



**DEFYING**

**THE LIMITS**

**SASB | SUSTAINABILITY ACCOUNTING  
STANDARDS BOARD**

## SASB. SUSTAINABILITY ACCOUNTING STANDARDS BOARD

The Sustainability Accounting Standards Board (SASB) seeks to provide a common language between companies and investors of financially material impacts for every industry.

We are issuing this communication on the standards in the Processed Foods guide, which contains the following areas to be addressed:

Energy management  
 Water management  
 Food safety  
 Health and nutrition  
 Product labeling and marketing  
 Managing the life cycle of packaging  
 Environmental and social impacts of supply of ingredients  
 Supply of ingredients

Matter	#	Description
Energy management	FB-PF-130a.1	(1) Total energy consumed: 1,210,504 GJ (2) Percent of electricity from the network: 27.4% (3) Percent that is renewable: 49.5%
Water management	FB-PF-140a.1	(1) Total water extracted: 1291.47 ML (2) Total water consumed, percent of each in areas with high or extremely high water stress: 530.67 ML San Luis Potosí: 24.1% State of Mexico (Zumpango): 7.5% Los Mochis: 55.6% Valle Celaya: 3.2% State of Mexico (Chalco): 1.3% Jalisco (Lagos de Moreno): 8.2% Tijuana: 0.02% Monterrey: 0.04% Jalisco (Guadalajara): 0.03% Mérida: 0.04%
	FB-PF-140a.2	Number of violations associated with permits, standards, and water quantity and/or quality regulations: 1

FB-PF-140a.3

Description of water management risks and discussion of strategies and practices to mitigate those risks:

1. At Grupo Herdez, 99.9% of our operating facilities (plants, distribution centers, and administrative and/or corporate offices) are located in areas classified as having a “very high” or “high” degree of water stress, representing a combination of vulnerability, threat, and also an opportunity to plan and implement a water management program.

2. Grupo Herdez is heavily dependent on products from the agricultural sector (tomatoes, chilis, etc.) and raw materials whose production is dependent on other agricultural products (semolina, frozen strawberries, etc.).

3. To minimize these risks, we have developed several water reduction and savings projects at our plants and distribution centers, also recycling treated wastewater (to be used to irrigate green areas).  
Diagnostics are currently being run to identify initiatives to make further use of rainwater.

Description of related impacts by source of extraction, consumption, and discharge of water, in indicator GRI 303-1.

Our objective at Grupo Herdez is to reduce water consumed per ton produced by 25% by the year 2030, compared to 2018 (base year), which is equal to consumption of 1.98 m<sup>3</sup> per ton produced by 2030.

This objective is in line with the following Sustainable Development Goals:  
SDG 6. Clean Water and Sanitation  
SDG 12. Responsible Consumption and Production

The performance indicator is stated in intensity of water use, expressed as the volume of water (m<sup>3</sup>) per ton produced.

	m <sup>3</sup> /Tn produced	Reduction in %
2019	2.49	-3.3%
2020	2.33	-6.5%
2021	2.23	-4.1%
2022	2.24	+0.3%

The scope of water intensity includes the following plants: El Duque de Herdez Industrial Complex (Barilla, El Duque, and the cogeneration plant), Planta Coronel Espinosa, Planta México (Zumpango), Herdez San Luis Potosí (industries), Santa Rosa Tomates, Santa Rosa Vegetales, Herdez Villagrán, Planta Nutrisa, and Planta Lagos de Moreno.

These are all the plants over which Grupo Herdez has operating control, and therefore represent 100% of the volume of water extracted.

The distribution centers included are the following: Mexico City, San Luis Potosí, Los Mochis, Mérida, Guadalajara, Monterrey, CAF Lagos de Moreno, and Tijuana. These facilities represent 90% of the water extracted from all distribution centers within the scope specified for this Framework.

Water consumption refers to the volume of water extracted from any source: underground (well), surface (river, canal, etc.), municipal network, pipes, wastewater and/or rainwater used at the plants and distribution centers for production and various uses, such as boilers, cooling towers, and general services.

Matter	#	Description
Food safety	FB-PF-250a.1	Audit of the Global Food Safety Initiative (GFSI) (1) Non-compliance rate: 5.63 (2) Rate of associated corrective action to: 4.1 (a) Major non-compliance events: 4.5 (b) Minor non-compliance events: 4.0
	FB-PF-250a.2	Percent of ingredients from Level 1 provider facilities certified by a food safety certification program recognized by the Global Food Safety Initiative (GFSI) 76.46%
	FB-PF-250a.3	(1) Total number of notifications of food safety violations received: 1 (2) Percentage corrected: 100%
	FB-PF-250a.4	(1) Number of notifications issued: 0 (2) Total number of food products removed: 0
Health and nutrition	FB-PF-260a.1	Revenues from products labeled and/or marketed to promote health and nutritional benefits: \$10,571,674 MXN
	FB-PF-260a.2	<p>Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers:</p> <p>HEALTH: There is a review of the ingredients that are in different products; the review is exhaustive to ensure compliance with applicable regulations, not only locally, but also to the country to which the product is exported.</p> <p>All labels on our products must comply with Official Mexican Standards (Normas Oficiales Mexicanas - NOMs) on labeling, and there is an initial review of ingredient compliance.</p> <p>NUTRITION: All products have nutritional information and a list of ingredients that provides information to the consumer, in compliance with the regulations in the country where the product is sold.</p> <p>At Grupo Herdez we are aware that more and more consumers are concerned about their health. A nutritional map of the Group's entire portfolio of food and beverages was initiated, identifying the presence of certain artificial additives, and the number of nutritional warning labels they contain, to subsequently identify possible reductions in the addition of potentially harmful substances, or to eliminate artificial additives.</p>

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		<p>Furthermore, according to epidemiological and health information issued by domestic institutions, at Grupo Herdez we have strategies that help decrease the impact of the Group's products on consumer health. The most important strategy is applying "internal nutritional guidelines" to new developments. Those guidelines are below the maximum allowed by domestic regulation for non-alcoholic food and beverages. We are also always looking for ways to reduce and/or eliminate other potentially harmful and artificial substances from the existing portfolio.</p>
Product labeling and marketing	FB-PF-270a.1	<p>Percent of advertising runs            (1) Targeting children: 0            (2) Targeting children that promote products that comply with nutritional guidelines: 0            At Grupo Herdez there are currently no products that target children. Therefore, we do not have indicators that provide information on the daily nutritional recommendations for this age range, although there are products that are consumed by children. These are in the "all family" category and cannot be considered as food targeted at children.</p>
	FB-PF-270a.2	<p>Revenues from products labeled as:            (1) Containing Genetically Modified Organisms (GMO): 0            (2) Non-GMO: 100</p> <p>Grupo Herdez currently does not have a policy regarding use or restriction of ingredients that are, contain, or derive from Genetically Modified Organisms (GMOs), nor do we perform any type of analysis to establish the presence or absence of GMOs. However, and anticipating any request or requirement, whether domestic or international in matters of GMOs, we ask that raw materials suppliers provide a "GMO Letter" establishing whether the raw material derives from or contains Genetically Modified Organisms. Note that the products that we sell do NOT contain GMOs intentionally or deliberately, although there is a chance that some of the multiple raw materials that are used to develop our products might contain or derive from Genetically Modified Organisms.</p>
	FB-PF-270a.3	<p>Number of violations of marketing code and/or labeling or industry regulations: 1</p>
	FB-PF-270a.4	<p>Total amount of monetary losses as a result of legal proceedings associated with labeling and/or marketing practices: 0</p>

Matter	#	Description
Managing the life cycle of packaging	FB-PF-410a.1	<p>(1) Total packaging weight: 123,037.57 Ton</p> <p>(2) Percentage made of recycled and/or renewable materials: 29.21%</p> <p>(3) Percent that is recyclable, reusable and/or compostable: 98.12%</p>
	FB-PF-410a.2	<p>Discussion of strategies to reduce the environmental impact of packaging along the life cycle.</p> <p>1. We have developed a Life Cycle Analysis (LCA) for the main product categories (salsas, mayonnaises, tea, avocado, Nutrisa® frozen yogurt, ice cream, pasta, tomato puree, green salads).</p> <p>The product most representative of the category has been selected, and the specific LCA developed in order to obtain more information. Some products have a third-party expert report called a “critical review.”</p> <p>2. These LCAs were performed considering all stages of the life cycle (raw material, packaging material, including the transport of both, manufacturing, transport/distribution, use, and end of life).</p> <p>During the end-of-life stage we identify the environmental impacts of the packing and packaging materials, to perform a sustainability analysis to simulate scenarios of possible impacts in light of substantial future changes in: type, volume, recyclability, and rate of recycling increase, among others.</p> <p>3. The preparation of these LCAs has led to other actions being taken in terms of circularity of packaging. This is the case in the pasta category, in which one of the main initiatives is to make sure that all packaging used is recyclable.</p>
Environmental and social impacts of supply of ingredients	FB-PF-430a.1	<p>Percent of food ingredients that are certified according to third-party environmental and/or social standards.</p> <p>Percentage per standard: 34</p> <p>In 2022, 113,647 tons of agricultural raw materials (strawberries and frozen items) and honey were acquired, of which 38,850 tons come from suppliers that are part of the Program for Sustainable and Regenerative Agriculture (PASyR) of Grupo Herdez, which is 34% of all agricultural raw materials acquired.</p>
	FB-PF-430a.2	<p>Audit of social and environmental responsibility of suppliers.</p> <p>(1) Non-compliance index: 43%</p> <p>(2) Rate of associated corrective actions to: 100%</p> <p>Seventy-nine suppliers were evaluated, and 34 were rated under 60, with a 43% rate of non-compliance, according to their sustainability-related practices.</p>

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Supply of ingredients	FB-PF-440a.1	<p>Percent of food ingredients from regions with high or extremely high water stress: 88 %</p> <p><i>Note 1: This percentage includes the acquisition of key inputs/raw materials from agricultural sources, bees, and manufactured products.</i></p> <p><i>Note 2: The report published on the Aqueduct Water Risk platform is used as the criteria for determining water stress, as it is an internationally recognized tool.</i></p>
	FB-PF-440a.2	<p>List of priority food ingredients and discussion of supply risks due to environmental and social considerations:</p> <p>Ingredients: oil, starches and sweeteners, standard sugar, refined sugar, dry chilis, chili Guajillo, chilis, green jalapeno, jalapeno chili, fresh red Poblano chili, frozen strawberries, mole cookies, sweet yellow corn, clear honey from the highlands, clear honey from the coast, cactus, tomato paste, salt, semolina, tomatoes, tomatillo, and egg yolks.</p> <p>The strategic method for managing environmental and social risks is the Program for Sustainable and Regenerative Agriculture (PASyR), which consists of guiding, training, supervising, and following up on the production practices of our agricultural suppliers, with the goal of protecting and improving the environment, focusing particular attention on protected zones or areas, water use, soil protection, and air cleanliness. We have a team of internal auditors that evaluates and follows up on the condition of buildings. A ten-point checklist is used to measure the progress and areas for improvement at each supplier. At the end of the 2022 cycle (December 2022), 31 suppliers had been evaluated.</p> <p>We implement the PASyR through a ten-point checklist:</p> <ul style="list-style-type: none"> <li>• Preserving biodiversity</li> <li>• Protecting the air, water, and soil</li> <li>• Energy and climate change</li> <li>• Waste management</li> <li>• Integrated crop management</li> <li>• Reducing agrochemicals</li> <li>• Safety and hygiene</li> <li>• Dignified work</li> <li>• Social responsibility</li> <li>• Communication and participation</li> </ul> <p>The main benefits of this program are the following:</p> <ol style="list-style-type: none"> <li>1. Promoting, encouraging, and developing sustainable and regenerative agriculture among our suppliers, as a new agricultural production culture.</li> <li>2. Decreasing the use of pesticides to lessen environmental impacts and encourage proper use of agrochemicals (BUMA).</li> <li>3. Preserving the quality of the soil, air, and water in areas under cultivation and the surrounding areas.</li> <li>4. Encouraging practices to improve soil quality.</li> </ol>

Matter	#	Description
		<p>5. Supporting practices for efficient use and handling of resources, focusing on reduction, reuse, and recycling.</p> <p>6. Encouraging the protection of sensitive or protected areas and species.</p> <p>7. Supporting non-deforestation by implementing practices to conserve biodiversity that not only protect high-value conservation areas and extremely important pollinating species (bees, for example), but that also protect local, endemic, and native flora and fauna, as well as migratory species such as birds and butterflies.</p> <p>In 2022, we began creating synergies with our semolina providers, encouraging sustainable agricultural practices in wheat producers. Positive results regarding these synergies are expected in 2023.</p>
Activity	FB-PF-000.A	Weight of products sold: 597,387.50 Ton
	FB-PF-000.B	<p>Number of production facilities: 15</p> <p>Grupo Herdez has 15 plants (14 in Mexico, and 1 in the United States). However, we do not operate the plants in Oaxaca, Coahuila, Querétaro, and Dallas directly, as we have a shareholder stake but no involvement in the day-to-day operation of those plants. Therefore, as we do not operate those plants we do not have the necessary information to present their sustainability indicators.</p>