

2ND ANNUAL SUSTAINABILITY REPORT July 2013 to December 2014

INDEX OF Contents

1. PRESIDENT'S COMMITMENT LETTER 2			
2. MULTICERAS AND SUSTAINABILITY			
3. CORPORATE SOCIAL RESPONSIBILITY POLICY	4		
 4. HUMAN RIGHTS 4.1. EMPLOYEES 4.1.1 Guidelines Governing Conduct 4.1.2 Communication and Transparency 4.1.3 No Discrimination 4.1.4 Health and Safety 4.1.5 Personal and Professional Development 	5 6 7 8 10 12		
 4.2. CANDELILLEROS 4.2.1 Candelilla Region in Mexico 4.2.2 Guaranteed Production Purchase 4.2.3 Decent Working Conditions 4.2.4 Production Incentives 4.2.5 Improvement Projects 	17 17 17 18 19 19		
4.3. COMMUNITY 4.3.1 Donations to Non-Profit Organizations 4.3.2 Donations to the Candelilla Region	20 20 21		
5. LABOR 5.1 FREEDOM OF ASSOCIATION 5.2 FORCED LABOR 5.3 CHILD LABOR 5.4 DIVERSITY ACCEPTANCE 6. ENVIRONMENT	23 24 24 24 24 24 25		
6. ENVIRONMENT 6.1 EFFICIENT USE OF RESOURCES 6.1.1 Water 6.1.2 Energy 6.1.3 Natural Gas 6.2 ENVIRONMENTAL RESPONSIBILITY 6.3 CAMPAIGN 3-R'S: REDUCE. REUSE. RECYCLE 6.3.1 Reduce 6.3.2 Reuse 6.3.2 Reuse 6.3.3 Recycle 6.4 REFORESTATION 6.4.1 Volunteer Reforestation 6.4.2 Candelilla Plant Reforestation 6.5 DRAWING CONTEST	25 27 27 26 26 28 28 29 28 30 30 30 29		
7. ANTICORRUPTION AND FAIR TRADE 7.1 ETHICAL FINANCE 7.2 INDUSTRY ASSOCIATIONS 7.3 CONFLICT OF INTEREST 7.4 SOFTWARE COPYRIGHT 7.5 ETHICAL COMMERCIAL RELATIONS 7.5.1 Customers 7.5.2 Suppliers	30 30 31 31 31 31 32		
8. ACKNOWLEDGEMENTS	33		

1. PRESIDENT'S COMMITMENT LETTER



Dear Friends:

Each year brings us an opportunity to improve.

Last year (2014) was particularly important for Multiceras, as we consolidated our Social Responsibility program, which has been distinguished for a second year with the Social Responsible Enterprise accolade given by the Mexican Centre for Philanthropy (CEMEFI).

In 2014 we focused on improving logistics and process operations to benefit our customers and to support the health and well-being of the Candelillero communities.

We also substantially improved safety by:

- installing a modern and efficient fire prevention system;
- implementing risk management and first aid training programs;
- commissioning labor safety and environmental studies; and
- hiring a process engineer to manage and improve all of these initiatives.

We believe that these investments, our commitment to innovation, and the sustainable model that we have adopted based on the United Nations Global Compact's Ten Principles, will allow us to continue our success, and I confirm our commitment to them.

I am grateful to our stakeholders for their trust and support.

Yours faithfully,

Raúl Rafael Marmolejo Vélez. President of Multiceras, S.A. de C.V.

2. MULTICERAS AND Sustainability



Multiceras is committed to respecting human rights and labor standards, preserving the environment, and rejecting corrupt practices. This report presents our progress in each of these areas.

In this, our second sustainability report, we present results for a year and a half (July 2013 to December 2014). Our first report was made for the period July 2012 to June 2013, but we applied to the Global Compact to change our reporting period to align with the calendar year for strategic comparison purposes. Our next report will provide results for calendar 2015.

During this current reporting period, Multiceras made great progress in sustainability, including identifying our practices and refining our vision and direction as a company. New projects have been launched and management systems implemented.

Many of our customers have worked with us on Social Responsibility in various ways — for example, inviting us to join them in their efforts, sharing their policies, and requesting that we perform Social Responsibility audits.

One of our achievements this year — due to a customer request — was to pass a SEDEX Members Ethical Trade Audit. SEDEX (Supplier Ethical Data Exchange) is an organization started more than 10 years ago that provides member companies with a secure online platform for sharing and managing information on four key pillars: Health and Safety, Labor Standards, Business Ethics, and the Environment. Our customer was pleased with our results and commitment.

Another achievement was to develop a management model that tracks strategic indicators for each area of the company: Operations, Sales, Purchases, Information Technology, Agro-business, Administration, and Human Resources. We can confirm that all employees are aware that their participation is vital to accomplish our objectives, as stated in our Social Responsibility Policy.



Drawing: Ernesto Gerardo Castillo López, 12 years old, son of Cristina López

3. CORPORATE SOCIAL RESPONSIBILITY POLICY

Multiceras is committed to operating through a sustainable work model, based on the continuity and financial health of business, respect and care of the environment, and contribution to society's well-being.

Multiceras has established the following objectives for our stakeholders:

SHAREHOLDERS Maximize the economic value of the business with sustained performance, assuring its leadership and continuity while promoting ethical and transparent behavior.
CUSTOMERS Respect customers' rights by providing clear information about our products and services, developing improvements to increase customer satisfaction, and implementing fair and transparent trade policies.
SUPPLIERS Deem our suppliers as allies and long-term strategic partners within our value chain by arranging win-win agreements that align with their objectives and contribute to their development.
EMPLOYEES AND THEIR FAMILIES Provide a welcoming work environment by encouraging quality working life initiatives throughout the company, ensuring physical integrity, promoting diversity and equal opportunity in the workplace, and creating programs for employees' families.
COMMUNITY Promote improvements in quality of life of the communities near our operations and those where our employees live.
ENVIRONMENT Use manufacturing processes that do not negatively affect the environment, including operations and new technologies that minimize residues, reduce energy usage, prevent air and water pollution, and comply with environmental regulations.
CANDELILLEROS Support the Candelillero community by encouraging personal development and training, improving work safety conditions, promoting the settlement of local families in rural areas, and supporting sustainable development programs

Since the Universal Declaration of Human Rights in 1948, there have been several endeavors to ensure that all human beings — regardless of their race, gender, social condition, education, or religion — share the same rights.

The United Nations Global Compact calls on us to respect these rights – not only with our employees but also with the people who live in our communities – and ensure that we are never an accomplice to the infringement of these rights.

We can accomplish this with the promotion of company values to our employees in the hope that they will not only adhere to them at work, but also in their homes and communities.

Even before becoming a member of the Global Compact, Multiceras worked to embody these human rights principles. We recognize this is a process that must be reinforced year after year, and that sharing, learning, and cooperating among companies will ensure that the "universality" of these rights will become a global reality.

Here we present our progress on these two principles of the Global Compact.



4.1 Employees

4.1.1 Guidelines Governing Conduct

Multiceras has created a set of guidelines outlining company policy on the expected behavior of employees, the regulation of work, and relations between employees, especially between superiors and subordinates. The guidelines also outline sanctions for non-compliance or lack of compliance, which if unresolved can lead to termination of employment and possibly the involvement of the relevant authorities.

The guidelines include:

a) Code of Conduct

All the guidelines in the Code of Conduct are based on our values, which are:

- Commitment: honesty, teamwork, responsibility, and safety.
- Quality: integrity, excellence, and service.
- Creativity: leadership, continuous improvement, and openness to change.

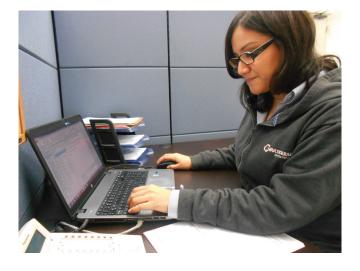
b) Harassment Policy

This policy outlines expected behavior for employees, especially in boss-subordinate relationships, are to prevent employees from feeling intimidated and to ensure they can relax in an atmosphere of respect. The policy also specifies the complaint process and how harassment and bullying reports (by a victim or a witness) will be investigated and dealt with.

c) Internal Labor Regulations

Internal Labor Regulations filed with the Local Conciliation and Arbitration Board outline the provisions of the law and benefits and actions to be taken by the company in the following areas:

- Job vacancies and hiring process.
- Organization of employees.
- Location, work hours, and schedules.
- Bank holidays and vacations.
- Permissions and disabilities.
- Place and paydays.
- Health and safety measures.
- Disciplinary measures.
- Measures to prevent discrimination and/or harassment.
- Termination of contract.



Multiceras ensures the protection of human rights and promotes fair labor practices for all its employees. Our company guidelines seek to promote a culture of respect, support, and harmony in the workplace.

In 2014 all new employees (100%) were trained in these guidelines.

4.1.2 Communication and Transparency

The company launched a transparent communication system in June 2014 that provides various options for employees to report any situation that goes against company policy. Our Human Resources and Social Responsibility departments monitor these communications, with the support of senior management.

The different communications options are:

a) E-mail

We established a new e-mail account: cuentanos@multiceras.com, which is monitored by the Human Resources manager and the Sustainability Leader.

b) Suggestion Box

The suggestion box was reactivated, and the Social Responsibility team monitors submissions.

c) Breakfast With the CEO

Every month CEO Fernando Montaño, along with two people from his management team, host a breakfast for seven employees at all levels, seeking to openly discuss their experiences and concerns. The Human Resources department follows up on comments and suggestions for improvement. In 2014 there were seven breakfasts during which 53 comments on areas of opportunity were offered. Improvements have been implemented in 30% of the cases, and we are still working on the remainder.



d) Employee Satisfaction Survey

The Human Resources department conducts an annual survey on employee satisfaction. The results are shared with management, and action plans on areas of opportunity are set.

In 2014 a total average score of 8.65 was obtained – a 3% improvement over 2013's score of 8.43. Areas of improvement included:

- Clarity of objectives (9.01).
- Communication with direct boss (9.16).
- Adequate working hours (9.24).
- Suitable job (9.09).
- My work is important (9.12).
- My job allows me to care for my family (9.11).



4.1.3 No Discrimination

The company has a series of internal procedures that ensures transparency and non-discrimination in hiring, promotion, acknowledgement, and termination of employment.

a) Hiring

When there is a vacant position within the company, the recruitment and selection process is as follows:

- 1. The opportunity to fill the vacant position is first offered to employees thorough internal communications.
- 2. If no suitable candidate presents him- or herself, we search outside the company.
- 3. We seek at least three candidates, and several interviews are performed with Human Resources and with the position's owner, until the best candidate is identified.
- 4. An offer is then made, explaining in detail the duties of the role, the schedule, and the salary. If the candidate is interested, then a start date is set. The candidate must supply a copy of proof of age, studies, address, and work experience. In order to verify the information, original documents are also requested and returned thereafter.
- 5. The new employee will sign a provisional contract for up to three months, learn the guidelines and policies of the company, and undergo special training for the role.

b) Promotion

The personal and professional growth of our employees is important, and we continuously provide training and opportunities to become involved in projects to improve their skills. When employees are ready to take on more responsibility and grow within the organization, or when a position becomes available, we make every effort to promote them.

These promotions are free from discrimination; the only requirement is that the employee has the knowledge and experience to successfully meet the challenges of the new position.

In 2014 four employees were promoted.

c) Acknowledgement

Every year we acknowledge employees who have excelled in implementing our values in their daily work. There are three different kinds of recognition, and there are various processes to choose the person who receives each one.

- Commitment. To reward this value the results of performance evaluations are reviewed.
- Quality. The person receiving this award is chosen by vote of all team members. They are asked to vote for the person they consider to have done his or her job with quality and who is also an example to follow.
- **Creativity.** This award is given to a person who has designed and implemented an idea or project that is innovative, strategic, and especially creative.

WINNERS 2013

Commitment Commitment Quality Quality Juan Mata Rogelio Reyes Reyes Héctor Montejano José Luis Pérez

WINNERS 2014

Commitment Commitment Quality Quality Creativity José Luis Jalomo Ramos Lizette C. Arellano Ortiz Simón Meléndez Puente Alejandro Vázquez G. Mario A. García Guzmán Héctor Abel Hernández



Alejandro Vázquez - 2014 Employee Quality Award Winner

"I am very pleased and proud to have received for the second time in five years the Employee Quality Award, which means a recognition of my work. I think the best way to thank this great gesture is to keep working even better, with responsibility, service, dedication, being a good teammate and being very professional in my area. Thank you very much."



d) Seniority Award

We are proud to have Multiceras employees committed to the company.

In 2013 seniority awards were given to 13 employees:

- 6 for 5 years,
- 4 for 10 years, and
- 3 for 20 years.

In 2014 seniority awards were granted to 9 people:

- 3 for 5 years,
- 3 for 10 years,
- 1 for 20 years, and
- 2 for 25 years.

Each employee was given recognition for their years of service, as well as a cash prize.

e) Termination of Employment

Multiceras has a procedure for job termination, either by decision of the employee or the company. The Human Resources process is responsible for making the appropriate arrangements. It is also responsible for conducting an exit interview to ascertain the reasons for termination. A letter is given that stipulates the work period and the salary received, as well as any corresponding settlement.

4.1.4 Health and Safety

Multiceras has strict rules on employee safety. Our safety policy is shared with all employees and is displayed in all areas of the company.



At Multiceras, we are all committed to Health and Safety. By reducing risk, continuously improving our processes, and training our staff, we create a safe working environment in compliance with regulations and standards.

a) Fire-fighting Network

In 2014 a fire-fighting network was installed, which represented an investment of approximately MXN\$4 million. The system was successfully tested during the month of November 2014.

b) Health and Safety Committee

In January 2014 the Health and Safety Committee was organized and registered with the Ministry of Labor and Social Welfare. The committee makes periodic inspections and monitors the resulting action plans.

c) Drills

During 2014 evacuation drills were performed to ensure that all staff know the correct procedure for emergencies.

d) Personal Protective Equipment

Appropriate personal protective equipment for each work area has been identified, such as shoes, belt, cap, mask, gloves, and goggles. This equipment is provided by the company to all employees and is replaced at least every six months, or sooner if required.

e) Safety Training Safety training is vital to cope effectively with any contingency that may arise in the workplace. Three brigades were organized and received special training:

- Fire Combat Brigade: Fire Laboratory, The ABCs of extinguishers, Practice with extinguishers, Practice with hoses, etc.

- First Aid Squad: CPR courses for adults, Bleeding wounds and burns, etc.

- Evacuation, Search and Rescue Brigade: Trained in rescue and transfer.





4.1.5 Personal and Professional Development

We contribute to the development of employees through practices that motivate their work performance and improve their quality of life.

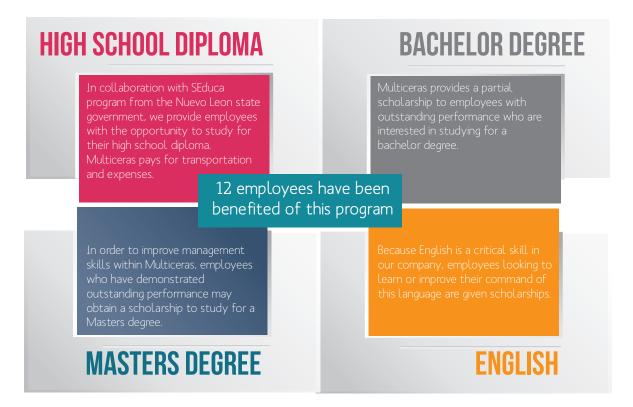
a) Training

Professional development within the organization is very important, which is why we seek to keep employees up-to-date in their respective areas. In 2014, 62 employees attended training courses for a total of 3,305 hours and an investment of MXN\$545,000.



b) Scholarships

Multiceras provides a scholarship program for employees to study English, high school, and university (bachelor and Masters degrees).



Eladio Flores Martínez Industrial and Systems Engineering Tec Milenio University Studying for his bachelor degree since January 2013



"Mainly what I am looking for is personal improvement. I started to work at the company in 1999 as a technician and because my good performance I have been growing up in the organization. I currently serve as coordinator of warehouse and am responsible to five people. I started studying high school as an adult on my own and then asked the company for support, which was given to me. Later I joined Engineering and the company is paying a percentage. I am grateful for this opportunity.

My goal is to finish my bachelor degree and be able to apply the acquired knowledge in my work and I hope that the sacrifice I'm doing has a reward in the economic area. I want to continue building my house, to give my children private schooling, and have a life with more amenities."



c) Activities and Events

We organize recreational activities to promote family life while preserving and celebrating Mexican traditions and holidays. All employees are invited to participate if they wish.

a. Activities

i. Rosca de Reyes (January 6)
ii. La Candelaria Day (Candlemas) (February 2)
iii. St. Valentine's Day
iv. International Women's Day
v. Mother's Day
vi. Soccer World Cup Games
vii. Independence Day
viii. Day of the Dead
ix. Guadalupe Virgin Day

Events are also held to celebrate important dates where all employees are invited to attend in the company of their families.

b. Events

i. Children's Day and Mother's Day ii. Father's Day iii. End of the Year Celebration

A TOTAL OF MXN\$121,270 WAS INVESTED IN ACTIVITIES IN 2014

d) Stop Smoking Program

In order to improve the health of our employees, three employees who smoke were invited to participate in the Allen Carr Stop Smoking course. As this had positive results, we will seek to continue this program.



e) Running Club

In order to improve the health of our employees, as of June 2014 employees are invited to participate in a race. The company sponsors 50% of the enrollment fee for the employee and a family member. The program has had an excellent response and has helped to strengthen family ties and friendships.

f) Football Team

In August 2011 a football team was organized. In 2014 they played in the Lomas Soccer League, located in Garcia, Nuevo León. This activity has helped create camaraderie among employees and improved their fitness. 

g) Benefits q.1 Vision

A Visual Health campaign is organized every year, where Multiceras invites different suppliers to perform a visual check on all personnel. In 2014, 29 people were provided with eyeglasses representing an investment of MXN\$24,650.

g.2 Vaccines

To help prevent contagious diseases, such as influenza, a vaccination campaign was undertaken, in which 64 employees and family members were vaccinated.

g.3 School Supplies Support

Multiceras provides a bonus for school support to employees' children under the age of 13 to purchase school supplies at the start of classes. In 2014, 39 children benefited from this program, representing an investment of MXN\$32,500.

g.4 Transportation

Multiceras has a fleet of three minibuses to provide transportation for employees to and from work.

g.5 Event Facility

Multiceras offers an outdoor facility near its factory for use by employees and their families to hold events without cost. In 2014, 10 employees used the facility.

g.6 Christmas Present Bonus

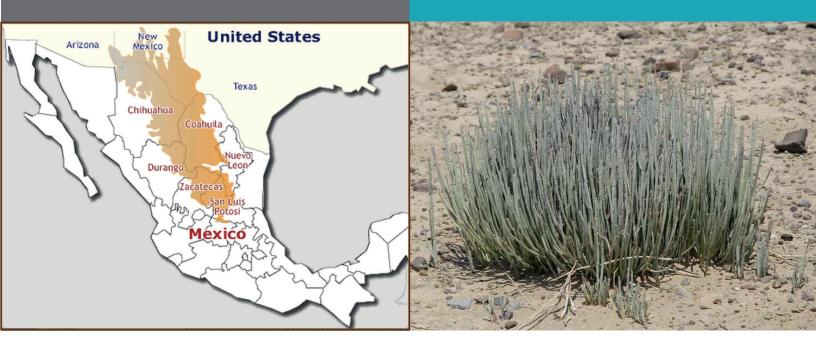
Every December Multiceras gives a MXN\$300 Christmas present to employees' children under the age of 12. In 2014, 69 children were given the bonus, representing an investment of MXN\$20,700.



g.7 Birth, Death, and Marriage Support

- Birth: A cash bonus is given to employees who have a new baby. Eight people received this bonus in 2014.
- Death: When an immediate family member of an employee dies, a cash bonus is given to help with the expenses. In 2014 none of these bonuses were given.
- Marriage: A cash bonus is given to employees who get married. Two people received this bonus in 2014.





4.2 Candelilleros

4.2.1 Candelilla Region in Mexico

Candelilla is a plant that grows freely in the Chihuahuan Desert, which is located in the Mexican states of Chihuahua, Tamaulipas, San Luis Potosí, Zacatecas, Durango, Nuevo León, and Coahuila. It is in this last state, Coahuila, where we find most of the people dedicated to the extraction of candelilla wax — the Candelilleros.

4.2.2. Guaranteed Production Purchase

Multiceras currently purchases Candelilla wax from approximately 1,300 Candelilleros throughout the region. From mid-2013 through the end of 2014, 100 new Candelilleros joined the ranks of those who seek an income for their family through this activity. Multiceras offers the Candelilleros a guaranteed production purchase, and as we have the widest collection network of any company in this business, we can reach the most remote communities. We also have an office in Saltillo and a storage facility in Cuatro Cienegas, which is one of the areas where much of the Candelilla wax is produced.

To be able to harvest Candelilla on their land, Candelilleros must have a study done by a registered Forestry Technician, who issues a Harvesting Permit to SEMARNAT (Mexico's Secretary of Environment and Natural Resources) for approval. Multiceras is aware of the importance of such studies to ensure sustainability of the plant, and provides Candelilleros with advice, training, and financial support to obtain this permit.

4.2.3 Decent Working Conditions

million.

Certain practices that aim to increase the income of Candelilleros and increase production of candelilla wax have been implemented. During the second half of 2013 and 2014 Multiceras made a total investment of more than MXN\$2 million across in the following activities:

- a) 10 NEW TECHNICAL STUDIES for the use of the Candelilla plant.
 b) 38 NEW TECHNICAL STUDIES for the harvesting of the Candelilla plant, with an additional investment by CONAFOR (Mexico's National Forestry Commission) of more than MXN\$2.
 - c) **75 HOURS OF TRAINING** in the extraction process of the Candelilla wax were provided to new producers.
 - d) **75 HOURS OF TRAINING** explaining the Forestry Legislation that regulates the harvesting of the Candelilla plant were provided.
 - e) A **30-HOUR COURSE** explaining how to set a production site of extraction of candelilla wax was given to **20 NEW PRODUCERS**.
 - f) We installed **45 NEW "PAILAS"** (rectangular 200-liter containers used for the extraction of the Candelilla wax) in communities that started to work in this field.
 - g) We renewed **90 PAILAS** in communities that are already producers of Candelilla wax.







4.2.4 Production Incentives

Each year we set a Candelilla wax production quota for Candelilleros. Those who meet the quota are given a cash incentive. Those who do not reach the quota, but who have steadily increased production are offered a gift (blanket, household items, etc.).

	2013	2014	
Candelilleros who met the quota and received the cash incentive	330	185	
Candelilleros who did not meet the quota but received a gift	544	420	
Total Candelilleros receiving a benefit	874	605	
Total investment in cash and gifts	\$279,439	\$198,425	

4.2.5 Improvement Projects

In late 2013 we began a project to use citric acid to extract Candelilla wax, instead of the traditional sulfuric acid. Citric acid is safer to handle because it is less corrosive, but it is more expensive than sulfuric acid. The change in the process cannot be implemented in all production sites at the same time, as there is a training period during which the Candelilleros gain experience with the new process to ensure a successful transition. We expect new Candelilleros who are interested in implementing the citric-acid process will be able to do so going forward.



4.3 COMMUNITY

Because of our close ties to the Candelillero communities, we are familiar with their needs and the social problems they face. To help mitigate these problems and support these communities Multiceras makes donations to non-profit organizations and strategic donations directly to communities inhabited by Candelilleros. This group of people is engaged in the production of Candelilla wax, and we consider Candelilleros to be one of our stakeholders.



4.3.1 Donations to Non-Profit Organizations

a) Casa Simón de Betania

Staffed by the religious congregation Servants of the Lord of Mercy, this organization serves terminally ill people with AIDS, cancer, tuberculosis, and other diseases. Multiceras donated MXN\$10,604.30 for improvements to the center and to purchase a hospital bed. We also made a donation to the construction of a new house in Mina, Nuevo León.



b) Children's City in Salamanca, Guanajuato

Founded in 1977 by Father Pedro Gutiérrez, this center is home to more than 300 orphans. They are given an education and offered various activities, such as Tae Kwon Do and other sports, and a choir that is famous in the region and that organizes concerts.

Multiceras donated clothing to the Tae Kwon Do team, consisting of 38 pants and t-shirts, representing an investment of MXN\$8,500. We also provided cleaning materials for house maintenance.

c) New Dawn ABP Association

The t-shirts Multiceras donated to Children's City in Salamanca were purchased from New Dawn ABP Association, an organization that seeks to improve the quality of life of children and youth with cerebral palsy and their families. It was important for us to make this strategic alliance in support of both organizations.

4.3.2 Donations to the Candelilla Region

a) School Supplies

In order to promote children's rights in the Candelillero region, two campaigns were organized to provide school supplies to motivate students to continue with their studies. In 2013 and 2014 Multiceras employees were invited to participate by donating school supplies or money to purchase them. In addition to school supplies, other items were donated to improve school conditions (fans, balls, curtains, etc.).



b) Volunteering

In August 2013 Multiceras organized a group of 19 employees and members of their families to engage in cleaning, painting, and tree planting in schools in Candelillero communities. Teachers and students were consulted so that they could participate in improving their facilities. In addition to the benefits obtained by the communities, our volunteers were grateful for the opportunity to serve.





c) Christmas Presents

In December 2014 we organized for the first time a Christmas presents donation. From 4 candelilleros communities (Carricitos, Las Presas, General Coss and La Leona) 23 children were chosen and asked to make a card with their desired gift. All Multiceras employees were invited to participate by buying the gift and also a package to mitigate the cold, consisting of a blanket, pants, tennis, jacket, socks, gloves and scarf. Supporting the cause, 36 company employees volunteered as mentors and some with gifts and others with cash, managed to get the different packages of gifts for all. Also sweets were bought to offer little bags to 100 children from other communities.





d) Second Hand Furniture for Schools

As part of a Multiceras plant upgrade, we donated furniture in good condition, such as desks, bookcases, and filing cabinets, to schools in Candelilla communities.

5. LABOR

Global Compact principles concerning labor standards ensure that employee rights are respected at all times — for example, the right to form a union, ensuring that work is not forced, non-discrimination within a company, and especially the eradication of child labor. Multiceras has established recruitment and work policies that respect these principles. Here are the activities we have undertaken this past year and a half, and that we consider measurements of our implementation of these principles.



5. LABOR

5.1 Freedom of Association

Multiceras conducts annual union negotiations and reaches agreements that are reflected in our Collective Bargaining Agreement. Furthermore, the company takes no actions against employees who seek to bargain collectively.

5.2 Forced Labor

Multiceras is against any form of forced contract, and we adhere to our policies and procedures on how to handle scheduling, bank holidays, and overtime.



- Before beginning to work at Multiceras, employees are provided an offer of employment and a contract containing information on working hours, shifts, and bank holidays, as provided for by law. The contract is read and signed before beginning work if there is any doubt or disagreement, the employee may apply to the Human Resources department for clarification.
- The Human Resources department performs regular comparisons with companies in our industry through expert benchmark studies.
- Employees have the right to resign at any time and to refuse to work overtime.

5.3 Child Labor

All Multiceras employees (100%) are 18 years or older — as stipulated in our company guidelines. Before beginning to work at Multiceras, employees must provide the company with a copy of proof of age (e.g., birth certificate), and this is checked against the original document.

5.4 Diversity Acceptance

We seek the progress of men and women without discrimination -40% of administrative staff are women, and seven women occupy key positions within the company.

In recruiting, hiring, promoting, rewarding, and terminating employees, we do not question or discriminate with regard to religion, ethnicity, sexual orientation, or social status.

"One world. Use it wisely."

This is the motto of our Social Responsibility program. At Multiceras we seek to maximize our use of resources while minimizing our ecological footprint. Here are the activities and measures we have implemented to support the environmental principles of the Global Compact.

6.1. Efficient Use of Resources

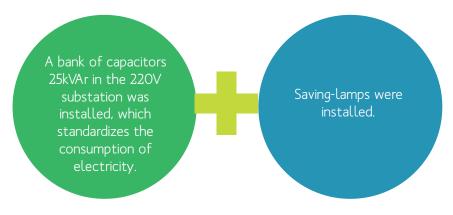
Efficiency means, "do more with less" — as in, using the least possible resources for maximum effect. In all our operations we seek to reduce our consumption of resources such as water, gas, and electricity, and to minimize pollution, which also results in improved competitiveness by reducing costs and strengthening our sustainability.

6.1.1 Water

Water covers nearly 80% of the Earth's surface. Although it seems a very abundant resource, less than 1% of this is fresh water — that is, suitable for domestic, industrial, commercial, or tourist uses. At Multiceras we take the responsibility for preserving this vital liquid very seriously. Thanks to maintenance projects and facility improvements, in 2014 we saved 615,062 liters of water compared with 2013 - a 14% decrease in water consumption.

6.1.2 Energy

The decrease in energy consumption in all operations not only brings significant benefits to the environment, but also reduces costs and improves our competitiveness. In 2014 two projects were implemented that resulted in a savings of 113.906 kWh in electric energy consumption (equivalent to avoiding the generation of 43,853 kg of CO_2 emissions for the production of this energy):



6.1.3 Natural Gas

We have developed thermal insulation solutions for our pipes and tanks, which generate energy savings for our processes, as well as for the generation of steam in the boiler, with resultant savings of 10,681 m³ of natural gas, which is equivalent to reducing smokestack emissions by 5,181 kg of CO and 23,052 kg of CO_2 .

6.2 Environmental Responsibility

At Multiceras we are committed to complying with the environmental legal framework that applies to our sector:

* COA - Annual Operating Certificate

 \ast DAR - Report of wastewater discharge in accordance with the provisions of the norm NOM-002-SEMARNAT-1996

* EMAT - Air emissions report complying with the norm NOM-085-SEMARNAT-2011

*MIA - Environmental Impact Statement. In this study, adverse environmental impacts that may arise during the operation stage were evaluated. This document was authorized by the Secretariat for Environmental Protection and Natural Resources.



6.3 Campaign 3-R's: Reduce. Reuse. Recycle.

At Multiceras we are convinced that a good practice to save our environment is recycling. Some of our raw materials come in cardboard packaging, so recycling this material can help safeguard the environment —every ton of recycled cardboard saves approximately 140 liters of oil, 50,000 liters of water, 2m³ of landfill space, and 900 kg of CO₂. In parallel with this practice, we are also seeking to reduce the purchase of raw materials packed in this manner.

6.3.1 Reduce

* Leased Computer Equipment

Currently 80% of our equipment is leased from Hewlett-Packard Mexico, under contracts of 24 and 36 months. At the end of these contracts we return the equipment, or, if advantageous, we acquire the equipment at a reasonable cost.

* Remanufactured Print Cartridges

Our supplier provides us with cartridges to meet our printing needs, as well as service and repair, and guarantees the quality of these. We also enjoy a significant savings in our cost of supplies of up to 70%.

* Municipal Solid Waste

In 2014 we achieved a decrease of municipal solid waste of 10% – the equivalent of 150m3 of waste. Through agreements with suppliers, we hope to achieve a reduction of 31% in cardboard generation.

6.3.2 Reuse

On June 5, 2014, to commemorate Worldwide Environment Day, we offered a water bottle to every employee. We acquired the bottles through the proceeds of the recycling of aluminum cans and bottles made of polyethylene terephthalate (PET), encouraging the continuation of this practice and waste reduction.

6.3.3 Recycle

	2013	2014
Pallets (wood)	37,298 kg	44,574 kg
Cardboard	27,490 kg	19,009 kg
Aluminum cans	25 kg	32.8 kg
PET	11.5 kg	13.5 kg



* Battery Recycling

In addition to recycling programs begun in previous years, in late 2013 Multiceras began recycling batteries as well. This initiative came from the son of one of our employees, who participated in the drawing contest and presented a character, "Basurín", who was then used to launch our battery recycling campaign.

* Recycle and Reuse of Technological Equipment

Electronic waste results in great damage to the environment, and this risk grows as equipment quickly become obsolete. The UN estimates that each year more than 50 million tons of technological waste is generated.

Multiceras delivers its technological waste to specialized companies that recycle and reuse this equipment.



6.4 Reforestation

6.4.1 Volunteer Reforestation

As part of our volunteer efforts in rural schools in Candelilla communities, Multiceras employees and their families planted trees donated by Pro-Natura, which also donated the materials to properly plant them.



6.4.2 Candelilla Plant Reforestation

The National Forestry Commission (CONAFOR) allocates an annual resource for the reforestation of the candelilla plant native to the Chihuahuan Desert. Forestry technicians are responsible for ensuring that reforestation is done properly.

Multiceras supported several Candelilla communities in their applications for reforestation of their lands. We explained the process to them and walked them through it, with the result that several communities received reforestation support.

6.5 Drawing Contest

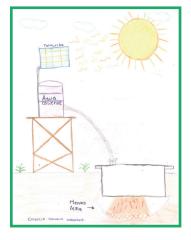
Our second annual drawing competition for employees' children was another great success. The campaign helps to promote family values, and we invite participants to reflect on the environment. This year the theme was Renewable Energy. It was interesting to see how the children approached this issue and how they generated creative ideas.

The winners this year were:



DARIÉN ALFREDO MÁRQUEZ HERNÁNDEZ 10 years old Most colorful drawing.





SARA MICHELLE HERRERA MÉNDEZ

11 years old

Most artistic drawing. Sara used the technique of Modern Art called "Cutouts".

ESTRELLA SÁMANO SAAVEDRA 12 years old

Most original idea. Estrella proposed using solar cells to heat the water used in the extraction of candelilla wax in order to save fuel. This creative and ecological idea is something that might be implemented in the future!

7. ANTICORRUPTION AND FAIR TRADE

Corruption is an evil presence in many areas of daily life, and that is why we have to make an extra effort to combat it and fulfill the ultimate principle of the Global Compact. At Multiceras we are aware of different situations that could foster corruption and have sought ways to counter them.

The only way to fight corruption is to do things right, so in addition to avoiding bribery, extortion, and other forms of corruption, we have also developed specific policies and programs to address this issue. We pledge to respect the law and to promote our corporate values both inside and outside the company — especially when dealing with our customers and suppliers.

7.1 Ethical Finance

Multiceras has a Department of Administration and Finance that is responsible for managing and safeguarding the assets of the company with an eye toward profit and growth for the company and for its stakeholders. We strive to maintain best practices by establishing policies and procedures to help us achieve our goals, which are aligned to the mission, vision, and values of the company.

Furthermore, and to ensure proper compliance with the obligations of the business, we conduct periodic reviews with tax and accounting experts to validate that the operation of the business is conducted through legal procedures.

7.2 Industry Associations

Multiceras participates in various chambers and associations aimed at promoting better business practices, sharing information, and lobbying national and international regulatory bodies to support the market.

The organizations in which we participate are:

- CANACINTRA Industry and Transformation National Chamber
- CAINTRA Industry and Transformation Chamber of Nuevo Leon
- COPARMEX Mexican Employers' Confederation
- Clúster Agroalimentario Agribusiness Cluster
- European Wax Federation

7.3 Conflict of Interest

Multiceras has a Conflict of Interest Policy to prevent the personal interests of an employee from influencing his or her judgment or decisions made on behalf of the company.

7.4 Software Copyright

We respect copyright, and 100% of the software we use has a valid license.

7.5 Ethical Commercial Relations

Our Social Responsibility Policy includes objectives for our customers and suppliers.

7.5.1 Customers

Multiceras has a number of practices to establish a win-win relationship with customers.

a) We have a sales team, which is responsible for finding new customers and servicing current customers.

b) Our customer service team tracks orders and is responsible for following up on customer satisfaction indicators.

c) We have established quality management indicators to measure customer satisfaction on items such as delivery time, quantity delivered, and functionality.

d) We set contribution margins to allow us to be competitive in the markets we serve.

e) According to customer engagement contracts are established or purchase orders are handled.

f) In an order does not meet a customer's specifications our quality team follows a protocol to solve the problem.

g) For international sales, all legal requirements are verified and met to export our products.

7. ANTICORRUPTION AND FAIR TRADE



7.5.2 Suppliers

Multiceras has a number of practices to establish a win-win relationship with suppliers.

a) We have a supplier selection process in which we evaluate value propositions and choose the most suitable supplier for our requirements.

b) 75% of our suppliers are Mexican, which helps to promote the local economy.

c) We are constantly working with suppliers to improve products, processes, and prices to the benefit of both parties.

d) We make and receive plant visits for current and potential suppliers to confirm capacity and standards that may be needed to meet future customer requirements.

e) We attend wax conferences organized by AFPM (American Fuel & Petrochemical Manufacturers), attend the annual meeting of the EWF (European Wax Federation), and cultivate vendor relationships at these events

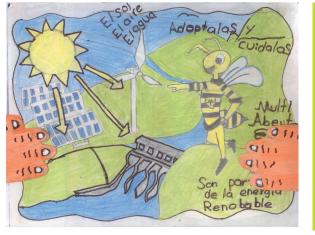
f) We encourage open communication at all levels of the company: buyer, purchasing manager, director, and president.

a) We establish terms that are successful for both parties. Negotiations are summarized in a series of clauses in the purchase orders, mainly on product features, price, and delivery time. If suppliers do not meet these criteria, we have a direct communication with them to fix the problem in the best way.

8. ACKNOWLEDGEMENTS

We thank everyone who made this report possible:

- 1. Raúl Marmolejo President
- 2. Fernando Montaño CEO
- 3. Francisco Díaz Administration and Finance Director
- 4. Laura González Human Resources Manager
- 5. Carlos Medellín Agribusiness Manager
- 6. Carlos Aldana Supply Chain Manager
- 7. Avril Zamora International Business Manager
- 8. Daniel Espino Commercial Manager
- 9. Alejandro Canizales Financial Manager
- 10. César Romero Process Engineer
- 11. José Luis Sámano Natural Waxes Leader
- 12. Juan Mata Research and Development
- 13. Hugo Rodríguez Administrative Coordinator
- 14. Alejandro Vázquez Cost and Budget Leader
- 15. Reynold Valdez IT Coordinator
- 16. Eladio Flores Warehouse Coordinator
- 17. Miguel Arato Advisor
- 18. Liliana Ayala Market Intelligence Leader
- 19. Mireya Marmolejo Sustainability Leader
- 20. Alejandra Martínez Social Responsibility Leader



Drawing: Néstor Andrés Flores Cázares, 9 years old, son of Inés Flores.

Special thanks to all of the children who participated in our drawing contest this year and whose artwork we use throughout this report.