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Elementia is a unique Building Materials platform with a comprehensive product portfolio, leading brands, commercialization capabilities and an extensive distribution network through which we have successfully integrated our three divisions: **Cement, Metal Products and BuildingSystems** aiming to be the preferred supplier for the the preferred supplier for the construction industry.

The Power of Oneness strategy has defined Elementia's goals to help it reach the objectives it set upon its creation. Oneness encompasses three main pillars:

ONE GROWTH **ONE INTEGRATION** **ONE VALUE**

Elementia is strategically positioned in attractive markets to help transform and reinvent the traditional construction industry towards a new lightweight construction trend. Its innovative products and services - resulting from generated new technologies, solutions and alternatives for its markets

– allow it to have a favorable impact on the communities it serves by improving life's quality.

Elementia plays a key role in changing times, by not only rapidly adapting in a fast-evolving environment, but by being a leader that embraces change by improving a quality of life.

OURS ESSENCE

We are the leading manufacturer of building materials in America.

Mission

Make a difference in the construction industry by creating sustainable value for shareholders, employees, customers, and communities alike.



Vision

Be the preferred supplier for the construction industry.



Values



Integrity



Respect



Commitment

Philosophy



Focus on Results



Innovation



Safety



Teamwork



We are the number one fiber cement producer in Latin America and number two in the United States. We are also one of the largest and most diversified copper and copper alloy product manufacturers worldwide and the latest entrant to the Mexican cement market in the last 70 years.



We are able to supply up to **75%** of the materials used to build a typical house.



OUR PLATFORM

[G4-4, G4-6, G4-8, G4-9, G4-10]

Elementia is a company with an international presence engaged in manufacturing and marketing products for the building industry with its Cement, Construction Systems, and Metals Divisions. Thanks to its organic growth and mergers and acquisitions, our platform comprises more than 4,000 products backed by 14 local and regional brands.

We have more than 6,000 employees working in nine countries in the Americas, supported by a network of 3,600 distributors and clients in 45 countries across the globe. We have 29 production plants in nine countries in the Americas including the United States, Mexico, Honduras, El Salvador, Costa Rica, Colombia, Ecuador, Peru, and Bolivia.

- 4000** products.
- 14** local and regional brands.
- 6000** employees.
- 5,000** distributors.

Customers in **45** countries across the globe.

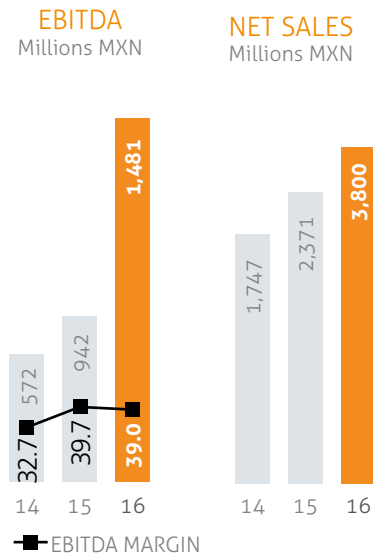
29 production plants in 9 countries.

3,005,627,282 tons of production.

13,514,261 hours worked in 2016.

\$19.090 billion in sales, representing a 12% increase over last year's total sales.

\$3,595 million in EBITDA, for a 48% increase over last year.



In line with its growing strategy, the Division has further expanded into the third-largest market in the world, the U.S., where it satisfies the East Coast through its Keystone, Dragon and Giant Cement brands.

CEMENT DIVISION

PRODUCTS Gray cement, white cement, mortar and concrete.

BRANDS Fortaleza, Keystone, Dragon y Giant Cement.

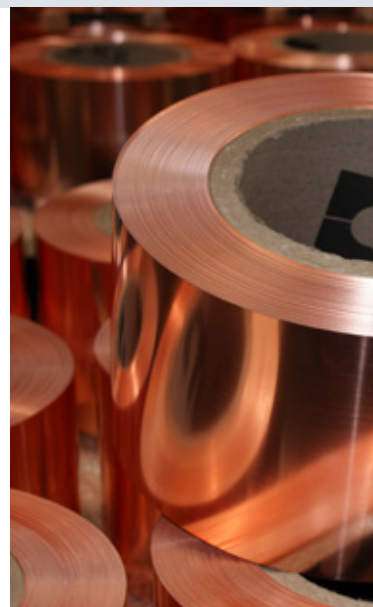
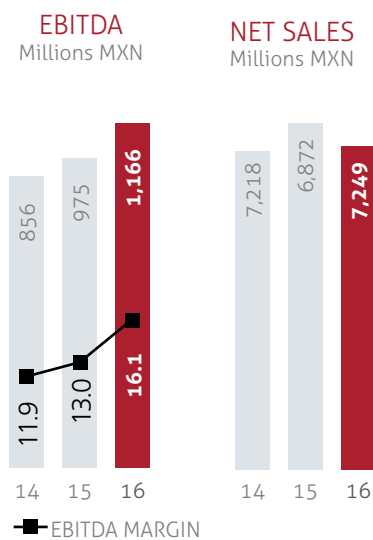
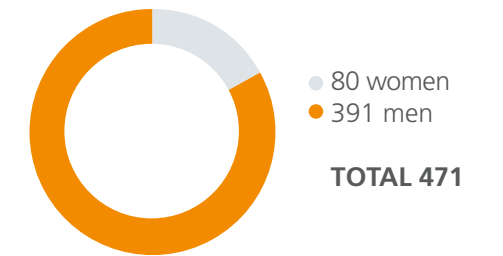
MARKETS Mexico and the East Coast of the United States.

OF PLANTS 3 Plantas in Mexico y 3 in the United States.

% UNIONIZED EMPLOYEES 43%

HOURS WORKED 944,230

2016 TON PRODUCTION 2,027,973,114



With over 65 years of serving the Mexican market, the Nacobre brand has positioned itself as the number one brand of choice when it comes to choosing copper and copper-alloy products for the construction sector.

METAL DIVISION

PRODUCTS Pipes, sheets, bars and rods, copper and copper alloy wires and connections, and others.

BRANDS Nacobre and Cobrecel.

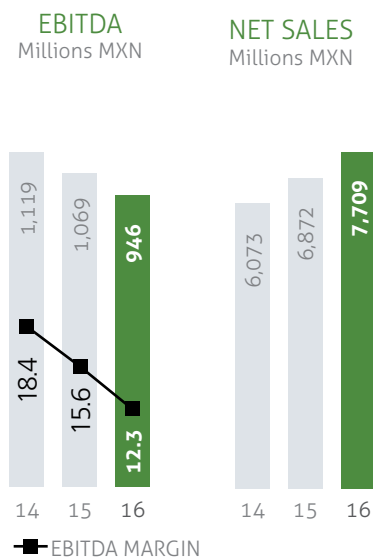
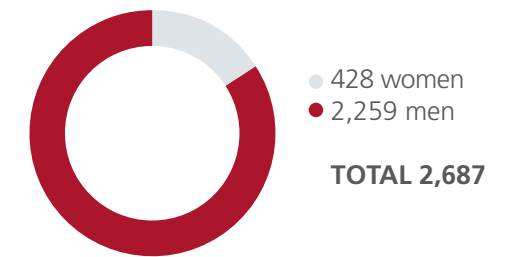
MARKETS America and Europe.

OF PLANTS 3 plants in Mexico City, San Luis Potosi, and Celaya.

% UNIONIZED EMPLOYEES 81%

HOURS WORKED 5,658,921

TON DE PRODUCCIÓN 2016 71,675,993



Its strong geographic presence throughout the Americas and highly recognized brands and innovative products rank this Division as one of the main players supplying the finishing and facades construction stage.

CONSTRUCTION SYSTEMS

PRODUCTS Fiber cement and vinyl siding, coatings, water tanks, pipes and DIY kits.

BRANDS Mexalit, Eureka, Allura, Plycem, Eternit, Duralit, Fibraforte y Frigocel.

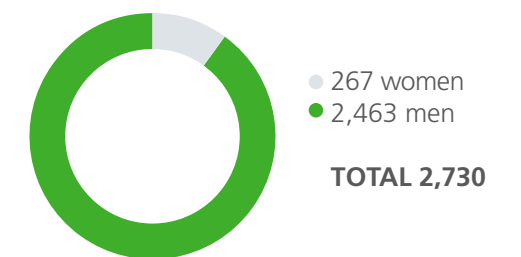
MARKETS North and South America.

OF PLANTS 20 plants in the United States, Mexico, Honduras, El Salvador, Costa Rica, Colombia, Ecuador, Peru, and Bolivia.

% UNIONIZED EMPLOYEES 53%

HOURS WORKED 6,653,429

TON DE PRODUCCIÓN 2016 905,978,175



A MESSAGE FROM OUR CEO

[G4-1, G4-2, G4-13]

Despite the numerous political and economic obstacles that characterized 2016, it was an extraordinary year for Elementia in which the company made outstanding progress. An example of this was the consolidation of our strategy, The Power of Oneness, intended to revolutionize the construction industry through integrated building materials solutions.

Our business model, strategy, and actions demonstrated their effectiveness by confirming significant growth in our economic, social and environmental care results, which translates into strengthening our sustainability.

The year 2016 was a period of integration and growth, characterized by the successful acquisition of 55% of Giant, a cement company that consolidated our vision of expanding into the U.S. market. We also continued to strengthen our Cement Division's human capital and organizational structure.

Elementia has 6,019 employees, 5,232 of which met our Code of Ethics certification requirements, representing 86.9% of the entire workforce. This percentage consolidates our Code of Ethics as the main tool for integration and strengthening our culture of respect for people, integrity, and the rules and regulations applica-

ble to our operations. We also have a reporting system that allows us to ensure compliance with the standards outlined in our Code of Ethics.

In 2016, we provided 160,000 hours of training, 50% more than last year, resulting in the organization's improved performance and quality of life. This increase is based on the creation of the Elementia Institute, our new learning platform designed to create an "Elementia culture" and identity, where talent is managed with training and assessment of learning.

Because of the nature of our operations, occupational health and safety are essential to our performance. On this basis, we used strict national and international standards to change our reporting methodology and assess our risks and progress made on these aspects to drill down and truly recognize our opportunities for improvement. In 2016, compared to 2015, we had a 13% decrease in disability days, with a 15% reduction in the cost of injuries and a 10% reduction in our accidents severity index.

Based on our values and sustainability model, in 2016 we continued to promote social development in the commu-

nities where we operate through volunteer actions, donations, recreational and sports events and the delivery of in-kind donations to support local infrastructure.

Cementos Fortaleza developed support programs for the communities in which it has a presence, establishing agreements with various organizations and instilling a community outreach culture in our company. In 2016, Cementos Fortaleza benefited 1,300 people and delivered more than MXN 450,000 in donations.

Also, in line with the social initiatives that characterize our company, we donated funds to the Kaluz Foundation for disbursement and support of programs in all the countries where we do business. One of the initiatives we promoted was the Kaluz Foundation Award, which recognized the "Business Incubator" in Mexico under the Social Project category, and the "Plycem Club Expert" in Costa Rica under the Social Innovation category. Both projects were implemented with a key focus on community education.

The year 2016 marked the end of the Kaluz Foundation. In 2017, we expect to create our Elementia Foundation with a link to the communities we serve, assuming our joint responsibility for their social development.

We have maintained the synergy of our operations in harmony with our natural environment. We invested MXN 21,254,187 in the environment, and worked a total of 13.5 million hours, produced more than three tons of products and our sales were up 12%. However, our direct GHG emissions were only up 15%, reflecting the internal efforts we have made to reduce our carbon footprint related in our specific operations.

Because of the above, we obtained recognition for Elementia's outstanding Corporate Social Responsibility for the sixth year in a row, and completed an assessment of our Tula-Hidalgo cement plant under the Equator Principles. Thanks to our strict compliance with the project's legal and environmental regulations, the evaluating authorities did not have to ask for any additional informa-



tion in assessing our work. In general terms, we did not receive any material fines or legal requirements regarding environmental and social matters in 2016.

This report is also a tool that allows us to demonstrate how our social, environmental, and institutional programs contribute to meeting the Sustainable Development Goals the United Nations has set for Mexico and the world. The report also reaffirms our commitment to the U.N. Global Compact Principles, environmental and human rights protection, fair labor practices, and fighting corruption in our sphere of influence.

I would like to thank our customers, shareholders, employees, and suppliers for your preference, vision, hard work and support. Your contributions are the key factor to creating Elementia's sustainable value in Mexico and the world. Together, we will continue to envision and work for a better future for all. We are prepared to continue to grow and be the supplier of choice for the construction industry.

Sincerely yours,

FERNANDO RUÍZ JACQUES
CEO



RELEVANT EVENTS



SUSTAINABILITY MANAGEMENT

From the Health, Safety, and Sustainability Management Office that strategically reports to the Human Capital Corporate Division, we continue to lead synergies to create value in these three priority areas to guarantee the organization's sustainable operation.

Our commitment, as a public company, inspires us to identify and respond to each one of our stakeholders' expectations to make sure that our management and control strategies generate sustainable value for both our business and the industry.



Click [here to find out more about our Code of Ethics.](#)



Our 2016 sustainability model includes changes aligned with the organizational structure established by Elementia's Health, Safety and Sustainability Management Office. The model constitutes the sustainability regulatory and management framework for our actions, which includes a detailed description and implementation of the topics that are relevant to each department within Elementia.



Click here to find out more about our [sustainability management.](#)



LINES OF ACTION FOR SUSTAINABLE DEVELOPMENT

SUSTAINABILITY

- Industrial and Occupational Safety and Health
 - Risk Management: Health and Safety
 - Healthy and Safety Culture and Behavior
 - Health and Safety Assessment and Indicators
- Environmental Management
 - Measurement and Control of Inputs and Emissions
 - Environmental Awareness and Investment

COMPANY

- Value Chain
- Customer Satisfaction
- Developing and Retaining Talent
- Operational Excellence

SOCIETY

- Social Aid
- Community Outreach

CORPORATE GOVERNANCE

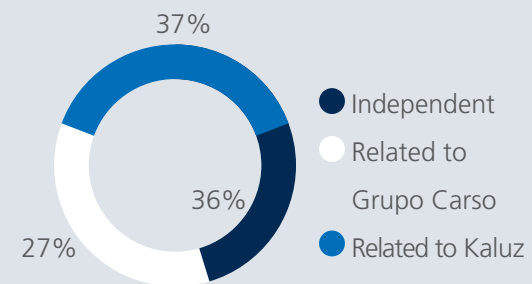
- Transparency
- Regulatory Compliance

CORPORATE GOVERNANCE

We have a solid corporate structure that supports our strategies and facilitates our decision-making processes, operational controls, and business sustainability.

Corporate governance is part of our commitment to follow global best practices, which is why our board of directors is supported by a competent committee and management team driven by the same level of commitment. We align our operations to the stock market, Mexican law, and specifically to the securities market act as well as the code of corporate best practices established by the Mexican Business Coordination Council.

Composition of the Board of Directors (11 directors)



IN 2016 THE AUDIT

AND CORPORATE PRACTICES COMMITTEE WAS CHARGED with the audit and management roles and responsibilities related to the company's Compensation System.

1,396

NON-UNION ADMINISTRATIVE staff members completed their regulatory Code of Ethics certification requirements on line.



3,836

UNIONIZED EMPLOYEES completed their regulatory Code of Ethics certification requirements in a classroom.



We have a Reporting System that allows us to ensure proper compliance with the ethical standards outlined in our Code.



The Board met on November 28, 2016, and approved the acquisition of 55% of Giant Cement Holding, Inc.'s capital stock through our subsidiary Fortaleza USA, LLC.

ALL OUR SHAREHOLDERS

are entitled to vote at our Annual General Shareholders Meetings. In 2016, we held a special Shareholders Meeting on October 17.



Board of directors

[G4-34, G4-35, G4-37, G4-38 G4-42]



The current members of our Board of Directors were appointed by the Ordinary General Shareholders' Meeting held on June 26, 2015, who took office on July 20, 2015, for a term of one year and may be reelected for successive periods of one year.

The General Shareholders Meeting appoints our Board of Directors. The Board oversees Elementia's most relevant business management, corporate, economic, social, and environmental matters.

The Board is composed of 11 regular directors, 36% of which are independent. Board members may be reelected for one-year periods once appointed by the General Shareholders Meeting.

Under our Bylaws, the Board of Directors has the broadest powers to perform all operations inherent to Elementia's corporate purpose, except those expressly reserved to the

General Shareholders Meeting. For example:

- Determine Elementia's strategy and define our internal guidelines and policies for how we conduct business.
- Approve the transactions established in our bylaws.

Our Board of Directors designs and approves the company's economic, social, environmental, and ethical policies.

The following is a list of the current Board Members, with their main occupations, and expertise:

Name [G4-LA12]	Position	Age	Member since:
Francisco Javier del Valle Perochena	Chairman and Director	47	2000
Antonio del Valle Perochena	Director	48	2000
Eduardo Domit Bardawil	Director	53	2012
Jaime Ruiz Sacristán	Director	67	2007
Eugenio Clariond Rangel ⁽¹⁾	Director	49	2014
Divo Milán Haddad ⁽¹⁾	Director	61	2014
José Kuri Harfush ⁽¹⁾	Director	68	2009
Gerardo Kuri Kaufmann	Director	32	2009
Alfonso Salem Slim	Director	55	2009
Antonio Gómez García	Director	56	2009
Juan Rodríguez Torres ^(1 y 3)	Director	77	2014
Juan Pablo del Río Benítez	Secretary ⁽²⁾	49	2009
Santiago Bernard Covelo	Pro secretary ⁽²⁾	43	2014

(1) Are independent Board members

(2) Are not Board members

(3) Financial expert

Francisco Javier del Valle Perochena is the Chairman of the Board of Directors. He has been a member of the Board since 2000 and has more than 25 years of experience in the industry. He has a Degree in Business Administration and an MBA from Universidad Anáhuac, as well as an AD-2 Senior Management Certificate from the IPADE Business School. He is CEO of Controladora GEK, S.A.P.I. de C.V.

Antonio del Valle Perochena is a Director and has been a member of the Board since 2000. He has a Degree in Business Administration from Universidad Anáhuac and completed the AD-2 Senior Management Program at IPADE Business School. He currently serves as Chairman of the Board of Directors of Grupo Kaluz and Grupo Financiero Ve por Más, S.A. de C.V.

Eduardo Domit Bardawil has been a member of the Board since 2012. He has a degree in Civil Engineering from Universidad Anáhuac and an MBA from Instituto Tecnológico Autónomo de México.

Jaime Ruiz Sacristán is a Director and has been a member of the Board since 2007. He has a degree in Business Administration from Universidad Anáhuac and an MBA from Northwestern University. On January 1, 2015, he was appointed Chairman of the Board of Directors of Bolsa Mexicana de Valores, S.A.B. de C.V., MexDer, Mercado Mexicano de Derivados, S.A. de C.V., Indeval, and other companies that make up the Mexican Stock Exchange.

Eugenio Clariond Rangel is a Director. He is a Chemical and Systems Engineer by Tec de Monterrey. Mr. Clariond has an MBA from the University of Texas at Austin and participated in the IPADE'S International Management Program in the State of Florida in the USA. He currently serves as CEO of Grupo Cuprum, S.A.P.I. de C.V.

Divo Milán Haddad He holds a Law degree and an MBA from Universidad Iberoamericana. He has a Graduate Diploma in Securities Regulation Transnational Business Problems Negotiation by Harvard University. He has also studied Business Management at the IPADE Business School.

Mr. Milán currently serves as CEO for Grupo C.N.I., Investigación Estratégica, Pro-Invest, Promotora Eco, S.A. de C.V., Servicios de Comercio Electrónico, S.A. de C.V., Dab-Invest, and Dimmag, S.A. de C.V.

José Kuri Harfush is a Director and has been a member of the Board since 2009. He has a degree in Business Administration and an MBA from Universidad Anáhuac. He currently serves as CEO for Janel, S.A. de C.V.

Gerardo Kuri Kaufmann is a Director and has been a member of the Board since 2009. He has a degree in Industrial Engineering from Universidad Anáhuac. Between 2008 and 2010, Mr. Kuri served as Purchasing Director at Carso Infraestructura y Construcción, S.A. de C.V., and was named CEO of Inmuebles Carso, S.A.B. de C.V. upon its creation.

Alfonso Salem Slim is a Director and has been a member of the Board since 2009. He has a degree in Civil Engineering from Universidad Anáhuac. Mr. Salem currently serves as Vice President of the Board of Directors at IDEAL and Presidente de Inmuebles Carso, S.A.B. de C.V.

Antonio Gómez García is a Director and has been a member of the Board since 2009. He has a degree in Industrial Engineering from Universidad Iberoamericana.





100%

of the Audit Committee is composed of independent directors.

He is CEO of Grupo Carso, Carso Infraestructura y Construcción, S.A.B. de C.V., and Grupo Condumex.

Juan Rodríguez Torres is a Director. He is a Civil Engineer and has a Master's Degree in Operational Planning and Research from the National Autonomous University of Mexico (UNAM). Mr. Rodríguez also completed management studies at the IPADE Business School and Diploma studies in Prestressed Concrete in Paris, France. He currently sits on several Boards of Directors and the Citi Banamex Advisory Board.

Juan Pablo del Río Benítez has served as secretary of the Board of Directors since 2009. He has a law degree from Universidad Anáhuac, is a partner at DRB Consultores Legales, S.C., and was admitted to the Mexican Bar in 2002.

Santiago Bernard Covelo is the company's General Counsel. He holds a degree in Law and a Master's in Civil Law from Universidad La Salle, as well as a degree in International Arbitration by Escuela Libre de Derecho and the International Chamber of Commerce. He also took the Management Program for Lawyers and the Corporate Governance Program at the Yale School of Management. Mr. Covelo has more than 20 years of experience in the pharmaceutical, retail, and telecommunications sectors.



36%

of the Board of Directors is independent.

Audit and Corporate Practices Committee [G4- 45, G4- 46]

This Committee supports the Board of Directors with its oversight and management of the companies it controls. The Committee has the following three independent directors in compliance with applicable regulations, Juan Rodríguez Torres, Eugenio Clariond Rangel, and Divo Milán Haddad. Furthermore, the Chief Executive Officer, the Chief Finance and Administration Officer, the Chief Audit Executive and audit firm's partner(s) are permanent guests at this Committee's meetings.

Some of this committee's corporate practice responsibilities include:

- Giving the Board its opinions on relevant matters applicable under the Securities Market Act and our Bylaws.
- Express its opinion on transactions with related parties.
- Seek the opinion of independent experts in the cases it deems appropriate, including transactions with related parties to ensure proper performance of their duties, or according to the provisions established by the Securities Market Act or when deemed appropriate by the Committee members.
- Convene General Shareholders Meetings and include the relevant items on the agenda.
- Support the Board of Directors in preparing the annual report and the report the Board issues regarding Management's report on the financial statements.
- Review and approve the total compensation package for the company's executive officers.
- State an opinion with respect to waivers for third parties, officers or related parties to seize business opportunities in the company or the companies it controls or over which Elementia has significant influence.

The Committee's main audit responsibilities include:

- Discussing the Company's financial statements with the persons responsible for their preparation and review, and recommend that the Board of Directors approve or reject such statements.
- Inform the Board of Directors of the internal control and audit status of the company and companies it controls, including the irregularities detected, if any.
- Prepare the opinion referred to in Article 28, Section IV, Subsection c) of the Securities Market Act and submit it to the Board for its consideration and subsequent submission to the General Shareholders Meeting based on the opinion issued by the independent auditor. The opinion shall indicate (i) if the company's accounting information policies and criteria are adequate and sufficient concerning specific circumstances; (ii) whether such policies and criteria were consistently applied in the information submitted by the CEO; and (iii) if the information submitted by the CEO reasonably reflects the company's financial position and results, based on the information above.
- Support the Board of Directors in preparing the annual report and the report the Board of Directors issues about Management's report on financial statements.
- Ensure compliance with the operations referred to in Article 28, Section III and Article 47 of the Securities Market Act, in accordance with the assumptions provided therein, as well as policies derived therefrom (including those related to the use of assets, our financial statements and our accounting policies).
- State its opinion to the Board regarding the independent auditor's functions.

For more information on our Corporate Governance please consult the 2016 Annual Report [here](#).



Remuneration for Directors and Senior Executives [G4- 51, G4- 52]

At Elementia, we seek to provide fair and equitable remuneration to our directors, senior executives, and employees in general. We have various comprehensive and integrated plans in place to pay and compensate their services, which reinforces their commitment to equity and work within the company.

Some of the plans Elementia offers include:

An employee pension plan.

Compensation under the pension plan is based on years of service and the respective employee's salary. Elementia makes annual contributions to the pension plan to benefit our employees. Elementia charts MXN 10 million for the planned or accrued senior officers' pension plan.

An employee incentive plan.

This plan is based on a variable remuneration plan linked to meeting sales targets and EBITDA. Commissions are paid on a quarterly basis. This compensation is based on meeting sales goals and can represent a payment equal to up to 20 days of wages per quarter.

- The company also has an annual incentive plan in place for the management team linked directly to meeting EBITDA and sales goals, which may represent a payment equivalent to up to 90 days' wages.

A stock purchase plan for directors and managers and/or the company's subsidiaries.

This plan offers beneficiaries the option to purchase Elementia stock at market prices through interest-free loans paid with payroll discounts. Eligible employees can purchase the maximum number of shares equivalent to three months' basic salary for managers, and six months' basic salary for directors.

In addition to these plans, the total amount paid as compensation in 2016 is as follows:

- Chairman of the Board, MXN 70,000 per Board meeting attended
- Board members, MXN 35,000 per Board meeting attended
- The Chairman of the Audit and Corporate Practices Committee, net amount of MXN 65,000
- Audit and Corporate Practices Committee members, MXN 55,714.29 for attending the Committee meetings



Management Team

[G4-36]

Nuestro equipo es elegido por el Consejo de Administración por tiempo indefinido. Está conformado por trece miembros, de los cuales dos son mujeres (15%). La experiencia, profesionalismo y compromiso de cada uno de los integrantes del equipo les ha permitido tener en promedio 7 años de experiencia en la compañía. El promedio de edad es de 47 años, lo que resalta la energía y frescura del Equipo Directivo, las cuales se complementan y retroalimentan con la experiencia del Consejo de Administración.



Our Management Team has on average 7 years of experience in the company and 47 years of age.



FERNANDO BENJAMÍN RUIZ JACQUES

CEO
Age: 44 years old
Señority: 9 years

JUAN FRANCISCO SÁNCHEZ KRAMER

CFO
Age: 47 years old
Señority: 24 years

LUZ OLIVIA HAMELIUS MARTÍNEZ

CORPORATE SUPPLY CHAIN DIRECTOR
Age: 36 years old
Señority: 10 years

LAURA PUIG

INNOVATION DIRECTOR
Age: 44 years old
Señority: 0 years

LAURA CAÑEZ

STRATEGIC PLANNING DIRECTOR
Age: 46 years old
Señority: 0 years

CLAUDIO LUIS PARAMO CHÁVEZ

MARKETING DIRECTOR
Age: 49 years old
Señority: 9 years

JOSE RAMÓN GÓMEZ DIEZ

INFORMATION TECHNOLOGY AND PROCESSES DIRECTOR
Age: 38 years old
Señority: 6 years

LUIS ANTONIO GARCÍA LIMA

INTERNAL AUDIT DIRECTOR
Age: 46 years old
Señority: 3 years

HECTOR MANUEL GONZALEZ LOYA

CORPORATE HUMAN CAPITAL DIRECTOR
Age: 55 years old
Señority: 2 years

JAIME EMILIO ROCHA FONT

DIRECTOR, CEMENT DIVISION
Age: 48 years old
Señority: 2 years

JOSÉ LLONTOP

DIRECTOR DE LA DIVISIÓN CEMENTO EN EUA
Age: 58 years old
Señority: 5 years

GUSTAVO ARCE DEL POZO

DIRECTOR, METAL PRODUCTS DIVISION
Age: 54 years old
Señority: 30 years

JUAN LUIS ALFIERO CABALLERO

DIRECTOR, CONSTRUCTION SYSTEMS MEXICO
Age: 45 years old
Señority: 1 year

OSCAR MAURICIO FONSECA MOLINA

DIRECTOR, CONSTRUCTION SYSTEMS CENTRAL REGION
Age: 47 years old
Señority: 7 years

MILTON BARRERA SÁNCHEZ

DIRECTOR, CONSTRUCTION SYSTEMS ANDEAN REGION
Age: 56 years old
Señority: 6 years

JESSICA NAVASCUES

DIRECTOR, CONSTRUCTION SYSTEMS USA
Age: 45 years old
Señority: 6 years

Internal Control

[G4- 43]



See our Code of Best Corporate Practices [here](#).



At Elementia, we establish an annual Internal Audit Plan that is approved by the Audit and Corporate Practices Committee. The Plan includes the internal audit processes, manuals, and regulations used to structure operations at each Elementia location, and seeks to ensure their strategic alignment with the business objectives and mission.

- Allocate resources, set agendas, select subjects, determine the scope of work and apply the techniques required to meet the audit's objectives.
- Ask for the required collaboration from staff members in each Department or Division audited.

These changes will allow us to increase our audit efficiencies, consolidate the Division as a role model for the company's best practices, and increase knowledge about our operations.

Next year, we will work to provide internal and external training programs for our Audit staff. We will also fill the Management position and implement a personnel exchange program among the different regions to standardize our processes.

Internal Audit Division

The Internal Audit Division reports directly to the Committee, and its procedures ensure that:

- Resources are adequately protected.
- All relevant financial, managerial and operational information is accurate, reliable, and provided on time.
- Employee actions are honest and consistent with the relevant policies, standards, procedures, and applicable laws.
- Resources are purchased at the right price and used efficiently.
- Plans and programs are implemented and goals are met.
- Quality and continuous improvement are promoted in all control processes.
- Employees do not enter conflicts of interest that would keep them from complying with their duties and responsibilities in an objective manner.
- All goals set by the shareholders are met.

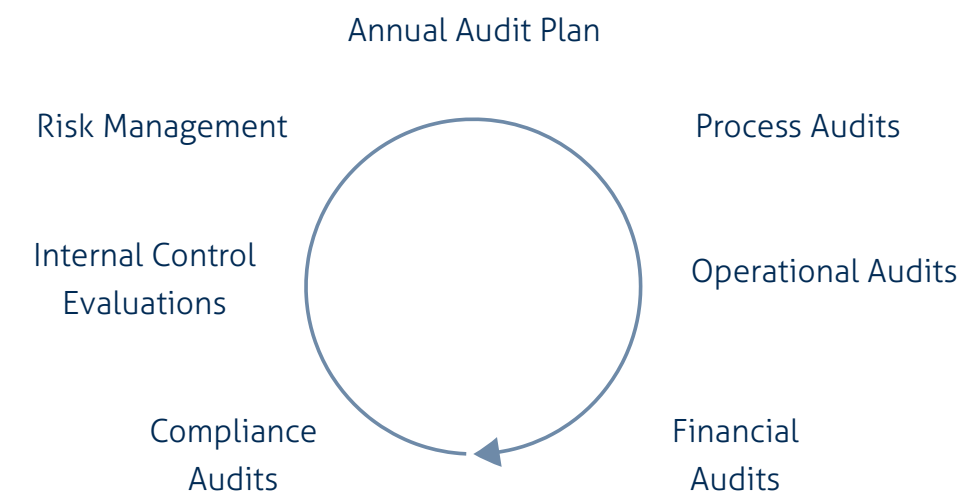
The Internal Audit Division is not authorized to:

- Engage in operational decision-making processes.
- Exercise authority with respect to employees, except through the company's staff members.

Internal audit procedures are executed as follows:

- A work plan approved by the Audit and Corporate Practices Committee.
- Visits are random and unexpected.
- At the end of the visit, a meeting is convened so the Internal Audit Division can share its findings with the relevant business division director.
- Within 30 days following discussion of the report, the business division director informs the Internal Audit Division of the corrective actions taken and their respective deadlines.
- A copy of the final report is delivered to the CEO, the CFO, and the Regional Director.
- The Internal Audit Division monitors and evaluates compliance with the action plan presented by the corresponding business division director.

The Internal Audit Division is currently implementing the SAP Audit Management module and consolidating the audit team for all our regions. We also have a strategic process framework in place that allows us to streamline all processes related to the planning, preparation, execution, reporting, and closing of audit projects.



Ethics [G4- 56, G4-57]

We strive to integrate and align the behavior of our employees with the moral and legal codes established in the legislative context of each country where we operate, and especially with the values and business philosophy that define us.

We want to foster a corporate culture mindful of individual and collective responsibility. The guiding principles set out in our Code of Ethics guide us to ensure full compliance with our legal obligations as we contribute to our industry's business ethics.

The following graph defines the aspects and principles embodied in our Code:



Shareholders

Present clear, precise, and transparent information



Environment

Protect our environment, rooted in our core values



Customers

Work to be the first business partner in the construction industry



Suppliers

Ensure labor relations are free of conflicts of interest



Employees

Provide a Safe and Healthy Workplace



In 2016, the Elementia Institute implemented an interactive Code of Ethics training course that each employee must take once a year, and obtain a satisfactory grade to receive the instructor's approval. The employees must also read and sign the Conflict of Interest Letter electronically to obtain their Elementia Code of Ethics Training Certificate.

In 2016, a total of 1,396 non-union administrative employees complied with their regulatory Code of Ethics certification process, representing 72% of this workforce segment.

We give all union employees a talk about the Code of Ethics once a year and discuss important issues related to applying and understanding our code. Also, 100% of our union members signed the letter of acceptance of our Code of Ethics and received an informational brochure that serves as a quick reference guide incorporating the most relevant concepts regarding Elementia's complete Code of Ethics document.

This brochure was delivered physically to all our employees and is available electronically for those who need to consult and print the document.

Elementia Policies

- **Honest and Ethical Behavior:** observe our business ethics and professional standards, and be a good citizen of each country in which we do business.
- **Compliance with the law:** operate in full compliance with all laws, rules, and regulations in force in all countries in which we operate, as well compliance with our policies and procedures.
- **Fair treatment:** treat our employees, representatives, competitors and the public in a fair and objective manner.

Reporting System [G4-49, G4-50, G458]

We have a reporting system that allows us to ensure proper compliance with the ethical standards outlined in our Code. This system invites our employees, customers, and suppliers to report all action or incidents that become aware of that result in a breach or potential breach of the Code of Ethics or any other guidelines related to our performance and/or value criteria that should invariably prevail in the workplace in their independent geographic regions.

Our commitment is that all complaints received through the Reporting or Whistleblower Channel are analyzed, investigated and, where appropriate, addressed by the Compliance Committee or by the entity designated by it as responsible for implementing appropriate actions for their care, according to conduct and legal provision standards.

The Reporting Channel is available to all Elementia employees, customers, and suppliers who can file public or confidential complaints through our kiosk, by regular mail, email, online or reported directly to the Committee.

The Compliance Committee

Is responsible for interpreting the provisions outlined in the Code of Ethics and ensuring its application in our company. The Committee is responsible for:

- Interpreting actual or apparent conflicts of interest
- Periodically reviewing the company's compliance program
- Submitting a report on the program to the Management Team's Audit Committee at least once a year
- Answer all complaints, claims, and other information.



THE COMPLIANCE COMMITTEE SETS THE TYPE OF DISCIPLINARY PENALTIES OR CONSEQUENCES FOR BREACH OF THE CODE OF ETHICS. DURING FISCAL YEAR 2016, THE COMPLIANCE COMMITTEE RECEIVED EIGHT COMPLAINTS.



Access our Online Complaints System [here.](#)



Conflicts of Interest [G4- 41]

At Elementia, we have processes and procedures in place to ensure that the interests of individuals are never put above the Company's or its customers' interests. These mechanisms regulate the restrictions and authorizations of our employees, officers, and directors in the acquisition or lease of property and assets, as well as transactions in which they have a vested interest, or economic or family ties.

Some of the prohibitions established by our Code of Ethics regarding conflicts of interest include:

- Holding a second external job in another company that is not part of Elementia.
- Use a position in the company for your personal benefit.
- Accept gifts of more than USD 100.
- Accept cash or cash equivalents such as gift certificates from stores, stocks, and loans, among others.
- Use for personal gain or share confidential or exclusive information about Elementia or its operations with unauthorized persons.
- Negotiate with Elementia stock, such as buying, selling or passing the information to others to buy or sell Elementia stock.
- Contract relatives for a position in the same Division or under the employee's line of command.
- Conduct business with companies fully or partially owned by the employee, a relative, spouse or partner.



Equal Opportunity

At Elementia, we are committed to creating a diverse workforce where all employees work together in a fair and equal environment, so we do not tolerate any form of harassment or physical or verbal abuse. Also, each employee has the right to receive the opportunity to reach their full potential regardless of gender, ethnicity, color, creed, national origin, age, disability status, pregnancy, marital or family status, sexual orientation or any other circumstance legally protected anywhere we hire employees.

Fourteen percent of our employees are women; therefore, we nurture different internal practices to make sure we do not overlook women's potential and abilities as team players. Today we look for female forklift operators in our cement operations because we have found that they have the special skills and finesse required to do this job.



No case, fine or sanction for corruption was reported during 2016.

Anti-corruption

[G4-S03 y G4-S04]

The Elementia Code of Ethics includes a section on improper payments, as well as the conditions to accept gifts, entertainment, and loans. The Code is aligned with anti-bribery laws in many countries, including the U.S. Foreign Corrupt Practices Act (FCPA), establishing a ban on the offer of money or another thing of value, directly or indirectly through a third party, to any foreign government official in order to obtain or retain business or other undue advantage.

A "thing of value" may include gifts or gratuities of any kind, offer of travel expenses and entertainment, jobs offers or charitable donations. The term "government official" is very broad and includes any officer or employee of an agency or entity controlled by the government or an international public organization or a political party, party officials or candidates running for office.



Transactions with related parties are described in our 2016 Annual Report. [Click here.](#)



COMPANY

in 2016, we present growth figures both in terms of results and structure as a result of our acquisition of giant, thus demonstrating the integration of our profitability and synergies between the company's divisions, which allows us to deliver differential and sustainable stakeholder value.



64%

OF OUR EMPLOYEES have collective bargaining agreements.



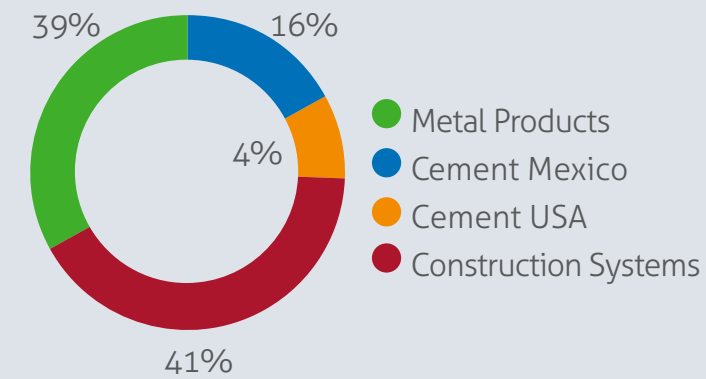
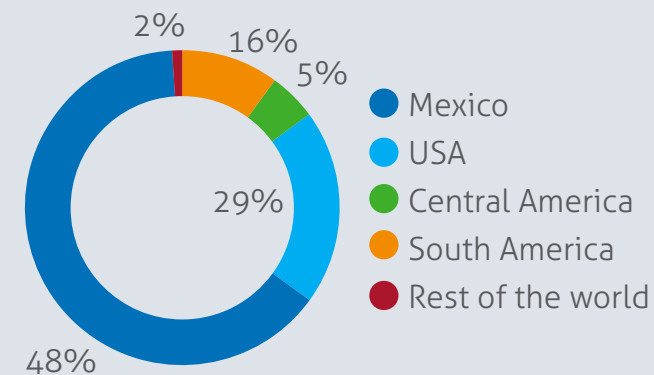
THE GIANT ACQUISITION ADDS

3 plants, **6** terminals y **4** waste co-processing plants to our infrastructure.

MXN 19,090

MILLIONS IN SALES **12%** more than in 2015.

DISTRIBUCIÓN DE VENTAS



TRAINING IN 2016

Elementia invested **MXN 7,375,584** representing a 79% increase compared to 2015. **160,294** hours of training were provided, representing 50% more than in 2015.



In 2016, women were promoted to leadership positions in charge of **2** new divisions: the Strategic Planning Division and the Innovation Division.



80% of all Elementia goods are purchased from domestic suppliers and **20%** from international suppliers.



324

EMPLOYEES

received recognitions for seniority.

ELEMENTIA HAD

6,019

EMPLOYEES

in 2016, **14%** female and **86%** male.

Overview

[G4-2, G4-EC7 y G4-EC8]

In 2016, we consolidated our integration and growth strategy ensuring major achievements. Consolidated sales in the year amounted to MXN 19.09 billion* for a 12% increase compared to 2015; this was due primarily to better sales prices in all divisions and the inclusion of Giant sales as of November 2016, which amounted to MXN 717 million for an 18% increase, excluding this effect.

CEMENT DIVISION

The acquisition of three plants, six terminals, and four waste co-processing plants has increased the entire Division's production capacity. This had led us to develop a new operating structure at the plants to establish alternatives for growth, strengthen Giant Cement's administrative and financial integration into the Group, and develop our staff's full potential. These are the major challenges the Division faces at this time.

Achievements in 2016, in addition to increased sales, production and structure inherent to the acquisition, are also reflected in the successful completion of our plan to expand the Tula-Hidalgo plant (Tula Project 300) that will start operations in 2017.



THE CONSTRUCTION SYSTEMS DIVISION

Reported 8% sales growth, the successful transition to the new technology from AC to NT, the growth of the distribution network in both local and export markets, and greater efficiency at an operational level, in terms of productivity and logistics. It leveraged synergies between Elementia and the different regions we serve to increase our market share and provide innovative construction solutions.



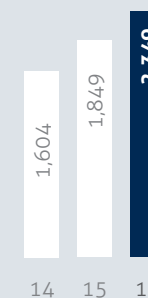
\$ 11%
increase in the economic value of Elementia.

* MXN 332 million is the result of sales of the Cement Division, the Construction Systems Division and the Metals Division in Mexico.



NET OPERATING INCOME

Million MXN



THE METALS DIVISION

Focused on its strategy to offer higher value-added products with enhanced production costs obtained from optimizing initiatives for metal use, operational efficiencies, and exchange rate fluctuations offsetting lower export sales volumes.

The challenges this Division faces include maintaining 20% EBITDA growth, increasing export volumes to the United States, striking a balance between metal price volatility and the exchange rate, and increasing the volume of value-added products.

These challenges for 2017 are coupled with certain opportunities for improvement that the Division must prioritize, such as brand use recognition and entering into new markets such as the automotive, oil and gas, and die sectors.



Economic Value [G4- EC1]

In 2016, Elementia generated MXN 19.189 billion in economic value, for an 11.16% increase compared to 2015, reflecting an increase in sales and other revenues. The economic value the company retained this year was MXN 1.232 billion.

	2015	2016	%VAR
Economic value generated	MXN 17,262	MXN 19,189	11%
Economic value distributed	MXN 16,011	MXN 17,958	12%
Economic value retained	MXN 1,251	MXN 1,231	-1%

Innovation and Strategic Planning

The rapid development of the construction industry is the key route to determining Elementia's risks and opportunities. It also sets the course for the organization's strategic planning and innovation management. With the creation of the Strategic Planning and Innovation Divisions in 2016, we have aligned our key route to development to find, facilitate and work on the skills required to drive transformation processes from the traditional construction model to automated processes, through modular construction, as our mid-term goal.

This evolution includes automation features by 2040. In order for Elementia to be ready for this change, it must focus on planning cross-functional activities across all divisions system-wide.



89%
 of the staff is part of the operational, logistical and administrative team of each plant.

This business strategy comprises three phases where the ultimate goal is to incorporate all divisions in the creation of sustainable construction solutions. The three pillars supporting this project are operating at full potential, organic growth, and building the capacity to become a multiproduct company. This type of strategy will guarantee our consolidation as a united company with The Power of Oneness and prepare us for the challenges we will face due to changes in the construction industry.

In order to meet our specific goals aligned with this vision, we must implement strategic and concrete actions in each Elementia Division. In the Cement Division, the strategy is to consolidate our presence in the United States, as well as the operation in Mexico. To become the markets' supplier of choice, we must build up our business as relevant players positioned for profitable growth with an 8-12% market share. We can do this by leveraging our experience and networks in Latin America.

The Construction Systems Division supports our distribution channels to provide an associated support services network to be the top sustainable building systems supplier. The system is based on harnessing the development of modular construction systems and entering new market segments. By 2021, our specific goal is to provide integrated construction solutions for 10% of all lightweight construction square meters existing in each region where we do business.

Lastly, the Metals Division is strategic to maintaining our growth pattern in the value-added products segment, such as taking these products to the U.S. market. It is essential to keep our Metals Division within the top three rankings of recognized brands in the hardware sector by marketing these products.

Our Human Capital [G4-10, G4-11, G4-LA12]



At Elementia, we believe that the success of our company depends on every employee in the organization. Therefore, we seek to develop their full potential and provide tools to ensure their personal and professional growth.

In 2016, we had 6,019 employees. Of the total, 14% are women, and 86% are men. We strive to provide equal opportunities and have the infrastructure and policies in place to encourage individual development and performance regardless of gender. Thanks to these measures, we increased our total number of female employees 1% in 2016 (82 more than in 2015).

	Cement	Construction Systems	Metals	Headquarters	Total 2016	% Total in 2016	% Total vs 2015
Women	80	267	428	51	826	14%	13%
Men	391	2,463	2,259	80	5,193	86%	87%

We have a higher percentage of female employees at Headquarters, representing 39% of the total. Furthermore, 1% of all employees are female directors, 3% are fe-

male managers, and 7% are female department heads. 89% of all employees work in operational, logistics, and administrative activities at each plant.

	Cement	Construction Systems	Metals	Headquarters	Total	Total %
Directors	4	19	6	9	38	1%
Managers	21	95	54	25	195	3%
Departments	78	196	107	26	407	7%
Other levels	368	2,420	2,520	71	5,379	89%
Women	80	267	428	51	826	14%
Men	391	2,463	2,259	80	5,193	86%



The overall rotation rate of Elementia is

2.46%.



In 2016 we increased our training hours by **50%** and the investment by **79%** compared to 2015.



At Elementia, we respect the right of our employees to collective bargaining, which is why in 2016, more than half of our workforce was unionized; that is, 64% of our employees had a collective bargaining agreement.

	Cement	Construction Systems	Metals	Headquarters	Total
Nonunion employees	266	1,271	515	131	2,183
Unionized employees	205	1,459	2,172	0	3,836
Total active employees	471	2,730	2,687	131	6,019
% de empleados sindicalizados	44%	53%	81%	0%	64%

[G4-LA1] At Elementia, our general employee turnover rate is 2.46%. Our highest turnover rate is represented by unionized employees (2.96%) in our Construction Systems Division, with the lowest rate reported at our Corporate Headquarters (0.39%), and the Metals Division (0%).

WE PROMOTE LONG-LASTING TRUST RELATIONS WITH OUR INTERNAL EMPLOYEES, WHICH IS WHY 100% OF OUR EMPLOYMENT CONTRACTS HAVE AN INDEFINITE DURATION.

	Cement	Construction Systems	Metals	Headquarters	Total
Total turnover %	1.69 %	2.31%	2.41%	0.81%	2.46%
Nonunion turnover %	1.38%	1.65%	1.58%	1.62%	2.70%
Unionized turnover %	2.01%	2.96%	3.23%	na	2.22%
Director turnover %	2.04%	1.86%	0.00%	1.15%	0.36%
Manager turnover %	1.92%	1.92%	0.83 %	2.60%	1.31%
Corporate headquarters turnover %	1.29%	1.44%	1.85%	0.32%	1.25%
Other leaders turnover %	1.34%	1.68%	1.64%	1.79%	2.82%

Training and Development [G4-LA9, G4-LA10]

We provide training for our employees to improve the quality of their work life and organizational performance. A skilled workforce ensures our company's and their own personal growth.

Our Construction Systems Division reported the highest number of total hours of training while the Cement Division had the highest average number of hours of training per employee.

In 2016, we invested MXN 7,375,585 in 160,294 hours of training. Compared to 2015, we increased our training hours by 50% and our investment by 79%.

	Cement	Construction Systems	Metals	Headquarters	Total
Headcount	471	2,730	2,687	131	6,019
Hours of training	51,246	65,783	42,308	960	160,294
Average hours of training per position	109	24	16	7	27
Cost of training (MXN)	2,514,741	3,597,198	1,263,646	0	7,375,585
Average cost of training per employee (MXN)	5,339	1,318	470	-	1,225

OUR GENERAL EQUIVALENCY HIGH SCHOOL DIPLOMA PROGRAM PROMOTED BY CEMENTOS FORTALEZA ENCOURAGES EMPLOYEE DEVELOPMENT THROUGH THE **PCT-FORMA SYSTEM THAT OFFERS THEM THE POSSIBILITY OF STUDYING THE HIGH SCHOOL COURSES** PROVIDED BY UNIVERSIDAD TECNOLÓGICA DE TULA TEPEJI SEP. DURING 2016, **32** UNIONIZED EMPLOYEES AT THE VITO PLANT BEGAN THEIR HIGH SCHOOL STUDIES, WITH THE PLANT COVERING THE TOTAL COST OF **MXN 245,548.**

The increase in hours of training and investment led us to open the Elementia Institute to manage our organizational learning program. The purpose of the Elementia Institute is to forge an identity and build an “Elementia Culture” to manage its talent training and learning evaluation programs.

The training modalities offered by the Elementia Institute include classroom courses, e-learning, and blended and m-learning offered through manuals, information on social networks, simulators, role playing, e-books, and video conferences, among others.

All courses offered by the Institute are classified as essential, functional (specialized), and safety courses. In 2016, the Elementia Institute taught the following courses:

- Induction
- Code of Ethics
- Elementia on the Mexican Stock Exchange
- Goal Setting
- Change Management
- Anti-Corruption Training
- Balanced Scorecard
- Data Protection Act
- Prevention of Money Laundering
- Behavioral Safety
- Risk Management
- Observation Program
- Sustainability and Social Responsibility
- Health and Safety

The Elementia Institute has allowed us to optimize resources to enhance our employee training programs, improve the quality of our course content, and facilitate the identification of our internal staff members. All this is reflected in our performance as a company and the increased investment in our staff.



We have a nursery at the Elementia Vallejo headquarters in Mexico City.



160,294
training hours in 2016.

We recognize our talent

Elementia has a Rewards and Recognition Operations Manual that allows us to encourage leaders in each business division and department. We use this tool to recognize our employees’ outstanding performance and achievements. We complete an evaluation process to grant a variety of recognitions that can be economic or another type of reward:



Non-Economic Incentives

- Thank you
- Written Acknowledgment
- Public Recognition
- Recognition In Kind
- Career Development Plan
- Project Allocations
- Participation in Symposia
- Subscriptions / Memberships
- Access to Leaders
- Community Support Award

In addition to these recognitions, our employees can receive productivity and seniority awards. At our 2016 year-end celebration, 324 Elementia employees, including 36 women and 288 men, received a watch as part of their seniority award. Seventy percent of the total number of awards were given to union members. Employees can also earn prizes for their outstanding customer service levels or professional merit scholarships. All these recognitions can be stipulated in writing, given out in public, or in kind.



Financial Incentives

- Paid Vacation Awards
- Employee Productivity Recognition
- Employee Seniority Recognition
- Merit Scholarship Program
- Bonds (variable compensation)
- Enhanced Position
- Promotions
- Merit Increases
- Base Salary Payment
- Customer Service and Care
- Gold Pin

At Elementia, we also encourage employee development, so we have a career plan in place to nurture their comprehensive growth within the organization by contributing to their personal, professional, and financial growth.

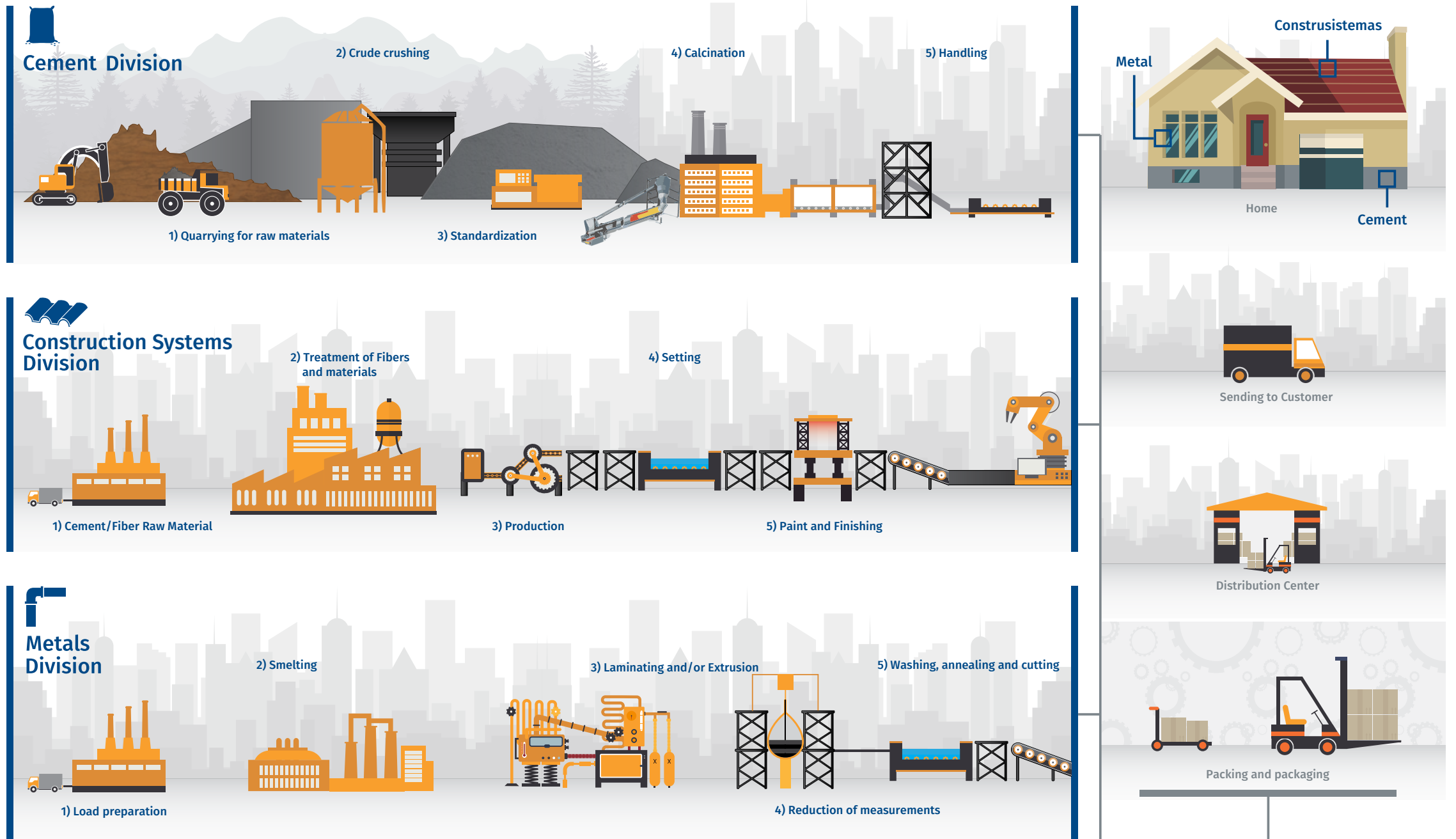
Suppliers [G4- EC9]

Our supply chain is key to generating Elementia value, as it allows us to consolidate synergies and integrate actions to ensure streamlined, fair, and sustainable operations.

Total spending in 2016 amounted to USD 1.051 billion, with the highest share of 48% spent by the Metals Division, due to the high cost of its raw materials, followed by the Construction Systems Division with 29%, and Cements with 23% of our company's total expenditure.

We purchase 20% of our products from foreign suppliers; that is, suppliers not residing in the country where each workplace is located. These figures do not include operations in Central and South America. We purchase 80% of our products from domestic suppliers, thereby boosting the local economy and the generation of wealth in each of the communities we serve.

In 2016, we did not complete an assessment of our suppliers under sustainable criteria; however, the entire procurement process seeks to ensure that suppliers are integrated into the legal, commercial, environmental and social criteria applicable to our business relations in each country. The following is a description of our supply chain as related to each Division's productive cycle.



86% of Elementia's purchases are made to national suppliers.

\$1,051 million dollars was the total of the expenditure exercised during 2016.



Purchasing Expenses by the Cement Division in 2016

53% National Suppliers

47% International Suppliers

58% of our Cement Division suppliers provide general maintenance services. Our second largest expenditure category involves suppliers providing inputs for the operation. The increase in sales to foreign suppliers during 2016 is related to the purchase of new machinery, spare parts, and fittings for expansion of the Tula Plant.



Awards and Recognitions



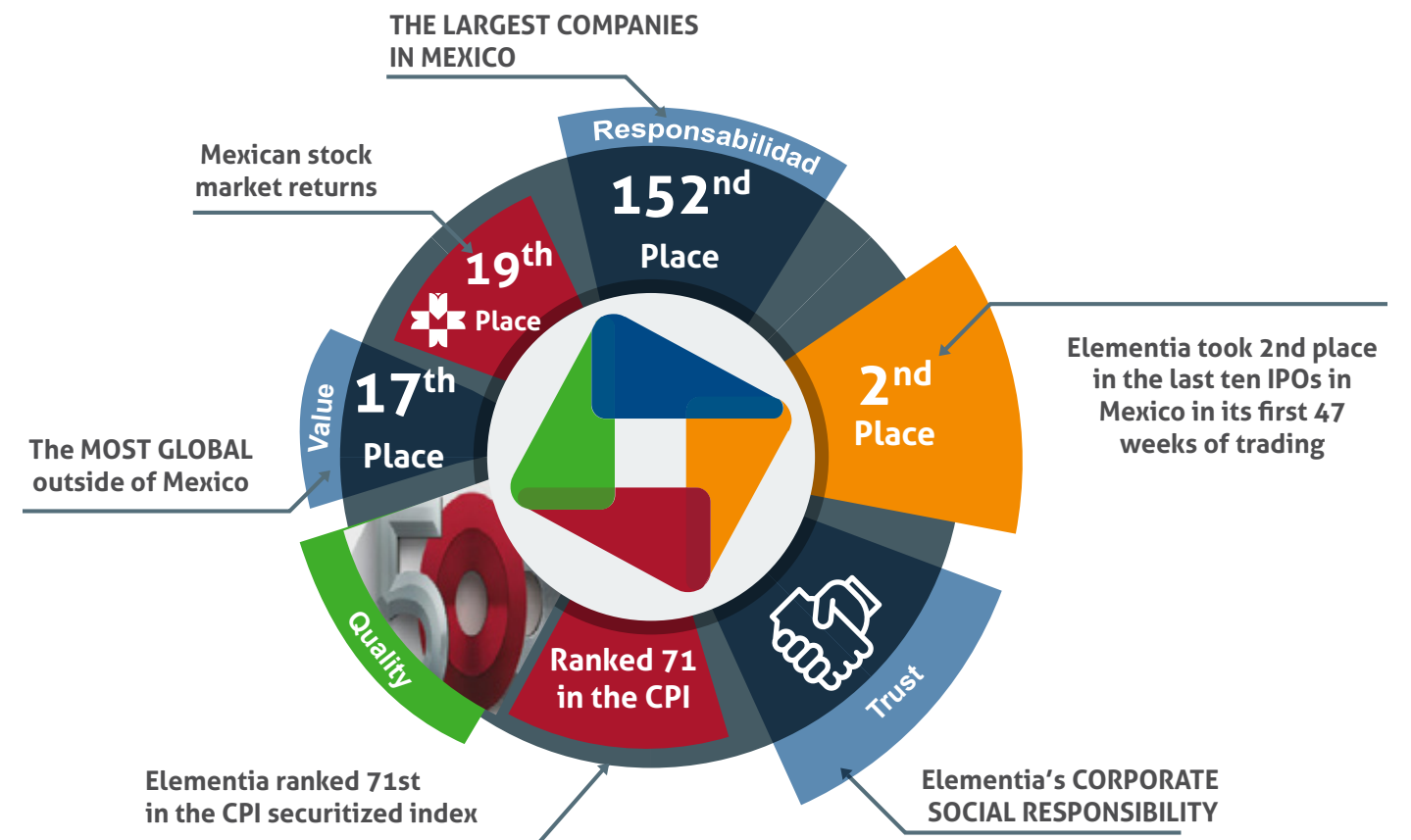
Purchasing Expenses by the Construction Systems Division in 2016

67% National Suppliers

33% International Suppliers

This Division works with the largest variety of products and suppliers. Purchases in this Division are focused on raw material suppliers and inputs for the operation.

The Division's procurement ratio of 67% from domestic suppliers and 33% from international suppliers does not include the Allura, Fibraforte, Eternit, and Plycem operations.



Purchasing Expenses by the Metals Division in 2016

5% International Suppliers

95% Domestic Suppliers

A significant percentage of purchases made by the Division include raw materials, with metal ingots representing its highest cost.

Metals purchases 95% of its inputs from domestic suppliers, as the Division with this highest percentage system-wide.



SUSTAINABILITY

We have reshaped the elementia sustainability strategy to capitalize on natural and structural synergies in the fields of industrial safety, occupational health, and environmental management. they now report to the same corporate division to generate the greatest value for our employees and the communities we serve.

Environmental Management in 2016 compared to 2015



Health and Safety

Sick leave days fell **13%** compared to 2015.

The cost of injuries is reduced by **15%** compared to 2015.

The severity index fell **10%** compared to 2015.



WE WENT FROM

13,809,191

HOURS WORKED IN 2015 TO

13,514,261

IN 2016.



15%
increase.



21%
reduction.



0.3%
increase.



3%
increase.



11%
increase.

275

EMPLOYEES

form the Elementia Health and Safety Committees at each operation center.



WE INVESTED

MXN

21,254,187

IN THE ENVIRONMENT.

[Click here](#) to check the list of our environmental certifications.



Industrial Safety and Occupational Health [G4-LA5]



We monitor our results and operations to improve and ensure optimum conditions for healthy and safe work.

Employee health and safety comes first at Elementia, as these constitute the foundation for our operational efficiency and commitment to employees, their families, and the communities we serve. On this basis, we have the equipment and specialized personnel in each of our operation centers, to evaluate, manage, measure and control the materialization of the risks inherent in daily operation.

Processes to evaluate unsafe behavior or habits permeate the entire organization through campaigns and ongoing assessment procedures. This is phase one in the continuous improvement process for our activities, centered on ensuring their efficiency, health, and safety of everything we do.

Phase two is centered on ensuring the consistent management of training, tools and group assessments, to counteract the origin of negative behavior or indicators that could affect the health and safety of employees and the operation.

Phase three measures and controls indicators to provide permanent feedback to employees and the operation, promoting a consistent health and safety culture throughout the entire organization.

Committees represent an effective tool to measure and manage employee health and safety risks in the operation. In 2016, 4.6% of our employees were represented by our formal Health and Safety Committees (275). It is also important to note that the safety indicator is included in our employees' annual objectives and evaluations.

	Cement	Construction Systems	Metals	Headquarters	Total
% of staff in health or safety committees	4.2	7.5	1.9	0	4.6
Headcount	471	2,730	2,687	131	6,019
Number of staff in health or safety committees	20	205	50	0	275

Health and Safety Culture and Behavior

Elementia uses a variety of media to communicate health and safety matters to make sure we all share the same culture of risk prevention and care:

- **MONTHLY HEALTH AND SAFETY BULLETIN** (day 5 of each month). This bulletin reports on the organization's relevant management information.
- **IMPORTANT AND URGENT NOTICES**. These notices include relevant information generated in our daily operations, that is not scheduled in advance.
- **SAFETY FLASH**. (on information generated at the plants). We use this communication channel to inform employees about risk situations at the plants.
- **RELEVANT EVENTS**. Information regarding incidents that occur in our facilities is reported by email to our CEO, Directors, Managers, and the Safety & Security Coordinator or the Human Resources Department (depending on the situation), including the actions taken.
- **GOOD PRACTICES**. We use the email channel to share strategies implemented by our employees or directors for replication in other plants to ensure similar results.

Health and Safety Assessment and Indicators

Elementia uses health and safety indicators to monitor the results of the measures implemented to improve and guarantee optimal work conditions for all employees. Changes were made to these indicators and their accounting methodologies, compared to information reported in 2015, in an effort to further itemize and identify the origin and typology of the relevant facts regarding a given health and safety matter.

The new measurement method seeks to ensure alignment with national and international standards. We also expect to manage it through an online information system in 2017 along with other processes, such as a) Behavior Observation Systems, b) the Elementia Institute Training Systems, c) reporting systems that provide real-time indicators and serve to activate preventive measures based on an analysis of these connected systems.

These indicators include not only Elementia personnel, but also consider the external employees working in our operation centers. This is one of the main reasons for the increase in the number of injuries and accidents.



The processes of evaluation of unsafe behavior or habits permeate the entire organization through campaigns and constant review processes.





Our Industrial and Occupational Safety & Health program in plants has Brigades of prevention and response to emergencies.



4.6%

of our employees were represented in the formal Health and Safety Committees.

Elementia [G4-LA6]	2015	2016
Hours worked	13,809,191*	13,514,261**
Lost time injuries (LTI)	121	146
Days lost to disability	5,518	4,775
Cost of injuries (MXN)	9,926,543	8,396,353
Frequency index	21	27
Severity index	976	881
Non-lost time injuries (NLTI)	112	151
Total accidents	233	300
Total accident frequency index (LTI + NLTI)	41	55
General disease cases	968	2,396
Days lost to general diseases	15,254	17,272
Disease costs (MXN)	17,352,776	24,124,759

*237,307 HOURS REPORTED BY HEADQUARTERS
 **257,681 HOURS REPORTED BY HEADQUARTERS

Indicator	Cement		Construction Systems		Metals	
	2015	2016	2015	2016	2015	2016
Hours worked	988,283	944,230	6,768,972	6,653,429	5,814,628	5,658,921
Lost time injuries (LTI)	2	7	84	91	35	48
Days lost to disability	70	139	3,099	1,963	2,349	2,673
cost of injuries (MXN)	210,000	134,121	5,107,579	4,073,237	4,608,965	4,188,994
Frequency index	6	17	30	33	14	21
Severity index	228	-	1,105	713	971	1,193
Non-lost time injuries (NLTI)	4	8	75	97	33	46
Total accidents	6	15	159	191	68	94
Total accident frequency index (LTI + NLTI)	16	38	56	69	28	41
General disease cases	-	52	714	1,898	254	446
Days lost to general diseases	412	595	7,243	9,841	7,599	6,836
disease costs (MXN)	741,600	971,787	7,100,882	15,939,266	9,510,293	7,213,705

IN 2016, WE WORKED A TOTAL OF 13.5 MILLION HOURS WITH ZERO ACCIDENTS RESULTING IN FATALITIES.



Our plant Industrial Safety and Occupational Health programs include Prevention and Emergency Response Brigades. The Brigades manage a comprehensive program linked to risk analysis and mitigation plans, which are tested annually to ensure optimal responses, identify the improvements we can make to our processes, equipment, and systems, and evaluate our internal and external support team responses.

As a rule, we provide induction and training courses on our health, safety, and emergency management guidelines to all employees, contractors, visitors, and Brigade members. During 2016, we provided internal and exter-

nal training for employees and made improvements to the infrastructure by installing alarm and protection systems, among others.

Elementia has partnered with PREVENIMSS in Mexico, to improve our prevention culture, and ensure coverage of the immunological programs, campaigns and health days promoted by the Mexican Institute of Social Security in the different Elementia operations. We have health evaluation programs in place for new hires, and periodic evaluations to encourage employees to change unhealthy habits. These diagnoses are strongly linked to each plant's individual Hygiene Programs.



89%

of the materials for production and packaging came from non-renewable sources and 11% from renewable sources.



79%

of water consumption in Elementia comes from underground sources (wells).



Environmental Management

Elementia's commitment to environmental care and preservation is fundamental to our operations strategy. So, we manage, measure, and control the impact our different business activities produce on the environment, by permanently investing in the consolidation of an organizational culture focused on protecting the resources of the natural environment.

Management

Each plant has staff members dedicated to the inspection and implementation of each environmental project. These employees keep a finger on the pulse of their plant's compliance with the applicable environmental regulations. This group of employees reports directly to their plant managers and collects data for the Health, Safety, and Sustainability Division, such as indicators and status updates, and our environmental care achievements.

The Elementia environmental management goals are clearly congruent with its activities. We not only comply with the requirements established by the applicable environmental standards but also seek to promote continuous improvement processes to make them more environmentally friendly and sustainable according to Clean Industry standards, such as ISO 14001.

Measurement

We use the SAP system to collect, concentrate, review, and analyze the most important environmental indicators for each plant's operations, in accordance with Elementia and GRI criteria. Elementia uses this method to ensure the availability of standardized information for our project development and decision-making processes, thereby reducing our environmental risks and impacts.

Control

At Elementia, we monitor the consumption of materials and the generation of waste and emissions, in compliance with the law applicable to each case. These efforts paid off, as Elementia did not receive a single environmental fine or claim regarding any of its plants in 2016. The following graphs illustrate our most relevant materials, water, energy, waste, and emission consumption and generation indicators.

Materials [G4-EN1]

In 2016, we increased the consumption of materials by 3% compared to 2015, for a total of 7,314,937 tons, based on our increased sales. Eighty-nine percent of the materials consumed in our production and packaging processes, came from non-renewable sources, while the remaining 11% came from renewable sources.

División	Total materials (tons)	Non-renewable materials (tons)	Renewable materials (tons)
Cement	6,490,307	6,490,307	0
Construction Systems	774,232	738,794	35,438
Metals	50,398	48,835	1,563
Total Elementia	7,314,937	7,277,936	37,001

Water [G4-EN8 y G4-EN22]

At Elementia, we endeavor to ensure efficient water collection, extraction, and recirculation processes every day to reduce both our water consumption and discharge levels. In 2016, we increased water consumption by just 3,380 m³ compared to last year, for a total of 1,188,239 m³, obtained primarily from underground sources, representing 79% of our total consumption with 942,674 m³.

The Construction Systems Division consumed the most water in 2016, standing at 597,360 m³, followed by the Metals Division that consumed 375,539 m³, and the Cement Division that used 215,339 m³ of water in 2016.

The water we use in our operation does not significantly affect surface water sources, such as rivers or lakes. On the other, our exploitation of wells is based on a concession; that is, the water Elementia consumes is backed by a concession title and controlled to ensure we do not affect the natural balance of this nonrenewable resource.

In 2016, wastewater discharged into sewage systems totaled 35,587 m³, for 52% reduction compared to 2015. All Elementia wastewater discharges undergo a treatment process covered by the applicable environmental standards established for each of our operations.

Division	Total water withdrawn (m ³)	Underground sources (m ³)	Surface sources (m ³)	Rainwater Collection (m ³)	Wastewater (m ³)	Municipal water supply (m ³)
Cement	215,339	208,466	0	0	0	6,873
Construction Systems	597,360	519,290	47,847	4,397	0	25,826
Metals	375,539	214,917	0	0	55,311	105,311
Total Elementia	1,188,239	942,674	47,847	4,397	55,311	138,010





Energy consumption by mobile sources (LPG, gasoline and diesel) was reduced by

45%



58%



of the environmental investment was earmarked for environmental prevention and management, and **42%** for waste treatment, emissions and restorations.

Energy [G4-EN3]

Electricity is one of Elementia's main inputs. In 2016, we consumed a total of 1,534,809,875 MJ, most of which corresponds to electricity and less than 1% to the use of fuels or mobile sources such as LPG gas, gasoline, and diesel.

We used an increased 11% of power from fixed sources in 2016, compared to last year. However, on the other hand, we decreased energy consumption from mobile sources by 45%.

Division	total internal power consumption [MJ]	direct energy (stationary sources-electricity) [MJ]	direct energy (mobile sources-fuels) [MJ]
Cement	708,960,712	708,960,712	0
Construction Systems	332,655,630	332,652,867	2,762
Metals	493,193,533	493,192,675	858
Total Elementia	1,534,809,875	1,534,806,255	3,621

Waste [G4-EN23]

At Elementia, we seek to reduce industrial waste by streamlining our processes to implement actions that minimize waste generation and reduce their environmental impact. Each Division works together to achieve this goal, so in 2016, so the total weight of our waste was 8,896 tons, representing a 21% reduction compared to the waste generated in 2015.

Division	Total weight of wastes (tons)
Cement	75 ton
Construction Systems	7,531 ton
Metals	1,290 ton
Total Elementia	8,896 ton

Emissions [G4-EN15 y G4-EN16]

In line with our sustainability strategy, we are constantly on the lookout for improvements to optimize our operations. These improvements include the reduction of greenhouse gas emissions (GHG).

Direct GHG emissions compared to 2015, were up 15%, with the Metals Division reporting the greatest share with

36% of total direct emissions, followed by the Construction Systems Division with 34%, and the Cement Division with 30%. Together, the Divisions issued a total of 276,179 tons of CO₂ in 2016.

However, the Division reporting the highest percentage of increased emissions compared to 2015 (base year) was the Cement Division with 19%, followed by the Metals and Construction Systems Divisions with 2% and 0.2%, respectively.

Divisions	Total emissions (tons CO ₂)	Mobile sources (tons CO ₂)	Fixed sources (tons CO ₂)
Cementos	99,172	145	99,027
Construsistemas	114,359	51,651	57,213
Metales	120,196	257	119,939
Total Elementia	333,728	52,054	276,179

Investment [G4-EC2 y G4-EN31]

As part of our commitment to protect and care for the environment, we invested a significant amount in training our human capital on environmental matters and improvements related to the company's time, systems, and infrastructure. These actions allow us to guarantee that our operation complies with the highest environmental standards by reducing our environmental impact.

In 2016, Elementia's environmental investment totaled MXN 21,254,187. Fifty-eight percent of these resources were earmarked for environmental prevention and management activities, while the remaining 42% went to restorations and waste and emission treatments.

Environmental awareness

At Elementia, we endeavor to raise environmental awareness amongst our staff. Therefore, we encourage the knowledge and importance of environmental care through internal campaigns, bulletins and training focused on each plant's environmental needs, in order to preserve an ecological balance. Some of the most relevant initiatives we celebrate throughout the year are World Environment Day and the Hydros Project.

SOCIETY

Mindful of our joint responsibility to social development of the communities and countries where we operate, Elementia donates money and engages in volunteer activities and recreational and sports events in communities close to our operation centers. Also, in line with the social initiatives characterizing our company, through 2016, we donated funds to the Kaluz Foundation for disbursement and support of programs in all the countries where we do business.

Cementos Fortaleza benefited **1,300** people through different social initiatives and donated more than **MXN 450,000**.

Check out the Eternit Colombia Communication on Progress [here](#).



30,283

kilometers run in 2016 as part of the +km initiative engaging 1,615 Elementia volunteers in seven countries.

897.5

tons of cement were provided for projects such as roads, sidewalks, garrisons, facades of institutions, classrooms, courtyards, bathrooms and offices of various institutions and communities.

IN 2016,

2

 PROJECTS

won the Kaluz Foundation Prize*:

- The "Business Incubator" project in Mexico under the Social Project category.
- The "Plycem Club Expert" in Costa Rica under the Social Innovation category.

Both projects were implemented with a key focus on community education.

The Elementia Foundation

will be established in 2017.

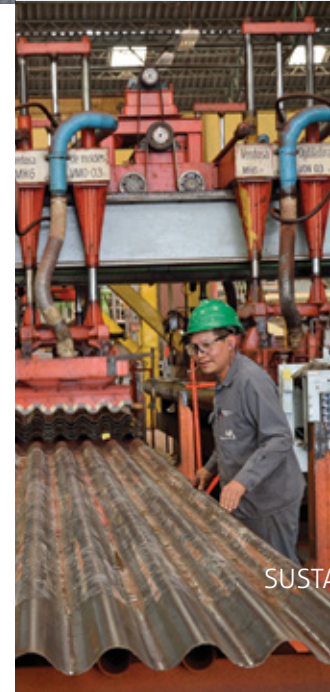
View our Sustainability Reports history [here](#).



*It shut down operations in late 2016

6

consecutive years recognized as Socially Responsible Company.



Community Outreach

[G4-SO1]

Our sustainability strategy includes the integration of ties to our closest environment to ensure our permanence and development, identifying their expectations, needs, and demands to ensure the responsible management of our operations as a company.

Cementos Fortaleza developed support programs for the communities in which it has a presence, establishing agreements with various organizations and instilling a corporate community outreach culture. It engaged in activities in Atotonilco de Tula, Santiago de Anaya, and Dolores in 2016.

Elementia, through Cementos Fortaleza, used these sports activities, donations, infrastructure improvements, entrepreneurship programs and participation in community events and festivities to build support and development relations with the communities we serve.



+KM Program

In addition to its social bonding activities, Elementia promotes a +KM program among its employees, their family members, and companions, nurturing sports and a healthy lifestyle. The goal set to run 25,000 kilometers in marathons and races in 2016, was surpassed by 5,283 kilometers, resulting in a total of 30,283 kilometers run in the year.



897.5 TONS OF CEMENT DONATED TO WORKS AND PROJECTS, SUCH AS ROADS, SIDEWALKS, CURBS, FRONT WALLS ON INSTITUTIONS, CLASSROOMS, YARDS, RESTROOMS, AND OFFICES IN DIFFERENT INSTITUTIONS AND COMMUNITIES.



- Construction and rehabilitation of major bridges and avenues
- Rehabilitation of sidewalks, streets, and curbs
- Health center dignification project
- Reconditioning of pre-school fences, sidewalks, and plumbing
- Help fix water supply issues
- Attention to drainage problems
- Donation of sports uniforms
- Support for community programs and sports facilities
- Organized little league football tournament
- Sports field construction
- Race to celebrate International Women's Day.
- Participation in Women Entrepreneurs Workshop
- Organized entrepreneur workshop
- PRO-JOB workshop
- Participation in University Book Fair
- Donated toys on Three Kings Day
- Financial aid for municipal religious festivals
- Children's Day and Mother's Day celebrations
- Delivery of school furniture
- Delivery of basic grocery baskets
- 5th exhibition of offerings and altars
- Support for the Children's City Board of Trustees
- Financial aid for the DIF
- Support for the Tlaxcoapan Symphony Orchestra concert tour.

Social Aid



Mindful of our joint responsibility to social development both in Mexico and the other countries where we operate, we partnered with the Kaluz Foundation to provide comprehensive support to the communities we serve.

Kaluz Foundation

The Kaluz Foundation promotes participation and commitment to comprehensive individual and community development and well-being. The Foundation works with its partner companies to implement programs that produce a high economic and social impact on communities. The four lines of action in its social work include housing, water, response to natural disasters, and the Kaluz Foundation Award.

Kaluz Foundation Award

The award was created seven years ago to engage employees in their communities, as well as the authorities to create and implement projects that positively transform people's lives.

The 2016 award had a more dynamic and interactive spin that produced a greater positive social impact, focused on people and their skills. The 2015-2016 Award edition had two different categories:

- Social innovation

Projects that solve a social problem based on new products or services linked to the company's activities.

- Social

Projects that produce a positive impact on society and the environment, by allowing us to deal with problems outside of our company's own activities.

In 2016, the "Business Incubator" project won the Elementia Mexico prize under the Social Project category, while the "Plycem Club Expert" project won the Social Innovation Prize in Costa Rica. Both projects were implemented with a key focus on community education.

Stakeholder Engagement and Dialogue [G4- 24, G4- 25, G4- 26, G4- 27]

At Elementia, we use different media to communicate with our key audiences. These channels and media seek to identify each of our stakeholder's needs and perceptions to provide timely and efficient responses that allow us to consolidate our position as the supplier of choice in the construction industry.

Maintain open and transparent dialogue with our stakeholders to build trust and create long-term relationships



Each Division and its respective brands maintains various means of interaction with its clients and distributed to measure and guarantee their satisfaction.



Business Organization Memberships [G4-16]



Stakeholder

Expectation



Employees

Strike the perfect balance between work and family life, and ensure safe working conditions that nurture professional and personal development.



Authorities

Ensure compliance with the regulations applicable to each country where we operate.



Suppliers

Fair management of our purchasing processes fostering long-term relations.



Customers

Quality, efficient service, and competitive costs.



Community

Promote social development and environmental care in the countries where we operate.



Unions and Associations

Institutional support for the social causes supported by our volunteers with financial and in-kind donations.



Shareholders

Access to relevant financial information in a transparent and timely fashion.

We seek to promote and exercise honest trading practices in the sector, which is why we participate in various associations and organizations that equally bring about transparency and best practices in their operation. Through these associations, in Elementia we promote a joint association position before the government and public policies that affect it.

Acrónimo	Organización
AMEDIRH	Mexican Association of Human Resources Management
AMEXVAL	Mexican Association of Valve Manufacturers
ANIQ	National Chemical Industry Association
ASCOLFIBRAS	Colombian Association of Fibers Fiber
ATCO	Concrete Pipe Manufacturers Association
AWWA	American Water Works Association
CANACINTRA	National Chamber of the Transformation Industry
CANACEM	National Cement Chamber
CCE	Business Coordinating Council
CNCP	Product Standardization and Certification Center
EMA	Laboratory Accreditation
GS1	Regulatory Barcode Management Association
ICONTEC	Colombian Institute of Technical Standards
IMFIMEX	Mexican Fiber Industry Institute
ISO-SCT-77	Fiber Cement
ONNCCE	National Construction and Building Standards and Certification Organization
GLOBAL COMPACT	United Nations Global Compact
IMCYC	Mexican Cement and Concrete Institute



We are part of more than **18** business associations in the **9** countries where we operate.

Commitment to the U.N. Global Compact [G4-15]



In October 2011, we adhered to the UN Global Compact with a single corporate vision and guiding principle to achieve a better future for all. Elementia promotes and ensures compliance with the Global Compact principle through

responsible business operations, new business models, investment, innovation, technology, and collaboration.

The following is a brief description of the actions implemented:

Sustainable development goals

implemented actions



- Kaluz Foundation Award - investment with social impact



- +KM Program
- Celebration of the Safety, Health, and Environmental Care Week



- Cementos Fortaleza Open High School Program



- Code of Ethics including equal opportunity, non-discrimination, and prohibition of harassment.



- Promotion and recognition of our employees
- Creation of more than 6,000 jobs
- Internal training



- State-of-the-art technology to ensure energy efficiency (Tula 300)

In addition, Eterntit Colombia in Barranquilla, Bogotá, and Cali, reaffirmed its commitment to the Global Compact Principles by publishing its ninth Communication of Progress Report, featuring its main achievements and results summarized in the following graph:



- Signed Sustainable Building Business Agreement for Bogotá and Cundinamarca
- Sponsored events and congresses focused on sustainable construction
- Campaign and training campaign on Human Rights and Anti-Corruption
- Global Compact initiatives and campaigns
- Carbon Footprint Project
- Global Compact Self-Assessment
- Environmental Campaigns
- Dissemination and follow-up of the Integrated Management System
- Implementation of the Safety, Health, and Sustainability System
- Strengthening of occupational health programs
- Raised awareness about the 10 Global Compact Principles among contractors
- Elementia Institute inauguration
- +KM race to promote mind-body exercise.
- Breakfast with the Director Program to promote communication and create synergies
- Coaching Program for Department leaders
- Corporate Social Responsibility Community Linkage Program
- Support for the World of Wood Program
- Worker Worthy of Imitation Program
- Projects to encourage family and business integration

REPORTING PROCESS

[G4-5, G4- 18, G4- 19, G4- 20, G4- 21, G4- 28, G4- 29, G4- 30, G4- 31, G4- 32, G4- 33]

For the fifth year in a row, we adopted the Global Reporting Initiative (GRI) methodology to prepare our Annual Sustainability Report. The version used for this edition was GRI 4.0, with option exhaustive compliance option. The reporting periodicity is annual, and we published our last report in June 2016.

All entities that make up Elementia are included in this report. Therefore, all actions and material matters described herein comprise our most relevant achievements and challenges regarding sustainability during the reporting year (January through December 2016). For more information on our financial statements and reports, please go to <http://www.elementia.com/relacionInversio-nistas/reportes.action>

On the process involving stakeholders in the preparation of this report and materiality, it did not include direct dialogue, but rather consultations through different internal tools and media Elementia used to collect information about each one of its audiences' options, needs, and expectations. These are described in depth in the stakeholder matrix included on pages 64 and 65.

The material aspects identified and prioritized in the 2015 Materiality Assessment were reviewed and validated by the Health, Safety, and Sustainability Management Office and converted to GRI indicators. The information was collected through the internal systems implemented by each of our operation centers (SAP).

We have an external verification process in place for our report, which was carried out Redes Sociales for the second year in a row, to verify the correct application of the GRI methodology.

For more information about this report or Elementia sustainability matters, please contact us through <http://www.elementia.com/contacto/index.jsp> or our headquarters at

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Materiality

In preparing this report, we used the results of our 2015 Materiality Assessment, because our vision and line and business have not changed. The study is explained in detail in the 2014 report (<http://200.77.235.246/comunicados/Info-Sust2015.pdf>). Material matters regarding sustainability are internal. We list them below considering the relevant social, economic, environmental, and ethical indicators and aspects:



Aspect	No.	Issues	Indicators
ECONOMIC	1	ECONOMIC PERFORMANCE	G4- EC1, G4- EC2, G4- EC4, G4- EC7, G4- EC8, G4- EC9 Jobs: G4-LA1, G4-LA2, L4-LA4
	2	OPERATIONAL EXCELLENCE	Fight against corruption: G4-SO3, G4-SO4 , G4-SO5 Public policy: G4-SO6. Unfair competition practices: G4-SO7 Regulatory compliance: G4-SO8. Formal social grievance mechanisms: G4-SO11
SOCIAL	3	OCCUPATIONAL HEALTH AND SAFETY	G4-LA5, G4-LA6, G4-LA8
	4	DEVELOPING AND RETAINING TALENT	Training: G4-LA9, G4-LA10, G4-LA12. Equal pay for men and women: G4-LA16
	5	COMMUNITY OUTREACH	Local communities: G4-SO1
ENVIRONMENTAL	6	ENVIRONMENTAL MANAGEMENT	Material: G4-EN1, G4-EN2. Energy: G4-EN3, G4-EN4, G4-EN6, G4-EN7, Water: G4-EN8, G4-EN9, G4-EN10. Biodiversity: G4-EN11, G4-EN12, G4-EN13, G4-EN14. Emissions: G4-EN15, G4-EN16, G4-EN17, G4-EN19. Effluents and waste: G4-EN22, G4-EN23, G4-EN24, G4-EN26. Regulatory compliance: G4-EN29. Transportation: G4-EN30 General: G4-EN31. Environmental assessment of suppliers: G4-EN32, G4-EN33. Environmental grievance mechanisms: G4-EN34

For 5

consecutive years our Sustainability Report has been prepared under the international GRI methodology.





Índice de contenido GRI

Aspecto	No.	Asuntos	Indicadores
ETHICS	7	REGULATORY COMPLIANCE	G4- 56, G4-57, G4-58
	8	CORPORATE GOVERNANCE	G4- 36, G4- 37, G4- 38, G4- 39, G4- 40, G4- 41, G4- 42, G4- 43, G4-44, G4- 45, G4-46, G4-47, G4- 48, G4- 49, G4- 50, G4- 51, G4- 52, G4- 53.
	9	CUSTOMER SATISFACTION	Customer Health and Safety: G4-PR1, G4-PR2. Labeling of Products and Services: G4-PR3, G4-PR4. Marketing Communications: G4-PR6, G4-PR7 Customer privacy: G4-PR8 Regulatory compliance: G4-PR9

General standard content

INDICATOR	REFERENCE	OMISSION	ASSURANCE
Strategy and analysis			
G4-1	8 y 9		Yes, page 73
G4-2	8, 9, 30 and 31		Yes, page 73
Organizational Profile			
G4-3	ELEMENTIA, S.A. DE C.V		Yes, page 73
G4-4	6 and 7		Yes, page 73
G4-5	62		Yes, page 73
G4-6	6 and 7		Yes, page 73
G4-7	Business Corporation of Variable Capital		Yes, page 73
G4-8	6 and 7		Yes, page 73
G4-9	6-7 Capitalization information can be found at http://www.elementia.com/repository/reportesAnuales/esp_1493757380154.pdf		Yes, page 73
G4-10	6, 7 and 33		Yes, page 73
G4-11	34		Yes, page 73
G4-12	38 and 39		Yes, page 73
G4-13	8 and 9		Yes, page 73

INDICATOR	REFERENCE	OMISSION	ASSURANCE
Commitments to External Initiatives			
G4-14	Our operations in Mexico and the other countries where we operate adhere to the 1992 Rio Declaration, and follow the precautionary principle by complying with the applicable regulation.		Yes, page 73
G4-15	60		Yes, page 73
G4-16	59		Yes, page 73
Material Aspects and Boundaries			
G4-17	Mexalit Industrial, S.A de C. V. (Mexalit Industrial), Distribuidora Promex, S. A. de C. V. y Subsidiarias (Promex), Mexalit Servicios Administrativos, S.A. de C.V. (Mexalit Servicios, Nacobre Servicios, S.A. de C.V.) (Nacobre Servicios, Compañía Mexicana de Concreto Pretensado Comecop, S.A. de C.V. (Comecop), Nacional de Cobre, S.A. de C.V. (Nacobre), Operadora de Inmuebles Elementia, S.A. de C.V. (Operadora, Frigocel, S. A. de C. V. y subsidiaria (Frigocel), ELC Tenedora de Cementos, S. A. P. I. de C. V. y Subsidiarias (ELC), GEBA Fibrocementos Holding, S.A. de C.V.(anteriormente General de Bebidas y Alimentos, S.A.) y Subsidiarias (GEBA, Eternit Colombiana, S.A (Colombiana), Elementia USA, Inc. y Subsidiarias, Fotalaza USA LLC (Fortaleza), The Plycem Company, Inc. y Subsidiarias (Plycem y subsidiarias), Industrias Fibraforte, S.A. (Fibraforte), Eternit Ecuatoriana, S.A. (Ecuatoriana)		Yes, page 73
G4-18	62 - 64		Yes, page 73
G4-19	62 - 64		Yes, page 73

INDICATOR	REFERENCE	OMISSION	ASSURANCE
G4-20	62 - 64		Yes, page 73
G4-21	62 - 64		Yes, page 73
G4-22	Contrary to last year's report, this year we weighted environmental calculations for lack of current information on certain locations, such as Chilca, Peru; Bogotá, Colombia, and Tizayuca and Tula in Mexico.		Yes, page 73
G4-23	There were no changes of scope; material matters were covered internally. Indicators related to Human Rights and the Supply Chain were not reported, because Elementia did not complete formal related assessments in 2016.		Yes, page 73
Stakeholder Engagement			
G4-24	57 y 58		Yes, page 73
G4-25	57 y 58		Yes, page 73
G4-26	57 y 58		Yes, page 73
G4-27	57 y 58		Yes, page 73
Report Profile			
G4-28	62 - 64		Yes, page 73
G4-29	62 - 64		Yes, page 73
G4-30	62 - 64		Yes, page 73
G4-31	62 - 64		Yes, page 73
GRI Index			
G4-32	62		Yes, page 73
Assurance			
G4-33	62		Yes, page 73
GOVERNANCE			
THE GOVERNANCE STRUCTURE AND ITS COMPOSITION			
G4-34	16 - 18		Yes, page 73
G4-35	16 - 18		Yes, page 73
G4-36	21		Yes, page 73
G4-37	16 - 18		Yes, page 73
G4-38	16 - 18		Yes, page 73

INDICATOR	REFERENCE	OMISSION	ASSURANCE
G4-39	No, the Chairman of the Board is not an executive officer.		Yes, page 73
G4-40	The Board is elected and appointed by the Elementia Shareholders' Meeting.		Yes, page 73
G4-41	26		Yes, page 73
THE ROLE OF THE HIGHEST GOVERNANCE BODY IN SETTING THE ORGANIZATION'S PURPOSE, VALUES, AND STRATEGY			
G4-42	16 - 18		Yes, page 73
Competencies and performance evaluation of the highest governance body.			
G4-43	22 - 23		Yes, page 73
G4-44	The Board is not subject to a performance evaluation.		Yes, page 73
Highest governance body's role in risk management			
G4-45	19		Yes, page 73
G4-46	19		Yes, page 73
G4-47	Quarterly		Yes, page 73
Highest governance body's role in sustainability reporting			
G4-48	Investor Relations Director		Yes, page 73
Highest governance body's role in evaluating economic, environmental and social performance			
G4-49	25		Yes, page 73
G4-50	25		Yes, page 73
Remuneration and Incentives			
G4-51	20		Yes, page 73
G4-52	20		Yes, page 73
G4-53	The only stakeholder groups consulted with respect to remuneration, are the shareholders.		Yes, page 73
Ethics and Integrity			
G4-56	24		Yes, page 73
G4-57	24		Yes, page 73
G4-58	25		Yes, page 73

Specific standard disclosures

INDICATOR	REFERENCE	OMISSION	ASSURANCE
CATEGORY: ECONOMIC			
Aspect: Economic performance			
G4- EC1	31		Yes, page 73
G4- EC2	51		Yes, page 73
G4- EC4	No financial assistance received from Government in 2016		Yes, page 73
Aspect: Indirect Economic Impacts			
G4- EC7	30 - 31		Yes, page 73
G4- EC8	30 - 31		Yes, page 73
Aspect: Procurement Practices			
G4- EC9	38		Yes, page 73
CATEGORY: ENVIRONMENTAL			
Aspect: Materials			
G4-EN1	48		Yes, page 73
G4-EN2	The percentage of recycled materials used for production in the Metals Division was 20%, followed by the Cement Division with 0%. We have no related information on the Construction Systems Division for 2016.		Yes, page 73
Aspect: Energy			
G4-EN3	Page 50. No heating, cooling, steam or electricity consumption.		Yes, page 73
G4-EN4	None		Yes, page 73
G4-EN6	No reduction reported for 2016		Yes, page 73
Aspect: Water			
G4-EN8	49		Yes, page 73
G4-EN9	None		Yes, page 73
G4-EN10	The Metals Division consumed 55,311 m3 of treated wastewater for its operation, corresponding to 5% of total water consumed by Elementia.		Yes, page 73

INDICATOR	REFERENCE	OMISSION	ASSURANCE
Aspect: Biodiversity			
G4-EN11	None		Yes, page 73
G4-EN12	There is no significant impact on biodiversity in protected areas.		Yes, page 73
G4-EN13	None		Yes, page 73
G4-EN14	No species		Yes, page 73
Aspect: Emissions			
G4-EN15	51		Yes, page 73
G4-EN16	51		Yes, page 73
G4-EN17	They were not calculated		Yes, page 73
G4-EN19	There were no reductions in 2016		Yes, page 73
Aspect: Effluents and Waste			
G4-EN22	49		Yes, page 73
G4-EN23	50		Yes, page 73
G4-EN24	There were no spills in 2016		Yes, page 73
G4-EN26	No habitats are affected by Elementia's discharges of water and runoff.		Yes, page 73
Aspect: Compliance			
G4-EN29	No fines or penalties were filed during 2016		Yes, page 73
Aspect: Transport			
G4-EN30	No fines or penalties were filed during 2016		Yes, page 73
Aspect: Overall			
G4-EN31	51		Yes, page 73
Aspect: Environmental Grievance Mechanisms			
G4-EN34	No fines or penalties were filed during 2016		Yes, page 73
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOR PRACTICES AND DECENT WOR			
Aspect: Employment			
G4-LA1	Page 34 Missing number and hiring rate		Yes, page 73
G4-LA2	We have no part-time staff and legal benefits cover temporary and permanent employees		Yes, page 73

INDICATOR	REFERENCE	OMISSION	ASSURANCE
Aspect: Labor/management relations			
G4-LA4	1.43 weeks		Yes, page 73
Aspect: Occupational Health and Safety			
G4-LA5	44		Yes, page 73
G4-LA6	46 and 47		Yes, page 73
G4-LA8	Occupational Health and Safety programs, agreements, and policies apply to all staff members, without distinction by type of contract. Even training processes include contractors and transportation suppliers.		Yes, page 73
Aspect: Training and Education			
G4-LA9	Page 35 Breakdown by gender and employment category is missing.		Yes, page 73
G4-LA10	35 and 36		Yes, page 73
Aspect: Diversity and Equal Opportunity			
G4-LA12	16 and 33		Yes, page 73
Aspect: Labor Practices Grievance Mechanisms			
G4-LA16	No grievances were filed		Yes, page 73
SUB-CATEGORY: SOCIETY			
Aspect: Local communities			
G4-SO1	54 - 56		Yes, page 73
Aspect: Anti-corruption			
G4-SO3	27		Yes, page 73
G4-SO4	27		Yes, page 73
G4-SO5	No cases		Yes, page 73
Aspect: public policy			
G4-SO6	No contributions are made to policies or parties.		Yes, page 73
Aspect: Anti-Competitive Behavior			
G4-SO7	None identified		Yes, page 73
Aspect: Compliance			
G4-SO8	None		Yes, page 73
Aspect: Grievance Mechanisms for Impacts on Society			
G4-SO11	None		Yes, page 73

INDICATOR	REFERENCE	OMISSION	ASSURANCE
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
Aspect: Customer Health and Safety			
G4-PR1	None		Yes, page 73
G4-PR2	None		Yes, page 73
Aspect: Product and Service Labeling			
G4-PR3	See 2016 Annual Report http://www.elementia.com/repository/reportesAnuales/esp_1493757380154.pdf		Yes, page 73
G4-PR4	None		Yes, page 73
Aspect: Marketing Communications			
G4-PR6	None of our products are involved in litigation processes		Yes, page 73
G4-PR7	None		Yes, page 73
Aspect: Customer Privacy			
G4-PR8	None		Yes, page 73
Aspect: Compliance			
G4-PR9	None		Yes, page 73

Carta de Verificación



Independent Verification Letter of the Elementia 2016 Sustainability Report

Scope of our work

We inform the readers of this report that Redes Sociales LT completed a limited verification of the content of the Elementia 2016 Sustainability Report.

Our work included an independent and impartial review of the development of the report aligned with the comprehensive compliance option in the GRI Guidelines. We evaluated the approach and scope of the reported information, taking into account the following objectives:

- Validate the quality of the information
- Review consistency of information reported
- Analyze compliance and coverage of GRI indicators

Some of the activities we perform include a review of adherence to indicators regarding the company's materiality and coverage under the Global Reporting Initiative GRI version G4 standard and a comparison of this report with the previous report. We also consider the ISAE 3000 standards for ethical principles of independence, the activities established in the AA1000AS standard, and publication of the GRI's External Assurance of Sustainability Reporting.

Conclusions

- We did not find any factors that would cause us to determine that the processes used to obtain or validate information are ineffective and do not comply with the principles of accuracy, clarity, and reliability.
- We find no element that would cause us to determine that the information is not consistent with the content reflected in the report.

Recommendations

We have delivered an independent internal exclusive report to the client, with the opportunities for improvement identified in a future report.



Mexico City, April 27, 2017

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Redes Sociales LT statement of independence, responsibility, and competence.

Redes Sociales employees have the level of skills required to verify compliance with the standards used to prepare Sustainability Reports; hence, they can express an opinion on the reports prepared by organizations. Redes Sociales' responsibility consisted of completing a limited review of the report. Our verification statement cannot be understood as an audit report; therefore, Redes Sociales assumes no responsibility for any management processes and internal control systems used to obtain information for the report. This Letter of Verification is issued in April 2017 and is valid if no substantial amendments are made to the Elementia 2016 Sustainability Report.



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