

We create value for Mexico

2021 INTEGRATED ANNUAL REPORT





Letter to Shareholders

TO THE SHAREHOLDERS OF GRUPO HERDEZ:

In what seems to be the final stage of a long and difficult pandemic, and in the middle of a complex geopolitical scenario, we have successfully put our years of experience to navigate these challenging situations that are difficult to foresee.

We continue to face supply chain shortages, sky-high inflation, phenomena that are increasingly damaging the environment, new needs of consumers who, just like us, are adapting to an uncertain global order, and disruptive social movements that are necessary to achieve universal human wellbeing.

Thus, while we head with optimism to global economic and social recovery, I am proud that we continue **creating value for Mexico**.

Our flexibility and ability to solve problems have allowed us, among many other things, to achieve encouraging financial results, celebrate traditional brands, seek out innovative ways to measure impact, strengthen corporate reputation, and act consciously on efforts for the wellbeing of the planet, the communities, and our collaborators.

From all fronts, we are the ally that the country needs for its growth.

FINANCIAL VALUE

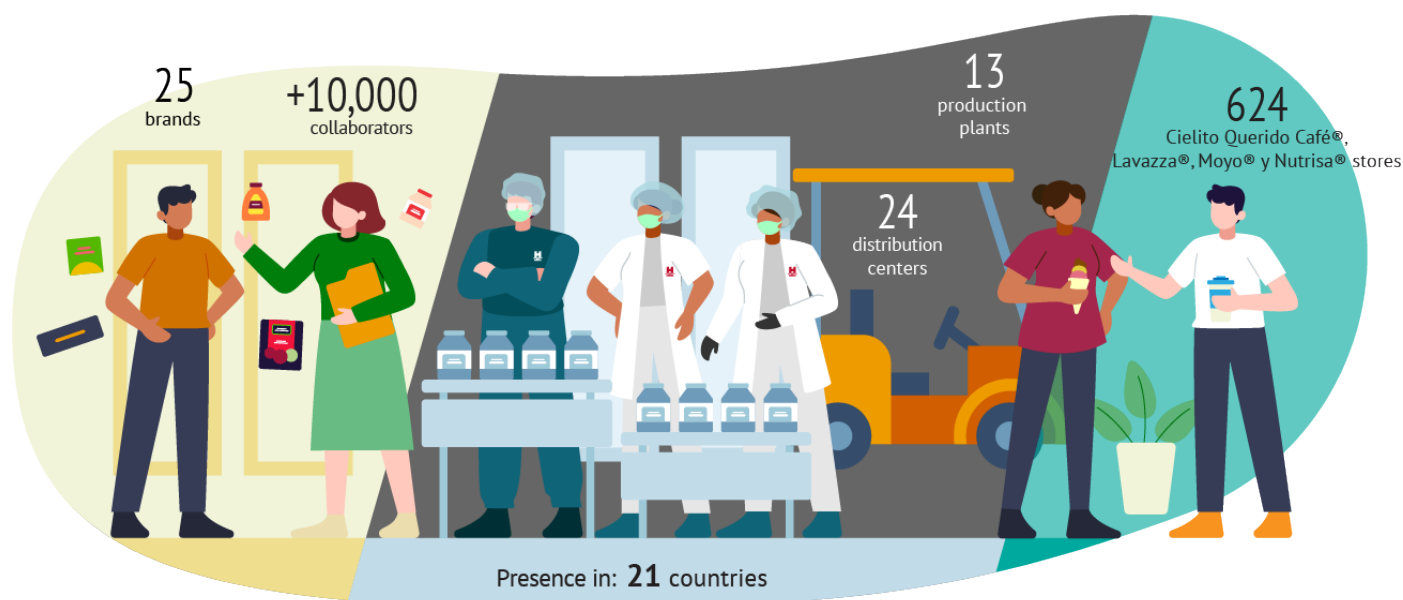
As we do every year, we set a new record in **consolidated net sales**, with an increase of 8.8% to exceed \$26 billion pesos.

The **Preserves segment** grew 8.0% —\$20,977 million pesos in sales— driven by increases in prices in the last twelve months and volume flat with the previous year. The categories with the best performance in the year were mayonnaise, ketchup, teas, and tomato puree. We were also able to increase our market share by 70% in the main categories in which we participate.

The **Impulse segment** —in which we now integrate our ice cream and retail businesses— grew 25.5%, reaching \$3,273 million pesos, due to the return of traffic in stores and the inclusion of new businesses, as well as to increases in prices like in Preserves. More than growth, we are facing an incredibly important recovery for the segment, which was affected by the social restrictions of the pandemic in 2020.

Moreover, **Helados Nestlé** maintained the sales volume in the supermarket channels and price clubs, with an increase in the second half of the year in the traditional and convenience store channel.

Sales of the **Export segment** decreased by 5.1% to \$1,904 million pesos, mainly affected by the appreciation of the peso against the US dollar, but still 16.8% above 2019.



While the **consolidated gross margin** was 36.9%, a decrease of 0.5 percentage points compared to the previous year, figures obtained in each segment are encouraging considering that the country closed 2021 with the highest inflation rate in 21 years.

This inflationary scenario was mostly due to the impact of the pandemic on supply chains and, therefore, a sustained increase in prices of raw materials and packaging materials, to mention a few.

Operating income before other income and expenses increased by 8.3% compared to 2020, reaching another record figure above \$3 billion pesos. This is the effect of a recovery of \$293 million pesos in the Impulse segment and an increase of 3.6% in the Preserves segment.

Earnings before interest, taxes, depreciation, amortization, and other non-cash items (EBITDA) amounted to \$3,944 million pesos, 6.0% less than in 2020, with a margin contraction of 2.4 percentage points. These are favorable numbers considering that we had extraordinary income in 2020 due to the divestment of our tuna business and settlement of an investment in a capital equity fund.

In fact, without considering this income, EBITDA increased by 4.0% with a slight margin contraction of 0.7 percentage points.

In relation to equity investment in associated companies in the Income Statement, net sales of **MegaMex** remained in line with the previous year, for a total of \$14,665 million pesos. Although demand for avocado grew, thus increasing its price, we achieved an operating margin of 11.3%, 0.7 percentage points above 2020. The net income of this business unit was \$1,521 million pesos.

Consolidated net income was \$2,078 million pesos, 12.3% below the previous year, with a margin of 7.9%. In comparable terms, without including extraordinary income, we are not far from 2020 with a margin contraction of 0.7 percentage points.

Finally, I am pleased to share with you that 2021 was the 30-year anniversary of the listing of the company on the **Mexican Stock Exchange**, adding to a history of success in the market with a consolidated portfolio and admirable financial support.

In 2021, we distributed total returns to shareholders of 7.2%, including the repurchase of shares and dividends paid.

As a company, we are still finding **balance in uncertainty**, but the results achieved, the unwavering trust of Mexicans and the support of our customers, partners, and suppliers guarantees us that we are on the right path.



26,153
million pesos
in net sales



+8.8%
growth compared to
the annual closing of
2020



+8.3%
increase in earnings
before other income
and expenses



7.2%
shareholder
return

COMMERCIAL VALUE

The pandemic encouraged brands to secure their position in the digital scene even more.

Our brands, besides exceeding key reach and interaction indicators, were also recognized: **Barilla®**, **Cielito Querido Café®**, **McCormick®**, and **Nutrisa®** were included in Merca 2.0's ranking of **500 digital brands**, the leading marketing magazine in Mexico, for showing innovation and transcendence in social media.

Similarly, our corporate brand was also consolidated, positioning us as one of the companies with the most followers on **LinkedIn Mexico**, the main network of professionals in the country. Additionally, **we went up 31 positions in MERCOS's ranking of 100 companies with the best reputation in Mexico**, ranking 17 in one of the most recognized corporate reputation monitors in Latin America and Spain.

We extended the variety of solutions that we offer to our consumers, and we signed an agreement in April with the American company **General Mills®** to distribute its products in Mexico. Thus, we enriched the portfolio of the Impulse segment with the inclusion of the Häagen-Dazs™ ice cream brand, and entered new categories like cereal bars—with Nature Valley™, Fiber One™, and Lärabar™—and flour for desserts—with Betty Crocker™ and Pillsbury™—.

Of the 7 categories in which we increased our market share, it stands out the launches of functional food—one of the most relevant trends of the year—with **Barilla® Whole Wheat** and **McCormick® Matcha**; the launch of **McCormick® Mayodips**, to continue innovating in the mayonnaise category, where we are undeniable leaders; and **Cielito Querido Café®** ice creams and ready-to-drink beverages, to bring the most popular flavors of our coffee shops to new sales channels like self-service, convenience stores, and price clubs.

While all our brands operate under the same purpose, their different personalities and business proposals provide a range of possibilities to connect increasingly with consumers.

We commemorated the 80th anniversary of **Doña María®** mole sauce with the inauguration of Casa Doña María Pons in San Luis Potosí, as this is the city where aunt María was born—creator of our traditional mole recipe—and the location of one of the most important work centers of Grupo Herdez in Mexico, with 3 plants and 1 distribution center.

This cultural space will serve as an extension of the **Herdez Foundation**, headquartered in Mexico City, contributing to the purpose of promoting, preserving, and disseminating the richness of Mexican cuisine within and without the country.

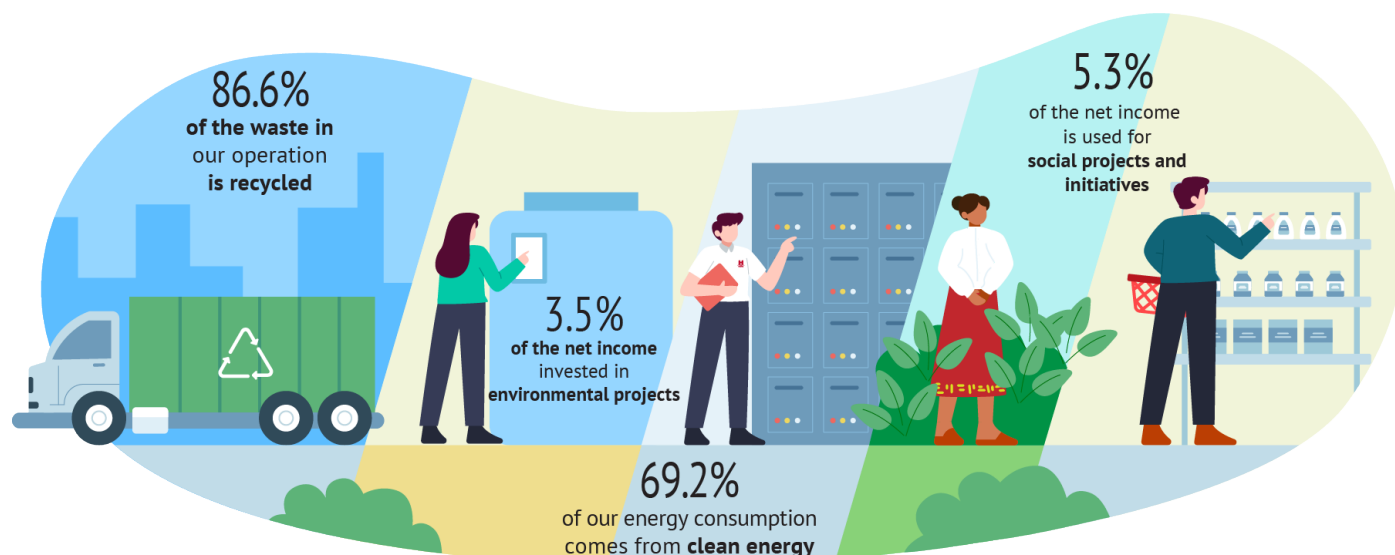
We close the 80-year celebration of the Doña María's legacy with the publication of the book titled "*Una empresaria pionera en San Luis Potosí: María Pons Nicoux*," a historical research that relates the origin and unparalleled contribution of one of the most important women in the history of Grupo Herdez.

We also celebrate the 10th anniversary of **Cielito Querido Café®**, exalting our 100% Mexican origin on the "Talento Caído del Cielo" (Talent from Heaven) platform, where 10 local artists painted 10 murals in our most iconic coffee shops in Mexico City.

SUSTAINABLE VALUE

Grupo Herdez ranked 9th in **MERCOS's 100 companies with the best Environmental, Social, and Governance (ESG) responsibility in the country**. This recognition significantly supports our sustainability strategy since we now have—in addition to the impact achieved—a positive perception of experts in the field, analysts, and the general public. **Our reputation is the most valuable intangible asset.**

In 2021, we invested 5.3% of our profits in programs for the communities in which we operate, with an increase of 66% of the budget thanks to the activities of the **Herdez Foundation**, the **Saber Nutrir®** program, and other initiatives, including the investment for the construction of **Casa Doña María Pons**.



Driven by our mission to make food available to everyone, we donated 26% more products to the **Mexican Food Bank (BAMX)** network, one of our most important allies since 2006. This in-kind donation benefited 42 thousand persons of the 52 food banks that compose the BAMX network in the country, 80 Civil Society Organizations, and the Unidos Hacemos Más campaign.

The **Unidos Hacemos Más** campaign was carried out in alliance with Stewart Investors and BAMX, REINSERTA A.C. and Fundación para la Dignificación de la Mujer I.A.P., supporting women and families affected by covid-19 with food packages.

We implemented 125 **food security and marketing** programs in the State of Mexico with Fundación Pro Mazahua and our Saber Nutrir® program, and for the first time in Yucatán, after the severe floods of 2020.

In total, 482 families in 23 communities have benefited from the installation of vegetable gardens, farms, and greenhouses, in addition to safe water system projects that we have executed since 2017.

We are always looking to expand our reach through alliances with other creators of change that share the same interest in improving the nutrition of vulnerable persons in Mexico.

Fifteen years of efforts of the Saber Nutrir® program resulted in the company being included in the Global Compact "Mexican Companies for the 2030 Agenda in the Decade of Action" report, for being an example of best corporate practices toward achieving Zero Hunger, one of the 17 Sustainable Development Goals of the United Nations.

And as stellar proof that our actions are being noted globally, we received an invitation to form part of the **international engagement group on "Climate and Health"** of the Organization for Economic Cooperation and Development (OECD), being one of the 13 exclusive members to co-create solutions and share best practices in the fields of global supply, healthy and sustainable food.

Together with other companies and NGOs, we will be working very closely for the next 2 years to promote good public policy.

This drives us to continue facing the social and environmental challenges that have arisen around the world as a result of the pandemic.

Lastly, our **Del Fuerte®** brand received its first international award at the Forest Stewardship Council's **FSC Leadership Awards**, the world's most trusted forest certification system. **Del Fuerte®** received this recognition for being the first sponsor that implements the FSC Ecosystem Service Procedure to ensure the forested watershed supplying water for their tomatoes is protected.

FORWARD-LOOKING VALUE

The year 2020 established the basis for our **digital transformation**, the key to keeping us in contact with our consumers. The alliance with one of the biggest global technological leaders sped up the initiatives that today open the door to new sales channels and more efficient operations with the use of artificial intelligence.

AWARDS

17th

among The 100 Companies
with the Best Corporate
Reputation in Mexico of
Merco

9th

among The Most Followed
Mexican Companies on
LinkedIn

9th

among The 100 Companies
with the Most ESG
Responsibility in Mexico of
Merco

Best practice in SDG
02 Zero Hunger

Mexican Companies by
Agenda 2030 of the Global
Compact

13 years

being a Socially
Responsible Company of
the CEMEFI

In 2021, we increased our e-commerce **sales volume** by 32.8% thanks to the initiative of our sales team to offer our portfolio on the digital channels of our customers and enter new online commerce platforms.

We also created an **artificial neural network** that predicts our sales in certain categories and customers with 98% assertiveness, which will allow us to optimize inventories and increase the effectiveness of our operations and investments in points of sale.

We continue reinforcing our goal of being a reference for innovation in sustainability with the development of the **Circular Graphic Guide** for our labels and packaging to align all Group brands under one single environmental communication strategy.

We expect to implement this communication on our labels by the end of 2022, with which our consumers will be able to know more about the materials used, recyclability, and reuse of each of our packages, to encourage them into taking action and reduce our environmental footprint together.

Committed to improving our environmental performance, we started implementing our **Energy Management System** 4 years ago—which seeks continuous and systematic improvement in energy use, consumption, and efficiency—; this year, we started implementing the **Environmental Management System** in accordance with ISO 14001.

I would like to acknowledge the **Ice Cream Plant** team in Jalisco as it is the first location to achieve ISO 50001 and ISO 14001 certifications. Our goal is for 7 more plants to obtain these certifications by 2024 and 2026.

VALUE THAT RESISTS

As a company, we have overcome extremely demanding chapters in history, and what is even more remarkable is that, in each of our 108 years in operation, **none have prevented us from creating value for and by Mexico: our persistence, resilience, and determination** have become an infinite source of **optimism**.

I thank our shareholders, collaborators, customers, partners, and suppliers for what we have achieved in this and all previous annual reports. Thank you for exalting the name of Grupo Herdez with each idea, product, innovation, program, and alliance. Thanks —**all of you who form part of Group Herdez** and all Mexicans — for your trust in that we will always prevail.

Let's continue putting into practice our values, working for our mission, and materializing our purpose every day, because **this is how we demonstrate that a better world is possible—we are making this a reality**. This is how we make progress. **This is how we create value.**

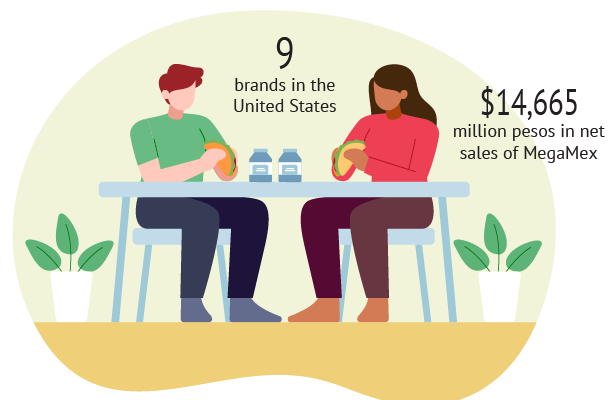
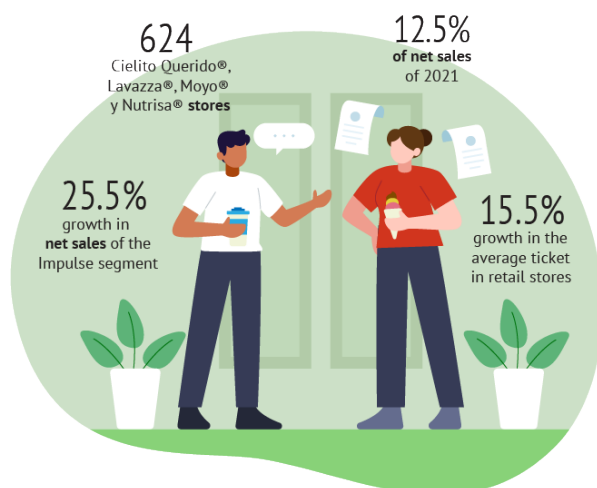
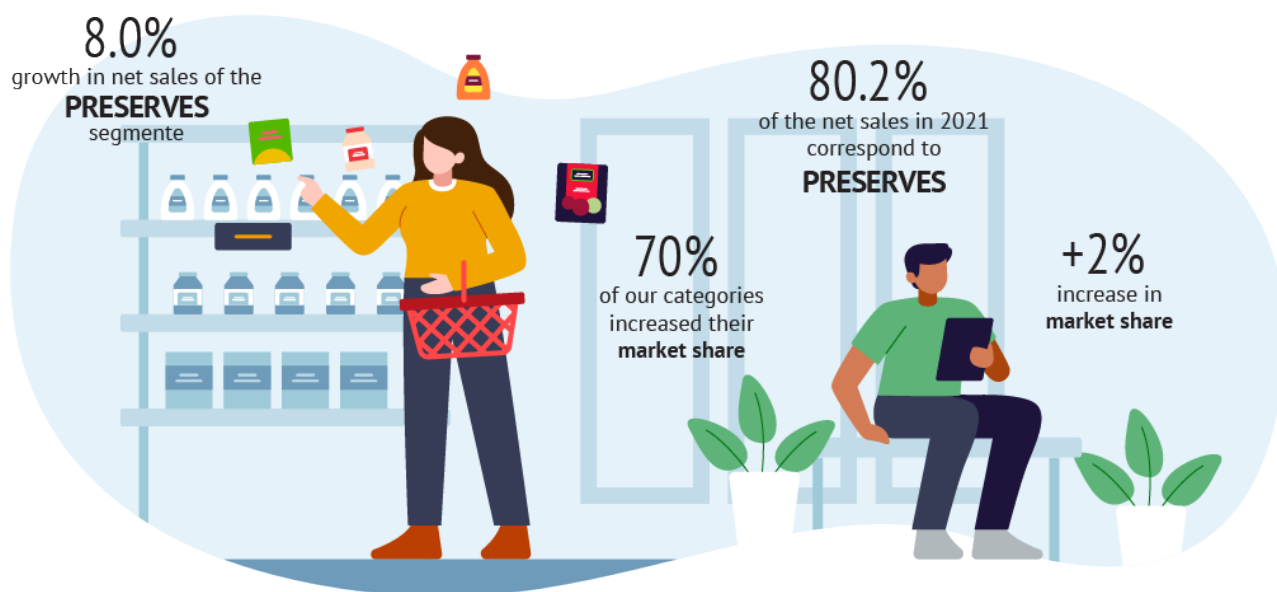


Héctor Hernández-Pons Torres

Presidente del Consejo y Director General

We develop our brands

We provide solutions for the daily life of our customers by offering them variety and convenience for different lifestyles and times of the day. The work of our team of collaborators, every year, promotes the positioning of our broad portfolio of trademarks and products.



25
brands

12
new brands
within our
distribution
agreements in
Mexico

+1,300
products

+30
categories
in our
portfolio

70%
of categories
increased
market share

99%
penetration in
Mexican
homes

Our brands in Mexico



BLASÓN®



CARLOTTA®



Embasa®

FRANK'S
RedHot



CON TODA CONFIANZA ES
HERDEZ



Yemina

Our brands in the United States



HERDEZ



WHOLLY
GUACAMOLE

Distribution agreements



KIKKOMAN®

LAVAZZA
TORINO, ITALIA, 1895

LARABAR





The **Preserves segment grew 8.0%** to \$20,977 million pesos in sales, driven by price increases in the past twelve months, and a volume in line with last year. The categories with the best performance were mayonnaise, ketchup, tea, and tomato puree. Additionally, we were able to **increase our market share in 70% of the main categories** in which we participate.

80 YEARS DOÑA MARÍA®

We celebrate 80 years of the legacy of Doña María® with the **inauguration of Casa Doña María Pons** in San Luis Potosí since it is the city where aunt María, who created our traditional mole recipe, was born, and where one of the most important work centers of Grupo Herdez in Mexico is located. In addition to this, the book "Una empresaria pionera en San Luis Potosí: María Pons Nicoux" was published, a historical investigation of the Herdez Foundation that tells the origins and unequalled contribution of one of the most important women of Grupo Herdez.

Doña María® has accompanied three different generations throughout its 80 years of existence, in times of celebration and family union. Through the authentic flavor of traditional Mexican recipes, it has sought to maintain our cuisine relevant and increase its consumption in homes, mainly with new generations that spend less and less time in the kitchen.

Currently, the brand has four product lines in Mexico: mole paste, artisanal recipe mole paste, ready-to-serve mole (liquid), sauces for casseroles, in addition to nopalitos for the export market.



The **Impulse segment** —where we now integrate our ice cream and retail businesses— **grew 25.5%**, reaching \$3,273 million pesos, due to the return of in-store traffic, and the incorporation of new businesses, in addition to price increases, such as in Preserves. This segment is not really in a growth stage, but rather in recovery, after being affected by the social restrictions of the pandemic in 2020.

10 YEARS LOVING YOU (10 AÑOS QUERIÉNDOTE) CIELITO QUERIDO CAFÉ®

Thanks to our customers, Cielito Querido Café® has become a benchmark in terms of coffee, with products including hot, cold, icy beverages, snacks, and food, among others.

In 2021, we commemorated the 10th anniversary of the brand with different actions that reinforced and highlighted the Mexican values of the brand:

- Launch of the Talento Caído del Cielo platform, where 10 Mexican artists painted 10 murals in the most iconic locations of Cielito Querido Café® coffee shops in Mexico City.
- Launch of the Talento Caído del Cielo contest, with which we sought to support Mexican talent, by inviting emerging artists to join this platform. The more than 350 participants had the opportunity to let their imagination run free, designing the coffee cups of the brand for 2022.
- Relaunch of the Cielito Querido Café® app, where we hold the loyalty program platform.



Since 2009, we expand to the United States the most iconic and most representative flavors of Mexican cuisine through **MegaMex**, in alliance with Hormel Foods. **The net sales of MegaMex remained in line with the previous year, for a total of \$14,665 million pesos**, and this year we introduced products of the **Búfalo®** and **Del Fuerte®** brands for the North American market.

DOÑA MARÍA® “LOTERÍA” GLASSES

To continue with the thrill of our Doña María® 2020 lottery game, we expanded our Mexican lottery edition glass collection with four new designs.

Through the social media of the brand in the United States, we presented our new glasses and launched specific playlists for each design.

HERDEZ® AVOCADO HOT SAUCE

We promoted the launch of our avocado hot sauce: HERDEZ® Avocado Hot Sauce, with a media campaign: Avocado Found its Fire™. In this campaign, we present an alebrije that took our audience on a trip to find the hidden treasure HERDEZ® Avocado Hot Sauce.

With this launch, we won the 2021 Editors Pick award from Progressive Grocers, which recognizes the new US market products that offer innovation, impact, and added value for consumers.

HERDEZ®

Top 5 strongest Mexican brands by
Brand Finance

DEL FUERTE® y HERDEZ®

among the 50 most chosen brands
in Mexico by Kantar

BARILLA®, CIELITO QUERIDO CAFÉ®, McCORMICK® y NUTRISA®

in the ranking of the most digital
brands of Merca 2.0

GRUPO HERDEZ

Vendor of the Year of Zorro
Abarrotero

HERDEZ®

Top 50 most valuable Mexican
brands y Brand Finance

McCORMICK®

among the 50 most chosen brands
in Latin America by Kantar

AIRES DE CAMPO®

“Best healthy brand” in
BienPremios 2021

GRUPO HERDEZ

Vendor of the Year of Sam's Club
Mexico

INNOVATION

We work under a culture of innovation based on consumer listening to address the needs of our customers, the market, and the industry. Through our Innovation department, we capitalize on trends and the uncovered needs of our customers to generate differentiated products and communications that drive the growth of our different product categories.

Our five strategic directives:

1

Maintain and form
companies through
intelligence development.

2

Implement technologies
that enable to accelerate
communication processes
with consumers, for
innovation, and
transactions.

3

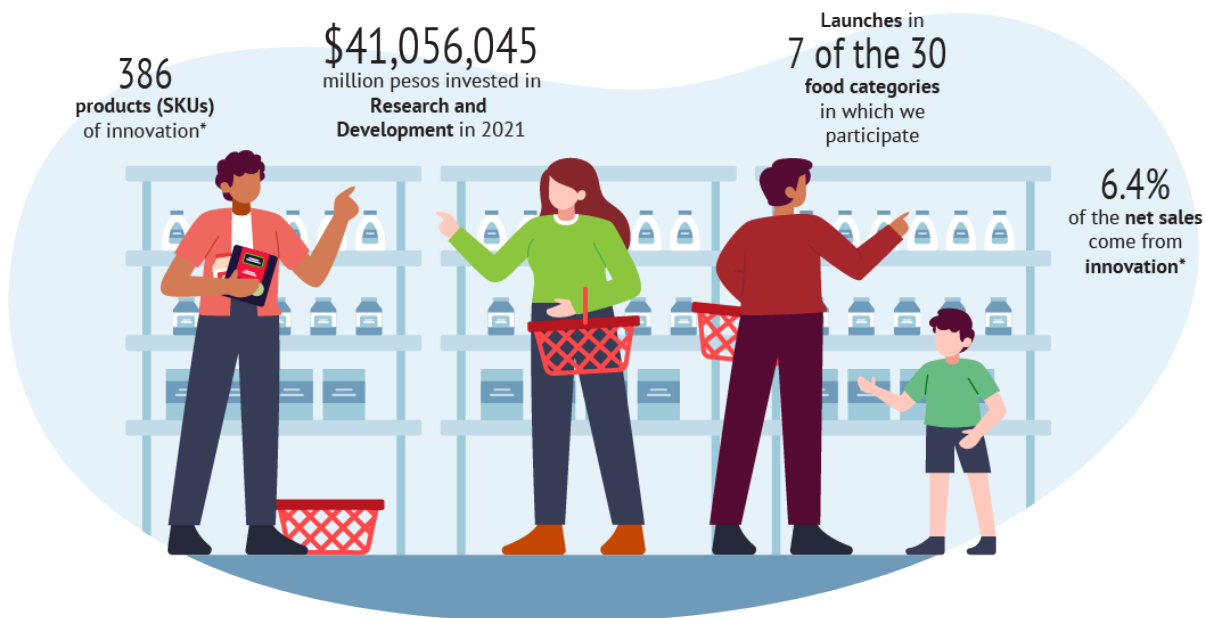
Promote sustainable
management, prioritizing
caring for water and
efficient use of energy.

4

Supporting and generating
growth through talent
development and
infrastructure investment.

5

Exercising responsible
corporate citizenship,
promoting social
development initiatives.



*A product is considered an "innovation" for the 5 years following its launch.

In 2021, we developed product concepts under the Herdez® vegetables, spices, and McCormick® mustard innovation strategy, through a challenge to a **community of more than 138,000 creatives** in alliance with CAMBAS.



BARILLA® TRIGO ENTERO

For the purpose of capitalizing on food and functional beverage trends, we launched a line of whole wheat pasta prepared with 100% whole wheat. Since it is only made of wheat, it contributes three times more fiber, maintaining the flavor and consistency of Barilla® pasta that you already know.



CIELITO LINDO CAFÉ® ICE CREAM AND READY-TO-DRINK BEVERAGES

For the purpose of taking the Cielito Querido Café® flavors beyond coffee shops, introducing the brand into the price club sale channel, we launched ice creams with the iconic flavors of our cafeterias such as Horchata mi Cielo, and in the framework of emblematic Mexican dates, with the Pan de Muerto and Rosca de Reyes flavors. We also entered the ready-to-drink beverage category with three varieties from our coffee shops, now available in the self-service channel, café de olla, café lechero, and horchata.



MATCHA MCCORMICK®

For the purpose of capitalizing on food and functional beverage trends, we launched the Matcha McCormick® tea line. Matcha is considered a superfood with a high amount of antioxidants, and additionally, it has no sugar. Given its delicious flavor, it serves to prepare numerous recipes, from desserts to dressings and breakfasts, among others.

With this launch, in one year, McCormick® has positioned itself as one of the most relevant brands in the matcha tea segment.



MCCORMICK® FLAVORS OF MEXICO MARMALADE

As industry leaders, we are always aware of the trends and initiatives on which our leadership is built. In 2021, we launched a line of marmalades based on our Mexican roots, "Flavors of Mexico".

This launch was a delicious mix of the most representative flavors of the category and of the different regions of our country: strawberry guava, strawberry hibiscus, and strawberry mango.

By implementing a 360° campaign, which included a campaign of outside advertising, digital initiatives, point-of-sale materials, and an alliance with the Herdez Foundation, we invited several influencers to experiment with unique and fun recipes to share the products with their followers.



MAYODIPS MCCORMICK®

En noviembre de 2021, McCormick incursionó en la categoría de dips con la nueva línea "Mayodips". Aprovechando el liderazgo de McCormick en el segmento de mayonesas, las Mayodips se exhibieron en el mismo estante que sus mayonesas regulares, generando compras cruzadas con diferentes categorías, como snacks, alitas, boneless y vegetales.

Los mayodips están disponibles en tres sabores: cebolla cremosa, queso parmesano y "esquites" en supermercados y tiendas de conveniencia.

El lanzamiento fue publicitado a través de la campaña "Mayodipea a tu antojo", con el apoyo de material de punto de venta, publicidad exterior, influencers, comunicación digital y el patrocinio de las luchas "AAA".

DIGITAL TRANSFORMATION

35%
of self-service
customers within
the Artificial
Intelligence (IA)
platform

98%
certainty in
volume forecasts
made with AI

32.8%
increase in
e-commerce
sales volume

+170 mil
downloads of the
Cielito Querido Café®
and Nutrisa® apps

1700
hours of training for the
in-house team in digital
architecture, app
development, AI,
and Big Data



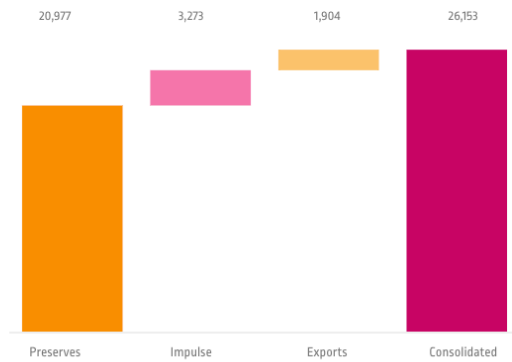
2020 set the stage for our digital transformation, a key to keeping in contact with our customers. **The alliance with one of the largest technology leaders in the world** accelerated the initiatives that now open the door for us to new sales channels and more efficient operations, with the use of artificial intelligence.

In 2021, **we increased our e-commerce sales volume by 32.8%**, thanks to the initiative of our sales team to offer our portfolio in the digital channels of our clients, introducing us to new e-commerce platforms. At the closing of the year, **2.1% of sales** of the Preserves segment came from e-commerce.

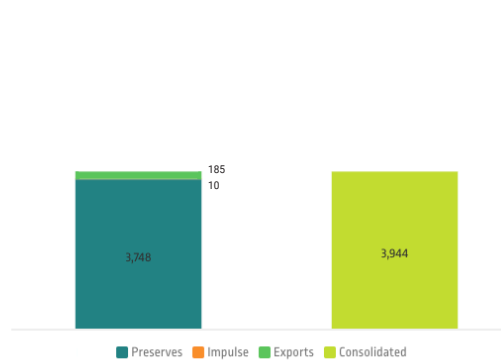
Additionally, **we developed our second own e-commerce platform of the Group**, with the online **Nutrisa®** store, which will offer around 500 products in the food, beverages, personal care, and wellbeing products, among others.

We deliver sustained results

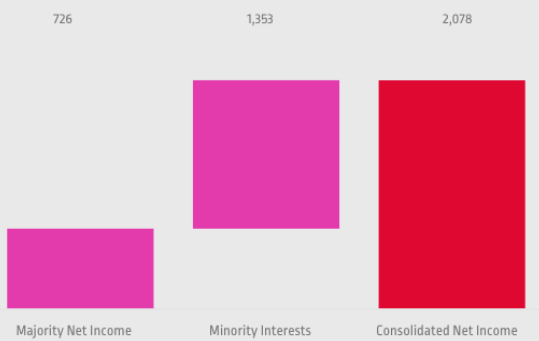
Net Sales



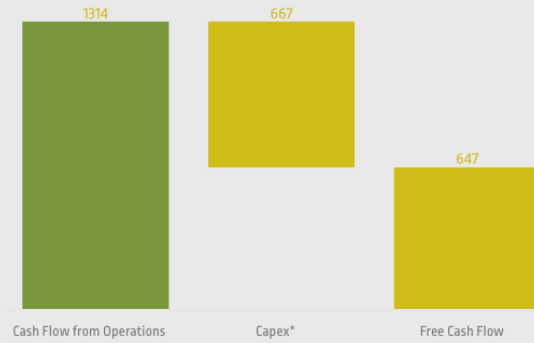
EBITDA



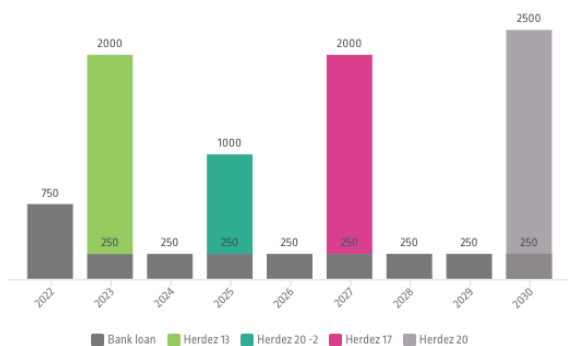
Consolidated Net Income



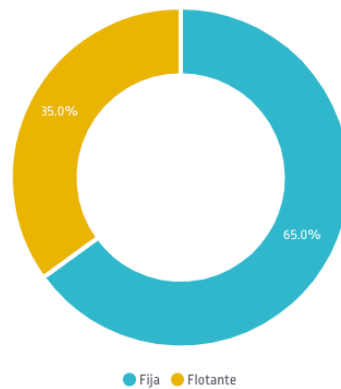
Free Cash Flow



Debt Structure



Rates mix



Financial Debt

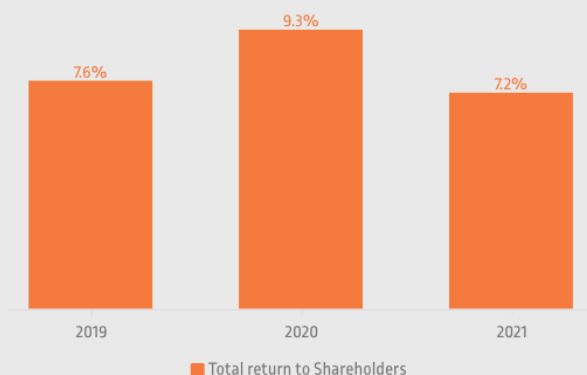
Financial Debt	10,000
Average Cost	7.64%
Net Debt / EBITDA	2.2 x
Average Life	4.8 years

Total return to Shareholders

Notes

Percentual Growth on Net Sales compared to 2020

Capex does not include Total Return to Shareholder's considers Repurchase and Dividends



	2021	Margen (%)	2020	Margen (%)	Var (%)
Net sales	26,153		24,036		8.8
Gross profit	9,652	36.9	8,988	37.4	7.4
Operating income	3,007	11.5	3,255	13.5	(7.6)
Consolidated Net Income	2,078	7.9	2,368	9.9	(12.3)
EBITDA ⁽¹⁾	3,944	15.1	4,197	17.5	(6.0)
Total Assets	35,969		33,575		7.1
Total Debt ⁽²⁾	10,906		10,294		5.9
Total Liabilities	18,546		16,238		14.2
Shareholders' Equity	17,423		17,336		0.5
Cash flows from operating activities	1,314		2,832		(53.6)
Net debt-to-EBITDA ratio	2.2		1.6		

Cifras expresadas en millones de pesos.

(1)UAFIDA = Utilidad antes de intereses, impuestos, depreciación, amortización y otras partidas virtuales

(2)Deuda Total = Deuda Financiera + Arrendamientos

Management's Report and Analysis of Results



The purpose of the following Management Report and Analysis of Results is to assist those who read it to understand the operations and results of Grupo Herdez.

We are leaders in the processed food sector and an important player in the ice cream category in Mexico, in addition to being the highest growing company in the Mexican food segment in the United States through MegaMex. The management of the business is divided into three segments: Preserves, Impulse, and Exports. The results of MegaMex, the joint venture with Hormel Foods in the United States, are recorded in Equity Investment in Associated Companies item.

The main growth opportunities for all segments of the Company are increasing penetration into homes, increasing market share, reducing the distribution gaps, innovating based on understanding consumers and segmentation, as well as increasing traffic in its own stores.

Starting January 1, 2019, in accordance with International Financial Reporting Standards – Leases, which establishes the principles for the recognition, measurement, presentation, and reporting to disclose the use of right assets, lease assets, and after January 1, 2019, changes in depreciation and financial costs, the financial statements include changes related to accounting reporting of these items.

The results for the year are not comparable, as a whole, due to three main factors: i) the divestment of the tuna business, ii) the integration of the General Mills® portfolio in April, and iii) the termination of the distribution agreement with Ocean Spray® in December 2020. Additionally, it is important to mention that, as of the third quarter of the year, the Frozen segment changed its name to Impulse.

In 2021, **net consolidated sales reached a record figure of \$26,153 million, an 8.8% increase year over year**, mainly due to price increases made in the last twelve months. In comparable terms, without considering sales of fresh tuna and the tuna Nair® brand, Ocean Spray®, and General Mills® brands, sales grew 10.0% for the year.

Net sales in the Preserves segment grew 8.0% to \$20,977 driven by price increases. In comparable terms, sales grew 10.7% for the year. Additionally, 70% of the main categories increased their market share in the year.

Net sales of Impulse were \$3,273 million, a 25.5% increase year over year, and in line with 2019. The recovery of the segment is due to a combination of i) an increase in the average ticket and ii) higher in-store traffic compared to 2020. The sales of Helados Nestlé maintained a favorable performance in the supermarket and price club channels, while **the traditional and convenience channels had a recovery during the second half of the year**. Excluding the incorporation of General Mills starting in April, net sales of the segment increased by 16.3%.

Export sales were \$1,904 million, a 5.1% reduction year over year, which in 2020 were impacted by the appreciation of the peso against the US dollar.

At the end of the year, Preserves represented 80%, Impulse 13%, and Exports 7% of total net sales.

The gross consolidated margin contracted 50 basis points to 36.9%. This is explained by a 40 basis points contraction in the Preserves margin as a result of price increases of the main packaging and raw materials, as well as the incorporation of the General Mills® portfolio, which has a higher cost per ton. Additionally, in the Export segment, the margin suffered a 7.9 percentage points reduction. Likewise, the gross margin of the Impulse segment remained in line with the previous year mainly due to the incorporation of the Häagen-Dasz™ portfolio.

Consolidated SG&A was reduced by 40 basis points to 25.1% as a proportion of net sales thanks to the absorption of expenses in the Impulse segment due to sales recovery.

Consolidated operating income before other income also reached a record level of \$3,085 million, an 8.3% increase year over year, maintaining the margin constant at 11.8%. The Company recorded other expenses of \$78 million in the year.

Operating income was \$3,007 million, which implies a 2.0 percentage points contraction in the margin to reach 11.5%, as a result of strong pressure from increases in the prices of raw materials and packaging materials in the second half of the year. **The impulse segment had a recovery of \$222 million year over year.**

The net comprehensive cost of financing added up to \$703 million, a 5.0% increase year over year, which is mostly explained by lower foreign exchange gains compared to 2020.

Equity Investment in Associated Companies added up to \$803 million, a 6.1% increase compared to 2020, due to the volatility of the exchange rate and an increase in the results of other associates.

Consolidated net income and majority net income suffered a 12.3% contraction, to \$2,078 and \$726, respectively. Without considering the extraordinary income of the preceding year, net consolidated income remained unchanged, while the margin was reduced by 70 basis points to 7.9%.

Earnings before interests, taxes, depreciation, amortization (EBITDA) for the year was \$3,944 million, 15.1% of net sales, a 2.4 percentage points reduction year over year. In comparable terms -without including extraordinary income from 2020- EBITDA increased 4.0% compared to 2020, with a margin contraction of 70 basis points to 15.1%.

Net CAPEX totaled \$667 million and was mainly used for plant maintenance, capacity increases, and improvement projects.

Cash flow added up to \$1,314 million, a \$1,518 million reduction year over year, derived from net CAPEX of \$667 million, interest payments, dividend payments, and repurchase of 17.8 million shares. Considering the last two items, the total shareholder return in the year was 7.2%.

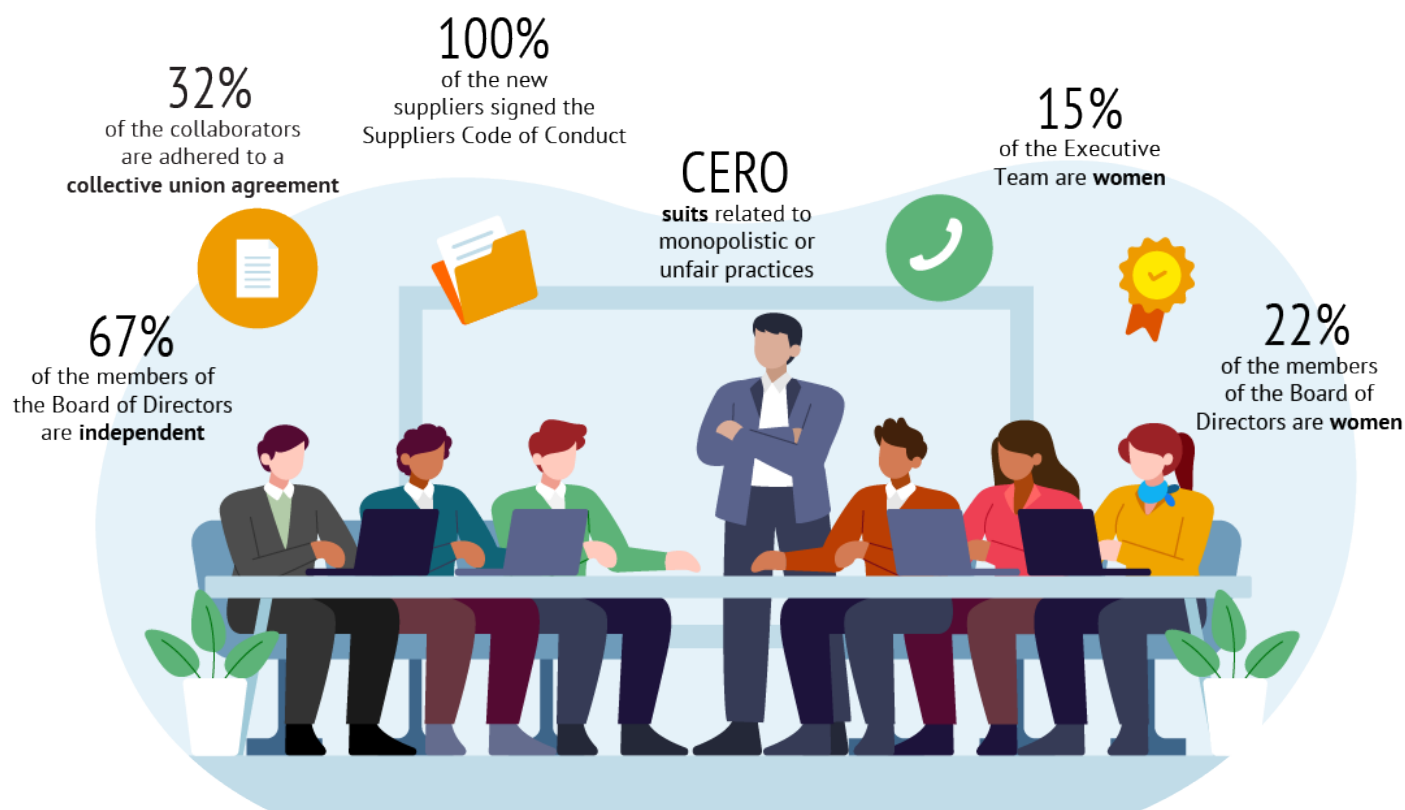
As of December 31, 2021, the cash position reached \$2,216 million, a 39.8% reduction compared to 2020, mainly due to share repurchases for \$757 million. The total interest-bearing liabilities at year-end added up to \$10,000 million, a \$500 million increase year over year.

At the end of the year, debt was fully denominated in pesos, while 65% was in fixed rates, including derivatives.

Net consolidated debt to EBITDA was 2.2 times, while net debt to consolidated shareholders' equity reached 0.50 times.



Governance



BOARD OF DIRECTORS

Shareholders and Related

Héctor Hernández-Pons Torres Chairman (M) 1991 Mexican	Enrique Hernández-Pons Torres Vice Chairman (M) 1991 Mexican	Flora Hernández-Pons Torres (M) 1991 Mexican
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Independientes

Anasofía Sánchez Juárez Cardoze (M) 2019 Mexican	Enrique Castillo Sánchez-Mejorada (EF)(M) 1992 Mexican	Eduardo Ortiz Tirado Serrano (M) 2003 Mexican	José Roberto Danel Díaz (EF) (M) 2003 Mexican	Luis Rebollar Corona (M) 2004 Mexican	Michael Bernhard Jost (EF) (M) 2019 Swiss
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[M] Member

[EF] Financial Expert

The Board of Directors, the highest governance body, is composed of 9 members, and is led by Héctor Hernández-Pons Torres, Chief Executive Officer of the Group, who holds the position of Chairman. Jointly, they make decisions to guarantee and maximize the return to all investors that rely on us.

The Board of Directors meets on a quarterly basis and has intermediate bodies commissioned with overseeing the management and execution of the objectives of the Group. As is the case with the other indicators of the Company, the progress related to sustainability is presented in these sessions.

Responsible Persons:

- Eduardo Ortiz Tirado Serrano – Responsible for labor practices
- Luis Rebollar Corona – Responsible for environmental practices
- José Roberto Danel Díaz – Responsible for Governance and Chairman of the Corporate Practices and Audit Committee

La In 2021, the Sustainability Committee was created, composed of the Executive Team of the Company. The Chief Financial and Information Officer has the Finance and Sustainability Department under its subordination, with two positions fully dedicated to managing the sustainability strategy. Additionally, the Group has an Environmental Sustainability Department, which jointly with the technical departments are the team of collaborators dedicated to achieving the objectives of the sustainability strategy of the Group.



SUSTAINABILITY STRATEGY

Grupo Herdez has as its purpose to **be passion, culture, and a global benchmark of innovation in sustainable development**. In alignment with international trends and benchmarks on Environmental, Social, and Governance (ESG) matters, we redefined the sustainability goals for the Group:

- Achieve a management with ESG criteria
- Identify and mitigate the potential social and environmental impacts of the operations.
- Promote sustainability innovation projects in our brands

OUR ACTION PILLARS

PEOPLE



COMMUNITY



PLANET



The subjects that this sustainability strategy seeks to answer are the concerns and expectations of our main stakeholders: shareholders, customers, collaborators, consumers, and suppliers. In addition to contributing to 6 of the 17 Sustainable Development Goals (SDG) of the United Nations.

The critical and strategic subjects on which the Group works are:

CRITICAL SUBJECTS

Consumer health, safety, and well-being
 Brand trust and reputation
 Innovation (products and processes)
 Sustainable containers and packaging, reuse and recycling

STRATEGIC SUBJECTS

Profitable growth in markets and financial sustainability
 Water management
 Energy consumption and efficiency
 Ethics and anti-corruption
 Occupational health, safety, and wellbeing
 Labor conditions and relations
 Quality and safety in the value chain
 Transparency in product information and labeling
 Career training and development
 Compliance
 Consumer ExperienceExperiencia del consumidor

Contribuimos a 6 de los 17 Objetivos de Desarrollo Sostenible (ODS) de las Naciones Unidas para el cumplimiento de la Agenda 2030:



AWARDS

9º place

The 100 companies with the highest ESG responsibility of Merco

7º place

The 100 most responsible companies in internal and social environment of Merco

10º place

The 100 most responsible companies on ethical and governance matters of Merco

At the end of 2021, the sustainability strategy of the Group adapted the work lines and actions to comply with the objectives and goals established and to be defined in 2022.

STRATEGIC LINE	ACTION
1. INCLUSION AND DIVERSITY	CULTURE OF INCLUSION AND DIVERSITY
	WORK-LIFE BALANCE
	INCLUSIVE RECRUITMENT
2. COMPREHENSIVE WORKING CONDITIONS	QUALITY OF LIFE
3. BALANCED DIET	BALANCED DIET
	NUTRITIONAL PROFILE
	COMMUNITY DEVELOPMENT
4. ENVIRONMENTAL PERFORMANCE	WATER MANAGEMENT
	EMISSIONS AND ENERGY
	LOGISTICS AND DISTRIBUTION
5. CIRCULARITY	CONTAINERS AND PACKAGING
	SUSTAINABLE PRODUCT DESIGN
6. RESPONSIBLE SUPPLY CHAIN	SUSTAINABLE AGRICULTURE
	RESPONSIBLE SUPPLY
	FOOD WASTE
	WASTE AND RECYCLING
7. TRAINING	LEADERS TRAINING
	APPLIED KNOWLEDGE
	VALUE GENERATION
8. FLAGSHIP PROJECTS	FLAGSHIP PROJECTS

The Finance and Sustainability Department manages 4 in-house working groups where more than 5 collaborators participate to comply and follow-up on the aforementioned subjects:

- i) Diversity and Inclusion
- ii) Balanced Diet
- iii) Environmental Performance
- iv) Circularity

This year, 11% of collaborators had some type of training on sustainability matters. The actions taken were:

- 25% of collaborators that participated in the Sustainability work groups obtained a certification from the International Association For Sustainable Economy (IASE), 700 hours of training were invested.
- 346 persons participated in the following workshop: Introduction to Sustainability.
- 322 persons participated in the following workshops: Introduction to sustainable development and Circular Economy.
- 41 persons trained in the science-based objectives project.
- 429 persons attended "Café Sustentable" sessions: informative talks on the different programs and actions carried out by the ESG departments and brands.

1,152trained in ASG**
subjects**1,898**hours of training
in ASG** subjects**13**collaborators
certified in IASE***62%**of the workforce
trained in ethics and legality**98%**of complaints
were resolved

* International Association For Sustainable Economy

** Environmental, Social and Governance [Ambiental,
Social, Gobierno Corporativo]

CODE OF ETHICS

Since 2012, Grupo Hérdez is adhered to the UN Global Compact. We have committed to prioritize and work to comply with its 10 principles, which includes complying with a focus on ethics and legality for collaborators and strategic partners, in addition to working against corruption in all its forms, including extortion and bribery. Lastly, we respect the right to collective union bargaining.

Our Code of Ethics is the set of basic principles and conduct guidelines applicable to all of us that form part of the Group, including our supply vendor chain, therefore, it is our responsibility to comply with it and reinforce cause for it to be complied with.

Our ethical concern advice mechanism is the Trust Line, where one may request advice on ethical and legal conduct, integrity of the organization, and report concerns relating to unethical or illegal conducts.

Line: 800 CONFIANZA (800 266342692) Email: confianza@herdez.com

We promote people

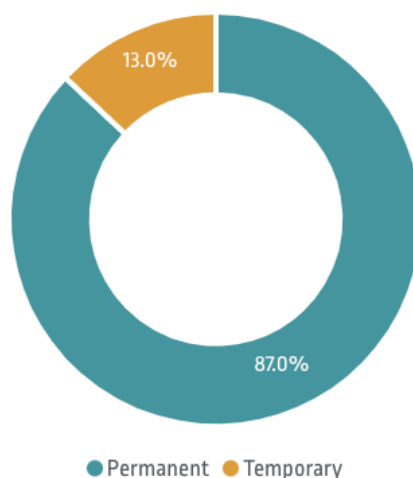


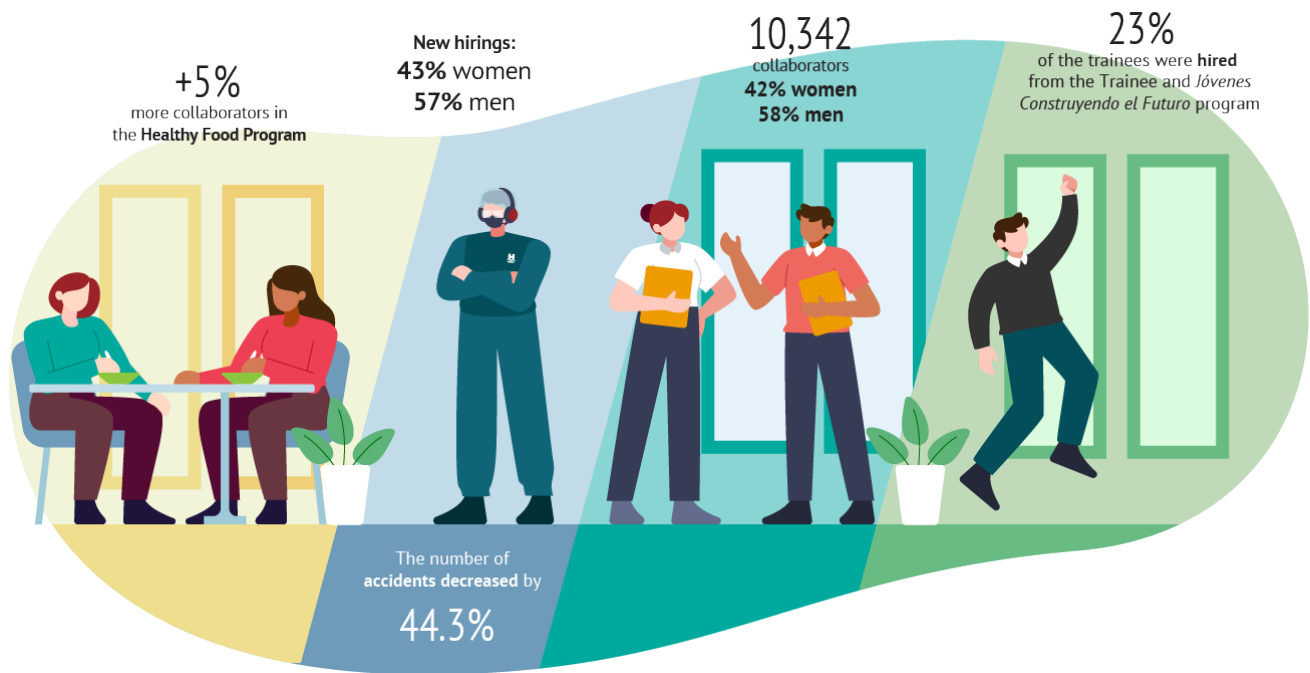
COLLABORATORS

At Grupo Herdez we look for ways to promote the best work conditions for our collaborators. We respect their dignity with each program that we implement, assuring their human rights in a framework of equality, and thus promoting sustained and inclusive economic growth.

CASH	The Environmental, Safety and Health Control (CASH, for its acronym in Spanish) department maintains a culture of prevention, ensuring the integrity of people and business continuity. This year, thanks to the flexibility of working from home and punctual monitoring of health protocols for all collaborators, we had 71.2% less days lost and the number of accidents and absenteeism decreased.
DIVERSITY AND INCLUSION	We completed the first Diversity and Inclusion Diagnostic, in which 72% of collaborators participated . This diagnostic consisted of an online survey for employees, focus groups, and interviews with Group's leaders. The results will allow us to reinforce our strengths and promote actions to create a discrimination-free environment with equal opportunities for all persons who form part of our team.
"LÍDERES HERDEZ" PROGRAM	Líderes Herdez program trained 16% more persons compared to last year. The purpose of this initiative is to develop the necessary skills and knowledge so that Group collaborators may grow and progress in their professional careers.
FORMADOR DE FORMADORES	El programa "Formador de Formadores" incrementó 83% el número de colaboradores que lo conforman. Este programa tiene por objetivo que nuestros mismos colaboradores brinden cursos de conocimiento técnico e institucional a otros miembros del Grupo. En total, se impartieron 2,400 cursos durante 2021.

Collaborators by contract





Collaborators by location

Location	Plant	Eventual	Total	Percentage
Corporate offices	976	83	1,059	10%
Plant	3,242	814	4,056	39%
Distribution Center (Cedis)	699	97	796	8%
Stores	1,801	45	1,846	18%
Sales routes	2,296	289	2,585	25%
	9,014	1,328	10,342	

CONSUMERS

We look after the health and safety of our consumers by perfecting technical feasibility methodologies and risk analysis of projects. We ensure compliance with quality guidelines and standards, assessing all the portfolio of domestic and export products each year to identify potential areas for improvement.

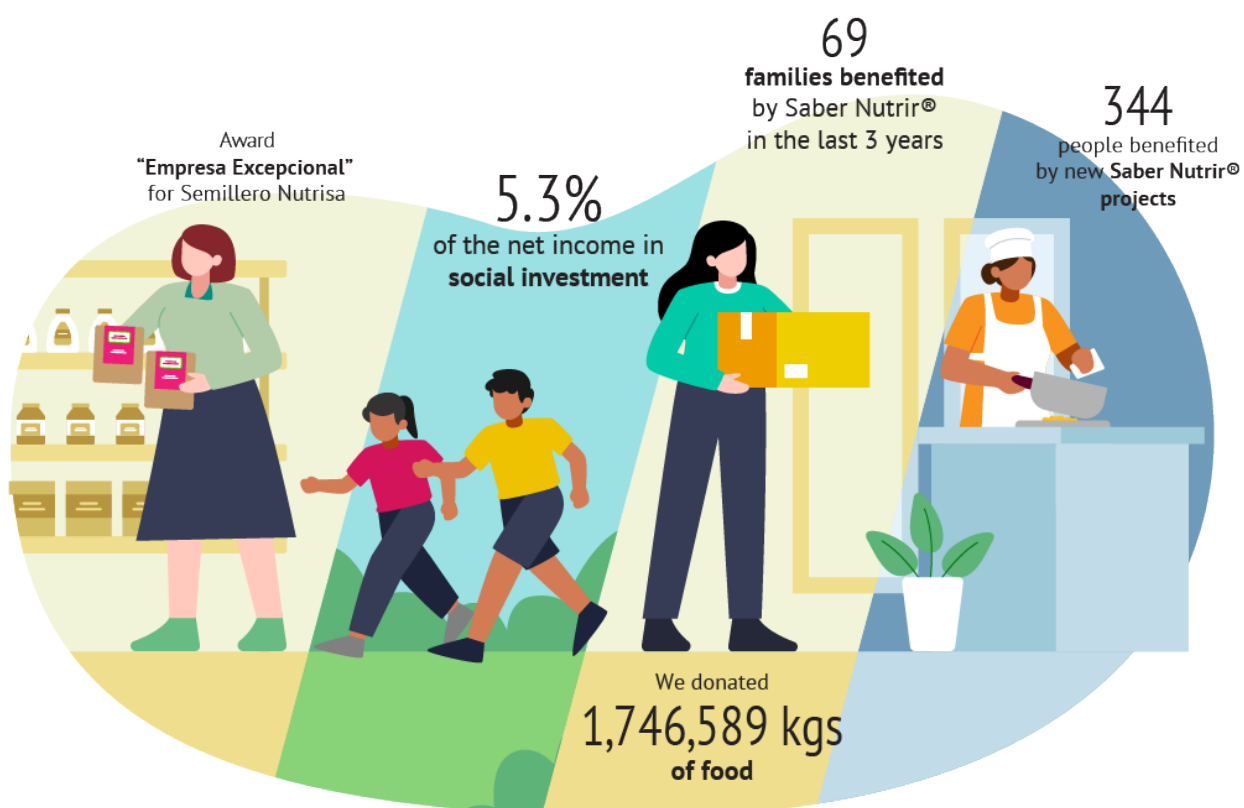
This year, the nutritional profile of 15 formulas was strengthened, reducing critical added nutrients (sugars, sodium, and saturated fat).

- **Reduction of sodium:** All kinds of Del Fuerte® tomato puree and the formula for tomato puree of the Herdez® brand.
- **Reduction of sugars:** The formulas improved for these nutrients were 6 kinds of ice cream for the Nutrisa® brand and 1 formula (popsicle) for the Nestlé® brand.
- **Elimination of sweeteners:** in one formula (popsicle) for the Nestlé® brand.

COMMUNITY

We promote food security of the communities in which we operate so that all people can have access to healthy, and nutritious foods to cover their nutritional needs, while satisfying their cultural preferences for a healthy and active life.

We increased our social investment by 66% this year. This includes activities performed by the Fundación Herdez through in-kind donations to the Mexican Food Bank Network (Red de Bancos de Alimentos de México, BAMX), Non-governmental organization(Organizaciones de la Sociedad Civil), Saber Nutrir program, and other Group initiatives.



HERDEZ FOUNDATION



80

NGO'S
benefitted
from in-kind
donations



52

food
banks



42

thousand
persons
supported

347

thousand persons
reached with the
"Summer with
Grupo Herdez and
Papalote" (Verano
con Grupo Herdez
y Papalote) virtual
platform

12

thousand persons
affected by the
virtual
collaboration
Fundación Herdez,
Saber Nutrir, and
Gastromotiva

"Navegantes en
la cocina", first
publication for
children by the
Fundación
Herdez

The amount invested in social programs this year included the construction of the "Casa Doña María", new headquarters of Fundación Herdez in San Luis Potosí, and a special donation from **Stewart Investors** equivalent to 10,000 pounds, the purpose of which was focused on easing the effects of the pandemic in Mexico through the "Together We Do More" ("Unidos Hacemos Más") campaign.

This campaign also sought to contribute to achieving Sustainable Development Goal 5: Gender Equality. We delivered 11,049 food packages to women and vulnerable persons attended to by the **Mexican Food Bank Network (Red de Bancos de Alimentos de México)**, **REINSERTA, A.C.**, and **Fundación para la Dignificación de la Mujer, I.A.P.** of Mexico City, State of Mexico, Morelos, Tamaulipas, and Veracruz.



Additionally, to promote and disseminate knowledge on nutrition, sustainability, and food security, two virtual programs were executed and the first book for children was published by Fundación Herdez

VERANO CON GRUPO HERDEZ Y PAPALOTE	Verano con Grupo Herdez y Papalote. Series of live broadcasts on social media, in alliance with Papalote Museo del Niño, to promote a culture of healthy eating in children with fun recipes.
FUNDACIÓN HERDEZ, SABER NUTRIR, AND GASTROMOTIVA ALLIANCE	Fundación Herdez, Saber Nutrir, and Gastromotiva alliance. This virtual initiative shared the richness and variety of foods that form part of the Mexican cuisine in collaboration with Gastromotiva, a social reintegration culinary project for young people, who shared the environmental impact of cuisine with our followers.
NAVEGANTES EN LA COCINA	Publication of " <i>Navegantes en la cocina</i> ", in collaboration with El Naranjo publishing house.

SABER NUTRIR



148

families benefited in
Yucatán and the State of
Mexico



43

new projects
in the State of Mexico



80

children benefited from
the Saber Nutrir Sponsor
program

In 2011, we created our social responsibility program Saber Nutrir® to formalize our commitment to Mexico's nutrition. With this program, we contribute to improving the quality of life of Mexican families in any situation of food insecurity by developing skills in the community that result in their children's wellbeing.

This year, Saber Nutrir® started operations in Yucatán—in alliance with Fundación Pro Mazahua—to benefit 82 families of 4 communities: Choyob, San Simón, Yax ha, and Xohuayan. The projects installed include: 38 cisterns, 10 farms, 20 vegetable gardens, and 14 health systems (toilet with biodigester and water purifier).

Additionally, 43 new projects were executed in the State of Mexico, benefiting 66 families of 19 Mazahuan communities of the Municipality of San José del Rincón: 28 commercialization and 15 food security projects.

For 8 years now, we have achieved a decrease of 11% in malnutrition of children in the State of Mexico, a 15% increase in their normal nutritional condition, and a 2% decrease in overweight and obesity with the nutrition oversight program.

In 2021, the sponsorship program took care of 80 malnourished children in the State of Mexico, 9 of which were able to recuperate. Our annual goal is for 10% of children in the program to overcome malnutrition.

SEMILLERO NUTRISA

21

entrepreneur
women trained
in two years of
Semillero
Nutrisa

100%

of entrepreneur
women with a
commercial
strategy

12%

of entrepreneur
women increased
their trust in the
business
environment

20%

increase in
monthly sales
for participants

“Exceptional
Company” award
granted by
Instituto para el
Fomento a la
Calidad y el
Consejo de la
Comunicación

The purpose of the **Semillero Nutrisa** program is to train and promote entrepreneur women in critical topics for the sustained growth of their companies. Two years since its launch, we have 21 trained women, and 4 of them already form part of our chain of suppliers with 18 new products that are available in 50 Nutrisa stores in 14 States of the country.

We obtained the “Exceptional Company” award for this initiative due to its social impact, which was granted by the *Instituto para el Fomento a la Calidad y el Consejo de la Comunicación* to business initiatives that promote economic reactivation.



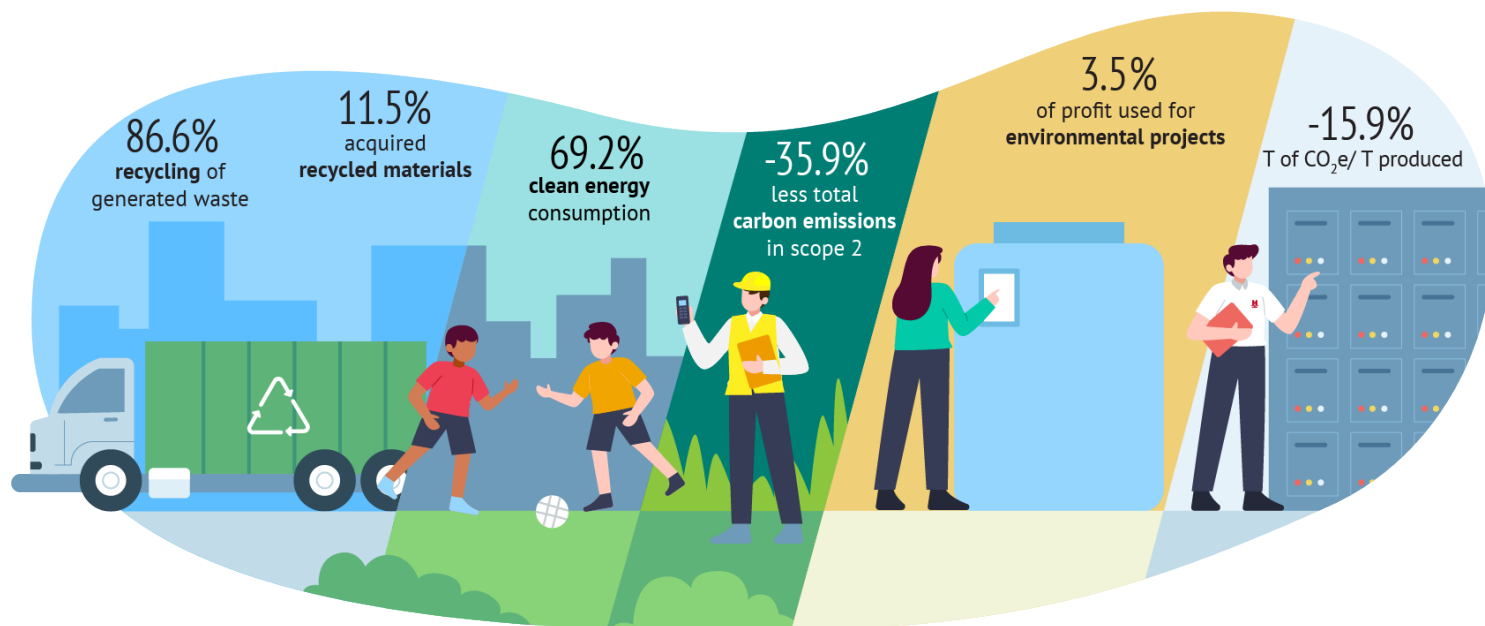
We take care of the planet



Our environmental commitment has a preventive focus that favors sustainable development, promotes initiatives, and disseminates new technologies to reduce environmental impacts on our operations, within the directives and scopes in the environmental management system.

Recognitions for our environmental management

ISO 50001 CERTIFICATION	ISO 50001 Certification (energy management) Our Ice Cream plant, located in Lagos de Moreno, Jalisco, obtained the ISO 50001 certification. This certification certifies that our energy management system has the highest standards of efficiency and safety on the subject matter, through a continuous and systematic improvement system for energy use, consumption, and efficiency.
ISO 14001 CERTIFICATION	ISO 14001 Certification (environmental management) Our Ice Cream plant, located in Lagos de Moreno, Jalisco, obtained the ISO 14001 certification. This certification certifies that we have a management system to control and mitigate the environmental impacts of our operations according to the line of business and scope of the plant
FSC LEADERSHIP AWARDS	FSC LEADERSHIP AWARDS for Del Fuerte® Our Del Fuerte® Brand was recognized by the Forest Stewardship Council by the "A Stronger Legacy" (Un Legado Más Fuerte) program. This environmental and social impact was recognized for the conservation efforts of the bodies of water that supply the tomato fields in Sinaloa, where we obtain most of the raw materials for the Del Fuerte® products. Additionally, this initiative obtained 1st place in the Forest Conservation category in the Bóscares Awards of Reforestemos México.
MERCO ESG ENVIRONMENTAL RESPONSIBILITY	MERCO ESG environmental responsibility The Merco ESG Responsibility ranking is one of the most important corporate reputation monitors in Mexico, Latin America, and Spain, we were ranked fourth in the list of "The 100 most environmentally responsible companies"
CHEP SUSTAINABILITY CERTIFICATE	CHEP sustainability certificate. We received the CHP sustainability certificate as a result of maintaining use of sustainable pallets in our supply chain. For both companies we were able to reduce, only with the use of pooling, more than 3.1 million emissions of CO ₂ , and prevented the use of wood for construction of new pallets, equivalent to cutting 23,171 trees.



WATER

In 2021 we had a decrease in water consumption of 4.4% referring to absolute m3 . The foregoing due to the improvement initiatives for resource savings implemented in our different locations.

The total volume of water discharges increased 6.4% in absolute m3, due to the increase in the number of equipment and facilities washing, which were implemented for health and safety reasons motivated by the pandemic.

Compared with discharges per ton produced, there is no increase, since for both years there is an indicator of .75 m3 per ton produced.

ENERGY

In 2021 we had a 6.0% increase in energy consumption, due to a 6.6% increase in our production, therefore, we consumed more fuel. In our Cogeneration plant, there was an increase in energy production, which caused greater consumption of natural gas.

Consumption of energy from clean sources during 2021 was 69.2%

- Renewable energy (wind) 41.5 %
- Clean energy (cogeneration): 27.7%

EMMISSIONS

In 2021, the intensity of Greenhouse Gas Emissions (GGE) was 0.11 tons of CO₂e per ton produced (T de CO₂e/ T produced), which represents a 15.9% reduction with respect to the preceding year.

In scope 1, we had an increase of 1,544 T of CO₂e (17.0%) with respect to 2020, due to greater production derived from greater consumption of fuel. In scope 2, we obtained a reduction of 5,809 T de CO₂e (35.9%) with respect to the prior year, due to the increase in consumption of clean energy.

MATERIALS AND WASTE

We consume 3 categories of materials: agricultural raw materials, non-perishable raw materials, and packaging materials (non-renewable and renewable).

87.7% of raw material suppliers are domestic.

13.7% of the total acquired material is recycled, which includes corrugated cardboard in small boxes, boxes, and trays.

This year we generated 31.6% more hazardous and non-hazardous waste with respect to last year, due to an increase in production and greater control of health and safety conditions as a result of the pandemic, in addition to generation and handling of greater volumes of obsolete equipment. To compensate this increase, we were able to increase recycling of the waste generated in the operation by 86.6%.

CIRCULARITY

We seek to use natural resources efficiently in our production processes, and integrate our consumers in initiatives that add to reduce environmental impact on our packages. This way, we take advantage of waste, we reintegrate it to the production cycle and satisfy our current needs without jeopardizing the availability of resources for the future.

Circularity initiatives

CIRCULARITY GUIDE	This year, we prepared the Circularity Graphic Guide for the purpose of aligning communication on the optimal discussion of the packaging and containers of the products we prepare. By applying the guide to our labels, our consumers may know the material, recyclability, and reuse of materials, and add to taking care of the planet.
VEGETABLE INK	As of this year, paper labels are printed in vegetable ink: Herdez®, Doña María®, McCormick® jellies, and Búfalo® (conventional).
TEA BAGS	The packets of our McCormick® teas are now printed in SAPPI Seal Silk sustainable material, replacing more than 750 tons of BOPP film per year. Additionally, continuous labels are printed in water-based ink.
RECYCLE THE CAN	In 2021, we recovered and recycled 4.5 tons of tin, with the "Recycle the Can" initiative. The material collected will be used to build 5 clean energy systems that will be donated to communities that do not have access to other electricity services.
AIRES DE CAMPO® AND ECOLANA ALLIANCE	Aires de Campo® in Alliance with Ecolana launched the first glass recycling campaign in Mexico City and Querétaro. The locations of Cerrando el Ciclo and Ectágono were the collection points, where we were able to recover 6.5 tons of glass from consumers.

SUPPLY CHAIN

Collaboration with our vendors throughout the value chain is key to guaranteeing the quality and safety of all products that we market. Their experience, combined with our best practices, guarantee for our consumers unique products in the market, with the highest quality.

- The **Sustainable Agricultural Program** evaluates vendors every 6 months, complying with the rules checklist. In the first semester of 2021, we had 32 evaluated vendors, at the end of the year, we completed the evaluation with 30 vendors. 29 of the 30 vendors complied with the program.
- We started the **sustainability progress level evaluation** program for 100 of our main vendors, in alliance with IKUS. The 2025 objective of this evaluation is to guarantee a supply chain with sustainable criteria in at least 70% of our purchases.
- Aires de Campo®, in Alliance with other producers, planted 800 hectares of organic crops, favoring soil restoration and no contamination with agrochemicals



Marzo 25, 2022

Mr. Héctor Hernández-Pons Torres
Chairman of the Board of Directors
Grupo Herdez, S.A.B. de C.V.
Monte Pelvoux No. 215, 5th Floor
México, D.F. 11000

Dear Mr. Hernández-Pons:

I am herein submitting to your attention the Annual Report on the activities of the Board of Directors' Corporate Practices Committee corresponding to 2021 fiscal year, referred to in Article 43, Section I of the Securities Market Law.

In developing our work, we have observed the regulations contained in the Securities Market Law, the General Rules Applicable to Securities Issuers and Other Participants of the Securities Market, the General Provisions applicable to Entities and Issuers supervised by the National Banking and Securities Commission which hire external audit services for basic financial statements, the Mexican Stock Exchange Internal Rules, the recommendations of the Principles and Best Practices on Corporate Governance Code, the Committee Rules and the Annual Program with the issues to be considered.

During the reporting period, the Committee punctually held the called meetings; an agenda based on the issues to be discussed and the respective minutes were prepared for each meeting. The meetings were attended by the designated directors and invitees.

A report was submitted to the Board of Directors with the issues discussed in every meeting of the Committee.

The relevant issues discussed, which in turn were recommended for approval to the Board of Directors, were as follows:

1. We have learned the policies for designation and for integral compensation of the Chief Executive Officer and other relevant executives.
2. We have learned about the mechanism to measure and disclose the observations on the performance of the relevant executives. During the year, the performance of the relevant executives was considered to be adequate, having been determined based on the approved policies.
3. We have learned about the integral remuneration package of the Chief Executive Officer and other relevant executives.
4. We have analyzed the external auditor Report on operations with related persons, as part of the agreed procedures referred to in the applicable standard. The Document includes two types of revision: i) reports on agreed procedures, and ii) performance of transference prices studies.

In this report, it was concluded that: i) no situations were observed indicating that transactions performed with persons or related parties were other than the business line; ii) transactions have been found to be duly recorded in the accounting records; iii) results are consistent with those obtained by independent third parties in comparable transactions under similar circumstances.

Such transactions have included export and materials sales, sales and administrative services, maquila, royalties, freight services, materials acquisition, fees, fuels, storage, real estate and transportation equipment leasing, finished products sale, strategic and personnel services, and other, amounting to a total of 8,178 million pesos.

5. There were no exemptions granted to allow a director, a relevant executive, or an individual with decision-making power to take advantage for his/her own benefit, or in favor of a third party from business opportunities corresponding to the society or to the legal entities under its control, or over which they have significant influence.

The franchises of the subsidiary Nutrisa granted to related persons are in agreement with the policies approved by the Board of Directors.

6. Management of derivative financial instruments, which is mainly focused on certain raw materials coverage, is being carried out in accordance with the policies that have been approved and established by the Board of Directors.

Sincerely,



Roberto Daner Díaz

Chairman of the Corporate Practices Committee

February 17, 2022

Mr. Héctor Hernández-Pons Torres
Chairman of the Board of Directors
Grupo Herdez, S.A.B. de C.V.
Monte Pelvoux No. 215, 5th Floor
México, D.F. 11000

Dear Mr. Hernández-Pons:

I am herein submitting to your attention the Annual Report on the activities of the Board of Directors' Audit Committee for the 2021 fiscal year, in accordance with the provisions of Article 43, Section II of the Securities Market Law.

In the development of our work, we have taken into consideration the regulations contained in the Securities Market Law, the General Provisions Applicable to Securities Issuers and Other Participants of the Securities Market, the General Provisions applicable to Entities and Issuers supervised by the National Banking and Securities Commission which hire external audit services for basic financial statements, the Mexican Stock Exchange Internal Rules, the recommendations of the Principles and Best Practices on Corporate Governance Code, the provisions of the Audit Committee Rules, as well as the Annual Program of issues to be considered.

During the reporting period, the Committee punctually held the scheduled meetings, and the Agenda with the issues to be discussed and the respective Minutes were in turn prepared for each meeting. The meetings were attended by the designated directors and invitees.

A Report was submitted to the Board of Directors with the issues discussed in every meeting of the Committee.

The relevant issues discussed and which in turn were favorably recommended for approval of the Board of Directors, as appropriate, were as follows:

1. Reported Financial Statements as of December 31, 2020, with consolidated figures and their respective Notes were duly analyzed.

Considering its relative significance, the information of the subsidiary Herdez Del Fuerte, S.A. de C.V. which includes the operation of Megamex Foods, LLC, and its subsidiaries in the United States of America was also analyzed.

In accordance with the regulations of the National Banking and Securities Commission, the financial information has been prepared and submitted under the International Financial Reporting Standards, and the audit was carried out in compliance with the International Auditing Standards.

2. We have analyzed the Report on the Internal Control Assessment performed by the society's external auditor, during the normal course of the revision for the 2021 year audit.

The Report indicates that certain audit procedures have been applied to the internal controls regarding determined areas for the identification of controls, control design and implementation, operative efficacy testing and the conclusion regarding the audit

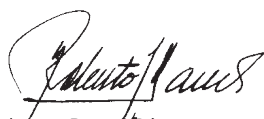
purpose. It is mentioned that coming out from the cyber breach suffered by some company's systems, the original approach of their work had to be modified by one of a substantive audit. However, based on the substantive testing performed it concluded that the accounting system did not suffer any change. We have learned about improvement areas and follow up has been given to their implementation..

3. We have learned about the 2021 Quarterly Financial Statements, and we have issued our recommendation for its submission to the Mexican Stock Exchange.
4. We have analyzed and approved the Work Plan of the Internal Audit area for the 2021 fiscal year. Due follow up has been done to its development, and we have learned about its findings and the implementation of its recommendations.
5. The new International Financial Reporting Standards used during the 2021 fiscal year, as well as those already in force, were consistently applied with no significant effects.
6. We have assessed the performance of the external audit firm EY Mancera, which has been considered as satisfactory and in accordance with the criteria established in the services contract. Likewise, the partner in charge of the audit has in due time confirmed their professional and economic independence.

In this manner, confirmation of the firm EY Mancera as the External Auditor of the society and its subsidiaries for the 2021 fiscal year was recommended.

7. Additional services to those of auditing provided by the society's external audit firm during 2021 were related to transfer prices, local contributions, related parties' transactions assessment, verification of sustainability indicators, and preparation of related parties' informative statements for an amount of 3.3 million pesos.
8. Provisions of the so-called Auditors Unique Circular have been analyzed, and we have learned about the Schedule prepared by the Company's Administration for its compliance in 2021 by each and every party involved.
9. We have learned and assessed the activities of the Risks Committee, including the mechanisms implemented for the identification, analysis, management, and control of the strategic, financial and operative risks, to which the society is subject to, as well as the established criteria for their appropriate disclosure.
10. In every meeting we have been informed about the complaints received due to lack of observance of the Ethics Code, the way in which they have been addressed and the protection given to the informants.
11. We have learned about and follow up has been given to the outstanding tax and legal matters, as well as to the adequate implementation of the Securities Market regulatory authorities provisions, and the Shareholders' and the Board of Directors' resolutions.

Sincerely,



Roberto Daniel Díaz

Chairman of the Audit Committee