

CLIMATE SCENARIO ANALYSIS

PHYSICAL AND TRANSITIONAL CLIMATE RISKS 2021-2022



PHYSICAL RISK

QUALITATIVE AND QUANTITATIVE CLIMATE-RELATED SCENARIO ANALYSIS

SCENARIOS-RCP

The Representative Concentration Pathways (RCPs) describe four different 21st century pathways of greenhouse gas (GHG) emissions and other pollutants. The RCPs have been developed using integrated assessment models as input to a wide range of climate model simulations to project their consequences for the climate system. These climate projections, in turn, are used for natural and anthropogenic systems impacts and adaptation assessment.

In this assessment we use an intermediate scenario (RCP4.5) and one scenario with very high GHG emissions (RCP8.5) in order to identify in a short a long term the consequences in our business. These scenarios are recommended by the scientific community.

SCOPE AND FOCUS OF ASSESSMENT

Critical suppliers and Genomma Lab operations

This assessment includes the two main facilities of Genomma Lab. The Industrial Complex located in State of Mexico, integrated by a pharmaceutical plant, a personal care plant and a distribution center; and one production pharmaceutical line in Mexico City.

Also, we considered **21 critical suppliers of the Company spreaded throughtout in Mexico**, those who may have a significant impact on the continuity of the operation and business model.





ASSESSMENT

IDENTIFICATION OF PRESENT DANGER LEVEL

Based on information and maps available on the National Centre for Disaster Prevention of Mexico's website and the Vulnerability National Atlas, current danger level to weather events of the two facilities of Genomma Lab and critical suppliers to heat waves, tropical cyclones, floods and droughts, are as follows:

Selection of scenarios and time horizons

We analyzed two-time horizons (2021-2040 and 2041-2060) under RCP 4.5 and RCP 8.5. These routes were chosen to be able to identify, on the one hand, the impacts of climate change in a scenario in which efforts to reduce emissions are zero and the increase in temperature exceeds 4 °C (RCP 8.5) and on the other hand the possible effects of climate change in a scenario where global efforts to reduce the concentration of GHG in the atmosphere are important and it is possible to limit the increase in temperature between 1.5 and 2 °C above pre-industrial levels (RCP 4.5).

Based on these scenarios and variables described above, we identified locations of our two facilities and also critical suppliers. Regarding the Vulnerability Nacional Atlas, we got specific values of each variable at every property location, in order to link the effect of changes in temperature and precipitation in operations and suppliers.

DANGER LEVEL	WEATHER EVENT			
	FLOODS	DROUGHTS	HEAT WAVES	TROPICAL CYCLONES
Very high	1 facility 11 suppliers	--	--	--
High	1 facility 3 suppliers	1 supplier	2 suppliers	--
Medium	3 suppliers	1 facility 9 suppliers	1 facility 6 suppliers	--
Low	3 suppliers	1 facility 11 suppliers	9 suppliers	--
Very low	1 supplier	--	1 facility 3 suppliers	2 facilities 21 suppliers

We can see that current main weather event for almost all properties assessed are floods and droughts. Floods are one of the most relevant climate change related threats for infrastructure, and therefore for the facilities of the Company and supplier's facilities, is increasing in frequency of floods. Many locations in which the facilities of the Company and those of its suppliers are located do not have efficient drainage systems to discharge large amounts of

precipitation, which means that, in climate change scenarios with significant increases in precipitation, vulnerability to floods would be greater. In other hand, droughts are direct related to reduction of water availability, therefore when in a climate change scenario, precipitation is reduced in areas with high vulnerability to droughts, water availability decreases substantially.



IDENTIFICATION OF SCENARIOS

This stage consisted in identifying future climate change scenarios obtained by the Vulnerability National Atlas. The data contained the two periods (2021-2040 y 2041-2060) averages of the following climatic variables:

- Precipitation change [%]
- Maximum temperature
- Medium temperature
- Minumum temperature

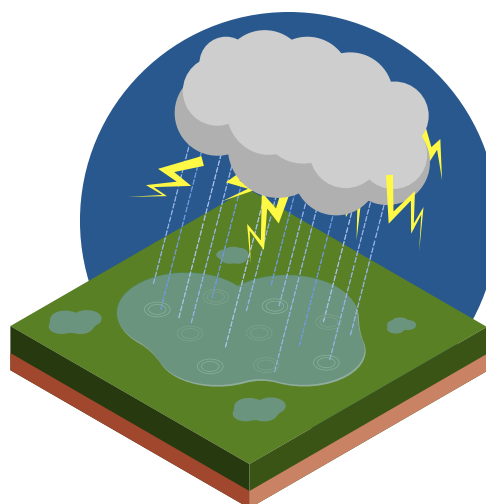
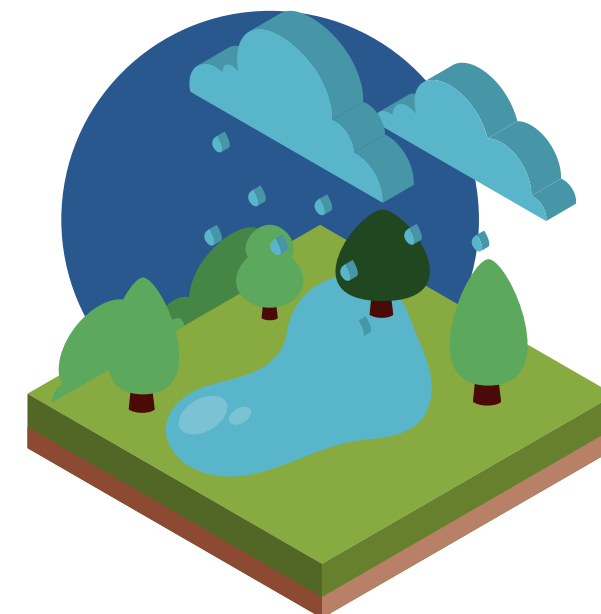
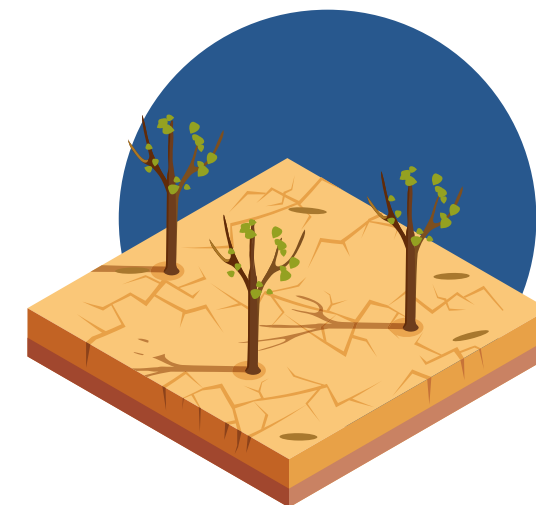
In the next tables, we shown annual average climatic variables per location the facilities of the Company and those of its suppliers are set, of maximum, medium and minimum temperature, and also precipitation in two periods and RCPs studied.

Change of precipitation

Climate change brings with its different variations in precipitation patterns (increase or decrease on the amount of precipitation) which directly affects the frequency and intensity of floods and droughts.

PRECIPITATION PATTERNS (%)

LOCATION	NUMBER OF FACILITIES	2021-2040		2041-2060	
		RCP 4.5	RCP 8.5	RCP 4.5	RCP 8.5
Mexico City	9	1.5	0.1	0.1	-1.9
State of México	6	1.2	-0.1	-0.3	-2.2
Querétaro	2	1.9	0.7	0.3	-0.8
Guanajuato	1	1.5	0.4	-3.4	-9.3
Puebla	1	0.8	-0.3	-0.2	-2.2
Tlaxcala	1	1.4	0.4	0.5	-1.2
Jalisco	1	-0.4	-0.6	-1.2	-3.5
Morelos	1	0.8	-0.6	-1.0	-3.1
Coahuila	1	0.0	0.3	-2.2	-2.4



Temperature

Temperature increase as a consequence of climate change has a direct impact on weather events, because it increases their intensity and therefore the impacts on the facilities of the Company and those of its suppliers.

MAXIMUM TEMPERATURE (° C)



LOCATION	NUMBER OF FACILITIES	2021-2040		2041-2060	
		RCP 4.5	RCP 8.5	RCP 4.5	RCP 8.5
Mexico City	9	1.2	1.3	1.9	2.4
State of México	7	1.1	1.3	1.8	2.4
Querétaro	2	1.2	1.3	1.9	2.4
Guanajuato	1	1.2	1.3	1.9	2.4
Puebla	1	1.2	1.3	1.8	2.4
Tlaxcala	1	1.2	1.3	1.9	2.4
Jalisco	1	1.1	1.2	1.7	2.2
Morelos	1	1.1	1.2	1.8	2.3
Coahuila	1	1.5	1.6	2.2	2.7

MEDIUM TEMPERATURE (° C)

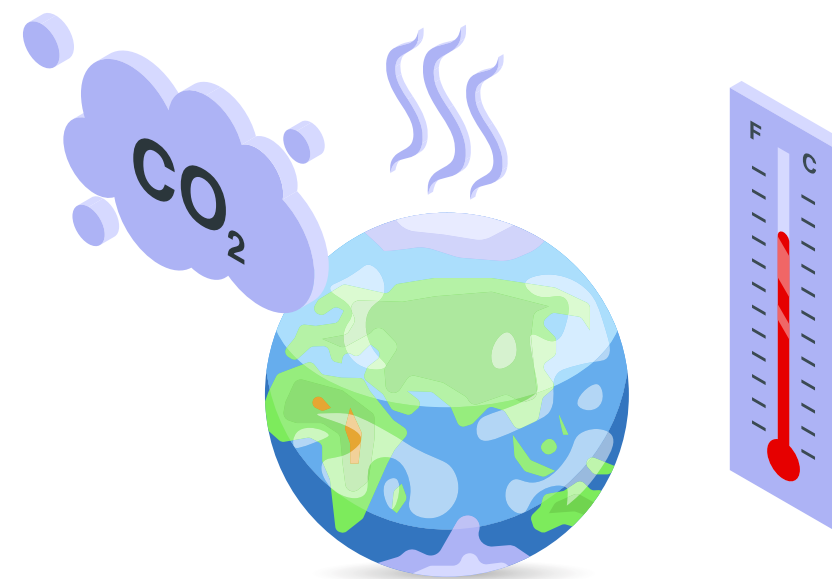


LOCATION	NUMBER OF FACILITIES	2021-2040		2041-2060	
		RCP 4.5	RCP 8.5	RCP 4.5	RCP 8.5
Mexico City	9	1.1	1.2	1.7	2.2
State of México	7	1.1	1.2	1.7	2.2
Querétaro	2	1.1	1.2	1.7	2.2
Guanajuato	1	1.1	1.2	1.8	2.2
Puebla	1	1.1	1.2	1.7	2.2
Tlaxcala	1	1.1	1.2	1.7	2.2
Jalisco	1	1.1	1.2	1.6	2.1
Morelos	1	1.1	1.2	1.7	2.2
Coahuila	1	1.3	1.5	2.0	2.5

MINIMUM TEMPERATURE (° C)



LOCATION	NUMBER OF FACILITIES	2021-2040		2041-2060	
		RCP 4.5	RCP 8.5	RCP 4.5	RCP 8.5
Mexico City	9	1.1	1.1	1.6	2.1
State of México	7	1.1	1.1	1.6	2.1
Querétaro	2	1.1	1.1	1.6	2.1
Guanajuato	1	1.0	1.1	1.6	2.1
Puebla	1	1.1	1.1	1.6	2.1
Tlaxcala	1	1.1	1.1	1.6	2.1
Jalisco	1	1.0	1.1	1.5	2.0
Morelos	1	1.0	1.1	1.6	2.1
Coahuila	1	1.3	1.4	1.0	2.5







TRANSITIONAL RISKS

Genomma Lab and its suppliers are exposed to negative effects due to climate change such as increases in raw material and/or production costs, more rigorous environmental regulations, reputation, new technology, specifically related to climate change, which could affect Genomma's

growth. The Company is committed to identify transitional risks and taking actions in order to raise awareness in the upstream and downstream activities about risks associated with climate change.

Regarding with this assessment, we identify the Company's transitional risks, through the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD).

CLIMATE RELATED RISKS	CLIMATE-RELATED RISK DRIVER	DESCRIPTION	TIME HORIZONT		
			LONG TERM: 6-8 YEARS	MEDIUM TERM: 2-5 YEARS	SHORT TERM: 0-1 YEAR
 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 the Company operates.	X	X	
	Applicable and emerging regulation related to products	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 the Company operates.			X
 Technology	Substitution of existing products with lower emissions	Developing of new products with lower emissions through their life cycle has represented increase of direct cost regarding raw materials and adjustments of processes.	X		
	Transitioning to lower emissions technology	Increase of capital expenditures.	X	X	
 Market	Uncertainty in market signals	Decrease on the demand of products due to strengthening trends related with reducing plastic consumption and consuming local products that declare having less impact on the environment.	X		
	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.	X	X	
 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.	X	X	
	Increased stakeholder concern or negative stakeholder feedback	Relevant investors have interest on how the Company manages its environmental impacts; therefore, fail to disclosure on practices related to climate change management could lead to a decrease on access to capital markets.		X	X




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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