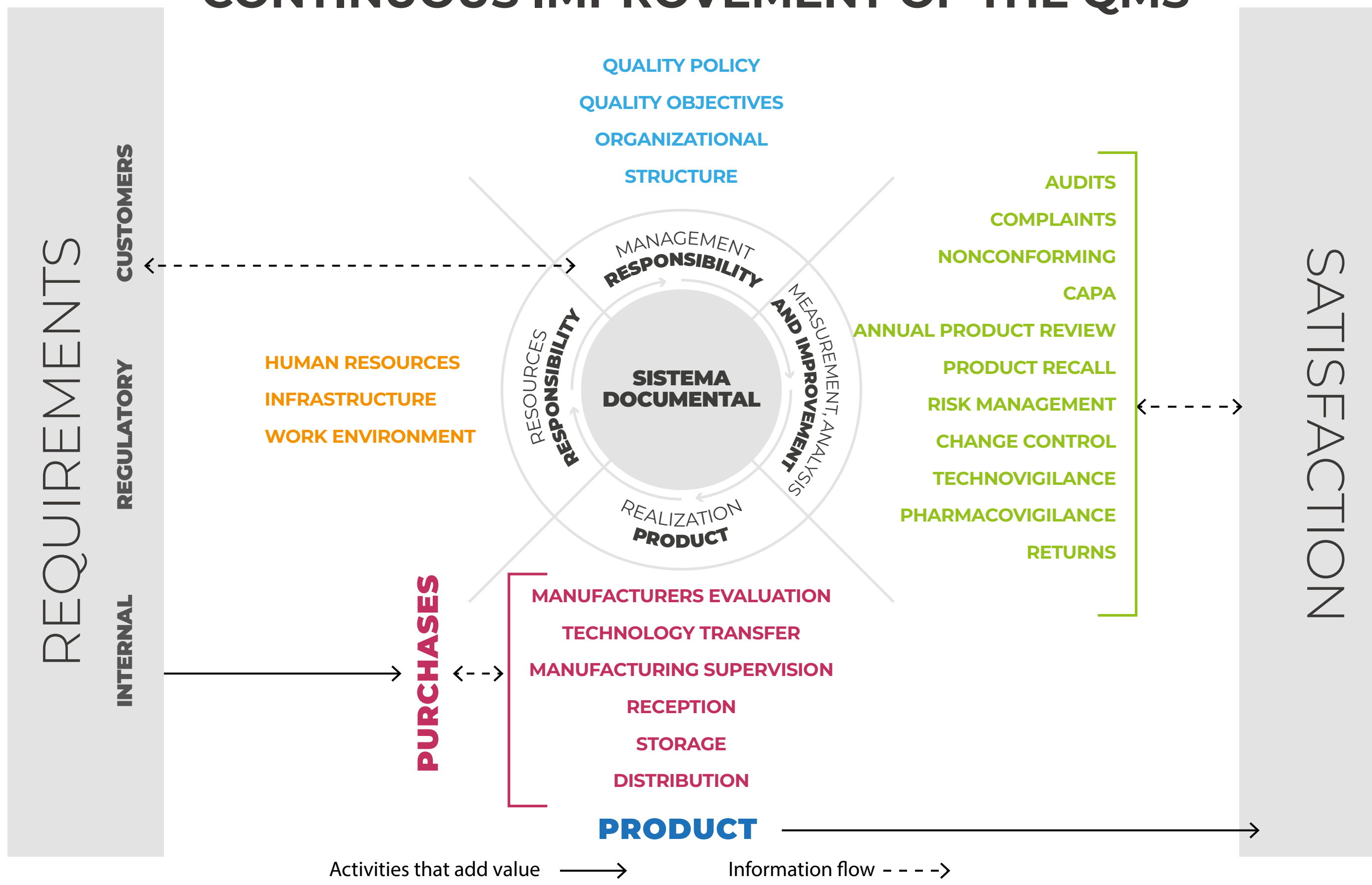
QUALITY MANAGEMENT SYSTEM

Our Quality Management System (SGC in Spanish) aims to establish the necessary guidelines to support the quality of our products, considering their reception, storage, distribution and commercialization, ensuring that:

- All products are manufactured under Good Manufacturing Practices (GMP)
- Documents are in place to establish what will be done, doing what is written and demonstrating what has been done
- Defined responsibilities for meeting objectives are in place
- Products marketed have met applicable regulatory and quality requirements
- Product safety, purity and efficacy are ensured throughout the supply chain.

To learn more about the ongoing training of our quality assurance team, see page 80.

CONTINUOUS IMPROVEMENT OF THE QMS



CUSTOMER SERVICE

GRI 103-1; 416-1

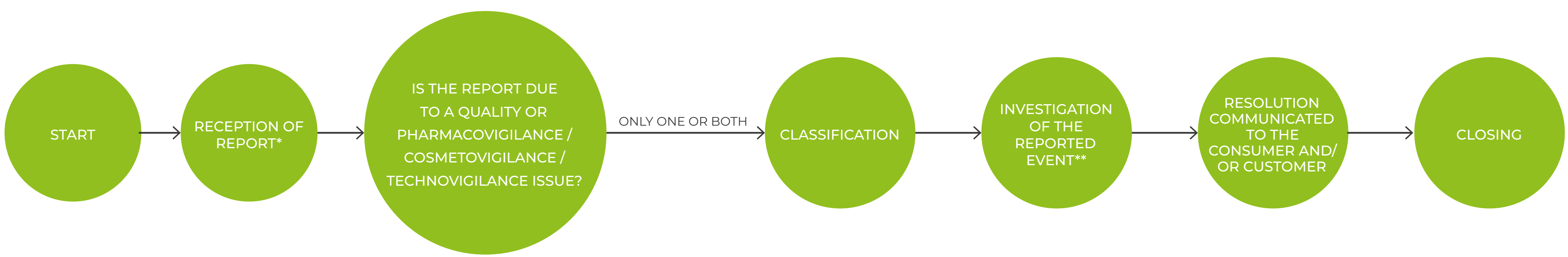
We provide our consumers and clients with a variety of **multi-platform channels available 24/7**, which include an e-mail (atención@genommalab.com) channel and telephone numbers available in every country where we operate; said information can be found on our product labels. Inbound calls are handled by third-party providers. During 2020, we received 22,699 reports through our international call center.

In addition, we handle reports from social media, such as Facebook and Twitter, as well as reports channeled through Genomma's employees.

In order to improve the applications and/or tools for all departments and countries that use this platform, during 2020 it underwent improvements for receiving consumer reports (Call Center), which included:

- Updated reporting formats
- Improved database for case tracking
- Improved reporting of open/closed cases.

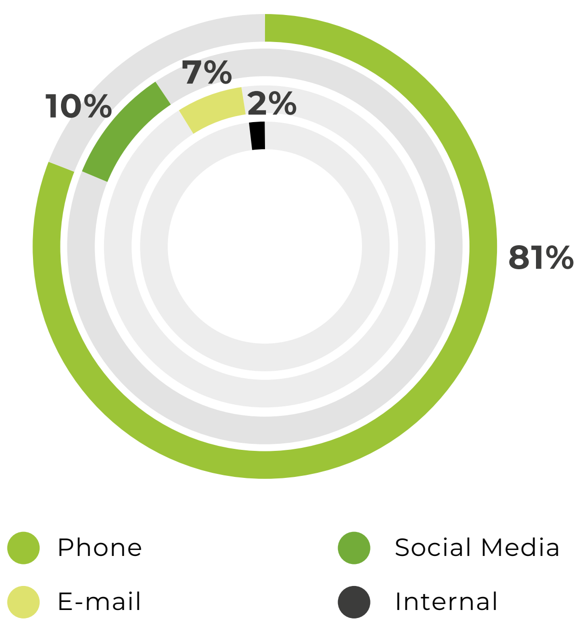
CUSTOMER SERVICE PROCESS



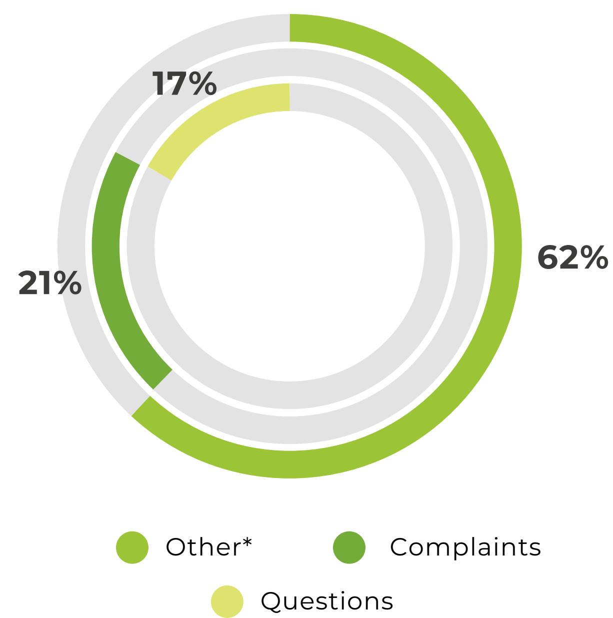
*Received through any of our customer service channels available in the relevant country.

**Investigation of the reported event may involve several areas within the company.

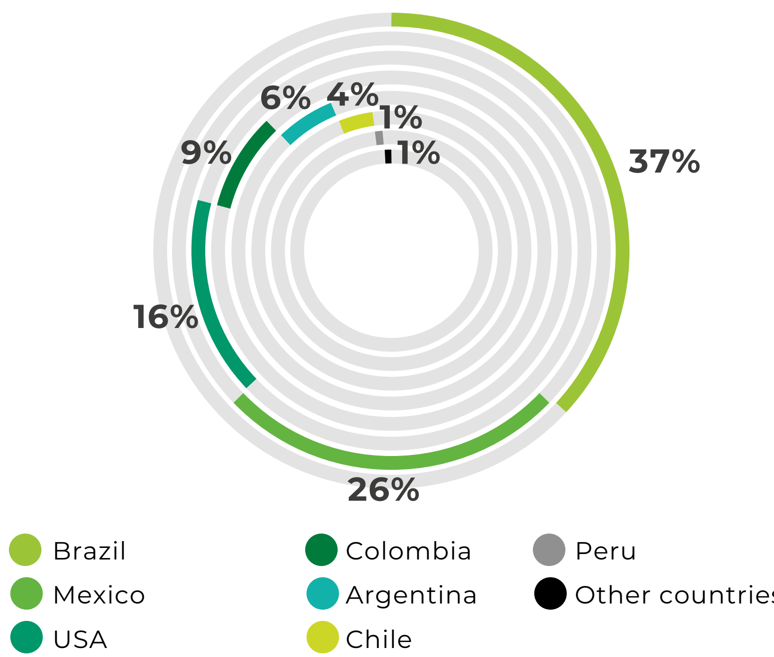
MEANS OF RECEPTION



REPORT CLASSIFICATION



ORIGIN OF REPORTS



*Mainly comments related to suggestions from our consumers about our products and/or advertising.

The number of complaints received in 2020 represents 0.0015% of the total number of products sold in the year globally.

In 2020, we had no confirmed incidents of breaches of our consumers' data privacy.

LOGISTICS

Given our particular business model, product distribution is a core activity, which means that it is one of our greatest areas of opportunity to reduce our environmental impact. We will continue to improve our logistics planning by focusing on energy efficiency and route optimization, working directly with our logistics suppliers, and seeking to reduce our Greenhouse Gas (GHG) emissions related to logistics transportation.

LOGISTICS OPTIMIZATION

We aim to implement logistics efficiency initiatives, seeking to save resources.

- Increase of + 7.8% YoY in Inbound truck fill volume for the Suerox® brand, which represented savings of one freight for every 14 in the logistics chain for this particular brand.
- Increase of + 71.7% during 2020 compared to 63% in 2019 in Outbound truck filling.
- Reduction of 7 shipments per month in transfers between the promotional manufacturing facility in the State of Mexico and our Distribution Center.

NEW DISTRIBUTION CENTER IN MEXICO

Our new world-class Distribution Center located in San Cayetano, State of Mexico, began operations in February 2021.

63
LOADING DOCKS

+33,000 m²
FOR LOGISTICS AND STORAGE OPERATIONS

+50,000
STORAGE POSITIONS.

+16,000
STORAGE RACKS IN PLACE

NEAR THE MULTIMODAL TERMINAL “PUERTA MÉXICO”

RELOCATION OF LOGISTICS OPERATIONS IN BRAZIL

- Genomma Lab Brazil relocated its entire logistics operation from Itajaí, Santa Catarina, to Extrema, Minas Gerais, with **4,950 m2 and 6,490** storage positions.
- The purpose of this relocation was to streamline our logistics operations, as Extrema is one of the main logistics hubs in Brazil.
- This new location is much more favorable in relation to our main customers, improving the level of service, reducing transit time and logistic costs, as well as reducing the number of kilometers traveled and therefore, the use of fuel.
- We increased our daily shipping capacity by **+25%** aiming to reach a **+50%** capacity with the same structure.
- Reduced transit time in **7 days** for the **north and northeast** regions and **3 days** for the **central-west** region.

CLEAN TRANSPORTATION PROGRAM

In 2020, our logistics **fleet joined the Clean Transportation Program of the Mexican Ministry of Environment and Natural Resources (Secretaría de Medio Ambiente y Recursos Naturales),** obtaining a satisfactory rating in the environmental performance evaluation of our 2019 performance. Likewise, as part of our Sustainability Program for Suppliers, our logistics transportation suppliers were also attached to the program.

Progress on our Sustainability Strategy 2025.

In accordance with the provisions of our 2025 Sustainability Strategy, our goal for 2021 is for our freight transportation and that of our logistics suppliers to be properly aligned with global clean transportation programs.

Transporte Limpio

NEW TECHNOLOGIES

IMPLEMENTATION OF SAP MODULES FOR LOGISTICS AND PRODUCTION

Benefits of implementing SAP during 2020:

- Consolidation of Combos as an independent production facility, with a SAP production model that optimizes inventory traceability for inventory management and shrinkage measurement, improving the management of manufacturing operating costs
- Implementation of the supplies warehouse for the Personal Care plant in our New Industrial Cluster, independently from the operation of the Distribution Center in Lerma, State of Mexico, which will serve as main supplier of the Personal Care and Suerox® production lines
- Implementation of sales per unit model for the e-commerce channel, hence product reaches the final customer directly from the Distribution Center, with no intermediate points of sale
- Improvement of reverse logistics management, to speed up the entry and traceability of inventories not delivered to customers
- Implementation of Production, Quality, Costing and Finance modules at the new Personal Care Plant in Mexico
- Improvement in traceability and execution of jobs through Verification Digit confirmation.

WINNING CULTURE

Each collaborator that conform this great team is indispensable to achieve our purpose and goals as a Company. They are key to responding to all the challenges we face, through a winning corporate culture, enriched by the sum of experiences, perspectives, and capabilities of a diverse team. Our priority is to **promote the physical and emotional well-being, constant development, and productivity of our people,** offering a dignified, honest, safe, healthy, ethical, and inclusive work environment with equal opportunities.

We keep on constantly renewing our corporate culture to promote the development of each of our collaborators, attracting and retaining key talent, in line with the value of meritocracy, teamwork and an unmatched organizational climate.

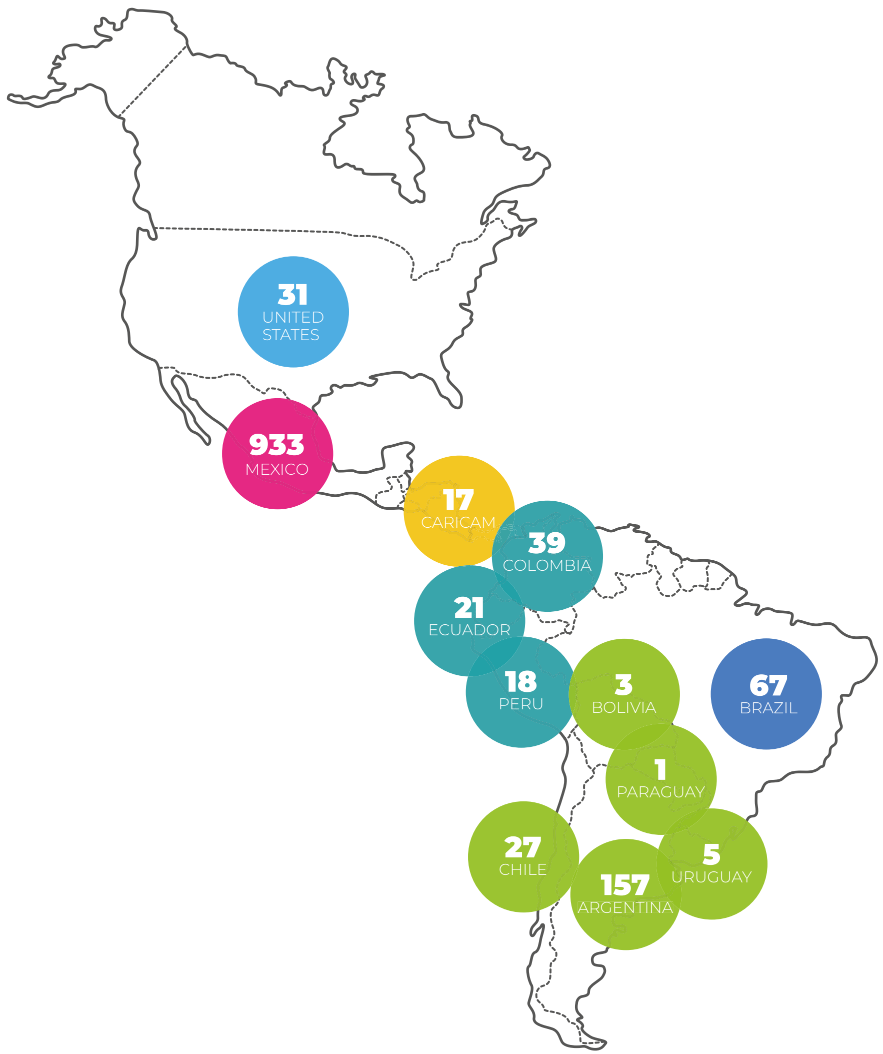
GEN**BOOK**

We help our collaborators to enhance their skills based on their needs without affecting their quality of life and personal values. In the same way, we provide the necessary tools so that they can reach their full potential and human development. This applies first and foremost to the entire Genomma team, which is why we decided to capture the essence of who we are, what has led us to success in the past, what allows us to learn from our mistakes and what drives us to continue building the future together. These are the foundations of our philosophy, corporate culture and development embodied in our GEN BOOK, published in 2018.

REVIEW OUR GEN BOOK HERE:

OUR TEAM
GRI 102-8

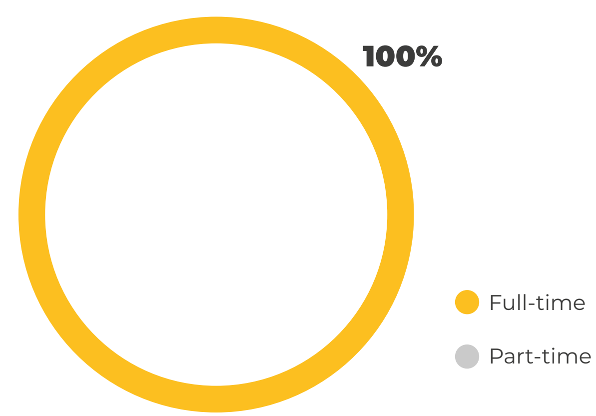
COLLABORATORS BY COUNTRY



COLLABORATORS BY POSITION

Executive	6
Country Manager	9
Director	60
Manager	208
Leader	81
Supervisor	49
Coordinator	79
Specialist Analyst Assistant Operative	827

COLLABORATORS BY TYPE OF SHIFT



1,319
COLLABORATORS

DIVERSITY AND **INCLUSION** GRI 103-1; 103-2

Our team is our most valuable intangible asset. The collective sum of the individual differences, life experiences, knowledge, self-expression, unique capabilities, and talents that each of our collaborators bring to their work represent a fundamental part of our culture, achievements, and reputation.

We promote diversity at all times, regardless of nationality, social status, physical appearance, culture, religion, gender, gender expression, gender identity, sexual orientation, marital status, pregnancy, experience, and personal points of view. This is a tool that strengthens us, enabling us to adapt and face the challenges we encounter, turning them into lessons to open up new opportunities for development.

In our **Diversity Policy** we establish our position and the guidelines to be followed to ensure a healthy, safe, violence-free, non-discriminatory, and inclusive work environment that allows the full development of all people with equal opportunities. We care that all our collaborators feel proud and passionate about what they do, and we work every day to promote and strengthen the sense of belonging among our team.

Progress on our Sustainability Strategy 2025.

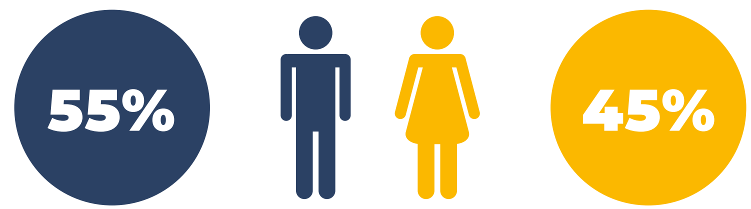
Our goal for 2022 is to establish the necessary foundations and eliminate any type of barrier so that more people with disabilities can be part of our workforce without any type of obstacle or barrier.

GENDER **EQUALITY** GRI 102-12

In 2020, we voluntarily joined the first generation of the ***Target Gender Equality (TGE)*** initiative of the United Nations Global Compact in Mexico, reaffirming our commitment to take action to promote women's leadership and representation at all levels of our operation.

We also conducted for the first time an internal diagnostic of our gender equality performance, using the Women's Empowerment Principles Gap Analysis Tool (WEP Gender Entrepreneurship Tool) developed by the United Nations Global Compact, UN Women and IDB Invest. This exercise has helped us to evaluate our current policies and programs, as well as to identify areas for improvement and opportunities for setting future business goals and objectives in relation to gender equality.

COLLABORATORS BY GENDER



Progress on our Sustainability Strategy 2025

Our goal for 2022 is to have 50% of our global team represented by women.

MANAGEMENT POSITIONS BY GENDER*

Progress on our Sustainability Strategy 2025

*Considers Executives, Country Managers, Directors, Managers, Leaders, Supervisors and Coordinators.

Our goal for 2023 is 50% of global leadership positions to be held by women.

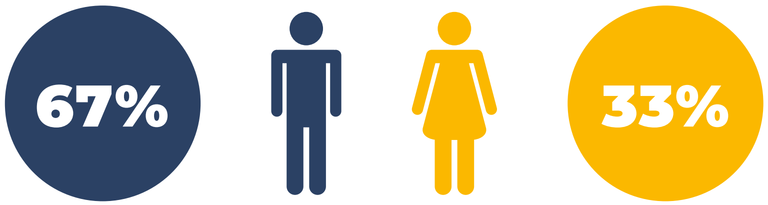
LEADERSHIP POSITIONS BY GENDER*

*Considers Executives, Country Managers, Directors and Managers.

SUPERVISORY POSITIONS BY GENDER*

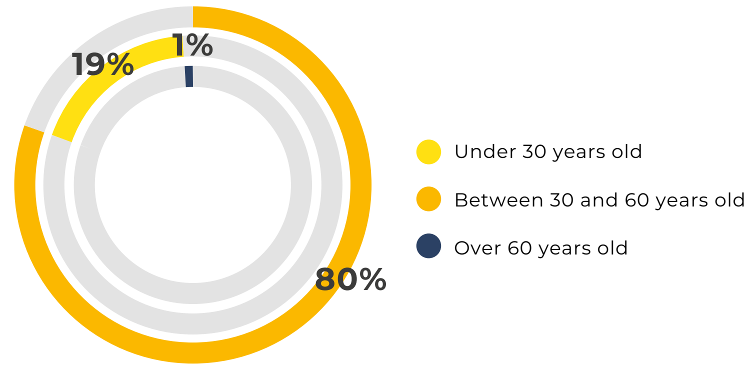
*Considers Leaders, Supervisors and Coordinators

COMMERCIAL MANAGEMENT POSITIONS BY GENDER*



*Considers Country Managers, Directors and Managers.

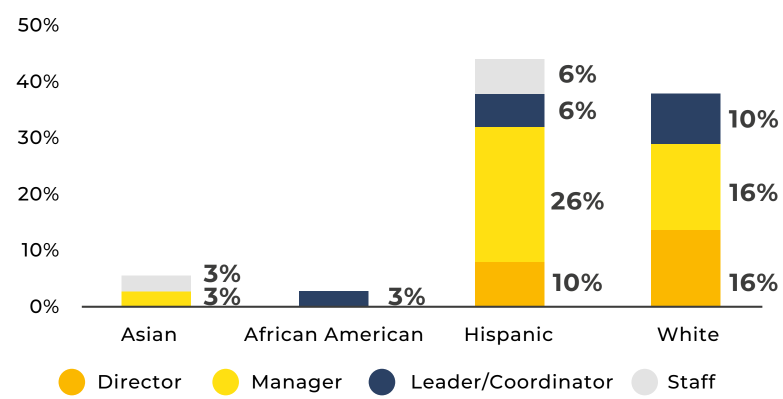
COLLABORATORS BY AGE RANGE



POSITIONS RELATED TO STEM DISCIPLINES BY GENDER*

*Considers positions related to science, technology, engineering, and mathematics. In our particular case, it considers Finance, IT, Regulatory Affairs, Medical Management, Research and Development, Consumer Intelligence & Analytics (CIA), Business Intelligence and Manufacturing.

ETHNIC GROUPS AND ADMINISTRATIVE LEVELS IN THE UNITED STATES



TALENT **ATTRACTION**

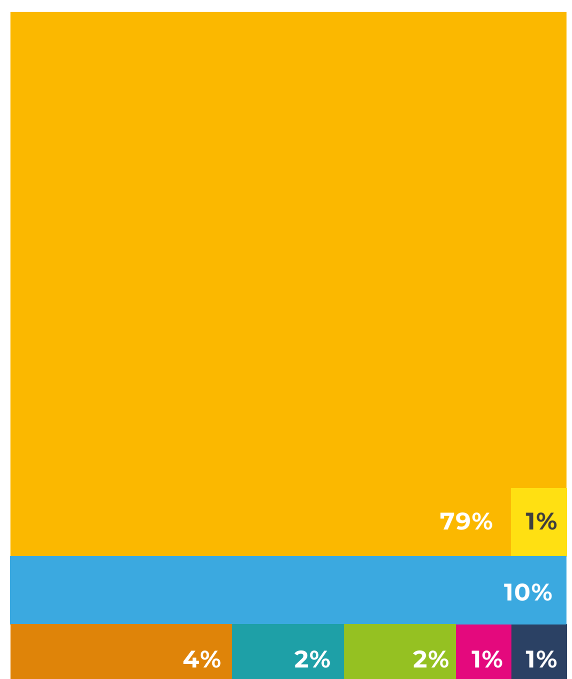
GRI 103-1; 103-2; 401-1

Through our recruitment strategy we are committed to offering equal employment opportunities and respect for diversity in the search for candidates who meet the requirements of the positions offered by the Company.

Therefore, we have agreements with the job boards from the best universities in the countries where we operate, not to mention our labor ties with organizations specialized in recruitment to cover specific technical profiles.

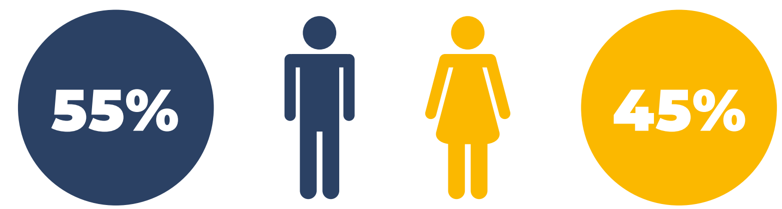
NEW TALENT

During 2020, 563 collaborators joined our global team.

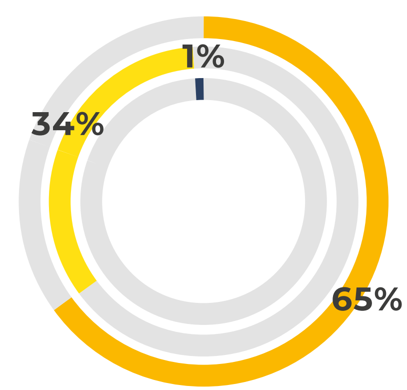


- Mexico
- United States
- Argentina
- Brazil
- Colombia
- Peru
- Ecuador
- Chile

HIRING BY GENDER



HIRING BY AGE RANGE



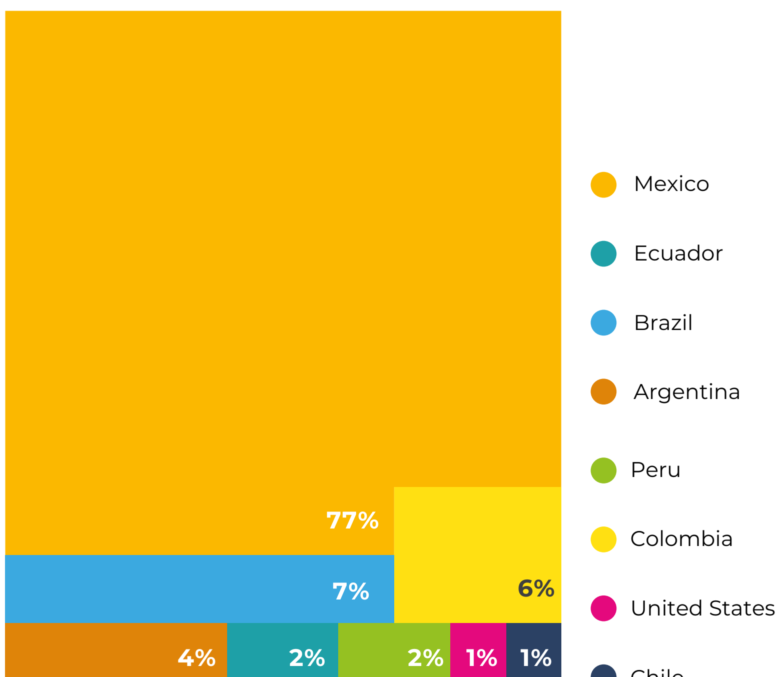
- Under 30 years old
- Between 30 and 60 years old
- Over 60 years old

13.5% of open positions were filled by internal candidates.

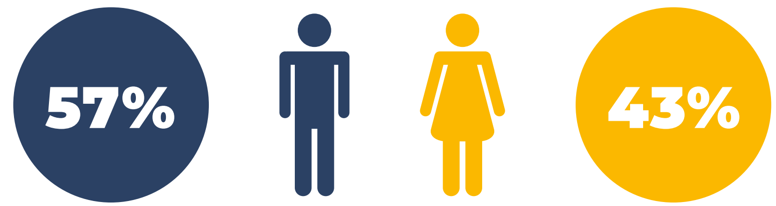
TURNOVER

In 2020, the global number of departures was 390, representing a global turnover rate of 29.5%. Of the total number of departures, 190 were voluntary, representing a voluntary turnover rate of 14.4%, a reduction of 0.6% compared to 2019.

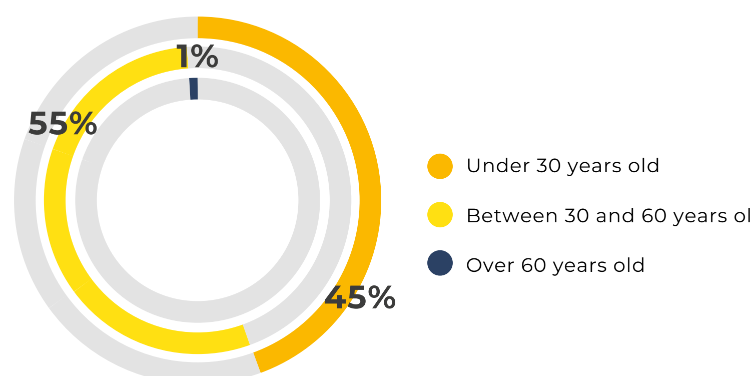
VOLUNTARY TURNOVER BY COUNTRY



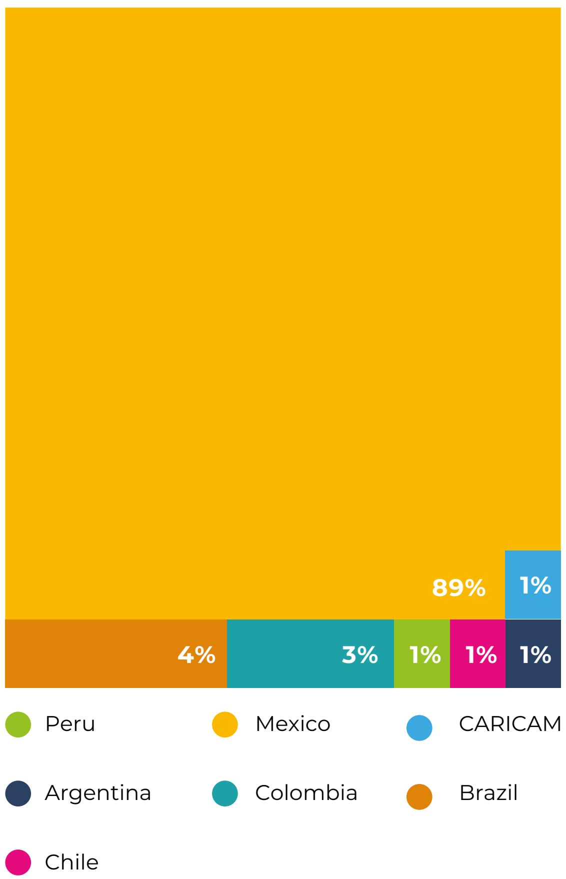
VOLUNTARY TURNOVER BY GENDER



VOLUNTARY TURNOVER BY AGE RANGE



INVOLUNTARY TURNOVER BY COUNTRY

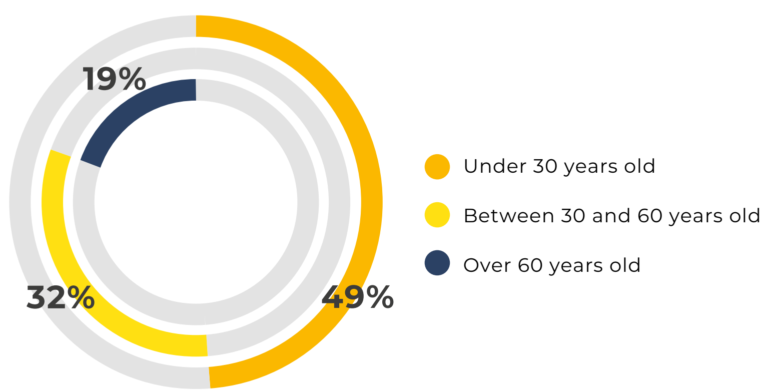


INVOLUNTARY TURNOVER BY GENDER

76%

24%

INVOLUNTARY TURNOVER BY AGE RANGE



WORK CLIMATE

Maintaining an open dialogue and listening to the expectations of the entire team is fundamental to achieving our main goals. As we do every year, during 2020 we applied the work climate survey to all the members of the organization to:

- Know the degree of commitment and satisfaction of all the collaborators.
- Identify current priority needs that help reduce collaborator turnover.
- Improve the effectiveness of collaborators and their experience working in the organization.
- Identify key talent and develop them on a daily basis based on their skills.

.

Climate survey was applied and analyzed by our independent provider, Mercer®. The survey was answered by **996 collaborators** globally, 47% of whom were women, resulting in a participation rate of 88% of the total workforce at the time of the survey's launch, **4 percentage points higher than in 2019 (84%).**

The purpose of the survey was to analyze the perspective of our collaborators on various dimensions:

- TRUST
- DIRECT MANAGER
- AGILITY AND INNOVATION
- COMMITMENT
- REMOTE WORKING
- STRATEGIC FOCUS
- COLLABORATOR EXPERIENCE
- SENIOR LEADER EFFECTIVENESS
- ENABLEMENT AND EMPOWERMENT

LEVEL OF COMMITMENT PER YEAR

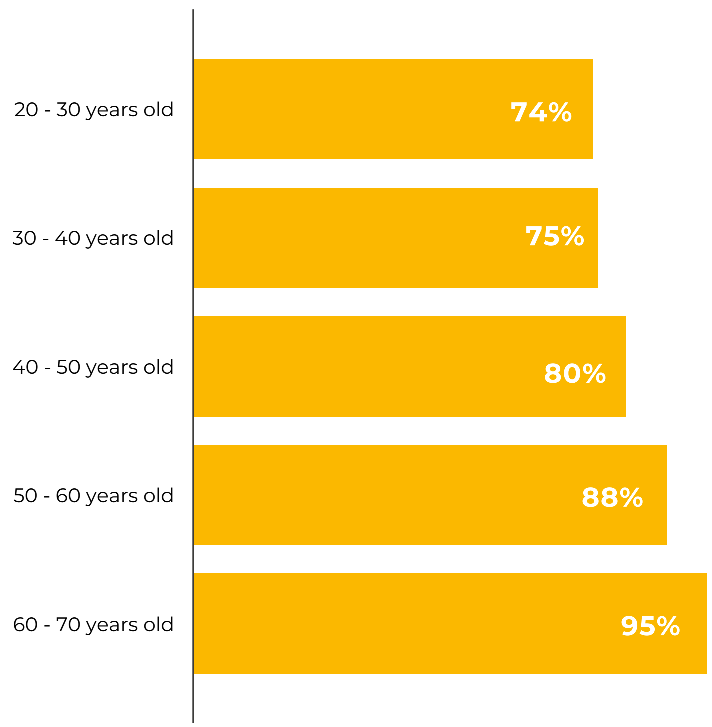
2018	2019	2020
68%	72%	78%

Our target of increasing the level of commitment by 3 percentage points by 2020 compared to 2019 was met and exceeded.

LEVEL OF COMMITMENT BY GENDER IN 2020

80% (men) 75% (women)

LEVEL OF COMMITMENT BY AGE RANGE IN 2020



In addition to the survey, we held conversations and focus groups with collaborators globally to understand their needs and requirements following the implementation of remote work, as well as to follow up on their emotional health and quality of life, based on a positive response to achieve work-life balance.

Based on these inputs, we established action plans to address the identified needs.

FACING COVID-19 TOGETHER

Our priority has always been to protect our collaborators, especially during the health emergency affecting all countries. That is why we have implemented several mechanisms to keep our collaborators protected at all times:

- Remote work mode implemented for our administrative team in all the countries where we operate, seeking any disruption in the business.
- Reinforcement of protocols and measures aligned with those established by national health institutions, and the World Health Organization (WHO), to guarantee the safety of our collaborators during fieldwork and at operational sites.
- Continuous communication campaigns, developed by our Global Medical Management, aimed at reinforcing preventive measures against COVID-19 for all our collaborators who work at operational sites or from their home.
- Communication groups to follow up confirmed and suspected cases of COVID-19 with the support of our Medical Management Department.
- One timecash bonus to all our team to cover expenses arising from the health emergency and the new normality modalities.
- Agreements with telecom and office supply companies to offer our collaborators preferential plans and discounts to ease the transition to remote work.

STAYING CONNECTED

Despite the distance, it was necessary to ensure closer communication than ever before with all team members in all the countries where we operate. We have established various means and channels of communication to keep them informed of changes in the Company, working methods, status and progress regarding COVID-19, Town Halls, commemorative events, among other events.

TOWN HALLS

In this communication strategy our CEO shares with the team the corporate strategy, business objectives, organizational changes, relevant events, and achievements on a monthly basis.

In this way, senior management has a direct interaction with the collaborators, listening to their impressions and improvement initiatives from all geographic locations where we operate.

During 2020, Town Halls had a special relevance as a space to generate certainty and connection among all team members, providing biweekly updates on the contagion status in the Company, the business plans in response to the pandemic, and its status in each country where we operate.

HAVE A CUP OF COFFEE WITH JORGE BRAKE

On a monthly basis, our CEO maintains and promotes virtual dialogue spaces with groups of collaborators from different countries, areas, and administrative levels where they can present their ideas for operational improvement, as well as express their concerns and questions.

In this space, the CEO reinforces the corporate strategy applied to each specific area of the collaborators in attendance.

CORPORATE RELEASES

Through this channel of communication, we present the most relevant organizational changes for the Company, as well as benefits for collaborators, events, corporate training, celebration of holidays, among others.

This tool is also our way of listening to our team's opinion since we conduct surveys on various topics relevant to our collaborators. This allows us to understand their thoughts so that we can improve every day.

GENAPP

The Gen App is a virtual platform developed with the objective of creating a new real-time connection experience for the entire team in all the countries where we operate. The application represents a digital space to be heard, providing a tolerant and transparent space for all members of the Company.

In addition to disseminating the Company's initiatives, some of the benefits of this platform are:

- Team connectivity at a global level.
- Exclusive networking platform for our collaborators.
- Access to a global repository of Genomma Lab information.
- Real-time access to news related to the Company's operations, anywhere and from any electronic device.
- Access to global and country-specific news and events.
- Access to benefits available to all collaborators.

> Our goal for 2021 is to achieve 100% active connectivity, having all our collaborators connected through the Gen App.

WE RECOGNIZE **OUR TEAM**

CEO AWARDS

Every year we hold the CEO Awards ceremony, which honors collaborators who, from their area and country of operation, have made an extraordinary contribution to achieving current business goals.

In the 2020 edition, 33 collaborators from 12 countries in which we operate received the distinction. As part of their recognition, each of the winners was given the opportunity to take a specialized diploma course at IE University in Madrid, Spain.

GENOMMA CARRER PATH

We recognize our collaborators for the time they have been part of the Company, being a fundamental element of the change processes and always seeking to contribute to the fulfillment of our purpose. This recognition is granted in all the countries where we operate to those collaborators who have been part of our history for 5, 10 and 15 years.

TRAINING AND DEVELOPMENT

GRI 103-1; 404-1; 404-2

Training our talent is a priority and strategic axis for the Company, as it is an indispensable resource to provide our collaborators with the necessary tools, knowledge, and skills to achieve optimum performance in the fulfillment of their personal objectives, as well as their contribution to the Company's growth strategy and short and long-term objectives.

Although in 2020 digital training for our collaborators was the answer to ensure their constant updating and professional development during the health emergency, our number of trainings decreased, mainly due to the restrictions to offer face-to-face courses as in previous periods.

+560
TRAINING COURSES

18,160
COLLABORATOR TRAINING HOURS*

*Considers training hours for collaborators and contractors.

We continue working so that our next training reports have a more detailed breakdown.

OPERATIONAL TRAINING

Training is a key element in ensuring safety, efficacy, and quality of medicines. It is our responsibility to have a sufficient number of trained and qualified collaborators to carry out all the activities required for the manufacture, control, and distribution of medications.

In our distribution center and new Industrial Cluster, we have established procedures that allow us to have clarity on the activities performed in each position and to determine a matrix of skills that each of our collaborators must have in order to perform successfully in their position. This is achieved through the timely detection of needs by area, a general annual plan, and a constant training program in different modalities.

TECHNICAL SPECIALIZATION

Courses focused on developing technical skills for the operation of our new Industrial Cluster, such as the operation of industrial equipment.

ETHICS AND INTEGRITY

From the moment they join the Company, our collaborators are trained in line with the provisions of our Code of Conduct and Ethics and Integrity Policies, seeking to promote a culture of legality and ethics, considering respect for human rights, anti-corruption practices, the correct handling of confidential information, respect for the environment and neighboring communities, among other relevant topics.

HEALTH AND SAFETY

As part of our Environmental and Social Management System (ESMS), we implement a continuous health and safety training program for our collaborators and contractors, which is essential at our operating sites. This program focuses primarily on preserving the safety and health of all collaborators, and includes topics such as industrial safety, occupational health, regulatory compliance, technical skills, personal health, home safety, emergency response, among others.

ENVIRONMENTAL MANAGEMENT

Team members are trained to ensure proper environmental monitoring at our operating sites, considering the identification and mitigation of environmental risks, energy efficiency, and proper management of waste and water resources.

QUALITY ACADEMY

Our collaborators are trained in various topics such as procedures development, due diligence practices, manufacturing process supervision, risk management, internal audits, among others. During 2020, 520 operating-level collaborators were trained in quality, along with 360 contractors at our new Industrial Cluster in Mexico.

REGULATORY ACADEMY

The global development team and the commercial team are continuously trained through the regulatory team in order to stay updated and aligned in regulatory matters for the innovation and sales process of our products in each country where we operate.

In 2020, the regulatory affairs area provided more than 26 internal trainings on safety *safety and evaluation of cosmetic products, responsible advertising, new launches, new regulatory categories, regulatory management with interfaces, and management of drug dossiers according to international principles*. We provided more than 50 hours of training, with the participation of 288 collaborators.

In addition, 73 of our collaborators in Mexico, Argentina, Costa Rica, and the Dominican Republic were trained on guidelines of the Code of Self-Regulation and Advertising Ethics for Personal and Home Care Products (COSMEP) through the National Chamber of the Cosmetic Products Industry (CANIPEC) in Mexico.

SALES ACADEMY

Our commercial team is trained in various topics, considering the basics of offline sales, perfect store, negotiation models, conflict resolution, logistics, and finance, among others, allowing the development of skills to improve our commercial performance in relation to our customers.

E-COMMERCE

Emphasis was placed on updating the team in order to respond to the current needs of our consumers and customers, thus, the team is trained in the best practices and current trends on digital sales channels.

RISK MANAGEMENT

Our team is trained to identify and measure risks derived from the internal and external context, in addition to impact our operative model, considering the criteria of risk analysis, assets, threats, vulnerabilities, probability, consequence, degree of risk and risk prioritization.

POWER HOUR

During 2020, we implemented the Power Hour model, where we had the participation of various speakers giving virtual training to our global team on topics such as effective communication, time management, relevant leadership, team transformation, 360° communication in times of remote work and sustainability, among other topics.

SKILLS DEVELOPMENT

We seek to promote the development of skills in our team through training on diverse topics such as excellence in leadership and execution, business writing, and how to use a spreadsheet, among others.

INTEGRAL WELLNESS

Aiming at the integral wellness of our collaborators, we provide access to classes on nutrition and physical activities such as yoga.

ONGOING EDUCATION PROGRAM

We support the development and strengthening of skills of the entire team, fully or partially financing external educational programs such as workshops, diploma courses and master's degrees.

In order to access this funding, it is necessary to evaluate collaborator's performance and prove that the course is closely related to their position and responsibilities, in addition to prove that it will improve their performance within their position. This must be approved by the collaborator's direct leader, as well as by the human resources area.

GEN INSTITUTE

During 2020, we launched the first phase of our Gen Institute program, a Virtual University to improve the ongoing training of our team.

As a first stage of the program, a Virtual Library was sent to all collaborators in the countries where we operate, with options of free courses on different topics imparted by recognized schools and institutions, as well as access to recordings of internal **Power Hour** sessions, among other programs.

Our goal for 2021 is to implement development and training programs according to the identification of specific needs and responsibilities of our collaborators.

Progress on our Sustainability Strategy 2025

INTERNSHIP PROGRAM

Our internship program is linked to the Pro Meritum® Program - Programa de Formación de Talento Universitario of Fundación Pro Universitaria, AC (University Talent Training Program). To join this program, candidates must be attending college or in the process of getting their degree at least six months before formally concluding their education, in addition to undergoing an evaluation process by Genomma Lab's applicant area.

This program strengthens the professional training of young people by providing them with a flexible schedule that allows them to live a real work experience without neglecting their studies, in addition to receiving monetary support for their integral development.

The main objectives of the program are:

- Creating a talent incubator: attracting young people to the Company allows us to train our future collaborators.
- Being part of the first work experiences of university students: it allows us to be agents to facilitate their entry into the labor market.
- Being part of the work and professional training of university students: Providing new knowledge that will be useful throughout their working life.
- Developing people: To develop the skills of each individual through feedback designed to improve skills, forming upright professionals.
- Reducing the learning curve: They will have the relevant knowledge of the Company and its procedures. Transitioning to a full-time position will be faster.
- Attracting the best talent: We ensure the recruitment of future collaborators with the right profile for the Company.

PERFORMANCE **EVALUATION**

Through the performance evaluation program, a process is made available to all collaborators to establish goals and objectives with clear and measurable expectations, both for the quantitative part “What is achieved” as well as for the qualitative part “How the work is done”.

The backbone of this program is clear communication and formal feedback at least twice a year to ensure that business objectives are met and to support the professional development of each individual. Likewise, the program seeks to foster a culture of merit that provides team leaders with the ability to differentiate performance levels and reward top performers with promotions, raises and/or development, where applicable.

Program benefits:

- Improves business results.
- Increases the level of organizational performance through individual performance management.
- It allows for better team performance through alignment, collaborators understand priorities and focus on getting their work properly done.
- Ensures that collaborators work hand in hand with their leader to identify areas of opportunity.
- It provides an opportunity for collaborators to showcase their achievements by acting as a platform for recognition.
- Helps collaborators to be successful in their current role and helps prepare them for a future role.

By 2021, all collaborators, from executive to management positions are expected to participate in the performance evaluation process through the new **GEN TALENT** corporate program.

HEALTH AND SAFETY

GRI 103-1; 103-2; 403-1; 403-2; 403-7; 403-9; 403-10

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

Based on the guidelines of the Inter-American Development Bank (IDB) and the International Finance Corporation (IFC), the management system aims at continuous improvement by measuring the environmental and social performance of our operations to prevent and mitigate environmental pollution, strengthening our human resources policies, improving our working conditions and identifying risks in order to establish occupational health and safety action plans, as well as maintaining a cordial long-term relationship with the communities surrounding our operations.

The system is made up of four categories:

- Administrative monitoring and control.
- Industrial Safety.
- Occupational Health.
- Environment, complying with the quality standards applicable to each site.

At the end of 2020, the ESMS consisted of 35 work procedures, in compliance with the applicable regulations of the Ministry of Labor and Social Welfare, the Ministry of Health, the Ministry of the Environment and Natural Resources in Mexico, and applicable international regulations.

The work procedures in the Health and Safety area consider various topics and processes, among which are included:

INDUSTRIAL SAFETY	OCCUPATIONAL HEALTH
Work at height	Medical examinations
Use of uniforms and Personal Protective Equipment (PPE)	Respiratory protection
Access to confined spaces	Hearing protection
Energy control (LOTO)	Control of diseases and infectious wounds
Electrical safety	First aid manual
Safety and risk prevention in warehouses	Manual lifting of loads
Identification, storage and handling of chemical substances	Handling body fluids
Emergency response plan	Gestational program
Safety for contractors	Health emergency care plan

OUR SAFETY AND HEALTH PERFORMANCE 2020

We have a rigorous process for the prevention, registration, and follow-up of incidents at our operating sites, such as our Distribution Center in Toluca, our Industrial Cluster at San Cayetano (both in the State of Mexico), and our Production Line in Mexico City. These actions seek to reduce risks, as well as the number of accidents and occupational illnesses to which our collaborators may be exposed, all of which are reflected in our Health and Safety Policy.

LOST-TIME INCIDENT RATE
(per million hours worked)

2019
4.27

2020
2.75

OCCUPATIONAL ILLNESS RATE
(per million hours worked)

2019
0.85

2020
0

FATALITIES AT OUR OPERATING SITES

2019
0

2020
0

RECORDED LOST-TIME INCIDENTS

2019
5

2020
3

RECORDED LOST-TIME INCIDENTS

OPERATIVE SITE	LOST DAYS	INCIDENT DESCRIPTION	INCIDENT CAUSE	CORRECTIVE AND PREVENTIVE ACTIONS
Distribution Center Mexico	1	Sprained wrist	While getting off the electric skate, the collaborator stepped on a mispositioned stretch film roll and fell to the ground, injuring her right-hand wrist.	Setting cleaning standards in operative areas and designating areas for supplies. Training personnel on the proper operation of moving equipment.
Distribution Center Mexico	78	Crushed left foot with fracture of the 3rd and 4th metatarsals	While turning in an aisle, the collaborator did not control the forklift, causing the incident and crushing his left foot with the machine.	Training personnel in eyes and mind on the task. Verify that all forklift operators have a valid CD3.
Production line Mexico City	11	Simple contusion of abdomen and thorax	The collaborator ran into a motorcyclist while crossing the road through a zone not designated for pedestrian crossing.	Reinforcement of road traffic safety measures for pedestrians. Training personnel in eyes and mind on the task.

HEALTH AND **SAFETY TRAINING**

In order to mitigate risks related to industrial safety and occupational health at the operative sites, our collaborators and contractors receive different training courses on the subject from the moment they join the Company:

- Safety, health and environmental risk analysis and management.
- Correct use of Personal Protective Equipment (PPE).
- Emergency response plan.
- Safety and risk prevention in warehouses.
- Installation, use and inspection of protective guards and safety devices.
- Safe forklift operation and pedestrian safety.
- Use and handling of fire extinguishers.
- Medical care.
- Hearing protection.
- Respiratory protection.

Since 2019, we have been carrying out various civil protection activities with our **Multifunctional Emergency Brigades** at each of our operating sites, as well as the annual training program with internal and external training which was conducted at a specialized training center for emergency control.

During 2020 we held **3 drills** at our operational sites, and our Multifunctional Emergency Brigades was made up of **81 brigade members,** including brigades specialized in **First Aid, Search and Rescue, Fire Fighting, Communication and Evacuation.**

Progress on our Sustainability Strategy 2025.

Our goal for 2022 is for our operating sites to adhere to the highest health and safety standards by voluntarily participating in the Self-Management Program for Occupational Safety and Health (PASST, by its initials in Spanish) of the Mexican Ministry of Labor and Social Welfare.

HEALTH AND SAFETY PROTOCOLS IN **RESPONSE TO COVID-19**

During 2020, we implemented strict health and safety protocols at our operating sites to mitigate the risk generated by the COVID-19 pandemic, safeguarding the well-being of our collaborators, and ensuring the continuity of our operations.

- Development of a Health Emergency Response Plan (COVID-19).
- 100% of our collaborators at operative sites were trained on the Health Emergency Response Plan, as well as on different preventive measures such as: protocol for entering facilities, hand washing, use of COVID-19 protective equipment, symptom reporting, sanitary filter, cleaning and disinfection of areas, social distancing practices, preventive measures in services such as transportation and canteen, staggering and maximum seats for canteen, keeping vulnerable personnel at home, etc.
- Delivery of COVID-19 prevention kits with safety and health recommendations inside and outside the work centers: face masks, face shields, soap, hand sanitizer,and personal care products.
- Personalized attention for suspected cases and personnel classified as a vulnerable group by the occupational health team.

CONTRACTORS AND SUPPLIERS

In 2019, the Management, Control and Safety Program was implemented for contractors and suppliers who carry out activities within the operating sites. It is implemented through a process of induction and training prior to entering the facilities, in addition to monitoring and controlling risk activities through work permits and safety measures adhering to the management system of each operating site.

In 2020, we had no record of fatalities, lost-time incidents or occupational illnesses among the contractors present at our operating centers.

COMPREHENSIVE WELL-BEING OF OUR COLLABORATORS

GRI 103-1; 401-2; 401-3; 403-6

We seek to offer the best working conditions for our collaborators through benefits* that contribute to their personal development and that of their families.

*Benefits may vary by country and administrative level, some of them have had a variation or restriction during the period of social distancing.

FAMILY LIFE BALANCE

Daycare Center

We have various agreements with daycare services near the operation centers, giving collaborators the opportunity to receive a payroll discount and enjoy other benefits for their children's care.

Flexible hours and short Fridays

This benefit considers a focus on results by providing work-life balance and supporting the shift to a performance culture based on flexibility and trust. Staggered schedules were established, and short Fridays were implemented.

Nursing room

We provide our collaborators with breastfeeding rooms for their well-being and comfort.

Vacation days

Vacation days granted to our collaborators are linked to their seniority in the Company.

SENIORITY	AVERAGE
1 year	10
2 years	12
3 years	14
4 years	16
5 to 9 years	18
10 to 14 years	20
15 to 19 years	22
20 to 24 years	24

COMPENSATION, BENEFITS AND SAVINGS

Annual bonus

The annual bonus corresponds to 45 days for sales and 45 days for EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). A growth target is established for the two indicators and the annual bonus payout days are calculated based on the target compliance percentage.

Savings fund

5% of the collaborator's payroll is allocated to a savings fund, and at the end of the year the Company equals and pays the amount the collaborator has saved.

Transport

It is available to collaborators at different times and for different operating sites.

Sales to collaborators

Every month, collaborators have the opportunity to purchase products from Genomma Lab's portfolio, with a preferential discount.

Food vouchers

Life insurance

Insurance of major medical expenses

COMPREHENSIVE WELL-BEING

Dining area

Collaborators have access to a Company dining service with nutritious and healthy options.

Nutritional counseling

We promote a healthy lifestyle among our collaborators by offering nutritional counseling.

Soccer tournament

Every year our team participate in the Genomma Soccer Tournament. This activity seeks to encourage physical activity among collaborators and teamwork, as well as a healthier lifestyle

Progress on our Sustainability Strategy 2025.

Our goal for 2021 is to implement comprehensive well-being programs for all our collaborators globally.

FREEDOM OF ASSOCIATION

GRI 102-41

We are obligated to respect the rights of our collaborators to associate, organize, and bargain collectively, in compliance with the Mexican Federal Labor Law, as well as the regulations applicable in each country where we operate. 100% of the operative personnel at our new San Cayetano Industrial Cluster in the State of Mexico belongs to a workers union.

Every collaborator has the duty to follow the established health and safety policies and protocols, as well as the Quality System corresponding to their workplace.

WELL-BEING IN THE COMMUNITIES

GRI 102-12; 103-1; 203-1; 413-1

surrounding our facilities. Since our reason to exist is to contribute to the well-being of people, we have integrated a pillar in our Sustainability Model that is exclusively dedicated to promoting actions that bring us closer to people in order to contribute to the common good and the sustainable development of their environment.

OUR SOCIAL IMPACT IN 2020

+1.5
MILLION PEOPLE BENEFITED

+1.6
MILLION GENOMMA LAB PRODUCTS DONATED

2,000
FACE SHIELDS DONATED TO NGOS AND SMALL BUSINESSES

4,000
MASKS DONATED TO HEALTH CARE INSTITUTIONS

+100
NGOS, HEALTH AND EDUCATIONAL INSTITUTIONS BENEFITED

+28.5
MILLION MEXICAN PESOS INVESTED IN SOCIAL INITIATIVES

ACADEMIC CONNECTION: PARTICIPATION IN UNIVERSITIES, FORUMS AND CONGRESSES

2020 represented a challenge in several fields at the international level; however, we maintained our active participation in international forums, educational centers, societies, and associations of the cosmetics industry, adapting to virtual environments and permitted conditions to protect everyone's health.

Colombia

Asociación Colombiana de Estudiantes de Química Farmacéutica, ACEQF

Carlos Elías Caro, Sr. Global Manager of Regulatory Affairs, gave a presentation on *"Work experience in the cosmetics sector"*.

Colegio Nacional de Químicos Farmacéuticos, Valle Unit in Cali, Colombia

Carlos Elías Caro, Sr. Global Manager of Regulatory Affairs, gave a lecture on *"The role of the Pharmaceutical Chemist as Technical Director in the Cosmetic Industry"*.

Universidad Nacional de Colombia - Specialization in Cosmetic Science and Technology.

Carlos Elías Caro, Sr. Global Manager of Regulatory Affairs, gave a lecture on *"International Regulatory Management in Cosmetics, with emphasis on Latin America"*.

International Society of Phytocosmetic Science - ISPS

Carlos Elías Caro, Sr. Global Manager of Regulatory Affairs, gave a lecture on *"Cannabis, technical aspects for its safe use in cosmetics"* at the International Phytocosmetics and Phytotherapy Congress - IPPC.

Federación Latinoamericana de Asociaciones de Ciencias Cosméticas – FELASCC

Carlos Elías Caro, Sr. Global Manager of Regulatory Affairs, gave a lecture on *"Regulatory Framework for Cosmetic Products, Labeling"* at the Latin American Experts Forum.

Cámara de Comercio de Bogotá y SIPPO (Swiss Import Promotion Programme)

Carlos Elías Caro, Sr. Global Manager of Regulatory Affairs, gave the presentation *"Cannabis in cosmetics, guidelines for safe use"*.

Accytec Bogotá

Carlos Elías Caro, Sr. Global Manager of Regulatory Affairs, gave a lecture on *"Regulatory Aspects in the Effective Design of Cosmetics"*, within the framework of the course *"Effective Cosmetic Design"*. He also gave a lecture on *"Safe design of cosmetics with Cannabis"*, as part of the course *"Realities and trends of Cannabis in cosmetics"*.

Ecuador

PROCOSMETICOS (Asociación Ecuatoriana de Productos Cosméticos, de Higiene Domestica y Absorbentes) y la Cámara de Comercio de Quito

Carlos Elías Caro, Sr. Global Manager of Regulatory Affairs, gave the presentation *"Cannabis in cosmetics, guidelines for its safe use"*, in the framework of the forum "Cannabis and beauty".

Bolivia

Cámara Nacional de Comercio de Bolivia y el Consejo de la Industria de Cosméticos, Aseo Personal y Cuidado del Hogar de Latinoamérica- CASIC

Carlos Elías Caro, Sr. Global Manager of Regulatory Affairs, gave a presentation on *"Safety management in cosmetics with ingredients of natural origin"*.

Mexico

Universidad Anáhuac México

Rodrigo Herrera Aspra, Chairman of the Board of Directors, participated in a conference aimed to inspire and encourage young people to develop their capabilities towards the future.

Marco Sparvieri, Executive Vice President of Operations, participated as a speaker in the *XXII Congreso Nacional Lidera, as well as in the 1st Inter-University Congress "BE MKT"*, both organized by Universidad Anáhuac.

Universidad Autónoma de México (UNAM)

Luz Antonia Borja, Personal Care Formulations Manager, was a speaker and organizer of the *"Symposium on Sustainability and Innovation in Cosmetic Products"*.

Francisco Jordana, Global Coordinator of Personal Care (PC) Regulatory Affairs, gave a lecture on *"Safety Overview and Regulation in Cosmetics"*.

Mexican Stock Exchange

Rodrigo Herrera Aspra, Chairman of the Board of Directors, participated in a podcast aimed at orienting young people towards entrepreneurship.

Latin America

Luciana Santi, Corporate Regulatory Affairs Leader, was invited to do a Podcast as part of Robert Walters' *"Latam Leadership Podcasts"*.

GENOMMA LAB VOLUNTEERING

Our volunteer program includes activities aligned with our Sustainability Model. One of its objectives is to promote social well-being and access to health, involving every member of the team in the social development of the communities surrounding our operating centers.

Through activities that consider community development, environmental conservation and health campaigns, our collaborators and their families give part of their time and talent to the service of others, living the Company's purpose.

GEN Contigo Volunteer Program

Despite the situation we faced during 2020, we remained firm in our decision to respond to the needs of various communities caused by the COVID-19 health emergency. As a result, we carried out our first remote volunteering initiative, called **GEN Contigo,**, benefiting more than **18,000 18,000 people across 11 countries** were the Company operates.

During July, August, and September, **more than 270 collaborators volunteered in 11 countries, donating more than 760 hours of their time and knowledge** to carry out activities aimed at benefiting vulnerable groups and populations in need of some type of support, in partnership with more than 60 assistance institutions and non-governmental organizations that provide support to vulnerable groups and populations.

This initiative had a global character, giving volunteers the opportunity to support causes not only for the benefit of the country in which they operate, but also in other regions where Genomma Lab is present.

Among the activities that took place as part of this volunteer program were cooking classes, English classes, nutrition workshops, computing classes, talks on the importance of saving, preparation of meals for people in vulnerable situations, and many others. In addition, volunteers were able to make monetary contributions to institutions that promote health care.

Progress on our Sustainability Strategy 2025.

Our goal for 2025 is to benefit 100,000 people from our corporate volunteering.

ACTIONS FOR EDUCATION

Brazil

- Volunteers created videos telling typical children's stories of the region for the educational development of 200 children from the *Casa da Criança e do Adolescente de Santo Amaro Grossar*l and *Creche São Jeronimo institutions*.

- Likewise, monetary donations were made to contribute to the construction of a care unit at the *Casa da Criança e do Adolescente de Santo Amaro Grossarl* for the benefit of children and young people.

Costa Rica

- Promoting the education of young beneficiaries of *Aldeas SOS Costa Rica*, volunteers gave a virtual workshop on financial education. Similarly, volunteers recorded videos telling stories for the beneficiary children of the institution related to values such as honesty and tolerance. Volunteers who are experts in dealing with violence recorded capsules to explain to the young people the types of violence that can occur in a relationship and the mechanisms to prevent it.

Ecuador

- School kits were donated to support the education of 20 children from three to 10 years of age in school without access to virtual classes.

United States

- Our team participated by preparing backpacks with school supplies through *Backpacks 4 Kids*.

Mexico

- Volunteers taught all-level, virtual English lessons to children, young people and adults benefiting from five assistance institutions.

- Volunteers taught virtual lessons on spreadsheet tools, from beginner to advanced levels, to parents, administrative staff, and beneficiaries of five assistance institutions, in order to promote their professional development.

- A conference was given to young people on financial education and the importance of saving, through the YouthBiz initiative. Through the same initiative, volunteers had the opportunity to talk to young people about their professions to promote vocational orientation.

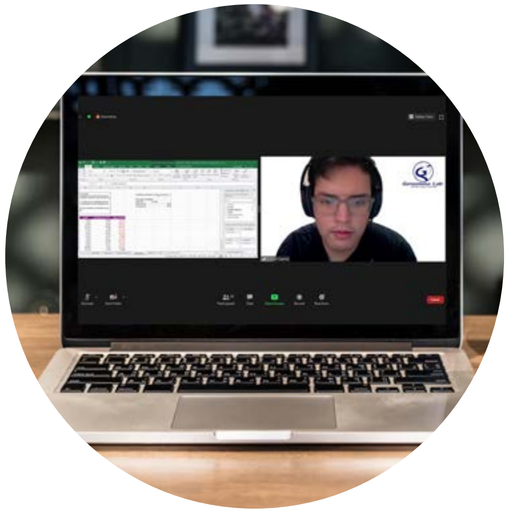
- Volunteers who are experts in dealing with violence gave a lecture to guardians and parents to help them understand the types of violence that exist and the mechanisms for dealing with and preventing it.

- Our volunteers designed graphic material so that the beneficiary institutions could communicate their work to their different stakeholders through various digital channels. We also helped with the translation of institutional material for the same purpose.

- Several recreational videos were generated with content such as cooking classes, storytelling, and the creation of handicrafts for the benefit of children and senior citizens through seven assistance institutions.

- Our nutrition team generated informative capsules with information on the correct washing and disinfection of food, the healthy eating plate and eating disorders in young people. This information was given to parents, guardians, and caregivers of three assistance institutions.

- Our marketing team gave a conference to more than 20 assistance institutions in order to support them in establishing a good communication strategy through different digital channels, seeking both the optimal dissemination of their work to their stakeholders and a greater attraction of resources.



ACTIONS FOR HEALTH AND WELL-BEING

Argentina

- Through the Elderly Assistance Program in the Municipality of Vicente López, Genomma Lab volunteers were trained to provide accompaniment and telephone assistance to the elderly.
- Our team also donated coats, in addition to cooking meals at home for children and adults in vulnerable situations, representing a donation of $29,597 Mexican pesos.

Brazil

- Volunteers donated personal hygiene kits for more than 150 children from one to four years of age from the *Creche São Jeronimo institution*.

Chile

- Our team made monetary donations to bring antibacterial gel to 1,500 senior citizens at *Fundación Las Rosas*.

Colombia

- Our team made monetary donations to bring basic food baskets to adults with autism and cognitive disabilities and their families through *Fundación Sin Límites*, benefiting more than 100 people.

Ecuador

- Volunteers and their families sent handwritten letters to senior citizens at the *Carlos Luis Plaza Dañín* nursing home to accompany them from a distance during the health emergency, in addition to sending them hygiene and personal care products.
- In addition, food was prepared for children in vulnerable situations, who are beneficiaries of *Fundación Karla Morales*.

Mexico

- Volunteers from the Medical Management Department gave a lecture to young people on COVID-19 prevention through the YouthBiz initiative.
- Volunteers and their families sent handwritten letters to senior citizens from *Beneficencia Larrainzar IAP* and *Fundación Mier y Pesado IAP*, in order to accompany them from a distance during the health emergency.

United States

- For every mile walked by our team, Genomma Lab USA donated $1 dollar for the distribution of meals for people in vulnerable situations, achieving a total of 20,000 meals.

Paraguay

- Our team visited an elderly home to provide them with personal hygiene products.

Uruguay y Bolivia

- Volunteers wrote letters to senior citizens to accompany them from a distance during the health emergency.

In 2020 we recognized six volunteers globally for the contribution of their time and skills in support of beneficiaries in vulnerable situations, as well as the teams from Chile, Southern Cone (Paraguay, Uruguay, and Bolivia) and Colombia for having the highest percentage of participation in volunteering activities globally.

WELL-BEING INITIATIVES

Continuous education for doctors in Mexico

We seek to provide continuous medical education as part of the actions of the Novamil® brand, through digital platforms, covering topics related to science and medical practices, since being up-to-date is one of the main requirements for a health professional. This online training modality has become more relevant and has replaced face-to-face events at a national and international level. We are committed to improving the quality of life and health of the population, providing updated information through experts on topics related to nutrition, breastfeeding, gastrointestinal disorders, food allergies and newborn care, among others.

Free remote guidance in Mexico

During the health emergency period, from April to June 2020, Novamil® adopted remote guidance as a digital option that allowed patients to interact with doctors in a simple and safe way. This program sought to avoid saturation of the health systems, limiting its use to strictly necessary cases, as well as limiting physical contact and avoiding the cycle of contagion due to the emergency. During this period, 849 patients of low socioeconomic level in Mexico were impacted, providing them with free pediatric counseling services through digital media.

Luzca Bien... Siéntase Mejor in Mexico

Our Zan Zusi® brand was a proud sponsor of Evento Rosa 2020 of Luzca Bien... Siéntase Mejor (Look Good... Feel Better) program, donating more than 8,000 personal care products to benefit patients undergoing cancer treatment. As part of the event, virtual onco-aesthetics workshops were held for more than 10,000 women in Mexico and other Latin American countries, helping them to strengthen their self-esteem and regain their self-confidence.

Supporting the Rehabilitation of Children and Youths with Disabilities in Mexico

We are committed to the prevention, detection, rehabilitation and treatment of children and young people with any kind of disability, cancer, and autism. Through Fundación Teletón, in 2020 we granted a donation of $1 million Mexican pesos for equipment, devices and supplies for respiratory rehabilitation (RR) that are used to improve dyspnea, exercise capacity and health-related quality of life in patients with chronic obstructive pulmonary disease (COPD), mainly to be used for post-COVID-19 care and pulmonary diseases or conditions in nine Teleton Children's Rehabilitation and Inclusion Centers (Centros de Rehabilitación e Inclusión Infantil Teletón, CRIT) in Mexico.

Recycling and Helping in Mexico

We joined the Recycling and Helping (Reciclando y Ayudando) campaign of AMANC Asociación Mexicana de Ayuda a Niños con Cáncer IAP, donating more than four tons of PET generated in our processes, so that more than 40 children benefiting from AMANC could continue with their cancer treatment.

This material is processed in recycling plants to become raw material to be used in the production of new products, making the principle of circular economy possible.

OraQuick® in Brazil

As part of the launching of OraQuick® in Brazil, a product that addresses the need for early diagnosis of HIV and thus avoids the spread due to lack of knowledge, we held an internal event with the presence of three experts to talk about HIV and AIDS.

The purpose of the event was to raise awareness and combat misinformation about this disease, so that our collaborators could contribute to eliminating prejudice and discrimination against people carrying the virus.

We also donated 400 OraQuick® tests to the NGO Barong, which seeks to raise awareness and promote early diagnosis of this disease. We also delivered 100 basic food baskets to the NGO Bemme Quer, for the benefit of people who are carriers of the virus and are in a vulnerable situation.

Reduction of child malnutrition in Colombia

Committed to childhood, we contributed to the reduction of child malnutrition in partnership with Fundación Éxito, through a monetary donation on a monthly basis.

@genomma por el bienestar

Through digital platforms we seek to promote a healthy lifestyle, providing more than 2.2 million people with information validated by doctors and scientists with the aim of promoting prevention and helping to improve people's health and well-being.

Progress on our Sustainability Strategy 2025.

FACING COVID-19 ACTIONS

Our goal for 2025 is for 500,000 people to benefit from business initiatives aligned with social or environmental causes.

Argentina

We donated 100 hotel nights and 4,000 masks for the benefit of medical personnel in the first line of defense in the Municipality of Vicente López, representing a contribution of $65,439 Mexican pesos.

Mexico

We carried out the Comidas para Héroes initiative, which provided breakfasts, lunches, and dinners to medical personnel in the first line of defense of health institutions in Mexico. The initiative resulted in the donation of 10,000 meals to 1,500 doctors, nurses, and paramedics. In alliance with our supplier, Citrulsa de México, we donated 1,500 face shields to five assistance institutions in Mexico City, benefiting the elderly, people with disabilities and caregivers. We also donated 500 masks to shop owners in traditional groceries through our Direct Distribution Program.

GENOMMA LAB FOUNDATION

Alianzas por el Bienestar

Through our Alianzas por el Bienestar program, we establish synergies with foundations, associations and health institutes with the most solid reputation, high efficiency, and solid recognition for their work with sectors and social groups that need different levels of care and support.

1,632,763 pieces of our pharmaceutical and personal care products donated globally with a value of Ps. $25.7 million.

Progress on our Sustainability Strategy 2025.

Our goal for 2025 is that five million pharmaceutical and personal care products will be donated by Genomma Lab Internacional, benefiting five million people.

Mexico

2020 was a key year for reaffirming our commitment to promoting the well-being of Mexicans. In response to the impact of COVID-19, the Genomma Lab Foundation worked in synergy with various highly recognized and specialized public health institutions and civil society organizations to deliver personal hygiene kits and over-the-counter medicines. We delivered more than 100,000 pieces of various products from our portfolio with a value of more than $2.9 million Mexican pesos for the benefit of people in vulnerable situations.

INSTITUTION	DONATION	BENEFIT
DIF Oaxaca	**36,120 pieces** Alert®, Asepxia®, Tukol-D®, X-L3®	Personal hygiene packages for children's homes, civil associations, and retirement homes in Oaxaca.
Patronato del Hospital Juárez México A.C.	**1,220 pieces** Alert®, Nordiko®	Personal hygiene packages for medical personnel in Mexico City.
Nuevo Patronato del Instituto Nacional de Cancerología A.C.	**27,001 pieces** Asepxia®, Gargax®, Tukol-D®	Early Cancer Prevention Clinics in Mexico City.
Patronato Pro Zona Mazahua A.C.	**5,727 pieces** Nordiko®, Next®, Tukol-D®, Asepxia®, Ah Micol®, Gargax®, Genoprazol®, X Ray®	Rural medical clinic Si Na Na Genze, hand washing and hygiene campaigns in times of health emergencies by COVID-19 in the State of Mexico and Michoacán.
Fundación Duerme Tranquilo A.C.	**4,000 pieces** Asepxia®, Alert®	Personal hygiene kits for medical personnel at the National Institute of Perinatology and the National Institute of Neurology and Neurosurgery in Mexico City.
Aldeas Infantiles SOS México, I.A.P	**5,000 pieces** Alert®	Personal hygiene kits for children and families in vulnerable situations in the State of Mexico.
Unidos Distribuimos y Transformamos, I.A.P.	**5,000 pieces** Alert®	Personal hygiene packages for vulnerable families in Mexico City.
Fundación Interamericana Anáhuac para el Desarrollo Social I.A.P.	**6,000 pieces** Ah Micol®, Gargax®, Genoprazol®, Next®	Benefiting community health clinics in the State of Mexico and Michoacán and schools in the State of Mexico, Puebla, and Querétaro.
Asociación Mexicana de Malta, A.C.	**4,750 pieces** Ah Micol®, Gargax®, Genoprazol®, Next®, X Ray®	Benefiting hospitals, local DIFs, medical clinics and retirement homes in Mexico City, State of Mexico, Hidalgo, and Morelos.

International

In countries such as Brazil, Chile, Colombia, Ecuador, and Peru, we made donations totaling more than one million personal hygiene products and over-the-counter medicines with a value of more than $15.3 million Mexican pesos, benefiting people in vulnerable situations through nine local institutions and national campaigns.

Brazil

INSTITUTION	DONATION	BENEFIT
Central Única das Favelas (CUFA)	**759,838 pieces** of Hand sanitizer, soap, body lotion	Personal hygiene kits for more than 500,000 people in São Paulo.

Chile

INSTITUTION	DONATION	BENEFIT
Subsecretaría de Servicios Escolares	**5,600 pieces** Asepxia®, Tío Nacho®	Benefiting people in vulnerable situations.
Servicio Nacional del Adulto Mayor (SENAMA)	**11,000 pieces** Tío Nacho®, Asepxia®	Benefiting elderly people in vulnerable situations through the Ministry of Social Development and Family.
María Ayuda	**2,000 pieces** Asepxia®	Benefiting children and adolescents in vulnerable situations.
Redes en Caja	**2,000 pieces** Asepxia®	Benefiting people in vulnerable situations.

Colombia

INSTITUTION	DONATION	BENEFIT
Campaña nacional “Ayudar nos hace bien”	**4,000 pieces** Asepxia®	Benefiting people in vulnerable situations.
Fiduciaria La Previsora S.A.	**5,000 pieces** Asepxia®	Supporting hospitals in Bogota and the National Unit for Disaster Risk Management for people in vulnerable situations.
Corporación General Gustavo Matamoros	**40,000 pieces** Silka Medic®	Benefiting soldiers, marines and police officers wounded in combat.

Ecuador

INSTITUTION	DONATION	BENEFIT
PROCOSMÉTICOS	**10,000 pieces** Asepxia®	Benefiting families in vulnerable situations through the national campaign “Give a hand without shaking hands” (Dar una mano sin dar la mano).
Fundación Karla Morales	**20,787 pieces** Asepxia®, Next AB® Gel Antibacterial, Vanart®	Benefiting families in vulnerable situations in the Nigeria sector on Trinitaria Island south of Guayaquil; children in Punta de Piedras, Nigeria sector in Las Malvinas neighborhood and people in vulnerable situations in the Galapagos Islands.

Peru

INSTITUTION	DONATION	BENEFIT
Instituto Nacional de Defensa Civil	**69,031 pieces** Asepxia®, Tío Nacho®, Bioelectro®, Cicatricure®	Benefiting people in vulnerable situations.
Instituto Nacional de Defensa Civil y Hombro a Hombro	**150,000 pieces** Vanart®	Supporting communities in the province of Peru and the locality of Kimbiri in Cusco.

NATURAL DISASTER RESPONSE

Floods in Tabasco, Mexico

In response to the floods in the state of Tabasco, Mexico, we donated 298,259 personal hygiene products and over-the-counter medications through the Mexican Red Cross IAP, *Asociación Mexicana de Malta, AC* and DIF Tabasco to benefit affected families.

Hurricane Iota in Colombia

Similarly, in support of the victims of hurricane Iota in San Andrés, Providencia and Santa Catalina, Colombia, we donated more than 150,000 personal hygiene products and over-the-counter medications to benefit affected people through the National Unit for Disaster Risk Management *(Unidad Nacional para la Gestión del Riesgo de Desastres).*

ENVIRONMENTAL **MANAGEMENT**

The correct environmental performance and the preservation of natural resources is a key pillar within our Sustainability Strategy and our operation. The continuity of our business model depends largely on natural resources such as water, energy sources, and biodiversity, which allows us to extract natural ingredients to be used in several of our products.

"The environment and our communities are our priorities. We seek to maintain a positive impact, especially in the places where we have presence."

- GEN BOOK

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

In line with the provisions of our Environmental Policy, we are committed to ensuring that the activities that make up our value chain are carried out in a way that minimizes environmental impact, protecting the environment in the sites and communities where we operate.

Our Environmental and Social Management System integrates key procedures for ensuring our optimal environmental performance, as well as for assessing the environmental impact at our operating sites. This system is implemented at our operating sites by a specialized team, which conducts periodic internal audits. The ESMS is based on Inter-American Development Bank (IDB) and International Finance Corporation (IFC) guidelines, which are monitored annually to ensure proper implementation and follow-up.

At the end of 2020, our ESMS consisted of 35 work procedures, in compliance with the applicable regulations of the Ministry of Labor and Social Welfare, the Ministry of Health, the Ministry of the Environment and Natural Resources in Mexico, and applicable international regulations.

The work procedures in the environmental area consider various issues and processes, including the following:

- Waste management
- Control of atmospheric emissions
- Efficient use of energy
- Efficient use of water and discharge management

OUR COMPREHENSIVE MANAGEMENT

We are aware that our sustainability goals will only become a reality when the thinking and work of each collaborator is aligned to the same strategy. We will promote critical thinking on sustainability at all levels of our operation as part of our winning culture.

Our operational team is trained in environmental matters in accordance with our Environmental Policy and Environmental and Social Management System (ESMS). In line with the above, our goal for 2021 is 100% of our operational and administrative teams to be trained in sustainability, with the theoretical and practical knowledge necessary to achieve sustainable development, with an emphasis on climate change such as mitigation and adaptation.

SCOPE OF THE INFORMATION REPORTED

GRI 307-1

The data presented in this chapter were compiled considering the operation of our Distribution Center (CEDIS) in Toluca, State of Mexico, from January 1st to December 31, 2020. During the reporting date, this site represented the most significant facility for the business operations, due to its relevant position in the value chain and the environmental impact that its daily activities generate.

During 2020, there was no breach of environmental laws and regulations at our CEDIS in Toluca, State of Mexico.

OUR
WASTE MANAGEMENT

GRI 102-48; 103-1; 306-1; 306-2; 306-4; 306-5

Our mid-term progress must be based on sustainable consumption and production, avoiding environmental degradation, and promoting the efficient use of natural resources. We are committed to minimize our waste generation through preventing, reducing, recycling, and reusing waste, aiming to contribute to the circular economy and to preventing the loss of resources.

One of our main efforts to mitigate our impact on the environment is the correct management of Urban Solid Waste (USW) and Hazardous Waste (HW) at our operating sites, which is why, through suppliers certified under current regulations and good environmental practices, we implement different programs for the management, control, and correct final disposal of waste.

As part of our Environmental and Social Management System (ESMS), we consider the following principles in our operations:

- Reduce waste generation.
- Reuse, recycle or recover waste on site or from certified suppliers.
- Incinerate waste, recovering energy when possible.
- Send waste to landfills as a last resort.

Our waste management standards include procedures to classify and identify the waste generated in each process, and to collect, store, transport and treat each type of waste appropriately. We keep a record of our waste management, ensuring the traceability of our waste to its final destination.

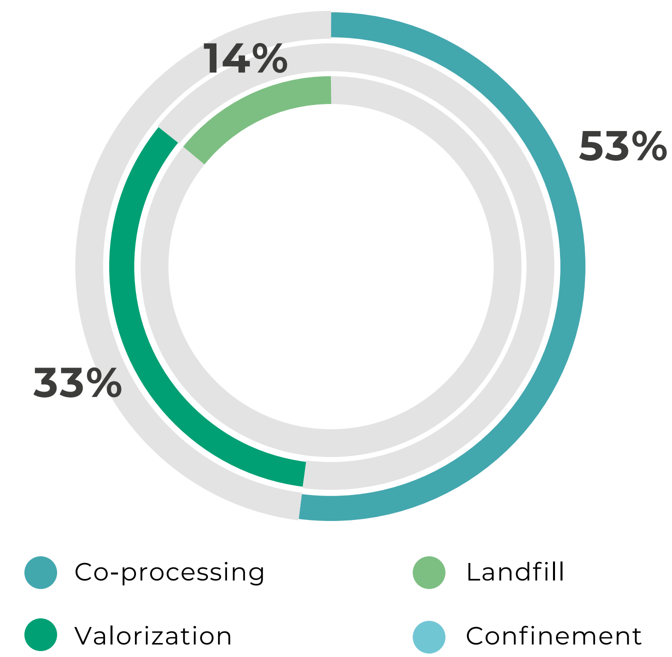
Most of the waste generated at the CEDIS is from finished products that did not meet our quality standards or were returned due to their expiration date. After an exhaustive evaluation, they are sent for destruction or recycling by an authorized third party. For non-hazardous waste, we conduct a systematic analysis of the recycling possibilities before it is sent to a landfill.

TYPE OF WASTE	DISPOSAL METHOD	2018	2019	2020	SCOPE
NON-HAZARDOUS WASTE	Valorization (Mt)	704.92	645.23	896.15	Includes waste that can be recovered, such as plastic, cardboard and metal, generated in the packaging process carried out at the CEDIS.
	Landfill (Mt)	568.3	445.05	367.37	Includes waste generated at the CEDIS that is deemed non-hazardous and cannot be recovered.
HAZARDOUS WASTE	Confinement (Mt)	0.24	0.81	4.74	Includes hazardous waste generated at our CEDIS. This waste is treated by a certified company.
	Co-processing (Mt)	1,727.98	1,335.07*	1,405.08	The finished product that does not meet the requirements to be sold either due to quality issues or expiration date, is classified as hazardous waste. It is then co-processed, which means it is grinded to be used in the manufacture of cement, making better use of waste by taking advantage of it as a substitute raw material, thus reducing the impact on the environment.

* The amount of waste destined to co-processing in 2019 was restated since the figure included was the one specified in the contract with the service provider (1,402.82 Mt); however, in the first quarter of 2020, we obtained the real amount of waste sent for treatment, which corresponds to 1,335.07 Mt.

Progress in our 2025 Sustainability Strategy.

During 2020, we reduced by 28% the amount of waste sent to landfills compared to 2019. Our goal for 2022 is to prevent waste generated at our new Industrial Cluster from reaching a landfill through prevention and recycling practices.



In our Distribution Center (Toluca, Mexico), in terms of waste, we went from 0.1 kg/moved box in 2019 to 0.13 kg/moved box in 2020.

OUR WATER MANAGEMENT

GRI 102-48; 103-1; 303-1; 303-4; 303-5

During 2020 we treated 95% of the water used at our CEDIS.

We are aware of how important it is to conserve water resources in the current context, and how their pollution affects the environment and people's health. We are committed to adequately treating all wastewater derived from our operations and to implement technologies that facilitate its recycling and reuse, ensuring a sustainable extraction of water and its efficient use.

Our internal environmental standards include the creation and monitoring of a water management plan to reduce water consumption, with emphasis on stabilizing and reducing potential water stress risks according to information obtained from local studies, considering at all times the industrial characteristics of each site.

Savings and efficiency initiatives:

- Consumption analysis.
- Saving technologies.
- Eco-efficiency.

Water extraction in our facilities is mainly for sanitary purposes. In 2020, water extraction at our Distribution Center (CEDIS) was 8,956 m3. In line with our commitment to sustainable water management, through an outsourced water recycling program, we treated 8,482 m3 of water, representing 95% of the water used at this site.

Our goal for 2022 is to treat 100% of the wastewater generated at our new Industrial Complex and to implement technologies that facilitate its recycling and reuse.

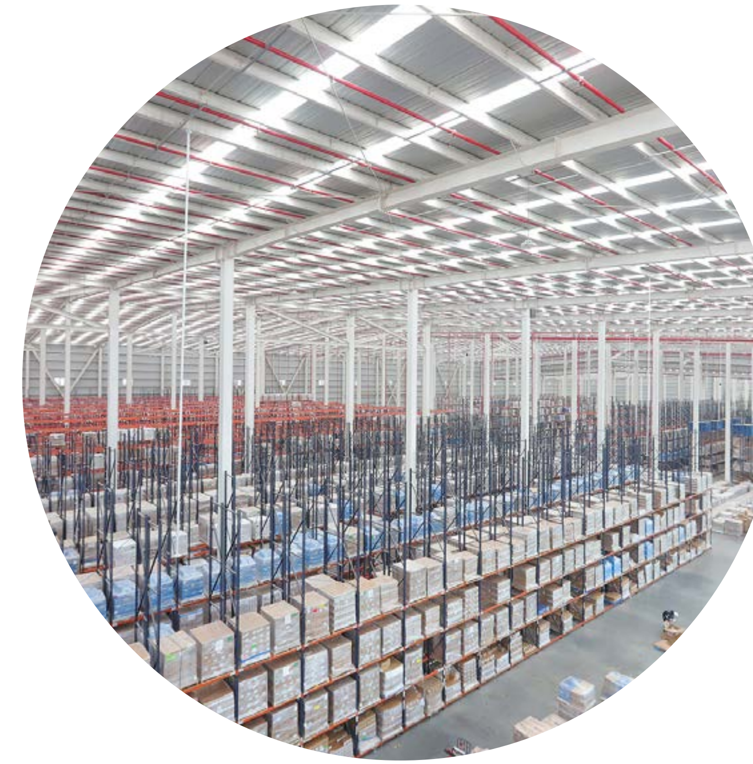
ASPECT	2018	2019	2020	SCOPE
Total water extraction from municipal supply (Mm^3)	0.008166	0.008197	0.008956	Water extraction includes our operations at CEDIS. **GRI 303-5: 8.956 ML**
Treated water (Mm^3)	0.003643	0.007902*	0.008482	Includes the water we treat through a water recycling program that individually collects wastewater from more than 300 companies and treats it for reuse so that it can be discharged into the Lerma River in the State of Mexico. **GRI 303-4: 8.482 ML**

* We restated the information for our treated water for 2019 since the figure included was the one specified in the contract with the service provider (0.006811 Mm^3); however, in the first quarter of 2020 we obtained the actual volume of liters of wastewater sent for treatment, which corresponds to 0.007902 Mm^3.

OUR
ENERGY MANAGEMENT

GRI 103-1; 302-1; 302-3; 302-4; 302-5

Energy is essential to carry out our activities, so it is our duty to ensure the correct use of energy sources. As part of our priorities, we seek to increase energy efficiency in all our operations.



ELECTRICITY CONSUMPTION

Electricity consumption is one of Genomma Lab's most significant categories due to its direct relationship with climate change. Our efforts on this matter are focused on the implementation of energy efficiency projects, such as replacing lighting fixtures and upgrading electronic equipment.

The Company's operating area with the highest electricity consumption in 2020 was the Distribution Center (CEDIS) in Toluca, Mexico; however, due to energy savings and efficiency initiatives, we had a 4% reduction in our electricity consumption compared to 2019.

CONSUMPTION	2018	2019	2020	SCOPE
Electricidad (MWh)	1,311.19	1,216.57	1,168.21	Includes electricity consumed through the public grid at CEDIS Toluca.

In our Distribution Center (Toluca, Mexico) our electricity consumption went from 2.30 kWh/moved box in 2019 to 0.13 kWh/moved box during 2020.

FUEL CONSUMPTION

The main mobile fuel consumed in the 2020 period was diesel.

Diesel and gasoline used for freight transportation and power generators: 123,637.14 liters.

CONSUMPTION	2018	2019	2020	SCOPE
Diesel and gasoline (MWh)	5,674.9	51,904.0	1,313.26	Diesel and gasoline used for cargo transportation and power generators at our CEDIS in Toluca. The increase in fuel consumption during 2019 was due to the use of diesel in our emergency power plant, put into operation due to damage to the power grid caused by a storm. .

CLEAN TRANSPORTATION PROGRAM

In 2020, our logistics fleet joined the Clean Transportation Program of the Mexican Ministry of the Environment and Natural Resources (SEMARNAT), obtaining a satisfactory rating in the environmental performance evaluation corresponding to our operation in 2019. In addition, as part of our Sustainability Program for Suppliers, our logistics transportation suppliers have joined the program.

Our goal for 2021 is for our cargo transportation and that of our logistics suppliers to adhere to global clean transportation programs.

Progress in our 2025 Sustainability Strategy.

OUR MANUFACTURING PLANT

In our new Industrial Cluster, we have integrated technology that ensures the correct and efficient use of resources, implementing a co-generation project, through which we will promote energy efficiency.

OUR CARBON FOOTPRINT

GRI 103-1; 305-1; 305-2; 305-3; 305-4

The effects of climate change are present in our daily lives, resulting in physical, financial, and human health risks that could significantly affect our operations. For this reason, we are aware of the role we play in contributing to mitigating and fighting climate change.

We identify and quantify Greenhouse Gas (GHG) emissions to identify areas of opportunity and generating strategies. This measurement has become an indicator of the intensity of our resource use, the financial efficiency of the organization, and an essential part of our risk analysis associated with global warming.

The operational limits for calculating the carbon footprint are defined according to direct and indirect emissions:

SCOPE 1: DIRECT GHG EMISSIONS

Considers emissions from sources owned or controlled by the Company, including emissions resulting from the combustion of fuels consumed and emissions generated by the use of diesel in emergency power generators, as well as emissions associated with the consumption of diesel and gasoline in our logistical transportation vehicles.

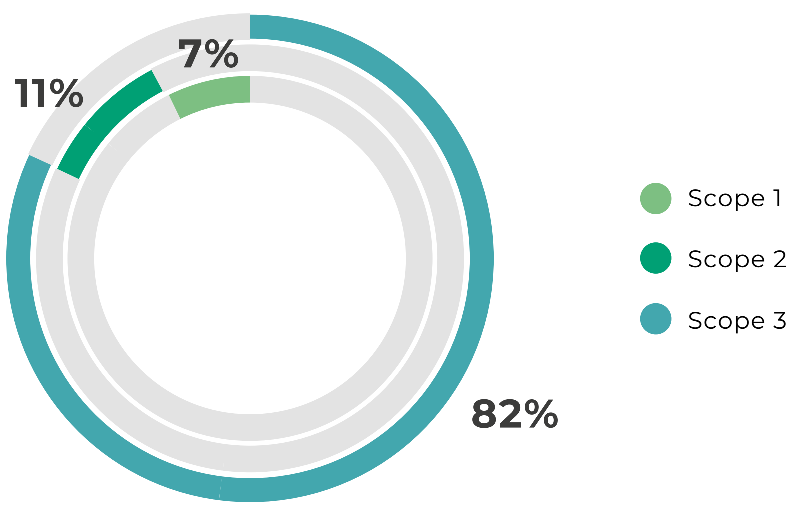
SCOPE 2: INDIRECT GHG EMISSIONS

These are emissions that derive from the Company's activity but occur at the plant where the electricity is generated. They include emissions associated with the generation of electricity purchased from a supplier and emissions associated with electricity consumption in our CEDIS.

SCOPE 3: INDIRECT GHG EMISSIONS

These are indirect emissions produced along the value chain, including emissions derived from diesel and gasoline consumption by the logistics transportation vehicles of the suppliers we subcontract in the logistics operation of our CEDIS.

EMISSIONS SCOPE	TYPE OF EMISSIONS	SOURCE	TOTAL EMISSIONS (tCO_2e), 2019	TOTAL EMISSIONS (tCO_2e), 2020
Scope 1: Direct emissions	Fixed and mobile sources	Diesel and gasoline	1,310.8	337
Scope 2: Indirect emissions	Electricity Consumption	Power supply company	614.4	577.1
Scope 3: Indirect emissions	Mobile sources	Diesel and gasoline	3,590.7	4,300.13
Total emissions			5,515.9	5,214.23



When quantifying total emissions, fossil fuels consumed by the logistics transportation of suppliers contracted by Genomma Lab represent the most important source of emissions in the GHG inventory, accounting for 82%. Our electricity consumption is the second largest source of emissions.

With the aim of reducing fuel consumption, we continually implement initiatives to optimize our logistics routes. During 2020, we had a 6% reduction in our emissions compared to 2019, our base year, meeting our target of reducing our emissions at least 4% by 2021.

Progress in our 2025 Sustainability Strategy

Our goal for 2023 is to reduce 20% of CO_2 emissions (Scope 1 and 3) related to our logistics operation in Mexico, compared to 2019.

At our Distribution Center (Toluca, Mexico) we went from 0.24 kg CO_2e/moved box in 2019 to 0.26 kg CO_2e/moved box in 2020.

MEASURING METHODOLOGY

The calculation of Greenhouse Gas (GHG) emissions was carried out under the General Law on Climate Change regarding the National Emissions Registry (RENE) and considering the Heat of Combustions published by the National Commission for the Efficient Use of Energy (CONUEE) corresponding to the year 2020, the Global Warming Potentials defined by the GHG Protocol and the Emission Factor of the National Electric System for the 2020 period of the Energy Regulatory Commission (CRE). The Greenhouse Gases considered in this calculation are carbon dioxide (CO_2), nitrous oxide (N_2O) and methane (CH_4).

Methodologies that meet the Corporate Accounting and Reporting Standard of the GHG Protocol, the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

OUR RESPONSE TO CLIMATE RISKS AND OPPORTUNITIES

Our analysis of climate risks and opportunities will be updated in the first months of 2021 with the advice of an external consultant. By taking this step, we seek to identify the most relevant climate risks and opportunities for the Company in the coming years.

This study considers the Task Force on Climate Related Financial Disclosures (TCFD) framework of recommendations for disclosing the measurement and control of risks related to climate change. This involves identifying physical and transitional climate risks, as well as the most relevant financial risks and opportunities.

The analysis also includes identifying industry risks and global trends that could have an impact on our operations, as well as on our products. On the other hand, it includes the gathering of information on specific risks in different areas of the Company and in the countries where it operates. In addition, it will consider current risk management mechanisms and adaptation strategies according to the identified challenges associated with climate change.

Risks and opportunities will be assessed quantitatively to prepare a matrix describing their situation according to the following criteria: their typology, boundary (classifying internal and external risks), probability of occurrence, and potential damage or benefit.

It is of great importance for the Company to understand the risks and opportunities to which we are exposed in order to identify actions that will allow us to be prepared for future eventualities and enable us to achieve the climate goals we have set through our 2025 Sustainability Strategy.

CORPORATE **GOVERNANCE**

Our growth strategy, implemented during 2019, has delivered outstanding results during 2020 despite being a year of important challenges. The Company is convinced that part of its success stems from an excellent Corporate Governance model, defined by its strong commitment to implementing best practices, based entirely on transparency and absolute ethics. We are fully committed to seeking sustainable economic growth, adhering to our high standards of integrity, complying with laws and regulations of all the countries where we operate.

Each member of the team understands the importance of a winning culture by always demonstrating ethical and transparent management. The actions we take daily are ultimately aimed at creating value for our stakeholders.

NOMINATION

GRI 102-24

Due to our very nature, transparency and integrity are part of our essence. In this section, we present every mechanism, documents, measures, procedures, and policies we have in place to ensure great corporate governance practices. We also present the members of our Operating Committee and the functioning of our General Assembly. The members of the Board of Directors are elected and re-elected individually by the Annual General Shareholders' Meeting. The bylaws dictate that it may be composed of a maximum of 21 members, of which at least 25% must be independent, in accordance with the Mexican Securities Market Law.

The Board of Directors is comprised of 10 proprietary directors, 7 of whom are independent. This corporate governance body meets quarterly to comprehensively evaluate the state of the business, analyzing economic, operational, risk, social and environmental issues, as they arise.

The average attendance of the members of the Board of Directors at the meetings held during 2020 was 95%, whereas the minimum average attendance required of the members of the Board of Directors is 51%.

PERFORMANCE ASSESSMENT

GRI 102-28

It is conducted annually by the shareholders (investors) based primarily on the annual performance of the business, which encompasses all its aspects, including economic, social, and environmental issues, and taking into consideration the Activities Report of the Board, the Activities Report of the Chief Executive Officer and the Activities Report of the Audit and Corporate Practices Committee. They decide and vote on whether the members of the Board are to be ratified or replaced.

We consider the assessment to be independent since it is performed by our shareholders on an annual basis, and it is not a self-assessment. In the recent history of Genomma Lab Internacional S.A.B. de C.V. there have been no requests from shareholders to replace the members of the Board of Directors. On the other hand, the members of the Board of Directors perform a regular self-assessment of board performance based on The Four Pillars of Board Effectiveness of the International Institute for Management Development (IMD). The Company is in a process of continuous improvement in all aspects of its operation, including economic, social, and environmental issues.

CONTINOUS UPDATING

GRI 102-27

Due to their professional profile and the different activities they perform outside the Company, the members of the Board of Directors are up-to-date on economic, tax, compliance, social, and environmental issues. Additionally, the Legal Department, with the support of the Non-member Secretary of the Board of Directors, frequently provides updates to the members of the board on relevant regulatory and compliance issues.

COMPENSATION PROCESS

GRI 102-35; 102-36

The Annual General Shareholders' Meeting is the body that determines and regulates the compensation of the Members of the Board of Directors and of the Audit and Corporate Practices Committee on an annual basis. Likewise, the compensation of senior executives is determined by the Board of Directors with the advice of the Audit and Corporate Practices Committee. Both bodies seek to ensure that this compensation is linked to business performance and based on reasonable market rates and prices.

As part of the performance assessment parameters for senior executives, the management of the material issues identified for the Company is considered, and in the case of the Chief Executive Officer, financial metrics such as Return on Assets (ROA), Return on Equity (ROE), and Return on Invested Capital (ROIC) are evaluated, as well as the stock price performance in relation to the Price and Quotations Index (IPC, for its initials in Spanish) of the Mexican Stock Exchange.

CONFLICT OF INTEREST

GRI 102-25

In the event of a conflict of interest, preventive mechanisms are applied, and the Board Members involved shall refrain from voting. The Mexican Securities Market Law includes provisions regarding management of conflicts of interest, to which we strictly adhere. By virtue of the above, persons who are in this situation abstain from learning about and voting on the matter in question. Additionally, there are mechanisms to prevent conflicts of interest within the Company, which are established by the Ethics Committee and in the event there is a potential conflict, management bodies of the Company analyze such matters and take the corresponding actions.

BOARD OF DIRECTORS

GRI 102-18

BOARD OF DIRECTORS[1]

Related Proprietary Board Members

Rodrigo Alonso Herrera Aspra[2]
Sabrina Lucila Herrera Aspra[2]

Independent Proprietary Board Members

Jorge Ricardo Gutiérrez Muñoz
Juan Alonso
Javier Vale Castilla
Ignacio González Rodríguez
Carlos Javier Vara Alonso
Marco Francisco Forastieri Muñoz

Independent Patrimonial Board Member

Juan Carlos Gavito Aspe

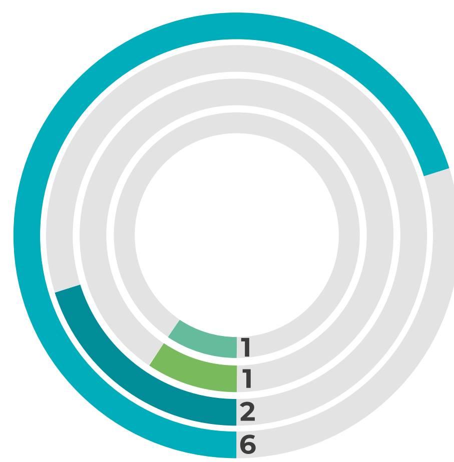
Equity Proprietary Board Member

Burkhard Wittek

Alternate Board Member

Renata Virginia Herrera Aspra [2,3]

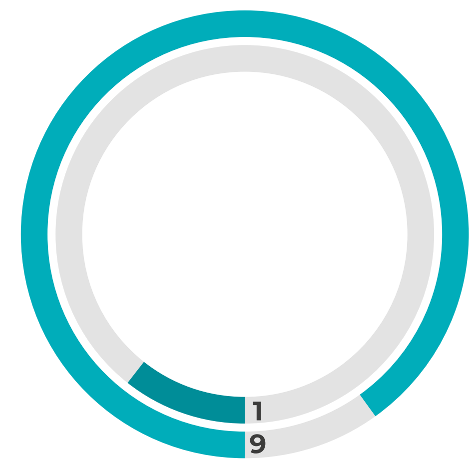
BY INDEPENDENCE



- Independent Proprietary Board Members *
- Related Proprietary Board Members
- Independent Patrimonial Board Members *
- Equity Proprietary Board Members

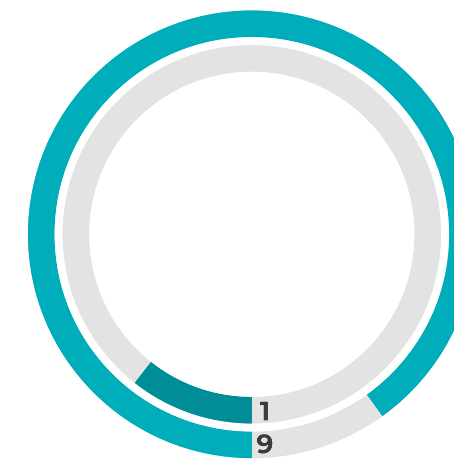
*They are deemed independent under the criteria of Art. 26 of the Mexican Securities.

BY GENDER



- Men
- Women

BY AGE RANGE



- 30 - 50 years old
- Over 50 years old

1. As of April 30, 2021.
2. Mr. Rodrigo Alonso Herrera Aspra, Mrs. Sabrina Lucila Herrera Aspra and Mrs. Renata Virginia Herrera Aspra are siblings.
3. Mrs. Renata Virginia Herrera Aspra is the Alternate Board Member appointed for Mr. Rodrigo Alonso Herrera Aspra and Mrs. Sabrina Lucila Herrera Aspra.

FUNCTIONS OF THE BOARD OF DIRECTORS

GRI 102-20; 102-21; 102-29

Establish the general strategies for running the business.

Oversee the management and operation of the Company and of the legal entities it controls, considering their relevance to the financial, administrative, and legal situation of the Company, as well as the performance of the relevant executives.

Approve, with the prior opinion of the competent committee:

- The policies and guidelines for the use or enjoyment of the assets that make up the Company's equity and those of the legal entities controlled by the Company, by related parties.
- Each transaction with related parties intended to be entered into with the Company or its controlled entities.
- The guidelines regarding internal control and internal audit of the Company and the legal entities controlled by the Company.
- The Company's accounting policies, in accordance with the accounting principles recognized or issued by the National Banking and Securities Commission.

Manage liability in economic, environmental, and social issues, through the Operating Committee and the Global Sustainability Committee, in line with the provisions of the Company's 2025 Sustainability Strategy.

AUDIT AND CORPORATE PRACTICES COMMITTEE

Chairman

Jorge Ricardo Gutiérrez Muñoz

Members

Juan Carlos Gavito Aspe
Juan Alonso

FUNCTIONS OF THE AUDIT AND CORPORATE PRACTICES COMMITTEE

- Advise on the Company's external auditors, as well as evaluating their performance and analyzing their reports.
- Analyze and supervise the preparation of the Company's financial statements and inform the Board of Directors of any anomalies detected in matters of internal control and auditing of the issuer.
- Receive and analyze recommendations and opinions from shareholders, members of the Board of Directors, executive directors, external auditors and any third party, as well as to take any measures it deems necessary.
- Provide advice to the Board of Directors on matters within its competence in accordance with the Mexican Securities Market Law.
- Request the opinion of independent experts in such cases as it deems appropriate for the proper performance of its duties or when required by the Mexican Securities Market Law or the general provisions thereof.
- Convene the Shareholders' Meeting and ensure that any items they deem pertinent are included in the agenda of such meetings.
- Support the Board of Directors in the preparation of the reports referred to in article 28, section IV, paragraphs d) and e) of the Mexican Securities Market Law.

The Chairman of the Audit and Corporate Practices Committee shall prepare and submit an annual report to the Board of Directors, which shall contain, among other information:

- The transactions with related parties during the reporting period, detailing the characteristics of most significant ones.
- The status of the Company's internal controls and audits, as well as any derivation or deficiency thereof, considering the corresponding reports of the external auditors and independent experts.
- The results of any preventive or corrective measure taken based on inquiries related to the incompliance with operation or accounting policies.
- The assessment performed by external auditors.
- The results of the review of financial statements of the Company and its subsidiaries.
- The description and effects of changes in accounting policies.
- Actions taken following feedback from the Company's shareholders, members of the Board of Directors, executive officers and third parties regarding accounting, internal controls, internal and external audits.
- The compliance of the resolutions adopted by the shareholder's meetings and the Board of Directors.
- The chairman shall also decide how to incorporate these aspirations and goals into the Company's planning processes, policies and business strategies.

REPORT OF THE CHAIRMAN OF THE AUDIT AND CORPORATE PRACTICES COMMITTEE

Mexico City, Mexico, April 13, 2021

To the Board of Directors and the Shareholders' Meeting of Genomma Lab Internacional, S.A.B. de C.V.

In accordance with article 43, sections I and II of the Mexican Securities Market Act (SMA), the undersigned, Chairman of the Audit and Corporate Practices Committee of Genomma Lab Internacional, S.A.B. De C.V. (the "Company"), I hereby present to you the following Annual Report approved by all the members of said Committee, corresponding to the fiscal year ended December 31, 2020:

In consideration of the provisions contained in the Securities Market Law, the Committee focused during this period, generally and mainly, on the following:

1. To carry out the auditing activities conferred by law to support the Board of Directors.

2. To hold periodic and continuous meetings with the Management, as well as with the external auditors.

3. To develop the activities around corporate practices conferred by law to support the Board of Directors.

Regarding specific concepts corresponding to the functions approved for this Committee, we report the following results:

1. In Audit matters:

A. Internal Control and Internal Auditing System of the Company and legal entities it controls.

Considering the opinions, reports, communications and the external audit opinion, the Company continues to verify compliance with the most relevant internal control provisions in the handling of financial information, and as a result, I hereby state that the Company maintains internal control policies and procedures that provide reasonable assurance in the operations it conducts.

The differences in internal control matters that were analyzed by the Committee had no significant impact on the Company.

The Company has timely addressed the recommendations issued by the Committee and its external auditors to improve its internal control and audit system, as well as to correct the deficiencies and deviations of such system.

B. Preventive and Corrective Measures Implemented in relation to the Guidelines and Policies of Operation and Accounting Record.

The Committee has ensured the objectivity and integrity of the accounting records, as well as compliance with the Company's Operating and Accounting Policies and Guidelines, which were consistently applied in the preparation of the Company's financial statements through December 31, 2020. Likewise, the work plans of the internal audit function of the Company were reviewed and approved.

C. External Auditor's Performance Evaluation.

A favorable opinion was issued to ratify the firm Galaz, Yamazaki, Ruiz Urquiza, S.C. as the external auditor of the Company, to audit the consolidated financial statements for the Company's 2020 fiscal year, as well as for the ratification and/or appointment of the external auditors to audit the financial statements of the Company's main subsidiaries.

For the year ended December 31, 2020, for the audit services of the consolidated financial statements of the Company and its main subsidiaries, a budget of $4,492,000.00 Mexican pesos (four million four hundred ninety-two thousand Mexican pesos) plus VAT was authorized.

The work plans for auditing the financial statements and internal control compliance provided by the external auditing firms were reviewed and approved in full.

Through interviews and sessions of the Committee with external auditors, we ensured that they complied with the requirements of independence.

For fiscal year 2020, together with the external auditors and the Company's Management, we reviewed their comments on the internal control and the procedures and scopes applied in the audit.

As a result of the above, the Committee agrees with the performance and results offered by the Company's external auditors.

D. Result of the Reviews to the Financial Statements of the Company and of the Legal Entities that it Controls.

The Committee reviewed the consolidated financial statements of the Company and subsidiaries through December 31, 2020, which were prepared based on consistently applied Financial Reporting Standards and in accordance with the applicable auditing standards and procedures, as well as the opinion of the relevant external auditor, which was issued without qualification or exception.

The Committee has recommended to the Board of Directors to approve the aforementioned financial statements. They reasonably reflect the financial situation and results of the Company; the relevant events have been adequately disclosed; the application of accounting policies and criteria have been consistent and adequate; the Company's management has complied with the implementation and assurance processes of the internal control systems, and with the recommendations made.

E. Opinion of the Audit and Corporate Practices Committee on the report referred to in Article 28, Section IV, paragraph c) of the Securities Market Law to be submitted to the consideration of the Company's Board of Directors.

In accordance with the provisions of Article 42, Section II, paragraph (e) of the Securities Market Law, after having held several meetings with the Company's Chief Executive Officer and with relevant officers of the Company and the companies controlled by it, regarding the content of the Chief Executive Officer's Report in terms of the provisions of Article 44, Section XI of the Securities Market Law, having reviewed the necessary information and supporting documentation, including the opinion issued by the firm Galaz, Yamazaki, Ruiz Urquiza, S.C. as External Auditor of the Company, the Committee considers that the Chief Executive Officer's Report to be submitted to the Shareholders Meeting is adequate and sufficient and that: (i) the accounting and reporting policies and criteria followed by the Company are appropriate and sufficient taking into consideration the particular circumstances of the Company; (ii) such policies and criteria have been consistently applied in the information presented by the Chief Executive Officer; and (iii) as a consequence of (i) and (ii) above, the information presented by the Chief Executive Officer fairly reflects the financial condition and results of the Company.

F. Measures Taken with Reason for Relevant Observations.

During fiscal year 2020, no significant observations were made by shareholders, directors, senior officers, employees of the Company and, in general, by any third party, with respect to accounting, internal controls and matters related to internal or external auditing, nor were there any complaints about events that they consider to be irregular in the administration.

G. Follow-up of the Resolutions of the Shareholders Meetings and of the Board of Directors.

The Company timely complied with the resolutions and recommendations issued by the Company's Shareholders Meeting and Board of Directors during fiscal year 2020.

2. Regarding Corporate Practices:

A. Performance of Relevant Directors:

During fiscal year 2020, the Company obtained satisfactory results and observed a favorable performance of the Company's Relevant Directors, since the objectives and priorities presented by the Company to the Board of Directors for the year 2020 were achieved.

B. Related Party Operations:

The Committee has verified the transactions carried out by the Company during fiscal year 2020, which have been made at market prices or, as the case may be, supported by valuations performed by external specialists.

C. Emoluments or integral compensation of the Chief Executive Officer and/or of Relevant Directors:

The Committee reviewed the annual compensation of the Chief Executive Officer and the Chairman, as well as the proposed compensation for other officers of the Company and issued its favorable opinion in this regard.

It also issued a favorable opinion on the ratification of the Company's Chief Executive Officer and on the Chief Executive Officer's emoluments and variable compensation package.

D. Waivers granted by the Board of Directors:

During the fiscal year ended December 31, 2020, there were no operations in which it was necessary to grant any waiver to the Board Members, Relevant Directors, or persons with power of command of the Company, in order for such persons to take advantage of business opportunities for themselves or the business in favor of third parties, which correspond to the Company or to the legal entities it controls or in which it has a significant influence.

E. Other activities of the Audit and Corporate Practices Committee:

During fiscal year 2020, the Audit and Corporate Practices Committee has reviewed, analyzed, and issued its favorable opinion regarding the following matters:

1) Certain litigations of the Company and its subsidiaries were reported.
2) A favorable opinion was issued for the approval of the audited annual financial statements of the Company and its subsidiaries with figures through December 31, 2019.

3) A favorable opinion was issued for the approval of the Company's financial information corresponding to the fourth quarter of 2019, as well as that corresponding to the first, second and third quarters of 2020.

4) An opinion was issued on the contracting of several financing agreements with financial institutions for a total amount of up to $1,000 million Mexican pesos.

5) A favorable opinion was issued for the ratification of the external auditors of the Company and its main subsidiaries and the fees for the corresponding services.

F. Composition of the Audit and Corporate Practices Committee and meetings held

The Audit and Corporate Practices Committee is composed of the following members:

Name	Position
Jorge Ricardo Gutiérrez Muñoz	Chairman
Juan Carlos Gavito Aspe	Member
Juan Alonso	Member

The Audit and Corporate Practices Committee of the Company held meetings or adopted resolutions out of session on February 24, April 14, April 20, July 20, and October 19, 2020, and at each meeting minutes were taken, or resolutions were recorded with respect to the adopted agreements.

Sincerely,

Jorge Ricardo Gutiérrez Muñoz
Chairman of the Audit and Corporate Practices Committee
Genomma Lab Internacional, S.A.B. de C.V.

BIOGRAPHIC INFORMATION OF THE BOARD OF DIRECTORS AND AUDIT COMMITTEE

GRI 102-22

RODRIGO ALONSO HERRERA ASPRA

CHAIRMAN OF THE BOARD OF DIRECTORS

Founder and main shareholder of Genomma Lab International. He has more than 23 years of experience in marketing and brand positioning strategies, he is responsible for the proper functioning of the Board of Directors and the evaluation of the Operating Committee.

Mr. Herrera has a degree in Engineering and Administration from Universidad Anáhuac, and a master's degree in Senior Management from Colegio de Graduados en Alta Dirección (IPADE).

He is a board member of Grupo Financiero Multiva S.A.B. de C.V., a company unrelated to Genomma Lab..

He has been part of the Board of Directors of Genomma Lab Internacional for 11 years.

JAVIER VALE CASTILLA

INDEPENDENT PROPRIETARY BOARD MEMBER

Founder and President of Grupo Vale Euro RSCG which is one of the four leading agencies in its field in Mexico, Mr. Vale has extensive experience in advertising, marketing, and corporate communications, and leads the operations of the advertising agency in 18 countries in Latin America.

Formerly he was the general manager of "Grupo de Televisoras del Pacífico", in Sinaloa. Later, he worked for Televisa for one decade, where he was Sales Director, managing five radio stations, five magazines, four television channels and the division of cable TV.

He studied a bachelor's degree in engineering in communications and electronics by the Instituto Politécnico Nacional (ESIME). Due to his merits and achievements in the communications and advertising fields, he was granted the title of Doctor Honoris Causa by Centro Universitario de Comunicación.

He has been part of the Board of Directors of Genomma Lab Internacional for 4 years.

JUAN CARLOS GAVITO ASPE

INDEPENDENT PATRIMONIAL BOARD MEMBER, MEMBER OF THE AUDIT AND CORPORATE PRACTICES COMMITTEE

Founder of Airos Capital, an investment fund focused in investment and private equity. In the past he was the manager of Nexxus Capital, where he engaged in IPOs of Genomma Lab and Grupo Hotelero Santa Fe, and private Mergers and Acquisitions (for example, Harmon Hall, Nasoft, Crédito Real, and Mármoles Arca). He has also served in the board of directors of many companies, including Taco Holdings and Recubre. Mr. Gvito studied a bachelor's degree in Industrial Engineering in Universidad Iberoamericana and a master's degree in Business Administration in IPADE.

He has served on the Board of Directors of Genomma Lab for 3 years.

JUAN ALONSO

INDEPENDENT PROPRIETARY BOARD MEMBER, MEMBER OF THE AUDIT AND CORPORATE PRACTICES COMMITTEE

He is currently CEO of ZAO Future Technologies, one of the largest construction companies of luxury homes in Russia. The brand is known in Russia as SUNCITY Developments.

In March 2007, he entered into a partnership agreement with BSG Investments of Israel, the real estate developer in Russia and the Community of Independent States, to develop close to one million square meters of commercial and residential real estate in Russia.

He is also a majority shareholder of ZAO SILVER Nizhny Novgorod, Nestlé's national water bottler in Russia. Previously, he was president of Domino's Pizza Jalisco, S.A. de C.V., master franchisee of Domino's Pizza in central Mexico, as well as the majority shareholder of Baskin Robbins in Mexico City.

He has been a member of the Board of Directors of Genomma Lab Internacional for 12 years.

CARLOS JAVIER VARA ALONSO

INDEPENDENT PROPRIETARY BOARD MEMBER

Founder of Vace Partners. Previously, he worked for 9 years at Citigroup as Director of the Investment Banking team for Mexico and Latin America. He is currently a member of the Board of Directors and Finance Committee of Grupo Gigante, a member of the Board of Directors and Chairman of the Development Committee of Hoteles Presidente, shareholder and member of the Board of Directors of Fhipo and was also a member of the Board of Directors and Finance Committee of Aeromexico.

His experience includes projects in companies in diverse industries such as financial institutions, consumer goods, retail, industrial conglomerates, education, transportation, and mining metals.

He holds a degree in economics from Instituto Autónomo de México (ITAM) and an MBA in Yale School of Management.

He has been part of the Board of Directors of Genomma Lab Internacional for 3 years.

JORGE RICARDO GUTIÉRREZ MUÑOZ

CHAIRMAN OF THE AUDIT AND CORPORATE PRACTICES COMMITTEE, INDEPENDENT PROPRIETARY BOARD MEMBER

Public Accountant graduated from Instituto Politécnico Nacional with a Master's Degree in Finance from Universidad La Salle, he has been member of the Boards of Direction of: Mexichem, S.A.B. de C.V., Grupo Aeroportuario del Centro Norte, S.A.B. de C.V., Grupo Pochteca, S.A.B de C.V., and Bolsa Mexicana de Valores, S.A.B de C.V.

Likewise, he has been the Chief Executive Officer of Mexichem, S.A.B. de C.V., CEO and Member of the Board of Directors of Grupo Industrial Camesa and Industrias Synkro, Vice President of Corporate Development in Empresas Lanzagorta and Chief Financial Officer of Indetel/Alcatel.

He has been a member of the Board of Directors of Genomma Lab Internacional for 6 years.

IGNACIO GONZÁLEZ RODRÍGUEZ

INDEPENDENT PROPRIETARY BOARD MEMBER

He is the CEO of FAGO and a member of the Board of Directors of Grupo Pavisa S.A. de C.V., a 60-year-old company specializing in manufacturing and marketing specialty glass and crystal packaging for a variety of industries including cosmetics and pharmaceuticals, as well as ultra-premium liquors and high quality food and beverages.

He studied a bachelor's degree in Marketing in the ITESM and a postgraduate in IPADE.

He has been part of the Board of Directors of Genomma Lab Internacional for 3 years.

BURKHARD WITTEK

PROPRIETARY EQUITY BOARD MEMBER

Founding Partner and CEO of Forum Family Office Services GmbH (FFO), a Munich, Germany-based company with assets exceeding €100 million euros s (sic). Mr. Wittek has more than 35 years of experience in asset management, he was a partner with worldwide responsibility for the sectors of consumer goods/retail and health for Boston Consulting Group and advisor of the private equity fund of MTH München Trust Holding GmbH.

Mr. Wittek has a Ph.D. in administration and finance from the University of Innsbruck and an MBA from Harvard Graduate School of Business.

He currently serves as Non-Executive Chairman of the Board of Directors of Immunodiagnostic Systems Holdings PLC, Cobo Fluid System GmbH, Rdl Group GmbH and Suxxeed Sales Four Your Suxxess GmbH.

He has been on the Board of Directors of Genomma Lab International for 3 years.

SABRINA LUCILA HERRERA ASPRA

RELATED PROPRIETARY BOARD MEMBER

She has collaborated for 15 years in different companies, including Posadas de México, in the areas of public relations, administration and finance. In 1998, she joined Genomma Lab to manage the company's international sales. In 2004, as Director of International Operations, she initiated the opening of Latin American markets, replicating the Company's business model.

She holds a degree in Information from Universidad Anáhuac and a master's degree in senior management in the Graduate School of Senior Management. She is Chairman of the Board of Directors and shareholder of HEROE, S.A. de C.V., member of the Board of Directors of Alimentos Siosi, S.A. de C.V. and member of the Board of Directors of Outhinkers Fund, Inc. None of these companies are related to Genomma Lab.

She has been a member of the Board of Directors of Genomma Lab Internacional for 9 years.

MARCO FRANCISCO FORASTIERI MUÑOZ

INDEPENDENT PROPRIETARY BOARD MEMBER

He holds a law degree from Escuela Libre de Derecho (ELD) and has more than 30 years of experience in transactional, corporate, financial and Securities Market Law, both in Mexico and worldwide. He was a founding partner of the firm Forastieri Abogados. He was also Senior Partner of the legal practice of Ernst & Young (EY), where he held the position of Leader for the Northern Region of Latin America.

He is also Secretary of the Board of Directors of other Mexican companies. He held the position of Secretary Non-Member of the Board of Directors of the Company until February 2020.

He has been part of the Board of Directors of Genomma Lab Internacional for 1 year.

RENATA VIRGINIA HERRERA ASPRA

RELATED ALTERNATE BOARD MEMBER

She held various management positions at Genomma Lab Internacional, S.A.B. de C.V., such as Director of Research and Development, Special Launches, Human Resources and Production. Previously, she developed tailor-made programs for Seguros La Comercial, in the major medical insurance subsidiary.

She also worked for several years with cancer patients, reporting to the Government of the State of Queretaro and was a professor at Universidad Autónoma de Querétaro for three years. She has a degree in Computer Sciences from Universidad Anáhuac.

She has been part of the Board of Directors of Genomma Lab International for 9 years.

OPERATING COMMITTEE

GRI 102-19; 102-20; 102-21

The Operating Committee is composed, as detailed below, of highly qualified professionals in the area, with an excellent track record and a high sense of leadership. The team is committed to achieving the Company's growth objectives, working together in each part of the process.

Rodrigo Alonso Herrera Aspra

Chairman
Chairman of the Board of Directors

Jorge Luis Brake Valderrama

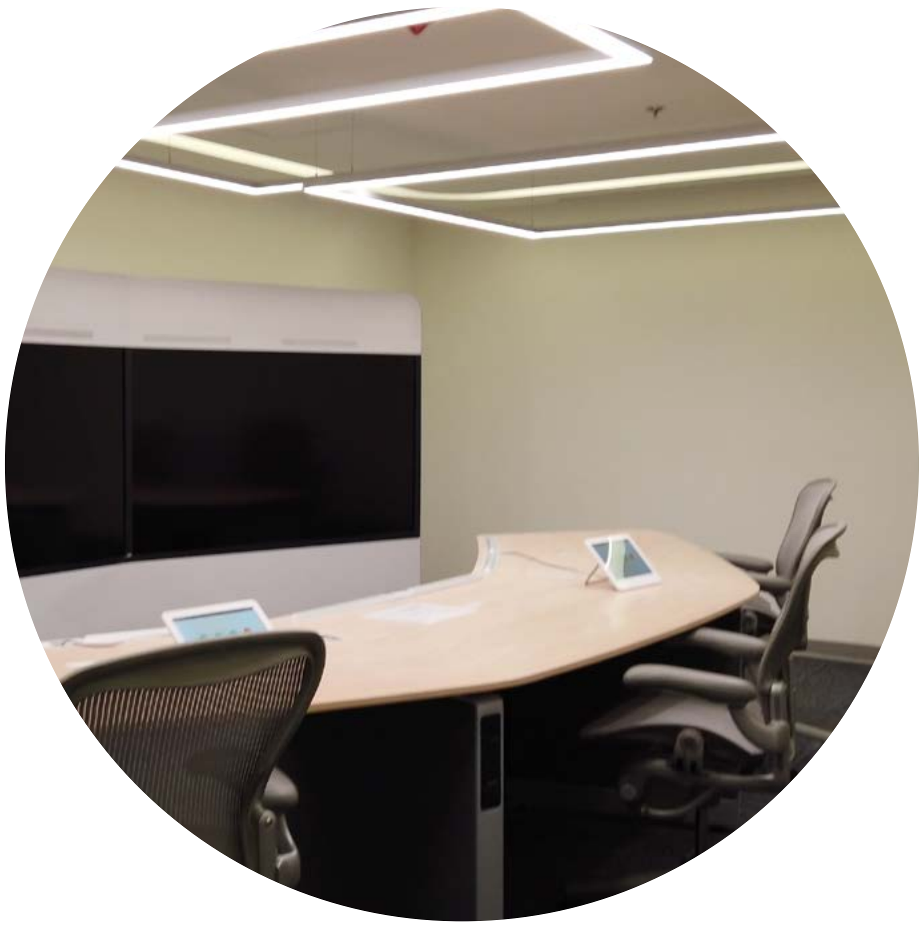
Member
Chief Executive Officer

Antonio Zamora Galland

Member
Vice President of Finance and Administration

Juan Marco Sparvieri

Member
Vice President of Operations



In terms of the Securities Market Law, the Board of Directors relies on the Chief Executive Officer and certain relevant executives to manage, conduct and execute the business, by delegating to them, within the limits permitted by the same law, the authority to address social, economic and environmental issues, which are managed through the Company's Global Sustainability Committee, led by the Chairman of the Board of Directors and the Chief Executive Officer, as well as by leaders of strategic areas at a global level.

In addition to the members of the Operating Committee, **Mr. Alejandro Bastón Patiño**, Vice President of Institutional Relations, Media, Human Resources and Sustainability, is responsible for stakeholder consultation on economic, environmental and social issues, through the materiality study conducted during 2020, the results of which are presented to the Global Sustainability Committee, Operating Committee and Board of Directors for consideration within the Company's comprehensive strategy. Learn more about our materiality analysis and stakeholder consultation processes on page 25.

PARTICIPATION IN INDUSTRY **CHAMBERS AND ASSOCIATIONS**

GRI 102-13

Through our participation in external forums, such as sector chambers or associations, we implement best practices in our industry and keep up-to-date of regulatory developments in all the countries where we operate. In other words, this is a tool that allows us to remain current at the regulatory level.

We currently belong to 23 regulatory and scientific-technical commissions or forums in prestigious chambers and entities in the region, of which 12 are in the Personal Care area and 11 in Medications. We are part of seven Steering Committees within the chambers in which the Company is involved, and we actively participate in the commissions on relevant topics for the categories in which we participate in the market.

COSMETIC CHAMBERS AND ASSOCIATIONS

CHAMBER	COUNTRY
Cosmetics, Toiletries and Home Care Industry Council of Latin America *(Consejo de la Industria de Cosméticos, Aseo Personal y Cuidado del Hogar de Latinoamérica,* CASIC)	Latin America
Personal Care Products Council (PCPC)	United States of America
Personal and Home Care Industry *(Industria del Cuidado Personal y del Hogar,* CANIPEC)	Mexico
Costa Rican Chamber of Commerce – Cosmetics Commission *(Cámara de Comercio Costa Rica – Comisión Cosméticos)*	Costa Rica
Home and Personal Care and Hygiene Manufacturers Association, Inc. *(Asociación de Fabricantes de Productos para el Cuidado e Higiene Personal y del Hogar, Inc.,* AFAPER)	Dominican Republic
Colombian National Association of Entrepreneurs - Personal Care Cluster *(Asociación Nacional de Empresarios de Colombia- Clúster Cuidado Personal,* ANDI)	Colombia
PROCOSMÉTICOS	Ecuador
Peruvian Cosmetics and Hygiene Committee *(Comité Peruano de Cosmética e Higiene,* COPECOH)	Peru
Bolivian Cosmetics, Hygiene and Toiletries Association *(Asociación Boliviana de Cosmética e Higiene y Aseo,* AB-COH)	Bolivia
Brazilian Personal Hygiene, Perfumery and Cosmetics Industry Association *(Asociación Brasilera de la Industria de Producto de Higiene Personal, Perfumería y Cosméticos,* ABIHPEC)	Brazil
Argentine Chamber of Cosmetics and Perfumery (*Cámara Argentina de Cosmética y Perfumería,* CAPA)	Argentina
Chamber of the Cosmetic Industry of Chile *(Cámara de la Industria Cosmética de Chile)*	Chile

PHARMACEUTICAL AND MULTISECTORIAL CHAMBERS

CHAMBER	COUNTRY
Consumer Healthcare Products Association (CHPA)	United States of America
National Chamber of the Pharmaceutical Industry (*Cámara Nacional de la Industria Farmacéutica,* CANIFARMA)	Mexico
Association of Manufacturers of Over-the-Counter Drugs *(Asociación de Fabricantes de Medicamentos de Libre Acceso AC,* AFAMELA)	Mexico
Costa Rican Chamber of Commerce - Drugs Commission *(Cámara de Comercio de Costa Rica. Comisión Medicamentos)*	Costa Rica
Colombian National Association of Entrepreneurs - Drugs Cluster *(Asociación Nacional de Empresarios de Colombia- Clúster Medicamentos,* ANDI*)*	Colombia
COMSALUD	Peru
Bolivian Chamber of Commerce *(Cámara Nacional de Comercio de Bolivia)*	Bolivia
Pharmaceutical Industry Trade Union *(Sindicato de la Industria de Productos Farmacéuticos,* SINDUSFARMA*)*	Brazil
Brazilian Association of the Industry of Non-prescription Drugs *(Asociación Brasileña de Industria de Medicamentos exentos de prescripción,* ABIMIP)	Brazil
Chamber of Direct Sales *(Cámara de Venta Directa,* CAMEVED)	Chile
Argentine Chamber of Producers of Over-the-Counter Medicinal Specialties *(Cámara Argentina de Productores de Especialidades Medicinales de Venta Libre,* CAPEMVeL)	Argentina

It is important to emphasize that by belonging to these chambers in the Latin American region we maintain our commitment to comply with the stipulations of the codes of ethics in advertising, which establish obligations to society, the consumer and the companies, with the purpose of ensuring that the advertising activity is developed with respect for human dignity, preserving the cultural values of society with adherence to rules of fair competition, respecting all principles such as legality, truthfulness, honesty, verification and support, among others.

In 2020, we contributed **$6,744,266 MXN** in membership fees to cosmetic and pharmaceutical chambers and associations.

Highlights of our participation in chambers and industry associations in 2020

MEXICO

In 2020 we joined the chambers CANIPEC (Personal and Home Care Industry) and AFAMELA (Association of Manufacturers of Over-the-Counter Drugs AC), thus completing our representation in the chambers of cosmetics and over-the-counter medications in all key countries for the Company.

LATIN AMERICA

In 2020 we held the vice presidency of CASIC (Latin American Cosmetics, Toiletries and Home Care Industry Council) for the second time, through the representation of Luciana Santi, the Company's Global Regulatory Affairs Leader. We also actively participated in the Regulatory Affairs Committee of CASIC. Due to the travel and meeting restrictions implemented because of the current health contingency, the CASIC Annual Meeting, scheduled to be held in Lima, Peru, was held virtually. Luciana Santi participated as the Company's representative, in her capacity as Vice-President of the institution.

ARGENTINA

We continue with the co-leadership of the Regulatory Affairs Commission of the Chamber of Cosmetics and Perfumery Industry of Argentina (Cámara Argentina de la Industria de Cosmética y Perfumería, CAPA), keeping a position in the Board of Directors of the Commission.

MERCOSUR

As in previous years, we participated through the sectorial chambers of Brazil and Argentina in the preparation of the Mercosur meetings with sanitary authorities. This year, due to restrictions on travel and face-to-face meetings because of the sanitary contingency, the meeting was held remotely. In 2020, the harmonization of the Mercosur technical regulation on preservative substances was achieved through the Draft GMC Resolution 04/2019, which will update the list of Preservatives RES.GMC No. 07/11, and partially modifying the lists of restricted and prohibited substances, GMC Resolutions NN°24/11 and 62/14, respectively.

ETHICS AND INTEGRITY

GRI 102-16; 102-17; 103-1; 103-2; 401-2

Our priority within the Company is to live a corporate culture based on ethics and open listening that allows a work environment of trust and adherence to our Integrity Policies, with the support of a Corporate Governance aligned with the best practices, norms, and laws applicable in each country where we operate. Based on these actions, we always prevent unethical behavior and, in turn, promote a culture of legality both within the Company and in our relationships with our various stakeholders.

CODE OF CONDUCT AND ETHICS

During 2020 we updated our Code of Conduct and Ethics, together with our GEN BOOK, Integrity Policies, procedures, and applicable legislation. Our Code addresses issues such as respect for human rights, non-discrimination and harassment, occupational health and safety, community relations, environmental management, culture of legality, management of conflicts of interest, use of assets, confidential information, prevention of money laundering and anti-corruption, relations with authorities, political contributions, competition, relations with customers and suppliers, marketing, gifts, hospitality, courtesies, among other topics.

The Code is available on the Company's internal website, on the supplier portal, and on our corporate website available for consultation by our various stakeholders.

INTEGRITY POLICIES GRI 103-1; 103-2; 205-2

In accordance with the provisions of our Code of Conduct and Ethics and GEN BOOK, we have Integrity Policies that address in detail issues of particular concern to strengthen our culture of ethics and compliance..

GEN BOOK

CODE OF CONDUCT AND ETHICS

INTEGRITY POLICY	GUIDELINES
COMPREHENSIVE MANAGEMENT	We recognize the value of our human capital. We are committed to quality, as well as to the physical and mental well-being of our employees, environmental performance, social engagement, ethics, transparency, and profitability throughout our management, from any position in the organization.
STAKEHOLDER ENGAGEMENT	We seek to generate value for all our stakeholders through our commitment to practices that promote transparency and adherence to our values.
HUMAN RIGHTS	We are committed to promoting, defending, and monitoring compliance with universal human rights principles throughout our operations, respecting the principles of non-discrimination, prohibition of child exploitation and forced labor.
DIVERSITY	We are governed by respect and promotion of diversity, promoting a healthy, safe, violence-free, non-discriminatory, and inclusive work environment that allows the full development of all people with equal opportunities.
HEALTH AND SAFETY	We are committed to maintaining a work environment where health and safety is a priority, promoting the physical and mental well-being of each of our employees.
ANTI-CORRUPTION	We establish guidelines to prevent and avoid any act of corruption, money laundering and influence peddling by employees and/or third parties with whom we have a relationship, to comply with the anti-corruption laws applicable in the countries where we operate.
CONFIDENTIAL INFORMATION	We establish guidelines to maintain the confidentiality of information belonging to the Company and its subsidiaries, ensuring that the use of such information is only for the benefit of Genomma Lab.
CYBERSECURITY	We establish guidelines and security measures for all employees in order to avoid any risk or damage to our data and technology infrastructure, as well as to continuously promote the protection of customer and consumer information to which we may have access.
ENVIRONMENTAL	We are committed to the preservation of our environment and natural resources through continuous improvement in all our processes. We constantly search for new technology that reduces our environmental impacts, while seeking to permeate a culture of environmental preservation throughout our value chain.
PUBLICITY AND COMMUNICATION	We seek to maintain a relationship of trust with consumers through our brands and through honest communication, ensuring at all times that the information we provide through our advertising and communication is transparent and clear about the use, benefits, ingredients, innovation, and product launches.

GEN-TE escucha

We encourage a culture of open listening and reporting of illegal acts, as well as potential breaches of our Code of Conduct and Ethics, Integrity Policies and/or internal procedures through the formal reporting mechanisms we make available to our stakeholders.

Since 2019, the Ethical Care System GEN-Te Escucha has been in place. This is a formal mechanism implemented in every country where we operate and is available to use by Genomma Lab's employees and stakeholders: suppliers, customers, and neighboring communities, among others.

The system is managed by an autonomous third party, which makes it possible to submit any complaint or concern anonymously through the website, mail, or telephone line. It is available Monday through Saturday, from 8:00 a.m. to 8:00 p.m. Mexico City local time.

ETHICS COMMITTEE

GRI 102-17

The Ethics Committee is the internal body that oversees the correct compliance and application of each of the guidelines established in our Code of Conduct and Ethics, Integrity Policies, applicable laws, and GEN BOOK.

The Committee is responsible for receiving, investigating, and resolving cases of non-compliance by employees, suppliers, business partners and members of the communities surrounding our operation centers.

In order to perform their duties appropriately, the Ethics Committee is comprised of strategic areas of the Company, with an integral vision of the business, which are: General Management, Legal Management and Human Resources Management.

CASES OF NON-COMPLIANCE WITH INTEGRITY POLICIES

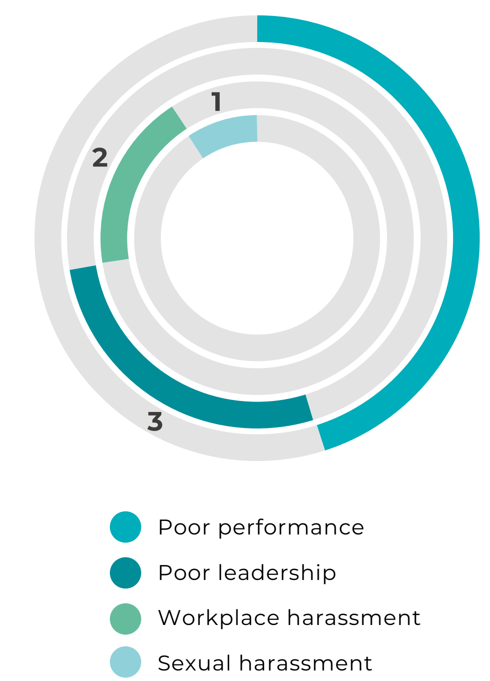
GRI 205-3; 406-1

In 2020, a total of 11 reports were filed globally through the Ethical Care System *GEN-Te Escucha*, managed by an autonomous third party. During the reporting period, there were no cases related to corruption and/or discrimination issues in the Company or in the relationship with our stakeholders.

In the 11 cases reported, a standard protocol was followed by the Ethics Committee and resolutions were implemented by the Human Resources area, considering the nature of the reports. All cases were closed following the corresponding investigations.

The corrective measures applied in response to the investigations ranged from reconciliation between the parties involved and training to identify weaknesses and areas for improvement, to the termination of the employment relationship with the person involved in a particular case.

NATURE OF REPORTED CASES



HUMAN RIGHTS

GRI 102-12; 103-1; 103-2; 412-1

We are committed to promoting and safeguarding respect for human rights throughout our operations, aware of our responsibility and influence to make a positive impact.

We are signatories to the UN Global Compact, aligning ourselves with its ten principles on human rights, labor, environment, and anti-corruption. We endorse our commitment to these principles annually by submitting a letter of ratification from the CEO, as well as our Communication on Progress (COP) to the UN Global Compact.

As part of our main guidelines, our Human Rights, Stakeholder Engagement, Health and Safety, and Diversity policies, our Code of Conduct and Ethics, our GENBOOK, and our Code of Conduct and Ethics for Suppliers reflect our commitment and position towards the promotion and defense of human rights, both for our own collaborators and our stakeholders.

Although we have solid mechanisms in place, such as our Human Rights Policy, there is always a possibility that our employees, subcontracted companies, and the contracting agencies we work with may fail to comply with the provisions of this policy.

To address the above, we performed a risk analysis of social and labor conditions in our operations centers: the new Industrial Cluster located in San Cayetano and the Distribution Center located in Lerma, both in the State of Mexico. As a result, we identified the risk factors applicable to our operations, using as a reference the standards defined by the International Finance Corporation (IFC), part of the World Bank.

Subsequently, we analyzed the probability and severity of each factor, to set a level of risk. Finally, we defined the controls for each risk in our operation in order to mitigate them. Some of the risk factors and mitigation measures identified from this exercise are as follows:

RISK FACTOR	**MITIGATION MEASURES**
Inadequate salaries, benefits, and contracts in the subcontracted companies we rely on to fill some operational positions.	• Obtaining evidence of the agreement with subcontracted companies, which establishes respect for the law and our labor policies. • Disclosing our Code of Conduct and Ethics for Suppliers.
Discrimination against foreign employees and non-compliance with local immigration law	• Complying with the Diversity and Inclusion Policy and the Human Rights Policy. • Creating Diversity Committees. • Training employees to identify cases of discrimination and harassment.
Verbal and physical harassment against collaborators.	• Training on the Human Rights Policy and the Code of Conduct and Ethics. • Training collaborators to identify cases of discrimination and harassment.

We make our Ethical Care System **GEN-Te Escucha** available to our collaborators and other stakeholders to report violations of human rights within our operation or in the interaction with our stakeholders. These cases are investigated by our Ethics Committee.

POLITICAL CONTRIBUTIONS

GRI 415-1

We recognize the importance of contributing to the integral development in the regions where we operate, as evidenced mainly by our performance during the global health crisis. For this reason, we participate in government programs in the different countries where we operate, which seek to improve living conditions and access to opportunities for different groups.

Some examples of this type of program are the Caravanas de Salud del DIF Oaxaca (DIF Oaxaca's Health Caravans) in Mexico and our support to the Colombian government's initiative Ayudar nos hace bien (Helping makes us better). In both cases we provide support through in-kind donations to promote the health and well-being of communities in vulnerable situations.

However, we do not make any contributions to political campaigns and/or political parties. On the other hand, no governmental institution holds more than 5% of the total voting rights among the Company's shareholders.

RISK MANAGEMENT

GRI 102-15; 102-30; 103-1; 201-2

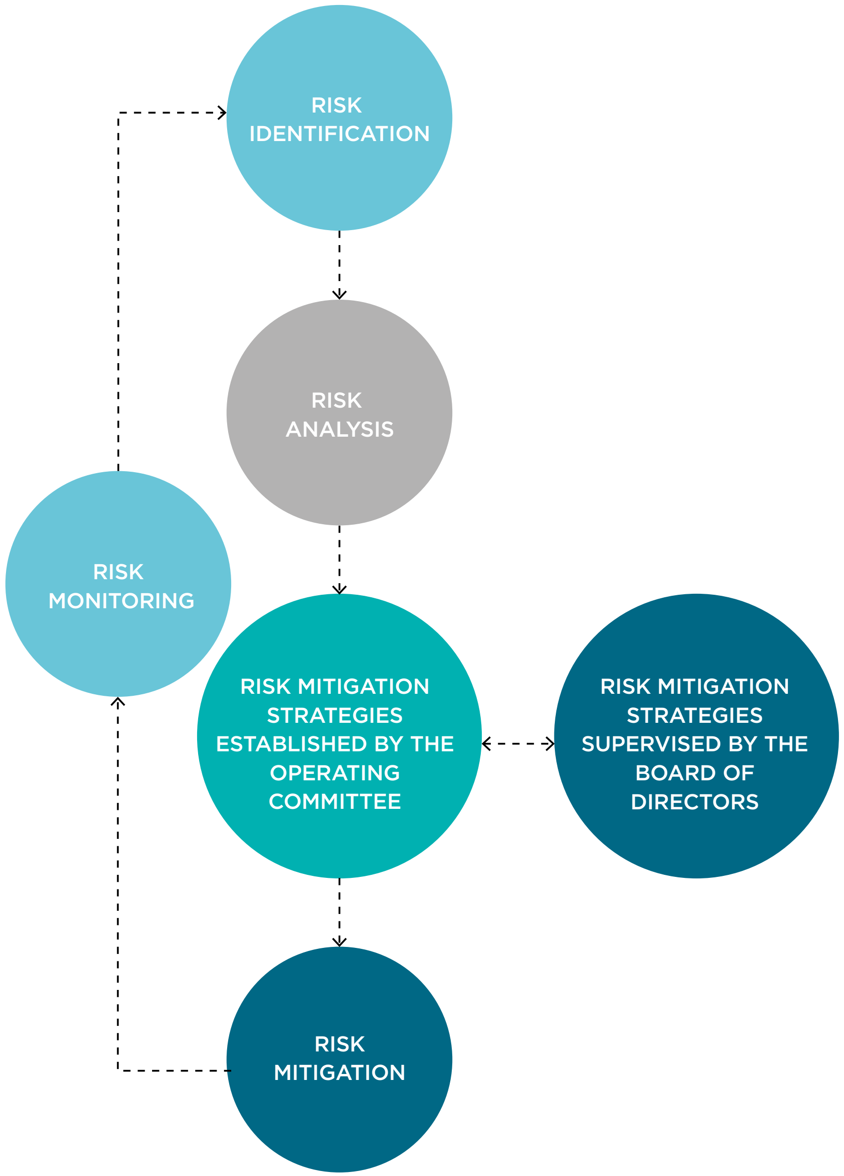
We identify and manage short, medium, and long-term risks that could significantly affect the business, operations, financial situation, or operating results of Genomma Lab Internacional. This process is essential to provide the Board of Directors and other corporate bodies with the necessary tools for the establishment of mitigation plans to reduce the impact of such risks, in addition to generating strategies to take advantage of the opportunities that they may represent. The Board of Directors, with the support of the Audit and Corporate Practices Committee, oversees the mitigation plans.

RISK MANAGEMENT PROCESS

We are consolidating an internal risk management culture through a multidisciplinary team from different areas and administrative levels in Genomma Lab, in charge of the main business processes. This team is responsible for identifying and measuring risks, using international methodologies, considering both the internal and external context of Genomma Lab, geographic situation, operations, and characteristics of the locations in scope, as well as the trends and opportunities that could have an impact on the operation.

These processes are documented, and the assets and threats associated with the main components of the risk analysis are qualified, following the Assets, Threats, Vulnerability, Probability, and Impact scheme. Based on this analysis, the Operating Committee establishes mitigation plans to reduce the impact that the identified risks could have in our operations, while developing strategies that allow the Company to take advantage of the opportunities that such risks may represent.

The Board of Directors, through the Audit and Corporate Practices Committee, monitors said mitigation plans. These plans are implemented and monitored by the operational teams responsible for each business process that may be impacted according to the risk analysis.



MAIN RISKS AND MITIGATION STRATEGIES

The following is a summary of some of the main short, medium, and long-term risks we have identified and their corresponding mitigation strategy. For more information on our risk factors, please refer to the **Annual Report (BMV Report)** at the following link:

PANDEMICS RESULTING FROM HUMAN-TO-HUMAN TRANSMITTED DISEASES

After the World Health Organization (WHO) declared the SARS-CoV2 (COVID-19) pandemic, authorities and governments in different countries adopted measures to prevent its spread, which led to a slowdown in various economic activities in different sectors such as consumption, tourism, and supply chains, to name a few. This affected all the countries where the Company operates, including Mexico, which during most of 2020 remained in red traffic light, implying the partial or definitive halt of activities considered as non-essential. Other key regions for Genomma Lab were also impacted, which was reflected in a decrease of traffic in retail centers, and therefore a lower demand for certain products marketed by the Company.

The Company cannot assure that the sanitary situation in Mexico and/or in the different regions where it operates is under control, nor can it anticipate the effects of possible future pandemics and/or global sanitary risks. Such effects could generate economic slowdown, recession, and even political and social unrest, which could negatively affect the Company's business and financial situation.

Mitigation actions

Following up on established strategies for managing crises and ensuring business continuity.

Monitoring health and safety protocols established to protect our collaborators and stakeholders.

Adapting our product portfolio to meet current consumer needs.

Strengthening our e-commerce channel strategy for the benefit of our customers and consumers.

Activating Genomma Lab Foundation's Alianzas por el Bienestar (Alliances for Well-Being) program, as well as our remote corporate volunteering in support of vulnerable communities.

ADVERSE ECONOMIC CONDITIONS

Much of Genomma Lab's operations depends on the performance of the economies of the countries where it operates. As a result, the Company's business, financial position, and operating results could be affected by fluctuations in consumption trends in the countries where it is present, directly affecting the markets it serves.

If consumption in the countries in which the Company operates were to be affected resulting in a decline in the markets in which the Company participates, the Company's business, financial condition or operating results could be affected.

Mitigation actions

Innovation and Portfolio Optimization.

Strengthening our Go-To-Market strategy, promoting initiatives that encourage product accessibility by diversifying our commercial channels.

Strengthening our direct distribution initiative in the traditional channel.

Strengthening our strategy for e-commerce channels for the benefit of our customers and consumers.

PRICE VOLATILITY

Mexico has experienced high inflation rates in the past. In 1994 the Banco de México Law was modified to guarantee full autonomy, as well as the monopoly of the issuance of banknotes and coins to the Central Bank. Since then, the annual inflation rate, calculated and published by the National Institute of Statistics and Geography (INEGI, for its initials in Spanish), has remained within the range dictated by the Banco de México. The annual inflation rate in Mexico was 3.15%, 2.83%, and 4.83% during 2020, 2019 and 2018, respectively.

A high inflation rate could adversely affect the Company's operations and results. Demand for the Company's products could be impacted by increased cost of sales, as well as lagging consumer purchasing power. Therefore, the Company could pass these negative effects of the operation on to the final consumer, thus generating an inflationary spiral.

Mitigation actions

Diversifying local suppliers.

Purchasing local raw materials.

Eliminating US Dollar-denominated debt.

CHANGES IN THE APPLICABLE REGULATIONS

The Company currently operates in 18 countries, all of which have different regulations regarding products. Any changes in laws, regulations and interpretations of such laws or regulations could alter the environment in which the Company conducts business in each country.

This includes changes to, among others, laws and regulations relating to health care, pharmaceuticals, advertising, consumer protection, environmental management, as well as changes in accounting standards and tax policies. If the Company fails to comply with applicable laws or regulations, it could face legal action, including fines or penalties that could adversely affect its international operating results.

The Company's potential inability to handle legal, regulatory and tax matters (including liability arising from the sale of its products, and intellectual property rights issues) and to resolve governmental registration issues relating to products required to be sold under current regulations could materially and adversely affect the Company's international business.

Mitigation actions

Complying with the laws and regulations of each country where we operate.

Committing to conduct all our business activities in strict compliance with applicable regulations.

Strengthening and continuously developing our regulatory support area.

Ongoing training of our teams in regulatory and legal matters.

Complying with our Integrity Policies and our Code of Conduct and Ethics, which address issues such as human rights; non-discrimination and harassment; health and safety; community relations; environment; culture of legality; conflicts of interest; use of assets; confidential information; anti-money laundering and anti-corruption; relations with authorities; political contributions; competition; relations with customers and suppliers; marketing; gifts, hospitality and other courtesies, among other issues.

Encouraging the use of our Ethical Care System *GEN-Te Escucha* for reporting cases of non-compliance with our Integrity Policies, Code of Conduct and Ethics and/or applicable regulations.

Promoting alignment with our Code of Conduct and Ethics and compliance with applicable regulations among the members of our value chain.

AFFECTATION TO THE REPUTATION OF OUR BRANDS

The Company's financial success is directly dependent on its brands. The success of such brands could be affected if marketing plans, or product initiatives do not have the desired impact on the brands' image or their ability to attract and retain customers. In addition, the Company's results could be affected if any of the major brands suffer significant reputational damage as a result of actual or perceived quality problems.

In addition, OTC products could give rise to unexpected uncertainty as to safety or efficacy, whether scientifically justified or not, which could result in increased regulation, product recalls, decreased sales, as well as liability actions, and any of the foregoing could have an adverse impact on the Company's business or the results of its operations. In the event that any of the Company's products are found to be defective or non-compliant with applicable specifications, Genomma Lab and its distributors may be subject to legal action.

Any prolonged or significant damage to the confidence of the Company's customers or consumers in the reputation, safety or effectiveness of its brands or products could have a material adverse effect on the Company's operating and financial results.

Mitigation actions

Assuring the safety and efficacy of our products through clinical and cosmetic efficacy studies.

Applying, following up and continuously improving the pharmacovigilance process to monitor the safety of our products.

Implementing, following up and continuously improving our Quality Management System (QMS).

Complying with and committing to the responsible labeling of our products under the applicable regulations, endorsed by the areas of Medical Management and Regulatory Affairs.

Monitoring and verifying the process of creating advertising content, endorsed by the Medical Management and Regulatory Affairs areas.

CONSUMER EXPECTATIONS

The Company's success depends to a large extent on the attractiveness of its products to a broad spectrum of customers whose preferences cannot be anticipated with certainty and are subject to change. If the Company's current products do not meet customer expectations, sales could decline.

In addition, Genomma Lab's growth depends on its ability to develop new products by expanding its current product lines and through modifications to existing products, which involves various risks. The Company may not be able to accurately identify customer preferences and translate its knowledge into products with consumer acceptance or successfully integrate these new products into its current product platform or operations. The Company could suffer the consequences of increased product development, marketing and advertising expenses, and such additional costs may not subsequently be covered by a sufficient level of sales, which could adversely affect the Company's profit margins.

In addition, product development could divert the attention of top Company officials from other business matters, and this could adversely affect sales of existing products. In this regard, even if new products are developed on schedule, such new products may not contribute favorably to the Company's results.

Mitigation actions

Strengthening our Consumer Intelligence & Analytics (CIA) team.

Innovation and Portfolio Optimization.

Strengthening of the Go-To-Market strategy.

RISKS IN THE VALUE CHAIN

The Company depends on various manufacturers to deliver high quality products, to comply with all Genomma Lab specifications and applicable regulatory requirements, to meet product delivery times and to be competitive in terms of price. If these manufacturers deliver defective products or otherwise fail to meet Genomma Lab's quality control specifications or applicable regulatory requirements, the Company's defect and return rates could increase, potentially causing the Company and its manufacturers to incur liability to its customers or end-consumers and be subject to legal action, thus affecting the credibility and reputation of the Company's products.

In addition, the Company imports to Mexico and to other countries with local suppliers, such as Argentina, Brazil, Peru, Ecuador, Colombia and the United States, various products and supplies from manufacturers or suppliers located primarily in Mexico, the United States, China, Israel, and France. Imported products could give rise to concerns regarding their compliance with regulatory requirements. If imported products do not comply or appear not to comply with the requirements established in each country's regulations, their entry could be prohibited and, if they are already in the corresponding territory, they could be withdrawn from the market, which could result in legal action against the manufacturers and distributors of such products.

On the other hand, if the Company's contracted manufacturers or suppliers do not comply with the delivery requirements or cease to do business with the Company for any reason (including, for example, the insolvency or bankruptcy of any supplier), the Company could fail to deliver on time to its distributors and customers, which in turn would cause such customers to cancel orders, refuse to accept product deliveries, demand a lower price, or reduce the volume of subsequent orders.

In the event that Genomma Lab has insufficient inventories to supply products to its customers, sales could decrease significantly, and the business would be affected. In addition, if the Company's manufacturers or suppliers are unable to deliver products on time or cannot continue to manufacture the products, the Company would have to seek other suppliers, which would involve identifying and certifying new manufacturers. The Company may not be able to identify or certify manufacturers of existing or new products in a timely manner, and such manufacturers may not meet the Company's requirements.

In addition, working with alternative manufacturers and suppliers with insufficient lead times could compromise required production targets, which could result in additional production expenses, delayed production, production of lower quality products or loss of competitive advantage or market positioning. The consequences of not ensuring timely and adequate supply and manufacturing of merchandise would have a negative impact on inventories, sales, and gross margins, and ultimately on the Company's operating results.

Moreover, the Company's current manufacturers and suppliers could increase the costs of the products they supply the Company with.

If the manufacturers and suppliers were to increase their prices, Genomma Lab's cost of sales would increase, and margins would be affected if such increases were not passed on to the customers or consumers.

On the other hand, our suppliers' and manufacturers' operations could be compromised by breaches in sustainability and social responsibility, such as those related to the violation of human rights; lack of industrial safety measures; non-compliance with ethical criteria; incorrect environmental management or violation of applicable labor and environmental regulations, among others. These factors may result in the interruption of the Company's supply by the closure of the facilities of such suppliers, in addition to the generation of reputational risks for Genomma Lab.

Mitigation actions

Reaching the goals established in our 2025 Sustainability Strategy in relation to our Value Chain.

Identifying critical suppliers in the value chain.

Establishing commercial agreements with critical suppliers.

Implementing, monitoring, and continuously improving our Quality Management System (QMS).

Conducting quality audits of suppliers prior to negotiations. Ensuring supplier alignment with our Code of Conduct and Ethics for Suppliers.

Strengthening the Sustainability Program for Suppliers. Evaluating our suppliers on social, environmental, and ethical issues.

PROTECTION OF OUR INTELLECTUAL AND INDUSTRIAL PROPERTY

The Company's inability to obtain or maintain adequate protection of its intellectual and industrial property rights, for whatever reason, could have an adverse effect on the Company's business, operating results, and financial condition. In addition, Genomma Lab cannot assure that its intellectual and industrial property rights will have the same degree of protection in Mexico as in other countries.

The existence of a market for the Company's products depends to a largely extent on the image and reputation associated with its brands and trade names. The trademarks and trade names of the Company's products are the vehicle through which the Company communicates that such products are "branded products", and therefore the Company believes that its customers attribute some value to such trademarks.

Genomma Lab owns the main trademarks and trade names that are used for the packaging and labeling, marketing, and sale of the Company's most important products. The ownership of its brands prevents them from being used by the Company's competitors and new market entrants.

Therefore, protecting the Company's trademarks and trade names is of paramount importance to the Company's business. Although most of the trademarks are registered in Mexico and in the countries in which the Company currently has operations, the Company may not be successful in maintaining the protection of its brands and trade names. Any third party could violate the Company's intellectual and industrial property rights, which could cause a decrease in the value of the trademarks.

If Genomma Lab were to lose the exclusive rights to its trademarks and trade names, or the value thereof were to decrease, or if its competitors were to introduce to the market brands that could cause confusion with the Company's brands, the value that customers attribute to the Company's brands could be affected, which could have a material adverse effect on its sales and results.

Any infringement of the Company's intellectual property or industrial property rights could result in the Company devoting substantial time and resources to the defense and protection of such rights through litigation, which could have a material adverse effect on the Company's business, results, or financial condition. Genomma Lab cannot assure that it will have the resources to enforce its intellectual property rights or that it will be successful in defending them.

The Company faces the risk of third-party claims for infringement of intellectual property rights. The Company's defense of any claim for infringement of intellectual property rights, including unfounded claims, could be costly and time-consuming, which could cause the Company to (i) cease manufacturing, licensing, or using products incorporating the intellectual property rights in dispute, or (ii) redesign, reengineer or assign new trademarks to the Company's products or services, or (iii) discontinue manufacturing, licensing, or using products incorporating the intellectual property rights in dispute; (ii) redesign, reengineer and rebrand the products or packaging, if possible; (iii) divert the attention and resources of the main executives of the Company; or (iv) have to enter, if possible, into licensing agreements to obtain the right to use the intellectual or industrial property of the third parties involved.

The Company's inability to exploit the trademarks subject to the claims could have a material adverse impact on the Company's sales and operating results.

Mitigation Actions

Complying with and protecting all applicable intellectual and industrial property regulations.

Managing and monitoring our trademark portfolio.

Complying with our Integrity Policies and Code of Conduct and Ethics, which address issues such as culture of legality; conflicts of interest; use of assets; confidential information; competition; relationships with customers and suppliers; and marketing, among others.

Aligning with the codes of ethics of the chambers and sectorial associations to which we belong, adhering to the rules of fair competition, respecting all principles such as legality, truthfulness, honesty, verification, and support, among others.

CLIMATE-CHANGE RELATED RISKS

The Company is exposed to negative effects due to climate change such as increases in raw material and/or production costs; stricter sanitary regulations; enactment of new and stricter laws and regulations; and/or amendments to existing environmental laws and/or regulations, specifically related to climate change, changes in consumption patterns and trends, etc., which could affect the Company's sales.

The Company distributes its products in Mexico through a distribution center located in the State of Mexico. A natural disaster or other catastrophe, such as fire, flood, storm, or other similar event could cause delays or interruptions in the distribution of products, as well as inventory losses, which could result in the Company's inability to fulfill all or part of its customers' orders on time.

In the event that an earthquake, fire, natural disaster, or other catastrophic event causes the destruction of a significant portion of any distribution center or interrupts the Company's operations for an extended period of time, the Company's net sales and operating results would be affected.

Mitigation actions

Achieving the goals established in our 2025 Sustainability Strategy in relation to Our Actions on Climate Change, Our Logistics, Our Water Management, Our Waste Management and Our Manufacturing Plant.

Complying with the provisions of our Environmental Policy Implementing the Environmental and Social Management System (ESMS) across our operation.

Increasing energy efficiency throughout our operation. Reducing our waste generation through waste prevention, reduction, recycling, and reuse activities throughout our operation.

Implementing a Wastewater Treatment Plant to operate our Industrial Cluster.

Adhering our logistics network to national clean transportation programs.

Having operational continuity plans in place to avoid significant disruptions to our operation.

Training our employees at all levels on climate change mitigation, considering the identification of risks and adaptation measures.

CYBERSECURITY

The Company relies on information technology and automated operating systems to manage and support our operations and to deliver our products to customers. Our systems and technology, as well as the services offered by external suppliers, may be vulnerable to damage, alteration or intrusion caused by events beyond our control, such as physical or electronic intrusion, power interruption, natural disasters, computer system or network failures, viruses or malware, unauthorized access, or cyber-attacks.

Any relevant disruption to our systems and leaks or theft of information could affect our compliance with data privacy laws, damage our relationships with employees, customers and suppliers and have a material adverse effect on our business, financial condition, results, and reputation.

Mitigation Actions

Complying with our Integrity Policies, and our Code of Conduct and Ethics, which address issues such as conflicts of interest; use of assets; confidential information; anti-money laundering and anti-corruption, among others.

Complying with our Cybersecurity Policy and training our employees on its contents.

Having cybersecurity controls and monitoring in place. Having disaster recovery plans and rapid response teams in place.

Strengthening insurance coverage.

Supervising the cybersecurity strategy through Jorge Ricardo Gutiérrez Muñoz, member of the Board of Directors and Chairman of the Corporate Practices and Audit Committee. The cybersecurity strategy is implemented by Héctor Curiel, Chief Technology Officer (CTO), supervised by Antonio Zamora, Chief Financial Officer (CFO), responsible for IT and Cybersecurity related issues.

TECHNOLOGICAL INFRASTRUCTURE FAILURE

The Company's ability to carry out its operations and maintain its level of competitiveness depends, among other factors, on its ability to innovate, maintain and/or upgrade its technological infrastructure in a timely and cost-efficient manner.

The Company must continually invest in and improve its technological infrastructure, such as Artificial Intelligence (AI), in order to maintain its competitive edge in the marketplace. The information generated, obtained, or received by the Company through its current technology systems may not be timely or sufficient to generate revenue more effectively, manage its risks or react to future events.

The Company may experience difficulties in upgrading, developing, and expanding such systems rapidly enough to accommodate the growth of its operations. The Company's inability to anticipate current market trends could have a material adverse effect on its competitiveness, financial condition, and results.

Mitigation actions

Investing in and continually improving our technological infrastructure.

Implementing our product demand planning model based on the fluctuation of the initial price applied at the point of sale.

Implementing a model applicable to our Manufacturing Plant to analyze and project the supply required by the market for a particular product based on national and international consumer trends and the current economic situation.

TALENT RETENTION AND ATTRACTION

The Company's success depends to a large extent on the performance of the Company's officers and other key employees, as well as its ability to recruit highly qualified executives and other key personnel.

The Company's future operations could be affected if any of its senior executives or key personnel were to leave the Company. Competition in the marketplace for senior executives is intense and the Company can give no assurance that it will be able to retain current personnel or attract additional qualified personnel. Losing a senior executive would result in the remaining executives of the Company having their attention immediately diverted to carrying out that executive's duties plus searching for a replacement.

Genomma Lab's inability to timely fill vacancies in high-level positions could affect its ability to implement business strategies, which would damage the Company's business and results.

Mitigation actions

Achieving the goals established in our 2025 Sustainability Strategy in relation to Our Team.

Strengthening our corporate culture.

Developing strategies and action plans according to the areas of opportunity identified in the labor climate survey and focus groups.

Implementing training and development programs for our employees.

Implementing well-being programs for our employees.
Developing initiatives that promote diversity, inclusion, and non-discrimination.

Strengthening our talent attraction strategy.

For more information on our risk factors, please see the Annual Report (BMV Report) at the following link:

RESULTS ANALYSIS AND DISCUSSION

CONSOLIDATED RESULTS FOR THE FULL YEAR 2020

Net Sales 2020

Net sales reached Ps. 13.87 billion, an increase of +9.1% compared to the previous year. This increase in sales reflects a resilient operating model, where innovation was a key component of growth in the different regions where the Company operates. To a lesser extent due to increased visibility of the portfolio, points of sale, new distribution channels and improved communication to all consumers.

Net sales during 2020 grew Ps. 1.16 billion; +9.1% year over year

EBITDA 2020

EBITDA for 2020 closed at Ps. 2.92 billion, compared to Ps. 2.47 billion for the same period of 2019. EBITDA margin closed at 21.1%, primarily due to the result of rigorous cost and expense control, accompanied by efficiencies achieved in marketing and an operating leverage effect associated with sales growth. This was partially offset by the increase in non-operating distribution expenses, as well as extraordinary expenses related to the launching of new products, expansion strategies in e-commerce platforms and digital channels, and investments related to the ramp-up of the new manufacturing plant.

EBITDA margin at the end of 2020 reached 21.1%, an expansion of 170bp year over year

Gross Profit 2020

Gross profit reached Ps. 8.59 billion at the end of 2020, compared to Ps. 8.10 billion in 2019. Gross margin at the end of 2020 decreased 180bp, closing at 61.9%. The decline in gross profit margin is mainly due to a negative effect on the sales mix, as certain higher-cost products contributed more significantly to sales. To a lesser extent, the increase is explained by extraordinary expenses related to the logistics for the move to the new Central Warehouse facility.

Selling, General, Marketing and Administrative Expenses 2020

Selling, General, Marketing and Administrative Expenses decreased 5.0 percentage points as a percentage of net sales for 2020, closing at 39.7%, compared to 44.7% for 2019. This positive variance is the result of operating leverage related to sales growth during 2020 and the Company's continued focus on expense control.

Selling, General, Marketing and Administrative Expenses decreased by Ps. 171.6 million year over year.

Comprehensive Financing Result 2020

The Comprehensive Financing Result represented an expense of Ps. 597.1 million during 2020, compared to an expense of Ps. 849.5 million reported in 2019. The positive variation of Ps. 252.5 million is mainly due to: i) a positive variation in exchange gain (loss) of Ps. 162.0 million during 2020; ii) a decrease of Ps. 145.6 million in financial expenses during 2020; iii) and to a lesser extent a slight increase of Ps. 2.6 million in financial income during 2020. This was negatively offset by a negative increase of Ps. $57.8 million in the loss related to the monetary position in the inflationary subsidiary of Argentina.

Income Taxes 2020

Income Taxes for 2020 reported a decrease of Ps. 28.9 million, closing at Ps. 769.2 million, compared to Ps. 766.8 million reported in 2019.

During the audited fiscal year 2019, the Company recorded a provision that was subsequently used as part of the voluntary tax payment made by the Company at the end of 2020. The voluntary payment has been fully completed and all discrepancies in judgment and audits opened with the tax authority (SAT, by its Spanish initials) from the 2013 fiscal year to date have thereby been resolved.

Net Income 2020

During 2020, net income reached Ps. 1.47 billion, compared to Ps. 764.5 million in 2019, representing a positive variation of +92.3% year over year.

Financial Position 2020

- Working Capital 2020: Working Capital was adjusted during the past year and the cash conversion cycle improved by 3 days, closing at 96 days at the end of 2020, compared to 99 days at the end of 2019.
- Accounts Receivable 2020: Accounts Receivable reached Ps. 4.03 billion by December 31, 2020. Likewise, accounts receivable reached 105 days; an increase of 8 days compared to the end of 2019.
- Inventories 2020: Inventories reached Ps. 2.05 billion by December 31, 2020. Inventories reached 139 days; a decrease of 10 days compared to the end of 2019.
- Trade Payables 2020: Trade Payables reached Ps. 1.64 billion by December 31, 2020. At the end of 2020, Accounts Payable stood at 148 days; an improvement of 1 day compared to 147 days at the end of 2019.

Fixed Assets 2020

The Company invested Ps. 577.6 million in the twelve months ended December 31, 2020, mostly allocated to the construction of the new manufacturing plant located in the State of Mexico.

Recoverable Taxes 2020

This position is comprised of claims against the tax authorities relating mostly to VAT (IVA) and income taxes. The position increased by Ps. 112.9 million compared to the end of the previous year.

Net Financial Debt 2020

Net Financial Debt decreased when with year-end 2019:

- Cash and cash equivalents amounted to Ps. 2.10 billion by December 31, 2020, representing an increase of +128.0% compared to the end of 2019.
- Gross Financial Debt reached Ps. 6.42 billion by December 31, 2020, compared to Ps. 6.03 billion in December 2019, representing an increase of Ps. 389.3 million year over year. The Company's long-term debt represented 69.3% of total debt at the end of 2020.
- Net Financial Debt reached Ps. 4.32 billion; a decrease of Ps. 791.6 million compared to December 31, 2019.

During 2020, the Net Debt to EBITDA ratio closed at 1.48x, in line with the Company's leverage expectations.

2020 Share Repurchase Program

The Share Repurchase Program reached a total balance of 36,665,792 shares by December 31, 2020, equivalent to Ps. 715.5 million. In other words, during the 12 months of 2020, the net increase was 605,000 shares with a value of Ps. 11.1 million.

Free Cash Flow from Operations 2020

Excluding investments made in the Company's new Industrial Cluster, adjusted free cash flow would have reached Ps. 1.87 billion for the twelve months of 2020. Most of the cash flow generated during the year was reinvested into the Company's new Personal Care manufacturing facility and Central Warehouse, as well as working capital investments to drive growth.

Investments made related to the Manufacturing Plant reached Ps. 577.6 million by December 31, 2020

Main Financial Ratios

FINANCIAL RATIO	AS OF DECEMBER 31, 2020
EV/EBITDA	9.0x
DN/EBITDA	1.47x
PE	13.4x
EPS	1.45x

Analyst Coverage 2020

As of December 31, 2020, "LAB B" " is covered by 14 sell-side analysts at the following brokerages: Actinver Casa de Bolsa, Banco Itaú BBA, Barclays Bank, BBVA Bancomer, BTG Pactual US Capital, Credit Suisse Casa de Bolsa, GBM Grupo Bursátil Mexicano, Grupo Financiero Banorte, HSBC Securities (USA), Invex Grupo Financiero, J.P. Morgan Securities, Monex Grupo Financiero, UBS Casa de Bolsa and Vector Casa de Bolsa.

Genomma Lab Internacional,
S.A.B. de C.V. and Subsidiaries

CONSOLIDATED FINANCIAL **STATEMENTS**

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018, AND INDEPENDENT AUDITORS' REPORT DATED OF APRIL 12, 2021

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF GENOMMA LAB INTERNACIONAL, S. A. B. DE C. V.

Opinion

We have audited the consolidated financial statements of Genomma Lab Internacional, S. A. B. de C. V. and Subsidiaries ("the Enitity" or "the Group"), which comprise the consolidated statements of financial position as of December 31, 2020, 2019 and 2018, and the consolidated statements of profit or loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Genomma Lab Internacional, S.A.B. de C.V. and Subsidiaries as of December 2020, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board.

Basis for Opinion

We conduct our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further explained in the Responsibilities of Independent Auditors for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Entity in accordance with the Code of Ethics for Accounting Professionals of the International Ethics Standards Council for Accountants (IESBA Code of Ethics) and with the one issued by the Mexican Institute of Public Accountants (IMCP Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code of Ethics and the IMCP Code of Ethics. We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are matters that, in our professional opinion, have been of the greatest significance in our audit of the consolidated financial statements for the 2020 financial year. These issues have been dealt with in the context of our audit of the consolidated financial statements as a whole and in the formation of our opinion on them, and we do not express a separate view on these issues. We have determined that the key audit issues described below are those that should be reported in our report.

Intangible assets - Impairment

(See Note 10 - Intangible assets)

Intangible assets mainly comprise brands.

Every year, the Entity performs an impairment analysis of its brands and other intangible assets as established by Internacional Accouting Standard 36 ("IAS 36") "Impairment of assets", in which future discounted cash flows are calculated to determine if the value of these assets has deteriorated based on the income that each one will generate in the following years. As in any projection of future results, there is the possibility that the assumptions used by management to calculate the cash flows differ from the actual results, both due to those related to the production capacity of the plant and the sale of products as well as those related to conditions external to the Entity, for which management applies judgement for its determination.

Our audit procedures focused on evaluating the reasonableness of the values of intangible assets, addressing the risk of impairment, mainly by evaluating the judgments and assumptions used by management to determine the projections of discounted future cash flows, considering the sales trend, product demand and the production capacity of the new plant that is under construction. We also evaluated the reasonableness of the discount rates used. All these, with the support of experts in valuation methodologies.

Revenue recognition - Excess sales to distribution channels

(See Note 3w - Revenue recognition)

In accordance with international auditing standards, we must assume that there is a significant risk of fraud related to revenue recognition. We define the risk of revenue recognition through channel stuffing.

Our audit procedures in response to this risk included testing the Entity's controls around the granting of discounts, obtaining an understanding of the main discounts granted in the last months of the year, carrying out analytical tests on the discounts for the year and testing of returns in the months after closing, and finally, requesting confirmations from certain customers regarding the agreed terms.

Other information included in the document containing the audited consolidated financial statements

The Entity's administration is responsible for the other information. The other information will comprise the information that will be included in the Annual Report that the Entity is obliged to prepare in accordance with Article 33, Section I, subsection b) of Title Four, First Chapter of the General Provisions Applicable to Issuers and other Participants of the Stock Market in Mexico and the Instructions that accompany those provisions (the Provisions). The Annual Report is expected to be available for our reading after the date of this audit report.

Our opinion of the consolidated financial statements does not cover the other information and we do not express any form of assurance about it.

In connection with our audit of the consolidated financial statements, our responsibility will be to read the other information mentioned, when available and when we do, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit. , or appears to contain a material error. When we read the Annual Report, we will issue the legend on its reading, required in Article 33, Section I, subsection b), numeral 1.2. of the Provisions or if we conclude that there is a material error in the other information we would have to report this fact.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Miembro of Deloitte Touche Tohmatsu Limited

C.P.C. Jorge Omar Esquivel Romero
April 12, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2020, 2019 and 2018
(In thousands of Mexican pesos)

Assets

	Notes	2020	2019	2018
Current assets:				
Cash, cash equivalents and restricted cash	6	$ 2,103,870	$ 922,941	$ 1,414,641
Accounts receivable and other accounts receivable - Net	7	7,235,086	6,218,410	5,261,822
Accounts receivable from related parties	18	75,792	86,996	57,354
Inventories - Net	8	2,045,983	1,907,843	1,697,032
Advance payments		576,743	681,359	566,715
Total current assets		12,037,474	9,817,549	8,997,564
Long-term assets:				
Property, plant and equipment - Net	9	2,795,312	2,159,455	1,870,234
Investment in associates	11	1,700,991	1,634,721	1,555,834
Assets for right of use		56,853	61,293	-
Deferred income taxes	20	540,106	576,442	624,888
Intangible assets - Net	10	4,908,365	4,913,215	4,934,397
Other assets - Net		93,515	92,075	94,340
Total long-term assets		10,095,142	9,437,201	9,079,693
Total assets		**$ 22,132,616**	**$ 19,254,750**	**$ 18,077,257**

Liabilities and Stockholders' Equity

	Notes	2020	2019	2018
Current liabilities:				
Bank loans and current portion of long-term debt	13	$ 1,970,239	$ 1,550,006	$ 676,022
Accounts payable to suppliers		1,644,766	1,881,177	1,774,441
Accounts payable to related parties	18	947	2,471	2,087
Other accounts payable and accrued liabilities	12	2,669,456	2,008,134	1,858,060
Income tax		275,791	194,307	168,177
Short-term lease liabilities		36,829	19,004	-
Employee profit sharing		15,943	23,440	6,531
Total current liabilities		6,613,971	5,678,539	4,485,318
Long-term liabilities:				
Bank and long-term debt	13	4,453,747	4,484,666	5,197,350
Dividends payable	17	800,000	800,000	800,000
Various creditors		36,794	34,916	36,283
Employee benefits upon retirement	14	21,491	21,537	30,116
Long-term lease liabilities		20,783	46,166	-
Deferred income taxes	20	551,643	214,818	100,370
Total long-term liabilities		5,884,458	5,602,103	6,164,119
Total liabilities		12,498,429	11,280,642	10,649,437
Stockholders' equity:				
Common stock		1,912,967	1,912,967	1,914,306
Premium on sale of repurchased shares		39,749	39,749	39,749
Repurchase of shares		(1,143,484)	(1,512,895)	(1,430,089)
Share-based payments		(31,450)	70,067	70,067
Retained earnings		8,876,426	7,481,907	6,806,181
Cummulative translation adjuments		(22,359)	(20,025)	27,606
Gain on financial assets at fair value		2,338	2,338	-
Total equity	17	9,634,187	7,974,108	7,427,820
Total liabilities and stockholders' equity		$ 22,132,616	$ 19,254,750	$ 18,077,257

The accompanying notes are part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the years ended December 31, 2020, 2019 and 2018

(In thousands of Mexican pesos, except earnings per share which is expressed in Mexican pesos)

	Notes	2020	2019	2018
Net sales		$ 13,870,148	$ 12,712,890	$ 11,794,419
Cost of sales		5,282,059	4,614,966	4,029,685
Gross profit		8,588,089	8,097,924	7,764,734
Selling, general and administrative expenses		5,665,985	5,823,570	5,577,855
Other expenses (income), net	19	154,102	(56,468)	(177,717)
Impairment of long-term assets		-	-	63,500
		5,820,087	5,767,102	5,463,638
Income from operations		2,768,002	2,330,822	2,301,096
Interest expense		(461,107)	(606,683)	(554,634)
Interest income		31,396	28,777	31,769
Exchange gain (loss), net		10,782	(151,261)	901
Loss due to monetary position in subsidiary in hyperinflationary economy		(178,132)	(120,354)	(79,854)
Share of profits in associates	11	66,270	78,887	64,162
Profit before income taxes		2,237,211	1,560,188	1,763,440
Income taxes	20	766,833	795,725	653,975
Consolidated net profit		1,470,378	764,463	1,109,465

	Notes	2020	2019	2018
Other comprehensive income, net of income taxes:				
Items that will be reclassified to results in the future				
Translation of foreign operations		(2,334)	(47,631)	(601,615)
Consolidated comprehensive income		$ 1,468,044	$ 716,832	$ 507,850
Basic and diluted earnings per share		$ 1.45	$ 0.75	$ 1.08
Weighted average number of shares outstanding (in thousands of shares)		$ 1,011,806	$ 1,013,099	$ 1,023,746

The accompanying notes are part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020, 2019 and 2018
(In thousands of Mexican pesos)

	Contributed capital				Earned capital					
	Common Stock	**Premium in sale of repurchased shares**	**Repurchase of shares**	**Shared-based payments**	**Retained earnings**	**Cummulative translation adjustments**	**Gain on financial assets at fair value**	**Controlling interest**	**Non-controlling interest**	**Total stocholders' equity**
Balances at the beginning of 2018	$ 1,914,306	$ 39,749	$ (1,660,094)	$ 226,869	$ 5,993,328	$ 332,609	$ -	$ 6,846,767	$ 201,901	$ 7,048,668
Repurchase of own shares	-	-	(133,932)	-	-	-	-	(133,932)	-	(133,932)
Effect of transactions with treasury shares	-	-	363,937	(156,802)	(296,612)	296,612	-	207,135	(201,901)	5,234
Consolidated comprehensive income	-	-	-	-	1,109,465	(601,615)	-	507,850	-	507,850
Balances as of December 31, 2018	1,914,306	39,749	(1,430,089)	70,067	6,806,181	27,606	-	7,427,820	-	7,427,820
Repurchase of own shares	(1,339)	-	(82,806)	-	-	-	-	(84,145)	-	(84,145)
Effect of transactions with treasury shares	-	-	-	-	(88,737)	-	2,338	(86,399)	-	(86,399)
Consolidated comprehensive income	-	-	-	-	764,463	(47,631)	-	716,832	-	716,832
Balances as of December 31, 2019	1,912,967	39,749	(1,512,895)	70,067	7,481,907	(20,025)	2,338	7,974,108	-	7,974,108
Repurchase of own shares	-	-	(11,070)	-	-	-	-	(11,070)	-	(11,070)
Effect of transactions with treasury shares	-	-	380,481	(101,517)	(75,859)	-	-	203,105	-	203,105
Consolidated comprehensive income	-	-	-	-	1,470,378	(2,334)	-	1,468,044	-	1,468,044
Balances as of December 31, 2020	$ 1,912,967	$ 39,749	$ (1,143,484)	$ (31,450)	$ 8,876,426	$ (22,359)	$ 2,338	$ 9,634,187	$ -	$ 9,634,187

The accompanying notes are part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020, 2019 and 2018
(In thousands of Mexican pesos)

	2020	2019	2018
Cash flows from operating activities:			
Consolidated net profit for the year	$ 1,470,378	$ 764,463	$ 1,109,465
Adjustments for:			
Depreciation and amortization	158,991	142,198	81,164
Income taxes recognized in profit	766,833	795,725	653,975
Impairment of equipment	35	-	-
Long-term asset impairment	-	-	63,500
Loss on sale of assets	1,013	1,060	59,828
Net period cost due to employee benefits upon retirement	207	(168)	26,268
Unrealized exchange rate fluctuations	17,347	(5,210)	-
Monetary position and inflation adjustments in a subsidiary in a hyperinflationary economy, net	105,633	64,611	40,306
Share of profits in associate	(66,270)	(78,887)	(64,162)
Amortization of debt issuance expenses	16,362	9,845	8,795
Share-based payments	-	-	5,234
Interest income	(31,396)	(28,777)	(31,769)
Interest expense	461,107	606,683	554,634
	2,900,240	2,271,543	2,507,238
Changes in working capital:			
(Increase) decrease in:			
Accounts receivable	(766,840)	(1,449,834)	(593,676)
Accounts receivable from related parties	11,204	(29,512)	3,540
Inventories	(227,554)	(359,898)	(411,874)
Advance payments	17,884	378,206	(88,646)
Other assets	135	-	(6,786)
Increase (decrease) in:			
Accounts payable to suppliers	(210,355)	179,629	675,970
Other accounts payable and liabilities accumulated	751,735	333,702	136,644
Accounts payable to related parties	(1,524)	101	849
Employee profit sharing	(8,858)	15,046	3,514
Income taxes paid	(751,542)	(332,052)	(664,294)
Net cash flows generated in operating activities	1,714,525	1,006,931	1,562,479

	2020	2019	2018
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(696,852)	(845,945)	(1,379,215)
Acquisition of a subsidiary	-	-	(18,867)
Sale of property and equipment	9,029	6,357	6,269
Sale of subsidiary	-	-	126,210
Acquisition of intangibles and other assets	(7,778)	(30,656)	(133,066)
Interest received	31,949	25,603	31,769
Net cash flows (applied) in investing activities	(663,652)	(844,641)	(1,366,900)
Cash flows from financing activities:			
Loans obtained	4,832,375	3,587,663	4,927,490
Loan repayment	(4,399,920)	(3,437,102)	(3,766,022)
Effect of transactions with treasury shares	278,964	-	-
Repurchase of shares	(15,441)	(90,900)	(133,932)
Sale of repurchased shares	4,371	6,755	-
Lease liability payments	(74,378)	(56,522)	-
Interest paid	(436,123)	(632,130)	(554,634)
Net cash flows applied in financing activities	189,848	(622,236)	472,902
Net increase (decrease) in cash, cash equivalents and restricted cash	1,240,721	(459,946)	668,481
Effect of exchange rate changes in cash flows	(59,792)	(31,754)	(346,581)
Cash, cash equivalents and restricted cash at the beginning of the year	922,941	1,414,641	1,092,741
Cash, cash equivalents and restricted cash at the end of the year	2,103,870	$ 922,941	$ 1,414,641

The accompanying notes are part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

(In thousands of Mexican pesos)

1. Organization, nature of business, basis of presentation and important events

Activities -

Genomma Lab Internacional, S.A.B. de C.V. and Subsidiaries ("Genomma Lab", and together with its subsidiaries, the "Entity") is dedicated to the sale of over-the-counter pharmaceutical products (hereinafter OTC products) and personal care products (hereinafter PC products) with a growing presence in international markets. The Entity is incorporated in Mexico and the domicile of its offices is Antonio Dovalí Jaime 70, Piso 2, Torre B, Col. Santa Fe, CP 01210, Mexico City.

The Entity develops, sells and markets a wide range of first-class products made up of more than 350 OTC pharmaceutical products and personal care products, which are marketed through more than 40 active brands. As of December 31, 2020, the Entity is the owner or authorized licensee of the Industrial and Intellectual Property rights necessary for the manufacture, marketing, distribution and sale of its OTC pharmaceutical products, cosmetics and skin care products. The mentioned Industrial Property rights include trademarks and commercial notices. In Mexico, the Entity is the owner of 832 trademark registrations and a total of 1,862 trademark registrations in different countries such as: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, United States of America, Guatemala, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Dominican Republic, Trinidad and Tobago, Uruguay and Venezuela. Product sales made by subsidiaries abroad represent approximately 57%, 54% and 59% of consolidated net sales as of December 31, 2020, 2019 and 2018, respectively.

Relevant events -

2020

a. Going concern – The consolidated financial statements have been prepared by Management assuming that the Entity will continue to operate as a going concern.

During the first months of 2020, the infectious disease COVID-19 caused by the coronavirus appeared, which was declared by the World Health Organization (WHO) as a Global Pandemic on March 11, 2020, its recent global expansion has motivated a series of containment measures in the different geographies where the Entity operates and certain sanitary measures have been taken both by the Mexican authorities and by the different governments where the Entity operates to stop the spread of this virus. Derived from the uncertainty and duration of this pandemic, the Entity with the capacity for innovation and adaptation that characterizes it, had an agile response to the changes in consumption patterns associated with the COVID-19 pandemic.

The Entity began the production and distribution of the new line of antibacterial products under the brands XL-3® for Mexico and Next® for the United States. The first production batches have been for antibacterial gel, a product with a high demand, and are already found in the main supermarkets and pharmacies in Mexico and the United States of America. The Entity continued with the launch of new products for the antibacterial line, including hand soap, towels and disinfectant sprays, among other products, which will be launched as innovations and developments are achieved in the different countries where it operates.

This line of new launches has allowed the Entity to attract new consumers, of which their changes in lifestyle and needs are analyzed. The Entity will seek to bring this antibacterial line to all the regions in which it operates. Additionally, the communication and marketing of key brands in the portfolio has also been rapidly modified and adapted to the current scenario, specifically for antiviral products and medications to alleviate flu-related symptoms, within the OTC segment in Mexico and Latin America, as well as for hygiene and skin care products.

This national and global macroeconomic context could directly or indirectly affect the financial situation of the company in the future, however, as of the date of issuance of these financial statements, no impact has been identified resulting from this situation on the financial position of the Entity and in the result of its operations. Consequently, the values of assets and liabilities were determined in accordance with International Financial Reporting Standards based on the conditions existing as of December 31, 2020.

b. Debt issuance – During fiscal year 2020, the Entity placed $ 1,250 million Mexican pesos in different issues of short-term Stock Certificates through the Mexican Stock Exchange, whose terms are 364 days and only one of 168 days.

c. Sustainable index "S & P / BMV Total México ESG Index" – On June 30, 2020, the Entity announced that it was selected to be part of the "S & P / BMV Total Mexico ESG Index" sample, the new sustainable index launched on June 22, 2020, by the S&P Dow Jones Indices ("S&P DJI ") and the Mexican Stock Exchange (" BMV "), which seeks to measure the performance of companies in the Mexican stock market that meet ESG (" Environmental, Social, and Governance ") investment objectives.

d. Debt issuance - On August 31, 2020, the Entity concluded the successful placement of stock certificates in the Mexican market for an amount of $ 2,500,000 called "LAB 20" with a maturity of three years. The transaction was placed among a diversified base of investors with an oversupply of 2.33 times the total amount offered. The interest rate is equal to the Equilibriumq Interbank Interest Rate (TIIE) plus 1.1%. The resources obtained were used to refinance liabilities, improving the Entity's maturity profile and optimizing the average life of liabilities.

e. Pre-payment of the long-term LAB 18 Stock Certificate – On September 14, 2020, the Entity announced that it made the full early amortization of the stock certificates that were in circulation under the ticker symbol "LAB 18" which was scheduled to expire on March 19, 2021, adding to the capital accrued interest.

f. Dow Jones Sustainability MILA Pacific Alliance Index – On November 23, 2020, the Entity announced its inclusion in the index among a select group of companies recognized for their excellence in Sustainability and Corporate Governance practices with the highest standards in Mexico and other Latin American countries.

2019

a. Sanitary license – On July 15, 2019, Genomma Lab announced that the Federal Commission for the Protection of Sanitary Risks (COFEPRIS) granted the Sanitary License to the Entity's new manufacturing plant, which will allow it to start operations of the first manufacturing lines with cutting-edge technology for the manufacture of OTC solid products (pills) and semi-solid (ointments).

The Entity will initiate the procedures before COFEPRIS to obtain the certificates of good manufacturing practices (GMP for its acronym in English) required both for the Mexican market and for all the countries where the Entity has operations. In this sense, Genomma Lab will carry out the necessary procedures with the National Authorities of each country where it will export, in order to obtain the corresponding GMP certificates.

b. Debt issuance – On September 5, 2019, Genomma Lab announced the placement of $ 300 million Mexican pesos in two issuance of short-term Stock Certificates through the Mexican Stock Exchange, whose terms were 168 and 364 days respectively.

This is the first short-term debt placement in the Company's history. Both issues presented an excess demand close to 5 times the original amount offered for 300 million Mexican pesos. Actinver and BBVA Casa de Bolsa acted as joint underwriters for both issues.

c. Exclusive NOVAMIL® / NOVALAC® infant nutrition license - On September 12, 2019, the Entity announced that it closed an exclusive license agreement with UP International, SA (UPI) for the commercialization of its entire range of infant nutrition products under the Novamil® and Novalac® brands in Mexico.

UPI has developed nutritional supplements for pregnant mothers and unique infant formulas for the nutrition of infants, among which stand out products specially designed to control and alleviate digestive disorders that frequently occur in the first years of life, as well as gastrointestinal discomfort, allergies. , reflux and constipation, among others.

d. Debt issuance – On September 19, 2019, the Entity announced the placement of $ 300 million Mexican pesos in two issues of short-term Stock Certificates through the Mexican Stock Exchange, whose terms were 168 and 364 days, respectively.

e. Advance payment of the long-term LAB 14 Stock Certificate – On September 30, 2019, the Entity announced that it made the full early amortization of the stock certificates that were in circulation under the ticker symbol "LAB 14" and that it was scheduled to expire in January 2020, adding accrued interest to the capital.

2018

a. Fusion - On March 23, 2018, Genomma Lab announced that the conditions indicated for the merger of the Entity with Hathaway South America Ventures, S.A. de C.V. and Saint Andrews Accelerated Growth Partners, S.A. de C.V. have been met. As a result of these mergers, Genomma Lab will have a 100% stake in Genomma Laboratories Argentina, S.A., Genomma Laboratories do Brasil LTDA and Subsidiaries, Genomma Lab Uruguay, S.A. and Genomma Lab Paraguay, SRL (subsidiaries), with the merger it acquired the 100% of the shares of these subsidiaries. This had the impact of canceling the non-controlling interest by$ 201,901.

b. Issuance and payment of debt - On March 23, 2018, Genomma Lab completed the successful issuance of a stock certificate called "LAB 18" for $ 2,450,000 with a three-year maturity. The interest rate is equal to the Equilibrium Interbank Interest Rate (TIIE) plus 1.90%. The resources obtained were partially used for the early amortization of the stock certificate called LAB 13-1.

During the second quarter of 2018, the Entity signed a joint financing package to support its expansion plan, as well as for the construction of the new manufacturing plant with the International Finance Corporation (IFC and a member of the World Bank) and with the Inter-American Development Bank (IDB Invest) for up to 100 million dollars. As of December 31, 2020, $ 625,600 has been used.

2. Adoption of the new and revised International Financial Reporting Standards

a. Application of new and modified International Financial Reporting Standards ("IFRS" or "IAS") that are mandatory for the current year

In the current year, the Entity implemented a series of new and modified IFRSs, issued by the International Accounting Standards Board ("IASB") which are mandatory and entered into force as of the years that started on or after January 1, 2020.

Initial impact of the application of other new and modified IFRSs that are effective for fiscal years and reporting periods beginning on or after January 1, 2020

In this year, the Entity has applied the modifications and interpretations to IFRS mentioned below issued by the Committee that are effective for the reporting period beginning on January 1, 2020. The adoption has not had any material impact on the disclosures or amounts in these financial statements.

Amendments to the Conceptual Framework references in IFRS

The Entity has adopted the amendments included in Amendments to the Conceptual Framework references in IFRS for the first time this year. The amendments include derivative amendments to the affected standards that now refer to the new Conceptual Framework. Not all amendments, however, update such pronouncements with respect to Conceptual Framework references and phrases that refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Conceptual Framework they refer to (the IASC Conceptual Framework adopted by the IASB in 2001, the IASB Conceptual Framework of 2010, or the new and revised Conceptual Framework of 2018) or to indicate the definitions of the standards that have not been updated with the new definitions developed in the revised Conceptual Framework.

The standards that have had modifications are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 .

Amendments to IFRS 3 Definition of a business

The Entity has adopted the amendments to IFRS 3 for the first time in the year. The amendments clarify that while businesses usually have exits, exits are not required for an integrated set of activities or assets to qualify as a business. To be considered a business, a set of activities or assets must include, at a minimum, inputs and a substantive process that together contribute to the creation of outputs.

The modification eliminates the evaluation of whether market participants are capable of replacing some input or process and continuing with the exits. The amendments also introduced additional guidance that helps determine whether a substantive process has been acquired.

The amendments introduced an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all the fair values of the acquired assets are concentrated in the same identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations or asset acquisitions for which the acquisition date is on or after January 1, 2020.

Amendments to IAS 1 and IAS 8 Definition of materiality

The Entity has adopted the amendments to IAS 1 and IAS 8 in the year. The amendments made the definition of “material” in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. The concept of “obscuring” material information with immaterial information has been included as part of the new definition.

The threshold of materiality influencing users has been changed from ‘could influence’ to ‘reasonably expected to be able to influence’.

The definition of “material” in IAS 8 has been replaced by a reference to the definition in IAS 1. In addition, the IASB modified other standards and the Conceptual Framework to contain a definition of “material” to ensure consistency.

New and Amended IFRS Standards Not Yet Effective

As of the authorization date of these consolidated financial statements, the Entity has not applied the following new and modified IFRS Standards that have been issued but are not yet in force:

IFRS 17	*Insurance contracts*
IFRS 10 and IAS 28 (amendments)	*Sale or contribution of assets between an investor and its associate or joint venture*
Amendments to IAS 1	*Classification of liabilities as current or non-current.*
Amendments to IFRS 3	*References to the conceptual framework*
Amendments to IAS 16	*Property, Plant and Equipment - before being used*
Amendments to IAS 37	*Onerous contracts - costs of fulfilling a contract*
Annual improvements to IFRS 2018-2020 cycle	*Amendments to IFRS 1 First adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture*

Management does not expect that the adoption of the aforementioned standards will have a significant impact on the Entity’s consolidated financial statements in future periods, except as indicated below:

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance contracts.

IFRS 17 describes a general model, which is modified for insurance contracts with direct participation features, which is described as the Variable Fee Approach. The general model is simplified if certain criteria are met when measuring the liability for remaining coverage using the premium allocation method.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of that uncertainty, taking into account market interest rates and the impact of options and guarantees of the insured.

In June 2020, the IASB issued the amendments to IFRS 17 to address the concerns and implementation of the changes that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to the annual report beginning on or after January 1, 2023. At the same time, the IASB issued a Temporary Extension of Exemption to Apply IFRS 9 (Amendments to IFRS 4) that extend the expiration date of the temporary exception to apply IFRS 9 to IFRS 4 for annual periods beginning on or after January 1, 2023.

IFRS 17 should be applied retrospectively unless it is not practical, in which case the retrospective approach will be modified or the fair value approach will be applied.

In accordance with the transition requirements, the date of initial application is the beginning of the annual reporting period in which the entity first applies the Standard and, the transition date is the beginning of the period immediately preceding the date of the initial application.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments establish that the gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in profit or loss. of the parent only to the extent that the unrelated investors’ participation in that associate or joint venture. In the same way, The effective date of the amendments has not yet been set by the IASB; however, early application is allowed. The Entity's management anticipates that the application of these modifications may have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS Classification of Liabilities as Current and Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current and non-current in the statement of financial position and not for the amount or time in which any asset, liability, income or expense is recognized, or the information disclosed about of those games.

The amendments clarify that the classification of liabilities as current and non-current is based on the rights of existence at the end of the reporting period, specifying that the classification is not affected by expectations about whether the entity will exercise the right deferring the cancellation of the liability, explaining that there are rights if there are agreements that must be fulfilled at the end of the reporting period, and introducing a definition of the 'agreement' to make clear that the agreement refers to the transfer of cash from the counterparty , equity instruments, other assets or services.

The modifications are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments update IFRS 3 so that it can refer to the 2018 Conceptual Framework rather than the 1989 Framework. They also added a requirement that, for obligations within the scope of IAS 37, a buyer applies IAS 37 to determine whether the acquisition date is a present obligation or exists as a result of a past event. For liens that are within the scope of IFRIC 21 Liens, the buyer applies IFRIC 21 to determine whether the obligation gives rise to a liability to pay the levy that occurred on the acquisition date.

Finally, the amendments add an explicit statement that the buyer will not recognize a contingent asset acquired from a business combination.

The amendments are effective for business combinations whose acquisition date is on or after the initial period of the first annual period beginning on or after January 1, 2022. With the option of early application if the entity also applies all other updated references (published together with the Conceptual Framework) at the same time or in advance.

Modifications to IAS 16 - Property, Plant and Equipment - Before being used.

The amendments prohibit the deduction from the cost of a property, plant or equipment asset any income from selling the asset after it is ready for use, for example, income while the asset is being brought to the location and the necessary conditioning is done so that be operable in the manner that is intended according to the administration. Consequently, an entity must recognize those sales income and costs in profit or loss. The entity measures the costs of those items in accordance with IAS 2 Inventories.

The amendments clarify the meaning of 'testing if an asset works properly'. Now IAS 16 specifies this as an evaluation in which the physical and technical performance of the asset is capable of being used in the production or supply of goods or services, for rent or other, or administrative purposes.

If it is not presented separately in the statement of comprehensive income, the financial statements must disclose the amounts of income and costs in results related to items that are not an output from the ordinary activities of the entity, in the entry line (s) in the statement of comprehensive income where income and costs are included.

The modifications are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and conditions necessary for them to be able to operate as the administration has planned on or after the beginning of the period in which they are presented. the financial statements of the entity to which you first apply the amendments.

The entity must recognize the cumulative effect of the initial application of the modifications as an adjustment to the balance sheet in retained earnings (or some capital component, as appropriate) at the beginning of the first period that is presented.

The modifications are effective for annual periods beginning on January 1, 2022 with the option of early application.

Amendments to IAS 37 - Onerous Contracts - Costs for Fulfilling a Contract

The amendments specify that the 'costs to fulfill' a contract includes the 'costs directly related to the contract'. The costs that are directly related to a contract consist of the incremental costs and the costs to fulfill a contract (example: labor or materials) and the allocation of other costs that are directly related to fulfill a contract (such as the allocation of the depreciation of property, plant and equipment items to fulfill the contract).

The modifications apply to contracts in which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity applies the modifications for the first time. The comparatives should not be reformulated. Instead, the entity should recognize the cumulative effect of the initial application of the amendments as an adjustment to the balance sheet in retained earnings or some other component of equity, as appropriate, by the date of initial application.

The modifications are effective for annual periods beginning on or after January 1, 2022, with the option of early application.

Annual Amendments to IFRS 2018-2020 standards

The Annual Modifications include the modification to four standards.

IFRS 1 First-Time Adoption of International Financial Reporting Standards

The amendment provides additional relief for the subsidiary that adopts for the first time after its parent with respect to accounting for accumulated translation differences. As a result of the amendments, a subsidiary uses the exception of IFRS 1: D16 (a) can now choose to mediate the cumulative effects of translation of foreign operations to book value that would be what is included in the consolidated statements of the parent, based on the date of transition of the parent to IFRS, if there were no adjustments for the consolidation procedures and for the business combination effects in which the parent acquired the subsidiary. A similar choice is available for an associate or joint venture that uses the exception in IFRS 1: D16 (a).

The modification is effective for periods beginning on or after January 1, 2022, with the option of early adoption.

IFRS 9 Financial Instruments

The amendment clarifies that when applying the ‘10%’ test to assess whether a financial liability should be written off, an entity includes only installments paid or received between the entity (the borrower) and the provider, including installments paid or received. by the entity or the provider.

Amendments are applied prospectively to modifications or changes that occur on or after the date the entity first applies the amendment.

The modification is effective for annual periods beginning on or after January 1, 2022, with the option of early application.

IFRS 16 Leases

The modifications eliminate the figure of reimbursement for improvements to leases.

As the amendments to IFRS 16 are only with respect to an illustrative example, there is no set start date.

The amendments are applied prospectively, for example, the fair value measurement on or after the initial date of application of the amendments applied to the entity.

The modifications are effective for annual periods beginning on or after January 1, 2022, with the option of initial adoption.

3. Significant accounting policies

a. Statement of compliance

The Entity’s consolidated financial statements have been prepared in accordance with IFRS issued by the IASB.

b. Basis of preparation

The consolidated financial statements of the Entity have been prepared on a historical cost basis except for the investment in shares of associate, which was measured at fair value on the date of initial recognition and with the equity method subsequently, as explained in accounting policies included below.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is defined as the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the valuation date regardless of whether that price is directly observable or estimated using another technique. valuation. When estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability, if the market participants would take those characteristics when setting the price of the asset or liability on the measurement date. The fair value for measurement and / or disclosure purposes of these consolidated financial statements is determined in such a way, with the exception of share-based payment transactions that are within the scope of IFRS 2,

In addition, for financial reporting purposes, fair value measurements are classified as Level 1, 2 or 3 based on the degree to which observable inputs are included in the measurements and their importance in determining fair value in their totality, which are described as follows:

Level 1 - Quoted prices in an active market are considered for identical assets or liabilities;

Level 2 - Observable input data other than the listed prices of Level 1, either directly or indirectly,

Level 3 - Considers unobservable input data.

c. Basis of consolidation of financial statements

The consolidated financial statements include those of Genomma Lab Internacional, S.A.B. de C.V. and those of its subsidiaries in which you have control. Control is obtained when the Entity complies with the following assumptions:

a) Has power over investment,

b) Is exposed, or has the right to variable returns derived from its participation in said entity, and

c) It has the ability to affect such returns through its power over the entity in which it invests.

The Entity reassesses whether or not it has control over an entity if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The shareholding in its capital stock is shown below:

Entity	Participation			Activity
	2020	2019	2018	
Mexico -				
Genomma Laboratories México, S. A. de C. V.	100%	100%	100%	Research and development of OTC and PC products
Televisión Products Retail, S. A. de C. V.	100%	100%	100%	Provision of professional services
Aero Lab, S. A. de C. V.	100%	100%	100%	Air transportation services and as of 2018 logistics services
Gibart, S. A. de C. V.	100%	100%	100%	Distribution of pharmaceutical products, articles for health and beauty
Servicios Logísticos Genomma, S. A. de C. V.	100%	100%	100%	Logistics services until 2018, currently without operation
Medicinas y Medicamentos Nacionales, S. A. de C. V.	100%	100%	100%	Sale of generic drugs, currently without operation
Iniciativas de Éxito, S.A. de C.V.	100%	100%	100%	Sale of OTC and PC products

Entity	Participation			Activity
	2020	2019	2018	
International -				
Genomma Lab USA, Inc.	100%	100%	100%	Sale of OTC and PC products
Genomma Laboratories Argentina, S.A. (1 y 2)	100%	100%	100%	Sale of OTC and PC products
Genomma Laboratories do Brasil, LTDA (2)	100%	100%	100%	Sale of OTC and PC products
Genomma Lab Chile, S.A.	100%	100%	100%	Sale of OTC and PC products
Genomma Lab Colombia, LTDA	100%	100%	100%	Sale of OTC and PC products
Genomma Lab Perú, S.A.	100%	100%	100%	Sale of OTC and PC products
Genomma Lab Ecuador, S.A.	100%	100%	100%	Sale of OTC and PC products
Genomma Lab Centroamérica, S.A.	100%	100%	100%	Sale of OTC and PC products
GL Nicaragua, S.A.	100%	100%	100%	Sale of OTC and PC products
Genomma Lab Dominicana, S.R.L.	100%	100%	100%	Sale of OTC and PC products
Genomma Lab Guatemala, S.A.	100%	100%	100%	Sale of OTC and PC products
Genomma Lab El Salvador, S. A. de C. V.	100%	100%	100%	Sale of OTC and PC products
Genomma Lab Honduras, S. A. de C. V.	100%	100%	100%	Sale of OTC and PC products
Genomma Laboratorios Médicos, S.L.	100%	100%	100%	Sale of OTC and PC products
Genomma Lab Panamá, S.A.	100%	100%	100%	Sale of OTC and PC products
GLB Laboratorios Bolivia, S.A.	100%	100%	100%	Sale of OTC and PC products
Genomma Lab Uruguay, S.A.(2)	100%	100%	100%	Sale of OTC and PC products
Genomma Lab Paraguay, S.R.L.(2)	100%	100%	100%	Sale of OTC and PC products
The Dutch-LATEM Royalty Company, B.V.	100%	100%	100%	Research and development of OTC and PC products

(1) Derived from the classification of Argentina as a country with inflation greater than 100% in three accumulated years, the country is considered highly or hyper-inflationary according to International Accounting Standard 29 (IAS 29, for its acronym in English) "Financial Information in Hyperinflationary Economies ", for which Genomma Laboratories Argentina for the purposes of its financial information updated the results of the year due to the country's inflation, using official indices. In accordance with IAS 21, the updated results of each month were converted into Mexican Mexican pesos using the exchange rate of December 31, 2020.

(2) See Note 1 subsection a..

Associates	Participation			Activity
	2020	2019	2018	
Grupo Comercial e Industrial Marzam, S.A.P.I. de C.V. and subsidiaries (Marzam) (1)	49.99%	49.99%	49.99%	Distribution of pharmaceutical products, articles for health and beauty
Investment in associate (2)	50%	50%	50%	Manufacture and commercialization of display furniture for point of sale

(1) As of September 29, 2016, Marzam is an associate of the Entity.
(2) See purchase of the associated investment in Note 11, as of August 28, 2018 it is an associate of the Entity.

When the Entity has less than the majority of the voting rights of an investee, it has power over it when the voting rights are sufficient to grant it the practical ability to direct its relevant activities, unilaterally. The Entity considers all relevant facts and circumstances to assess whether the Entity's voting rights in the investee are sufficient to grant it power, including:

- The percentage of participation of the Entity in the voting rights in relation to the percentage and the dispersion of the voting rights of the other holders thereof;
- The potential voting rights held by the Entity, by other shareholders or by third parties;
- The rights derived from other contractual agreements, and

- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current capacity to direct the relevant activities at the time when the decisions must be taken, including the voting tendencies of the shareholders in previous meetings.

Subsidiaries are consolidated from the date control is transferred to the Entity, and are no longer consolidated from the date control is lost. The gains and losses of the subsidiaries acquired or sold during the year are included in the Consolidated statement of profit or loss from the date the holding company obtains control or until the date it is lost, as the case may be.

Profit and each component of other comprehensive income are attributed to controlling and non-controlling interests. The comprehensive income of the subsidiaries is attributed to the controlling and non-controlling interests even if it gives rise to a deficit in the latter.

When necessary, adjustments are made to the financial statements of the subsidiaries to align their accounting policies in accordance with the Entity's accounting policies.

All balances and transactions between the consolidated entities have been eliminated.

Changes in the Entity's interests in existing subsidiaries

Changes in investments in the Entity's subsidiaries that do not result in a loss of control are recorded as capital transactions. The book value of the investments and non-controlling interests of the Entity is adjusted to reflect the changes in the corresponding investments in subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in stockholders' equity and is attributed to the owners of the Entity.

When the Entity loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the sum of the fair value of the consideration received and the fair value of any retained interest and (ii) the value in previous books of assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognized in other comprehensive income items related to the subsidiary are recorded (that is, they are reclassified to results or transferred directly to other equity items as specified / permitted by the applicable IFRS) in the same manner established for the if the relevant assets or liabilities are available. The fair value of any investment retained in the subsidiary on the date control is lost is considered as the fair value for initial recognition, according to IAS 39, Financial Instruments: Recognition and Valuation or, where appropriate, the cost in the initial recognition of an investment in an associate or joint venture.

d. Financial instruments

Financial assets and liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially valued at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (other than financial assets at fair value through profit or loss) are added to or reduced from the fair value of financial assets or financial liabilities, as the case may be. , on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognized in profit or loss.

e. Financial assets

All regular purchases or sales of financial assets are recognized and written off on a trading date. Regular purchases or sales are purchases or sales of financial assets that require the delivery of assets within the period established by regulation or customary market practices.

All recognized financial assets are subsequently measured in their entirety, either at amortized cost or fair value, depending on the classification of financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- If the financial asset is maintained in a business model whose objective is to maintain financial assets with the objective of obtaining contractual cash flows; and

- The contractual terms of the financial asset give rise on specific dates to cash flows that are only payments of principal and interest on the principal amount.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- The financial asset is maintained within a business model whose objective is met by obtaining contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of principal and interest on the outstanding amount of principal.

By default, all other financial assets are subsequently measured at fair value through profit or loss.

Despite the foregoing, the Entity may make the following irrevocable election / designation in the initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in the fair value of a capital investment in other comprehensive income if certain criteria are met (see (iii) below); and

- The Entity may irrevocably designate a debt instrument that meets the criteria of amortized cost or fair value through other comprehensive income if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) Amortized cost and effective interest method

The effective interest method is a method for calculating the amortized cost of a debt instrument and for allocating interest income during the relevant period.

For financial assets that were not purchased or originated by credit-impaired financial assets (for example, assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts future cash inflows. (including all commissions and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, over the expected life of the debt instrument or , if applicable, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets,

The amortized cost of a financial asset is the amount at which the financial asset is measured on initial recognition minus repayments of principal, plus the accumulated amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss. The gross book value of a financial asset is the amortized cost of a financial asset before adjusting any provision for losses.

Interest income is recognized using the effective interest effect for debt instruments subsequently measured at amortized cost and at fair value through other comprehensive income. For purchased or originated financial assets other than credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently suffered impairment. credit (see below). For financial assets that have subsequently been credit impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset.

For financial assets acquired or originated that are credit-impaired, the Entity recognizes interest income by applying the effective interest rate adjusted for credit to the amortized cost of the financial asset from its initial recognition. The calculation does not return to the gross basis, even if the financial asset's credit risk subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in income (profit / loss) and is included in the concept "Financial income - Interest income" in the statement of comprehensive income.

(ii) Debt instruments classified at fair value through other comprehensive income

The corporate bonds held by the Entity are classified at Fair value through other comprehensive income. Corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the book value of these corporate bonds as a result of foreign exchange gains and losses, impairment of gains or losses, and interest income calculated through the effective interest method are recognized in profit or loss. The amounts that are recognized as results are the same that would have been recognized as results if they had been measured at amortized cost. All other changes in the book value of these corporate bonds are recognized in other comprehensive income or accumulated under the reserve title of the revaluation of investments.

(iii) Investments in capital designated as Fair Value through other comprehensive income

On initial recognition, the Entity may make an irrevocable election (instrument by instrument) to designate investments in equity instruments such as Fair Value through other comprehensive income. The designation at fair value through other comprehensive income is not permitted if the capital investment is held for trading or if it is a contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment revaluation reserve. Accumulated gain or loss cannot be reclassified to profit or loss on disposal of equity investments, but is transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9 - Financial Instruments, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included under the heading Loss (profit) on derivative financial instruments, in profit or loss for the year.

The Entity has designated all investments in equity instruments that are not held for trading as at fair value through other comprehensive income in the initial application of IFRS 9.

A financial asset is held for trading if:

- It has been obtained with the main objective of being sold in the short term; or

- The initial recognition is part of a portfolio of identified financial instruments that the Entity manages together and has evidence of a recent pattern of obtaining profits in the short term; or

- It is a derivative (except for derivatives that are contractual financial guarantees or an effective hedging instrument).

(iv) Financial Assets at fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortized cost or fair value through other comprehensive income are measured at fair value through income. Specifically:

- Investments in equity instruments are classified as in fair value through profit or loss, unless the Entity designates an equity investment that is not held for trading or a contingent consideration arising from a business combination as in fair value through of other comprehensive income on initial recognition.

- Debt instruments that do not meet the amortized cost criteria or the fair value criteria through other comprehensive income are classified with fair value through income. In addition, debt instruments that meet the amortized cost criteria or the fair value criteria through other comprehensive income may be designated as fair value through income at the time of initial recognition if such designation eliminates or significantly reduces an inconsistency of measurement or recognition (called "accounting mismatch") that would arise from the measurement of assets or liabilities or the recognition of gains and losses on them on different bases. The Entity has not designated any debt instrument with fair value through results.

Financial assets in fair value through comprehensive income are measured at fair value at the end of each reporting period, with any fair value gain or loss recognized in profit or loss to the extent that they are not part of a hedging relationship designated. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in "other gains and losses".

Exchange gains and losses

The book value of financial assets denominated in a foreign currency is determined in that foreign currency and is translated at the exchange rate at the end of each reporting period. Specifically;;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in the consolidated statement of comprehensive income;

- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging relationship, exchange differences in the amortized cost of the debt instrument are recognized in the consolidated statement of income and other comprehensive income. Other exchange differences are recognized in other comprehensive income in the investment revaluation reserve;

- For financial assets measured at fair value through results that are not part of a designated hedging relationship, exchange differences are recognized in the consolidated statement of comprehensive income;

- For equity instruments measured at fair value through other comprehensive income, exchange differences are recognized in other comprehensive income in the investment revaluation reserve.

See hedge accounting policy regarding exchange rate differences where the risk component of a foreign currency for a financial asset designated as a foreign currency risk hedging instrument.

Impairment of financial assets

The Entity recognizes a provision for losses due to expected credit losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income, lease receivables, trade receivables and contractual assets, as well as in financial guarantee contracts. The amount of expected credit losses is updated on each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Entity recognizes credit losses expected for life for trade accounts receivable, contractual assets and lease accounts receivable. Expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both current and current direction. of the forecast of conditions on the reporting date, including the time value of money when appropriate.

For all other financial instruments, the Entity recognizes the expected credit loss for life when there has been a significant increase in credit risk since initial recognition. However, if the credit risk in the financial instrument has not increased significantly since initial recognition, the Entity measures the provision for losses for that financial instrument in an amount equal to the 12-month expected credit loss.

Lifetime expected credit loss represents the expected credit losses that will result from all possible events of default during the expected useful life of a financial instrument. In contrast, the 12-month expected credit loss represents the portion of the expected lifetime loss that is expected to result from predetermined events in a financial instrument that are possible within 12 months of the reporting date.

(i) Significant increase in credit risk

When evaluating whether the credit risk in a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default on the financial instrument on the reporting date with the risk of a default on the financial instrument at the start date. recognition. In making this evaluation, the Entity considers both quantitative and qualitative information that is reasonable and substantiated, including historical experience and prospective information that is available without unnecessary cost or effort. The forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from reports from economic experts, financial analysts, government agencies,

In particular, the following information is taken into account when evaluating whether credit risk has increased significantly since initial recognition:

- An existing or expected significant deterioration in the external (if any) or internal rating of the financial instrument;

- Significant deterioration in external market indicators of credit risk for a specific financial instrument, for example, a significant increase in the credit spread, credit default swap for the debtor, or the period of time or the extent to which the fair value of a financial asset is less than its amortized cost;
- Existing or expected adverse changes in economic, financial or business conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligation;

- A significant current or expected deterioration in the debtor's operating results;

- Significant increases in credit risk in other financial instruments of the same debtor;

- An existing or expected adverse change in the debtor's regulatory, economic or technological conditions that results in a significant decrease in the debtor's ability to meet its obligations.

Regardless of the result of the previous evaluation, the Entity assumes that the credit risk in a financial asset has increased significantly since the initial recognition when the contractual payments have a maturity of more than 30 days, unless the Entity has reasonable and reliable information. that proves otherwise.

Despite the foregoing, the Entity assumes that the credit risk in a financial instrument has not increased significantly since the initial recognition if it is determined that the financial instrument has a low credit risk on the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low default risk,

(2) The debtor has a notable ability to meet its contractual cash flow obligations in the short term, and

(3) Adverse changes in long-term business and economic conditions may reduce the debtor's ability to meet its contractual cash obligations, but will not necessarily happen.

The Entity considers that a financial asset has low credit risk when the asset has an external credit rating of "investment grade" according to the globally accepted definition, or if there is no external rating available, that the asset has an internal "achievable" rating. Realizable means that the counterparty has a strong financial position and there are no past amounts outstanding.

For financial guarantee contracts, the date on which the Entity becomes part of the irrevocable commitment is considered the date of initial recognition for the purposes of evaluating the impairment of the financial instrument. When evaluating whether there has been a significant increase in credit risk since the initial recognition of financial guarantee contracts, the Entity considers changes in the risk that the specified debtor defaults on the contract.
The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and reviews them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount has been defeated.

(ii) Definition of non-compliance

The Entity considers that the following constitutes an event of default for internal credit risk management purposes, since historical experience indicates that financial assets are not recoverable when they meet any of the following criteria:

• When the debtor breaches the financial agreements;;

• Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (regardless of any collateral held by the Entity).

Regardless of the above analysis, the Entity considers that the default has occurred when a financial asset is more than 90 days old, unless the Entity has reasonable and reliable information to demonstrate that a later default criterion is more appropriate.

(iii) Credit Impaired Financial Assets

A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows of that financial asset. Evidence that a financial asset is credit-impaired includes observable data on the following events:

(a) significant financial difficulty on the part of the issuer or the debtor;

(b) the breach of a contract, such as a default or an expired event (see (ii) above);

(c) the debtor's lenders, for economic or contractual reasons related to the debtor's financial difficulty, grant the debtor a concession that the lenders would not otherwise consider;

(d) the debtor is more and more likely to go into bankruptcy or some other financial reorganization; or

(e) the extinction of a functional market for financial assets due to financial difficulties.
(
iv) Unsubscribe policy

The Entity derecognizes a financial asset when there is information that indicates that the debtor is in serious financial difficulty and there is no realistic prospect of recovery, for example, when the debtor has been placed in liquidation or has entered into a process of bankruptcy, or in the case of trade receivables, when amounts are due more than two years, whichever comes first. Financial assets written off may still be subject to compliance activities under the Entity's recovery procedures, taking into account legal advice when appropriate. Any recovery made is recognized in income.

(v) Measurement and recognition of expected credit losse

The measurement of expected credit losses is a function of the probability of default, the loss given the default (that is, the magnitude of the loss if there is a default), and the exposure at default. The assessment of the probability of default and the default loss is based on historical data adjusted for forward-looking information as described above. Regarding exposure to default, for financial assets, this is represented by the gross book value of the assets on the reporting date; for financial guarantee contracts, the exposure includes the amount established on the reporting date, together with any additional amount expected to be obtained in the future by default date determined based on the historical trend, For financial assets, the expected credit loss is estimated as the difference between all the contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the interest rate. original effective. For a lease receivable, the cash flows used to determine the expected credit losses are consistent with the cash flows used in the measurement of the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, where the Entity is obliged to make payments only in the event of default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss forecast is the expected payment to reimburse the holder for a credit loss incurred less any amount that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the provision for losses for a financial instrument in an amount equal to the expected credit loss for life in the previous reporting period, but determines at the current reporting date that the conditions for the loss are no longer met lifetime expected credit loss, the Entity measures the loss margin in an amount equal to the 12-month expected credit loss on the current reporting date, except for assets for which the simplified approach was used.

The Entity recognizes an impairment loss or loss in the result of all financial instruments with a corresponding adjustment to their book value through a provision for losses account, except investments in debt instruments that are measured at fair value at through other comprehensive income, for which the provision for losses is recognized in other comprehensive and accumulated results in the investment revaluation reserve, and does not reduce the book value of the financial asset in the statement of financial position.

Derecognition of financial assets

The Entity derecognizes a financial asset only when the contractual rights to the asset's cash flows expire, or when it transfers the financial asset and substantially all the risks and benefits of ownership of the asset to another entity. If the Entity does not transfer or retain substantially all the risks and benefits of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for the amounts due. If the Entity retains substantially all the risks and benefits of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a loan guaranteed by the income received.

Upon derecognition of a financial asset measured at amortized cost, the difference between the asset's book value and the sum of the consideration received and receivable is recognized in income. In addition, upon derecognition of an investment in a debt instrument classified as fair value through other comprehensive income, the accumulated gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, in the derecognition of an investment in an equity instrument that the Entity chose on initial recognition to measure at fair value through other comprehensive income, the accumulated gain or loss previously accumulated in the investment revaluation reserve is not reclassifies to profit or loss.

Financial liabilities and capital

i. Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or equity according to the content of the contractual agreements and the definitions of a financial liability and an equity instrument.

ii. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at income received, net of direct issuance costs.

The repurchase of the Entity's own capital instruments is recognized and deducted directly in capital. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Entity's own equity instruments.

f. Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at fair value through profit or loss.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuous participation approach is applied, and financial guarantee contracts issued by the Entity, are measured in accordance with specific accounting policies. detailed below

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value through profit or loss when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) is held for trading or (iii) is designated as fair value through results.

A financial liability is classified as held for trading if:

- It has been acquired mainly for the purpose of buying it back in the short term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the Entity manages jointly and has a recent real pattern of short-term profit-taking; or
- It is a derivative, except for derivatives that are a financial guarantee contract or a designated and effective hedging instrument.

A financial liability that is not held for trading or contingent consideration of an acquirer in a business combination may be designated as fair value through profit or loss at initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability is part of an Entity's financial assets or financial liabilities or both, which is managed and its performance is evaluated on the basis of fair value, in accordance with the Entity's documented risk management or investment strategy, and information on the grouping is provided internally on that basis; or
- It is part of a contract that contains one or more embedded derivatives, and IFRS 9 allows the entire combined contract to be designated as fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, and gains or losses arising from changes in fair value are recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of comprehensive income.

However, for financial liabilities that are designated at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income. unless recognition of the effects of changes in the liability's credit risk on other comprehensive income would create or widen an accounting mismatch in results. The remaining amount of the change in the fair value of the liability is recognized in profit or loss. Changes in fair value attributable to the credit risk of a financial liability that are recognized in other comprehensive income are not subsequently reclassified to income. instead, they are transferred to retained earnings once the financial liability is written off.

Gains or losses on financial guarantee contracts issued by the Entity that are designated by the Entity as fair value through profit or loss are recognized in profit or loss.

Fair value is determined in the manner described in Note 16.

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as fair value through profit or loss, are subsequently measured at amortized cost using the equity method. effective interest.

The effective interest method is a method for calculating the amortized cost of a financial liability and for allocating interest expense during the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all charges and points paid or received that are an integral part of the effective interest rate, transaction costs, and other premiums or discounts) during the period. expected life of the financial liability, or (where appropriate) a shorter period, at the amortized cost of a financial liability.

Contractual financial guarantee liabilities

A financial guarantee contract is a contract that requires the issuer to make specific payments to reimburse the holder for a loss it incurs due to the failure of a specific debtor to make payments when they are due in accordance with the terms of a debt instrument.

The liabilities of the financial guarantee contract are initially measured at their fair values and, if they are not designated as fair value through comprehensive income and do not arise from a transfer of an asset, they are subsequently measured at the higher of:

- The amount of the provision for losses determined in accordance with IFRS 9 (see financial assets above);

• The amount initially recognized less, when applicable, the accumulated amortization recognized in accordance with the income recognition policies established above.

Exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, gains and losses in foreign currency are determined based on the amortized cost of the instruments. These gains and losses in foreign currency are recognized under “Other gains and losses” in income for financial liabilities that are not part of a designated hedging relationship.

For those that are designated as a hedging instrument for a foreign currency risk hedge, foreign currency gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and is translated at the exchange rate at the end of the reporting period. For financial liabilities that are measured as fair value through profit or loss, the foreign currency component is part of fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of an equity ratio. designated coverage.

Cancellation of financial liabilities

The Entity derecognizes financial liabilities if, and only if, the Entity’s obligations are fulfilled, canceled or have expired. The difference between the carrying amount of the financial liability written off and the consideration paid and payable is recognized in profit or loss.

When the Entity exchanges with the existing lender a debt instrument in another with substantially different terms, said exchange is accounted for as an extinction of the original financial liability and the recognition of a new financial liability. Similarly, the Entity considers the substantial modification of the terms of an existing liability or part of it as an extinction of the original financial liability and the recognition of a new liability. The terms are assumed to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the current discounted rate and the value of the remaining cash flows of the original financial liability. If the modification is not material, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after the modification should be recognized in income as the gain or loss due to modification within other gains and losses.

g. Business combinations

Business acquisitions are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred to the Entity, less the liabilities incurred by the Entity with the previous owners of the acquired company and the equity shares issued by the Entity in exchange for control over the acquired company on the date of purchase. Acquisition-related costs are generally recognized in the consolidated statement of comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at fair value except for:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefits that are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;

- Liabilities or equity instruments related to the acquiree’s share-based payment arrangements or the Entity’s share-based payment arrangements entered into to replace the acquiree’s share-based payment arrangements that are measured in accordance with IFRS 2 Payments Based on Shares as of the acquisition date; y

- Assets (or a group of assets for their disposal) that are classified as held for sale in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations that are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired company, and the fair value of the acquirer’s previous shareholding in the acquired company (if any) over the net of the amounts of identifiable assets acquired and liabilities assumed at the acquisition date. If after a revaluation the net of the amounts of identifiable acquired assets and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquired company and the fair value of the previous shareholding of the acquirer in the acquired company (if any), Non-controlling interests that are current equity interests and that grant their holders a proportional participation of the Entity's net assets in the event of liquidation, can be initially measured either at fair value or at the value of the proportional participation of the non-controlling interest. parent company in the recognized amounts of the acquired company's identifiable net assets. The measurement basis option is made in each transaction. Other types of non-controlling interests are measured at fair value or, when applicable, based on what is specified in another IFRS.

When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration agreement, the contingent consideration is measured at its fair value at the acquisition date and is included as part of the transferred consideration. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are retrospectively adjusted with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from the additional information obtained during the "measurement period" (which cannot be more than one year from the acquisition date) on facts and circumstances that existed on the acquisition date. .

The accounting treatment for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as capital is not subsequently remeasured and its subsequent settlement is accounted for within capital. Contingent consideration that is classified as an asset or liability is remeasured on subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, recognizing the resulting gain or loss in the consolidated statement. comprehensive income.

When a business combination is achieved in stages, the Entity's previous shareholding in the acquired company is remeasured at its fair value on the acquisition date and the resulting gain or loss, if any, is recognized in the consolidated statement of income. and other comprehensive income. The amounts arising from interests in the company acquired before the acquisition date that have been previously recognized in other comprehensive income are reclassified to the consolidated statement of income and other comprehensive income when this treatment is appropriate if said participation is eliminated.

If the initial accounting treatment of a business combination is incomplete at the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items whose accounting is incomplete. These provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized to reflect the new information obtained on the facts and circumstances that existed on the acquisition date and that, if known, would have affected the asset amounts. or liabilities recognized as of that date.

h. Information by segment

The operating segments are reported consistently with the internal reports prepared to provide information to the Chief Executive Officer, who is responsible for assisting the Presidency of the Genomma Lab Board of Directors, for which reason the Chief Executive Officer is considered to be chief operation decision maker for strategic decisions on the allocation of resources and the evaluation of the operating segments on the established Corporate Governance platform.

i. Cash, cash equivalents and restricted cash

They consist mainly of bank deposits in checking accounts and investments in highly liquid short-term securities, easily convertible into cash, maturing up to three months from the date of acquisition and subject to minor risks of changes in value. Cash is presented at nominal value and equivalents are valued at fair value. Cash equivalents are mainly represented by investments in money tables. As of December 31, 2020, 2019 and 2018, the Entity has restricted funds designated to comply with contractual commitments.

j. Inventories

Inventories are valued at the lower of acquisition cost and net realizable value. Cost comprises direct materials and, where applicable, direct costs and overheads incurred to bring inventories to their current location and condition. The cost is calculated using the average cost method. The net realizable value represents the estimated sale price less all estimated costs of completion and costs incurred in marketing, sale and distribution.

k. Advance payments

Advance payments are mainly represented by advances to suppliers and advertising expenses, which are amortized to results as the service accrues. The Entity classifies in the long term the advertising expense that it expects to accrue for more than one year.

l. Property, plant and equipment

Property, plant and equipment are initially recorded at acquisition cost.

Land and buildings are presented in the consolidated statement of financial position at cost, less any accumulated depreciation or accumulated impairment losses.

Properties that are under construction for production purposes or for purposes not yet determined are recorded at cost less any recognized impairment loss. The cost could include professional fees and, in the case of qualifying assets, capitalized loan costs in accordance with the Entity's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when they are complete for their intended use. Depreciation of these assets, as in other properties, begins when the assets are ready for their planned use.

Land is not depreciated.

Furniture and equipment are presented at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized to show cost over their useful lives using the straight-line method. The estimated useful life, the residual value and the depreciation method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized on a prospective basis.

An item of property, property and equipment is derecognized when it is sold or when it is not expected to obtain future economic benefits derived from the continued use of the asset. The gain or loss that arises from the sale or retirement of an item of Property, plant and equipment, is calculated as the difference between the resources received from sales and the book value of the asset, and is recognized in the results.

m. Investment in associate

An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in decisions about financial and operating policies of the entity in which it is invested, but it does not imply control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated into the consolidated financial statements using the equity method.

An investment in an associate is recorded using the equity method from the date the investee becomes an associate. In the acquisition of the investment in an associate, the excess in the acquisition cost over the Entity's participation in the net fair value of the identifiable assets and liabilities in the investment is recognized as goodwill, which is included in the value on investment books. Any excess participation of the Entity in the net fair value of the identifiable assets and liabilities in the acquisition cost of the investment, after its re-evaluation, is immediately recognized in the results of the period in which the investment was acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize an impairment loss with respect to the Entity's investment in an associate. When necessary, the total carrying amount of the investment is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset, comparing its recoverable amount (higher between value in use and fair value less cost to sell) against its value. in books. Any recognized impairment loss is part of the investment's carrying amount. Any reversal of such impairment loss is recognized in accordance with IAS 36 to the extent that such recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date the investment ceases to be an associate, or when the investment is classified as held for sale. When the Entity maintains the interest in the former associate, the retained investment is measured at fair value at that date and is considered as its fair value at the time of initial recognition in accordance with IAS 39. The difference between the book value of the associate in the date on which the equity method was discontinued and the fair value attributable to the stake retained and the gain from the sale of a part of the interest in the associate is included in the determination of the gain or loss on disposal of the associate. Further, the Entity records all amounts previously recognized in other comprehensive income in relation to that associate with the same basis that would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by said associate has been reclassified to the income statement upon disposing of the related assets or liabilities, the Entity reclassifies the capital gain or loss to the income statement (as a reclassification adjustment) when the equity method is discontinued.

When the Entity reduces its participation in an associate, but the Entity continues to use the equity method, the Entity reclassifies to results the proportion of the gain or loss that had previously been recognized in other comprehensive income in relation to the reduction of its participation in the investment if that profit or loss had been reclassified to the income statement in the disposition of the related assets or liabilities.

When the Entity carries out transactions with its associate, the profit or loss resulting from said transactions with the associate is recognized in the consolidated financial statements of the Entity only to the extent of the participation in the associate that is not related to the Entity.

n. Intangible assets

These assets represent expenditures that give rise to future economic benefits because they meet certain requirements for recognition as assets.

1. Intangible assets acquired separately

Intangible assets with indefinite useful lives acquired separately are recognized at acquisition cost less accumulated impairment loss. Intangible assets with indefinite useful lives that are acquired separately are recorded at cost less accumulated impairment losses.
Intangible assets with a defined useful life are amortized based on the straight-line method over their estimated useful life. The estimated useful life and the amortization method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized on a prospective basis.

2. Intangible assets generated internally - research and development expenditures

Disbursements originating from research activities are recognized as an expense in the period in which they are incurred.

An intangible asset that is generated internally as a result of development activities (or the development phase of an internal project) is recognized if, and only if all of the following have been demonstrated:

• Technically, it is possible to complete the intangible asset so that it can be made available for use or sale;

• The intention to complete the intangible asset for use or sale;

• The ability to use or sell the intangible asset;

• The way in which the intangible asset will generate probable economic benefits in the future;

• The availability of technical, financial and other appropriate resources to complete the development and to use or sell the intangible asset; Y

• The ability to reliably value the expenditure attributable to the intangible asset during its development.

The amount that is initially recognized for an intangible asset that is generated internally will be the sum of the disbursements incurred from the moment the intangible asset meets the conditions for its recognition, established above. When an internally generated intangible asset cannot be recognized, development expenditures are charged to income in the period in which they are incurred. After initial recognition, an internally generated intangible asset is recognized at cost less accumulated amortization and the accumulated amount of impairment losses, on the same basis as intangible assets that are acquired separately.

3. Intangible assets acquired in a business combination

When an intangible asset is acquired in a business combination and recognized separately from goodwill, its initial cost will be its fair value on the acquisition date.

After its initial recognition, an intangible asset acquired in a business combination will be recognized at its cost less accumulated amortization and the accumulated amount of impairment losses, on the same basis as intangible assets that are acquired separately.

4. Intangible assets derecognition

An intangible asset is written off by sale, or when it is not expected to have future economic benefits from its use or disposal. Gains or losses arising from the derecognition of an intangible asset, measured as the difference between net income and the asset's book value, are recognized in income when the asset is derecognised.

The Entity classifies its intangible assets into assets with an indefinite useful life and assets with a defined useful life, according to the period in which the Entity expects to receive the benefits.

i. Assets with an indefinite useful life

They correspond to trademarks, licenses and other rights, for which the Entity expects to generate income indefinitely, so they are not amortized, but their value is subject to impairment tests in the same way.

ii. Definite useful life assets

They correspond mainly to costs incurred in the development phase of comprehensive information systems and are amortized based on the straight-line method according to the useful life of the project and with a maximum of 5 years. Also included arelicenses for the commercialization of the Entity's products, which are amortized based on the straight line method in the validity period of said licenses.

o. Impairment of tangible and intangible assets

At the end of each reporting period, the Entity reviews the book values of its tangible and intangible assets in order to determine if there is an indication that these assets have suffered any impairment loss. If there is any indication, the recoverable amount of the asset is calculated to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which said asset belongs. When a reasonable and consistent basis for distribution can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise,

Intangible assets with an indefinite useful life or not yet available for use are subject to impairment tests at least every year, and whenever there is an indication that the asset could have deteriorated.

The recoverable amount is the higher of the fair value less the cost of selling it and the value in use. When evaluating value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset to the future. which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is adjusted by increasing the revised estimated value to the recoverable amount, such that the adjusted carrying amount does not exceed the carrying amount. that would have been determined if an impairment loss had not been recognized for said asset (or cash-generating unit) in previous years.

The reversal of an impairment loss is recognized immediately in profit or loss.

p. Leases

Classification and valuation of leases under IAS 17, effective until December 31, 2018

The Entity as lessee

Until December 31, 2018, the Entity classified its leases as financial or operating depending on the substance of the transaction rather than the form of the contract.

Leases in which a significant portion of the risks and benefits of ownership are retained by the lessor were classified as operating leases. Payments made under operating leases (net of incentives received by the lessor) were recorded in the consolidated statement of income based on the straight-line method during the lease period.

The leases in which the Entity assumes substantially all the risks and benefits inherent to the ownership of the asset were classified as financial leases. Finance leases were capitalized at the beginning of the lease at the lower of the fair value of the leased property and the present value of the minimum payments. If its determination was practical, to discount the minimum payments to present value, the interest rate implicit in the lease was used, otherwise, the incremental loan rate of the lessee should be used. Any initial direct costs to the lessee were added to the original amount recognized as an asset. Each lease payment was allocated between the liability and the finance charges until a constant rate was achieved on the current balance. The corresponding rental obligations were included in the current portion of non-current debt and non-current debt, net of finance charges. Interest on finance costs was charged to income for the year during the lease period, in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under a finance lease were depreciated between the shorter of the useful life of the asset and the term of the lease. in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under a finance lease were depreciated between the shorter of the useful life of the asset and the term of the lease. in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under a finance lease were depreciated between the shorter of the useful life of the asset and the term of the lease.

The Entity as lessor

The leases for which the Entity acts as lessor are classified as financial or operating. As long as the terms of the lease transfer substantially all the risks and rewards of the property to the lessee, the contract is classified as a finance lease. The other leases are classified as operating leases.

Income from operating leases is recognized in a straight line during the corresponding lease term. The initial direct costs incurred in negotiating and arranging an operating lease are added to the book value of the leased asset and are recognized in a straight line over the term of the lease. The amounts for financial leases are recognized as accounts receivable for the amount of the Entity's net investment in the leases.

Classification and valuation of leases under IFRS 16, effective as of January 1, 2019

The Entity as lessee

The Entity assesses whether a contract contains a lease at its origin. The Entity recognizes an asset for rights of use and a corresponding lease liability with respect to all lease contracts in which it is a lessee, except for short-term leases (term of 12 months or less) and those of low-value assets (such as electronic tablets, personal computers and small items of office furniture and telephones).

For these leases, the Entity recognizes the rental payments as an operating expense under the straight-line method throughout the term of the lease, unless another method is more representative of the pattern of time in which the economic benefits from consumption of the leased assets.

The lease liability is initially measured at the present value of the rental payments that are not paid on the commencement date, discounted by the rate implicit in the contract. If this rate cannot be easily determined, the Entity uses incremental rates.

The rent payments included in the measurement of the lease liability consist of:

- Fixed rent payments (including fixed payments in substance), less any rental incentives received;
- Variable income payments that depend on an index or rate, initially measured using the index or rate on the commencement date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Penalty payments resulting from the termination of the lease, if the lease period reflects the exercise of a lease termination option.

The lease liability is presented as a separate concept in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the book value to reflect the interest accrued on the lease liability (using the effective interest method) and reducing the book value to reflect the rental payments made.

The Entity revalues the lease liability (and makes the corresponding adjustment to the related use rights asset) provided that:

- The lease term is modified or there is a significant event or change in the circumstances of the lease resulting in a change in the evaluation of the purchase option exercise, in which case the lease liability is measured by discounting the updated rent payments using a rate. discount updated.
- Rent payments are modified as a result of changes in indices or rate or a change in the expected payment under a guaranteed residual value, in which cases the lease liability is revalued by discounting the updated rent payments using the same discount rate (at unless the change in rent payments is due to a change in a variable interest rate, in which case an updated discount rate is used).
- A lease is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is revalued based on the lease term of the modified lease, discounting the updated rent payments using an updated discount rate. as of the effective date of the amendment.

The Entity did not make any of the aforementioned adjustments in the periods presented. Rights-of-use assets consist of the initial measurement of the corresponding lease liability, rental payments made on or before the commencement date, less any lease incentives received and any direct initial costs. Subsequent valuation is cost less accumulated depreciation and impairment losses.

If the Entity incurs an obligation arising from the costs of dismantling and removing a leased asset, restoring the relationship in which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease, a provision measured in accordance with IAS 37. To the extent that costs relate to a rights-of-use asset, the costs are included in the related rights-of-use asset, unless such costs are incurred to generate inventories.

Assets for rights of use are depreciated over the shorter period between the lease period and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the use rights asset reflects that the Entity plans to exercise a purchase option, the use rights asset will be depreciated over its useful life. Depreciation begins on the lease commencement date.

Assets for rights of use are presented as a separate concept in the consolidated statement of financial position.

The Entity applies IAS 36 to determine whether a rights-of-use asset is impaired and accounts for any identified impairment losses as described in the ‘Property, plant and equipment’ policy.

Leases with variable income that do not depend on an index or rate are not included in the measurement of the lease liability and the asset for rights of use. The related payments are recognized as an expense in the period in which the event or condition that triggers the payments occurs and are included in the concept of “Other expenses” in the consolidated statement of income.

As a practical expedient, IFRS 16 allows you not to separate the non-lease components and instead account for any lease and its associated non-lease components as a single arrangement. The Entity has not used this practical file. For contracts that contain lease components and one or more additional lease or non-lease components, the Entity assigns the consideration of the contract to each lease component under the relative selling price method independent of the lease component and relative selling price. Separate aggregate for all non-lease components.

The Entity as lessor

The Entity enters into lease agreements as lessor with respect to some of the investment properties. The Entity also rents to retailers the equipment necessary for the presentation and development of their activities and equipment manufactured by the Entity.

Leases in which the Entity acts as lessor are classified as finance leases or operating leases. When the terms of the contract transfer substantially all the risks and rewards of the property to the lessee, the contract is classified as a finance lease. All other contracts are classified as operating contracts.

When the Entity is an intermediate lessor, it accounts for the main lease and the sublease as two separate contracts. The sublease is classified as a finance lease or operating lease in reference to the asset for rights of use originated from the main lease.

The rental income from operating leases is recognized on a straight-line basis through the relevant lease term. Direct initial costs incurred in the negotiation and arrangement of the operating lease are added to the book value of the leased asset and are recognized on a straight-line basis throughout the term of the lease.

Subsequent to initial recognition, the Entity regularly reviews the estimate of residual unguaranteed values and applies the impairment requirements of IFRS 9, recognizing an estimate for expected losses in accounts receivable from leases.

Income from finance leases is calculated with reference to the gross book value of accounts receivable from leases, except for financial assets with credit impairment, for which interest income is calculated with reference to amortized cost (ie after deduction of the loss reserve).

When a contract includes lease and non-lease components, the Entity applies IFRS 15 to assign the consideration corresponding to each component under the contract.

q. Transactions in foreign currencies

When preparing the financial statements of each entity, transactions in a currency other than the entity’s functional currency (foreign currency) are recognized using the exchange rates in effect on the dates on which the operations are carried out. At the end of each period, monetary items denominated in foreign currency are reconverted at the exchange rates in effect on that date. Non-monetary items recorded at fair value, denominated in foreign currency, are reconverted at the exchange rates in effect on the date on which the fair value was determined. Non-monetary items that are calculated in terms of historical cost, in foreign currency, are not reconverted.

Exchange rate differences in monetary items are recognized in income for the period, except when they arise from:

- Exchange rate differences from loans denominated in foreign currencies related to assets under construction for future productive use, which are included in the cost of said assets when they are considered as an adjustment to interest costs on such loans denominated in foreign currencies;

- Exchange rate differences arising from monetary items receivable or payable to a foreign operation whose liquidation is not planned nor is payment likely to be made (thus forming part of the net investment in the foreign operation), which are initially recognized in other comprehensive income and are reclassified from stockholders’ equity to results in reimbursement of monetary items.

For the purposes of presenting the consolidated financial statements, the Entity's assets and liabilities in foreign currency are expressed in Mexican pesos, using the exchange rates in effect at the end of the period. Income and expense items are translated at the average exchange rates in effect for the period, unless these fluctuate significantly during the period, in which case the exchange rates on the date the transactions are carried out are used. The exchange rate differences that arise, if applicable, are recognized in other comprehensive income and are accumulated in stockholders' equity (attributed to non-controlling interests when appropriate).

In the sale of a foreign operation (that is, sale of the Entity's entire interest in a foreign operation, or a disposal involving a loss of control in the subsidiary that includes a foreign operation, partial loss of joint control over an entity jointly controlled that includes a foreign operation, part of which the interest withheld becomes a financial instrument; all the exchange rate differences accumulated in capital related to that operation attributable to the Entity are reclassified to results.

Additionally, in the partial disposal of a subsidiary that includes a foreign operation, the Entity will once again attribute the proportional participation of the accumulated amount of the exchange differences recognized in the other comprehensive income to the non-controlling interests in that foreign operation and they are not recognized in results. In any other partial disposal of a foreign operation (that is, of associates or jointly controlled entities that does not involve a loss of significant influence or joint control), the Entity will reclassify to results only the proportional participation of the accumulated amount of exchange differences.

The adjustments corresponding to goodwill and the fair value of identifiable acquired assets and assumed liabilities generated in the acquisition of a foreign operation are considered as assets and liabilities of said operation and are translated at the exchange rate in effect at the end of the reporting period. . The resulting exchange differences are recognized in other comprehensive income.

r. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which require a substantial period of time until they are ready for use or sale, are added to the cost of those assets during that time until the moment in that are ready for use or sale.

To the extent that the variable rate of loans used to finance a qualified asset and that are hedged in an effective hedge of interest rate risk cash flows, the effective portion of the derivative is recognized in other comprehensive income and is reclassified to income. when the qualified asset impacts results. To the extent that fixed rate loans are used to finance qualifying assets and are covered by an effective hedge of interest rate risk, capitalized borrowing costs reflect interest rate hedging.

The income obtained from the temporary investment of funds from specific loans pending to be used in qualifying assets is deducted from the costs for loans eligible to be capitalized.

All other borrowing costs are recognized in income during the period in which they are incurred.

s. Employee benefits

Employee benefits for termination and retirement

Contributions to defined contribution retirement benefit plans are recognized as expenses when employees have rendered the services that entitle them to contributions.

In the case of defined benefit plans, which include seniority premiums and pensions, their cost is determined using the projected unit credit method, with actuarial valuations carried out every year or every two years at the end of the period over which they are reports depending on whether the effect is material or not depending on the subsidiary to which the concepts of employee benefits correspond. Remeasurements, which include actuarial gains and losses, the effect of changes in the asset floor (if any), and the return on the asset plan (excluding interest), are immediately reflected in the consolidated statement of financial position. with a charge or credit that is recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are immediately reflected in retained earnings and are not reclassified to income. The cost for past services is recognized in income in the period of the plan modification. Net interest is calculated by applying the discount rate at the beginning of the period of the obligation to the asset or liability for defined benefits. Defined benefit costs are classified as follows:

- Cost per service (including the cost of current service, cost of past services, as well as gains and losses from reductions or settlements).
- Net interest income or expenses.
- Remeasurements

The Entity presents the first two components of defined benefit costs as an expense or income, as appropriate. Gains and losses from service reduction are recognized as past service costs.

Obligations for retirement benefits recognized in the consolidated statement of financial position represent actuarial gains and losses in the Entity's defined benefit plans. Any gains arising from this calculation are limited to the present value of any economic benefits available from future plan contributions and rebates.

Any indemnification obligation is recognized when the Entity can no longer withdraw the severance offer and / or when the Entity recognizes the related restructuring costs.

Short-term employee benefits

A liability is recognized for benefits that correspond to the employees with respect to wages and salaries, annual vacations and sick leave in the period of service in which it is provided for the amount not discounted by the benefits expected to be paid for that service.

Liabilities recognized for short-term employee benefits are valued at the undiscounted amount for the benefits expected to be paid for that service.

Employee profit sharing (PTU)

PTU is recorded in the results of the year in which it is incurred and is presented under the heading of operating expenses in the consolidated statement of comprehensive income.

As a result of the 2014 Income Tax Law, as of December 31, 2020, 2019 and 2018, PTU is determined based on taxable income in accordance with section I of article 9 of the same Law.

t. Share-based payments

Transactions with payments based on the Entity's shares

Transactions with payments based on shares settled through equity instruments to employees and third parties that provide similar services to the Entity are valued at the fair value of the equity instruments on the date they are granted.

The fair value determined at the grant date of the payments based on shares payable through equity instruments is recorded as expenses on a straight-line basis during the award period, based on the Entity's estimate of the equity instruments that they will eventually be awarded with a corresponding increase in capital. At the end of each period, the Entity reviews its estimates of the number of equity instruments that are expected to be awarded. The effect of the revision of the original estimates, if any, is recognized in the results of the period so that the accumulated expense reflects the revised estimate, with the corresponding adjustment to the reserve for employee benefits payable through equity instruments.

Share-based payment transactions settled through equity instruments with third parties that provide similar services are valued at the fair value of the goods or services received, except if it is not possible to reliably estimate the fair value of the services received, in which case they are valued at the fair value of the equity instruments granted, on the date the Entity obtains the goods or the counterparty renders the service.

For the share-based payment transaction payable in cash, a liability is recognized for the goods or services acquired, initially valued at the fair value of the liability. At the end of each reporting period, until it is settled, as well as on the settlement date, the Entity reassesses the fair value of the liability and any change in its fair value is recognized in the results of the period.

u. Income taxes

Income tax expense represents the sum of accrued income taxes and deferred income taxes.

1. Income taxes incurred

The calculated caused tax corresponds to income tax (ISR) and is recorded in the results of the year in which it is incurred.

2. Deferred income taxes

Deferred income taxes are recognized on the temporary differences between the book value of the assets and liabilities included in the financial statements and the corresponding tax bases used to determine the tax result, the rate corresponding to these differences and, where appropriate, they include the benefits of tax loss carryforwards and some tax credits. The deferred income tax asset or liability is generally recognized for all temporary tax differences. A deferred tax asset will be recognized for all deductible temporary differences, to the extent that it is probable that the Entity will have future taxable profits against which it can apply these deductible temporary differences.

The carrying amount of a deferred tax asset should be reviewed at the end of each reporting period and should be reduced to the extent that it is deemed probable that there will not be sufficient taxable earnings to allow all or a portion of it to be recovered. part of the asset.

Deferred tax assets and liabilities are valued using the tax rates that are expected to apply in the period in which the liability is paid or the asset is realized, based on the rates (and tax laws) that have been approved or substantially approved at the time end of the reporting period.

The valuation of deferred tax liabilities and assets reflects the tax consequences that would arise from the way in which the Entity expects, at the end of the reporting period, to recover or settle the book value of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset when there is a legal right to offset short-term assets with short-term liabilities and when they refer to income taxes corresponding to the same tax authority and the Entity intends to settle its assets and liabilities on a net basis.

3. Accrued and deferred taxes

Accrued and deferred taxes are recognized in income, except when they refer to items that are recognized outside income, either in other comprehensive income or directly in stockholders' equity. When they arise from the initial recognition of a business combination, the tax effect is included in the recognition of the business combination.

v. Earnings per share

Basic earnings per common share is calculated by dividing the consolidated net income of the controlling interest by the weighted average number of common shares outstanding during the year. To determine the weighted average number of shares, those in treasury are decreased from the shares in circulation. Basic and diluted earnings per share are the same because there are no potentially diluted instruments at the close of 2020.

w. Revenue recognition

The Entity recognizes income from the following source:

Sale of goods

Revenues are recognized when control of the goods has been transferred, at the time the goods have been transported to the customer's specific location (delivery).

The Entity's obligation is to deliver the product to the customer either at its facilities or at the Entity's facilities where the customer picks up the product.

The price is established from the moment the purchase order is lifted by the client and is accepted by the Entity. All the Entity's income is recognized at a point in time.

Revenues are calculated at the fair value of the consideration collected or receivable, taking into account the estimated amount of customer returns, rebates and other similar discounts.

x. Explanation for translation into English

The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of International Financial Reporting Standards. Certain accounting practices applied by the Entity that conform with IFRS may not conform with accounting principles generally accepted in the country of use.

4. Critical accounting judgments and key sources for estimating uncertainties

In applying the Entity's accounting policies, which are described in Note 3, management must make judgments, estimates and assumptions about the carrying amounts of assets and liabilities in the consolidated financial statements. Relative estimates and assumptions are based on experience and other factors deemed relevant. Actual results could differ from these estimates.

Estimates and assumptions are reviewed on a regular basis. Modifications to accounting estimates are recognized in the period in which the modification is made and future periods if the modification affects both the current period and subsequent periods.

a. Critical judgments when applying accounting policies

Below are critical judgments, apart from those involving estimates, made by Management during the process of applying the Entity's accounting policies and that have a significant effect on the consolidated financial statements.

• Capitalization of borrowing costs

As described in Note 3r, the Entity capitalizes the cost of the loans directly to the acquisition, construction or production of qualifying assets. Borrowing costs have been capitalized in the time that the technical and administrative work was associated with the resumed project.

• Significant increase in credit risk

As explained in Note 7, the PCE is measured in an allocation equal to 12 months of the total expected loss for the assets of stage 1, the total life of the total expected loss for the assets of stage 2 or 3. An asset is moved to stage 2 when credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. To consider whether credit risk has significantly increased, the Entity takes quantitative and qualitative prospective information into consideration.

• Contingent events

The Entity is subject to contingent transactions or events on which it uses professional judgment in developing estimates of probability of occurrence, the factors considered in these estimates are the current legal situation at the date of the estimate and the opinion of the advisors. legal.

• Valuation and impairment of intangibles

At the close of each year, Management is required to determine whether its intangible assets are impaired. This determination requires critical judgments in the selection of the valuation method to be used and the assumptions applied in calculating the expected future cash flows. Said judgments and assumptions require reflecting the current assessment of the market and the time value of money and the consequent determination of an appropriate pre-tax discount rate. Valuations require proper consideration of the benefits of the new production facility that is under construction.

• Estimation of useful life and residual value of property, plant and equipment

The Entity reviews the estimated useful life of property, plant and equipment at the end of each annual period. The degree of uncertainty related to the estimates of useful lives is related to changes in the market and the use of assets due to the volumes of commercialization and technological development.

• Estimation for bonuses and discounts

Entity recognizes this estimate based on authorized business plans with customers.

• Valuation of inventories to their net realizable value

The Entity records the estimates necessary to recognize the decreases in the value of its inventories due to impairment that are classified as obsolete and close to maturity based on their specific characteristics and based on their expiration date; however, particular situations may occur that increase the reserve due to the unexpected entry of new competitors or the temporary nature of the products that may represent uncertainty in the value of the reserve. The Entity has the policy of not accepting returns, except in the case of expired products or offline products, so that as soon as the Entity knows of their existence, it recognizes the corresponding provsion.

• Deferred income tax assets

The Entity assesses external and internal factors at the end of each reporting period on the recoverability of the deferred income tax asset to ensure that no amounts are maintained whose tax benefits cannot be recovered against future earnings.

5. Non-cash transactions

The Entity carried out the following non-cash financing activities that are excluded from the consolidated statements of cash flows:

• The Entity registered additions of construction in process that as of December 31, 2020, 2019 and 2018, were pending payment for $ 124,377, $ 138,502 and $ 169,486, respectively.

• During 2017, the Entity declared dividends for $ 800,000, which did not generate cash disbursements as of the date of this report, they were considered as operating activities as of December 31, 2018 and 2017 (See Note 17).

6. Cash, cash equivalents and restricted cash

For the purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash include cash and banks and investments in money market instruments.

Cash, cash equivalents and restricted cash at the end of the period are as follows:

	2020	2019	2018
Cash	$ 1,956,132	$ 878,837	$ 1,369,330
Cash equivalent:			
Money market and investments in securities	92,653	20,825	22,042
Restricted cash	55,085	23,279	23,269
	$ 2,103,870	$ 922,941	$ 1,414,641

7. Accounts receivable and other accounts receivable

	2020	2019	2018
Customers	$ 5,290,808	$ 4,793,558	$ 4,329,394
Estimates for:			
Doubtful collection accounts	(784,838)	(778,138)	(760,669)
Reserve for returns and bonuses	(478,589	(575,881)	(645,590)
	(1,263,427)	(1,354,019)	(1,406,259)
	4,027,381	3,439,539	2,923,135
Recoverable taxes, mainly value added tax	2,774,011	2,362,446	2,209,344
Various debtors	-	-	-
Other	440,870	651,901	366,236
Estimate for other accounts receivable	(7,176)	(235,476)	(236,893)
	$ 7,235,086	$ 6,218,410	$ 5,261,822

Accounts receivable estimate

The Entity has recognized an allowance for doubtful accounts for 100% of all accounts receivable older than 360 days or more, due to the fact that due to experience, accounts receivable overdue for more than 360 days are not recovered. For accounts receivable that are between 270 and 360 days old, an allowance is recognized for doubtful accounts based on the expected loss determined by the counterparty's default experiences and an analysis of its current financial position.

Before accepting any new client, the Entity uses an external credit rating system to assess the credit quality of the potential client and defines the credit limits per client. The limits and ratings attributed to clients are reviewed twice a year.

To determine the estimate for doubtful accounts, the Entity performs an analysis of the age of balances per customer and an estimate percentage is assigned based on experience. This first analysis gives an indication of deterioration; Subsequently, an analysis of the financial situation of all the clients included is carried out to determine which accounts are impaired according to the expected credit loss model and the corresponding estimate is recorded on these.

The movements of the estimate for doubtful accounts and other accounts receivable that are recorded inselling, general and administrative expenses, were as follows:

	Beginning balance	Increases	Applications	Ending balance
2020	$ (1,013,614)	$ (32,231)	$ 253,831	$ (792,014)
2019	$ (997,562)	$ (39,064)	$ 23,012	$ (1,013,614)
2018	$ (1,132,177)	$ (79,346)	$ 213,961	$ (997,562)

The movements of the reserve for returns and discounts were as follows:

	Beginning balance	Increases	Applications	Ending balance
2020	$ (575,881)	$ (233,423)	$ 330,715	$ (478,589)
2019	$ (645,590	$ (332,791)	$ 402,500	$ (575,881)
2018	$ (445,155))	$ (1,635,706)	$ 1,435,271	$ (645,590)

The Company established automation processes in SAP to comply with new tax regulations (CFDI 3.3), this allowed automatic reconciliation with the client and as a consequence decreased the amount of returns.

a. Accounts receivable from customers

Accounts receivable from customers disclosed above are classified as accounts receivable and therefore are valued at amortized cost.

The average credit term on the sale of goods is 90 days. No interest charge is made on accounts receivable from customers. The Entity recognizes an allowance for doubtful accounts based on irrecoverable amounts determined by experiences of default of the counterparty and an analysis of its current financial position.

Before accepting any new client, the Entity assesses the credit quality of the potential client and defines the credit limits per client. The limits and ratings attributed to clients are periodically reviewed. Sales to the Entity's ten main clients represent 40%, 41% and 38% of consolidated net sales and 55%, 48% and 55% of the balance of accounts receivable in 2020, 2019 and 2018, respectively.

Accounts receivable from customers disclosed in the preceding paragraphs include amounts that are past due at the end of the reporting period (see aging analysis below), but for which the Entity has not recognized any estimate for receivables. doubtful as there has been no significant change in credit quality and amounts are still considered recoverable. The Entity does not maintain any collateral or other credit enhancements on these balances, nor does it have the legal right to offset them against any amount owed by the Entity to the counterparty.

Aging of accounts receivable overdue, but not uncollectible

	2020	2019	2018
60-90 days	$ 134,275	$ 90,272	$ 96,519
More than 90 days	450,328	273,941	285,834
Total	$ 584,603	$ 364,213	$ 382,353
Average age (days)	89	62	70

When determining the recoverability of an account receivable, the Entity considers any change in the credit quality of the account, from the date the credit was initially granted until the end of the reporting period.

The following is the effect of adoption and subsequent application of IFRS 9:

Balance as of January 1, 2018 under IAS 39	$ 727,744
Adjustment according to the application of IFRS 9	(21,053)
Balance as of January 1, 2018 adjusted under IFRS 9	706,691
Increase / changes in credit risk parameters	53,978
Balance as of December 31, 2018	760,669
Increase / changes in credit risk parameters	17,469
Balance as of December 31, 2019	778,138
Increase / changes in credit risk parameters	6,700
Balance as of December 31, 2020	$ 784,838

8. Inventories

	2020	2019	2018
Finished products	$ 1,730,289	$ 1,790,374	$ 1,681,723
Raw material	944,991	817,928	824,827
Estimation for obsolete inventories	(724,643)	(802,475)	(887,772)
	1,950,637	1,805,827	1,618,778
Goods in transit	95,346	102,016	78,254
	$ 2,045,983	$ 1,907,843	$ 1,697,032

The movements of the estimate for obsolete inventories were as follows:

	Beginning balance	Increases	Applications	Ending balance
2020	$ (802,475)	$ (640,659)	$ 718,491	$ (724,643)
2019	$ (887,772)	$ (596,713)	$ 682,010	$ 802,475
2018	$ (1,003,088)	$ (529,675)	$ 644,991	$ (887,772)

9. Property, plant and equipment

a. The reconciliation of beginning and ending balances of the book value as of December 31, 2020, 2019 and 2018 is as follows:

	Balance as of January 1, 2020	Direct additions	Discharges from sales	Deterioration	Transfers to assets	Conversion effect	Balance as of December 31, 2020
Building	$ 172,649	$ 4,034	$ -	$ -	$ -	$ -	$ 176,683
Improvements to leased properties	95,030	630	-	-	(2,838)	(6,687)	86,135
Laboratory equipment, molds and machinery	113,488	18,862	-	-	(1,199)	592	131,743
Transport equipment	193,305	9,825	(4,435)	-	(1,265)	(86)	197,344
Computer equipment	84,226	11,512	(960)	(81)	(1,417)	(699)	92,581
Production and recording equipment	57,887	2,540	-	-	-	20	60,447
Office, sales and telecommunications equipment	261,270	23,462	(1,376)	(33)	(194)	8,953	292,082
	977,855	70,865	(6,771)	(114)	(6,913)	2,093	1,037,015
Accumulated depreciation and amortization	(566,461)	(84,047)	1,987	76	4,384	(5,292)	(649,353)
	411,394	(13,182)	(4,784)	(38)	(2,529)	(3,199)	387,662
Constructions in process	1,482,920	662,339	(11,339)	-	7,994	593	2,142,507
Land	265,141	-	-	-	-	2	265,143
	$ 2,159,455	$ 649,157	$ (16,123)	$ (38)	$ 5,465	$ (2,604)	$ 2,795,312

	Balance as of January 1, 2019	Direct additions	Discharges from sales	Deterioration	Transfers to assets	Conversion effect	Balance as of December 31, 2019
Building	$ 171,526	$ 1,123	$ -	$ -	$ -	$ -	$ 172,649
Improvements to leased properties	97,779	308	-	-	(337)	(2,720)	95,030
Laboratory equipment, molds and machinery	112,878	3,901	(26)	-	26	(3,291)	113,488
Transport equipment	47,376	22,098	(27,142)	-	153,600	(2,627)	193,305
Computer equipment	77,770	15,048	(7,584)	-	(33)	(975)	84,226
Production and recording equipment	57,782	173	-		-	(68)	57,887
Office, sales and telecommunications equipment	247,803	27,403	(7,822)	-	(41)	(6,073)	261,270
	812,914	70,054	(42,574)		153,215	(15,754)	977,855
Accumulated depreciation and amortization	(515,835)	(68,842)	11,048	-	479	6,689	(566,461)
	297,079	1,212	(31,526)	-	153,694	(9,065)	411,394
Constructions in process	1,518,582	594,075	(53,253)	-	(574,521)	(1,963)	1,482,920
Land	54,573	210,538	-	-	10	20	265,141
	$ 1,870,234	$ 805,825	$ (84,779)	-	$ (420,817)	$ (11,008)	$ 2,159,455

	Balance as of January 1, 2018	Direct additions	Discharges from sales	Deterioration	Transfers to assets	Conversion effect	Balance as of December 31, 2018
Building	$ 171,144	$ -	$ -	$ -	$ 382	$ -	$ 171,526
Improvements to leased properties	98,229	11,555	(834)	-	-	(11,171)	97,779
Laboratory equipment, molds and machinery	170,619	93,557	(48,869)	-	(84,116)	(18,313)	112,878
Transport equipment	66,365	20,313	(8,446)	-	(25,707)	(5,149)	47,376
Computer equipment	77,133	7,257	(370)	-	-	(6,250)	77,770
Production and recording equipment	58,474	28	-	-	-	(720)	57,782
Office, sales and telecommunications equipment	246,112	34,989	(11,939)	-	(11,929)	(9,430)	247,803
	888,076	167,699	(70,458)	.	(121,370)	(51,033)	812,914
Accumulated depreciation and amortization	(559,078)	(68,721)	4,361	-	54,146	53,457	(515,835)
	328,998	98,978	(66,097)	-	(67,224)	2,424	297,079
Constructions in process	165,078	1,259,381	-	-	92,359	1,764	1,518,582
Land	54,573	-	-	-	-	-	54,573
	$ 548,649	$ 1,358,359	$ (66,097)	$ -	$ 25,135	$ 4,188	$ 1,870,234

As of December 31, 2020, 2019 and 2018, the Entity has capitalized interests for $ 67,000, $ 64,498 and $ 61,132 respectively, which correspond to the construction of the plant.

The following average useful lives that are used in the calculation of depreciation are:

	Useful life in years
Building	40
Improvements to leased properties	10
Laboratory equipment, molds and machinery	3
Transport equipment	4
Computer equipment	3
Production and recording equipment	3
Office, sales and telecommunications equipment	10

10. Intangible assets

	Balance as of January 1, 2020	**Direct additions**	**Divestments**	**Impairment**	**Reclassifications [1]**	**Conversion effect**	**Balance as of December 31, 2020**
Indefinite life assets:							
Trademarks	$ 3,886,947	$ -	$ -	$ -	$ (11)	$ 10,809	$ 3,897,745
Trademark use licenses	528,101	715	-	-	3,331	(2,936)	529,211
Distribution rights	397,206	-	-	-	6	-	397,212
Investment advances	-	-	-	-	-	-	-
Other intangibles	73,449	827	-	-	-	(18)	74,258
	4,885,703	1,542	-	-	3,326	7,855	4,898,426
Definite life assets:							
Software - Development Costs	145,509	4,811	(836)	.	(1,878)	(334)	147,272
Trademark use licenses	36,558	-	-	-	-	-	36,558
Accumulated amortization	(154,555)	(17,578)	-	-	(3,120)	1,362	(173,891)
	27,512	(12,767)	(836)	-	(4,998)	1,028	9,939
	$ 4,913,215	$ (11,225)	$ (836)	$ -	$ (1,672)	$ 8,883	$ 4,908,365

	Balance as of January 1, 2019	**Direct additions**	**Divestments**	**Impairment**	**Reclassifications [1]**	**Conversion effect**	**Balance as of December 31, 2019**
Indefinite life assets:							
Trademarks	$ 3,916,859	$ 1,011	$ -	$ -	$ (572)	$ (30,351)	$ 3,886,947
Trademark use licenses	511,008	20,809	-	-	(13,421)	9,705	528,101
Distribution rights	397,206	-	-	-	-	-	397,206
Investment advances	-	-	-	-	-	-	-
Other intangibles	54,373	3,248	-	-	15,961	(133)	73,449
	4,879,446	25,068	-	-	1,968	(20,779)	4,885,703
Definite life assets:							
Software - Development Costs	141,284	4,662	-	-	-	(437)	145,509
Trademark use licenses	36,558	-	-	-	-	-	36,558
Accumulated amortization	(122,891)	(17,985)	-	-	(1,908)	(11,771)	(154,555)
	54,951	(13,323)	-		(1,908)	(12,208)	27,512
	$ 4,934,397	$ 11,745	$ -	$ -	$ 60	$ (32,987)	$ 4,913,215

(1) The main reclassifications correspond to licenses to use trademarks for terms of up to 99 years and / or whose contracts stipulate rights to renew them for which the Entity considers them to have an indefinite life.

	Balance as of January 1, 2018	Direct additions	Divestments	Impairment	Reclassifications [1]	Conversion effect	Balance as of December 31, 2018
Indefinite life assets:							
Trademarks	$ 4,142,491	$ 77,181	$ (509)	-	-	$ (302,304)	$ 3,916,859
Trademark use licenses	511,008	-	-	-	-	-	511,008
Distribution rights	397,206	-	-	-	-	-	397,206
Investment advances	63,930	-	-	(63,500)	(450)	20	-
Other intangibles	56,922	3,239	-	-	450	(6,238)	54,373
	5,171,557	80,420	(509)	(63,500)	-	(308,522)	4,879,446
Definite life assets:							
Software - Development Costs	94,319	4,781	(430)	-	47,865	(5,251)	141,284
Trademark use licenses	36,558	-	-	-	-	-	36,558
Accumulated amortization	(121,367)	(12,443)	430	-	-	10,489	(122,891)
	9,510	(7,662)	-	-	47,865	5,238	54,951
	$ 5,181,067	$ 72,758	$ (509)	$ (63,500)	$ 47,865	$ (303,284)	$ 4,934,397

11. Investment in associates

	2020	2019	2018
Investment value at the beginning of the year	$ 1,595,714	$ 1,525,790	$ 1,472,805
Profit recognized in the equity method	51,314	69,925	52,985
Value of the investment in Marzam at the end of the year	1,647,028	1,595,715	1,525,790
Acquisition value of investment in joint venture	39,006	30,044	18,867
Profit recognized in the equity method	14,957	8,962	11,177
Investment value at the end of the year	$ 1,700,991	$ 1,634,721	$ 1,555,834

A summary of Marzam's financial information as of December 31, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
Statements of financial position:			
Current assets	$ 8,395,897	$ 6,703,464	$ 6,065,744
Non-current assets	705,029	679,052	292,390
Total liabilities	6,989,062	5,373,819	4,473,377
Stockholders' equity	$ 2,111,864	$ 2,008,697	$ 1,884,757
Income statements:			
Net income	$ 19,706,722	$ 16,479,123	$ 15,388,728
Sales cost	18,036,648	14,937,888	13,911,298
Gross profit	1,670,074	1,541,235	1,477,430
General expenses	1,512,633	1,312,518	1,295,922
Profit before taxes	157,441	228,717	181,508
Income taxes	54,793	88,840	75,517
Net profit	$ 102,648	$ 139,877	$ 105,991

The other investment in associates is not material for the consolidated financial statements as a whole, therefore, no further disclosure is included.

12. Other accounts payable and accrued liabilities

	2020	2019	2018
Various creditors	$ 831,408	$ 368,717	$ 525,203
Accumulated liabilities	706,869	550,262	270,310
Employee benefits	150,863	71,757	99,193
Advertising payable	247,259	233,036	296,042
Taxes payable, except ISR	720,530	769,831	653,539
Interest payable	12,527	14,531	13,773
	$ 2,669,456	$ 2,008,134	$ 1,858,060

13. Stock and bank loans and current portion of long-term debt

As of December 31, they are comprised as follows:

	2020	2019	2018
Stock certificates			
LAB 20 issued on August 31, 2020, maturing on August 28, 2023, at a floating interest rate of TIIE + 1.1%	$ 2,500,000	$ -	$ -
LAB 00120 issued on February 13, 2020, maturing on February 11, 2021, at a floating interest rate of TIIE + 0.15%	300,000	-	-
LAB 00220 issued on February 20, 2020, maturing on February 11, 2021, at a floating interest rate of TIIE + 0.16%	500,000	-	-
LAB 00420 issued on June 25, 2020, maturing on June 24, 2021, at a floating interest rate of TIIE + 0.6%	51,049	-	-
LAB 00520 issued on July 9, 2020, maturing on July 8, 2021, at a floating interest rate of TIIE + 0.6%	150,000	-	-
LAB 00620 issued on August 13, 2020, maturing on August 12, 2021, at a floating interest rate of TIIE + 0.6%	150,000	-	-
LAB 18 issued on March 23, 2019, maturing on March 19, 2021, at a floating interest rate of TIIE + 1.90% and prepaid on September 14, 2020	-	2,450,000	2,450,000
LAB 00119 issued on September 5, 2019, maturing on February 20, 2020, at a floating interest rate of TIIE + 0.3%	-	120,000	-
LAB 00219 issued on September 5, 2019, maturing on September 3, 2020, at a floating interest rate of TIIE + 0.5%	-	180,000	-
LAB 00319 issued on September 19, 2019, maturing on March 5, 2020, at a floating interest rate of TIIE + 0.3%	-	180,000	-
LAB 00419 issued on September 19, 2019, maturing on September 17, 2020, at a floating interest rate of TIIE + 0.3%	-	120,000	-
LAB 14 issued on November 28, 2014 maturing on January 17, 2020, at a floating interest rate of TIIE + 0.60%	-	-	1,500,000
Bank credits			
International Finance Corporation - World Bank Group: Credit that bears monthly interest at the TIIE rate plus 1.87%. The principal is amortized through sixty equal amortizations for $ 12.3 million beginning on May 31, 2020 and ending on May 15, 2025	$ 651,329	$ 737,356	$ 737,356
Banco del Bajío, S. A.: Credit that bears monthly interest at the TIIE rate plus 1.75%. The principal is amortized through 42 equal amortizations for $ 9.5 million beginning on March 29, 2021 and ending on August 27, 2024	400,000	-	-
Inter-American Development Bank - IDB Loan 49945: Credit for $ 362.3 million, which bears monthly interest at the TIIE rate + 1.45%. The capital will be amortized through 60 equal amortizations for $ 6.04 million beginning on June 15, 2021 and ending on May 15, 2026	362,250	362,250	-
Inter-American Development Bank - IDB: Credit that bears monthly interest at the TIIE rate plus 1.45%. The principal is amortized through 60 equal amortizations for $ 5.2 million beginning on June 15, 2021 and ending on May 15, 2026	312,750	312,750	312,750
Scotiabank Inverlat, S.A. IBM: Credit that bears monthly interest at the TIIE rate plus 1.90%. The capital will be amortized through 18 equal amortizations for $ 13.9 million beginning on March 19, 2021 and ending on August 19, 2022	250,000	-	-

	2020	2019	2018
Scotiabank Inverlat, S.A. IBM: Credit that bears monthly interest at a fixed rate of 6.84%. The capital will be amortized through 18 equal amortizations for $ 2.8 million beginning on March 19, 2021 and ending on August 19, 2022	50,000	-	-
International Finance Corporation - World Bank Group loan 40144-00: Credit for $ 263 million, which bears monthly interest at the TIIE rate + 1,094%. The capital will be amortized through 60 equal amortizations for $ 4.4 million beginning on June 16, 2021 and ending on May 16, 2026	263,127	263,127	-
Inter-American Investment Corporation - IDB Invest: the TIIE rate plus 1.45%. The principal is amortized through 60 equal amortizations for $ 1.7 million beginning on June 15, 2021 and ending on May 15, 2026	104,250	104,250	104,250
Inter-American Investment Corporation - IDB investment credit 49951: Credit for $ 120.8 million, which bears monthly interest at the TIIE rate + 1.45%. The capital will be amortized through 60 equal amortizations for $ 2 million beginning on June 15, 2021 and ending on May 15, 2026	120,750	120,750	-
National Bank of Foreign Trade, SNC: Credit that bears monthly interest at the TIIE rate plus 0.70%. The capital is amortized through seventy-two equal amortizations for $ 6.3 million beginning on July 17, 2015 and ending on June 17, 2021	38,011	114,033	190,054
Banca Santander Brasil, S. A: Simple credit with Banco Santander Brasil for $ 41 million Brazilian reais, which bears monthly interest at a fixed rate of 9.38%. The principal payment will be made in a single payment upon maturity on June 17, 2020	157,129	192,430	-
Banco Digimais, S.A. (Brazil): Simple credit for $ 21 million Brazilian reais, which bears monthly interest at a fixed rate of 9.90%. The payment of the principal will be made in a single payment upon maturity on November 5, 2021	80,481	-	-
Banco S.A.B.adell, S.A.: Simple credit with Banco S.A.B.adell for $ 150 million, which bears monthly interest at the TIIE rate + 1.25%. The principal payment was made in advance in a single exhibition on August 26, 2020	-	150,000	-
BBVA Bancomer, S.A.: Simple credit with BBVA Bancomer México for $ 500 million, which bears monthly interest at the TIIE rate + 1.45%. The capital will be amortized through 18 equal amortizations for $ 27.8 million beginning on September 30, 2019 and ending early on September 30, 2020	-	388,920	-
Banco Santander, S. A.: Simple credit with Banco Santander México for $ 250 million Mexican pesos, which bears monthly interest at the rate of TIIE + 0.85%. The principal payment will be made in a single payment upon maturity on March 13, 2020		250,000	
BBVA Bancomer, S. A.: Simple credit with BBVA Bancomer México for $ 300 million, which bears monthly interest at the TIIE rate + 1.3%. The principal payment will be made in a single payment upon maturity on March 7, 2019	-	-	300,000
Banco Santander, S. A.: Simple credit with Santander México for $ 300 million, which bears monthly interest at the TIIE rate + 1.3%. The principal payment will be made in a single payment upon maturity on March 19, 2019	-	-	300,000
	6,441,126	6,045,866	5,894,410

	2020	2019	2018
Less:			
Short-term bank loans and current portion of long-term debt	$ 1,970,239	1,550,006	$ 676,022
Debt issuance expenses	17,140	11,194	21,038
Long-term debt	$ 4,453,747	$ 4,484,666	$ 5,197,350

Long-term debt maturities as of December 31, 2020 will be as follows:

To pay during	
2022	$ 627,752
2023	2,978,805
2024	847,190
	$ 4,453,747

The stock certificates and the loan contracts establish obligations to do and not to do for the Entity. All these requirements are met as of December 31, 2020.

14. Employee benefits upon retirement

The net cost of the period for obligations derived from severance pay for termination of employment, retirement benefits and seniority premiums, amounted to $ 207 in 2020, ($ 168) in 2019 and $ 26,268 in 2018. Other disclosures required by the provisions accounting are considered unimportant.

15. Risk management

The Entity has exposure to market, operational and financial risks derived from the use of financial instruments such as interest rate, credit, liquidity and exchange risk, which are managed centrally. The Board of Directors establishes and monitors the policies and procedures to measure and manage these risks, which are described below:

a. Capital risk management

The Entity manages its capital to ensure that it will continue as a going concern while maximizing returns to its shareholders through the optimization of capital balances, through continuous monitoring of the debt and capital structure.

The Entity's capital structure consists of net debt (the loans as detailed in Note 13 offset by balances of cash and cash equivalents) and the Entity's capital (made up of issued share capital, reserves and accumulated earnings as disclosed in Note 17).

Indebtedness ratio

The debt ratio at the end of the reporting periods is as follows:

	2020	2019	2018
Debt (i)	$ 6,423,986	$ 6,034,672	$ 5,873,372
Cash and cash equivalents - excluding restricted cash	2,048,785	899,662	1,391,372
Net debt	$ 4,375,201	$ 5,135,010	$ 4,482,000
Stockholders' equity (ii)	$ 9,634,187	$ 7,974,108	$ 7,427,820
Net debt to equity ratio	45%	64%	60%

(i) Debt is defined as the book value of long and short-term loans.

(ii) Stockholders' equity includes all the reserves and the capital stock of the Entity that are managed as capital.

b. Interest rate risk management

The Entity is exposed to interest rate risks due to the fact that it has debt contracted at variable rates.

The Entity's exposures for interest rate risk are mainly in TIIE interest rates on financial liabilities. The sensitivity analysis determined by the Entity is prepared based on the exposure to interest rates of its total uncovered financial debt held at variable rates, an analysis is prepared assuming that the amount of the outstanding liability at the end of the period over which It is reported to have been the pending liability for the entire year. The Entity reports internally to the Board of Directors on interest rate risk.

Sensitivity analysis for interest rates

The following sensitivity analyzes have been determined based on the exposure to interest rates at the end of the reporting period. For variable rate liabilities, an analysis is prepared assuming that the amount of the current liability at the end of the reporting period has been the current liability for the entire year. When reporting internally to key management personnel about interest rate risk, an increase or decrease of 50 points is used, which represents management's assessment of the possible reasonable change in interest rates.

If interest rates had been 50 points above / below and all other variables remained constant:

- The result for the year ended December 31, 2020 would increase / decrease by $ 30,444 (2019: increase / decrease by $ 28,243) (2018: increase / decrease by $ 26,083). This is mainly attributable to the Entity's exposure to interest rates on its variable rate loans.

c. Credit risk management

Credit risk refers to the risk that one of the parties fails to comply with its contractual obligations resulting in a financial loss for the Entity. The Entity has adopted a policy of only engaging with solvent parties and obtaining sufficient guarantees, when appropriate, as a way of mitigating the risk of financial loss caused by defaults. The Entity only carries out transactions with entities that have a risk rating equivalent to investment grade or higher. This information is provided by independent rating agencies and, if not available, the Entity uses other available financial information and its own business records to rate its main clients. The Entity's exposure and the credit ratings of its counterparties are continuously monitored and the accumulated value of the concluded transactions is distributed among the approved counterparties. The credit exposure is controlled by the counterparty limits that are reviewed and approved by the Entity's credit committee.

Before granting credit to any client, a financial evaluation is performed and credit references are requested. Subsequently, a continuous evaluation of the credit is carried out on the financial condition of the accounts receivable.

d. Liquidity risk management

The Entity's Board of Directors is the body that has final responsibility for liquidity management, which has established the appropriate policies for its control, through monitoring of working capital, which allows management to manage the Entity's short, medium and long-term financing requirements, maintaining cash reserves, disposing of credit lines, continuously monitoring projected and real cash flows, reconciling the maturity profiles of financial assets and financial liabilities.

The following table details the contractual maturities of the Entity for its financial liabilities considering the agreed repayment periods. The table has been designed based on projected cash flows less financial liabilities based on the date on which the Entity must make payments. The table includes both projected interest cash flows and financial debt principal disbursements included in the Consolidated statement of financial positions. To the extent that interest is at the variable rate, the undiscounted amount is derived from the curves in the interest rate at the end of the reporting period. The contractual maturity is based on the minimum date on which the Entity must make the payment.

As of December 31, 2020	Less than a year	From one to three years	More than three years	Total
Bank loans including current portion of long-term debt	$ 1,970,239	$ 3,606,557	$ 847,190	$ 6,423,986
Interest to accrue	331,925	438,073	14,559	784,557
Accounts and documents payable to suppliers	1,644,766	-	-	1,644,766
Other accounts payable and accrued liabilities, sundry creditors and employee benefits	2,706,285	857,577	21,491	3,585,353
Total	$ 6,653,215	$ 4,902,207	$ 883,240	$ 12,438,662

As of December 31, 2019	Less than a year	From one to three years	More than three years	Total
Bank loans including current portion of long-term debt	$ 1,550,006	$ 3,345,820	$ 1,138,846	$ 6,034,672
Interest to accrue	469,703	407,292	72,420	949,415
Accounts and documents payable to suppliers	1,881,177	-	-	1,881,177
Other accounts payable and accrued liabilities, sundry creditors and employee benefits	2,027,138	881,082	21,537	2,929,757
Total	$ 5,928,024	$ 4,634,194	$ 1,232,803	$ 11,795,021

As of December 31, 2018	Less than a year	From one to three years	More than three years	Total
Bank loans including current portion of long-term debt	$ 676,022	$ 4,568,327	$ 629,023	$ 5,873,372
Interest to accrue	551,556	548,367	170,833	1,270,756
Accounts and documents payable to suppliers	1,774,441	-	-	1,774,441
Other accounts payable and accrued liabilities, sundry creditors and employee benefits	1,858,060	8836,283	30,116	2,724,459
Total	$ 4,860,079	$ 5,952,977	$ 829,972	$ 11,643,028

The amounts included in the debt with credit institutions include instruments at fixed and variable interest rates. Financial liabilities at variable interest rates are subject to change, changes in variable interest rates may differ from those estimates of interest rates determined at the end of the reporting period.

e. Foreign exchange risk management

The Entity carries out transactions denominated in foreign currency; consequently, it is exposed to fluctuations in the exchange rate, which are managed within the parameters of the approved policies.

The book values of the monetary assets and liabilities denominated in foreign currency to which the Entity is mainly exposed at the end of the reporting period, are the following (figures in thousands):

	2020		2019		2018	
	Assets	Passiveyou	Assets	Passiveyou	Assets	Passiveyou
US dollars	83,588	25,078	59,081	17,856	35,660	17,856
Other currencies valued in US dollars	139,591	68,225	135,257	56,933	142,994	54,906

Foreign currency sensitivity analysis

The Entity's sensitivity to a 10% increase or decrease in the peso against foreign currencies is not relevant. The 10% represents the sensitivity rate used when reporting exchange risk internally to the Entity's key personnel, and represents the management's assessment of a reasonably possible change in exchange rates.

The Entity is mainly exposed to the dollar. The exchange rates as of December 31, 2020 and April 12, 2021 are $ 19,935 and $ 20,095, respectively.

The following table details the Entity's sensitivity to a 10% increase and decrease in the dollar against the relevant foreign currencies. The 10% represents the sensitivity rate used when reporting exchange rate risk internally to key management personnel, and represents management's assessment of the possible reasonable change in exchange rates. The sensitivity analysis includes only the pending monetary items denominated in foreign currency and adjusts their translation at the end of the period for a 10% change in exchange rates. Sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or borrower. A positive figure (as seen in the table below) indicates an increase in results where the peso strengthens 10% against the relevant currency. If there were a 10% weakening in the peso relative to the reference currency, then there would be a comparable impact on results and other comprehensive income, and subsequent balances would be negative.

	Effect on results		
	2020	2019	2018
Mexican pesos	$ 258,910	$ 226,697	$ 208,148

16. Fair value of financial instruments

The fair value of the financial instruments that are subsequently presented has been determined by the Entity using the information available in the market or other valuation techniques that require judgment to develop and interpret the fair value estimates. Likewise, it uses assumptions that are based on the market conditions existing at each of the dates of the Consolidated statement of financial position. Consequently, the estimated amounts presented are not necessarily indicative of the amounts that the Entity could make in a current market exchange. The use of different assumptions and / or estimation methods could have a material effect on the estimated fair value amounts.

The following table presents an analysis of the financial instruments that are measured after initial recognition at fair value, grouped in levels 1 to 3 depending on the degree to which fair value is observed:

- Level 1 are those derived from quoted prices (not adjusted) in active markets for identical assets or liabilities;;

- Level 2 are those derived from indicators other than quoted prices included within Level 1, but which include indicators that are observable for an asset or liability, either directly at quoted prices or indirectly, that is, derived from these prices; Y

- Level 3 are those derived from valuation techniques that include indicators for assets or liabilities, which are not based on observable market information (unobservable indicators).

The amounts of cash and cash equivalents of the Entity, as well as accounts receivable and payable from third parties and related parties, and the current portion of bank loans and long-term debt are close to their fair value because they have short maturities term. The Entity's long-term debt is recorded at its amortized cost and consists of debt that generates interest at fixed and variable rates that are related to market indicators.

The carrying amounts of financial instruments by category and their estimated fair values as of December 31, 2020, 2019 and 2018 are as follows:

	2020		2019		2018	
	Value in books	Fair value	Value in books	Fair value	Value in books	Fair value
Financial liabilities measured at amortized cost (level 2)						
Bank loans and current portion of long-term debt	$ 1,970,239	$ 2,017,885	$1,570,869	$1,570,869	$ 676,022	$ 737,203

The fair value of the debt contracted with credit institutions is close to the amount recorded in the accounting due to the short-term nature of some of the maturities.

The fair values of financial assets and liabilities shown as of December 31, 2020, 2019 and 2018 in the consolidated statements of financial position, do not differ from their book value, except bank loans, because the values are derived from those observed in the market they are very similar to those registered.

During the period there were no transfers between Level 1 and 2.

17. Stockholders' equity

a. The share capital at nominal value as of December 31, is as follows:

	2020 y 2019		2019	
	Number of actions	Amount	Number of actions	Amount
Fixed capital B series	82,176	150	82,176	150
Variable capital B series	1,047,917,824	1,912,817	1,047,917,824	1,914,156
	1,048,000,000	1,912,967	1,048,000,000	1,914,306

The capital stock is made up of nominative common shares with no par value. The variable capital is unlimited.

b. At the General Shareholders' Meeting held on April 30, 2020, the maximum amount of resources that the Entity may allocate to the acquisition of treasury shares was approved that is equal to the total balance of the Entity's net distributed profits, less the separate amount of said profits to integrate the reserve fund of the Entity, during the year of 2020, without exceeding said amount. The repurchase of shares during the 2020, 2019 and 2018 fiscal years amounts to $ 11,070, $ 84,145 and $ 133,932. As of December 31, 2020, there are 36,665,792 treasury shares charged to stockholders' equity.

c. In the Ordinary Annual General Meeting of Shareholders of April 29, 2019, the Entity was authorized to expand the request for issuance of short and long-term stock certificates previously approved by the Company's Board of Directors (the "Stock Certificates") under the modality of a revolving placement program (the "Program"), up to a total amount of $ 10,000,000 or its equivalent in Investment Units, and to request the National Banking and Securities Commission (the "Commission ") The preventive registration in the National Registry of Securities of the Program up to said amount, and to the Mexican Stock Exchange, SAB de C.V. (the "Stock Exchange") the listing of the Stock Certificates up to said amount, in the list of securities authorized to be listed on the stock market, and to carry out, during the term of the Program, the placement among the investing public, through public offering through the Stock Exchange, of one or more issues of the Stock Certificates under the same, under the scheme or modality that is convenient, in accordance with the applicable legislation and regulations, and as determined by the General

Directorate and / or the Vice Presidency of Finance and Administration of the Company. (ii) The Company was authorized to carry out all the acts, procedures, and procedures that are necessary or convenient, with the Commission, the Stock Exchange, and S.D. Indeval Institución para el Depósito de Valores, S.A. de CV, as well as to celebrate and negotiate any contracts, agreements, and documents that are required, related or convenient about the modification of the Program and concerning each and every one of the issues that are made from now on under the of the Program. (iii) The proprietary and alternate Secretaries not members of the Company's Board of Directors were authorized to issue any certifications about the authorizations granted in the relief of the fifth point of the Meeting's Agenda.

d. On December 21, 2018, the Entity informed its shareholders that, due to the updating of the registration of the shares representing LAB's capital stock in the National Securities Registry authorized by the National Banking and Securities Commission by official letter number 153/12202/2018, derived from the cancellation of the 733,370 (seven hundred thirty-three thousand three hundred seventy) ordinary, nominative shares, without expression of nominal value, Series "B", representing the variable capital of LAB that it held in its possession, The definitive titles currently in circulation would be exchanged for new definitive titles that reflect the cancellation of shares in their possession. The exchange of the definitive titles was carried out on January 31, 2019, through S.D. Indeval Institución para el Depósito de Valores, S.A. de CV, regarding the shares that are deposited in a said institution that cover shares representing LAB's capital stock in the amount equivalent to the sum of the theoretical value of the treasury shares, that is, the amount of $ 1,339.

e. At the General Shareholders' Meeting on April 27, 2017, the payment of dividends for $ 800,000 was approved. For this, the Shareholders' Meeting delegated to the Board of Directors of the Entity to determine the payment dates of each exhibition, as well as the amounts to be paid in each of them, considering the liquid resources available to the Entity and provided that the payments for such exhibitions do not originate or may originate a Cause of Early Expiration of the current Stock Certificate Program. In the exercise of the powers conferred by the Shareholders' Meeting, the Board of Directors of the Entity in the sessions held on October 24, 2017, February 20, 2018, and February 20, 2019, the payment of the dividend decreed by the Ordinary and Extraordinary Annual General Meeting of Shareholders held on April 27, 2017, and discussed the various investments that the Company was making in the construction of the new production plant and the inclusion of business lines, and resolved that derived from the various investments that are being carried out, the Company would not have liquid resources available in 2018, 2019 and 2020 fiscal years to carry out the payment of the decreed dividend, therefore said the dividend will remain in the long-term liability account with related parties of the Company.

f. Retained earnings include the reserve fund. In accordance with the General Law of Mercantile Companies, a minimum of 5% must be separated from the net profits for the year to form the reserve fund, until its amount rises to 20% of the capital stock at nominal value. The reserve fund can be capitalized, but it should not be distributed unless the Entity is dissolved, and it should be reconstituted when it decreases for any reason. As of December 31, 2020, the legal reserve registered at nominal value by the Entity amounts to $ 382,593 equivalent to 20% of its capital stock.

g. The distribution of stockholders' equity, except for the updated amounts of the contributed capital stock and of the tax retained earnings, will cause the ISR to be paid by the Entity at the rate in effect at the time of distribution. The tax paid for said distribution may be credited against the income tax for the year in which the tax on dividends is paid and in the two immediately following years, against the tax for the year and the provisional payments thereof.

Dividends paid from profits generated as of January 1, 2014 to individuals residing in Mexico and residents abroad, may be subject to an additional income tax of up to 10%, which must be withheld by the Entity.

h. The balances of the fiscal accounts of the stockholders' equity as of December 31, are:

	2020	2019	2018
Contribution capital	$ 2,978,986	$ 2,861,244	$ 2,814,850
Net tax profit account at the end of 2013	3,807,731	3,469,803	3,152,898
Net tax profit account as of 2014	4,535,122	2,055,939	1,558,043
Total	$ 11,326,788	$ 8,386,986	$ 7,525,791

18. Balances and transactions with related parties

The balances and transactions between the Entity and its subsidiaries, which are related parties of the Entity, have been eliminated in consolidation and are not disclosed in this note. The transactions between the Entity and other related parties are detailed below.

a. Balances receivable with related parties are:

	2020	2019	2018
Associates	$ 75,792	$ 86,996	$ 57,354

b. As of December 31, 2020, there is an account payable to related parties for $ 947.

Commercial transactions **-** During 2020, 2019 and 2018, the Entity's subsidiaries carried out the following commercial transactions with related parties that are not members of the Entity:

	2020	2019	2018
Sales to associate	$ 352,757	$ 309,305	$ 317,010
Professional services paid to related party	(361,329)	(290,638)	(228,737)
Purchase of commercial furniture and space design	(57,097)	-	-

Compensation of key management personnel - Compensation to management and other key members of management during the year was as follows:

	2020	2019	2018
Short-term direct benefits	$ 361,329	$ 290,638	$ 228,737

19. Other expenses (income), net

They are comprised as follows:

	2020	2019	2018
Other income from advertising services	$ (27,829)	$ (8,700)	$ (173,351)
Taxes refunds	(11,726)	-	-
Loss on sale of assets	1,012	1,060	59,828
Others, net	192,645	(48,828)	(64,194)
	$ 154,102	$ (56,468)	$ (177,717)

20. Income taxes

Mexico **-** The Entity is subject to income tax. According to the Income Tax Law in Mexico, the rate for 2020, 2019 and 2018 was 30% and will continue at 30% for subsequent years.

Other countries **-** The ISR rates applicable in the year 2020, in the countries where the Entity has subsidiaries, are mentioned below:

	%
Argentina	30
Bolivia	25
Brazil	34
Chile	27
Colombia	32
Costa Rica	30
Ecuador	25
United States of America (1)	21
Peru	29.5
Dominican Republic	27
Guatemala	25
The Savior	30
Honduras	25
Nicaragua	30
Panama	25
Spain	25
Uruguay	25
Paraguay	10

(1) On December 20, 2019, the tax reform of this country was approved and as of 2019 the federal income tax rate will be 21%.

The periods in which tax losses can be applied in these countries range from three to eight years.

Operations in Colombia and Argentina are subject to asset tax.

In Argentina there is a tax on minimum presumed earnings (IGMP) that results from applying the 1% rate on certain productive assets, and is paid only for the amount that exceeds the income tax for the year. If a payment is made in any year, this tax is credited against the excess of the ISR over the IGMP in the next ten years.

a. The income tax (benefit) is integrated as follows:

	2020	2019	2018
ISR:			
Caused	$ 827,030	$ 972,258	$ 784,869
Deferred	(60,197))	(176,533)	(130,894)
	$ 766,833	$ 795,725	$ 653,975

The reconciliation of the legal income tax rate and the effective rate expressed as a percentage of profit (loss) before income taxes and discontinued operations is:

	2020 %	2019 %	2018 %
Legal rate	30	30	30
Plus (minus) effect mainly of non-deductible expenses and differences in legal rates in foreign operations	(6)	16	6
Inflation effects	9	4	1
Non-deductible for impairment of long-lived assets	-	-	-
Effective rate	34	50	37

b. Deferred taxes on consolidated statements of financial position

The following is the analysis of the deferred tax assets (liabilities) presented in the consolidated statements of financial position:

	2020	2019	2018
Deferred income tax asset:			
Estimates for doubtful accounts, returns and bonuses	$ 67,932	$ 519,652	$ 386,444
Accrued expenses	410,053	181,775	220,198
Tax losses to be amortized	136,509	130,656	146,986
Inventory reserve and others, net	374,359	884,747	1,104,293
Deferred income tax asset	988,853	1,716,830	1,857,921
Deferred income tax (liability):			
Dividends receivable	(1,835)	(34,643)	(13,259)
Advance payments	(62,906)	(57,498)	(54,771)
Intangible assets and other assets	(935,649)	(1,263,065)	(1,106,708)
Deferred income tax (liability)	(1,000,390)	(1,355,206)	(1,174,738)
Net (liability) asset	$ (11,537)	$ 361,624	$ 683,183
The net assets for deferred income taxes are comprised as follows:			
Total assets	$ 540,106	$ 576,442	$ 624,888
Total liabilities	(551,643)	(214,818)	(100,370)
Net (liability) asset	$ (11,537)	$ 361,624	$ 524,518

Tax balances corresponding to different tax regimes are not offset against each other, and are shown separately in the accompanying consolidated statements of financial position.

c. The net asset deferred tax movements for the year are as follows:

	2020	2019	2018
Beginning balance	361,624	524,518	680,300
Income tax applied to results	(373,161)	(162,894)	(155,782)
Recognized in other comprehensive income	-	-	-
	(11,537)	361,624	524,518

d. The benefits of the updated tax losses pending amortization for which the deferred income tax asset has already been recognized can be recovered by meeting certain requirements. The expiration years and their updated amounts as of December 31, 2020, are:

Year of expiration	Carryforward losses
2021	$ 1,544
2022	1,364
2023	1,008
2024	51,665
2025	38,669
2026	61,773
2027	58,359
2028	16,033
2029	35,811
No expiration year	186,126
	$ 452,352

21. Contingencies

The Entity and its assets are not subject to any legal action other than those of a routine nature and characteristic of its activity.

22. Information by segments

Information by operating segments is presented based on management's classification and general information is presented by geographic area.
Transactions between segments have been eliminated. Total assets are those used in the operations of each segment. The corporate assets included in the services segment are: cash, available and long-term investments, recoverable taxes and certain fixed assets.

The administration has identified two operating segments divided into national and international, for which it considered the following premises:

a) The business activity or a particular economic environment, from which it obtains income, maintains assets or incurs liabilities.

b) Due to its importance, it requires the attention of the management of the economic entity, to evaluate its development and make decisions regarding the allocation of resources for its operation.

c) Information in addition to financial information is available and is based on a managerial approach criterion.

d) The inherent risks of business and returns are different from those of other operating segments.

As of December 31, 2020, the Entity has operations in 20 countries in addition to Mexico: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Spain, El Salvador, United States, Guatemala, Honduras, Nicaragua, Panama, Paraguay , Peru, Dominican Republic, Uruguay, Puerto Rico and Trinidad and Tobago.

The decisions of the General Management are taken evaluating the results of the segments, as well as their main indicators.

The operating segments are reported consistently with the internal reports prepared to provide information to the Chief Executive Officer The Chief Executive Officer is responsible for the allocation of resources, as well as the evaluation of the operating segments, therefore, he is considered the chief operation decsion maker.

a. The following tables show the financial information by business segment. Transactions between segments have been eliminated. Total assets are those used in the operations of each segment, mainly:

	2020		
	Mexico	International	Total
Income	$ 6,004,129	$ 7,866,019	$ 13,870,148
Depreciation and amortization	96,768	62,223	158,991
Interest income	24,893	6,503	31,396
Interest expense	(420,930)	(40,177)	(461,107)
Income taxes	403,533	363,300	766,833
Participation in the profit of associates	66,270	-	66,270
Net profit	882,638	587,740	1,470,378
Total assets	17,179,288	4,953,328	22,132,616
Total liabilities	10,228,489	2,269,940	12,498,429
Investments in productive assets	669,325	35,305	704,630

	2019		
	Mexico	International	Total
Income	$ 5,802,817	$ 6,910,073	$ 12,712,890
Depreciation and amortization	86,936	55,262	142,198
Interest income	15,628	13,149	28,777
Interest expense	(564,677)	(42,006)	(606,683)
Income taxes	520,394	275,331	795,725
Participation in the profit of associates	78,887	-	78,887
Net profit	47,426	717,037	764,463
Total assets	14,478,978	4,775,772	19,254,750
Total liabilities	9,209,492	2,071,150	11,280,642
Investments in productive assets	845,684	29,129	874,813

	2018		
	Mexico	International	Total
Income	$ 4,885,894	$ 6,908,525	$ 11,794,419
Depreciation and amortization	56,709	24,455	81,164
Interest income	9,130	22,639	31,769
Interest expense	(506,778)	(47,856)	(554,634)
Income taxes	258,471	395,504	653,975
Participation in the profit of associates	64,162	-	64,162
Net profit	300,576	808,889	1,109,465
Total assets	13,277,291	4,799,966	18,077,257
Total liabilities	8,571,882	2,077,555	10,649,437
Investments in productive assets	874,460	167,708	1,042,168

23. Events after the reporting period

In February 2021, the Entity concluded the successful placement of short-term Stock Certificates in the Mexican market for a total amount of $ 800 million Mexican pesos in four securities debt issues under its dual program, at terms of 196, 280 and 364 days at a TIIE rate plus 15, 23 and 24 basis points. The Stock Certificates were placed among a diversified base of investors.

As of December 31, 2020, the Entity had a leased distribution center (Cedis Doña Rosa), with an approximate area of 36,000 square meters located in the State of Mexico. The Entity plans to deliver the distribution center no later than March 31, 2021, once the move to the new manufacturing plant and distribution center in San Cayetano has been completed.

24. Authorization of the issuance of financial statements

The accompanying consolidated financial statements were authorized for issuance on April 12, 2021 by the Entity's management and are subject to the approval of the Annual Ordinary Shareholders' Meeting, who may decide to modify them in accordance with the provisions of the Law of the Stock market. These financial statements do not reflect any event that occurred after the authorization date for their issuance..

INITIATIVES INDEX:
2025 SUSTAINABILITY STRATEGY

SUSTAINABILITY MODEL	RELATED MATERIAL TOPIC	2025 STRATEGY PILLAR	ACTION	TARGET YEAR	SCOPE	SDG	GOAL	PROGRESS
RESPONSIBLE BUSINESS	PACKAGING AND WASTE	OUR PRODUCTS	Our secondary packaging will be made of certified forests paperboard.	2021	Global	12	12.2	Pages 35, 37
			Our tertiary packaging will be 100% recycled and recyclable.	2021	Global	12	12.2 12.5	In progress
			We will contribute to integrated waste management plans for our packages after its use, promoting circular economy.	2021	México	12	12.2 12.4 12.5	In progress
			We will begin the decrease of paperboard and virgin plastic use within our packaging.	2021	Global	12	12.2 12.5	In progress
			We will integrate at least 20% of recycled postconsumption resin within our packaging.	2023	Global	12	12.2 12.5	Page 38
			We will communicate packaging recycling guidelines with simple instructions for consumers to give it a correct dispose	2025	Global	12	12.4 12.5	In progress
			All our packaging will be 100% recyclable, reusable or compostable.	2025	Global	12	12.2 12.4 12.5	In progress
			We will promote the non-plastic use within leaveon cosmetics formulations.	2021	Global	12	12.2 12.4 12.5	In progress
	RESPONSIBLE VALUE CHAIN MANAGEMENT	OUR VALUE CHAIN	100% of our global supply chain will be fully aware of and aligned with our Supplier Code of Conduct and Ethics, as part of our Supplier Sustainability Program.	2021	NP	12	12.6	Page 58
			100% of our global supply chain suppliers will be reviewed in sustainability terms, as part of our Sustainability Program for Suppliers.	2022	NP	12	12.6	Page 58
			We will include sustainability criteria within our global supply chain selection process.	2022	NP	12	12.6	In progress

NP: NATIONAL PRODUCTION COUNTRIES
(OUTSOURCED MAQUILA MODEL): Argentina, Brazil, United States and Mexico

SUSTAINABILITY MODEL	RELATED MATERIAL TOPIC	2025 STRATEGY PILLAR	ACTION	TARGET YEAR	SCOPE	SDG	GOAL	PROGRESS
RESPONSIBLE BUSINESS	RESPONSIBLE VALUE CHAIN MANAGEMENT CLIMATE CHANGE	OUR MANUFACTURING PLANT	We will have the first pharmaceutical manufacturing plant* in Latin America with World Bank International Finance Corporation (IFC) EDGE (Excellence in Design for Greater Efficiencies) certification.	**2021**	Mexico		9.4	In progress
			We will participate in voluntary environmental audits that will verify our correct environmental performance through the Clean Industry certification of the Federal Attorney of Environmental Protection (PROFEPA) in Mexico.	**2021**	Mexico		9.4	In progress
	RESPONSIBLE VALUE CHAIN MANAGEMENT CLIMATE CHANGE	OUR LOGISTICS	Our freight transport and the one owned by our logistics suppliers will be adhered to global clean transportation programs.	**2021**	NP		7.3	Page 63
			We will reduce 20% of CO2 emissions (scope 1 and 3) related to our logistics operation in Mexico, compared to 2019.	**2023**	Mexico		7.3	Page 110
ENVIRONMENT	OPERATIONAL WASTE	OUR WASTE MANAGEMENT	Our global corporate offices will have an integrated waste management plan with a prevention and recycling approach.	**2022**	Mexico		12.5	In progress
			We will prevent that waste generated in our Distribution Center and Manufacturing Plant reach landfills, through recycling and reuse practices.	**2022**	Global		12.5	Page 104
			We will prevent that waste generated in our outsourced distribution centers reach landfills through recycling and reuse practices.	**2023**	NP		12.5	In progress
	WATER MANAGEMENT	OUR WATER MANAGEMENT	We will treat 100% of the wastewater generated in our manufacturing operations and implement technologies that facilitate its recycling and reuse.	**2022**	Mexico		6.3	Page 106
	CLIMATE CHANGE	OUR ACTIONS ON CLIMATE CHANGE	50% of the energy used at our Manufacturing Plant will come from cogeneration.	**2021**	Mexico		9.4	In progress
			We will set goals based on the Science Based Targets (SBTs) initiative in order to improve efficiency in our manufacturing operations.	**2023**	Mexico		9.4	In progress
			We will integrate 50% of renewable energy sources to the energy matrix of our manufacturing operation in Mexico.	**2025**	México		7.3	In progress

NP: NATIONAL PRODUCTION COUNTRIES
(OUTSOURCED MAQUILA MODEL): Argentina, Brazil, United States and Mexico

SUSTAINABILITY MODEL	RELATED MATERIAL TOPIC	2025 STRATEGY PILLAR	ACTION	TARGET YEAR	SCOPE	SDG	GOAL	PROGRESS
ENVIRONMENT	CLIMATE CHANGE PACKAGING AND WASTE WATER MANAGEMENT OPERATIONAL WASTE	OUR INTEGRATED MANAGEMENT	We will recognize our collaborators for implementing projects that reduce the environmental impact of our operations.	**2021**	Mexico	13	13.3	In progress
			100% of the global teams responsible for product development globally will be trained in sustainability, seeking to redesign and innovate with a reduced environmental impact.	**2021**	Global	13	13.3	In progress
			100% of the operational and administrative teams will be trained in sustainability, considering the theoretical and practical knowledge necessary to promote sustainable development, with special focus on mitigating and adapting to climate change.	**2021**	Global	13	13.3	In progress
SOCIETY	PROMOTING HEALTH AND WELL-BEING TALENT ATTRACTION AND EMPLOYEE DEVELOPMENT DIVERSITY, INCLUSION AND GENDER EQUALITY WITHIN OUR TEAM	OUR TEAM	We will implement integrated well-being programs for all our collaborators globally.	**2021**	Global	8	8.8	Page 89
			100% of our global team will be trained in ethics and anti-corruption.	**2021**	Global	16	16.5	Page 80
			We will implement development and training programs according to the specific needs and responsibilities identified for our collaborators.	**2021**	Global	4	4.4	Page 80
			50% of our global team will be represented by women.	**2022**	Global	5	5.5	Page 69
			50% of our global leadership positions will be held by women.	**2023**	Global	5	5.5	Page 69
			We will lay the necessary foundations and remove any barriers so that more people with disabilities can join our workforce.	**2022**	Global	8	8.5	In progress
			Our operating sites will be aligned to the highest health and safety standards by voluntarily participating in the Occupational Safety and Health Self-Management Program, (PASST) of the Ministry of Labor and Social Welfare in Mexico	**2022**	Mexico	8	8.8	In progress
	PROMOTING HEALTH AND WELL-BEING COMMUNITY OUTREACH	OUR CONTRIBUTION TO SOCIETY	We will publish our Policy of Good Practices for Medicines Promotion.	**2021**	Global	3	3.8	In progress
			We will strengthen our partnerships to increase the reach of our social programs to benefit communities, with a special focus on health, education, and the empowerment of women and girls. 100,000 people will benefit from our corporate volunteering programs. 500,000 people will benefit from business initiatives aligned with social or environmental causes. 5 million pharmaceutical and personal care products will be donated by Genomma Lab Internacional. 5 million people will be directly benefited by Genomma Lab Internacional's donations.	**2025**	Global	3	3.8	Page 91

GRI INDEX

GRI 102-55

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102-19	Delegating authority 2016	126	OPERATING COMMITTEE
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102-24	Nominating and selecting the highest governance body 2016	113	NOMINATION
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102-27	Collective knowledge of highest governance body 2016	113	CONTINOUS UPDATING
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DISCLOSURE	NAME AND VERSION	PAGE	REFERENCE ANNUAL REPORT
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102-42	Identifying and selecting stakeholders 2016	24	OUR PRIORITIES: WHO WE CARE ABOUT
102-43	Approach to stakeholder engagement 2016	24	OUR PRIORITIES: WHO WE CARE ABOUT
102-44	Key topics and concerns raised 2016	25, 33	OUR MATERIALITY INNOVATION
102-46	Defining report content and topic Boundaries 2016	25, 207	OUR MATERIALITY ABOUT THIS REPORT
102-47	List of material topics 2016	25	OUR MATERIALITY
102-48	Restatements of information 2016	104, 106, 207	OUR WASTE MANAGEMENT OUR WATER MANAGEMENT ABOUT THIS REPORT
102-49	Changes in reporting 2016	207	ABOUT THIS REPORT
102-50	Reporting period 2016	207	ABOUT THIS REPORT
102-51	Date of most recent report 2016	207	ABOUT THIS REPORT
102-52	Reporting cycle 2016	207	ABOUT THIS REPORT
102-53	Contact point for questions regarding the report 2016	207, 209	ABOUT THIS REPORT INFORMATION FOR INVESTORS AND STAKEHOLDERS
102-54	Claims of reporting in accordance with the GRI Standards 2016	207	ABOUT THIS REPORT
102-55	GRI content index 2016	203	ABOUT THIS REPORT
102-56	External assurance 2016	207	ABOUT THIS REPORT
103-1	Explanation of the material topic and its Boundary 2016	22, 30	MANAGING OUR SUSTAINABILITY, OUR 2025 SUSTAINABILITY STRATEGY,
103-2	The management approach and its components 2016	22	MANAGING OUR SUSTAINABILITY
103-1	Explanation of the material topic and its Boundary 2016	27	RELATIONSHIP AND COMMUNICATION WITH OUR STAKEHOLDERS
103-2	The management approach and its components 2016	22, 30	MANAGING OUR SUSTAINABILITY, OUR 2025 SUSTAINABILITY STRATEGY
103-3	Evaluation of the management approach 2016	30	OUR 2025 SUSTAINABILITY STRATEGY

DISCLOSURE	NAME AND VERSION	PAGE	REFERENCE ANNUAL REPORT
	ECONOMICS		
103-1	Explanation of the material topic and its Boundary 2016	135	RISK MANAGEMENT
201-2	Financial implications and other risks and opportunities due to climate change 2016	135	RISK MANAGEMENT
103-1	Explanation of the material topic and its Boundary 2016	91	WELL-BEING IN THE COMMUNITIES
203-1	Infrastructure investments and services supported 2016	91	WELL-BEING IN THE COMMUNITIES
103-1	Explanation of the material topic and its Boundary 2016	54	SUPPLY CHAIN
204-1	Proportion of spending on local suppliers 2016	54	SUPPLY CHAIN
103-1	Explanation of the material topic and its Boundary 2016	131	INTEGRITY POLICIES
103-2	The management approach and its components 2016	131	INTEGRITY POLICIES
205-2	Communication and training about anti-corruption policies and procedures 2016	131	INTEGRITY POLICIES
205-3	Confirmed incidents of corruption and actions taken 2016	132	CASES OF NON-COMPLIANCE WITH INTEGRITY POLICIES
	ENVIRONMENTAL		
103-1	Explanation of the material topic and its Boundary 2016	107	OUR ENERGY MANAGEMENT
302-1	Energy consumption within the organization 2016	107	OUR ENERGY MANAGEMENT
302-3	Energy intensity 2016	107	OUR ENERGY MANAGEMENT
302-4	Reduction of energy consumption 2016	107	OUR ENERGY MANAGEMENT
302-5	Reductions in energy requirements of products and services 2016	107	OUR ENERGY MANAGEMENT
103-1	Explanation of the material topic and its Boundary 2016	106	OUR WATER MANAGEMENT
303-1	Interactions with water as a shared resource 2018	106	OUR WATER MANAGEMENT
303-4	Water discharge 2018	106	OUR WATER MANAGEMENT

DISCLOSURE	NAME AND VERSION	PAGE	REFERENCE ANNUAL REPORT
303-5	Water consumption 2018	106	OUR WATER MANAGEMENT
103-1	Explanation of the material topic and its Boundary 2016	109	OUR CARBON FOOTPRINT
305-1	Direct (Scope 1) GHG emissions 2016	109	OUR CARBON FOOTPRINT
305-2	Energy indirect (Scope 2) GHG emissions 2016	109	OUR CARBON FOOTPRINT
305-3	Other indirect (Scope 3) GHG emissions 2016	109	OUR CARBON FOOTPRINT
305-4	GHG emissions intensity 2016	109	OUR CARBON FOOTPRINT
103-1	Explanation of the material topic and its Boundary 2016	104	OUR WASTE MANAGEMENT
306-1	Waste generation and significant waste-related impacts 2020	104	OUR WASTE MANAGEMENT
306-2	Management of significant waste-related impacts 2020	104	OUR WASTE MANAGEMENT
306-4	Waste diverted from disposal 2020	104	OUR WASTE MANAGEMENT
306-5	Waste directed to disposal 2020	104	OUR WASTE MANAGEMENT
307-1	Non-compliance with environmental laws and regulations 2016	103	SCOPE OF THE INFORMATION REPORTED
103-1	Explanation of the material topic and its Boundary 2016	54	SUPPLY CHAIN
308-1	New suppliers that were screened using environmental criteria 2016	54	SUPPLY CHAIN
SOCIAL			
103-1	Explanation of the material topic and its Boundary 2016	71	TALENT ATTRACTION
103-2	The management approach and its components 2016	71	TALENT ATTRACTION
401-1	New employee hires and employee turnover 2016	71	TALENT ATTRACTION
103-1	Explanation of the material topic and its Boundary 2016	68, 89, 130	DIVERSITY AND INCLUSION, COMPREHENSIVE WELL-BEING OF OUR COLLABORATORS, ETHICS AND INTEGRITY
103-2	The management approach and its compo-nents 2016	68, 130	DIVERSITY AND INCLUSION, ETHICS AND INTEGRITY
401-2	Benefits provided to full-time employees that are not provided to temporary or part-ti-me employees 2016	89, 130	COMPREHENSIVE WELL-BEING OF OUR COLLABORATORS, ETHICS AND INTEGRITY

DISCLOSURE	NAME AND VERSION	PAGE	REFERENCE ANNUAL REPORT
401-3	Parental leave 2016	89	COMPREHENSIVE WELL-BEING OF OUR COLLABORATORS
103-1	Explanation of the material topic and its Boundary 2016	84	HEALTH AND SAFETY
103-2	The management approach and its compo-nents 2016	84	HEALTH AND SAFETY
403-1	Occupational health and safety management system 2018	84	HEALTH AND SAFETY
403-2	Hazard identification, risk assessment, and incident investigation 2018	84	HEALTH AND SAFETY
403-6	Promotion of worker health 2018	89	COMPREHENSIVE WELL-BEING OF OUR COLLABORATORS
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships 2018	84	HEALTH AND SAFETY
403-9	Work-related injuries 2018	84	HEALTH AND SAFETY
403-10	Work-related ill health 2018	84	HEALTH AND SAFETY
103-1	Explanation of the material topic and its Boundary 2016	80	TRAINING AND DEVELOPMENT
404-1	Average hours of training per year per employee 2016	80	TRAINING AND DEVELOPMENT
404-2	Programs for upgrading employee skills and transition assistance programs reviews 2016	80	TRAINING AND DEVELOPMENT
406-1	Incidents of discrimination and corrective actions taken 2016	132	CASES OF NON-COMPLIANCE WITH INTEGRITY POLICIES
103-1	Explanation of the material topic and its Boundary 2016	133	HUMAN RIGHTS
103-2	The management approach and its components 2016	133	HUMAN RIGHTS
412-1	Operations that have been subject to human rights reviews or impact assessments 2016	133	HUMAN RIGHTS
103-1	Explanation of the material topic and its Boundary 2016	91	WELL-BEING IN THE COMMUNITIES
413-1	Operations with local community engagement, impact assessments, and development programs 2016	91	WELL-BEING IN THE COMMUNITIES
103-1	Explanation of the material topic and its Boundary 2016	54	SUPPLY CHAIN

DISCLOSURE	NAME AND VERSION	PAGE	REFERENCE ANNUAL REPORT
414-1	New suppliers that were screened using social criteria 2016	54	SUPPLY CHAIN
415-1	Political contributions 2016	134	POLITICAL CONTRIBUTIONS
103-1	Explanation of the material topic and its Boundary 2016	41, 48, 49, 60	SAFETY AND EFFICACY OF OUR PRODUCTS, GO TO MARKET, AFFORDABILITY AND ACCESSIBILITY OF OUR PRODUCTS, CUSTOMER SERVICE
103-2	The management approach and its components 2016	48	GO TO MARKET
416-1	Assessment of the health and safety impacts of product and service categories 2016	41, 48, 49, 60	SAFETY AND EFFICACY OF OUR PRODUCTS, GO TO MARKET, AFFORDABILITY AND ACCESSIBILITY OF OUR PRODUCTS, CUSTOMER SERVICE
417-1	Requirements for product and service information and labeling 2016	41	SAFETY AND EFFICACY OF OUR PRODUCTS
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data 2016	59	QUALITY ASSURANCE OF OUR P RODUCTS

ABOUT THIS REPORT

GRI 102-46; 102-48; 102-49; 102-50; 102-51; 102-52; 102-53; 102-54; 102-56

This Annual Report contains information corresponding to the period from January 1 to December 31, 2020 and includes the most relevant topics for our different stakeholders, as a result of the materiality update we carried out in 2020.

This report has been prepared in accordance with the GRI standards: Core option; and in accordance with the principles of Stakeholder Inclusion, Sustainability Context and Materiality.

The information presented is the result of the application of practices, policies, programs, and strategies in key areas of sustainability (economic, social, and environmental). We present the performance of our operations in Mexico, as well as our international operations considering the countries where we have presence. In particular, the environmental information presented in this report focuses on our Distribution Center (CEDIS) located in Toluca, Mexico, the site that represents the largest percentage of our logistics operations and one of the largest environmental impact on our business. The information contained herein was determined by Genomma Lab Internacional, S.A.B. de C.V.

The sustainability indicators contained in this report were developed by Genomma Lab Internacional with the advice of a consulting firm specialized in this area. This partnership also involved the development of the Greenhouse Gas Inventory and materiality analysis, which allowed us to strengthen our non-financial reporting practice in sustainability matters.

The 2020 Annual Report Transforming Challenges into Opportunities is externally verified for the first time by Valora Sostenibilidad e Innovación, S.A. de C.V., a supplier that carries out this process for the Company, providing confidence and transparency in the information reported regarding the scope of content verification. The Sustainability and Social Responsibility area is in charge of proposing the external verification consultancy, analyzing its findings, and evaluating its performance. The area in charge of requesting the verification is the Investor Relations area, headed by Enrique González Casillas.

Likewise, we reaffirm our commitment to responsible practices that strengthen the respect and protection of human rights, environmental care, and constant work with anti-corruption principles, which is why since 2007 we have been affiliated with the United Nations Global Compact initiative, in addition to aligning with and contributing to the Sustainable Development Goals (SDGs).

We restated the information on the consumption of treated water and waste sent to co-processing for 2019. The variation between that reported in the 2019 Report and that contained in this 2020 Report is 13.8% more and 4.8% less, respectively. The reason for the adjustment in the water and waste treatment data is due to the fact that in 2019 we considered the fixed annual amount established in the contracts with suppliers and for the 2020 Report we obtained the actual amount of water and waste sent for treatment.

The information contained in this report is for informational purposes only and does not constitute official information for the Company. The financial information contained in this report was taken in its entirety from the 2020 Annual Report in XBRL format reported by the Company to the Mexican Stock Exchange (BMV) in accordance with APPENDIX N of the Sole Issuers' Circular (Circular Única de Emisoras). For more information and / or reference, please refer to the following link:

The information presented in this report, except for financial information, contains certain forward-looking statements and information relating to Genomma Lab Internacional, S.A.B. de C.V., and its subsidiaries (collectively "Genomma Lab" or the "Company") which are based on the understanding of its directors, as well as assumptions and information currently available to the Company.

Such statements reflect Genomma Lab's current views about future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements of Genomma Lab that may be expressed or implied by such forward-looking statements, including, among others: changes in general economic and/or political conditions, governmental and commercial changes globally and in the countries in which the Company does business, changes in interest and inflation rates, currency volatility, changes in demand for and regulation of the products marketed by the Company, changes in the price of raw materials and other inputs, changes in business strategy and various other factors.

If one or more of these risks or uncertainties materialize, or if the assumptions used prove to be incorrect, actual results could vary materially from those described herein as anticipated, believed, estimated, or expected. Genomma Lab does not intend and does not assume any obligation to update these forward-looking statements.

WEBSITES

www.genommalab.com

inversionistas.genommalab.com

esr.genommalab.com

DISSEMINATION OF THE ANNUAL REPORT

Official website, e-mail, Mexican Stock Exchange, and United Nations Global Compact website.

REPORT RELEASE DATE

May 27, 2021

LAST REPORT RELEASE DATE

May 20, 2020

VALORA SOSTENIBILIDAD E INNOVACIÓN
www.valoraconsultores.com

MADRID - A CORUÑA - AMSTERDAM
BARCELONA – LONDRES – PARIS
ISTANBUL - TURQUÍA - MÉXICO

Independent Review Report to the Management of Genomma Lab Internacional, S.A.B. de C.V. and Subsidiaries

(Translation from Spanish Language Original). This letter has been translated from the Spanish language original and for the convenience of foreign/English-speaking readers – in case of discrepancy, Spanish prevails.

To the Management of Genomma Lab Internacional , S.A.B. de C.V. and subsidiaries,

As per your request, we were required to provide a limited level of assurance about the information content on the 2020 Annual Report of Genomma Lab International (hereinafter "Annual Report"), for the period January 1st to December 31st, 2020.

The "Annual Report" has been prepared in accordance with the contents proposed in the Global Reporting Initiative Standards (GRI Standards).

Genomma Lab Internacional responsabilities

The Management of Genomma Lab Internacional was responsible for the preparation, content and presentation of the "Annual Report", including compliance with the requirements of the "Core" option of the GRI Standards.

This responsibility includes designing, implementing and maintaining such internal control that is considered necessary to enable the information contained in the "Annual Report" is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility was to carry out a limited review on the content of the "Annual Report" regarding the verified contents enlisted in the Table 1. of this Independent Review Report, and, based on the work performed, emit this Independent Review Report exclusively referring to the corresponding information within our scope and related to the "Annual Report".

To ensure that the assurance process accomplishes with the ethical requirements necessary to ensure the independence of our work as auditors of non-financial information, our work was carried out in accordance with the Standard ISAE 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the *International Auditing and Assurance Standard Board (IAASB)* of the *International Federation of Accountants (IFAC)*.

Scope

The scope of our independent review, as well as the evidence gathering procedures performed was of limited assurance level, which is less than the one performed in an engagement with a reasonable assurance level and therefore also the security level provided. This report must not be understood as an audit report.

The procedures that were carried out, in general, are described below:

- Selection of information to verify based on the materiality and prior knowledge of the company.
- Interviews with employees responsible for providing the information contained in the "Annual Report" to learn the principles, systems and applied management approaches
- Review of data collection, internal control and consolidation processes.
- Review of the scope, relevance and integrity of the information included in the "Annual Report" based on the operations and the material aspects identified.
- Review of evidence based on a sampling of information according to a risk analysis.
- Review of the application of the requirements accordance with the GRI Standards.

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Table I. The GRI contents reviewed were the following:

GRI Standards	
General Disclosures	
Disclosure	**Description**
102-8	Information on employees and other workers
102-9	Supply chain
102-47	List of material topics
Economic	
205-3	Confirmed incidents of corruption and actions taken
Environment	
302-1	Energy consumption within the organization
303-5	Water consumption
305-1	Direct (Scope 1) GHG emissions
305-2	Energy indirect (Scope 2) GHG emissions
305-3	Other indirect (Scope 3) GHG emissions
306-2	Waste by type and disposal method
308-1	New suppliers that were screened using environmental criteria
Social	
401-1	New employee hires and employee turnover
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
403-9	Work-related injuries
403-10	Work-related ill health
406-1	Incidents of discrimination and corrective actions taken
414-1	New suppliers that were screened using social criteria
415-1	Political contributions
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data

Conclusion

Based on our review and the evidence obtained by Genomma Lab International nothing caught our attention that causes us to believe that their information contained in the 2020 Annual Report has not been obtained with reliability, was not presented properly, or that there were significant discrepancies or omissions, or that has not been prepared in accordance with the requirements established in the GRI Standards.

Luis Miguel Vilatela Riba
Valora Mexico Director
Valora Sostenibilidad e Innovación S.A. de C.V.
Mexico City, 19th, May, 2021

INFORMATION FOR INVESTORS AND STAKEHOLDERS

GRI 102-3; 102-5; 102-53

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EMPRESA SUSTENTABLE

ESR Empresa Socialmente Responsable

cotiza en Bolsa Mexicana
LAB

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MEXICAN STOCK EXCHANGE (BMV)

Genomma Lab Internacional, S.A.B. de C.V. shares are listed on the Mexican Stock Exchange under the ticker “LABB” (Bloomberg: LABB:MM) since June 18, 2008.

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