

TRAXIÓN

VIDA EN MOVIMIENTO

MATERIALITY ASSESMENT (IMPACT AND FINANCIAL)



VALORA

*Desde 2002
liderando la
transformación
sostenible*

August 2023

- We conducted our **first impact materiality analysis in 2019**, which served for:
 - Development of the first integrated annual report and subsequent reports following GRI Standards.
 - Correlation of Traxion's strategic and differential contributions to the Sustainable Development Goals (SDGs), considering the context and type of operation of its business segments.
 - Development of the Sustainability Strategy, with pillars and lines of action defined based on the material impact issues.
- For the **2019 materiality analysis**, Traxion analyzed the main sustainability trends, risks, and opportunities in the Freight Mobility and Passenger Mobility segments, as well as for logistics and last-mile transportation activities (in subsequent years already grouped by Traxion in the Logistics and Technology segment). In addition, Traxion reviewed topics included in reporting methodologies, such as the Global Reporting Initiative (GRI), and ESG assessments, such as The S&P Global Corporate Sustainability Assessment (CSA). The identified issues were prioritized by representatives of our stakeholders (employees, customers, authorities, strategic business partners, and suppliers).
- In 2020, Traxion strengthened its analysis by also considering financial materiality, which refers to critical issues that can affect its economic results, balance sheet, and treasury, as well as access to financing. This allowed for a better application of the Sustainability Accounting Standards Board (SASB) standards in the integrated report.
- Between 2022 and 2023, three years after the initial exercise, we updated our materiality (impact materiality and financial materiality) covering all sectors of the Group and consulting updated sustainability trends, risks, and opportunities within them. This way, we address the changes that have occurred in Traxion, including the integration and/or development of new activities and services, as well as changes in the Mexican context and market financial requirements (investors, risk rating agencies, and banks).
- The results are approved and validated by the Executive Presidency and the Corporate Practices and Sustainability Committee, which is a delegated body of the Board of Directors. They are then presented to the Sustainability Committee, composed of all corporate and business units' heads, for subsequent monitoring and oversight by all areas of the group.
- Updating materiality also allows us to keep our Sustainability Strategy current, focusing our efforts according to this prioritization of sustainability-related issues.
- Material issues are also taken into account in Traxion's risk identification and prioritization exercise, from which the annual action plan is proposed.



- We are committed on conducting a materiality assessments at least every two years as part of the Sustainability Strategy update. We will integrate the determination of material issues by impact with those that are financially material; thus, the report will address information on results in accordance with GRI standards, SASB standards, and TCFD recommendations (in addition to IFRS sustainability standards when they come into effect).
- The process of determining material issues and its results will be externally verified each year, both the impact part (corresponding to GRI 3-1 and GRI 3-2 contents) and the financial materiality part.
- The materiality process is coordinated by the Sustainability Department, given the dual focus on impact materiality and financial materiality.
- The action plan of the Sustainability Department, based on the updated materiality assessment and the current Sustainability Strategy, is approved and validated by the Executive Presidency and the Corporate Practices and Sustainability Committee, which is a delegated body of the Board of Directors. It is then presented to the Sustainability Committee, composed of all corporate and business units' heads, for subsequent monitoring and oversight by all areas of the group. The Sustainability Director also reports progress directly to the Board of Directors. In this way, we ensure that our commitment to sustainability is profound and maintained at all levels.



For impact materiality:

The update of material topics begins with the preparation of a list of potentially relevant aspects, based on the previous list used in the 2019 materiality exercise, which also integrated topics that emerged during this time. This list is subsequently prioritized considering the perspective of stakeholders and the organization's strategy.

The topics were repositioned through:

- Surveys to a selection of internal, corporate, and different business unit directors, asking them to reposition the topics based on the evolution of their sector-level impact from their strategic perspective.
- Surveys to the following stakeholder groups through an online survey:
 - Employees
 - Customers
 - Investors
 - Board members
 - Suppliers
- Based on this, growth and decline percentages were applied to the initial positions in the impact materiality matrix (the one used in the 2019 exercise).



For financial materiality:

We considered the analysis and consultation process conducted by the Sustainability Accounting Standards Board (SASB) at the international level in constructing industry-specific standards. We applied the topics established by the initiative for the areas in which we operate: road transportation, professional and commercial services, air freight, and logistics.

Integrated assessment:



In the list of potential aspects represented in the impact matrix, those established by SASB (complete match or related) were included. The topics established by SASB were marked differentially, potentially being in the impact materiality zone - hence being doubly material - or in other areas, in which case they will only be financially material.



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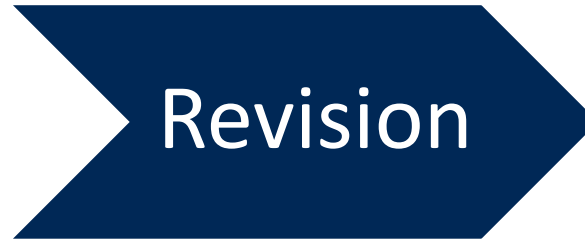
Double materiality

Concepts:

TYPE	WHAT IT RESPONDS TO	AUDIENCE	STANDARDS
Impact	<ul style="list-style-type: none"> Those due to the greater impact that the company's related activity has on its stakeholders (in a broad sense) → Impacts on the environment. They are determined by: <ul style="list-style-type: none"> → The perspective of the consulted groups → The internal perspective of senior management 	Broad range of stakeholders	
Financial	<ul style="list-style-type: none"> Those that most influence the financial results, stability, and balance of the company, and how the company manages them can have a greater impact. <ul style="list-style-type: none"> → Marked by investor requests, who want to zoom in on the company's performance in these particular topics. 	Market: institutional investors, credit rating agencies, banking.	



The process presented aims to update materiality for Traxion, considering the operative context, the perspective of stakeholders, and the business strategy.



Identification

Identification and updating of the set of potentially relevant topics are based on documentary reviews and a reference framework corresponding to similar companies.

- Investor perspective.
- Sector studies.
- International studies.
- 2019 Materiality.

Prioritization

Prioritization of topics is based on the input from internal representatives of various relevant stakeholder groups for Traxion and the company's strategic perspective.

- Strategic priority of the company.
- Stakeholder perspective.

Material topics / Updating

Updating of the 2019 materiality matrix based on the results obtained.



The stage of prioritization involves assessing the significance of potentially relevant topics for both stakeholders and Traxion's business strategy.

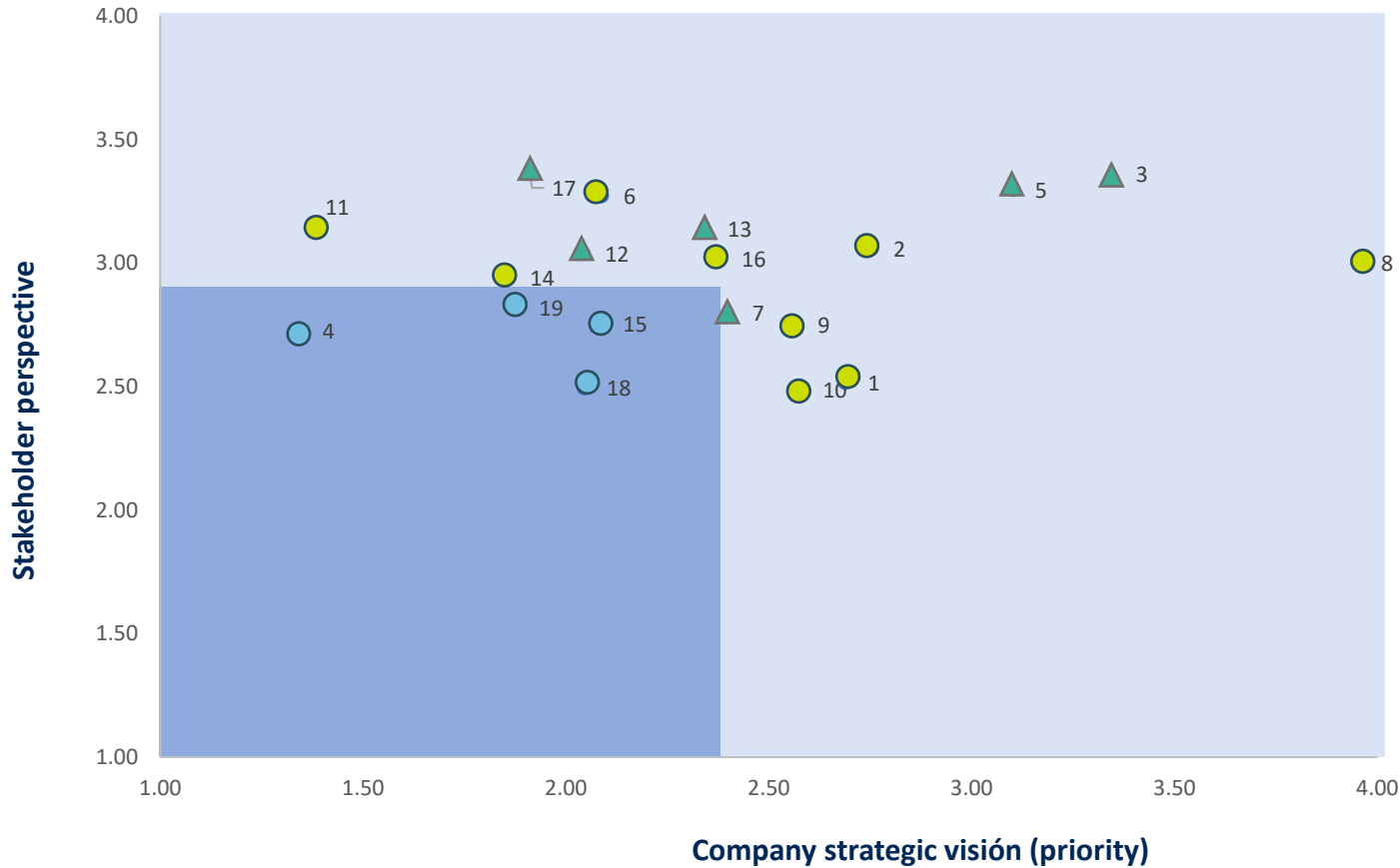
The consultations are used to update the significance that these topics had in the 2019 materiality, meaning the values of their coordinates on both axes of the impact materiality matrix.

X axis : Traxion Strategy	Y axis: Stakeholders
<p>This axis represents the importance of environmental, social, and corporate governance (ESG) topics for Traxion's management.</p> <p>For the prioritization of this axis, a survey was conducted with the management team, involving 14 directors.</p>	<p>This axis reflects the importance of managing ESG topics for stakeholders.</p> <p>An approach was made through surveys to the stakeholder groups:</p> <ul style="list-style-type: none"> • Employees of all levels • Customers • Suppliers • Investors • Board members (without executive roles at Traxión)



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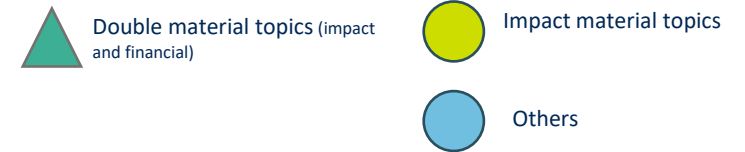
INTEGRATED MATERIALITY MATRIX



For the impact matrix:



The potential topics are distributed in the impact matrix based on their numerical rating; some remain in the area of topics that are important for impact. The distributed topics are also marked as financially material if they are identified by SASB in the three sectors of its classification that apply to Traxion.



* All the topics that appear in the matrix are managed. Those that are double material, meaning both impact and financially material, will be the ones on which efforts are focused within the Sustainability Strategy framework.



Double material topics	
3	Ethics, transparency, anti-corruption, and anti-money laundering.
5	Adequate working conditions and facilities; occupational safety and health; employee well-being.
17	Cybersecurity: Security and integrity of technological systems and databases.
13	Climate risk management and its potential operational, financial, technological and regulatory transition impacts.
12	Reducing our carbon emissions to mitigate global warming: Energy efficiency, especially fuel performance and transition to cleaner transportation technologies.
7	Diversity and inclusion.

Others	
15	Water management.
19	Suppliers environmental, social, and governance (ESG) awareness and requirements.
18	Services and projects with an environmental/social focus for clients.
4	Lobbying activities and public positioning; relationship with government and authorities.

Impact material topics	
8	Talent development and retention.
2	Legal and regulatory compliance.
1	Corporate governance.
6	Road safety and road accident management.
9	Flexible working hours.
16	Technology and innovation for operations; innovation in business models, processes, and services; advanced data analytics.
10	Organizational culture.
11	Philanthropy and social investment.
14	Waste management and recycling.

All financially material topics are also impact material, and they are included in the 'double material' table.



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TOP MATERIAL TOPICS

In the following table, the top topics by significance, resulting from each materiality are presented.

For the **impact materiality** those presented have the highest scores by adding their coordinates on the X and Y axes.

For the **financial materiality** those presented are the topics proposed by SASB, which are not prioritized between them.

Material topics of greater impact (the impact the company generates on its stakeholders).	<ul style="list-style-type: none">• Talent development and retention.• Ethics, transparency, anti-corruption, and anti-money laundering.• Adequate working conditions and facilities; occupational safety and health; employee well-being.
Financial material topics (critical for business value creation).	<ul style="list-style-type: none">• Ethics, transparency, anti-corruption, and anti-money laundering.• Adequate working conditions and facilities; occupational safety and health; employee well-being.• Cybersecurity: Security and integrity of technological systems and databases.• Diversity and inclusion.• Climate risk management and its potential operational, financial, technological and regulatory transition impacts.• Reducing our carbon emissions to mitigate global warming: Energy efficiency, especially fuel performance and transition to technologies.

In the following slides, the relationship between impacts and indicators is presented.

As a legend for the topic tables:

I: Impact

F: Financial

P: Positive

N: Negative



Material topics	Materiality type	Impact			
		Real related impacts	Potential related impacts	Related indicators (KPIs)	Measures for mitigation and/or utilization.
Talent development and retention.	I	<ul style="list-style-type: none"> Workforce knowledge and capability-related productivity, available talent (P) Reduction in recruitment and selection costs (P) 	<ul style="list-style-type: none"> Company know-how available to third parties (N) Improvement of the work environment (P) 	<ul style="list-style-type: none"> Operator coverage index Total turnover Voluntary turnover Recruitment cost (MXN/FTE) Average training hours per employee Training investment (MXN) 	<ul style="list-style-type: none"> Stable working conditions (compared to the informality typical of the sector). Development and implementation of the Operator Retention Guide. Training programs, including competencies, programs recognized by the educational authority, etc. Leadership development program. Traxion Operator Training Centers (nurseries) – potential operators.
Ethics, transparency, anti-corruption, and anti-money laundering.	I/F	<ul style="list-style-type: none"> Reputation and trust of stakeholders (P) Reduced risk of losses/impact on the company's assets (P) 	<ul style="list-style-type: none"> Reduced risk of sanctions (P) Improvement of the work environment (P) Increased customer trust, competitive advantage (P) Operational difficulties due to external relations (authorities, organized groups) (N) 	<ul style="list-style-type: none"> % of employees trained in ethics Compliance management systems; anti-bribery management system External certifications of the systems Number of sanctions and their value 	<ul style="list-style-type: none"> Reporting line Ethics training for employees Extension of the culture of ethics and requirements to external groups through the Code of Ethics and Conduct for Partners, Suppliers, and Contractors
Adequate working conditions and facilities; occupational safety and health; employee well-being.	I/F	<ul style="list-style-type: none"> Attraction of employees; reinforcement of employer brand (P) Employee retention/loyalty (P) Safe and dignified work environment (P) Increase in operational costs (N) 	<ul style="list-style-type: none"> Improvement of the work environment (P) Service quality and operational efficiency (P) 	<ul style="list-style-type: none"> Engagement index (workplace climate) Lost-time injury rate Work-related diseases Fatality rate 	<ul style="list-style-type: none"> New Occupational Health and Safety Corporate Manager, with a specific work program Occupational Health and Safety Policy and management system, aligned with ISO 45001 Health and safety risk matrices Safety and Hygiene Committees Application of NOM-035-STPS-2018 for psychosocial risk factors Safety guidelines (e.g., 10 Golden Rules for operators)



Material topics	Materiality type	Impact			
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Cybersecurity: Security and integrity of technological systems and databases.	I/F	<ul style="list-style-type: none"> Trust of stakeholders (P). Increase in operational costs (N). 	<ul style="list-style-type: none"> Reduction of the risk of fines and sanctions (P) Reduction of the risk of loss of know-how (P) Avoidance of disruptions to operational continuity (P) Modernization of systems and processes, with positive collateral effects (P) 	<ul style="list-style-type: none"> Number of cybersecurity incidents % of the total and number of incidents that involve data affecting employees and/or customers 	<ul style="list-style-type: none"> Cybersecurity management and culture done and promoted by integrating specialists from different teams within the company Reviewing of policies and monitoring at the highest level but the Audit Committee, a supporting body of the Board of Directors. Information Security Policy based on the international standard ISO 27001 Redpack has a system certified according to ISO 27001 standard Training and awareness actions for employees
Diversity and inclusion.	I/F	<ul style="list-style-type: none"> Attraction of employees; reinforcement of the employer brand (P) Access to additional pools of candidates (P) Employee retention/loyalty (P), and decrease in rotation costs 	<ul style="list-style-type: none"> Reputation (P) Decrease in operational costs due to a more responsible and committed group of employees (women, P) Cultural clashes (N) Increase in operational costs due to different recruitment and infrastructure needs (N) 	<ul style="list-style-type: none"> % of women in different positions Other breakdowns of workforce demographics: age, nationality Number of discrimination incidents Engagement index (workplace climate) 	<ul style="list-style-type: none"> Gender equity plan in implementation Gender equity targets under development Different capacities plan in implementation Reporting line with dedicated category for diversity transgressions



Material topics	Materiality type	Impact			
		Real related impacts	Potential related impacts	Related indicators (KPIs)	Measures for mitigation and/or utilization.
Climate risk management and its potential operational, financial, technological and regulatory transition impacts.	I/F	<ul style="list-style-type: none"> Operational continuity by routes – limitations on the ability to operate and the quality of service (N) Addressing existing regulations (e.g., carbon taxes) (P) 	<ul style="list-style-type: none"> Addressing changes in customer requirements (e.g., emissions reduction requirements in the transportation of their products) (P) Access to capital, favored by interest in companies and projects that consider ESG criteria (P) Preparation for addressing potential regulations (P) 	<ul style="list-style-type: none"> Identification of physical and transition risks Application of scenarios in the identification and prioritization of risks Economic assessment of risks 	<ul style="list-style-type: none"> Detailed analysis Emissions reduction strategy in two fronts: fuel efficiency and transition to cleaner transportation technologies (multiple actions, see details in the integrated report) Technology for data availability, strategic decision-making on routes and resource allocation
Reducing our carbon emissions to mitigate global warming: Energy efficiency, especially fuel performance and transition to technologies.	I/F	<ul style="list-style-type: none"> Savings in operational costs (P) Diversification of energy sources and supply security (P) Increase in required investments (CAPEX) and payback times (N) 	<ul style="list-style-type: none"> Preparedness for regulations related to carbon tax, circulation restrictions, or others (P) Care of the units, especially engines, and reduction of maintenance costs (P) 	<ul style="list-style-type: none"> Diesel consumption intensity (service provision) per income (liters/thousands of pesos in revenue) Diesel consumption intensity (service provision) per kilometers traveled (liters/kilometers) Diesel efficiency (kilometers/liters) Intensity of Scope 1 GHG emissions tCO2e / 1,000 kilometers traveled (mobile units) 	<ul style="list-style-type: none"> Emissions reduction strategy in two fronts: fuel efficiency and transition to cleaner transportation technologies. Multiple actions, see details in the integrated report that include: Efficiency: constant fleet renewal and maintenance; aerodynamic modification to units; incorporation of natural gas units; training operators in eco-efficient driving and variable pay linked to fuel efficiency; route and resource allocation systems; telematics monitoring of fuel efficiency; in-house diesel filtering system to improve its quality. Transition to cleaner transportation technologies: incorporation of electric vehicles; trials and tecno-economical case development for alternate fuels as bio-methane and hydrogen; incorporation of solar panels to generate electricity at our facilities.

