



+ **SÚMALE UN VASO DE LALA A TU DÍA**
Add a Glass of LALA to your Day

WHOLESOMELY

» LALA

SUSTAINABILITY REPORT 2014



» INDEX

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» OUR COMPANY

We are a **food and beverage company** with widely recognized brands, focused on the mass consumption market and with **leadership in the dairy products segment**. We operate in **Mexico**, our main market, where we have a strong market share and in **Central America**, where we are **consolidating** the presence of our products to meet the **needs of more consumers**.

Mission

“Nourishment for life”

Con un equipo humano, capaz y comprometido:

- » We produce and sell products of the highest quality
- » We develop high-value brands
- » We work with highest efficiency
- » We innovate constantly

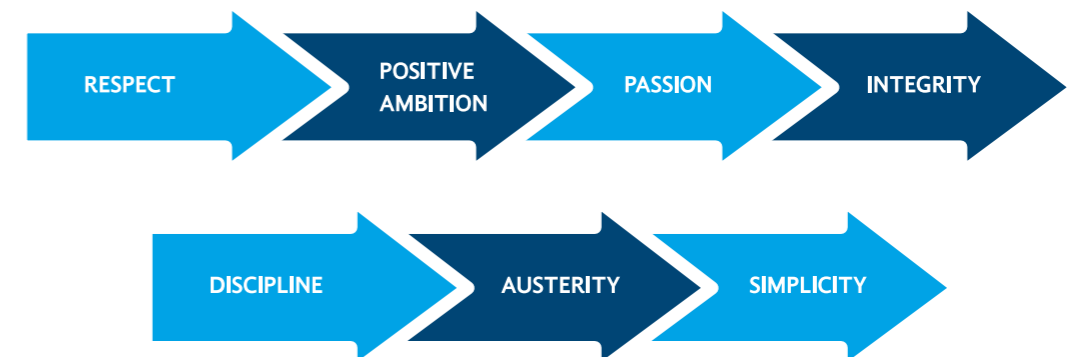


Vision

“Be a leading food company, considered as the best option for consumers, customers, employees and shareholders”



Values



Strategic Purposes



» MESSAGE FROM THE PRESIDENT



THE CONSTRUCTION OF THE DAIRY FACTORY IN NICARAGUA, AS WELL AS THE ACQUISITION OF ESKIMO, WILL BRING THE

OPPORTUNITY TO VENTURE INTO IN OTHER COUNTRIES IN **CENTRAL AMERICA.**



Year 2014 was characterized as a period of great importance and unprecedented challenges for all of us at LALA Group, because despite having achieved by the end of 2013 one of the most successful placements in the sector in the history of the Mexican Stock Exchange, the limited dynamism of economy led, among other things, to a complex consumption environment.

During the year, the implementation of different trading and business strategies were key factors that enabled us to deliver solid results. Adjustments to the marketing and distribution of our products, as well as a major organizational restructuring, were crucial to address this environment and achieve the results we set at the beginning of the period.

Our proven business model, focused on innovation and product quality, has enabled us to consolidate our position as the Mexican company offering healthy foods and beverages of the highest quality, and thus to have the preference of consumers. The commitment and closeness to our customers has allowed us to maintain our growth pace, improving outcomes in Central America.

The construction of the dairy factory in Nicaragua, as well as the acquisition of Eskimo, a local company that has offered products in categories related to those provided by us for more than seven

decades, will bring the opportunity to venture into the ice cream business, and in turn diversify our presence in other countries in the region such as Honduras, El Salvador and Costa Rica.

In Lala we are aware that healthy growth shall be managed in a clear, orderly and comprehensive manner. The sustainability of the company is aligned with the Global Compact principles and indicators of the Sustainable Index of the Mexican Stock Exchange. This model of sustainability, which encompasses the economic, social and environmental spheres, is present in the decisions we make in the highest governance body and have an effect on the more than 31,000 employees who are part of this company.

LALA Foundation maintains its genuine commitment to supporting healthy eating for children in poverty and marginalization. With more than 112 million pesos invested during 2014, we benefited more than 500,000 people in 2,000 communities and associations in Mexico and Guatemala on a regular basis.

We are working on substantial and continuous improvement of our processes for sustainable use of water and to minimize and control emissions and waste.



In regards to environmental issues, we are working on substantial and continuous improvement of our processes for sustainable use of water and to minimize and control emissions and waste. With our producers, which provide the main raw material for our processes, we remain committed to foster programs to ensure compliance with global standards in environmental matters, and the quality and taste of our products.

The results obtained during this period reflect the hard work of each of those who are part of this family, seeking to generate tangible benefits for each of the stakeholders we address every day. Our main goal is to meet their needs and exceed what they expect from our products. We benefit more by offering a better service.

In 2015, we foresee a period of consolidation and organic growth to achieve satisfactory results and continue to contribute to the transformation of our country and Latin America to become a better place to live in.

IN 2015 , WE FORESEE A PERIOD OF CONSOLIDATION AND **ORGANIC GROWTH.**

Eduardo Tricio Haro
PRESIDENT

» OUTSTANDING RESULTS

	2012	2013	2014	%
Contributors	29,078	32,253	32,638	1.1%
Beneficiaries in social programs	488,915	517,502	514,408	-0.59%
Economic value generated (millions of pesos)*	40,526	43,420	45,506	4.80%
Distributed Economic Value (\$ millions of pesos)**	34,820	37,605	35,837	-4.70%

(*) Net income + income from financial products + sale of assets + other products

(**) Cost of sales + salaries + worker benefits + training + other expenses + taxes + dividends + interest payments + community investments

» PRINCIPAL SUBSIDIARIES IN MEXICO*:



LALA ADMINISTRACIÓN Y CONTROL, S.A. de C.V.

» Lala México, S.A. de C.V.	» Lala Sureste, S.A. de C.V.	» MotoVenta de México S.A. de C.V.	» Transportadora de Alimentos, S.A. de C.V.	» Lala Elopak, S.A. de C.V.
» Lala Torreón, S.A. de C.V.	» Servicios Especializados de Transporte y Logística, S.A. de C.V.	» Mexilac, S.A. de C.V.	» Operadora de Servicios a Grupo, S.A. de C.V.	» Envases Elopak, S.A. de C.V.
» Lala Acapulco, S.A. de C.V.	» Abastecedora de Alimentos de México, S.A. de C.V.	» Campofrio México, S.A. de C.V.	» Multilácteos de México, S.A. de C.V.	» Elopak México, S.A. de C.V.
» Lala Monterrey, S.A. de C.V.	» Lala Derivados Lácteos, S.A. de C.V.	» Lala Arrendadora México, S.A. de C.V.	» Trax Llantas, S.A. de C.V.	
» Lala Guadalajara, S.A. de C.V.	» Tecnopak de la Laguna, S.A. de C.V.	» Lala Arrendadora Monterrey, S.A. de C.V.	» Gilsa Impulsora, S.A. de C.V. SOFOM, ENR	
» Lala Mazatlán, S.A. de C.V.	» Comercializadora de Lácteos y Derivados, S.A. de C.V.	» Inmobiliaria y Arrendadora de Grupo, S.A. de C.V.	» IBE Business Enterprise, AG	
» Ultra Lala, S.A. de C.V.	» Lala Operaciones, S.A. de C.V.	» Lala Transportes, S.A. de C.V.	» Innovación en Alimentos, S.A. de C.V.	

Lala owns 51.0% of Lala Elopak, S.A. de C.V.

» PRINCIPAL SUBSIDIARIES IN CENTRAL AMERICA:



LALA CENTROAMÉRICA S.A. de C.V.

» Pasterizadora Foremost Dairies de Guatemala, SA	» Operadora de Servicios de Nicaragua, S.A.	» Lala Nicaragua, SA	» Operadora de Servicios Lácteos LCR, S.A.	» Lala El Salvador, S.A. de C.V.
» Operadora de Servicios Honduras, S.A. de C.V.	» Operadora de Servicios Congelados, S.A.	» Comercializadora Lala Costa Rica, S.A.	» Operadora de Servicios El Salvador, S.A. de C.V.	» Lala Honduras, S.A. de C.V.
				» Inmobiliaria Participativa, SA

» OUR BRANDS

We sell a wide variety of dairy products, primarily under **brands highly recognized** by consumers: **Lala and Nutrileche**. We also have more than 25 brands in the categories of dairy and functional derivatives.

Our value strategy is focused on **meeting the needs of our consumers**, serving all socioeconomic segments and age ranges under a platform of healthy products.



MILK

CHEESE



YOGHURT



FLAVORED, JUICE AND BEVERAGES

DESSERTS



CREAM AND SPREADS

FROZEN

» OUR STRENGTHS

- » Scale and leadership
- » Brand recognition
- » Refrigerated distribution network
- » Focus on quality

We are a Mexican company leader in the industry of **healthy and nutritious food**. We have **over 60 years** experience in production, innovation and marketing of milk and milk products under the highest quality standards. We operate **16 manufacturing facilities in Mexico and Central America**. We have **more than 31,000 employees**, a distribution network of **more than 6,200 refrigerated delivery routes** and **160 distribution centers**, visiting more than 500,000 customers each day to offer **more than 600 products**.



Mexico:
14 factories
156 distribution centers
31,043 employees



Guatemala:
1 factory
4 distribution centers
542 employees



Nicaragua:
2 factories
5 distribution centers
1,016 employees



» OUR HISTORY

1949	1950	1960	1970	1980	1990	2000	2010	2013	2015
»	»	»	»	»	»	»	»	»	»
Creation of Credit Union of Milk Producers of Torreon.	Construction of our first pasteurized milk plant, in La Laguna.	Conversion from glass to cardboard containers. Start of expansion to the rest of country.	Construction of cardboard factory. Acquisition of Acapulco y Nazas pasteurizer.	Introduction of dairy products and UHT process for the manufacture of products with long duration.	Rebranding and business strategy. Manufacturing of plastic container.	Acquisition of NutriLeche and regional brands. Expansion into Central America and incursion into new categories.	Expansion of portfolio and brands to consolidate leadership. Creation of the Research and Development Center.	Initial Public Offering of shares on the BMV.	Lala is part of the sample of companies in the Sustainability Index of the Mexican Stock Exchange.

» PRODUCTION PROCESS

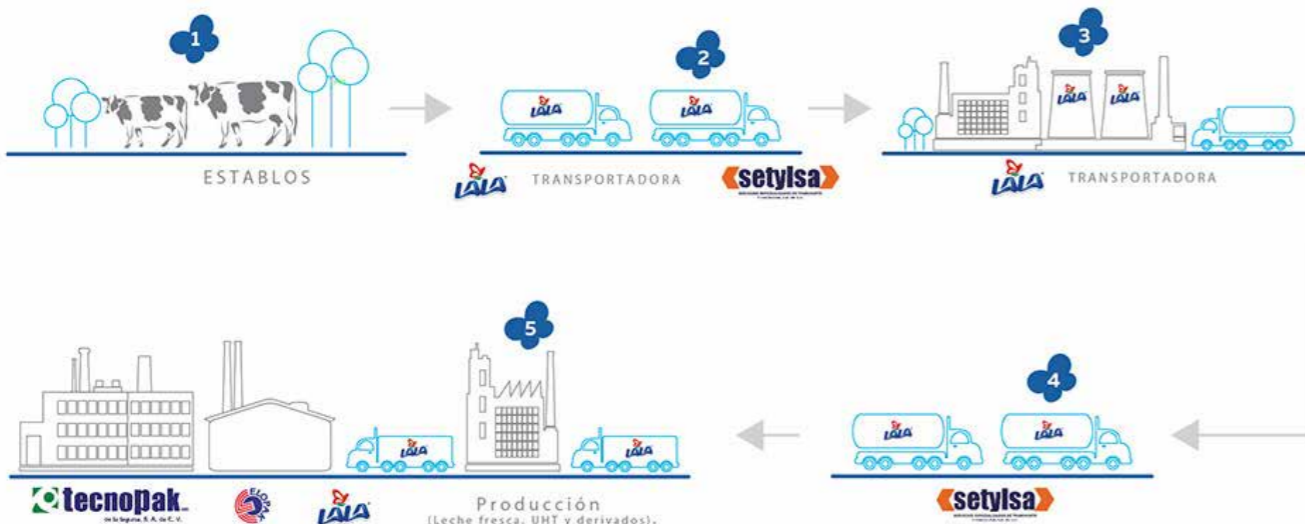
Our products are processed from milk of the highest quality, subjecting them to high standards throughout the production and distribution process, through systems and control programs and quality assurance.

The milk is received from the stables or from the conveyor plant foods (where it is concentrated in silos for standardization and distribution to the different factories). It is transported in pipes at 4° C to ensure that the microbiology of milk don't modify its properties.

Once milk arrives at the factory is carried out physico-chemical and microbiological for its release as raw milk analysis.

According to production plans, milk is standardized to fix the fat. Vitamins and other ingredients are added as the case later sent to the processing area where it will apply the heat treatment:

- » The heat treatment of our pasteurized products is performed at a temperature of 75°C for 15 seconds, cooled and packed in plastic packages or cartons, and then stored as a finished product at a temperature of 4° C and distributed in stores for sale.
- » In the case of ultra pasteurized product is given a higher heat treatment at a temperature of 138-145° C for 4 seconds, eliminating all microorganisms and thus be packaged aseptically immediately. This product is stored and distributed at room temperature. Before leaving the factory it will take place physico-chemical, microbiological and sensory analysis; if the product accomplish the specifications, our Quality Assurance qualify its approval.



» SUSTAINABILITY MODEL

Sustainability is an element that leads our activities from the highest governance body. As a company that commercializes **dairy products**, we work with **producers**, suppliers of **our raw material**, to create actions to **ensure efficiency** in its **own processes**.



The four axes of our model, aim to meet the expectations of each of the audiences with whom we have contact every day:

LALA GOOD NEIGHBOR:

Actions to promote social welfare and linkage to the communities where we operate.

LALA QUALITY OF LIFE:

Work-family balance, working environment, gender equality, training and development of our employees.

LALAROLE MODEL:

Adherence to Lala principles and philosophy that guides the ethical behavior of employees, and quality standards that promote confidence in our products and services.

LALA ENVIRONMENT:

Programs and initiatives focused on the care and preservation of the environment.

» STAKEHOLDERS

Our commitment is to deepen the knowledge, more specific and detail of the main expectations of our stakeholders.

During 2015, we will achieve this commitment through perception and working environment surveys, focus groups, roundtables and participation.

Stakeholders	Communication Channels	Frequency of communication	Expectations	Initiatives
Customers	Personal, telephone and Internet.	Daily	Maintain supply, reasonable price, high quality and freshness.	Increase logistics networks, productive and efficient operations for use of resources.
Shareholders	Personal and periodic meetings.	Daily, monthly, quarterly and annually	Profitability and Growth.	Improved operations and market opportunities.
Suppliers	Personal, meetings and conferences.	Daily	Long-term relationship and fair dealing.	Evaluation of suppliers and Best Practices.
Contributors	Personal, meetings, internal communication media and union.	Daily	Safety, job security and enjoyment of their work.	Best Practices in training, safety, hygiene, occupational health and labor relations.
Consumers	Personal, telephone, mass media and Internet.	Daily	Satisfaction in purchase and consumption of our products. High quality and freshness.	Innovation and quality of dairy products for every taste and need throughout their lives.
Community	Meetings with leaders and stakeholders, mass media.	Daily	Contribution and participation in the communities where we operate.	Social investment, compliance with regulations and constant dialogue.
Authorities	Personal, meetings and specific calls.	Monthly and quarterly	Compliance with standards and alliance in common causes.	Compliance with obligations, participation and constant dialogue.



» LALA QUALITY OF LIFE

Our employees are essential elements to the success of our organization in Mexico and Central America.

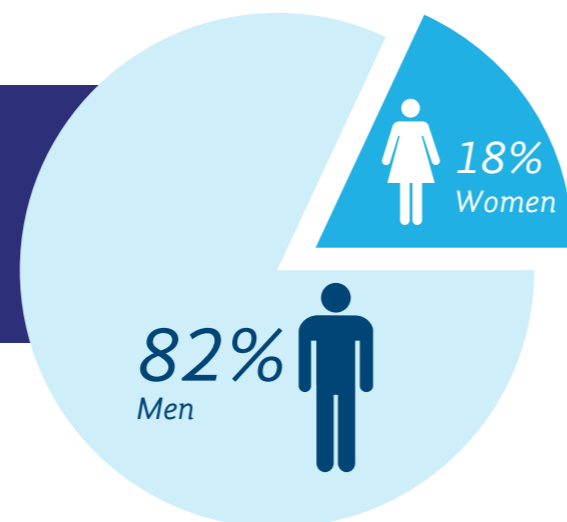
EMPLOYMENT

We create opportunities.

80% of our employees are between 20 and 40 years old.

We CONTRIBUTE **32,638** jobs.

In Mexico and Central America
32,638 TEAM MEMBERS



As a company, we are committed to the growth and professional development of our team members. We provide various tools to help them meet their goals through courses, conferences, workshops, job rotation, and promotions.



NUMBER OF EMPLOYEES

	2013	2014
Men	26,810	26,715
Women	5,443	5,923
TOTAL	32,253	32,638*

*1.78% of our employees are under temporary contract. Additionally 1,464 team members are employed under outsourcing arrangements.

BREAKDOWN OF EMPLOYEES BY CATEGORY

Category	Number
Directors	20
Managers	404
Heads	3,344
Administrative	5,221
Operational staff	23,649
TOTAL	32,638

» LABOR RELATIONS

MEXICO

72 collective bargaining agreements.

Each agreement relates to a group of workers affiliated with the Mexican Confederation of Workers (CTM) and the Revolutionary Confederation of Workers and Farmworkers (CROC).

GUATEMALA

Individual employment contracts.

TOTAL NUMBER OF TEAM MEMBERS

Team members	2013	2014
Unionized employees	23,327	22,910
Non-unionized employees	8,926	9,728
TOTAL	32,253	32,638



Our rate of turnover was 17% in 2014, compared to 29% in 2013. Our team members are evaluated on a regular basis in order to achieve thorough compliance with the company's Code of Conduct, using positive and negative consequences as applicable.

With the goal of increasing Grupo Lala's operational efficiency, we have concentrated our operations in the Torreón and Irapuato complexes. This meant the conclusion of production in the Tizayuca and Mazatlán factories; team members there were offered relocation alternatives in other areas of Grupo Lala.

Aside from thorough compliance with Social Security Law, Lala provides team members with various compensation plans including pension, health, retirement, and other benefits. All calculations made to determine coverage for retirement plans and/or pension funds adhere to current regulations.

» BENEFITS FOR TEAM MEMBERS

All team members enjoy benefits above and beyond those required by law. These include:

- » FULL-TIME CONTRACT
- » LIFE INSURANCE
- » PAID LEAVE FOR MATERNITY, PATERNITY, AND DEATH IN THE IMMEDIATE FAMILY
- » END-OF-YEAR BONUS
- » HOLIDAYS AND VACATION PAY
- » PENSION PLAN (APART FROM THAT PROVIDED BY LAW, ADDITIONAL BENEFITS ARE PROVIDED AS ESTABLISHED BY THE COMPANY) FOR DIRECTORS, MANAGERS, HEADS OF DEPARTMENTS, SUPERVISORS, AND ADMINISTRATIVE STAFF.
- » INSURANCE FOR MAJOR MEDICAL EXPENSES FOR EXECUTIVE AND MANAGEMENT STAFF.
- » 14,499 TEAM MEMBERS HAVE JOINED THE COMPANY'S SAVINGS BANK.
- » WE HAVE AGREEMENTS WITH 49 COMPANIES NATIONWIDE AND 247 COMPANIES LOCALLY (FURNITURE STORES, OFFICE SUPPLY STORES, RESTAURANTS, CONSTRUCTION COMPANIES, DEALERS, AND HOTELS, AMONG OTHERS) THAT OFFER DIRECT BENEFITS FOR GOODS AND SERVICES TO OUR TEAM MEMBERS AND THEIR FAMILIES.



» HEALTH AND SAFETY AT WORK

21% of our factory team members participate in health and safety committees.

- » COMMITTEES ON HEALTH AND SAFETY AT WORK = 188
- » COMMISSIONS FOR HEALTH AND SAFETY AT WORK = 293
- » JOB SAFETY ANALYSIS/JSA (AST IN SPANISH) COMMITTEES = 1429

» PLAN DE OBJETIVOS 2014

Strategic Purpose	Strategic Aligner	Programs	Indicator	2008	2009	2010	2011	2012	2013	Objective 2014	Result 2014
Social Responsibility	Team Members	Industrial safety	No Mortal Accidents	1	1	2	0	0	0	0	0
			No IPP Accidents	7	5	3	6	2	2	0	1
			Accident Rate	3.84	3.30	3.44	3.85	4.08	2.88	2.43	2.56
			Disability Days Rate	90.11	66.66	71.20	68.12	82.34	60.45	55.20	55.18
			Plants in the STPS Self-Management Program	S / R	1	3	4	4	7	10	10

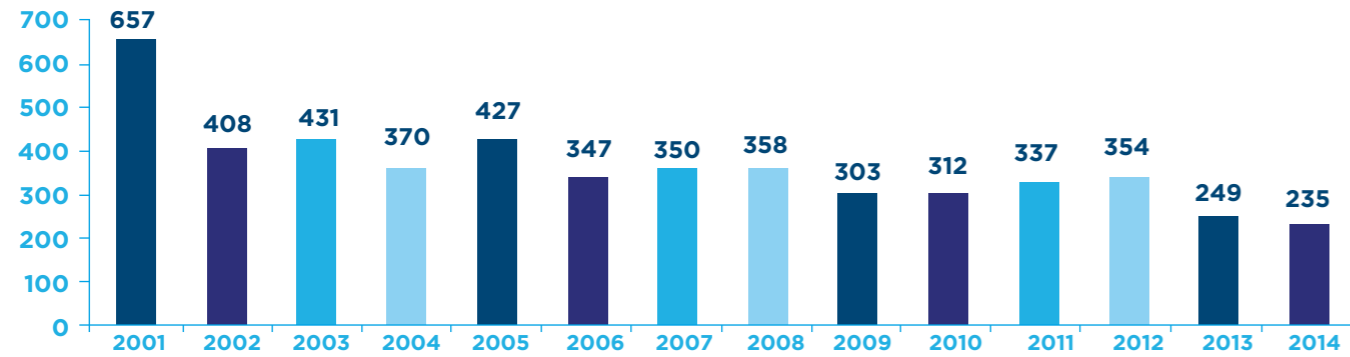
Formal agreements with unions cover health and safety at work. These agreements include participation in the Health and Safety Commission, training and competency, inspection reports by the Secretary for Labor and Social Welfare (STPS) and participation in the self-management program.

10 FACTORIES ARE CURRENTLY PARTICIPATING IN THE STPS SELF-MANAGEMENT PROGRAM.

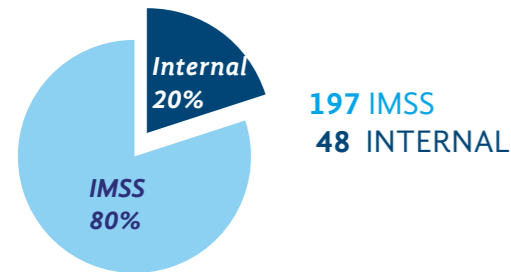
Our indicators for improved health and safety are compared with the parameters of the Mexican Social Security Institute (IMSS) National Accident Rate Index.



» NUMBER OF FACTORY ACCIDENTS FROM 2001 AL 2014



ACCIDENTS



197 IMSS
48 INTERNAL

2014 ACCIDENT INDICATORS

NUMBER OF ACCIDENTS
2013 = 249
2014 = 235

≈ 5.6%

ACCIDENTS IMSS

2013 = 202
2014 = 187

≈ 7%

INTERNAL ACCIDENTS

2013 = 47
2014 = 48

≈ 2%

IN THE LAST TWO YEARS, THERE HAS BEEN A
DECREASE OF: **33.6%** IN ACCIDENTS*

32.9% IN DISABILITY DAYS*

*Based on 8,735 factory team members in Mexico.

Year	2012	2013	2014 ⁽¹⁾
Accident Rate Index	4.1	2.88	2.39*
Disability Days Index	81.48	65.6%	54.93%*

(1) All indexes are based on the number of incidents per 100 team members.
*Based on 8,735 factory team members in Mexico.

The company has developed procedures for investigating, analyzing, reporting, and following up on incidents with the goal of establishing requirements that must be met so that all incidents are thoroughly investigated. The procedure seeks to find the root causes of the issue, which allows for controls to be established to avoid recurrence and provide continuous improvement of the safety system.

» TRAINING IN OCCUPATIONAL HEALTH AND SAFETY*

We provided 68,398 hours of training on occupational safety and health; this is 12.62% more than in 2013.

Año	2012	2013	2014
Training hours	59,063	60,731	68,398

Approximately 7.8 hours per person, based on 8,735 factory team members in Mexico.



» EDUCATION AND TRAINING



Universidad Lala promotes the development of our team members through training programs, access to secondary and higher education, and courses to develop skills, attitudes, and values.

In 2014, Universidad Lala brought its strategies into focus through "signature," basic, special, and technical courses, among others. These were led mainly by internal personnel and served strategic purposes, such as:

- 1) Returning to basic business issues.
- 2) Making the instructor team profitable.
- 3) Targeting investment in activities that are strategic for the company.

104,483 events were organized with an investment of \$26,389,197 pesos. The company was able to provide training to 35,323 people (team members, independent contractors and providers, family members, etc.) with a total of 996,482 training hours.



Employee Category	Number of People Trained		Number of Hours Devoted to Training	Average Number of Training Hours per Team Member
	(men)	(women)		
Directors/Managers	345	42	17,775	46
Heads of Dept./ Supervisors	2,516	501	133,350	44
Administrative	3,079	1,392	103,373	23
Unionized operations	8,603	3,111	285,235	24
Unionized sales	10,324	35	453,805	44
External*	5,368	7	2,945	1
TOTAL	30,235	5,088	996,482	28

* Incluye proveedores, universidades, practicantes, familiares de colaboradores, entre otros.



35,323 PEOPLE TRAINED
 MORE THAN **26 MILLION** PESOS INVESTED

MORE THAN
104,000
 TRAINING EVENTS

NEARLY
1 MILLION
 HOURS OF TRAINING

» LALA SCHOOL GUATEMALA

One of our primary objectives for 2014 was to continue to promote the comprehensive development of our team members through Lala School. A graduation ceremony was held for the third graduating class of Bachelors of Sciences and Arts students, to recognize their efforts and perseverance. 8 scholarships were awarded for basic studies and 15 for secondary education.

» COMPETENCY-BASED CERTIFICATIONS

In Mexico we have signed agreements with the Secretary of Labor and Social Welfare (STPS) and the Secretary of Public Education (SEP) for the certification of job functions. We have a Lala Competency Model that helps to guide our team members in the successful completion of their functions under a standard-company certification.

» TALENT SCREENING

The Lala University Plan ("Proyección Universitarios Lala") is an initiative aimed at identifying young students with high leadership potential.

Six professionals successfully completed the program in 2014, becoming its fifth graduating class. Currently, the sixth class is in the process of completing projects and strategic functions in their areas of interest according to their profiles.

ACADEMIC SCHOLARSHIPS

195 team members have received academic scholarships for continuing their studies at different education levels; 59 have discount agreements and various types of support, making a total of 254 team members benefited.

TOTAL NUMBER OF TEAM MEMBERS WHO ARE STUDENTS

	Team members Without Scholarship	Team members With Scholarship	Total
Specialty	0	1	1
Master's degree	9	12	21
Professional degree	25	10	35
High school education	23	140	163
Foreign language/English program	2	32	34
Advanced technical degree	0	61	61
TOTAL	59	195	254

We closed the year with 82 graduates who now are better equipped for personal and professional development:

2014 TEAM MEMBER CERTIFICATION

2014 Team Member Certification	
Logistics	666
Supplies	15
Foreign Trade	5

Number of Graduates

Specialty	14
Master's degree	3
Professional degree	2
High school education	31
Foreign language/English program	32
TOTAL NUMBER OF TEAM MEMBERS GRADUATED	82



» EMPLOYABILITY

Universidad Lala developed a track for Advanced Technical Degree in Sales (TSUV) in conjunction with universities of technology and polytechnics. This program is innovative in the education sector, offering a competitive advantage not only for Lala, but for the entire country. It strategically places Grupo Lala at the forefront of education and positions it as a company that meets the needs of society in terms of employability.

» AGREEMENTS

Six collaboration agreements were signed with institutions of higher education, in addition to the more than 50 agreements that are already in effect. This increases the range of options for study and development within the company:

- » Universidad Tecnológica de la Laguna Durango [La Laguna Durango University of Technology]
- » Universidad Tecnológica de Escobedo Nuevo León [Escobedo Nuevo León University of Technology]
- » Colegio de Estudios Científicos y Tecnológicos del Estado de Durango –CECyTED [State of Durango School for Scientific and Technological Study]
- » Universidad Panamericana/ Centros Culturales de México, A.C. [Panamerican University/Cultural Centers of Mexico, A.C.]

» DEVELOPMENT PLANNING

In 2014 we continued our commitment to establishing development plans for our staff members, obtaining the following results:

4,827 performance evaluations, equivalent to 96.54% of 5,066 administrative employees and their staff.

Identification of 320 executive-level talented staff members.

162 staff members reoriented for higher potential.

We established a working schedule between 2015 and 2016 for Performance Management and Working Environment Survey, strategic projects that will allow the implementation of the Lala Leadership Model.

» CULTURE AND HEALTH

All of our workplaces hold events and activities that promote a healthy lifestyle for team members and their families, as well as preservation of traditions in the countries where we operate.

Health Weeks are held each year to care for and preserve the health of our team members. During Health Weeks we offer medical examinations, vaccinations, and informational talks on care and prevention of disease.

OTHER ACTIVITIES:

- » Basketball, soccer, and volleyball tournaments
- » Recreational races
- » Dance marathon
- » Holiday celebrations

LALA'S THIRD TORCH RACE

Lala's Third Torch Race was held on September 15, 2014. All of our team members participated in commemorating 193 years of Guatemalan independence.

ALTAR OF THE DEAD CONTEST

In order to encourage teamwork and preserve Mexican traditions, more than 300 team members participated in the Altar of the Dead Contest in three areas of Mexico. 23 altars were created, and the best ones were awarded for their creativity, presentation, and adherence to tradition.



» LALA GOOD NEIGHBOR

Commitment to our community in order to build a stronger social environment.

MORE THAN 140 MILLION PESOS GIVEN IN SUPPORT OF FUNDACIÓN LALA AND SPORTING EVENTS, CULTURAL EVENTS, AND ENTERTAINMENT.



» FUNDACION LALA

With coverage in Mexico, Guatemala, and Honduras, we are fostering dreams and contributing to the nutrition of people who are in distress, impoverished, and marginalized, especially children in foster homes, soup kitchens, indigenous shelters, and food banks. (www.fundacionlala.org.mx)

As a food and beverage company, we know that one of our strengths is supporting healthy growth. This is why we have allocated \$72,596,761 pesos, which is equal to 6.36 million kilos of the different products we make, namely milk.

Additionally, we have donated \$26,665,488 pesos in cash and \$12,982,113 pesos in other goods.

SUPPORT PROGRAMS

Fundación Lala operates by means of eight different support programs in the following areas: food, health, education, biodiversity and environment, art and culture, community development, contingency and emergency planning, and volunteering.

More than

- » 112 million pesos in social investment
- » 3 countries
- » 36 states or departments
- » 569 municipalities
- » 8 support programs

More than

- » 514,000 people benefit monthly on average
- » 6,000 tons of products donated to institutions
- » Partnership with 354 government associations/institutions

Lala's team members contribute more than 100,000 hours of volunteering for the benefit of society and the environment.

» LALA VOLUNTEERING

Lala's team members contribute more than 100,000 hours of volunteering for the benefit of society and the environment.

	Description	Participants	Hours Invested
Fundación Lala volunteering	Administrative, fiscal, and logistical tasks; storing and delivering donations	2,026	21,801
Lala Marathon volunteers	Support for the organization and planning of the event in terms of logistics, advertising and publicity, etc.	2,500	11,500
Emergency brigades	Support for fighting and extinguishing fires, as well as incident response	950	98,650
Social campaigns	Various social activities held for the benefit of the community and institutions	1,407	28,843
Environmental campaigns	Reforestation in parks and schools, collecting batteries, river cleanup and cleaning of public areas, conservation of species	201	2,242
Godparents and adoption	Contribution of time, talent, and knowledge, as well as financial contributions from team members, distributed by the foundation	196	1,114
TOTAL			164,150



» SOCIAL SUPPORT

We support events that encourage a healthy lifestyle and promote the conservation of our traditions through family celebrations.

18 MILLION PESOS INVESTED

10.8 MILLION PEOPLE IMPACTED

369 CULTURAL, SPORTING, AND ENTERTAINMENT EVENTS

» LALA INTERNATIONAL MARATHON

In 2014, we celebrated the 26th Lala International Marathon with two options for participants: elite runners and recreational runners, each with a category for men and women.

The race is supported by the International Association of Marathons and Road Races (AIMS) and the Mexican Federation of Athletics Associations (FMAA).

The results are recognized by the International Association of Athletics Federations (IAAF) and the race is a qualifier for the Boston Marathon.

For the second consecutive year, the Cycling Tour, which runs the same route, was held the week before the Marathon, with more than 2,500 cyclists participating, 4,500 corredores en total.



- » **25%** OF PARTICIPANTS ARE FEMALE
- » **70%** OF PARTICIPANTS ARE FROM DIFFERENT STATES IN THE MEXICAN REPUBLIC
- » **9** COUNTRIES REPRESENTED
- » **2,500** VOLUNTEERS WORKING TO PROVIDE WATER STATIONS, INFORMATION, MEDICAL ATTENTION, CLEANUP, AND DISTRIBUTION OF RECOVERY KITS.

» PARTICIPATION IN SOCIAL RESPONSIBILITY NETWORKS

LA LAGUNA NETWORK OF SOCIALLY RESPONSIBLE COMPANIES (ESR)

Lala is part of La Laguna's Network of Socially Responsible Companies, a group of eight companies and two universities that have been working since 2010 to promote a culture of social responsibility and sustainable development in the La Laguna regions of Coahuila and Durango.

In 2014 we participated in the Fourth Regional Encounter for Social Responsibility and Best Practices of "Sustainable Entrepreneurship," which was attended by 200 participants and experts on the topic of sustainability. The event was recognized worldwide.

LAGUNA HEROES

The first "Laguna Heroes Festival" was held to spread the word about these organizations' activities. The festival brought in 12,000 attendees and included 120 events (music, theater, conferences, workshops) in 50 different locations with the support of more than 50 institutions (universities, schools, and La Laguna authorities).

» LOCAL CONTRIBUTION

La Laguna's Social Bonding project grew in strength, as more than five thousand people visited our work centers. 19 employees shared their knowledge and experience in 24 educational events.

246 guided tours

5,086 visitors

DONATIONS

We have donated uniforms, industrial shoes, household goods, dairy products, recyclable materials, and cleaning supplies to schools, associations, and public programs.



» LALA ROLE MODEL

Each day we work at the *highest possible level of efficiency* in order to create and sell healthy products of the highest quality.

ETHICS, HUMAN RIGHTS, DIVERSITY, AND EQUAL OPPORTUNITY

18,128 training events on ethics, human rights, diversity, and equal opportunity

233,603 hours invested

59,467 people reached



Lala's Code of Conduct establishes a way for us to interact with different stakeholders, promotes an educational work environment that encourages diversity, and rejects any actions that violate human rights, such as discrimination.

The Code of Conduct is a resource that helps us to act in a way that is consistent with Lala's values, supporting the achievement of our strategic objectives while avoiding risks, problems, and setbacks.

It is an expression of the commitment we have made to our customers, consumers, team members, shareholders, providers, authorities, and society in general, to maintain high ethical standards for performance, guaranteeing transparency in our actions as a company and consistent compliance with the most recent standards, and adhering to the fundamental principles of corporate social responsibility.

Our actions are aligned with the Principles of the Global Compact, which encourages companies to adopt a set of fundamental values regarding human rights, labor standards, the environment, and anti-corruption.

In compliance with our Recruitment and Selection Policy, Universidad Lala employs training strategies that encourage anti-corruption, diversity, commitment to inclusion, equal opportunity, and non-discrimination through continuing institutional programs such as "Comprehensive induction," "My personal development," "Code of conduct," "Leadership exercise," etc.



Employee Category	Number of People Trained		Number of Hours Devoted to Training	Average number of training hours per team member
	(men)	(women)		
Directors	28	2	57	4
Managers	679	88	4142.1	13
Heads of departments	1334	492	11789.8	13
Supervisors	3629	516	26684.6	14
Administrative bimonthly	3279	2070	21074.5	9
Non-unionized bimonthly	3273	740	11698.8	7
Non-unionized commission-based	138	0	352.4	6
Driver	1226	4	6219.2	10
Unionized operations	15948	6028	87035.2	9
Unionized shop	44	0	110	6
Unionized sales fixed commission	11490	24	33759.3	7
Unionized sales with commission	8357	30	30257.9	9
Temporary	22	26	422.8	18
TOTAL	49,447	10,020	233,603.6	

REINFORCEMENT OF THE CODE OF CONDUCT

In 2014, 97% of team members were trained on topics such as human rights, relationship with stakeholders, anti-corruption, and conflicts of interest, among others. More than 50,000 hours of manpower were devoted to training. In addition, 88% of our providers have read and signed the Code of Conduct electronically.

We also have a 1-800 number that provides a confidential means for team members and third parties to communicate any concerns about compliance with our Code of Conduct and ethics.

We currently have **28 employees** with disabilities working on our company as a team members.

» PRODUCT RESPONSIBILITY

In manufacturing our products, the Research and Development department develops formulations, validates raw materials (formulation ingredients), and establishes processes according to our quality assurance program.

In the search for raw materials, three major categories are considered: direct purchase from manufacturers (avoiding purchasing from distributors), use of non-composite materials, and suppliers who possess quality and safety certifications and historical information about the performance appraisal made by our Quality department.

The Research and Development department provides support and technical information for the development of products and ingredients in all departments, in the way of product and facilities certifications. In conjunction with the work of the factories and the Quality Assurance department, we guarantee that our products have the highest quality and safety. This department is also actively involved in certifications, including kosher certification and health associations such as the Mexican Diabetes Federation, coordinating visits and providing the information requested.

All of our products are subjected to evaluation procedures at various stages of their life cycles:

- » concept development
- » research and development
- » certification
- » manufacturing and production
- » marketing and advertising
- » storage, distribution, and supply
- » use and service
- » disposal, reuse, and/or recycling

Since 2006, our R&D department has electronically issued and managed 11 technical specifications, including sensorial, physicochemical, microbiological and safety features for the different types of raw milk received and distributed to factories. Based on these specifications, factories perform analyses on each milk truck received, issuing a decision about whether it may be released for use or rejected.

During the second half of 2014, technical specifications were defined for concentrated raw milks currently produced and distributed to the Irapuato and Aguascalientes factories. We optimized the document management tool for technical publication, which will allow for better management and exchange of information and automation of tasks, such as change control and notification of changes in technical documents and report generation. About 6,784 documents are managed currently for use in our 11 dairy factories in Mexico.

NEW PRODUCTS



49 MARKET LAUNCHES, INCLUDING: LALA GREKOS YOGHURT, LALA CAFÉ CON LECHE, TEA BREAK, BORDEN FLAVORED MILK, AND SOY SALUD.

We have reduced the caloric content of the different products in an effort to meet new guidelines and have Nutritional Labeling approval from the Federal Commission for Protection Against Health Risks (COFEPRIS). Through the process of development, research, and innovation, we ensure that our products comply with Mexican and international standards in order to provide healthy, nutritious, high-quality products that meet the expectations of our consumers. We ensure that the ingredients used and their benefits are legal, safe, and scientifically proven.

152 PROJECTS COMPLETED IN 2014, FOR THE LAUNCH OF NEW PRODUCTS AND THE REFORMULATION OF INGREDIENTS.

We seek the continuous improvement of our products and their nutritional profiles; we update based on the movements of a changing market, and we strive to reduce costs to help care for the economy, all while offering nutritious and high-quality products.

In 2014, we completed 94 special projects and 41 reformulation, redesign, and cost reduction projects. We seek new production processes, equipment to reduce processing time, optimization and/or improvement of existing processes that lead to a lower consumption of energy and less environmental impact; likewise, we try to operate larger volumes with fewer resources.

In conjunction with universities and institutions, we implement specific projects for development, support, and research to add nutritional value to our products, show their functionality in disease prevention, and reduce costs.

We invested 4.6 million pesos in conjunction with the National Council of Science and Technology (CONACYT) for the creation of three technological innovation projects.



» QUALITY ASSURANCE

The quality of our products is governed by international standards and we receive less than one claim from our consumers for every one million pieces produced.

CURRENTLY, **85%** OF OUR PRODUCTION IS CERTIFIED BY AN **INDEPENDENT** THIRD PARTY.



» WE ALIGN OUR QUALITY SYSTEM TO THE **GLOBAL FOOD SAFETY INITIATIVE**, THROUGH THE SAFE QUALITY FOOD SYSTEM (SQF) AND WE ADHERE TO INTERNATIONAL INITIATIVES THAT ENSURE THE QUALITY AND SAFETY OF OUR PRODUCTS.

- o In 2014 - 2015, the SGS recertified the Quality System "SQF Level II Safety" in 8 factories where the highest rating level was achieved.
- o Envases Elopak (packaging) continues to have SQF "Level III Safety and Quality" certification.

» WE STRENGTHENED THE **PEST SELF-CONTROL PROGRAM** IN DAIRY AND PACKAGING FACTORIES; WE OPTIMIZED THE USE OF CHEMICAL PESTICIDES WITH INTEGRATED MANAGEMENT AND IMPLEMENTATION OF BEST PRACTICES AND CLEANING PROGRAMS.

» OUR DISTRIBUTION CENTERS **IMPLEMENTED QUALITY PROGRAMS** BASED ON NOM 251: "HYGIENE PRACTICES FOR FOOD, BEVERAGE, OR FOOD SUPPLEMENT PROCESSING." 134 CENTERS HAVE BEEN RECOGNIZED DOMESTICALLY AS SATISFACTORILY MEETING CUSTOMER AND GOVERNMENT AUDITS.



» EVERY YEAR WE CONDUCT FOUR TRACEABILITY AND PRODUCT **RECALL SIMULATION EXERCISES** THROUGHOUT OUR VALUE CHAIN AS A PREVENTION MEASURE IN CASE OF AN EMERGENCY.

Our medium and long-term commitment is to obtain SQF "Level III Safety and Quality" certification in all of our production centers.



» OUR CUSTOMERS

Our products are sold in corner shops, convenience stores, large-scale retail stores, price clubs, bakeries, government buildings, and restaurants.

We sell over 90% of our products directly in Mexico through:

ORGANIZED TRADE 48.0%
RETAIL 46.4%
OTHER 5.6%.

Our sales supervisors maintain communication with customers through bimonthly visits in order to verify their level of service and degree of satisfaction, and to correct any areas of opportunity detected.

Over 50,000 calls were answered by our Care and Nutrition Center on issues related to sales and customer service.



» OUR CONSUMERS

Through the Care and Nutrition Center, we keep a channel of communication with our customers and consumers through which we can hear and assist with suggestions, questions, complaints, and requests.

In 2014, we received and handled 80,219 calls through the 1-800 number:

- » **65.43%** SALES
- » **28.61%** INFORMATION
- » **4.57%** QUALITY
- » **0.92%** OTHER

Other contact:

- E-MAIL » **6,001** CORREOS
- WEB SITE » **3,234** SOLICITUDES
- VOICEMAIL » **1,507** CORREOS

CUSTOMER SATISFACTION

At the Center for Research and Development (CID in Spanish), we have pilot process technology, as well as innovation and sensorial evaluation laboratories to develop high-quality products with excellent nutritional value and safety.

FOCUS GROUPS

13 FOCUS GROUPS

The Market Research team, along with R & D, conducted 13 focus groups with over 3,500 consumers to find out their opinions on new products and reformulations under development.

61% of products or prototypes showed good performance in the 13 assessments.

SENSORY POLLS

41 SENSORY POLLS

In 2014, we conducted 41 polls involving 500 participants who adhered strictly to the consumer profile requested for their responses to be representative. 73% of products and prototypes performed well.



IN 2014, WE RECEIVED AND HANDLED **80,219 CALLS** THROUGH THE 1-800 NUMBER.

REGULATORY COMPLIANCE



The products we sell comply with the current labeling regulations and standards in Mexico pursuant to Mexican Official Standards (NOM) and in Guatemala through the Central American Technical Regulations (RTCA).

The information on labels and materials to communicate information about our products is technically and scientifically supported and is provided by our Research and Development Center.

We continue to adhere to self-regulatory initiatives Checa y Elige and PABI Code.

We ensure compliance with regulations in the countries where we operate.

PRODUCTS LOW IN SATURATED FAT, TRANS FAT, SODIUM AND ADDED SUGARS

	<i>Sales Volume</i>	<i>Comments</i>
Milks	50%	Reduction of total fat, hence reduction of saturated and trans fats.
Dairy food and combined dairy food	100%	Butyric fat is replaced by vegetable fat, so there is a reduction in saturated and trans fat and cholesterol.
Beverages and juices	85%	Reduction of added sugars in beverages. For juices, sugars are natural; for fruit nectars there is a standard minimum sugar content.
Yoghurt and fermented milk drink	5%	Light yoghurt in drinkable and mixed versions.
Desserts	13%	Lala low-sugar gelatin (with non-caloric sweeteners), Art Light (no added sugar) and Svelty (low-fat and non-caloric sweeteners for lower sugar content).
Cheeses	11%	Reduced fat in Panela, Oaxaca and Manchego cheeses, thus reduced saturated fats, trans fats and cholesterol.
Creams	4%	Light sour cream with lower fat content, thereby decreasing saturated fat, trans fat and cholesterol.



PRODUCTS WITH NUTRITIOUS INGREDIENTS: INCREASED FIBER, VITAMINS, MINERALS, PHYTOCHEMICALS OR FUNCTIONAL FOOD ADDITIVES

	<i>Sales Volume</i>	<i>Comments</i>
Milks	100%	All milks contains added vitamins, minerals and some fiber.
Dairy food and combined dairy food	100%	With added vitamins (A, D, B1, B2, B5) and iron.
Beverages and juices	94%	Aqua Frut drinks have added vitamin C. Nutrijugo nectars have added vitamins A, D, B1, B5, C and E. Natural'es orange juice maintains a natural identity, with no added elements.
Yoghurt	10%	Includes Bio4balance with added fiber and probiotics, lactose-free yoghurt, Lalacult, Bio4 and Gastro. Petit Suisse and children's yoghurt.
Desserts	42%	Yomi and Lala gelatin with added vitamins A, C, D and zinc.

» OUR SUPPLIERS

OVER **5,700** SUPPLIERS

Besides milk, our main raw materials used for the manufacture of our products are cocoa syrup, flavorings and concentrates, sugar, high-fructose corn syrup, crop and fruit bases, packaging (Tetra Brik and Pure-Pak), and palm oil, among others.

The supplier selection criteria include cost, quality, service, location, and moral and financial solvency. In addition, 10% of the purchasing budget is allocated to local suppliers.

98 AUDITED COMPANIES IN THE SUSTAINABLE SUPPLIER PROGRAM

We support more than 5,700 developing suppliers to grow together. In 2014, we began the "Sustainable Supplier" pilot program that certifies the financial aspects, working capital, legal background, financial condition, liquidity, and human rights of our suppliers.

We audited 98 companies, of which 35 were certified as Sustainable Suppliers.

In this period, we terminated contracts with two of our suppliers for breaches of human rights clauses.

SUPPLIER DEVELOPMENT AND APPROVAL

Our Supplier Development and Approval program systematically evaluates their performance in meeting the basic guidelines of the SQF System, ensuring that the raw and packaging materials used in our processes are safe and of high quality. Through 47 leading certified auditors located in dairy factories, we audited 63 strategic ingredient and primary packaging suppliers, obtaining an overall performance index of 98%, with 52 of them being ranked at the maximum reliability status.

MEXICAN CENTER FOR COMPETITION (CCMX)

31 SMES SUPPORTED

We have renewed our commitment to small and medium enterprises through the Mexican Center for Competition (CCMX), which aims to increase the productivity of businesses that are linked to the value chain of large companies affiliated with the Mexican Business Council and the Alliance for Competition.

As part of the "De Empresario a Empresario" ("from one business to another") program, we led the 'Business Strategy', 'Corporate Image and Distribution Chain' diploma courses for 31 companies during 2014. In addition, we invited 19 of our suppliers to receive the consulting services of the Center.

ENTREPRENEUR WEEK

We participated in the 2014 Entrepreneur Week, organized by the Mexican Government of the Republic, through the Secretary of Economy and the National Institute of the Entrepreneur. We contacted more than 600 companies, of which 87 had the potential to become new suppliers.



» OUR PRODUCERS

30 LITERS: AVERAGE DAILY MILK PRODUCTION PER COW

Milk is our main raw material. In Mexico, milk supply is obtained from farms located mainly in the states of Durango, Coahuila, Aguascalientes, Baja California Norte, Queretaro, Hidalgo, and Sinaloa.

Since 2008, Lala has rejected the use of growth hormones (bovine somatotropin) in its raw material. All milk is tested for the presence of antibiotics and is rejected when positive indicators are shown. In our production systems, milk with antibiotics is not processed.

During 2014, quality was ensured in 2,423,596,507 liters of milk through 271,909 analyses:

- » Physicochemical: fat, protein, lactose, not-fat solids, total solids, urea, casein, cryoscopic point
- » Somatic cell count
- » Standard count: bacteriology, cfu/ml

Additionally performed:

- » **82,431** ORGANOLEPTIC ANALYSES (SMELL, COLOR, TASTE)
- » **95,571** ANALYSES OF INHIBITORS (ANTIBIOTICS)
- » **271,909** TEMPERATURE ANALYSES

These activities support the quality assurance of the milk received and maintain our commitment to providing safe, reliable, healthy products with high nutritional value to the consumer.

30,704 HOURS OF TECHNICAL ASSISTANCE

We provided 30,704 hours of technical support on milk quality, animal raising, breeding, and health. In 2014, we reached a total of 167 farms with an inventory of 458,783 cows.

We provided *292 hours of training* to farm staff on the following topics:

- » MILKING **ROUTINE AND MILK QUALITY**
- » **WASHING AND DISINFECTION** OF MILKING EQUIPMENT AND TANKS
- » HANDLING AND **FEEDING** OF SUCKLING CALVES
- » HANDLING OF **COWS WHO RECENTLY GAVE BIRTH**
- » **ROUTINE MONITORING** OF INSEMINATION
- » DETECTION OF **COWS IN HEAT**
- » **DIAGNOSIS AND TREATMENT** OF DISEASES IN SUCKLING CALVES
- » SAMPLING, CENTRIFUGATION, AND READING OF **REFRACTOMETRY** (ANIMAL RAISING)
- » HANDLING AND **PREPARATION OF SEMEN** FOR ARTIFICIAL INSEMINATION

With 140 farms, our breeding program kept a record of parameters for gestating cows per herd, second insemination, open days and days in milk, to generate greater reproductive efficiency in the herds.

In the field and laboratory activities that support this assistance, the following analyses were performed:

- | | |
|---|------------------------|
| » SOMATIC CELL COUNT | 20,317 COWS |
| » CALIFORNIA MASTITIS TEST | 438,431 COWS |
| » NUMBER OF SAMPLES ANALYZED FOR THE DIAGNOSIS AND TYPING OF MASTITIS PATHOGENS AND BRUCELL | 611,852 SAMPLES |

We requested the support of milk producers to conduct guided visits for our stakeholders to raise awareness on the importance of milk as a healthy and nutritious food, besides encouraging care and respect for animals.

The producers remain committed to clean energy initiatives and actions. In 2014, 11 farms in the La Laguna region were operating with bio-digesters, and only three of these were generating electrical energy. Likewise, there are three farms that have installed photovoltaic system networks (solar panels).



» OUR PROFESSION

We are active in more than 15 chambers and associations related to our industry, including the following:

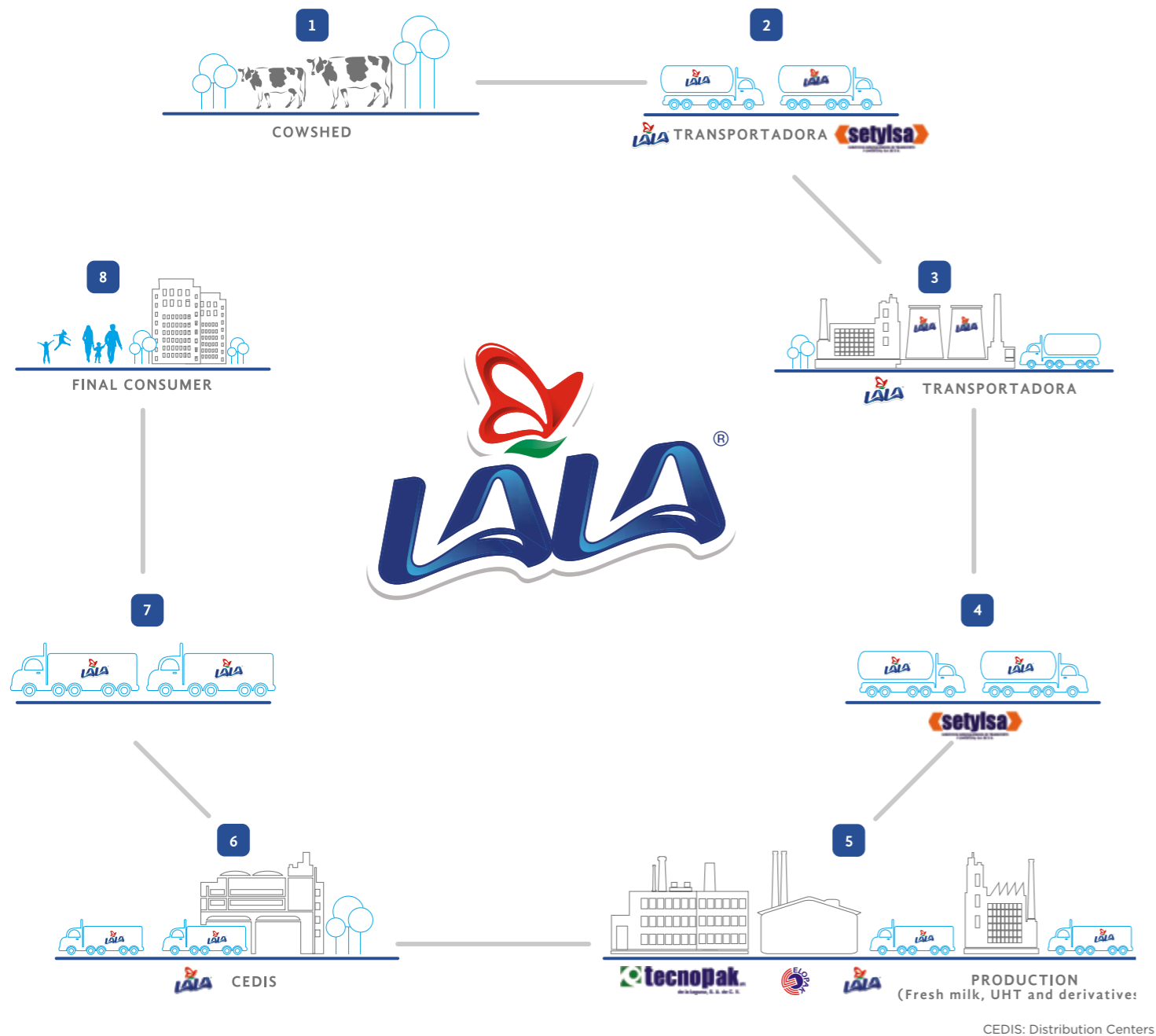
- » NATIONAL AGRICULTURAL COUNCIL (CNA)
- » NATIONAL CHAMBER OF MILK INDUSTRY COMPANIES (CANILEC)
- » NATIONAL TRANSFORMATION INDUSTRY CHAMBER (CANACINTRA)
- » NATIONAL COUNCIL OF SELF-REGULATION AND ADVERTISING ETHICS (CONAR)
- » AGRIBUSINESS COUNCIL OF MESOAMERICA AND THE CARIBBEAN (CAMCAC)
- » INTERNATIONAL DAIRY FEDERATION (IDF)
- » PAN-AMERICAN DAIRY FEDERATION (PADF)
- » EMPLOYERS' CONFEDERATION OF THE MEXICAN REPUBLIC (COPARMEX)
- » NATIONAL CHAMBER OF THE CANNED FOOD INDUSTRY (CANAINCA)
- » MEXICAN COUNCIL OF THE CONSUMER PRODUCTS INDUSTRY (CONMEXICO)
- » NATIONAL ASSOCIATION OF PRIVATE TRANSPORT (ANTP)
- » AMERICAN CHAMBER (AMCHAM)
- » NATIONAL STANDARDIZATION AGENCY FOR DAIRY PRODUCTS
- » BUSINESS COUNCIL FOR FOREIGN TRADE
- » MEXICAN BUSINESS COUNCIL
- » THE NATURE CONSERVANCY
- » LATIN AMERICA CONSERVATION COUNCIL



» LALA ENVIRONMENT

Our commitment to the environment and future generations is reflected in *processes, actions and monitoring* our environmental performance.

MANUFACTURING PROCESS



» ENVIRONMENTAL PERFORMANCE

In Lala we operate according to the Environmental Management System based on ISO-14001; we have an environmental policy (vision, mission and procedures) where guidelines for good performance and environmental protection of our subsidiaries are established.

Our factories have environmental indicators that are contrasted with each other and with the industry to generate goals and commitments of each period, supervised by Lala's Board of Directors and monitored to comply with applicable regulations in each area where we operate.

Our environmental verification processes are conducted both, internally through audits, and externally, through the submission of the Greenhouse Effect Gases Report and we have been granted the "Clean Industry" certificate, both of them through the Secretariat of Environment and Natural Resources (SEMARNAT).

ENVIRONMENTAL IMPACT PER KILO/LITER PRODUCED

Type of Product	Water (l)			CO ₂ (kg)			Waste (g)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Fresh milk	8.9	8.8	8.65	0.7	0.6	0.597	2.8	2.1	3.1
UHT	9.5	9.2	8.55	0.90	0.8	0.78	1.3	1	4.4
Derivatives	16.6	16.9	18.49	0.96	0.9	0.97	5.7	2.5	2.7



WE OPERATE ACCORDING TO THE
ENVIRONMENTAL MANAGEMENT SYSTEM BASED ON ISO-14001



2015 PROSPECTS:

- » Consolidate operations to generate ancillary services, in order to increase efficiency in the use of natural resources.
- » Increase the recovery and reuse of water in 216,000 m³/year, by releasing the pressure on Irapuato-Valle aquifer.
- » Increase wastewater treatment to consolidate the operation of Tizayuca in Irapuato.
- » Increase the recovery and reuse of water from Torreón Complex facility through a project with CONACYT, 75% recovery of 56,800 m³ of water per year. Thus, we will reduce pressure on aquifers and maintain a balance in the use of our groundwater exploitation concessions.
- » Recycling of industrial water in evaporative condensers and cooling towers of the Torreón Complex, by recovering 1,000 m³ of water daily for reuse.
- » Support research into the Cuatro Ciénegas Biosphere Reserve and Golden Eagle recovery in Coahuila-Durango-Zacatecas area.

Our efforts and goals are aimed at four issues:

1) EFFICIENT WATER USE

6.8% DECREASE IN AVERAGE INDICATORS OF WATER CONSUMPTION PER KILO-LITER UNIT OF FRESH, UHT MILK AND DERIVATIVES PRODUCED.

20.5% DECREASE IN NETWORK WATER DISCHARGE.

7.7% INCREASE IN THE AMOUNT OF WATER WITH SPECIALIZED TREATMENT.

22.1% INCREASE IN THE REUSE AND RECYCLING OF WATER, BY APPLYING TERTIARY RECOVERY PROCESSES FOR EVAPORATIVE CONDENSERS.

3 MILLION PESOS IS THE ENVIRONMENTAL INVESTMENT IN WATER RECOVERY SYSTEMS OF PACKAGING FACILITIES.

68 MILLION PESOS INVESTED IN WATER TREATMENT SYSTEM WITH RECOVERY PROCESS.

Water care is a major issue for us, since we are aware that for our business to grow sustainably, we need to reduce the amount of water used throughout our various processes.

We work for water consumption in our operating centers to be at or below the average levels of the dairy industry in Mexico.

The decrease in water consumption per unit of kilo/liter produced reflects actions such as:

- » CONSTANT REVIEW OF PIPES TO **PREVENT LEAKS**
- » SEPARATION OF DRAINS TO PREVENT STORMWATER POLLUTION.
- » ALLOTROPIC CELLS IN BOILERS TO PREVENT SALT FOULING IN THE SYSTEM AND IMPROVE WATER USE.
- » ECOLOGICAL URINALS THAT DO NOT REQUIRE WATER DISCHARGE FOR OPERATION
- » DOSING FAUCETS AND SAVING NOZZLES IN SINKS AND SHOWERS.
- » WATER RECOVERY PROGRAMS IN DIFFERENT PROCESSES.

In addition, we conduct communication campaigns for water conservation and for reducing the water footprint both in workplaces and in our employees' homes.

WATER CONSUMPTION (M³)

Indicator	2012	2013	2014	Variation (2013 vs. 2014)
Water consumption*	5,193,342	5,256,658	4,896,769	-6.8%
Breakdown:				
Groundwater**	3,158,610	4,104,170	4,183,071	2%
Municipal water	2,034,731	1,082,704	773,603	-29%
Water discharged***	2,823,922	3,640,526	2,892,902	-20.5%
Treated water ****	2,036,642	2,318,121	2,616,103	13%
Reused and recycled water	163,118	260,813	318,467	22.1%

* Including Co-processing.

** Studies on watersheds where we have concessions for water extraction are the subject of studies by CONAGUA, which determine the level of availability in the area. These are published in Mexico's Official Gazette and we verify them to take into account the hydraulic balance and changes to the availability areas of aquifers where we have extraction permits (posted on Thursday, April 2, 2015).

*** We have 8 wastewater treatment plants, and 3 of them obtain treated water NOM 03 quality for reuse.

We are investing to increase reuse 20% (recovery of 234,000 M³ more per year).

70% of treated wastewater is discharged into the municipal sewer network and the remaining 30% is discharged to a receiving federal body. Notes: We do not use captured rainwater, therefore we do not affect directly the aquifer's recharge.



AIR EMISSIONS

0.2% REDUCTION IN DIRECT EMISSIONS COMPARED TO 2013 IN THE DISTRIBUTION NETWORK, DUE TO THE INCREASE IN THE INTENSITY OF DISTRIBUTION.

31.7% DECREASE IN DIESEL CONSUMPTION IN PRODUCTION CENTERS BETWEEN 2012 AND 2014.

1% REDUCTION IN FUEL CONSUMPTION FOR DIRECT USE IN OUR FACILITIES FOR YEAR 2012 AND 2.3% COMPARED TO 2013.

14% DECREASE IN DIRECT EMISSIONS DUE TO FUEL CONSUMPTION IN OUR PRODUCTION CENTERS BETWEEN 2012 AND 2014.



DIRECT AND INDIRECT EMISSIONS

Direct (due to fuel consumption) (fixed and movable sources)* (Tons of CO ₂ Equiv.)				
Source	2012	2013	2014	Variation (2013 vs. 2014)
Production centers**	72,200	60,836	62,020.95	1.9%
Transport	194,279	164,355	164,081	-0.16%
TOTAL DIRECT	266,479	225,191	226,101.95	0.40%
Indirect*** (Mwh)				
Source	2012	2013	2014	Variation (2013 vs. 2014)
POWER CONSUMPTION	189,170	201,246	205,896	2.31%

*1L LP Gas = 1.6Kg CO₂/1L Diesel = 2.7 Kg CO₂/1L Gasoline = 2.3 Kg. CO₂, from the use of fuels.

** Direct emissions are derived

*** Indirect emissions are derived from electricity consumption. The application of renewable energy use and efficient energy use plans and programs stands for 360 GJ during 2014; besides, we are in the process of consolidating the savings resulting from the change of luminaires.

Note: Data from emissions in 2012 in production centers were adjusted through the administrative verifications made in factories during 2013; besides, emissions in 2013 were recalculated due to the emission factor published by the Federal Government as a result of the national energy balance.

Other emissions of air pollutants

Units	2012	2013	2014	Variation 2013-2014
Tons of SOx	0.393	0.304	0.365	20%
Tons of NOx	91.7	71.0	85.2	20%

We use ammonia in industrial refrigeration and other refrigerants such as R-134 in transport refrigeration. In both cases, the ozone depletion index is equal to zero (ODP = 0), which means there is no potential impact. Natural gas is used, thus no emissions due to lack of control in the combustion chamber are present.

FUEL CONSUMPTION IN PRODUCTION CENTERS (GJ)

	2012	2013	2014	Variation 2013-2014
Diesel	11,299.99	11,456.04	7,716.75	-32.6%
Natural gas	1,357,509.61	1,462,464.85	1,354,967.88	-7.3%
LP Gas	28.99	23.34	193.56	729%
TOTAL	1,368,838.59	1,473,944.23	1,362,878.19	-7.5%

BIOGAS CONSUMPTION IN PRODUCTION CENTERS (GJ)

	2012	2013	2014	Variation 2013-2014
In boilers	NA	NA	5,291	

ELECTRIC POWER CONSUMPTION IN PRODUCTION CENTERS (GJ)*

	2012	2013	2014	Variation 2013-2014
	681,012	713,641	728,406.83	2%

*All energy comes from indirect sources.

The implemented initiatives to reduce energy consumption are long production runs, the use of natural lighting, the change of luminaires in general and production areas, and the use of the solartube system to take advantage of natural light in offices.



INITIATIVES TO REDUCE INDIRECT ENERGY CONSUMPTION

- » **Fewer trips** as a result from the use of teleconferencing in the EBYT room.
- » Workers' traveling by **specialized transport** from gathering points to work centers.
- » **Control of service vehicles** through the recording of fuel loading with the ACCORD system.

We are in the process of consolidating the report on indirect energy consumption reduction, the quantitative report on the degree of energy consumption reduction, the assumptions and methodology for calculating energy consumption, as well as the source of information that has been used; and these will be ready to be included in the 2015 Report.

CO-PROCESSING CENTERS

With the Clean In Place system, a project carried out with the National Council of Science and Technology (CONACYT, Consejo Nacional de Ciencia y Tecnología), and developed by Instituto Tecnológico Superior de Lerdo in our Food Conveyor plant (Co-Processing Plant), we have reached:



337 GJ SAVINGS IN NATURAL GAS CONSUMPTION IN THE WASHING SYSTEM.

110 MIL M³ REUSED IN THE WASHING SYSTEM.



USE OF RENEWABLE ENERGY IN CO-PROCESSING CENTERS (GJ)

	2012	2013	2014	Variation 2013 vs 2014
Solar energy	NA	189	337	78.3%

WATER REUSE IN CO-PROCESSING CENTERS

	2012	2013	2014	Variation 2013 vs 2014
M ³ /year	NA	68,783	110,249	60.2%

VEHICLE FLEET

We saved over 10.2 million liters of diesel, LPG gas and gasoline between 2012 and 2014 with initiatives to improve the efficiency of our fleet of delivery units.

We are working on initiatives to improve the efficiency and energy savings of our fleet of delivery units.

- » Preventive maintenance of the fleet to reduce air emissions.
- » Comprehensive inspection of tires.
- » Speed governors for vehicles
- » Centralized control of fuel with Edenred system.
- » Quality and quantity audit for fuel supply
- » Renewal of vehicle fleets with more efficient technology
- » Optimization of the delivery vehicle's payload capacity based on sales needs.
- » Training in technical-economical driving
- » Management and analysis of fuel consumption by unit type
- » Stand by System installation, use, and preventive maintenance

699 NEW DIESEL UNITS WERE ADDED TO THE VEHICLE FLEET MODERNIZATION PROGRAM

Fuel 2014			
Fuel	Kilometers	Lts consumed	CO ₂ Tons
Diesel	94,360,004	29,270,811	79,031
Gas	62,877,739	48,636,583	77,819
Gasoline	27,026,117	3,143,908	7,231
TOTAL	184,263,860	81,051,302	164,081

Gasoline, diesel, and gas consumption savings in the distribution fleet result from vehicle fleet renewal programs and responsible environmental management training to our drivers.

PACKAGING MATERIALS CONSUMED

Material	2013	2014
TetraBrik + PurePak	65,292.49 Ton.	63,732.93 Ton.
High Density Polyethylene	19,329.90 Ton.	19,633.62 Ton.

WASTE MANAGEMENT

75% of recycled waste generated from productive processes and we started implementing the **special management** plan with waste recovery. **Increase of 5.6% vs. 2013.**

In Lala, we reduce the impact of waste on the environment by observing the 3 R's (reduce, recycle, reuse) on waste treatment, promoting the efficient use of resources, reuse of materials, collection of batteries for proper handling and special storage log of solid waste collected both in production centers and offices.

Recycled material* in processes other than manufacturing (Ton)				
	2012	2013	2014	Variation (2013 vs. 2014)
Paper	190	190	235	23%
Carton	3,716	3,745	3,895	4%
Wood	3,116	3,724	4,207	13%
Plastic**	1748	1,841	2,254	22%
Bag	381	376	33	-91%
Metals/scrap	347	525	766	46%
Brick/Purepak	1,111	898	1,378	53%
Porrón	125	150	16	-89%
Electronic equipment	958	829	-	-100%
Production waste	4,244	1,991	4,221	112%
TOTAL				%

*Materials generated by the company within its facilities, packaging raw materials derivatives and packaging production reduction (packaging losses) recovered and recycled by third parties outside the plant.
 **In the case of nonconforming material HDPE resin, it is recovered through a grinding process in the packaging plant and it is reprocessed to produce baskets, therefore, 99% of plastic is not included in this inventory.



METHODOLOGY FOR THE COMPREHENSIVE MANAGEMENT OF SOLID WASTE IN OUR FACILITIES



ENVIRONMENTAL AWARENESS

In Lala we seek to minimize our environmental impact and contribute to the conservation of biodiversity. We started our operations redistribution to optimize the use of natural resources used in generating manufacturing services.

Our employees are aware of the impacts generated by our operations and how they and their families can participate by taking care of and preserving the environment.

4.2% VOLUME OF RECYCLED WATER IN 2014 VS. 3.2% IN A TWO-YEAR PERIOD, REDUCING WATER CONSUMPTION IN OUR OPERATIONS.

68% INCREASE IN THE REMOVAL OF ORGANIC LOAD VS. 46% IN THE PREVIOUS YEAR.

1% INCREASE IN TREATED WATER WITH SPECIALIZED PROCESSES TO RECOVER, REUSE OR RECYCLE WATER IN 10% OF THE VOLUME OF TREATED WATER FROM 2012 TO DATE.

IMPROVING THE COMMUNITY

We know that if we join efforts, the results are better for everyone. Therefore, we participated in the campaign “Laguna Yo te Quiero Verde”, an improvement project of the Association of Citizens “Laguna Yo Te Quiero”, which we joined in order to reforest the Laguna region.

REFORESTATION

- » We participate in **local reforestation activities**.
- » **Protection** of **endangered species** in locations where we operate.
- » **Donation of trees** to areas with expansion projects and construction of new factories, such as Irapuato, Torreón and Nicaragua.



BIODIVERSITY

Through Fundación Lala, we support the conservation of:

- » Nazas river basin in the Laguna region
- » Picea Mexicana (Mexican pine variety)
- » Sierra de Arteaga, Coahuila and Santiago, Nuevo León
- » Cuatro Ciénegas, Coahuila Ecological Reserve

In addition, with our producers in the Laguna Region, we promote the installation of biogas digesters, solar and photovoltaic panels.

We operate in controlled industrial areas, which do not affect the adjacent biodiversity. The land use of the area where we operate is industrial. The evaluation of environmental aspects and impacts is commonly carried out in our transformation projects and the corresponding mitigation measures are established. In distribution centers, the mitigation measures taken are enough to reduce the biodiversity impact risk found in adjacent sites.

We do all of the above based on our Biodiversity Policy, which provides guidelines to follow.

CON NUESTROS PRODUCTORES EN LA
COMARCA LAGUNERA,
IMPULSAMOS LA INSTALACIÓN DE BIODIGESTORES, PANELES SOLARES Y FOTOVOLTAICOS.

» OUR CORPORATE GOVERNANCE

BOARD OF DIRECTORS 2014*

CHAIRMAN**

Eduardo Tricio Haro

EQUITY ADVISOR

Marcelo Fulgencio Gómez Ganem

José Manuel Tricio Cerro

Arquímedes Adriano Celis Ordaz

Juan Carlos Larrinaga Sosa

SECRETARY

AUDIT AND CORPORATE PRACTICES COMMITTEE

Rafael Robles Miajá

PRESIDENT

Juan Pablo del Valle Perochena

Pablo Roberto González Guajardo

INDEPENDENT DIRECTORS

Rafael Robles Miajá

Juan Pablo del Valle Perochena

Pablo Roberto González Guajardo

*It is governed by the Conflict of Interest Policy

**The Chairman does not hold an operating position within the company

In accordance with the Securities Market Law and our bylaws, the Board of Directors must deal with monitoring the management and establishing general strategies for conducting the business of the Company and legal entities it controls.

The Company, in its capacity of public company, must form a Board of Directors with a maximum of 21 members, of which at least 25.0% must qualify as independent. Independent members shall be elected at the Ordinary Stockholder Meeting based on their experience, ability and reputation, among other factors.

The Board of Directors is comprised of executives with an outstanding career and extensive experience in the industry and strategic departments: finance, sales, marketing, operations, among others.



In 2013, we established an Audit and Corporate Practices Committee composed of three independent directors. They are in charge of monitoring the Company external auditors, analyzing reports of such external auditors, reporting to the Board any irregularities of internal control, and monitoring the implementation of related-party transactions, the activities of the General Director and the role of internal audit, and submitting an annual report.

This Committee is also responsible for issuing opinions to the Board regarding the performance of the Company key officers, related-party transactions, independent expert opinions requests, call for stockholders meetings and support in the preparation of the annual stockholder meeting.

Compensation of Directors and members of the Company Committees is determined by the Ordinary Stockholder Meeting of LALA and calculated according to the attendance at each Board meeting.

Our success and business strategy depend on our executive officers and key employees. We believe the experience that our management team has helped us identify attractive investment opportunities in new segments and markets.

Bonuses paid by the Company are determined by the individual performance of its employees. The Company has a plan for its first-level employees that is aligned with the creation of value for the company through an economic incentive that allows maintaining and developing an effective workforce with a competitive capacity to LALA.

According to the Securities Market Act and the Corporations Law, our bylaws include certain protections for minority stockholders.

» CERTIFICATIONS AND AWARDS

» COFEPRIS [FEDERAL COMMISSION FOR THE PROTECTION AGAINST SANITARY RISK]

- o Certificate of Good Manufacturing Practices granted to dairy factories by the Federal Commission for the Protection against Sanitary Risk.

» SENASICA AND THE MINISTRY OF HEALTH OF GUATEMALA.

- o Certificate for exporting finished products granted by the National Health Service, Food Safety and Quality of Mexico and the Ministry of Health of Guatemala through audits to the process practices program in exporting factories.

» MEXICAN FEDERATION OF DIABETES

- o Endorsing nineteen products for seven years in a row.

» KOSHER

- o Certification granted by the Jewish community to products made with natural ingredients

» REPUTATION INSTITUTE

- o Place 18 in the ranking of the 50 companies with the best reputation in Mexico, according to the study Rep Trak Pulse Mexico 2014, presented by Reputation Institute and Inmark in Mexico.

» KANTAR WORLDPANEL

- o For the second year, we are positioned as the brand of choice within the dairy industry and the second within massive consumption brands in the ranking Brand Footprint Mexico 2014 by Kantar Worldpanel. In addition, Nutrileche brand ranked second in the dairy industry and fourth in the overall ranking.

» EXPANSION MAGAZINE

- o Ranked 40th of the 500 most important companies list in Mexico in the analysis published by Expansión Magazine, due to its sales, operations, assets, employees, among other indicators.

» CIO MAGAZINE/INFOWORLD MEXICO

- o For the third consecutive year, the CIO/Infoworld Mexico Magazine recognized Lala as one of the organizations that use information technology in innovative ways to add value to the business. The Manager of Information Technology ranked as one of the top 100 CIO's in Mexico, in the category of 'Alignment with Business'.

» MEXICAN CENTER FOR PHILANTHROPY (CEMEFI)

- o Distinction for Socially Responsible Company for the eleventh consecutive year.

» NATIONAL ASSOCIATION OF PRIVATE TRANSPORT

- o Lala was awarded with the National Road Safety Award, granted to companies committed to driving safety measures and their drivers. In addition, 32 employees of the Group were recognized for having the best driving safety practices.

» BUSINESS MONITOR OF CORPORATE REPUTATION (MERCOS) 2014

- o Ranked 20th out of the 100 most reputable companies in Mexico according to the study on public prestige and public opinion conducted by the Business Monitor of Corporate Reputation (MERCOS) 2014.

» GLOBAL OCC

- o Fourth place of the 20 most attractive companies to work, granted by Global OCC, leading job bank in Mexico.

» GLOBAL QUALITY CERTIFICATIONS MEXICO

- o Four products of Lala were recognized with the "Taste of the year 2014" award in the categories of lactose-free milk and fresh cheese. The market survey was conducted by Global Quality Certifications Mexico.

» WORLD FUND

- o Eduardo Tricio, Chairman of Lala, was awarded with the 'Educational Leadership' recognition for promoting projects that strengthen education, especially of vulnerable groups through Lala Foundation.

» SGS MEXICO

- o Recertification of the Quality System "SQF Level II Safety" in 8 factories through SGS certification company, obtaining the highest rating level. Envases Elopak continues with the SQF "Level III Safety and Quality" certification.

» ABOUT THIS REPORT

Lala presents this 2014 integrated report, highlighting the financial results and actions on sustainability undertaken in Mexico and Guatemala. For the fourth year in a row, we are presenting this report under the methodology guidelines of the Global Reporting Initiative (GRI) version 3.1, maintaining its annual publication.

The data presented in the Sustainability section highlight the most relevant matter aspects for Lala. The indicators of the Sustainability Index proposed by the Mexican Stock Exchange (BMV, per the Spanish acronym) and the Global Compact Principles are also considered.

Measurement techniques and data collection were obtained by OPTIMUM CSR system and through some meetings with operations department in order to identify the information that could be susceptible to be reported and relevant to the audiences we are in contact with. The environmental performance indicators were calculated under the "Greenhouse Gas" GHG Protocol.

The details of compliance with the GRI indicators are available for consultation and comments in: www.grupolala.com

Following the Principles to define this report quality, we continue with the commitment of maintaining a balance in the data presented, as indicators are a benchmark to decrease or increase, depending on the impact they could have on the company and our key audiences.

The comparison criterion has been present in each of the reports through the presentation of graphs, tables and fact figures, which compare the data for the reported year with that submitted two periods ago.

As part of our continuous improvement process, in 2015 we will conduct a detailed study of materiality that allows us to identify the most important strategic aspects for our business more accurately, along with those that are more important for our interest groups.

This annual report is not an offer of securities by Grupo LALA. It has been issued for information purposes only.



» G3.1 CONTENT INDEX

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
1. STRATEGY AND ANALYSIS			
1.1	Statement from the most senior decision-maker of the organization.	Fully	2
1.2	Description of key impacts, risks, and opportunities.	Partially	2, 9
2. ORGANIZATIONAL PROFILE			
2.1	Name of the organization.	Fully	Cover
2.2	Primary brands, products, and/or services.	Fully	5
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	1
2.4	Location of organization's headquarters.	Fully	66
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	4
2.6	Nature of ownership and legal form.	Fully	67
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	1
2.8	Scale of the reporting organization.	Partially	4, 11
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	2
2.10	Awards received in the reporting period.	Fully	75
3. REPORT PARAMETERS			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	69
3.2	Date of most recent previous report (if any).	Fully	69
3.3	Reporting cycle (annual, biennial, etc.)	Fully	69
3.4	Contact point for questions regarding the report or its contents.	Fully	69
3.5	Process for defining report content.	Fully	12, 69
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	5, 69
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	69
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	GRUPO LALA doesnt have joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	70
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Fully	There were no re-statements of information

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	There is no significant changes form the last reporting period in the scope, boundary or measurements methods applied in the report
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	73
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	72
4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT			
» GOBIERNO			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	64, 65
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	64, 65
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	64, 65
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	64, 65
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Fully	66
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	64, 65
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	65
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	1, 2, 34
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Partially	64, 65
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Not	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	3, 13, 14
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	66-68
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy	Fully	58

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
	organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.		
4.14	List of stakeholder groups engaged by the organization.	Fully	10, 11
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	12, 13
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	12, 13
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	12, 13
» ECONOMIC			
EC1COMM	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Partially	4
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Partially	57 to 61
EC3	Coverage of the organization's defined benefit plan obligations.	Partially	14
EC4COMM	Significant financial assistance received from government.	Not	
» MARKET PRESENCE			
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Not	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Fully	52-54
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Not	
» INDIRECT ECONOMIC IMPACTS			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Partially	32-34
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not	Not applicable
ENVIRONMENTAL			
» MATERIALS			
EN1COMM	Materials used by weight or volume.	Partially	69, 70
EN2	Percentage of materials used that are recycled input materials.	Partially	68 to 72

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
» ENERGY			
EN3	Direct energy consumption by primary energy source.	Fully	56, 57
EN4	Indirect energy consumption by primary source.	Fully	67
EN5	Energy saved due to conservation and efficiency improvements.	Fully	67
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Partially	67
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Partially	67
» WATER			
EN8	Total water withdrawal by source.	Partially	60-64
EN9	Water sources significantly affected by withdrawal of water.	Not	
EN10	Percentage and total volume of water recycled and reused.	Fully	73
» BIODIVERSITY			
EN11COMM	Location and size of land or waters owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Partially	74
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Partially	74
EN13COMM	Habitats protected or restored.	Fully	74
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Partially	64
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not	
» EMISSIONS, EFFLUENTS AND WASTE			
EN16	Total direct and indirect greenhouse gas emissions by weight.	Partially	66
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Partially	63-65
EN19	Emissions of ozone-depleting substances by weight.	Not	
EN20	NOx, SOx, and other significant air emissions by type and weight.	Fully	57
EN21	Total water discharge by quality and destination.	Partially	62
EN22	Total weight of waste by type and disposal method.	Partially	68 to 72
EN23	Total number and volume of significant spills.	Not	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not	

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
»» PRODUCTS AND SERVICES			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	59-64
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not	
»» COMPLIANCE			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	No fines in the period.
»» TRANSPORT			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Partially	69
»» OVERALL			
EN30	Total environmental protection expenditures and investments by type.	Not	No information
SOCIAL: LABOR PRACTICES AND DECENT WORK			
»» EMPLOYMENT			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Partially	12, 13, 14
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Partially	12, 13, 14
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Partially	15, 31
»» LABOR/MANAGEMENT RELATIONS			
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	15
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Not	
»» OCCUPATIONAL HEALTH AND SAFETY			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	17
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Fully	19
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	20
LA9	Health and safety topics covered in formal agreements with trade unions.	Partially	21

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
»» TRAINING AND EDUCATION			
LA10	Average hours of training per year per employee by gender, and by employee category.	Fully	25, 26
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	24, 25, 26, 27
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	26, 27
»» DIVERSITY AND EQUAL OPPORTUNITY			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Partially	30
»» EQUAL REMUNERATION FOR WOMEN AND MEN			
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Not	No information
LA15	Return to work and retention rates after parental leave, by gender.	Not	No information
SOCIAL: HUMAN RIGHTS			
»» INVESTMENT AND PROCUREMENT PRACTICES			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Partially	GRUPO LALA leads the local regulations
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Fully	52-54
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Fully	29
»» NON-DISCRIMINATION			
HR4	Total number of incidents of discrimination and corrective actions taken.	Fully	No incidents of discrimination presented
»» FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Fully	There is no risk for collective bargaining
»» CHILD LABOR			
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Fully	No operations or significant suppliers were identified with incidents of child labor

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
»» PREVENTION OF FORCED AND COMPULSORY LABOR			
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Fully	GRUPO LALA leads the local regulations
»» SECURITY PRACTICES			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	No information
»» INDIGENOUS RIGHTS			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Fully	No incidents or violations involving rights of indigenous people
»» ASSESSMENT			
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Fully	100% of our operations have been subject to human rights reviews according to our Conduct Code.
»» REMEDIATION			
HR11	"Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms."	Fully	No grievances related to human rights filed
SOCIAL: SOCIETY			
»» LOCAL COMMUNITIES			
SO1 (FPSS)	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Not	Not applicable
SO1 (G3.1)	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Not	Not applicable
SO9	Operations with significant potential or actual negative impacts on local communities.	Fully	No negative impacts
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not	Not applicable
»» CORRUPTION			
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Partially	17-28
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully	29
SO4	Actions taken in response to incidents of corruption.	Fully	No incidents of corruption
»» PUBLIC POLICY			
SO5COMM	Public policy positions and participation in public policy development and lobbying.	Partially	58
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	The company doesnt give contributions to political parties, politicians and related institutions

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
»» ANTI-COMPETITIVE BEHAVIOR			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Fully	We dont have legal actions for anti-competitive behavior
»» COMPLIANCE			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	We didnt have monetary or non-monetary sanctions for non-compliance with laws and regulations
SOCIAL: PRODUCT RESPONSIBILITY			
»» CUSTOMER HEALTH AND SAFETY			
PR1COMM	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Fully	40-43
PR2COMM	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	There were no incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products
»» PRODUCT AND SERVICE LABELLING			
PR3COMM	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Partially	48-50
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Partially	48-50
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Partially	48-50
»» MARKETING COMMUNICATIONS			
PR6COMM	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Partially	48-50
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Fully	There were no monetary fines for non-compliance with laws and regulations concerning the provision and use of products.
»» CUSTOMER PRIVACY			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully	There were no monetary fines for non-compliance with laws and regulations concerning the provision and use of products.
»» COMPLIANCE			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	There were no monetary fines for non-compliance with laws and regulations concerning the provision and use of products.

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
ANIMAL WELFARE			
»» BREEDING AND GENETICS			
FP9	Percentage and total of animals raised and/or processed, by species and breed type.	Not	Not applicable.
»» BREEDING AND GENETICS			
FP10	Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic.	Not	Not applicable.
FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type.	Not	Not applicable.
FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type.	Not	Not applicable.
»» TRANSPORTATION, HANDLING AND SLAUGHTER			
FP13	Total number of incidents of non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals.	Not	Not applicable.

Report on the independent review of 2014 Sustainability Report by Grupo LALA

Scope of our work

We performed an independent and impartial review on the content of the Sustainability Report 2014 by Grupo LALA.

Our work consisted in an examination of the report content regarding the performance indicator hedging, according to the materiality definition and fulfilling with the Global Reporting Initiative, GRI, version 3.1.

Standards

For issuing this verification examination, Redes Sociales considered the following international standards as reference:

- a. ISAE 3000 independence ethics principles
- b. GRI Sustainability Reporting Guidelines

Summary of activities

Actions carried out by Redes Sociales for the examination are the following:

- Analysis of the information gathering and verification process
- Verification of core indicators included in the report.
- Verification of quantitative and qualitative information based on a GRI indicator's selection
- Interviews with the staff involved in the process.
- Verification of 2014 report against 2013 regarding programs follow-up, depth of information and indicator's reported increase.

Conclusions

There is no evidence of errors in the examined indicators included in the report herein, as well as the processes and actions related to sustainability of Grupo LALA.

The review process shows in this Report provides a balanced and timely communication of the indicators selected for the verification.

Sustainability Report of Grupo LALA has been prepared in accordance with the Sustainability Reporting Guideline of the Global Reporting initiative, version G3.1 with a B+ application level.

Recommendations

Based on our work, we are able to provide the following general recommendations:

- Finalize the process to define the material aspects of the organization, according to the principles of version G4 of the Global Reporting Initiative.
- We recommend reviewing the guide Sustainability Topics for Sectors: What do stakeholders want to know? in the foods sector section in order to detect areas of opportunity for the contents of the next report.
- Attend to areas of opportunity covered in our internal verification report.



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Statement on the independence, competence and responsibility of Redes Sociales

The Redes Sociales associates have the expertise needed to verify compliance with the international standards used in preparing Sustainability Reports, so they can issue an opinion on the reports issued by organizations with respect to their sustainable practices.

The independent verification letter on the report and the information for internal use can never be considered as an audit report; consequently, no responsibility is assumed with respect to the systems or management processes and the internal controls providing the information. The report and its contents are the responsibility of Grupo LALA.



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SUSTAINABILITY REPORT 2014

