



We advance together
2020 ANNUAL REPORT



Dear reader

The year 2020 demanded and took a lot from us, it reminded us of our vulnerability, but also of our collective resistance. Its lessons, though painful, have invited us to value what we used to take for granted, to prioritize what is important; to give thanks for what we have and what others do for us.

Today, we are more grateful than ever for the tireless will and commitment of all people that are part of the Grupo Herdez family. We thank our shareholders, customers, collaborators, consumers, partners, and suppliers for the trust they have placed upon us for more than 106 years, which strengthened us during this complicated year, and is also the compass that guides us to the future.

In this Integrated 2020 Annual Report, we want to tell you about what we achieved through the faces, stories, and testimony of the Grupo Herdez family. Thanks to the work of each of them, we were able to ensure the availability of our products in Mexican homes, and we were able to look out for the wellbeing of our collaborators and our families.

From 2020, we want to keep the feeling of union, joint responsibility, and solidarity that we live every single day and share with all our value chain, maintaining our firm commitment to promote the development and wellbeing of Mexico.



WHO WE ARE

In this section, you will find the essence of who we are, what we do, and what moves us to continue taking the best of Mexican food to the world, and the best of the world to the Mexican people. Additionally, you can check the balance of the year in the words of our CEO and our leadership team who, with their decisions, build our resilience and future performance.



ECONOMIC IMPACT

Here you will find the details of our financial performance, and business results.



SOCIAL IMPACT

Here you will learn about the initiatives through which we impact the well-being and quality of life of our stakeholders: customers, consumers, employees, suppliers and communities.

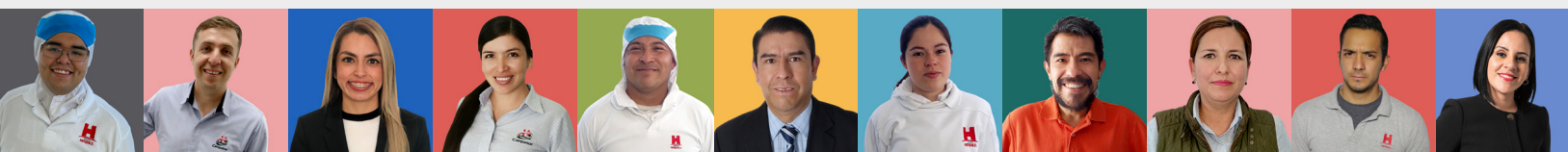


ENVIRONMENTAL IMPACT

In this chapter, we leave a record of our actions and results in water, waste, recycling and emissions management, seeking to reduce our impact on the planet with tangible, measurable, and constant results.

We have lived and learned that the world is dynamic, that flexibility and resilience are required to adapt to change; that the sum of experiences, contexts, and opinions to address the challenges that we face, are fundamental. This year, we strengthened our capacity to adapt and persevere, but most of all, the sense of belonging to the large Grupo Herdez Family. As a result of this, today we look back at 2020 with gratitude.

In this report, we honor each of our collaborators that drove in this complex year, our partners, customers, and suppliers, which, jointly with us, took the opportunity to transform into a better team, a better company; and we also honor our customers for their preference. Because now and forever: We Advance Together.



Letter to Shareholders

TO THE SHAREHOLDERS OF GRUPO HERDEZ

The year 2020 will be remembered as a tragic year for humanity, but also as a year where the rules of work for human beings and companies were redefined. Many businesses perished, while others flourished, capitalizing on opportunities through adaptability, quickness and, above all, determination to evolve. For Grupo Herdez, 2020 was a year of solidarity, results, learning, and being grateful.

At the start of the pandemic, we planned for two main objectives

1. TAKING CARE OF OUR PEOPLE.

2. NOT INTERRUPTING SUPPLYING OPERATIONS TO OUR CLIENTS.

At Grupo Herdez, we feel proud to have fully met our goals.

FINANCIAL RESULTS

In 2020, we set another sales record by selling over \$24 billion.

Sales of the Preserves segment grew 10.6% to reach \$19.4 billion. We increased the market share in spices, ice cream, mayonnaise, jams, mole, tomato purée, and tea.

Sales of the Frozen segment fell by 19.2% to \$2.6 billion, as a result of the impact of the mobility restrictions in the country, which affected traffic in ice cream shops, cafeterias, and stores in the traditional channel.



Export sales reached \$2.0 billion, a 23% increase with respect to the previous year.

Gross margins of Preserves and Exports increased 0.4 and 7.9 percentage points, respectively, while gross margin for Frozen fell by 8.2 percentage points as a result of lower sales due to the contingency and to the unfavorable sales mix at Helados Nestlé.

Consolidated SG&A remained at 25.5% as a share of net sales, practically in line with the previous year. The aforementioned, as a result of expenses discipline implemented throughout the Company.

EBIT before other income reached \$2.8 billion, in line with the previous year, while the margin fell by 0.9 percentage points to 11.8%. In the Preserves segment, EBIT before other income was \$3.3 billion, a 24% increase, while the Export segment went from \$110 to \$301 million.

Additionally, we obtained extraordinary income for \$408 million, mainly from the divestment of the tuna business, and income derived from the liquidation of a Hispanic company investment fund in the United States.

Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) -including extraordinary income-, reached \$4.2 billion, thanks to a 28.7% and 111.9% growth in Preserves and Exports, respectively. In Frozen, EBITDA was negative for \$205 million.

Equity Investment in Associated Companies was \$757 million, 2.4% less than in 2019 due to a reduction in sales to restaurants in MegaMex, as well as to the strengthening of the Dollar.

Additionally, consolidated net income of the Group totaled \$2.4 billion, 6.5% more than in 2019, while the majority net income was \$828 million, 18.4% less than in 2019, affected by the Frozen segment.

Free cash flow -without considering the divestment of the tuna business- was \$1.3 billion, equivalent to 5.5% and 7.5% of net sales and shareholders' equity, respectively.

We invested \$680 million in fixed assets, mainly in mole packaging equipment and expansions in tomato and vegetable collection capacity.

In 2020, we acquired 31.6 million of our own shares for \$1.1 billion pesos, or 8.1% of the outstanding shares as of December 31, 2019. This amount, jointly with the payment of ordinary dividends represented a return to shareholders of 9.3% on the average market capitalization of the company.

SUSTAINABILITY

In the **Persons** pillar, the two most important initiatives of the year were related to SDG 5, Gender Equality. On one hand, at the end of the year, we started the first Diagnostic of Diversity and Inclusion within the Group, the results of which will help us focus our efforts to contribute to a more equitable Mexico, aligning with the United Nations sustainable development goals. On the other, we launched "Semillero Nutrisa", an initiative that promotes the development of small and medium-sized companies led by women. This project will strengthen our product portfolio with innovative local proposals. In its first edition, Semillero gave 12 scholarships in a training program to strengthen its business model and develop them as potential suppliers of the Group.

In the **Community** pillar, the majority of our efforts were focused on fighting the effects of the pandemic on the most vulnerable sectors.

First, jointly with Sanfer and La Costeña, we prepared more than 35 thousand baskets with food, health, cleaning, and medication products that benefited more than 175 thousand Mexicans in a vulnerable situation.



Likewise, in alliance with suppliers of the restaurant sector, Directores de Cadenas Restauranteras (DICARES), Asociación Mexicana de Restaurantes (AMR), Comida para Ayudar, and Vatel Club, we collected more than 60 tons of food to benefit 24 thousand collaborators of restaurants from the country's capital.

And lastly, in the **#somosfamiliagrupoherdez** effort, those of us who collaborate in the Group have made donations to fellow employees that have suffered the loss of any family member due to COVID-19. In this initiative, the company matches the donation.

Lastly, in the **Planet** pillar:

In 2020, we reduced water consumption by 13%.

We recycled 83% of the waste generated by our operations.

Carbon emissions fell by 14%.

62% of energy consumption comes from clean sources.

Additionally, through our brands, we continue to reinforce our commitment to the environment.

Through our **Por Un Mundo Más Vivo** program, in spite of the social distancing measures, we were able to clean two Mexican beaches before the suspension of activities, equivalent to 30 kilometers of coast, adding up to a total of 437 km of benefitted beaches. Since the start of this initiative in 2018, we have collected more than 3,000 kilos of trash and 80 tons of gulfweed (sargazo) with the tireless assistance of 2,690 volunteers.

Under the **#siguedandolata** initiative, we installed 52 can collection machines in 14 States and 12 supermarket chains, collecting a total of 5.3 tons of tin, exceeding our goal by 7%. With this, we were able to install 8 wind turbine generator systems for communities in the southern part of the country, benefitting 68 people.

We participated in the first virtual reforestation through "Sembremos una nueva normalidad". The goal consisted of reforesting 3.6 acres in six days at Barranca de Tarango, one of the main forest areas of Mexico City.



Through the Herdez and Aires de Campo brands, we contributed more than 200 trees, which are able to absorb 29 tons of carbon dioxide per year.

The program considered the creation of temporary jobs as a strategy aimed at addressing the loss of jobs due to the contingency, and for young people in a social reinsertion process.

THE FUTURE.

Throughout the course of the century that we have been present in the homes of Mexican families, we have always faced factors that lead us to adapt. This is one of such moments. At Grupo Herdez, we live the future with optimism, adapting to the circumstances, and seeking to be more efficient. It is an honor to lead an extraordinary team of persons who, jointly with processes and technology, allow us to continue to have the preference of our consumers and clients.

APPRECIATION.

We are grateful for the commitment and dedication of those that form part of the commercial, planning and supply, systems and digital transformation, environmental care, health and safety teams, people at the plants who, with their enthusiasm and commitment, were able to get the products of the Group to Mexican families. We give our most recognition to all of them.

And, especially, I want to thank all of the families of those of us who work at the corporate offices of the Group for making our work from home easier..

With all confidence... Mexico will move forward.

Sincerely,

Héctor Hernández-Pons Torres
Chairman of the Board and Chief Executive Officer



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We are a company that does not stop, with a team that adapts to succeed under new circumstances and the new reality.”

Héctor Hernández-Rons Torres,
Chairman of the Board and CEO.

For more than 100 years, we have been part of the nourishment of Mexican families with our products, that are proudly made in Mexico. Today, this motivates us to continue to take the best of Mexican food to the world, and the best of the world to Mexican homes.

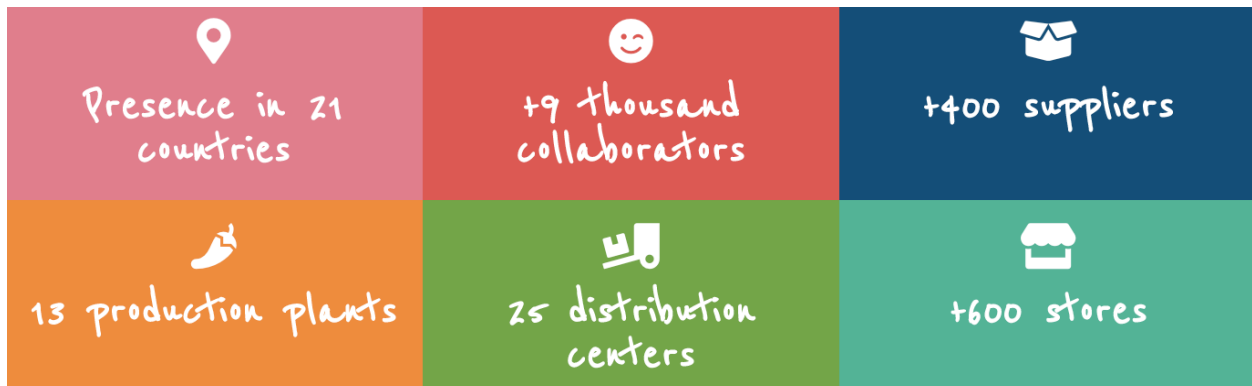
Company profile

GRI: 102-4

We are the Mexican food company with the greatest history in the country. We are leaders in the processed food industry and an important player in the ice cream category in Mexico. In addition to having a solid presence in the United States through MegaMex, and being leaders in production and marketing of guacamole, as well as salsa and frozen Mexican food categories.

WHAT BACKS OUR POSITION?

According to MERCO (Corporate Reputation Monitor, in its Spanish acronym), **we are one of the 10 food companies with the best reputation in Mexico (6th place) for the third consecutive year**, and we occupy 48th place in the overall ranking of the 100 companies with the best reputation.





Since our founding, we have created links with our entire value chain through different actions to honor the origins of Mexican gastronomy. This year, those links were a fundamental factor that reinforced the feeling of union and joint responsibility with our **shareholders, customers, collaborators, consumers, partners and suppliers.**

Group Brands

GRI: 102-2

The work of our family drives the positioning of our broad portfolio of brands and products, with which we currently have a presence in 99% of Mexican homes. With them, we provide solutions to the everyday life of our customers, by offering them variety and convenience for different lifestyles.

BRANDS IN MEXICO



BRANDS IN THE UNITED STATES



DISTRIBUTION AGREEMENTS





“

As an organization, during the contingency, we fulfilled our commitment to offer food that satisfies the taste for Mexican food”

*Ryan Michaelis,
Chairman and CEO of MegaMex.*

MegaMex

TOGETHER WE CROSS BORDERS

Since 2009, we expanded the iconic and most representative flavors of Mexican food to the United States through MegaMex, in alliance with Hormel Foods.

2020 IN NUMBERS

This year, net sales of MegaMex in the US market added up to **\$14.7** billion pesos, which represented an increase of **6.4%** with respect to the previous period.

Operating margin was **10.6%**, 1.5 percentage points below last year, while our net income was **\$ 1.5** billion pesos.

In 2020 we carried out several initiatives to get closer to our consumers:

WHOLLY® AVOCADO READY TO SERVE

How did we do it?

We offered our customers an alternative to serving fresh Haas avocado without cutting or taking it out, since we now prepare it vacuum packed.

How did we stay connected to our customers?

Clearly and directly: “It’s wholly® avocado. Not mostly avocado”.

How did we stand out?

We wish to offer quality products that are convenient for every lifestyle.



WHOLLY® GUACAMOLE NATIONAL GUACAMOLE DAY

When?

In September 2020, in Texas, we installed a pit stop with different activities to celebrate **National Guacamole Day** in a fun and original way.

What did we do?

- We gave away samples and gifts with the phrase “The Texas Original”.
- We offered different versions of our classic and homestyle guacamole.
- We exchanged avocados in poor conditions for prizes through a QR registration.

How did we stand out?

All avocados that we received were sustainably composted in the Dallas, TX Recycling Revolution.

How did we stay connected with our customers?

We broadcast this initiative through influencers and digital media.

Our impact was reflected in:

- 44 publications
- 271 million people reached

SHOW YOUR FLAVOR WITH LA VICTORIA

How did we do it?

We invited our customers to show us how they use our products Salsa Brava, Salsa Verde, Salsa Chunky and Taco Sauces.

How did we stand out?

We increase the interaction with lovers of Mexican salsas.

How did we stay connected to our customers?

Through social media campaigns, we shared the different ways to taste La Victoria salsas in their favorite dishes.

WE MADE NEW LAUNCHES

How did we do it?

Through a creative campaign, we described the delicious flavor of our new salsas: Chipotle Cremosa, Cilantro Lime Cremosa, Guacamole Salsa and Salsa Casera that were launched in June.

How did we stand out?

Through attractive and disruptive messages, we were able to show our customers in the United States know the variety of Mexican flavors.



Corporate Governance

GRI: 102-16, 102-17, 103-1, 205-2

MISSION

To place quality food, beverages, and products available to customers, with renowned brands with growing value.

VALUES

HONESTY	RESULTS-ORIENTED	TEAMWORK	TRUST
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VISION

Grupo Herdez aims to consolidate, grow, and position itself as a leading company in the food, beverages, and wellbeing industry, recognized for the quality of their products and for the effectiveness of its efforts oriented towards ensuring the satisfaction of the needs and expectations of our clients and consumers, within a framework of competitive attention and service, under strict criteria of profitability, strategic potential, and sustainability.

BOARD OF DIRECTORS

For the purpose of continuing to grow and generate value for all of our stakeholders, our highest governance body, the Board of Directors, is composed of 9 directors, and is led by Héctor Hernández-Pons Torres, Chief Executive Officer of the Group, who acts as Chairman. Jointly, they make decisions to guarantee and maximize returns for all investors that rely on us.

RELATED MEMBERS

<i>Héctor Hernández-Pons Torres</i> Chairman, (M) 1991	<i>Enrique Hernández-Pons Torres</i> Vice Chairman, (M) 1991	<i>Flora Hernández-Pons Torres</i> (M) 2005
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INDEPENDENT MEMBERS

<i>Anasofía Sánchez Juárez Cardoze</i> (M) 2019	<i>Eduardo Ortíz Tirado Serrano</i> (M) 2003 Responsible for labor practices	<i>Enrique Castillo Sánchez-Mejorada</i> (M) 1992
<i>José Roberto Danel Díaz (EF)</i> (M) 2003 Chairman of the corporate practices and audit committees	<i>Michael Bernhard Jost</i> (M) 2019	<i>Luis Rebolgar Corona</i> (M) 2004

(M) Member since (EF) Financial expert



THE COMMITTEES THAT FORM PART OF THIS GOVERNANCE BODY ARE:

Board of Directors	Audit Committee	Corporate Practices Committee	Risk Committee	Sustainability Committee	Ethics Subcommittee	Crisis Subcommittee

MANAGEMENT TEAM

<i>Héctor Hernández-Pons Torres</i> Chairman of the Board of Directors and Chief Executive Officer	<i>Enrique Hernández-Pons Torres</i> Vice-Chairman of the Board of Directors and Co-Chief Executive Officer	<i>Gerardo Canavati Miguel</i> Chief Financial Officer	<i>Andrea Francesco del Rizzo</i> Commercial Director	<i>Pedro Gracia-Medrano Murrieta</i> Human Resources Director
<i>Enrique Hernández-Pons Méndez</i> Aires de Campo Director	<i>Estuardo Lárraga Martínez</i> Supply Chain Director	<i>Juan Rodríguez Del Collado</i> Food Service Director	<i>Sergio Zardoni Galarza</i> Planning and Associate Companies Director	

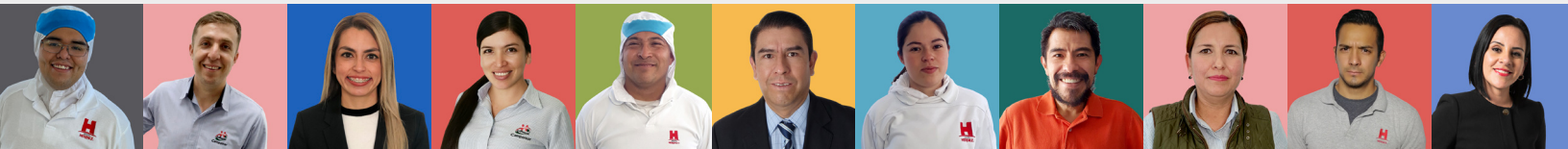
OUR CODES AND POLICIES

The history of Grupo Herdez is based on the trust given to us by our shareholders, customers, collaborators, consumers, partners and suppliers for more than 106 years. Under the challenging circumstances that we faced in 2020, our codes and policies system helped us take sound steps, with the trust that our long-term relationships are based on integrity, transparency, and cooperation.

Thanks to the continuity of our Culture and Legality program, our team of collaborators, allies and suppliers joined together to strengthen our corporate citizenship, promoting ethical behavior and integrity inside and outside of the facilities of our Group.

We share the values of our culture, including our different guidelines on economic, social and environmental matters, which we update and reinforce through training, announcements and meetings.

<https://grupopherdez.com.mx/sustentabilidad/codigos-y-politicas/>



“

The Culture of Ethics and Legality program was implemented with the purpose of generating greater awareness among our employees and thus generating positive changes in our personal, family and work environment.”

*Claudia González Corona,
Training Manager*

3,584
Collaborators trained in the Ethics and Legality Culture program.

15

Shared computer graphics to incentivize promoting the culture of legality in the workplace.

3

Work booklets of the Ethics and Legality Culture program.



“

The Ethics and Legality Culture Program is one of the programs that changes the way we see the world, and help us become a better person, collaborator, and citizen”

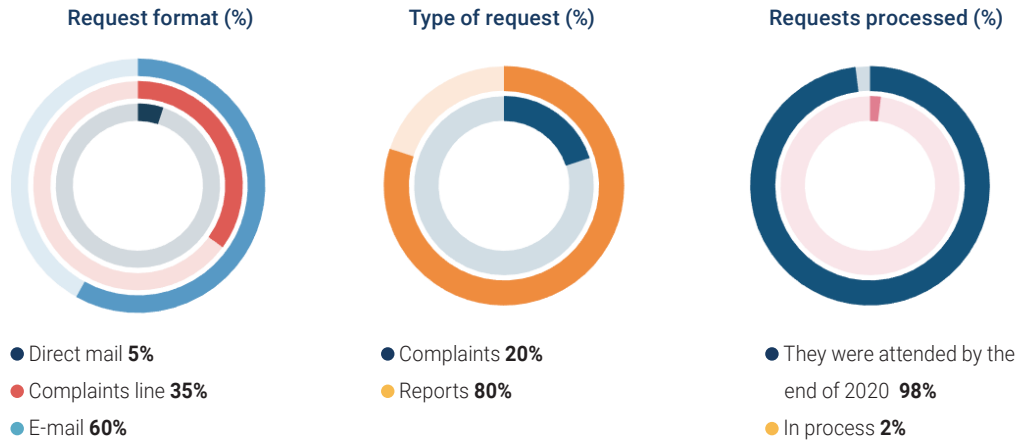
*Angélica Álvarez Soriano,
Training Coordinator.*

It is our commitment to prevent any type of behavior that goes against our values, codes, and policies. To provide better attention and support, we have internal whistleblower mechanisms fully anonymous available 365 days a year, 24/7. The reports are monitored by an external supplier and assessed by the Internal Audit team and the Human Resources Department.

- Línea 01800 (01800 CONFIANZA – 01800 266342692)
- Correo Confianza (confianza@herdez.com)
- Buzón de sugerencias



IN 2020, WE RECEIVED A TOTAL OF 130 REQUESTS.



There was a 26% reduction in reports compared to the previous year.

Sustainability Strategy
TOGETHER FOR A GREATER POSITIVE IMPACT

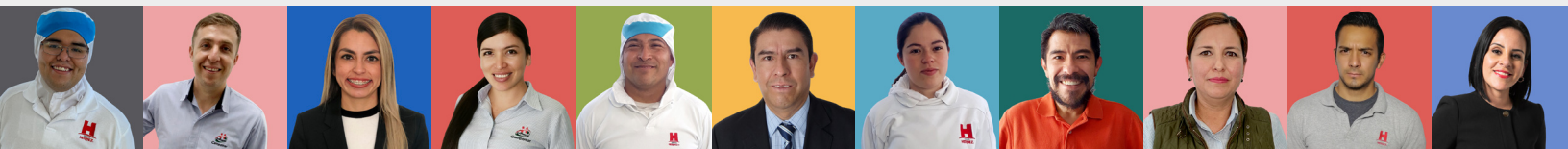


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The year 2020 highlighted that it is impossible not to think about sustainability as part of the strategy of any company. Our alignment and commitment with the UN SDG is the right path to achieve a more sustainable growth.

*Andrea Amozurrutia Casillas,
Deputy Finance Director*

Even though the pandemic made us reassess priorities and reorient efforts, we maintained our sustainability strategy aligned to **six of the Sustainable Development Goals** of the UN Agenda for 2030. Sustainability has always been present in Grupo Herdez, it is an essential subject in our culture, since it is the base to ensure our permanence, contributing to the wellbeing of persons, communities, and the planet.



GRI: 102-12, 102-21, 102-40, 102-47

As a responsible corporate citizen, we are driven by a firm commitment for the wellbeing and development of Mexico, creating quality jobs, establishing relationships of trust with our suppliers, improving life quality of the communities that suffer from food safety and taking care of our natural resources in an efficient and responsible way.

In 2019, we committed to six of the 17 Sustainable Development Goals of the UN Agenda 2030, setting specific goals in three lines of action:



Fomentar la igualdad entre los géneros y apostar por la inclusión y diversidad.



Impulsar la salud alimentaria, reduciendo los niveles de desnutrición y buscando favorecer hábitos saludables.



Gestionar de manera eficiente, responsable y sostenible el recurso hídrico.



Promover la creación de oportunidades y empleos de calidad.



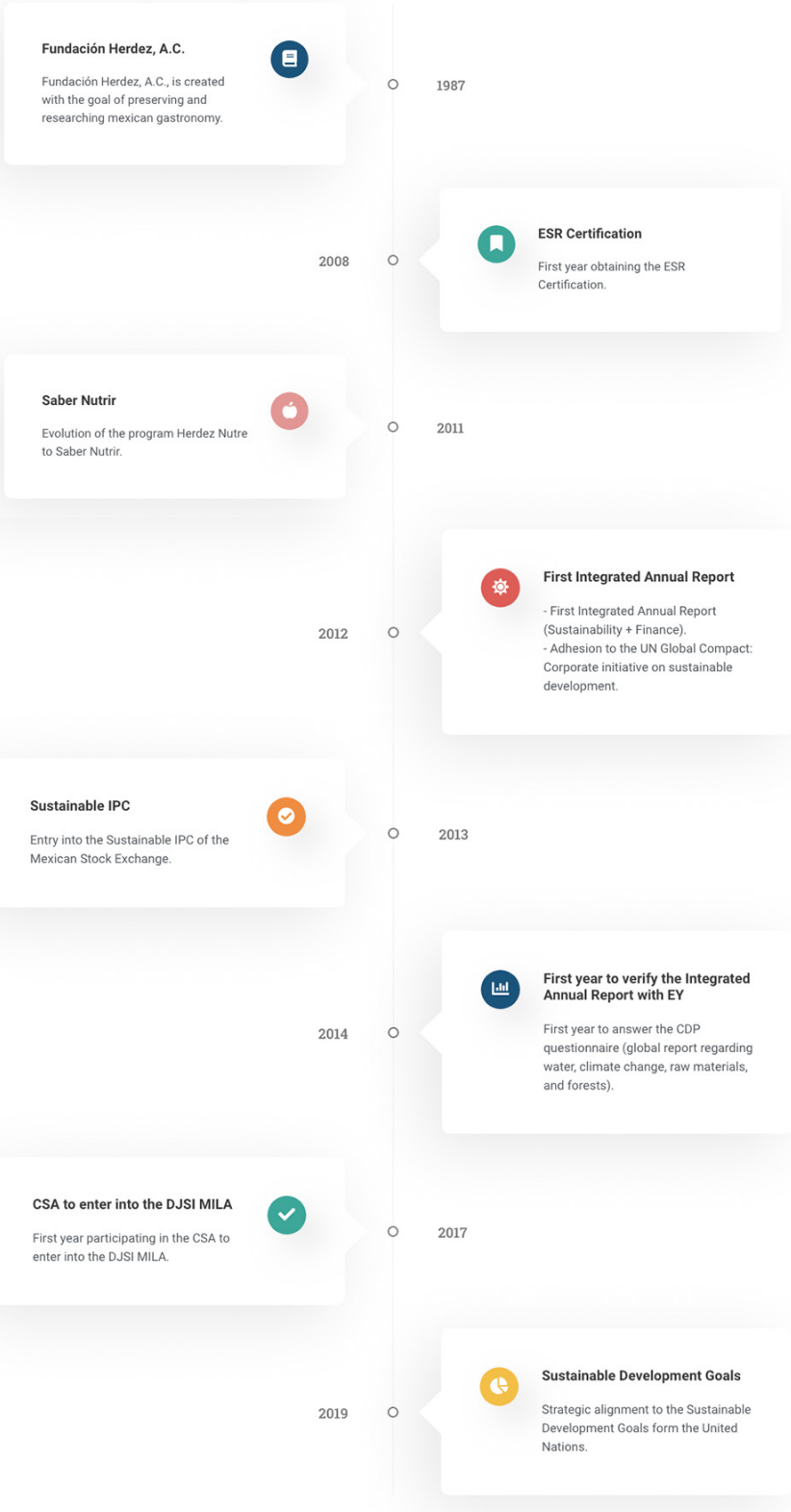
Incorporar tecnologías de ecodiseño de productos, favoreciendo el enfoque de economía circular.



Priorizar la reducción de nuestra huella de carbono, buscando neutralizar los efectos del cambio climático.

WHAT STEPS HAVE WE TAKEN?

This path has taken us a long time and we have learned many things along the way. We started in 2008 with a first GRI report, which we prepare and improve on an annual basis. In 2012 we adhered to the UN Global Compact, and we have progressively incorporated new non-financial reporting standards that have allowed us to lead with transparency and innovation, becoming a benchmark in sustainable management and development in Mexico.





These results have allowed us to obtain:

- Continuous improvement in our management and reporting of information.
- Greater transparency in the information that we share with our stakeholders.
- Compliance with the increasingly relevant demand for non-financial reporting (ESG).
- Strengthening of our brand positioning, trust, and reputation.

WHAT DO WE DO NOW LOOKING TOWARDS THE FUTURE?

During this time, as a country and as a company, we have noticed that sustainability is a cornerstone to face an uncertain future. At Grupo Herdez we work towards sustainability to achieve 100 more years of history with concrete goals, practices based on resiliency, climate risk analysis, synergies with our stakeholders and clarity regarding our goal as a member of the private sector.

We are aware of the importance of a firm position on essential issues, the relevance of continuing to act with honesty and transparency, and the correct balance between social, environmental, and economic issues.

For this reason, we defined our sustainability purpose: We want to be passion, culture, and a global benchmark of innovation on sustainable development.

Our Mission is to satisfy the needs of the present without compromising the capacity of future generations to satisfy their own needs; through strategies that seek to increase the purpose of our brands, reduce costs and risks; generate even more value for our stakeholders; work for the rights of all persons; bet on a more sustainable world and continue to transmit the trust that characterizes us.

For the purpose of permeating the entire Company with a unique culture of sustainability, we created the Sustainability Committee and composed the task force in charge of following up on the goals that we have set.

The members are:

<i>Andrea Amozurrutia</i> Deputy Finance Director	<i>Lucia Bahena</i> Deputy Human Resources Director	<i>Charlotte Oudin</i> CEO of Barilla Mexico	<i>Arturo Guzmán</i> Environmental Sustainability Manager	<i>José Luis Ortega</i> Deputy Marketing Services Director	<i>Javier Carnevalli</i> Deputy Supplying Director
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Thanks to the commitment of the task force, composed of more than 50 volunteer collaborators, we generated 231 ideas that will change the world and thus, we landed the goals of each of our three pillars in 10 strategic lines and 19 concrete actions with goals to achieve by 2025.



MATERIALITY ANALYSIS

The basis to select the content of our Integrated Annual Report is the Materiality Analysis, the most recent one being from 2019. We approached our five major stakeholders (customers, collaborators, consumers, investors, and suppliers) to understand their main concerns and expectations, to thus align our action plans.

We prioritize critical and strategic issues to ensure their incorporation in our sustainability strategy:

**Critical issues**

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

Strategic issues

- Compliance
- Energy consumption and efficiency
- Ethics and anticorruption
- Labor conditions and relations
- Occupational health, safety, and wellbeing
- Profitable growth in markets and financial sustainability
- Supply chain quality and safety
- Training and career development
- Transparency in product information and labeling
- Water management

The Sustainability Committee, jointly with the persons responsible for each strategic line and their task forces, allies and ambassadors, will ensure the follow-up and performance of our short, mid, and long-term sustainability goals.



	2020	Margen	2019	Margen	Var(%)
Net Sales	24,036		22,420		7.2%
Gross Profit	8,988	37.4%	8,633	38.5%	4.1%
Operating Income	3,255	13.5%	2,990	13.3%	8.9%
Consolidated Net Income	2,368	9.9%	2,224	9.9%	6.5%
EBITDA	4,197	17.5%	3,818	17.0%	10.0%
Total Assets	33,575		33,081		1.5%
Total Debt	10,294		8,859		16.2%
Total Liabilities	16,238		14,834		9.5%
Shareholders' Equity	17,336		18,248		(5.0%)
Net debt-to-EBITDA ratio	1.6		1.7		
Net debt-to-Equity ratio	0.38		0.36		

* Figures are stated in mexican pesos.

(1) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization and other non-cash items.

(2) Total debt = Interest-bearing debt, including leases.



MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the following Management's Discussion and Analysis of Results is to help the reader understand the operations and results of Grupo Herdez.

We are leaders in the processed food industry and an important player in the ice cream category in Mexico, in addition to being the fastest growing company in the Mexican food industry in the United States, through MegaMex. The management of the business is divided into three segments: Preserves, Frozen and Exports. The results of MegaMex, the association with Hormel in the United States, are recorded in the Equity Investments in Associated Companies in the Income Statement..

The main growth opportunities for all segments of the Company are increasing household penetration, gaining market share, reducing distribution gaps, innovation based on consumer understanding and market segmentation, and increasing traffic in our stores.

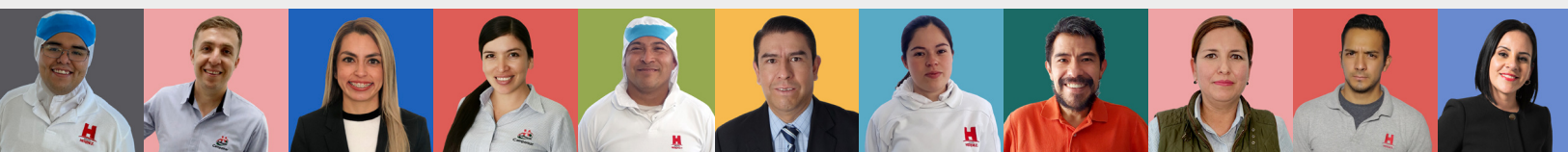
As of January 1, 2019, in accordance with International Financial Reporting Standard 16 – Leases, which establishes the principles for recognition, measurement, presentation and disclosure of leases to be now revealed as right-of-use assets, and lease liabilities and, after January 1, 2019, changes in depreciation and financial cost, the financial statements include changes related to the accounting reporting of such items.

In 2020, the consolidated net sales reached a record figure of \$24.0 billion, 7.2% higher than the previous year, mainly due to higher volumes as a result of at-home consumption caused by the pandemic.

Net sales in the Preserves segment grew 10.6% to \$19.4 billion due to greater at-home consumption caused by the pandemic. During the year, 43% of the portfolio showed double-digit increases. Price club, supermarkets, and wholesale channels exceeded the average growth of the portfolio.

Net sales of the Frozen segment were \$2.6 billion, \$19.2% lower than in 2019, due to the mobility restrictions that impacted the Cielito Querido Café, Lavazza, Moyo, and Nutrisa stores, as well as lower dynamism of the DSD channel. The aforementioned was partially offset by the good performance of Helados Nestlé in supermarkets and price club channels.

Exports sales reached \$2.0 billion, 23.0% higher than in 2019, due to the additional demand generated by at-home consumption in the United States, as well as the revaluation of the US Dollar against the Mexican Peso.



At the end of the year, Preserves represented 81%, Frozen 11% and Exports 8% of total net sales.

Consolidated gross margin in the year was 37.4%, a reduction of 1.1 percentage points compared to the previous year, mainly due to the additional costs derived from the implementation of the new labeling regulation. In the Preserves segment, margin expanded 0.4 percentage points to 36.5% as a result of the increase in sales volume caused by the pandemic.

In the Frozen segment, gross margin fell by 8.2 percentage points, to 55.9%, while in the Exports segment, gross margin increased 5.9 percentage points to 21.6%.

Consolidated SG&A remained practically in line at 25.5% as a proportion of net sales.

EBIT before other income added up to \$2.5 billion, in line with the previous year, while the margin fell 0.9 percentage points to 11.8%.

During the year, the Company recorded other income of \$408 million that reflect the net effect of: i) the divestment of the tuna business, and ii) an extraordinary income from the liquidation of an investment fund of Hispanic companies in the United States.

EBIT margin in the year reached 13.5%, 0.2 percentage points higher than in 2019, as a result of an increase in the Preserves margin of 3.1 percentage points derived of higher sales volume and the aforementioned extraordinary income.

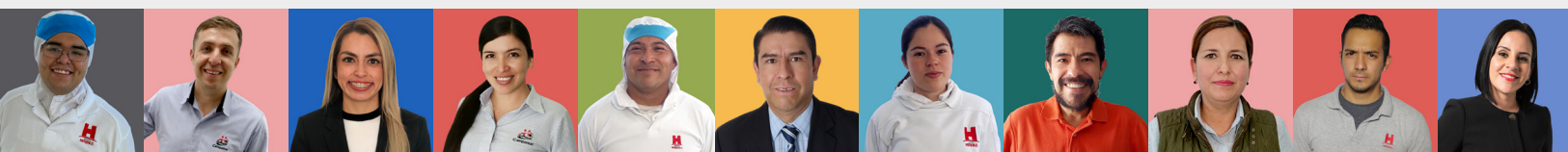
Net financing cost was \$670 million, 9.4% higher than in the previous year, which is mainly explained by higher interest derived from a \$1.5 billion increase in debt compared to the previous year.

Equity Investments in Associated Companies was \$757 million in 2020, 2.4% less than in 2019, the foregoing is explained by the result of the impact due to the pandemic in the results of the MegaMex business.

Consolidated net income increased 6.5% to \$2.4 billion, while majority net income fell 18.4% to \$828 million, as a result of the performance of the Frozen segment.

EBITDA for the year was \$4.2 billion, 10.0% higher than the previous year, while the margin increased 0.5 percentage points to 17.5%.

Net CAPEX totaled \$255 million due to the income derived from the divestment of the tuna business. Additionally, CAPEX added up to \$680 million, and were mainly used for maintenance projects and plant improvements.



Cash flow reached \$2.8 billion, \$136 million more than in 2019, which allowed us to finance CAPEX for \$680 million, fulfillment of financing commitments, pay dividends, and repurchase 31.6 million shares. Considering the last two, the total return to shareholders was 9.3%.

As of December 31, 2020, the cash position reached \$3.7 billion, a growth of 59.4% with respect to 2019. Liabilities with cost at the closing of the year were \$9.5 billion or \$1.5 billion more than in 2019 due to the issue of Local Bonds (Certificados Bursátiles) in August for \$3.5 billion with which the balances borrowed in March from the committed credit lines and Local Bonds HERDEZ 17-2 and HERDEZ 18 were settled.

At the closing of the year, the debt was 100% denominated in Mexican Pesos, while 68% was at a fixed rate, including derivative financial instruments.

Consolidated net debt to EBITDA ratio was 1.6, while the consolidated net debt to equity ratio reached 0.38.



The COVID-19 health contingency gave us great challenges, left us great experiences and learning, opened opportunities for us, and motivated us to reassess our objectives and priorities.

Without a doubt, the human factor, tireless willpower and commitment of all members of the Grupo Herdez family were key to advance through these challenges and capitalize on opportunities; with innovation in our processes, safety for our personnel and strengthening our commitment with the development of Mexico.

Clients

It is clear for us that union makes strength. This year, our customers played a fundamental role in complying with our commitment to take food of the highest quality to Mexican homes and to the world. We work together to offer safe products and spaces, closeness, adaptation and empathy, through solutions that strengthened the trust of our customers and looked out for the wellbeing of our people.



“

2020 brought us the opportunity to strengthen our business relationships with our customers, collaborating with them to seek for alternatives, concentrating on what we COULD do.”

Juan Rodríguez del Collado,
Food Service Director

MCCORMICK MEMBER'S MARK SPICES

The most important achievement of this category was the launching of 40 products under a cobranding scheme with Sam's Club. This was an unprecedented launch in our relationship with WalMart.



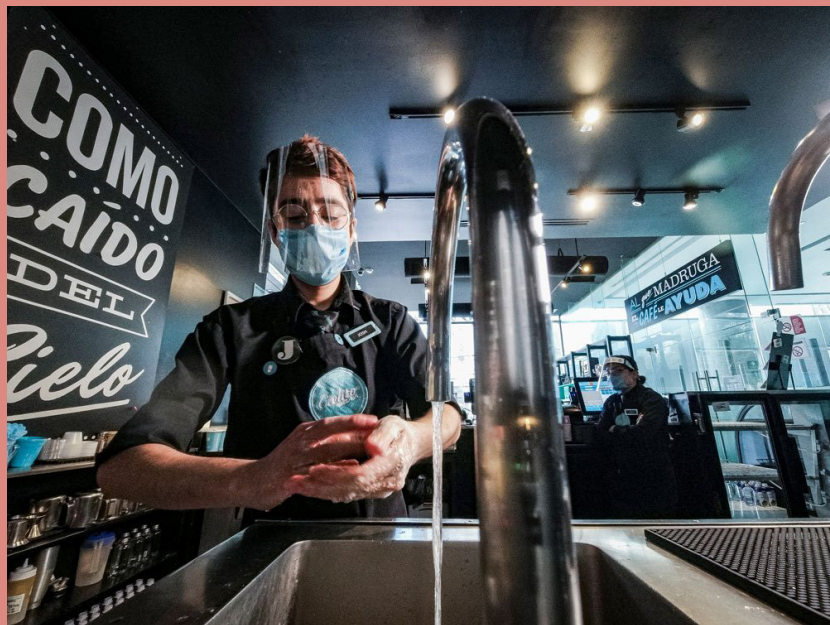
CIELITO QUERIDO CAFÉ®, LAVAZZA®, MOYO® AND NUTRISA® NUTRIS STORES

2020 was a challenging year for many sectors, including retail, since the beginning, with the closure of stores and restrictions on mobility, we lived times of uncertainty. Regardless, we kept our staff with 100% of their salary and made different training options available to our collaborators through online platforms.

All establishments of our Cielito Querido Café, Lavazza, Moyo, and Nutrisa brands were converted into 100% safe spaces, aligned with the directives issued by the government in each state of the country to ensure conditions for their correct operation.

Something that we highlight with pride is that the contingency situation boosted our digital transformation. We accelerated the development of digital tools to be closer to our customers, offering delivery services through platforms such as Rappi.

Thanks to these efforts, Nutrisa and Cielito Querido Café were recognized in the ranking of The 500 Best Digital Brands of Merca 2.0, demonstrating our ability to generate relevant content and not being unnoticed in the midst of the situation.





HELADOS NESTLÉ

One of the challenges we faced during the contingency was understanding, jointly with our customers, the impacts and needs of each sales channel. Demand in supermarkets increased considerably in the months of March and April 2020. Given this, we generated a joint plan to prioritize the key products and comply with procurement at all times, since in some specific cases we assisted in direct delivery to stores.

Traditional (DSD) channel was one of the most affected, with a decrease in sales close to 20%, however, we supported store owners by making promotions to boost their sales. Also, we joined forces with Coca-Cola Mexico, Colgate-Palmolive, Kellogg's, Mondelēz México and Pepsico in the campaign "Separados somos pequeños, juntos somos gigantes", to recognize the effort that people in charge of stores and small business in Mexico do, in addition to encouraging consumption in local or neighborhood businesses to incentivize the economic reactivation of Mexican families, in the face of the new reality.

Additionally, to assist our convenience store, pharmacy, and institutional channel stores, we developed payment plans to help the cash flow of the customers in these channels.

“

Among the competencies that we had to develop, we highlight knowing how to act differently with our customers, understanding their circumstances and concerns, respecting their times, and lacking in-person interactions, being able to maintain a united team that is always ready.”

*Andrea Del Rizzo,
Commercial Director*





Customers

TOGETHER WITH CONFIDENCE AND INNOVATION

BRAND INITIATIVES

As a result of the stay-at-home call, supermarket visits decreased. However, safe distancing became an opportunity to enjoy moments with family and carry out activities that promoted creativity, including cooking and preparing new recipes, having as a main ally our broad and varied product portfolio.

DOÑA MARÍA

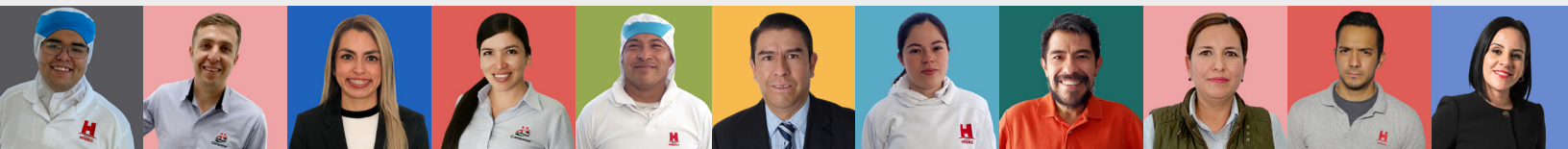
Cooking sauces: Addressing the trends and needs of our customers for ingredients to prepare home-made dishes, with authentic Mexican recipes, we launched the Cooking Sauces Doña María (Pastor, Pibil and Tinga), taking the flavor of Mexico to their tables.



“

We had several achievements as a team, Herdez was recognized as the second most valuable brand of the 2020 Annual Report, according to the consulting firm Brand Finance, being in the Top 10 brands that consumers mention as proud representatives of what we are as Mexicans.”

Rodrigo Mondragón Campero,
Deputy Director of Marketing for Herdez Del Fuerte



MCCORMICK BALANCE

• McCormick Mayonesa Balance

With the launch of the Balance line, we give our customers a new variety of options with low caloric content, prepared with sesame seed, soy and avocado oil.



• Té McCormick Balance

This year we added teas to the Balance family, composed of Anti-Flu Tea and Good Night Tea, the new Antistress tea, offering a moment of relaxation for our customers.

In this regard, we did the #sabeabalance campaign on social media to promote the adoption of balanced lifestyles.



MCCORMICK MAYONNAISE

• Mayosabor BBQ

With the launch of Mayosabor BBQ we offered the public the perfect combination of sweet and smoky. Given the wide acceptance that it had among our customers, in a short time, this new product reached the same market share as Mayosabor Habanero (2019), representing 5% of the flavored mayonnaise segment and positioning itself in the Top 5 of the portfolio.

• Equipos de fútbol

To service and pamper our clients in the northern part of the country, we launched a limited edition in three different presentations 190g, 390g and 725g of mayonnaise jars with images of the two most important teams in the Northern region: Tigres de la Universidad Autónoma de Nuevo León (UANL) and Rayados de Monterrey. The sale was carried out exclusively in the retail channel and wholesale stores, with which we gained 2.2 market share points in the city of Monterrey.

Thus, we entered into an alliance with these two teams to launch two campaigns to assist with the contingency. With the Tigres team, we donated one million facemasks in economically active zones with high affluency and in low-income communities in Monterrey. With the Rayados team, we donated laptops in different communities in Monterrey, helping more than 700 children so that they could continue with their studies remotely.



MCCORMICK JAMS WITH CHILI PEPPERS

We launched three new flavors for our customers: raspberry chipotle, orange pequin and apple with ancho pepper; highlighting the flavors of Mexican food, and adding to a total of 6 varieties to the jams with chili pepper category.

“

The most valuable resource were our people. Their commitment, punctuality and proactivity; looking for solutions to the challenges that arose, without being physically present.”

*Diana Cortina Toledo,
Deputy Director of Marketing McCormick*



BÚFALO

- **“A la Búfalo”:** In collaboration with the influencer Alex Fernández, this year we made a series of videos with recipes and organic stories that reached more than 118,000 people.
- **Conecta Festival:** We held the 1st Online festival in Mexico, where we had 382,000 views, Tweet and Greet with DLD and Alejandro Fernández concert.
- **Extra Hot Classic Sauce** We provide a hotter alternative for the most resistant palates.
- **New Image:** Salsa Búfalo had an image change in 2020 to achieve a new brand-level alignment and, at the same time, we differentiated ourselves from the other sauce varieties; giving it a rejuvenated and unique identity, maintaining its fun and fresh essence.





MCCORMICK

- **Mother's Day:** On May 10 we surprised all Mexican moms with a very special message in social media, which reached 2.6 million people.
- **Mayosabores, Stand Up Comedy Show:** The comedian Sofía Niño de Rivera offered a standup comedy show that was broadcasted on social media, which had over 700 attendees, achieving a sold out for the event.



BARILLA

- **Gastronomic Bonuses:** In support of the restaurant sector, we gifted coupons to local restaurants to exchange them for meals and thus help them maintain their income. This time, we helped the restaurant Lalo!.
- **Cooking workshops with Lalo García:** We invited this famous Chef to share recipes and cooking tips with us in a Live Stream. We had over 600 thousand visits.



YEMINA

With the intention of sharing the energy provided by Yemina pasta, we carried out two activities in 2020, which had a reach of 4 million users:

- We had free yoga classes with our brand ambassador, Elsy Núñez and we shared delicious recipes that are free to download in the recipe book "More stories with Energy".
- **Crew Yemina:** through influencers from Monterrey, we carried out online activities such as "Yemina Yar Kits at home", "Feed Your Soul Kits Collection" and "Zoom Session with influencers".





“

Barilla® participated in different initiatives to give assistance to chefs, communities and other gastronomy professionals to help them obtain income without closing their establishments and keeping jobs”

*Charlotte Oudin,
Chief Executive Officer of Barilla México*

GRI: 103-1

INNOVATION

2020 challenged our spirit of innovation, but aligned with our strategic pillars, we underpinned our ability to hear, to serve the needs of the market and the industry. Together, we exceeded the distance barriers and adapted our product development strategy to present innovations to consumers and customers..



“

The Research & Development team was key to achieve our 2020 commercial goals, in addition to research agencies. Having great teamwork was of great value to me.”

*José Luis Ortega Hernández,
Deputy Director of Marketing Services*

Our core strategies:

1. To maintain and form partnerships through the development of market intelligence.
2. To implement innovation and transactional technologies that allow the acceleration of communication processes with the consumer.
3. To promote sustainable management, prioritizing water conservation and efficient use of energy.
4. To support and generate growth through the development of talent and investment in infrastructure.
5. To form responsible corporate citizenship that promotes social development initiatives.



Additionally, we also take our transformation capacity to our work and communication dynamics, adapting to the new normal and accelerating the digital transition that we have been promoting since 2019. 2020 represented for us the ideal time to establish the bases and generate important alliances, which will be pillars for our digital culture development onwards.

ALLIANCE WITH GOOGLE CLOUD

With an investment of 15 million dollars in the next 5 years, we established our first technological alliance with Google, which will allow us to accelerate the digital transformation of Grupo Herdez by using the tools of Google Cloud Platform such as BigQuery ML and Looker, among others.

CURRENT INFRASTRUCTURE

We modernized our infrastructure with the implementation of tools, such as BigQuery ML, and developed capacities, such as digital listening and growth hacking, as well as to foresee needs in the production chain and demand of the market. Thus be able to continue to take the best of flavors of Mexico and the world to the homes of our customers in a more efficient way.

KNOWING OUR CUSTOMERS

This year, we also strengthened the specialized listening department, through which we may know about new trends and tastes of our customers, which allows us to plan supply, innovation, inventory and communication strategies.



“

Digital transformation is about identifying a business process and finding in the disruptive array of technologies, which may potentialize the resolution of business needs and opportunities.”

*Miguel Ángel López Pérez,
Digital Transformation Leader*

We advance with what we learned in 2020 towards a new reality, with the opportunity to be more efficient, innovate in products and processes, look for new channels that bring us closer to consumers, where we continue developing these capacities to maintain our presence in the homes of mexican families and throughout the world.



NEW E-COMMERCE APPLICATIONS

Our Barilla®, Nutrisa® and Cielito Querido Café® brands positioned themselves inside the ranking of 500 digital brands of Merca 2.0.



We also promoted the positioning of 100% of the Blasón brand portfolio, through the e-commerce platforms of some of our customers. Thanks to this initiative, the sales of Blasón grew more than 200% compared to the previous year.

BLASÓN®

PRODUCT HEALTH AND SAFETY

GRI: 103-1, 416-1, 417-1

The Research and Development is in charge of ensuring that our products adapt to the different tastes and lifestyles of our consumers.

100% of our product portfolio is certified under the FSC22K standard, thanks to the Quality and Inocuity Management System that we have developed to comply with the laws and standards of national government agencies (COFEPRIS, Comisión Federal de Protección contra Riesgos Sanitarios), and international, such as the US Food and Drug Administration (FDA) in the United States.

Our labeling complies with the applicable regulation of the final destination country. Likewise, our labels clearly communicate to our customers the nutritional information of each product, the origin of its components, its content, the safety instructions and the best way to dispose of or recycle packages.

In the case of Mexico, the labeling is designed according to:

- Regulations for the Sanitary Control of Products.
- NOM-050-SCFI-2004: Commercial Information; the Official Mexican Standard for the General Labeling of Products.
- NOM-051-SCFI/SSA1-2010: The Official Mexican Specifications for the Labeling of Prepackaged Food and Non-Alcoholic Beverages – Commercial and Sanitary Information.



Collaborators

TOGETHER WE TAKE CARE OF OUR FAMILIES



GRI: 103-1, 102-8, 102-41, 401-1

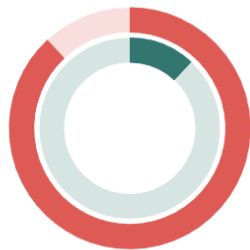
WORKFORCE

We are focused on promoting a work environment that promotes wellbeing, safety and development of personal and professional capacities of each of the 9,867 collaborators that form part of the Grupo Herdez family.

We offer all the members of this great team training plans, performance evaluations and continuous feedback. We recognize their achievements and support the development of competencies and values that foster a culture of ethical and collaborative work.

100% of our staff is hired full-time and 58% of whom are affiliated to a collective labor contract.

EMPLOYEES BY CONTRACT (%)



- Temporary: 12%
- Permanent: 88%

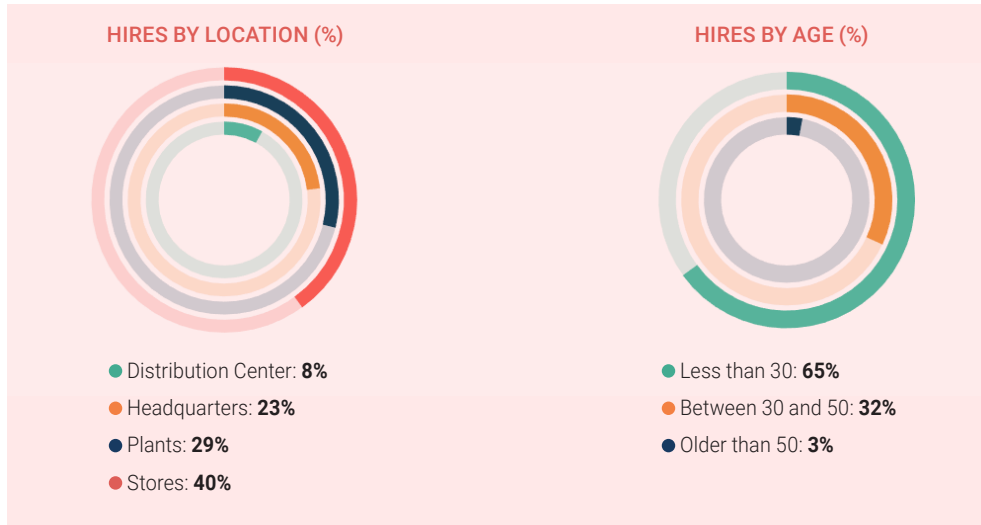
EMPLOYEES BY REGION (%)



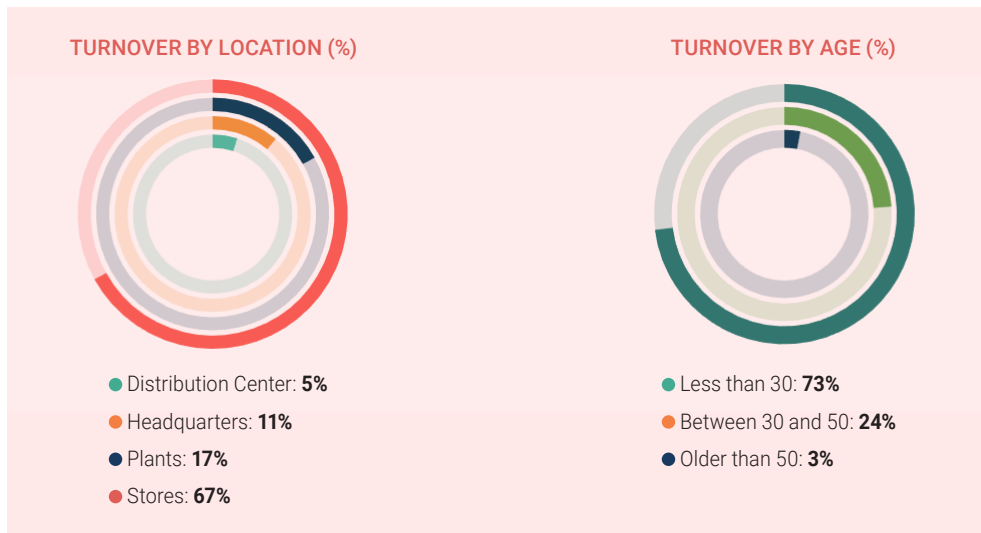
- Distribution Center: 8%
- Stores: 19%
- Headquarters: 29%
- Plant: 44%



In 2020, **2,930 collaborators** joined our team, representing an equal share of 50% men and 50% women.



We also had **2,690 people that left us**, which leaves our turnover ratio at 28%, 10 percentage points more than in 2019. 51% were men and 49% women.





DIVERSITY AND INCLUSION

GRI: 401-3, 405-1

For more than 100 years, at Grupo Herdez, we have been working for the wellbeing of our teams, inside and outside the Company.

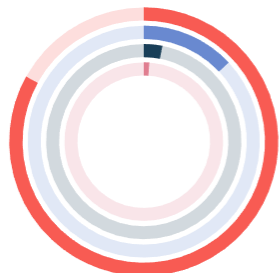
It is for this reason that, our six objectives of the Sustainability Strategy include the Sustainable Development Goal (SDG) 05 Gender Equality, which we have adopted at Grupo Herdez as part of the pillar of Diversity and Inclusion.

Its incorporation into our strategy responds to what we value, diversity as a factor that enriches the way that we operate and promote our growth. It also honors the commitment that we have to contribute to a more inclusive Mexico, with a culture that spreads throughout the entire company, achieving shared prosperity.

We are motivated to create an inclusive environment where human differences are valued and there are equal opportunities for all, regardless of the gender, race, age, religion, nationality or socioeconomic status. For this reason, we have had a Gender Equality Policy since 2012, where we reflect our commitment to promote an inclusive and diverse environment, in which all employees feel included, respected and empowered to make decisions.

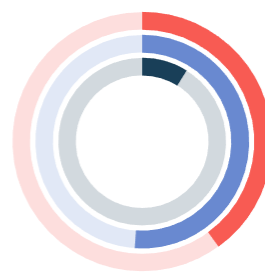
Our workforce is composed of 45% women and 55% men. The wage for each vacant category or position is established without distinction of gender.

EMPLOYEES BY LABOR CATEGORY (%)



- Strategic: **1%**
- Tactical: **3%**
- Operative-Normative: **13%**
- Operative: **83%**

EMPLOYEES BY AGE (%)

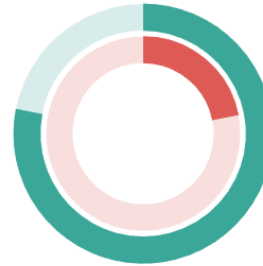


- Less than 30: **40%**
- Between 30 and 50: **51%**
- Older than 50: **9%**



BOARD OF DIRECTORS BY GENDER (%)

Inclusion by gender is also reflected in the Board of Directors, where, of the 9 members, 2 are women (22% of the total)



● Men: **78%**
● Women: **22%**

WE ADVANCE TOWARDS A CULTURE OF DIVERSITY AND INCLUSION

Since 2016, we form part of the “Éntrale” alliance, promoted by the Consejo Mexicano de Negocios, which their main purpose is to create a culture of inclusion, which enables the integration of people with disabilities in the labor market.

At the end of 2020, we had 10 persons with disabilities in our staff, 6 men and 4 women.

WE ACCOMPANY OUR FAMILIES

As a family we want our collaborators to be able to exercise their maternity and paternity leaves in accordance with the guidelines of the Federal Labor Law in terms of parental leaves. In 2020, 145 female collaborators and 50 male collaborators took their days of leave. 100% of them returned to work after this important period.

We worked on the installation of 3 new breastfeeding rooms in our locations, reaching a total of 8 sites, which correspond to 67% of our plants and corporate offices. This way, we benefit 310 collaborators so that they may exercise their right to breastfeed upon returning to their work centers.

We make sure that these spaces comply with the specifications of the Mexican Social Security Institute (Instituto Mexicano del Seguro Social, IMSS) and the United Nations Children’s Emergency Fund (UNICEF), these being hygienic, private spaces, easy to access and equipped to be used by one person at a time.



SEMILLERO NUTRISA

For the purpose of having an impact throughout our value chain, in 2020 we launched the first edition of Semillero Nutrisa, to promote Mexican entrepreneurs.

Jointly with Nutrisa and the business academy for women Victoria147, we summoned female entrepreneurs to participate in a training program that will improve business management in the food, beverage, personal care and wellbeing sectors, which had the potential to form part of our supplier chain.

In numbers, this initiative represented:

- 144 applications received
- 44 candidates were pre-selected
- 22 candidates were evaluated
- 12 winners

The 12 winning entrepreneurs received 54 hours of training on critical issues for the management and development of their businesses, such as an analysis of customer experience, finance, innovation, human resources, financial projections, supply chain, as well as legal and tax compliance.

Additionally, Grupo Herdez employees were involved in the training sessions through mentoring.

It feels us with pride to share that 2 of the 12 entrepreneurs already form part of the supply chain of Nutrisa. Congratulations to everyone!

How did we stay connected?

The impact and scope of this campaign translated into:

- 3.7 million people reached
- 15.3 million impressions
- 21 thousand views of the launching of the initiative
- 2 thousand interactions

“

Being a Semillero Nutrisa mentor was an enriching experience. The entrepreneurs have extraordinary products that, hand in hand with Nutrisa, will become great companies that drive the participation of women in business.”

*Alejandro Sánchez Zarate,
Frozen Process Manager*



“

Being a mentor of this first generation of Semillero Nutrisa was a very enriching experience since the learning went both ways. The passion and commitment of the entrepreneurs drives us to continue to promote spaces that generate equality of opportunity for men and women.”

*Andrea Amozurrutia Casillas,
Deputy Director of Finance*

“

The most important thing is not what we know, but rather what we do with what we know. Under this premise, we share our knowledge with small business people, with whom we are building the future of both organizations.”

*Estuardo Lárraga Martínez,
Supply Chain Director*

“

It is gratifying to support these entrepreneurs to strengthen their businesses and achieve their development. For me, Semillero Nutrisa means the joint effort for all women to have the same personal and professional development opportunities.”

*Claudia Reyes Cuevas
Deputy Director of Marketing for Frozen and Retail*

“

It has been very enriching to prepare our entrepreneurs to grow based on Semillero. Their talent and effort has been an inspiration for those of us that participated in this initiative.”

*Claudia Luna Hernández
General Counsel*



WORKPLACE WELL-BEING

GRI: 401-2, 401-3, 403-3, 403-4, IP-5

Our policy and commitment with the wellbeing of our family of collaborators is reflected, among other things, in the social benefits package that we offer, which is above what the Mexican Federal Labor Law (LFT, Ley Federal del Trabajo) provides.

This package includes health insurance, public health services, coverage for disability, maternity or paternity leave, provisions for retirement and stock options plan.

There are other benefits, such as:

- Medical insurance
- Medical check-up
- Weight control campaigns
- Nutritional evaluations
- Flexible Schedule
- Days off (additional to those required by Law)
- Marriage dowry
- Products pantry
- Breastfeeding rooms
- Food vouchers

In the same way, we have a **Healthy Eating Program** which provides nutritional advice to our employees through balanced meal plans and with monthly consultation follow-ups.

In 2020 we provided **1,217 nutritional consultations**, which resulted in the loss of **291 kg among the employees**.

This consultations promoted a change in the eating habits of employees of Mexico City, State of México, San Luis Potosí and Sinaloa. The consultations were carried out in person for the first quarter of the year, and later they were retaken remotely.



“



It was an achievement of the entire company and of the committees to ensure that a large part of our collaborators continue to be healthy, as well as their families; that is the main achievement. Developing internal strength to be able to assist our personnel, not fizzle out, work with resilience, contain the emotional part and show calm by explaining to them the protocols for them and their families.”

*José Alberto Rodríguez Cuadras,
Manager of Cash Department | Environmental, Control,
Safety and Hygiene*

GRI: 403-3, IP-5

OCCUPATIONAL HEALTH

At Grupo Hérdez we are concerned about the integrity and wellbeing of all our collaborators, it is for this reason that we have a solid risk and accident prevention strategy, which has allowed us to obtain positive results.

In our operational departments, we have tours led by medical service personnel, where we seek to identify any unsafe condition and prevent all types of accidents.

Additionally, we carry out general and special tests for our collaborators, such as spirometry, audiometry, vibrations, among others. Medical files are strictly confidential and used solely for doctor-patient knowledge.

Thanks to this continuous efforts, during 2020, we managed to **reduce the number of accidents by 12%**. The rate of workdays lost increased 68%, mainly due to disabilities related to the pandemic.



Gender	Accidents	Rate of accidents*	Working days lost due to accidents	Rate of working days lost due to accidents**
Women	67	1.24	1,956	36
Men	75	1.12	2,531	38
Total	142	2.36	4,487	74

(*) The rate of accidents refers to the number of accidents during the year in relation to the total of man-hours multiplied by a factor of 200,000.

(**) The rate of working days lost is expressed by comparing the total of days lost during the year against the total of man-hours worked, multiplied by a factor of 200,000.

Note: The information presented here covers all the employees in the Group, since the Company does not have outsourced personnel.

ENVIRONMENTAL CONTROL, SAFETY AND HYGIENE (CASH)

In 2012, the Environmental Control, Safety and Hygiene (CASH) department became a vital piece for the operations of Grupo Herdez, issuing the guidelines for the care of our collaborators, following up on incidents and establishing the guidelines for accident prevention. This department is in charge of continually strengthening the strategies and process to protect, prevent and mitigate incidents that may represent a risk for the continuity of our operations.

- 5S System, which considers visible standards by departments and regulations to easily understand and identify all personnel.
- The deployment of information, calls and campaigns through information boards.
- The evaluation on compliance of the Comprehensive Management System.
- Development and communication of bulletins, tri-fold brochures and visual aids that contain health, safety, and environmental matters.
- Occupational health and safety campaigns based on the annual health plan.
- Operation of the Health and Safety Management Committee that give timely follow-up on relevant matters and formal local agreements with unions.

During the COVID-19 contingency, our CASH team had an outstanding performance, since it kept the wellbeing of all of our collaborators, giving them information and preparing health and sanitation protocols.



In numbers, this initiative represented:

- **81 members of the Crisis Committees** conformed by collaborators in Plants, Distribution Centers and Corporate Offices
- **62 health and sanitation protocols.**
- **274 Committee sessions.**
- **648 Corporate Crisis Committee sessions.**
- **+2,300 Hours** of CASH Leaders and Medical Service session.

During the health contingency, we developed specific programs to address the different needs:

FOLLOW-UP CALLS

More than 12,150 calls to 1,446 collaborators that were reported to CASH and Medical Service due to testing positive for COVID.

- 578 family members of collaborators received medical guidance.
- We delivered more than 10,240 sanitation kits to collaborators.
- 1,603 Collaborators received a vaccine against influenza and we distributed 21,298 Vitamin C's to the personnel of the Company.



COVID-19 BRIGADES

We integrated 211 collaborators who had previously helped verify compliance with the measures derived from the COVID-19 contingency, to:

- Prevent agglomerations and promote social distancing.
- Verify compliance with the use of Personal Protection Equipment (Facemask and facial protection).
- Perform 1,585 COVID Audits, during 36 weeks in all facilities and locations of the Group, as well as in stores and coffee shops, reaching a 91% average score.



LET'S TALK COVID-19

Let's talk Covid-19: training and recommendations

This year we held 20 sessions where more than 650 collaborators heard the recommendations and solved their specific questions with respect to the COVID-19 contingency. We thank our four expert speakers from the medical department.



SUPPLEMENTARY PREVENTION ACTIVITIES

- In addition to the prevention activities, we installed 15 thermographic cameras and sanitizing tunnels in the entrances to plants and distribution centers.
- We expanded from 64 to 80 the transportation units for our collaborators, we adapted the on-site facilities such as dining tables and we expanded locker rooms.



TRAINING

GRI: 404-1, 404-2, 404-3

As a result of the digital training platforms as well as the the efforts for our co-llaborators to have all information and tools required to care for their health and face the contingency, **we increased the number of training hours by 50%** with respect to 2019.

These hours represented a total investment of \$23,343,839.35 MXN.

The average number of training hours in 2020 was 24 for men and 34 for women.



Gender	Unionized	Not unionized	Total
Men	24,779	105,979	130,758
Women	26,819	120,428	147,247
Total			278,005

As every year, we continue with our **training programs to improve the skills of our collaborators** to achieve organic and continuous growth, by developing skills:

- **Nutrisa Stores:** All the collaborators of the Nutrisa stores received training on sanitary handling of food and compliance with the protocols that the government and local agencies requested.
- **Herdez Leaders*:** 1,220 collaborators participated in this program to define and develop the competencies that a leader at Grupo Herdez must have. Through a theoretical knowledge program, the participants received guidance on how to continue to grow and advance in their professional career within the Group.
- **Trainer of Trainers**:** We connected 683 collaborators that are experts in specific departments and functions in the company, to share their knowledge and experience to other collaborators. With this initiative, we seek to share technical knowledge, promoting internal replacement, while we reduce the learning curve of collaborators in new positions.
- **Harvard Manage Mentor Platform:** To increase the offering of online courses for our collaborators in management positions, in 2020 we acquired 700 licenses of the Harvard Business School. With this initiative, we increased the available offering of courses at Grupo Herdez University with 12 topics per collaborator.

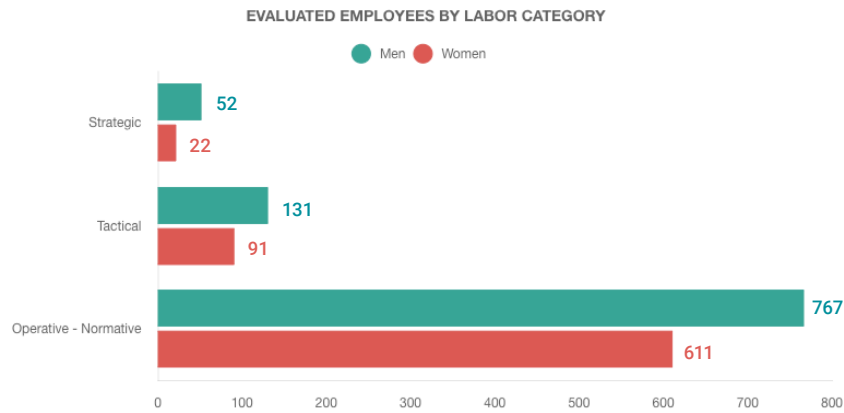
**For these development programs, we only contemplated full-time personnel for 8 hours per day shifts.
 **At Grupo Herdez we do not have assistance programs during the transition period towards work inactivity.*

We **evaluate the performance** of our collaborators on an annual basis, encouraging their professional development. Toward this effect we apply various methodologies, such as:

- **Goal-oriented management (GOA):** Goals defined by upper management. In 2020 we evaluated 319 collaborators.
- **Multidimensional performance assesment (nine boxes methodology):** In 2020 we evaluated 1,355 collaborators.



4,090 collaborators from our total workforce are non-unionized personnel. **41% were evaluated** in reference to their job performance, for a total of **1,674 evaluations**, 6% higher than the previous year.



Communities

TOGETHER FOR MEXICO

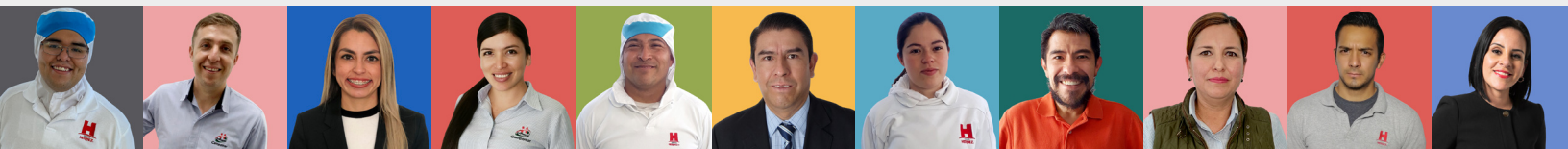
GRI: IP-2, IP-4

Throughout 106 years, we have lived through several situations that have tested us as a company and as a society. The health contingency has been one of the greatest challenges that we have faced as human beings, but at Grupo Herdez we are driven by the commitment to the development of Mexico, the wellbeing of its families and of our communities.

During the year, we participated in different initiatives to encourage and give strength to those that have been most affected by the situation derived from COVID-19, including communities, hospitals, restaurants and mom-and-pop stores, with the confidence that together [#MexicoWillOvercomeThis](#)

In 2020 **we invested 2.77% of Consolidated Net Income** in social projects and initiatives.

- \$57,049,030 MXN corresponding to donations in kind.
- \$8,647,500 MXN corresponding to social programs.



SABER NUTRIR

In 2011 we created our social responsibility program Saber Nutrir®, to formalize our commitment to nutrition in Mexico. With this program, we contributed to improving the quality of life of Mexican families that are in a food vulnerability situation, by developing capacities in the community that result in the wellbeing of its children.

LOS TRES PILARES DE NUESTRO PROGRAMA SON:

 <p>Seguridad alimentaria</p>	 <p>Agua segura</p>	 <p>Proyectos productivos y de comercialización</p>
----------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------

To be able to expand our scope and reach more families, since 2009, we added efforts with two civil society organizations: Fundación Pro Mazahua, in the State of Mexico, and ChildFund México, in Tapachula, Chiapas.

THROUGHOUT THE YEARS OF WORKING TOGETHER, WE HAVE BEEN ABLE TO:

<p>Impact</p> <p>30</p> <p>communities</p> <p>(19 with Pro Mazahua and 11 with ChildFund)</p>	<p>Benefit</p> <p>840</p> <p>families</p> <p>(607 with Pro Mazahua and 233 with ChildFund)</p>	<p>Install</p> <p>1,818</p> <p>productive community development projects (1,083 with Pro Mazahua and 735 with ChildFund)</p>
------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------

At the end of 2020, 573 families from 30 communities participated in 1,149 productive projects that actively operate.



“

Saber Nutrir was, is, and will continue to be present providing all training and support to reinforce the Food Health projects, aligned with the three of the Sustainable Development Goals: Zero Hunger, Clean Water and Sanitation, and Decent Work and Economic Growth.”

*Eugenia Ortiz Rubio Valdes,
Social Responsibility Manager*



Food Security

This year, the families of the Saber Nutrir program demonstrated their great resilience and commitment with the productive projects of each community since, in spite of the hardships due to the health contingency, they obtained products for self-consumption and for marketing.

With **Pro Mazahua** we were able to install 156 chicken coops and 179 greenhouses throughout 11 years. In 2020, no new projects were installed due to the contingency, but with the existing projects, the beneficiaries obtained an average **monthly income of MXN \$4,596**, an additional 45% to their monthly average income of \$4,000 MXN.

With **ChildFund**, in 2020 we installed in Tapachula, Chiapas, 14 orchards and 15 farms, adding up to a total of 125 active farms and 95 active orchards. Additionally, we installed 6 ecological stoves, that allows them to reduce wood consumption and reduce cases of respiratory diseases.

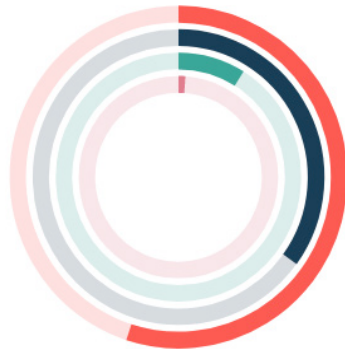
Thanks to the production generated in their orchards, farms and water systems, the families in this community had average monthly savings of MXN\$1,375, in comparison to the average income of the region, which is \$3,080 per month.

Nutritional oversight

In 2020, we carried out nutritional survey* to the children of the participating Mazahua families in the State of Mexico and the findings were as follows:



Nutritional Oversight (%)



- Obesity: **1%**
- Overweight: **9%**
- Normal nutrition: **35%**
- Malnutrition: **55%**

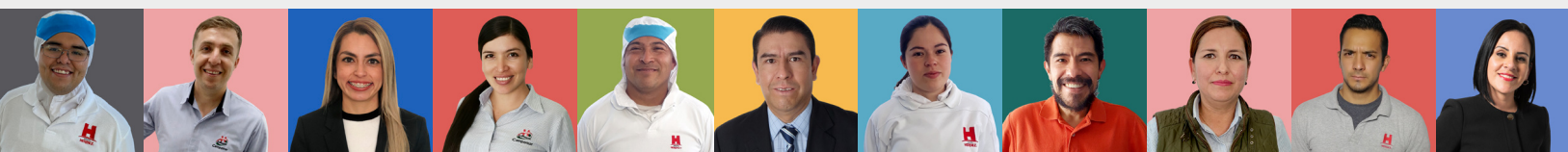
**Note: Evaluation carried out with 66 children belonging to 39 families supported since the beginning of the program, 3 children less than in 2019.*

SINCE 2013, WE HAVE ACHIEVED THE FOLLOWING:
 REDUCE MALNUTRITION BY 10% AS WELL AS OVERWEIGHT AND OBESITY BY 2%
 IN THE CHILDREN EVALUATED.

Keeping the wellbeing of our communities and the health of their members as a priority, during 2020 we suspended face-to-face follow-ups, timely attention and nutritional guidance activities due to the health contingency.

However, we implemented the following actions:

- **Timely stimulation:** During the first quarter of 2020, our 5 “Creciendo Contigo” centers provided 33 timely stimulation sessions. These sessions were suspended for the rest of the year as a result of the social distance measures to prevent the spread of COVID-19.
- **Emerging program for children in confinement due to COVID-19:** We launched this emerging program during the health contingency, where we shared information brochures with nutrition activities, proper treatment, psychosocial risk prevention and fun activities with families to stimulate the development of 247 children in different growth stages.



Productive and marketing projects



Due to the mobility restrictions resulting from the health contingency, in 2020 we prioritized the continuity of the already active productive projects in the State of Mexico.

Installation of productive infrastructure

We continued with the “Generación de ingresos para familias Mazahuas” Project in 13 communities of the municipality of San José del Rincón, State of Mexico.

We installed 30 projects, 5 more than in 2019, to market tomato, strawberry, sheep, and turkey with the participation of 43 families.

The result of the sum of such efforts, jointly with the commitment and perseverance of the involved communities is reflected in the income obtained for the 55 marketing projects implemented in the area since 2019, which added up to **2.6 million MXN** and generate a direct benefit for the **118 participating families**.

Project	Income	# of projects	Participating families
Tomato greenhouse	\$598,000	3	30
Strawberry greenhouse	\$321,800	3	15
Cactus greenhouse	\$59,400	1	5
Sheep production	\$1,134,000	33	33
Turkey production	\$61,500	10	10
Bird production	\$187,440	2	10
Sheep fattening	\$271,500	3	15
Total	\$2,633,640	55	118

In Alliance with ChildFund, we worked in 28 projects to market egg, birds, sheep and tilapia in Tapachula, Chiapas, obtaining **MXN\$449,773** in income for 54 families.



Safe water



Thanks to an alliance with Rotoplas, a leading company in solutions for water storage, conduction and treatment, since 2017 we have installed projects that give access to quality water for communities. During 2020 we installed 15 safe water systems (well, water tank, water purifier, and biodigester) in the state of Chiapas, with which we reached a total of 171 active installed drinking water systems.

With this project, we improve the life quality of families, while we grant sanitary and health conditions for their development.

Padrino Saber Nutrir®

Through the Padrino Saber Nutrir® Program, the collaborators of Grupo Herdez may become godfathers of a child suffering from malnutrition in the Mazahua area, contributing \$120 pesos per month, which is used to buy the necessary food supplements for their recovery.

Through this program, we have dedicated ourselves to creating a bond with the families, knowing the needs of the children of the communities, and thus promoting their development and quality of life beyond just nutrition.

Thanks to the participation of **53 godfathers, 92 children** from the State of Mexico participated in the program and 12 infants were able to recover from malnutrition and improve their life quality..

SUMMARY OF ACTIONS 2020

This year, 1,017 children under the age of 12 were benefitted by the productive projects and the Padrino Saber Nutrir® Program.

	Pro Mazahua	ChildFund	Total
Installed projects	30	50	80
Benefitted families		29	29
New communities		2	2



FUNDACIÓN HERDEZ

Through the Herdez Foundation, **we protect the origins of our cuisine and we incentivize the revaluation of endemic Mexican products** with an anthropological, social, historical, nutritional, industrial and biodiversity approach.

For this reason, we carry out promotion, dissemination, research and education activities focused on subjects aimed at food development in our country, which include:

- **20th anniversary of the “Nuestra Cocina Duque de Herdez” gallery.** In 2020, we celebrated two decades of protecting the heritage of Mexican cuisine in our location at Seminario 18 of Downtown Mexico City. Through digital media, we conducted the **webinar: A walk through Mexican cuisine through time** where, through a permanent digital exposition, divided into four rooms, we showed the changes that Mexican cuisine has undergone:
 - Prehispanic cuisine
 - Colonial cuisine
 - Modern cuisine
 - Future cuisine

This Project is part of the actions of **Museo Galería Nuestra Cocina Duque de Herdez**, which we have developed in coordination with Papalote Museo del Niño, Museo Nacional de Antropología and Museo Franz Mayer. Since its inauguration, the exposition has received 179,000 visitors.

In the first quarter of 2020, **we received 495 visitors**, adding up to a total of 57,709 since its opening in 2000.

- **Gourmand Awards.** We are proud to share that in 2020, **the book Cacao: divine food**, from our collection *Tonacayotl: Nuestro Sustento*, was selected as “The best of the best” in the framework of the celebration of the 25 years of the Gourmand Awards. This publication was also displayed in the Alfred Nobel House in Karlskoga, Sweden, from September 01 to November 09, 2020, being the best research of Mexican food.
- **Mexican Food Library of Fundación Herdez.** Mexican Food Library of Fundación Herdez. It currently has a collection of 6,669 volumes. In the first quarter of 2020, 2,789 users visited it (54% more than in 2019) and, since its founding in 1997, the library has received 191,186 in-person visits.

Starting in April, our facilities remained closed due to the social distance protocols to prevent the spread of COVID-19. It is important to note that in 2020 we received a total of 26,593 visits to our virtual library.



- **Education to recover history.** Complementing our actions to preserve the value of Mexican cuisine, we digitalized our Memory Game: Fruits, vegetables, and some Mexican spices. The game has a guide Xolín, a Xoloitzcuintle dog, which helps children and their families to develop cognitive skills while they get to know our culture.

At the end of 2020, its digital version received 242 visits. This educational memory game is available at the website of the Mexican Cuisine Library.



“

The commitment with Mexico and Mexicans joined us to fight for nutrition and assist in the health of Mexican families”

*Héctor Hernández-Pons Torres,
Chairman of the Board and
Chief Executive Officer of Grupo Herdez.*

DONATIONS FOR COVID-19 AND NATURAL DISASTERS.

Committed to the wellbeing and development of our country, at Grupo Herdez, we joined as a great family through Fundación Herdez and our brands Barilla®, Búfalo®, Cielito Querido Café®, Del Fuerte®, Doña María®, Helados Nestlé®, Herdez®, McCormick®, and Nutrisa® to send a strong message of support to our collaborators of the restaurant industry, members of the medical community and populations affected by the health contingency in **13 states of the country**.

We joined forces with different companies, organizations and institutions, amplifying our reach and delivering **more than 200 tons of products** in food baskets.



UNIDOS POR MÉXICO

Union makes us stronger and this year we demonstrated that more than ever. For the first time, two of the most important Mexican food companies in Mexico, Grupo Herdez and La Costeña®, jointly with Sanfer®, one of the leading companies in the Mexican pharmaceutical market, we assembled more than 35 thousand baskets (equivalent to 770 tons) with food, medication, cleaning and health products, which benefitted more than 175 thousand Mexicans in a vulnerable situation with respect to COVID-19.

The boxes were distributed in 13 states of Mexico, with the support of 11 civil society organizations, including: Asociación Mexicana de APAC I.A.P., Asociación Gilberto, Banco de Alimento de México, Cáritas Mexicana, Consejo Nacional Agropecuario, Corporativa de Fundaciones para el Programa Jalisco Sin Hambre, Échale, Fraterna Hoy, Fundación CMR, Fundación Kaluz, Fundación Origen, Fundación Unidos por una Sonrisa, Misioneros del Espíritu Santo, Teletón, Un Mañana and 360 Grados.

WE ARE GRUPO HERDEZ FAMILY

We developed an internal support program for collaborators who lost an immediate family member due to COVID-19, for each peso donated by one of their colleagues, Grupo Herdez donated another one.

#SirviendoaMéxico

In Alliance with the restaurant sector, Directores de Cadenas Restauranteras (DICARES), Asociación Mexicana de Restaurantes (AMR), Comida para Ayudar and Vatel Club, we collected more than 60 tons of food that enabled us to benefit 24 thousand co-

laborators from 146 restaurants in the capital of our country, who saw their income affected due to the partial or total closure of their food establishments.

Additionally, jointly with Vatel Club, our Food Service division donated 850 food baskets to employees of 36 restaurants in Mexico City belonging to this food and tourism civil association.

GIVING THANKS TO HEALTHCARE WORKERS (NUTRISA AND CIELITO QUERIDO CAFÉ)

With the intention of showing our recognition and sending a message of solidarity to doctors, nurses, laboratory, administrative and cleaning personnel in healthcare institutions that assisted COVID-19 patients, we wore our facemasks, face shields and gloves to take 40 thousand snacks, ice cream, sandwiches, cookies and bread to first-line workers at the following healthcare institutions in Mexico City and Morelos:

- Centro Médico Nacional 20 de Noviembre
- Hospital Carlos Mac Gregor Sánchez Navarro
- Hospital General de México
- Hospital General Dr. Manuel Gea González
- Hospital Infantil de México Federico Gómez
- Hospital Juárez de México
- Instituto Nacional de Ciencias Médicas y Nutrición Salvador Zubirán
- La Casa de la Amistad
- Sanatorio Durango



SEPARADOS SOMOS PEQUEÑOS, JUNTOS SOMOS GIGANTES

Another action that fills us with pride and that marks a chapter in the history of the Mexican food and beverage sector is the alliance that we formed with Industria Mexicana de Coca-Cola, Colgate-Palmolive, Kellogg's, Mondelēz Mexico and PepsiCo, through which we launched the national campaign called #MiTiendaSegura from June 22 to August 21, 2020. During the campaign we invited consumers to recognize the great work of the persons that own small stores and businesses to incentivize consumption in local businesses and help Mexican families in this new reality. This included specific digital communication actions and others at the point of sale, such as:

- Installation of transparent acrylic protection screens to protect the health of store owners and clients.
- We provided information to the owners of small stores and businesses as to how to maintain the continuity of their businesses, delimiting the interaction with clients and suppliers, correct sanitization of spaces and products, personal hygiene protocols and advice to redistribute their space, if necessary.

TOGETHER FOR MAYAN COMMUNITIES

In collaboration with México Indígena and ProMaya we carried out actions in immediate response to the floods caused by the tropical storms "Amanda and Cristóbal" in 3 municipalities and 73 indigenous Mayan communities in the State of Campeche.

Additionally, from June 17 to July 2, we donated food from the basic food basket to form 3,498 packages with 9 products each, which were delivered in the municipalities of Hopelchén, Champotón, and Calakmul.

In future actions, we will also collaborate to rehabilitate productive projects and means of sustenance for the families of these communities.

SABER NUTRIR

In addition to the actions that we usually carry out with this program, in support of healthcare institutions and, as a token of our gratefulness for the great work that they carried out during the pandemic, we delivered 50 kits (equivalent to 177Kg of Grupo Herdez products) with products for the medical, nursing and cleaning personnel at Hospital Regional de Alta Especialidad of ISSSTE Tultitlán, State of Mexico.

We also provided support to Mazahua communities from the municipality of San José del Rincón, State of Mexico, by delivering 7,163 cereal bars and 5,200 mayonnaises bottles of 105g. Additionally, in December, we donated 2 24-inch screens and 300 headphones to promote the continuity of studies of children and young people that currently engage in online studies.



Suppliers

TOGETHER FOR A RESPONSIBLE PRODUCTION

GRI: 102-9, 103-1, 204-1

To ensure the supply of our products this year, the collaboration of all those that form part of our value chain was key, ensuring the wellbeing of our collaborators, suppliers, and partners, through prompt reinforcement and communication of the health and safety protocols.

This collaboration reinforced our commitment to the development of Mexican farmers by strengthening long-term relationships based on trust and creating mutual value. Their experience, combined with our best practices, guarantee unique products for our customers in the market of the highest quality.

AGRICULTURAL PROCUREMENT

To guarantee the quality and safety of all products that we sell, the source of which are farmers, we have the Agricultural Supplies Department that makes an analysis and traceability of each product. Their activities are focused on three fundamental action axes to build an efficient and responsible value chain:

- Sourcing
- Supplier development
- Agricultural auditing

The process that the department follows to fulfill its purpose, consists of six stages:

1. Planning for demand
2. Supplier selection
3. Hiring
4. Harvest supervision and analysis
5. Quality compliance for raw materials receipt
6. Follow-up on raw material payments

This year we worked hand in hand with **173 suppliers of agricultural raw materials** that were a key piece to obtain the products that we took to the tables of Mexican families.

The investment that we used in 2020 to purchase agricultural inputs was **\$892,121,573 MXN.**



All our agricultural suppliers are domestic and are spread around 20 states of the country:

- Aguascalientes
- Baja California
- Baja California Sur
- Campeche
- Chihuahua
- Mexico City
- Durango
- Guanajuato
- Hidalgo
- Mérida
- Morelos
- Nayarit
- Nuevo León
- Puebla
- Quintana Roo
- San Luis Potosí
- Sinaloa
- Sonora
- Veracruz
- Zacatecas

STRATEGIC SUPPLY

In addition to agricultural suppliers, we have strategic suppliers, which provide us raw materials, packaging materials, maquila services and other indirect services that, likewise, add to the mission of taking high quality products to Mexican families.

All actions implemented in the area are aligned with our Supply Strategy, through which we ensure the necessary resources and quality to give continuity to our present and future operations.

The strategy is focused on 4 basic pillars: risk management, innovation, productivity and usefulness.

- **Raw Materials**

This year, from the total non-perishable raw materials that we acquired 89.49% was carried out with Mexican suppliers*, which is equivalent to MXN\$5,165,677,630 and the remaining 10.51%, corresponding to MXN\$606,939,646 MXN, was used for overseas purchases.

The total investment in non-perishable raw materials was \$5,772,617,276 MXN, which resulted in a 22% increase with respect to 2019.



- **Packaging Materials**

From the total packaging materials that we purchased:

- 78% was procured from Mexican suppliers*, which is a 1% increase with respect to 2019. This is equivalent to an expense of \$2,731,131,980 MXN.
- 3% corresponds to foreign suppliers, representing \$113,939,879 MXN.
- The remaining 19% corresponds to a mixed supply, equivalent to an expense of \$653,516,723 MXN.
- Total packaging material purchases added up to \$3,498,588,582 MXN
- which is a 9% increase with respect to 2019.

() Local or Mexican suppliers are defined as those that have their manufacturing and transformation facilities in Mexican territory.*

*(**) Soybean is bought nationally, since, although its main source is the United States, the refining process is carried out in Mexico.*

“

In 2020, the sustainable agricultural program became an important axis of the strategic plan of the supply department, because it has given good results and we want to expand it to suppliers of indirect materials.”

*Arturo Guzmán Chimes,
Environmental Sustainability Manager*

AGRICULTURAL SUSTAINABILITY

GRI: IP-6

As part of our agricultural sustainability efforts, we have two programs focused on minimizing the negative impacts of agricultural production on the environment and Mexican farmers:



SUSTAINABLE AGRICULTURE PROGRAM

In order to promote the conservation and improvement of the environment, the Sustainable Agriculture Program aims to guide, train, supervise, and follow-up on the production practices carried out by our agricultural suppliers of fresh raw materials, especially related to protected areas or zones, efficient use of water, soil conservation and clean air, to obtain raw materials without chemical waste.

This generates two important benefits for the suppliers: cost reduction and high quality products. Within the program, we have a Decalogue of compliance that includes specific actions, such as:

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

GOOD AGRICULTURAL PRACTICES (GAP) PROGRAM

Through this program, we offer tools to our agricultural suppliers, such as the Good Practices Manual, training sessions and environmental audits, so that they adopt good labor and environmental practices.

One of these practices consists on reducing the use of agrochemicals through integrated crop management, which consists of using biological products such as:

- Fungicides: for use in organic fertilizer and beneficial microorganisms.
- Insecticides: for use in fungi, bacteria and beneficial insects.
- Fertilizers: for use in organic fertilizers (composts, leachate, socas).

Currently, 90% of our agricultural suppliers comply with the internal standards of Grupo Herdez corresponding to Good Use of Agrochemical Management (BUMA) in line compared to the previous year.

In 2020, 58 of our suppliers (corresponding to 100% of our fresh raw materials suppliers) were evaluated based on Good Agricultural Practices criteria and on the guidelines of the Sustainable Agriculture Program. The foregoing represents an increase of 29% compared to 2019.

The first aspects that we consider in order to monitor the progress in the implementation of the programs described above include:

1. Providing documentary control at the start of the agreement (frequency: annual)
2. Periodic oversight of each supplier (frequency: every 15 days)
3. GAP Audits (frequency: quarterly)
4. Water, soil and product analysis (frequency: water and soil once; product on a monthly basis)
5. Tours (frequency: monthly)
6. Activity reports from the Agricultural Auditors (frequency: weekly)



GRI: 103-1, IP-4

At Grupo Herdez we promote a culture of respect and care for our environment. In 2020, we involved our collaborators even more in this important task of preserving the wellbeing of the planet. We made synergies in key areas of the company and with our stakeholders to design strategies, guidelines and policies focused on generating actions that have a positive impact on this pillar of our sustainability strategy.

“

In 2020, I had the chance to participate in creating the strategic sustainability plan of Grupo Herdez. The situation has challenged us to be atypical and work for our projects and initiatives to move forward.”

Arturo Guzmán Chimes,
Environmental Sustainability Manager

In 2020, **we invested \$45,250,268 MXN** on environmental programs, 50% higher compared to 2019, and we used it for strategic projects focused mainly on:

- Reducing, eliminating, and/or controlling CO2 emissions in our own facilities.
- Handling post-industrial waste.
- Reducing water discharges.



Energy

TOGETHER WE ARE MORE EFFICIENT

GRI: 103-1, 302-1, 302-3, 302-4, IP-10



At Grupo Herdez, energy consumption is fundamental to conduct our operations, thus taking our products to Mexican tables and throughout the world. In this regard, as part of our commitment to sustainability, each year we seek for alternatives of clean energy and more efficient that favor environmental care. We implement actions to favor climate change and responsible production and consumption, actively contributing to achieving the Sustainable Development Goals (SDG).

In 2020, we made some important changes on our energy consumption reports, since we included Avomex, Cogeneración and Té plants, as well as the Lagos de Moreno Distribution Center (CAF) in the calculation. Additionally, with the divestment of the tuna business, the figures suffered an important reduction as of the end of the year.

As a result of a great effort, **62% of the energy consumed by Grupo Herdez came from clean sources**, including wind power and cogeneration.

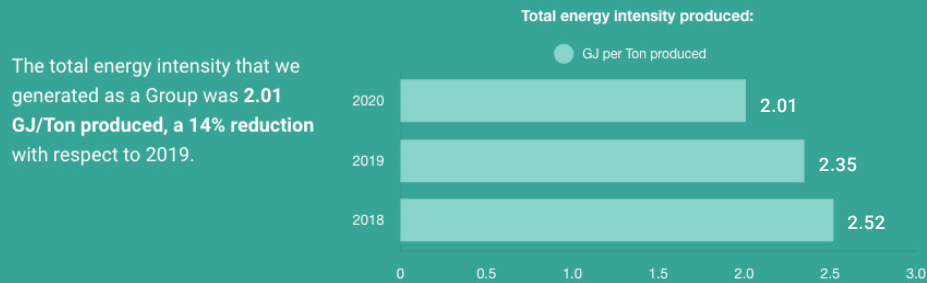
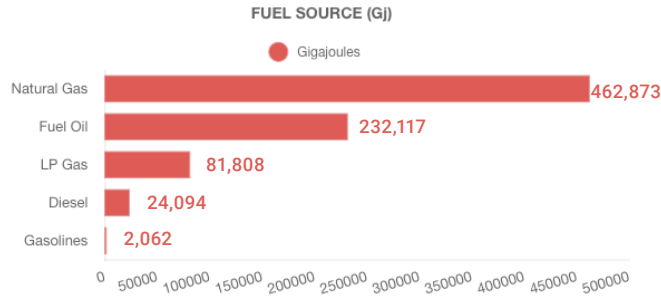
This year we dispensed the consumption of certain fuels such as marine diesel, fish waste oil and jet gas, which represented a **reduction of 18% in the consumption of non-renewable sources**.

62% OF THE ENERGY CONSUMED COMES FROM CLEAN SOURCES

WE REDUCED THE CONSUMPTION OF NON-RENEWABLE FUEL BY 18%

The total consumption of energy resources used in our operation in 2020 was **1,249,836 GJ**, including fuel and electricity, which represents a 1% reduction with respect to the previous year.

- **Fuel consumption:** 802,955 GJ
- **Electricity Consumption:** 446,882 G



The inclusion of Avomex, Cogeneración and Té plants, as well as the Lagos de Moreno Distribution Center, represented an increase of 19% with respect to the previous year in total energy consumption (175.97 Kwh/ton produced) and 67% in fuel consumption (19.21 m3/ton produced).

With the intention of strengthening the culture of continuous improvement to continue to reduce our fuel consumption and use of electricity, this year we introduced different initiatives.

- Equipment conversion and adaptation with which we were able to save 3,157 GJ.
- Changes in personnel behavior generating 31 GJ in savings.
- Savings actions in consumption equipment, with which we saved 52,789 GJ.



Water

TOGETHER, WE TAKE CARE OF OUR RESOURCES

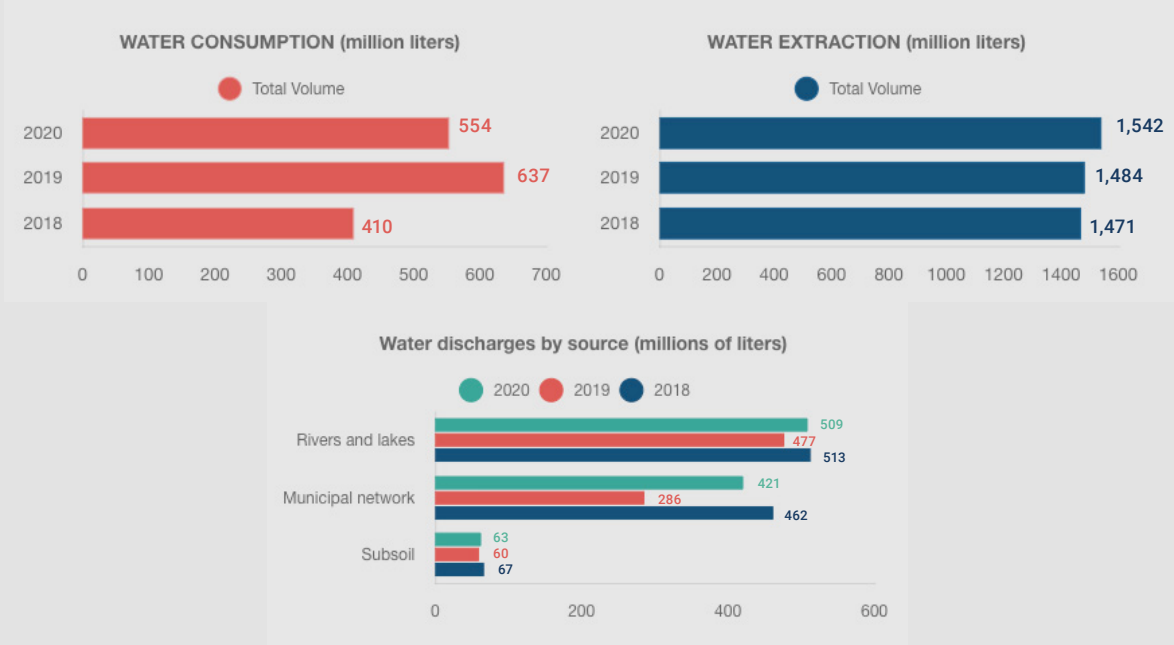
GRI: 103-1, 303-3, 303-4, 303-5



As part of our strategic pillars, we are moved by a sense of continuous improvement, therefore, we monitor, measure, and compare our environmental performance indicators, obtaining information that enables us to detect new ways of optimizing our water consumption and improving our processes. Additionally, we drive our collaborators and suppliers to join our commitment to the wellbeing of the planet, through the training that we offer for the adequate management of water resources.

As part of our actions, in 2020:

- We consumed 554 megaliters of water, a reduction of 13% compared to 2019.
- We extracted 1,542 million liters of water, 3.9% more than the previous year.
- We discharged 994 million liters of wastewater, which represents a 20.7% increase with respect to 2019.
- We collected 76 million liters of rainwater, which is the maximum capacity installed in the Duque de Herdez Complex, Planta Mexico, and the Mexico Distribution Center, which we use to water gardens.





For the purpose of improving our environmental performance and reducing consumption of this vital liquid, this year, we implemented several actions:

- **Treatment System:** To reduce the discharge of wastewater, we developed a treatment system in our plants. Which was planned and designed according to the characteristics of the wastewater generated and the discharge conditions with which we have to comply. The processes followed by this system are:

Pre-treatment

Trap to retain grease, oil, and/or large solids.

Primary Treatment:

Linear or circular Dissolved Air Flotation (DAF) system

Secondary Treatment:

Conventional mud biological systems with clarification systems.

Tertiary Treatment:

Sand and gravel filtration system with activated carbon and manual or online clarification and/or ultraviolet system to mainly eliminate fecal waste and other biological microorganisms.

- **Homogenizer Water Savings:** We installed water homogenizer collection and reuse systems in our Nutrisa Plant, which allows us to reduce water consumption in these facilities by 4 to 6 m³.
- **Zero confinement in muds generated in Planta Mexico:** We collaborated with agricultural producers of bean, barley, and alfalfa harvests in the municipalities of Nextlalpan, Tecámac, and Zempoala. Through the water treatment process, we can take advantage of the muds generated in the plant and 100% of them may be used, thus improving the productivity of agricultural soil, achieving zero confinement, and reducing environmental impact.
- **Water consumption reduction:**
 - In our Barilla Plant, we replaced the vacuum pumps with dry-ring pumps to reduce consumption of water per ton produced in the 4 production lines.
 - In San Luis Potosí, we worked to optimize consumption of water resources in all our processes, which generated a positive impact. From 2016 to 2020, we have had aggregate savings of approximately 163 thousand m³ of water, which is equivalent to \$3,577,793.00 MXN.



Waste and recycling

TOGETHER, WE REDUCE OUR IMPACT

GRI: 103-1, 301-1, 301-2, 301-3, 306-2



Just as we seek to use efficiently and sustainably the resources that we use in each process, we also seek to take advantage of waste and reintegrate it into the production cycle.

Such is the case of our cardboard inputs (small boxes, boxes, and trays), which we acquire from a supplier, and are prepared with 80% recycled materials. This year, we used 156,616 pieces of recycled cardboard pieces, which is equivalent to **2.24% of the inputs that we use** to produce and distribute our products.

This year we generated 64,335 tons of hazardous and non-hazardous waste, from which **83% of them entered into a recycling process.**

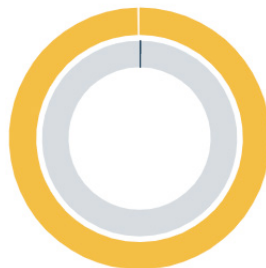
HAZARDOUS WASTE BY ELIMINATION METHOD

Elimination Method	2020 (Ton)	2019 (Ton)
Recycling	23	71
Final disposal	79	43
Total	102	114

NON-HAZARDOUS WASTE BY ELIMINATION METHOD

Elimination Method	2020 (Ton)	2019 (Ton)
Recycling	53,261	31,604
Sanitary filling: it includes special management waste and solid urban non-assessed waste	10,972	10,327
Total	64,233	41,931

TYPES OF WASTE (%)



- Non-hazardous waste: **99.8%**
- Hazardous waste: **0.2%**



In 2020, we carried out the following initiatives to recycle and reuse our waste:

- **Post-consumption waste management plan:** In alliance with Ecología y Compromiso Empresarial (ECOCE), an environmental non-profit association focused on post-consumption container and package management, we joined forces to promote environmental sustainability and generate plans to recover waste and integrate it into the recycling cycle.
- **Sigue dando lata:** For the fourth consecutive year “Por un mundo más vivo” initiative backed by the HERDEZ® brand, invited our customers to recycle, reuse, and reduce the impact of tin packages. Thanks to the sum of our efforts with our clients from 12 retail chains in 14 States and 18 Cities in Mexico, **we recovered and recycled 374,136 cans in our collection machines**, thus adding 5.3 tons of tin. With this, we were able to prepare **8 clean energy systems** that will be donated to communities without access to other electricity services in southern Mexico.

Emissions

TOGETHER, WE REDUCE OUR CARBON FOOTPRINT

GRI: 305-1, 305-2, 305-5



At Grupo Herdez, we have worked to identify the main environmental risks that may affect the continuity and transcendence of our operations, as well as those that generate the largest footprint, thus generate actions that compensate and reduce our impacts on the environment.

From the results of the **Climate Change Risks Study** prepared in 2019, we prioritized risks, and made a financial impact assessment to be able to propose manageable initiatives.

The risks that we identified were classified according to their probability of occurrence and impact, with the three main pillars being:

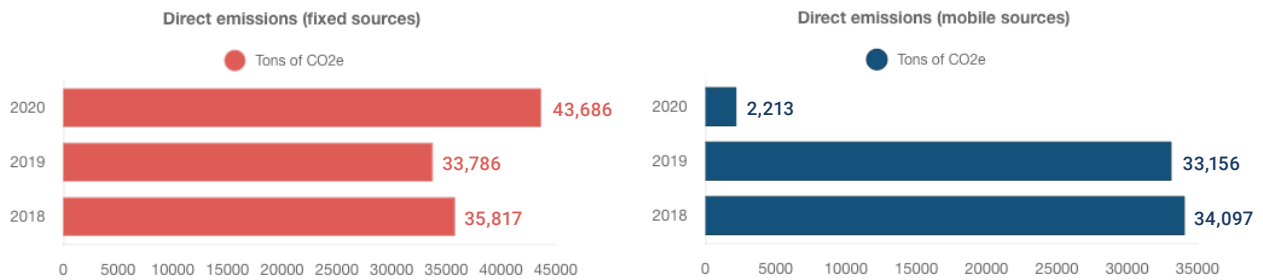
1. Increase in average temperatures.
2. Changes in rain patterns and extreme variability in climate patterns.
3. Changes in consumer preferences.



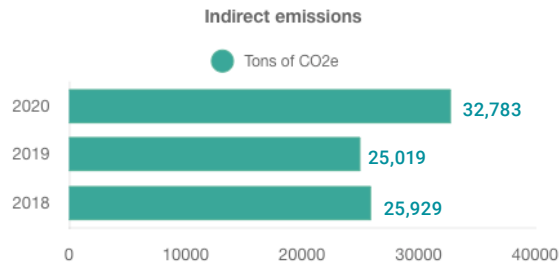
In 2020, total direct and indirect emissions were 78,862 Tons of CO₂ equivalent, which represents a 14% reduction in total emissions with respect to 2019.

- **Direct emissions (scope 1):** We generated 45,899 tons of CO₂e direct emissions, a 31% reduction with respect to the previous year.
- **Indirect emissions (scope 2):** We generated 32,783 tons of CO₂e indirect emissions, a 31% increase.

EMISSIONS SCOPE 1



EMISSIONS SCOPE 2



Like every year, we sought to implement initiatives that allow us to reduce our environmental footprint, and generate more positive impacts.

Our GEI (Ton CO₂e) emission reduction projects consisted of:

- Equipment conversion and adaptation: 309 Ton
- Change in the conduct of our collaborators: 4 Ton
- Savings actions in process equipment: 4,775 Ton



“SEBRANDO UNA NUEVA NORMALIDAD” INITIATIVE

For this reason, in 2020, through Herdez and Aires de Campo brands, we joined “Sembrando una Nueva Normalidad” initiative, promoted by civil society organizations Ríos Tarango and Ectagono, the purpose of which is to increase the plant coverage of the valuable environmental area “Barranca de Tarango”.

This year, Herdez® proposed the goal of planting 200 trees corresponding to 0.182 acres, which may absorb approximately 29 tons of CO2 per year.

Additionally, this initiative promoted the training and creation of 200 temporary jobs, since work opportunities were offered as forest restorers to the inhabitants of alcaldía Álvaro Obregón, who had environmental training, and lost their job as a result of COVID-19. Likewise, with this initiative, we joined the promotion of social reinsertion, by offering temporary jobs to young persons.

To guarantee the correct execution and implementation of forest actions, we provided theory and practical training to all persons involved.