

# We create value for Mexico

## 2021 INTEGRATED ANNUAL REPORT







# Letter to Shareholders

## TO THE SHAREHOLDERS OF GRUPO HERDEZ:

In what seems to be the final stage of a long and difficult pandemic, and in the middle of a complex geopolitical scenario, we have successfully put our years of experience to navigate these challenging situations that are difficult to foresee.

We continue to face supply chain shortages, sky-high inflation, phenomena that are increasingly damaging the environment, new needs of consumers who, just like us, are adapting to an uncertain global order, and disruptive social movements that are necessary to achieve universal human wellbeing.

Thus, while we head with optimism to global economic and social recovery, I am proud that we continue **creating value for Mexico**.

Our flexibility and ability to solve problems have allowed us, among many other things, to achieve encouraging financial results, celebrate traditional brands, seek out innovative ways to measure impact, strengthen corporate reputation, and act consciously on efforts for the wellbeing of the planet, the communities, and our collaborators.

**From all fronts, we are the ally that the country needs for its growth.**

## FINANCIAL VALUE

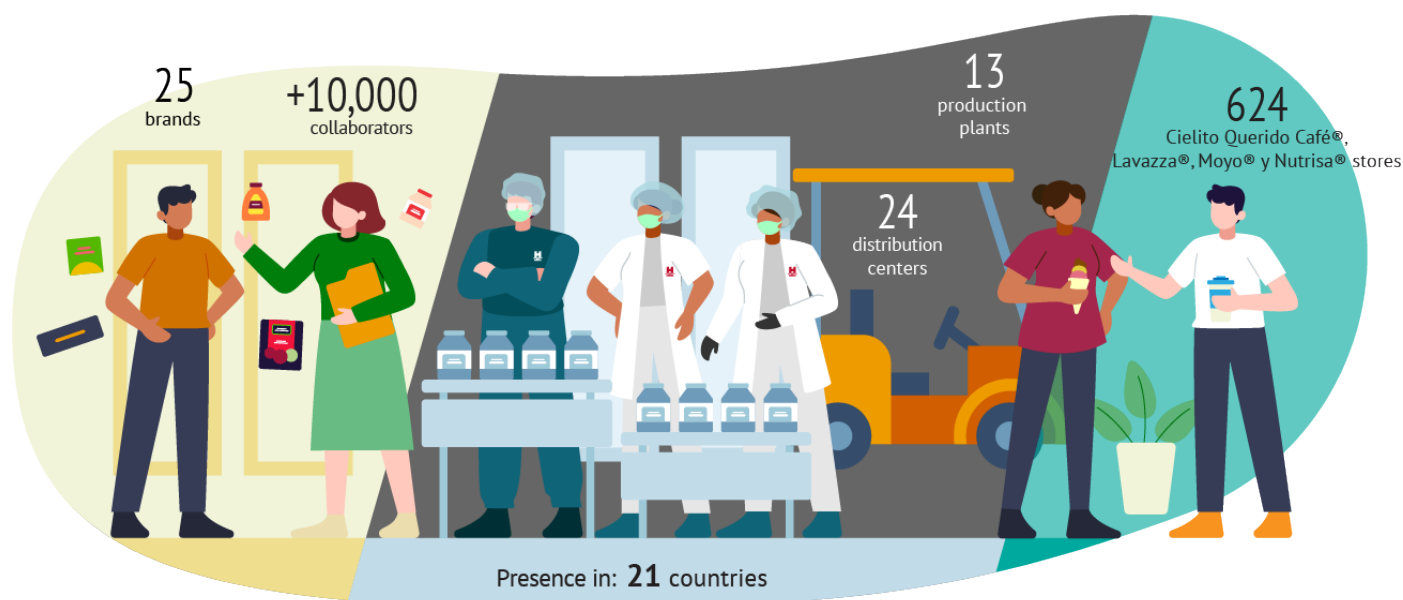
As we do every year, we set a new record in **consolidated net sales**, with an increase of 8.8% to exceed \$26 billion pesos.

The **Preserves segment** grew 8.0% —\$20,977 million pesos in sales— driven by increases in prices in the last twelve months and volume flat with the previous year. The categories with the best performance in the year were mayonnaise, ketchup, teas, and tomato puree. We were also able to increase our market share by 70% in the main categories in which we participate.

The **Impulse segment** —in which we now integrate our ice cream and retail businesses— grew 25.5%, reaching \$3,273 million pesos, due to the return of traffic in stores and the inclusion of new businesses, as well as to increases in prices like in Preserves. More than growth, we are facing an incredibly important recovery for the segment, which was affected by the social restrictions of the pandemic in 2020.

Moreover, **Helados Nestlé** maintained the sales volume in the supermarket channels and price clubs, with an increase in the second half of the year in the traditional and convenience store channel.

Sales of the **Export segment** decreased by 5.1% to \$1,904 million pesos, mainly affected by the appreciation of the peso against the US dollar, but still 16.8% above 2019.



While the **consolidated gross margin** was 36.9%, a decrease of 0.5 percentage points compared to the previous year, figures obtained in each segment are encouraging considering that the country closed 2021 with the highest inflation rate in 21 years.

This inflationary scenario was mostly due to the impact of the pandemic on supply chains and, therefore, a sustained increase in prices of raw materials and packaging materials, to mention a few.

**Operating income before other income and expenses** increased by 8.3% compared to 2020, reaching another record figure above \$3 billion pesos. This is the effect of a recovery of \$293 million pesos in the Impulse segment and an increase of 3.6% in the Preserves segment.

**Earnings before interest, taxes, depreciation, amortization, and other non-cash items (EBITDA)** amounted to \$3,944 million pesos, 6.0% less than in 2020, with a margin contraction of 2.4 percentage points. These are favorable numbers considering that we had extraordinary income in 2020 due to the divestment of our tuna business and settlement of an investment in a capital equity fund.

In fact, without considering this income, EBITDA increased by 4.0% with a slight margin contraction of 0.7 percentage points.

In relation to equity investment in associated companies in the Income Statement, net sales of **MegaMex** remained in line with the previous year, for a total of \$14,665 million pesos. Although demand for avocado grew, thus increasing its price, we achieved an operating margin of 11.3%, 0.7 percentage points above 2020. The net income of this business unit was \$1,521 million pesos.

**Consolidated net income** was \$2,078 million pesos, 12.3% below the previous year, with a margin of 7.9%. In comparable terms, without including extraordinary income, we are not far from 2020 with a margin contraction of 0.7 percentage points.

Finally, I am pleased to share with you that 2021 was the 30-year anniversary of the listing of the company on the **Mexican Stock Exchange**, adding to a history of success in the market with a consolidated portfolio and admirable financial support.

In 2021, we distributed total returns to shareholders of 7.2%, including the repurchase of shares and dividends paid.

As a company, we are still finding **balance in uncertainty**, but the results achieved, the unwavering trust of Mexicans and the support of our customers, partners, and suppliers guarantees us that we are on the right path.



**26,153**  
million pesos  
in net sales



**+8.8%**  
growth compared to  
the annual closing of  
2020



**+8.3%**  
increase in earnings  
before other income  
and expenses



**7.2%**  
shareholder  
return

## COMMERCIAL VALUE

The pandemic encouraged brands to secure their position in the digital scene even more.

Our brands, besides exceeding key reach and interaction indicators, were also recognized: **Barilla®**, **Cielito Querido Café®**, **McCormick®**, and **Nutrisa®** were included in Merca 2.0's ranking of **500 digital brands**, the leading marketing magazine in Mexico, for showing innovation and transcendence in social media.

Similarly, our corporate brand was also consolidated, positioning us as one of the companies with the most followers on **LinkedIn Mexico**, the main network of professionals in the country. Additionally, **we went up 31 positions in MERCO's ranking of 100 companies with the best reputation in Mexico**, ranking 17 in one of the most recognized corporate reputation monitors in Latin America and Spain.

We extended the variety of solutions that we offer to our consumers, and we signed an agreement in April with the American company **General Mills®** to distribute its products in Mexico. Thus, we enriched the portfolio of the Impulse segment with the inclusion of the Häagen-Dazs™ ice cream brand, and entered new categories like cereal bars—with Nature Valley™, Fiber One™, and Lärabar™—and flour for desserts—with Betty Crocker™ and Pillsbury™—.

Of the 7 categories in which we increased our market share, it stands out the launches of functional food—one of the most relevant trends of the year—with **Barilla® Whole Wheat** and **McCormick® Matcha**; the launch of **McCormick® Mayodips**, to continue innovating in the mayonnaise category, where we are undeniable leaders; and **Cielito Querido Café®** ice creams and ready-to-drink beverages, to bring the most popular flavors of our coffee shops to new sales channels like self-service, convenience stores, and price clubs.

While all our brands operate under the same purpose, their different personalities and business proposals provide a range of possibilities to connect increasingly with consumers.

We commemorated the 80th anniversary of **Doña María®** mole sauce with the inauguration of Casa Doña María Pons in San Luis Potosí, as this is the city where aunt María was born—creator of our traditional mole recipe—and the location of one of the most important work centers of Grupo Herdez in Mexico, with 3 plants and 1 distribution center.

This cultural space will serve as an extension of the **Herdez Foundation**, headquartered in Mexico City, contributing to the purpose of promoting, preserving, and disseminating the richness of Mexican cuisine within and without the country.

We close the 80-year celebration of the Doña María's legacy with the publication of the book titled "*Una empresaria pionera en San Luis Potosí: María Pons Nicoux*," a historical research that relates the origin and unparalleled contribution of one of the most important women in the history of Grupo Herdez.

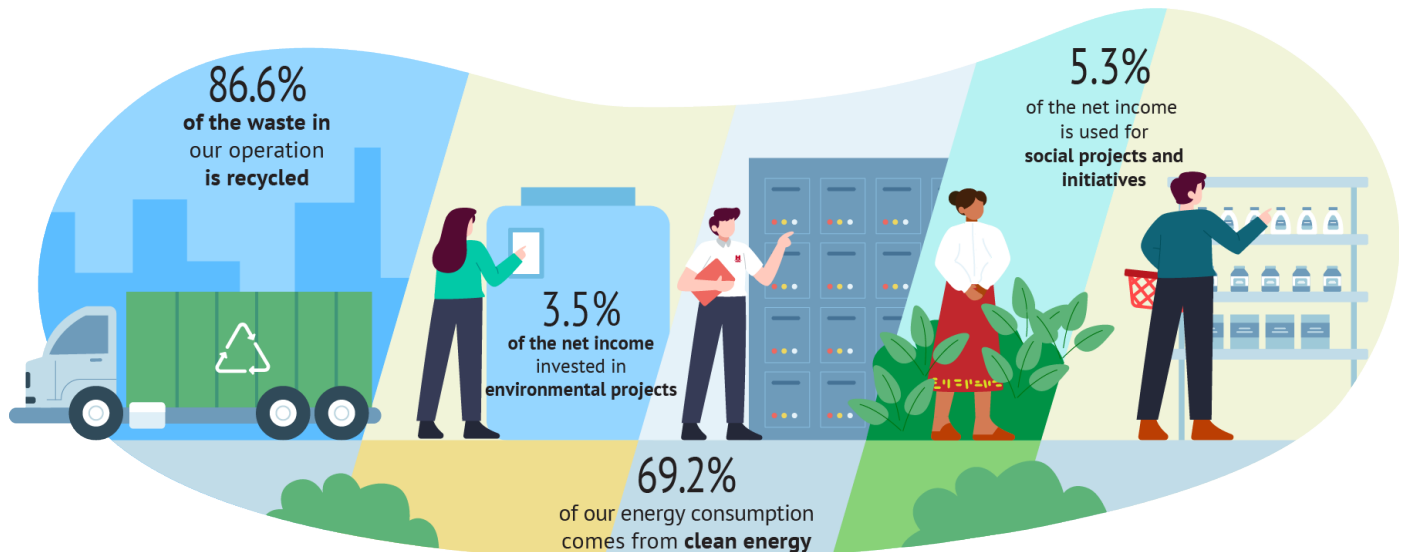
We also celebrate the 10th anniversary of **Cielito Querido Café®**, exalting our 100% Mexican origin on the "Talento Caído del Cielo" (Talent from Heaven) platform, where 10 local artists painted 10 murals in our most iconic coffee shops in Mexico City.

## SUSTAINABLE VALUE

Grupo Herdez ranked 9th in **MERCO's 100 companies with the best Environmental, Social, and Governance (ESG) responsibility in the country**. This recognition significantly supports our sustainability strategy since we now have—in addition to the impact achieved—a positive perception of experts in the field, analysts, and the general public. **Our reputation is the most valuable intangible asset.**

In 2021, we invested 5.3% of our profits in programs for the communities in which we operate, with an increase of 66% of the budget thanks to the activities of the **Herdez Foundation**, the **Saber Nutrir®** program, and other initiatives, including the investment for the construction of **Casa Doña María Pons**.





Driven by our mission to make food available to everyone, we donated 26% more products to the **Mexican Food Bank (BAMX)** network, one of our most important allies since 2006. This in-kind donation benefited 42 thousand persons of the 52 food banks that compose the BAMX network in the country, 80 Civil Society Organizations, and the Unidos Hacemos Más campaign.

The **Unidos Hacemos Más** campaign was carried out in alliance with Stewart Investors and BAMX, REINSERTA A.C. and Fundación para la Dignificación de la Mujer I.A.P., supporting women and families affected by covid-19 with food packages.

We implemented 125 **food security and marketing** programs in the State of Mexico with Fundación Pro Mazahua and our Saber Nutrir® program, and for the first time in Yucatán, after the severe floods of 2020.

In total, 482 families in 23 communities have benefited from the installation of vegetable gardens, farms, and greenhouses, in addition to safe water system projects that we have executed since 2017.

**We are always looking to expand our reach through alliances with other creators of change that share the same interest in improving the nutrition of vulnerable persons in Mexico.**

Fifteen years of efforts of the Saber Nutrir® program resulted in the company being included in the Global Compact “Mexican Companies for the 2030 Agenda in the Decade of Action” report, for being an example of best corporate practices toward achieving Zero Hunger, one of the 17 Sustainable Development Goals of the United Nations.

And as stellar proof that our actions are being noted globally, we received an invitation to form part of the **international engagement group on “Climate and Health”** of the Organization for Economic Cooperation and Development (OECD), being one of the 13 exclusive members to co-create solutions and share best practices in the fields of global supply, healthy and sustainable food.

Together with other companies and NGOs, we will be working very closely for the next 2 years to promote good public policy.

This drives us to continue facing the social and environmental challenges that have arisen around the world as a result of the pandemic.

Lastly, our **Del Fuerte®** brand received its first international award at the Forest Stewardship Council’s **FSC Leadership Awards**, the world’s most trusted forest certification system. **Del Fuerte®** received this recognition for being the first sponsor that implements the FSC Ecosystem Service Procedure to ensure the forested watershed supplying water for their tomatoes is protected.

## FORWARD-LOOKING VALUE

The year 2020 established the basis for our **digital transformation**, the key to keeping us in contact with our consumers. The alliance with one of the biggest global technological leaders sped up the initiatives that today open the door to new sales channels and more efficient operations with the use of artificial intelligence.

## AWARDS

17th

among The 100 Companies  
with the Best Corporate  
Reputation in Mexico of  
Merco

9th

among The Most Followed  
Mexican Companies on  
LinkedIn

9th

among The 100 Companies  
with the Most ESG  
Responsibility in Mexico of  
Merco

Best practice in SDG  
02 Zero Hunger

Mexican Companies by  
Agenda 2030 of the Global  
Compact

13 years

being a Socially  
Responsible Company of  
the CEMEFI

In 2021, we increased our e-commerce **sales volume** by 32.8% thanks to the initiative of our sales team to offer our portfolio on the digital channels of our customers and enter new online commerce platforms.

We also created an **artificial neural network** that predicts our sales in certain categories and customers with 98% assertiveness, which will allow us to optimize inventories and increase the effectiveness of our operations and investments in points of sale.

We continue reinforcing our goal of being a reference for innovation in sustainability with the development of the **Circular Graphic Guide** for our labels and packaging to align all Group brands under one single environmental communication strategy.

We expect to implement this communication on our labels by the end of 2022, with which our consumers will be able to know more about the materials used, recyclability, and reuse of each of our packages, to encourage them into taking action and reduce our environmental footprint together.

Committed to improving our environmental performance, we started implementing our **Energy Management System** 4 years ago—which seeks continuous and systematic improvement in energy use, consumption, and efficiency—; this year, we started implementing the **Environmental Management System** in accordance with ISO 14001.

I would like to acknowledge the **Ice Cream Plant** team in Jalisco as it is the first location to achieve ISO 50001 and ISO 14001 certifications. Our goal is for 7 more plants to obtain these certifications by 2024 and 2026.

## VALUE THAT RESISTS

As a company, we have overcome extremely demanding chapters in history, and what is even more remarkable is that, in each of our 108 years in operation, **none have prevented us from creating value for and by Mexico: our persistence, resilience, and determination** have become an infinite source of **optimism**.

I thank our shareholders, collaborators, customers, partners, and suppliers for what we have achieved in this and all previous annual reports. Thank you for exalting the name of Grupo Herdez with each idea, product, innovation, program, and alliance. Thanks —**all of you who form part of Group Herdez** and all Mexicans — for your trust in that we will always prevail.

Let's continue putting into practice our values, working for our mission, and materializing our purpose every day, because **this is how we demonstrate that a better world is possible—we are making this a reality**. This is how we make progress. **This is how we create value.**



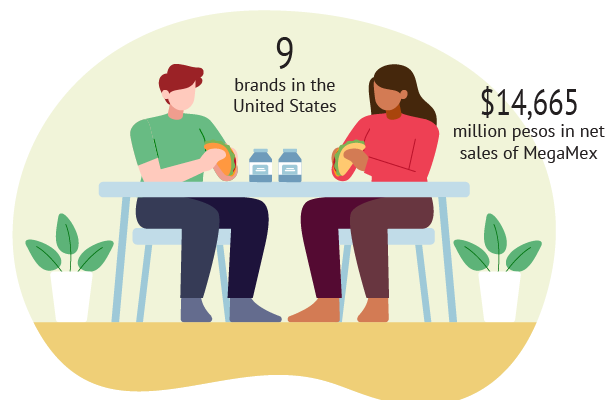
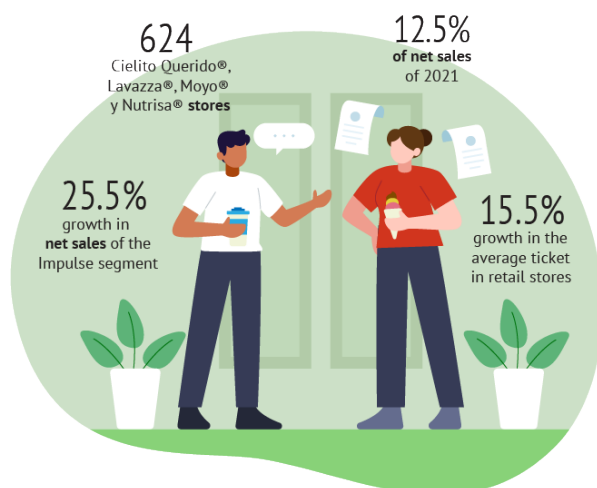
**Héctor Hernández-Pons Torres**

*Presidente del Consejo y Director General*



# We develop our brands

We provide solutions for the daily life of our customers by offering them variety and convenience for different lifestyles and times of the day. The work of our team of collaborators, every year, promotes the positioning of our broad portfolio of trademarks and products.



25  
brands

12  
new brands  
within our  
distribution  
agreements in  
Mexico

+1,300  
products

+30  
categories  
in our  
portfolio

70%  
of categories  
increased  
market share

99%  
penetration in  
Mexican  
homes

### Our brands in Mexico



BLASÓN®



CARIOTA®



Embasa®

CON TODA CONFIANZA ES  
**HERDEZ**



### Our brands in the United States



**HERDEZ**



### Distribution agreements







The **Preserves segment grew 8.0%** to \$20,977 million pesos in sales, driven by price increases in the past twelve months, and a volume in line with last year. The categories with the best performance were mayonnaise, ketchup, tea, and tomato puree. Additionally, we were able to **increase our market share in 70% of the main categories** in which we participate.

## 80 YEARS DOÑA MARÍA®

We celebrate 80 years of the legacy of Doña María® with the **inauguration of Casa Doña María Pons** in San Luis Potosí since it is the city where aunt María, who created our traditional mole recipe, was born, and where one of the most important work centers of Grupo Herdez in Mexico is located. In addition to this, the book "Una empresaria pionera en San Luis Potosí: María Pons Nicoux" was published, a historical investigation of the Herdez Foundation that tells the origins and unequalled contribution of one of the most important women of Grupo Herdez.

Doña María® has accompanied three different generations throughout its 80 years of existence, in times of celebration and family union. Through the authentic flavor of traditional Mexican recipes, it has sought to maintain our cuisine relevant and increase its consumption in homes, mainly with new generations that spend less and less time in the kitchen.

Currently, the brand has four product lines in Mexico: mole paste, artisanal recipe mole paste, ready-to-serve mole (liquid), sauces for casseroles, in addition to nopalitos for the export market.



The **Impulse segment** —where we now integrate our ice cream and retail businesses— **grew 25.5%**, reaching \$3,273 million pesos, due to the return of in-store traffic, and the incorporation of new businesses, in addition to price increases, such as in Preserves. This segment is not really in a growth stage, but rather in recovery, after being affected by the social restrictions of the pandemic in 2020.

## 10 YEARS LOVING YOU (10 AÑOS QUERIÉNDOTE) CIELITO QUERIDO CAFÉ®

Thanks to our customers, Cielito Querido Café® has become a benchmark in terms of coffee, with products including hot, cold, icy beverages, snacks, and food, among others.

In 2021, we commemorated the 10th anniversary of the brand with different actions that reinforced and highlighted the Mexican values of the brand:

- Launch of the Talento Caído del Cielo platform, where 10 Mexican artists painted 10 murals in the most iconic locations of Cielito Querido Café® coffee shops in Mexico City.
- Launch of the Talento Caído del Cielo contest, with which we sought to support Mexican talent, by inviting emerging artists to join this platform. The more than 350 participants had the opportunity to let their imagination run free, designing the coffee cups of the brand for 2022.
- Relaunch of the Cielito Querido Café® app, where we hold the loyalty program platform.



Since 2009, we expand to the United States the most iconic and most representative flavors of Mexican cuisine through **MegaMex**, in alliance with Hormel Foods. **The net sales of MegaMex remained in line with the previous year, for a total of \$14,665 million pesos**, and this year we introduced products of the **Búfalo®** and **Del Fuerte®** brands for the North American market.

## DOÑA MARÍA® “LOTERÍA” GLASSES

To continue with the thrill of our Doña María® 2020 lottery game, we expanded our Mexican lottery edition glass collection with four new designs.

Through the social media of the brand in the United States, we presented our new glasses and launched specific playlists for each design.

## HERDEZ® AVOCADO HOT SAUCE

We promoted the launch of our avocado hot sauce: HERDEZ® Avocado Hot Sauce, with a media campaign: Avocado Found its Fire™. In this campaign, we present an alebrije that took our audience on a trip to find the hidden treasure HERDEZ® Avocado Hot Sauce.

With this launch, we won the 2021 Editors Pick award from Progressive Grocers, which recognizes the new US market products that offer innovation, impact, and added value for consumers.

### HERDEZ®

Top 5 strongest Mexican brands by  
Brand Finance

### DEL FUERTE® y HERDEZ®

among the 50 most chosen brands  
in Mexico by Kantar

### BARILLA®, CIELITO QUERIDO CAFÉ®, McCORMICK® y NUTRISA®

in the ranking of the most digital  
brands of Merca 2.0

### GRUPO HERDEZ

Vendor of the Year of Zorro  
Abarrotero

### HERDEZ®

Top 50 most valuable Mexican  
brands y Brand Finance

### McCORMICK®

among the 50 most chosen brands  
in Latin America by Kantar

### AIRES DE CAMPO®

“Best healthy brand” in  
BienPremios 2021

### GRUPO HERDEZ

Vendor of the Year of Sam's Club  
Mexico

## INNOVATION

We work under a culture of innovation based on consumer listening to address the needs of our customers, the market, and the industry. Through our Innovation department, we capitalize on trends and the uncovered needs of our customers to generate differentiated products and communications that drive the growth of our different product categories.

### Our five strategic directives:

1

Maintain and form  
companies through  
intelligence development.

2

Implement technologies  
that enable to accelerate  
communication processes  
with consumers, for  
innovation, and  
transactions.

3

Promote sustainable  
management, prioritizing  
caring for water and  
efficient use of energy.

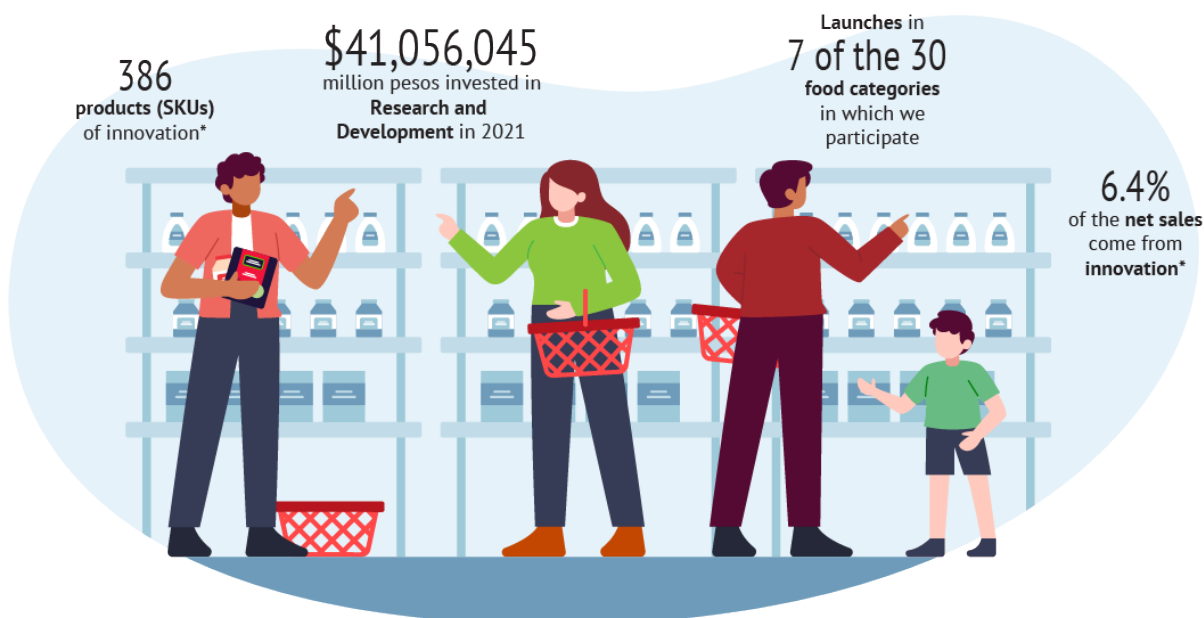
4

Supporting and generating  
growth through talent  
development and  
infrastructure investment.

5

Exercising responsible  
corporate citizenship,  
promoting social  
development initiatives.





\*A product is considered an "innovation" for the 5 years following its launch.

In 2021, we developed product concepts under the Herdez® vegetables, spices, and McCormick® mustard innovation strategy, through a challenge to a **community of more than 138,000 creatives** in alliance with CAMBAS.



## BARILLA® TRIGO ENTERO

For the purpose of capitalizing on food and functional beverage trends, we launched a line of whole wheat pasta prepared with 100% whole wheat. Since it is only made of wheat, it contributes three times more fiber, maintaining the flavor and consistency of Barilla® pasta that you already know.



## CIELITO LINDO CAFÉ® ICE CREAM AND READY-TO-DRINK BEVERAGES

For the purpose of taking the Cielito Querido Café® flavors beyond coffee shops, introducing the brand into the price club sale channel, we launched ice creams with the iconic flavors of our cafeterias such as Horchata mi Cielo, and in the framework of emblematic Mexican dates, with the Pan de Muerto and Rosca de Reyes flavors. We also entered the ready-to-drink beverage category with three varieties from our coffee shops, now available in the self-service channel, café de olla, café lechero, and horchata.



## MATCHA MCCORMICK®

For the purpose of capitalizing on food and functional beverage trends, we launched the Matcha McCormick® tea line. Matcha is considered a superfood with a high amount of antioxidants, and additionally, it has no sugar. Given its delicious flavor, it serves to prepare numerous recipes, from desserts to dressings and breakfasts, among others.

With this launch, in one year, McCormick® has positioned itself as one of the most relevant brands in the matcha tea segment.



## MCCORMICK® FLAVORS OF MEXICO MARMALADE

As industry leaders, we are always aware of the trends and initiatives on which our leadership is built. In 2021, we launched a line of marmalades based on our Mexican roots, "Flavors of Mexico".

This launch was a delicious mix of the most representative flavors of the category and of the different regions of our country: strawberry guava, strawberry hibiscus, and strawberry mango.

By implementing a 360° campaign, which included a campaign of outside advertising, digital initiatives, point-of-sale materials, and an alliance with the Herdez Foundation, we invited several influencers to experiment with unique and fun recipes to share the products with their followers.



## MAYODIPS MCCORMICK®

En noviembre de 2021, McCormick incursionó en la categoría de dips con la nueva línea "Mayodips". Aprovechando el liderazgo de McCormick en el segmento de mayonesas, las Mayodips se exhibieron en el mismo estante que sus mayonesas regulares, generando compras cruzadas con diferentes categorías, como snacks, alitas, boneless y vegetales.

Los mayodips están disponibles en tres sabores: cebolla cremosa, queso parmesano y "esquites" en supermercados y tiendas de conveniencia.

El lanzamiento fue publicitado a través de la campaña "Mayodipea a tu antojo", con el apoyo de material de punto de venta, publicidad exterior, influencers, comunicación digital y el patrocinio de las luchas "AAA".

## DIGITAL TRANSFORMATION

**35%**  
of self-service  
customers within  
the Artificial  
Intelligence (IA)  
platform

**98%**  
certainty in  
volume forecasts  
made with AI

**32.8%**  
increase in  
e-commerce  
sales volume

**+170 mil**  
downloads of the  
Cielito Querido Café®  
and Nutrisa® apps

**1700**  
hours of training for the  
in-house team in digital  
architecture, app  
development, AI,  
and Big Data





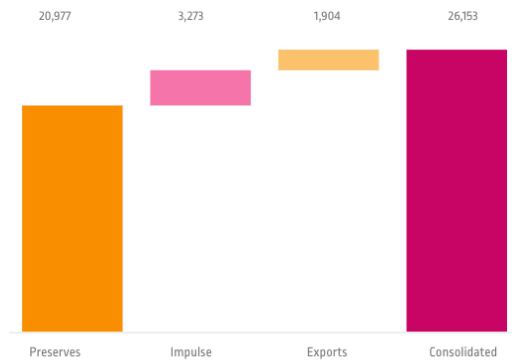
2020 set the stage for our digital transformation, a key to keeping in contact with our customers. **The alliance with one of the largest technology leaders in the world** accelerated the initiatives that now open the door for us to new sales channels and more efficient operations, with the use of artificial intelligence.

In 2021, **we increased our e-commerce sales volume by 32.8%**, thanks to the initiative of our sales team to offer our portfolio in the digital channels of our clients, introducing us to new e-commerce platforms. At the closing of the year, **2.1% of sales** of the Preserves segment came from e-commerce.

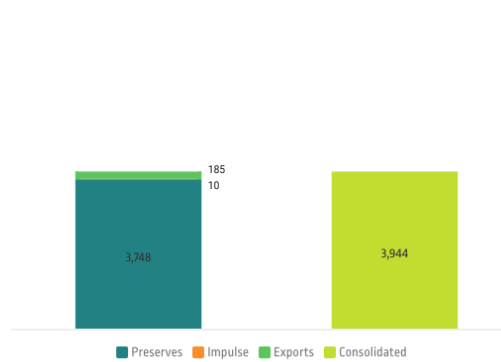
Additionally, **we developed our second own e-commerce platform of the Group**, with the online **Nutrisa®** store, which will offer around 500 products in the food, beverages, personal care, and wellbeing products, among others.

# We deliver sustained results

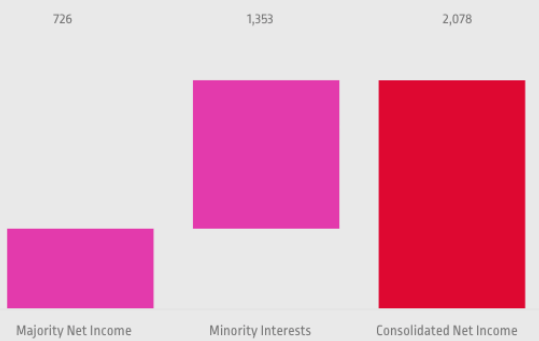
### Net Sales



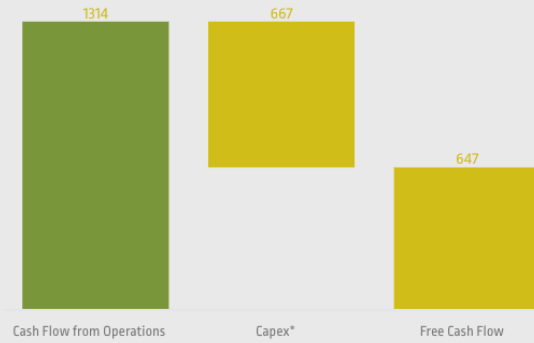
### EBITDA



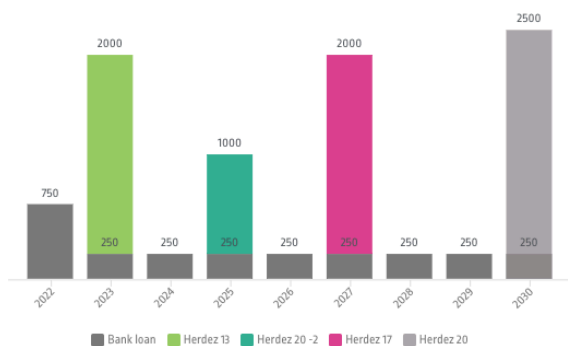
### Consolidated Net Income



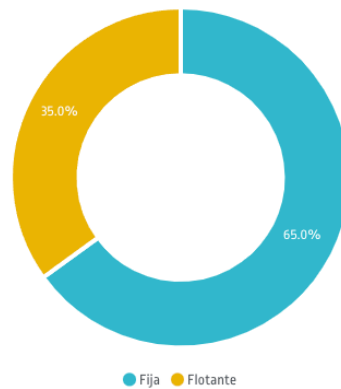
### Free Cash Flow



### Debt Structure



### Rates mix

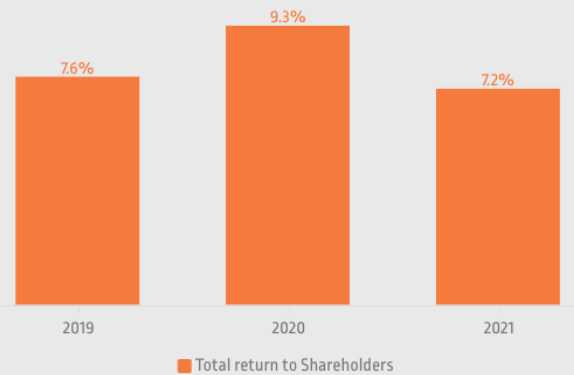




## Financial Debt

Financial Debt	10,000
Average Cost	7.64%
Net Debt / EBITDA	2.2 x
Average Life	4.8 years

## Total return to Shareholders



## Notes

Percentual Growth on Net Sales compared to 2020  
Capex does not include Total Return to Shareholder's considers Repurchase and Dividends

	2021	Margen (%)	2020	Margen (%)	Var (%)
Net sales	26,153		24,036		8.8
Gross profit	9,652	36.9	8,988	37.4	7.4
Operating income	3,007	11.5	3,255	13.5	(7.6)
Consolidated Net Income	2,078	7.9	2,368	9.9	(12.3)
EBITDA <sup>(1)</sup>	3,944	15.1	4,197	17.5	(6.0)
Total Assets	35,969		33,575		7.1
Total Debt <sup>(2)</sup>	10,906		10,294		5.9
Total Liabilities	18,546		16,238		14.2
Shareholders' Equity	17,423		17,336		0.5
Cash flows from operating activities	1,314		2,832		(53.6)
Net debt-to-EBITDA ratio	2.2		1.6		

Cifras expresadas en millones de pesos.

(1)UAFIDA = Utilidad antes de intereses, impuestos, depreciación, amortización y otras partidas virtuales

(2)Deuda Total = Deuda Financiera + Arrendamientos

# Management's Report and Analysis of Results



The purpose of the following Management Report and Analysis of Results is to assist those who read it to understand the operations and results of Grupo Herdez.

We are leaders in the processed food sector and an important player in the ice cream category in Mexico, in addition to being the highest growing company in the Mexican food segment in the United States through MegaMex. The management of the business is divided into three segments: Preserves, Impulse, and Exports. The results of MegaMex, the joint venture with Hormel Foods in the United States, are recorded in Equity Investment in Associated Companies item.

The main growth opportunities for all segments of the Company are increasing penetration into homes, increasing market share, reducing the distribution gaps, innovating based on understanding consumers and segmentation, as well as increasing traffic in its own stores.

Starting January 1, 2019, in accordance with International Financial Reporting Standards – Leases, which establishes the principles for the recognition, measurement, presentation, and reporting to disclose the use of right assets, lease assets, and after January 1, 2019, changes in depreciation and financial costs, the financial statements include changes related to accounting reporting of these items.

The results for the year are not comparable, as a whole, due to three main factors: i) the divestment of the tuna business, ii) the integration of the General Mills® portfolio in April, and iii) the termination of the distribution agreement with Ocean Spray® in December 2020. Additionally, it is important to mention that, as of the third quarter of the year, the Frozen segment changed its name to Impulse.

In 2021, **net consolidated sales reached a record figure of \$26,153 million, an 8.8% increase year over year**, mainly due to price increases made in the last twelve months. In comparable terms, without considering sales of fresh tuna and the tuna Nair® brand, Ocean Spray®, and General Mills® brands, sales grew 10.0% for the year.

**Net sales in the Preserves segment grew 8.0% to \$20,977 driven by price increases.** In comparable terms, sales grew 10.7% for the year. Additionally, 70% of the main categories increased their market share in the year.

**Net sales of Impulse were \$3,273 million, a 25.5% increase year over year**, and in line with 2019. The recovery of the segment is due to a combination of i) an increase in the average ticket and ii) higher in-store traffic compared to 2020. The sales of Helados Nestlé maintained a favorable performance in the supermarket and price club channels, while **the traditional and convenience channels had a recovery during the second half of the year**. Excluding the incorporation of General Mills starting in April, net sales of the segment increased by 16.3%.

Export sales were \$1,904 million, a 5.1% reduction year over year, which in 2020 were impacted by the appreciation of the peso against the US dollar.

**At the end of the year, Preserves represented 80%, Impulse 13%, and Exports 7% of total net sales.**

**The gross consolidated margin contracted 50 basis points to 36.9%.** This is explained by a 40 basis points contraction in the Preserves margin as a result of price increases of the main packaging and raw materials, as well as the incorporation of the General Mills® portfolio, which has a higher cost per ton. Additionally, in the Export segment, the margin suffered a 7.9 percentage points reduction. Likewise, the gross margin of the Impulse segment remained in line with the previous year mainly due to the incorporation of the Häagen-Dasz™ portfolio.

**Consolidated SG&A was reduced by 40 basis points to 25.1%** as a proportion of net sales thanks to the absorption of expenses in the Impulse segment due to sales recovery.

**Consolidated operating income before other income also reached a record level of \$3,085 million, an 8.3% increase year over year,** maintaining the margin constant at 11.8%. The Company recorded other expenses of \$78 million in the year.

**Operating income was \$3,007 million,** which implies a 2.0 percentage points contraction in the margin to reach 11.5%, as a result of strong pressure from increases in the prices of raw materials and packaging materials in the second half of the year. **The impulse segment had a recovery of \$222 million year over year.**

The net comprehensive cost of financing added up to \$703 million, a 5.0% increase year over year, which is mostly explained by lower foreign exchange gains compared to 2020.

**Equity Investment in Associated Companies added up to \$803 million, a 6.1% increase compared to 2020, due to the volatility of the exchange rate and an increase in the results of other associates.**

Consolidated net income and majority net income suffered a 12.3% contraction, to \$2,078 and \$726, respectively. Without considering the extraordinary income of the preceding year, net consolidated income remained unchanged, while the margin was reduced by 70 basis points to 7.9%.

Earnings before interests, taxes, depreciation, amortization (EBITDA) for the year was \$3,944 million, 15.1% of net sales, a 2.4 percentage points reduction year over year. In comparable terms -without including extraordinary income from 2020- EBITDA increased 4.0% compared to 2020, with a margin contraction of 70 basis points to 15.1%.

Net CAPEX totaled \$667 million and was mainly used for plant maintenance, capacity increases, and improvement projects.

Cash flow added up to \$1,314 million, a \$1,518 million reduction year over year, derived from net CAPEX of \$667 million, interest payments, dividend payments, and repurchase of 17.8 million shares. Considering the last two items, the total shareholder return in the year was 7.2%.

As of December 31, 2021, the cash position reached \$2,216 million, a 39.8% reduction compared to 2020, mainly due to share repurchases for \$757 million. The total interest-bearing liabilities at year-end added up to \$10,000 million, a \$500 million increase year over year.

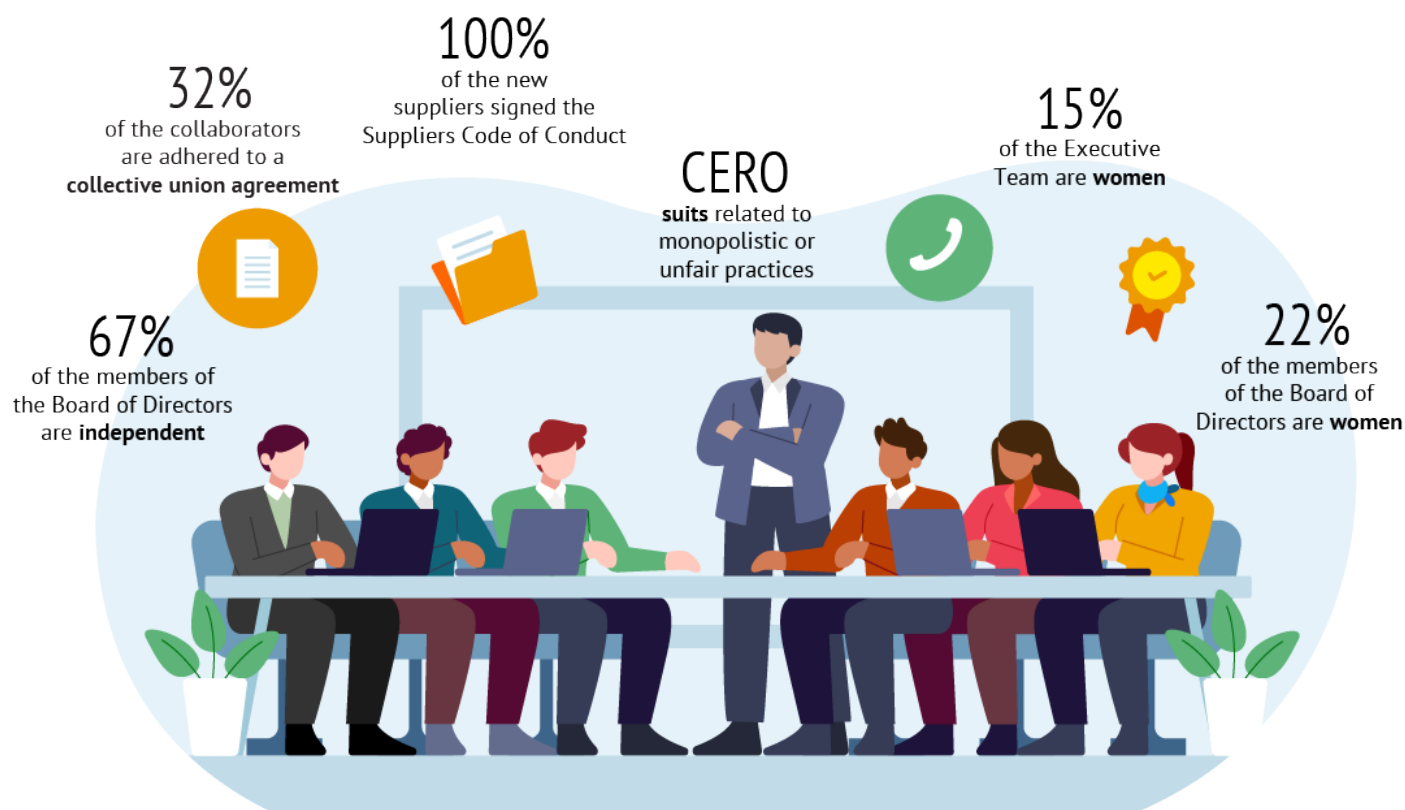
At the end of the year, debt was fully denominated in pesos, while 65% was in fixed rates, including derivatives.

Net consolidated debt to EBITDA was 2.2 times, while net debt to consolidated shareholders' equity reached 0.50 times.





# Governance



## BOARD OF DIRECTORS

### Shareholders and Related

Héctor Hernández-Pons Torres Chairman (M) 1991 Mexican	Enrique Hernández-Pons Torres Vice Chairman (M) 1991 Mexican	Flora Hernández-Pons Torres (M) 1991 Mexican
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### Independientes

Anasofía Sánchez Juárez Cardoze (M) 2019 Mexican	Enrique Castillo Sánchez-Mejorada (EF)(M) 1992 Mexican	Eduardo Ortiz Tirado Serrano (M) 2003 Mexican	José Roberto Danel Díaz (EF) (M) 2003 Mexican	Luis Rebollar Corona (M) 2004 Mexican	Michael Bernhard Jost (EF) (M) 2019 Swiss
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[M] Member

[EF] Financial Expert

The Board of Directors, the highest governance body, is composed of 9 members, and is led by Héctor Hernández-Pons Torres, Chief Executive Officer of the Group, who holds the position of Chairman. Jointly, they make decisions to guarantee and maximize the return to all investors that rely on us.

The Board of Directors meets on a quarterly basis and has intermediate bodies commissioned with overseeing the management and execution of the objectives of the Group. As is the case with the other indicators of the Company, the progress related to sustainability is presented in these sessions.

Responsible Persons:

- Eduardo Ortiz Tirado Serrano – Responsible for labor practices
- Luis Rebollar Corona – Responsible for environmental practices
- José Roberto Danel Díaz – Responsible for Governance and Chairman of the Corporate Practices and Audit Committee

La In 2021, the Sustainability Committee was created, composed of the Executive Team of the Company. The Chief Financial and Information Officer has the Finance and Sustainability Department under its subordination, with two positions fully dedicated to managing the sustainability strategy. Additionally, the Group has an Environmental Sustainability Department, which jointly with the technical departments are the team of collaborators dedicated to achieving the objectives of the sustainability strategy of the Group.



## SUSTAINABILITY STRATEGY

Grupo Herdez has as its purpose to **be passion, culture, and a global benchmark of innovation in sustainable development**. In alignment with international trends and benchmarks on Environmental, Social, and Governance (ESG) matters, we redefined the sustainability goals for the Group:

- Achieve a management with ESG criteria
- Identify and mitigate the potential social and environmental impacts of the operations.
- Promote sustainability innovation projects in our brands



## OUR ACTION PILLARS

## PEOPLE



## COMMUNITY



## PLANET



The subjects that this sustainability strategy seeks to answer are the concerns and expectations of our main stakeholders: shareholders, customers, collaborators, consumers, and suppliers. In addition to contributing to 6 of the 17 Sustainable Development Goals (SDG) of the United Nations.

The critical and strategic subjects on which the Group works are:

## CRITICAL SUBJECTS

Consumer health, safety, and well-being  
Brand trust and reputation  
Innovation (products and processes)  
Sustainable containers and packaging, reuse and recycling

## STRATEGIC SUBJECTS

Profitable growth in markets and financial sustainability  
Water management  
Energy consumption and efficiency  
Ethics and anti-corruption  
Occupational health, safety, and wellbeing  
Labor conditions and relations  
Quality and safety in the value chain  
Transparency in product information and labeling  
Career training and development  
Compliance  
Consumer ExperienceExperiencia del consumidor

Contribuimos a 6 de los 17 Objetivos de Desarrollo Sostenible (ODS) de las Naciones Unidas para el cumplimiento de la Agenda 2030:



## AWARDS

## 9º place

The 100 companies with the highest ESG responsibility of Merco

## 7º place

The 100 most responsible companies in internal and social environment of Merco

## 10º place

The 100 most responsible companies on ethical and governance matters of Merco



At the end of 2021, the sustainability strategy of the Group adapted the work lines and actions to comply with the objectives and goals established and to be defined in 2022.

STRATEGIC LINE	ACTION
1. INCLUSION AND DIVERSITY	CULTURE OF INCLUSION AND DIVERSITY
	WORK-LIFE BALANCE
	INCLUSIVE RECRUITMENT
2. COMPREHENSIVE WORKING CONDITIONS	QUALITY OF LIFE
3. BALANCED DIET	BALANCED DIET
	NUTRITIONAL PROFILE
	COMMUNITY DEVELOPMENT
4. ENVIRONMENTAL PERFORMANCE	WATER MANAGEMENT
	EMISSIONS AND ENERGY
	LOGISTICS AND DISTRIBUTION
5. CIRCULARITY	CONTAINERS AND PACKAGING
	SUSTAINABLE PRODUCT DESIGN
6. RESPONSIBLE SUPPLY CHAIN	SUSTAINABLE AGRICULTURE
	RESPONSIBLE SUPPLY
	FOOD WASTE
	WASTE AND RECYCLING
7. TRAINING	LEADERS TRAINING
	APPLIED KNOWLEDGE
	VALUE GENERATION
8. FLAGSHIP PROJECTS	FLAGSHIP PROJECTS

The Finance and Sustainability Department manages 4 in-house working groups where more than 5 collaborators participate to comply and follow-up on the aforementioned subjects:

- i) Diversity and Inclusion
- ii) Balanced Diet
- iii) Environmental Performance
- iv) Circularity

**This year, 11% of collaborators had some type of training on sustainability matters. The actions taken were:**

- 25% of collaborators that participated in the Sustainability work groups obtained a certification from the International Association For Sustainable Economy (IASE), 700 hours of training were invested.
- 346 persons participated in the following workshop: Introduction to Sustainability.
- 322 persons participated in the following workshops: Introduction to sustainable development and Circular Economy.
- 41 persons trained in the science-based objectives project.
- 429 persons attended "Café Sustentable" sessions: informative talks on the different programs and actions carried out by the ESG departments and brands.

**1,152**trained in ASG\*\*  
subjects**1,898**hours of training  
in ASG\*\* subjects**13**collaborators  
certified in IASE\***62%**of the workforce  
trained in ethics and legality**98%**of complaints  
were resolved\* *International Association For Sustainable Economy*\*\* *Environmental, Social and Governance [Ambiental,  
Social, Gobierno Corporativo]*

## CODE OF ETHICS

Since 2012, Grupo Hérdez is adhered to the UN Global Compact. We have committed to prioritize and work to comply with its 10 principles, which includes complying with a focus on ethics and legality for collaborators and strategic partners, in addition to working against corruption in all its forms, including extortion and bribery. Lastly, we respect the right to collective union bargaining.

Our Code of Ethics is the set of basic principles and conduct guidelines applicable to all of us that form part of the Group, including our supply vendor chain, therefore, it is our responsibility to comply with it and reinforce cause for it to be complied with.

Our ethical concern advice mechanism is the Trust Line, where one may request advice on ethical and legal conduct, integrity of the organization, and report concerns relating to unethical or illegal conducts.

**Line: 800 CONFIANZA (800 266342692) Email: [confianza@herdez.com](mailto:confianza@herdez.com)**

# We promote people

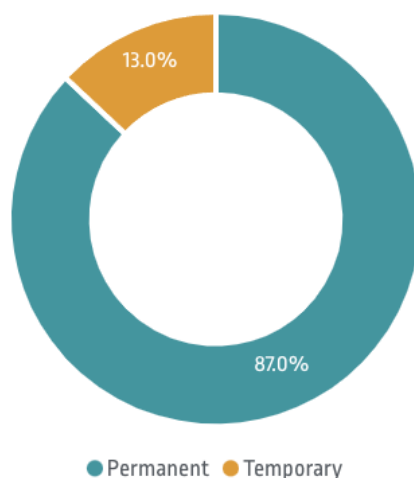


## COLLABORATORS

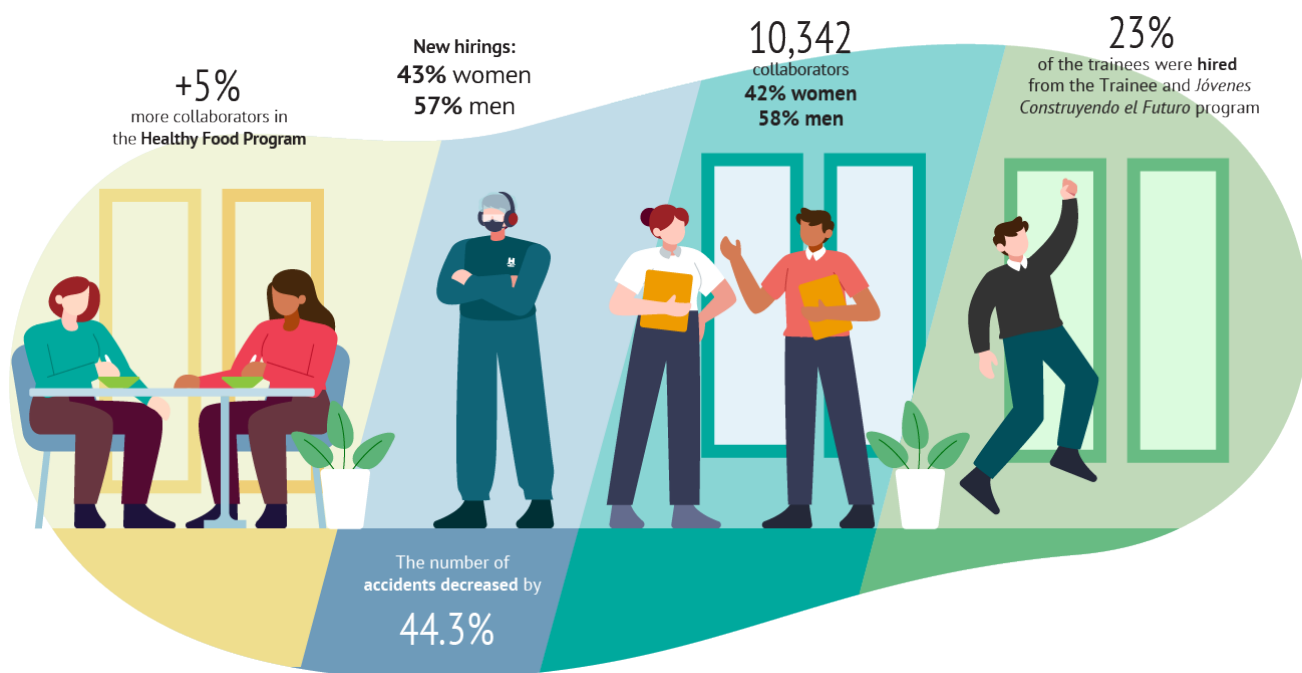
At Grupo Herdez we look for ways to promote the best work conditions for our collaborators. We respect their dignity with each program that we implement, assuring their human rights in a framework of equality, and thus promoting sustained and inclusive economic growth.

CASH	The <b>Environmental, Safety and Health Control</b> (CASH, for its acronym in Spanish) department maintains a culture of prevention, ensuring the integrity of people and business continuity. This year, thanks to the flexibility of working from home and punctual monitoring of health protocols for all collaborators, we had 71.2% less days lost and the number of accidents and absenteeism decreased.
DIVERSITY AND INCLUSION	We completed the first Diversity and Inclusion Diagnostic, in which <b>72% of collaborators participated</b> . This diagnostic consisted of an online survey for employees, focus groups, and interviews with Group's leaders. The results will allow us to reinforce our strengths and promote actions to create a discrimination-free environment with equal opportunities for all persons who form part of our team.
"LÍDERES HERDEZ" PROGRAM	<b>Líderes Herdez program trained 16% more persons</b> compared to last year. The purpose of this initiative is to develop the necessary skills and knowledge so that Group collaborators may grow and progress in their professional careers.
FORMADOR DE FORMADORES	El programa "Formador de Formadores" incrementó 83% el número de colaboradores que lo conforman. Este programa tiene por objetivo que nuestros mismos colaboradores brinden cursos de conocimiento técnico e institucional a otros miembros del Grupo. En total, se impartieron 2,400 cursos durante 2021.

Collaborators by contract







Collaborators by location

Location	Plant	Eventual	Total	Percentage
Corporate offices	976	83	1,059	10%
Plant	3,242	814	4,056	39%
Distribution Center (Cedis)	699	97	796	8%
Stores	1,801	45	1,846	18%
Sales routes	2,296	289	2,585	25%
	9,014	1,328	10,342	

## CONSUMERS

We look after the health and safety of our consumers by perfecting technical feasibility methodologies and risk analysis of projects. We ensure compliance with quality guidelines and standards, assessing all the portfolio of domestic and export products each year to identify potential areas for improvement.

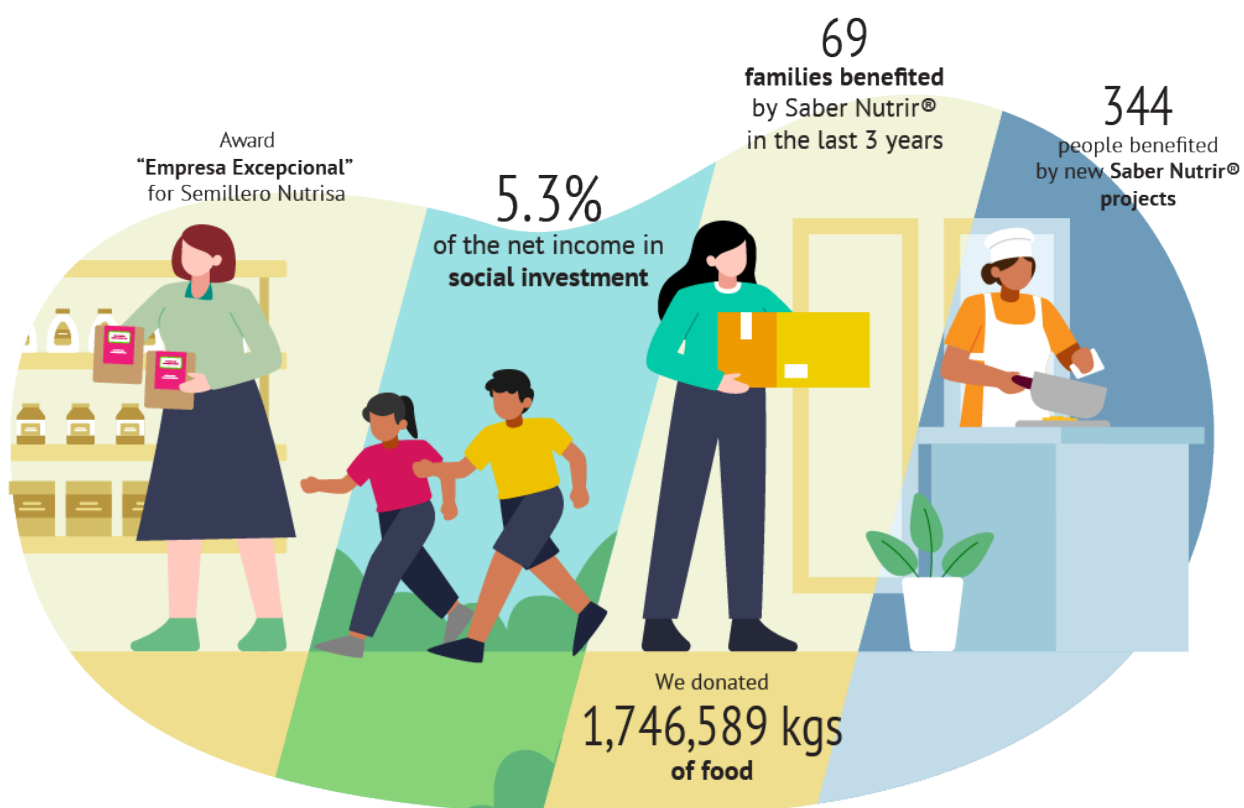
This year, the nutritional profile of 15 formulas was strengthened, reducing critical added nutrients (sugars, sodium, and saturated fat).

- **Reduction of sodium:** All kinds of Del Fuerte® tomato puree and the formula for tomato puree of the Herdez® brand.
- **Reduction of sugars:** The formulas improved for these nutrients were 6 kinds of ice cream for the Nutrisa® brand and 1 formula (popsicle) for the Nestlé® brand.
- **Elimination of sweeteners:** in one formula (popsicle) for the Nestlé® brand.

## COMMUNITY

We promote food security of the communities in which we operate so that all people can have access to healthy, and nutritious foods to cover their nutritional needs, while satisfying their cultural preferences for a healthy and active life.

We increased our social investment by 66% this year. This includes activities performed by the Fundación Herdez through in-kind donations to the Mexican Food Bank Network (Red de Bancos de Alimentos de México, BAMX), Non-governmental organization(Organizaciones de la Sociedad Civil), Saber Nutrir program, and other Group initiatives.



## HERDEZ FOUNDATION



80

NGO'S  
benefitted  
from in-kind  
donations



52

food  
banks



42

thousand  
persons  
supported

347

thousand persons  
reached with the  
"Summer with  
Grupo Herdez and  
Papalote" (Verano  
con Grupo Herdez  
y Papalote) virtual  
platform

12

thousand persons  
affected by the  
virtual  
collaboration  
Fundación Herdez,  
Saber Nutrir, and  
Gastromotiva

"Navegantes en  
la cocina", first  
publication for  
children by the  
Fundación  
Herdez

The amount invested in social programs this year included the construction of the "Casa Doña María", new headquarters of Fundación Herdez in San Luis Potosí, and a special donation from **Stewart Investors** equivalent to 10,000 pounds, the purpose of which was focused on easing the effects of the pandemic in Mexico through the "Together We Do More" ("Unidos Hacemos Más") campaign.

This campaign also sought to contribute to achieving Sustainable Development Goal 5: Gender Equality. We delivered 11,049 food packages to women and vulnerable persons attended to by the **Mexican Food Bank Network (Red de Bancos de Alimentos de México)**, **REINSERTA, A.C.**, and **Fundación para la Dignificación de la Mujer, I.A.P.** of Mexico City, State of Mexico, Morelos, Tamaulipas, and Veracruz.



Additionally, to promote and disseminate knowledge on nutrition, sustainability, and food security, two virtual programs were executed and the first book for children was published by Fundación Herdez



VERANO CON GRUPO HERDEZ Y PAPALOTE	<b>Verano con Grupo Herdez y Papalote.</b> Series of live broadcasts on social media, in alliance with Papalote Museo del Niño, to promote a culture of healthy eating in children with fun recipes.
FUNDACIÓN HERDEZ, SABER NUTRIR, AND GASTROMOTIVA ALLIANCE	Fundación Herdez, Saber Nutrir, and Gastromotiva alliance. This virtual initiative shared the richness and variety of foods that form part of the Mexican cuisine in collaboration with Gastromotiva, a social reintegration culinary project for young people, who shared the environmental impact of cuisine with our followers.
NAVEGANTES EN LA COCINA	Publication of " <i>Navegantes en la cocina</i> ", in collaboration with El Naranjo publishing house.

## SABER NUTRIR



148

families benefited in  
Yucatán and the State of  
Mexico



43

new projects  
in the State of Mexico



80

children benefited from  
the Saber Nutrir Sponsor  
program

In 2011, we created our social responsibility program Saber Nutrir® to formalize our commitment to Mexico's nutrition. With this program, we contribute to improving the quality of life of Mexican families in any situation of food insecurity by developing skills in the community that result in their children's wellbeing.

This year, Saber Nutrir® started operations in Yucatán—in alliance with Fundación Pro Mazahua—to benefit 82 families of 4 communities: Choyob, San Simón, Yax ha, and Xohuayan. The projects installed include: 38 cisterns, 10 farms, 20 vegetable gardens, and 14 health systems (toilet with biodigester and water purifier).

Additionally, 43 new projects were executed in the State of Mexico, benefiting 66 families of 19 Mazahuan communities of the Municipality of San José del Rincón: 28 commercialization and 15 food security projects.

For 8 years now, we have achieved a decrease of 11% in malnutrition of children in the State of Mexico, a 15% increase in their normal nutritional condition, and a 2% decrease in overweight and obesity with the nutrition oversight program.

In 2021, the sponsorship program took care of 80 malnourished children in the State of Mexico, 9 of which were able to recuperate. Our annual goal is for 10% of children in the program to overcome malnutrition.

## SEMILLERO NUTRISA

21

entrepreneur  
women trained  
in two years of  
Semillero  
Nutrisa

100%

of entrepreneur  
women with a  
commercial  
strategy

12%

of entrepreneur  
women increased  
their trust in the  
business  
environment

20%

increase in  
monthly sales  
for participants

“Exceptional  
Company” award  
granted by  
Instituto para el  
Fomento a la  
Calidad y el  
Consejo de la  
Comunicación

The purpose of the **Semillero Nutrisa** program is to train and promote entrepreneur women in critical topics for the sustained growth of their companies. Two years since its launch, we have 21 trained women, and 4 of them already form part of our chain of suppliers with 18 new products that are available in 50 Nutrisa stores in 14 States of the country.

We obtained the “Exceptional Company” award for this initiative due to its social impact, which was granted by the *Instituto para el Fomento a la Calidad y el Consejo de la Comunicación* to business initiatives that promote economic reactivation.



# We take care of the planet

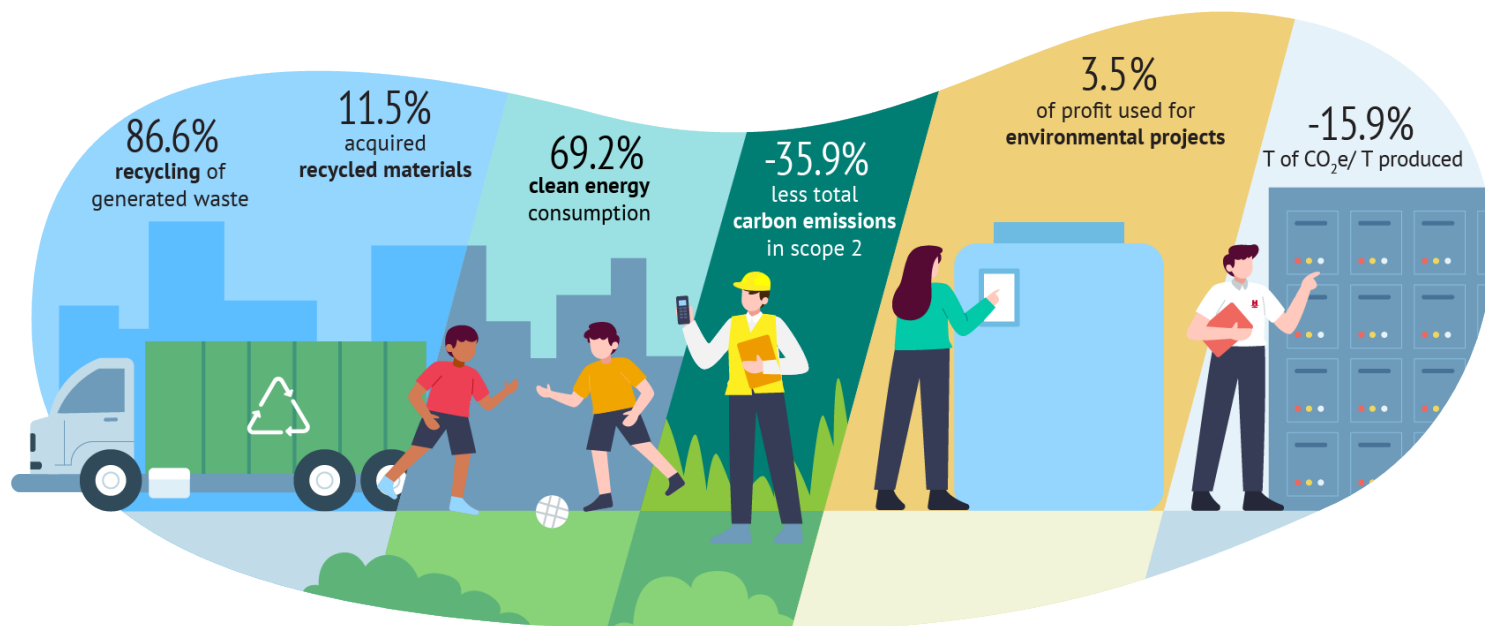


Our environmental commitment has a preventive focus that favors sustainable development, promotes initiatives, and disseminates new technologies to reduce environmental impacts on our operations, within the directives and scopes in the environmental management system.

## Recognitions for our environmental management

ISO 50001 CERTIFICATION	<b>ISO 50001 Certification (energy management)</b> Our Ice Cream plant, located in Lagos de Moreno, Jalisco, obtained the ISO 50001 certification. This certification certifies that our energy management system has the highest standards of efficiency and safety on the subject matter, through a continuous and systematic improvement system for energy use, consumption, and efficiency.
ISO 14001 CERTIFICATION	<b>ISO 14001 Certification (environmental management)</b> Our Ice Cream plant, located in Lagos de Moreno, Jalisco, obtained the ISO 14001 certification. This certification certifies that we have a management system to control and mitigate the environmental impacts of our operations according to the line of business and scope of the plant
FSC LEADERSHIP AWARDS	<b>FSC LEADERSHIP AWARDS for Del Fuerte®</b> Our Del Fuerte® Brand was recognized by the Forest Stewardship Council by the "A Stronger Legacy" (Un Legado Más Fuerte) program. This environmental and social impact was recognized for the conservation efforts of the bodies of water that supply the tomato fields in Sinaloa, where we obtain most of the raw materials for the Del Fuerte® products. Additionally, this initiative obtained 1st place in the Forest Conservation category in the Bóscares Awards of Reforestemos México.
MERCO ESG ENVIRONMENTAL RESPONSIBILITY	<b>MERCO ESG environmental responsibility</b> The Merco ESG Responsibility ranking is one of the most important corporate reputation monitors in Mexico, Latin America, and Spain, we were ranked fourth in the list of "The 100 most environmentally responsible companies"
CHEP SUSTAINABILITY CERTIFICATE	<b>CHEP sustainability certificate.</b> We received the CHP sustainability certificate as a result of maintaining use of sustainable pallets in our supply chain. For both companies we were able to reduce, only with the use of pooling, more than 3.1 million emissions of CO <sub>2</sub> , and prevented the use of wood for construction of new pallets, equivalent to cutting 23,171 trees.





## WATER

In 2021 we had a decrease in water consumption of 4.4% referring to absolute m3 . The foregoing due to the improvement initiatives for resource savings implemented in our different locations.

The total volume of water discharges increased 6.4% in absolute m3, due to the increase in the number of equipment and facilities washing, which were implemented for health and safety reasons motivated by the pandemic.

Compared with discharges per ton produced, there is no increase, since for both years there is an indicator of .75 m3 per ton produced.

## ENERGY

In 2021 we had a 6.0% increase in energy consumption, due to a 6.6% increase in our production, therefore, we consumed more fuel. In our Cogeneration plant, there was an increase in energy production, which caused greater consumption of natural gas.

Consumption of energy from clean sources during 2021 was 69.2%

- Renewable energy (wind) 41.5 %
- Clean energy (cogeneration): 27.7%

## EMMISSIONS

In 2021, the intensity of Greenhouse Gas Emissions (GGE) was 0.11 tons of CO<sub>2</sub>e per ton produced (T de CO<sub>2</sub>e/ T produced), which represents a 15.9% reduction with respect to the preceding year.

In scope 1, we had an increase of 1,544 T of CO<sub>2</sub>e (17.0%) with respect to 2020, due to greater production derived from greater consumption of fuel. In scope 2, we obtained a reduction of 5,809 T de CO<sub>2</sub>e (35.9%) with respect to the prior year, due to the increase in consumption of clean energy.

## MATERIALS AND WASTE

We consume 3 categories of materials: agricultural raw materials, non-perishable raw materials, and packaging materials (non-renewable and renewable).

87.7% of raw material suppliers are domestic.

13.7% of the total acquired material is recycled, which includes corrugated cardboard in small boxes, boxes, and trays.

This year we generated 31.6% more hazardous and non-hazardous waste with respect to last year, due to an increase in production and greater control of health and safety conditions as a result of the pandemic, in addition to generation and handling of greater volumes of obsolete equipment. To compensate this increase, we were able to increase recycling of the waste generated in the operation by 86.6%.

## CIRCULARITY

We seek to use natural resources efficiently in our production processes, and integrate our consumers in initiatives that add to reduce environmental impact on our packages. This way, we take advantage of waste, we reintegrate it to the production cycle and satisfy our current needs without jeopardizing the availability of resources for the future.

### Circularity initiatives

CIRCULARITY GUIDE	This year, we prepared the Circularity Graphic Guide for the purpose of aligning communication on the optimal discussion of the packaging and containers of the products we prepare. By applying the guide to our labels, our consumers may know the material, recyclability, and reuse of materials, and add to taking care of the planet.
VEGETABLE INK	As of this year, paper labels are printed in vegetable ink: Herdez®, Doña María®, McCormick® jellies, and Búfalo® (conventional).
TEA BAGS	The packets of our McCormick® teas are now printed in SAPPI Seal Silk sustainable material, replacing more than 750 tons of BOPP film per year. Additionally, continuous labels are printed in water-based ink.
RECYCLE THE CAN	In 2021, we recovered and recycled 4.5 tons of tin, with the "Recycle the Can" initiative. The material collected will be used to build 5 clean energy systems that will be donated to communities that do not have access to other electricity services.
AIRES DE CAMPO® AND ECOLANA ALLIANCE	Aires de Campo® in Alliance with Ecolana launched the first glass recycling campaign in Mexico City and Querétaro. The locations of Cerrando el Ciclo and Ectágono were the collection points, where we were able to recover 6.5 tons of glass from consumers.

## SUPPLY CHAIN

Collaboration with our vendors throughout the value chain is key to guaranteeing the quality and safety of all products that we market. Their experience, combined with our best practices, guarantee for our consumers unique products in the market, with the highest quality.

- The **Sustainable Agricultural Program** evaluates vendors every 6 months, complying with the rules checklist. In the first semester of 2021, we had 32 evaluated vendors, at the end of the year, we completed the evaluation with 30 vendors. 29 of the 30 vendors complied with the program.
- We started the **sustainability progress level evaluation** program for 100 of our main vendors, in alliance with IKUS. The 2025 objective of this evaluation is to guarantee a supply chain with sustainable criteria in at least 70% of our purchases.
- Aires de Campo®, in Alliance with other producers, planted 800 hectares of organic crops, favoring soil restoration and no contamination with agrochemicals





Marzo 25, 2022

Mr. Héctor Hernández-Pons Torres  
Chairman of the Board of Directors  
Grupo Herdez, S.A.B. de C.V.  
Monte Pelvoux No. 215, 5th Floor  
México, D.F. 11000

Dear Mr. Hernández-Pons:

I am herein submitting to your attention the Annual Report on the activities of the Board of Directors' Corporate Practices Committee corresponding to 2021 fiscal year, referred to in Article 43, Section I of the Securities Market Law.

In developing our work, we have observed the regulations contained in the Securities Market Law, the General Rules Applicable to Securities Issuers and Other Participants of the Securities Market, the General Provisions applicable to Entities and Issuers supervised by the National Banking and Securities Commission which hire external audit services for basic financial statements, the Mexican Stock Exchange Internal Rules, the recommendations of the Principles and Best Practices on Corporate Governance Code, the Committee Rules and the Annual Program with the issues to be considered.

During the reporting period, the Committee punctually held the called meetings; an agenda based on the issues to be discussed and the respective minutes were prepared for each meeting. The meetings were attended by the designated directors and invitees.

A report was submitted to the Board of Directors with the issues discussed in every meeting of the Committee.

The relevant issues discussed, which in turn were recommended for approval to the Board of Directors, were as follows:

1. We have learned the policies for designation and for integral compensation of the Chief Executive Officer and other relevant executives.
2. We have learned about the mechanism to measure and disclose the observations on the performance of the relevant executives. During the year, the performance of the relevant executives was considered to be adequate, having been determined based on the approved policies.
3. We have learned about the integral remuneration package of the Chief Executive Officer and other relevant executives.
4. We have analyzed the external auditor Report on operations with related persons, as part of the agreed procedures referred to in the applicable standard. The Document includes two types of revision: i) reports on agreed procedures, and ii) performance of transference prices studies.

In this report, it was concluded that: i) no situations were observed indicating that transactions performed with persons or related parties were other than the business line; ii) transactions have been found to be duly recorded in the accounting records; iii) results are consistent with those obtained by independent third parties in comparable transactions under similar circumstances.

Such transactions have included export and materials sales, sales and administrative services, maquila, royalties, freight services, materials acquisition, fees, fuels, storage, real estate and transportation equipment leasing, finished products sale, strategic and personnel services, and other, amounting to a total of 8,178 million pesos.

5. There were no exemptions granted to allow a director, a relevant executive, or an individual with decision-making power to take advantage for his/her own benefit, or in favor of a third party from business opportunities corresponding to the society or to the legal entities under its control, or over which they have significant influence.

The franchises of the subsidiary Nutrisa granted to related persons are in agreement with the policies approved by the Board of Directors.

6. Management of derivative financial instruments, which is mainly focused on certain raw materials coverage, is being carried out in accordance with the policies that have been approved and established by the Board of Directors.

Sincerely,



Roberto Daner Díaz

Chairman of the Corporate Practices Committee

February 17, 2022

Mr. Héctor Hernández-Pons Torres  
Chairman of the Board of Directors  
Grupo Herdez, S.A.B. de C.V.  
Monte Pelvoux No. 215, 5th Floor  
México, D.F. 11000

Dear Mr. Hernández-Pons:

I am herein submitting to your attention the Annual Report on the activities of the Board of Directors' Audit Committee for the 2021 fiscal year, in accordance with the provisions of Article 43, Section II of the Securities Market Law.

In the development of our work, we have taken into consideration the regulations contained in the Securities Market Law, the General Provisions Applicable to Securities Issuers and Other Participants of the Securities Market, the General Provisions applicable to Entities and Issuers supervised by the National Banking and Securities Commission which hire external audit services for basic financial statements, the Mexican Stock Exchange Internal Rules, the recommendations of the Principles and Best Practices on Corporate Governance Code, the provisions of the Audit Committee Rules, as well as the Annual Program of issues to be considered.

During the reporting period, the Committee punctually held the scheduled meetings, and the Agenda with the issues to be discussed and the respective Minutes were in turn prepared for each meeting. The meetings were attended by the designated directors and invitees.

A Report was submitted to the Board of Directors with the issues discussed in every meeting of the Committee.

The relevant issues discussed and which in turn were favorably recommended for approval of the Board of Directors, as appropriate, were as follows:

1. Reported Financial Statements as of December 31, 2020, with consolidated figures and their respective Notes were duly analyzed.

Considering its relative significance, the information of the subsidiary Herdez Del Fuerte, S.A. de C.V. which includes the operation of Megamex Foods, LLC, and its subsidiaries in the United States of America was also analyzed.

In accordance with the regulations of the National Banking and Securities Commission, the financial information has been prepared and submitted under the International Financial Reporting Standards, and the audit was carried out in compliance with the International Auditing Standards.

2. We have analyzed the Report on the Internal Control Assessment performed by the society's external auditor, during the normal course of the revision for the 2021 year audit.

The Report indicates that certain audit procedures have been applied to the internal controls regarding determined areas for the identification of controls, control design and implementation, operative efficacy testing and the conclusion regarding the audit



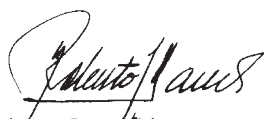
purpose. It is mentioned that coming out from the cyber breach suffered by some company's systems, the original approach of their work had to be modified by one of a substantive audit. However, based on the substantive testing performed it concluded that the accounting system did not suffer any change. We have learned about improvement areas and follow up has been given to their implementation..

3. We have learned about the 2021 Quarterly Financial Statements, and we have issued our recommendation for its submission to the Mexican Stock Exchange.
4. We have analyzed and approved the Work Plan of the Internal Audit area for the 2021 fiscal year. Due follow up has been done to its development, and we have learned about its findings and the implementation of its recommendations.
5. The new International Financial Reporting Standards used during the 2021 fiscal year, as well as those already in force, were consistently applied with no significant effects.
6. We have assessed the performance of the external audit firm EY Mancera, which has been considered as satisfactory and in accordance with the criteria established in the services contract. Likewise, the partner in charge of the audit has in due time confirmed their professional and economic independence.

In this manner, confirmation of the firm EY Mancera as the External Auditor of the society and its subsidiaries for the 2021 fiscal year was recommended.

7. Additional services to those of auditing provided by the society's external audit firm during 2021 were related to transfer prices, local contributions, related parties' transactions assessment, verification of sustainability indicators, and preparation of related parties' informative statements for an amount of 3.3 million pesos.
8. Provisions of the so-called Auditors Unique Circular have been analyzed, and we have learned about the Schedule prepared by the Company's Administration for its compliance in 2021 by each and every party involved.
9. We have learned and assessed the activities of the Risks Committee, including the mechanisms implemented for the identification, analysis, management, and control of the strategic, financial and operative risks, to which the society is subject to, as well as the established criteria for their appropriate disclosure.
10. In every meeting we have been informed about the complaints received due to lack of observance of the Ethics Code, the way in which they have been addressed and the protection given to the informants.
11. We have learned about and follow up has been given to the outstanding tax and legal matters, as well as to the adequate implementation of the Securities Market regulatory authorities provisions, and the Shareholders' and the Board of Directors' resolutions.

Sincerely,



Roberto Daniel Díaz

Chairman of the Audit Committee



# We create value for Mexico

2021 GRUPO HERDEZ ESG





## PROFILE OF THE ORGANIZATION

### 102-1 Name of the organization

Grupo Herdez, S.A.B. de C.V.

### 102-2 Activities, brands, products, and services

Grupo Herdez is a leading company in the processed food sector, and one of the main players in the ice cream category in Mexico, in addition to being the fastest growing company in the Mexican food category in the United States. We participate in a broad range of categories, including homemade salsas, organic products, honey, ice cream, jellies, mayonnaise, mole, mustard, pasta, spices, tea, tomato puree, tuna, among others. These products are marketed through an exceptional Brand portfolio, highlighting the following: Aires de Campo®, Barilla®, Blasón®, Búfalo®, Carlota®, Cielito Querido Café®, Moyo®, Del Fuerte®, Doña María®, Embasa®, Helados Nestlé®, Herdez®, McCormick®, Nutrisa®, Wholly Guacamole®, and Yemina®.

Additionally, we have distribution agreements in Mexico for the following products: Frank's®, French's®, Kikkoman®, Reynolds®, Lavazza®, Betty Crocker™, Pillsbury™, Nature Valley™, Fiber One™, and Haagen Dazs™.

We have 13 production plants, 24 distribution centers, 624 points of sale with the Nutrisa®, Cielito Querido Café®, and Lavazza® brands, and a workforce of 10,342 collaborators.

### 102-3 Location of our headquarters

Our corporate headquarters are located at Monte Pelvoux 215, Lomas de Chapultepec, Ciudad de México, P.C. 11000.

### 102-4 Location of our operations

We have a presence in 21 countries and in 6 different regions of the world.

### 102-5 Ownership and legal form

We are a company listed in the Mexican Stock Exchange (Bolsa Mexicana de Valores) since 1991 under ticker symbol HERDEZ\*.

### 102-6 Served markets

The main operations of Grupo Herdez are located in Mexico.



## 102-7 Size of the organization

The infrastructure of the Group is composed of:

- 13 plants
- 24 distribution centers
- 624 stores: Nutrisa, Lavazza, Cielito Querido Café, and Moyo
- 10,342 collaborators
- 26,153 million pesos in net sales
- 3,944 million pesos of EBITDA
- 5.25% of net profit in social investment
- The Company was founded in 1914 and is listed in the Mexican Stock Exchange (Bolsa Mexicana de Valores) under ticker symbol HERDEZ\*.

## 102-8 Information on employees and other workers

### BREAKDOWN OF COLLABORATORS BY GENDER

SEX	TOTAL	PERCENTAGE
Man	6,004	58%
Woman	4,338	42%
Total	10,342	100%

### BREAKDOWN OF COLLABORATORS BY EMPLOYMENT AGREEMENT

SEX	PLANT	TEMPORARY
Man	5,226	778
Woman	3,788	550
	87%	13%
<b>Total</b>		<b>10,342</b>

## BREAKDOWN OF COLLABORATORS BY REGION

REGION	PLANT	TEMPORARY	TOTAL	PERCENTAGE
<b>Corporate offices</b>	976	83	1,059	10%
<b>Plant</b>	3,242	814	4,056	39%
<b>Distribution Centers</b>	699	97	796	8%
<b>Stores</b>	1,801	45	1,846	18%
<b>Sales Routes</b>	2,296	289	2,585	25%
	<b>9,014</b>	<b>1,328</b>	<b>10,342</b>	

## Notes:

- For Grupo Herdez, the places with significant operations are offices, plants, distribution centers, and stores in Mexico.
- We do not have part-time agreements, all collaborators, including those hired temporarily have a direct agreement with the company, we also do not have reduced workdays.

**102-9 Supply Chain**

In 2021, Grupo Herdez had 312 active vendors.

We consider 3 main activities:

1. Source of supply
2. Production process
3. Distribution

Breakdown by type of vendor:

- 171 Suppliers of non-perishable raw materials - \$6,585,972,197
- 109 Suppliers of packaging materials - \$3,911,836,165
- 32 Agricultural suppliers - \$1,097,000,000

87.7% of suppliers of raw materials are Mexican.

Geographic Location: Germany, Chile, United States, Mexico (Aguascalientes, Campeche, Chihuahua, Coahuila, State of Mexico, Guanajuato, Michoacán, Morelos, Puebla, San Luis Potosí, Sinaloa, Sonora, Yucatán and Zacatecas), and Turkey.

Industrialized manufacturing, without intensive use of labor.

Suppliers of agricultural raw materials must have flexible time schemes that enable the personnel to integrate their academic and/or social activities with labor activities.

## 102-10 Significant changes in the organization and its supply chain

In April 2021, we signed an agreement with General Mills for distribution of their products in Mexico. With this agreement, we expanded the capacities of the Group in the Impulso portfolio, with the distribution of the Häagen-Dazs™ brand, and we entered the cereal bar category (Nature Valley™, Fiber One™, and Lära Bar™) and prepared flour for desserts (Betty Crocker™ and Pillsbury™).

## 102-11 Principle of Precaution

At Grupo Herdez, we promote a culture of prevention that enables us to identify the risks that our business may face, and we may also capitalize on opportunities, adding to the stability and growth of the Group.

Since we are aware of the operational, environmental, safety, and quality risks, we address the principle of precaution through the Environmental Control, Health, and Safety (CASH, for its acronym in Spanish) department and the Risk department, the purpose of which is to safeguard the integrity of our collaborators, facilities, and operations to ensure maintained continuity of the business.

In 2020 we published our Comprehensive Risk Management Policy, based on the ISO 31000 standard, for the purpose of making improvements to our risk identification and management processes.

### PREVENTION PLANS

We have a World Class Manufacturing (WCM) model the purpose of which is continuous improvement management in all of our plants. This program has helped us:

- Achieve competitive costs
- Improve productivity
- Have a quality benchmark
- Achieve world class management and operation
- Have effective information systems.

We also have the major emergencies plan, a program that is designed to respond to any contingency at plants and distribution centers. It is composed of brigades that support and coordinate communication between the surrounding affected areas and corporate offices.

### PARTICIPATION IN ASSOCIATIONS

We participate in Coparmex as an advisor and consultant on health and safety, and environmental matters; we are also active members of the safety committee of CONMEXICO.

### CERTIFICATIONS

#### *Environment*

- Clean industry certificate issued by PROFEPA (Federal Environmental Protection Agency).

#### *Safety*

- Safe Industry Certification issued by STPS (Ministry of Labor and Social Welfare)

#### *Quality*

- Certification issued by the COFEPRIS (Federal Commission for Protection Against Health Risks).

#### *Civil Protection*

- Each year, we conduct the internal protection program, which is audited by the personnel of this agency, and it is focused on preventing risks from fire, spills, leaks, and others.



## 102-13 Membership in Associations

### INDUSTRIAL

- Asociación Mexicana de la Cadena Productiva del Café (AMECAFE)
- Cámara Nacional de Fabricantes de Envases Metálicos (CANAFEM)
- Asociación Mexicana de Industriales de Galletas y Pastas (AMEXIGAPA)
- Asociación Nacional de la Industria de Suplementos Alimenticios (ANAISA)
- Cámara Nacional de la Industria de Conservas Alimenticias (CANAINCA)
- Cámara Nacional de Industriales de la Leche (CANILEC)
- Consejo Mexicano de la Industria de Productos de Consumo (CONMEXICO)
- Consejo Nacional de Producción Orgánica (presidido por SAGARPA)
- Federación Internacional de Movimientos en Agricultura Orgánica (IFOAM)
- Movimiento Orgánico Mexicano

### BUSINESS

- Asociación Mexicana de Estándares para el Comercio Electrónico (AMECE)
- Chambers of Commerce: Canadian, British, Spanish, and American
- Confederación de Cámaras Industriales (CONCAMIN)
- Consejo Coordinador Empresarial (CCE)

### SUSTAINABILITY

- Centro Mexicano para la Filantropía
- Comisión de Estudios del Sector Privado para el Desarrollo Sustentable (CESPEDES)
- Compromiso Empresarial para el Manejo Integral de Residuos Sólidos
- Consejos de Cuenca (in CONAGUA)
- ECOCE
- Iniciativa GEMI
- United Nations Global Compact
- Zero Hunger, Circular Economy, and Biodiversity Working Groups of the Global Compact
- Consejo Coordinador Empresarial
- "Climate Change and Health" Working Group of the Organization for Economic Co-operation and Development

## ETHICS AND INTEGRITY

### 102-16 Values, principles, and standards of conduct

#### MISSION

Provide consumers with quality food, beverages, and products, with reputable brands with growing value.

#### VISION

Grupo Herdez wishes to consolidate, grow, and position itself as a leading organization in the food, beverage, and wellness products business, recognized for the quality of its products, and for the effectiveness of its efforts aimed at ensuring satisfaction of the needs and expectations of its clients and customers, within a framework of competitive attention and service, under strict profitability, strategic, and sustainability potential.

## VALUES

Honesty, result-oriented, teamwork, and reliability.

All collaborators must sign as proof that they read and received the code of ethics, in addition to the campaigns carried out throughout the year that promote living the values of the organization at all levels.

### 102-17 Ethical concern advice mechanisms

All levels of authority inside the company and stakeholders such as vendors and collaborators are governed by our codes and policies, which are continually reinforced through training, communications, and meetings. <https://grupoherdez.com.mx/sustentabilidad/codigos-y-politicas/> There is a Trust line where people may request advice on ethical and legal conduct, and on the integrity of the organization, and report concerns related to unethical or illegal conducts.

Trust Line (800 CONFIANZA - 800 266342692).

Trust Email ([confianza@herdez.com](mailto:confianza@herdez.com)).

Scope:

Employees (provides whistleblower protection).

Vendors (provides whistleblower protection).

Dissemination media; Grupo Herdez Code of Ethics (Exhibit 1), Vendor Code of Conduct (Exhibit 2), Website (Exhibit 3), notices in plant and distribution center bulletin boards (Exhibit 4).

In 2021 we received 249 anonymous reports.

We responded to 98% and 2% were left in process.

## GOVERNANCE

### 102-18 Governance Structure

The Board of Directors is the highest governance body of the Group, which is the legal representative of the company and has all authority to perform the operations related to its purpose.

It is composed of 9 directors, including Héctor Hernández-Pons Torres, Chief Executive Officer of Grupo Herdez, who acts as Chairman and CEO.

## DUTIES OF THE COMMITTEES

COMMITTEE	DUTIES
Audit Committee	Provide support, opinions, and advice on guidelines regarding internal control and audit, accounting policies, financial statements, hiring an external auditor, risks to which the company is exposed, policies on information and communication with shareholders and the market.
Corporate Practices Committee	Provide its opinion on policies and guidelines regarding the use or enjoyment of the property of the company, the operations that the company intends to carry out, appointment and election of the chief executive officer, policies to grant loans or credit; waivers that may be leveraged for business opportunities; assist the Board of Directors in performing activities mentioned in Article 42 of the Securities Market Law (Ley del Mercado de Valores) and mentioned in the Code of best corporate practices.
Risk Committee	Identify the risks affecting achieving the goals of the department(s) under its responsibility, measure, analyze, and monitor these; prepare appropriate response mechanisms (controls) for the identified risks and implement them efficiently; and establish the reporting basis to the Risk Committee.
Sustainability Committee	Follow-up on the Sustainability Strategy in the three pillars: people, community, and planet.
Ethics Subcommittee	Issue guidelines and directives on ethical behavior; contribute to the ethical management of the Company through regulatory documents (policies and procedures); resolve appreciation disputes, conflicts of interest, and of conduct between stakeholders.

**102-20 Responsibility at the executive level on ESG matters**

The Board of Directors meets on a quarterly basis and has intermediate bodies commissioned with overseeing the management and execution of the objectives of the Group. This also happens with the other indicators of the Company; in these meetings, the progress on sustainability matters is presented.

- Eduardo Ortiz Tirado Serrano – Responsible for labor practices
- Luis Rebollar Corona – Responsible for environmental practices
- José Roberto Danel Díaz – Responsible for Governance and Chairman of the Corporate Practices and Audit Committee



In 2021, we created the Sustainability Committee composed of the Executive Committee of the Group. The Executive Director of Finance and Technology has under its subordination the Finance and Sustainability Department, with two positions fully dedicated to the sustainability strategy. Additionally, the Group has the Environmental Sustainability department, which jointly with the technical departments, are the team of collaborators dedicated to achieving the objectives of the sustainability strategy of the Group.

## 102-21 Consultation of stakeholders on ESG matters

In 2019, we updated our Materiality Analysis, for the purpose of confirming the current status of the material matters identified in the prior years, and of identifying the changes to give them due relevance.

This update contemplated our acquisition of the Impulso segment, and had a greater approach with the different stakeholders. We were able to identify key and relevant subjects for Grupo Herdez on environmental, social, and governance (ESG) matters, considering the expectations and concerns of our main stakeholders to be key:

- Consumers
- Customers
- Vendors
- Investors
- Collaborators

The material subjects identified were:

### CRITICAL MATTERS

- Consumer health, safety, and wellness
- Brand trust and reputation
- Innovation (products and processes)
- Sustainable containers and packaging, reuse, and recycling

### STRATEGIC MATTERS

- Profitable growth in markets and financial sustainability
- Water management
- Energy consumption and efficiency
- Ethics and anti-corruption
- Occupational health, safety, and wellness
- Labor conditions and relations
- Value chain quality and safety
- Transparency in product information and labeling
- Career training and development
- Compliance
- Customer experience

## 102-22 Composition of the highest governance body and its committees experience and qualifications

### **Héctor Hernández-Pons Torres (Mexican)**

*Chairman of the Board of Directors (Shareholder)*

*Chief Executive Officer (Member of the Corporate Practices Committee)*

He graduated from the Law School at Universidad Anahuac and University of San Diego Ca., where he obtained a Master's in Business Administration. He joined Herdez in 1978 in the Legal department, and since then, he has performed different duties inside the Company. In 2004, he was appointed Chairman of the Board of Directors and Chief Executive Officer of Grupo Herdez.

In addition to his responsibilities inside the Group, he has occupied several association positions, such as: Regional Director of Banamex and of Nacional Financiera, Vice Chairman of Concamin, Chairman of the Steering Committee of Papalote Museo del Niño and of the National Chamber of the Canned Food Industry (Canainca). He is currently Chairman of Fundación Herdez, Director of Papalote Museo del Niño and of Canainca, and he participates as a member of the Board of Trustees of Consejo Mexicano de Negocios and of Consejo de la Comunicación.

### **Enrique Hernández-Pons Torres (Mexican)**

*Vice Chairman of the Board of Directors (Shareholder)*

*(Member of the Corporate Practices Committee)*

He obtained a Bachelor's in Business Administration with a graduate degree overseas in Business Marketing and Management. He has been at Grupo Herdez since 1971 in several departments and held positions such as Sales, Marketing, Accounting, and other departments. He currently acts as Vice Chairman of the Board and Assistant Chief Executive Officer of Grupo Herdez, and as Chairman of the Board of MegaMex in the United States.

His visionary and entrepreneurial spirit, in addition to his business sense, have generated constant growth in the companies he leads, creating joint ventures with large transnational consortiums such as McCormick & Co., Hormel Foods, with the company in the United States MegaMex Foods, Barilla Italia, among others, entering new markets, taking advantage of the cutting edge technology of its Associates.

His leadership, always focused on results, in addition to his positive attitude, character, and teamwork capacity, make him a top notch executive.

His personal and business relations are another important part of his business management, in addition to being a sports, food, and architecture aficionado.

### **Flora Hernández-Pons Torres (Mexican)**

*Director (Shareholder)*

She obtained a Bachelor's in Psychology degree from Universidad Anahuac, with studies in Economy and Finance and Contemporary History. She is currently a member of the Board of Directors of Grupo Herdez, a position that she has occupied since 2004. She was also a member of the Steering Committees of Centro Mexicano para la Filantropía, Fundación para la Salud, Fraccionamiento Las Brisas in Acapulco, Mexicano de la Gastronomía, Club de Raqueta Bosques, and she is currently an advisor of Fundación Herdez.

**Ana Sofía Sánchez Juárez Cardoze (Mexican)***Director (Independent)*

She obtained a Bachelor's in Marketing from Tecnológico de Monterrey, and has a Master's in Communication, Advertising, and New Media degree from Institut National Supérieur D'Études Économiques et Commerciales (INSEEC) in France. She also has studies in HEC Paris and from Wharton University in Philadelphia. She is a professor at Instituto Superior para el Desarrollo de Internet (ISDI) in the Master's in Internet Business program. Currently, she acts as Chief Executive Officer of Waze Mexico, and prior to joining Waze, she was a Business Director in Mexico and Central America in Facebook, which is a position that she occupied for more than five years.

She previously acted as Brand Solutions Manager for Google and was Business Lead for YouTube Mexico.

**Enrique Castillo Sánchez-Mejorada (Mexican)***Director (Independent)*

He obtained a Bachelor's in Business Administration degree. He started his professional career at Banco Nacional de México. He held several executive positions in Mexico at Nacional Financiera, Casa de Bolsa Inverlat, Seguros América, Invermexico/Banco Mexicano, Credit Suisse Mexico, and he was Chairman of the Board of IXE Grupo Financiero. He was also Vice Chairman and Chairman of Asociación de Bancos de México. He is currently Chairman of the Board of Directors of Maxcom Telecomunicaciones and Non-Executive Chairman of the Board of Banco Nacional de México, and he is a member of the Boards of Directors of Grupo Alfa, Southern Copper Corporation, and Médica Sur.

**Eduardo Ortiz Tirado Serrano (Mexican)***Director (Independent)**(Member of the Audit Committee)*

Eduardo studied elementary, middle, and high school at Instituto Cumbres. He obtained a Bachelor's in Business Administration from Universidad Anáhuac (From 1973 to 1977).

He started his professional career in 1976 at Herdez, where he worked in the marketing department for nearly six years.

In 1982, he joined Richardson Vicks, S.A. de C.V., where he worked for six years in the marketing department. For the last two years, he worked for Procter & Gamble, which bought Richardson Vicks. He joined a SC Johnson and Son, S.A. de C.V. in March 1988 as Marketing Director. In 1992, he participated for ten months in a sales training program in Los Angeles, California, as International Sales Associate. In 1993 he returned to Mexico and was appointed Sales Director of SC Johnson Mexico and Central America, and in 1995 he was promoted to Chief Executive Officer of Mexico and Central America. In April 2001, he was appointed Vice President and Chief Executive Officer of Mexico and Central America. Eduardo retired from SC Johnson in January 2013. He then worked as Chief Executive Officer of Aerobal and of Grupo Zapata.

He currently participates in the following boards and foundations:

Independent Director of Grupo Herdez, S.A.B. de C.V., and member of the Audit Committee.

As of January 2020, he is an Independent Director of PROCSA; Director of Fundación Un Mañana para la Comunidad, A.C.; Director of Fundación Xochitla, A.C.



Previously, he participated as director of different organizations, among others:

Board of Vendors of Walmart de México y Centroamérica since its creation until January 2013; Director of Consejo de Autorregulación y Ética Publicitaria, A.C. (CONAR); Director of Centro Mexicano para la Filantropía (CEMEFI), and Member of the Executive Committee. In 2009, he was Chairman of the Annual Meeting of CEMEFI; Director of ENACTUS México; Member of the Advisory Committee of Great Place To Work –Mexico.

### **José Roberto Danel Díaz (Mexican)**

*Director (Independent) (Chairman of the Corporate Practices and of the Audit Committee)*

Certified Public Accountant, graduated from Universidad Iberoamericana. He has Graduate Studies in Management from Instituto Tecnológico Autónomo de México (ITAM); Senior Management from Instituto Panamericano de Alta Dirección de Empresa (IPADE); and Governance from the Yale University School of Business, from Stanford University Graduate School of Business, and from Harvard University School of Business.

As an independent director, he is a member of the Board of Directors and chairs or forms part of different committees of the Board, in public and private companies, and financial institutions. He is a Member of Colegio de Contadores Públicos de México, Instituto Mexicano de Contadores Públicos and he was a member of Instituto Mexicano de Ejecutivos de Finanzas.

Chairman of the Best Governance Practices Committee of Consejo Coordinador Empresarial; es member of Instituto Latinoamericano de Gobierno Corporativo (OECD-World Bank), of the National Association of Corporate Directors (USA), of the International Corporate Governance Network (UK), and of its Risk Committee.

### **Luis Rebollar Corona (Mexican)**

*Director (Independent) (Member of the Corporate Practices Committee)*

Chemical Engineer graduated from Universidad Nacional Autónoma de México (UNAM), with experience as Chief Executive Officer of Fábrica de Papel San Rafael, Cia. Industrial de San Cristóbal, Alcatel, Sidek, and Situr. He was also a Director, acting as Chairman of the Board of Sidek and Situr. He is currently a Director at Grupo Gigante, Grupo Sánchez, and Grupo Industrial Mexicano. He participated in the restructuring of Satélites Mexicanos, acting as Chairman of its Board. He was Chairman of the Board of Sandvik de México for 18 years.

### **Michael Bernhard Jost (Swiss)**

*Director (Independent) (Member of the Audit Committee)*

He is a professional in the field of finance; he graduated in "Economics and Business Administration" from Bern University, with 25 years in experience in Latin America, 17 of which have been as CFO in different companies of Nestlé. He has led initiatives on matters of mergers, acquisitions, divestment; he has implemented restructuring initiatives; he has supported strategic planning and business risk management processes. He acted as a member of the Compensation Committee and of the Compliance Committee in Nestlé Brazil and in Nestlé Mexico.

NAME	AGE	MEMBER SINCE	GOVERNANCE BODIES	RESPONSIBILITY
<b>Shareholder Members</b>				
Héctor Hernández-Pons Torres	>50	1991	Corporate Practices Committee	Chairman of the Board of Directors and Chief Executive Officer
Enrique Hernández-Pons Torres	>50	1991	Corporate Practices Committee	Vice Chairman
Flora Hernández-Pons de Merino	>50	2004		
<b>Independent Members</b>				
Enrique Castillo Sánchez Mejorada	>50	1991	Corporate Practices Committee	
José Roberto Danel Díaz	>50	2003	Audit and Corporate Practices Committee	Chairman of the Audit and Corporate Practices Committee
Eduardo Ortiz Tirado Serrano	>50	2003	Audit Committee	Responsible for labor practices
Luis Rebollar Corona	>50	2004	Corporate Practices Committee	Responsible for environmental practices
Anasofía Sánchez Juárez Cardoze	<50	2018		
Michael Bernhard Jost	>50	2019	Audit Committee	

### 102-23 Chairman of the highest governance body

The Chairman of the Board of Directors is also the Chief Executive Officer of the organization.

### 102-24 Nomination and selection of the highest governance body

We conduct the director ratification process through voting by the shareholders in the Annual Meeting. To be selected, directors must satisfy the following requirements:

1. Professional training in economic-management sciences, with a graduate degree in such fields being desirable.
2. Minimum professional experience of twenty years in executive positions in consumer and/or financial sector companies.
3. Experience as directors in companies in the manufacturing and/or financial sector.
4. Membership in business organizations.

## **102-25 Conflicts of interest**

To prevent conflicts of interest, each director signs a statement representing the absence of conflicts of interest. Additionally, each Committee has rules that establish its duties and its relationship with the Board of Directors.

Additionally, we have a Code of Ethics and a Conflict of Interest Policy, which are binding documents that are mandatorily applied to all collaborators.

You can check it at: <https://grupoherdez.com.mx/centro-de-descargas/>

## **102-29 Identification and Management of ESG Impacts**

The Board meets on a quarterly basis, and has intermediate bodies commissioned with overseeing the management and execution of the objectives of the Company. A performance report is presented in meetings of the Board on sustainability matters, which contemplates economic, social, and environmental performance.

## **102-35 Compensation Policies**

In accordance with the bylaws of the Company, the compensation for the members of the Board is of three coins of \$50.00 gold pesos (centenario) or its equivalent for the attendance to each meeting, which compensation is not contingent on the results of the Group.

## **102-36 Process to determine compensation**

The Corporate Practices Committee is responsible for validating the compensation of the main executives of the Company, including that of the Chief Executive Officer.



## STAKEHOLDER PARTICIPATION

### 102-40 List of Stakeholders

We seek to generate long-term relationships that are mutually beneficial to ensure the success and transcendence of our social, environmental, and economic strategies and objectives.

- Consumers
- Collaborators
- Vendors
- Customers
- Shareholders

### 102-41 Collective bargaining agreements

We respect the right to collective bargaining. Of our 10,342 collaborators, 32% are adhered to a collective agreement.

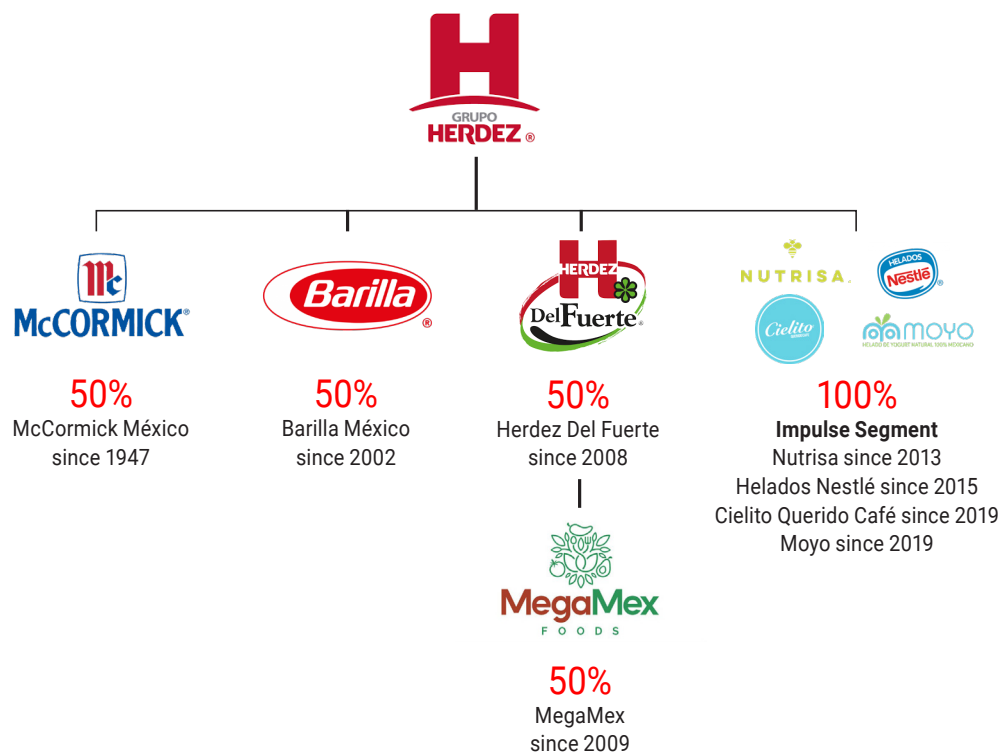
### 102-43 Focus for stakeholder participation

STAKEHOLDERS	PARTICIPATION FOCUS	KEY ISSUES AND EVALUATION	COMMUNICATION CHANNELS	PARTICIPATION FREQUENCY
Shareholders/Investors	Interest with respect to the impact of environmental and social risks in the performance of the Company	Continuous improvement in stock performance	Annual Report	Annual
	Positioning of the Group as a company committed with sustainable development.		Website	Permanent
			Quarterly Reports	Quarterly
Collaborators	Adequate management of the resources and inputs consumed in production processes	Establish a competitive standard in our collaborators, generating talent development, trust, and commitment.	Internal Magazine “Hechos con Amor”	Bimonthly
			Bulletin boards in all locations	
			Email / Brochures	
		Execution of training programs and development plans	Universidad Grupo Herdez Online Platform	Permanent
			Print and digital internal communication with organizational and local coverage	
		Key piece in development of operations and achievement of objectives	Life programs focused on improving wellbeing	Organizational environment survey
	Benefits and permanence in the business		Training and sensitization courses	Permanent

STAKEHOLDERS	PARTICIPATION FOCUS	KEY ISSUES AND EVALUATION	COMMUNICATION CHANNELS	PARTICIPATION FREQUENCY
<b>Community</b>	The Saber Nutrir program is focused on improving the nutrition conditions in Mexico.	Diversify projects in communities to achieve food safety. Nutritional monitoring of children in communities.	Website sabernutrir.com.mx	Permanent
	Fundación Herdez has the purpose of contributing to promoting research, education, and the best food development in the country. Through the museum, library, and interpretation center, we offer courses, guided visits, and the publication program on Mexican cuisine.	Diversify sales channels for publication to increase the impact of their intervention models.	Website fundacionherdez.com	
<b>Consumers</b>	Position Grupo Herdez as a sustainable company, aware of its impacts on the environment.	The growing consumer interest in corporate sustainability practices promotes their participation.	Mass and digital media campaigns.	Permanent
	Communicate the impact of our products on society and the environment.	Transparency in our environmental and social performance.	Website porunmundomasvivo.com/	
<b>Vendors</b>	Promote adequately obtaining, exploiting, and efficiently using resources to guarantee sustainability of our operations.	Comply with the certification of the quality and innocuity system of Grupo Herdez	Questionnaire and feedback by email.	Permanent
		Obtain a performance evaluation.	Via email	

## PRACTICES TO PREPARE THE REPORT

### 102-45 Entities included in the consolidated financial statements



### 102-46 Definition of the contents of the report

At Grupo Herdez we communicate our social, environmental, and financial performance since 2008, using the international benchmark standards developed by the Global Reporting Initiative.

The environmental, social, financial, and governance subjects that we select based on our Materiality Analysis, with the last update being in 2019.

Our sustainability strategy has the purpose of being passion, culture, and a global benchmark for innovation in sustainable development. In alignment with global trends and benchmarks on Environmental, Social, and Governance (ESG) subjects, we redefined the sustainability objectives for the Group at the end of 2021:

1. Achieve management with ESG criteria.
2. Identify and mitigate the potential social and environmental risks of the operations.
3. Promote our brands in sustainability innovation projects.



### **Our pillars of action: people, community, planet.**

The subjects included in the sustainability strategy seek to answer the concerns and expectations of our main stakeholders: shareholders/investors, customers, collaborators, consumers, and vendors. Additionally, we contribute to 6 of the 17 United Nations Sustainable Development Goals (SDG) .

Coverage for environmental matters includes the most relevant locations and the own operations of Grupo Herdez:

Plants: Herdez El Duque Industrial Complex (Barilla, El Duque and Cogeneration Plant), Coronel Espinosa Plant, Mexico Plant (Zumpango), Herdez San Luis Potosí (Industries), Santa Rosa Tomates, Santa Rosa Vegetales, Herdez Villagrán, Nutrisa Plant, Lagos de Moreno.

Distribution Centers (Cedis): Mexico, San Luis Potosi, Los Mochis, Merida, Guadalajara, Monterrey, CAF Lagos de Moreno and Tijuana.

Given the foregoing, for 2021, the coverage of the data presented in 2020 is adjusted, to be able to have estimates of reduction and increase, referenced to the same scope.

The main operations of the Group are located in detail at the Annual Report in the "Description of Main Assets" section.

We have applied the four Principles to define the contents of the report: stakeholder inclusion, sustainability context, materiality, and comprehensiveness explained in the report.

## **102-47 List of material matters**

The material matters identified in the materiality analysis conducted in 2019 were:

### **Critical matters**

- Consumer health, safety, and wellbeing
- Brand trust and reputation
- Innovation (products and processes)
- Sustainable containers and packaging, reuse, and recycling

### **Strategic matters**

- Profitable growth in markets and financial sustainability
- Water management
- Energy consumption and efficiency
- Ethics and anti-corruption
- Labor conditions and relations
- Supply chain quality and safety
- Transparency in product information and labeling
- Career training and development
- Compliance
- Customer experience

**102-50 Period subject to the report**

The scope of the information of this Report covers from January 1, 2021 to December 31, 2021.

**102-53 Point of contact for questions on the report**

Corporate Offices: Monte Pelvoux 215, Col. Lomas de Chapultepec, Del. Miguel Hidalgo, P.C.. 11000. Mexico City  
 Telephone: +52(55) 5201-5655  
 Contact: Jazel Ayala Núñez  
 jeayalan@herdez.com

**102-54 Statement of preparation of the report on compliance with GRI Standards**

This report has been prepared in accordance with the Essential Option of the Global Reporting Initiative (GRI) Standards.

Additionally, complying with the 10 principles of the UN Global Compact, and communicating the progress of this site, and the contribution to the Sustainable Development Goals that are material for the Group.

- SDG 2: Zero hunger
- SDG 5: Gender equality
- SDG 6: Clean water and sanitation
- SDG 8: Decent work and economic growth
- SDG 12: Responsible consumption and production
- SDG 13: Climate action

For the first time at Grupo Herdez, we report under the Sustainability Accounting Standards Board (SASB) methodology for the food and beverage industry, using the Processed Food guide.

**102-56 External verification**

For the eighth year in a row, we audited our sustainability information with Ernst & Young México (EY).

**FINANCIAL PERFORMANCE****103-1 Explanation of the material matter**

The material matters of Grupo Herdez were identified in accordance with the materiality study, considering the main stakeholders.

The financial performance explanation is in the letter from the Chief Executive Officer of the 2021 Annual Report.

For Grupo Herdez, complying with the labor conditions and relations aspect allows us to improve quality of life, labor conditions, and spaces with greater equality of opportunity for all of our collaborators. Jointly with the training and career development aspect, we promote a labor environment where collaborators develop their personal and professional capacities to the maximum, and with this, we retain our best talent through training plans, development, and continuous feedback plans; achievement recognition; respect for the collective organization, and through a culture of ethical performance.

The occupational health, safety, and wellness aspect is complied with through unification of continuous improvement strategies and processes, managed by the Environmental, Control, Health, and Safety (CASH, for its acronym in Spanish) department. We safeguard the integrity and wellness of the operational personnel; we prevent and mitigate incidents that affect the environment, and we maintain a culture of safety and risk prevention, thus guaranteeing the continuity of our operations.

For the compliance and ethics and anti-corruption aspect, the Code of Ethics is the set of basic principles and guidelines of conduct applicable to all of us that form part of the Group, therefore, it is our responsibility to comply with it, and cause for it to be complied with. This code additionally seeks that the conduct of each collaborator be congruent with our mission, vision, and values, which are an essential part of our organizational culture. Through training sessions, communication campaigns, and different initiatives, we strengthen the standards and values under which we operate, thus promoting ethical behavior in our value chain.

We recognize the importance of having collaborators and strategic partners that share our comprehensive ethical focus, which enables us to have regulatory agents that reject and report illegal acts such as corruption, bribery, and any violation of human rights; the main social issues that we currently face, which prevent us from having just, peaceful, and inclusive societies.

The Research and Development department of Grupo Herdez is consolidated, not only on conceptualizing products that anticipate or adapt to the changing lifestyles and needs of our customers and customers to comply with the consumer health, safety, and wellness aspect, but rather also making the necessary changes on matters of health, safety, quality, and nutrition of our existing broad product portfolio.

At Grupo Herdez, we promote a culture of respect and care for the environment, creating programs that reduce the impact on our environment, and thus comply with the environmental aspect, with the priority matters being: water, energy, emissions, waste, and materials.

## **103-2 Management and components approach**

The management and components approach is in the letter from the Chief Executive Officer in the 2021 Annual Report. Additionally, our management and components are based on compliance with the law and with all applicable regulations for the activities of Grupo Herdez.

The website below includes all internal policies and manuals applicable to collaborators and vendors of the Group to ensure best performance:

<https://grupoherdez.com.mx/centro-de-descargas/>



Our 5 strategic directives are:

1. Maintain and create partnerships by developing intelligence.
2. Implement technologies that enable to accelerate communication processes with consumers, innovation, and multinationals.
3. Promote sustainable management, prioritizing water care and efficient use of energy.
4. Support and generate growth through talent development and investment in infrastructure.
5. Exercise responsible corporate citizenship, promoting social development initiatives.

## 201-1 Financial value generated

### DIRECT FINANCIAL VALUE CREATED

	2020	2021
Income + (cash flow) sale of real estate + cash flow generated in financing activities	24,036,279.00	26,153,222.00
Other income (dividends, charged interest, sale of AF and royalties)	2,221,889.00	1,541,558.00
<b>Direct financial value created (FVC)</b>	<b>26,258,168.00</b>	<b>27,694,780.00</b>
Operating costs (cost of sale, increase in suppliers and increase in receivables)	15,283,609.00	17,803,773.00
Wages and social benefits for employees	2,740,938.00	2,969,780.00
Payments to capital suppliers (dividend paid, interest paid, payment of long-term bank loans)	4,490,493.00	3,328,424.00
Payments to governments (income taxes)	973,658.00	1,028,027.00
Community investments	65,696.00	109,046.49
<b>Distributed financial value (DFV)</b>	<b>23,554,394.00</b>	<b>25,239,050.49</b>
Withheld financial value (WHV)	2,703,774.00	2,455,729.51

Expressed in thousand of Mexican pesos MXN

## 201-2 Impacts from climate change

By being a leading company in the food sector, we are highly dependent on natural resources, mainly agricultural inputs and water; therefore, to guarantee the continuity of our operations and continuous growth, it is fundamental to anticipate and manage the impacts derived from environmental changes.

Therefore, in addition to our environmental actions to reduce our emissions, efficient use of water, and taking care of biodiversity, such as reducing fuel consumption, we have the Renewable Energy Cogeneration Project, use of wind energy, and the Agricultural Sustainability Plan.

We have a Climate Change Risk Study, the purpose of which is to identify the impact of climate change on the continuity of the businesses of the Group.

With this, we seek to prioritize business risks and conduct a financial impact assessment, to be able to present manageable initiatives.

We classified the identified risks in accordance with their probability of occurrence and impact.

The three risk factors identified here are related to the material aspects identified in the Materiality Study of Grupo Herdez.

1. Increases in average temperatures.
2. Changes in rain patterns and extreme variability in climate patterns.
3. Changes in consumer preferences.

Below is a matrix identifying the risk factors for climate change. This identification and description includes a description of the risk factors, a classification according to TCFD risk categories, and at what point in the value chain they could materialize.

ID	Type of risk according to the TCFD classification	Impact	Probability of occurrence	Key management area
A	Increase in extreme weather events	B	2	Agricultural Procurement and Strategic Sourcing
B	Temperature increase	B	5	Agricultural Procurement and Strategic Sourcing Management, Production and Plant Quality
C	Changes in precipitation patterns	B	4	Agricultural Purchases Environmental Sustainability Plants
D	Increase in the price of GHG emissions	D	5	Environmental Sustainability, Plant Management and CEDIS and CASH
E	Stricter regulations regarding products or services: own operations	C	4	Environmental Sustainability and Energy for Canning
F	Increased stakeholder expectations or concerns	D	3	Environmental and Strategic Sustainability
G	Transition to low emission technologies in transportation	E	3	Transportation
H	Changes in consumption patterns	A	3	Marketing, Innovation, Research and Development and Environmental Sustainability
I	Stigmatization of the sector	B	3	Marketing, Strategic Sustainability, Environmental Sustainability

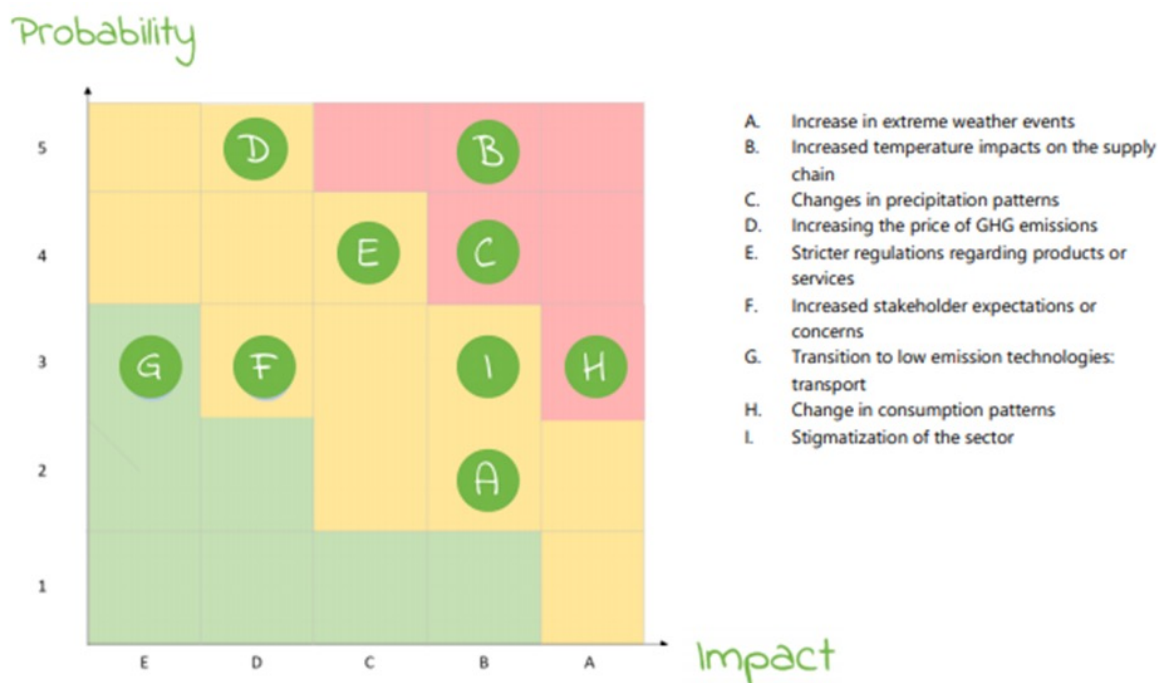


FIG. 3. CLIMATE CHANGE RISK MAP.

#### 201-4 Financial aid received from the government

At Grupo Herdez we do not receive any financial aid from the government

#### 207-1 Tax approach

At Grupo Herdez we fully comply with applicable regulations, both national and international.

#### 207-2 Tax governance risk control and management

**People responsible for compliance with tax obligations:** Office of the Assistant Director of Management and the Tax Management Department

**Mechanisms to ensure compliance with tax obligations:** The Office of the Assistant Director of Management has a centralized and specialized Tax Department to ensure timely and adequate compliance with tax obligations.

**Mechanisms to ensure compliance with tax obligations:** Control and recording of compliance with tax returns and obligations, federal and state tax compliance opinions. We submit these to the authorities and external audit. We provide financial reports, study matrix and control and local and international transfer pricing; continuous training of personnel on tax matters, outside counsel and tax advisors.



**Reporting Mechanisms:**

Internal and external audits, issuing federal and state tax compliance opinions, and financial reports, assistance from outside counsel and tax advisors. (Note: There is no individual physical or organizational strategy in the Group, and none was applied)

**207-3 Participation of stakeholders and management of tax-related concerns**

There are no compliance agreements with the tax authorities. There is no promotion or participation of public policy on tax matters.

**207-4 Country by country report**

The tax jurisdiction of Grupo Herdez is the United Mexican States.

NAME OF THE COMPANY	GRUPO HERDEZ, S.A.B DE C.V.
Main activities of the organization	Manufacturing, purchase, distribution, and marketing of canned and bottled food in Mexico and ice cream, in addition to food for the Mexican food segment in the United States of America.
Number of employees	10,342
Income from sales to third parties	\$26,438,541,928
Income from intragroup transactions with other tax jurisdictions	\$1,920,762,479
Profit / loss before taxes	\$2,264,824,877
Tangible assets other than cash and cash equivalents	\$9,518,746,364
Corporate income tax paid in cash	\$1,130,680,385
Company tax accrued in profit & loss	\$1,049,370,613
Reasons for the difference between corporate income tax accrued in profit/loss and tax owed if the legal tax rate is applied to profit/loss before taxes.	Tax losses, deferred taxes and non-tax items (participation method).

Figures expressed in Mexican Pesos MXN

**IP-4 Environmental and Social Investments****Social Investment**

We promote food safety in the communities where we operate, so that all people have access to sufficient, safe, and nutritious food to cover their nutritional needs, while satisfying their cultural preferences for a healthy and active life.

Social investment was **\$109,046,493.00**, a 66% increase year over year. This included activities carried out by Fundación Herdez through in-kind donations to Asociación Mexicana de Bancos de Alimentos, A.C. (BAMX), the Saber Nutrir® program with donations to Patronato Pro Mazahua A.C. and other social projects of the Group such as Semillero Nutrisa® Program.

In addition to construction of the “Casa Doña María” space, the new headquarters of Fundación Herdez in San Luis Potosí, and a special donation from [Stewart Investors](#) equivalent to 10,000 pounds, the purpose of which was centered on relieving the effects of the pandemic in Mexico through the “*Unidos Hacemos Más*” campaign.

### Environmental Investment

Our environmental commitment has a preventive approach favoring sustainable development, promoting initiatives, and disseminating new technologies to reduce the environmental impacts of our operations, within the directives and scopes established in the environmental management system.

Our environmental investment was **\$73,320,786.00**, an 62% increase year over year. This included the “*Por un Mundo Más Vivo*” program of the Herdez® Brand; *Un Legado más Fuerte* of the Del Fuerte® Brand, and sustainability training for collaborators.

Additionally, we started the sustainability progress level evaluation program for 100 of our main vendors in alliance with IKUS. The 2025 objective of this program is to guarantee a supply chain with sustainable criteria in at least 70% of purchases.

## COMPLIANCE

### 206-1 Unfair competition suits

In 2021, no suit was filed relating to monopolistic or unfair practices. However, and notwithstanding that in the past few years no case of this kind has arisen, we have an Antitrust and Economic Competition Policy.

<https://grupoherdez.com.mx/storage/2021/09/POLITICA-COMPETENCIA-ECONOMICA.docx.pdf>

### 307-1 Violation of environmental laws and regulations

Neither Grupo Herdez, S.A.B. de C.V., nor its subsidiaries have violated environmental laws or regulations in 2021.

### 419-1 Violation of social and economic laws and regulations

Neither Grupo Herdez, S.A.B. de C.V., nor its subsidiaries have violated social and economic laws or regulations in 2021.

## TRAINING AND CAREER DEVELOPMENT

### 404-1 Average hours of training per year per employee

GENDER	EMPLOYEES	HOURS	AVERAGE HOURS
Man	5,806	145,423.51	25
Woman	4,379	100,524.45	23
<b>TOTAL</b>	<b>10,185</b>	<b>245,947.96</b>	

These hours represented an investment of more than \$12,600,000 Mexican Pesos MXN.

- **Operations Training:** In the year, we had more than 2,400 training sessions for development in different technical and regulatory competencies related to the position, training more than 9,000 collaborators.
- **Store Training:** This year, the Nutrisa®, Cielito Querido Café®, Moyo®, and Lavazza® brands received training on matters related to non-discrimination through the Universidad Grupo Herdez platform, in addition to the offering of courses related to operational information, Code of Ethics, and legality culture.
- **Leader Initiative:** 1,416 collaborators trained in developing competencies and knowledge for leaders at Grupo Herdez; a 16% increase year over year.
- **Trainer of Trainers and Mentors Initiative:** 1,250 expert collaborators, 83% more than last year, shared their knowledge and experience with others. We provided 2,400 courses in total, of technical and institutional knowledge, reducing the learning curve and integration of collaborators in new work positions.
- **Young Talent Initiatives:** 31 young people participated in the Professional Practice and *Jóvenes Construyendo el Futuro* programs, 7 of which were hired for vacancies in the Group.

We also participated in the Líderes en Movimiento Media Superior and Líderes en Movimiento Universitarios initiative, promoted by Consejo Mexicano de Negocios (CNM) and Centro de Investigación y Docencia Económicas (CIDE). For 2021, 7 of the 100 young people selected formed part of the communication between collaborators and family members of the Group, from a set of 3,000 candidates sent by 60 companies.

#### 404-2 Programs to improve employee skills and transition assistance program

We have training programs with which collaborators may improve their skills, such as: Operational discipline matrix, 5's System, Time Management, Self-Belief, Motivation, Leadership, Management Abilities, Collaboration, Communication, SafeStart, basic courses for Herdez Leaders (principles and qualities of genuine leadership, managing emotions, collaborating for an impeccable service, the three keys for success of leaders, such as developing agility in the team), decision-making, and teamwork.

In the case of the assistance provided, the training team supports collaborators with the use of technology, search for vendors and logistics for training events. We currently do not have training programs related to managing the end of professional careers.

#### 404-3 Percentage of employees that receive periodic performance and professional development

We evaluate the performance and growth of our collaborators at least once a year. From our total workforce, 49% of collaborators are non-union personnel. 43% (2,183) of them were evaluated for their work performance, a 30.4% increase year over year in multi-dimensional performance evaluation (9 box methodology).

Performance evaluations were made on: 42% women and 58% men.

The percentage of evaluations by work category were:

- Strategic – 4%
- Operational – 40%
- Operational/Regulatory – 44%
- Tactical – 12%



## LABOR CONDITIONS AND RELATIONS

### 401-1 New employee hires and personnel turnover segmented by age group and region in 2021

The following tables contain the new employee hires and personnel rotation segmented by age group and region in 2021.

#### New Hires

Total: 2,952

- Women: 43%
- Men: 57%

BY AGE GROUP	
<30 years	63%
30-50 years	35%
>50 years	2%

BY REGION	
Corporate Offices	23%
Plant	30%
Distribution Center	5%
Stores	31%
Sales Routes	11%

#### Turnover Rate

The turnover rate was 15%

Total: 1,515

- Women: 12%
- Men: 17%

BY AGE GROUP	
<30 years	36%
30-50 years	55%
>50 years	9%

BY REGION	
Corporate Offices	10%
Plant	46%
Distribution Center	11%
Sales Routes	33%

## 401-2 Full-time employee benefits

The social benefits that we offer our collaborators are above what the Federal Labor Law (Ley Federal del Trabajo, LFT) requires, and are a common denominator in all Companies of the Group.

All of our personnel are offered life insurance, public health services, coverage for incapacity or disability, maternity or paternity leave, and retirement provisions.

Other benefits include:

- Grocery vouchers
- Health insurance
- Check up for executive personnel
- Weight control campaigns
- Nutritional evaluations
- Vacation days in addition to those required by Law
- Marriage bonus
- Children's Day, Mothers' Day, and New Year's Celebrations
- Breastfeeding rooms
- Shareholding

Through our Gender Equity Policy, we promote equality in our workforce. Wages for each category or vacancy are established regardless of gender.

You may check this policy at: <https://grupoherdez.com.mx/centro-de-descargas>

## 401-3 Parental leave

We offer maternity and paternity benefits as provided by the Federal Labor Law. In 2021, 103 female collaborators and 38 male collaborators took parental leave. 82% of women and 100% of men came back to work after maternity and paternity leave.

## 405-1 Diversity in governance body and employees

The structure of the Board of Directors is located in indicator 102-18. 2 of its 9 members are women, 22% of the total. The details of the diversity of the members of the governance body can be found in indicator [102-22](#).

## EMPLOYEES BY WORK CATEGORY AND SEX

2021	MALE	MALE (%)	FEMALE	FEMALE (%)
Work Category	Total		Total	
Operational	4,997	57.5%	3,681	42.5%
Operational-Regulatory	741	59.3%	507	40.7%
Tactical	193	61.6%	120	38.4%
Strategic	73	70.8%	30	29.2%
<b>Total</b>	<b>6,004</b>		<b>4,338</b>	

## EMPLOYEES BY WORK CATEGORY AND AGE

WORK CATEGORY	<30		30-50		>50	
	Total	Percentage (%)	Total	Percentage (%)	Total	Percentage (%)
Operational	3,566	41.1%	4,328	49.9%	784	9.0%
Operational-Regulatory	309	24.8%	841	67.4%	98	7.9%
Tactical	25	8.0%	238	76.0%	50	16.0%
Strategic	0	0%	71	68.9%	32	31.1%
<b>Total</b>	<b>3,900</b>		<b>5,478</b>		<b>964</b>	

At the closing of 2021, we had 13 people with disabilities in our workforce at the operational level, 10 men and 3 women.

**405-2 Ratio of wage base and of compensation of women vis-à-vis men**

In line with our commitment to gender equity, we calculate the ratio of the base wage of women vis-à-vis men, which enables us to focus our efforts on closing the wage gap.

WORK CATEGORY	RATIO OF BASE WAGE OF WOMEN VIS-À-VIS MEN
Operational	93%
Operational – Regulatory	101%
Tactical	99%
Strategic	114%



#### **406-1 Discrimination incidents**

Harassment and discrimination due to ethnicity, religion, nationality, gender, marital status, sexual preference, age, disability, or for any other reason is prohibited in all aspects of our work activities.

You may check our Code of Ethics, and other Policies at: <https://grupoherdez.com.mx/centro-de-descargas/>

No cases of discrimination occurred in 2021.

#### **407-1 Operations and suppliers whose right to liberty of association and collective bargaining may be in jeopardy**

In all facilities of Grupo Herdez, we respect the guidelines provided by Law to exercise freedom of association and collective bargaining. <https://grupoherdez.com.mx/centro-de-descargas/>

## **OCCUPATIONAL HEALTH, SAFETY, AND WELLNESS**

#### **403-1 Health and safety management system**

The Environmental, Health, and Safety Control (CASH, for its acronym in Spanish) department monitors our health and safety management systems. Such systems are applicable to all facilities of Grupo Herdez, including plants, distribution centers, stores, and corporate offices. Additionally, it covers all personnel that works at or are located inside our facilities.

The occupational health and safety management systems implemented for employees and for workers that are not employees of Grupo Herdez, but whose work and/or workplace is controlled by the organization are:

SYSTEM	STANDARDS / DIRECTIVES ON WHICH IT IS BASED	LIST OF STANDARDS/DIRECTIVES
SAI CASH	Ministry of Labor and Social Welfare (STPS) Standards	NOM-001-STPS-2008, NOM-002-STPS-2010, NOM-004-STPS-1999, NOM-005-STPS-1998, NOM-006-STPS-2014, NOM-009-STPS-2011, NOM-010-STPS-2014, NOM-011-STPS-2001, NOM-015-STPS-2001, NOM-017-STPS-2008, NOM-018-STPS-2015, NOM-019-STPS-2011, NOM-020-STPS-2011, NOM-022-STPS-2015, NOM-024-STPS-2001, NOM-025-STPS-2008, NOM-026-STPS-2008, NOM-027-STPS-2008, NOM-028-STPS-2012, NOM-029-STPS-2011, NOM-030-STPS-2009, NOM-033-STPS-2015, NOM-034-STPS-2016, NOM-035-STPS-2018
WCM (World Class Manufacturing)	Mexican Official Standards, Best industry practices	
SafeStart	SafeStart	Behavior-based safety
Direct Observation Work System	STOP	Detection and correction of unsafe acts
Property Security System	CT PAT	Security at the facilities, personnel safety and personnel training
OHSAS 18001	International standard focused on occupational health and safety matters	List of Mexican Official Standards applicable according to the line of business and international standards applicable to occupational health and safety matters.

With the foregoing, we safeguard the integrity and wellness of the operational personnel; we prevent and mitigate incidents that affect the environment, and we maintain a culture of safety and risk prevention, thus guaranteeing the continuity of our operations.

#### 403-2 Hazard and Risk Identification

The processes used to identify work risks and assess risks periodically or sporadically are performed from the Environmental, Health, and Safety (CASH) department.

In the STOP system, we analyze the number of unsafe acts and conditions. The accident ratio and safety pulse has the goal of being above 94%.

The indicators are reviewed and analyzed on a weekly basis with the safety leaders, together with the progress that they had in their regulatory folders.

The monthly and annual results are sent to local management departments (plants, for example), CASH department and supply chain department, and work plans and the "logic tree" related to the CASH department are created based on results.

The report is through cards that are deposited in mailboxes, reports documented through verification lists and through reports from the Health and Safety Commission. The information is confidential, and a review committee intervenes with support from management in the case of plants.

For the case of stores, only if a situation is relevant is it reported to the District Managers, which provide particular support to the case.

Accidents are classified as: incapacitating, non-severe accidents (that do not require incapacity leave), accidents without injuries (without affected personnel, only facilities), almost accidents.

#### POLICIES AND PROCESSES IN CASE OF INCIDENTS

POLICY / PROCESS	DESCRIPTION
Industrial Safety Policy	Policy that promotes a risk prevention and unsafe condition elimination culture, in addition to strictly complying with applicable regulations.
5 S's System	We have visible standards by area and regulations with entry standards. If at any time this is not complied with, any person may make the decision not to allow access to any area backed by the implementation of such programs.
Accident investigation / Health and Safety Commission	Once any type of accident has been detected, the department heads or managers meet jointly with the Health and Safety Commission, and they use systematic methodologies to determine the root cause thereof. Once the situation has been reviewed, documented commitments are carried out, and a news flash is published, specifying the situation, causes, and actions taken in the case of accidents, and the general investigation is then reported.  When there are incapacitating accidents, or in the process, reports are sent through the STPS website.

#### 403-3 Occupational health services

The participation of the Occupational Health service (Medical Service) starts with a safety tour program, highlighting unsafe conditions. Based on the obtained risk mapping, an annual program of general and special tests is established, with spirometry, audiometry, vibrations, depressed and/or elevated temperature conditions, etc. Medical files are strictly confidential, solely for doctor-patient knowledge.

#### 403-4 Employee participation and consultation

Grupo Herdez has different processes to promote participation of and consultation with workers in developing, implementing, and evaluating the management system. Additionally, to provide access and communicate relevant information on occupational health and safety to workers, such as:



<b>Industrial Safety Policy</b>	Grounded on the commitment of the Chief Executive Officer. It considers issues such as health, safety, and the environment.
<b>5 S's System</b>	We comply with the 5S's program through visible standards by departments and regulations for easy comprehension and identification of the entire personnel.
<b>Bulleting boards, CASH, and factory</b>	We develop the deployment of information on campaigns, calls for participation in activities on matters of workplace health and safety, and accident probability indicators.
<b>Comprehensive Management System</b>	We make carry out scheduled tours and/or audits to assess compliance, and otherwise establishing action plans corresponding to the findings thereof, and we provide feedback for continuous improvement.
<b>Communications, bulletins, brochures, and visual aids</b>	We generate information brochures with relevant information with scheduled events regarding health, safety, and/or environmental matters.
<b>Health programs</b>	Based on the provisions of the annual health programs, we carry out different occupational health campaigns, such as: vaccination, early detection of chronic degenerative diseases, among others, and follow-up on these.

We have health and safety management committees to timely follow-up on each relevant matter described as follows:

COMMITTEE	DUTIES	MEETING FREQUENCY	LEVEL OF AUTHORITY
<b>Health and Safety Commission</b>	Strategic tours to recognize unsafe acts and/or conditions	Monthly	Medium
<b>CASH Pillar</b>	Execute and implement the safety methodology, participating in the analysis of accidents, actions, and early response to unsafe conditions.	Weekly	High
<b>Strategic plant committee</b>	Decision-making for important strategic points	Monthly	High
<b>CASH (Environmental, Heath, and Safety)</b>	Duties of the occupational health and safety management	Weekly	High
<b>Crisis Committee</b>	It establishes actions to give continuity to the operations during covid-19	Daily	High

Additionally, we have formal local agreements with unions, for the benefit of workers on occupational health and safety matters, such as: emergency brigades, evacuation, firefighting, fighting diseases and work accidents; health and safety campaigns; workplace risk prevention system, and all provisions of laws, regulations, and Mexican Official Standards.

#### 403-5 Health and Safety Trainingn

TRAINING	DESCRIPTION / SUBJECTS
<b>Safety Induction</b>	Identification of unsafe acts and conditions, safety policies, regulations, and management systems
<b>Standards of the Ministry of Labor and Social Welfare (STPS)</b>	Annual training on the applicable standards of the STPS for knowledge levels of all operating personnel and domain levels for specialized personnel, according to the worksite, including risk analysis and job security analysis.
<b>SafeStart</b>	Safety philosophy promoting a culture of safety through personnel awareness generating safety habits that reduce the occurrence of injuries caused by states of human behavior, critical errors, and the practice of error reduction techniques (5 modules).
<b>Lockout-Tagout (LOTO)</b>	Technical training in application of lockout systems for crucial operation, maintenance, and cleaning works where it is necessary for the personnel to intervene in moving equipment and/or use energy for the purpose of eliminating hazardous energy that puts collaborators in danger.
<b>Emergency Response</b>	Personnel training in applicable emergency response activities in operations such as: natural disasters, firefighting, first aid, evacuations, search, rescue, spill, sabotage response, etc.
<b>Property Security System</b>	Property safety (facilities, personnel safety, training, transportation, reporting culture, computer systems, internal processes)
<b>Direct Observation Work System</b>	Safety for identification and correction of unsafe workplace acts.

#### 403-6 Employee Health Promotion

Grupo Herdez facilitates access for workers to medical and health services. We have the following mechanisms:

STRATEGY	SCOPE	EVIDENCE
File creation	Worker agreement evaluation	Medical test of personnel
Medical office in the case of plants	All workers	Medical consultations and recording thereof
Creation of internal health campaigns	Integrating workers where applicable	Assistance or evaluation lists
Work risk test	Where work considered risky is required	Medical evaluation and/or work permit
Private institutions	All workers	Service agreements or purchase orders
Regulatory Health Studies	Audiometry Chest x-ray	
Annual health campaigns	Prevention campaigns for personnel on health talks given by outside personnel	
Internal nutrition program for personnel in overweight and nutritional control situations	All workers	

Additionally, we offer non work-related voluntary health promotion services and programs:

SERVICE / PROGRAM	DESCRIPTION	EVIDENCE
Medical guidance in case of disease	Workers must tell their immediate superior any anomaly or physical discomfort to be sent to and addressed in the plant medical service, where medical guidance is evaluated and given.	Medical pass, intention log.
Prevenimss	Prevenimss campaigns with vaccine application, size, weight, pressure measurements, etc.	
Seasonal diseases	Bulletins to prevent seasonal diseases in the summer, autumn, and winter.	
ISEMIM health campaigns	Deworming, breast cancer, prostate cancer campaigns, etc.	Photographs, records.
Government hospitals	Prevention campaigns, conferences	Attendance lists, records.

All medical information of collaborators is strictly confidential. To ensure the foregoing, we have our Code of Ethics.

- 01800 Line (01800 CONFIANZA - 01800 266342692).
- Trust Email (confianza@herdez.com).
- Suggestions Box.

These mechanisms are available 365 days a year, 24 hours a day.

#### 403-7 Impact prevention and mitigation

The company has an Industrial Safety Policy that applies to any person that works at the facilities of Grupo Herdez and applies to all hired or outsourced personnel. It focuses on minimizing unsafe conditions and acts, complying with the effective regulations applicable inside Grupo Herdez.

#### 403-8 Health and safety management system

The Environmental, Health and Safety (CASH, for its acronym in Spanish) Control department monitors our health and safety management system. Such systems are applicable for all facilities of Grupo Herdez, including plants, distribution centers, stores, and corporate offices. Additionally, it covers all personnel that work inside our facilities. The occupational health and safety management systems implemented apply for all employees and for workers that are not employees of Grupo Herdez.

100% of workers are covered under this management system, and 94% of these are subject to an internal audit.



## IP-5 Type and rate of injuries, professional sickness, lost days, absenteeism, and work-related mortal victims

The Environmental, Health, and Safety (CASH) Control department maintains a culture of prevention, taking care of the integrity and continuity of the business, therefore, this year, we reduced the number of accidents by 44.3%, and regarding absenteeism, we had 71.2% less lost days, thanks to home office flexibility and timely follow-up of health protocols for all collaborators.

GENDER	ACCIDENTS	ACCIDENT RATE*	LOST DAYS DUE TO ACCIDENTS	RATE OF LOST DAYS DUE TO ACCIDENTS**
Women	36	0.66	609	11.2
Men	43	0.57	681	9.1
Total	79	1.24	1,290	20.3

MAN-HOURS WORKED	
Women	10,827,648
Men	14,985,984
Total	25,813,632

(\*) The rate of accidents expresses the number of accidents in the year in connection with the total man-hours worked, multiplied by the factor 200,000.

(\*\*) The rate of days lost is expressed by comparing the total days lost in the year with the total man-hours worked, multiplied by the factor 200,000.

Note: The information presented herein covers all collaborators of the Group, since the Company does not have outsourced personnel.

Extraction of information from the absenteeism registry.

## IP-3 Eating Healthy

### Healthy Eating Program

The Healthy Eating Program provides food advice to our collaborators to modify their habits through balanced food plans and monthly consultations.

In 2021, we provided 1,286 remote nutritional consultations, 6% more than the prior year. A monthly average of 117 collaborators in Mexico City, State of Mexico, and Los Mochis. Between all participants, they were able to lose 466 kg, 60% more than in 2020.

**A Summer with Grupo Herdez.** With the goal of promoting a culture of healthy eating among the children, for 4 months, we published infographics related to eating healthy and capsules preparing fun dishes in the online platform *Papalote en Casa*. We were able to reach more than 347,000 people..

### Navegantes en la Cocina

In November 2021, Saber Nutrir®, in collaboration with Fundación Herdez and Ediciones el Naranjo, published the book "*Navegantes en la Cocina*", a story that seeks to approach children with the goal of contributing to their education regarding good eating habits.

We also had nutritional talks with the goal of discovering the riches and variety of the food that composes our diet, and promoting the bases for healthy eating. The total interactions of the digital activities reached 12,400 people..

## ETHICS AND ANTI-CORRUPTION

### 205-1 Operations assessed for corruption-related risks

At Grupo Herdez, the Human Resources Department, jointly with the Internal Audit are commissioned with monitoring all complaints for violations of the Code of Ethics, including complaints and reports regarding corruption and money laundering, in addition to human rights violations, workplace violence, and psychosocial risks. We do not make a formal analysis of the risks related to these issues, however, through this monitoring, it is possible to detect the subjects that arose with the greatest incidence: abuse of authority, abuse of trust, preferential treatment, theft of goods, conflicts of interest, and thus established the necessary measures to prevent actions of this kind.

We do not consider the number of operations but rather of cases, and we respond in indicator 205-3.

### 205-2 Communication and training on anticorruption policies and procedures

All of the 9 members of the Board of Directors (100%) receive and are aware of the Group's anti-corruption policies:

- Code of Ethics
- Policy on Illegal Payments and No Bribery.
- Conflict of Interest Policy.
- Gifts Policy.

In 2021, we informed to:

- 7,095 collaborators (69% of total) on anti-corruption policies and procedures of the organization.
- 6,430 collaborators (62% of total) took classified courses on Ethics and Legality, with 9,225 hours invested. 1,148 new business partners (100% of total) signed our Vendor Code of Conduct (this Code contemplates our policies), since it is an indispensable requirement to establish a business relationship.

From the training team, we conducted efforts aimed at informing and/or reinforcing knowledge of our policies and procedures, including those related to anti-corruption.

#### COMMUNICATION

Throughout the year, we implemented a communication campaign called "Non-Negotiables of the Code of Ethics" in which we included two anti-corruption related communications:

- **Fraudulent Conducts:** This communication was sent by email and placed in the bulletin boards of the plants.
- **Illegal Payments:** This communication was sent by email and placed in the bulletin boards of the plants.

#### TRAINING

- **Training of the Code of Ethics:** 5,078 collaborators (49% of total) received training on matters related to the Code of Ethics, whether in courses with this name or institutional induction courses.
- **Annual Endorsement of the Code of Ethics** of 1,632 trained collaborators (16% of total).
- **Culture of Legality Course:**  
In this program, we trained 4,143 collaborators (40% of total) virtually, remotely, and in person.
- **Legality Ambassadors:** We trained 48 legality ambassadors (collaborators that helped on this subject at our locations) in groups organized by Grupo Herdez. 8 additional ambassadors were trained in groups organized by Consejo Mexicano de Negocios and México Unido Contra la Delincuencia.

In total, we have 14,344 records of people that received communications and training.

*Note: The members of the Board of Directors, collaborators and business partners trained in a culture of legality or who receive communication of the policies and procedures are from all regions where the Group has operations and from all labor categories for collaborators.*

### 205-3 Confirmed cases of corruption and measures adopted

In 2021 we confirmed 7 cases of corruption, 3 more cases than last year. All of these cases resulted in the Company cutting ties with all people involved.

### 415-1 Political Contributions

In compliance with our Code of Ethics, which establishes the obligation to maintain a strictly neutral position on matters of politics and religion, at Grupo Herdez and its subsidiaries, we do not make financial and/or in kind contributions to political parties or related institutions: we also do not receive financial aid from the government.

We have an Ethics Committee composed of 6 members of different departments, which join their efforts with our directors to provide advice regarding ethical and legal conduct.

You can check our Code of Ethics at:

[https://grupoherdez.com.mx/storage/2021/10/Codigo-de-Etica\\_18.5x13.5cm-2020\\_HQ.pdf](https://grupoherdez.com.mx/storage/2021/10/Codigo-de-Etica_18.5x13.5cm-2020_HQ.pdf)

## ENERGY CONSUMPTION AND EFFICIENCY

### 302-1 Energy Consumption

#### Fuel Consumption

2021 – 902,353 Gj

2020 – 802,955 Gj

2019 – 975,667 Gj

#### Type of Fuel

Natural gas: 546,661 GJ

Fuel Oil: 295,988 GJ

Industrial Diesel: 1,941 GJ

LP Gas: 57,238 GJ

Gasoline: 525 GJ

Electricity Consumption: 79,274,501 kw



ELECTRICITY CONSUMPTION	GJ	KWH
2021	285,388	79,274,501
2020	446,882	124,133,839
2019	285,855	79,404,224

Regarding the absolute total, in 2021, we consumed 1,187,741.15 GJ, a 6% increase with respect to 2020, where we consumed 1,122,684.94 GJ (figured adjusted for this report, since the one published in 2020 included Avomex, which plant does not belong to the own operations of the Group).

The increase is due to the fact that in 2021 we had 6.6% more production than in 202, which resulted in greater energy consumption, mainly fuel. Additionally, the Cogeneration Plant also had an increase in the production of electricity, which caused greater consumption of natural gas.

Our calculation methodology is based on converting consumption in m<sup>3</sup> of fuel to caloric units (Gjoules and of the KWh of electricity consumed, to Gjoules through conversion factors applicable nationwide.

### 302-3 Energy Intensity

Regarding electricity consumption, energy intensity for 2021 was 136.71 Kwh/ton produced, i.e., a 5.4% increase from the previous year, where 129.65 KWh/ton produced was consumed. This, due to greater annual production in 2021.

Regarding fuel consumption, energy intensity for 2021 was 22.84 m<sup>3</sup>/ton produced, i.e., 18.9% more than the previous year, where the intensity was 19.21 m<sup>3</sup>/ton produced. This was due to greater production and also to greater consumption of fuel at the Cogeneration Plant.

The total energy intensity of the group in GJ/Ton produced was 2.05, i.e., 14.5% more than the previous year.

- 2021: 2.05 GJ/Ton produced
- 2020: 1.79 GJ/Ton produced
- 2019: 2.35 GJ/Ton produced

*Note: We made an adjustment to the figures, eliminating the Avomex plant that does not belong to the own operations of Grupo Herdez.*

### 302-4 Reduction in energy consumption

In 2021, we had a 6.0% increase in energy consumption due to a 6.6% increase in production, therefore, we consumed more fuel. At the Cogeneration Plant, we had an increase in production of electricity, which caused greater consumption of natural gas.

### 305-1 Direct Greenhouse Gas Emissions (Scope 1)

#### DIRECT EMISSIONS FROM FUEL CONSUMPTION IN FIXED SOURCES

SOURCE	FUEL	2021	2020	2019
		Ton CO <sub>2</sub> equivalent	Ton CO <sub>2</sub> equivalent	Ton CO <sub>2</sub> equivalent
Primary	Natural Gas	26,494	22,433	12,330
Secondary	Fuel Oil	21,134	16,573	13,067
Secondary	Waste fish oil	-	-	277
Secondary	Industrial Diesel	133	1,116	1,084
Secondary	LP Gas	2,338	2,295	7,028
Secondary	Gasoline	-	-	-
<b>Subtotal</b>		<b>49,999</b>	<b>42,418</b>	<b>33,786</b>

#### DIRECT EMISSIONS FROM FUEL CONSUMPTION IN MOBILE SOURCES

SOURCE	FUEL	2021	2020	2019
		Ton CO <sub>2</sub> equivalent	Ton CO <sub>2</sub> equivalent	Ton CO <sub>2</sub> equivalent
Secondary	LP Gas	1,295	1,487	1,595
Secondary	Marine Diesel	-	-	30,649
Secondary	Industrial Diesel	4	17	16
Secondary	Gasoline	35	60	287
Secondary	Jet Fuel	-	-	609
<b>Subtotal</b>		<b>1,334</b>	<b>1,563</b>	<b>33,156</b>

Note:

The totals are considering decimal differences.

We made an adjustment of the 2020 figures, eliminating the Avomex plant, which does not belong to the own operations of Grupo Herdez

#### Total Direct Emissions (Ton CO<sub>2</sub> equivalent)

2021 – 51,334

2020 – 43,982

2019 – 66,942

Note: The gases included in the calculation were CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O.

Emissions of biogenic CO<sub>2</sub> have not been determined at Grupo Herdez for any type of waste or biomass generated, since the volume of waste sent for processing, such as alternative fuels (waste biomass) is so small that it does not represent a significant impact in determining group-level emissions.

More than 86% of waste generated is recycled, and the rest is sent to sanitary landfills and controlled confinement in the case of hazardous waste.

In the case of Greenhouse Gas (GG) emissions from direct sources (fixed and mobile -for use of fuel-), there is currently no single base year, we make an annual comparison of indicators taking the immediately previous year as the reference.

For direct and indirect sources, we used the direct estimate methodology, using emission factors established in internationally recognized sources, some of them adopted by the SEMARNAT, which, due to the units in which they are expressed, were directly applied to consumption of each of the fuels reported to estimate the tons of CO<sub>2</sub>e. For this determination, we worked under the assumption that Grupo Herdez does not have direct or accidental emissions or releases (whether leaks or spills) of HFC, PFC, SF<sub>6</sub>, and/or NF<sub>3</sub> that may be deemed part of emissions to the atmosphere.

For direct (fixed and mobile) sources, the emission factors were taken from GHG-PI version 4.0 (fixed sources) and 2.3 (mobile sources)

## 305-2 Indirect Greenhouse Gas Emissions (Scope 2)

### Total indirect emissions (Ton CO<sub>2</sub> equivalent)

2021- 10,337

2020 – 16,146

2019 – 25,019

Notes:

We made an adjustment to the 2020 figures, eliminating the Avomex plant, which does not belong to the own operations of Grupo Herdez.

The gases included in the calculation were CO<sub>2</sub>e.

In 2021, we had a slight increase in the amount of electricity from wind sources supplied to our plants.

The electricity generated by the Cogeneration Plant was sold to the facilities of Grupo Herdez (Barilla, McCormick (Duque de Herdez) plants, and San Luis Potosí Distribution Center), and the other part of the electricity generated was used by the Cogeneration Plant for self-consumption.

In the 2020 report for the Barilla, McCormick (Duque de Herdez) plants, and San Luis Potosí Distribution Center, we reported generation of emissions from electricity sold by the Cogeneration Plant. However, in 2021, this consumption of electricity was deemed ZERO emissions since, due to a recommendation of the SBTi methodology, emissions derived therefrom were fully counted for the Cogeneration Plant, since it is the one that uses the fuel for generation, sale, and self-consumption of electricity, and to prevent a double accounting of emissions.

## 305-4 Intensity of greenhouse gases

Considering the emissions from plants and distribution centers at the same time, including in these emissions those that are direct (mobile and fixed sources) and indirect (electricity from non-renewable sources), **the intensity of GG emissions for 2021 was 0.106 Ton of CO<sub>2</sub>e/Ton produced, which represents an approximate reduction of 15.9% year over year.** Unlike in 2020, for the year 2021, the consumption of electricity from the Cogeneration Plant in the Barilla and McCormick (Duque de Herdez) Plants, and the San Luis Potosí Distribution Center was declared with 0.00 emissions since, due to the SBTi analysis and to not duplicate accounting of Group level emissions, the emissions generated by this type of source were assigned directly to the Cogeneration Plant in scope 1 for its consumption of natural gas. The intensity of GG emissions is expressed in tons of CO<sub>2</sub>e per tons produced, and it is expressed based on the sum of



direct and indirect emissions reported in the prior emission indicators, adding the emissions from fuel consumption and emissions due to consumption of electricity from the Federal Electricity Commission (CFE).

### 305-5 Reduction of greenhouse gas emissions

REDUCTION OF GG EMISSIONS (TON CO <sub>2</sub> EQ.)	2021
Process redesign	102.59
Equipment conversion and adaptation	14.16
Fuel replacement	0.00
Change of employee conduct	0.00
Savings actions in process equipment	5,692.25
<b>Total</b>	<b>5,809.00</b>

*Note 1: The gases included in the calculation were CO<sub>2</sub>.*

In scope 1, we saw an increase of 1,544 T of CO<sub>2</sub>e (17%) with respect to 2020. The foregoing since greater production resulted in greater fuel consumption. In scope 2, we achieved a reduction of 5,809 T of CO<sub>2</sub>e (36%) with respect to 2020 due to the increase in consumption of clean energy.

### 305-6 Emissions that are damaging to the ozone layer

At Grupo Herdez we do not produce, import, or export type CFC-11 (R-11), and R-14 and R-22 substances.

The most used refrigerants are R-410A, R-134A, R-407C, R-404A, R-507, R-147, R-427, and R-MO99. For 2021, some facilities have already been established overseeing the non-use of R-22 refrigerant, and other prohibited refrigerants.

**305-7 Nitrous oxide (NOX), Sulfur oxides (SOX), and other significant air emissions**

ATMOSPHERIC EMISSIONS	2021 (TON)
NOx	73.32
SOx	85.84
POC (persistent organic contaminants)	NA
VOC (volatile organic compounds)	1.16
HAP (hazardous air pollutants)	NA
PM (particles)	NA
OTHERS	
CO	24.57
PS	3.12
COT	3.72
SO2	84.97
SO3	.86
Filterable PS	6.75
NMCOV's	0.05

The methodology used is that of direct determination using specific emission factors for each type of contaminant, as recommended by the Green-HouseGas Protocol (GHGP) for emissions that come from direct fixed (stationary) and mobile sources.

To determine the emission factors to be used, we considered the provisions issued by the UK Department for Environment, Food and Rural Affairs (DEFRA), la US Environmental Protection Agency (EPA), and the Intergovernmental Panel on Climate Change's (IPCC) 2006 Guidelines for National Greenhouse Gas Inventories, through the Mobile Combustión GHG Emissions Calculation Tools and Stationary Combustion GHG Emissions Calculation Tools that may be checked at the GHG Protocol Website.

**IP-10 Percentage of renewable energy consumed in the organization**

In 2021, 69.2% of the energy consumed by Grupo Herdez came from clean sources.

Renewable energy (wind) 41.5 %

Clean energy (cogeneration): 27.7%

## WATER MANAGEMENT

### 303-1 Interaction with water as a shared resource

#### EXTRACTION

SOURCE	EXTRACTION METHOD	LOCATION AND NAME OF THE BODY OF WATER	DESCRIPTION OF THE RELATED IMPACTS
Rivers and lakes	Pumping	<ul style="list-style-type: none"> <li>1 at Canal Lateral 18+420 del Canal Valle del Fuerte, Cuenca Río Fuerte, Afluente canal principal Valle del Fuerte Distrito de Riego 075, Región Hidrológica Sinaloa, Localidad El Fuerte, Sinaloa.</li> <li>1 at Canal Lateral 18+420 del Canal Valle del Fuerte, Cuenca Río Fuerte, Región Hidrológica Sinaloa, Localidad Campo 35, Ahome, Sinaloa.</li> </ul>	Potential depletion of the resource, although there is a low probability of this, due to the low extraction volumes.
Seas and oceans	Not applicable	Not applicable	Not applicable
Underground (wells)	Submersible pump	<ul style="list-style-type: none"> <li>2 at Cuenca Presa San José Los Pilares y Otras, Acuífero San Luis Potosí, Región Hidrológica Salado en SLP San Luis Potosí.</li> <li>1 at Cuenca Laja, Acuífero Valle de Celaya, Región Hidrológica Lerma-Santiago, Villagrán Guanajuato.</li> <li>1 at Cuenca Río Verde Grande, Acuífero Lagos de Moreno, Región Hidrológica Lerma-Santiago, Lagos de Moreno, Jalisco.</li> <li>1 at Cuenca Río Moctezuma, Acuífero Cuautitlán-Pachuca, Región Hidrológica Pánuco, Localidad Barrio de San Juan, Teoloyucan, State of Mexico.</li> </ul>	Potential depletion of the resource, although there is a low probability of this, due to the low extraction volumes for the case of San Luis Potosí, Guanajuato, Jalisco, and the State of Mexico.
Municipal network	Direct supply by network	<ul style="list-style-type: none"> <li>1 at San Luis Potosí, SLP</li> <li>1 at Tijuana, Baja California</li> <li>1 at Monterrey, Nuevo León</li> <li>1 at Tlaquepaque, Jalisco</li> <li>1 at Lagos de Moreno Jalisco</li> </ul>	Potential depletion of the resource, although there is a low probability of this, due to the low extraction volumes.
Rainwater (collected and stored directly by the organization)	Channel and ditch infrastructure for rainwater collection	<ul style="list-style-type: none"> <li>1 at Complejo Industrial Duque de Herdez in SLP, San Luis Potosí</li> <li>1 at Complejo Industrial Herdez México in Cuautitlán, State of Mexico</li> </ul>	Not applicable
Wastewater of another organization	Not applicable	Not applicable	Not applicable
Tank truck water	Direct supply by tank truck	<ul style="list-style-type: none"> <li>1 at the municipality of Chalco, State of Mexico</li> </ul>	Potential depletion of the resource and potential water deficit in the region. Likewise, the extraction volumes are relatively low.
Wastewater of the organization	Not applicable	<ul style="list-style-type: none"> <li>2 at Complejo Industrial Herdez México, at Cuautitlán, State of Mexico (1 at the plant and 1 at the distribution center)</li> </ul>	México Plant and México Distribution Center recycled 69.3% and 100% respectively of their wastewater treated in garden watering.



## CONSUMPTION

SOURCE	USE OF EXTRACTED WATER	LOCATION WHERE IT WAS CONSUMED	DESCRIPTION OF RELATED IMPACTS
Rivers and lakes	Industrial (production, ancillary services, and sanitary services)	<ul style="list-style-type: none"> <li>2 at Los Mochis, Sinaloa</li> </ul>	Potential depletion of the resource, although there is a low probability of this, due to the low extraction volumes.
Seas and oceans	Not applicable	Not applicable	Not applicable
Underground (wells)	Industrial (production, ancillary services, and sanitary services)	<ul style="list-style-type: none"> <li>1 at Cuautitlán, State of Mexico</li> <li>3 at San Luis Potos</li> <li>2 at Lagos de Moreno Jalisco</li> <li>1 at Villagrán Guanajuato</li> </ul>	Potential depletion of the resource, although there is a low probability of this, due to the low extraction volumes.
Municipal network	Industrial (production, ancillary services, and sanitary services)	<ul style="list-style-type: none"> <li>1 at San Luis Potosí, SLP</li> <li>1 at Tijuana, Baja California</li> <li>1 at Monterrey, Nuevo León</li> <li>1 at Tlaquepaque, Jalisco</li> <li>1 at Lagos de Moreno Jalisco</li> </ul>	Potential depletion of the resource, although there is a low probability of this, due to the low extraction volumes.
Rainwater (collected and stored directly by the organization)	Industrial (green area watering)	<ul style="list-style-type: none"> <li>2 at Cuautitlán, State of Mexico</li> <li>1 at San Luis Potosí, SLP</li> </ul>	Reduction in the extraction and consumption of well water due to the use of rainwater to water green areas.
Wastewater from another organization	Not applicable	Not applicable	Not applicable
Water from tank trucks	Industrial (production, ancillary services, and sanitary services)	<ul style="list-style-type: none"> <li>1 at Chalco, State of Mexico</li> </ul>	Potential depletion of the resource and potential water deficit in the region. Likewise, the extraction volumes are relatively low
Wastewater of the organization	Industrial (sanitary services and green area watering)	<ul style="list-style-type: none"> <li>2 at Complejo Industrial Herdez México, in Cuautitlán</li> </ul>	Mexico Plant recycles 35% and Mexico Distribution Center recycles 100% of the wastewater that they generate and treat, using it to water gardens.

## DISCHARGES

SOURCE	DISCHARGE METHOD	USE OF THE DISCHARGE	DESCRIPTION OF RELATED IMPACTS
Rivers and lakes	Direct discharge to the body of water through a drainpipe	Canal lateral del canal Valle del Fuerte, Cuenca Río Fuerte, Afluente main channel Valle del Fuerte Distrito de Riego 075, Región Hidrológica Sinaloa, Localidad El Fuerte, Sinaloa.	Wastewater discharges are treated in accordance with applicable regulations, therefore, their significance level has not been determined.
Seas and oceans	Not applicable	Not applicable	Not applicable
Underground (wells)	Direct discharge to the body of water through drainpipe	<ul style="list-style-type: none"> <li>Wastewater discharges from the Lagos de Moreno Plant, San Luis Potosí Distribution Center, Tea y McCormick (Duque de Herdez) Plant are sent to the municipal sewage.</li> <li>Wastewater discharges from the Herdez Villagrán Plant, and part from the Mexico Plant, are discharged in a federal sewerage.</li> <li>100% of the wastewater of the Mexico Distribution Center and 69.3% of the wastewater from the Mexico Plant infiltrate the ground.</li> </ul>	Wastewater discharges are treated in accordance with applicable regulations, therefore, their significance level has not been determined.
Municipal network	Gravity and direct conduction to the sewage or recipient body	Municipal sewage	Discharge of contaminants into a recipient body
Rainwater (collected and stored directly by the organization)	Pumping	Rainwater is used for green areas, and the remainder is sent to the drainpipe.	Rainwater consumption prevents drinking water extraction from a well, therefore, the impact is positive, even though its significance has not been estimated.
Wastewater from another organization	Not applicable	Not applicable	Not applicable
Water from tank trucks	Direct discharge to the body of water through a drainpipe	Wastewater discharges from the Nutrisa Plant are sent to the municipal sewage	Wastewater discharges are treated in accordance with applicable regulations, therefore, their significance level has not been determined.
Wastewater from the organization	Gravity and direct conduction to the sewage	Municipal sewage	The Mexico Plant recycled 69.3% and the Mexico Distribution Center recycled 100% of the wastewater that they generate and treat, using it to water gardens.

*Note: The quality of wastewater discharges sent to recipient bodies of water is overseen through compliance with the maximum permissible limits established by the relevant Mexican Official Standards.*

Basins where water is extracted by the organization:

BASIN	DESCRIPTION OF RELATED IMPACTS
Cuenca Río Fuerte, Región Hidrológica Sinaloa, Localidades Campo 35, Ahome and El Fuerte, Sinaloa.	<b>Extraction and Consumption:</b> Except for the Merida Distribution Center, our plants and distribution centers are located in basins and hydrological regions with low or very low water availability, but the consumption of our facilities are very low.
Cuenca Presa San José Los Pilaes and Others, Acuífero San Luis Potosí, Región Hidrológica Salado in San Luis Potosí.	
Cuenca Laja, Acuífero Valle de Celaya, Región Hidrológica Lerma-Santiago, Villagrán Guanajuato.	<b>Discharges:</b> Regardless of the fact that the wastewater generated in the facilities of Grupo Herdez is processed before being poured, the generation and discharge of this wastewater represents a negative impact due to the emission of contaminants to municipal sewage networks and surface bodies of water, in spite of these being very small discharge volumes.
Cuenca Río Verde Grande, Acuífero Lagos de Moreno, Región Hidrológica Lerma-Santiago, Lagos de Moreno, Jalisco.	
Cuenca Río Moctezuma, Acuífero Cuautitlán-Pachuca, Región Hidrológica Panuco, Localidad Barrio de San Juan, Teoloyucan, State of Mexico.	

#### Related impacts

Our goals regarding water are established based on water consumption and wastewater discharge indicators that are carried out for each facility. Currently, each facility identifies areas of opportunity in its processes and makes estimates on the potential savings that each may provide, to then propose a reachable annual goal. Such goals are unrelated to the local context of their locations.

*Note: No analytical, holistic, or deep approach is applied to identify the potential impacts, rather we only intuitively consider the potential impacts that may be caused by the consumption volumes of water extracted at the sources and, due to the number of contaminants present in the wastewater discharged to the different recipient bodies of water.*

### 303-2 Management of the impacts related to water discharges

The minimum standards established for the quality of the effluent discharges of Grupo Herdez are:

- \* Oxygen Biochemical Demand (OBD)
- \* Total Suspended Solids (TSS)
- \* Total Dissolved Solids (TDS)
- \* Sedimentable Solids (SS)
- \* Hydrogen Potential (HP)
- \* Electrical Conductivity (CE)
- \* Greases and Oils (G&O)
- \* Oxygen Chemical Demand (OCD)

#### Specific standards:

- NOM-001-SEMARNAT-1996:It establishes the maximum permissible limits of wastewater discharges and national property
- NOM-002-SEMARNAT-1996:It establishes the maximum permissible limits of contaminants in wastewater discharges to urban or municipal sewage systems.



- State Technical Standard: NTE-SLP-AR-001/05, which established particular conditions for wastewater discharges to the drainage and sewage network of the Municipalities of San Luis Potosí, Soledad de Graciano Sánchez, and Cerro de San Pedro.
- Particular Discharge Conditions: Established by federal authorities in accordance with Article 140 of the Regulations to the National Waters Law.

### 303-3 Water Extraction

#### TOTAL WATER EXTRACTION, IN MEGALITERS, BY SOURCE

SOURCE	2021		2020		2019	
	Total Volume (MI)	Areas with hydric stress	Total Volume (MI)	Areas with hydric stress	Total Volume (MI)	Areas with hydric stress
Rivers and lakes	737.8	737.8	702	702	669	669
Underground (wells)	531.9	531.4	537	537	770	604
Seas and oceans	0	0	0	0	0	0
Municipal network	11.3	11.3	256	256	23	4
Rainwater	0	0	0	0	0	0
Wastewater from another organization	0	0	0	0	1	1
Others (Pipes)	13.9	13.9	12	12	22	22
<b>Total</b>	<b>1,295</b>	<b>1,294.5</b>	<b>1,266</b>	<b>1,266</b>	<b>1,484</b>	<b>1,299</b>

## TOTAL WATER EXTRACTION, IN MEGALITERS, FOR EACH FACILITY IN AREAS WITH HYDRIC STRESS

SOURCE	INSTALLATION (PLANT OR DISTRIBUTION CENTER)	VOLUME 2021	VOLUME 2020	VOLUME 2019
Rivers, lakes	Santa Rosa Tomatoes	460	402	366
	Santa Rosa Vegetables	277	298	300
	Mochis Distribution Center	1	1	2
Underground (wells)	Barilla	40	51	47
	El Duque	38	41	41
	Mexico Plant	81	77	77
	San Luis Potosi Plant	193	201	259
	Villagran Plant	36	28	39
	Lagos de Moreno Plant	110	111	129
	Cogeneration Plant	16	15	0
	Tea Plant	2	0.2	0
	San Luis Potosi Distribution Center	7	9	0
	Mexico Distribution Center	9	4	0
	Merida Distribution Center	0	0	0
	San Luis Potosi Distribution Center	2	4	7
	Mexico Distribution Center	0	0	4
	San Luis Potosi Plant	0.2	1	0
	Tea Plant	0.5	1	0
Municipal network	Guadalajara Distribution Center	0.6	1	0
	Tijuana Distribution Center	0.3	1	0
	Monterrey Distribution Center	0.5	0.5	0
	CAF Lagos	7	7	0
	Nutrisa	13	13	0
Total		1,294.5	1,266	1,299

In 2021, by type of facilities, the following facilities were taken from other sources due to their change of source to municipal network, when before it was with pipes:

- Tijuana Distribution Center
- Monterrey Distribution Center
- San Luis Potosí Distribution Center

Note: We made an adjustment to the 2020 figures, eliminating the Avomex plant, which does not belong to the own operations of Grupo Herdez.

### 303-4 Water discharges

#### WATER DISCHARGES BY SOURCE

DISCHARGE SOURCE	VOLUME IN ML		
	2021	2020	2019
Rivers, lakes (federal bodies)	543	509	477
Municipal network (municipal sewage)	165	154	286
Others (subsoil)	69	63	60
<b>Total</b>	<b>777</b>	<b>726</b>	<b>823</b>

For the following sources: Underground (wells); seas, oceans; rainwater and discharged water from another organization, we did not carry out discharges.

#### VOLUME BY DISCHARGES IN AREAS WITH HYDRIC STRESS

	2021		2020		2019	
	Total Volume (MI)	Areas with hydric stress	Total Volume (MI)	Areas with hydric stress	Total Volume (MI)	Areas with hydric stress
Other water (> 1,000 mg / l of total solids dissolved)	777	776	726	726	823	702

For freshwater, there are no discharges.

*Note: We made an adjustment to the 2020 figures, eliminating the Avomex plant, which does not belong to the own operations of Grupo Herdez.*

*We took as a hydric stress determination criteria which is reported by Aqueduct Water Risk Atlas 2019 since it is an internationally recognized tool with the exception of Chiapas and Merida, where we considered the CONAGUA criteria by considering it more adjusted to the reality of the country.*

## WASTEWATER TREATMENT

TREATMENT LEVEL	METHOD TO DETERMINE THE TYPE OF TREATMENT
Mainly secondary (biological) treatment followed by simple tertiary treatment	<p>The treatment system of each facility is planned and designed in accordance with the characteristics of the wastewater generated and the discharge conditions that must be complied with, however, all of our treatment systems generally have the following treatment process:</p> <ol style="list-style-type: none"> <li>1. Pretreatment: Grease and oil, and/or large solids traps.</li> <li>2. Primary Treatment: It is normally a linear or circular physical chemical dissolved air flotation "DAF" system.</li> <li>3. Secondary Treatment: Biological systems of conventional muds with clarification systems.</li> <li>4. Tertiary Treatment: Filtration system in sand, gravel, and activated carbon filter, and manual clarification or online and/or ultraviolet light systems to mainly eliminate fecal coliforms and other biological microorganisms.</li> </ol>

**Priority concern substances for water discharge**

**Substances:** Oxygen Biochemical Demand (OBD), Total Suspended Solids (TSS), Total Dissolved Solids (TDS), Sedimentable Solids (SS), Hydrogen Potential (HP), Electrical Conductivity, Temperature, Greases and Oils.

**Method to define its importance:** Compliance with national standards and particular discharge conditions established by the Mexican government.

**Substance:** Oxygen Chemical Demand (OCD).

**Method to define its importance:** Standard determined for operational control of the system.

The standards that the facilities of Grupo Herdez comply to respect the priority substance discharge limits are:

- **NOM-001-SEMARNAT-1996:** Establishes the maximum permissible limits of contaminants in wastewater discharges and national property
- **NOM-002-SEMARNAT-1996:** It establishes the maximum permissible limits of contaminants in wastewater discharges to urban or municipal sewage systems
- **State Technical Standard NTE-SLP-AR-001/05:** It establishes particular conditions for wastewater discharges to the drainage and sewage network of the Municipalities of San Luis Potosí, Soledad de Graciano Sánchez, and Cerro de San Pedro
- **Particular Discharge Conditions:** Established by federal authorities in accordance with Article 140 of the Regulations to the National Waters Law, which sets forth that to determine the particular discharge conditions, "The Commission" will consider the parameters and maximum permissible limits contained in Mexican Official Standards issued by the authorities with jurisdiction on matters of wastewater discharges and for treatment of water for human use or consumption, and the parameters and maximum limits derived from the Classification Declarations of National Waters Body published under the terms of Article 87 of the "Law".



### 303-5 Water Consumption

The volume of rainwater collected and stored on an annual basis is 76 megaliters, corresponding to the maximum installed capacity.

Note: We made an adjustment to the 2020 figures, eliminating the Avomex plant, which does not belong to the own operations of Grupo Herdez.

#### TOTAL CONSUMPTION OF WATER, IN MEGALITERS, FOR EACH FACILITY IN AREAS WITH HYDRIC STRESS

SOURCE	BARILLA PLANT	EL DUQUE PLANT	MEXICO PLANT	INDUSTRIAS PLANT	SANTA ROSA TOMATO PLANT	SANTA ROSA VEGETABLE PLANT	VILLAGRÁN PLANT	NUTRISA PLANT	LAGOS PLANT	COGENE-RATION PLANT	TEA PLANT	CAF LAGOS
Rivers and lakes	0	0	0	0	161.30	56.07	0	0	0	0	0	0
Wells	44.8	6.88	32.65	115	0	0	2.38	0	94.62	13.63	0.07	0
Muni-cipal network	0	0	0	.80	0	0	0	0	0	0	0	3.6
Water from tank trucks	0	0	0	0	0	0	0	6.16	0	0	0	0
<b>Total</b>	<b>515</b>											

Notes:

1. The reported consumptions are measured directly through measurement instruments that are overseen and some of them certified by the federal, state, and municipal authorities. These consumptions are reported to such authorities through different reporting forms and mechanisms.
2. The volume of rainwater is an estimated volume of what Complejo Duque de Herdez, Mexico Plant, and Mexico Distribution Center recover and use for garden watering.
3. Since we are not using rainwater in the production processes, we will be reporting separately.

### 306-1 Water discharges by quality and use

POUR CURRENTS	VOLUMEN (M³) 2021
Discharge to federal sewage	542,566
Discharge to municipal network	165,246
Discharge to the subsoil	69,156
Other discharges	0
<b>Total</b>	<b>776,968</b>

Notes:

1. The total volume of water discharges in 2021 was 776,968.6 m³, which represents a 7% increase with respect to 2020 due to the addition

of discharge volumes at the Coronel Espinoza plant, and the increase in the number of equipment and facilities washings that we implemented for health and safety reasons due to the pandemic. Compared with the discharges per ton produced, there is no increase, since for both years we have an indicator of .75 m<sup>3</sup> per ton produced.

2. Treated wastewater is discharged to federal and municipal recipient bodies, and it complies with the maximum permissible limits established by the relevant Mexican official standards (NOM-001-SEMARNAT-1996 and NOM-002-SEMARNAT-1996).
3. The treatment plants of Grupo Herdez are designed specifically for each facility and for the type of effluent to be treated, and thus, to be able to provide adequate treatment for processed water and, as applicable, sewage water.

### Quality of discharged water

For 2021, the estimated amounts of liquids poured via wastewater that is treated at Grupo Herdez expressed in tons are:

- GREASES AND OILS: 6.40 Ton
- OBD: 39.72 Ton
- OCD: 169.15 Ton
- TSS: 36.08 Ton
- TDS: 273.52 Ton
- SS: 0.09 Ton

## 306-2 Types of waste and elimination methods

This year, we generated 45,515 tons of hazardous and non-hazardous waste, a 31.6% year over year, due to an increase in production, the addition of the waste volume at the Coronel Espinoza plant; greater control of the health and safety conditions resulting from the pandemic, in addition to the generation and handling of greater volumes of obsolete equipment. To compensate for this increase, we were able to increase recycling of the waste generated by 86.6%.

### TOTAL WEIGHT OF HAZARDOUS WASTE BY ELIMINATION METHOD

ELIMINATION METHOD	2021 (TON)	2020 (TON)	2019 (TON)
Recycling	14	15	71
Pouring	50	51	-
Others (final disposal)	0	-	43
<b>Total</b>	<b>64</b>	<b>66</b>	<b>114</b>

### TOTAL WEIGHT OF NON-HAZARDOUS WASTE BY ELIMINATION METHOD

ELIMINATION METHOD	2021 (TON)	2020 (TON)	2019 (TON)
Recycling	39,383	28,577	31,604
Others (sanitary landfill, including special handling waste and non-valORIZED urban solid waste)	6,067	5,950	10,327
<b>Total</b>	<b>45,450</b>	<b>34,527</b>	<b>41,931</b>

## TOTAL WEIGHT OF THE WASTE GENERATED DURING THE PAST 4 YEARS

WASTE GENERATED	UNIT	2021	2020	2019	2018
	Metric tons	45,515	34,594	42,045	34,231

*Note: We made an adjustment to the 2020 figures, eliminating the Avomex plant, which does not belong to the own operations of Grupo Herdez.*

**306-3 Significant spills**

We did not have any spills of material, waste, substances, and/or liquids in 2021.

**306-4 Transportation of hazardous waste**

At Grupo Herdez, we do not transport, import, export, or treat any hazardous waste. The hazardous waste generated in the Group is sent to collection centers and/or controlled confinement centers.

**306-5 Bodies of water affected by water poured and/or run-off**

Discharges of wastewater from the facilities of Grupo Herdez are mainly discharged in the municipal sewage network. For the case of discharges to surface bodies of water or federal channels, we do not have technical evidence of their impact. Even so, all discharged water is previously treated, and the volumes are low/medium.

**301-1 Materials used by weight and volume**

In 2021, we consumed materials within 3 categories: agricultural raw materials, non-perishable raw materials, and packaging materials.

**Renewable materials**

- Agricultural raw materials: 163,740 Ton
- Raw materials: 304,729 Ton
- Packaging materials: 118,695 Ton

**Non-renewable materials**

- Packaging materials: 1,789 Ton

### 301-2 Used recycled inputs

At Grupo Herdez we are starting our path to circularity, and working on specific initiatives to achieve our goals for 2025. On the subject of recycled inputs, the materials that contain these are derivatives of corrugated carbon such as small boxes, boxes, and trays.

Recycled materials 2019	=	2.6%
Recycled materials 2020	=	2.2%
Recycled materials 2021	=	11.5%

### 301-3 Reused products and packaging materials

In 2021, we recovered and recycled 4.5 tons of cans through the "Recicla la Lata" initiative. For more information: <https://porun-mundomasvivo.com/> Grupo Herdez forms part of ECOCE, a non-profit environmental organization, which has a comprehensive post-consumption waste management plan. Through this alliance, we work to recover waste and integrate it to the recycling cycle, in addition to adopting and promoting environmental care and sustainability.

### 308-1 Our vendors have passed evaluation and selection filters in accordance with environmental criteria

Through the Sustainable Agricultural Program, we conduct the evaluation of 100% of new vendors every 6 months, complying with the rules checklist.

Mid 2021, we had 32 evaluated vendors (January to June 2021) at the end of 2021 we completed the evaluation with 30 vendors (December 2021).

29 of the 30 vendors comply with the program. This represents 96.6% compliance at the closing of December 2021.

## CONSUMER HEALTH, SAFETY, AND WELLNESS

### 416-1 Product impact evaluation

100% of the product portfolio, both domestic and export, are evaluated on health and safety matters to promote improvements.

#### On health matters:

- 25.6% of the domestic product portfolio are of a better nutritional quality. Such percentage is represented by products that do not contain added critical nourishments (sugars, sodium, saturated fat), and products that had some reformulation in added critical nourishments.
- 2.7% of the domestic product portfolio was reformulated to improve the nutritional profile, eliminating or reducing the content of added critical nourishments (sugars, sodium, saturated fat), and eliminating sweeteners.

From the product design, raw material and packaging material selection, we conduct a risk assessment according to the market in which the product will be marketed, and based on this we establish the specifications and limitations to comply with. Additionally, we have external audits to obtain the certification in FSSC22K.



All new and existing products conform their specifications to National and official quality standards, and Export standards to CFR, FDA, and USDA, as applicable.

#### **416-2 Violation incidents**

Neither Grupo Herdez, S.A.B. de C.V., nor its subsidiaries have failed to comply with the voluntary regulations or codes on health and safety matters on products and services in 2021.

#### **IP-9 Health and Nutrition Care Strategy Development**

Within the Technical Department, the Scientific and Regulatory Affairs Department validates that the products developed at Grupo Herdez contain permitted ingredients, and in the dose indicated by the applicable regulation for each product category. Additionally, it determines the nutritional icons that the Front Labeling must have, for consumers to have the nutritional information that the product contributes.

We continue strengthening the internal nutritional criteria within the nutritional guidelines for development of new products of the entire Group, creating the categories and their respective nutritional criteria indicating the maximum content limits for added critical nourishments and specific indications that must be considered and/or must be complied with. In 2021, we incorporated 10 categories plus nutritional criteria tables.

This year, 3.2% of the total sales volume was of products with low contents of saturated fat, trans fat, sodium, or added sugar. We improved the nutritional quality in 15 formulas of our products with some type of reduction of added critical nourishments (sugars, sodium, saturated fats). The formulas that had such nutritional improvement were:

- a. Sodium reduction: All varieties of ground tomato from Del Fuerte®, and also the ground tomato formula for the Herdez® brand.
- b. Sugar reduction: The formulas involved for this nourishment were 6 varieties of hard ice cream for the Nutrisa® brand and a formula (popsicle) for the Nestlé® brand.
- c. Sweetener elimination: In the formula (popsicle) for the Nestlé® brand.

This year, we carried out a nutritional mapping the purpose of which was to understand the amount of warning seals of existing critical nourishments in each formula, artificial conservative content, and also sweeteners and flavoring. We also identified the possibility of reducing added critical nourishments or otherwise reducing the number of warning seals.

## QUALITY AND SAFETY IN THE VALUE CHAIN

### 204-1 Significant operations expenses

VENDOR	DOMESTIC	FOREIGN
Raw materials	91.2%	8.9%
	\$5,911,780,523	\$574,191,675
Packaging materials	96.8%	3.2%
	\$121,375,463	\$4,025,366
Agricultural raw materials	100%	-
	\$1,097,000,000	-

Figures expressed in Mexican Pesos.

Note:

All of our agricultural producers have operations in Mexico, distributed nationwide in the states of Aguascalientes, Baja California, Baja California Sur, Campeche, Chihuahua, Mexico City, Durango, Guanajuato, Hidalgo, Morelos, Nayarit, Nuevo León, Puebla, Quintana Roo, San Luis Potosí, Sinaloa, Sonora, Veracruz, Yucatán, and Zacatecas.

### 408-1 Child labor risk

We have strict control in our hiring processes, and a Vendor Code of Conduct, which each vendor must sign when establishing a business relationship with Grupo Herdez.

The code provides clauses that prohibit child labor or forced labor. The foregoing, as a measure to prevent the risk of using child labor throughout our value chain, especially in the most vulnerable sectors such as agriculture and fishery.

The Vendor Code of Conduct may be checked at: [https://grupoherdez.com.mx/wp-content/uploads/2021/09/Codigo-de-Conducta-de-Proveedores-GH-25junio\\_.2021-VF.pdf](https://grupoherdez.com.mx/wp-content/uploads/2021/09/Codigo-de-Conducta-de-Proveedores-GH-25junio_.2021-VF.pdf)

### 409-1 Operations with a child labor risk

In our Vendor Code of Conduct, we have the minimum guidelines that our current and potential vendors must comply with respect to social and environmental conditions for development of their operations and services.

This document is based on the standards of the International Labor Organization (ILO), the ten principles of the UN Global Compact, the Human Rights Policy, and the Code of Ethics of Grupo Herdez.

## IP-6 Agricultural Sustainability

### Sustainable Agriculture Program

The program consists of guiding, training, overseeing, and following-up on the production practices carried out by our agricultural vendors, having as their basis the conservation and improvement of the environment, giving special attention to protected zones or areas, use of hydric resources, soil conservation, and air cleaning.

We apply this Program through compliance **Rules:**

1. Preservation of biodiversity
2. Air, water, and soil protection
3. Energy and climate change
4. Waste management
5. Integrated crop management
6. Agrochemical reduction
7. Health and safety
8. Decent work
9. Social responsibility
10. Communication and participation

### The main benefits of this program are:

1. Promoting, incentivizing, and developing sustainable agriculture in our vendors as a new agricultural production culture.
2. Reducing the use of pesticides to lower the environmental impact and promote adequate use of agrochemicals (BUMA).
3. Preserving soil, air, and water quality in farm areas and their surrounding areas.
4. Incentivizing practices to improve soil quality.
5. Promoting practices for efficient management and use of resources, favoring reduction, reuse, and recycling.
6. Promoting the protection of sensitive or protected areas and species.

### Audit

To give continuity and validity to the program, we have a team of internal auditors that assesses and follows-up on the condition of the plots of land. This is carried out through a checklist, which measures the progress and points of improvement of each vendor.

Mid 2021, we had 32 evaluated vendors (January to June 2021) at the end of 2021, we had evaluated 30 vendors (December 2021).

29 of the 30 vendors comply with the program, which represents 96.6% compliance as of the closing of December 2021.

The main existing controls to monitor the progress of the implementation of the programs are:

1. Providing document control at the start of the agreement. Frequency: annual.
2. Periodic oversight of each vendor: Frequency: every fifteen days.
3. BPA audits. Frequency: Quarterly.
4. Water, soil, and fruit analysis. Frequency: water and soil one once. Fruit, on a monthly basis.
5. Tours. Frequency: monthly.
6. Activity reports of the Agricultural Auditors: Frequency: weekly.

### Use of agrochemicals

The main method to reduce the use of agrochemicals is under the Integrated Crop Management (use of biological products), mainly:

<b>Fungicides</b>	Use of organic fertilizers and beneficial microorganisms
<b>Insecticides</b>	Use of beneficial fungi, bacteria, and insects
<b>Fertilizers</b>	Use of organic fertilizers (compost, leachates, shoot)

From our total agricultural vendors, the compliance percentage of the Good Use of Agrochemical Management is 90%, the same percentage as last year.

*\*Note: The program only covers fresh raw material vendors, as a first stage, these are onion, tomato, pepper, cilantro vendors, among others.*

*Transparency in product information*

#### 417-1 Product labeling requirements

All labels of our products comply with labeling Mexican Official Standards (NOM), and these have the requirements that we must comply with.

We conduct an initial review of compliance of the ingredients. We perform the review of the ingredients that compose the formula of the different products exhaustively to ensure compliance with the applicable regulations, not only locally, but also, as applicable, of the countries to which we export.

- Product Health Control Regulations.
- NOM-050-SCFI-2004: Commercial Information; General Product Labeling.
- NOM-051-SCFI/SSA1-2010: General Labeling Specifications for Food and Non-Alcoholic Beverages Prepackaged Food – Commercial and Health Information.

#### 417-2 Product labeling incidents

Neither Grupo Herdez, S.A.B. de C.V., nor its subsidiaries have failed to comply with the product information and labeling of products and services in 2021.

#### 417-3 Marketing incidents

Neither Grupo Herdez, S.A.B. de C.V., nor its subsidiaries have failed to comply with marketing communications in 2021.



## IP-1 Client and customer relations

We have several communication channels to address the comments and needs of our customers and consumers.

### Points of Contact:

01-800 Lines: Each Brand has an assigned number in which product quality problems, complaints, or suggestions are resolved.

**Digital Media:** We have official websites for most of our brands, where consumers and customers may find all product information. We additionally have more than 20 brand profiles in social media, where the "Q&A" interaction allows us to monitor our good choices, concerns, and questions from our customers.

### GRUPO HERDEZ SOCIAL MEDIA PRESENCE 2021

BRAND	WEBSITE	FACEBOOK	INSTAGRAM	TWITTER
Aires de Campo®	<a href="https://airesdecampo.com/">https://airesdecampo.com/</a>	AiresDeCampo	airesdecampo	aires_de_campo
Barilla® México	<a href="https://www.barilla.com/es-mx">https://www.barilla.com/es-mx</a>	BarillaMX	barillamex	BarillaMexico
Blasón®	<a href="https://cafeblason.mx/">https://cafeblason.mx/</a>	CafeBlason	cafeblason	NA
Búfalo®	<a href="https://bufalo.com.mx/">https://bufalo.com.mx/</a>	SalsaBufalo	salsabufalo	salsaBufalo
Carlota®	<a href="https://www.mielcarlota.com.mx/">https://www.mielcarlota.com.mx/</a>	MielCarlotaMexico	mielcarlota	NA
Del Fuerte®	<a href="https://delfuerte.com/">https://delfuerte.com/</a>	DelFuerte	delfuertemx	NA
Cielito Querido Café®	<a href="https://cielitoquerido.com.mx/">https://cielitoquerido.com.mx/</a>	CielitoQueridoOficial	cielitoqueridooficial	CielitoQuerido
Moyo®	<a href="https://www.moyo.com.mx/">https://www.moyo.com.mx/</a>	MoyoYogurt	moyoyogurt	moyoyogurt
Doña María®	<a href="https://donamaria.com.mx/">https://donamaria.com.mx/</a>	MoleDonaMaria	donamariamx	NA
Embasa®	<a href="https://embasa.com.mx/">https://embasa.com.mx/</a>	embasamx	NA	NA
Frank's México	<a href="https://franksredhot.com.mx/">https://franksredhot.com.mx/</a>	SalsaFranksMx	franksredhot_mx	NA
French's México	<a href="https://frenchs.com.mx/donde-comprar/zona-valle-de-mexico">https://frenchs.com.mx/donde-comprar/zona-valle-de-mexico</a>	FrenchsMexico	frenchsmx	NA
Herdez®	<a href="https://www.herdez.com.mx/">https://www.herdez.com.mx/</a>	HerdezConfianza	herdezmxico	NA
Helados Nestlé®	<a href="https://www.nestle.com.mx/">https://www.nestle.com.mx/</a>	heladosnestlemx	heladosnestlemexico	HeladosNestle
McCormick® México	<a href="https://www.mccormick.mx/">https://www.mccormick.mx/</a>	McCormickMexico	mccormick_mx	NA
Nutrisa®	<a href="https://www.nutrisa.com/">https://www.nutrisa.com/</a>	NutrisaMx	nutrisamx	NutrisaMX
Yemina®	<a href="https://www.yemina.com.mx/">https://www.yemina.com.mx/</a>	PastaYemina	pasta_yemina	NA
Kikkoman® México	<a href="https://www.kikkoman.com.mx/">https://www.kikkoman.com.mx/</a>	KikkomanMexico	kikkoman_mexico	NA
Corporate and Corporate Social Responsibility	Website	Facebook	Instagram	Twitter
Grupo Herdez	<a href="https://grupoherdez.com.mx/">https://grupoherdez.com.mx/</a>	GrupoHerdezMX	NA	GrupoHerdezMx
Fundación Herdez	<a href="https://fundacionherdez.com/">https://fundacionherdez.com/</a>	FundacionHerdezAC	fundacion.herdezac	HerdezFundacion
Saber Nutrir®	<a href="https://www.sabernutrir.com.mx/">https://www.sabernutrir.com.mx/</a>	sabernutrir	programasabernutrir	NA
Food Service	<a href="https://herdezfoodservice.com.mx/">https://herdezfoodservice.com.mx/</a>	herdezfoodserviceoficial	herdezfoodservice	HerdezFS

All our corporate brands and accounts have an account on YouTube, except for: Blasón®, Embasa®, Helados Nestlé® and Kikkoman® México.

## **IP-8 Policies and procedures to communicate to consumers**

### **Labeling Requirements**

The pertinent regulatory labeling requirements for the product market vary by category. For the national market, we apply the specific Mexican Official Standard (NOM). If there is none, we apply the general laws and regulations, such as: Product and Service Health Control: From the General Health Law on matters of health control of activities, establishments, products and services; Resolution determining additives and coadjutants in food, beverages, and supplements, their health use and provisions; Resolution determining prohibited or permitted plants for teas, infusions, and edible vegetable oils; among others. For the case of export products, we apply the applicable regulations from the country to which we will be exporting.

As a volunteer practice that goes beyond the legal requirements, we review the sub-ingredients of the raw materials included in the formula to evidence any additive or contaminant that may affect the innocuity of the product. Additionally, we request results of contaminant analysis from some vendors, depending on the nature of the ingredient or product both for domestic and export consumption. In some cases, we send such information to be verified with specialized agencies or with bromatology studies in the destination country.

### **Information on content and ingredients**

All our products that correspond to the food, non-alcoholic beverages, and food supplement categories include the list of ingredients and relevant nutritional information.

In food and beverages, we mandatorily include energy content, proteins, total fat, saturated fat, carbohydrates, total sugars, dietary fiber, and sodium.

In food supplements, we include energy content, proteins, total fat, carbohydrates, and sodium by portion per 100g of product.

The main source of nutritional information is the label. However, some of the websites of the company include such information. Additionally, the 01 800 customer service line, for each of the food and non-alcoholic beverage brands has the relevant updated information. All statements must be made in labels that must be supported with scientific evidence to be able to include these in the label and comply with the applicable regulations for the product and market in which the product will be sold.

Within our internal guidelines, we have agreed to indicate in the label:

- Artificial or natural coloring; natural, artificial, or identical flavoring to the natural one; hydrolyzed protein and MSG are declared as such
- There is no declaration of Genetically Modified Organisms (GMO) according to national law
- We declare sweeteners as required by the Additives Resolution
- We declare all present allergens and those that may be present in the product
- Practically none of our products is fortified, unless it is a requirement mandated by regulations
- Methods used in food processing to maintain their innocuity

In 2021, 2.4% of the total products sold corresponds to products with reduced sodium, saturated fat, trans fat, or added sugar.

## INNOVATION

### IP-7 Research and Development Management

At Grupo Herdez we seek to foster open innovation, to contribute to external knowledge and complement our internal strategy.

Research and Development expenses during the past 3 years have been:

	UNIT	2021	2020	2019
<b>Total R&amp;D Expenses</b>	Expressed in Mexican pesos (MXN)	\$41,056,045	\$36,782,615	\$8,155,422
<b>Number of R&amp;D employees</b>	Amount	83	73	57
<b>R&amp;D Expenses as a % of Sales</b>	MXN Expenses / % of Net Sales	17.3%	.15%	7.2%

**A product is considered new for 5 years after its launch.**

TYPE OF INNOVATION	INCOME PERCENTAGE (IN%)
New products or services marketed in the past year	6.4%
Products with significant improvements marketed in the past year	3.2%
Products or services without changes, or minimally modified	90.4%

## SASB

Grupo Herdez, for the first time, reports under the Sustainability Accounting Standards Board (SASB), which seeks to be a common language among companies and investors of the material financial impacts for each industry.

- Energy management
- Water management
- Food safety
- Health and nutrition
- Product labeling and marketing
- Packaging life cycle management
- Environmental and social impacts of ingredient supply
- Ingredient procurement



SUBJECT	#	DESCRIPTION														
Energy management	FB-PF-130a.1	(1) Total consumed energy: 1,187,741 Gj (2) Percentage of electricity from the grid: 30.8% (3) Renewable percentage: 69.2% (4) Percentage of water consumed in regions with high or extremely high water stress: 100%														
Water management	FB-PF-140a.1	(1) Total extracted water 1,295.0 Mil m³ (2) Total consumed water: 514.7 Mil m³ (3) Percentage of each of the regions with high or extremely high hydric stress: 99.9%														
	FB-PF-140a.2	Number of non-compliance incidents associated with permits, standards, and regulations of the amount and/or quality of water: 0														
	FB-PF-140a.3	Description of the risks of water management and discussion of strategies and practices to mitigate these risks.  1.- At Grupo Herdez, 99.9% of our operating facilities (plants, distribution centers, and administrative and/or corporate offices) are found in zones classified as “very high” or “high” level of hydric stress, which represents a scheme of vulnerability, threat, and also of opportunity for planning and execution of a hydric management program. 2. Grupo Herdez has greater dependence on products from the agricultural sector (tomato, peppers, etc.), and raw materials the production of which is sources from dependence of other agricultural products (semolina, frozen strawberry, etc.). 3. To minimize these risks, Grupo Herdez has developed in its plants and distribution centers several water reduction and savings, and treated wastewater recycling projects (in watering green areas). We currently perform diagnostics for identification of rainwater exploitation initiatives.  There is a description of the related impacts by source of extraction, consumption and water discharges in the GRI indicator 303-1.  At Grupo Herdez we have the objective of reducing water consumption per ton produced by 25.0% by 2030 compared to 2018 (base year), which is equivalent to achieving a consumption of 1.98 m³ per ton produced by 2030.  This objective is aligned to the Sustainable Development Goals (SDG): SDG 6: Clean water and sanitation SDG 12: Responsible consumption and production  The performance indicator is expressed in water use intensity, expressed as the volume of water (m³) per ton produced.														
			<table><tr><th>WATER INTENSITY HISTORIC</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th></tr><tr><td>m/3 produced Ton</td><td>2.57</td><td>2.49</td><td>2.33</td><td>2.23</td></tr><tr><td>% of reduction</td><td>-6.2%</td><td>-3.3%</td><td>-6.5%</td><td>-4.1%</td></tr></table>	WATER INTENSITY HISTORIC	2018	2019	2020	2021	m/3 produced Ton	2.57	2.49	2.33	2.23	% of reduction	-6.2%	-3.3%
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SUBJECT	#	DESCRIPTION
<b>Water management</b>	FB-PF-140a.3	<p>The scope of water intensity includes the following plants: Herdez El Duque Industrial Complex (Barilla, El Duque and Cogeneration Plant), Coronel Espinosa Plant, Mexico Plant (Zumpango), Herdez San Luis Potosí (Industries), Santa Rosa Tomates, Santa Rosa Vegetales, Herdez Villagrán, Nutrisa Plant and Lagos de Moreno Plant.</p> <p>These plants represent 100% of the facilities where Grupo Herdez has operational control and, therefore, represent 100% of the volume of water withdrawn.</p> <p>The distribution centers included are: Mexico, San Luis Potosi, Los Mochis, Merida, Guadalajara, Monterrey, CAF Lagos de Moreno and Tijuana. These facilities represent 90% of the water withdrawn from all distribution centers within the scope specified for this Framework.</p> <p>Water consumption refers to the volume of water withdrawn from any source: subway (well), surface (river, canal, etc.), municipal network, pipes, wastewater and/or rainwater used in the plants and distribution centers for production and various uses such as boilers, cooling towers and services in general.</p>
		<p>Global Food Safety Initiative (GFSI) Audit</p> <p>(1) Non-conformity rate: 5.1</p> <p>(2) Rate of corrective action associated for non-conformity cases (velocity): 4.7</p> <p>(a) Higher non-conformities: 6.0</p> <p>(b) Lower non-conformities: 4.5</p> <p>Subsections a and b correspond to the % of the rate of corrective actions corresponding for non-conformity cases (velocity).</p>
		<p>Percentage of ingredients from facilities of Level 1 vendors certified by a food safety certification program recognized by the Global Food Safety Initiative (GFSI).</p> <p>76% of vendors of the Group have the GFSI (Global Food Safety Initiative) certification, which seeks to develop competencies and capacities to create global food systems, which are uniform, protected against the contaminants during the food chain and efficient operations. This corresponds to 88% of vendor expenses.</p>
		<p>(1) Total number of notifications of food safety violations received: 0</p> <p>(2) Corrected percentage: 0</p>
<b>Food Safety</b>	FB-PF-250a.1	<p>(1) Number of notifications issued: 0</p> <p>(2) Total amount of food products recalled: 0</p>

SUBJECT	#	DESCRIPTION
<b>Health and Nutrition</b>	FB-PF-260a.1	Income from products labeled and/or marketed to promote health and nutrition attributes: \$3,337,2828 MXN
	FB-PF-260a.2	<p>Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers.</p> <p><b>HEALTH:</b> We review the ingredients that compose the formula of the different products, and we do it exhaustively to ensure their compliance with applicable regulations, not only local but also, as applicable, of the country where we export.</p> <p>All labels of our products require compliance with labeling Mexican official standards (NOM) and these contain the requirements we must comply with; we make an initial review of compliance of the ingredients.</p> <p><b>NUTRITION:</b> All products have nutritional information and an ingredient list that provides information to consumers, according to compliance with the regulations in force of the countries where the products are marketed.</p> <p>Additionally, we are increasingly aware that there are increasingly more consumers concerned with their health. We started a nutritional mapping of the entire food and beverage portfolio of the Group, identifying the presence of certain artificial additives and the number of warning seals of nourishments that these contain, to then identify possible reduction in added critical nourishments, or eliminate artificial additives.</p>
<b>Product labeling and marketing</b>	FB-PF-270a.1	<p>Percentage of advertising prints</p> <p>(1) Made for children: 0</p> <p>(2) Made for children that promote products that comply with dietary guidelines: 0</p>
	FB-PF-270a.2	<p>Income from products labeled as:</p> <p>(1) Containing Genetically Modified Organisms (GMO): 0</p> <p>(2) Non-GMO: 0</p> <p>Regarding GMOs in Mexico, we do not have any regulations regulating GMOs.</p>
	FB-PF-270a.3	Number of incidents of failure to comply with the regulatory or industry marketing and/or labeling codes: 0
	FB-PF-270a.4	Total amount of monetary losses resulting from legal procedures associated with labeling and/or marketing practices: 0

SUBJECT	#	DESCRIPTION
<b>Management of the packaging life cycle</b>	FB-PF-410a.1	<p>(1) Total package weight: 120,484 Ton</p> <p>(2) Percentage made from recycled and/or renewable materials: 11.5%</p> <p>(3) Percentage that is recyclable, reusable, and/or compostable: 99.5%</p>
	FB-PF-410a.2	<p>Discussion of strategies to reduce the environmental impact of containers throughout their life cycle.</p> <p>1. Grupo Herdez developed the Life Cycle Analysis (LCA) for the main product categories (salsas, mayonnaise, tea, avocado, Nutrisa® frozen yogurt, ice cream, pasta, tomato puree, vegetable salad). We have selected the product that is most representative of the category and developed the particular LCA for the purpose of obtaining greater information. Some have a third party expert report called "critical review".</p> <p>2.- These LCA were carried out considering the stages of the life cycle (raw material, packaging material, including transportation of both, manufacturing, transportation/distribution, use and end of life).</p> <p>In the end of life stage we identified the environmental impacts of the packaging and containers to conduct the sensitivity analysis to simulate scenarios of potential impacts in case of substantial future changes in: type, volume, recyclability, recycling increase rate, among others.</p> <p>3.- Preparing these LCA has allowed us to generate other initiatives and actions on matters of packaging circularity.</p>
<b>Environmental and social impacts of procurement or ingredients</b>	FB-PF-430a.1	<p><b>Percentage of food ingredients that are certified according to third party environmental and/or social standards</b></p> <p>Percentages per standard: 5.3%</p> <p>In 2021, we acquired 305,035,687 tons of raw materials and agricultural raw materials. These correspond to 5.3% of the total, and comply with the Sustainable Agricultural Program implemented by the Group.</p>
	FB-PF-430a.2	<p><b>Vendor social and environmental responsibility audit</b></p> <p>Through the Sustainable Agriculture Program, we evaluate 100% of the new vendors every 6 months, complying with the rules checklist.</p> <p>At the end of the 2021 cycle, we completed the evaluation with 30 vendors (December 2021). 29 of 30 vendors comply with the sustainable agriculture program, which represents 96.6% compliance at the closing of December 2021.</p> <p><b>(1) Non-compliance ratio: 3.4%</b></p> <p><b>(2) Ratio of associated corrective actions for cases of non-compliance: 0</b></p> <p>We do not have a division between higher and lower non-compliance.</p>



SUBJECT	#	DESCRIPTION																			
Ingredient Procurement	FB-PF-440a.1	<p>Percentage of food ingredients from regions with high or extremely high hydric stress: 93.2%</p> <p>Note: this calculation was carried out considering the total tons of ingredients.</p>																			
	FB-PF-440a.2	<p>List of priority food ingredients and discussion of procurement risks due to environmental and social considerations.</p> <p>Ingredients: Oil, starch, and sweeteners, standard sugar, refined sugar, dry peppers, Guajillo peppers, peppers, green jalapeño, jalapeño pepper, fresh red poblano pepper, frozen strawberry, mole cookie, sweet yellow corn, clear honey from the altiplano, clear honey from the coast, cactus, tomato paste, salt, semolina, tomato, green tomato, and egg yolk.</p> <p>The strategic environmental and social risk management method is the Sustainable Agriculture Program, which consists of guiding, training, overseeing, and following-up on the production practices of our agricultural vendors, having environmental conservation and improvement as the basis, putting special attention to protected zones or areas, use of hydric resources, soil conservation, and air cleaning. We have a team of internal auditors that evaluate and follow-up on the status of the plots of land. This is carried out through a checklist to comply with the rules, which measures the progress and points of improvement of each vendor. At the end of the 2021 cycle, we completed the evaluation with 30 vendors.</p> <p>We apply this program through compliance Rules:</p> <table><tr><td>1.</td><td>Preservation of biodiversity</td><td>6.</td><td>Agrochemical reduction</td></tr><tr><td>2.</td><td>Air, water, and soil protection</td><td>7.</td><td>Health and safety</td></tr><tr><td>3.</td><td>Energy and climate change</td><td>8.</td><td>Decent work</td></tr><tr><td>4.</td><td>Waste management</td><td>9.</td><td>Social responsibility</td></tr><tr><td>5.</td><td>Integrated crop management</td><td>10.</td><td>Communication and participation</td></tr></table> <p>The main benefits of this program are:</p> <ul style="list-style-type: none"><li>– Promoting, incentivizing, and developing sustainable agriculture in our vendors as a new agricultural production culture.</li><li>– Reducing the use of pesticides to lower the environmental impact and promote adequate use of agrochemicals (BUMA).</li><li>– Preserving soil, air, and water quality in farm areas and their surrounding areas.</li><li>– Incentivizing practices to improve soil quality.</li><li>– Promoting practices for efficient management and use of resources, favoring reduction, reuse, and recycling.</li><li>– Promoting the protection of sensitive or protected areas and species.</li></ul> <p>Our goals regarding water are established based on indicators of water consumption and wastewater discharge carried out in each facility. Currently, each facility identifies areas of opportunity in its processes and makes estimations on the potential savings that it may provide to then propose an achievable annual goal. Such goals are related to the local context of their locations based on the basic and general concept of preventing unnecessary water extraction and reducing to the extent possible the contaminants discharged in compliance with the regulations applicable to us. With the actions carried out continuously to reduce water consumption and recycle treated wastewater, we seek to reduce the impacts on the resource. Additionally, in the future, we intend to define the water footprints of each plant and associate their reduction to assist in the local sphere.</p>	1.	Preservation of biodiversity	6.	Agrochemical reduction	2.	Air, water, and soil protection	7.	Health and safety	3.	Energy and climate change	8.	Decent work	4.	Waste management	9.	Social responsibility	5.	Integrated crop management	10.
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4.	Waste management	9.	Social responsibility																		
5.	Integrated crop management	10.	Communication and participation																		

SUBJECT	#	DESCRIPTION
<b>Activity</b>	FB-PF-000.A	Weight of goods sold: 569,917 metric tons
	FB-PF-000.B	New production facilities: 13 plants