

A wide-angle photograph of an industrial facility. In the foreground, two sets of parallel railroad tracks run from the bottom left towards the center. To the left of the tracks are several large white cylindrical storage tanks and a tall industrial structure with scaffolding. To the right is a very long, white, single-story warehouse building. Two white semi-trailers are parked in front of the warehouse. The sky is clear and bright. A large, semi-transparent green circle is overlaid in the center of the image, partially obscuring the tracks and the warehouse.

DIVERSIFICATION, RESILIENCE AND EXPANSION

2020 Annual Report

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San Juan Plant

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GRI 102-4,102-6

We are a Mexico-based company group with an international footprint focused on the sale and responsible distribution of industrial raw materials. We serve more than 40 industrial sectors, including the mining, food, automotive, oil exploration and drilling, water treatment, personal and home care, cleaning and sanitization products, and metalworking sectors among others.

Our shares are listed on the Mexican Stock Exchange (BMV) under the ticker symbol POCHTEC.

Our Mission Statement

Be the distributor of raw materials and integrated comprehensive solutions preferred by customers and suppliers.

San José Plant, Mexico City



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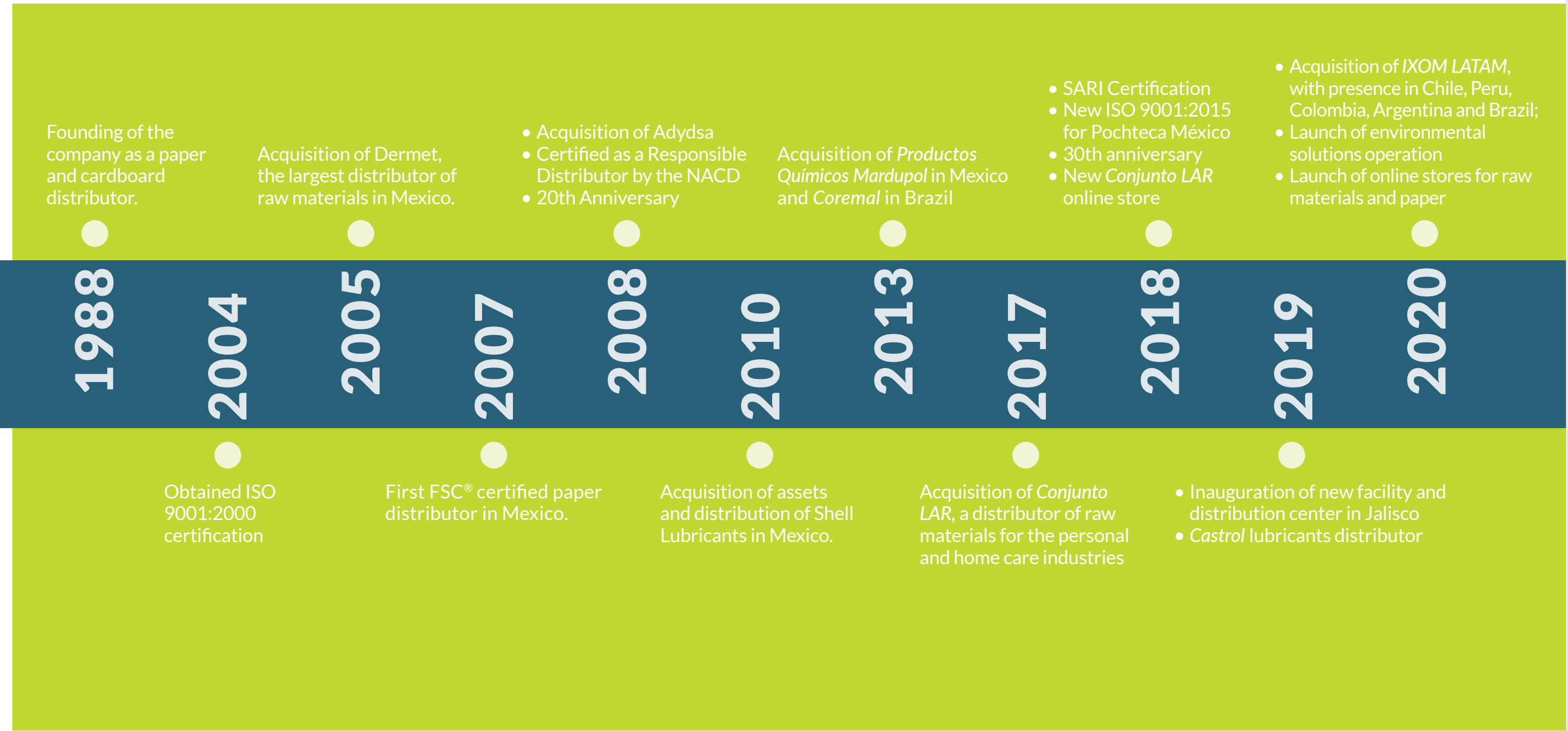
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A HISTORY OF GROWTH

1988-2020



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FINANCIAL RESILIENCE

FINANCIAL CAPITAL 

Financial Resilience



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GRI 102-7, 201-1

2020 RESULTS

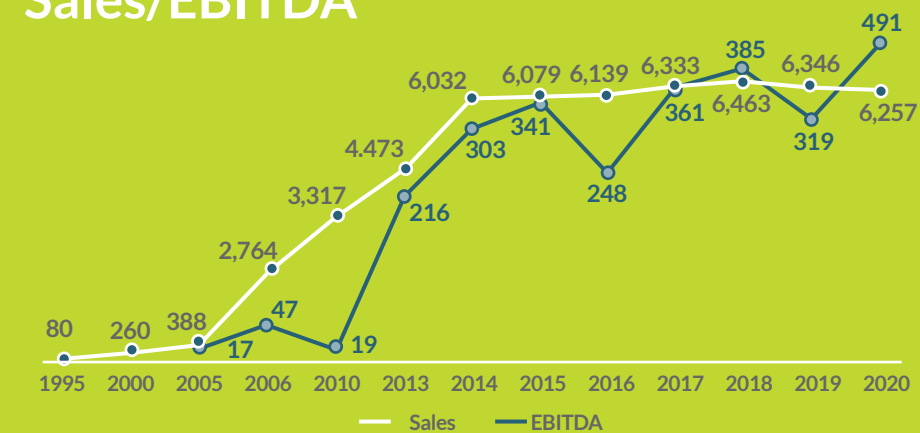
Millions of Mexican pesos

	2020	2019	(%) 2020 vs. 2019
Sales	6,257	6,346	-1.4%
Gross profit	1,238	1,163	8.5%
Gross margin (%)	19.8%	18.3%	150pb
Operating profit	323	155	108.8%
Operating margin (%)	5.2%	2.4%	280pb
Depreciation	168	164	2.4%
EBITDA	491	319	54.1%
EBITDA margin (%)	7.9%	5.0%	290pb
Financial expenses	(149)	(150)	-0.4%
Forex gain (loss)	(15)	7	NC
Earnings before taxes	160	12	1,208.9%
Net profit (loss)	185	(15)	NC
Net debt/EBITDA 12M	1.55x	1.68x	
EBITDA/Interest 12M	3.29x	2.13x	

EBITDA= operating earnings before interests taxes, depreciation and amortization

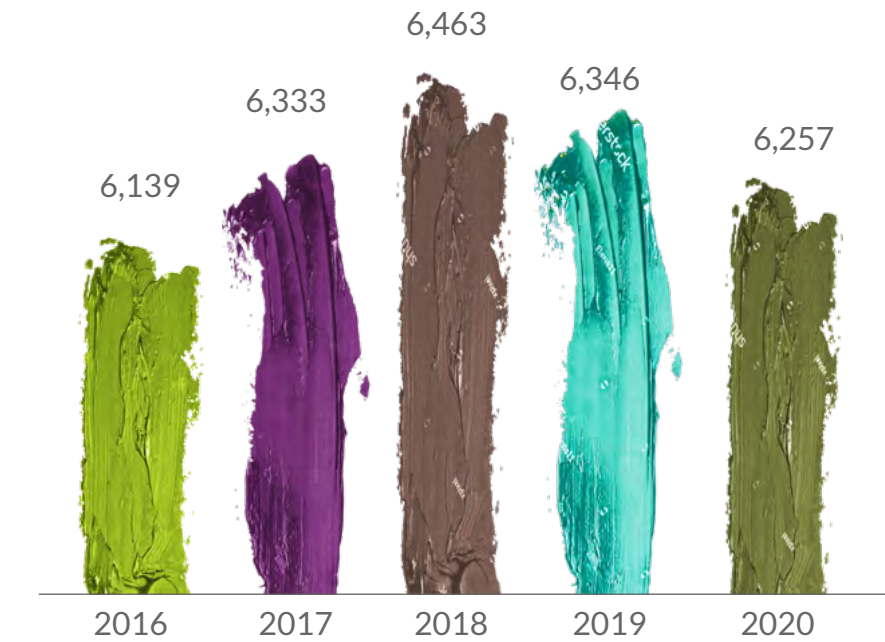
NC= non comparable

Sales/EBITDA

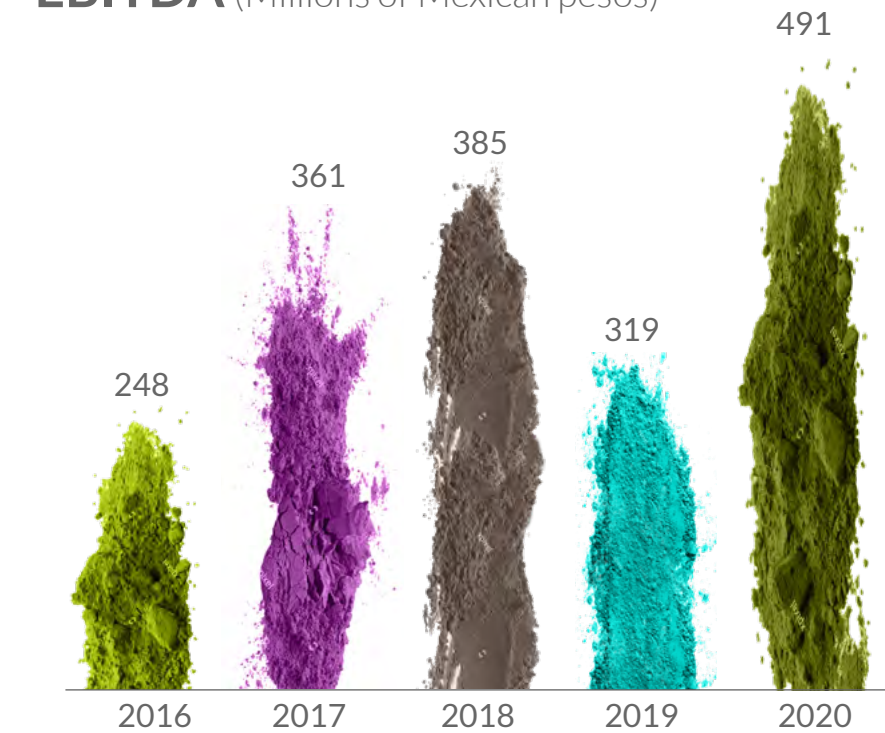


San Juan Plant, Mexico City

SALES (Millions of Mexican pesos)



EBITDA (Millions of Mexican pesos)



*Gain from business acquisitions of \$115 million pesos.

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A SUSTAINABLE COMPANY

2020 RESULTS

1,564
collaborators



7,204
training hours

100%

of domestic
supplies and
service providers

90%

suppliers evaluated
in 2020



+5.7 millions
liters of recovered solvent



12.6%
reduction in water
consumption

79,800
liters of
donated
hypochlorite

GRI 102-7, 102-11, 102-14, 102-15

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders,

2020 was a year that will be remembered by the profound effects of the COVID-19 pandemic on all sectors of the industry; however, we were able to adapt to changes and transform challenges into opportunities in order to achieve the results that I am pleased to present below.

In October 2020, in a public offering on the Mexican Stock Exchange (BMV), we announced the acquisition of the Latin American business division of Ixom Operations Pty LTD, a supplier of specialty chemicals for the construction and building, mining and personal care markets. With the acquisition we achieved a significant expansion of our divisions and business lines, and of the Company's operations in Chile, Argentina, Colombia and Peru.

We are confident that the acquisition will strengthen Pochteca's portfolio, enhance growth in these regions, and benefit our comprehensive product offering across the continent. Due to the COVID-19 sanitary emergency, several of our markets were totally or partially closed, thereby severely contracting consumption. However, thanks to our market, geographies, and customer diversification strategy we mana-

ged to avoid some of the negative impacts and were able to withstand the economic contraction that this crisis brought with it. As a result of our risk diversification efforts, today our top 5 customers account for only 4.43% of sales, while our top 5 products now represent 6.33%. It should be mentioned that some of our business segments grew due to the fact that their products are part of the supply chain of customers whose activities are considered essential in Mexico and other countries, or are part of markets whose demand was increased as a result of the COVID-19 sanitary crisis.

In 2020, our business performance relative to 2019 was better in terms of both operating income and EBITDA thanks to the strategies described above.

Sales decreased -1.4% to 6,257 million pesos, driven significantly by Brazil and by the growth of some industries positively affected by COVID19, such as those for food additives and specialties, specialty chemicals for sanitizing, and cleaning and household care. Furthermore, the acquisition of the Ixom Latin America companies in the last three months of the year also added to our



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consolidated sales. In addition, the decision to prioritize working capital and accounts receivable strength over sales resulted in a loss of sales to customers and sectors with restricted liquidity.

Our subsidiary in Brazil, Coremal, recorded a 4.6% increase in sales as a result of the implementation of our commercial management model, which began several years ago and continued in 2020.

We are currently focused on strengthening our profit margins and boosting our competitiveness. We have continued to boost our diversification of products, customers, markets and geographies, as well as the sale of value-added products. We were able to reduce accounts receivable below historical averages, and we are working on the integration of processes, systems and culture in the recently acquired companies in Colombia, Peru, Chile, Argentina and Brazil.

We achieved a gross margin of 19.8%, a 150 basis point increase versus 2019. Gross margin grew 110 basis points in Mexico and 280 basis points in Coremal in the period; in both cases, the exchange rate variable was important, putting downward pressure on margins in Mexico and favoring them in Brazil.

On the other hand, it is important to mention that we had a business acquisition gain of \$115 million pesos, derived

from the acquisition of the IXOM companies, a gain that, pursuant to current accounting standards, was reflected in the financial statements.

We achieved consolidated EBITDA of \$491 million pesos, an increase of 54.1% compared to 2019. In Mexico, EBITDA grew 30.6%, and in Brazil 257.5%. This increase in profitability, together with the reduction of days of backlog and inventory, allowed us to maintain our leverage at 1.55x times Net Debt/EBITDA, despite having contracted debt to buy the IXOM companies.

We have been able to maintain the Company's accounts receivable below their normal historical averages, reflecting the strength of our credit and collections team, the quality of the tools we have developed for granting and recovering credit, the diversification of the portfolio and the credit quality of the customer portfolio.

We closed the year with 39 days receivable versus 43 the previous year, an improvement in the number of backlog days in spite of the problems due to COVID-19 faced by the sectors to which we sell.

We will continue to focus on strengthening our profit margins and improving our cash flow generation. We are confident that the expected improvement in international commodity prices will accelerate our sales growth and profitability. We

will also seek to develop new businesses and tailor-made solutions designed to meet our customers' needs, taking advantage of our strong regional offerings in ten countries throughout the Americas.

Protecting natural resources and caring for the environment remains a top priority at Pochteca. We will continue to invest in sustainable solvent recovery (SSR), promoting the closed loop among our customers, and helping them optimize costs and reduce their ecological footprint.

Over the years, we have sought to instill in all our collaborators a culture of respect, rooted in the Company's values and commitments, in which health and safety are paramount. In the coming months, we have undertaken the task of integrating this culture into all the countries where we have new operations, in addition to the standardization of processes and systems, which we plan to complete by 2021.

My gratitude is due to all our collaborators in Mexico, Brazil, Costa Rica, Guatemala, El Salvador, Argentina, Chile, Peru, Colombia and the U.S.A., for their great support and solidarity in the achievement of our objectives in such a challenging year; to our suppliers, customers and shareholders for their trust, as none of this would have been possible without them; and most especially, to our COVID Committee, whose dedicated and responsible work has kept us operating safely and securely.

Armando Santacruz González
Chairman of the Board of Directors



GRI 205, 301, 302, 305, 306, 307, 401, 403, 404, 410: 103-1, 103-2, 103-3, 102-20, 102-26, 102-31, 102-34

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear shareholders,

2020 was a year during which the world faced a crisis unprecedented in our lifetime and that posed threats and challenges that Mexico also had to confront.

There is no doubt that we have succeeded in moving forward as a company and towards meeting our objectives. This, we have achieved by working together in accordance with our geographic and product diversification strategy, and by always adhering to the highest health, safety and environmental protection standards.

Sustainability is one of our strategic pillars, one of our competitive advantages, and a fundamental part of our mission: To be the distributor of raw materials and integral solutions preferred by customers and suppliers. A clear proof of this is the fact that year after year we have increased our ANIQ SARI compliance percentage: to 92.1 in 2019, and 95.9 in 2020.

Our Sustainability Strategy is supported by four pillars: our People, the Environment, our Supply Chain and our Communities; based on these, we develop programs and initiatives that help us meet the needs of our stakeholders, always adhering to the highest standards and regulations of the countries in which we operate.

Commitment to our Value Chain

We continue working on our Integral Customer Transformation (ICT) initiative, which aims to increase process efficiency, reduce waste and improve working conditions and team communication, thereby strengthening the Company's sustainability strategy.

In 2020, we relaunched the initiative using a team segmentation strategy that resulted in 10 teams moving from a bronze to a silver maturity level and,



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in the second half of the year, obtained a rotation level of 0. We also improved the indicators by 30% and expect to consolidate 10 teams whose level we intend to increase by 2021.

To improve customer service, we rolled out our COUPA tool, designed to select and develop suppliers and improve the procurement process and integrated procurement management (SRM - Supplier Relationship Management).

Commitment to the Environment

We create value through our low environmental impact operation, marketing green products and services to our customers. More than 92% of our paper division's product catalog maintains commercial attributes.

Our industrial waste division responsibly disposed of more than 10,300 tons of hazardous waste from more than 100 clients. We also provided them with advice in diverse areas, including design and implementation of waste management plans and regulatory compliance.

In 2020, our environmental solutions area trained 100% of Pochteca's commercial personnel on proper and responsible management of special, hazardous, biological, and urban solid waste.

In 2019 we announced a project to install solar panels in our facilities with the goal of implementing the use of clean energy and reducing our consumption of electricity. However, the project could not be completed due to the restrictions imposed by the COVID-19 pandemic on operations, as well as to governmental changes in the use of clean energy.

Creating value for our people

As a result of the COVID-19 crisis, our modus operandi has changed. Process digitalization and the implementation and continuous improvement of various IT tools that enhance remote work and improve personnel mobility have been crucial to maintaining business continuity and communication with collaborators, customers and suppliers, and have ensured the continuity of our operations. We also continued to develop our online stores and now have portals for Conjunto LAR, Pochteca Materias Primas, and Pochteca Papel.

The Company's response to the sanitary crisis was swift. Starting in late January, our COVID Committee began to identify the risks that the pandemic could potentially pose and drew up plans to be implemented at different stages of the pandemic. We also conducted communication campaigns aimed at our collaborators, customers and suppliers to

keep them informed of the evolution of the pandemic and the measures taken by the government.

Our top priority has always been the safety of our people and their families. This is why, in anticipation of the measures taken by the government, and without affecting their salaries or benefits, we responded by sending home all our collaborators in a vulnerable health status.

Due to the fact that we are considered an essential industry, our operations were able to continue. Consequently, we had to implement strict safety protocols for our personnel, ensuring not only the continuity of the business, but also the health of those who had to attend our facilities to work.

Due to our excellent handling of the pandemic and our commitment to the needs of our collaborators, we received the "Empresa Humana Solidaria" (Human Solidarity Company) award from LIDERAZGO Rex, a recognition we are very proud of.

The sanitary crisis did not prevent us from continuing with our employee training programs. During the year, we provided 77,604 hours of training, of which 61,206 were online. In addition, in the Pochteca Classroom at our San Juan Plant we offered courses to complete secondary and higher edu-



cation with a total of 176 participants. Furthermore, Aula Pochteca expanded its reach through online platforms.

We are an inclusive company that does not discriminate on the basis of gender, religion or social status; 35% of our workforce is made up of women.

We foster internal promotion and local recruitment. In 2020, we promoted 49 people within the company, 4.3% of our total workforce.

In terms of compensation, we continue to be fully aligned with the Companies for Wellbeing initiative, which guarantees that all of our collaborators receive an income of at least \$6,500 pesos gross per month plus benefits.

We are responsible for the health and safety of our collaborators; therefore, to protect their well-being we have implemented annual initiatives such as our Pochteca y Yo Cuidando Mi Salud program (Pochteca and I Taking Care of My Health). In response to the pandemic, we granted all of our collaborators the benefits of the Integra Salud minor medical expenses program, which covers accident expenses as well as funeral assistance. We are pleased to be able to

report that in 2020 our accident rate decreased for the second consecutive year, from 0.77 in 2019 to 0.62 in 2020.

The well-being and development of the communities in which we operate continues to be of utmost importance to the Company. To support these communities, our collaborators raised \$200,000 pesos for the inhabitants of Tabasco and Chiapas affected by the floods in 2020. In addition, and as part of our response to the COVID-19 sanitary crisis, we delivered 79,800 liters of sodium hypochlorite for cleaning and disinfection processes -to diverse local government agencies in the different states where we operate- to stop the spread of COVID-19.

With the goal of remaining successful in this new and evolving environment, we will continue to invest in digitization at all stages of the value chain: process automation, analytics, e-commerce tools, supplier and customer web portals, route optimization systems, warehousing, CRM, and other such technologies.

Lastly, after such a difficult year for all, I wish to express my gratitude to each of our collaborators for their unwavering support and commitment and to our customers and suppliers for their trust and loyalty.

Eugenio Gerardo Manzano Alba
Executive Director



POCHTECA IN 2020



+40
business
segments



24,000
customers
per year



+9,800
products



500
cities



+22.2 million
million liters of storage capacity



49
branches



+201,000
orders



+352,000
tons delivered



28
laboratories



+349,000 m²
of logistics capacity

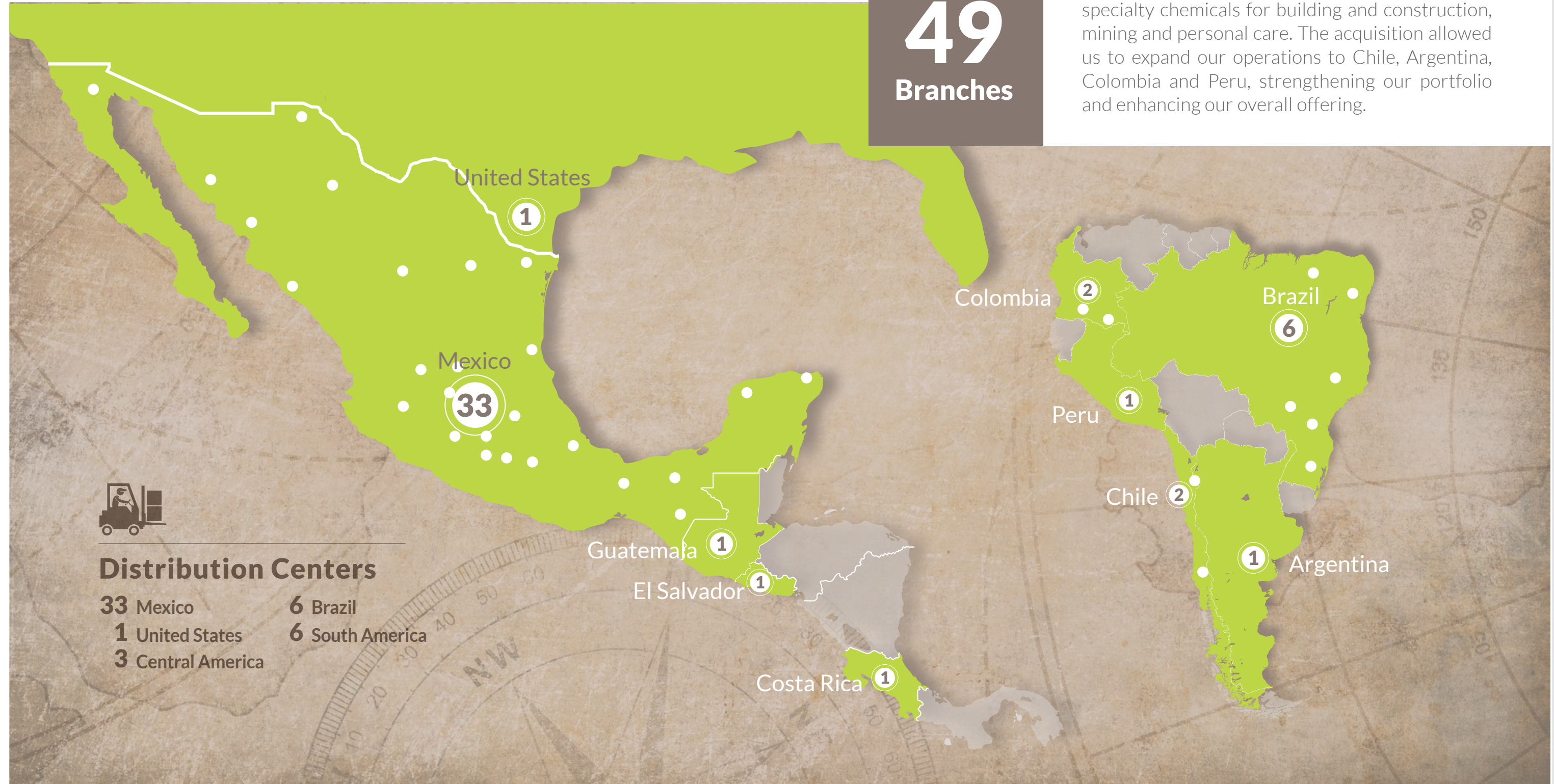
GRI 102-4, 102-6

EXPANSION INTO NEW MARKETS AND SEGMENTS



49
Branches

On October 22, 2020, we completed the acquisition of the Latin American business division of Ixom Operations Pty LTD, a leader in the water treatment market in Australia and New Zealand with 90 years of experience in the distribution of specialty chemicals for building and construction, mining and personal care. The acquisition allowed us to expand our operations to Chile, Argentina, Colombia and Peru, strengthening our portfolio and enhancing our overall offering.



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OPERATIONAL RESILIENCE

We transform
challenges into
growth opportunities.



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GRI 102-9, 102-10

COMPETITIVE ADVANTAGES



OUR ABILITY FOR REINVENTION



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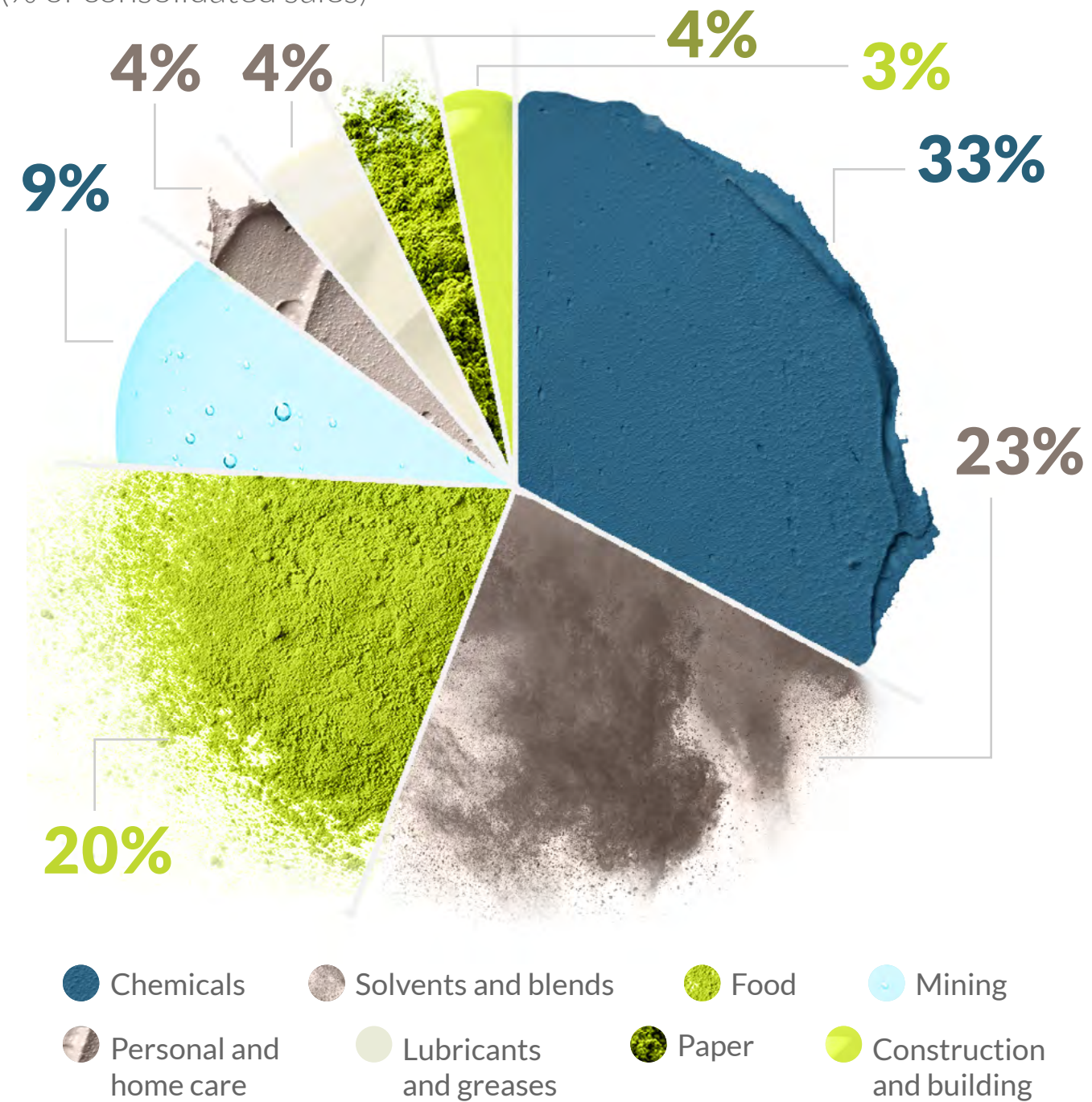
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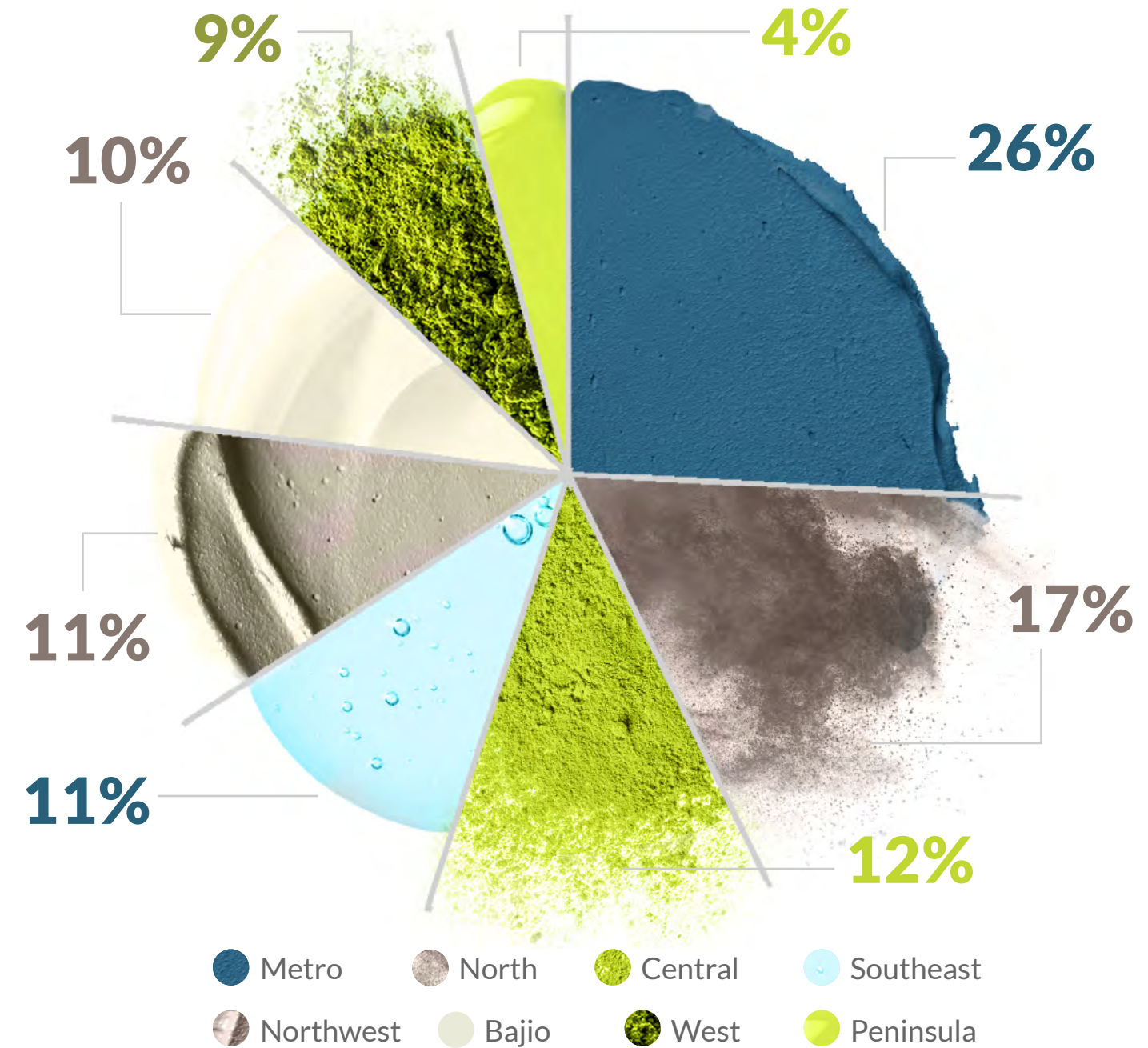
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DIVERSIFICATION AND RESILIENCE

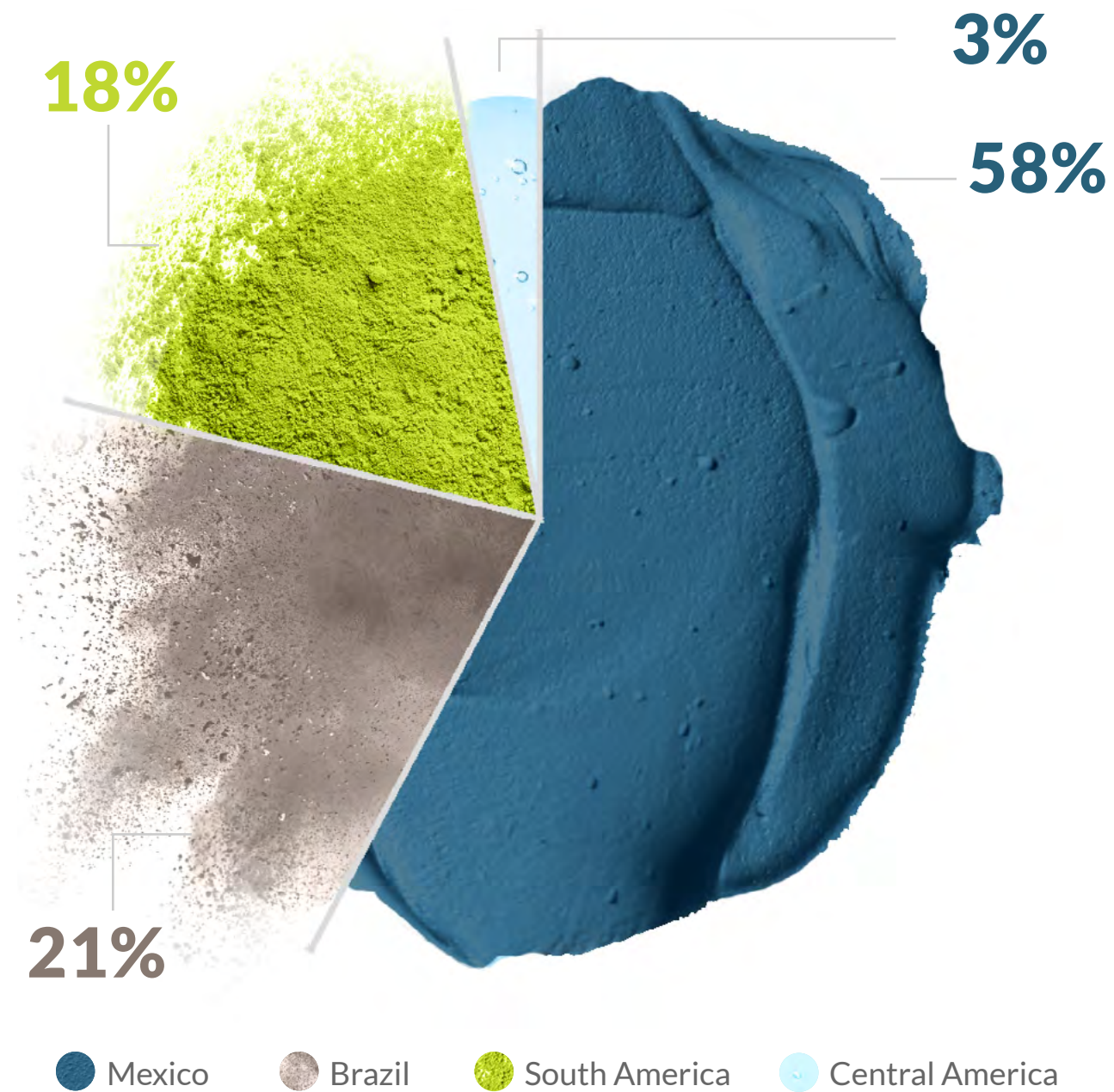
Portfolio by segment
(% of consolidated sales)



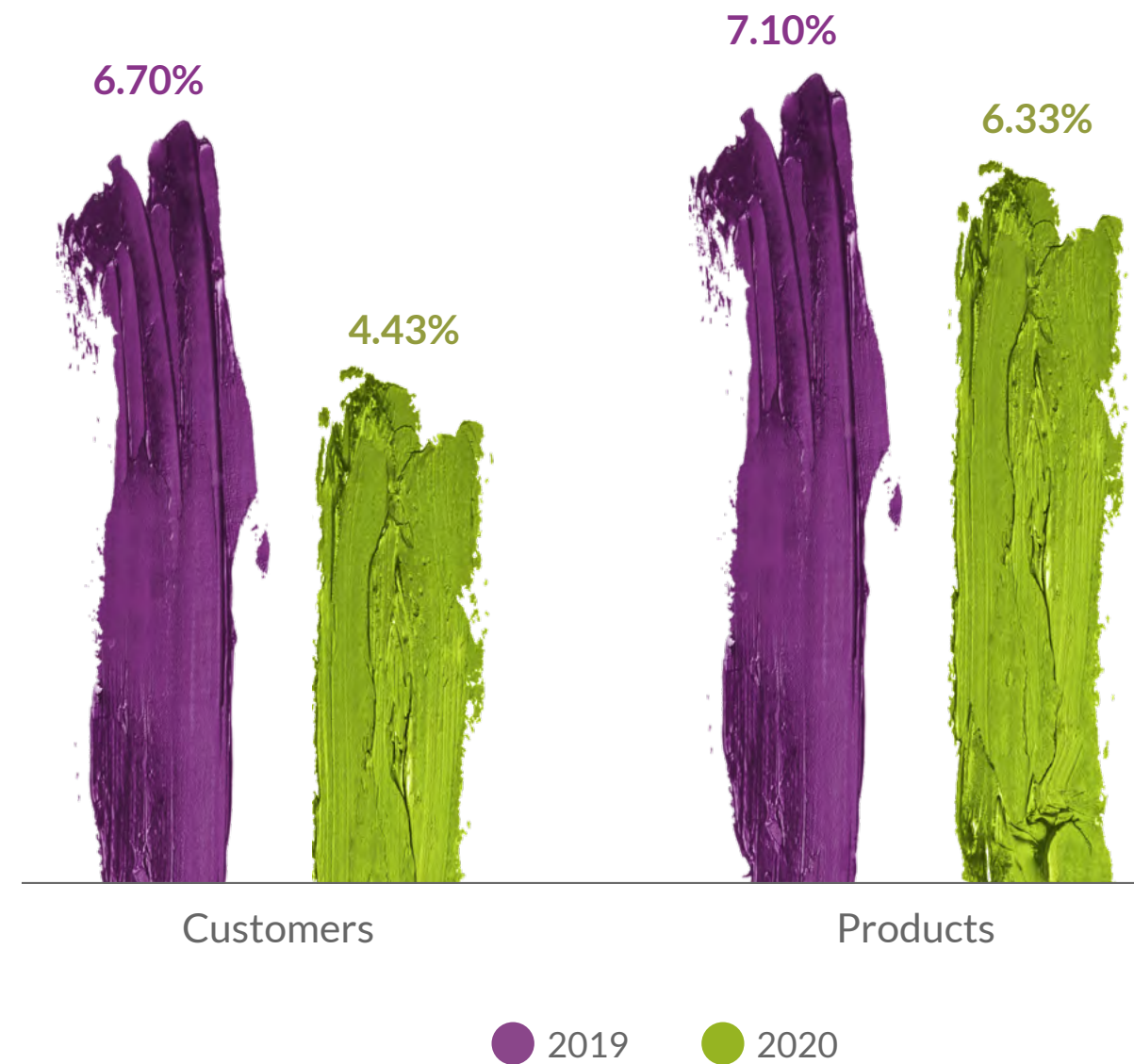
Percentage of sales by region
(Mexico)



Percentage of sales by geography (Americas)



Top 5 customers and products (% of consolidated sales)



NEW DEVELOPMENTS AND SOLUTIONS



Pochteca Chile

Specialized outsourced 3PL logistics

Logistics services

We have the proven expertise to transport any hazardous, food grade or general cargo product.

Reliability of supply and a cost-effective distribution network.

Sustainable Solvent Recovery System “RSS”

This sustainable circular economy process allows us to optimize costs by reintegrating the materials used back into the value chain for re-use in the manufacture of new products of the same quality in addition to allowing a reduction in environmental impact.



Hazardous industrial waste

Management and final disposal of hazardous industrial waste. Includes: collection, transportation, collection, storage and final disposal.



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SECURE CUSTODY CHAIN

Pochteca guarantees to all its stakeholders that its raw materials meet all quality standards, including environmental standards, and that its chain of custody is certified by the countries in which it operates. In addition, our responsible management model has been certified by diverse entities whose certification covers our processes, resources, leadership, customers and suppliers.

This model has laid the foundation for implementing our sustainability strategy.

MÉXICO



We are committed to a Quality Management System aimed at ensuring the satisfaction of our customers and interested parties and to continuous improvement of our processes.



We have been certified for responsible distribution, which requires us to continuously improve our efforts to protect health, safety, and the environment.

We guarantee:

- Prevention of environmental and safety incidents.
- Policy documentation.
- Excellence practices and quality systems for all operations.
- Improved community outreach.
- Improved performance



Our FSC Chain of Custody certification is a guarantee to the marketplace that our products come from environmentally and socially responsible sources.

It also helps us to verify that FSC-certified material has been identified and separated from non-certified material in the supply chain, from forest to market.



The Integral Responsibility® seal, awarded by ANIQ, requires us to voluntarily and publicly assume our commitment as a global chemical industry to undertake actions focused on protecting health, safety and the environment throughout the supply chain and to work for continuous improvement.



Over the years, the SEDEX ethical and social audit has allowed us to manage supply chain risks by assessing our operations and complying with social responsibility principles, thus protecting people and the environment.



We have made a commitment to Empresas por el Bienestar that all collaborators holding a job at Pochteca will be able to aspire to a dignified standard of living. Our People Come First!



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BRAZIL



Our operations in Brazil hold the Associquim PRODIR Certification for Responsible Distribution, a certification designed for the chemical and petrochemical distribution sector, as well as the SGS ISO-9001:2015 Quality Management System, which is centered on the customer, leadership, continuous improvement processes, and risks.

SOUTH AMERICA

VDA | QMC

ISO 22241 compliance certification for Ad-Blue manufacturing awarded by the German Automotive Society.



CHILE



Responsible Conduct Program in Chile, awarded by ASIQUIM, for safety, health and environmental care in the supply chain.



Ethical trade program evaluated by SEDEX that allows companies to evaluate their sites and suppliers in order to understand the working conditions in their supply chain.

PERU AND COLOMBIA



Authorized Economic Operator Certification granted by the customs authorities guaranteeing security in the supply chain.

Pochteca Chile



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BUSINESS MODEL



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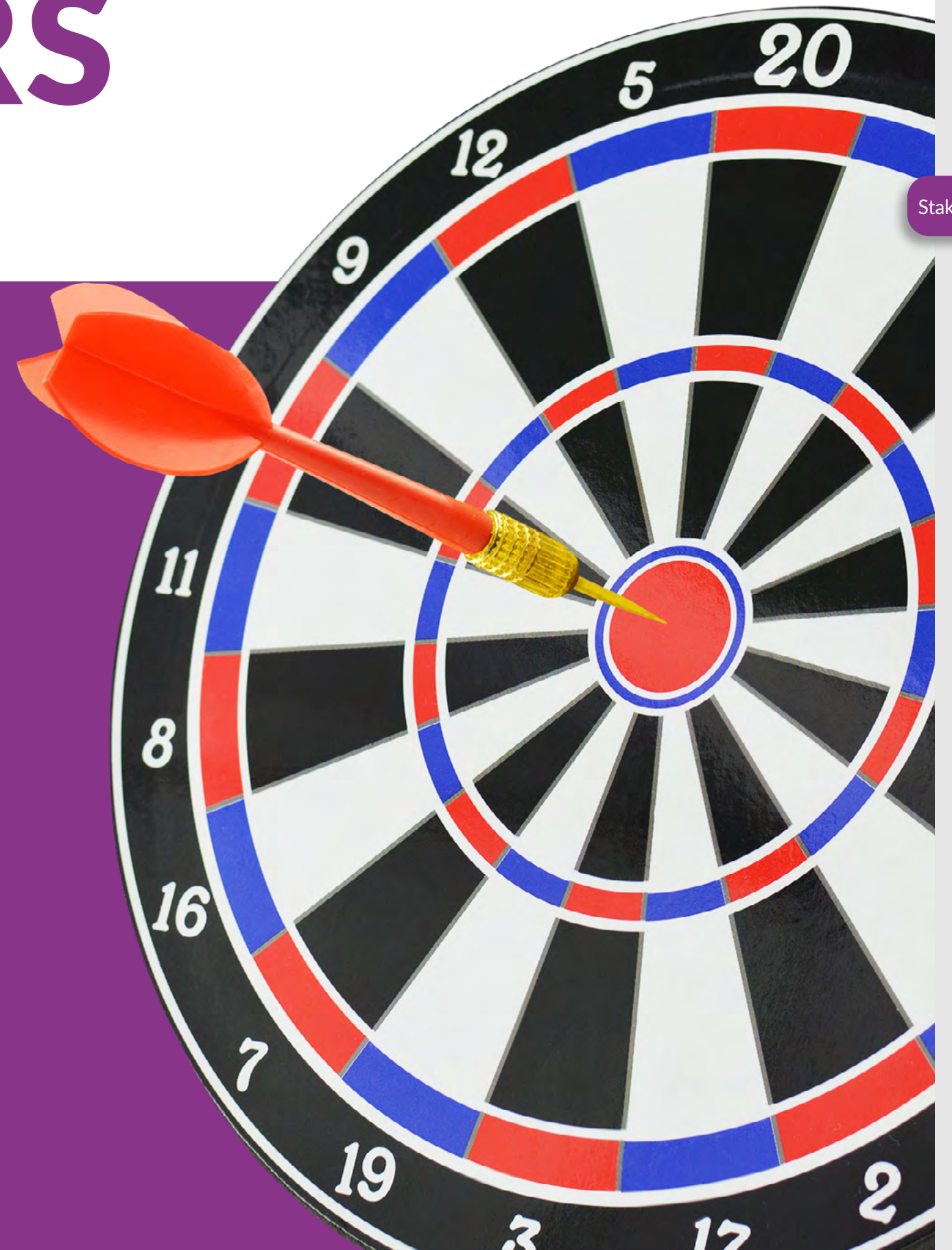
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STAKEHOLDERS

We have identified our stakeholders and our commitments to each of them by mapping the major positive and negative impacts.

We regularly survey our stakeholders to identify their needs in order to incorporate them into the company's strategies.



CUSTOMERS

As our customers are the backbone of our business, we continuously strive to provide them with service excellence. We guarantee their safety through well-established processes that include risk assessments in waste management, regulation and disposal of hazardous materials.

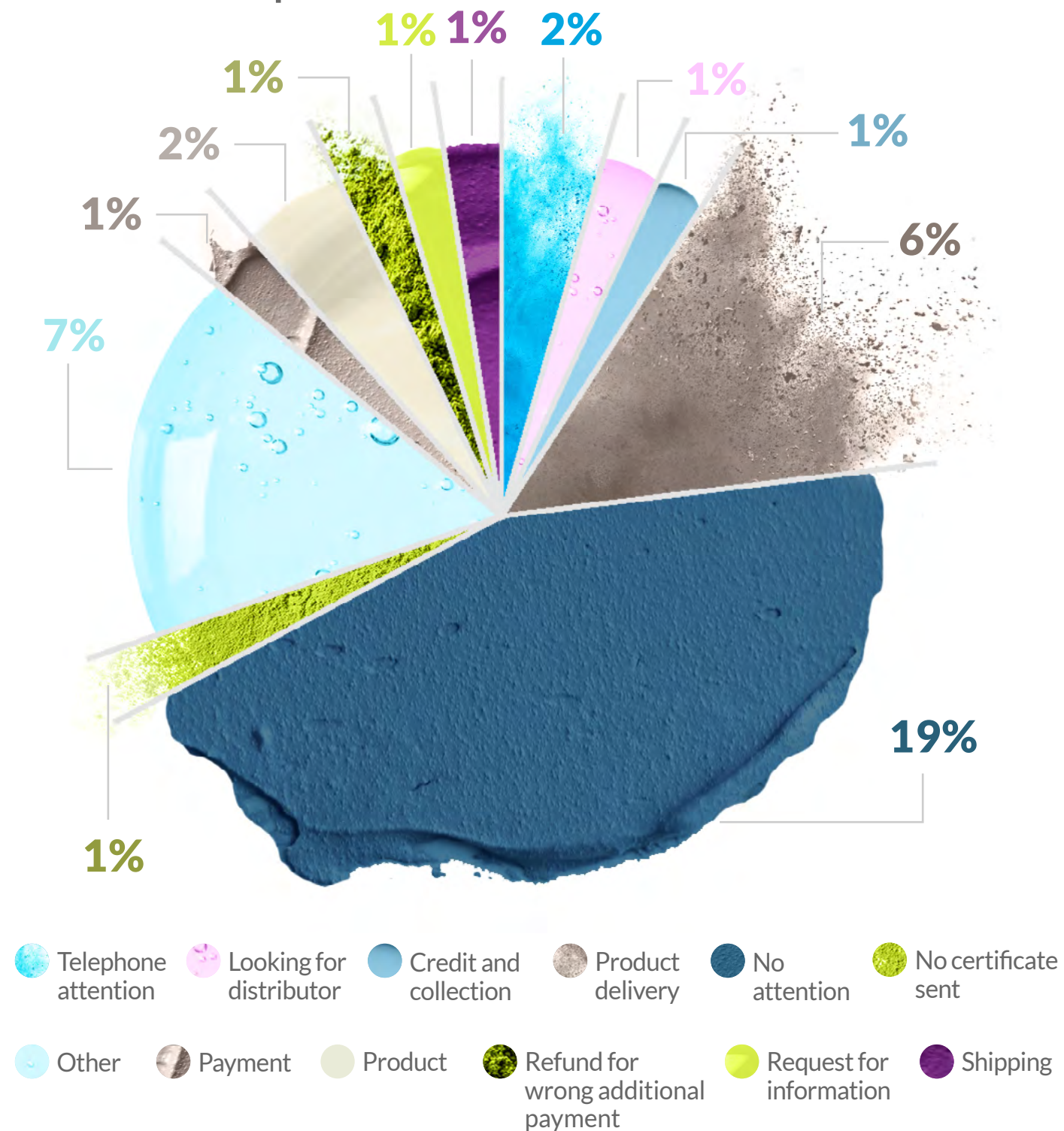
We conduct annual service surveys to measure customer satisfaction on our value proposition and, based on this, make the necessary modifications.

Due to the sanitary emergency and the inconsistency of customer operations, we were unable to conduct such surveys in 2020, but we were able to identify their main concerns through our various communication channels.

Our most significant challenge was product service and delivery of online purchases. The causes identified were mostly centered on the lack of product availability on site as a result of workforce reductions since our vulnerable personnel stayed at home. Nevertheless, we have established an interdisciplinary group that meets every two weeks to review the process, to identify risk points, and to establish the actions necessary for improvement.

Additionally, we have finalized and implemented our Salesforce CRM, a sales tool that helps us measure our performance by converting leads into sales and reviewing items and product quotes, customer quotes, invoiced orders, overdue items, number of products, and customers with sales, among others.

Causes for complaints



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COLLABORATORS

The Pochteca Virtual University (UVP) implements an annual employee training program based on the different profiles of our personnel. We also evaluate objectives and competencies through our Pochteca Personnel Development tool (DPP) and conduct surveys.

During the pandemic we were able to identify uncertainty and/or anxiety among our collaborators, not only among those who remained working at the facilities but also among those who worked from home. For this reason, we carried out a series of activities aimed at improving their mood and providing them with support and security during the difficult months.

In order to understand the feelings of our personnel and implement specific measures, in 2020 we applied the "Is everything all right?" survey, which we first conducted with the personnel who started working from home –representing 67% of our total staff– and then with the remaining group. The survey was conducted while the staff remained working at home and again upon their return to the office in order to identify strengths and areas of opportunity.

Strengths

Good organization and coordination.

Adequate use of means of communication

Constant communication

Effectiveness of work tools

Scheduled meetings

Quick response

Call, conference, and e-mail efficiency

Good availability

Continuity of work

Management and prompt support from managers

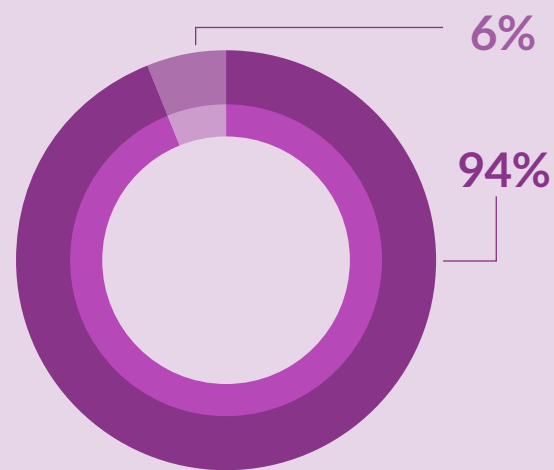
Virtual work Teams Platform

Areas of opportunity

Some areas are slow to respond

Working hours are not respected

Remote work



When working remotely, do you consider that the communication with your bosses and colleagues is good?

● Yes ● No



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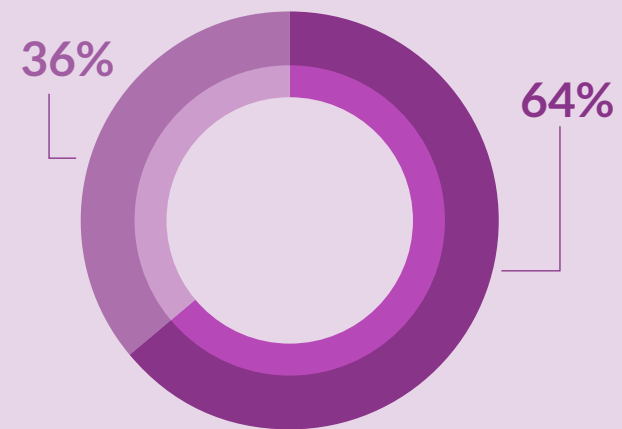
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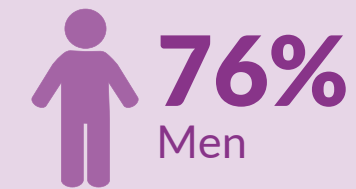
Remote work



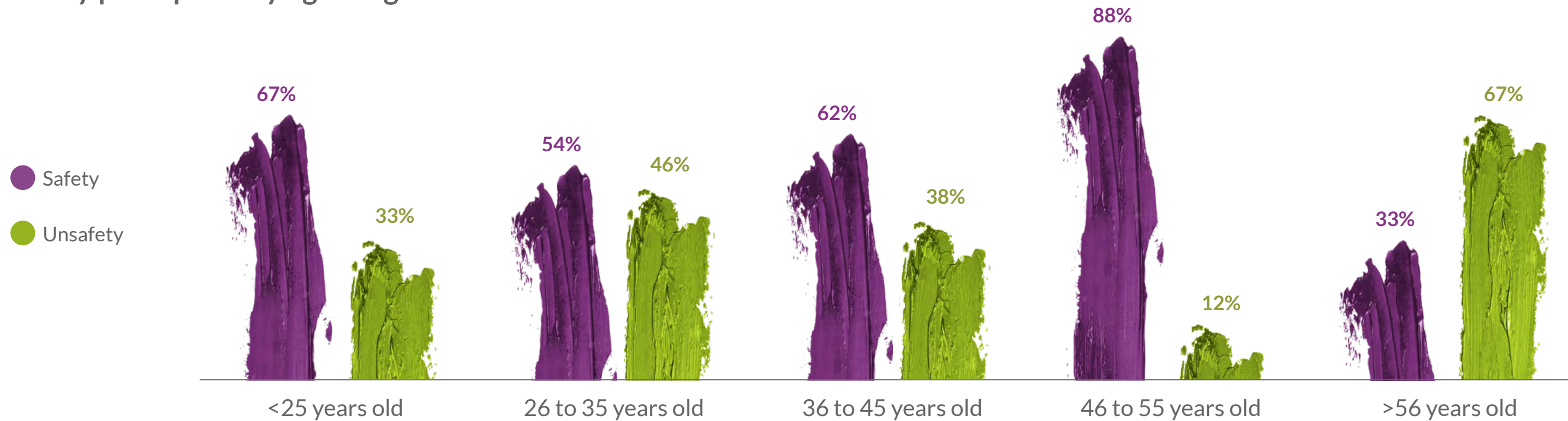
Do you feel safe working at Pochteca's facilities today?

● Yes ● No

Safety perception



Safety perception by age range



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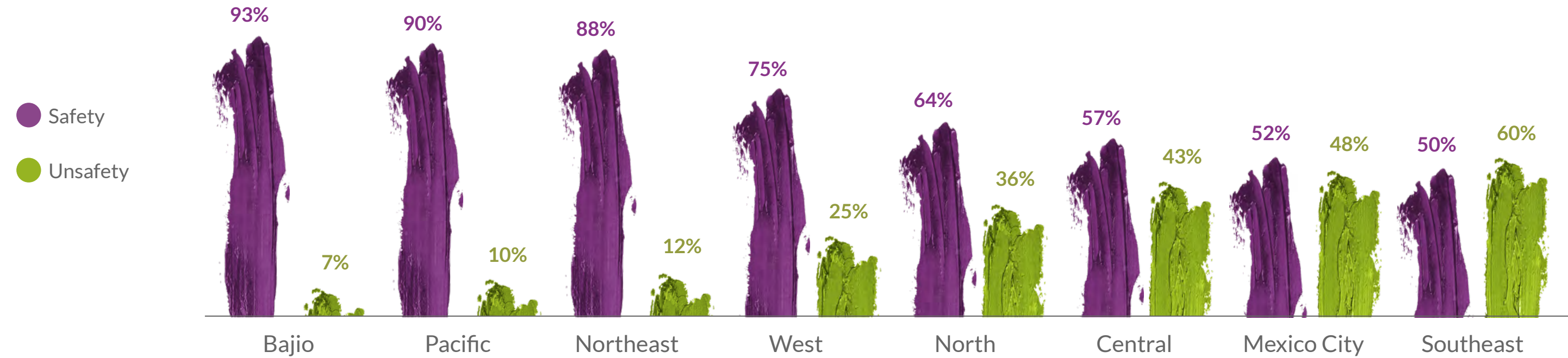
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Safety perception by region



The following measures were implemented as a result of the responses obtained:

1. Implementation of the "RH te escucha" line for doubts and reports of non-compliance with sanitary measures, or lack of supplies.
2. Creation of WhatsApp groups for official information.
3. Information briefings from our CEO.
4. Creation of a COVID-19 Committee, a multidisciplinary team whose function is to continue to identify the needs of our collaborators so that we can remain operating in a safe manner. The team meets every two weeks and will remain in operation until such time as it is determined that there are no longer any risks for our collaborators.

COMMUNITIES

We are committed to the well-being of our communities and their sustainable development through job opportunities and development in collaboration with foundations and associations.

In 2020 we made a number of donations related to the sanitary emergency through various agencies. We also provided disaster relief to communities affected by natural catastrophes which are reported in our Social Impact section.

SUPPLIERS

We uphold a sustainable value chain that requires us to select our suppliers according to well-established environmental, social and corporate governance criteria which are evaluated every year.

At Pochteca we are committed to fair and honest competition by sharing our best practices through associations and other entities to which we belong.



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SHAREHOLDERS

We strive to become a highly efficient, sustainable company in the social, environmental and corporate governance areas; one in which values prevail in order to assure our shareholders' growth, profitability and return on investment, all the while maintaining compliance with regulatory requirements and adherence to the laws in the places where we operate.

AUTHORITIES

We constantly interact with the authorities of the different countries in which we operate and fully comply with their regulatory requirements.



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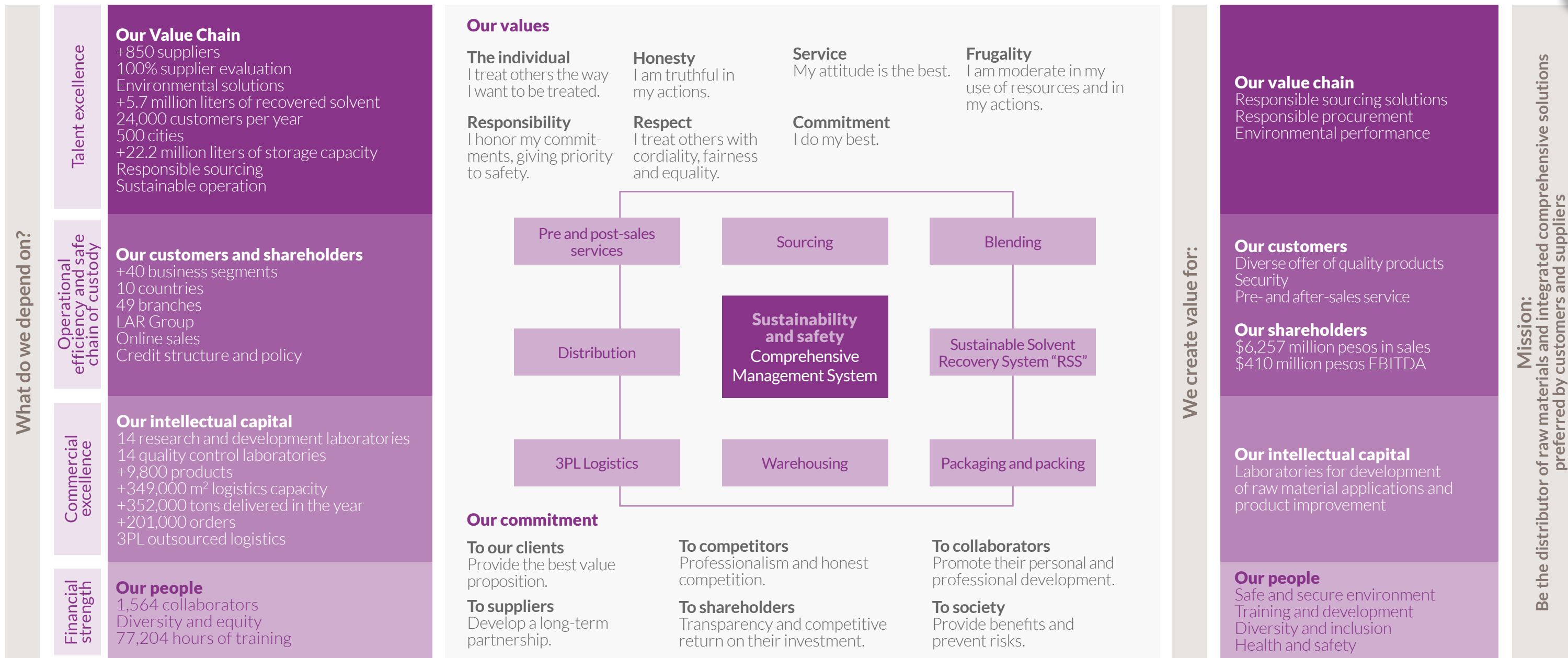
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CREATING VALUE FOR OUR STAKEHOLDERS



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MATERIALITY

SOCIAL AND RELATIONAL CAPITAL 

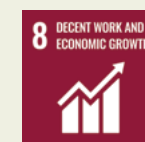
Based on the material aspects derived from our materiality study – included in our sustainability strategy – we have contributed to the Sustainable Development Goals (SDGs) set forth in the 2030 Agenda of the United Nations.



Material aspects	Stakeholder importance level	Sustainability strategy priorities
Good organization and coordination.	86%	Business integrity
Adequate use of communication media	80%	
Constant communication	86%	
Tool effectiveness	83%	
Scheduled meetings	83%	
Quick response	85%	
Call, conference and e-mail efficiency	81%	
Operations	81%	Supply Chain
Product and Service Development / Product Responsibility	85%	
Management and prompt managerial support	84%	
Supplier standards	79%	
Environmental policies	89%	Environment
Materials	79%	
Energy eco-efficiency	79%	
Management of water resources	79%	
Biodiversity	84%	
Climate change	83%	
Waste management	86%	
Talent attraction and retention	80%	Our people
Human capital development	85%	
Diversity and equal opportunity	86%	
Occupational health and safety	85%	
Human rights	87%	
Climate change	85%	
Social impact	81%	Community

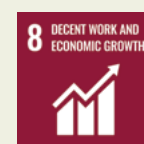
The SDGs intend to generate a call to action for all countries to eradicate poverty and protect the planet, as well as to ensure peace and prosperity.

Commitment to our people and communities



Health and safety • Diversity and inclusion • Dignified working conditions • Donations
Disaster relief • Employment

Commitment to our clients



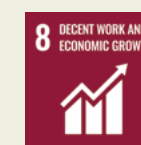
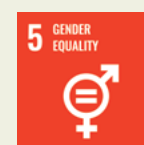
Responsible procurement • Responsible sourcing solutions • Safety

Commitment to the environment



Climate change • Partnerships with associations • Certification

Culture of legality



Anti-corruption • Equal opportunities • Non-discrimination • No child and forced labor



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SUSTAINABILITY STRATEGY

INTELLECTUAL CAPITAL 

Our commitments and values compel us to continuously improve our social, environmental and corporate governance operating standards in order to guarantee the health of our collaborators and their families, the security of our supply chain, the quality and safety of our products, and the well-being of the communities in which we operate.



In order to comply with these commitments, we have voluntarily adopted certifiable social and environmental standards which allow us to incorporate best practices into our operations and monitor their compliance through external audits that help us identify weaknesses and opportunities for improvement.

SARI Assessment



Rating:

95.9 vs. **92.1**
2020 2019



National average
87.8

MEXICO



- Our three plants in the Metro area (San Juan, San José and Vallejo) and corporate offices are ISO 9001:2015 certified, which represents more than 60% of our operation. In 2020, we renewed this certification for three more years, also covering our development laboratories.
- We hold Responsible Distribution Certification by the NACD under which we are audited every three years to guarantee the process. In 2021 we will be audited five times as the NACD extended the validity of the certification due to COVID-19.
- Nine of our sites hold the Integrated Responsibility Management System Certification (SARI®), demonstrating our commitment as a Chemical Industry company to promoting continuous improvement for the protection of health, safety and environmental care.
- Our paper warehouse in Vallejo is audited annually by the FSC (Forest Stewardship Council), a standard that allows us to sell paper sourced from sustainable forests.
- Additionally, we are part of the SMETA (Supplier Ethical Data Exchange) and TFS (Together for Sustainability) sustainable procurement platforms of the ECOVADIS Platform.

BRAZIL



- Our five sites in Brazil hold ISO 9001:2015 certification, representing 100% of the certified operation.
- The Brazilian operation is audited to guarantee the "Responsible Distribution Process" in accordance with the standard established by the *Associação Brasileira dos Distribuidores de Produtos Químicos e Petroquímicos (Associquim)*.

SOUTH AMERICA



- Our operations in Chile are certified by the German Automotive Society (VDA), which certifies compliance with ISO Standard 22241 for the manufacture of AdBlue; they are part of the ASIQUIM Responsible Care Program, designed to ensure safety, health and environmental care in the supply chain, and comply with the requirements for the SEDEX Members Ethical Trade Audit, SMETA 6.1 for labor, health and safety, environmental and business ethics practices of the organizations.
- The Peruvian and Colombian customs authorities have awarded us with the Authorized Economic Operator (AEO) Certificate for our operations, which guarantees the safety of our supply chain.



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GRI 102-11, 102-15, 102-30, 403-8

COMPREHENSIVE MANAGEMENT SYSTEM (SIG)



Our Comprehensive Management System (SIG) Policy has been aligned with the Company's culture and strategies since 2018 and has four objectives aimed at meeting our goals: EBITDA, sales growth, accident rate, compliance with recall objectives or withdrawal of products considered a potential risk to consumer health and maintaining current certifications.

Risk reduction in all our operations and continuous improvement in our processes continues to be the basis of our Comprehensive Management System (SIG) and its Policy.

Grupo Pochteca focuses on reducing risks and continuously improving its processes in order to satisfy the needs and expectations of its customers and stakeholders and achieve its financial and growth objectives, which are based on 4 pillars of sustainability.



OUR PEOPLE

We strive for their well-being, health and safety, ensuring they are treated fairly and in accordance with the law.



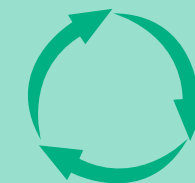
ENVIRONMENT

We have established operational controls to minimize environmental impacts.



COMMUNITY

We work in strict adherence to our values and compliance with applicable regulations, supporting the community and fostering a culture of legality, responsibility and mutual collaboration.



SUPPLY CHAIN

We guarantee the quality of our products and the safety of food-grade products, ensuring secure, safe and ethical operations with all those involved in this chain, while maintaining the efficiency of our operating costs.



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Management of our operations, as well as all internal and external interaction, is based on the documentation pertaining our Comprehensive Management System (SIG) which establishes codes, policies, regulations, manuals, procedures, instructions and records.

Updating

Business strategy • Requirements of any of our stakeholders in our business
• Complaints and grievances from our stakeholders • Surveys and materiality studies • Process improvements • Strengthening business ethics and integrity requirements • Regulatory requirements • Corrective actions

Feedback mechanisms

Attention by sales executives • Customer service and after-sales service • Social networks
• Mailboxes • Transparency line • 800 line • Web page • Surveys • WhatsApp

Identification of new requirements, standards and processes involved

Creation of implementation teams (process owners)

Operation documentation

Controls and performance indicators
Document review and issuance

Communication, dissemination and training of personnel involved in the processes

Indicator review

Internal and external audits
Corrections and improvements



Leon Plant

We shall continue to work under our Integrated Customer Transformation (ICT) philosophy, which aims to increase process efficiency, reduce waste and improve working conditions and team communication, thereby strengthening the Company's sustainability strategy and measuring our results.



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COMMITMENT TO OUR PEOPLE

HUMAN CAPITAL 

1,564
collaborators



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1,564
collaborators

Human resources management is a priority for the company. Our goal is to ensure that our collaborators have dignified working conditions in which diversity and inclusion, quality of life, education and training, safety and health prevail, enabling them to develop personally and professionally. To this end, we have established policies, processes and procedures for recruitment, retention, training and other labor issues.

We abide by the strictest standards regarding hiring, wages and benefits in all countries in which we operate and adhere to all applicable laws and regulations.

Regarding significant changes in practices or operations which may substantially affect workers and their elected representatives, we announce these one month in advance with the participation of union representatives in their implementation. The collective bargaining agreement specifies that negotiations take place in December of each year.

In 2020 we carried out the acquisition of IXOM Holdings Pty Ltd., a leading chemical manufacturing and distribution company in Australia and New Zealand with presence in the Americas and Asia, whose workforce will be reflected in this report.

GRI 102-7, 102-8, 102-10, 102-48, 401-1

Workforce by region and gender

Region	Women	Men	Total
Bajío	39	87	126
West	14	30	44
Southeast	15	60	75
South central	30	44	74
Northwest	28	49	77
Central	215	432	647
Northeast	25	56	81
Guatemala	8	14	22
Costa Rica	7	9	16
El Salvador	8	11	19
Brazil (Coremal)	98	152	250
Argentina	1	3	4
Brazil (Diproquim)	1	2	3
Chile	27	53	80
Colombia	18	8	26
Peru	9	11	20
Total	543	1,021	1,564

Workforce by age range and gender

Region	Age	Women	Men
Bajío	19-30	3	25
	31-67	6	20
Central	19-30	23	67
	31-59	28	88
West	24-56	0	13
Southeast	24-45	2	8
	19-30	16	17
Northeast	31-55	0	27
	25-35	5	8
South central	36-60	3	11
Northwest	20-30	2	25
	31-56	3	28
Guatemala	21-32	0	3
	33-60	1	2
Costa Rica	20-23	3	0
	27-48	1	2
El Salvador	28	14	22
Brazil (Coremal)	20-30	2	3
		12	18
Chile	28	1	0
Brazil (Diproquim)	31	1	0
	31	0	1
Colombia	37	0	1
	39	1	0
Total		106	367



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Turnover levels during 2020 decreased by 14%. Although we believe that the country's economic conditions may have been an important factor in this decrease, we are convinced that the actions we have been implementing will allow us to sustain a constant decrease in turnover.

Personnel Turnover

Region	Deletions			HC	Turnover		
	Women	Men	Total		Women	Men	Total
Bajío	7	41	48	126	0%	3%	3%
West	44	141	185	44	3%	9%	12%
Southeast	4	15	19	75	0%	1%	1%
South central	1	6	7	74	0%	0%	0%
Northwest	13	24	37	77	1%	2%	2%
Central	6	38	44	647	0%	2%	3%
Northeast	12	51	63	81	1%	3%	4%
Guatemala	0	2	2	22	0%	0%	0%
Costa Rica	8	4	12	16	1%	0%	1%
El Salvador	3	1	4	19	0%	0%	0%
Brazil (Coremal)	20	17	37	250	1%	1%	2%
Argentina	1	0	1	4	0%	0%	0%
Brazil (Diproquim)	0	0	0	3	0%	0%	0%
Chile	1	3	4	80	0%	0%	0%
Colombia	2	1	3	26	0%	0%	0%
Peru	2	1	3	20	0%	0%	0%
Total	124	345	469	1,564	8%	22%	30%



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DIVERSITY AND INCLUSION

Pochteca does not discriminate against collaborators because of gender, ethnicity, religion or social status; in accordance with the terms of our policies, our hiring is strictly based on competencies.

Since 2019 we have kept our commitment to the labor inclusion project of Fundación Unidos, A.C. whereby we have integrated people with disabilities into our workforce with the same job opportunities as the rest of our collaborators.



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GRI 201, 202: 103-1, 103-2, 103-3, 102-35, 102-36, 201-3, 401-2, 401-3, 405-2

BENEFITS AND COMPENSATION



The benefits and compensation opportunities of our collaborators are above those required by law. Therefore, since 2019 we have been part of the group of 100 companies that adjusted upwards the salaries of their collaborators with the objective of establishing a minimum salary of \$6,500 pesos per month.

The health of its collaborators is of paramount importance for the Company. For this reason, in 2020 and as a consequence of the pandemic, we provided our collaborators with coverage under the Integra Salud minor medical expenses program which provides benefits for accident expenses and funeral assistance.

We base compensation on individual competencies and the achievement of objectives. Among the main benefits available to our collaborators are: Social Security and a savings fund.

Average monthly wages by region and gender

Region	Women	Men
Bajío	\$15,232.88	\$17,661.24
West	\$15,594.29	\$21,041.81
Southeast	\$16,452.93	\$15,089.16
South central	\$14,474.37	\$19,915.40
Northwest	\$18,205.18	\$21,353.49
Central	\$19,370.12	\$26,261.32
Northeast	\$15,374.00	\$19,527.22
Guatemala	\$22,048.70	\$9,449.90
Costa Rica	\$20,835.22	\$41,915.01
El Salvador	\$27,215.81	\$14,227.01
Brazil (Coremal)	\$19,360.04	\$20,613.01
Argentina	\$32,578.85	\$64,279.38
Brazil (Diproquim)	\$19,060.81	\$83,457.83
Chile	\$32,642.62	\$55,109.34
Colombia	\$78,189.28	\$88,812.64
Peru	\$50,849.63	\$58,193.35
Total	\$26,092.80	\$36,056.69

The salary gap in 2019 for men was 34% higher, but decreased to 27% by 2020. In 2021, we intend to implement a Compensation Policy that will enable us to achieve equal opportunity for our collaborators.

GRI 401: 103-1, 103-2, 103-3, 401-3

We guarantee the right of collaborators to maternity and paternity leave in accordance with the provisions of the Federal Labor Law and our internal regulations. Any leaves of absence that occur are at the employee's own discretion.

Maternity	
Pregnancy leave	18
Total women	543
Percentage	3%
Reincorporation from maternity leave	
Pregnancy leave	18
Reincorporated	13
Percentage	72%

During the COVID-19 pandemic we tested our Flexible Scheduling and Work at Home Policy which provided all administrative personnel with the option of operating from home, or carrying out duties or working on a staggered schedule. This allowed us to stay connected with our collaborators at all times and to operate effectively.

Throughout the year we made significant investments in the digitalization of processes and tools to maintain contact with customers, collaborators and suppliers, which allowed us to maintain business continuity.



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GRI 404:103-1, 103-2, 103-3, 404-1, 404-2, 404-3

TRAINING AND EVALUATION


We are constantly working to improve the skills and aptitudes of our collaborators in order to meet the established objectives and performance goals and to achieve the Company's continuous growth.

Our training process is based on a Training Needs Detection (DNC) scheme, whose results are used to determine the Annual Training Plan for each position and specific area.

 **77,204**
training hours in 2020

 **61,206** online
 **15,998** on-site

 **20,499**
training courses in 2020

 **14,758** online
 **5,741** on-site

Training Needs Assessment (TNA)

- Strategies of the organization
- Audits
- Corrective actions
- Development plans
- Changes in applicable regulations, processes and infrastructure
- Customer requirements

Training by position

Specific training by area



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In order to help our collaborators to complete their secondary and higher education and fulfill their personal development goals, we offer them the opportunity of taking technical courses in our Pochteca Classroom, which we have created in partnership with Construyendo a México Crecemos, I.A.P., at our facilities in the San Juan Plant.

POCHTECA CLASSROOM



176 enrollments:

3 middle school

11 high school



72 men



104 females

Measuring the effectiveness of the training and courses we provide is of utmost importance to determine if we are meeting the needs of our collaborators and those of the company towards meeting performance objectives.

For administrative personnel, evaluation is carried out through our Pochteca Development Platform (DPP); in the case of operational personnel, it is done through formats that fulfill the same function.

The steps to carry out the process are as follows:

1. Definition and uploading of the year's objectives to the platform.
2. Mid-term review to monitor adherence to the initial objectives.
3. Defining the actions to ensure compliance with the objectives at the end of the year.
4. Presentation of results based on scales; from "Not met" to "Exceeded".

Collaborators who do not meet the minimum performance requirements are provided with improvement plans that are defined by their direct supervisor and the human resources team; in 2021, individual plans will be evaluated periodically to ensure their effectiveness.

EVALUATION RESULTS

Rating

7.18%

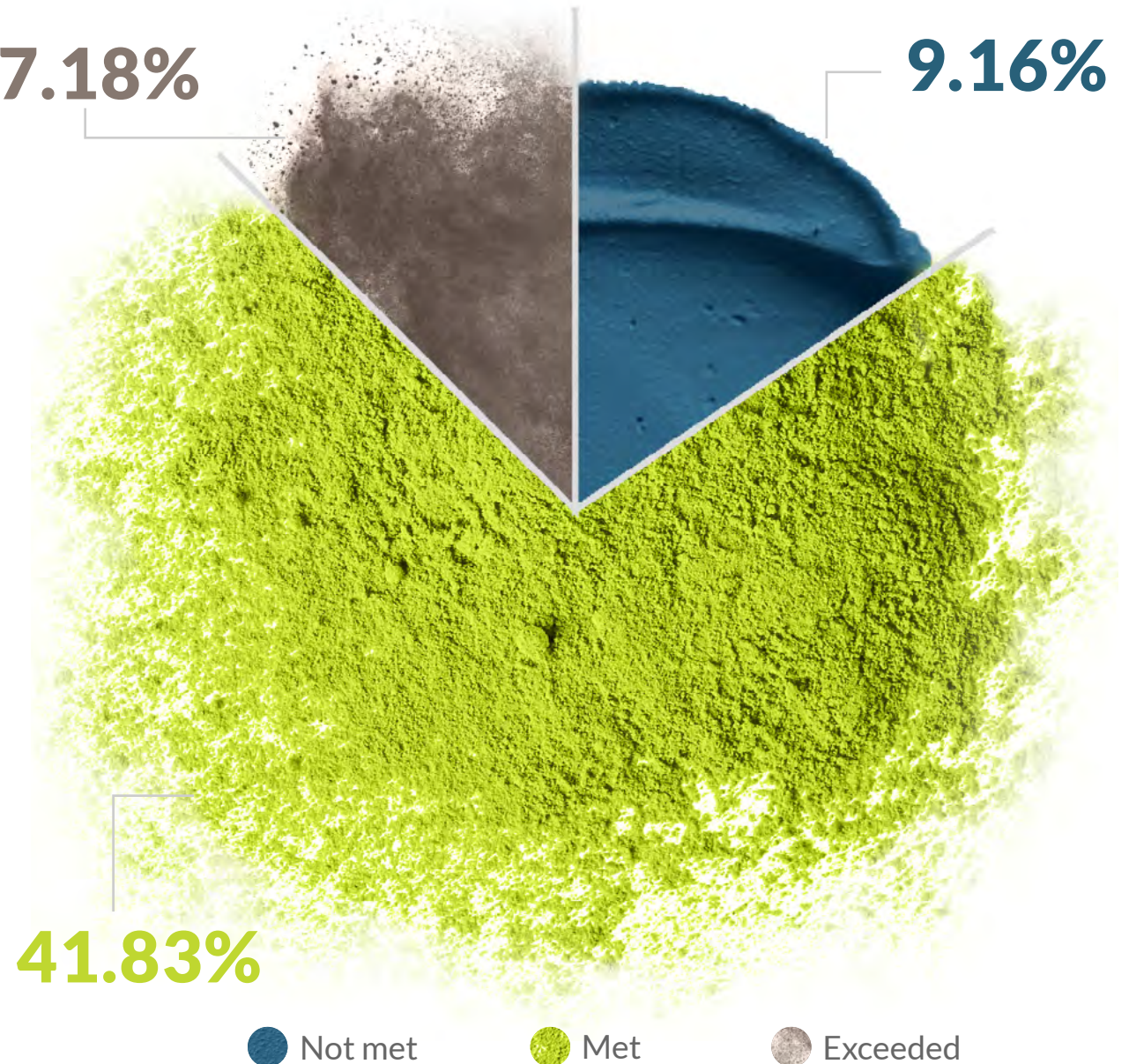
9.16%

41.83%

● Not met

● Met

● Exceeded



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It bears mentioning that due to the successful management of the pandemic and our attention to the needs of our collaborators, we were awarded the *Empresa Humana Solidaria* (Humane and Solidary Company) recognition granted by LIDERAZGO Rex which recognizes companies that assign top priority to organizational values and solidarity with their personnel.



pochteca **Empresa Humana y Solidaria 2020**

¿Qué es ser una empresa humana y solidaria?

Las organizaciones humanas y solidarias son aquellas que, en un contexto como la pandemia, todas sus iniciativas tienen como eje principal a su capital humano.

- No realizaron despidos masivos
- No redujeron los sueldos de sus trabajadores
- Dieron apoyo especial a empleados considerados como población vulnerable ante el COVID-19
- Tuvieron medidas ejemplares en protección sanitaria para sus colaboradores
- Cuentan con iniciativas de apoyo psicológico y emocional para los empleados
- Apoyaron o entregaron donativos para personas de su comunidad
- Sus acciones tuvieron en el centro de todas las decisiones al capital humano

NUMERALIA EN GENERAL

Pláticas "Pregúntale a Armando"	38
Cubrebocas entregados	+8,000
Caretas entregadas	+2,200
Surtaquím para consumo de nuestros colaboradores	1,800 L
Dispositivos Don't Touch	1,500
Bidones individuales para agua	1,500
Comunicados/documentos/noticias/videos acerca del COVID distribuidos	+250
Donativos realizado a la comunidad de hipoclorito de sodio 3%	79,800 L
Pruebas PCR realizadas	1,335
Horas de capacitación	+15,000 h
Contratación de Integra Salud	+6,500 beneficiados
Horas de consulta médica y seguimiento a colaboradores	+1,000 hrs
Pláticas programadas por parte de PAE enfocadas a Covid	25

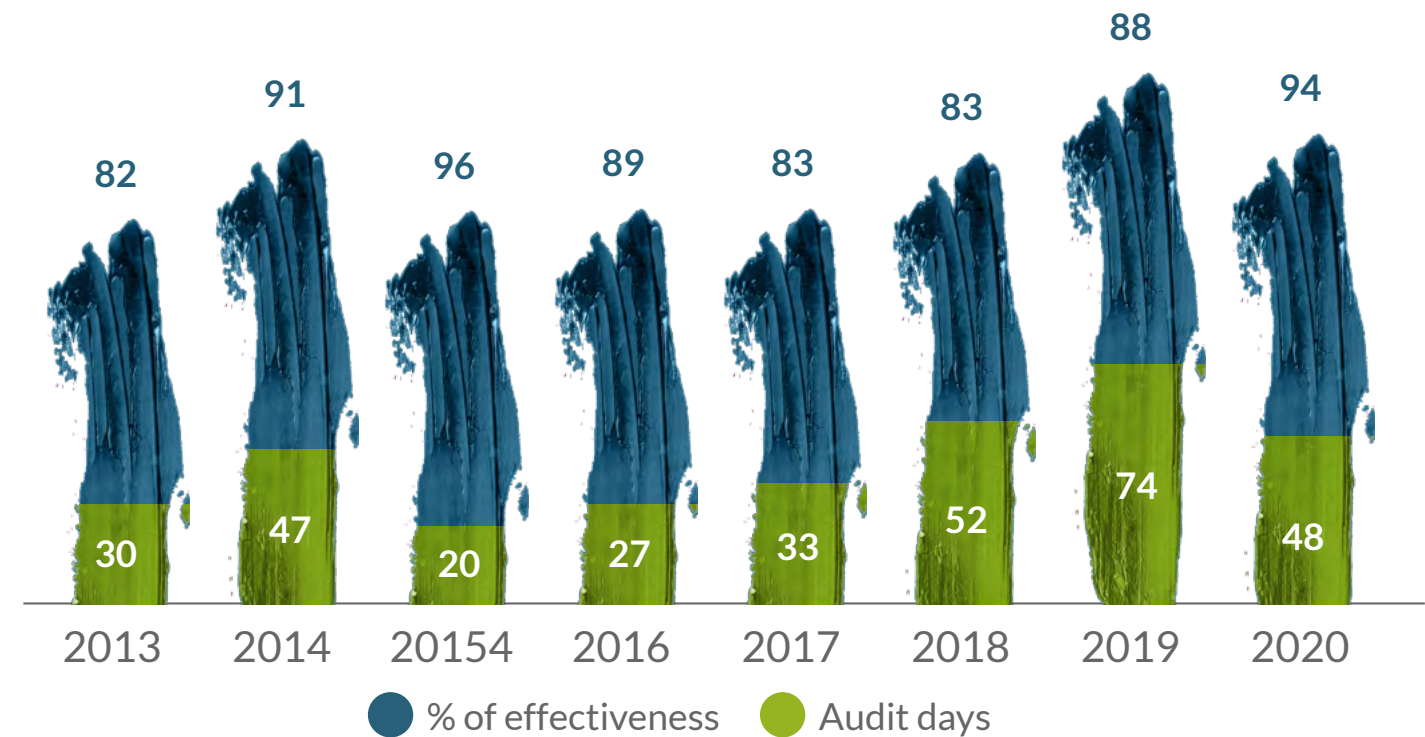
GRI 403: 103-1, 103-2, 102-33, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, RT-CH-320a.1, RT-CH-320a.2

OCCUPATIONAL HEALTH AND SAFETY

Health and safety of our collaborators and their families is of vital importance to us. This is why it is a fundamental part of our strategy and culture and why all job profiles and their objectives consider it in their performance and the objectives of the Integrated Management System (IMS).

Our IMS has 30 documents related to security and the controls required to comply with it. In addition, all operating procedures establish the controls defined for each activity, including the response in case of emergencies.

Furthermore, the system is subject to continuous audits focused on safety, environmental protection and compliance with applicable regulations.



Commitment to our people

MEXICO

 **18** audits
 **30** audit days

BRAZIL

 **4** audits
 **4** audit days

SOUTH AMERICA

 **14** audits
 **14** audit days

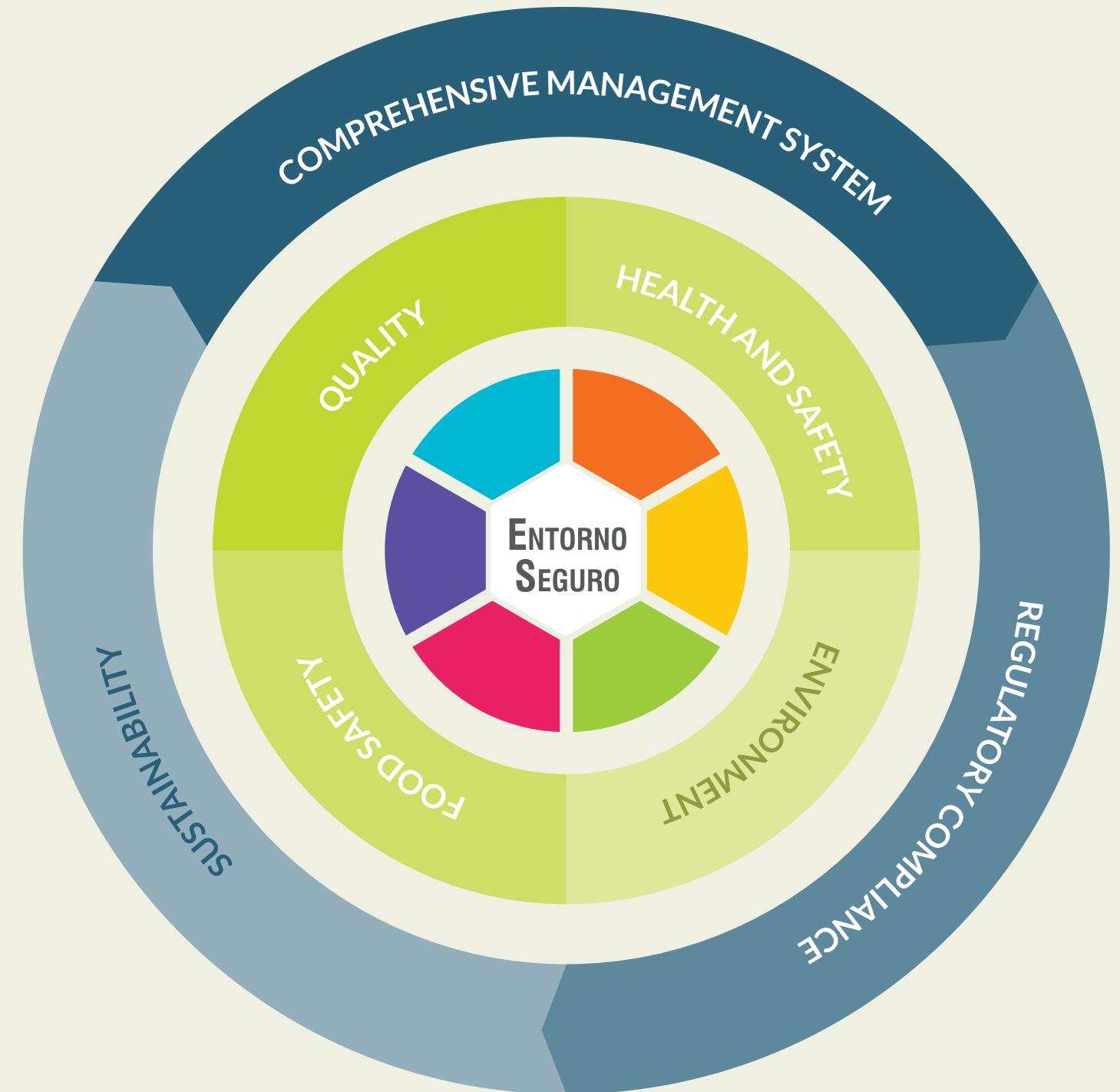
TOTAL

 **36** audits
 **48** audit days

Pochteca maintains certified operating standards that safeguard the health and safety of its customers, suppliers, collaborators, and neighboring communities. In addition, our emergency response protocols are subject to validation through scheduled drills. All our plants and buildings are in strict compliance with the safety legislation of each of the countries in which we operate.

We also have a communication channel to state and federal civil protection authorities that they use to verify our internal programs, carry out inspections of our facilities, and prioritize attention to the observations derived from these inspections. Additionally, we participate in events and drills requested by the authorities.

Our Safe Environment strategy is designed to achieve our goal of reducing incidents, accidents, and unsafe conditions in the workplace based on seven priorities. The Integral Responsibility area is in charge of ensuring compliance with these priorities.



Commitment to our people

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The effective communication of our "Safe Environment" strategy is fundamental to meeting our health and safety objectives. We have implemented a communication platform called PochtecaNet, which allows us to publish information about this strategy. On the other hand, we share this information with customers and suppliers through training on basic safety and handling of materials.

We keep collaborators informed of the development, implementation and evaluation of the Health and Safety Management System through the following:

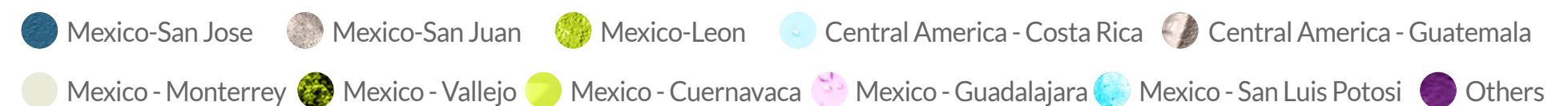
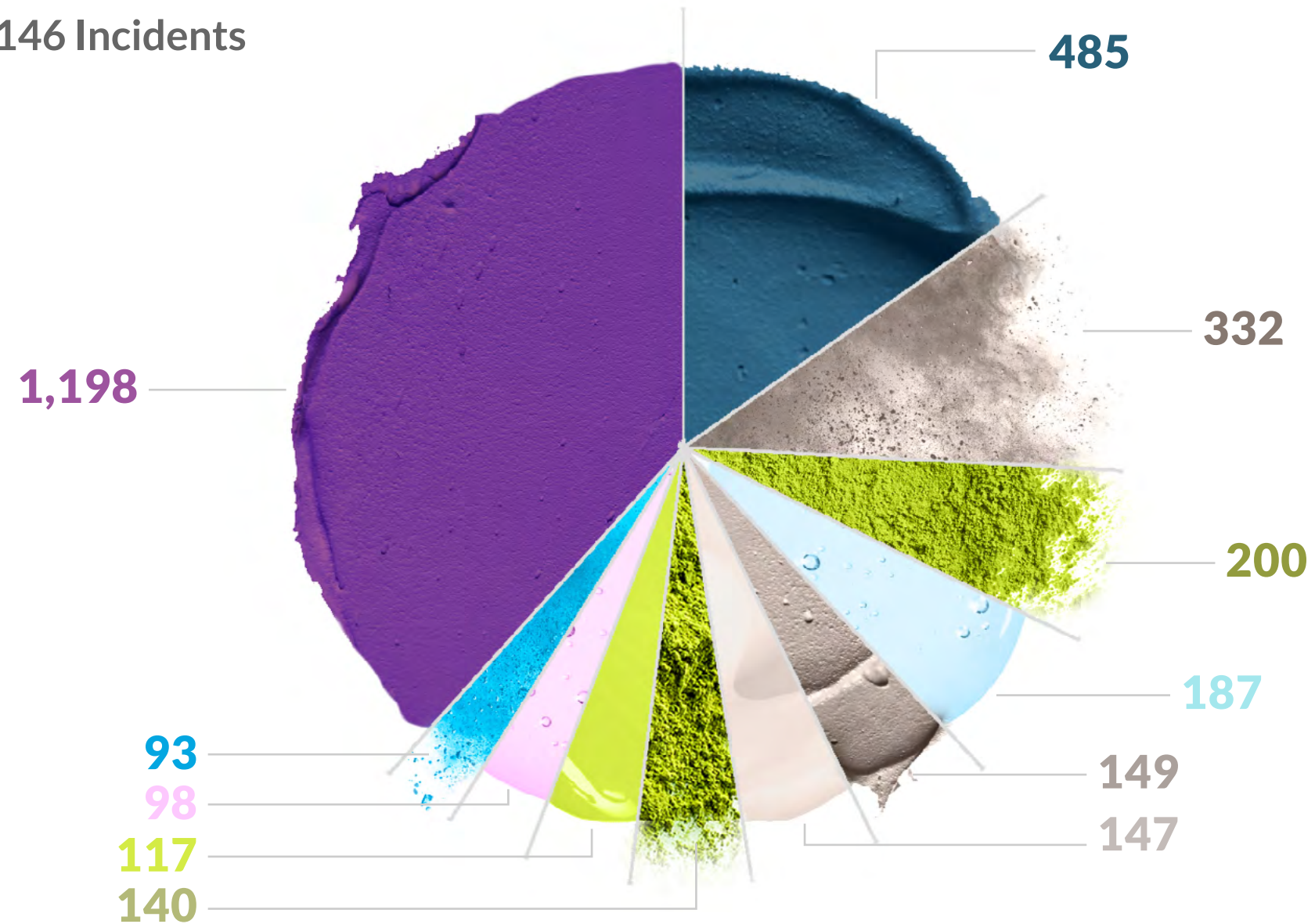
- Daily kick-off and "Safe Environment" meetings.
- Information published in the "Safe Environment" group.
- Activities involving the collaborators' families.

Furthermore, in order to prevent the occurrence of security-related risks in our facilities, we have implemented an incident monitoring system called MASH which is hosted on a reporting and follow-up platform available to each of our site managers.

Through this system we conduct event analyses that allow us to focus our security efforts on the issues that generate the greatest risk. We present monthly reports on the performance of each site in terms of system follow-up to the board of directors. Depending on the results of each one, we hold sessions with each site's managers to establish the necessary actions.

MASH INCIDENT MONITORING

3,146 Incidents



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In order to identify work-related risks or hazards and evaluate them on a daily basis, we generate site-specific matrices which are based on the process carried out at each site and the infrastructure in place. Once identified, we establish the controls to be applied which are documented in an Occupational Health and Safety Risk Assessment matrix and validated during audits to verify their effectiveness.

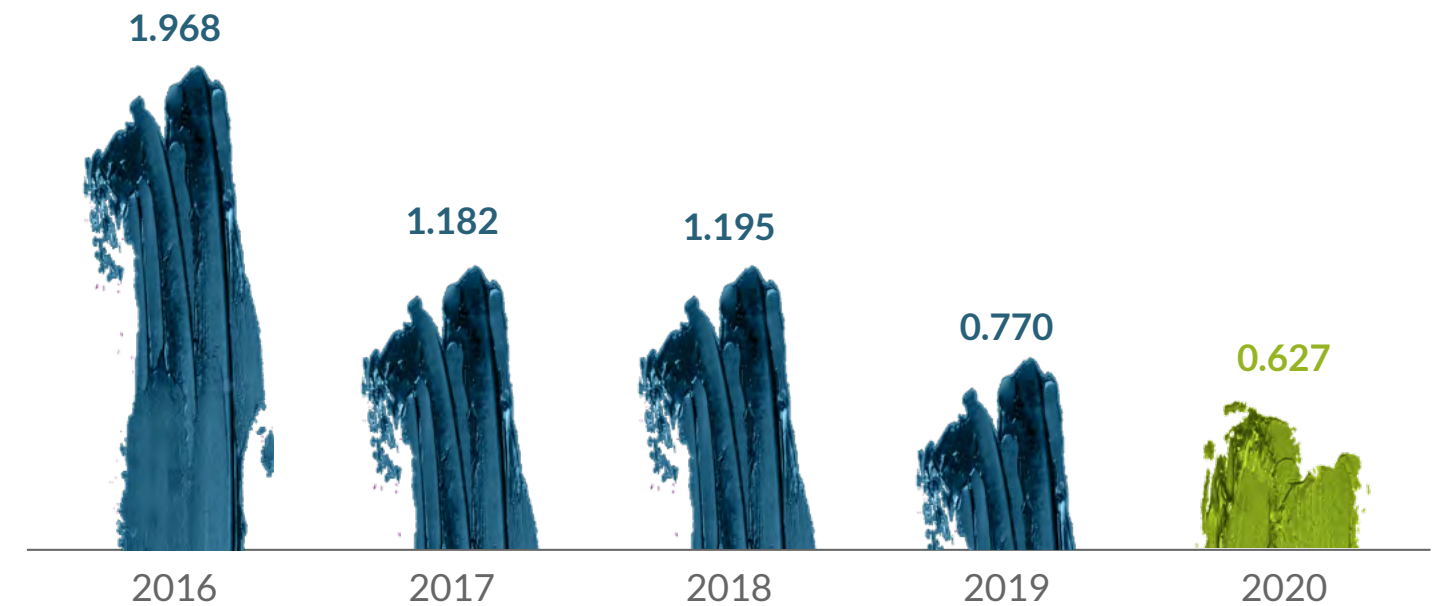
With the results obtained from the aforementioned processes, we develop an annual occupational health and safety training plan, the content of which is reviewed by the Integral Responsibility and Training teams at Pochteca, which are in charge of its execution and follow-up. To define the topics, we also use risk matrices, regulatory requirements, new products and processes, and accident and incident investigation.

To prevent work accidents we have a tool called JIRA, which includes a hotline through which collaborators can report any condition or act they consider unsafe. Operators do so directly to their supervisors or at start-up meetings.

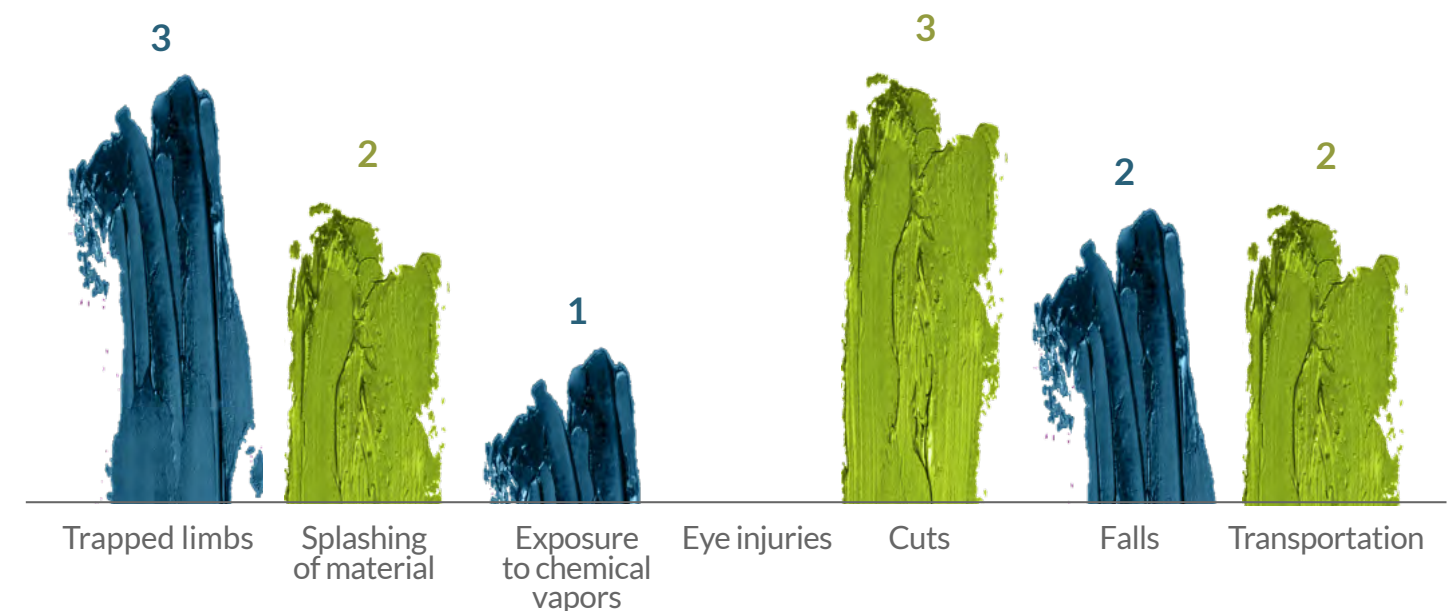
Any work accident must be reported by means of an investigation and analysis report form, which includes three sections: cause analysis, required actions, and standardization of controls. This allows us to standardize controls through the modification of any document related to the process in which the accident occurred and prevents reoccurrences.

In 2020, our incident rate decreased from 0.77 to 0.62; most accidents were minor, with the majority being hand injuries. In the coming months, we will be looking for ways to reduce the incidence of this type of event through training and Safe Environment, as well as through the search for ancillary handling tools.

Incident rate



Type of incidents



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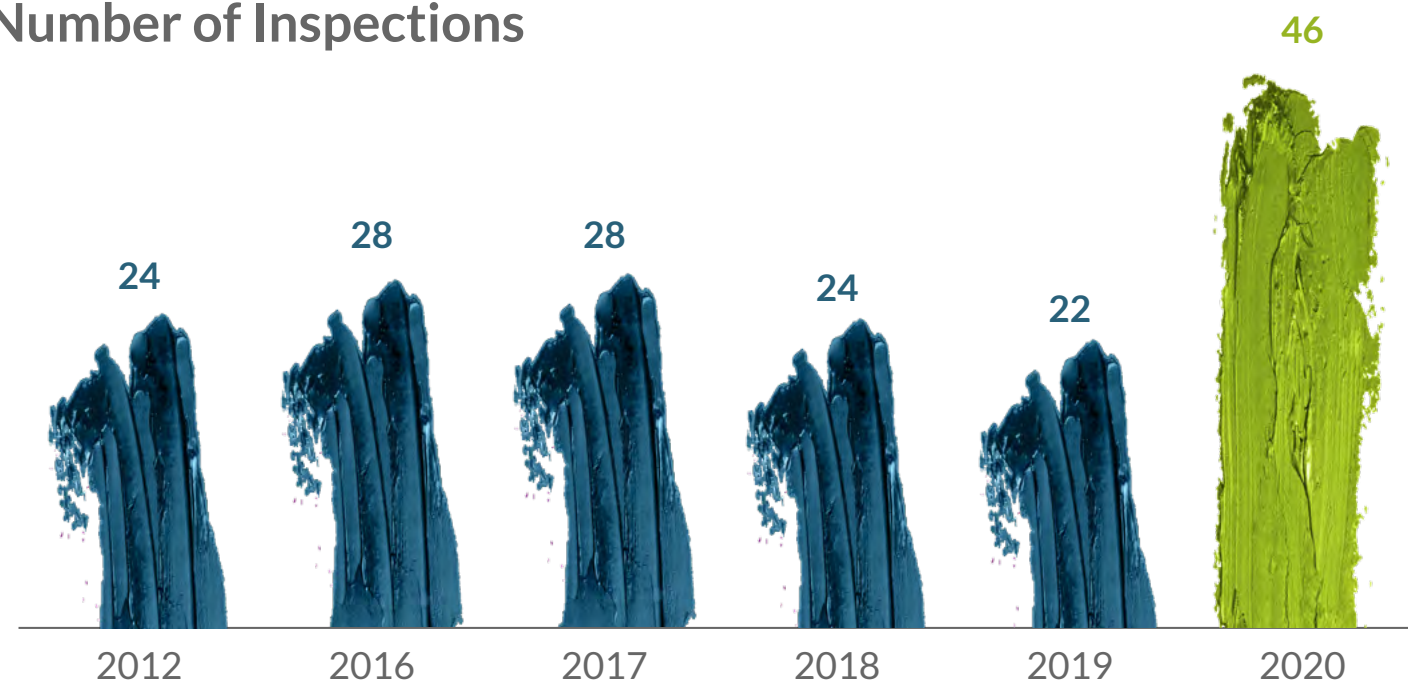


CIVIL PROTECTION

Depending on the agencies and municipalities, the number of inspections in 2020 increased due to the COVID-19 pandemic.

Inspections were carried out by Civil Protection, the Ministry of Labor and the Ministry of Health to verify compliance with sanitary measures determined by federal and local authorities. Non-compliance with these measures warranted the shutdown of the site, so we established a systematic follow-up at all sites to guarantee the health of our collaborators and, consequently, the continuity of our operations.

Number of Inspections



Leon Plant



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CYBERSECURITY AND E-COMMERCE

The use of e-commerce tools has become increasingly important over the last year due to the sanitary emergency, and trends show that they will continue to be a widely used option to carry out purchasing of this type.

We have online stores for Conjunto LAR, Pochteca Materias Primas and Pochteca Papel.

At Pochteca we are prepared to carry out commercial transactions securely online. To this end, we have documented IT processes within our KMKey Platform for quality and project portfolio management which establishes everything from the assignment of access to the backup of information.

We backup the Company's information on a daily basis; access to it is restricted to the provider who manages the data center service and the Infrastructure Manager. Strict authorization from the IT Director or the aforementioned Manager is required for data recovery.

Moreover, we have developed security policies that detail the security elements for the passwords of the system administrators. In addition, all our servers are equipped with software to protect against cyberattacks in addition to firewalls and traps that alert us of possible access attempts.

We have established general policies for the Administration and Operation of Data Centers, Backups, User Control, Assets, Navigation Control and Internet Services, Blocking of USB Ports and External Mail, in addition to other policies that consider all elements of IT security.

In 2020 we carried out phishing campaigns to identify suspicious messages and warn vulnerable personnel about them; we also immediately alerted users and provided them with training on the subject.

Our Continuity Plan is based on the backup of the central database in Queretaro and San Juan, an activity that we perform four times

a day. Most of our applications are backed up in the cloud; for those that are not, this plan fulfills that purpose.

Furthermore, we receive daily information from the users' computers in the cloud and

the backup of the data center in Queretaro and San Juan. In accordance with the data center access policy, access to the data center is restricted to the center administrator and, if applicable, to the IT team.



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HEALTH

pochteca[®] y YO
cuidando mi SALUD



San Juan Plant, CDMX

To care for the health of our collaborators we created the Pochteca y Yo Cuidando Mi Salud program. The program aids us to manage the monthly activities we carry out; these are determined by a risk analysis we conduct with the Sistema Orienta-PAE, available 24-7 company-wide. In addition, we also provide medical examinations for our personnel.

Psychosocial risks are monitored through diagnoses made by our medical staff at every work center; such risks may be those related to the work environment, work-related activities, time-management, leadership, and work relations.

The above information has enabled us to draw up our General Health Plan, which focuses on the treatment of conditions identified by a company-wide health diagnosis:

GRI 102-12, 102-13

HEALTH ALLIANCES

All our work centers have joined the industrial mutual aid groups of the industrial parks or zones in which we operate. Membership in these groups is aimed at sharing best practices, training, addressing infrastructure or regulatory needs in the area, establishing coordinated emergency plans, and making emergency equipment available to the group in order to effectively deal with any emergency that may arise in the area.



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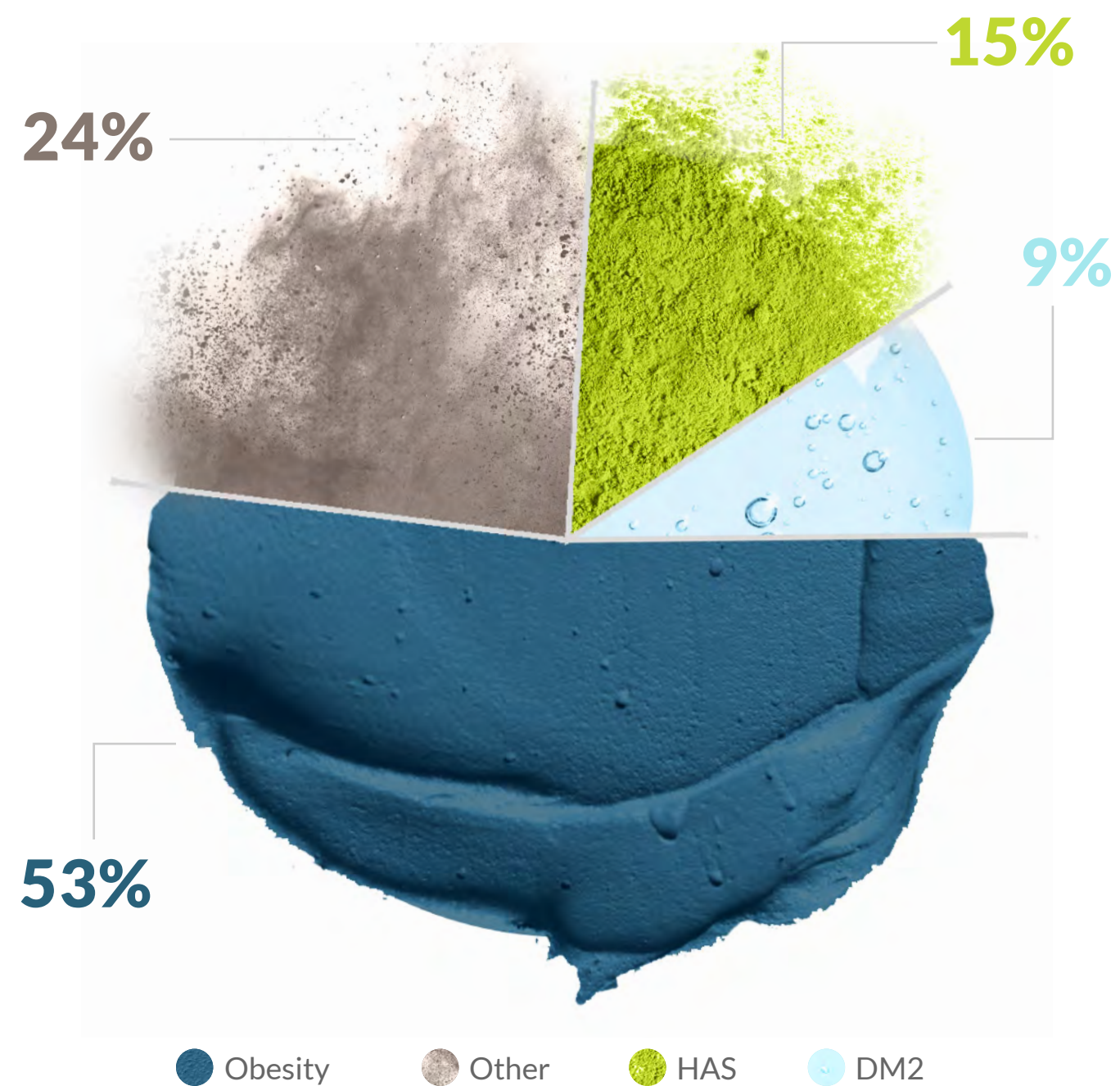
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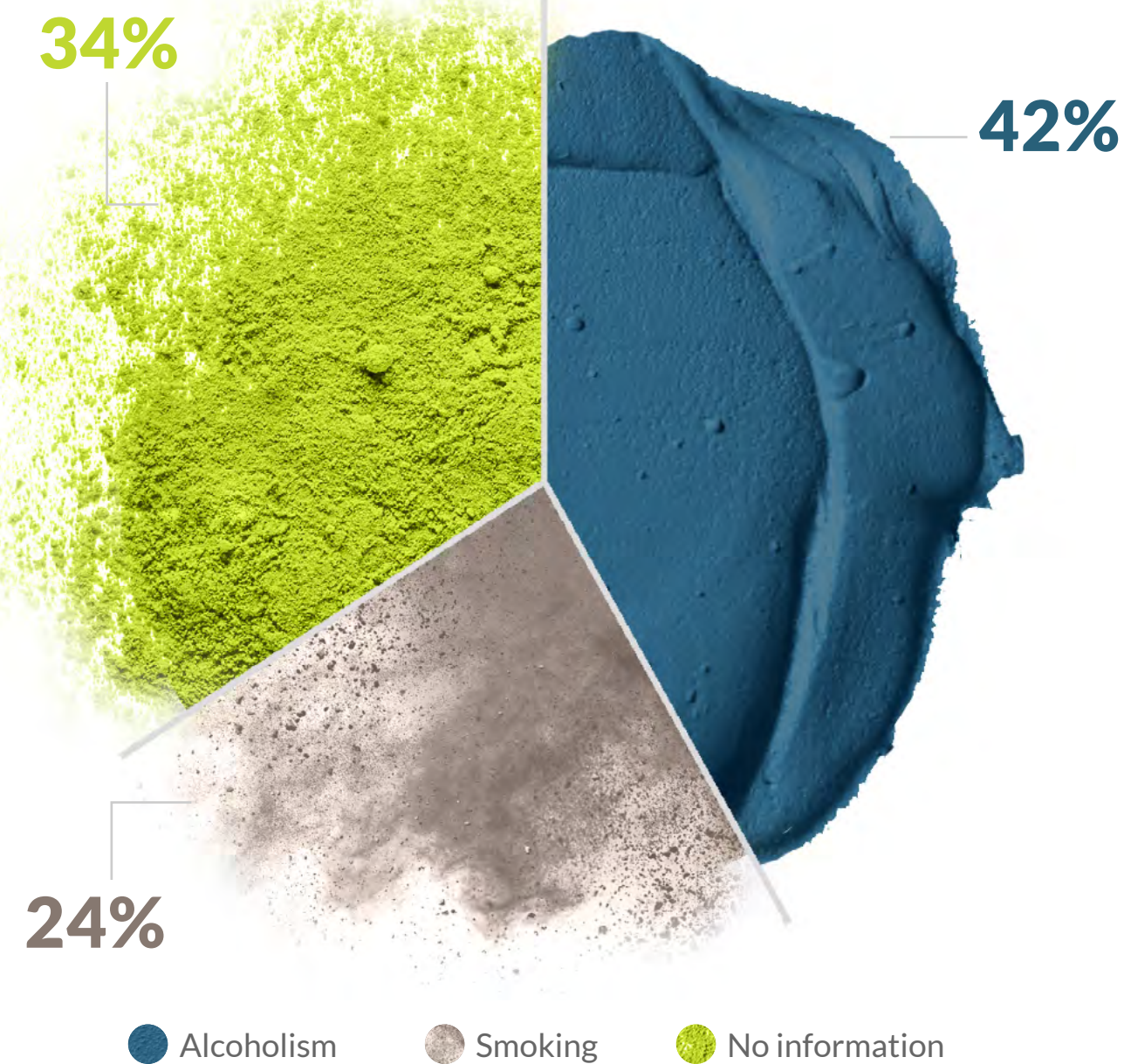
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Chronic degenerative diseases



Addictions



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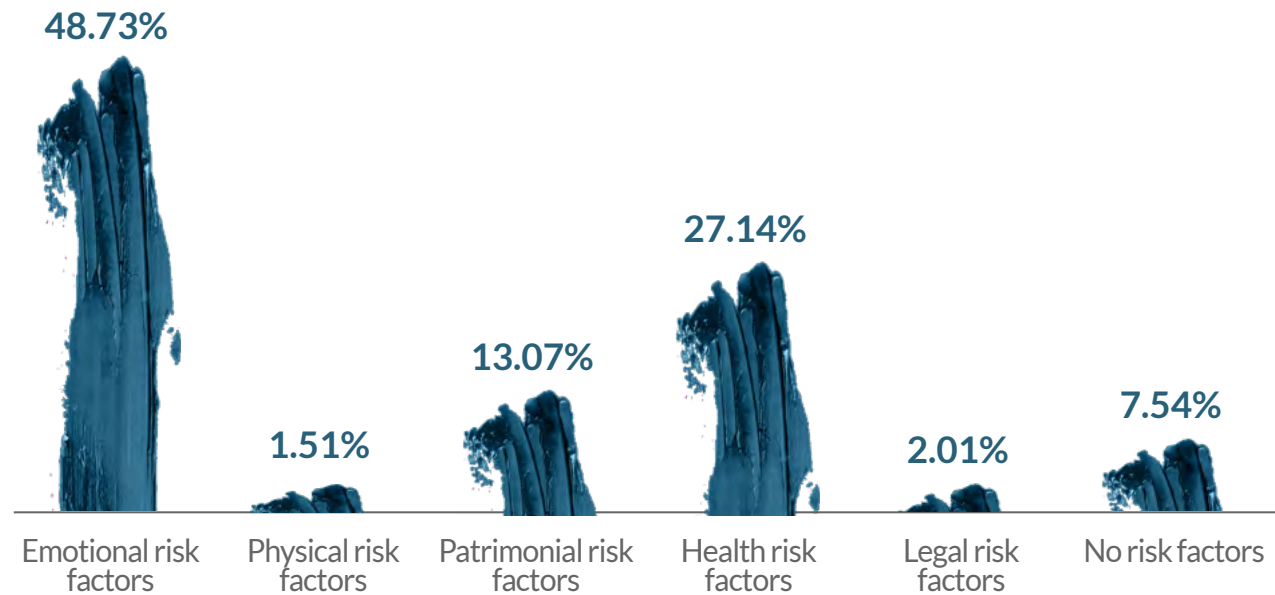
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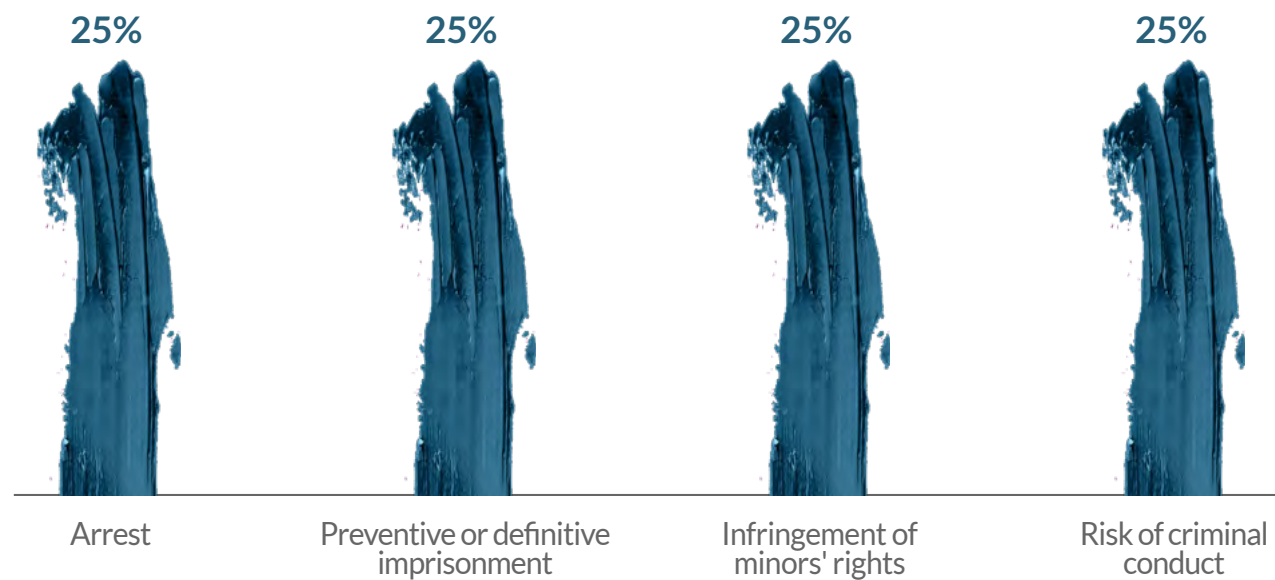
GRI 102-30, 403-8

ORIENTA PAE GUIDANCE SYSTEM

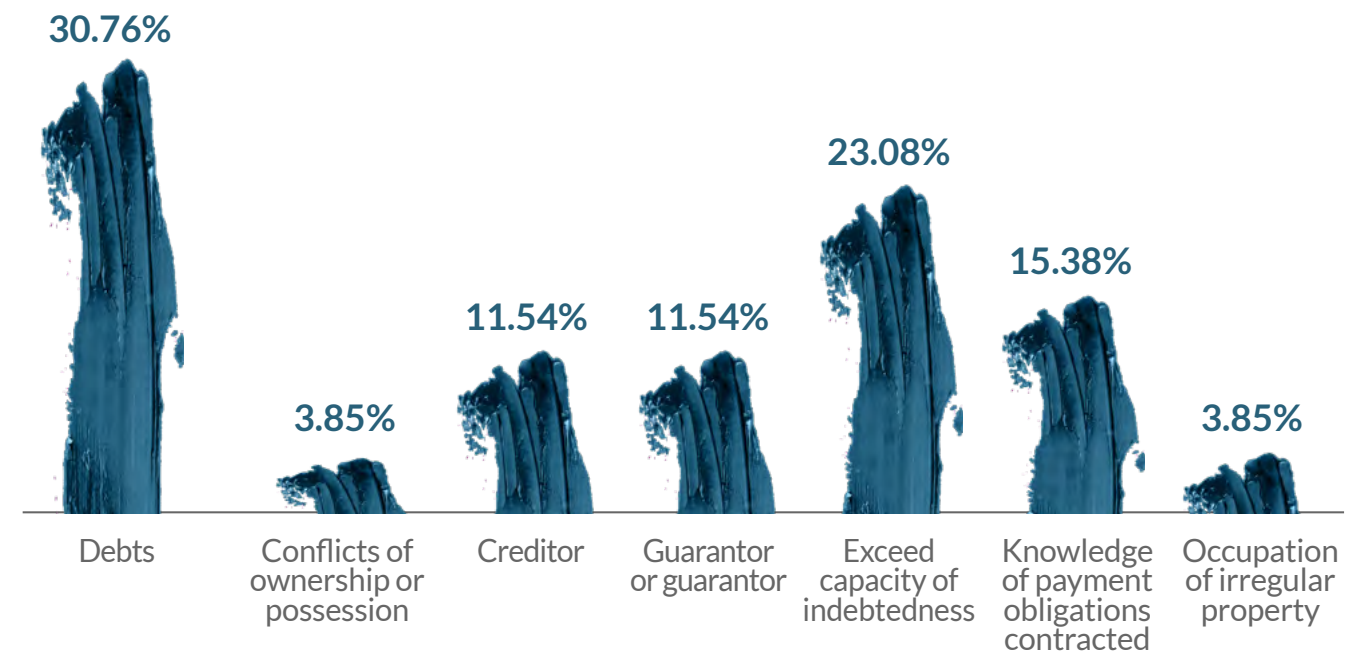
General



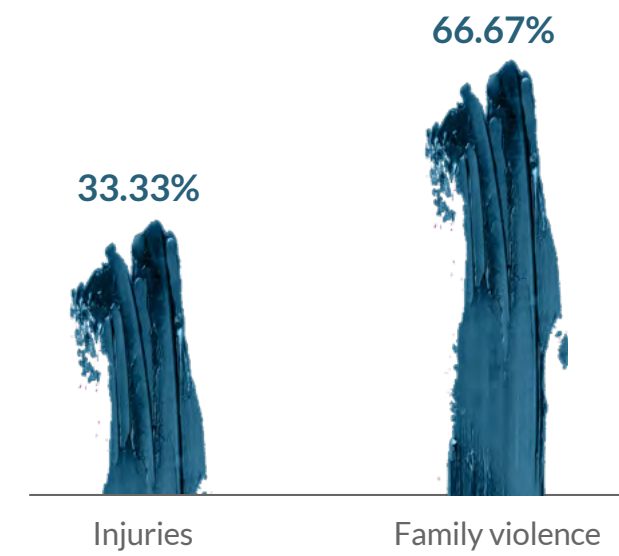
Legal risk factors



Property risks



Physical risks



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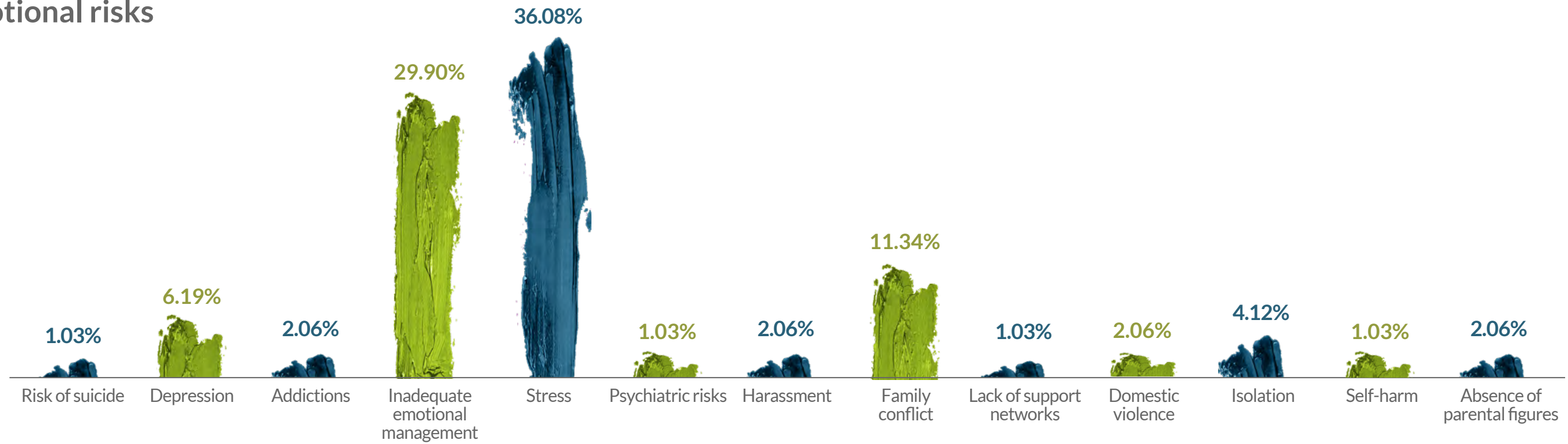
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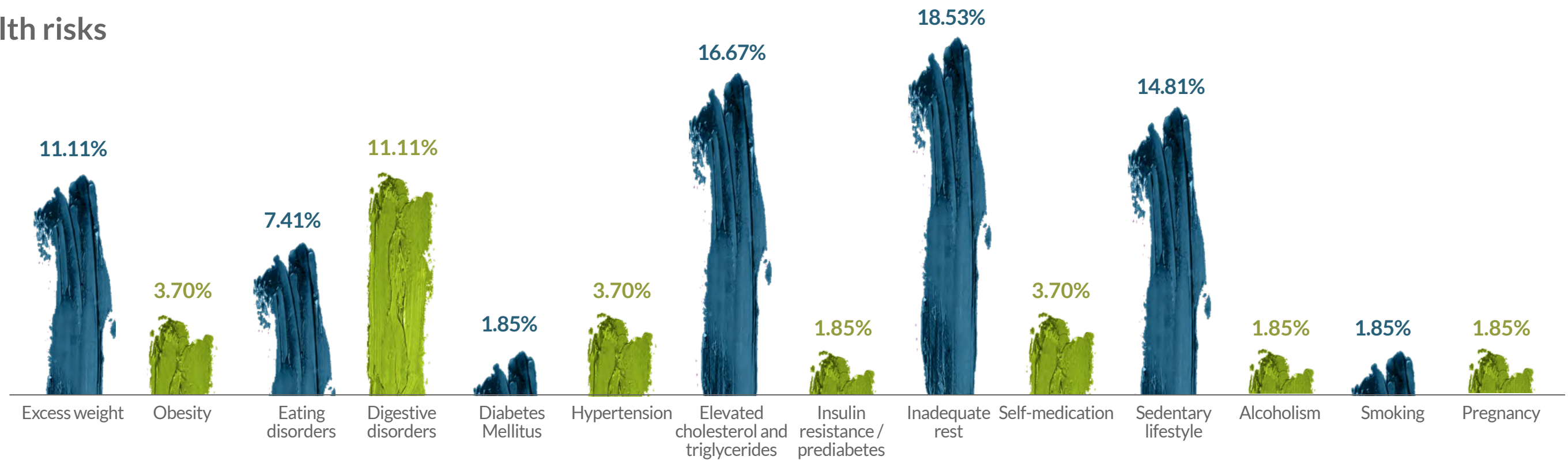
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Emotional risks



Health risks



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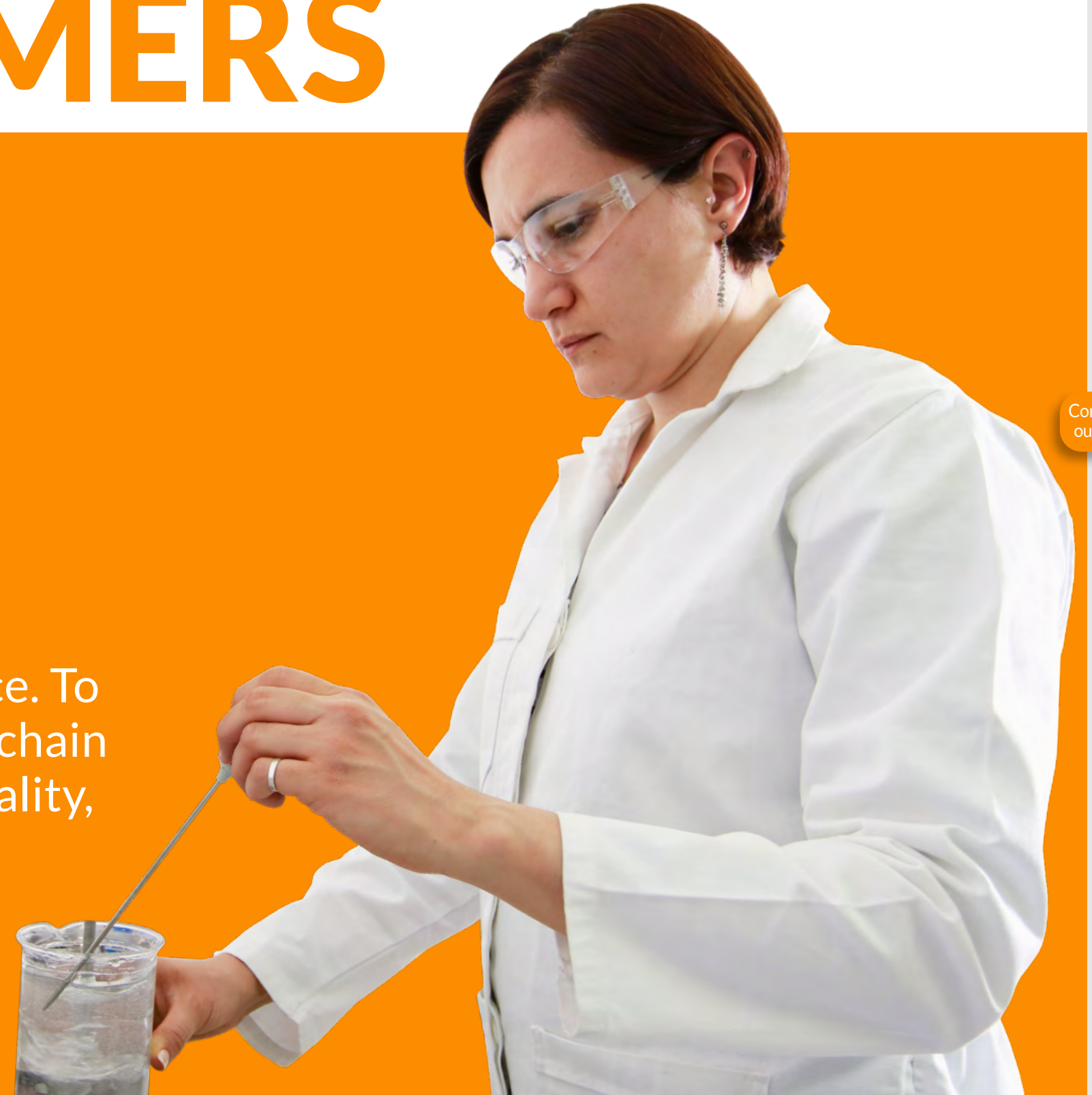
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COMMITMENT TO OUR CUSTOMERS

SOCIAL AND RELATIONAL CAPITAL 

We strive for excellence in our customer service. To this end, we have created a sustainable supply chain aligned to our commitment with supply and quality, key elements for success.



Commitment to our customers



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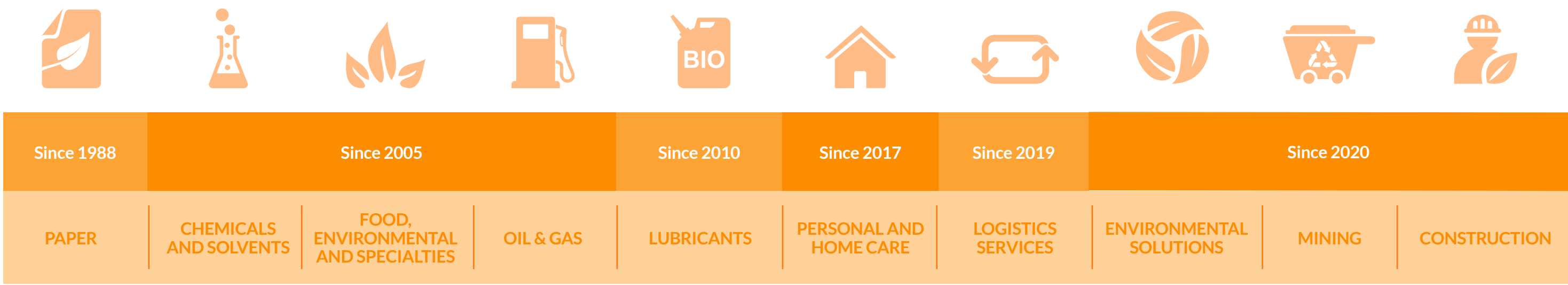
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BRANCHES

33 Mexico	6 Brazil
1 United States	6 South America
3 Central America	



Commitment to our customers



GRI 102-9, 413: 103-1, 103-2, 103-3, 419: 103-1, 103-2, 103-3 413-1,, RT-CH-530a.1

RESPONSIBLE SOURCING SOLUTIONS

Our commitment to excellence in customer service has led us to create a sustainable supply chain through which we fulfill our commitment to supply and quality, key elements for our success. Likewise, as members of Sedex and EcoVadis, we are committed to transparency by sharing our performance in the areas of health and safety, the environment, and business ethics.

Our supply chain strategy covers all the areas that make up Pochteca, with whom we establish common objectives such as compliance with the sales budget and EBITDA generation, all based on the Sales & Operation Planning (S&OP) process.



Our responsible management solutions are based on:

1. Statistical information provided by the sales area for identifying supply needs.
2. Orders for supplies from local and foreign suppliers, prioritizing delivery times and any eventuality that could influence the demand for products.
3. Receipt of materials in the supplying branches (Distribution Centers), for local sale or distribution to some of our branches in Mexico, Central America and Brazil.
4. Preparation or modification (if necessary) of products at our facilities before delivery to the customer.
5. Continuous improvement of our logistics network to control costs and reduce the environmental impact of transportation.
6. Distribution zones: North, West, Bajío and Southeast, each with a supplying branch capable of distributing any material required.
7. Final delivery to the customer by means of either our internal transportation or through qualified third parties in order to comply with our commitment to a Safe Chain of Custody.

Commitment to our customers



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CREATING VALUE FOR OUR SUPPLY CHAIN

Pochteca's goal is to maintain a sustainable value chain.

As a "One-stop Shop", our goal is to provide integral solutions for our customers.



1,564
Collaborators



+850
Suppliers

Sourcing

Warehousing

+201,000 orders

49 branches

+22,2 million liters of storage capacity

Presence in Mexico, Colombia, Argentina, Brazil, Peru, Chile, Guatemala, El Salvador and Costa Rica.

Blending

Packaging and packing

Blending, dilution and formulation development
Packaging solutions

14 research and development labs

14 quality control labs

Distribution

Logistics

After sales

Responsible distribution

+349,000 m² of logistics capacity

+352,000 tons delivered in the year

Handling and disposal of hazardous industrial waste

3PL logistics specialized in chemicals

Technical support and professional attention

49 branches in Mexico, Central and South America

Input solutions for competitiveness



24,000
customers



500
cities

+40 industrial sectors served: mining, automotive industry, oil exploration and drilling, water treatment, personal and home care, cleaning and sanitizing, metalworking industry, and others.

GRI 204: 103-1, 103-2, 103-3, 102-9, 204-1, 412-3

RESPONSIBLE PROCUREMENT

To ensure a Sustainable Value Chain, we ensure that all our suppliers' operations are aligned with the requirements established in our Integrated Management Policy. Thus, we request proof of compliance in all the negotiations we carry out.

Our association with multinational companies that prioritize safety has positioned us over the years as an attractive business partner seeking sustainable growth over time while taking care of its people, the environment, and the communities where we operate.



100%
of domestic suppliers and
service providers



20%
of raw material
suppliers



80%
of providers of
supplies and services

MAJOR INITIATIVES:

Paper

56.12% of our total paper purchases are from suppliers that have world-class sustainability programs and hold FSC, SFI and PEFC certifications, among others.

The paper mills of some of our suppliers, such as Storaenso, Torras Papel, Westrock, Neenah Paper, Mohawk Fine Papers and Fedrigoni, are high consumers of water and energy; however, all of them have programs to protect and preserve the environment.

Of the total kilograms sold in 2020:

	12%	7%	80%
Kg	Are FSC certified	Are not considered environmentally friendly	Have another attribute or certification or are recycled or recyclable

Commitment to
our customers



Solvents

Our broad formulation portfolio allows us to offer water-based and biodegradable degreasers. On the other hand, we have a catalog of water soluble resins, VOC and odor free pH regulators, iron oxide based pigments practically free of heavy metals, as well as pearlescent pigments with the same characteristics.

We offer a range of different products for metal treatment, biodegradable, ecological and of very low toxicity.

Lubricants

Our supplier Castrol became the first lubricant company in the world to offer a carbon neutral certified product. The product line for automobiles, commercial vehicles and wind turbines is carbon-neutral certified. It also works with car repair shops to make their businesses carbon neutral and has neutralized more than 360,000 tons of CO2 in the last year.



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We carry out evaluations of raw material suppliers on a semi-annual basis. These are under the control of the purchasing area, which in turn is in charge of:

- Ensuring that the orders generated are valid for 30 days, with the exception of those that handle partial deliveries, which must be closed within a maximum period of 90 days.
- Having secured and signed all contracts for negotiations for the purchase of product on ships and/or maritime transportation services.
- Achieving the product delivery plan of any business line with zero delays.

We also achieved good results regarding compliance with all of our product collection and supply programs, covering 100% of the volume supplied by key suppliers. We will carry on further work to make our dunning portal more efficient, and to involve all participants in the process of procurement, reception and entry of product into the warehouses.

In 2020 we implemented our COUPA tool, which is designed to select and develop suppliers and improve the procurement process and the integrated procurement management (SRM).

About COUPA

- It is a software designed for expense optimization in the cloud.
- It manages purchases, invoices and indirect expenses in real time.
- It provides executive dashboards, alerts, spend management and benchmarking in one user interface.
- It focuses on three main expenditure areas: purchasing, accounts payable and expense verification.

Functionality:

- Management and documentation of supplier contracts.
- Management of catalog products, invoices, travel expenses and per diems.
- Control and flow of requisitions.
- Generation of purchase orders.
- Receipt of materials and services.
- Supplier portal.
- ERP connectivity.
- Record and transaction logs.
- Report generation.

GRI 308, 414: 103-1, 103-2, 103-3

SUPPLIER EVALUATION

The selection of our suppliers is based on social and environmental assessment. This process includes a pre-assessment whereby we verify compliance with our quality, safety, environmental, safety, human rights, and social responsibility guidelines in all their operations, thus ensuring that our business partners share our values and business ethics and allowing us to uphold our commitment to the needs of our customers.

All relationships with our suppliers are governed by procedures and manuals that establish the mechanisms for commercial agreements, standardization of safety guidelines, integrity, ethics and business sustainability.

We operate a supplier non-conformity reporting platform that allows us to identify recurring problems and to work together with suppliers in order to generate corrective actions to eliminate the causes of the problems recorded.

Every year we conduct an assessment of the performance of our suppliers. This allows us to reinforce and sustain long-term relationships with those who deliver consistently good performance, and to work on improvement and development plans for those who obtain unsatisfactory evaluations.

+80% of suppliers were rated as reliable and the rest were conditioned.

Commitment to our customers



GRI 408, 414, 412:103-1, 103-2, 103-3, 408-1, 412-1, 414-1

SOCIAL EVALUATION

Our Supplier Manual includes our Code of Ethics. By subscribing to it, suppliers commit to complying with our culture and values. <https://mexico.pochteca.net/proveedores/>

Respect for Human Rights in the workplace is fundamental to the Company. Therefore, we must ensure that our suppliers pass the selection filters that meet social and ethical criteria of the business. Likewise, all suppliers and service providers must provide official identification that guarantees they are of legal age, as well as a social security registration form.

GRI 308: 103-1, 103-2, 103-3, 308-1, 308-2

ENVIRONMENTAL EVALUATION

The implementation and certification of our responsible distribution and integrated responsibility management systems which assess the existence of controls and evaluations ensure that all of our suppliers comply with our environmental commitment.

When selecting a supplier, we consider first and foremost whether they have certified environmental and social responsibility management systems. All assessments include at least one element of environmental risk and account for one-third of our environmental risk evaluations.

We also guarantee that, in accordance with the type of product or service provided to us, we comply with all applicable regulatory and legal requirements.

Commitment to
our customers



90%
of suppliers
evaluated in 2020



100%
of new suppliers
comply with
environmental
and social criteria.



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EcoVadis ASSESSMENT

EcoVadis has become a trusted provider in the assessment of enterprise sustainability, intelligence, and collaborative performance improvement tools of the global supply chain.

The assessment covers 198 purchasing categories, includes 155 countries, and 21 Corporate Social Responsibility indicators. Its methodology is based on international standards that include the Global Reporting Initiative (GRI), the United Nations Global Compact and ISO 26000. It evaluates corporate value chain practices on matters such as the environment, labor practices, fair business practices, and responsible purchasing, as well as compliance with Human Rights indicators.

In fulfillment of our commitment to sustainability and best practices regarding social and environmental issues in all of our operations, EcoVadis has been assessing Pochteca's supply chain since 2016.



Jalisco Plant



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GRI 416, 417: 103-1, 103-2, 103-3, 102-9, 102-12, 102-21, 416-1, 417-1, 417-2, 417-3, RT-CH-410b.1

SALES AND DISTRIBUTION

Our sales process includes delivery to our customers of safety data sheets, technical and product application data sheets, and handling conditions of the materials we supply; these have all been previously assessed for safety by the same sales team.

In addition, we offer specialized upon-request visits conducted by our safety personnel during which we provide advice and recommendations for handling, storage and infrastructure.

On the other hand, in order to guarantee safety, our labs and after-sales service provide advice on the best use of our products.

All our sales operations comply with the Mexican Official Standard NOM-018-STPS-2015 (Harmonized System for the Identification and Communication of Hazards and Risks from Hazardous Chemicals in the Workplace), which requires our products to carry clear identification of health and environmental risks as well as the required protective measures on the labels and Safety Data Sheets (SDS) in a logical and comprehensive manner.

Our sales terms and conditions are public and can be consulted at: <https://mexico.pochteca.net/wp-content/uploads/2021/06/terminos-y-condiciones-de-venta.pdf>

Physical Hazards



GHS01:
Explosive Substances (EX)



GHS04:
Gas under pressure (GZ)



GHS02:
Flammable Substances (IN)



GHS05:
Corrosive Substances (CR)



GHS03:
Oxidizing Substances (CB)

Environmental Hazards



GHS06:
Acute Toxicity Category 1, 2, 3 (TO)



GHS08:
Carcinogen, Mutagen (MU)



GHS07:
Acute Toxicity category 4 (inhalation hazard) (DA)



GHS09:
Harmful to the aquatic environment (EN).

LOGISTICS SERVICES

Specialized outsourced 3PL logistics

We have the necessary experience to transport any type of product –hazardous, food grade or general cargo– from our 49 distribution centers: 33 in Mexico, 1 in the United States, 3 in Central America, 6 in Brazil, 6 in South America.

We have a logistics capacity of more than 349,000 m³ and +22.2 million liters of storage, enabling us to deliver more than 352,000 tons of product to more than 24,000 customers per year.

Our company-owned transportation fleet consists of 96 units of various capacities for a total

capacity of 1,744 tons and is certified to handle hazardous products. On the other hand, all our operators are undergoing continuous training and hold all the required documentation.

We also offer:

- Specialized production services for minor operations and manufacturing that include transferring, labeling, drumming, portioning and packaging, and laboratory analysis.
- Blending and milling: solvents, inorganic chemicals, general cargo and dilutions.
- Other services: recycling and recovery of solvents, confinement, general cargo.

Services we offer:

Cross Dock

Rental of tanks for liquid products

Cargo insurance

Import and international freight

Outsourced transportation

Safe handling of hazardous products

Monterrey Plant



Commitment to our customers



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GRI 418: 103-1, 103-2, 103-3, 418-1

CUSTOMER PRIVACY

Our Privacy Committee is in charge of guaranteeing compliance with the Ley Federal de Protección de Datos Personales en Posesión de los Particulares (Federal Law for the Protection of Private Personal Data Held by Private Parties) and ensuring the confidentiality of all our clients' information.

In addition, the committee verifies that privacy notices are available at all times and that the personnel that safeguards the information is always aware of the importance of compliance with the Law. In the event that a non-compliance report is received, the committee will be in charge of conducting investigations and coordinating the implementation of the necessary actions to address and remedy the causes of the complaint.

The Human Resources and Finance areas are responsible for establishing controls and monitoring compliance to ensure that all applicable social and economic legislation is observed. <https://mexico.pochteca.net/aviso-de-privacidad/aviso-de-privacidad-para-clientes/>



In 2020 we did not receive reports of non-compliance with the Federal Law for the Protection of Private Personal Data Held by Private Parties.



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COMMITMENT TO THE ENVIRONMENT

NATURAL CAPITAL



Aware of the nature of the products we sell, we strictly uphold our commitment to environmental care and the efficient use of natural resources in all our operations.



Our Comprehensive Management System is aligned with all environmental regulations and legislation of the countries in which we operate.

We have implemented a risk analysis and evaluation methodology by operation and type of product that allows us to detail the activities of each process. The methodology allows us to determine the feasibility of safe handling of materials and to establish equipment controls and emergency response.

Moreover, in order to maintain safety and care for the environment, we have nineteen specific procedures that determine the actions and controls required to reduce risks.

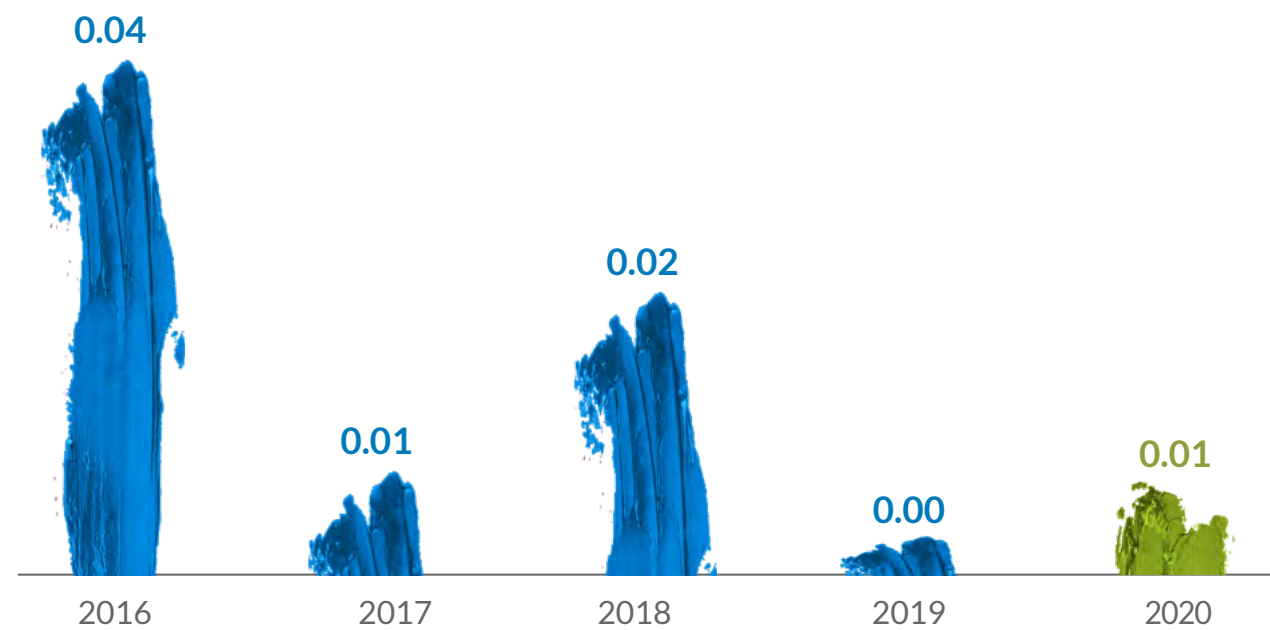
We have identified that the risks of our operations are centered on leaks, spills and the transfer of materials, therefore we carry out monthly monitoring to identify the causes and establish the necessary controls.

During 2020 we had 21 material spills that did not exceed one cubic meter, making it unnecessary to notify the authorities. Most of these were due to damage to containers during trans-

portation; consequently, we have initiated audits of our suppliers, reconditioning of containers, and reinforcement of our container control process.

It should be noted that we are currently in the process of implementing a clear, documented and standardized sustainability strategy for all the countries in which we operate; in 2020 we started with the diagnosis and in 2021 we will be carrying out the necessary actions to define objectives, indicators, baselines and calculation tools. The information in this report already includes information from the sites in South America.

Kg spilled vs. Kg sold



Pochteca Brasil



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GRI 302-1, 302-2, RT-CH-130a.1

ENERGY

We continue to search for efficient energy use and reduction alternatives such as the Solar Panel Project, which could not be completed in 2020 primarily due to the restrictions imposed on operations by the COVID-19 pandemic and governmental changes in the use of clean energy.

This project is currently on hold until we have a clear understanding of the regulatory obligations and their economic implications for the original project.



Electricity consumption
4,415 Kwh*
 vs. 13.87 Kwh in 2019

**The increase vs. 2019 comes from the incorporation of the consumption of South America operations.

Gasoline

Our fleet of 157 transportation units has a total capacity of 1,744 tons whose average yield increased from 1.5 to 1.8 Km/liter and consumed 2,537,049 liters of diesel and 267,151 liters of gasoline.



647,873 L
Annual consumption
of utility units

GRI 305-2, 305-5, RT-CH-110a.1

EMISSIONS

In order to measure our carbon footprint we used the Mexican carbon platform calculation tool which considers air travel, consumption of gasoline, diesel, electricity, water, nights of lodging and waste. The result is as follows:



Total emissions
2020

60.9 T CO₂e
 vs. 16.78 in 2019



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GRI 102-48, 303-1, 303-2, 303-3, 303-4, 303-5, RT-CH-140a.1, RT-CH-140a.3

WATER

Our facilities do not have any water collection system; water is supplied through the municipal network and paid-for water trucks. Moreover, the local Cancun Distribution and Storage Center has a well that supplies water for restroom use.

According to the concession title issued by the National Water Commission (CONAGUA), we remained within the permitted water consumption quota in 2020.

Also, due to the fact that a large number of our collaborators worked from home during the year, there was a decrease in water consumption. In addition, by changing furnishings and identifying leaks during MASH tours, we have also been able to reduce water use.

	2018	2019	2020
Total water consumption (thousands of m ³)	17.4	221*	193.7

Regarding the nature of wastewater produced by our operations, we have two types:

- Sanitary and service, whose discharge is carried out through the municipal network.
- Container washing, whose resulting wastewater is sent to treatment plants and is periodically analyzed and sampled to verify that its discharge complies with the parameters established by SEMARNAT.

We also analyze wastewater in compliance with regulatory parameters.

GRI 301: 103-1, 103-2, 103-3, 301-1, 301-2, 301-3

MATERIALS

With regard to our products, in line with our business culture and strategy, we have begun to search for and evaluate environmentally friendly products in all of our business segments and incorporate them into our catalog. However, given that this process involves the evaluation of these products by our customers, the time required for each product to be added to our catalog is medium to long term.

In the case of paper, we work in compliance with the Forest Stewardship Council (FSC) standard. In 2020, due to commercial needs, the Cancun branch was eliminated from the scope, leaving only the Vallejo branch certified.

Throughout 2020 we worked on the recycling of packaging and pallets, a priority for the recovery of the materials we use.

In order to achieve this, we have implemented quality controls and installed water treatment plants for container washing in our plants.

On the other hand, we also work with specialized external suppliers, to whom we send the pallets we discard for recycling and reuse. All of them are audited to ensure that they comply with the required authorizations.

We have succeeded in reusing the same container up to four times, which reduces the generation of waste contaminated by hazardous materials.

Commitment to the Environment



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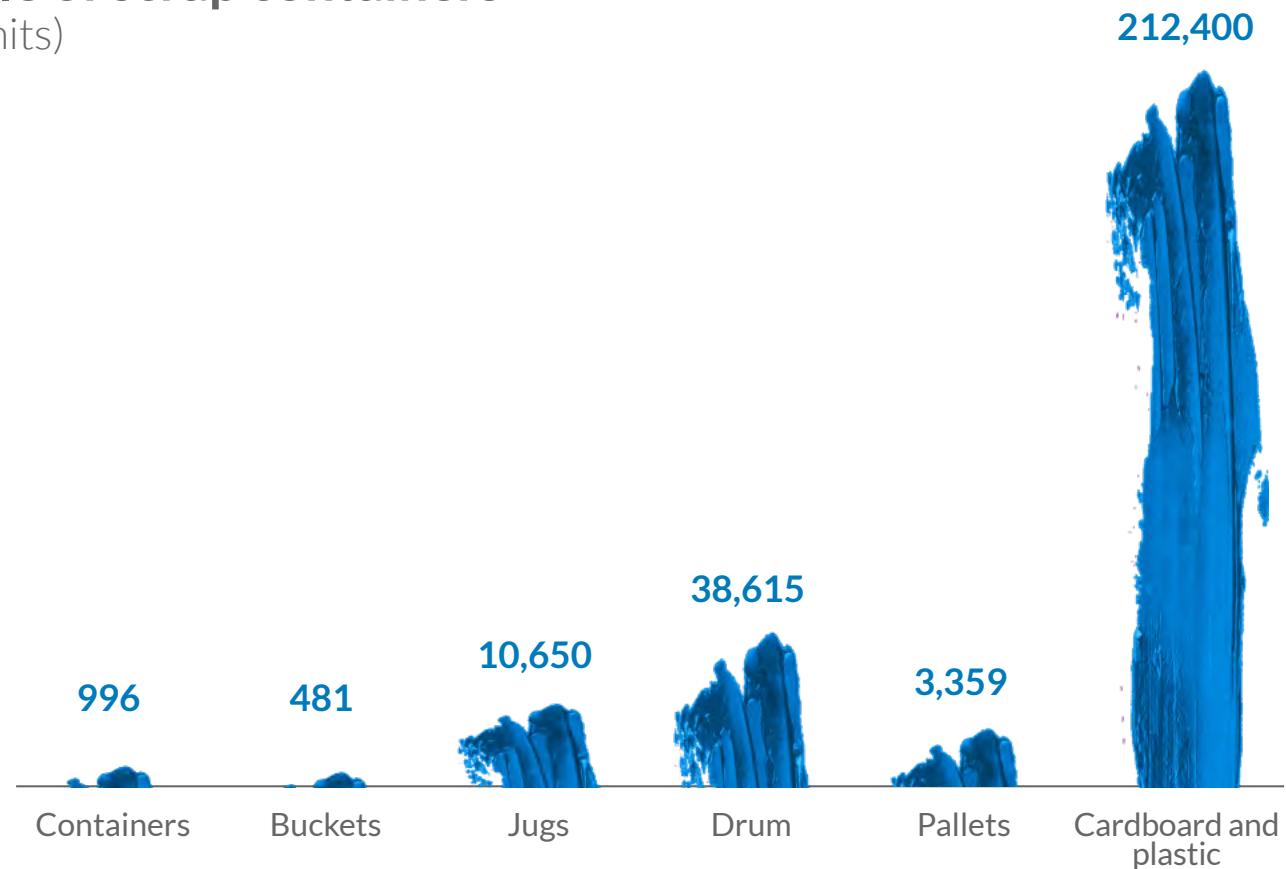
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SALE OF SCRAP CONTAINERS

Our process for separating recoverable products promotes circular economy and includes the sale of the following materials:

Sale of scrap containers (Units)



GRI 306-4, RT-CH-150a.1

WASTE

The waste generated by our operations is classified as hazardous and is generated by the following:

- Maintenance processes.
- Replacement or breakdown of machinery and equipment.
- Product non-conformity.
- Packing and packaging material.
- Services in general.

The disposal of hazardous waste is carried out responsibly and in compliance with the Mexican Official Standard NOM-052-SEMARNAT-2005, which establishes the characteristics, identification procedures, classification, and lists of hazardous waste, and with the General Law for the Prevention and Integral Management of Waste.

Our facilities are classified as "small generators" of hazardous waste and only three of them as "large generators" (Leon, Minatitlan and San Luis). This classification covers us against breakage of containers or packaging resulting from the handling of materials, nonconforming products, or emergencies. In no case did the aforementioned warehouses exceed the maximum limits established for these categories.

Waste generation in 2020 was 737,196 kg, of which 98% was generated by the recovery of 5.7 million liters of dirty solvent processed at our Leon plant.

In addition –and in order to improve the logistics of our industrial waste process– we are in the process of obtaining the permission required for a collection center at nine of our branches.

Our industrial waste division responsibly disposed more than 10,300 tons of hazardous waste generated by more than 100 of our customers. As part of the value we add, we provided advice and training on the following topics:

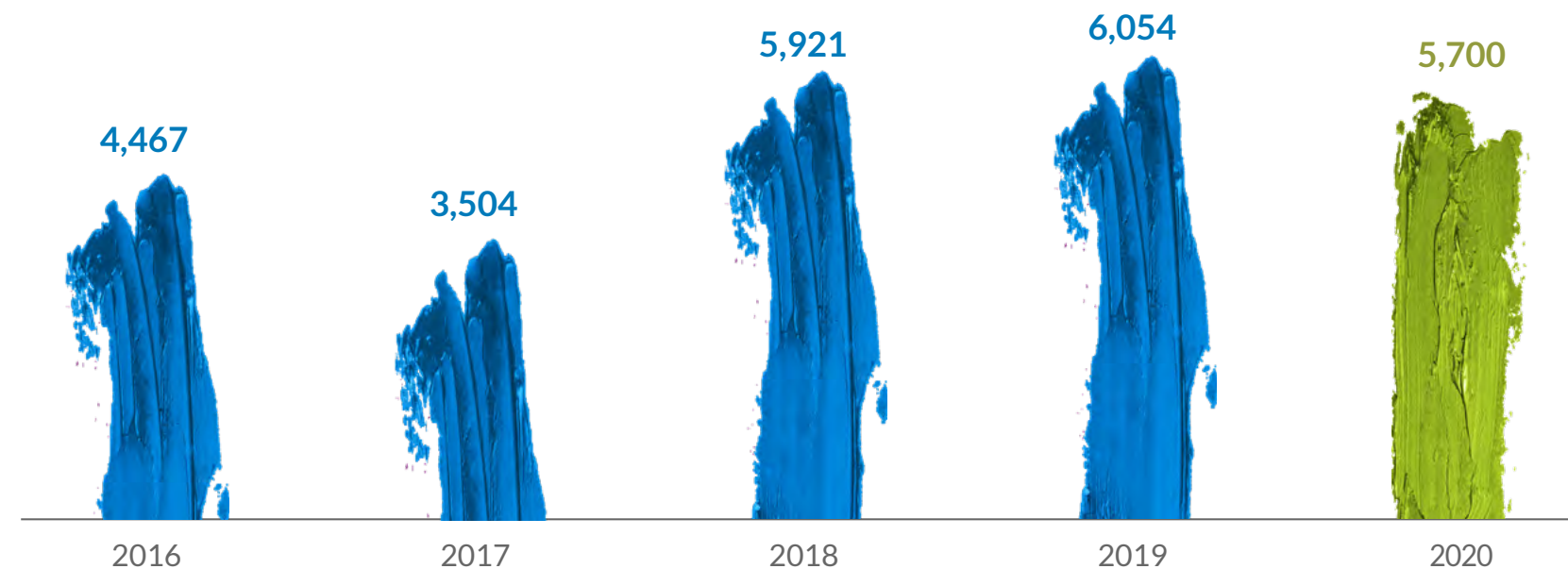
- I. Waste generation management plan for micro, small and large generators.
- II. Regulatory advice on certification, guidance on licensing and permits for companies that generate hazardous waste.
- III. Training of our customers' HSE teams for proper and responsible management of their waste:
 - a. RME (Special Handling Waste)
 - b. MSW (Solid Urban Waste)
 - c. RP (Hazardous Waste)
 - d. RPBI (Biological Infectious Hazardous Waste)
 - e. Valorization / Formulation of High Calorific Value Waste.

SUSTAINABLE SOLVENT RECOVERY SYSTEM "SSR"

Our sustainable solvent recovery system, allows us to optimize costs by returning materials to the value chain so that they can be used in the manufacture of new products without compromising their quality.

SSR production ensures ecological quality of the industrial cycle, reduced environmental impact, productivity, efficiency and competitiveness, as well as sustainability.

Solvent recovered (million liters)



Our solvent recovery plant remained in operation during the pandemic even though many of our main customers in industries who were considered non-essential were not allowed to. Despite this decrease in dirty streams, we were able to recover 5.7 million liters of solvents.



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GRI 304-1, 304-2

BIODIVERSITY

All of our operation centers are located in industrial parks or zones where land use is classified as appropriate for our operations, thus ensuring that we do not cause an environmental impact.

We continue to apply the following environmental controls:

- Environmental risk assessment (ERA) whenever we incorporate new products and environmental impact studies for new projects and/or changes in the location of warehouses and plants.
- Periodic emergency response training for our brigades.
- Identification of leak, spill or resource waste risks during Environmental, Safety and Hygiene (MASH) walk-throughs.
- Civil liability policy for US\$10 million.

Pochteca Brazil



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GRI 307: 103-1, 103-2, 103-3, 102-11, 307-1, RT-CH-530a.1

ENVIRONMENTAL COMPLIANCE

To achieve environmental compliance in all our work centers we have a Regulatory Area that carries out the following:

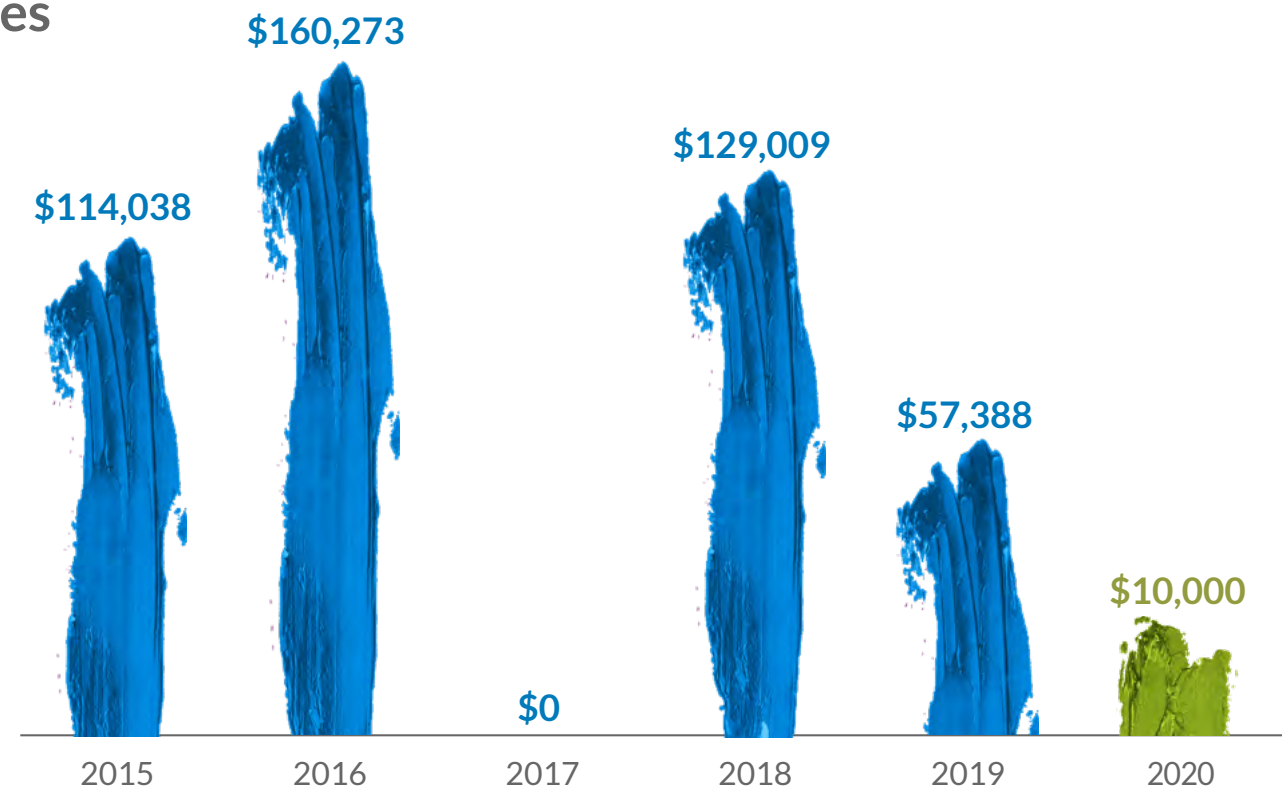
- Identifying legislative changes by consulting official sources and participating in associations, committees, and groups related to our business activities.
- Identifying applicable regulations for each new product that is added to our portfolio.
- Coordinating with all involved parties regarding the proper documentation, controls, reports, and records within our Comprehensive Management System in order to ensure regulatory compliance.
- Monitoring performance through reports of regulatory compliance per site.
- Reports on compliance, inspections, and fines.
- Reports of events relevant to regulatory compliance or non-compliance.

In compliance with the guidelines established by SEMARNAT, we carry out Environmental Risk Studies (ERA), and we have implemented an Accident Prevention Program (PPA) in all our facilities. In addition, we comply with all requirements established by state and local authorities.

In the case of new projects, environmental impact studies are validated by the environmental authorities.

Furthermore, in addition to being required to conduct internal corporate audits of our management systems, clients, and suppliers, we are also required to submit to external environmental audits. These are based on ISO 14000 and the SARI Integrated Responsibility Management System. SARI results for all sites have been above 90% compliance, and in the case of ISO 14000 audits we have been certified compliant.

Fines



COMMITMENT TO OUR COMMUNITIES

79,800 liters of hypochlorite were donated.

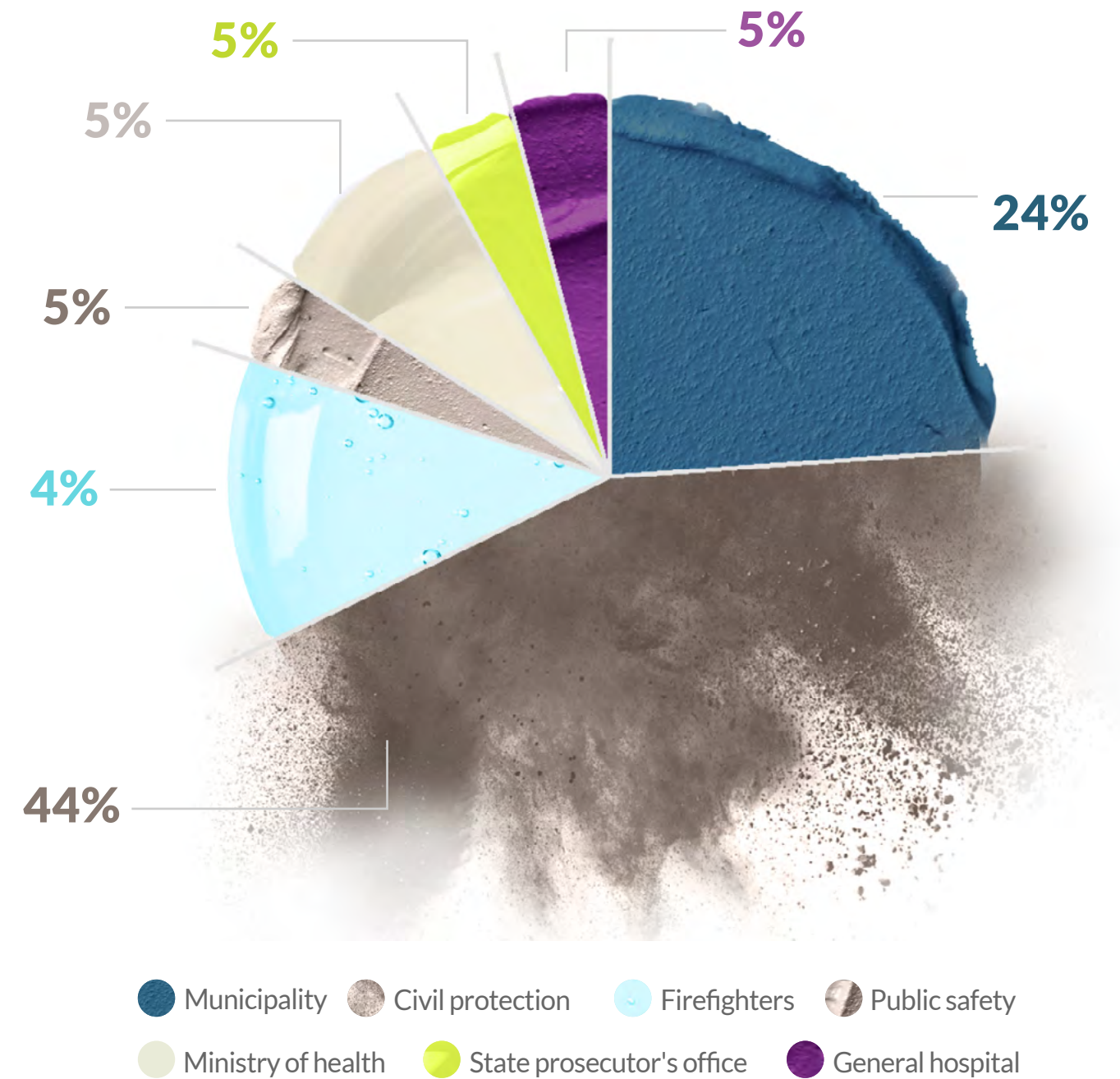
At Pochteca, we seek the well-being of our communities by providing job opportunities and by working in partnership with foundations and associations.

We are in permanent communication with the authorities and comply with all regulatory requirements in the different countries in which we operate.



As a result of the COVID-19 pandemic, and in aid of the sanitization needs of the country, we donated 79,800 liters of 3% hypochlorite, a substance used to disinfect areas in different communities.

Supported agencies



In addition, we organized a drive to encourage donations from our collaborators in support of the victims of the floods in Tabasco and Chiapas, which included our personnel living in that area.

We managed to raise \$100,000 pesos, an amount that was doubled by Pochteca, for a total donation of \$200,000.00.



GRI 102-13

INITIATIVES AND ASSOCIATIONS

Pochteca is an active member of different associations and external initiatives seeking continuous Safety, Health, Environmental Protection improvement of the communities in which we operate. In addition, we abide by the standards and regulations stipulated by local communities.

External initiatives	Membership and Associations
SMETA-Sedex	Asociación Nacional de la Industria Química (ANIQ)
EcoVadis	Omnichem
Responsible Distribution	National Paper Trade Association (NPTA)
ISO 9001:2015	National Chamber of the Transformation Industry (Cámara Nacional de la Industria de Transformación)
ISO 22241	Forest Stewardship Council (FSC)
	Trade Association of Chemical Industries of Chile (Asociación Gremial de Industriales Químicos de Chile (Asiquim)
	National Association of Chemical Distributors (NACD)

Vallejo Plant, CDMX



Commitment to our communities

CORPORATE GOVERNANCE

SOCIAL AND RELATIONAL CAPITAL 

Our company is governed by the best Corporate Governance practices.

BOARD OF DIRECTORS

Our Board of Directors is composed of a maximum of 21 proprietary directors, as determined by the General Ordinary Stockholders' Meeting, which is responsible for their appointment; at least 25% of them must be independent directors.

Currently, 6 of the 8 proprietary directors are independent, which exceeds the legal requirement in this regard. In addition, the Board of Directors appoints a secretary who is not a member of the Board of Directors.

The Audit and Corporate Practices Committee supports the Board in its functions and meets at least four times a year to review and approve the quarterly results and the report to the Mexican Stock Exchange and the National Banking and Securities Commission. It also holds meetings with the different departments of the company to review the results.



Board of Directors	
Proprietary Members	Alternate Members
Armando Santacruz González (Chairman)	Federico Santacruz González
Margarita Hugues Vélez*	
Jorge Alberto Martínez Madero*	
Eugenio Gerardo Manzano Alba	
Francisco Javier Moguel Gloria*	
Francisco Javier Ruiz Galindo y Terrazas*	
Ernesto Moya Pedrola*	
José Antonio Vértiz Pani*	

*Independent Board Members

Juan Pablo Benítez Secretary	Almaquío Basurto Rosas Assistant Secretary
---------------------------------	---

Audit and Corporate Practices Committee
Audit and Corporate Practices Committee
Francisco Javier Moguel Gloria (Chairman)
Francisco Javier Ruiz Galindo y Terrazas (Member)
Margarita Hugues Vélez (Member)
Juan Pablo del Río Benítez (Secretary, Non-member)

GRI 205, 206, 405, 406, 407, 408, 409, 418, 419: 103-1, 103-2, 103-3, 102-16, 102-17, 102-25, 205-2, 206-1, 406-1, 408-1, 409-1, 412-1, 419-1

CULTURE OF LEGALITY, CODE OF ETHICS AND CONDUCT

At Pochteca, Culture of Legality means acting in accordance with the rule of law, respecting the rules and principles that govern coexistence, such that people can live in harmony, peace and safety. This strategy was created under the guides of México Unido contra la Delincuencia (Mexico United Against Crime).

We have a clear commitment to equal opportunity and respect all laws, regulations, and standards applicable to our business in the various countries in which we operate.

Our Code of Ethics establishes guidelines that govern our behavior towards our internal and external stakeholders and applies to all of our subsidiaries.

Its specific rules include:

- Relationship with customers, suppliers, competitors and authorities.
- Marketing and advertising
- Occupational health and safety
- Conflict of interest
- Handling of information
- Courtesies, invitations and gifts
- Corruption
- Harassment
- Whistle-blowing
- Unfair competition

Our Code of Ethics is shared with collaborators, customers, directors and shareholders on a regular basis and it is part of the Company's basic induction documents and training program.

The Code also establishes the Company's commitment to non-discrimination, free association and negotiation in all our operations, ban on child labor, forced labor, anti-bribery and anti-corruption policies, and compliance with Human Rights.

Collaborators covered by collective bargaining agreement			
Company	Women	Men	Total
Servicios Administrativos Argostal	3	85	88
Asesoría en Lubricantes Pochteca		42	42
Total collaborators	3	127	130
Total	1,419		

*Central America and Brazil do not have a labor union

Furthermore, all the information derived from the revisions to our Code is published for free consultation in the "Transparency-Anticorruption" section of our website. <https://mexico.pochteca.net/empresa/transparencia-y-anticorrupcion/>



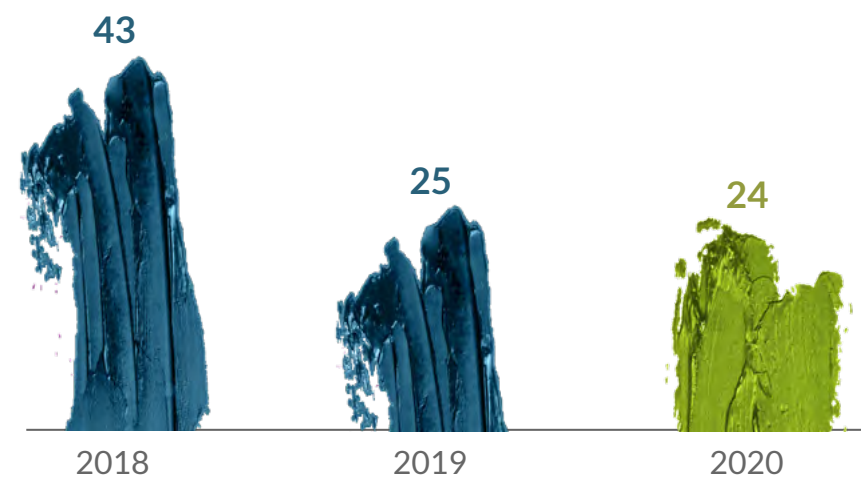
9%
of collaborators are
part of a collective
bargaining agreement



transparencia@tipsanonimos.com

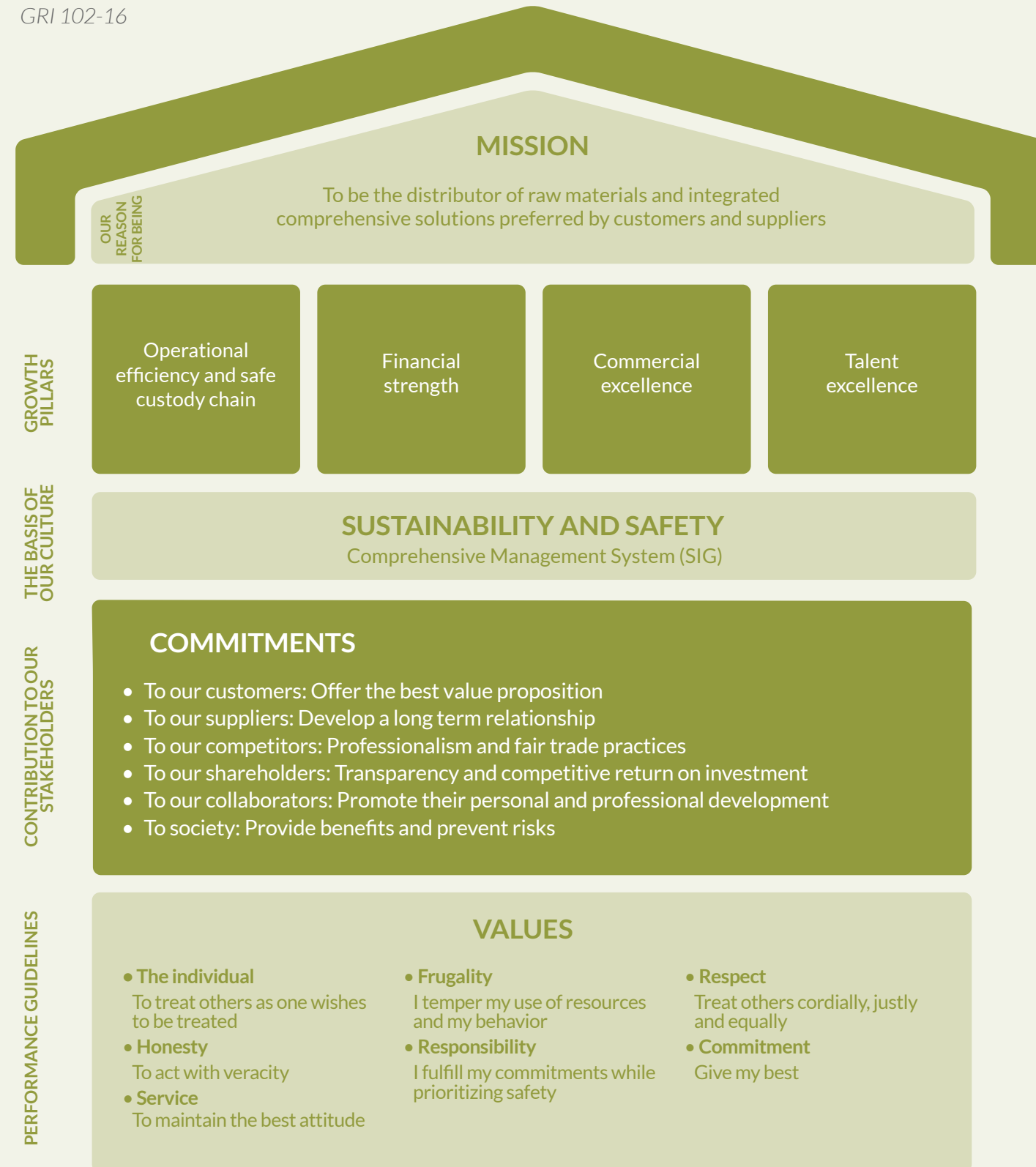
Toll-free line:
800 006 8477

Number of reports



For more information about our Code of Ethics, visit: <https://mexico.pochteca.net/wp-content/uploads/2021/05/folleto-yo-hago-lo-correcto.pdf>

GRI 102-16



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Yo hago lo CORRECTO

Part of the Culture of Legality is our "I do the right thing" strategy, based on the following premises:

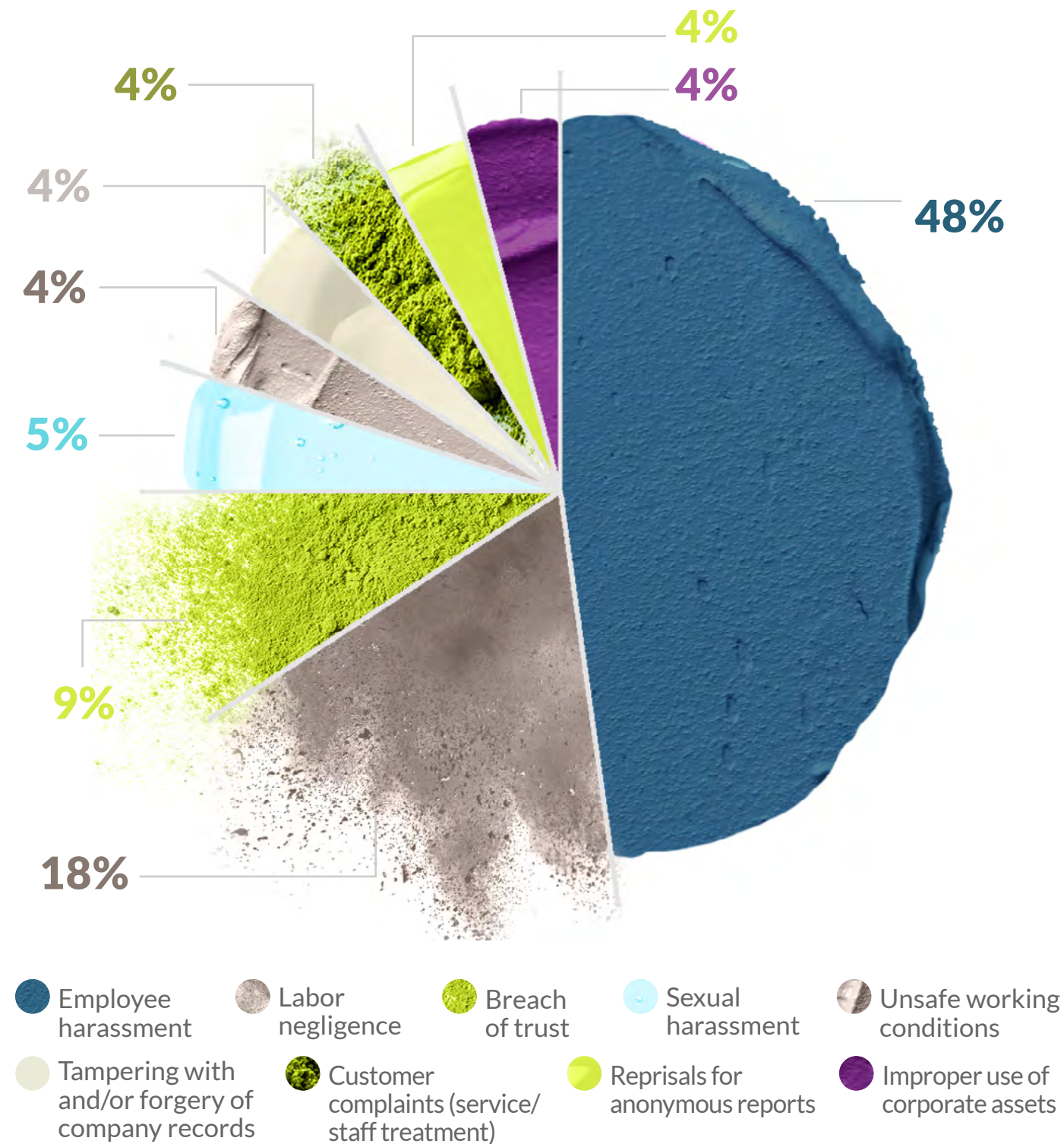
1. I do the right thing.
2. I know the principles that govern us.
3. I comply with the principles that govern us.
4. I reject and denounce improper, violent and unsafe actions.
5. I am demanding of, but collaborative with the authorities.

GRI 205-1, 205-2, 205-3, 206-1

Upon suspicion of corruption of any type, the corporate internal audit area is alerted and proceeds to investigate the events or processes under suspicion; a report of this audit is prepared and submitted to General Management for evaluation. During 2020, there was no record of confirmed corruption.

Furthermore, we do not have any process or record in relation to legal actions for unfair trade practices.

Breaches of the Code of Ethics or values of the organization should be reported through our transparency hotline. Each case is reviewed by the Ethics Committee, who takes the appropriate actions.



It should be mentioned that the IC500 (Corporate Integrity 500) study indicates that we have made improvements over the last 3 years.

Year	Score
2018	27.5
2019	58.82
2020	60.78



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COMMITMENT TO OUR INVESTORS AND SHAREHOLDERS



Consolidated sales in 2020 decreased by -1.4% versus 2019, derived from the industrial reactivation in both Mexico and Brazil, in addition to the incorporation of the entities acquired in South America.



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On the other hand, the decision to prioritize working capital and accounts receivable strength over sales resulted in a loss of sales to customers and sectors with restricted liquidity.

Coremal, our subsidiary in Brazil, recorded a +4.6% increase in sales due to the successful implementation of Pochteca's commercial management model initiated a few years ago to be continued in 2020.

Gross profit increased +6.5% from \$1,163 million pesos in 2019 to \$1,238 million pesos, with a margin of 19.8% reflecting a growth of 150bp over the previous year. Diversification of clients, products and markets, as well as new value-added businesses, have allowed for a more defensive portfolio this season in favor of more profitable products and clients with a shorter collection cycle. Based on the above premises, we will seek to contain the reduction in demand generated by the limitations in economic activities, as well as the possible exchange rate fluctuations that may put pressure on margins.

Operating income increased +108.8% from \$155 million pesos in 2019 to \$323 million pesos, including the effect of IFRS 16. The operating margin was 5.2% higher, reflecting growth of 280pb more than in 2019.

Meanwhile, operating expenses (excluding depreciation) increased 2.2% compared to 2019. They now represent 13.8% of sales, up from 13.3% in 2019. As a percentage of sales, expenses increased from 13.3% in 2019 to 13.8% in 2020, including the effect of IFRS 16.

EBITDA grew as a percentage of sales to 7.9%, from 5.0% in 2019, although in absolute numbers it grew 13.9%, from 319 million pesos to 491 million pesos. Financial expense had a decrease of -0.4%.

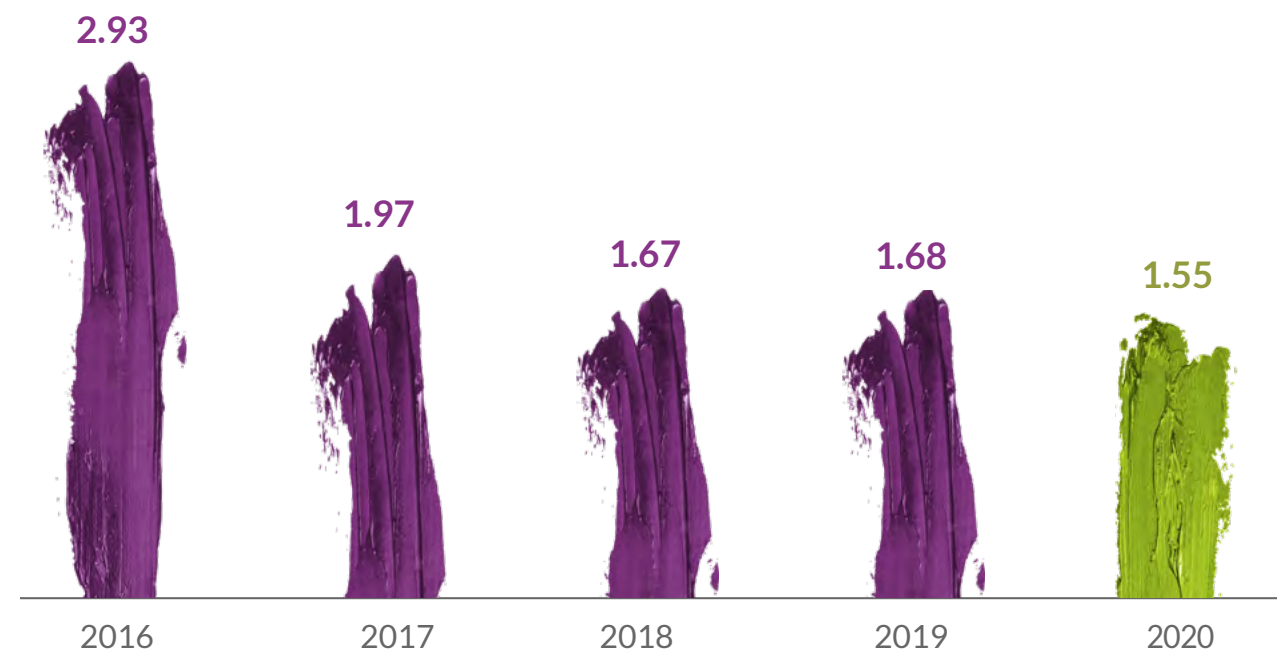
Net income in 2020 was \$185 million pesos compared to a loss of \$15 million pesos in 2019. Net income was the result of strong operating income and foreign exchange gains for the period.

Gross debt at the end of 2020 was \$1,039 million pesos, +56.7% higher than in 2019, when we had debt of \$663 million pesos.

Net debt at the end of 2020 was \$760 million pesos, higher by \$222 million pesos (or +41%) than in 2019. The company's emphasis will be on cash, longer maturities and liquidity going forward.

Net Debt/EBITDA ratio went from 1.68x in 2019 to 1.55x in 2020. The level is below our internal policy of no more than 2.0 times.

Net Debt / EBITDA



In 2020, interest coverage (EBITDA / interest) was times 3.29 times higher than at the end of 2019, which was 2.13x.

	2020	2019
Gross Debt (mdp)	1,039	663
Net Debt (mdp)	760	537
Net Debt / EBITDA 12 M	1.55x	1.68x
Interest Coverage	3.29x	2.13x
Outstanding Shares	130,522,049	130,522,049



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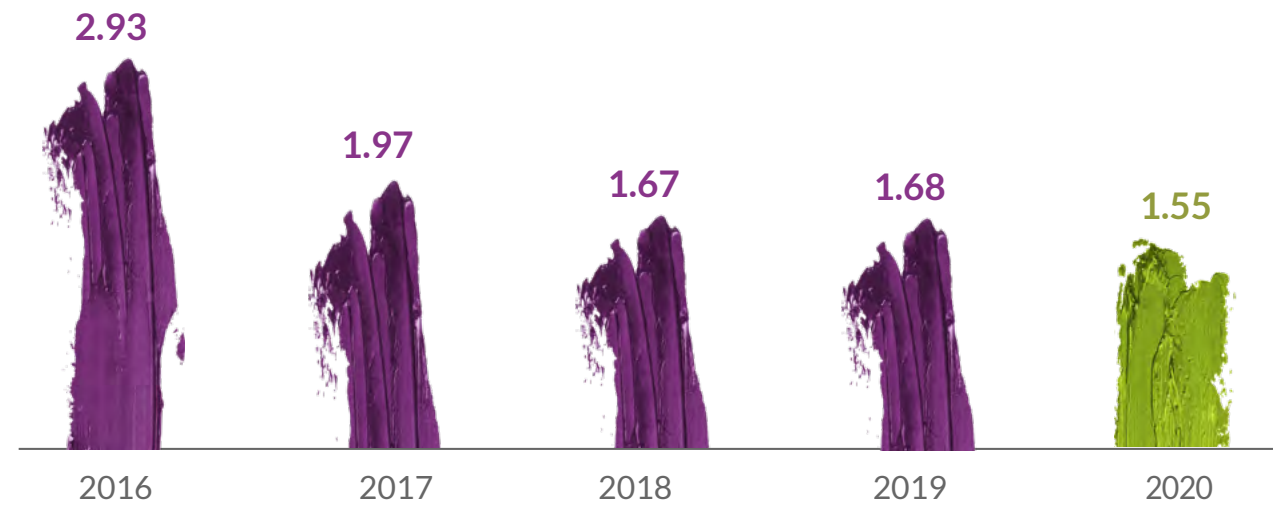
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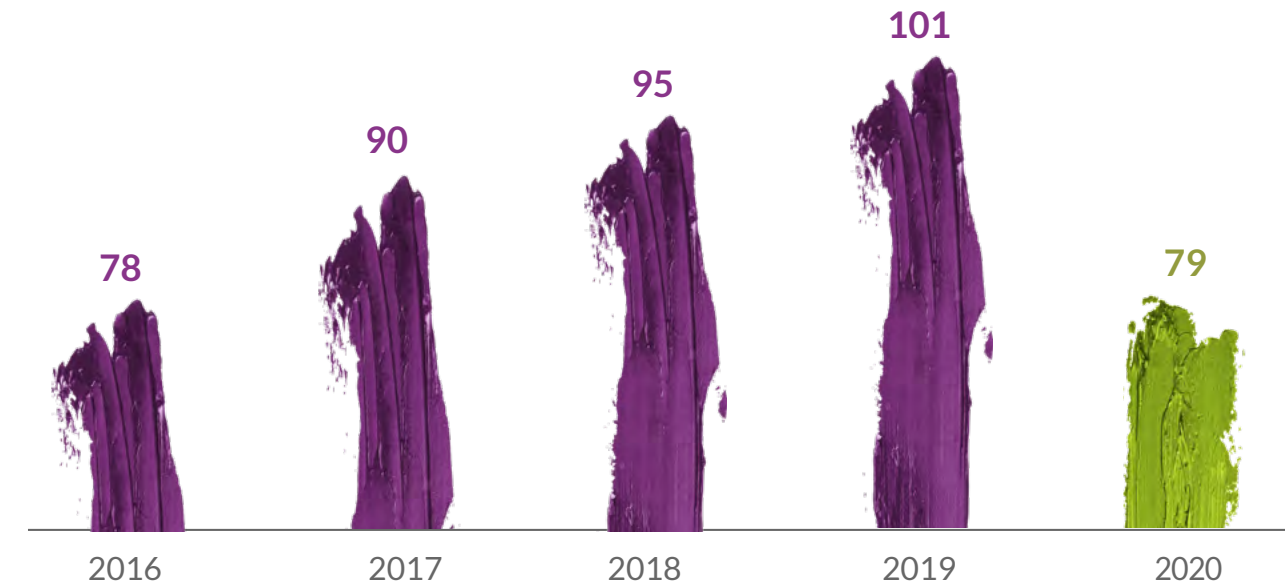
Cash flow generation and EBITDA to cash conversion. At the end of 2020, a cash flow of \$103 million pesos was generated after taxes and CAPEX, and before interest, debt amortization and

share repurchase fund expenditures; a 0.21 to 1.0 conversion from EBITDA to cash flow. Cash at year-end 2020 increased by +\$153 million pesos compared to 2019.

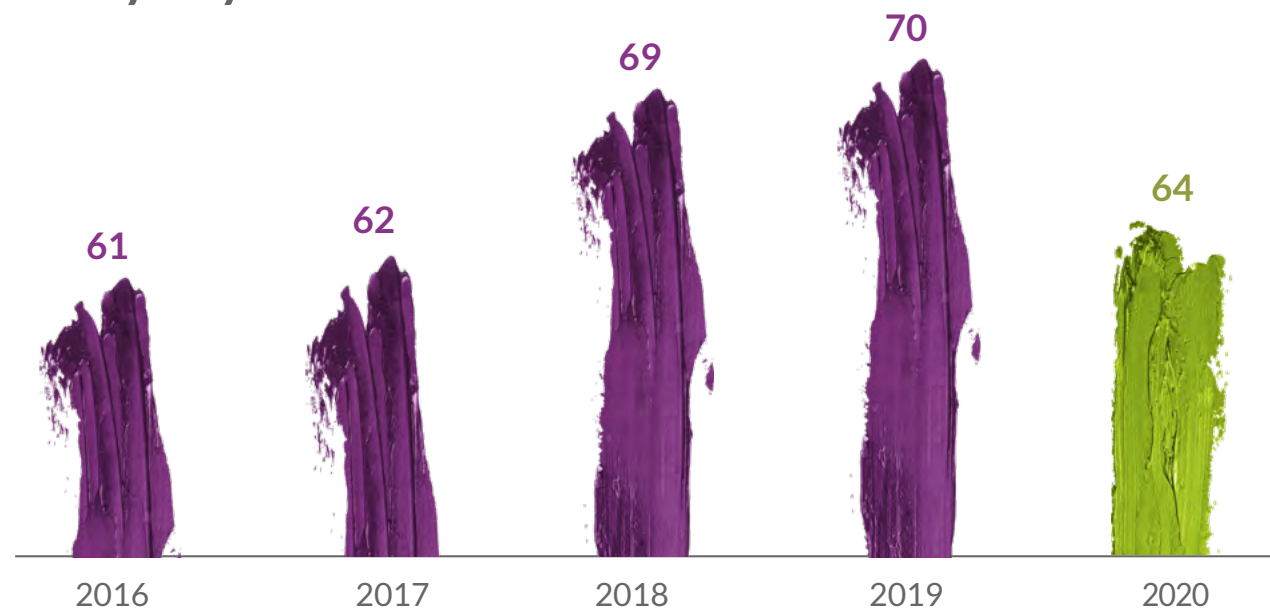
Net Debt / EBITDA



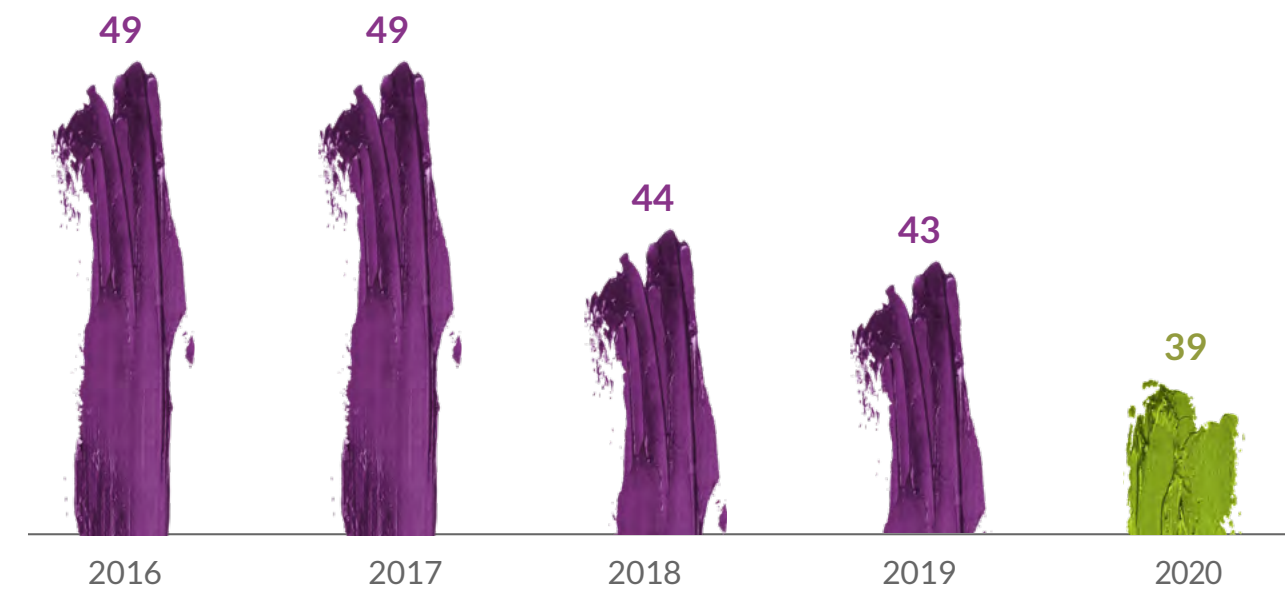
Account payable days



Inventory days

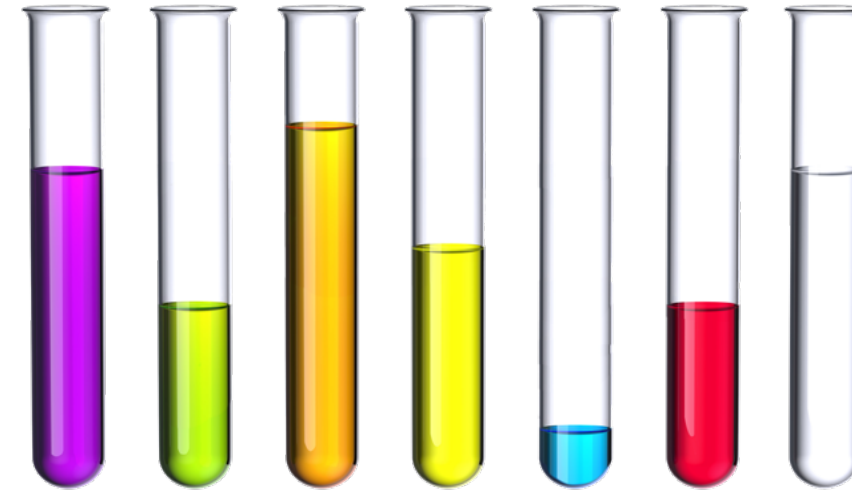


Account receivable days



GRI 102-45, 102-46, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56

ABOUT THIS REPORT



This is the seventh sustainability report and sixth integrated report of Grupo Pochteca, S. A. B. de C. V. and Subsidiaries. It is structured according to the following capitals: Financial, Industrial, Intellectual, Human, Social and Relational, and Natural. The report discloses how we are creating long-term value, what issues are material to the Company and what our measurement methods have been.

The report is prepared on an annual basis pursuant to the GRI Standards: Core option, established by the Global Reporting Initiative (GRI). It complies with the principles of accuracy, balance, clarity, comparability, reliability and timeliness whose material aspects were obtained through the materiality study conducted in 2019. In addition, for the first time we include the SASB standards most relevant to our financial performance regarding environmental, social and corporate governance (ESG) matters; these are identified in each section.

It also includes performance results on economic, social, environmental and corporate governance matters that took place in the period from January 1 to December 31, 2020

and complies with all the principles for determining the content and quality of the report established by GRI. The report has not been externally verified.

This is the first time we are reporting our contribution to Sustainable Development Goals. Consequently, we have committed to working on setting goals and targets for the future.

In 2020 we carried out the acquisition of IXOM Holdings Pty Ltd with operations in Argentina, Brazil, Chile, and Colombia. As a result, we have reported some data such as headcount and salaries of the new companies in those countries, therefore some of the figures reported in previous years may present significant changes. We are committed to consolidating more information from our subsidiaries for the next fiscal year.

For convenience, we are providing an online report and a social responsibility section where interested readers can find more information about the company, financial results and sustainability.

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CONSOLIDATED FINANCIAL STATEMENTS

Grupo Pochteca, S. A. B. de C. V. and Subsidiaries

For the Years Ended December 31, 2020, 2019 and 2018,
and Independent Auditors' Report Dated April 26, 2021

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Financial
Statements



INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Grupo Pochteca, S. A. B. de C. V. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Grupo Pochteca, S. A. B. de C. V. and its subsidiaries (the "Group") which comprise the consolidated statements of financial position as of December 31, 2020, 2019 and 2018, and the consolidated statements of income and other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in *Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the Code of Ethics issued by the Mexican Institute of Public Accountants (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter paragraph

We draw attention to Note 1 to the accompanying consolidated financial statements, which explains that, as a result of the Coronavirus (COVID 19) pandemic, Group management has assessed the effects derived from this situation on its consolidated financial information at December 31, 2020. The Group's financial position and results of operations at December 31, 2020 were not significantly

affected by the pandemic. However, our audit planning and procedures were adapted to the circumstances so as to verify this situation and the assertions included by the Group in Note 1 to the consolidated financial statements. Our opinion has not been modified in this regard.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit issues which should be communicated in our report.

Business combination

The Group acquired seven entities in South America (Chile, Peru, Colombia, Argentina and Brazil), which are engaged in the distribution of chemical products for the mining industry, personal care and water treatment. This transaction was recorded in accounting in conformity with IFRS 3, "Business combination" (IFRS 3), by using the purchase

method. Accordingly, the purchase price was allocated to the acquired assets and assumed liabilities.

The determination of the fair value of assets and assumed liabilities requires Management to utilize estimates and significant assumptions related to the technical valuation of intangible assets, property, plant and equipment, financial liabilities and the value of stockholders' equity, by utilizing the discounted cash flow methodology, future cash flow forecasts and determining the discount rate. The application of audit procedures to assess the fairness of these estimates and assumptions required Management to utilize a high level of judgment.

Our audit procedures include the following, among others:

- a) We reviewed the authorization granted by the Board of Directors to perform the acquisition.
- b) We read and analyzed the purchase-sale agreements.
- c) We verified that the transaction lay within the scope of IFRS 3.
- d) We corroborated the transaction payment.
- e) We tested the design and implementation of relevant internal controls and applied substantive procedures related to the acquisition.



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- f) In conjunction with our internal specialists, we performed the following procedures:
- We assessed the assumptions and methods employed to identify fair value estimates and the correct application of IFRS 3.
 - We assessed the methodology used to estimate the fair value of the acquired net assets and also challenged the projection period, which is in conformity with the practices accepted in the financial sector, and tested the fairness of discount rates.

As a result of the audit procedures we applied, we concluded that the new business combination was reasonable.

Other matter

The accompanying financial statements have been translated into English for the convenience of readers.

Additional Information Other than the Consolidated Financial Statements and the Independent Auditors’ Report

Management is responsible for the additional information. The additional information comprises the information included in the annual report that the Group is obligated to prepare in accordance with the Article 33, Section I, Subsection b) of the fourth title, First Chapter of the General Rules Applicable to Securities Issuers and Other Participants of the Mexican Stock Market and the accompanying Manual of those legal provisions (the Legal

provisions). The annual report is expected to be available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the additional information identified above when it becomes available and, doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we do, we conclude that there is a material misstatement in the additional information; we would have to report this matter. When we read the annual report, we will issue the conclusion about its reading, as required by Article 33, Section I, paragraph b) numeral 1.2. of the Provisions.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s

ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and

appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.



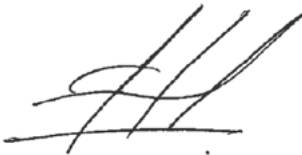
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited



C. P. C. Carlos Ignacio Muñoz Miranda
April 26, 2021



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2020, 2019 and 2018
(In thousands of Mexican pesos)

Assets	Notes	2020	2019	2018
Current assets:				
Cash and cash equivalents	5	\$ 279,227	\$ 125,787	\$ 138,253
Accounts receivable and recoverable taxes - Net	6	1,074,210	963,103	996,398
Due from related parties	21	5,193	5,033	7,234
Inventories	7	1,075,759	911,843	950,019
Prepaid expenses		43,787	43,555	45,650
Total current assets		2,478,176	2,049,321	2,137,554
Non-current assets				
Properties, plant and equipment - Net	9	745,656	716,824	690,737
Other investments		4,381	4,381	4,381
Investment properties	8	15,060	15,060	15,060
Other assets		72,517	68,129	79,696
Deferred income taxes	25	166,553	54,926	52,464
Intangible assets - Net	11	248,806	195,315	203,903
Right-of-use assets	13	308,940	324,025	-
Goodwill	12	280,366	294,217	349,570
Total non-current assets		1,842,279	1,672,877	1,395,811
Total		\$ 4,320,455	\$ 3,722,198	\$ 3,533,365

Liabilities and stockholders' equity	Notes	2020	2019	2018
Current liabilities:				
Bank loans and current portion of long-term debt	16	\$ 703,995	\$ 560,243	\$ 405,414
Trade accounts payable		1,330,760	1,366,700	1,331,709
Other accounts payable and accrued expenses	15	382,285	252,142	238,698
Due to related parties	21	7,201	6,834	8,561
Short-term lease liability	14	50,391	44,947	-
Income taxes and statutory employee profit sharing		35,808	23,719	32,234
Total current liabilities		2,510,440	2,254,585	2,016,616
Long-term liabilities:				
Long-term other accounts payable and accrued expenses	15	5,021	2,044	2,003
Long-term debt	16	334,783	102,619	375,993
Long-term lease liability	14	279,092	283,519	-
Employee benefits	17	16,713	10,898	8,019
Total long-term liabilities		635,609	399,080	386,015
Total liabilities		3,146,049	2,653,665	2,402,631
Stockholders' equity:				
Contributed capital-				
Capital stock	18	1,096,837	1,096,837	1,096,837
Premium on sale of repurchased stock		58,176	58,176	58,176
(Loss) earned capital -				
Retained earnings		185,982	(1,264)	24,477
Reserve for repurchase of shares		-	10,311	13,169
Translation effects of foreign operations		(159,753)	(93,603)	(61,407)
Remeasurement of defined benefit obligation		(6,836)	(1,924)	(518)
		19,393	(86,480)	(24,279)
Total stockholders' equity		1,174,406	1,068,533	1,130,734
Total		\$ 4,320,455	\$ 3,722,198	\$ 3,533,365

The accompanying notes are part of the consolidated financial statements.

Grupo Pochteca, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2020, 2019 and 2018

(In thousands of Mexican pesos, except earnings per common share expressed in Mexican pesos)

	Notes	2020	2019	2018
Net sales	22	\$ 6,257,455	\$ 6,345,505	\$ 6,463,342
Cost of sales	23	(5,018,960)	(5,182,573)	(5,256,146)
Gross profit		1,238,495	1,162,932	1,207,196
Profit in business acquisition	10	115,239	–	–
Operating expenses	24	(1,030,364)	(1,008,060)	(940,110)
Income from operations		323,370	154,872	267,086
Financing costs:				
Interest income		9,581	7,599	8,560
Interest expense		(158,693)	(157,363)	(146,883)
Exchange (loss) gain		(14,660)	7,086	(12,498)
		(163,772)	(142,678)	(150,821)
Income before income taxes		159,598	12,194	116,265
Income taxes (benefit) expense	25	(25,821)	27,104	52,027
Consolidated net income (loss)		\$ 185,419	\$ (14,910)	\$ 64,238

The accompanying notes are part of the consolidated financial statements.

	Notes	2020	2019	2018
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation		(4,912)	(1,406)	104
Exchange differences on translating foreign operations		(66,150)	(32,196)	(38,684)
Total comprehensive (loss) income for the year		\$ 114,357	\$ (48,512)	\$ 25,658
Earnings per share:				
From continuing operations:				
Basic and diluted earnings (losses) per common share (in Mexican pesos)		\$ 1.4206	\$ (0.1142)	\$ 0.4922
Weighted average shares outstanding		130,522,049	130,522,049	130,522,049



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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2020, 2019 and 2018
(In thousands of Mexican pesos)

	Contributed capital				(Loss) earned capital					
	Common stock		Premium on sale of repurchased stock	Total	Retained earnings	Reserve for repurchase of shares	Translation effects of foreign operations	Remeasurement of defined benefit obligation	Total stockholders' equity	
	Nominal	In trust								
Balance as of December 31, 2017	\$ 1,104,721	\$ (7,884)	\$ 58,176	\$ 1,155,013	\$ 18,233	\$ 3,257	\$ (22,723)	\$ (622)	\$ 1,153,158	
Cancellation of reserve for repurchase of shares	–	–	–	–	3,257	(3,257)	–	–	–	
Creation of reserve for repurchase of shares	–	–	–	–	(61,251)	61,251	–	–	–	
Repurchase of shares	–	–	–	–	–	(48,082)	–	–	(48,082)	
Net comprehensive result for the year	–	–	–	–	64,238	–	(38,684)	104	25,658	
Balance as of December 31, 2018	1,104,721	(7,884)	58,176	1,155,013	24,477	13,169	(61,407)	(518)	1,130,734	
Cancellation of reserve for repurchase of shares	–	–	–	–	13,169	(13,169)	–	–	–	
Creation of reserve for repurchase of shares	–	–	–	–	(24,000)	24,000	–	–	–	
Repurchase of shares	–	–	–	–	–	(13,689)	–	–	(13,689)	
Net comprehensive result for the year	–	–	–	–	(14,910)	–	(32,196)	(1,406)	(48,512)	
Balance as of December 31, 2019	1,104,721	(7,884)	58,176	1,155,013	(1,264)	10,311	(93,603)	(1,924)	1,068,533	
Cancellation of reserve for repurchase of shares	–	–	–	–	1,827	(1,827)	–	–	–	
Repurchase of shares	–	–	–	–	–	(8,484)	–	–	(8,484)	
Net comprehensive result for the year	–	–	–	–	185,419	–	(66,150)	(4,912)	114,357	
Balance as of December 31, 2020	\$ 1,104,721	\$ (7,884)	\$ 58,176	\$ 1,155,013	\$ 185,982	\$ –	\$ (159,753)	\$ (6,836)	\$ 1,174,406	

The accompanying notes are part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020, 2019 and 2018
(In thousands of Mexican pesos) | (Indirect method)

	Notes	2020	2019	2018
Cash flows from operating activities:				
Consolidated net income (loss)		\$ 185,419	\$ (14,910)	\$ 64,238
Adjustments for:				
Income taxes expense	25	(25,821)	27,104	52,027
Depreciation and amortization	24	167,869	163,941	117,647
Gain on sale of property and equipment		(1,648)	(10,324)	(14,059)
Profit in business acquisition		(115,239)	–	–
Amortization of commissions paid		5,176	3,406	3,498
Interest paid		134,899	153,957	143,385
Interest income		(9,581)	(7,599)	(8,560)
Unrealized exchange (gain) loss		(639)	4,447	(13,178)
		340,435	320,022	344,998
Changes in working capital:				
Accounts receivable and recoverable taxes	6	204,524	35,496	135,117
Inventories	7	76,277	38,176	(62,010)
Prepaid expenses		(232)	2,095	(11,074)
Other assets		(21,225)	(5,009)	10,358
(Decrease) increase in:				
Trade accounts payable		(240,961)	34,991	17,832
Other accounts payable and accrued expenses	15	(59,672)	(27,139)	(45,369)
Due to related parties	21	367	(1,727)	441
Income taxes paid		(28,000)	(63,006)	(62,911)
Net cash provided by operating activities		271,513	333,899	327,382

	Notes	2020	2019	2018
Cash flows from investing activities:				
Purchase of machinery and equipment		(53,280)	(86,102)	(121,507)
Sale of machinery and equipment		5,401	9,395	101,009
Acquisition of subsidiaries		(217,419)	–	–
Interest collected		9,581	7,598	8,560
Net cash used in investing activities		(255,717)	(69,109)	(11,938)
Cash flows from financing activities:				
Borrowings	16	3,325,095	1,649,029	160,000
Repayment of loans received	16	(2,934,935)	(1,791,129)	(344,122)
Payment of leasing		(88,673)	(75,072)	(15,114)
Purchase of own common shares		(8,484)	(13,689)	(48,082)
Interest and commissions paid	16	(137,505)	(120,357)	(128,589)
Net cash provided (used) in financing activities		155,498	(351,218)	(375,907)
Effects of changes in exchange rates on cash held in foreign currency		(17,854)	73,962	(55,912)
Net increase (decrease) in cash and cash equivalents		153,440	(12,466)	(116,375)
Cash and cash equivalents at beginning of year		125,787	138,253	254,628
Cash and cash equivalents at end of year		\$ 279,227	\$ 125,787	\$ 138,253

The accompanying notes are part of the consolidated financial statements.

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