

# Our commitment to **sustainability**

## **Message from the CEO:**

In this report, Grupo Lamosa is presenting its sustainability results for the fourth consecutive year. The achievements of 2016 reflect the company's focus on specific economic, social and environmental goals and objectives across the different levels of the organization in accordance with its sustainability model.

During the year, Grupo Lamosa took a great step forward when it acquired Cerámica San Lorenzo in South America, expanding its operations in Argentina, Chile, Peru and Colombia. This transaction, aligned with the company's growth and diversification strategy, makes it a more global and diverse player but implies significant challenges and opportunities in the area of sustainability.

Aware of the importance of promoting actions to drive corporate social responsibility in the areas of Human and Labor Rights, the Environment and the Fight against Corruption, Grupo Lamosa reiterates its commitment to voluntarily complying with the Principles of the United Nations Global Compact.



**+1,950**

direct jobs  
added to Grupo Lamosa  
with the acquisition of  
Cerámica San Lorenzo.



**+\$230**

million dollars  
invested in the  
purchase of  
Cerámica San Lorenzo.

**+180**

million m<sup>2</sup>  
of annual tile  
production capacity.

**15 countries**

across the Americas  
where the company's  
products are sold.

**+\$1,630**

million pesos  
invested in 2016 to grow  
production capacity and  
update technology.



Enhanced  
economic impact  
in the region as  
the world's

**3<sup>rd</sup>**  
largest ceramic  
producer, with

**31**  
plants  
operating in

**5**  
nations of  
the American  
continent.

Grupo Lamosa boasts a diverse labor  
force and respects cultural multiplicity  
as a factor for growth and development.

*\* Chile only has  
distribution centers*

## Action areas

### ECONOMIC DEVELOPMENT

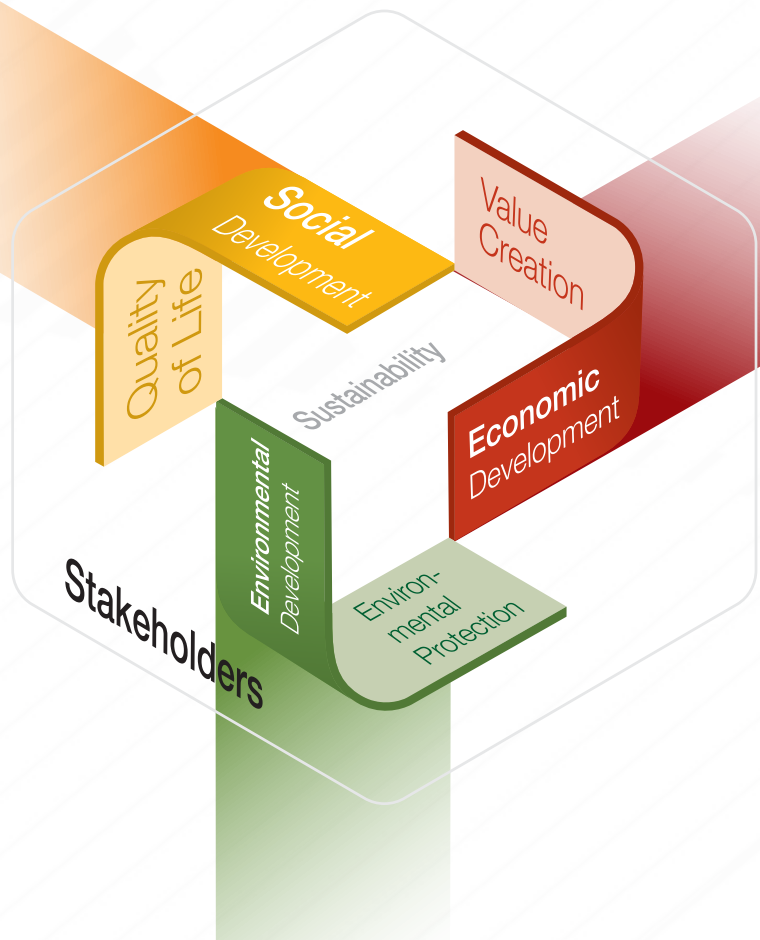
Business model, product and process innovation  
 Economic value creation  
 Local supplier development  
 Investment in the community

### SOCIAL DEVELOPMENT

Quality of life for employees and their families  
 Respect for human rights and diversity  
 Anti-corruption actions  
 Social investment

### ENVIRONMENTAL DEVELOPMENT

Innovation  
 Energy  
 Water  
 Reduction in emissions  
 Product recovery



### STAKEHOLDERS

Stockholders/Investors	Customers	Employees	Suppliers
<ul style="list-style-type: none"> <li>• Stockholders' assembly.</li> <li>• Investor relations.</li> <li>• Transparency line.</li> <li>• Meetings with analysts.</li> <li>• Reports on results.</li> </ul>	<ul style="list-style-type: none"> <li>• Focus groups.</li> <li>• Transparency line.</li> <li>• Visits from commercial advisors.</li> <li>• Internet site.</li> </ul>	<ul style="list-style-type: none"> <li>• Labor climate evaluation.</li> <li>• Transparency line.</li> <li>• Growth and development plans.</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency line.</li> <li>• Signing of agreements and clauses to protect human rights and promote sustainability.</li> <li>• Development of local suppliers and SMEs (Small and medium-sized enterprises).</li> </ul>
Community	Government	Academia	Media
<ul style="list-style-type: none"> <li>• Transparency line.</li> <li>• Donations program.</li> <li>• Dialog with neighbors.</li> <li>• Volunteer projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in meetings and consultation forums.</li> <li>• Relations with government entities.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreements for research projects.</li> <li>• Plant visits.</li> <li>• Student internships.</li> </ul>	<ul style="list-style-type: none"> <li>• Press conferences.</li> <li>• Interviews and reports.</li> </ul>



# Economic development

In 2016, Grupo Lamosa grew through acquisitions such as the purchase of Cerámica San Lorenzo in South America and the continued expansion of its operations in Mexico. As a result of these actions, the company continued to contribute to enhancing economic development and the creation of job opportunities in the regions where it operates. For example, Grupo Lamosa's different businesses built new production centers during the year, including a new plant for manufacturing porcelain products in the state of Guanajuato.



*New porcelain product plant in Guanajuato generating 300 direct jobs.*

## SOURCING

During 2016, Grupo Lamosa continued to promote new procurement alternatives, taking part in programs set up by the Mexican Competitiveness Center (*Centro de Competitividad de México (CCMX)*) and other organizations to drive the development and professionalization of its SME suppliers.

**+90%**  
of Grupo Lamosa's suppliers  
were Mexican in 2016.

Together with other issuer companies, the company took part in a Networking Commission in order to promote and expand opportunities for SME suppliers with these companies.

	2014	2015	2016	Main topics
<b>Diploma courses</b>	6	5	11	Organizational culture, strategy, planning and innovation.
<b>Advisory support</b>	27	35	42	Management, market, finance, business operating processes and human resources.



**53** Lamosa SME suppliers took part in diploma courses and received advisory support.

# Social development

## HEALTH AND SAFETY

During the year, all Lamosa production centers implemented initiatives to continue enhancing the industrial safety of the company's facilities, in accordance with the annual program of health and safety.

The main objectives of this program include keeping personnel up to date on new techniques for reacting to emergencies, so that they are trained to take immediate action and avoid injuries during contingencies.

In 2016, the company's businesses continued to hold "Health Week" events, encouraging employees to take care of themselves through talks given by health experts. Sports activities were also held during the year, as well as evacuation simulation exercises in partnership with official civil protection institutions.

**51** events involving simulations and Health Weeks.



**70** sporting events, with the participation of more than 3,000 employees.





The Mexican Ministry of Labor and Social Welfare (*Secretaría del Trabajo y Previsión Social*) recognized the Pavillion Tile Plant in the state of Tlaxcala as an “Inclusive Company”.



### TRAINING

In 2016, Grupo Lamosa continued to provide its employees with opportunities for increasing their skills, knowledge and capabilities through diverse internal and external training programs, thus helping them to be successful in their daily activities.

	2014	2015	2016
<b>Hours of training</b>	133,451	61,040	65,503
<b>Amount invested</b> (millions of pesos)	\$4.9	\$6.1	\$7.9

The integration of Cerámica San Lorenzo in the last quarter of 2016 increased Grupo Lamosa’s cultural diversity, such that its work force now includes personnel in Mexico, Guatemala, Chile, Colombia, Peru and Argentina.

### DIVERSITY

During the year, Grupo Lamosa focused on a series of goals designed to generate job opportunities in the organization for the handicapped and other people with special needs, including workers with visual, motor and hearing limitations.

Business / Area of work	No.	Type of handicap
Adhesives / Production	1	Motor
Tiles / Enameling, kilns, classification	7	Motor, visual, speech, hearing
<b>TOTAL</b>	<b>8</b>	

	2016			2015	2014
	Employees	Union members	Total	Total	Total
Total	2,956	4,047	7,003	4,663	5,600
<b>Sex</b>					
Men	2,090	3,650	5,740	3,900	4,768
Women	866	397	1,263	763	832
<b>Age range (years)</b>					
Less than 20	-	41	41	21	46
20-29	431	1,214	1,645	1,093	1,613
30-39	1,305	1,605	2,910	1,867	2,299
40-49	858	850	1,708	1,209	1,221
50-59	329	323	652	445	387
Over 60	33	14	47	28	34
<b>Nationality</b>					
Mexican	2,216	2,785	5,001	4,569	5,507
Other	740	1,262	2,002	94	93



During 2016, 44 complaints related to Human Rights were received and resolved through the Transparency Line.

**CORRUPTION**

In accordance with the Principles of the United Nations Global Compact, Grupo Lamosa continues to promote its Transparency Line. This initiative involves different media, including communication by e-mail, telephone and on-line through a form on the company's website. It offers total confidentiality and reinforces the standards of integrity and transparency in accordance with the Grupo Lamosa Code of Ethics, benefitting not only the company, but also all its stakeholder groups.

	Complaints referred and resolved through the Transparency Line	Complaints related to acts of corruption
2014	97	27
2015	60	20
<b>2016</b>	<b>96</b>	<b>31</b>

In 2016, all newly hired personnel took part in an induction course, which included instruction on the company's Code of Ethics.

During the year, 490 employees and workers took part in the Let's do it Right (*Hagámoslo Bien*) initiative, designed to foster a culture of legality.

**HUMAN RIGHTS**

Grupo Lamosa continued to promote the principles contained in its Code of Ethics, which include the respect for the dignity of others, their liberty and their privacy, rejecting all kinds of discrimination on the basis of such characteristics as sex, marital status, religion, ethnicity and nationality.

More than 95% of Grupo Lamosa's suppliers have contracts that include clauses related to the environment and human rights.



código de ética  
TODOS SOMOS LAMOSA





*Visit of personnel from the company's Corporate Offices to the Refugio 121 Children's Home in Monterrey.*



## **SOCIAL INVESTMENT AND VOLUNTEER PROGRAMS**

In 2016, all Grupo Lamosa businesses implemented social development and volunteer programs, with specific goals set for the year. Projects were related to the particular needs of the communities close to the company's production centers and, in most cases, were supported not only by Lamosa personnel but also by their families.

<b>BUSINESS</b>	<b>PLANT/OFFICES</b>	<b>PROJECT</b>	<b>ACTIVITIES</b>
Tiles	Porcel Plant, Tlaxcala	Improvement of a public park	Plant personnel participating in the improvement of the San Marcos public park in Tlaxcala.
Tiles	Corporate Offices, Tower 1, San Pedro Garza García	Visit to an old people's home	Office personnel visiting old people and giving them warm winter clothing.
Tiles	Porcel, Pavillion, Gres & Kerámica Plants in Tlaxcala	<i>Escuela Digna</i>	Plant personnel beginning an institutional program to supply the company's products to local schools in the state of Tlaxcala.
Tiles	Italgres Plant, Guanajuato	Improvement of a rural elementary school	Building walls, fences and safe accesses to protect the students of the Mexican Military School in San José de Iturbide in the state of Guanajuato.
Adhesives	Crest Plant, Tizayuca	Delivery of groceries to a community center	Plant personnel delivering groceries to the Rosas Rojas Children's Home in Tizayuca.
Adhesives	Niasa Offices, Mexico City	Improvement of the infrastructure of a children's home	Office staff and their families waterproofing bathrooms and painting railings and the façade of the Granja para Niños la Esperanza Children's Home in Mexico City.
Adhesives	Crest Plant, Santa Catarina, N.L.	Visit to a children's home	Plant personnel giving time to the La Misericordia Home for children with cerebral palsy.
Corporate	Corporate Offices, Tower 1, San Pedro Garza García	Visit to a children's home	Office staff organizing a Christmas party for the children of the Refugio 121 Children's Home in Monterrey.



*Escuela Digna Program in Tlaxcala.*



*Improvements to a rural elementary school, Italgres Plant, Guanajuato.*



# Environmental development

## ENERGY, WATER AND CO<sub>2</sub> EMISSIONS

At the end of 2016, a new co-generation plant came on line at the tile plant in Benito Juárez, N.L., enhancing the energy efficiency of its operations. The electricity generated by this power plant is classified as “clean energy” and thus contributes to the company’s sustainability objectives.

## Start-up of a new co-generation plant, thereby promoting the use of clean energy.

Reforestation activities in the areas surrounding the Perdura Adhesives Plant in León, Guanajuato, represent just one example of the initiatives implemented in 2016 to contribute to the environment.

In 2016, Grupo Lamosa continued to promote its used-battery collection campaign, contributing to the conservation of water supplies. The initiative involves explaining to company employees the risk of carelessly discarding batteries which are highly polluting because of the heavy metals

they contain. As a result, batteries from the homes of office and plant personnel in the states of Nuevo León and Guanajuato were properly disposed of through specialized waste-management companies.

Year	Batteries recovered	Environmental impact (millions of liters of water* not polluted)
2014	4,892	817
2015	4,696	784
<b>2016</b>	<b>4,087</b>	<b>683</b>

\*Estimation based on the assumption that one alkaline battery pollutes 167 thousand liters of water.

*Battery-collection campaign, Benito Juárez Tile Plant, N.L.*



In 2016, Grupo Lamosa made significant progress with the Clean Industry (*Industria Limpia*) Certification of its plants. During the year, the Wall and Floor Tiles Business obtained such certification for its Kerámika, Porcel and Pavillion Plants in Tlaxcala, and Italgres I in Querétaro. In addition, the business began the process of certifying three other plants in Tlaxcala, Guanajuato and San Luis Potosí.

The Adhesives Business also began the process of certifying some of its plants, such as the Perdura Plant in León, Guanajuato.



### PRODUCT RECOVERY

In 2016, Grupo Lamosa increased the material it recovered by 1,345 tons, 42% more than the volume posted in 2015.

During the year, the company continued to confine materials and register recoverable products in accordance with established internal procedures, in order to continue contributing to pre-established environmental protection initiatives.

	2014	2015	2016
Wood	898,790	1,217,213	1,640,936
Cardboard/Paper	832,961	986,712	1,251,376
Metal	424,451	738,158	1,361,618
Plastics	225,623	268,432	209,602
Other	30,213	26,269	118,284
<b>Total material recovered in Kg.</b>	<b>2,412,038</b>	<b>3,236,783</b>	<b>4,581,816</b>