

TCFD REPORT

2020-2021



CLIMATE RISK AND OPPORTUNITIES ASSESSMENT REPORT

ALIGNED TO THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES RECOMMENDATIONS

Genomma Lab Internacional is committed with contributing to a sustainable future. For this reason, we have launched our **2025 Sustainability Strategy** with climate change actions as one of the main pillars. Therefore, specific actions have been established to tackle our contribution to climate change. As part of this commitment, and in order to have a better understating of the significance of climate opportunities and risks for our company, we have developed climate change risks and opportunities analysis for 2020 and 2021.

The present report includes relevant information from the Climate Risk and Opportunities

Assessment that has been performed during 2021, for which disclosure recommendations of the Task Force on Climate-related Financial Disclosures are considered and organized in order of the TCFD's four key areas: governance of climate-related risks, strategy for identifying climate-related risks and opportunities, risk management, and metrics and targets.

Our **2020 Annual Report** and **2025 Sustainability Strategy** includes further detail regarding our approach to address our environmental impacts.





GOVERNANCE

BOARD'S OVERSIGHT AND MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

Climate-related risks and opportunities are overseen by the Global Sustainability Committee. This committee was created to set the company's short and long-term goals related to sustainability aspects. The Committee is led by the President of the Board of Directors and the CEO and is made up of leaders from key areas of the company, such as Sustainability, Finance, Human Resources, Marketing, Regulatory Affairs, Manufacturing, Supply Chain, as well as the General Managers of the countries where the company operates. The execution of the Sustainability Strategy is one of the main responsibilities of this committee. The strategy contains action plans established for tackling climate change, such as: energy efficiency projects, emission reduction targets and integrating renewable energy at our operations. Furthermore, the committee is responsible for monitoring and assessing climate change risks

and opportunities that impact the company, as well as promoting the creation of mitigation plans, policies and procedures to respond to the risks and opportunities identified.

The findings of the climate-related assessment, considering risks and opportunities, are presented to the Committee by the Vice President of Sustainability, who particularly oversees the process.

Our materiality assessment establishes climate change as a priority material topic. Our materiality allow us to prioritize the relevant topics with the greatest impact within and outside the company, considering the perspective of our stakeholders. These material topics are considered by our Global Sustainability Committee and Operating Committee to establish a comprehensive strategy.



STRUCTURE OF THE SUSTAINABILITY COMMITTEE



STRATEGY

RISKS AND OPPORTUNITIES FOR THE SHORT, MEDIUM AND LONG TERM

The following tables show the details of the climate risks and opportunities identified through our climate-related risk assessment.

CLIMATE RISKS

The scope of our transitional risks assessment includes our own operations as well as upstream and downstream activities, based on potential scenarios for policy, legal, technology, and market changes.

The scope of our physical risks assessment includes our own operations, as well as upstream and downstream activities, and consider a general level assessment on the physical impacts of climate change that may have direct financial implications for organizations such as direct damage to assets, and indirect impacts including supply chain disruption.



RISK TYPE	CLIMATE-RELATED RISKS	CLIMATE-RELATED RISK DRIVER	DESCRIPTION	TIME HORIZON		
				LONG TERM: 6-8 YEARS	MEDIUM TERM: 2-5 YEARS	SHORT TERM: 0-1 YEAR
TRANSITION RISKS	Regulation and legal	Carbon pricing mechanisms	Increase of direct expenses related to the increase of cost and/or taxes on electricity and fuels. Pending cap and trade schemes in countries where we operate.	○	○	
		Applicable and emerging regulation related to products	Non-compliance with waste management requirements regarding the disposition of the packaging of our products. Current and emerging regulations related to reduce the use of plastics from non-renewable materials.			○
	Technology	Substitution of existing products with lower emissions	Developing new products with lower emissions through their life cycle has represented increase of direct cost regarding raw materials and adjustments of processes.	○		
		Transitioning to lower emissions technology	Increase of capital expenditures.	○	○	

RISK TYPE	CLIMATE-RELATED RISKS	CLIMATE-RELATED RISK DRIVER	DESCRIPTION	TIME HORIZON		
				LONG TERM: 6-8 YEARS	MEDIUM TERM: 2-5 YEARS	SHORT TERM: 0-1 YEAR
TRANSITION RISKS	Market	Uncertainty in market signals	Decrease on the demand of our products on the strength of trends related with reducing plastic consumption and consuming local products that declare having less impact on the environment.	○		
		Increased cost of raw materials	Increased direct and indirect costs due to raw materials included that represent lower emissions which do not have enough demand now a days. Therefore, costs are higher than the current materials used on our portfolio.	○	○	
	Reputation	Changes on consumers preferences	Failure to understand more conscious consumers who are concern about the impact of products on climate change could represent a decrease on the demand of our products.	○	○	
		Increased stakeholder concern or negative stakeholder feedback	Relevant investors have interest on how we manage our environmental impacts; therefore, fail to disclosure on our practices related to climate change management could lead to a decrease on access to capital markets.		○	○
PHYSICAL RISKS	Acute physical	Increased severity and frequency of extreme weather events	Increase of direct costs related with mechanisms to avoid disruption of the operation due to storms and floods.		○	○
		Increased likelihood and severity of wildfires	Increase of direct costs related with mechanisms to avoid disruption of the operation because of wildfires.		○	○
	Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns	Decreased revenues due to reduced production capacity of relevant raw materials that require specific weather conditions to ensure its quality.	○	○	
		Rising mean temperatures	Increase of direct costs related with mechanisms to avoid disruption of the operation due to high temperatures.	○	○	

CLIMATE OPPORTUNITIES

CLIMATE-RELATED OPPORTUNITIES	CLIMATE-RELATED OPPORTUNITY DRIVER	DESCRIPTION	TIME HORIZON		
			LONG TERM: 6-8 YEARS	MEDIUM TERM: 2-5 YEARS	SHORT TERM: 0-1 YEAR
Resource efficiency	Improving efficiency on production and distribution processes	Increased revenues resulting from increased production capacity.			○
	Increasing the use of recycled raw materials	Increased revenues resulting from increased demand for products with low emissions.		○	
Energy source	Increase the use of low-emission sources of energy	Reduction on direct costs related with savings on electricity and fuels.			○
	Adopting new technologies	Reduction on direct costs related with savings on electricity and fuels.		○	

CLIMATE-RELATED OPPORTUNITIES	CLIMATE-RELATED OPPORTUNITY DRIVER	DESCRIPTION	TIME HORIZON		
			LONG TERM: 6-8 YEARS	MEDIUM TERM: 2-5 YEARS	SHORT TERM: 0-1 YEAR
Products and services	Expanding the portfolio of low emissions products	Increased revenues through access to new emerging markets.	○		
	Changes in consumer preferences	Increased revenues through access to new emerging markets.		○	
Markets	New types of consumers and entry to new markets	Increased revenues through access to new emerging markets.	○	○	
Resilience	Adoption of energy efficiency measures	Return on investment in low-emission technology.		○	
	Resource diversification	Decreased direct costs by expanding our supplier's portfolio by ensuring availability of raw materials.	○	○	

IMPACT ON BUSINESS STRATEGY AND FINANCIAL PLANNING

The climate-related risks and opportunities that we have identified have had implications for key aspects of our business, such as product development, supply chain, logistics operations and energy management.

RESILIENT STRATEGY AND SCENARIOS PLANNING

While we keep building on these results and integrate the findings of our climate risks and opportunities assessment into our ongoing operational strategy, we will continue to work towards the goals that we have established in our [2025 Sustainability Strategy](#) for which climate change was one of the key drivers for its development.

The Strategy considers goals for relevant aspects of our business model, such as development of products with lower environmental impact, logistics efficiency, clean industry certifications for our manufacturing plant, sustainability assessments for our supply chain suppliers, zero waste

targets, wastewater treatment and climate change training for our team. In line with the above, relevant projects have been implemented or will be implemented in the following years. Examples of these projects are: investments for developing low emissions products, energy efficiency projects, renewable energy for manufacturing operations and the goal of setting Science Based Targets by 2023.

Our [2025 Sustainability Strategy](#) is aligned with and seek to actively contribute to the fulfillment of specific goals of the Sustainable Development Goals (SDGs) established by the United Nations.



RISK MANAGEMENT

CLIMATE-RELATED RISKS IDENTIFICATION

We identify and manage short, medium, and long-term risks that could significantly affect the Company's business operations, financial situation, or operating results. This process is essential to provide the Board of Directors and other corporate bodies with the necessary tools for the establishment of mitigation plans to reduce the impact of such risks, while generating strategies to take advantage of the opportunities that they might represent.

During 2020, the first climate change risks analysis took place, and during 2021 the Global Sustainability Committee is overseeing a second assessment of risks and opportunities regarding climate change. This study considers the Task Force on Climate Related Financial Disclosures (TCFD) framework of recommendations for disclosing the measurement and control of risks related to climate change. This involves identifying physical and transitional climate risks, as well as the most relevant financial risks and opportunities. The analysis also includes identifying industry risks and global trends that could have an impact on our operations, as well as on our products. Additionally, it includes the gathering of information on specific risks in different areas of the Company, including Sustainability, Supply Chain, Logistics, Global Procurement, Manufacture, Marketing, Sales, Legal and Investors Relations. In addition, it considers current risk management mechanisms and adaptation strategies according to the identified challenges associated with climate change.

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

Typology of climate risks and opportunities established by the TCFD Group is considered. According to the recommendations developed by this group, climate related risks and opportunities are described as follows:

Transitional risks: The road to a low-carbon economy will involve addressing the mitigation and adaptation requirements related to climate change. This is likely to materialize in the form of extensive policy, legal, technology, and market changes.

Physical risks: Physical risks from climate change can be event-based (acute) or longer-term climate pattern shifts (chronic). Physical risks can have direct financial implications for organizations such as direct damage to assets, and indirect impacts including supply chain disruption.

Opportunities: Energy efficiency, changes in energy sources and/or technologies, new products and services, new markets or assets, and increased resilience.



CLIMATE-RELATED RISKS MANAGEMENT

We manage climate-related risks in our operations through the mitigation plans, policies and procedures determined by our Global Sustainability Committee, through the metrics and targets established in our **2025 Sustainability Strategy**.

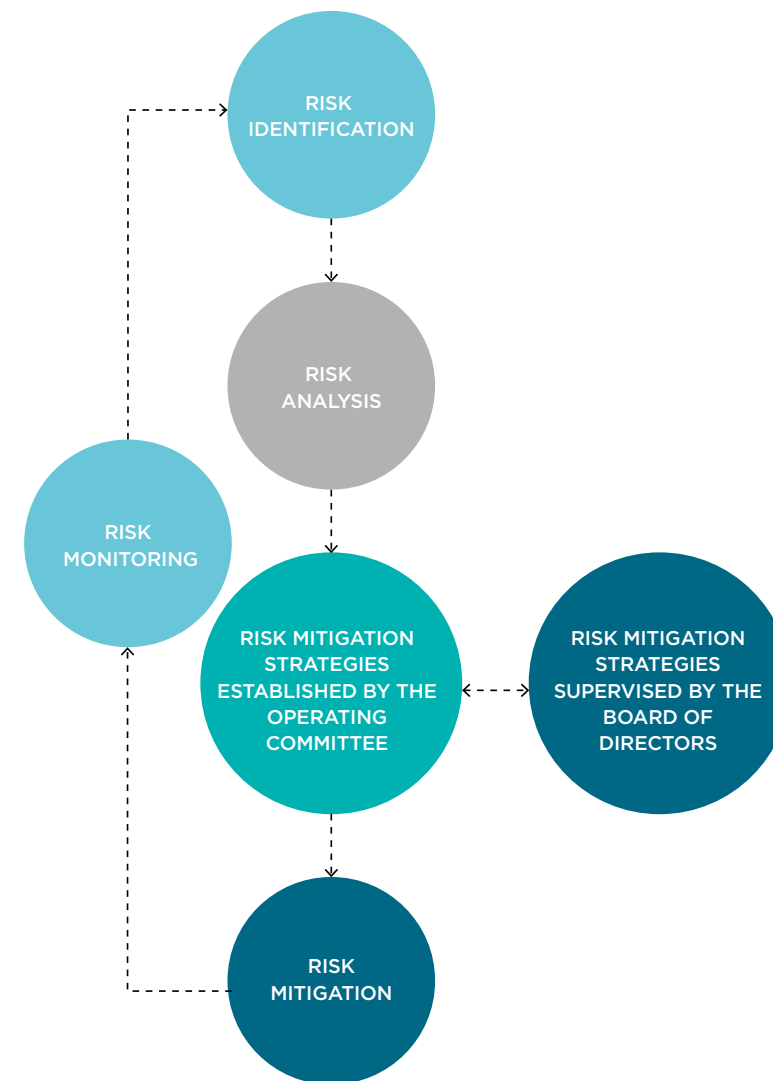
The Sustainability department is responsible for monitoring Environmental, Social and Governance (ESG) issues at a corporate level, developing strategies and working to maintain a positive impact in the environment and in the communities where we have presence, considering what is established in our **Environmental Policy** and **2025 Sustainability Strategy**. This department reports to the Sustainability Vice President, and is responsible for the supervision of the Company's climate-related risks and opportunities assessment.

On the operational side, the Safety, Health, and Environment (SHE) team is responsible for implementing our Environmental and Social Management System (ESMS) at our operating sites. This system integrates key procedures for ensuring our optimal environmental performance, as well as assessing the environmental impact of our operation. Additionally, this specialized team ensures the implementation of these procedures by conducting periodic internal audits, and identifying climate-related issues at the operative level.

INTEGRATION INTO OVERALL RISKS

We are consolidating an internal risk management culture through a multidisciplinary team from different areas and administrative levels in Genomma Lab, in charge of the main business processes. This team is responsible for identifying and measuring risks, considering both internal and external context of Genomma Lab, geographic situation, operations, and characteristics of the locations in scope, trends, opportunities, physical and transitional risks related to climate change that could have an impact on the operation. Based on this analysis, the Operating Committee establishes mitigation plans to reduce the impact that the identified risks could have in our operations, while developing strategies that allow the Company to take advantage of the opportunities that such risks may represent. The Board of Directors, through the Audit and Corporate Practices Committee, monitors the mitigation plans. These plans are implemented and monitored by the operational teams responsible for each business process that may be impacted according to the risk analysis.

During 2021, a specific process of climate change risk assessment was carried out with the advice of an external consultant to identify the most relevant climate risks and opportunities for the Company in the coming years.





METRICS AND TARGETS

CLIMATE-RELATED METRICS

The environmental management section of our **2020 Annual Report** considers historical data of our electricity and fuel consumption, waste

generation, water management, as well as, our greenhouse gas (GHG) emissions footprint.

SCOPE 1, 2 AND 3 DISCLOSURES

The Environmental Management section of our **2020 Annual Report** considers Scope 1, Scope 2 and Scope 3 GHG emissions data for 2020 and 2019.

Global Warming Potentials defined by the GHG Protocol and the Emission Factor of the National Electric System for the 2020 period of the Energy Regulatory Commission (CRE). The Greenhouse Gases considered in this calculation are carbon dioxide (CO₂), nitrous oxide (N₂O) and methane (CH₄). Methodologies that meet the Corporate Accounting and Reporting Standard of the GHG Protocol, the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

The calculation of Greenhouse Gas (GHG) emissions was carried out under; The General Law on Climate Change, regarding the National Emissions Registry (RENE) and considering the Heat of Combustions published by the National Commission for the Efficient Use of Energy (CONUEE) corresponding to the year 2020. The



CLIMATE-RELATED TARGETS

EMISSIONS



We have established the target of reducing 20% of Scope 1 and 3 CO₂ emissions by 2023, considering a 2019 baseline. This is related with route efficiency and reducing fuel consumption in our logistics operations considering our freight transport and the one owned by our logistics suppliers.

ENERGY



Our goal for 2025 is to integrate 50% of renewable energy sources to the energy matrix of our manufacturing operation site in Mexico.

WASTE



Our goal for 2022 is to prevent the waste generated in our new Industrial cluster from reaching the landfill, through prevention and recycling.

WATER



Our goals for 2022 are to treat 100% of the wastewater generated at our manufacturing operations and implement state-of-the-art technologies to facilitate the recycling and reuse of water.



Genomma Lab.®
Internacional

Av. Antonio Dovalí Jaime #70 Torre C, Piso 2, Despacho A, Col. Santa Fe,
Del. Álvaro Obregón, Ciudad de México. C.P. 01210, Tel. (55) 5081 0000

www.genommalab.com
www.esr.genommalab.com