



RISK MANAGEMENT

Risk management

Key risks identified

We communicate the main risks to the Company. We disclose our risk exposure level for climate change and human rights, which we review at least once every two years. The remaining identified risks are reviewed annually.

Climate change risk or effects

We face both physical and regulatory risks arising from climate change (rising costs of raw materials, as well as packaging and production material, stricter health regulations, and changes in environmental laws).

For more information click here

Impact examples

There is a possibility that operations may be directly affected by natural disasters or new regulations, which could result in additional costs or reduced revenues.

Mitigation measures

- We conduct a physical risk analysis to develop climate adaptation plans
- Regular review of existing regulations to anticipate potential sanctions or associated costs.

Time horizon

Short-, medium-, and long-term

Human rights

We align our business objectives with respect for human rights, prioritizing prevention and potential remediation of any violation. **For more information click here.**

Impact examples

Potential human rights violations arising from our operations, affecting our staff, customers, suppliers, or business partners.

Mitigation measures

- We perform a human rights risk analysis throughout our value chain, and we have reporting channels and mitigation and remediation measures in place.

Time horizon

Short-, medium-, and long-term

Changes in applicable regulations

We operate in 18 countries with diverse product regulations. Changes in laws, regulations or interpretations may affect our operating environment. Failure to comply with these regulations could result in legal action, fines, or penalties, negatively impacting our operations.

Impact examples

If we fail to comply with applicable laws or regulations, we may face legal actions, including fines or penalties, which could negatively impact our results, particularly in our international operations.

Mitigation measures

- Constant training of our work teams in regulatory and legal matters.
- Strengthening of relations with authorities and sectoral associations.

Time horizon

Short- and long-term

Price volatility

Our operating results may be impacted by the overall economic conditions in Mexico, the depreciation of the peso against the dollar, price volatility, inflation, interest rates, fluctuations in oil prices, regulations, taxes, social instability, and other political, social, and economic events.

Impact examples

In the past, Mexico has experienced periods of adverse economic conditions, as well as periods in which economic conditions have deteriorated, and such circumstances have had a negative impact on the Company.

Mitigation measures

- Diversification of local suppliers
- No U.S. dollar-denominated debt

Time horizon

Short-term

Impact on the reputation of our brands

The success of our brands could be jeopardized if marketing plans or product initiatives fail to make the desired impact on brand image or their ability to attract and retain customers and consumers. In addition, the Company's results could be affected if any of the major brands were to suffer significant reputational damage as a result of actual or perceived quality problems.

Impact examples

Failure to comply with regulations leading to fines or product recalls.

Mitigation measures

- We ensure the safety, efficacy and responsible communication of our products through clinical studies, regulatory compliance and review of advertising content, with the support of our medical, regulatory, quality and legal teams. In addition, we voluntarily participate in industry advertising codes of ethics.

Time horizon

Short-term

Consumer expectations

If the products in the Company's current portfolio fail to meet the expectations of customers and consumers, sales could decline.

Impact examples

We may not have the ability to accurately identify the preferences of our customers and consumers, translate that knowledge into well-accepted products, or successfully integrate them into our current portfolio and operations.

Mitigation measures

- Strengthening our Consumer Intelligence & Analytics team

Time horizon

Short-term

Manufacturing risks

The increase in production lines at our Industrial Complex could generate variations in product quality, delays in fulfilling orders, and problems adapting to the new business model, among other factors.

Impact examples

If our suppliers were to raise their prices, our manufacturing costs would be impacted, potentially reducing our margins unless we pass these increases on to our customers or consumers.

Mitigation measures

- We implement a comprehensive strategy for quality and sustainable sourcing, combining in-house production, rigorous supplier evaluation, and demand forecasting tools.

Time horizon

Short-term

Risks in the value chain

We rely on various manufacturers to deliver high-quality products that align with our company's standards and applicable regulatory requirements, meet delivery deadlines, and are competitive in terms of price.

Impact examples

If imported products do not meet the requirements set by each country's regulations, they may be banned from entering the market or recalled.

Mitigation measures

- We evaluate and audit our critical suppliers to ensure they align with our quality, ethical, social, and environmental standards.

Time horizon

Short-term

Talent retention and attraction

The Company's future operations could be affected if any of our senior executives or key staff were to leave the Company.

Impact examples

Failure to fill vacancies in high-level positions on time could impact our ability to implement business strategies.

Mitigation measures

- We strengthen our corporate culture through action plans derived from the work environment, training programs, wellness and inclusion initiatives, as well as strategies for attracting, evaluating, and managing talent.

Time horizon

Short-term

Cybersecurity

The Company relies on information technology and automated operating systems to manage and support our operations and to deliver our products to customers and consumers.

Impact examples

Any significant disruption to our systems, as well as leaks or theft of information, could impact our compliance with data privacy laws and damage our relationships with employees, customers, and suppliers.

Mitigation measures

- We strengthen our personal data protection system with executive oversight, cybersecurity controls and monitoring, as well as recovery plans and rapid incident response teams.

Time horizon

Short- and medium-term

Risk management

Main emerging risks

We recognize that the pharmaceutical and consumer goods sectors face a number of emerging risks that can significantly impact our operations and financial results. We have identified two risks aligned with the World Economic Forum's (WEF) Global Risks Report 2025¹, which assesses those with a high probability of materializing in the short and long term (two and ten years).

¹ The WEF report outlines economic, environmental, geopolitical, social, and technological risks.

Risks related to nature and biodiversity

Environmental

Biodiversity loss can have long-term negative effects on ecosystems and the availability of natural resources. That said, we may face potential shortages of critical ingredients for certain types of products, which originate from nature. This would lead to a decrease in production volume, potentially resulting in a reduction in sales and revenue.

Possible impact on the business

There is a possibility that the loss of biodiversity due to human activity could lead to shortages or limitations of certain ingredients needed for the development of our products. This would lead to a decrease in production volume, potentially resulting in a reduction in sales and revenue.

Potential mitigation measures

Potential identification of risks, dependencies, and impacts on biodiversity based on the TNDF's LEAP approach.

Artificial Intelligence (AI) risk

Technological

The risk associated with Artificial Intelligence involves threats or problems that may arise from the use, implementation, or dependence on AI systems. These risks can arise from errors in algorithms, biases in data, a lack of transparency in automated decision-making, or even the intentional misuse of AI, such as the creation of deepfakes, manipulation of information, or loss of control over automated decisions. AI can also pose risks in terms of privacy, ethics, security, and operability.

Possible impact on the business

Reputational and legal risks from automated decisions perceived as biased or unethical, which could impact the trust of customers and consumers.

Operational disruptions or loss of control in key processes can occur if AI systems fail, are not properly monitored, or do not comply with emerging regulations.

Potential mitigation measures

- Rigorous testing, continuous monitoring, and human intervention policies to ensure responsible, ethical, and safe implementation in processes.
- Mitigating data bias and ensuring regulatory compliance, supported by effective control mechanisms and ongoing training.



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