

Message from Senior Management

GRI: 2-22



Héctor Hernández-Pons Torres
Chairman of the Board and Chief Executive Officer of Grupo Herdez®

What did 2024 represent for Grupo Herdez® in the context of its 110 years of history?

As we commemorate our 110th anniversary, 2024 was a year of reflection and celebration. It was marked by political and economic uncertainty in Mexico and the world, volatility in financial markets, supply chain disruptions, inflationary pressures, and the impacts of climate change that affected the availability and prices of raw materials.

True to its history, Grupo Herdez®, demonstrated its capacity for adaptation and resilience in the face of these adversities, through the focus and extraordinary performance of the team of more than 12,000 employees who build the future of our company.

As part of this celebration, we not only honor the legacy that has brought us this far, but also reaffirm our commitment to the transformation we must embrace to ensure the long-term sustainability of the business.

More than 60 years ago, our success as a distributor of national and international brands led us to transcend the borders of our business to start producing our own products under the Herdez® brand. Today, the Group is comprised of more than 20 proprietary brands and 1,500 products, with which we hold the number one or two in market

share position in Mexico in categories that account for nearly 70% of our sales. In the United States, we are leaders in the authentic Mexican food category in categories such as mole, nopalitas and guacamole.

Faced with the undeniable reality of the effects of climate change on food production systems, Environmental, Social and Governance (ESG) management is no longer a complement to business strategy, but a strategic pillar. In this regard, and aware of the relevance of making our water consumption more efficient, I especially recognize the exceptional collaboration between our Operations and Sustainability areas, as their joint effort was fundamental to achieve the annual goal of reducing water consumption per ton produced, closing the year with a consumption of 2.06 m³ per ton produced, which represented a cumulative reduction compared to the base year (2018) of 21.7%.

More than ever, this year underscored that the most valuable asset of Grupo Herdez® is its people. The year was a testament to the commitment, adaptability and resilience of our employees, who were the driving force in navigating both external challenges and internal transformation processes. Their dedication brought our culture to life and kept our legacy alive.

What are the three main achievements of 2024 for Grupo Herdez®?

2024 was a record-breaking year. **Our net sales reached a record \$37.425 billion pesos**, an increase of \$1.212 billion pesos compared to the previous year. **We achieved a gross margin of 40.0%, our highest in almost a decade.** This translated into operating and EBITDA margins of 13.9% and 17.4%, respectively.

In addition, we achieved a new milestone in cash flow generation. **Consolidated free cash flow amounted to \$3.657 billion pesos, equivalent to 9.8% of sales.** This solid cash generation gave us the flexibility to distribute \$487 million pesos in dividends to our shareholders, reinvest in the

company's growth through a \$395 million peso share repurchase, and strengthen our financial position.

Lastly, thanks to an unprecedented multidisciplinary collaboration, we maintained business continuity and service excellence while preparing for the implementation of the new ERP system, one of the biggest transformations in our history. **Our fill rate remained above 98%.**



How have the people who make up Grupo Herdez® contributed to the success and positioning of the organization?

At Grupo Herdez® we recognize that our most valuable asset is our people. Each one of our 12,509 employees, with their talent, experience and commitment, were fundamental to our achievements this year.

Our commercial success, evidenced by the increase in sales even in an economic environment where consumption slowed down, was directly driven by the more than 2,500 employees who directly served our customers' points of sale nationwide.

The efforts of this team not only ensured extensive coverage and capillarity in the market, but their customer knowledge and on-site execution have been crucial throughout our history to maintain and expand our leadership and brand presence.



The 46.7% of our employees, who are located at the heart of the operation (plants and distribution centers), were the driving force that ensured the availability, quality and efficiency of our products. Their daily commitment **boosted operational efficiency, which is fundamental to the profitability, competitiveness and sustainability of Grupo Herdez®.**

We have cultivated an organizational culture that prioritizes collaboration, continuous learning and mutual respect. In this regard, **the operational contribution of the Environmental Control, Safety and Hygiene (CASH, for its Spanish acronym), operations, maintenance and training teams at each company location** was fundamental to achieving the water efficiency target linked to the sustainability bond commitment, issued in 2022.



What key sustainability milestones did Grupo Herdez® reach in 2024, and how do these achievements drive your future commitments?

In terms of sustainability, 2024 represented a year of significant progress for Grupo Herdez®, marking milestones that reinforced our commitment to join efforts to address the impacts of climate change, an increasingly critical challenge for the global food industry.

One of the most relevant achievements was the improvement in water usage efficiency. We achieved a consumption of 2.06 m³ per ton produced, which represented a cumulative reduction compared to the base year (2018) of 21.7%. Today we demonstrate, with tangible results, that the coordination of finance and sustainability generates real value.

Along the same lines, we achieved a remarkable 25.1% reduction in our CO₂ emissions of Scope 1 compared to the previous year, thanks to the successful transition from fuel oil to natural gas at our Santa Rosa Tomates and Santa Rosa Vegetales plants, which account for 37% of total production volume. This action not only reduced our carbon footprint immediately but also laid the groundwork for greater decarbonization in the coming years.

In the agricultural sector, our Sustainable and Regenerative Agriculture Program impacted more than 8,000 hectares of crops in 2024, three times our impact in the previous year. 80% of our

suppliers optimized water usage through irrigation technification, 69% used electricity from renewable sources, and 49% established areas for the conservation of pollinating insects and beneficial organisms.

This year we also launched the “Crediproveedores” program, through which we seek to promote the adoption of sustainability practices in our chain value. During the year, 41 suppliers joined the program, with 12 of them categorized as sustainable suppliers. These suppliers accounted for a total of \$188 million pesos in published invoices and \$81 million pesos discounted with a preferential discount rate for committing the adoption of ESG criteria and actions in their businesses.

All these actions and results reflect our commitment to the development of an aligned and sustainable value chain.

On the other hand, we started the implementation of the new International Financial Reporting Standards (IFRS) related to sustainability, specifically IFRS S1 and IFRS S2, which will come into force in 2026. As part of this process, in 2024 we initiated a dual materiality analysis (financial and impact) and a detailed analysis of risks and opportunities related to climate change, which will allow us to further align our sustainability strategy with international best practices.



What are the main objectives of the digital transformation projects and implementation of the new ERP?

The core objectives of this technology investment are to redesign and unify our key processes (from supply chain to finance) on a single platform to make more agile, data-driven decisions. The goal is to eliminate redundancies, automate tasks and standardize best practices across the organization to drive profitability, strengthen competitiveness and optimize the end-to-end value chain.

In the last five years, we have used Artificial Intelligence (AI) and Robotic Automation (RPA) solutions in the commercial area to predict demand, analyze trends and the competitive environment; in the supply chain, to manage inventories, plan production and transportation routes, among other relevant company processes.

Going forward, and as the implementation of these tools advances throughout our business, we will be able to optimize investments in the market, as well as develop, improve and accelerate product launches; we will also be able to perform predictive maintenance and improve quality control by monitoring production processes in real time.

Last but not least, in the areas of administrative services, repetitive processes will be automated, portfolio behavior will be predicted, fraud and irregular activities will be prevented, the behavior of assets, economic variables and inputs will be estimated, and financial and operational risks will be managed, among many other applications.

What challenges do we foresee for the next 12-18 months and what are you doing to face them?

The global and national landscape presents complex dynamics. While we recognize the challenges inherent in the current environment, our focus lies on the exciting opportunity for our net sales growth to be driven largely by volume.

While we anticipate slight pressure on operating and EBITDA margins stemming from the cost environment, foreign-exchange pressures, and strategic spending associated with logistical expansion and the crucial implementation of our new ERP, we are well positioned to manage it effectively. In fact, we project an improvement in consolidated net income, which will be driven by favorable factors such as the normalization of key prices like avocados and the continued operating efficiencies we continue to reap, particularly in the MegaMex businesses, which are fundamental to our export segment, which in recent years had experienced strong impacts on our bottom line.



In the macro environment, we anticipate persistent inflation, foreign-exchange pressures, as well as the effects of other supply-chain disruptions such as droughts, avian flu, and tariff agreements, which will exert continued pressure on our raw-materials, packaging, logistics, and energy costs. Global economic volatility and the latent risk of a slowdown or recession in key regions will represent a potential decrease in consumer demand. However, **I have full confidence in the capability, talent and dedication of all our teams to rigorously manage costs, embrace technological tools and a new digital culture with the consumer at the center of the strategy; strengthen supplier relationships to implement best sustainability practices; and find operational efficiencies at every stage of our value chain**, thereby laying an even stronger foundation for the competitiveness, efficiency and sustained growth of Grupo Herdez®.



What is Grupo Herdez® vision for the next 5 years and what key strategies will be implemented to achieve it?

Over the next five years, Grupo Herdez® will continue to focus on consolidating and expanding its leadership in the Mexican market, as well as bringing the best of its food to the world. To achieve this, we will implement key strategies in several areas, including commercial, technology and sustainability.

First, we will seek to strengthen our connection with consumers, both current and future generations. We expect to maintain a solid growth trajectory in net sales through 2025, with the ambition of achieving significant expansion by 2030. Achieving these objectives will require focus, perseverance, dedication, active listening, analysis, innovation and a great capacity for adaptation.

Second, we will continue to invest in digital transformation to optimize operations and improve our responsiveness. The implementation of the SAP operating model, which will conclude this year in key business processes, will provide us with real-time data visibility and accessibility, fostering agile decision making, as well as localizing efficiency opportunities.

This commitment to the future is also reflected in a robust CapEx plan estimated at \$1.5 to \$2 billion by 2025. Of this amount, \$500 million will be allocated to the ERP migration, and the remainder will be tactically allocated to drive future growth by increasing capacity in the export sauce line, installing the new long pasta line for the Barilla® partnership, and remodeling key stores in the Impulso® segment.

Finally, in the area of sustainability, alliances and teamwork will be key. For this reason, in addition to meeting our commitment to reduce our annual water consumption, in 2025 we will initiate an ambitious decarbonization project that will require the joint and active effort of the entire value chain to reduce our carbon footprint.

Together, shareholders, employees, partners, customers, suppliers and consumers of Grupo Herdez®, we are building a legacy of trust, quality and excellence that spans more than 110 years.

Proud of our history and excited about the future, I invite you to continue to be part of this exciting journey.



#WithAllConfidence ...it's Grupo Herdez®