

SUSTAINABILITY REPORT 2023





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# Message from Management

We are pleased to share the 2023 report showcasing the results of our sustainability strategy. At Grupo Lala, we strive to deliver food sustainably to families and all those who have chosen the quality, freshness, and flavor of our products.

Grupo Lala's business strategy follows a comprehensive approach involving our entire supply chain, aiming to maximize social and environmental value through a commitment to responsibility.

In 2023, the results achieved reflect our vision of being the preferred dairy company. Thanks to the effort and dedication of each of our collaborators, we have navigated a complex and challenging economic and social environment, maintaining steady growth. Moreover, we continue to invest in the development of new technologies to promote a sustainable dairy industry.

In 2023, we invested a total of 3.021 billion pesos in sustainability-related projects. This year, we successfully reduced 59,742 tons of CO<sub>2</sub> from our greenhouse gas

emissions through sustainable initiatives. In addition, we are investing 2.713 billion pesos in the technological transition of our fleet towards environmentally friendly vehicles; currently, 36% of our fleet is sustainable.

Furthermore, seven of our plants have been certified with the "Industria Limpia" distinction. We increased water treatment by almost 26%, which has enabled, among other things, donations to communities for its use in public spaces. We were also recognized with the "Premio Bosque Urbano" Award for using 100% recycled materials in our packaging.

In terms of fostering healthy lives and communities, in 2023 Fundación Lala benefited 439,881 people in 5,118 communities across Mexico. Among them, 16,268 children receive daily support. We encourage volunteer participation among our collaborators, who collectively contributed almost 19,000 hours of volunteer work this year. With a social investment of over 151 million pesos, we have helped improve the living conditions of people in vulnerable situations.

At Grupo Lala, we strive every day to be the preferred place to work. Through financial discipline, innovation, and sustainable actions, we have solidified our position among the leading companies in the sector globally, as recognized by the Global Dairy Top 20 report from RaboResearch Food & Agribusiness. Today, we are the preferred dairy brand in Mexico and Latin America, according to Kantar's Brand Footprint ranking, and the strongest brand in the country, according to Brand Finance.

The future presents great opportunities. With the talent and passion of all our collaborators, Grupo Lala is ready to continue strengthening our company, committed to people, communities, and the planet.

Arquímedes Celis
CEO y Ejecutive Chairman

# 75 years of LALA

For 75 years, we have been in the homes of Mexico.

# A whole story together!

We celebrate by honoring the wealth of knowledge, flavors, and traditions that define our country. As Mexicans, we know about sweet and salty; we also know about union and friends; above all, we know about FAMILY.

The "Mexico Sabe" campaign celebrates 75 years of LALA, honoring the wealth of knowledge and flavors that define our nation. From the deep connection with family to the diversity of gastronomy that encompasses every corner of the country, the campaign celebrates Mexico's multifaceted identity.

Let's celebrate everything that #MexicoSabe! #75AñosLala



For more information, Click Here.

# 1. We are LALA

GRI 2-1, 2-6

Grupo Lala, SAB de CV, is a Mexican company specializing in producing, innovating, marketing, and distributing food supported by widely recognized brands. We stand out in the mass consumption market and are leaders in the dairy products segment on the American continent. We are part of the healthy food industry, committed to promoting the well-being of the consumer public, the community, and the planet.

For 75 years, we have provided healthy food to our consumers

# **Business Philosophy**



"Feeding your life is our passion"



"Be the preferred dairy company in America"

# **Our Values**



#### **We Are People**

We are the most valuable asset to our organization.



#### **We Dream Big**

We are motivated to achieve our goals.



#### **We Think Like Owners**

We get involved in the business and deliver results.



## We grow by Meritocracy

Excellence drives our growth.



#### We give results

We overcome challenges ambitious for a better future.



#### We are practical

We carry out actions concretely, being agile and adaptable.



#### **We are Authentic**

We live naturally, and we express ourselves with transparency and honesty.



#### We Don't Take Shortcuts

We choose the correct path, not the easiest.



#### We are Example

We positively influence others.

# LALA Presence<sup>1</sup>

#### **GRI 2-6**

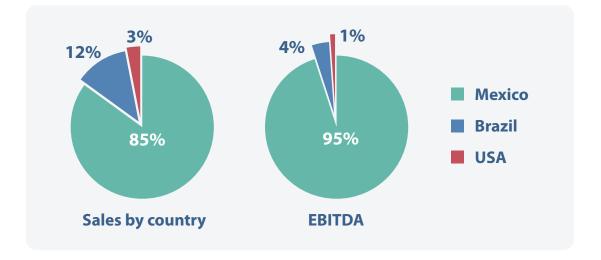


<sup>1</sup> During 2023, Grupo Lala completed the sale of 100% of its shareholding in its subsidiaries in Guatemala and Nicaragua. Being aware of our strategic pillars and placing greater focus on key markets with greater potential, we proceeded with this strategic sale. The resources from the transaction were used to deleverage the company, following the guidelines of our financial discipline.



	Mexico	Srazil	<b>USA</b>	Total
Factories	15	8	2	25
Cedis	142	16	-	158
Collaborators	35,641	4,598	321	40,560

Country	Description
( Mexico	<ul><li>Main market</li><li>Production and distribution model</li></ul>
<b>USA</b>	<ul><li>Lala US brand consolidation strategy</li><li>Production and distribution model</li></ul>
<b>S</b> Brazil	<ul> <li>Consolidation strategy based on the Brazilian dairy company Vigor Alimentos, SA</li> <li>Production and distribution model</li> </ul>





25 factories with 702,619 m<sup>2</sup> of total area



+ 6,104 vehicles in the commercial fleet



+ 578,000 points of sale



**158 Distribution centers** 

# **⑤** Performance in numbers

Income Statement (MXN \$ Millions)	2020	2021	2022	2023
Net sales	80,831	81,944	93,367	98,987
Gross profit	27,501	27,239	29,499	33,846
Operating profit	3,671	1,002	1,361	6,179
EBITDA	8,022	8,369	8,762	10,317
Net profit before taxes	1,329	1,288	1,015	4,042
Net profit consolidated	485	1,470	1,398	2,925
Sales (MXN\$ in millions)				
Milk	45,278	46,004	51,239	55,035
Derivatives dairy	32,775	32,858	38,561	40,193
Drinks and others	2,778	3,083	3,567	3,759
Total sales	80,831	81,945	93,367	98,987
Creation of value (MXN\$ in millions)				
Economic value generated	81,390	82,708	94,462	102,363
Economic value distributed	53,330	85,670	97,353	99,566

# Our brands and products

#### **GRI 2-6**

In line with our mission: "Feeding your life is our passion," we offer our consumers products with the highest quality and freshness that provide exceptional nutritional value through highly recognized brands. Our product reflects our commitment to excellence and care at every production stage.

As one of the main milk producers in Mexico, we are proud to offer a portfolio of varied and high-quality products. We are dedicated to producing, transporting, and marketing various dairy products such as milk, yogurt, cheese, butter, and flavored drinks, among other derivatives, as well as meat through brands recognized by clients and consumers.



+56 brands in milk, yogurt, cheese, creams, desserts, sausages, and juices



+1,454 SKUs are manufactured in Mexico, Brazil, and the USA



#### **Our variety of brands, channels and segments allows us to serve multiple profiles in the market**

			3		
	Sales MXN \$Millions	% of sales	Value	Mainstream	Premium
Milk	54,277 +7.2%AA	54.8%	Nutra	Management of the second of th	ORGA NICA NICA NICA NICA NICA NICA NICA NIC
Derivatives	40,193 +4.2%AA	40.6%	Nutri Nutri	VIGOR	
Beverages and cold meats	4,517 +15.8%AA	4.6%		vita vita vita vita vita vita vita vita	100 CALA NO.
			Safe acces to protein nutrition	Superior quality, variety and brand strength	Notable differentiation and added value





LALA and Nutri are in the TOP #6 in the most recognized brands in the Mexican food industry<sup>2</sup>



Our brands are among the most chosen by Mexican consumers<sup>3</sup>

Place	Brand	Penetration <sup>(3)</sup>	Frequency
2º		97%	23
6°	Nutri	76%	18

	México	<b>6</b> Brasil	USA
Milk	Total 46% Fresh 60%		
Yogurt	Drinkable 39%	Greek	<b>Drinkable</b>
°°0° Cheese	Packaging	Spreadable Cream Parmesan	
Cream	Total 46%		





During 2023, we contributed 120 million kiloliters of high-quality products quality, freshness, and nutrition in Mexico, Brazil, and the United States



In Mexico, we have contributed + 88 million kilos of protein to improve nutrition



89% of kiloliters produced by LALA were free of added sugar, low in fat, and added with vitamins and minerals

<sup>2</sup> Kantar Brand Footprint Latam 2023 and Kantar Brand Footprint Latam 2023; penetration according to number of households that buy a brand. <sup>3</sup> Nielsen July 2023 and Kantar Brand Footprint Latam 2023, purchase frequency (# of times per year).

# 2. Sustainability Strategy

# **Sustainability Model**

GRI 2-24, 2-13, 3-3

Our Sustainability Model is aligned with the best ESG practices, and its objective is to guide our performance and commitment to society, the planet, and our stakeholders.

Through our sustainability strategy implemented throughout the company and with the support of the Board of Directors, the Steering Committee, the Operating Committee, and ESG Subcommittees in charge of the design, implementation, monitoring, and reporting of LALA's sustainable actions, we can establish our sustainable priorities to help people have healthier lives, ensure communities are healthy, and we contribute to building a balanced planet.

The ESG Subcommittees are responsible for timely monitoring the strategy through performance indicators with which progress is seen and areas of opportunity are identified.





Responsibilities

# **ESG Operating Committee**

It comprises operation leaders and is the first entity responsible for monitoring and meeting established objectives. In a second instance are the subcommittees, made up of multidisciplinary teams from the company.

- · Supervise and evaluate compliance with Grupo LALA's sustainability commitments and objectives and the principles described in the Sustainability Policy.
- · Identify risks and opportunities related to sustainability that may affect the business.
- Develop and promote strategies and projects to improve business resilience, operational efficiency, and sustainable growth.
- Ensure transparency and effective communication about sustainability achievements and progress internally and externally.

# **ESG Subcommittees**



Energy, water, and fleet



Raw material



**Materials and waste** 



Social practices and nutrition



**Communication and stakeholders** 



Sustainable finances and corporate governance





# Management model It provides us with a series of significant benefits:

→) (←	Business resilience	It allows us to identify, manage, and proactively address ESG risks
	Sustainable performance improvement	By measuring and monitoring sustainable performance, the model facilitates the identification of areas of improvement and the optimization of processes.
	Long-term value creation	The ESG strategy, aligned with the materiality of our company, contributes to the creation of long- term sustainable value, which benefits shareholders and stakeholders
$\mathbb{Q}_{\mathbf{r}}\mathbb{Q}$	Legal and regulatory compliance	The model ensures the company complies with applicable ESG regulations and standards in our industry and region
<u> </u>	Effective communication	Stakeholder engagement and effective communication strengthen the company's reputation and the general trust of customers, investors, and the community.



# **Strategic actions**

**GRI 2-24** 



We promote sustainable practices, improving productivity and complying with the applicable regulations through the preservation of resources and environmental care











# **Healthy life and communities**

We are committed to promoting well-being, actively participating in alliance with the communities of interest where we operate, strengthening the social vision and brand reputation

# Strategic actions Product quality and safety Health & Wellness Community engagement Corporate volunteering Food Initiative Environmental projects Support for education

# The preferred place to work

We want to maintain strong governance practices guided by integrity, ethics, and transparency through safe spaces for our collaborators that guarantee resilience



# **Sustainability Policy**

At Grupo Lala, we have implemented this policy to define the guidelines that guarantee our commitment to sustainability and thus minimize the environmental impact of our operations, encourage social responsibility, and promote transparency and ethics in our actions with our clients, consumers, and collaborators.

	We are promoters of sustainable practices	We are dedicated to acquiring ingredients, supplies, and services from suppliers committed to sustainable, ethical, and transparent practices.
	We are agents of climate change	We strive to reduce our carbon footprint through operational efficiency, more efficient technologies, and clean, renewable energy sources.
	We are promoters of animal welfare	We work collaboratively with our dairy value chain to ensure dairy practices meet animal welfare standards.
	We are responsible water managers	We are committed to implementing responsible water management practices throughout our operations and value chain, including conservation, consumption reduction, and protection of local sources.
aĵa	We are ethical and transparent leaders	We consolidate our high corporate governance and ethics standards by merging our philosophy with our Code of Ethics and Human Rights Policy.
S. S	We are waste reducers	We promote the circular economy through pollution prevention, efficient use of resources, waste reduction, reuse, and recycling programs.
	We are promoters of our collaborators	We promote a safe and healthy work environment, promoting the well-being of our collaborators. We provide professional and personal development opportunities, promoting gender equality and inclusion throughout the organization.
	We are an active part of the communities	We collaborate with the local communities where we operate, contributing to socio-economic development through sustainability, health, and nutrition programs and supporting local projects of our organizations.
\$	We are responsible financiers	We opt for responsible investments integrating environmental, social, and governance criteria.
<b>(4)</b>	We are drivers of sustainable innovation	We promote research and development of innovative solutions to improve our operational efficiency and competitiveness.

# Alignment with the Sustainable Development Goals (SDGs)

We are committed to the United Nations 2030 Agenda to protect the planet and improve people's lives. In this sense, we have identified, in line with our sustainability strategy, the 12 Sustainable Development Goals (SDGs) to which we can have a greater impact and contribute directly.



#### Since 2006, we have been part of the United Nations Global Compact

Our ESG Subcommittees focus on commitments that directly impact the following SDGs:

# **Energy, Water, and Fleet**



Efficient water management: optimize the use and treatment of water in production processes

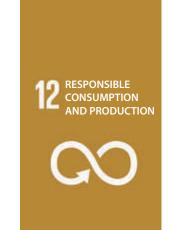


Reduction of energy consumption: Implement efficient technologies and renewable energy sources



Fleet optimization: promote the use of electric vehicles and improve transportation efficiency

## **Materials and Waste**



Waste management: reduce, reuse, and recycle waste generated in the production

Sustainable packaging: design packaging that minimizes environmental impact, using recyclable and biodegradable materials



Supplier Management: Collaborate with Suppliers that follow sustainable and responsible practices



#### **Raw Material**



Sustainable sourcing of dairy: ensuring that dairy raw materials come from sustainable and responsible sources

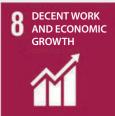


Animal welfare: promote and ensure animal welfare at all stages of dairy production



Good dairy farming practices: promote the use of good practices in the breeding and management of livestock

# Sustainable finance and corporate governance



Responsible investments: integrating ESG criteria into investment and financing decisions



Ethical governance: promote ethical and responsible corporate governance practices

#### **Social Practices and Nutrition**



Consumer Nutrition: develop and offer dairy products that contribute to a healthy, accessible, and nutritious diet



Social responsibility with communities: develop and support social responsibility initiatives that benefit local communities, including youth support programs



QUALITY

EDUCATION

Talent development: implement training and professional development programs to enhance skills and competencies of our collaborators



Employee well-being: ensuring safe and healthy work environment for all employees, promoting occupational health and safety



Quality in our products: ensure the highest quality and safety standards in all products, from production to distribution

#### **Communication and stakeholders**



Transparency: maintain open communication and transparency with all stakeholders



Community participation: involve the community and stakeholders in sustainability initiatives



# **Initiatives and alliances**

#### **GRI 2-28**

We work hand in hand with various national and international organizations, as well as the public and private sectors, to promote sustainable development.

#### Mexico

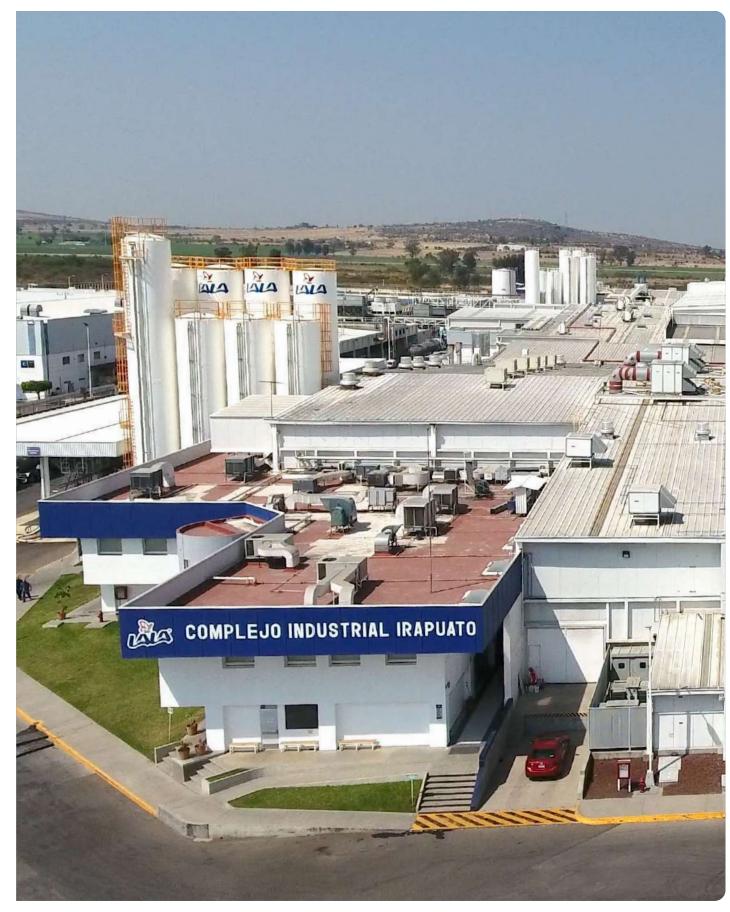
	Union organization	Acronym	Main turn
1	National Association of Private Transport Users	ANTP	Transport
2	National Dairy Chamber	CANILEC	Dairy industries
3	Mexican Business Council	CMN	Business strategy
4	National Agricultural Council	CNA	Agri-food sector
5	Mexican Council of the Consumer Products Industry	CONMEXICO	Consumer products
6	Association of SEDEC Santa Fe Residents		Neighborhood guild
7	Business Ecology and Commitment	ECOCE	Waste recycling
8	COPARMEX Laguna	COPARMEX	Labor
9	CANACINTRA Gómez Palacio	CANACINTRA	Industries
10	ESR Laguna Network	RED ESR	Social responsibility
11	Centro Mexicano para la Filantropía, A.C.	CEMEFI	Social responsibility
12	Mexican Meat Council	COMECARNE	Meat protein
13	National Association of TIF Establishments	ANETIF	Food safety
14	Mexican Chapter of the International Dairy Federation	FIL México	Regulations, Sustainability and Animal welfare
15	Round Table on Sustainable Livestock Mexico	MRGSM	Livestock sustainability
16	Business Coordinating Council	CCE	Private sector guild
17	Metropolitan Coparmex	COPARMEX	Labor
18	Confederation of Industrial Chambers	CONCAMIN	Industrial sector guild
19	Union of Entrepreneurs of the Industrial City of Torreón	UECITAC	Industrial park
20	Global Compact Mexico Network	PACTO MUNDIAL	Business sustainability

#### **S** Brazil

	Union organization	Acronym	Main turn
1	Brazilian Association of Food Industries	ABIA	Agricultural production
2	Brazilian Association of Queijo Industries	ABIQ	Dairy producers for Cheese
3	Brazilian Dairy Association	VIVA LÁCTEOS	Dairy industry
4	International Life Sciences Institute	ILSI Brasil	Research Center
5	Milk Industries Union	SINDILEITE	Trade union
6	Federation of Commerce of the State of São Paulo	FECOMERCIO	Industries
7	Brazilian Association of Company-Consumer Relationships	ABRAREC	Business relations
8	American Chamber of Commerce	AMCHAM	Industries
9	Business Commitment to Recycling	CEMPRE	Waste recycling
10	Trade Union of the Diary and Milk Products	SINDILATE	Trade union
	of the State of Rio Grande do Sul		
11	Long Life Milk Association of Brazil	ABLV	Dairy industry
12	Dairy Industry Union of the State of Minas Gerais	SILEMG	Trade union

#### **USA**

	Union organization	Acronym	Main turn
1	International Dairy Foods Association	IDFA	Dairy industry



# **Certifications and recognitions**

During 2023, we have been recognized with various awards and recognitions in environmental aspects, social responsibility, human capital, governance, quality, health, and safety.

Country	Issue	Recognition	Institution	Logo
Mexico	Fleet	Clean Transport for the fifth consecutive year	SEMARNAT	SEMARNAT  BENDERGENERAL STOPPONENTS 7
Brazil	Circular Economy	"Friend of recyclers" stamp	ANCAT	ANCAT
Mexico	Action for the climate and water	"Industria Limpia"	PROFEPA	PROFEPA
Mexico	Good business practices	ESR distinction for 18 years in a row	CEMEFI	Cemefi
Mexico	Equality, diversity, and inclusion	Distinction "Empresa Comprometida con la Inclusión Laboral de Personas con Discapacidad"	Éntrale	éntralel
Grupo Lala	Business resilience	Best companies of the world	Magazine ranking time	TIME
Mexico	Health and safety	ELSSA distinction	IMSS	IMSS
Grupo Lala	Product quality	Our plants are certified in GFSI quality systems	Global Food Safety Initiative	GIODAI FOOD Safety Initiative
Brazil	Consumer Health and safety	1st and 2nd place in Parmesan cheese	Paladar	
Mexico	Good business practices	4th place in the position of Merco Companies with ESG responsibility in the Food sector	MERCO	merco
Grupo Lala	Ethics and governance	Ranking 500 companies against corruption	Expansion	EXPANSION
Brazil	Consumer health and safety	Taste and quality recognition of Vigor cheeses	World Cheese Awards	WORLD CHEESE
Brazil	Consumer health and safety	Best-rated companies in customer service	"Reclame Aqui" Award	<b>R</b> PRÊMIO 2023
Mexico	Fleet	24th edition of the Road Safety Award	National Association of Private Transport	Usuarios AUTP del transporte de carga
Grupo Lala	Consumer health and safety	Second most chosen brand in Mexican households and fifth in Latin America	Kantar Brand Footprint	KANTAR

# 3. Environmental performance

We adhere to the best sustainable practices in the industry through effective processes and technologies that allow us to correctly manage the use of natural resources - such as water -mitigate the emissions produced by our operations and adequately manage the generation of waste and energy.

We always comply with environmental legislation, both in our operations and throughout our supply chain. Our management system is based on internationally recognized standards, such as ISO 14001:2015, ISO 14064, and ISO 14065, and is supported by a solid Sustainability Policy that guides our actions toward the best long-term business practices.



7 plants certified as Clean Industry by the Federal Attorney of Environmental Protection (PROFEPA)

# Responsible supply chain

GRI 2-6, 3-3, 308-1, 308-2, 414-1, 414-2

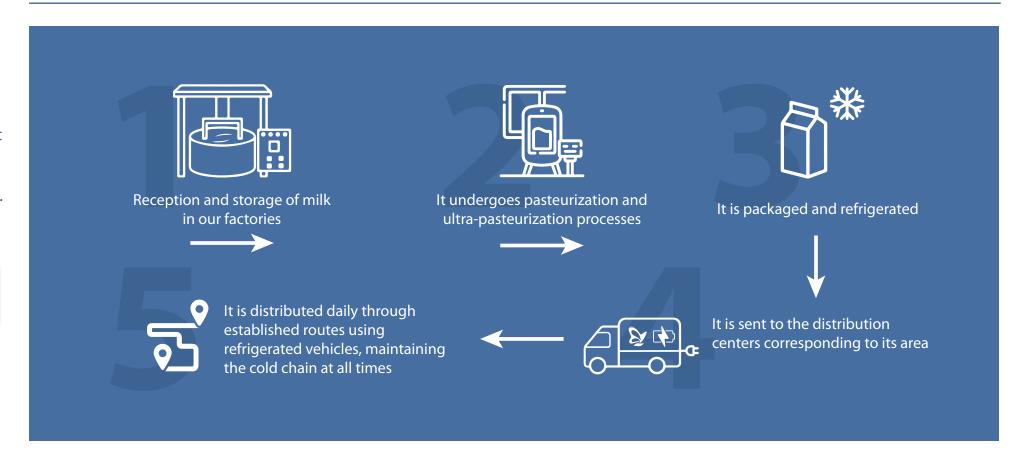
Our main raw material is raw Mexican milk, which we obtain from various dairy farms located in the states of Durango, Coahuila, Jalisco, Hidalgo, Aguascalientes, Guanajuato, Querétaro, Sinaloa, Baja California, and Chihuahua. We highlight that La Laguna – or Comarca Lagunera – is the region of the country with the highest milk production in stables, which have the best technology available nationally and worldwide.

For its part, Vigor, based in Brazil, acquires raw milk through the spot market to manufacture our products. The three milk collection centers are located in São Paulo and Minas Gerais.

In general, through sustainable practices, we guarantee a constant and high-quality supply for our milk production, which allows us to maintain the high standards required by our consumers and stakeholders.

To guarantee the quality of milk and its derivatives, we follow a rigorous production process and have a direct distribution model adapting to the particular needs of each channel, our clientele, and those who consume our products.

# **LALA production process**



During the packaging process, we use materials such as cardboard (with Tetrapak and PurePak technology), high-density polyethylene, and blown plastic packaging. The latter and the PurePak type cardboard containers are manufactured in our facilities in Mexico.

It should be noted that in Mexico, we do not use eggs in any of our products, and for our brands in Brazil, 45% of the egg supply comes from cage-free hens, an indicator that we wish to increase year after year. Likewise, at the Group level, the production of our dairy products includes the use of cocoa, flavorings and concentrates, fruit bases, and sugar that we acquire from different suppliers.

In all cases, our goal is to use primary suppliers for each product to ensure consistency in quality, freshness, delivery timeliness, and supply availability. However, we also explore alternative sources of supply to prevent potential shortages or supply disruptions.

We achieve all this by selecting and evaluating our suppliers under environmental, social, and government guidelines reflected in our sustainability model. Suppliers must adhere to our Code of Ethics and follow a certification process. Suppliers that already work with Grupo LALA must follow a recertification process every two years.



Our chain is made up of a total of 3,900 suppliers, of which 3,736 operate in Mexico (96%)

# **Supplier Development and Approval Program**

GRI 2-6, 308-1, 308-2, 414-1, 414-2

This program allows us to evaluate the performance of each supplier according to the basic criteria of the Global Food Safety Initiative (GFSI) food safety scheme. Companies that supply meat raw materials are required to obtain Federal Inspection Type (TIF) certification.

During 2023, it was agreed to carry out environmental improvement actions with 1% of our suppliers since significant environmental impacts resulting from their activities were identified through ESG evaluations.

Additionally, we identified a supplier with significant environmental impacts due to inadequate management practices for non-compliant products, including selling rather than destroying them, and we terminated their relationship with the company as a result of the assessment.

As part of the recertification process, 512 new suppliers were evaluated, of which 484 were national and 28 foreign. Evaluations were carried out with environmental and social criteria. 100% of suppliers involved in environmental activities, such as collection, recycling, or waste management, have national environmental certifications to guarantee compliance with environmental and social standards.

Our active suppliers have read and signed our strict ethical and environmental code of conduct. Suppliers not meeting these standards are blocked to ensure full compliance with our principles in all our operations and business relationships.



In 2023, 95% of our raw material suppliers for products and packaging had GFSI certification in their plants, guaranteeing the quality of the products they supply to Lala

If we identify any issue that deserves attention, we follow up promptly to implement the necessary corrective measures, always in conjunction with our suppliers. This way we ensure that they are aligned with our objectives and avoid interruptions in production.

During 2023, we did not find significant sustainability impacts in our geographic regions that would put the resilience of the business at risk or have a significant risk to society, our collaborators, and the planet.

It is in our greatest interest to promote better sustainable practices and promote the development of suppliers through our participation in different instances:

- Sustainability and best practices committees of the Mexican Competitiveness Center (CCMX) with headquarters in Mexico City, Monterrey, Nuevo León, and Mérida, Yucatán.
- National Chamber of the Transformation Industry (CANACINTRA) of Torreón, Coahuila.
- Business meetings organized by the company's supply and purchasing department.

Meat products, such as pork cuts, must comply with the TIF standards and if sourced from the United States, must be certified by the United States Department of Agriculture<sup>4</sup> (USDA).



All our long-life packaging suppliers (Tetra Pak, Elopak, and SIG Combibloc) are certified Forest Stewardship Council<sup>5</sup> (FSC)



<sup>4</sup> United States Department of Agriculture. <sup>5</sup> Forest Stewardship Council.

# **Climate strategy**

#### **GRI 3-3**

We work hand in hand with our stakeholders to move towards a low-carbon economy by managing the risks and opportunities that climate change represents. With our Sustainability Policy and through the actions of the ESG Committee, we highlight the importance of using clean energy and reducing greenhouse gas emissions from our plants and distribution centers. At the same time, we seek to continually innovate our products and services to reduce our environmental footprint. Additionally, by measuring and monitoring our sustainable performance, we can identify areas of improvement and optimize processes on an ongoing basis.



# K For more information about our Sustainability Policy, Click here

# **Climate risk analysis**

At LALA, we are making progress in designing strategies to adapt to climate change in the short, medium, and long term. Therefore, we have begun identifying and analyzing our exposure to climate risks and the financial impacts that climate change will have on our operations and assets in Mexico, the United States, and Brazil. In this process, the degree of exposure of our assets and operations to physical and transitional risks has been determined based on the desk analysis of climate models and data, along with a participatory workshop with key areas within the company. The climate models and data involve climate models from the Earth System Grid Federation (ESGF), including general circulation models (CMIP 6) and regional models from the Coordinated Regional Climate Downscaling Experiment (WCRP CORDEX). In addition, data from external providers were considered, such as Aqueduct (water stress), Ambiental (floods) and Ibtracs (tropical cyclones).

The participatory workshop was conducted with the Finance, Industrial Health and Occupational Safety, Asset Security, Risk Management, Social Responsibility and Engagement, Maintenance, Energy and Fluids, Audit and Internal Control, Environment, Legal and Sustainability departments. In this workshop, the probability and impact of each risk were estimated based on discrete qualitative scales and through a rating process.

The results of the analysis and workshop show the priorities regarding physical risks (chronic and acute) and transitional risks to which we may be exposed under mitigation (SSP1 2.6) and pessimistic (SSP5 8.5) scenarios. For a mitigation scenario, physical risks include rising temperatures, drought, and water stress (both chronic risks). In contrast, for a pessimistic scenario, the priority physical risks also include heat waves, an increase in extraordinary rainfall, and an increase in the frequency and intensity of tropical cyclones.

The priority transitional risks for a mitigation scenario are regulatory, while for a pessimistic scenario, they are reputational in addition to regulatory (Figure 1). The prioritized risks are being analyzed for each of our assets and operations for the mitigation and pessimistic scenario and for three-time horizons: short (2030), medium (2050), and long-term (2100). The analysis involves determining the spatial distribution of each physical risk, the trends of transitional risks, calculating exposure indicators and estimating financial impacts using damage functions.

The results of this analysis will provide input to strengthen our ERM (Enterprise Risk Management) processes and prepare us to adapt to the risks that emerge in a changing climate.



# List of priority physical and transitional risks for LALA

#### **Mitigation Scenarios**

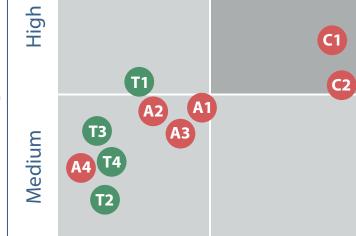
(~2.7° C- RCP 4.5)

Some measures are taken to address climate change, causing transitional risks to predominate due to the significant action needed to limit global warming to  $\sim$ 2-7°C.

#### **Probability**

Medium High

Impact



#### **Pessimist Scenario**

(~4.5° C- RCP 8.5)

Severe impacts from climate change if significant measures are not taken to reduce emissions and achieve more sustainable development, including mitigation and adaptation strategies.

#### **Probability**



#### Physical

- **C1.** Temperature rise
- **C2.** Droughts and water stress
- **A1.** Heat waves

- A2. Extreme precipitation and flooding
- **A3.** Tropical cyclones
- A4. Icy waves

#### **Transactional**

- T1. Political and legal
- T2. Market
- **T3.** Technology
- **T4.** Reputational

# **Prioritized risks**

#### **Physical**

- The increase in average temperatures will affect crop and livestock performance, energy supply, operating and raw material costs and derived/value-added products.
- Most of the country is under severe drought, and this is expected to worsen under both scenarios, affecting the availability of livestock feed and increasing cooling costs.
- Heat waves will increase in magnitude and duration, compromising the energy supply, affecting the health of workers and livestock and implying challenges to maintain the cold chain throughout the operation.
- The increase in extraordinary rainfall will increase the risk of flooding and operational and logistics costs, under both scenarios.
- The increase in the frequency of cyclones will increase the risk of looting at CEDIS and failures in the supply and distribution chain.

#### **Transactional**

- Under a mitigation scenario, climate regulation will mature and become stricter, increasing disclosure requirements at the international and national levels.
- Companies in Mexico already face reputational risk due to disputes over poor resource management, mainly water availability, the trend is expected to increase under a mitigation scenario.

# **Climate action**

GRI 305-1, 305-2, 305-4, 305-5 SASB FB-MP-110a.1, FB-MP-110a.2

During 2023, we continued to promote responsible practices within LALA to reduce the carbon footprint of our operations, focusing on three lines of action:

- 1. Compliance with the regulatory framework.
- 2. Development of strategies aligned to the business that reduce the environmental impact of our operations.
- 3. Carrying out compensation and mitigation projects for the impact of our carbon footprint.



In 2023, we managed to reduce 59,742 tons of CO<sub>2</sub> in our greenhouse gas emissions through our sustainable initiatives



# Main actions carried out in 2023

	Initiative	Results
	In our plants, we use clean energy	They represented 81% of our overall electricity consumption during the year. We optimized our cogeneration systems for clean-energy use.
<u>I</u>	In 2023, we defined the basis for our transition towards renewable energies and climate actions	By 2024, the installation of solar panels will be carried out at the Aguascalientes Plant, and the project will start in 30 distribution centers.  Acquisition of clean and renewable energy through the wholesale electricity market in Mexico for our plants  In Brazil, we have made migrations to the free energy market for the Lima, Duarte, Santa Rita and Lavras plants
***	Our meat plant has a refrigerated surface of 80%	The heat it emits is used to heat the washing water and other areas reducing thermal consumption in production processes
	In Brazil, we implement the methodology of the GHG emissions Protocol and the IPCC guidelines through specialized software	Monitoring allowed corrective actions in our operations and supply chain to reduce emissions by 21%
کہر	Technological transition to more efficient and environmentally friendly production lines	During 2023, we carried out an investment of more than 3,000 million pesos in productivity, growth, and sustainable innovation
	Commercial and distribution activity with lower impact on emissions	We continue with our program of growth and change of our distribution fleet towards hybrid and electrical units  Improvements in cooling systems in distribution centers to avoid impact gases  Plan for upgrading combustion forklifts and lift trucks to electric ones
	Strategic alliances for the environment	We continue working with NGOs and investing in projects to mitigate and compensate for environmental risks and impacts in Laguna, such as the care of the water and biodiversity

## **Lala Fleet**

#### **GRI 3-3**

As part of our sustainability strategy at Lala, we have taken significant steps towards integrating a sustainable fleet. This effort, aligned with our vision for 2030, seeks to make 100% of our fleet environmentally friendly, with a specific objective of reaching 30% electric vehicles and 70% hybrids. By the end of 2023, we have already made notable progress, with 34% of our fleet made up of hybrid vehicles and 2% of electric vehicles.

Adopting new technologies in our fleet has been an essential pillar in our strategy, allowing us to reduce our carbon footprint and improve our operational efficiency. In 2023, we incorporated 30 electric vehicles equipped with refrigeration systems, reaching 60 electric units in our fleet. These new vehicles will allow us to reduce our  $CO_2$  emissions by approximately 702 tons annually. Additionally, we added 175 hybrid vehicles, raising the total of sustainable units in our distribution fleet to more than 1,300.

Technical and operational challenges have accompanied the transition towards a more sustainable fleet. Adaptation to these new technologies has required a comprehensive approach to training our staff, developing training programs that strengthen skills in the operation, maintenance, and management of electric and hybrid vehicles. This process has not only improved our internal capabilities, but it has also encouraged flexible and adaptive thinking, which is necessary in a constantly changing environment.

One of our corporate goals is the continuous reduction of our carbon footprint. For the fifth consecutive year, we were recognized by the Ministry of Environment and Natural Resources through the "Clean Transportation" program that promotes the best environmental practices in business transportation, achieving a reduction of 92,379 tons of CO<sub>2</sub> in 2023, which is equivalent to 7.6 million of trees saved.

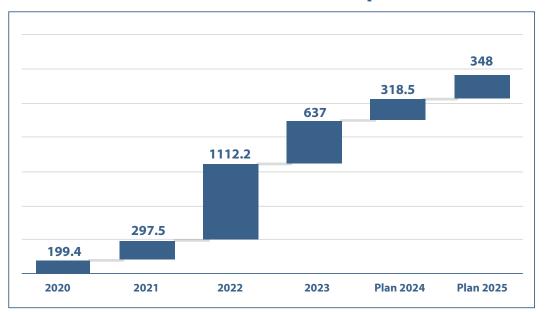


We plan to invest 2,713 million pesos in the technological transition of our environmentally friendly fleet



Reduction of 92,379 tons of CO<sub>2</sub> recognized by SEMARNAT after the "Clean Transportation" initiative in 2023

#### **Investments in fleet (Millions of pesos)**



Implementing these technologies in a refrigerated fleet like ours involved a rigorous process of prior engineering studies to ensure its correct operation. These studies have allowed us to effectively integrate these innovations, guaranteeing that our service maintains the high-quality standards that our clients expect. In addition to alliances with logistics providers with a responsible business approach, they have allowed us to continue moving towards a more sustainable future.



Thanks to our strategic Alliance with CHEP, in 2023, we were recognized by RDC Environment due to saving more than 9.8 thousand kg of  $\rm CO_2$  emissions, as well as for saving 25,903 m³ of wood, equivalent to saving 25,027 trees from logging



#### GHG emissions<sup>6</sup>

In our quest to consolidate a robust and transparent environmental strategy, we have made significant progress in measuring and reporting our greenhouse gas (GHG) emissions in Mexico and Brazil, where our operations and product distribution generate a considerable environmental impact.



11% reduction in Scope 1 and 2 emissions, which represent 59,742 tons of CO<sub>2</sub>e

Scope 1 and 2	2021	2022	2023	Variation 22 vs 23
Mexico	540,708	518,405	464,155	-10.46%
Brazil	29,670	23,196	17,704	-23.67%
Total	570,378	541,601	481,859	-11.03%

By 2023, our Scope 1 emissions, which include the combustion of fossil fuels in stationary and mobile sources, as well as emissions from industrial processes, we have implemented improvements in our refrigeration systems to avoid the release of gases with high environmental impact and we have renewed our combustion forklift units, replacing them with electric alternatives. These actions and constant monitoring allow us to minimize our environmental impact in compliance with the current regulatory framework.



Scope 1	2022	2023
Mexico	216,658	312,481
Brazil	21,047	15,902
Total	237,705	328,383 <sup>7</sup>

For Scope 2 emissions, which comprise electricity purchased and consumed, as well as the use of steam, heating, and cooling, we have taken measures to reduce our carbon footprint, including transitioning to renewable energy and optimizing our cogeneration systems to maximize the use of clean energy.

Scope 2	2022	2023
Mexico	301,747	151,674
Brazil	2,149	1,802
Total	303,896	153,476

Understanding the importance of a more comprehensive view of our environmental impact, we have worked alongside a consulting team to update and expand our emissions inventory. As part of our commitment to sustainability, in the next report, we will include a detailed report on Scope 3 emissions aligned with the guidelines of the Greenhouse Gas (GHG) Protocol for Mexico.

Currently, we have the Scope 3 emissions report in Brazil, which includes key categories such as upstream transportation and distribution, waste generated, goods and services purchased, and displacement of collaborators.

Scope 3	2022	2023
Brazil	13,854	11,494

# Water management<sup>8</sup>

GRI 3-3, 303-2

SASB FB-PF-140a.3, FB-MP-140a.2

Our firm commitment to managing responsible water consumption has led us to implement measures that include reducing the consumption of this resource and treating and reusing wastewater. We also pay special attention to pollution and the impacts it causes on bodies of water. We do all this through actions aimed at water conservation, such as preserving protected natural areas, rehabilitating hydrological basins, and preventing fires.

We have implemented the Sustainability Policy that establishes the guidelines for the correct water management within Grupo LALA to implement a management system aligned with the criteria and requirements of ISO 14001:2015 and the current environmental regulations for our operations and plants.

Regarding the water consumption indicator, although there was no decrease compared to last year due to the addition of new machines that generate greater water consumption, we have achieved a significant reduction compared to previous years. In 2021, the indicator was 1.53 m<sup>3</sup>/t, while in 2023, we ended with 1.4 m<sup>3</sup>/t, which represents a reduction of 8%.

We have Wastewater Treatment Plants (WWTP) that guarantee that wastewater is treated before being discharged, as well as treatment plants that allow us to take advantage of 100% of the water, treating it and reinjecting it into our system. In addition, we regularly monitor the quality of the water discharge from all our Treatment Plants following the parameters of NOM-001-SEMARNAT-1996, NOM-002-SEMARNAT-1996, and NOM-003-SEMARNAT-1997.

Regarding wastewater, we have achieved significant progress in its reuse versus extraction, increasing water treatment in our WWTPs from 13.8% to 16.45%.

This increase represents a 25.7% increase in water treatment, which includes external water donation to communities and internal use of water resources for processes that allow it.

<sup>&</sup>lt;sup>6</sup> We acknowledge that we have not yet accounted for emissions from our operations in the United States. This is a process that, although it is on our roadmap, requires additional structure and resources that we are in the process of implementing. It is of our interest and is in our upcoming plans to also begin accounting for emissions indicators in this region, integrating the results into future sustainability reports as part of our vision of transparency and environmental responsibility. <sup>7</sup> The increase in Scope 1 emissions is due to our technological transition, during which we are continuing to replace fossil fuel units with hybrid and electric ones. During this period, some of the new units were not yet fully operational, resulting in a temporary increase in emissions. We anticipate that this technological change will be reflected in future communications. <sup>8</sup> Currently, we are not accounting for water consumption from our operations in the United States. However, we are in a transition process, and it is our intention to include this data in our future sustainability communications. Additionally, in 2023, a change in methodology was implemented in Brazil, which has limited the availability of complete data; for the moment, we can only publish information related to water extraction in that region. We are committed to consolidating and standardizing this information to provide a more comprehensive and coherent report in our upcoming publications.

#### Internal and external water reuse in Mexico (megaliters)

	2022	2023
Reuse of water internal	630	839
Reuse of water external	204	210
Total	834	1,049

Our responsible water management is conducted through various initiatives in our plants aimed at optimizing the use of this vital resource. We implement a rigorous pipeline inspection program to detect and repair leaks, ensuring our infrastructure's proper maintenance and physical integrity. In addition, we installed metering faucets and water-saving nozzles in sinks and showers to reduce water consumption in our facilities. These actions were complemented by permanent awareness campaigns aimed at our collaborators, promoting a conservation and efficient water use culture. These efforts reflect our comprehensive approach to minimizing our operations' environmental impact and maximizing our processes' sustainability.

#### Water indicators in Mexico (megaliters)

GRI 303-1, 303-4, 303-5 SASB FB-PF-140a.1, FB-MP-140a.1

Water extraction (megaliters)	2021	2022	2023
Groundwater	5,132.41	5,433.65	3,051.38
Third-party or surface-water	597.72	639.62	3,343.70
Total	5,730.13	6,073.27	6,395.08
Water discharge (megaliters)			
Discharge into receiving bodies	667.13	429.94	1,828.67
Discharge to drainage	3,686.40	3,949.19	2,655.83
Discharge to drainage Total	3,686.40 4,353.53	3,949.19 4,379.13	2,655.83 4,484.50





#### **Water indicators in Brazil (megaliters)**

Water extraction (megaliters)	2021	2022	2023
Total	1,903.58	1,793.64	1,770.76

We report that during 2023, no incidents or non-conformities were recorded concerning permits, standards and regulations related to water use and management. This result demonstrates our continued dedication to regulatory compliance and the responsible management of water resources, guaranteeing that our operations are conducted in harmony with current environmental regulations.



# **Energy management**

GRI 3-3, 302-1, 302-4

SASB FB-PF-130a.1, FB-MP-130a.1, FB-FR-130a.1

At Grupo LALA, we promote energy efficiency and monitor energy use's environmental and social implications through responsible management, energy recovery, and clean energy sources in all our facilities.

Energy Consumption <sup>9</sup>	2021	2022	2023
Total electricity consumption (GWh)	419	377	440
Renewable energy (GWh)	65	62	30
Non-clean energy (GWh)	75	43	71
Clean non- renewable energy (GWh)	278	273	340
Total thermal consumption	1657	1570	1955



Clean, non-renewable energy has seen a significant increase of 22.3%, resulting from our transition towards cleaner and more efficient energy sources

# Mexico Energy Indicators

	2021	2022	2023
Electrical consumption (GWh)	352	313	378
% Renewable energy	0%	0%	0%
% cogeneration	10%	10%	8%
% non-clean energy	21%	13%	19%
% clean, non-renewable energy	69%	77%	73%
Intensity of energy consumption in plant (GWh per ton of product produced)	73	74	69
Thermal energy Natural gas (GJ)	1,457	1,369	1,698
Thermal intensity (GJ/Ton of product produced)	0.53	0.48	0.52



Energy consumption intensity has decreased by 5.5% due to our energy efficiency initiatives in our processes productive



We continue with our commitment to the use of clean energy, achieving 81% in 2023

## Brazil Energy Indicators

2021	2022	2023
67	64	62
200	201	257
97%	97%	49%
2%	3%	0%
1.5%	1.6%	51%
	67 200 97% 2%	67 64 200 201 97% 97% 2% 3%



We have reduced our electricity consumption by 7.5% for energy efficiency and more efficient electricity use



In 2023, we will be able to eliminate fossil energy use in our productive processes

# **Waste management**

GRI 3-3, 301-1, 306-1, 306-2

SASB FB-FR-430a.4, FB-PF-410a.2

We have made significant progress in managing our waste in alignment with our circular economy strategy and our firm commitment to sustainability. We are proud to highlight that we have managed to recycle and reuse 88% of our post- industrial waste, with 8% reused directly in our processes. Additionally, we have reinforced our focus on sustainability by ensuring that 55% of the materials used in our packaging are 100% recyclable, including our corrugated packaging and Tetrapak containers.

In 2023, some actions stood out for the optimal management of our waste:

- Separation of waste by type of material using specific containers for each recyclable material.
- Temporary storage of municipal solid waste, special management waste and hazardous waste in line with the regulations applicable in each country.
- Training in environmental matters during the induction process of our collaborators on issues of special management and hazardous waste handling, and rational use of resources.
- Carrying out a volunteer day at the Irapuato Industrial Complex focused on urban cleaning and recycling where operational staff and suppliers collected more than 750 kilos of solid waste, ensuring adequate treatment for recyclable materials.
- The "Plant Adoption" program was carried out at the Guadalajara Plant, where various species were delivered to more than 200 collaborators. The purpose was to raise awareness among staff about the importance of plants to reduce pollution in the city.
- Most of the volume of waste generated by Brazilian operations is destined for animal feed and composting, following environmental and quality standards.
- Carrying out the Safety, Health, and Sustainability Week with training and activities to promote awareness about caring for the environment.
- With CHEP, the system of shared and reusable pallets was continued, reducing the use of wood resources,  $CO_2$  emissions and reduction of more than six million kilograms of waste.

<sup>&</sup>lt;sup>9</sup> We do not manage or report the energy consumption of our operations in the United States, as we are in a phase of developing the governance and specific strategy for this country. However, it is in our interest to begin integrating this information into future disclosures, as part of our commitment to transparency and comprehensive management of our operations globally. This will allow us to offer a more complete view of our environmental performance and move towards greater sustainability in all our regions of operation.

# **Waste generation in LALA**

# > Types of waste in LALA



**Municipal** solid waste (MSW)

Sent to landfills or disposal in sanitary landfills Recovery, reuse and recycling with certified companies -Paper and cardboard:

Bio Pappel -PET and HDPE: ECOCE



**Special** management waste

Wastewater treatment sludge, electronic waste, used tires and some organic waste from the food industry



**Hazardous waste** 

Due to the caloric capacity of hazardous waste, we have strategies aimed at its use as an alternative fuel and for reuse in other companies with which we collaborate.



Compostable waste or animal feed

Post-industrial waste that meets standards for animal reuse, with environmental and quality standards



biological-infectious waste

# **Waste indicators**<sup>10</sup>

SASB FB-PF-410a.1 GRI 306-3, 306-4, 306-53



#### **Waste indicators Mexico**

Tons	2021	2022	2023
Waste generated	85,937.10	97,287.01	101,468.34
Recycled and reused waste	74,765.27	86,585.43	97,409.60
% recyclability and reuse	87%	89%	96%
Hazardous Waste	176.7	271.52	235.15
Urban solid waste	3,528.45	12,416.46	3,946.23
Special management waste	82,231.95	84,599.03	97,286.96
Recycled	74,758.67	59,071.85	88,886.62
Reused	7,447.88	25,527.18	8,400.34
% Recyclability and reuse	99.97%	100%	100%



#### **Waste indicators Brazil**

2023
229,788
3,659
2%
199,206.53
87%
288.41
26,439.13

# **Product life cycle**

**GRI 3-3** 

We focus on maximizing efficiency in the use of resources and promoting responsible production based on the circular economy, from production to waste management. With this goal in mind, we implement strategies to generate sustainable and profitable processes, including initiatives such as recycling cardboard and plastic from our post-industrial and post-commercial processes and the redistribution of food waste to animal feed plants.



We were recognized with the Bosque Urbano® Award 2023 edition by Bio Pappel Mexico as a result of the use of sustainable packaging made with 100% recycled raw material

<sup>10</sup> We do not manage or report waste management data or product life cycle statistics in our operations in the United States, as we are in a transition phase to implement the corresponding methodology, in line with the sustainability policy of the cluster. However, it is in our interest to begin integrating this information into future disclosures, which will allow us to offer a more complete view of our environmental performance and move towards more sustainable and responsible management in all our regions of operation. In Brazil, we have the "post-consumer packaging reverse logistics program," which allows us to recover 22% of the packaging used 2023 through investments exclusively in recyclers' cooperatives.



29% of packaging in Brazil is recovered post-consumption

# Materials and packaging management<sup>11</sup>

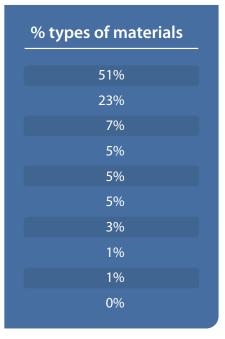
We have implemented rigorous practices to manage the materials used in our packaging and the waste generated throughout our production process.

We are proud to highlight that we have improved efficiency in using materials and generating waste. Of the 190,231 tons of waste generated in Mexico, a significant percentage corresponds to recyclable materials such as cardboard, aluminum, HDPE, and PET, representing the majority of primary packaging waste.

Materials Indicators	Total 2023
Sale (ton)	3,121,071
Packaging materials (ton)	77,083
Primary packaging (ton)	108,897
Secondary packaging (ton)	4,135
Total waste generation (ton)	190,231
Monthly average waste (ton)	15,853

Total	primar	v pacl	kaging	waste
	,			

Cardboard+aluminum+HDPE	55,212
HDPE	24,607
LDPE	7,780
PET	5,609
PP	5,179
Cardboard-HDPE	5,743
P.S.	3,357
Aluminum	794
Laminate	617
Paper	1





For our operations in Brazil, we used 23,518 tons of packaging materials in 2023, of which 93% were PET, HDPE, and paper/cardboard materials, all highly recyclable.



#### **Indicadores Materiales Brasil**

	Totals 2023	% types of materials
Total packaging (ton)	23,158	
PET+HDPE plastic	13,284	57.36%
Paper	8,273	35.72%
Glass	871	4.00%
Aluminum	196	0.85%
Steel	321	1.38%
Aerosol sprays	213	0.92%



<sup>11</sup>We currently do not report waste management data or product life cycle statistics in our operations in the United States, as we are in a transition phase to implement the corresponding methodology, in line with the group's Sustainability Policy . However, it is in our interest to begin integrating this information into future disclosures.

# **Good Dairy Farming Practices and Animal Welfare**

**GRI 3-3** 

In our continuous effort to improve quality and animal welfare standards in our livestock supply chain, we have collaborated closely with the Federation of Colleges and Associations of Veterinary Zootechnician Doctors (FedMVZ). This alliance has allowed us to make significant progress in certifying good dairy farming practices, sustainability, and animal welfare in 120 stables that provide milk to Grupo LALA.

In 2023, we managed to diagnose compliance with the Good Dairy Farming Practices (GDFP) scheme of the National Agri-Food Health, Safety and Quality Service (SENASICA) in 100% of the Livestock Production Units (LPUs). We are implementing an improvement plan to ensure that all LPUs achieve full GDFP compliance, including fundamental animal welfare criteria.

In line with the best sustainable practices of the dairy sector, we have promoted, together with our dairy supply chain, the adoption of the eleven pillars of sustainability of the International Dairy Federation (IDF). This effort focuses on identifying and mitigating risks related to climate change, highlighting the importance of guaranteeing animal welfare through production certified to external standards.

Among the most notable practices are the progressive reduction of the percentage of livestock in Concentrated Animal Feeding Operations (CAFOs) and the continuous improvement of sustainability practices among livestock producers. Likewise, we are carrying out specific diagnoses for Good Dairy Farming Practices, which include key indicators related to the cows' diet, intending to reduce methane emissions.

We have established key indicators for animal welfare, committing to avoid the use of hormones and prevent diseases such as mastitis or brucellosis in cows, always prioritizing the quality of life of the animals. Through investments in technology, such as implementing biodigesters, we actively reduce methane emissions in our operations, demonstrating our commitment to the environment.

Looking ahead to our next publications, we are strongly interested in beginning to report quantitative indicators related to good dairy farming practices, animal welfare, and sustainability in our dairy supply chain. This holistic approach to sustainability and animal welfare improves the quality of life of animals and reinforces our commitment to a more sustainable and responsible production system.

## **Five Basic Freedoms for Animal Welfare**

In our efforts to ensure animal welfare, we ensure that our producers' barns comply with the five basic freedoms of animal welfare:



Freedom from hunger, thirsty and malnutrition



Freedom from stress, fear and anguish



Freedom from heat stress and physical discomfort



Freedom from pain, injury and disease



Freedom to express normal patterns of behavior

These freedoms are fundamental to ensuring that animals under our supervision live in optimal conditions and can express natural behaviors, thus contributing to their overall welfare.



# 4. Social development

As part of the sustainable strategy that reinforces our commitment, our efforts focus on social development through the training and development of our collaborators, making LALA the preferred place to work. We focus on defending human rights, promoting diversity and inclusion in our workplaces, and promoting health and occupational safety. In addition, we contribute to the well-being of local communities through social investment and community outreach programs, such as the LALA International Marathon and Fundación LALA initiatives.

# **Human capital**

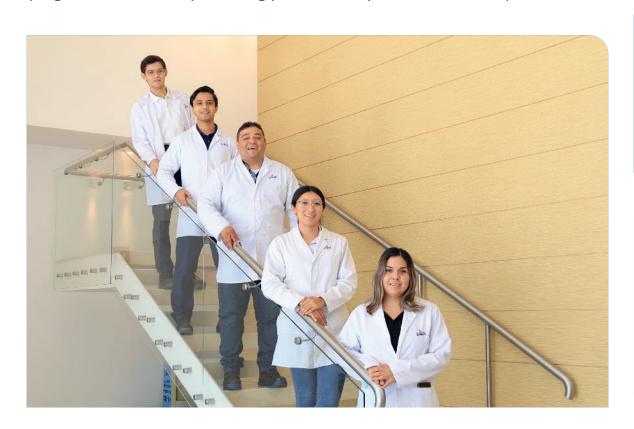
We are committed to promoting the continuous development of our collaborators, providing them with training and safe workspaces in which diversity and inclusion are promoted. Our Code of Ethics also guarantees respect for human rights throughout our entire value chain.

#### **Our Team**

GRI 3-3, 2-7, GRI 2-30

SASB FB-FR-310a.2

To make LALA the preferred workplace, we offer our staff various initiatives, programs, and actions promoting personal and professional development.



#### **Grupo LALA Workforce breakdown**

	2021	2022	2023
Total collaborators	40,899	40,289	40,560
% Unionized	73%	74%	81%
% Non-Unionized	27%	26%	19%
% women	22%	21%	21%
% men	78%	79%	79%

#### Region, gender, and characteristics breakdown

País	Men	Women	Total
Country	28,641	7,613	36,254
Mexico	2,597	1,388	3,985
Brazil	254	67	321
USA	31,492	9,068	40,560

	Mexico	S Brazil
% female managers	27%	26%
% employees with disabilities	1%	4%
% foreign collaborators	0.36%	0.13%



We position ourselves as the best 100% Mexican company on the dairy market with the greatest ability to retain the talent of our collaborators according to Merco Talento Mexico



We stand out among Mexican companies on the list of the best in the world in 2023 by The Time magazine

#### Workforce breakdown by job position

	Mexico	S Brazil
Directives/Managements	1%	2%
Middle management /supervisors	12%	8%
Technicians and Specialists	12%	3%
Operational, administrative, sales	75%	87%

#### Workforce breakdown by age

	Mexico	S Brazil
Less than 31 years old	33%	26%
Between 31 and 40 years	36%	34%
Between 41 and 50 years	23%	29%
More than 50 years	9%	11%

# Workforce breakdown by hires and promotions

96%	
	98%
4%	2%
15,024	759
31%	23%
34%	9%
22%	15%
13%	4%
86%	54%
14%	46%
	15,024 31% 34% 22% 13% 86%

# **Training and development**

GRI 3-3, 404-1, 404-2

At LALA, we offer training on different topics using different tools, and we have several policies<sup>12</sup> that promote the development of the talent of our staff.

Comprehensive induction for all staff from their first day of work so that they have the knowledge and skills required to perform their job optimally Comprehensive induction divided into four modules:

- 1. Institutional Induction
- 2. Induction to the company,
- 3. Induction to the department
- 4. Induction to the position



At the end of the general induction, specific training content is enabled through **ULALA through the Talent** Suite on the internet portal

Some content is mandatory, and others are chosen by the collaborator in accordance with their individual development plan



1,129,480 hours of training in Mexico with an investment of \$43,733,459 MXN in 2023



7,553 hours of training in Brazil with an investment of R\$1,925,328 in 2023

## **Talent training initiatives**

Specialized programs, such as product management, cold chain, cycle breakers, work routines, sales arguments, sales manual, safety, and machine management per plant, were executed.

As part of the commitment to road safety, 53 employees graduated from the Apprentice Operator program, equivalent to 38,160 hours of training.

175 employees benefited from operational scholarships to complete their high school education or bachelor's degree.

In 2023, the catalog of educational alliances was expanded by signing 29 agreements with private institutions.

Empowerment of 1,983 leaders in the exercise of leadership to promote growth among collaborators and the correct management of work teams.

# **Executive Coaching Program**

During 2023, we implemented the coaching program, which was distinguished by the following components:

- Plan for the development of leaders at the management level
- Digital coaching (CoachHub) for the development of strategic and leadership skills
- 48 active coaches in 2 types of programs

T.O.P – Focused on managers with high potential to develop Leader development – Focused on developing the leadership of recently promoted managers

In Brazil, the following training and events were carried out to promote the development of our staff:

- SAP implementation
- Diagnosis of culture and training academies
- Implementation of the mandatory technical training management system
- Safety route
- Implementation of the talent platform
- Execution capacity (A2E)
- Harvard Leadership Academy
- Media leadership training
- Talent program

<sup>12</sup> LALA Induction Policy, Foreign Language Training Policy, Annual Performance Cycle Policy, Graduate Level Scholarship Policy, Higher Level Scholarship Policy, Training Expenses Policy, Young Talent Policy, and Potential Assessment Policy, among others.



## **Training hours by region**

#### **GRI 404-1**

Country	Training hours	Average training hours per person
( <u>*</u> ) Mexico	1,129,480	31
S Brazil	7,553	2

## Human rights, Diversity, and inclusion

#### GRI 2-23, 2-24

In our organizational culture, we promote inclusive and respectful work environments that stimulate the development of our team. Equal opportunity is a principle rooted in our corporate identity reflected in our Code of Ethics and corporate policies<sup>13</sup>. This principle – based on respect for human rights set by the standards of the International Labor Organization – guides our interactions with all stakeholders regardless of differences marked by socioeconomic, educational level, ethnic origin, race, gender, or sexual orientation, age, and disability, among other aspects.

#### **GRI 3-3**

Based on our Equality and Human Rights Policy, we promote respect for human rights and the well-being of people within the organization to guarantee a respectful, equitable, and egalitarian work environment.

#### **Diversity and Inclusion Model**

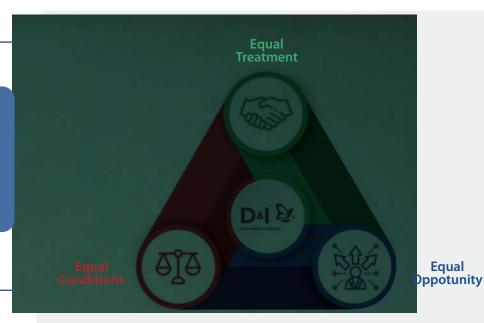
At LALA, we have implemented a Diversity and Inclusion Model based on three pillars: Equal Opportunities, Equal Conditions, and Equal Treatment. This model materializes in three programs:

• El talento es primero: Talent comes first

• Igualdad LALA: LALA Equality

• Equipos diversos: Diverse teams

We are also committed to promoting these practices within and outside our organization, and we do so by participating in forums with other stakeholders. We are built on the firm belief that diversity and inclusion (D&I) practices are essential to ensuring that every person in our company acts authentically and has the opportunity to express themselves freely.





Our Diversity and Inclusion Model favors respect for human rights and seeks to build an inclusive, egalitarian, non-sexist, and free of violence environment



In 2023, we obtained the State Award for Labor Linkage and Inclusion, granted by the government of Coahuila



Women occupy 27% of management positions

During 2023, we will continue with the Diversity and Inclusion curriculum and provide the following training:

Course name	People impacted	Accumulated Hours
Workplace violence and sexual harassment	6,289	3,144.50
Talent comes first	1,143	885
Diversity and Inclusion Curriculum	57	342
Enabling the workplace violence	21	21
Master Class: Companies' commitment to Human rights	172	172
Master Class: my role in inclusion and unconscious bias	193	193
Total	7,875	4,757.50



7,875 people participated in D&I training



4,757.50 hours of D&I training during 2023



Welcome program for people with disabilities in Brazil



<sup>&</sup>lt;sup>13</sup> Equality and Human Rights Policy, Breastfeeding Policy, Talent Attraction Policy, Alignment Boards Policy, and Young Talent Policy, among others.

# **Programs: Talent comes first, LALA Equality and Diverse teams**

# **A** Talent comes first

Objective	Actions	Results 2023
Promote the labor inclusion of vulnerable groups, such as people with disabilities, and promote Equality of opportunities, conditions and treatment.	Analysis with the occupational safety department to ensure that working conditions are safe for all collaborators.	1,143 people participated in the training of the Talent comes first, program.
	Integration of a Program of total awareness for the workforce and application of the Diverse Teams Program in the workplace.	All our work centers participated in the training for this program.

# **\( \gamma\)** Lala equality and diverse teams

GRI 2-23, 2-24

#### **Lala Equality**

Promote a culture of equal opportunities, dignified, fair, and equitable work and treatment among all people and hierarchical levels of the organization.

#### **Diverse teams**

Integrate people with disabilities into the company's workforce through the correct use of language, accessible and effective communication, training, infrastructure with universal access, optimal treatment, publication of vacancies, interviews, selection, and inclusive inductions, among other aspects.

#### Labor inclusion of people with disabilities

	Mexico	S Brazil
Visual	25	23
Auditory	63	33
Motor	50	29
Intellectual	3	13
Of language	2	0
Psychosocial	2	0
Rehabilitated	2	1
Total	147	99



For the 5th consecutive year, we reaffirm our commitment to inclusion in Mexico by receiving the "Éntrale" Distinctive





### **Boost for young talent**

We encourage young people through initiatives to improve their employability, experience, and personal and professional development within Grupo Lala.

Initiative	Description	Results 2023
Despega con Lala "Take-off with Lala"	Our comprehensive training program is designed to attract outstanding young people and generate critical learning experiences that add value to their professional careers.	More than 3000 applications in 2023  20 young people participated in the sixth generation of Despega with LALA: 11 men and 8 women  100% were hired for a full-time position
Jóvenes Construyendo el Futuro "Youth Building the Future"	We collaborate with the Federal Government of Mexico and state authorities to involve young people in the economic and labor activity of the country.	80 training plans 55 active young apprentices. 36 apprentices accepted in 2023 7 young people hired full-time



# **Occupational Health and Safety**

GRI 2-23, 3-3, 403-1, 403-2, 403-3, 403-4, 403-7

We guarantee the health and safety of our staff through protocols and measures that meet the highest standards in this matter. And this is because we prioritize being attentive to the well-being of our collaborators, providing them with a safe and healthy work environment.

Through a culture of prevention and care, we work so that each person performs with confidence and peace of mind within LALA. The Occupations Health and Safety (OHS) team is responsible for identifying the risks and impacts of daily activities.

To achieve this, we carry out the following actions:





Occupational Health and Safety Policy



Disease prevention and accident reduction programs



Monitoring indicators to manage hazards



Procedure for investigation, analysis, reporting, and monitoring of accidents and incidents presented, measured in safety indicators that are sent to Management



Internal occupational health and safety management model based on ISO 45001



Occupational health and safety system that identifies and evaluates hazards and risks to generate control actions and reduce the level of risk



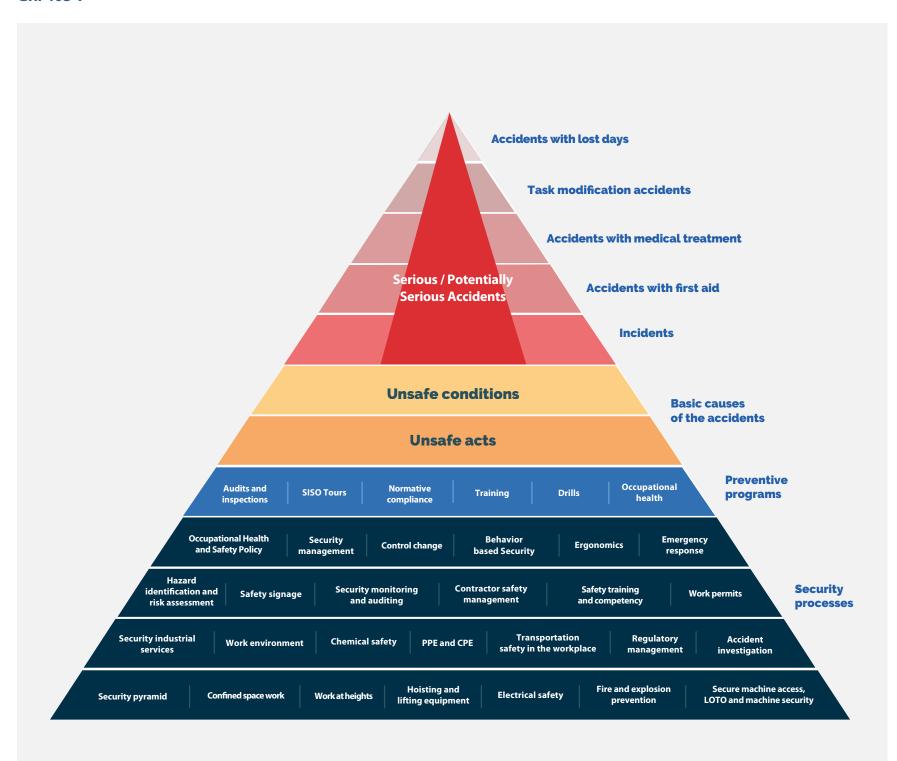
Corporate audits, under internal protocols, carried out by the OHS team



Dissemination of general information on health and safety within offices, plants, and distribution centers aimed at our stakeholders

#### **Zero Risk Model**

**GRI 403-7** 



#### **GRI 413-1**

## **Integration of Safety and Hygiene Commissions by region**

Country	Number of Commissions	Men	Women
Mexico	156	965	424
Srazil	18	10	8

# **Training in occupational health and safety**

GRI 3-3, 403-5, 403-7

To protect the integrity of our staff, it is in our greatest interest to offer continuous training on occupational health and safety. To do so, we focus on preventing accidents and illnesses.



73,603 hours/person and 1,687 industrial safety and accident prevention training courses



2,391 employees trained in occupational safety in Brazil



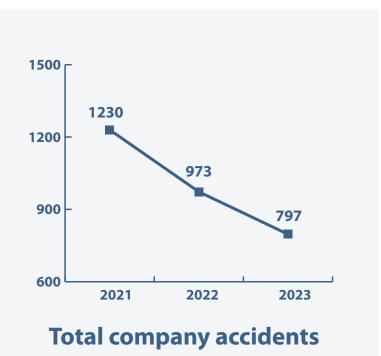
186 emergency drills were conducted in Mexico and 6 in Brazil

# **OHS system**

GRI 403-6, GRI 403-9, 403-10, SASB FB-MP-320a.1

We continually conduct evaluations to detect and address psychosocial risks, in addition to monitoring personnel who have chronic illnesses, which has allowed us to significantly reduce work-related accidents and deaths. Due to the nature of our activities, the main incidents include bruises, wounds, fractures, sprains, and burns, while the main causes of illness presented are ergonomic.

Industrial safety is a fundamental pillar in our operation, reflecting our commitment to the protection and well-being of our collaborators and contractors. Our focus is on creating a safe and healthy environment aligned with the highest industry standards and fostering a culture of safety that prioritizes the physical and mental integrity of each person involved in our activities. Through continuous improvement and constant training, we seek to comply with regulations and exceed safety expectations, reaffirming our commitment to operational excellence and corporate responsibility.



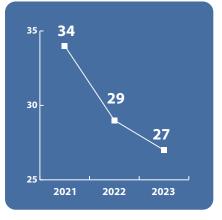


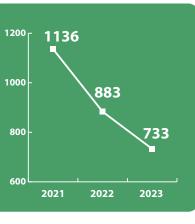
Accidents / 100 employees Food companies 2020

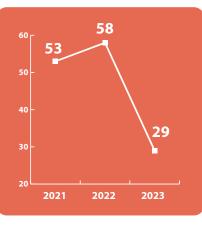
\*Source: IMSS

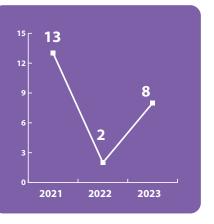


From 2021 to 2023, accident rate have been reduced by 35%









Plants' accidents

**Commercial zone accidents** 

**SETYLSA** accidents

**Plants log accidents** 

#### GRI 403-6, 403-7

To guarantee our staff's safety, we conduct evaluations of the work environment that include noise, lighting, temperature, and chemicals. In addition, we carry out health campaigns such as "Time to take care of yourself," with which we promote self-care and disease prevention. Both our collaborators and their families participate in them.

#### **GRI 403-6**

In 2023, we were recognized for our commitment to the workplace well-being of our collaborators through the OAS Certification (Active and Healthy Organization) by Queremos Mexicanos Activos (QUEMA), which brings with it multiple benefits such as the improvement of health indicators, the reduction of disease risk, increased motivation and commitment of employees, improved work environment, reduction of stress, optimization of work performance and continuous training.

Industrial Safety Indicators Mexico	2021	2022	2023
Number of total accidents	1,236	972	797
Accidents in plants	34	29	27
Accidents in commercial areas	1,136	883	733
Transportation Accidents	53	58	29
Logistics accidents	13	2	8
Rate of disabling Accident per100 collaborators	3.65	2.81	2.21
Sick Leave Days Rate / 100 collaborators	97.57	88.7	79.8
Sick leave days totals Mexico	33,264	30,743	28,818
Number of deaths due to workplace accident	2	3	5

Industrial Safety Indicators Brazil	2023
Accidents in plants	17
Accidents in commercial areas	7
Disabling accident rate / 100 employees	8%
Sick Leave Days rate / 100 employees	1.45%
Mortality rate	0
Deadly accidents	0





# 453 ergonomic evaluations and 28,645 physical fitness exams

During 2023, we carry out the following actions to promote the health and safety of our staff:

Country	Action
	Ergonomic risk assessment
	Calisthenics plan
	Rotation of repetitive activities
	Evaluations of engineering measures for the prevention of unsafe acts
	Healthy eating and mental health webinars
Mexico	Internal challenges goal kilometers traveled and healthy weight loss
	Influenza and COVID vaccination days for collaborators and their families
	Medical evaluation plan to determine the health status of operationally exposed people
	Psychosocial health program for all employees
	<del></del>
	Training centers and gyms
	Awareness campaigns about the importance of physical activity (running and walking, among others)
Brazil	Welcoming program for people with disabilities
	Digital web and mobile application for incident registration for all units



140 CEDIS and 16 factories are part of the Self-Management Program of the Ministry of Labor and Social Security in Mexico (STPS), recognized as a Safe and Healthy Work Environment by the Mexican Social Security Institute (IMSS) in Mexico

#### **Communities**

#### **GRI 3-3**

Through social initiatives, health, education, and development programs we promote the health and well-being of the communities where we have a presence. Our objective is clear: generate a lasting positive impact, improve the quality of life of the inhabitants of the communities and contribute to the region's sustainable growth together with Fundación Lala.

#### **Health & Wellness**

#### **GRI 3-3**

Within our company, the LALA Institute is the research area in charge of innovating and developing new products to guarantee their safety and harmlessness, as well as their improvement and redesign, thus always maintaining the nutritional level that characterizes us. In this way, we have managed to get our community of consumers to adopt better food and nutrition practices. In addition, among our collaborators and their families, we carry out campaigns that support the prevention of diseases and the promotion of health.

This organization is responsible for providing information to health professionals, university students, and the general population interested in nutrition and maintaining an adequate state of health.

#### **Health Professionals Networking Program**

Its objective is to disseminate knowledge related to nutrition and pediatric nutrition to health professionals.

During 2023, the following activities were carried out:

- **Scientific information fact-check:** Dissemination of science-based information on milk consumption benefits aimed at more than 7,700 health professionals.
- **Academic events:** Holding in-person and virtual events to educate about nutrition and food safety, emphasizing in the consumption of dairy products.
- Breaking down barriers: Activities aimed at dismantling false beliefs about dairy consumption, promoting its inclusion as part of a healthy and sustainable diet.

#### **Nutritional Intervention - Early Childhood Network**

In conjunction with the LALA Institute and Fundación LALA, the Nutritional Intervention program provides support to the community of Cuatro Ciénegas, Coahuila, as part of the community projects of the CCE Early Childhood Network promoted by the Business Coordinating Council. By implementing deworming campaigns, applying vaccines, and monitoring monthly weight and height, we can detect possible signs of chronic malnutrition and obesity in children. In this way, we have the opportunity to act in time to improve the health of infants.

During 2023, this initiative continued working with 70 vulnerable children between one and six years old and their siblings, monitoring their growth through weight and height tests. Grupo LALA donated two glasses of milk daily to each child to strengthen their health, growth, neurodevelopment, and nutrition.

# **Community engagement**

#### **GRI 3-3**

We are greatly interested in strengthening our ties with the communities where we operate and maintaining relationships of trust and transparency with all our stakeholders. To achieve this, we greatly value their feedback, which we make possible through various communication channels. This allows us to listen and respond on time to the needs of our consumers, suppliers, and other interested parties.

A fundamental part of our community engagement efforts is the promotion of corporate volunteering among our staff, which undoubtedly contributes to the social well-being of the communities.

## **Customer Support**

#### **GRI 413-1**

With the always latent objective of providing solutions, our Contact Center serves customers, the consumer public, suppliers, collaborators, and other stakeholders by receiving and following up on their doubts, complaints, and comments. Each case must be followed appropriately – or closed – with an accurate record of agreements, evidence, and response times.



200,765 requests received through our Contact Center in 2023: 99.5% from Mexico and 0.04% from the rest of the world

#### We have five means of contact

871.229.3940

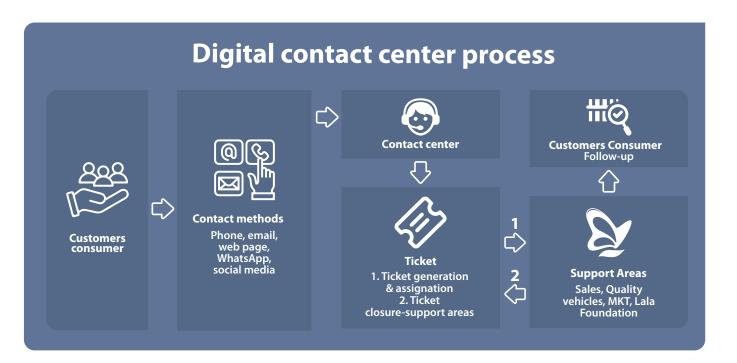
⊠ | lala800@grupolala.com

**871.222.9454** 

Social networks f 🔌 📵

# Requests received through the Contact Center during 2023

Medium	Requests received
Phone	134,569
Mail	37,715
Social networks	5,603
Web	4,948
WhatsApp	17,930
Total	200,765



# Marketing

Sustainable marketing is a key component in our corporate strategy, as it allows us to communicate responsibly and in line with our values. We ensure that all our images and messages directed to consumers comply with current national regulations, promoting healthy and conscious eating.

To contribute to our sustainability purpose, we ensure that all products meet internal guidelines and that their characteristics are appropriately communicated, including labels and recycling strategies.

Through the alliances we have established with non-governmental recycling organizations and the support of our entire production chain, we promote a circular economy based on recovery, recycling, and reuse, also seeking to involve consumers.



The percentage of advertising impressions aimed at children has reduced significantly, from 12% in 2020 to 6% in 2023, reflecting an effort to minimize children's exposure to advertising



100% of advertising impressions targeted to children have consistently met dietary guidelines, demonstrating a strong commitment to promoting healthy eating habits among the youngest

























# Initiatives of our multi-category strategy

**LALA 100:** Expanded its portfolio with new yogurt flavors (Strawberry- Coconut and Cappuccino) and a new 700g format. LALA 100 cheeses received a makeover, and mature Manchego and Gouda cheeses were incorporated. In meat, we improved the consumer experience with resealable packaging and launched the "Choose to feel good" campaign to promote protein and health.

**Lala Natural'es:** It evolved with a new image in juices and added a line of fresh cheeses aimed at a healthy lifestyle.

**Lala Yomi:** Connected with the little ones through a children's platform and used Disney images on flavored milk to attract children.

**Los Volcanes:** It renewed its image and focused on the high quality of its cheeses and cream with a communication campaign focused on flavor.

**Nutri:** Consolidated its leadership in dairy formula and launched Nutri Fresa and a line of lactose-free drinkable yogurts. We strengthened the portfolio with Nutri and NutriDeli cheeses to consolidate the base segment of the category.

**Milk:** We achieved a historic share in the Fresh Milk market with 6 out of every 10 liters sold and maintained leadership in UHT. We changed all Lala UHT milk filling lines to ultra-edge technology for a better consumer experience.

**Flavored:** We increased participation and launched a decaffeinated version at Café con LALA.

**Vegetable Drinks:** We resumed growth by incorporating Oat Protein and Oat Stevia.

**Cheese & Yogurt:** We expanded our variety with new formats and weights in cheeses. In yogurt, we consolidate the portfolio with launches and line extensions. Lala Griego, in particular, increased its protein and launched new flavors and formats.

**Lala Chiquitín:** Grew significantly at Walmart with Disney licenses such as "Spidey and Amazing Friends" and "Elements."

**Health Platform:** We develop specialized products such as ProbioC BioMax for disease prevention, Bio 4 for digestive health, and new emotional and energy axes.

**Meat:** The "Listen to the flavor" campaign won the Flavor of the Year 2023 seal. Despite a 30% growth, the market share remains small and below expectations.

## **LALA Volunteering**

#### **GRI 413-1**

We promote support for communities and allied institutions through volunteer initiatives with our staff and their families, whether in person or digitally.

Two platforms make up our volunteer program:

9,914 LALA volunteers

18,770 volunteer hours in Mexico,

47 cities where volunteer activities were carried out

162 direct volunteer activities

90 work centers

43,416 beneficiaries

Platform	Description
Fundación Lala Route	Our collaborators actively participate in the daily operation of the Foundation to serve vulnerable groups. Its actions include regulating donations and managing the delivery of products, among other things. With the Fundación LALA Route we guarantee daily delivery of food support to orphanages, student cafeterias, and indigenous shelters.
Buen Vecino	This program directly impacts the needs of the communities where we operate. An example of this is the cleaning of green areas and beaches. Or the donation of goods to schools and shelters.



Number of activities	162
Participating work centers	90
Participating commercial areas	5
Beneficiary cities/communities	47
Number of volunteers	9,914
Inverted invested	18,770
Beneficiaries	43,416

# **Good Neighbor Program**

The program is present in the 32 states of the Mexican Republic and benefits more than 700 municipalities. With it, we carry out projects that directly impact the communities where we have a presence. We also promote the interaction of collaborators with communities through volunteer activities focused on food, health, education, and the environment.

This initiative allows our collaborators to know their environment and do something to improve it, strengthening ties with the communities and adapting to the culture of each of them. Each interaction is recorded to evaluate the time of response, types of interaction, and topics of interest, thus ensuring that we best cover the needs of our stakeholders.







# **Fundación LALA**

## **GRI 413-1**

Our Fundación LALA aims to promote Mexican children's well-being through three pillars: food, education, and health, to combat malnutrition in the communities where we operate. In addition, we participate in critical situations, such as contingencies due to natural disasters



1151 million MXN in social investment in Mexico



439,881 people benefited by Fundación LALA



16,268 girls and boys benefited daily



We provide frequent food support to 318,138 people

Fundación Lala Indicators	2023
Total investment through support (millions of pesos)	151
Alliances with other associations	283
Kiloliters donated	5,292,062
States with Lala's presence	32
Municipalities with Lala's presence	72
Communities with Lala's presence	5,118
People impacted by Foundation programs.	439,881
Children who received a glass of milk daily	16,268
Alliances with food banks	48
Beneficiaries who receive frequent food support	318,138

Fundación LALA Support Frequency	2023
Kiloliters donated daily	639,536
Kiloliters donated frequently	4,425,072
Kiloliters donated in Contingencies	227,455
Total	5,292,062
Fundación LALA Investment in Education	
Millions of pesos	18
Students benefited from food support and scholarship funds (basic to university)	69,232
Fundación LALA Investment in Health  Millions of pesos	
💙 Inversión en Fortalesimiente Institucional	Fundación Lala
Inversión en Fortalecimiento Institucional	
Millions of pesos	7
Millions of pesos	
Millions of pesos  S Fundación LALA Investment in Institution	al Strengthening



283 alliances with associations



5,118 communities of the Mexican Republic benefited



32 states and 72 impacted municipalities



5,292,062 million kilos/liters of donated LALA products



#### **Reforestation Activities**

In collaboration with Reforestamos Mexico, the Environment Directorate of the Municipality of Torreón, the Economic and Tourism Development Directorate of the Municipality of Tecate, and the Dr. Simi Foundation, reforestation activities were carried out with the LALA Volunteers in various regions of the country

Main reforestation results: 461 volunteers 2,355 hours invested 16,500 impacted people



### Support to Türkiye

In coordination with Sedena and the Mexican Business Council, we supported those affected by the earthquake in Türkiye by sending over 21 thousand liters of UHT milk through Fundación LALA.



#### **Escuelas SER – SER Schools**

Through our alliance with the SER school network in Mexico, in 2023, we supported the daily feeding of 4,472 basic education students from marginalized sectors who are offered primary and secondary education of the highest quality in several states of the Republic.



### **World Food Day**

In commemoration of World Food Day, Fundación LALA held its third National Food Drive with the participation of 92 LALA Work Centers in 23 states. The food collected benefited 25 institutions, including food banks, migrant shelters, and community centers. Thanks to the campaign, beans, rice, pasta, and canned goods were collected, and for every kilo donated, Fundación LALA provided a liter of milk for people in vulnerable situations.



#### **Teletón-Telethon Mx**

We joined Telethon 2023 for the second year, one of the largest initiatives in favor of inclusion. The fundraising went to rehabilitation centers, children's oncology hospitals, and autism centers for children in Mexico.



## **Support for Guerrero for the** damage caused by Hurricane Otis

Through its Emergency Program, Fundación LALA-in coordination with the Secretariat of National Defense (Sedena), the National Support Center for Epidemiological Contingencies and Disasters, AC (Cenaced), and the organization Cadena, AC, and other altruistic organizations – reaffirmed its commitment to the social development of Mexico by donating 200 tons of food and 10 tons of UHT milk in support of communities affected by Hurricane Otis.



#### Children's Day

In collaboration with HEB and Kellogg's, the Fundación LALA celebrated Children's Day 2023 in Torreón, Querétaro, and Monterrey, benefiting more than 900 girls and boys. This effort highlighted the importance of teamwork to improve the social landscape.

In La Laguna, more than 300 children from DIF Torreón, DIF Gómez Palacio, and the Association for Neurogenic Childhood (APIN) enjoyed a healthy gathering where lunch, a children's show, recreational activities, and a gift kit were also offered.



#### Water supply trucks donation

Through the Fundación LALA, in 2023, we donated a water truck with a capacity of 25 thousand liters of water to the Board of Directors of Ciudad Industrial de Torreón (CIT) to combat and prevent fires in the area. This donation aimed to improve safety in the industrial sector as a complement to the valuable service provided by the existing fire station.



### Cow parade 2023

Yearly, the CowParade Lala CDMX 2023 takes place as the world's largest and most recognized public art event. This exhibition featured 54 cows that offer a cultural panorama of the urban space. In addition, each work is intervened by artists from different regions and subsequently auctioned to raise resources that will be delivered to various non-profit institutions to benefit education, health, and nutrition.



To learn more about our Fundación Lala activities, click here

# **Lala International Marathon**

The LALA International Marathon, which we have organized every year since 1989, allows us to nourish the thirty-fourth edition in the main streets of the metropolitan area of La Laguna as part of the "Runners with a Cause" initiative.

As part of the "Runners with a Cause" initiative, we delivered \$600 thousand pesos to three charitable institutions serving the Laguna Region community











4,286 participants:



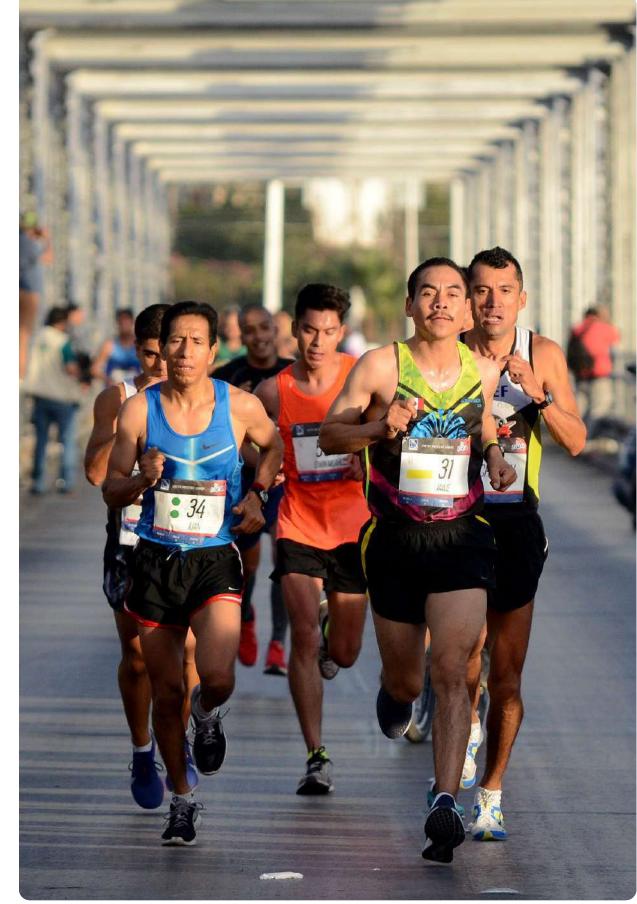
1,451 women



2,835 men



We had the support of more than 2,000 volunteers



# 5. Corporate Governance

We implement best governance practices to ensure business integrity, efficiency, and operational continuity. We have a corporate structure defined by various Committees that strengthen internal control and facilitate strategic decision-making. Likewise, ethics, regulatory compliance, cybersecurity, information management, and risk management are fundamental pillars, as they guide our actions and business relationships while protecting sensitive data and safeguarding the company's assets. LALA.

## **Structure and Committees**

GRI 2-12, 2-13, 2-14, 2-24, 3-3

Our governance structure comprises a Board of Directors that, to carry out its functions, relies on three Committees: Audit and Corporate Practices Committee, Evaluation and Compensation Committee, and Finance, Planning and Sustainability Committee.

These entities, which have multidisciplinary teams, work together to ensure that the sustainability strategy is optimally implemented throughout Grupo LALA. We adhere to the Code of Best Corporate Practices of the Business Coordinating Council and apply its recommendations to continually improve our governance.

## **Board of directors**

GRI 2-13, 2-14, 2-24

Our Board of Directors is currently made up of 9 directors and a secretary who is not a member of the Board. Each councilor is elected for one year, may be re-elected, and must remain in office until their successor has been elected and taken office. The directors are elected by the shareholders at the Annual Assembly. All current advisors were elected and/or ratified in their positions at the Ordinary General Shareholders' Meeting held on April 24, 2023. As of this date, no substitute directors have been appointed.

The Board of Directors will be responsible for monitoring compliance with the agreements of the Shareholders' Meetings, which may be carried out through the Committee that exercises audit functions.



GRI 2-9, 405-1

# **Asset advisors**

Name	Position	Seniority	Gender	Group age
Eduardo Tricio Haro <sup>14</sup>	President	35	Male	Older than 50 years
Juan Carlos Larrinaga Sosa	Secretary	27	Male	Older than 50 years
Carlos Villarreal Tricio	Member	2	Male	Between 30 and 50 years old
Marcelo Fulgencio Gómez Ganem	Member	49	Male	Older than 50 years
Carlos Guillermo Braña Rubio	Member	2	Male	Older than 50 years
José Manuel Tricio Cerro	Member	2	Male	Older than 50 years
Santiago Gómez Martin	Member	2	Male	Older than 50 years
Gerardo de Jesús González Dueñes	Member	2	Male	Older than 50 years
Agustín Felipe Cedillo Vela	Member	2	Male	Older than 50 years
Carlos Fernández Gómez	Member	2	Male	Older than 50 years
Miguel Gil Zamorano	Member	2	Male	Older than 50 years
José Antonio Tricio Haro	Member	2	Male	Older than 50 years
Carlos Gerardo Valdes Bohigas	Member	2	Male	Between 30 - 50 years
Ricardo Alberto Valdes Quintanilla	Member	2	Male	Between 30 - 50 years
Salvador Vicente Álvarez Cruz	Member	2	Male	Older than 50 years
Juan Eduardo Gómez González	Member	2	Male	Between 30 - 50 years
Genaro Macias Grageda	Member	2	Male	Between 30 - 50 years
Eduardo Tricio Gómez	Member	2	Male	Under 30 years old

# **Relevant Directives (Members)**

Name	Position	Seniority	Group age
Arquímedes Adriano Celis	CEO	23	Older than 50 years
Alberto Alfredo Arellano	VP Finance, Legal & IT	7	Between 30 - 50 years
Antonio Hernández	VP Manufacture	39	Older than 50 years
Miguel Fuertes	Commercial and New Business VP, US Director	8	Between 30 - 50 years
Alejandro Zenteno	VP Human Resources	10	Older than 50 years
Neil Peixoto	VP Quality, R&D, and Sustainability	1	Older than 50 years
César De los Santos	General Director Brazil	20	Between 30 - 50 years



## For more information about our Directors and Executives, visit our 2023 annual financial report here



## **Main Functions**

## GRI 2-13, 2-14, 2-24

- Monitor compliance with the agreements of the Shareholders' Meetings, which may be carried out through the committee that exercises audit functions.
- Establish general strategies for conducting the business of the Company and legal entities that it controls.
- Monitor the management and conduct of the Company and the legal entities it controls, as well as the performance of the relevant managers.
- Approve the policies and guidelines for the use or enjoyment of the assets that make up the assets of the Company and the legal entities it controls by related persons.
- Monitor the main risks to which the Company and legal entities it controls are exposed per the information provided by the Committees, the General Director, and the External Auditor, as well as the accounting, internal control, and auditing systems, internal, registration, and filing, through the Audit Committee.

# **Evaluation and Compensation Committee**

## **Main functions**

- Evaluate the design and implementation of appropriate and reasonable policies that result in a competitive company.
- Ensure that the talent and structure of the organization are aligned with the strategic plan approved by the Board of Directors.
- Suggest to the Board of Directors the criteria for evaluating and compensating the General Director and high-level officials and determining separation payments for the General Director.
- Analyze the proposal made by the General Director regarding the structure and criteria for compensation of the company's personnel.
- Present to the Board of Directors, for approval, the Formal Succession System of the General Director, and high-level officials.

**GRI 2-12** 

# **Finance, Planning and Sustainability Committee**

#### **Main Functions**

- Evaluate the company's Capex, working capital, and cash flow policies.
- Study and propose to the Council the company's strategic direction to ensure its stability and permanence over time.
- Ensure that the strategic plan contemplates generating economic and social value for shareholders, as well as sources of employment and the existence of interested third parties.
- Evaluate the company's investment and financing policies and give their opinion to the Board.

# **Ethics and compliance**

## GRI 2-24, 3-3

The Code of Ethics (COE) is the document that guides decision making and behavior with our stakeholders and collaborators. It establishes a clear framework for our actions and is essential to promoting an ethical, diverse, inclusive culture within the organization. Implementing these principles is essential to achieving our long-term business objectives and meeting our social and environmental responsibilities.



36,731 employees were trained in COE during 2023<sup>15</sup>

## **Ethics Committee**

#### **Main functions**

- Promote the general application of the COE at all levels of the organization.
- Analyze, follow up, and resolve reports and cases of non-compliance through the Complaint Lines.
- Advise and guide staff regarding queries through the COE Mailbox or email comite.etica@grupolala.com of any conflict of interest, interpretation of any section of the Code of Ethics, or labor ethical dilemma, among others.

# **Complaint channels**

GRI 2-16, 2-25, 2-26

Whistleblowing lines are available to all our staff and interested parties. They can use these channels to report unethical conduct or non-compliance to the COE. These reports are handled confidentially to avoid any retaliation.

There are three reporting hotline channels:

- www.lineadedenuncia.com/lala
- ☑ lala@lineadedenuncia.com
- **©** 800 112 0616

During 2023, we conducted the following actions to ensure compliance with the COE:

Course name	People impacted	Hours accumulated
Ethics and Integrity Workshop	926	926
Culture of legality	1,937	1,938.50
Internal investigations	20	40
Role of ethical investigations and completion of Formats	46	46
COE signing and reporting by December 2023	33,802	33,802

### **GRI 205-2**



90.6% of our collaborators have received training on the Code of Ethics and Anti-corruption Practices



Position 17th nationwide as one of the companies with the best reputation and most responsible in ethics and governance in the Merco 2023 ranking

## GRI 2-24, 205-3

During 2023, we had the following results from the complaint lines:

- 5% increase in complaints due to ethical aspects.
- 3% more of the complainants provided their names.
- 5% decrease in complaints linked to non-compliance with processes.
- 26% increase in complaints.

<sup>&</sup>lt;sup>15</sup> This number includes Ethics and Integrity workshops, Culture of legality, Role of ethical investigations and filling out the form.

## Cybersecurity, information management, and asset security

**GRI 418-1** 

SASB FN-CB-230a.2, FN-CF-230a.3

## **Lala Cybersecurity**

Within the framework of our 2021-2024 Cybersecurity Strategy, we have reinforced our commitment to the comprehensive protection of critical information about our operations and our clients' personal data. We have made significant progress in strengthening our cyber defenses through updated policies and manuals.

Over the last year, we have implemented various initiatives aimed at consolidating a robust cybersecurity culture in all our areas of operation. Among the main actions conducted, the following stand out:

## **Asset Security**

During 2023, the Asset Security team has achieved several significant milestones, consolidating our commitment to the comprehensive protection of Grupo LALA's assets:

- **a.** Publication of Corporate Policies: New policies were implemented to control access to facilities and the treatment of illicit acts, strengthening security standards.
- **b.** Update of the Corporate Manual: The update of the Corporate Asset Security Manual was completed, ensuring that it reflects best practices and updated procedures.
- **c.** Internal Audit: An internal audit was carried out without findings of high or critical risk for asset security, validating the effectiveness of our controls.
- **d.** National Risk Atlas: The 4th and 5th editions of Grupo LALA's National Risk Atlas were released, providing crucial information for proactive risk management.
- **e.** Successful Legal Management: 10 criminal complaints were filed, repairing damages for 362,180 pesos and 4 convictions, reinforcing the commitment to justice and the protection of our assets.
- **f.** Prevention Training: More than 60,385 employees were trained in prevention topics, including personal safety and management of risk situations, strengthening our safety culture throughout the organization.

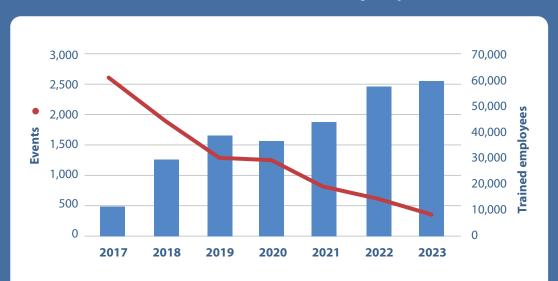


Asset Security	2020	2021	2022	2023
Collaborators trained in security issues	37,012	43,240	58,316	60,385



We managed to reduce the gross detriment by 35% and by 30% the number of robbery events compared to the previous year Training in the CEDIS has a nationwide scope, as we focus on those with the highest incidence. It is observed that, as with the detriment, the number of events decreases as the number of trained collaborators increases. If the events that occurred in 2023 are compared against 2017, there is a decrease of 2,198 events.

## **Events vs Trained Employees**



Year	Trained employees	Events
2017	10,714	2,617
2018	28,856	1,842
2019	38,849	1,382
2020	37,012	1,311
2021	43,240	855
2022	58,316	602
2023	60,385	419

The graph shows the positive impact of our asset security strategies on the operational and economic sustainability of Grupo Lala.

## **Risk management**

We have a Risk Atlas prepared by the Asset Security team every six months to safeguard the life and physical integrity of people, property, and the company's infrastructure.

The objective is to implement prevention, care, mitigation, remediation, or recommendation actions based on a complete map of risks with the probability of occurrence that contemplates, among other aspects, phenomena, causes, locations, vulnerability of people, assets, infrastructure, as well as risks derived from climate change.

Below are the risks that we have prioritized to ensure business continuity.

## **Physical risks**

- Increase in average temperatures
- Droughts
- Heat waves
- Increase in precipitation in magnitude and duration
- Increase in cyclone frequency

### **Traditional risks**

- Maturation of climate regulation
- Reputational risks

During 2023, Grupo LALA faced a significant challenge with Hurricane Otis, one of the most intense recorded on the Mexican Pacific coast. Despite the devastation caused, we quickly implemented response and recovery measures:

- Effective coordination with central and operational areas.
- Continuous communication through information cards and internal channels.
- Agile reactivation of facilities and fleet.
- Constant support and communication with our collaborators.
- Local coordination to optimize resources and manage necessary investments.
- Close collaboration with authorities and armed forces to protect our facilities and the community.

Additionally, from Hurricane Otis, we learned the importance of being prepared for natural disasters:

- Formation of local crisis teams.
- Development of specific preventive plans.

- Establishment of alternative lines of communication.
- Commitment to the community in emergency cases.
- Close coordination with authorities and related sectors.

In the future, we will continue to strengthen our response and prevention capabilities, ensuring the continued protection of our assets and the safety of our collaborators and communities.



# 6. Quality, R&D and Sustainability

At Grupo LALA, innovation, and quality are fundamental pillars in our corporate strategy as they allow us to improve our processes and products' quality by responding better to our stakeholders, especially our consumers and clients.

Our perspective focuses on innovation and development since it is fundamental for our competitiveness and is closely related to the sustainability of our business, which is why growth and development projects at LALA seek to positively impact society, the environment, and the company.

## **Investment in Growth, Innovation, and Development (R&D)**

Our strategic investments are designed to drive business resilience, growth, innovation, and development through optimal quality and efficiency processes.



3,469 million pesos accumulated in CAPEX for the expansion of capacity and maintenance of our facilities



2,197 million pesos accumulated from property, plant, and equipment



1,272 million pesos accumulated in vehicle, machinery and equipment leasing



During 2023, we invested a total of 3,021 million pesos related to sustainability projects



Susta	inability projects (millions of pesos)	2023
545	Cogeneration	17
<b>(</b>	Wastewater Treatment Plants	82
<b>₽</b>	Transition to hybrid + electric units	637
<b>Q</b>	Compliance with quality/regulations for the health and well-being of the consumer	379
む	Safety and health of collaborators	168
(G)	Replacement of equipment/maintenance for energy and water in plants	499
<u></u>	Coolers (less environmental impact)	199
:\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	Sustainable growth and innovation	906
鬥	Productivity projects	134
	Total	3,021



## **Brazil**

In 2023, as part of the plan to improve process, legal responsibilities, safety, and quality in Brazil, strategic investments were made in various areas:

## **Expansion and improvement of production:**

- Gorgonzola cheese production capacity was expanded in Lavras and Danbo cheese manufacturing was incorporated in Lima Duarte.
- Additionally, we invested in equipment to improve quality and reduce waste in all factories, with an investment of \$4.1 million Reais (\$14.4 million / 820 thousand dollars).

#### **Infrastructure renewal:**

- Asset maintenance and replacement of obsolete boilers were performed in Lima Duarte and São Caetano do Sul.
- Roofs were also renewed in São Gonçalo do Sapucaí, underground facilities in São Paulo and Cruzeiro were restored, and the VTIS/UHT sterilizer in Barra do Piraí was modernized, with an investment of \$6.1 million Reais (21.4 million pesos / 1.2 million dollars).

## **Investments in safety and sustainability:**

- Adjustments were made to comply with Cruzeiro's Inspection Report of the Fire Department (AVCB).
- Pallet-carrying structures were renewed in Barra do Piraí and Embu das Artes (Distribution Center).
- The water treatment plant in São Gonçalo do Sapuçaí was also fitted, with an investment of \$1.9 million Reais (6.7 million pesos / 380 thousand dollars).



During 2023, three key projects were carried out in the United States region:

- **1. Production Expansion in Omaha:** Investment of 3.8 million dollars to increase the production capacity of 15 oz Cream, a more attractive format for local consumers, with expectations of accelerated growth.
- **2. Packaging Optimization in Colorado:** Investment of 2.6 million dollars to improve internal packaging production, reducing dependence on external suppliers.
- **3. Expansion and Preparation in Omaha:** Investment of 2.5 million dollars to increase production of 4 oz desserts and prepare the plant for future innovations in whipped yogurt.

# **Quality in our processes and products**

We are committed to maintaining the highest quality standards in all our processes and products. During 2023, we made significant investments in expanding our installed capacity and infrastructure improvement. We allocated 379 million pesos in improvements to guarantee our products' quality, ensuring our operations' sustainability<sup>17</sup>.

## **Quality Warranty**

To guarantee the quality and safety of our products, we have implemented the Safe Quality Food (SQF) system and carried out quality audits. These audits and Global Food Safety Initiative (GFSI<sup>18</sup>) certifications ensure that we meet the highest international food safety standards.

We have 12 dairy factories and 1 cold meat and sausage factory in Mexico that obtained the recertification of the "Safe Quality Food" Quality System at the Safety and Quality level, with a total average of 97 plants, leaving 11 factories in Excellent status and 2 factories in Good level. Envases Elopak and Tecnopak maintain its SQF Safety and Quality Level certification for plastic and cardboard packaging.

We continue to strengthen alliances with suppliers committed to the health and safety of our consumers, which is why, in 2023, 95% of our suppliers have facilities certified by GFSI in food safety.

In addition, we carry out specific actions to improve quality in our CEDIS and factories, including implementing advanced technologies and rigorous quality control processes. These proactive measures ensure that our products meet quality expectations and are safe for consumption.



Since 2013, we have GFSI, SQF, HACCP<sup>19</sup> (exports to the USA and FDA registration for the Ultra, Complex, and Derivados Irapuato plants), Organic, Kosher, and COFEPRIS



Brazil has Global Food Safety certification by the British Retail Consortium (BRC)















In 2023, as part of our rigorous supplier quality program, we evaluated 185 ingredient facilities to ensure compliance with our quality and safety standards and 101 food contact packaging suppliers for food-grade safety compliance.

Our suppliers of transport of consumables and raw materials were evaluated, reaching 100% coverage, reinforcing the commitment to work hand in hand with the supply chain to ensure it is reliable and safe, from the sourcing of the ingredients to delivering final products to our clients and consumers.

We concluded the investment in Ultra Edge production lines, a project that aims to differentiate ourselves and offer more convenient, innovative, modern, and efficient packaging for the consumer. The above meant an investment of +1,500 million pesos in 20 lines within our Complejo Laguna UHT, Irapuato, Aguascalientes, and Tecate industrial complexes.

Aligned with the model of growth, self-sufficiency, and sustainable actions that nourish the planet, we moved forward with an investment of +1.3 billion pesos with the projects: a third line of Lala 100 certified by FDA<sup>20</sup>, the first Drinkable PET Yogurt Line certified by FDA and a line for production of lids Lids for Lala 100 and PET Yogurt products. These projects will help us increase our capabilities, be self-sufficient, and reduce waste.

<sup>&</sup>lt;sup>17</sup> (The Food Tech, 2024; Opportimes, 2024). <sup>18</sup> Global Food Safety Initiative. <sup>19</sup> (Hazard Analysis and Critical Control Points) <sup>20</sup> Food and Drug Administration.

## Information and labeling

We strictly comply with current information and labeling standards, guaranteeing transparency and trust for our consumers. We ensure that our labels provide clear and accurate product information always in line with all applicable regulations. This joint commitment to transparency is an integral part of our corporate philosophy, ensuring that consumers can make informed decisions about the products they consume.

## New products and operational improvements

The Research and Development (R&D) area has been fundamental to achieving significant results in 2023, demonstrating its crucial role in the innovation and continuous improvement of our products and processes.



430 projects completed



32 cost reduction projects



45 reformulations (NOM 051 phase II)



170 special projects



16 implementations of products and processes in Plants



119 alternative ingredients evaluated



**105 Kosher certifications** 



1,662 pilot tests



330 sensory evaluations



4,704 laboratory analyzes

2023 was a year of important launches for Grupo LALA, introducing innovative products that respond to our consumers' changing needs and preferences. Among these, we highlight the LALA 100 line and new organic and lactose-free options that reflect our commitment to consumer health and well-being. These innovations expand our portfolio and strengthen our position in the market as leaders in the dairy sector by offering a wide range of products that meet the needs and expectations of our consumers.

With these initiatives, we reaffirm our commitment to innovation, sustainability, and quality, ensuring that each product that reaches our consumers results from a meticulous process that begins with research and constant investment in improvements and advanced technologies.

# Main products launched in 2023



Lala 100 gouda



Lala vita Oat protein without sugar



Decaffeinated Coffee with LALA



Yomi LALA Galaxia



FRESA COMPANIAN DE REINFAN DE REI



Lala 100 batido

During 2023, we launched 48 new products and achieved a productivity of 111 million pesos

## **USA Exports**

The commercial relationship with the USA (USMCA), the geographical proximity, and the significant presence of compatriots in that country made this market an attractive target for our products. Despite the trade agreement, fresh products (milk, cream, yogurt) could only access the US market with "Grade A" certification according to the Pasteurized Milk Ordinance (PMO 2019) regulation and registration in the milk safety program of the National Interstate Milk Shipping Conference.

In July 2022, we began the project to obtain Grade A certification to export to the United States. After more than a year of work, continuous visits from advisors, and the team's effort, we achieved certification in the San Carlos stable and the UHT plant in Torreón. With this certification, Lala joined the list of companies authorized to export dairy products to the United States. Export trials have already been carried out, and the first commercial production of Grade A for export is planned shortly.

In addition, we began preparing other stables for their Grade A certification to expand the supply of raw materials for the plants, making it essential to have herds free of tuberculosis (TB).

We will focus on completing the ongoing projects of the new line of Lala 100 and drinkable yogurt in PET, both with FDA certification for export and expected to be operational in the second half of 2024.

## **Nutrition**

Quality is an essential part of everyday life at Lala, ensuring that each product we offer to our consumers not only meets their food safety expectations but also follows the highest nutrition standards.

Among the main attributes, we recognize our portfolio as a healthy option for the consumer, with a constant focus on continuous improvement, significant contribution of protein and calcium, and commitment to responsible advertising.

# **Packaging Innovation**

Our objective is to reduce waste generation by incorporating raw materials with greater recycling potential in the packaging and containers of our products.



In 2023, we implemented packaging redesign initiatives to achieve this goal, reducing 1,538.43 tons per year in post-commercial waste

Nutrition indicators	2020	2021	2022	2023
Total product volume (MKL)	3,215	3,119	3,150	3,120
The volume of products free of added sugar, fortified with vitamins, reduced in fat, etc. (KL)	2,766	2,662	2,865	2,763
% of products free of added sugar, fortified with vitamins, reduced in fat, etc. (%)			91%	89%
Income from products labeled and/or marketed to promote health and nutrition attributes (M MXN)	35,517	36,681	43,886	42,922
Volume of products labeled and/or marketed to promote health and nutrition attributes (KL)	2,217	2,085	2,161	2,064
% of products labeled and/or marketed to promote health and nutrition attributes (%)	69%	67%	69%	66%
% of significant product and service categories for which health and safety impacts are assessed to make improvements. (%)	100%	100%	100%	1009
Total millions of kilos of protein that they contribute to the diet in Mexico (Millions of kg)	91	88	88	8
Protein: contribution to the total required by the Mexican population (%)	4.24%	4.09%	4.15%	4.149
Total millions of kilos of calcium that they contribute to the diet in Mexico (Millions of kg)	3	3	3	
Calcium: contribution to the total required by the Mexican population (%)	6.57%	6.26%	6.29%	6.24%
Revenue from products labeled as containing genetically modified organisms (GMOs) (%)	0.00	0.00	0.00	0.0
Revenue from products labeled as not containing genetically modified organisms (GMOs) (%)	0.01%	0.09%	0.10%	0.09%
Percentage of advertising impressions made on children (%)	12%	8%	8%	69
Percentage of advertising impressions made on children that promote products that meet dietary guidelines (%)	100%	100%	100%	1009

These were the innovations we implemented to reduce packaging weight:

Project	Previous packaging	New packaging	Product
Caliber reduction in printed packs for drinkable yogurt (presentations 4,6,8 and 12 packs of drinkable yogurt 220)	Amount of waste generated annually: 158 tons	Amount of waste generated annually: 138 tons Reduction: -19.41 ton	ESAMBRIA PACK  SEAMBRIA PACK  SEAMBR
Pad Resistance Reduction - Cream 426 ml and 900 ml TRC	Packaging weight: 37 g Amount of waste generated annually: 166.3 tons	Packaging weight: 34 g Amount of waste generated annually: 152.8 tons Reduction: -13.5 ton	C'EPRA C'
Sacmi cap weight reduction - Past/Yog	Packaging weight: 37 g Amount of waste generated annually: 1,068.6 tons	Packaging weight: 34 g Amount of waste generated annually: 158.8 tons Reduction: -14 ton	CALAS LALAS
Sacmi cap weight reduction - Past/Yog	Packaging weight: 2.5 g Amount of waste generated annually: 1,068.6 tons	Packaging weight: 2.3 g Amount of waste generated annually: 983.1 ton Reduction: -85.5 ton	LALA DESIGNATION OF THE PARTY O
Nutri UHT container weight reduction - PM9	Packaging weight: 31.3 g Amount of waste generated annually: 25,455.5 tons	Packaging weight: 29.6 g Amount of waste generated annually: 24,072.9 tons Reduction: -1,382.6 ton	
Change of perforated packaging Sliced cheeses from PET to Polypropylene	Packaging weight 400 gr: 53.5gr Packaging weight 800 gr: 56.5gr Cap: 23.9 gr Amount of waste generated annually: 42.49 tons	Packaging weight 400 gr: 22.68gr Packaging weight 800 gr: 29.16gr Lid: 17 gr Amount of waste generated annually: 19.07 tons Reduction: -23.42 ton	OCCANO.

# 7. About this report

Every year, we publish our Sustainability Report, which documents the performance of our activities and the most important economic, social, environmental, and corporate governance results. The information presented corresponds to the period from January 1 to December 31, 2023, and addresses the most significant topics for our various stakeholders.

This Report was prepared in line with the guidelines and standards of the Global Reporting Initiative (GRI) and the parameters of the Sustainability Accounting Standards Board (SASB) under the most relevant standards for our material topics and the industry to which we belong: Meats, poultry, and dairy (FB-MP); Processed Foods (FB-PF); and Food Retailers and Distributors (FB-FR).

The topics to be reported were defined by the update of the materiality study, detailed below. All published information was compiled through transparent processes to ensure its quality.

We reaffirm our commitment to contributing to the United Nations Sustainable Development Goals and the ten principles of the Global Compact.

The data reported in this document continues the 2023 Annual Report published on August 15, 2024.

For more details about this report:

### **Investor Relations**

Daniel Espinosa investor.relations@grupolala.com

### **Institutional Relations**

Miguel García Paredes miguel.garcia@grupolala.com



# **Annexes LALA Materiality**

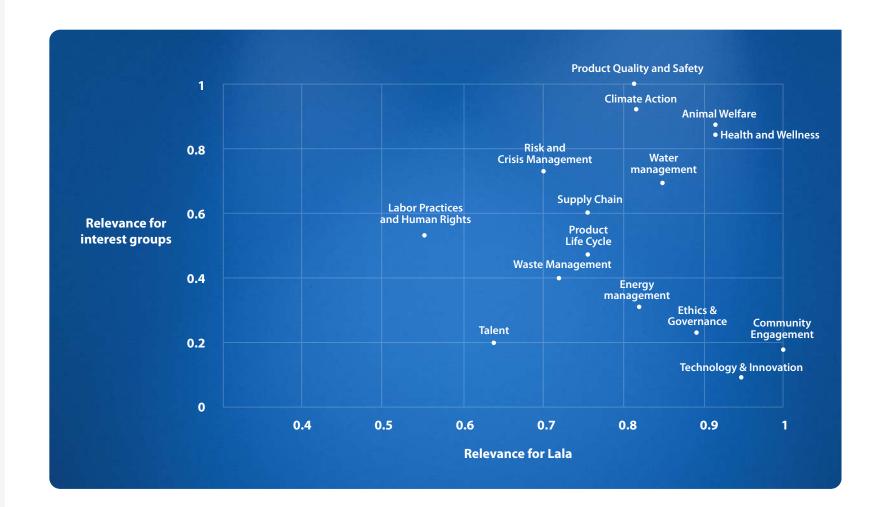
GRI 3-1, 3-2, 3-3

In our ongoing materiality assessment, we have identified and thoroughly analyzed the critical issues that impact both internally at Grupo LALA and our external environment. This approach allows us to proactively manage economic, social, environmental, ethical, and human rights impacts, reaffirming our commitment to creating long-term sustainable value for all our stakeholders.

Since 2020, we have consolidated our ESG strategy with the LALA sustainability model, and in 2022, we presented a detailed comparative analysis within our sector concerning the company's main themes. We have focused on our business's most relevant topics and key indicators that guide our strategic decisions. We continue to actively involve various stakeholders, including companies in the sector, regulators, opinion leaders, suppliers, and consumers. We use extensive analysis of sustainability reports and up-to-date financial data to guide our actions.

We seek to constantly improve our qualifications and recertifications on sustainability issues regarding our operations in recognized environmental, social, and governance programs. Our continuous participation in business forums nationally and internationally allows us to align with emerging trends and standards expected by our stakeholders.

We continue working on our strategy based on the 15 material themes that reflect our corporate commitment to comprehensive sustainability. These themes ensure that our actions not only meet global sustainability requirements but also generate a significant positive impact on our operations and the communities where we operate.



## **Stakeholders Relations**

### **GRI 2-29**

We analyze the risks and opportunities related to the sustainability of the business monthly through the ESG Operating Committee and its multidisciplinary teams. By updating our material topics, our stakeholders are also updated. The consequences of not complying with the commitments of each interest group consider:

- 1. Presence in the organization.
- 2. Existence of a contractual relationship with Grupo LALA.
- 3. Relationship of commitment or accountability to said group.
- 4. Direct or indirect economic impact on the company.

In line with the ESG interests of stakeholders, we offer transparent and open communication channels. Our Board of Directors, Committees, and Management create links and comply with our operations' ethical, legal, social, and environmental standards.

# **Updated Stakeholders' table**

Stakeholders	Туре	Description	Communication Channel	Key material topics	Priority
Employees	Internal	All employees and subsidiaries worldwide: Mexico, the United States, Central America, and Brazil	Intranet and internal networks Email Code of Ethics Channel Talent Suite Human Resources	<ul> <li>2. Health and well-being</li> <li>5. Risk and crisis management</li> <li>7. Community engagement</li> <li>10. Ethics and governance</li> <li>13. Labor practices and human rights</li> <li>14. Talent</li> </ul>	Priority
Shareholders, investors, and directors	Internal	Shareholders who participate in any subsidiary company or company of Grupo LALA.	Board of directors Personal contact Email Specific workgroups Forums or public events	<ol> <li>Product quality and safety</li> <li>Health and well-being</li> <li>Animal welfare</li> <li>Water management</li> <li>Risk and crisis management</li> <li>Climate action</li> <li>Community engagement</li> <li>Supply chain</li> <li>Innovation and technology</li> <li>Ethics and governance</li> <li>Product life cycle</li> <li>Waste management</li> <li>Labor practices and human rights</li> <li>Talent</li> <li>Energy management</li> </ol>	Priority
Financial community	Internal	Potential investors and members of the financial community, advisors, and banking entities	Personal contact Email Specific working groups Forums or public events	5. Risk and crisis management 10. Ethics and governance	Key Allies
Public Consumer	External	Buyers or end users of the Lala's products	Social networks Contact Center Web page Public events Email	<ol> <li>Product quality and safety</li> <li>Health and well-being</li> <li>Animal welfare</li> <li>Climate action</li> <li>Community engagement</li> <li>Product life cycle</li> </ol>	Priority

Clients	External	Business and potential clients who distribute the Group's products to consumers	Social networks Contact Center Personal contact Web page Public events Email	<ol> <li>Product quality and safety</li> <li>Animal welfare</li> <li>Supply chain</li> <li>Innovation and technology</li> <li>Product life cycle</li> </ol>	Priority
Value chain: Suppliers and subcontractors	External	Distributors of inputs and materials, service providers, and companies subcontracted by the Group	Personal contact Email Forums or public events Specific working groups	<ol> <li>Product quality and safety</li> <li>Animal welfare</li> <li>Water management</li> <li>Risk and crisis management</li> <li>Climate action</li> <li>Supply chain</li> <li>Innovation and technology</li> <li>Waste management</li> <li>Energy management</li> </ol>	Priority
Impact communities	External	Municipalities and localities where the Group's work centers operate: town councils, community leaders, local representatives	Social networks Contact Center Web page Personal contact Forums or public events Email	<ol> <li>Product quality and safety</li> <li>Health and well-being</li> <li>Climate action</li> <li>Community engagement</li> </ol>	Top Priority
Civil society organizations	External	Those societies of public opinion, educational and academic institutions, trade union organizations, associations and NGOs, international organizations	Social networks Contact Center Web page Personal contact Forums or public events Email	<ol> <li>Product quality and safety</li> <li>Health and well-being</li> <li>Animal welfare</li> <li>Water management</li> <li>Risk and crisis management</li> <li>Climate action</li> <li>Community engagement</li> <li>Supply chain</li> <li>Innovation and technology</li> <li>Ethics and governance</li> <li>Product life cycle</li> <li>Waste management</li> <li>Labor practices and human rights</li> <li>Talent</li> <li>Energy management</li> </ol>	Potential Allies

Business sector	External	Competitors, business allies, industries in different sectors	Personal contact Email Forums or public events Specific working groups	1. Product quality and safety 2. Health and well-being 3. Animal welfare 4. Water management 5. Risk and crisis management 6. Climate action 7. Community engagement 8. Supply chain 9. Innovation and technology 10. Ethics and governance 11. Product life cycle 12. Waste management 13. Labor practices and human rights 14. Talent 15. Energy management	Potential Allies
Collective unions and unions	External	Union associations, collectives, or representatives of collaborating personnel	Personal contact Email Specific working groups	<ul> <li>2. Health and well-being</li> <li>5. Risk and crisis management</li> <li>7. Community engagement</li> <li>10. Ethics and governance</li> <li>13. Labor practices and human rights</li> <li>14. Talent</li> </ul>	Keep Informed
Regulators	External	Government entities, business supervision organizations, secretariats, or agencies	Personal contact Email Forums or public events Specific working groups	<ol> <li>Product quality and safety</li> <li>Health and well-being</li> <li>Animal welfare</li> <li>Water management</li> <li>Climate action</li> <li>Ethics and governance</li> <li>Product life cycle</li> <li>Waste management</li> <li>Labor practices and human rights</li> <li>Energy management</li> </ol>	Keep Informed

Business partners	External	Permanent Joint Ventures, alliances, or strategic associations in the short, medium, and long term	Personal contact Email Specific working groups Forums or public events	<ol> <li>Product quality and safety</li> <li>Health and well-being</li> <li>Animal welfare</li> <li>Water management</li> <li>Risk and crisis management</li> <li>Climate action</li> <li>Community engagement</li> <li>Supply chain</li> <li>Innovation and technology</li> <li>Ethics and governance</li> <li>Product life cycle</li> <li>Waste management</li> <li>Labor practices and human rights</li> <li>Talent</li> <li>Energy management</li> </ol>	Potential Allies
Media	External	National and international news channels	Personal contact Email Web page Specific working groups Social networks Communications and newsletters	<ol> <li>Product quality and safety</li> <li>Health and well-being</li> <li>Animal welfare</li> <li>Water management</li> <li>Risk and crisis management</li> <li>Climate action</li> <li>Community engagement</li> <li>Supply chain</li> <li>Innovation and technology</li> <li>Ethics and governance</li> <li>Product life cycle</li> <li>Waste management</li> <li>Labor practices and human rights</li> <li>Talent</li> <li>Energy management</li> </ol>	Keep Informed

## **GRI Content Index**

LALA Group has presented the information cited in this GRI content index for the period from January 1 to December 31, 2023 using the GRI Standards as a reference.

GRI 1	Fundamentals 2021					
GRI standard	Content	Content		Omission		
GRI Stallualu	Content	Location	Requirement omitted	Reason	Explanation	
GPI 2: Genera	al Contents 2021					

GRI standard	Content	Location	Requirement omitted	Reason	Explanation
GRI 2: Genera	al Contents 2021				
1. The organ	nization and its reporting practices				
2-1	Organizational details	a. Lala Group, SAB de CV b. Stock Company with Variable Capital by Shares c. Carlos Herrera Araluce Street, number 185, Carlos A. Herrera Araluce Industrial Park, CP 35079, Gomez Palacio, Durango. d. 5 countries: Mexico, Brazil, Guatemala, Nicaragua and the United States.			
2-2	Entities included in the sustainability reporting	p. 4, 6			
2-3	Reporting period, frequency and point of contact	p. 4 a. Annual. b. The financial report is annual and covers the period from January 1 to December 31, 2023.			
2-4	Information update	p. 6 i and ii. No updates to information from prior reporting periods were presented.			
2-5	External verification	a. and b. Our sustainability report is not subject to any external verification.			
2. Activities	and workers				
2-6	Activities, value chain and other business relationships	p. 4,5,6,15			
2-7	Employees	p. 27			
2-8	Workers who are not employees	p. 27			
3. Governan	ice				
2-9	Governance structure and composition	p. 41			
2-10	Appointment and selection of the highest governing body	Our Board of Directors is currently composed of: 9 directors and a secretary who is not a member of the Board of Directors. Each director is elected for a one-year term, may be re-elected, and must remain in office until his or her successor has been elected and taken office. The directors are elected by the shareholders at the Annual Meeting. All current directors were elected and/or ratified in their positions at the Ordinary General Shareholders' Meeting held on April 14, 2022. To date, no alternate directors have been appointed. In accordance with the Securities Market Law and our bylaws, at least 25% of the directors must be independent and such independence is assessed by the Shareholders' Meeting that appoints them. For more information: https://www.lala.com.mx/storage/app/media/Anual%20Report es/Anual%2022.pdf			

2-11	President of the highest governing body	Eduardo Tricio Haro, Chairman of the Board, only holds that position and does not hold any other executive position within the organization.			
2-12	Role of the highest governing body in overseeing impact management	p. 41,42			
2-13	Delegation of responsibility for impact management	p.7, 41, 42			
2-14	Role of the highest governing body in sustainability reporting	We have a solid ESG governance that has been fundamental to integrate the sustainability strategy into daily operations. Lala's practices in environmental, social and corporate governance issues have been intrinsic to its corporate purpose since its inception more than 70 years ago. In order to strengthen these practices, the ESG Operating Committee was created in the last quarter of 2020. This Committee is made up of the leaders of each business function. This Committee reports to the Board of Directors through its Finance and Sustainability Committee. p. 41, 42			
2-15	Conflicts of interest	In the normal course of our business, we participate, and in the future we may participate, in various transactions with our shareholders and with companies owned or controlled, directly or indirectly, by the Issuer or our majority shareholders, subject to the approval of the Board of Directors. Furthermore, in accordance with our bylaws and the Securities Market Law, relevant transactions with related parties are reviewed by our Audit and Corporate Practices Committee, which is made up of independent members. Furthermore, in accordance with the General Law of Commercial Companies, a shareholder who in a given transaction has, on his own account or on behalf of another, an interest contrary to that of the Issuer, must abstain from any deliberation related to said transaction. The shareholder who contravenes this provision will be liable for damages and losses, when without his vote the majority necessary for the validity of the determination has not been achieved. For more information:https://www.lala.com.mx/storage/app/media/Rep ortes%20anuales/Reporte%20Anual%202022.pdf			
2-16	Communicating critical concerns	p. 43			
2-17	Collective knowledge of the highest governing body		a	Information not available	The response to this content is being strengthened for future reports
2-18	Performance evaluation of the highest governing body		a, b, c	Information not available	The response to this content is being strengthened for future reports
2-19	Remuneration policies		a, b	Confidentiality restrictions	Since this is sensitive information, it is not possible to disclose this information

2-20	Process for determining remuneration	The compensation of the directors and members of the Issuer's Committees is determined by the Ordinary General Shareholders' Meeting of LALA. We have established that each member of the Board of Directors will be paid an emolument equivalent to two centenaries, for each meeting of the Board or Committee that he/she attends, in addition to being granted major medical expenses insurance for him/her and his/her immediate family members. For more information: h+https://www.lala.com.mx/storage/app/media/Reportes%20 anuales/Reporte%20Anual%202022.pdf			
2-21	Annual Total Compensation Ratio		a, b, c	Confidentiality restrictions	Since this is sensitive information, it is not possible to disclose this information
4. Strategy,	policies and practices				
2-22	Declaration on the Sustainable Development Strategy	p. 4			
2-23	Commitments and policies	p.29, 30, 31			
2-24	Incorporation of commitments and policies	p. 7, 9, 29, 30, 41, 42, 43			
2-25	Processes to remedy negative impacts	p. 43			
2-26	Mechanisms for seeking advice and raising concerns	p. 43			
2-27	Compliance with legislation and regulations	p. 8, 19, 21, 22, 32, 41,			
2-28	Membership of associations	p. 13			
5. Participa	tion of stakeholders				
2-29	Approach to stakeholder engagement	p. 52			
2-30	Collective bargaining agreements	p. 27			
	al Topics 2021 on material topics				
3-1	Process of determining material issues	p. 52			
3-2	List of material topics	p. 52			

3-3	Management of material issues	p. 52		
GRI Thematic				
Environment				
GRI 3: Mate	rial Topics 2021			
3-3	Management of material issues	p. 7, 15		
Animal welfa	re rial Topics 2021			
GRI 3: Mate	lat Topics 2021			
3-3	Management of material issues	p. 26		
Climate actio				
GRI 3: Mate	rial Topics 2021			
3-3	Management of material issues	p. 20		
GRI 201: Eco	onomic performance 2016			
201-1	Direct economic value generated and distributed	p. 5		
GRI 305: Em	issions 2016			
305-1	Direct GHG emissions (scope 1)	P. 19		
305-2	Indirect GHG emissions associated with energy (scope 2)	P. 19		
305-4	Other indirect GHG emissions (scope 3)			
305-5	Intensity of GHG emissions	P. 19		
305-5	Reducing GHG emissions	P. 19		
Water manag				
GRI 3: Mate	rial Topics 2021			
3-3	Management of material issues	p.21		
GRI 303: Wa	ter and effluents 2018			
303-1	Interaction with water as a shared resource	p. 22		
303-2	Management of impacts related to water discharge	p. 21		
303-3	Water extraction	p. 22		

303-4	Water discharge	p. 22			
303-5	Water consumption	p. 22			
Product life o	:ycle				
	rial Topics 2021				
3-3	Management of material issues	p. 24			
Energy mana					
GRI 3: Mater	ial Topics 2021				
3-3	Management of material issues	p. 23			
GRI 302: Ene	ergy 2016				
302-1	Energy consumption within the organization	p. 23			
302-4	Reduction of energy consumption	p. 23			
Waste manag					
GRI 3: Mater	ial Topics 2021				
3-3	Management of material issues	p.23, 24			
GRI 301: Ma	terials 2016				
301-1	Materials used by weight or volume	p.23, 24			
GRI 306: Wa	ste 2020				
306-1	Waste generation and significant waste-related impacts	p.23, 24			
306-2	Management of significant waste-related impacts	p.23, 24			
306-3	Waste generated	p. 21, 23, 24, 25,			
306-4	Waste not intended for disposal		a. b. c. d. e.	Information not available	The response to this content is being strengthened for future reports
306-4	Waste destined for disposal		a. b. c. d. e.	Information not available	The response to this content is being strengthened for future reports
Social					
Health and w					
GRI 3: Mater	rial Topics 2021				
3-3	Management of material issues	p. 34			

GRI 416: Cu	stomer health and safety 2016			
416-1	Assessing the impacts of product and service categories on health and safety	In terms of health and safety regarding products, 100% of the inputs are constantly evaluated in order to make improvements and this is reflected in the results and quality certifications, as well as consumer preference for the brand		
Community e	engagement			
GRI 3: Mate	rial Topics 2021			
3-3	Management of material issues	p. 34, 35		
GRI 413: Loc	cal communities 2016			
413-1	Operations with local community engagement programs, impact assessments and development	p.35, 37, 38-40		
Labor practio	ces and human rights			
GRI 3: Mate	rial Topics 2021			
3-3	Management of material issues	p.27,32		
GRI 403: He	alth and safety at work 2018			
402.1	Occupational health and safety	p. 3		
403-1	management system	-		
403-2	Hazard identification, risk assessment and incident investigation	p. 31		
403-3	Occupational health services	p. 31		
403-4	Worker participation, consultation and communication on health and safety at work	Through the Safety and Hygiene Commissions and Committees, the correct implementation of the Zero Risk Model is validated by detecting risk situations that may affect the daily life of the Group's workers and those from a subcontractor or service provider that has activities within Lala's work centers. By 2023, there are Safety and Health Management Committees and 156 commissions (Mexico) and 18 (Brazil), achieving a total of 73,603 accumulated person-hours of training on topics that allow the prevention of accidents and the monitoring of the implementation of the best safety and health measures throughout Lala. p.31"		
403-5	Training workers on health and safety at work	9.32		
403-6	Promoting workers' health	p. 32, 33		
403-7	Prevention and mitigation of impacts on health and safety at work directly linked through business relationships	p.31, 32, 33		
403-8	Occupational health and safety management system coverage	The occupational health and safety system through the zero-risk model complies with the best national and international practices regarding the working conditions in which our collaborators work. i. In 2023, 1,622 collaborators were counted who are not employees of the organization, which represents approximately 4% of the total registered by the SISO area		

403-9	Workplace Accident Injuries	p. 32			
403-10	Occupational ailments and illnesses	p. 32			
GRI 405: Div	versity and equal opportunities 2016				
3-3	Management of material issues	p. 29			
405-2	Ratio between basic salary and remuneration of women and men	For unionized positions, salaries are determined without distinction of gender based on the scales stipulated in the Collective Labor Agreement. In the case of non-unionized positions, our Salary Administration policy based on our organizational culture, mainly on the values of "We Deliver Results" and "We Grow through Meritocracy" determines that performance in the position is the fundamental factor of differentiation and salary growth in the company. The policy literally refers to our philosophy: "This policy operates in strict adherence to the promotion of a culture based on the recognition of performance, equity and competitiveness of collaborators in positions within Grupo Lala." The policy has national scope.			
Talent					
GRI 3: Mate	rial Topics 2021				
3-3	Management of material issues	p.28			
GRI 401: Em	ployment 2016				
401-1	Hiring new employees and staff turnover	p. 27			
GRI 404: Tra	aining and education 2016				
404-1	Average training hours per year per employee	p.28, 29			
404-2	Programs to develop employee skills and transition assistance programs	p.28			
GRI 405: Div	ersity and equal opportunities 2016				
405-1	Diversity of governing bodies and employees	p.41			
Corporate G					
	is management				
	rial Topics 2021				
3-3	Management of material issues	p. 44			
Ethics and g					
GRI 3: Mate	rial Topics 2021				
3-3	Management of material issues	p. 43			
GRI 205: An	ti-corruption 2016				
205-1	Operations assessed for corruption-related risks	The Ethics Committee monitors 100% of our operations in terms of corruption. No significant risks have been identified in terms of sustainability			
205-2	Communication and training on anti-corruption policies and procedures	pp. 43			
205-3	Confirmed corruption incidents and measures taken	p. 43			
	l .	<u> </u>	I.	I .	<u> </u>

GRI 417: Ma	rketing and labelling 2016			
417-2	Non-compliance cases related to information and labelling of products and services	No cases of non-compliance have been identified relating to information and labelling of products and services		
417-3	Non-compliance cases related to marketing communications	There were zero fines from PROFECO for promotions		
GRI 418: Cu	stomer Privacy 2016			
418-1	Substantiated claims regarding breaches of customer privacy and loss of customer data	p.44		
Management	t			
Supply chain				
GRI 3: Mate	rial Topics 2021			
3-3	Management of material issues	p. 17		
GRI 308: En	vironmental assessment of supplier	s 2016		
308-1	New suppliers that have passed selection filters according to environmental criteria	The 95% of suppliers were evaluated and selected according to environmental criteria. P. 16		
308-2	Negative environmental impacts in the supply chain and measures taken	p. 16 A supplier with significant environmental impacts due to inadequate management practices for non-conforming products, including their sale instead of destruction		
GRI 414: So	cial evaluation of suppliers 2016			
<b>GRI 414: Soc</b> 414-1	cial evaluation of suppliers 2016  New suppliers that have passed selection filters according to social criteria	100% of suppliers were evaluated and selected according to social criteria. P. 16		
	New suppliers that have passed selection filters according to social	according to social criteria.		
414-1 414-2	New suppliers that have passed selection filters according to social criteria  Negative social impacts in the supply	according to social criteria. P. 16  No suppliers with negative social impacts were identified during the reporting period. P. 16		
414-1 414-2	New suppliers that have passed selection filters according to social criteria  Negative social impacts in the supply chain and measures taken	according to social criteria. P. 16  No suppliers with negative social impacts were identified during the reporting period. P. 16		
414-1 414-2 <b>GRI 407: Fre</b> 407-1	New suppliers that have passed selection filters according to social criteria  Negative social impacts in the supply chain and measures taken  eedom of association and collective  Operations and suppliers where the right to freedom of association and collective bargaining could be at risk	according to social criteria. P. 16  No suppliers with negative social impacts were identified during the reporting period. P. 16  bargaining 2016  No operations or suppliers were identified where the right to freedom of association and collective bargaining could be at		
414-1 414-2 <b>GRI 407: Fre</b> 407-1	New suppliers that have passed selection filters according to social criteria  Negative social impacts in the supply chain and measures taken  Seedom of association and collective  Operations and suppliers where the right to freedom of association and collective bargaining could be at	according to social criteria. P. 16  No suppliers with negative social impacts were identified during the reporting period. P. 16  bargaining 2016  No operations or suppliers were identified where the right to freedom of association and collective bargaining could be at		
414-1 414-2 <b>GRI 407: Fre</b> 407-1 <b>GRI 408: Ch</b>	New suppliers that have passed selection filters according to social criteria  Negative social impacts in the supply chain and measures taken  eedom of association and collective  Operations and suppliers where the right to freedom of association and collective bargaining could be at risk  ild labour 2016  Operations and suppliers with	according to social criteria. P. 16  No suppliers with negative social impacts were identified during the reporting period. P. 16  bargaining 2016  No operations or suppliers were identified where the right to freedom of association and collective bargaining could be at risk during the reporting period  No operations or suppliers were identified as having significant		
414-1 414-2  GRI 407: Free 407-1  GRI 408: Ch 408-1  GRI 409: For	New suppliers that have passed selection filters according to social criteria  Negative social impacts in the supply chain and measures taken  seedom of association and collective  Operations and suppliers where the right to freedom of association and collective bargaining could be at risk  ild labour 2016  Operations and suppliers with significant risk of child labor cases  reced or compulsory labour 2016  Operations and suppliers with significant risk of forced or compulsory labor cases	according to social criteria. P. 16  No suppliers with negative social impacts were identified during the reporting period. P. 16  bargaining 2016  No operations or suppliers were identified where the right to freedom of association and collective bargaining could be at risk during the reporting period  No operations or suppliers were identified as having significant		
414-1 414-2  GRI 407: Free 407-1  GRI 408: Ch 408-1  GRI 409: For	New suppliers that have passed selection filters according to social criteria  Negative social impacts in the supply chain and measures taken  eedom of association and collective  Operations and suppliers where the right to freedom of association and collective bargaining could be at risk  ild labour 2016  Operations and suppliers with significant risk of child labor cases  reed or compulsory labour 2016  Operations and suppliers with significant risk of forced or compulsory labor cases	according to social criteria. P. 16  No suppliers with negative social impacts were identified during the reporting period. P. 16  bargaining 2016  No operations or suppliers were identified where the right to freedom of association and collective bargaining could be at risk during the reporting period  No operations or suppliers were identified as having significant risk of child labour cases during the reporting period  No operations or suppliers were identified as being at significant risk of forced or compulsory labour cases during		
414-1 414-2  GRI 407: Free 407-1  GRI 408: Ch 408-1  GRI 409: For	New suppliers that have passed selection filters according to social criteria  Negative social impacts in the supply chain and measures taken  seedom of association and collective  Operations and suppliers where the right to freedom of association and collective bargaining could be at risk  ild labour 2016  Operations and suppliers with significant risk of child labor cases  reced or compulsory labour 2016  Operations and suppliers with significant risk of forced or compulsory labor cases	according to social criteria. P. 16  No suppliers with negative social impacts were identified during the reporting period. P. 16  bargaining 2016  No operations or suppliers were identified where the right to freedom of association and collective bargaining could be at risk during the reporting period  No operations or suppliers were identified as having significant risk of child labour cases during the reporting period  No operations or suppliers were identified as being at significant risk of forced or compulsory labour cases during		
414-1 414-2  GRI 407: Free 407-1  GRI 408: Ch 408-1  GRI 409: For 409-1	New suppliers that have passed selection filters according to social criteria  Negative social impacts in the supply chain and measures taken  eedom of association and collective  Operations and suppliers where the right to freedom of association and collective bargaining could be at risk  ild labour 2016  Operations and suppliers with significant risk of child labor cases  reed or compulsory labour 2016  Operations and suppliers with significant risk of forced or compulsory labor cases	according to social criteria. P. 16  No suppliers with negative social impacts were identified during the reporting period. P. 16  bargaining 2016  No operations or suppliers were identified where the right to freedom of association and collective bargaining could be at risk during the reporting period  No operations or suppliers were identified as having significant risk of child labour cases during the reporting period  No operations or suppliers were identified as being at significant risk of forced or compulsory labour cases during		

Product quality and safety									
GRI 3: Mate	GRI 3: Material Topics 2021								
3-3	Management of material issues	p.46							
GRI 416: Cu	stomer health and safety 2016								
Non-compliance cases relating to the impacts of product and service categories on health and safety  Non-compliance cases relating to the buring 2023, there were no cases of non-compliance with standards or codes related to health and safety impacts									
GRI 417: Marketing and labelling 2016									
417-1	Requirements for information and labelling of products and services	p.35							

## **SASB Table of Contents**

Material theme	Issue	Industry	Accounting Metrics	Code	Answer
	Food safety	Food retailers	High-risk food safety violation rate	FB-FR-250a.1	Zero high-risk food safety violations. Quality Assurance Section.
	and distributors	and distributors	(1) Number of recalls, (2) number of recalled units, (3) percentage of recalled units that are private label products	FB-FR-250a.2	During 2023, four voluntary product recall events were carried out by the company
		Meat, poultry and dairy products	Global Food Safety Initiative (GFSI) Audit: (1) Non-compliance rate and (2) rate of	FB-MP-250a.1	Non-compliance rate: C Index of corrective actions for major non-compliances: 0 (zero - no major non-compliances).
			corresponding corrective actions for a) major and b) minor non-compliance cases	FB-PF-250a.1	O (zero - no major non-compliances). Corrective action index for minor non-compliances: 1
Product quality and safety		Processed foods	Percentage of ingredients sourced from Tier 1 supplier facilities certified by a food safety certification program recognized by the Global Food Safety Initiative (GFSI)	FB-PF-250a.2	LALA Mexico: 96% of GFSI suppliers for the packaging category and 96% for the raw materials category. A 96% as a whole.  Vigor: We have 512 suppliers of food raw materials and primary packaging approved by Quality. Of these, 512 (100%) have some Food Safety certification recognized worldwide by the Global Food Safety Initiative - GFSI (such as the British Retail Consortium - BRC and the Food Safety System Certification - FSSC 22000).
			(1) Total number of food safety violation notifications received, (2) percentage corrected	FB-PF-250a.3	During 2023, there were no cases of non-compliance with standards or codes related to health and safety impacts.
	Food safety		(1) Number of recalls issued and (2) total quantity of food products recalled	FB-PF-250a.4	During 2023, four voluntary product recall events were carried out by the company
			Percentage of supplier facilities certified under a Global Food Safety Initiative (GFSI) food safety certification program	FB-MP-250a.2	95%
		Meat, poultry and dairy products	(1) Number of recalls issued and (2) total weight of recalled products	FB-MP-250a.3	During 2023, four voluntary product recall events were carried out by the company
			Analysis of markets that prohibit the importation of the entity's products	FB-MP-250a.4	No restrictions have been identified on the importation of LALA products.
	Health and nutrition	Processed foods	Revenue from products with	FB-PF-260a.1	\$43,886,000 MXN in Lala México and \$1,057,552 MXN in Vigor
		Food retailers and distributors	labeling or marketing that promotes health and nutrition attributes	FB-FR-260a.1	(Conversion made to MXN pesos, maximum exchange rate in 2022 Real BR = 3.82 MXN pesos, income from products labeled to promote health benefits in Vigor in 2022 of 276,846 reais).
Health and wellness	Health and nutrition of products	Food retailers and distributors	Análisis del proceso de identificación y gestión de los productos e ingredientes relacionados con las preocupaciones nutricionales y de salud de los consumidores	FB-FR-260a.2	In terms of health and safety regarding products, 100% of the inputs are constantly evaluated in order to make improvements and this is reflected in the results and quality certifications, as well as consumer preference for the brand. https://www.kantar.com/latin-america/inspiration/brands/2022-most-chosen-brands-in-mexico

Health and wellness	Product labeling and marketing	Processed foods	Percentage of advertisements (1) made for children and (2) that promote products that meet dietary recommendations	FB-PF-270a.1	Lala Mexico: Percentage of advertising impressions made on children: 6%. Percentage of ad impressions made on children promoting products that meet dietary guidelines: 100%. For this indicator, compliance with dietary guidelines was considered compliance with the labeling and nutritional declaration standards (NOM-051 and 086) of our country.
			Revenue from products labeled as (1) containing genetically modified organisms (GMOs) and (2) not containing GMOs	FB-PF-270a.2	Lala Mexico: Revenue from products labeled as containing genetically modified organisms (GMOs):0%. Revenue from products labeled as not containing genetically modified organisms (GMOs): 0.09%
	Product labeling and marketing	Food retailers and distributors	Number of incidents of non-compliance with regulatory or industry codes for labeling or marketing	FB-FR-270a.1	CZero fines issued by PROFECO for the promotions.
	Land use and ecological effects		Animal protein production from concentrated animal feeding operations (CAFOs)	FB-MP-160a.3	Not applicable, since the meat supply is through processors that verify USDA and TIF criteria.
	Use of antibiotics in animal production		Percentage of animal production that received (1) medically important antibiotics and (2) non-medically important antibiotics, by animal type	FB-MP-260a.1	0, given the highest quality standards we have within the Group, milk from animals that have received antibiotics is not used in the process of making our products.
Animal welfare	Animal care and welfare		Percentage of production certified according to an external animal welfare standard	FB-MP-410a.3	We are working hand in hand with livestock farmers to increase the percentage of certified production related to an animal welfare standard. During 2023, we worked together with the Federation of Colleges and Associations of Veterinary Zootechnicians FedMVX on a certification project in good livestock practices, animal welfare and sustainability. Project objective: In three years, achieve the Certification of the majority of the Livestock Production Units (UPP) that supply the Lala company, in the Good Livestock Practices (BPP) of SENASICA and significant progress in the Welfare* Certification, as well as carry out an evaluation of greenhouse gas emissions. Training was carried out to certify Lala's 12 technical advisors as MVRA in Good Livestock Practices.
					In 2023, we were able to diagnose compliance with the Good Livestock Practices (GLP) scheme of the National Service for Agri-Food Health, Safety and Quality (SENASICA) in 100% of the Livestock Production Units (UPP's).
	Environmental and social impacts of the animal supply chain		Percentage of supplier and contracted production facilities verified to meet animal welfare standards	FB-MP-430a.2	It is monitored internally but no control is carried out or verification is carried out on site. Through the work of the FEDMVZ, this indicator will be monitored.
	Managing environmental and social impacts in the supply chain	Food retailers and distributors	Income from products certified by third parties according to environmental or social sustainable supply standards	FB-FR-430a.1	Grupo Lala has GFSI certifications for all of its products in Mexico, obtaining a degree of excellence in 2023.
	Air emissions from refrigeration		Percentage of refrigerants consumed with zero ozone depletion potential	FB-FR-110b.2	100%.
	from retrigeration	distributors	Average refrigerant emission rate	FB-FR-110b.3	Not applicable.
Climate action			Gross global scope 1 emissions	FB-MP-110a.1	312,481 tCO2e in Lala Mexico. 15,902 tCO2e in Vigor.
Cinnate action	Greenhouse gas emissions	Meat, poultry and dairy products	Analysis of the long- and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets and analysis of the results in relation to those targets	FB-MP-110a.2	Scope 1: Fleet emissions 210,654 Scope 2. Direct emissions from plants: 151,674
Waterman	Waterman	Processed foods	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with	FB-PF-140a.1	Total water withdrawal in 2022 from all water-stressed
Water management	Water management	Meat, poultry and dairy products	high or extremely high initial water stress	FB-MP-140a.1	areas was 5,532.33 megaliters in Lala Mexico.

		Processed foods	North and the second	ED DE 140	
Water management			Number of incidents of non-compliance with water quality permits, standards and regulations	FB-PF-140a.1	Total water withdrawal in 2023 from all water-stressed areas was 6,395.08 megaliters in Lala Mexico.
		Meat, poultry and dairy products		FB-MP-140a.1	
		Processed foods	Number of incidents of non-compliance with water quality permits, standards	FB-PF-140a.2	At the Laguna Industrial Complex in Mexico we identified metrics above the permitted limit in BOD5. We have begun corrective
		Meat, poultry and dairy products	and regulations	FB-MP-140a.3	actions to mitigate this risk of environmental impact.
		Processed foods		FB-PF-140a.3	•We carry out continuous inspections of our pipelines to
Risk and crisis management	Water management	Meat, poultry and dairy products	Description of water management risks and analysis of strategies and practices to mitigate them	F8-MP-140a.2	detect leaks, repair them and keep them in good physical condition, avoiding the waste of water resources.  In our facilities we separate the drains, in order to avoid the contamination of rainwater with service or process water. We use water treatment systems in boilers, avoiding the incrustation of salts in the internal systems of the same, improving the closed circuit of water use in boilers and thus consuming a smaller volume of drinking water.  We use dosing valves and water-saving nozzles in sinks and showers.  We install ecological urinals, which use a much smaller volume of water and some of them do not even use any.  Permanent campaigns are promoted for water saving, inviting the user to verify that the valves close perfectly and to report leaks.  In the group's UHT plants, we implement programs to recover water from the bottling plants, achieving a decrease in their consumption. In 2015, this program was extended to recover packaging sterilization water, which is currently being implemented. As of the date of this report, the recovery process operates continuously.  At the plants in Mexico City, Torreón Industrial Complex, and Aguascalientes, condensates are recovered and reused in boilers, closing the steam cycle in this service as much as possible, which generates considerable savings in water and energy resources.
			Percentage of animal feed from regions with high or extremely high initial water stress	FB-MP-440a.1	Not applicable.
			Percentage of contracts with producers located in regions with high or extremely high initial water stress	FB-MP-440a.2	Not applicable.
	Acquisition of feed and animals	Meat, poultry and dairy products	Analysis of the management strategy for opportunities and risks for obtaining feed and livestock supply presented by climate change	FB-MP-440a.3	We work hand in hand with our livestock partners to incorporate the 11 pillars for the sustainability of the dairy sector, which are implemented by the IDF (International Dairy Federation). The best sustainable practices are established within these pillars. From the Producer Support Department, we work hand in hand with them to identify, prevent or mitigate any risk or impact related to climate change. Within the strategy, we have the following objectives: Increase the percentage of production certified with external animal welfare standards. Promote the implementation of good ESG practices among livestock farmers. Train critical suppliers and livestock farmers on sustainability issues. Continue monitoring the condition of animals in stables. Progressively reduce the percentage of livestock in CAFOS.
	Environmental and social impacts of the ingredient supply chain	Processed foods	Audit of the social and environmental responsibility of suppliers: (1) non-conformity rate and (2) rate of corresponding corrective actions for cases of non-conformity a) important and b) minor	FB-PF-430a.2	1% with respect to the total number of suppliers in 2023 who complied with their review process that includes analysis of environmental and social issues in LALA Mexico.
Supply chain	Managing environmental and social impacts in the supply chain	Food retailers and distributors	Analysis of the strategy to manage environmental and social risks in the supply chain, including animal welfare	FB-FR-430a.3	In order to manage environmental and social risks within our value chain, we are working on internal committees to ensure compliance with environmental standards in the generation and management of waste. In addition, we participate in the sustainability and best practices committees of the Mexico Competitiveness Center (CCMX) with offices in Mexico City, Monterrey, NL and Mérida Yuc, focused on promoting best sustainability practices and developing SME suppliers in these concepts, which we also do with CANACINTRA of Torreón.

Supply chain	Suministro de ingredientes		Percentage of feed ingredients from regions with high or extremely high initial water stress	FB-PF-440a.1	Not applicable.	
Ethics and			Number of incidents of non-compliance with regulatory or industry codes for labeling or marketing	FB-PF-270a.3 FB-FR-270a.1	0 fines issued by PROFECO for the promotions.	
governance	and marketing		Total amount of monetary losses as a result of legal proceedings related to labeling or marketing	FB-PF-270a.4 FB-FR-270a.2	0 fines issued by PROFECO for the promotions.	
		Food retailers and distributors	Analysis of strategies to reduce the environmental impact of packaging	FB-FR-430a.4	We are working on implementing the circular economy through various initiatives such as:  - Sorting and selling cardboard and plastic.  - Using cells to shape sausages, thus avoiding material waste.  - Preventing waste from going to landfill. Instead, it is sold to plants to prepare animal feed.  We focus on reducing waste generation, making our packaging more recyclable and incorporating more recycled raw materials into our processes. In order to achieve these goals, individual projects and multiple approaches are being developed in each product family.	
Product life cycle			(1) Total weight of packaging, (2) percentage made from recycled or renewable materials, and (3) percentage that is recyclable, reusable, or compostable	FB-PF-410a.1	Non-renewable materials: 1,646.2 ton Renewable materials: 213,043 ton In order to strengthen our circular economy strategy, we are working on incorporating alternative materials, such as recycled resins, in our packaging.	
	Packaging life cycle management	le Processed foods	Analysis of strategies to reduce the environmental impact of packaging throughout its life cycle	FB-PF-410a.2	We work on implementing the circular economy through various initiatives such as: - Sorting and selling cardboard and plastic Using cells to shape sausages, thus avoiding material waste Preventing waste from going to landfills. Instead, it is sold to plants to prepare animal feed.  In 2017, we joined the PET and HDPE packaging materials recycling program by joining the special waste management initiative developed by ECOCE, Mexico's leading civil association in waste recovery.	
	Energy management		(1) Total energy consumed, (2) percentage of electricity from the grid, (3) percentage of renewables	FB-PF-130a.1	Total Group: 440 GWh Total Mexico:378 Total GWh Vigor:62GWh	
Energy management				FB-MP-130a.1	Mexico: 73.1%Clean energy Vigor:51%of clean energy	
	Fleet fuel management	Food retailers and distributors	Fleet fuel consumed, percentage renewable	FB-FR-110a.2:	1. Total Fuel Consumed: 38,219,951 Liters 2. Percentage of Renewable Fuel. No renewable fuel is consumed for the fleet. The electric fleet consumes conventional energy. *In 2023, 207,717 Kwh of conventional energy was consumed for use in the electric fleet.	
	Energy management			(1) Operating energy consumed, (2) percentage of grid electricity, (3) percentage of renewables	FB-FR-130a.1	Energy from the grid: MX18.8%, BRA0% Non-renewable clean energy: MX73.1%, BRA51% Renewable Energy: MX 0%, BRA49% US consumption is not reported in this report.
Waste management	Food waste management	Food retailers and distributors	Quantity of food waste generated, percentage diverted from waste stream	FB-FR-150a.1	In Mexico, the total amount of food waste resulting from product spoilage is:199,915 tons in 2023. For other countries, it is not monitored individually. It will be reported in the next disclosures.	
			(1) Average hourly wage and (2) percentage of store and distribution center employees earning minimum wage, by region	FB-FR-310a.1	There is no minimum wage payment when taking the average wage payment which is the sum of the base salary plus the variable salary.	
Labor practices and human rights	Work experience	Food retailers and distributors	Percentage of the active workforce covered by collective bargaining agreements	FB-FR-310a.2	LALA Mexico: 81% of our collaborators are unionized and 19% are trusted collaborators.	
			(1) Number of work interruptions and (2) total days of inactivity	FB-FR-310a.3	There are no work stoppages in the reference years and therefore there are no days of inactivity due to work stoppages.	

	Work experience	Food retailers and distributors	Total amount of monetary losses as a result of legal proceedings related to: (1) violations of labor laws and (2) employment discrimination	FB-FR-310a.4	There are no violations of labor law since labor defense and litigation policies were issued preventively, as well as the procedure for termination of employment.
Labor practices and human rights	Workforce Health and Safety	Meat, poultry and dairy products	(1) Total Recordable Incident Rate (TRIR) and (2) Mortality Rate	FB-MP-320a.1	LALA Mexico: Rate of recordable work-related injuries:2.21% Death rate resulting from a work-related injury: 0.6%. Vigor: Recordable work accident injury rate: 8% Death rate resulting from a work-related injury: 0%.