

GRUPO IDUSTRIAL LALA SA DE CV

2006 COMMUNICATION ON PROGRESS REPORT FOR THE UNITED NATIONS GLOBAL COMPACT

A) Continued support for the Global Compact Declaration:

In June 2005, Grupo Industrial LALA joined the United Nations Global Compact, committing itself to support the 10 basic principles in the areas of Human Rights, Labor, Environment and Anti Corruption.

After two years of joining and after having informed our partners, collaborators, suppliers, clients and in general to interested groups of this adherence, today we ratify and renew our support to this Agreement.

B) Description of the measurements and measurement of outcomes

After being fulfilled, and informed to de Administration Counsel and to the groups of interest of the results obtained for the 10 established principles; this report focuses on the ones pertaining to the Environment (7, 8, and 9).

Principle 7 Businesses should support a precautionary approach to environmental challenges

Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility

Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies

Commitment: We work with a long term vision to insure prevention, care and preservation of the environment throughout the whole operation and service. To do this, the company has developed a the strategic plan, several policies, programs and actions according to the national and international standards like the ones mentioned and established in the “Rio Declaration” such as the GRI, Ethos indicators, FTSE4GOOD series and the Sustainability SAM of Dow Jones among others.

Systems:

- Integral vision and handling throughout the supply chain, starting with a strict control of the dairy farms, raw material transformation, making high quality products and distributing them using friendly environmental practices and controls
- Using technology, equipment and products in the production, transportation and services that are environmental friendly.

- Applying evaluation systems and auto environmental regulation, specifically the ones dedicated to monitor energy and water use, to residue generation and assessment of the environmental impact of all of the them.
- Enrollment to the certification programs made by the federal and state authorities in the area of environmental laws and norms.
- Development of activities to promote, update and train the collaborators to act positively.

Actions and results of the period being reported (2006):

- Groups and environmental committees have been reinforced in each of the participant plants, being one of the objectives to spread among the collaborators and group of interest their actions, the new technology, practices and general relevant information.
- Enrollment of 10 plants of the group in the volunteer program for a Clean Industry implemented by the Procuraduria Federal de Proteccion al medio ambiente (a federal governmental office for environmental protection). As well as actions to improve and maintain the certification that two of the plants already have.
- Remodeling and extension of the 8 existing residual water treatment plants which is the same number of facilities as companies in the group.
- Construction of 2 new residual water treatment plants in Irapuato, Gto. And Tecate Baja California, with new technology and treatment concepts as:
 - High levels of water treatment
 - Generation, recovery and reusage of the biogas generated during the treatment, as alternate fuel for vapor generators, decreasing up to 45% the use of natural gas.
 - Reduction of up to 70% of Yoro, compared to the conventional treatments.
- Practices and procedures to handle water savings:
 - Awareness and training program for the collaborators
 - Installation of devices to control the flow
 - Returning to use condensators in the boilers
 - Cooling towers automation
 - Use of treated water in the green areas, car washing, construction sites and fire fighters
- Electric energy saving through the practice of the following measures:
 - Isotonic monitoring for an efficient operation of the vapor generating equipment
 - High efficiency engines substitution with the support of the Fidedicomiso Federal de Energia (A government energy office)
 - There are ongoing researches and projects to self generate energy during peak hours

- Emission control by promoting the change to use natural gas as fuel for vapor generation in the boilers and carburetion equipment for the engines of the vehicles, which reduces the impact on the environment

C) Related international indicators:

- **Ethical Indicators for the Global Compact (Ethos):**
 - LALA group promotes awareness on the importance of environmental issues through its supply chain and business network
 - The group shares environment friendly technology with its suppliers, competitors and local companies
- **GRI indicators, among others:**
 - EN2 Percentage of material use that is residual or recycled
 - EN3 Direct segmented energy consumption, according to precedence
 - EN5 Total water consumption
 - EN7 Impact description on biodiversity
 - EN9 Use and emission of harmful substances for the ozone layer
 - EN11 Amount of total residues, classified by kind and destiny
 - EN12 Significant water spills
 - EN13 Significant spilling of chemical products
 - EN15 Percentage of product sold that could be recycled
 - EN17 Initiative for the use of renewable energy sources and an increase of energy efficiency
- **FTSE4GOOD Indicators – Environmental Indicators**
 - Objectives and purposes for the responsible areas and departments
 - Processes and responsibilities definition (manuals, plans, procedures)
 - Internal audits
 - Internal reports and negotiation reviews
- **Oeckon indicators about Corporate Responsibility**
 - Measures (politics – actions) to reduce the environmental impact of the business trips (using video conferences)
 - Measures to decrease paper use, especially in the administrative areas
- **Sustainability Indicators – Dow Jones**
 - Environmental criteria description that apply in the production, raw material, degradable products and material, unassembly, recycling during the development and design of new products.

Gómez Palacio, Dgo., Mayo de 2007.

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Social Responsibility Report 2007:

http://lala.com.mx/TeaserLALA/respSocial/lal_rs_in.html

