



**Genomma Lab.®**  
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# Financial Materiality





## What is it and what is its purpose?

- It's a process that allows for the identification of the undertaking's most relevant topics in terms of sustainability. It entails their categorization through the risks and opportunities that may be of interest to the undertaking's capital investors and suppliers.
- This analysis identifies and prioritizes the financial risks and opportunities that are related to sustainability, social and governance topics (ESG), whose management is critical for business continuity.

## Why is it useful?

- Material topics serve as the basis for sustainability management and communication, that is, they are necessary to set a business strategy and priorities regarding sustainability, as well as to generate sustainability reports that serve different interest groups.
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# Definition of risks and opportunities

	Risk or opportunity (Topic: circular solutions)	Risk or opportunity (Topic: Economic performance)	Risk or opportunity (Topic: Responsible supply chain management)
<p><b>Risk or material opportunity</b></p> <p>Specify the material risk or opportunity affecting your business:</p>	<p>Sustainable Products and Services</p> <p>Opportunity: Cost savings due to the integration of recycled material instead of virgin raw material for the production of containers and packaging in our product lines, especially the Tío Nacho brand.</p>	<p>Product / Service Quality &amp; Safety</p> <p>Opportunity: Strategic alliance for the marketing in Mexico and Latin America of the "Novamil" infant nutrition line, products with high European quality standards.</p>	<p>Supply Chain Management</p> <p>Risk: Probability of non-compliance by suppliers in different geographies, in social, environmental or ethical matters.</p>
<p><b>Business case</b></p> <p>Briefly explain why this issue is important to your company.</p>	<p>The issue is important for the company since it represents the opportunity to reduce operating costs. At the same time, it is a competitive advantage in the market given consumer preferences for sustainable products. Finally, it represents an advantage in terms of legal compliance, especially in countries where the use of sustainable materials is beginning to be mandatory.</p>	<p>This commercial alliance has been in the Latin American market for 4 years and represents a valuable commercial opportunity in the 80mm USD market. It currently has a solid performance with year-on-year growth of +46% in the fourth quarter and +44% in the year.</p>	<p>Genomma Lab has a supply chain in 18 countries, in which 6 countries represent more than 80% of the operation, which represents a risk given the complexity and granularity of its suppliers. A possible non-compliance with labor or environmental practices could put the continuity of certain product lines at risk.</p>
<p><b>Impact on the undertaking</b></p> <p>Please select the type of impact this material issue has on your business (cost/revenue/risk):</p>	<ul style="list-style-type: none"> <li>•Costs</li> </ul>	<ul style="list-style-type: none"> <li>•Income</li> </ul>	<ul style="list-style-type: none"> <li>•Risk</li> </ul>
<p><b>Business strategy</b></p> <p>Please specify your main business strategies, initiatives or products that address this issue:</p>	<p>Resources have been invested in researching recycled materials, thus reducing the use of virgin raw materials. In the case of the TíNacho brand shampoo bottle, we have achieved that 100% of its composition is made from recycled plastic, including the bottle cap and its label, as well as secondary packaging, such as cardboard boxes for its packaging. transport.</p> <p>See <a href="#">Informe Anual 2023 p.185-189</a></p>	<p>Diversification of the Novamil brand into different variants (e.g. Novamil premium) to capture the market of different segments.</p> <p>Ver <a href="#">Informe Anual 2023 p.49</a></p>	<p>There is a holistic mapping and identification of Tier 1 suppliers, as well as Tier 1 suppliers critical to the business. Likewise, there are processes for evaluating ESG practices for suppliers.</p> <p>Ver <a href="#">Informe Anual 2023 p.98 - 102</a></p>

# Definition of risks and opportunities

	Risk or opportunity (Topic: circular solutions)	Risk or opportunity (Topic: Economic performance)	Risk or opportunity (Topic: Responsible supply chain management)
<p><b>Material risk or opportunity</b></p> <p>Specify the material risk or opportunity affecting your business:</p>	<p>Sustainable Products and Services</p> <p>Opportunity: Cost savings due to the integration of recycled material instead of virgin raw material for the production of containers and packaging in our product lines, especially the Tío Nacho brand.</p>	<p>Product / Service Quality &amp; Safety</p> <p>Opportunity: Strategic alliance for the marketing in Mexico and Latin America (except Brazil) of the "Novamil" infant nutrition line, products with high European quality standards.</p>	<p>Supply Chain Management</p> <p>Risk: Probability of non-compliance by suppliers in different geographies, in social, environmental or ethical matters.</p>
<p><b>Metric/objective</b></p> <p>Is there a quantitative objective or associated metric?</p>	<ul style="list-style-type: none"> <li>•Metric: Tons of packaging material with recycled and/or renewable content</li> <li>•Goal 1: by 2021, secondary packaging will be made with certifications for the use of sustainable paper fiber.</li> <li>•Goal 2: by 2021, 100% of tertiary packaging will be made from 100% recyclable and recycled materials.</li> <li>•Goal 3: by 2025 all product packaging will be 100% recyclable, reusable or compostable.</li> </ul> <p><a href="#">Ver Estrategia de Sostenibilidad Genommalab 2021 p.2 y 3</a></p>	<ul style="list-style-type: none"> <li>•Metric: % market share growth of the Novamil brand in the countries where it has a presence.</li> </ul>	<ul style="list-style-type: none"> <li>•Metric: % of Tier 1 suppliers evaluated in the sustainability program. <a href="#">Ver Informe Anual 2023 p.102</a></li> <li>•Goal: By 2022, 100% of our global supply chain (Tier 1 suppliers) will be evaluated in the sustainability program. To date, it is met in all countries, except in Mexico with 26.6%. <a href="#">Ver Estrategia de Sostenibilidad Genommalab 2021 p.5</a></li> </ul>
<p><b>Target year</b></p>	<ul style="list-style-type: none"> <li>•Goal 1: 2021</li> <li>•Goal 2: 2021</li> <li>•Goal 3: 2025</li> </ul>	<ul style="list-style-type: none"> <li>•Unavailable</li> </ul>	<ul style="list-style-type: none"> <li>•2022</li> </ul>
<p><b>Progress</b></p>	<ul style="list-style-type: none"> <li>•There is traceability of data on packaging materials acquired since 2021. <a href="#">Ver Informe Anual 2023 p.185</a></li> </ul>	<ul style="list-style-type: none"> <li>•The progress of the Novamil brand is communicated annually, regarding the increase in sales of the brand. <a href="#">Ver Informe Anual 2023 p.18</a></li> </ul>	<ul style="list-style-type: none"> <li>•In 2023, progress related to supplier evaluation in the sustainability program was reported for the first time.. <a href="#">Ver Informe Anual 2023 p.102</a></li> </ul>
<p><b>Executive compensation</b></p> <p>Is the metric linked to the remuneration of any member of the management team?</p>	<ul style="list-style-type: none"> <li>•Unavailable</li> </ul>	<ul style="list-style-type: none"> <li>•Unavailable</li> </ul>	<ul style="list-style-type: none"> <li>•Unavailable</li> </ul>



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# Impact Materiality





## What is it and what is its purpose?

- It's a process that allows for the identification of the undertaking's most relevant topics in terms of sustainability. It entails their prioritization through the undertaking's interest groups.
- This analysis identifies and prioritizes the sustainability, social and governance impacts whose management is critical to the undertaking's business continuity, and from which initiatives and plans of action can be developed and strengthened to mitigate any negative impacts and to promote any positive ones generated through our operations.

## Why is it useful?

- Material topics serve as the basis for sustainability management and communication, that is, they are necessary to set a strategy and priorities in the business regarding sustainability, as well as to generate sustainability reports that serve different interest groups.
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# Definition of Impacts

## Positive Impacts

**Positive impacts** are those that the organization generates through its activities, and that contribute positively to its interest groups and contribute to sustainable development (in terms of environment, social and governance topics)



## Negative Impacts

**Negative impacts** are those that the organization generates through its activities, and that negatively affect its interest groups, in addition to negatively contributing to environmental, social and/or governance problems.

# Definition of impacts

	Impact 1 (topic: Accessibility and affordability)	Impact 2 (topic: Social inclusion)
<p><b>Material issue for external interested parts</b> Specify the material question that generates a positive/negative impact on interested parts.</p>	<ul style="list-style-type: none"> <li>•Topic: Accessibility and Affordability</li> </ul>	<ul style="list-style-type: none"> <li>•Topic: Social Inclusion</li> </ul>
<p><b>Cause of impact</b> Specify which part of your company is responsible for the external impact and the coverage of business activity that has been taken into account in the assessment.</p>	<p>Products and services More than 50%</p>	<p>Products and services Unknown</p>
<p><b>Stakeholder(s)/external impact area(s) assessed</b> Select the stakeholder group or impact areas assessed.</p>	<ul style="list-style-type: none"> <li>•Social</li> <li>•Consumers</li> </ul>	<ul style="list-style-type: none"> <li>•Social</li> </ul>
<p><b>Relevance of the topic to external stakeholders</b> Briefly explain why the assessed external impact is important to external societal or environmental stakeholders. Please also indicate the type of impact assessed along with public disclosure, if available.</p>	<p>Positive impact</p> <p>Impact: Increased capabilities in pharmacists through the "Gen experts" program, which aims to improve technical and sales capabilities so that they can adequately advise consumers and pharmacists can have better tools for selling products.</p> <p>The impact is relevant given the high rates of self-medication in Mexico and Latin America.</p>	<p>Positive impact</p> <p>Impact: improvement in the well-being of vulnerable populations and communities hit by natural disasters through the donation program for pharmaceutical products and personal care items.</p> <p>The impact is relevant given the number of organizations that serve populations in vulnerable situations (more than 40) and the support provided during Hurricane Otis in Mexico, the most destructive in the history of the Mexican Pacific coast.</p>



# Definition of impacts (metrics)

	Impact 1 (topic: Accessibility and affordability)	Impact 2 (topic: Social inclusion)
<p><b>Material issue for external interested parts</b></p> <p>Specify the material question that generates a 'positive/negative impact on interested parts.</p>	<ul style="list-style-type: none"> <li>•Topic: Accessibility and Affordability</li> </ul>	<ul style="list-style-type: none"> <li>•Topic: Social Inclusion</li> </ul>
<p><b>Operational metric</b></p> <p>Quantitative metrics used to measure environmental and/or social results directly stemming from the undertaking's business activities.</p>	<ul style="list-style-type: none"> <li>•Operational metric: Number of training hours provided in the GenExpertos Program for stores and pharmacies.</li> </ul>	<p>Operational metric: Number of products subject to donation.</p>
<p><b>Impact metric</b></p> <p>Quantitative metric related to external impact</p>	<ul style="list-style-type: none"> <li>•Description of the impact assessment: The result of the stores that are part of the GenExpertos program closes 11% above the performance of the pharmacy channel during 2023.</li> </ul>	<ul style="list-style-type: none"> <li>•Description of the impact assessment: Possible improvement in the economy of families by having greater access to over-the-counter medicines and personal care in local communities.</li> </ul>
<p><b>Impact metric</b></p> <p>Quantitative metric related to external impact</p>	<ul style="list-style-type: none"> <li>•Metric: Number of stores and pharmacies impacted; Number of store and pharmacy owners.</li> </ul> <p><a href="#">Ver Informe Anual 2023 p.76</a></p>	<ul style="list-style-type: none"> <li>•Metric: Number of people benefited (35,000 since 2019)</li> </ul> <p><a href="#">Ver Informe Anual 2023 p.170</a></p>



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