



2016
4TH ANNUAL
SUSTAINABILITY
REPORT

INDEX

1. ADMINISTRATION AND FINANCE DIRECTOR'S COMMITMENT LETTER	3
2. ABOUT US	4
3. MULTICERAS AND SUSTAINABILITY	5
4. CORPORATE VALUES	6
5. CORPORATE SOCIAL RESPONSIBILITY POLICY	7
6. IMPROVEMENT PROJECTS	8
7. HUMAN RIGHTS	9
7.1 EMPLOYEES	9
7.2 CANDELILLEROS	15
7.3 COMMUNITY	18
8. LABOR	22
8.1 GUIDELINES GOVERNING CONDUCT	22
8.2 FREEDOM OF ASSOCIATION	23
8.3 FORCED LABOR	24
8.4 CHILD LABOR	24
8.5 NO DISCRIMINATION	24
8.6 DIVERSITY ACCEPTANCE	28
9. ENVIRONMENT	28
9.1 EFFICIENT USE OF RESOURCES	28
9.2 ENVIRONMENTAL RESPONSIBILITY	29
9.3 CAMPAIGN 3-R'S: REDUCE. REUSE. RECYCLE	29
9.4 REFORESTATION	31
9.5 DRAWING CONTEST	31
10. ANTICORRUPTION AND FAIR TRADE	33
10.1 ETHICAL FINANCE	33
10.2 INDUSTRY ASSOCIATIONS	33
10.3 CONFLICT OF INTEREST	34
10.4 SOFTWARE COPYRIGHT	34
10.5 ETHICAL COMMERCIAL RELATIONS	34
11. ACKNOWLEDGEMENTS	36



1. ADMINISTRATION AND FINANCE DIRECTOR'S COMMITMENT LETTER

Dear Reader:

I am pleased to report that Multiceras continues to support the Ten Principles of the UN Global Compact, operating in a manner that establishes a culture of integrity and that meets fundamental responsibilities in the areas of human rights, labor, environment, and anti-corruption.

The year 2016 was full of constant challenges in our business. Our employees met these challenges with great enthusiasm and turned them into opportunities, resulting in many success stories and sustained growth, which we will share with you in this document.

Our investment in social responsibility represented 3% of our net income in 2016 and directly benefitted our Candelillero stakeholders and the environment. One of our main projects this year was to improve the extraction process of Candelilla Wax, one of our strategic raw materials, by implementing a more environmentally friendly and safe technology.

Another important project this year was the re-launch of our corporate values with the addition of two new values aligned to the integrity and well-being of our employees and society: respect and diligence.

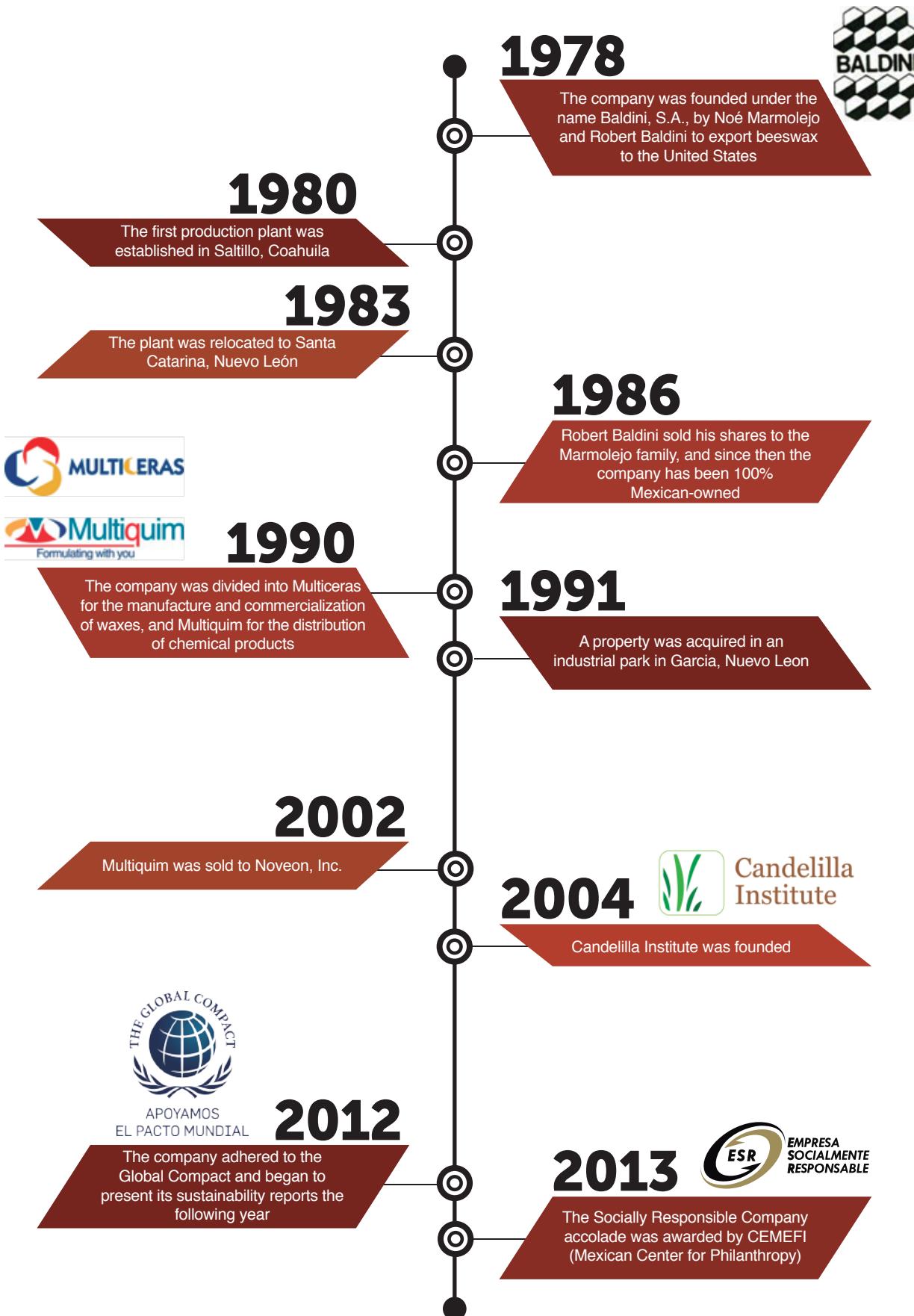
On behalf of the entire Multiceras team, we reaffirm our commitment to making the Global Compact part of our strategy, our corporate culture, and our daily decisions. We believe that by following these Ten Principles we are not only upholding our basic responsibilities to our people and our planet, but also setting the stage for our long-term success.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Francisco Díaz".

Francisco Díaz
Administration and Finance Director

2. ABOUT US





3. MULTICERAS AND SUSTAINABILITY

The year 2016 was one of not only record sales but of great achievements in sustainability.

One of our areas of focus was our Candelilla Wax suppliers. In addition to strengthening our supplier development program, which benefitted these key stakeholders, we also devoted considerable resources to helping them apply for and obtain government permits to harvest the wild Candelilla plant, helping to ensure its sustainability.

Other stakeholders who benefited from our social responsibility efforts were our employees. Throughout the year we offered a nutritional program that supported their efforts to improve their health by attaining their ideal weight. We celebrated World Environment Day with several initiatives, including the donation of trees for employees to plant at home.

We also worked on joint projects with some of our international clients, including the donation of materials to improve schools and production centers in Candelilla communities.

Sales Manager Avril Zamora and Social Responsibility Leader Yesenia Yáñez went to Mexico City in April to receive the Socially Responsible Company accolade — our fourth such award in four years!

Multiceras continues to believe that following the 10 principles proposed by the Global Compact is what will help us to ensure the future of the company, therefore it continues to promote actions that ensure respect for human rights, compliance with labor standards, preservation of the environment and the fight against corruption.

4. CORPORATE VALUES

Because one of last year's objectives was to improve the work environment, our corporate values were reviewed and improved so that employees could more easily incorporate them into their day-to-day activities.

In October we held a company event with animated videos, presentations, and team-building exercises to reaffirm our four original corporate values (Commitment, Excellence, Creativity, and Safety) and to introduce two new values: Respect and Diligence.



To reinforce these values at work and at home, we gifted each employee with a pitcher and six matching glasses representing each value.

Dr. Rosa María Sánchez, an organizational development consultant, helped us organize the event.



5. CORPORATE SOCIAL RESPONSIBILITY POLICY

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

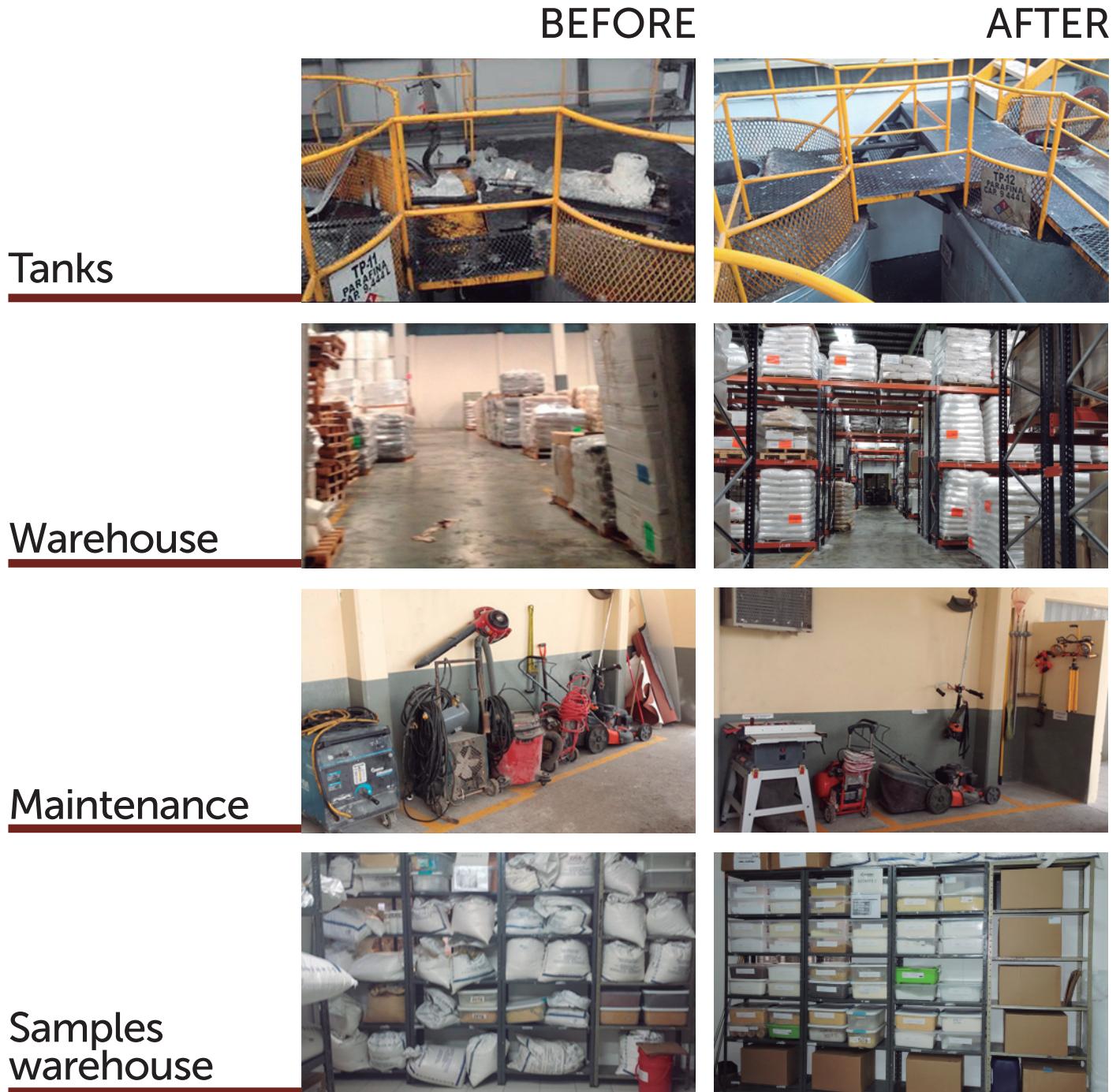
Multiceras has established the following objectives for our stakeholders:



6. IMPROVEMENT PROJECTS

In 2015 we began to establish the Japanese 5S methodology to improve the condition of our workspaces. This initiative will help us to obtain HACCP (Hazard Analysis and Critical Control Point) certification.

In 2016 we formed a 5S committee, which organizes audits of various work areas and reports on necessary improvements. As a result of the committee's work, there have been significant advances in the following areas:



7. HUMAN RIGHTS

Multiceras is a strong proponent of the protection of human rights and recognizes their importance for a healthier, respectful, more humane, and tolerant society. To this end we strive to improve the quality of life of our employee, Candelillero, and community stakeholders.

7.1 EMPLOYEES

7.1.1 COMMUNICATION AND TRANSPARENCY

E-mail and Suggestion Box

We have an e-mail account for employees to communicate with management anonymously (cuentanos@multiceras.com). Our Human Resources Manager and Sustainability Leader receive these e-mails. We also have a suggestion box at our plant entrance, which is monitored by the Social Responsibility department.

Breakfast with the CEO

Every year Multiceras CEO Fernando Montaño and two members of his management team invite seven employees from all levels to a breakfast meeting where everyone shares their expectations, experiences, and concerns. The Human Resources department then follows up on comments and proposals for improvement. In 2016, 18 improvement actions were implemented thanks to information obtained from this event.



Quarterly Communication Meeting

Each quarter our CEO conducts a Skype meeting with all employees to report on company progress and activities. The meetings are recorded and can be accessed by employees who work on other shifts.

Newsletter

Our Marketing department publishes a quarterly newsletter containing highlights from managers on what is happening in each area of the company.



7.1.2 SAFETY

Safety is so important to Multiceras that it is one of our six corporate values. We continually train our employees on all safety rules and protocols and post the Safety Policy in key areas of our facilities for their reference.



"En Multiceras la Seguridad, Salud y Bienestar es un compromiso de todos nuestros colaboradores; teniendo como parte integral la reducción de riesgos, mejora continua de nuestros procesos y capacitación del personal; suministrando un ambiente laboral seguro, dando cumplimiento a la normatividad y estándares aplicables."

Safety Drills

On July 29, 2016, we held a drill for our first aid, evacuation, search and rescue, and fire-fighting brigades.



Ministry of Labor and Social Welfare Self-Management Program

In 2016 we joined this self-management program to evaluate our plant's health and safety progress. This program is based on national and international standards to improve the operation of safe and hygienic workplaces.

Health and Safety Committee

Multiceras has had a Health and Safety Committee registered with Mexico's Ministry of Labor and Social Welfare since 2014. The committee's mandate is to safeguard life and preserve the health and physical integrity of our workers. In 2016, 12 inspection tours were made, and 82% of all findings were resolved.

Personal Protective Equipment

Appropriate personal protective equipment for each work area has been identified — for example, shoes, belts, caps, masks, gloves, and goggles. This equipment is provided by the company to all employees and is replaced every six months, or sooner if required.



Safety Leader

In June 2016 we created the position of Safety Leader to manage industrial safety and occupational hygiene. Our new Safety Leader has developed plans and programs to prevent accidents and occupational hazards.

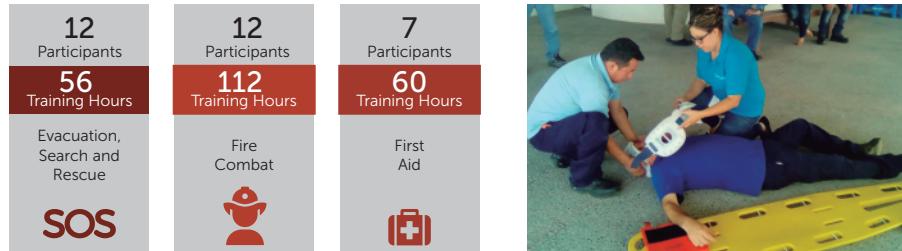


Fire-Fighting System

In 2014, a fire-fighting system was installed. We perform regular tests and fire drills. An outside contractor performs quarterly maintenance.

Safety Training

Multiceras has three emergency brigades. Employees in each brigade receive specific training:

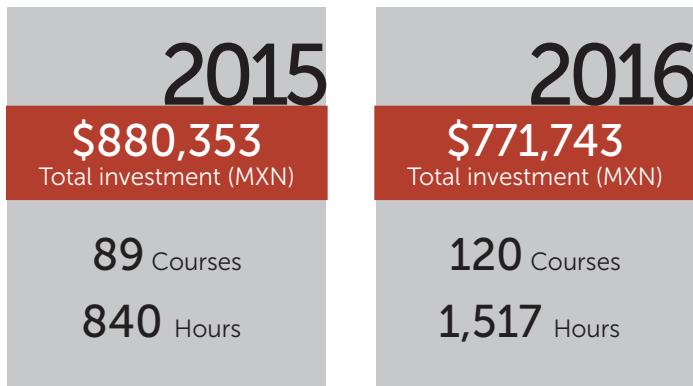


7.1.3 PERSONAL AND PROFESSIONAL DEVELOPMENT

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

Training

Professional development within the organization is very important, which is why we seek to keep employees up-to-date in their respective areas. In 2016 we increased the number of courses and hours for our employees.



"I joined Multiceras in December 2015 as Safety Coordinator. Last year I was given the opportunity to take the Dynamic Communication course along with three coworkers. This course has been very interesting because it has helped me improve my public speaking skills, communicate effectively, and develop other leadership skills. In one session I was recognized for "best development," which was very motivating. I have been able to apply what I learned in meetings, presentations, and also in my personal life. I am committed to continue to apply what I have learned and to develop professionally."

Rocío Sepúlveda Díaz
Dynamic Communication Course (Armstrong Instructors)

Scholarships

Multiceras has a scholarship program for employees. This year we provided six English scholarships, one high school scholarship, and one management program scholarship.



"One of my responsibilities at Multiceras is responding to complaints from international customers. It took me a long time to understand e-mails written in English and this was frustrating. I also didn't feel confident responding for fear of making mistakes or using inappropriate translations. With the support of Multiceras, I was able to resume my English studies in writing and reading. It is now easier for me to understand customer e-mails, and I feel more confident when writing reports in English. I now feel that my contributions to the Quality department are more valuable. I am grateful to the company for implementing this program. My goal is to finish the 12-level program with top marks and to continue to apply my learning to my daily work with the support of my colleagues and to continue to find ways to add value to the department and to the company."

Griselda Marianela Maltos Ortega
Studying English

Activities and Events

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

Events are also held to celebrate important dates where all employees are invited to attend along with their families.

A total of MXN\$404,790 was invested in activities in 2016.

Activities

- Rosca de Reyes (January 6)
- La Candelaria Day (Candlemas) (February 2)
- International Women's Day
- Independence Day
- Day of the Dead
- Guadalupe Virgin Day



Events

- Children's Day
- Mother's Day
- Father's Day
- End of the Year Celebration



Stop Smoking Program

On January 1, 2016, smoking was prohibited on company premises. We supported 14 employees who decided to quit smoking by offering them a three-month smoking-cessation program during which nicotine patches were provided. This method helps to gradually decrease nicotine addiction and thus reduce withdrawal symptoms to help make quitting easier.

Health Campaign

In November 2016 we organized a health campaign with the support of IMSS medical clinic for all Multiceras staff, which included free influenza vaccinations, Albendazole (to eliminate parasites), condoms, and toothbrushes.



Running Club

We have a running club named “MAZ + RUN-NERS”, where Multiceras sponsors 50% of the race registration fee for each employee and one family member. In 2016 the club participated in 12 races, with a total of 215 registrations.



Men's and Women's Football Teams

In 2011 a men's soccer team was organized, and each year the team has participated in the Lomas Soccer League in Garcia, Nuevo León. In 2015 a women's soccer team was formed and participates in the Mision San Juan municipal league in Garcia, Nuevo León. In 2016, 15 games were played. We are pleased to support our employees in their athletic and fitness goals.





Benefits

Vision

A Visual Health campaign is organized every year, where Multiceras invites different suppliers to perform a vision assessment on all staff. In 2016, 67 people were provided with eyeglasses representing an investment of

\$84,840 MXN

School Supplies Support

Multiceras provides a bonus for school support to employees' children from kindergarten to high school to purchase school supplies at the start of classes. In 2016, 58 children benefited from this program, representing an investment of

\$58,500 MXN

Christmas Present Bonus

Every December Multiceras gives a \$450MXN Christmas present to employees' children under the age of 12. In 2016, 67 children were given the present, representing an investment of

\$34,200 MXN

Transportation

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

Event Facility

Spending time with our families and friends helps us improve our physical and emotional well-being. Multiceras has a recreational facility that provides space for employees to conduct celebrations with family and friends at no cost. During 2016, 12 employees made use of this facility.

Healthy Eating Program

In January 2016, we started the Healthy Eating program, where a nutritionist comes to our facilities and makes an anthropometric assessment to interested employees. Everyone is given advice and a diet. The company subsidizes 80% of the cost. In 2016, 64 employees participated for a total weight reduction of 154 kg.

Birth, Death, and Marriage Support

- Birth: A cash bonus is given to employees who have a new baby. Two people received this bonus in 2016.
- Death: When an immediate family member of an employee dies, a cash bonus is given to help with the expenses. In 2016, one of our employees received this bonus.
- Marriage: A cash bonus is given to employees who get married. One person received this bonus in 2016.

7.2 CANDELILLEROS

7.2.1 CANDELILLA REGION IN MEXICO



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

7.2.2 GUARANTEED PRODUCTION PURCHASE

Multiceras purchases Candelilla Wax from 1,800 Candelilleros throughout the region. We offer Candelilleros a guaranteed production quota, and, as we have the widest collection network of any company in the business, we can reach the most remote communities. We have offices in Saltillo and Torreon, as well as a storage facility in Cuatrocienegas, which is where much of the Candelilla Wax is produced.

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

In 2016 Multiceras increased its agri-business personnel, and we now have five forestry technicians dedicated to managing harvesting permits. These technicians work closely with Candelilla producers to ensure the permits are carried out in accordance with SEMARNAT standards.

7.2.3 DECENT WORKING CONDITIONS

One of the variables that directly influences Candelilleros' quality of life is the income they receive for what they produce. During 2016 a significant increase in the price of Candelilla Wax, combined with the introduction of social security benefits, provided Candelilleros greater satisfaction in their daily lives. This complemented our efforts to improve their productivity through training and equipment. Multiceras also helps producers to adopt better and safer production practices.

In 2016 Multiceras invested \$2,436,500 MXN in the following activities:



18	5	50	30	110	20
Technical studies (with company resources)	Technical studies (with CONAFOR resources)	Hours of training on forest regulation	Hours of training in Candelilla plant reforestation	Installation of new pailas used in communities that started to work in this field	Repair of pailas in communities that were already producers of Candelilla Wax

7.2.4 SUPPLIER DEVELOPMENT PROGRAM



In 2015 we formed a strategic partnership with INNOVAGRO (Consultants for Agricultural Innovation North SC) to begin a Supplier Development program dedicated to improving the working conditions of Candelilleros by creating rural production societies or "SPRs" (Sociedades de Producción Rural in Spanish) for Candelilla Wax producers to formalize their activities and obtain benefits from membership.

The SPRs ease the administrative burden on Candelilleros by generating invoices for them. Candelilleros are also given access to lines of credit and government funds to improve their facilities, as well as social security benefits through the Mexican Institute of Social Security (IMSS). At the end of 2016, 385 Candelilleros were enrolled in the program.



In 2016 we began to collaborate with our client L'Oréal in its Solidarity Sourcing program.

L'Oréal has broad experience in this area, having partnered with many of its other suppliers to ensure that the raw materials it purchases are produced in a sustainable manner. These programs also improve the living conditions of various members of society — for example, minorities, people with disabilities, and small business owners.

L'Oréal was interested in our Supplier Development program and decided to work with us, through an additional fee for the Candelilla Wax it purchases from Multiceras. This fee covers 50% of the IMSS cost for the Candelilleros producing the wax we sell to the company, as well as the difference between the cost of the more expensive (but safer) citric acid used in the Candelilla Wax extraction process and the more traditional sulfuric acid.

Multiceras is proud to work with global sustainability leader L'Oréal.

7.2.5 PRODUCTION INCENTIVES

In December 2016, 580 food baskets were delivered to Candelilleros who sold us 500 kg or more of wax throughout the year. We also offer our Candelilla “collectors” with economic incentives for their services. In total we invested \$217,800 MXN in these initiatives.

7.2.6 IMPROVEMENT PROJECT

In late 2013 we began a project to use citric acid to extract Candelilla Wax, instead of the traditional sulfuric acid. Citric acid is safer to handle because it is less corrosive, but it is more expensive than sulfuric acid. The change in the process cannot be implemented in all production sites at the same time, as there is a training period during which the Candelilleros gain experience with the new process to ensure a successful transition. During 2016 the use of citric acid was implemented in 20 communities, and we have plans to introduce the new process in 24 more communities by the end of 2017.



7.3 COMMUNITY

We consider “community” to not only include the people living near our facilities, but also the neighborhoods where our employees live, the organizations that help people in Monterrey, schools, universities, and, in general, all those groups of people who every day face their own problems and whom we can support either with our money or our time. It is a privilege to be in a position to help others, and we encourage our employees to contribute where they can — for example, through donations, participating in raffles, and volunteering.

7.3.1 SUPPORT FOR EDUCATION

In March 2016, Multiceras donated 22 bags of school supplies and candy to Miguel Hidalgo Elementary School in Acambaro, municipality of Castaños, Coahuila. We also donated \$8,593 MXN for the purchase of paint for parents to paint the classrooms.



7.3.2 DONATIONS

DIF Municipal of Garcia, Nuevo Leon

In May 2016 the local children’s social services agency (Desarrollo Integral de la Familia, or DIF, in Spanish) in Garcia asked us for help with the repair of the mobile medical unit they use to bring medical and other assistance to the neediest sectors of the municipality. We donated \$12,180 MXN to this cause.



Casa Simón de Betania

Staffed by the religious congregation Servants of the Lord of Mercy, this organization serves terminally ill people with AIDS, cancer, tuberculosis, and other diseases. During our Healthy Eating campaign, we organized a team competition to donate an amount of money for each kilo lost. With the money we bought material for Casa Simon de Betania.



Baseball Uniforms

A group of Candelilleros from the municipality of San Antonio de Arista asked us for uniforms for its baseball team Los Paileros de Arista. They won the baseball league championship in Mina, Nuevo León.



Nuevo Leon Firefighters

For several years we have supported the firefighters of Nuevo León by purchasing raffle tickets. This year \$6,000 MXN was donated to support a fire station near the company.



7.3.3 DONATIONS TO THE CANDELILLA REGION

School Supplies

Before the beginning of each school year we organize a collection among our employees of school supplies or cash donations to prepare school packages for delivery to schools in Candelillero communities. This year we were again able to increase the number of children who received these packages.





2014	2015	2016
100 school kits	125 school kits	154 school kits
6 communities	5 communities	6 communities

Volunteering

In August 2016 we volunteered at the San Isidro kindergarten in the community of Viesca, Coahuila, where 23 volunteers participated in maintenance and painting activities. The school was visited in advance, and the teachers and parents were involved so that they could also participate in the improvement of the facilities. Multiceras also donated the material for a perimeter mesh, which was installed by the parents.

BEFORE



AFTER



Christmas Presents

All Multiceras employees were invited to donate a gift or cash for the Christmas presents for children in six Candelillero communities. There were also packages for seniors. The children's package consisted of a toy and items to mitigate the cold (jacket, socks, gloves and scarf), while the seniors received articles to mitigate the cold.



2015
47 Children
16 Seniors
19 Employees who donated
298 Presents

2016
78 Children
22 Seniors
43 Employees who donated
478 Presents

Yokozeki Donation

Yokozeki, one of our Candelilla Wax clients, wanted to make a US\$5,000 donation to the Candelillero communities to support education. We helped them evaluate the needs of several communities, and ultimately the donation was made to benefit schools in the communities of Jaboncillos Grandes, Charcos de Figueroa, Tres Manantiales, Cerros Prietos, Río Aguanaaval, and Nuevo Delicias, in the state of Coahuila.

The donation also helped put roofs on the Candelilla Wax extraction facilities in the communities of La Unión, Cerros Prietos, Cruz Verde, Lagunilla, and La Presa, in the state of Coahuila.

 横関油脂工業株式会社
YOKOZEKI OIL & FAT INDUSTRIES CO., LTD.



8. LABOR

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



8.1 GUIDELINES GOVERNING CONDUCT

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

Code of Conduct

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



Harassment Policy

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

Internal Labor Regulations

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



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

Multiceras supports the protection of human rights and promotes fair labor practices for all our employees. Company guidelines seek to promote a culture of respect, support, and harmony in the workplace. All employees are expected to know and follow these regulations.

8.2 FREEDOM OF ASSOCIATION

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

8.3 FORCED LABOR

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

- Before beginning work at Multiceras, employees are provided with an offer of employment and a contract containing information on working hours, shifts, and bank holidays, as provided for by law. The contract is read and signed before beginning work; if there is any doubt or disagreement, the employee may apply to the Human Resources department for clarification.

- Our Human Resources department performs regular compensation comparisons with companies in our industry through benchmark studies.

- Employees have the right to resign at any time and to refuse to work overtime.

8.4 CHILD LABOR

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



Leonardo Marín Padilla - 12 years old,
Son of Lorena Patricia Padilla



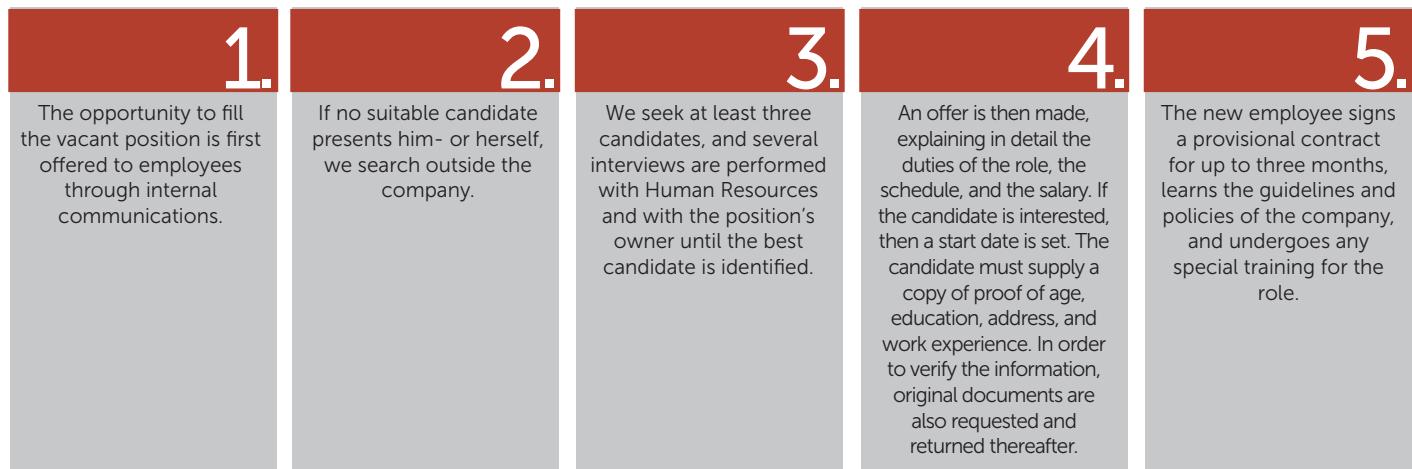
Rodrigo Gael Reyes Barrios - 12 years old,
Son of Gloria Guadalupe Barrios

8.5 NO DISCRIMINATION

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

Hiring

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



Promotions

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

These promotions are free from discrimination; the only requirement is that the employee has the knowledge and experience to successfully meet the challenges of the new position. In 2016, 13 employees were promoted.

Acknowledgements

An annual acknowledgement is given to employees who have excelled in the implementation of our organizational values in their daily work. Because two new values were added this year, we were able to increase the number of awards.

The following outlines the selection process for each award:



Winners

2014

COMMITMENT

QUALITY

CREATIVITY

José Luis Jalomo Ramos

Mario A. García Guzmán

Héctor Hernández Jiménez

Lizette C. Arellano Ortiz

Alejandro Vázquez González

Simón Meléndez Puente

2015

COMMITMENT

QUALITY

CREATIVITY

Miriam de Muga Mendoza

José A. Pérez Martínez

Carlos A. Aldana Ramírez

Abundio Villanueva Rivera

Roberto Rebolledo Castillo

Macario Hernández Castillo

2016

COMMITMENT

CREATIVITY

EXCELLENCE

DILIGENCE

RESPECT

SAFETY

Karen H. Lozano Rodríguez

Daniel A. Ibarra Delgado

Carina J. Ramos Rodríguez

Héctor Hernández Jiménez

Carlos A. Medellín González

Rocío V. Sepúlveda Díaz

Juan A. Trespalacios García

José A. Pérez Martínez

Hugo Rodríguez González

Simón Meléndez Puente

Salvador Navarro Álvarez

"It is an honor to receive this recognition, which is the result of the experience gained over time, working side by side with the operational staff, because without the support and advice of them I would not have such knowledge. I thank the company for the trust placed in me."

Daniel Ibarra
2016 Employee Creativity Award Winner



Seniority Award

We are proud to have Multiceras employees committed to the company. Employees who stay with the company in multiples of five years receive an award. Each employee is recognized for his or her years of service and given a cash prize. This year it was a pleasure to present a 30-year award to José Antonio Pérez Martínez, who works as a technician in the plant.

2014	
5 years	3 persons
10 years	3 persons
15 years	
20 years	1 person
25 years	2 persons
30 years	

2015	
5 years	1 person
10 years	3 persons
15 years	2 persons
20 years	1 person
25 years	
30 years	1 person

2016	
5 years	3 persons
10 years	1 person
15 years	
20 years	1 person
25 years	
30 years	1 person



"I want to thank Multiceras for this award of 20 year, which is also for all my coworkers with whom I work in the day to day with much encouragement and commitment.

I also wanted to share this recognition with my wife and children, who always support me in order to dedicate myself to my work and who motivate me to go forward in difficult times.

I am very happy to be part of Multiceras since it has allowed my personal and professional development, which motivates me to continue to achieve the new objectives."

José Luis Sámano
20 Year Award

Termination of Employment

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

8.6 DIVERSITY ACCEPTANCE

We seek the progress of men and women without discrimination — 38% of our administrative staff are women, and 67% of women hold a key position within the company.

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

9. ENVIRONMENT

“One world. Use it wisely.”

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

9.1 EFFICIENT USE OF RESOURCES

We seek to reduce the consumption of water, gas, and energy in our operations, as well as to make our processes more efficient so that these resources are used efficiently.

9.1.1 Water and Gas

During 2016, due to the increased production of emulsions, we had a 1% increase in water consumption. We installed a more efficient boiler in 2016, resulting in a 25% reduction in gas consumption compared to the previous year. Here are the results of water and gas use per produced ton:

WATER m ³ /Ton		GAS m ³ /Ton	
2014	0.54	2014	53.47
2015	0.86	2015	85.78
2016	0.87	2016	70.55



9.1.2 Energy

The decrease in energy consumption in all operations not only brings important benefits to the environment, but also translates into competitiveness by reducing costs. In 2016 three projects were implemented:

Change power boards.

The electric control for compressor startup was modified, reducing the operating time of the compressors.

A by-pass was added for the compressed air supply of the plant.

These projects helped us to reduce our energy consumption, because although in 2016 we had a 20% increase in energy consumption against 2015, the increase in production was 25% for the same period.

9.2 ENVIRONMENTAL RESPONSIBILITY

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

COA - Annual Operating Certificate.

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

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

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

9.3 CAMPAIGN 3-R'S: REDUCE. REUSE. RECYCLE.

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

9.3.1 Reduce

Leased Computer Equipment

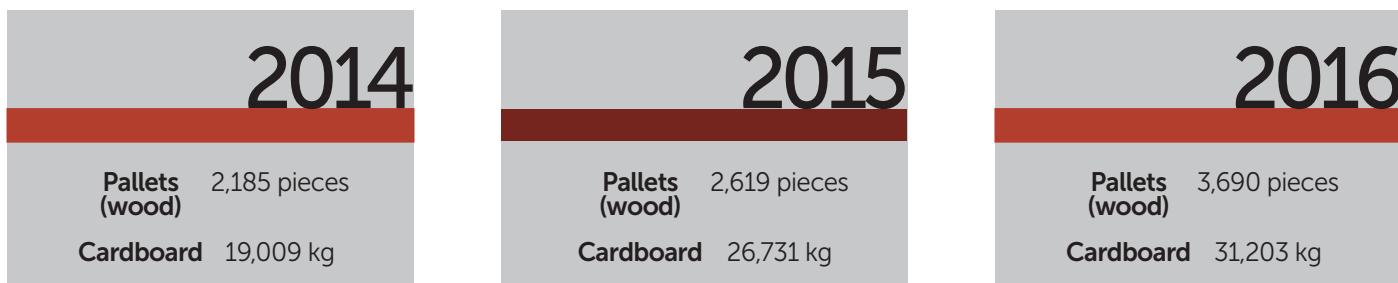
At present 80% of our equipment is leased from Hewlett-Packard Mexico under contracts of 24 and 36 months. At the end of these contracts we return the equipment or, if advantageous, we acquire the equipment at a reasonable cost.

9.3.2 Reuse

Our supplier provides us with remanufactured print cartridges, as well as service, repair, and quality guarantees for them. This is good for the environment and saves us up to 70% in our cost of supplies.

9.3.3 Recycle

We recycle cardboard and wood that we use in our processes. We also recycle small quantities of aluminum cans, PET, and used batteries.



Recycling and Reuse of Technological Equipment

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

9.3.4 "Green Week" Campaign

To commemorate World Environment Day (June 5), we launched a Green Week campaign. All employees were given a bottle of water and were invited to join one of four committees: car-sharing, energy saving, water saving, or tree planting. A total of 23 employees participated.



9.4 REFORESTATION

9.4.1 Candelilla Plant Reforestation

In 2015 Mexico's National Forestry Commission (CONAFOR) provided resources to the Candelillero community of Las Ánimas, Municipality of Parras, Coahuila, to help reforest 240 hectares of the Candelilla plant and to train rural producers on the care of the approximately 150,000 small plants.

In order to understand the factors necessary for the plants' survival, a follow-up project is being carried out in three Candelilla plantations in the state of Coahuila:

- Hipólito, Municipality of General Cepeda,
- Las Ánimas, Municipality of Parras, and
- Lucio Blanco, Municipality of Cuatrociénegas.

Multiceras has been a facilitator within these communities to obtain authorization to carry out the research. We have also provided economic assistance and vehicles for the transfer of the teams that obtain and analyze the field data.

Research results are expected in May 2017, which will help with future Candelilla reforestation efforts.



9.5 DRAWING CONTEST

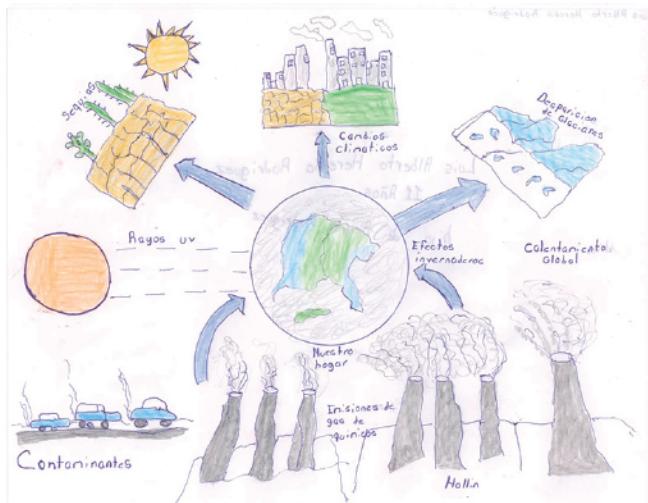
This year we once again organized a drawing contest for the children of our employees. The contest helps to promote family values, and participants are invited to reflect on the environment. This year the theme was Climate Change. When the children began to deliver the drawings, we realized that, contrary to expectations, many children had not heard about it in their schools or with their families, as some made drawings about different climates (rainy, cold, warm), and not about the imminent problem we are experiencing from climate change.

The winners this year were:



Giancarlo Guadalupe Hernández Flores - 9 years old

Won the most artistic drawing award. His drawing is excellent, and the passage from black and white to color is very imaginative, especially as it correctly gives the idea of what the world would look like after climate change.



Luis Alberto Heredia Rodríguez - 11 years old

Won the most scientific drawing award. This is the first time this prize was awarded. Luis Alberto showed considerable knowledge on this subject.



Mariana Zoe Díaz Tavares - 10 years old

Won the prize for the most original idea. The characters Mariana presented in her drawing are very expressive. The idea of showing what can happen if we do not do something to avoid climate change is very nice, but above all it makes you think.



Myriam Monserrath García Rosales - 10 years old

Won the most colorful drawing award. We chose Myriam's drawing because in addition to using very bright colors, her idea of using solar energy is very illustrative.

10. ANTICORRUPTION AND FAIR TRADE

Corruption is an evil presence in many areas of daily life, and that is why we have to make an extra effort to combat it and fulfill the ultimate principle of the Global Compact. At Multiceras we know that the only way to fight corruption is to do the right thing. In addition to avoiding bribery, extortion, and other forms of corruption, we have also developed specific policies and programs to address this issue. We pledge to respect the law and to promote our corporate values both inside and outside the company, especially when dealing with our customers and suppliers.

10.1 ETHICAL FINANCE



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

Furthermore, and to ensure proper compliance with the obligations of the business, we conduct periodic reviews with tax and accounting experts to validate that the operation of the business is conducted in accordance with all laws and regulations.

10.2 INDUSTRY ASSOCIATIONS

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

The organizations in which we participate are:

- CANACINTRA
Industry and Transformation National Chamber
- CAINTRA
Industry and Transformation Chamber of Nuevo Leon
- Clúster Agroalimentario
Agribusiness Cluster
- Sociedad de Químicos Cosmetólogos de México A.C.
Mexican Society of Chemical Cosmetologists
- European Wax Federation



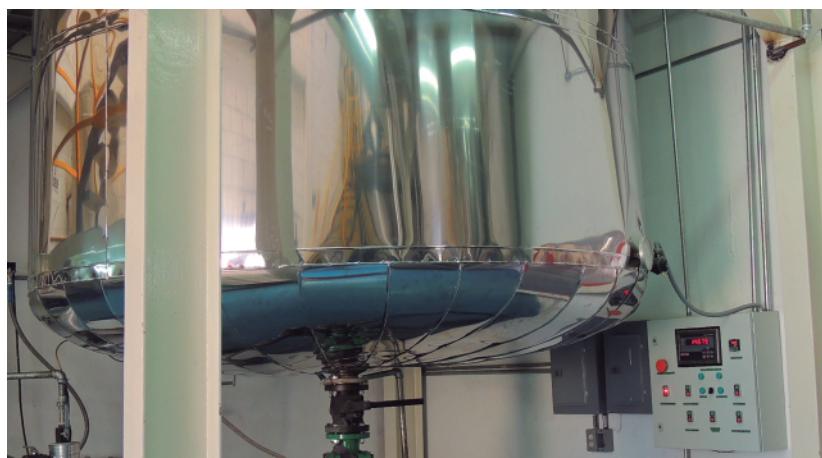
10.3 CONFLICT OF INTEREST

Multiceras has a Conflict of Interest Policy to prevent the personal interests of an employee from influencing his or her judgment on decisions made on behalf of the company. When starting to work for the company, all employees must read and sign this policy.

10.4 SOFTWARE COPYRIGHT

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

10.5 ETHICAL COMMERCIAL RELATIONS



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

10.5.1 Customers

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

- We have a sales team, which is responsible for finding new customers and servicing current customers.
- Our customer service team tracks orders and is responsible for following up on customer satisfaction indicators.
- We have established quality management indicators to measure customer satisfaction on items such as delivery time, quantity delivered, and functionality.
- We set contribution margins to allow us to be competitive in the markets we serve.
- According to customer needs and specifications, contracts are established or purchase orders are created.
- If an order does not meet a customer's specifications our quality team follows a protocol to solve the problem.
- For international sales, all legal requirements are verified and met to export our products.

10.5.2 Suppliers

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

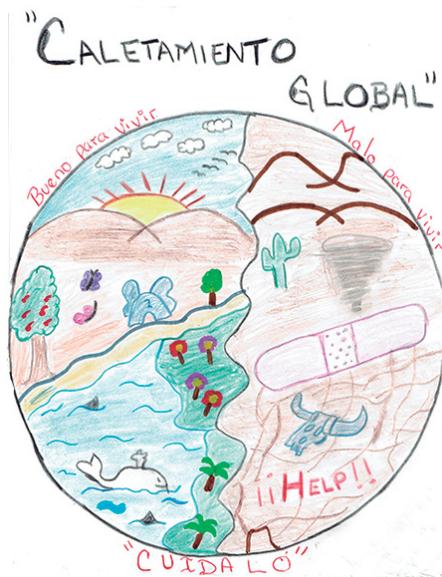
- We have a supplier selection process in which we evaluate value propositions and choose the most suitable supplier for our requirements.
- Approximately 75% of our suppliers are Mexican, which helps to promote the local economy.
- We are constantly working with suppliers to improve products, processes, and prices to the benefit of both parties.
- We make and receive plant visits for current and potential suppliers to confirm capacity and standards that may be needed to meet future customer requirements.
- We attend wax conferences organized by the American Fuel & Petrochemical Manufacturers, attend the annual meeting of the European Wax Federation, and cultivate vendor relationships at these events.
- We encourage open communication at all levels of the company: buyer, purchasing manager, director, and president.
- We establish terms that are successful for both parties. Negotiations are summarized in a series of clauses in the purchase orders, mainly on product features, price, and delivery time. If suppliers do not meet these criteria, we have a direct communication with them to fix the problem in the best way.

11. ACKNOWLEDGEMENTS

We thank everyone who made this report possible:

- Raúl Marmolejo – President
- Fernando Montaño – General Director
- Francisco Díaz – Administration and Finance Director
- Juan Carlos Martínez – Human Resources Manager
- Carlos Medellín – Agribusiness Manager
- Carlos Aldana – Supply Chain Manager
- Avril Zamora – Commercial Manager
- Alejandro Canizales – Financial Manager
- César Romero – Process Engineer
- David Estrada – Safety Leader
- José Luis Sámano – Natural Waxes Leader
- Lizeth García – Industrial Relations Leader
- Hugo Rodríguez – Administrative Coordinator
- Griselda Maltos – Quality Assurance Coordinator
- Abundio Villanueva – IT Coordinator
- Daniel Ibarra – Technical Service Coordinator
- Rocío Sepúlveda – Safety Coordinator
- Marycarmen Cirilo – Market Intelligence Leader
- Mireya Marmolejo – Sustainability Leader
- Yesenia Yañez – Social Responsibility Leader

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



Luis Sámano Saavedra - 9 years old,
Son of José Luis Sámano