



**COMMUNICATION ON
PROGRESS 2021**

United Nations Global Compact

LETTER FROM THE CEO

Although fundamental human rights do not change, society and its context do. Therefore, at ALPEK we must be vigilant and address this new context effectively to align our strategy and operations with universal human rights principles.

We understand that these principles constitute a global standard regarding corporate conduct applicable to all our operations. Consequently, we are determined to live up to our responsibility for all human rights, while encouraging our business partners to respect them as well.

As signatories of the UN Global Compact since early 2021, we reaffirm our support for its 10 principles on Human Rights, Labor, Environment and Anti-Corruption.

As a result of our strong commitment to these principles, this is the first year we send our Communication on Progress to the UN Global Compact. We also recently developed and published our Code of Ethics with the goal of raising awareness among our employees and other stakeholders about human rights. Our goal is to always ensure humane treatment in our facilities and, together with ALPEK's Global Policy on Diversity, Equity, and Inclusion, we strive to avoid discrimination due to sensitive medical conditions, social background, family situation or affiliation with unions.

We communicate our progress in implementing the UNGC's 10 Principles at an active level. Information relevant to our 2021 Communication on Progress is also available in our 2021 ESG Section in our Annual Financial Report and in this ESG Booklet, both available at <https://www.alpek.com/esg/>. For reference, visit the UNGC website to view our report.

We have established targets to ensure a responsible and just operation for our employees and the environment. However, as part of our continuous improvement process, and to meet our ESG Goals, in the following immediate years we will be working on the definition and improvement of said targets regarding human rights, labor, environment and anti-corruption practices.

Our Human Rights Policy reflects our support and respect for internationally proclaimed human rights principles and recognizes employees, communities, contractors, and suppliers as the main areas of impact. With this, we reaffirm our commitment to promoting and respecting human rights throughout our operations, local communities, and supply chain around the world.



José de Jesús Valdez Simancas
Chief Executive Officer

OUR CONTRIBUTION TO THE SDGs

We have identified 12 material aspects that have become our priority issues, and the SDGs we can and will contribute to in the coming years by addressing these issues. This also serves as the starting point for the establishment of corporate ESG goals and targets for all our Business Units.

LEAD WITH EMPATHY

SDG	SDG TARGET	COMPANY'S TARGET	OUR PROGRESS IN 2021	PRIORITY ISSUE
SDG 5: Gender equality	<p>5.1 End all forms of discrimination against all women and girls everywhere.</p> <p>5.C Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels.</p>	<p>We commit to further diversifying our workforce through more equitable hiring, retention, and development strategies.</p>	<p>In 2021 we identified these aspects as material to our operations. Consequently, we started the process of analyzing our talent and retention process, investigating the roots of low diversity in the workforce, and identifying the gaps that might exist in the benefits offered to Alpek employees regardless of their gender.</p> <p>In 2022, we will continue our efforts to:</p> <ul style="list-style-type: none"> • Develop a better equitable recruitment, hiring, and retention strategy. • Continue conducting salary gap assessments and address any gap identified. • Conduct analysis to identify causes for lack/loss of diverse employees and develop strategies to retain them. • Creation of employee resource groups to foster a diverse workplace culture. • Include diversity perception in our assessments to address employee sentiment. 	<p>Diversity, Equity, and Inclusion</p>

SDG	SDG TARGET	COMPANY'S TARGET	OUR PROGRESS IN 2021	PRIORITY ISSUE
<p>SDG 8: Decent work and economic growth</p>	<p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p>8.7 Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms</p> <p>8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</p>	<p>We plan to reach a Total Recordable Incident Rate (TRIR) for our employees and contractors in the top decile of our industry, though our goal remains to achieve zero accidents every single day.</p>	<p>Occupational Health and Safety is one of our 12 priority issues. In 2021 we continued to address the COVID-19 contingency with the strictest safety controls in our facilities and encouraged our employees to get vaccinated on this and other illnesses through vaccination campaigns. We also began the standardization on reporting safety rates, for employees and contractors periodically.</p> <p>In 2022 we will work to reach the KPIs that will lead us to achieve the target set.</p>	<p>Occupational Health and Safety</p> <p>Diversity, Equity, and Inclusion</p>

ALPEK COMMUNICATION ON PROGRESS 2021

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SDG	SDG TARGET	COMPANY'S TARGET	OUR PROGRESS IN 2021	PRIORITY ISSUE
<p>SDG 17: Partnerships for the goals</p>	<p>13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</p> <p>17.16 Enhance the global partnership for sustainable development.</p>	<p>We want to:</p> <ul style="list-style-type: none"> • Diversify pool of social projects • Align charitable work and investment with local communities' needs • Open more communication channels and participate in community panels <p>We aim to actively identify ESG-related risks and corrective actions needed to make our entire value chain more sustainable.</p>	<p>Alpek contributes by:</p> <ul style="list-style-type: none"> • Developing multi-stakeholder and cross-border partnerships. • Collaborating with downstream partners, communities, government, and regulators towards sustainable development. • Contributing to improving environmental and safety performance in emerging countries through capacity building. • Incorporating collaboration as a critical pillar of sustainability efforts. • Encouraging open innovation initiatives for the sector. <p>In 2022 we will be developing our Community Engagement Framework.</p>	<p>Community engagement</p> <p>Relations with customers and suppliers.</p>



MAXIMIZE RESOURCE EFFICIENCY				
SDG	SDG TARGET	COMPANY'S TARGET	OUR PROGRESS IN 2021	PRIORITY ISSUE
SDG 6: Clean water and sanitation	14.1 By 2025, prevent and significantly reduce marine pollution of all kinds	Closely monitor our water consumption intensity, particularly in water-stressed areas, and identify opportunities to reduce it.	Alpek contributes with the prevention and reduction of ocean plastic waste with its increasing PET bottles recycling activities. Regarding water, Alpek has set the target to monitor water intensities, and boost its Business Units' initiatives such as process-water recovery or reverse osmosis projects.	Water management
SDG 7: Affordable and clean energy SDG 13: Climate Action	7.3 By 2030, double the global rate of improvement in energy efficiency. 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries. 13.2 Integrate climate change measures into national policies, strategies, and planning. 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	We are committed to the Paris Agreement. We are targeting an SBTi-certified Scopes 1 and 2 emissions reduction targets of 27.5% by 2030 (2019 baseline), reaching carbon neutrality by 2050, and begin measuring our Scope 3 emissions.	Alpek contributes to this SDG through decarbonization initiatives, energy efficiency, reducing the footprint of their products and the development of innovative solutions to avoid downstream emissions (like with PET recycling). We also contribute by educating employees and communities in environmental care issues. In 2021 we developed the targets and set the work pace to develop the necessary initiatives, actions, and commitments to reach our goals. We also implemented several actions, such as shutting down high CO ₂ emitting facilities that will result in emissions avoidance in the upcoming years.	Carbon emissions and Energy Eco-efficiency Pollution Circularity

EMBRACE CHANGE

SDG	SDG TARGET	COMPANY'S TARGET	OUR PROGRESS IN 2021	PRIORITY ISSUE
<p>SDG 9: Industry, Innovation, and Infrastructure</p>	<p>9.4 By 2030, upgrade infrastructure to make them sustainable, with increased resource-efficiency and greater adoption of clean and environmentally sound technologies and infrastructure processes.</p> <p>9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors, in all countries, in particular in developing countries, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.</p>	<p>We focus on improving our current products and processes while discovering more environmentally-friendly alternatives for both.</p>	<p>We want to increase ESG criteria integration in the development process.</p> <p>During 2021 we carried out our first official Open Innovation Program through which diverse issues were addressed across the different Business Units, most of them of high relevance for our ESG Agenda.</p>	<p>Innovation</p> <p>Circularity</p>

SDG	SDG TARGET	COMPANY'S TARGET	OUR PROGRESS IN 2021	PRIORITY ISSUE
<p>SDG 12: Sustainable consumption and production</p>	<p>12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse.</p>	<p>We plan to increase our rPET production output to 300 thousand annual metric tons of bottles to flake by 2050.</p> <p>We will leverage our partnerships to develop chemical recycling solutions for Polypropylene and increase our share of Copolymers, employed in long-term usage applications.</p> <p>We will focus on long-term usage applications for EPS, develop biodegradable alternatives for the F&B market, and work on making chemical recycling viable.</p>	<p>We have defined Circular Economy as one of Alpek's long-term strategy enablers.</p> <p>In 2021 we started by approaching our Business Units to identify the processes in which a circularity approach can be taken. We acquired PET recycling facilities which got us closer to our stated goal and set the basis for implementing Life-Cycle Assessments of every product and identify the viability of greener options.</p>	<p>Circularity</p>

GROW RESPONSIBLY

SDG	SDG TARGET	COMPANY'S TARGET	OUR PROGRESS IN 2021	PRIORITY ISSUE
<p>SDG 9: Industry, Innovation, and Infrastructure</p>	<p>9.4 By 2030, upgrade infrastructure to make them sustainable, with increased resource-efficiency and greater adoption of clean and environmentally sound technologies and infrastructure processes.</p> <p>9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors, in all countries, in particular in developing countries, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.</p>	<p>We will work with our customers and suppliers to actively identify ESG-related risks and the corrective actions needed to make our entire value chain more sustainable.</p>	<p>In 2021 we identified several impacts in our supply chain that pose a risk to our operations. A shortage in raw materials supply can have a very negative impact on the company. In early 2022 we will develop and publish our Sustainable Procurement Policy, and we work on an engagement strategy with our suppliers.</p> <p>We started approaching our critical suppliers and customers in order to be able to measure our Scope 3 emissions.</p>	<p>Relation with customers and suppliers</p>

HOW WE CONTRIBUTE TO THE UNGC 10 PRINCIPLES

In the following table, we provide some relevant points on which we have been working to implement the Global Compact Principles. You can find more information in our ESG Section of the Annual Financial Report 2021 and this Booklet.

HUMAN RIGHTS

To consult the complete information of our progress regarding Human Rights, please visit our 2021 ESG Section in our Annual Financial Report.

• **Principle 1:** Companies must support and respect the protection of universally recognized fundamental human rights, within their sphere of influence - GRI 410-1, GRI 411-1, GRI 412-1, GRI 412-2, GRI 413-1, GRI 413-2.

• **Principle 2:** Companies must ensure that their companies are not complicit in the violation of human rights - GRI 412-3, GRI 414-1, GRI 414-2.

Criterion 3:

The COP describes robust commitments, strategies, or policies in the area of Human Rights

- In 2021 we developed and made public:
 - Human Rights Policy in which the Company commits to and establishes the guidelines to comply with all applicable laws and respect internationally recognized human rights, wherever the company operates. Approved by our CEO, the Policy stipulates our expectations of personnel, business partners and other parties linked to the company’s activities regarding respect for human rights.
 - Code of Ethics that supports the compliance with our Human Rights Policy.
 - A new version of Alpek’s website including an ESG Section with information about our Environmental, Social and governance performance and targets, including Human Rights.
- At Alpek we seek to align our strategy and operations to the International Bill of Human Rights and the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work. These global standards of expected conduct are applicable to all our operations.

Criterion 4:

The COP describes effective management systems to integrate the human rights principles

- Our Human Resources Department is the area with the responsible staff of developing, reviewing, and implementing the necessary procedures to comply with the Human Rights Policy.
- Our ESG Taskforce and Champion assist the CEO in overseeing strategies designed to manage environmental, social, economic, and governance related risks. It also provides support to review the effectiveness of policies and procedures relating to health and safety, employment practices, stakeholder relationships, environment, human rights, and sustainable development.

Criterion 5:

The COP describes effective monitoring and evaluation mechanisms of human rights integration

- In 2021 we dove deep onto our processes regarding the assessments on Human Rights. The development and publishing of the Policy is the first step towards implementing an assessment, monitoring and improvement system that will allow us to evaluate and identify any gaps regarding the full respect of Human Rights in our own operations as well as those of our critical suppliers.
- As part of this effort, in early 2022 we will be publishing our Diversity, Equity and Inclusion (DEI).

LABOR

To consult the complete information of our progress regarding Labor, please visit our 2021 ESG Section in our Annual Financial Report.

- **Principle 3.** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining - GRI 304-1, GRI 402-1, GRI 407-1.
- **Principle 4.** Businesses should uphold the elimination of all forms of forced and compulsory labor - GRI 409-1.
- **Principle 5.** Businesses should uphold the effective abolition of child labor - GRI 408-1.
- **Principle 6.** Businesses should uphold the elimination of discrimination in respect of employment and occupation - GRI 202-1, GRI 202-2, GRI 401-1, GRI 403-1, GRI 404-1, GRI 404-3, GRI 405-1, GRI 405-2, GRI 406-1, GRI 414-1.

Criterion 6:

The COP describes robust commitments, strategies, or policies in Labor

- Alpek has several policies and commitments regarding Labor rights, such as:
 - Safety, Health and Wellbeing Policy, which states that each Alpek Business Unit shall have a person responsible for Well-being, Safety, and Health issues to ensure the implementation, continuous improvement, and monitoring of guidelines, processes, and incident indicators related to accidents, illnesses, and medical examinations.
 - Code of Ethics
 - Diversity, Equity, and inclusion (DEI) Policy (to be published in early 2022)
- Alpek fully acknowledges, supports, and respects its employees' rights to freedom of association, provided all actions are legal and that they do not interfere with the employees' duties and responsibilities.
- Alpek strongly forbids anyone de or feel forced to perform any task that is hazardous or detrimental to their health or wellbeing. Employees are free to leave the company at any time and we do not offer any benefit as leverage to force labor.
- We are strongly committed to protecting the rules regarding child labor in every country we operate. No minor person under 18 years of age works in our facilities.
- In 2021 we did not identify any of our operations nor those of critical suppliers that fail to comply with fair labor practices. Neither did we identify child labor, forced labor or the denying of the right to freedom of association in the countries where the law allows it.
- In 2021 we established the target of reaching a TRIR for its employees and contractor in the Top Decile of its industry, though our ultimate goal is to achieve zero accidents every single day.

<p>Criterion 7: The COP describes effective management systems to integrate the labor principles.</p>	<ul style="list-style-type: none"> • Our Human Resources Department is the area with the responsible staff of developing, reviewing, and implementing the necessary procedures to comply with all applicable labor standards and laws in the countries we operate. • There is a Human Resources committee formed by the Head of HR Departments of every Alpek's Business Units, that meets monthly to share best practices, challenges, advances, and improvements in the Human Resources area. • In 2021 a working committee with the similar objective was formed to address the material issue of Occupational Health and Safety (OHS), given that this is one of our Priority Issues in the Human Resources areas. This committee, with the support of the ESG Taskforce, reviewed and developed related OHS targets, systems, and procedures in place to ensure we offer the best safety practices to our employees.
<p>Criterion 8: The COP describes effective monitoring and evaluation mechanisms of labor</p>	<ul style="list-style-type: none"> • Alpek has stated that all processes and policies related to the safety, health, and well-being of Alpek's stakeholders will be actively communicated through training, digital and print media. • All Alpek Business Units shall have a Crisis Committee capable of responding adequately to events that threaten or affect Alpek's people, environment, reputation, and/or assets. • We evaluate the well-being of our employees through our Engagement and Well-being Survey, which is applied at least once every two years and whose results are considered in short- and long-term improvement plans. • As stated in our Human rights Policy, we provide and maintain for all personnel a work environment that meets or exceeds applicable legal standards for occupational health and safety. Each employee must follow health and safety rules and practices and must report accidents, injuries, and unsafe equipment, practices, or conditions. • We are committed to continue providing training efforts in the areas of Health and Safety, Ethics and Compliance to our employees globally. In addition, we are committed to continue developing programs to keep our employees prepared.

ENVIRONMENT

To consult the complete information of our progress regarding Environment, please visit our 2021 ESG Section in our Annual Financial Report.

- **Principle 7.** Businesses should support a precautionary approach to environmental challenges > GRI 301-1, GRI 302- 1, GRI 303-1, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-6, GRI 305-7
- **Principle 8.** Businesses should undertake initiatives to promote greater environmental responsibility > GRI Standards GRI 301, GRI 302, GRI 303, GRI 304, GRI 305, GRI 306, GRI 307, GRI 308.
- **Principle 9.** Businesses should encourage the development and diffusion of environmentally friendly technologies > GRI 203-1, GRI 302-4, GRI 305-5.

Criterion 9:

The COP describes robust commitments, strategies, or policies in Environment

- Alpek has developed and published its Environmental Policy, through which we establish and enforce the guidelines to create awareness of the importance of maximizing resource efficiency, embracing change, and growing responsibly as a company.
- Alpek recognizes the relevance of continuously improve its environmental performance, to minimize its impact, as well as strictly complying with the laws and regulations in the countries where it holds operations.
- In 2021 we established the following targets regarding our environmental performance, to contribute to the global goal of keeping the planet’s temperature rise well under 2 degrees:
 - By 2030, we will reduce our Scope 1 and 2 emissions by 27%
 - By 2050 we will reach carbon neutrality
 - We will develop and send for approval Science Based Targets to do so throughout 2022 and 2023
 - We will start measuring our Scope 3 emissions in 2022.
- Regarding water, we are closely monitoring our water consumption intensity, particularly in water-stressed areas.

Criterion 10:

The COP describes effective management systems to integrate the environmental principles.

- Every Business Unit has an Environmental Management System (either the ISO 14001 or the one required by the country).
- Every facility has an HSE manager, who is in charge of the correct functioning of the EMS, and to identify any possible malfunction that may result in an environmental hazard.
- We commit to use cutting-edge technologies in order to make our operations more environmentally friendly, as well as acquiring equipment that reduces the emissions sent to the atmosphere.
- Our ESG Taskforce and Champion assist the CEO in overseeing strategies designed to manage environmental, social, economic, and governance related risks. It also provides support to review the effectiveness of policies and procedures relating to health and safety, employment practices, stakeholder relationships, environment, human rights, and sustainable development.

Criterion 11:

The COP describes effective monitoring and evaluation mechanisms of environmental principles integration

- Committed to transparency we have continued to respond to several platforms that require environmental information about our performance, such as the CDP.
- In 2021 we started working with our Business Units to establish environmental targets and monitoring their progress. Our ESG Taskforce oversees and assists the responsible of every Business Unit to establish said targets, and provide them with the tools, information and other environmental information that might aid them in the fulfillment of each objective.
- We fully comply with every environmental regulation of the countries we operate in.

ANTI-CORRUPTION

To consult the complete information of our progress regarding Anti-corruption, please visit our 2021 ESG Section in our Annual Financial Report.

• **Principle 7.** Businesses should work against corruption in all its forms, including extortion and bribery > GRI 102-16, GRI 102-17, GRI 205, GRI 415-1.

<p>Criterion 12: The COP describes robust commitments, strategies, or policies in the area of anti-corruption.</p>	<ul style="list-style-type: none"> • Alpek has developed and published its Anti-corruption Policy, in which we state: <ul style="list-style-type: none"> ○ All anti-corruption laws or regulations applicable in all countries where the company operates shall be observed promptly and at all times, always honoring the moral value of honesty. ○ It is strictly prohibited that employees, contractors or representatives of the company perform, order, authorize, promise, conspire, or induce corruption acts, whether directly or through third parties. ○ It is strictly prohibited to offer, solicit, pay, or receive any kind of economic compensation or valuables from or to customers, suppliers, companies or other organizations or entities in order to obtain an unfair or improper business advantage. ○ It is strictly prohibited to perform acts of bribery towards any kind of authority including government officers, company employees or government-owned entities, as well as members of political parties, candidates for public offices, with the purpose of inducing or causing an action or inaction to obtain a benefit, either personal or for the company. ○ It is strictly prohibited to offer or give valuables, either directly or indirectly, when these valuables exceed reasonable business practices, are inappropriate, or have not been entered into the accounting records of the company ○ All gifts received by Alpek personnel shall comply with the provisions of policy PO-ALPEK-CH-01. ○ Company’s accounting records will be kept in compliance with corresponding guidelines and legislations, including the anti-corruption laws. ○ Alpek Companies will keep accounting records in such a manner that they reflect every transaction with precision and with reasonable detail. ○ The use of the company’s assets or resource for any illegal purpose or against the company moral values is strictly prohibited.
<p>Criterion 13: The COP describes effective management systems to integrate the environmental principles.</p>	<ul style="list-style-type: none"> • Company’s accounting records will be kept in compliance with corresponding guidelines and legislations, including the anti-corruption laws. Alpek Companies will keep accounting records in such a manner that they reflect every transaction with precision and with reasonable detail.

<p>Criterion 14: The COP describes effective monitoring and evaluation mechanisms of anti-corruption principles integration</p>	<ul style="list-style-type: none">• Alpek has grievance mechanisms and responsible of overseeing, receiving, evaluating, and establishing the disciplinary measures for anti-corruption practices.
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