



MULTICERAS

Blending With You

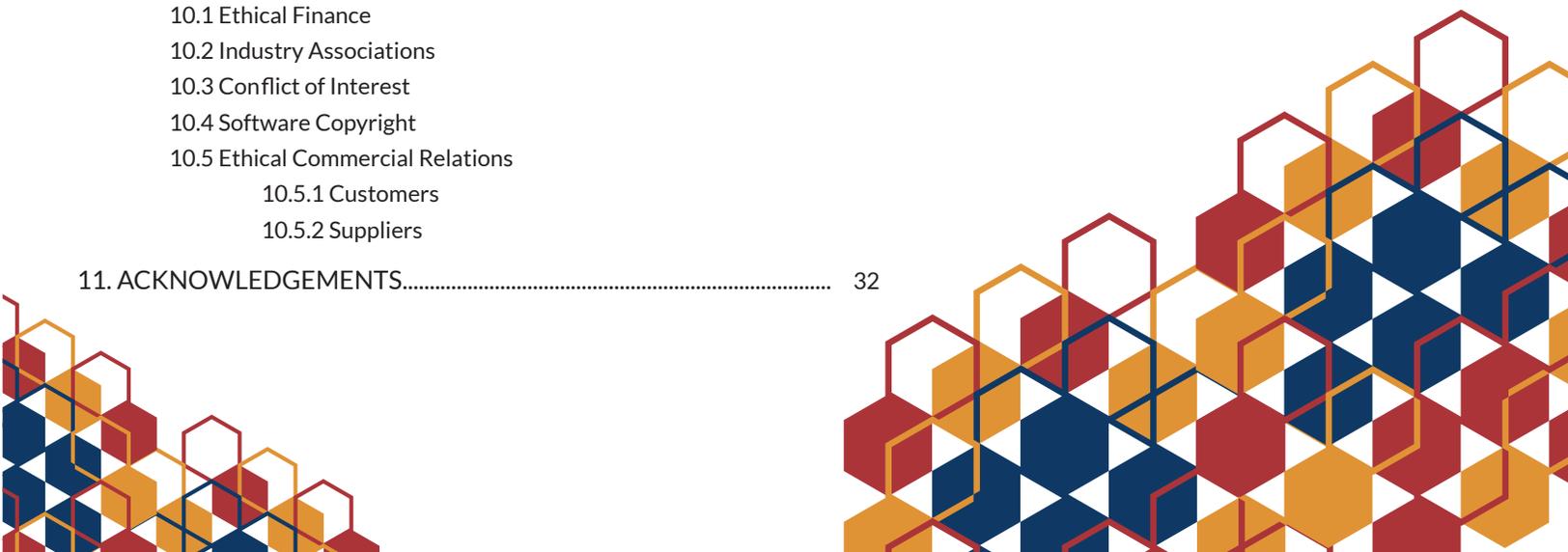
5th ANNUAL SUSTAINABILITY REPORT

2017



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1. PRESIDENT AND CEO'S COMMITMENT LETTER

Dear Friends:

It is a pleasure for me to share with you our progress and achievements in 2017, a year in which we are proudly celebrating our fifth anniversary of adherence to the UN Global Compact and its Ten Principles. These principles have been a fundamental pillar in our commitment to being a socially responsible company.

This was a year of great challenges worldwide, but also of great opportunity. In 2017 two massive earthquakes that caused the widespread loss of life, injuries, and destruction struck Mexico City and Oaxaca. But the solidarity and generosity of the Mexican people are helping its victims gradually recover their homes and businesses and rebuild their lives. Our company and our employees have raised our hands in support as much as possible.

An important achievement this year has been the establishment of a robust strategic management system, which will allow us to plan initiatives and projects in a more efficient manner and facilitate more timely monitoring. The system was implemented thanks to the efforts of our talented management team who are always focused on improving the welfare of all of our stakeholders.

Throughout the pages of this report you will see highlights of the activities we have promoted in our social responsibility program in 2017.

On behalf of the Multiceras Board of Directors, we reaffirm our adherence to the Global Compact, of which we are very proud to be a part.

Sincerely,

Raúl Marmolejo Vélez
President and CEO





2. ABOUT US

Multiceras is a Mexican company specializing in the design, fabrication, and commercialization of natural, synthetic, and petroleum waxes, as well as related products for industrial applications. Our production facility is located in García, Nuevo León, México.

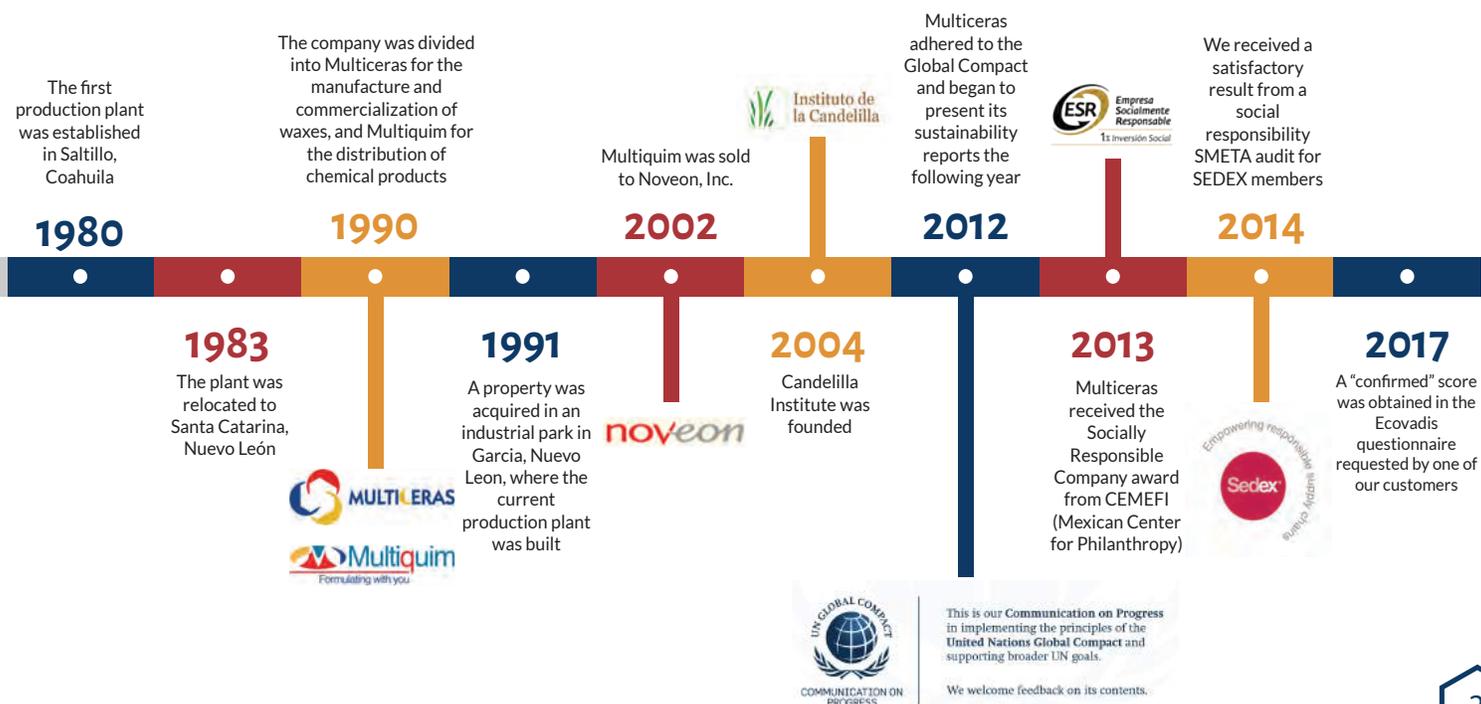
MISSION

At Multiceras we provide reliable and personalized solutions that contribute to the competitiveness of our clients.

VISION

To be a global competitor and a contributor to the success of our clients, employees, suppliers, and community.

In 1978, the company was founded under the name Baldini, S.A., by Noé Marmolejo and Robert Baldini to export beeswax to the United States. In 1986, Robert Baldini sold his shares to the Marmolejo family, and since then the company has been 100% Mexican-owned.



3. MULTICERAS AND SUSTAINABILITY

From the company's beginnings, Multiceras founder Noé Marmolejo has fostered a culture of social responsibility within the community, contributing to different causes to help vulnerable and unprotected groups. In 2012 our Board of Directors decided to formalize these efforts, which led to our achieving the Socially Responsible Company award granted by CEMEFI (Mexican Center for Philanthropy) to companies that undertake actions that have a positive impact on society.

We have continued to integrate social responsibility into all aspects of our operations and are proud to have received the CEMEFI Socially Responsible Company award for five consecutive years.



A great success for the program was our adherence to the UN Global Compact, as it has helped us to focus our efforts on the important things. Thanks to the webinars organized by the Mexican chapter of the Global Compact, we have been able to learn from other companies' best practices. We hope that our contributions as guest speakers to the Human Rights webinar have helped other companies as well.

In the past five years we have implemented several initiatives aimed at supporting two of our most important stakeholders: 1) our employees and their families, and 2) the Candelilleros (the people dedicated to the extraction of candelilla wax). Our Healthy Life program, which includes the access to a nutritionist, has helped employees lose weight and increase their quality of life, as has our support of their participation in sports activities, such as monthly races and soccer leagues.

We have organized several programs for the Candelilleros, many of them strategic and some purely philanthropic. We have been able to benefit 911 children with school supplies and Christmas gifts. Through collaboration with clients such as L'Oréal and Yokozeki, we operate projects to improve the quality of life of Candelilleros and their families. Also, we have worked diligently to ensure the sustainability of the candelilla plant allowing Candelilleros to continue using the plant to produce candelilla wax well into the future.

There are still many things to do, roads to travel, and lessons to learn. But with our enthusiastic, innovative, and committed employees to help us, we will face the challenges and take advantage of the opportunities the future holds for us.



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



4. OUR COMMITMENT TO UN 2030 AGENDA

SUSTAINABLE DEVELOPMENT GOALS



In 2015 world leaders at the United Nations adopted the 2030 Agenda for Sustainable Development and the related 17 Sustainable Development Goals, which govern participating countries' efforts to achieve a sustainable world in the year 2030. The achievement of these Sustainable Development Goals will lead to a reduction of social and economic inequality, giving rise to a more just society, with populations that have greater welfare, and the development of activities conducive to protecting and preserving the environment.

At Multiceras we recognize our ethical duty to contribute to social and economic development. We align our business strategy and our operations with the Sustainable Development Goals and strive to exceed the expectations of our customers while complying with international production standards and environmental and labor best practices.

We also set social targets for donations, volunteerism, and creating economic opportunities for marginalized communities. In each section of this report we present the different Sustainable Development Goals we are trying to achieve along with our actions and results to date.



5. CORPORATE SOCIAL RESPONSIBILITY POLICY

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

Multiceras has established the following objectives for our stakeholders:



SHAREHOLDERS

Maximize the economic value of the business with sustained performance, assuring its leadership and continuity while promoting ethical and transparent behavior.



CUSTOMERS

Respect customers' rights by providing clear information about our products and services, developing improvements to increase customer satisfaction, and implementing fair and transparent trade policies.



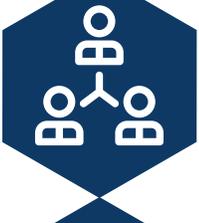
SUPPLIERS

Deem our suppliers as allies and long-term strategic partners within our value chain by arranging win-win agreements that align with their objectives and contribute to their development.



EMPLOYEES AND THEIR FAMILIES

Provide a welcoming work environment by encouraging quality working life initiatives throughout the company, ensuring physical integrity, promoting diversity and equal opportunity in the workplace, and creating programs for employees' families.



COMMUNITY

Promote improvements in quality of life of the communities near our operations and those where our employees live.



ENVIRONMENT

Use manufacturing processes that do not negatively affect the environment, including operations and new technologies that minimize residues, reduce energy usage, prevent air and water pollution, and comply with environmental regulations.



CANDELILLEROS

Support the Candelillero community by encouraging personal development and training, improving work safety conditions, promoting the settlement of local families in rural areas, and supporting sustainable development programs.



6. IMPROVEMENT PROJECTS

Thanks to good 2016 financial results, in 2017 we were able to implement various improvement projects, such as increasing our plant's capacity to satisfy customer demand and improving the comfort of our employees whose numbers have swelled in line with the growth of our business.



6.1 Changes in Dining Room

We purchased new dining room furniture to increase its capacity and installed new lamps with greater energy efficiency.



6.2 Water Softeners for Emulsions

A pair of water softeners with a capacity of 8,500 gallons was installed to eliminate water hardness (Calcium, Magnesium). With this we ensure the continuous supply of soft water for the processing of emulsions, which require a high degree of purity.



6.3 Press Filter Improvements

In order to obtain the HACCP (Hazard Analysis and Critical Control Point) certification, the press filter was relocated, and several adjustments were made to increase employee safety.



6.4 Installation of New Tanks

To meet increased demand for emulsions (the homogeneous mixture of wax dispersed in water), we installed two new 10-ton tanks, one made of carbon steel and the other of stainless steel. This project helped us increase the capacity of the emulsions area by 50%, which will satisfy current demand and prepare us for future growth.



6.5 New Laboratory

An area of 320 m² was acquired for an R&D laboratory for emulsions, natural waxes, and analytical chemistry. Two new meeting rooms and new offices were also added for key personnel.



7. HUMAN RIGHTS

At Multiceras we are not just a company; we are an organization – that is, a group of people working towards a common goal. In this sense, protecting human rights is fundamental to maintaining our integrity and ideals as a socially responsible company. We respect and adopt the principles of the Global Compact as a mutually beneficial objective in our operations, and we support the protection of the rights of individuals, not only from our employees but from all those over whom we have influence.

In accordance with the Sustainable Development Goals, we are committed to never being accomplices in the violation of these rights, and we have created and continuously monitor mechanisms within Multiceras that combat discrimination, harassment, and inequality through the promotion of communication, health, education, and professional development.

Multiceras supplies the wax that our sister company Aztec Plumbing uses to make its wax rings. The two companies share Administration, Human Resources, and Social Responsibility departments, so many of the following targets are common to both.





7.1 Employees

7.1.1 Communication and Transparency

We firmly believe that communication and transparency at work is vital, as it is very important that employees are focused on organizational objectives.



a) 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. All complaints received are handled confidentially and, depending on the complaint or suggestion, are resolved immediately or included in an action plan, which is monitored by the Social Responsibility department.

b) Breakfast with the CEO

In order to encourage greater communication between the areas and to learn about employee concerns first-hand, breakfasts are held periodically with our CEO and two members of the administrative team. During 2017 three breakfasts were organized with 39 employees who shared their expectations, experiences, and concerns. The Human Resources department has followed up on the 24 issues that were raised during the breakfasts of which 67% have been resolved as of this writing.

c) 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.

d) 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 plays a vital role in our day-to-day operations, and we are committed to maintaining and promoting this value among all employees. We have strict regulations, which are constantly promoted and mandatory for all staff. Each new hire is required to undergo induction training on our Safety Policy, as well as follow-up training.



a) Fire-Fighting System

We have had a fire-fighting system since 2014. We perform regular tests and fire drills. An outside contractor performs quarterly maintenance.

b) Health and Safety Committee

Multiceras has a Health and Safety Committee registered with Mexico's Ministry of Labor and Social Welfare in compliance with NOM-019-STPS-2011. The committee's mandate is to safeguard life and preserve the health and physical integrity of our workers. In 2017 four inspection tours were undertaken, and 89% of all findings were resolved.

c) 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. In 2017 we achieved a compliance percentage of 91.03%, as assessed by Ministry of Labor and Social Welfare personnel.



d) Safety Drills

During 2017 two evacuation drills were carried out with simulated fire scenarios in warehouse areas. The drills took place on February 10 and May 12, and we invited the following emergency bodies to attend: Civil Protection of the State of Nuevo Leon, Civil Protection of Garcia, Nuevo Leon, and Firefighters of Garcia, Nuevo Leon. Our First Aid, Evacuation, Search and Rescue, and Firefighting brigades participated in these drills.



e) Lifeline Installation

In the pipe unloading area, a mobile arm with a retractable lifeline was installed to ensure the integrity of the personnel who work at heights during the discharge of pipe material. This device minimizes the fall factor, reducing the risk of injury.



f) Safety Training

Multiceras has four emergency brigades:

- Evacuation
- Search and Rescue
- Fire Combat
- First Aid

In 2017, 200 staff received 673 hours of total training in one or more of 12 brigade-related courses.



g) 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.

h) Medical Examinations

In January 2017 medical examinations were offered to all operational and administrative personnel. Blood tests, X-rays, audiometry, spirometry, and a general health examination were performed. A doctor gave the results to each employee, and the nurse was in charge of following up where appropriate.

i) Smoke Free Installations

In order to protect the health of our employees, since January 1, 2016, smoking has been prohibited on company grounds.



j) Establishment of a Nurse Office

In 2017 we started a nurse service. We provide an office near the reception area where a registered nurse monitors the health of all employees and provides first aid. The nurse is also responsible for assessing contractors to ensure that they are fit for their work.





7.1.3 Personal and Professional Development

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



a) Training

Professional development within the organization is very important, which is why we seek to keep employees up-to-date in their respective areas.

David Estrada
 Certificate in Industrial Environmental Protection
 (IPA Instituto para la Protección Ambiental de Nuevo León)



I have been part of Multiceras since July 2016, as Health and Safety Leader. During the last quarter of 2017 the company gave me the opportunity to take part in the Industrial Environmental Protection course. This course has been of great help to improve my work in relation to the care of the environment and legal compliance, and thus improve our environmental performance for our workers, the community, and our planet. I am committed to applying what I have learned and to continuing to grow professionally.

	2015	2016	2017
COURSES	89	120	76
HOURS	840	1517	5780
TOTAL INVESTMENT (MXN)	\$880,353	\$771,743	\$1,522,028

b) Scholarships

Multiceras has a scholarship program for employees. This year we provided six English scholarships, one technical school scholarship, and one master's degree scholarship.

Yessica Maritza Valencia Luna
 Studying English



I joined Multiceras in February 2017 as a shift leader in the production area. I am grateful to Multiceras for accepting my request for a course to improve my English. This opportunity has encouraged me to continue with my studies and to improve my job performance. I feel more confident when I have contact with our foreign clients during visits and tours within the company and communicate more effectively.



c) Activities and Events

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

Events are also held to celebrate important dates where all employees are invited to attend along with their families. A total of MXN\$504,361 was invested in activities in 2017.

ACTIVITIES

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



EVENTS

- Children’s Day and Mother’s Day
- End of the Year Celebration



d) Running Club

We have a running club named “MAZ + RUNNERS” where Multiceras sponsors 50% of the race registration fee for each employee and one family member. In 2017 the club participated in 12 races, with a total of 200 registrations.



e) Football Team

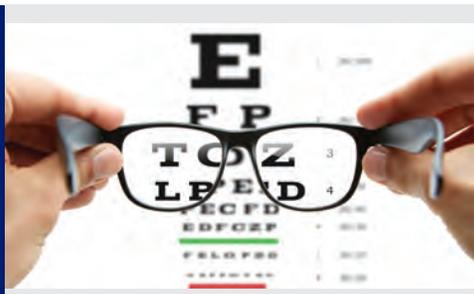
Since 2011 we have sponsored a soccer team in the Lomas Soccer league in Garcia, Nuevo León, by donating uniforms and the registration fee. This initiative encourages teamwork among employees while having a positive impact on their health and fitness.





f) Benefits

The quality of life of our employees and their families is of vital importance for the company, which is why we offer a range of benefits superior to those required by Mexican regulation.



Vision

A Visual Health campaign is organized every year, where Multiceras invites different suppliers to perform a vision assessment on all staff. In 2017 39 people were provided with eyeglasses, representing an investment of MXN\$31,200.

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 2017, 30 children benefited from this program, representing an investment of MXN\$38,000.



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 2017, 12 employees made use of this facility.

Christmas Present Bonus

Every December Multiceras gives a MXN\$450 Christmas present to employees' children under the age of 12. In 2017, 93 children were given the present, representing an investment of MXN\$41,850.

Birth, Death, and Marriage Support

- **Birth:** A cash bonus is given to employees who have a new baby. Twelve employees received this bonus in 2017.
- **Death:** When an immediate family member of an employee dies, a cash bonus is given to help with expenses. Five employees received this bonus in 2017.
- **Marriage:** A cash bonus is given to employees who get married. Three employees received this bonus in 2017.

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. During 2017, 63 employees participated, achieving the total loss of 285 kg, which constitutes an improvement of 85% against last year's results of 154 kg.

To motivate employees to meet their personal goals to lose weight, in September we launched a contest called Challenge 87. Each week, the 34 participants went to the nurse to follow up on their weight. The challenge lasted 87 days, and winners were awarded cash prizes and days of paid leave.

Anti-stress Massages

This year we started an anti-stress massage program for administrative staff. Every month, a masseuse from the National School of the Blind comes to our facilities to provide 20-minute massage to employees.





7.2 Candelilleros

One of our most popular products is candelilla wax, which is made from an indigenous plant that grows wild in the Chihuahuan Desert. The well-being of the Candelilleros who harvest the candelilla plant and extract its wax is fundamental to our operations. In 2017 we implemented several strategic social responsibility projects to support the communities where these rural producers live, providing them with economic opportunities through self-employment, promoting education, and linking them to critical social services.



7.2.1 Candelilla Region in Mexico

The Chihuahuan Desert 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 Candelilleros dedicated to the extraction of Candelilla wax.



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 an office in Saltillo, as well as a storage facility in Cuatrociénegas, which is where much of the candelilla wax is produced.

We support our Candelilleros by installing a paila (a rectangular metal container where the candelilla wax is processed) and providing them with the chemical agent that is used for the extraction of the wax, either sulfuric acid or citric acid. In addition, they are provided with a cutter, which is a metal tank where they semi-refine the wax.

7.2.3. Sustainability of the Candelilla Plant

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 we provide the Candelilleros with advice, training, and financial support to obtain this permit.

In 2017 Multiceras increased its agri-business personnel, and we now have 12 forestry technicians dedicated to managing harvesting permits. These technicians work closely with candelilla wax producers to ensure the permits are carried out in accordance with SEMARNAT standards.



7.2.4 Decent Working Conditions

One of the variables that directly influences Candelilleros' quality of life is the income they receive for what they produce. During 2017 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 by providing them with training and equipment. Multiceras also helps producers to adopt better and safer production practices.

In 2017 Multiceras invested MXN\$2,950,000 in the following activities:

- 43 technical studies
- 40 hours of training on forest regulation
- 40 hours of training in candelilla plant reforestation,
- Installation of 75 new pailas
- Repair of 20 pailas



Additionally, Multiceras helped to carry out technical studies in five communities with resources contributed by CONAFOR (National Forestry Commission). We also participated with CONAZA (National Commission of Arid Zones) to equip three extraction modules that included a laminated roof, concrete floor, hoist, and cyclonic mesh, which benefited 20 Candelilleros.

7.2.5 Production Incentives

In December 2017, 581 food baskets were delivered to Candelilleros who sold us 600 kg or more of wax throughout the year. We also offer our candelilla collectors (those who collect the extracted candelilla wax from the Candelilleros) with economic incentives for their services. In total we invested MXN\$152,220 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 2017, 25 communities completed the training process in the use of citric acid. We now have 45 communities in total enabled with this new extraction agent, and we plan to expand to at least 10 other communities in 2018.





7.2.5 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 2017, 382 Candelilleros were enrolled in the program. So far, eight Candelilleros have retired and are receiving their pensions.

In March 2017 L'Oréal and Multiceras entered into a candelilla sustainable sourcing agreement with INNOVAGRO as verifier. The agreement has two objectives: 1) to increase Candelilleros' quality of life through access to IMSS benefits, and 2) to improve safety conditions by substituting citric acid for sulfuric acid in the wax extraction process.



L'Oréal and Multiceras each pay 50% of the cost of participating Candelilleros' social security contributions. In addition, L'Oréal pays any incremental cost associated with the use of the safer citric acid (instead of sulfuric acid) for the candelilla wax it purchases. The objectives for the first year of the agreement were met. Multiceras is proud to work with global sustainability leader L'Oréal.

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: Small Citizens Program

In collaboration with the organization Educating Entrepreneurs (Formando Emprendedores in Spanish), our staff had the opportunity to participate in their Small Citizens (Pequeños Ciudadanos in Spanish) program, which is dedicated to spreading a culture of lawfulness in elementary schools in the Monterrey metropolitan area. In 2017 seven of our employees volunteered at two schools in Garcia, Nuevo León, teaching a six-week course on lawfulness in four Grade 5 classrooms. We hope to continue participating with this project in the future.



7.3.2 Donations

a) Nuevo León Firefighters

Multiceras financially supports the Nuevo León Firefighters. This year MXN\$16,000 was donated to purchase equipment for Garcia's second fire station, which is located near the company.



b) La Gran Familia

For some years we have donated to the Big Family (Gran Familia in Spanish), a civil association in Monterrey, Nuevo León, whose mission is to ensure the well-being of and protect the rights of minors living in highly vulnerable situations.



Since 2014 the Families of Love project has placed children with adoptive or foster families. In 2017 we donated MXN\$10,000 that was used for the maintenance of 70 children. We hope to continue helping them in the future.

c) Football Soccer Uniforms

A football soccer team was formed in our office in Saltillo, Coahuila, with employees and students who help with sampling activities. They requested our support to buy their uniforms.



d) Support for victims of the earthquake

In support of all the people who suffered damages during the September 2017 Mexico City earthquake, our employees donated non-perishable food, first aid supplies, and protective equipment. We allied with the organization Volunteers of Monterrey (Voluntarios Monterrey in Spanish) to take everything collected to the areas that needed it.





7.3.3 Donations to the Candelilla Region

a) 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.



2015

125 school kits

Children from 5 communities

2016

154 school kits

Children from 6 communities

2017

211 school kits

Children from 13 communities

b) Christmas Presents

All Multiceras employees were invited to donate a gift or cash for the Christmas presents for children in 20 Candelillero communities. There were also packages for seniors. The children's package consisted of a toy and items to mitigate the cold (jacket, hat, gloves and scarf), while the seniors received articles to mitigate the cold.

	2015	2016	2017
CHILDREN	47	78	196
SENIORS	16	22	24
EMPLOYEES WHO DONATED	19	43	51
PRESENTS	298	478	1076



c) Donation of blankets

The Red Cross of Saltillo, Coahuila, invited us to participate in its Christmas in the Field campaign. We donated 100 blankets that were distributed in communities in Ramos Arizpe, Coahuila.





d) Volunteering

In July 2017, we volunteered at Ezequiel Chávez Elementary School, in the Cosme community of Coahuila. After inviting all staff, 27 employees and their families gave their time and dedication to personally assist the community and perform maintenance and painting tasks for the school.

To determine what work needed to be done, our volunteers visited the school first to meet with teachers and parents, who were invited to participate hand-in-hand in the improvement of their school.



e) Yokozeki Donation

In 2016 our Candelilla wax client Yokozeki generously offered a donation to help Candelillero communities. This year they again decided to donate US\$4,300 to support two Candelillero communities: Cosme and Noria La Sabina in Ramos Arizpe, Coahuila.

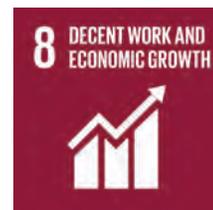
The money was used to buy material to improve the Ezequiel Chávez and Morelos schools. Three rigid roofs were also installed in pailas, with the aim of protecting Candelilleros from the weather when extracting candelilla wax. Additionally, in Cosme, a pump was financed to extract water from the community's dam. Several Yokozeki employees visited the communities to better understand the wax extraction process and to get to know the communities they were aiding and see the improvements they were helping to implement.





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, as well as 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.

a) Code of Conduct

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



RESPECT

means honoring ourselves, others, and the environment that sustains us all.



SAFETY

guides our behavior and demands that we be vigilant in minimizing risks and preventing accidents.



EXCELLENCE

drives us to perform at our highest level.



COMMITMENT

motivates us to give our all to the team and trust that we can achieve our goals together.



CREATIVITY

inspires us to generate ideas, push boundaries, and discover original solutions.



DILIGENCE

spurs us to execute tasks with effort and care, attending to details large and small, and achieving the best possible result.



b) 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.

The policy assures employees that all cases will be treated confidentially, and that there will be no negative consequences for complainants or witnesses.

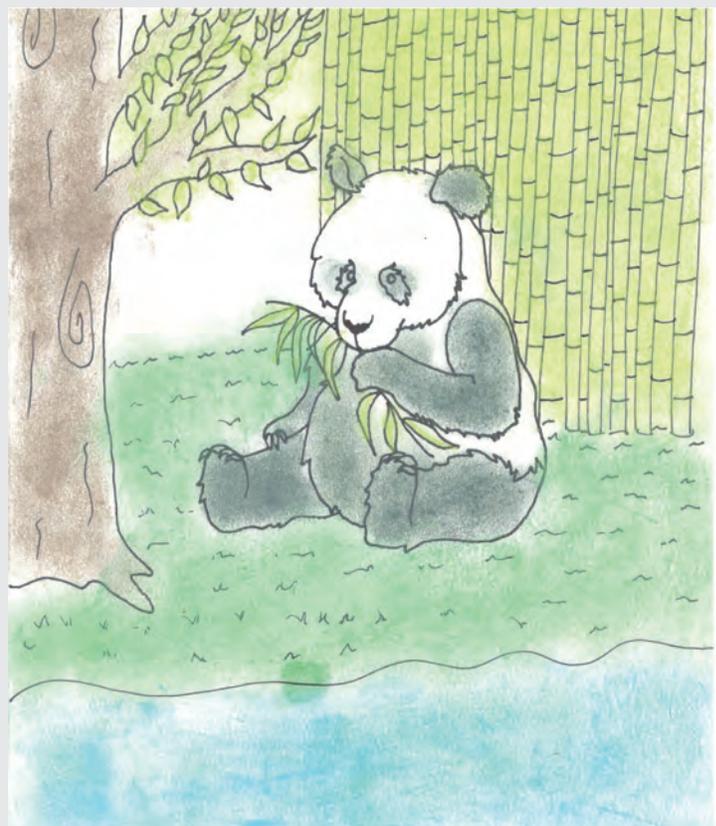


c) Internal Labor Regulations

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

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

Multiceras 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.



Fernando Emmanuel Solís Aparicio
4 years old, son of Melissa Karely Aparicio Valdez



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.

Mariana Zoe Díaz Tovares
11 years old, daughter of Francisco Díaz



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.

a) Hiring

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

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



b) 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.

c) Acknowledgements

An annual acknowledgement is given to employees who have excelled in the implementation of our organizational values in their daily work. The following outlines the selection process for each award:

- **Commitment and Diligence**—Performance evaluations are reviewed, and managers make recommendations.
- **Excellence, Respect and Safety**—Team members are asked to vote for colleagues who have excelled in any of these values and are an example to follow.
- **Creativity**—This award is given to a person who has designed and implemented an idea or project that is innovative, strategic, and especially creative.

WINNERS 2015

Commitment	Miriam de Muga
Commitment	Abundio Villanueva
Commitment	Macario Hernández
Quality	José Antonio Pérez
Quality	Roberto Rebolledo
Creativity	Carlos Aldana

WINNERS 2016

Commitment	Karen Lozano
Commitment	Juan A. Trespalacios
Creativity	Daniel Ibarra
Excellence	Carina Ramos
Excellence	José Antonio Pérez
Diligence	Héctor Hernández
Diligence	Hugo Rodríguez
Diligence	Juan Reta
Respect	Carlos Medellín
Respect	Simón Meléndez
Safety	Rocío Sepúlveda
Safety	Salvador Navarro

WINNERS 2017

Commitment	Luis Enrique Mendoza
Commitment	Saúl García
Commitment	Julio César Alvarado
Commitment	Rosalinda Cordero
Creativity	Ignacio Sayago
Excellence	Simón Meléndez
Excellence	Juan Reta
Excellence	Carina Ramos
Diligence	Jorge Alberto Espinoza
Diligence	Maximino Juárez
Diligence	Gudelia de León
Respect	José Antonio Pérez
Respect	Rocío Sepúlveda
Safety	Héctor Montejano
Safety	David Estrada



"It is an honor for me to receive the award of Excellence for the second year in a row, I am proud that my colleagues see this value in me, as it motivates me to continue striving for excellence, not only at Multiceras, but also in my personal life."

Carina Ramos
2016 and 2017 Employee Excellence Award Winner



d) 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.

	2015	2016	2017
5 years	1	3	5
10 years	3	1	1
15 years	2	-	4
20 years	1	1	2
30 years	1	1	-



Alejandro Canizales – 15 Year Award



“In 2002 I started working as a payroll assistant. Thanks to the support of my colleagues and the trust of my superiors, I had the opportunity to receive training and get involved in other activities in the administration area. In 2009 I was given the position of Comptroller, which represented a very important challenge as I was in charge of a team while also coordinating our Information Technology processes.

Since 2013 I have held the position of Administration and Finance Manager, where I seek to contribute my knowledge to the achievement of the company's objectives. Belonging to the Multiceras family these 15 years has meant a lot to me personally and professionally. I thank the Board of Directors and my colleagues for the trust placed in me. I hope to reciprocate, continue learning, and share my knowledge to benefit the growth of the company and all those who work here.”

e) 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: 33% of our administrative staff are women, and 62% 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

At present we are living with the consequences of a linear production model characterized by excess demand for resources, water stress, and incessant pollution. The transition to a society that is friendlier to the environment and respectful of natural resources is one of the greatest challenges of our time. This is why we continuously strive to make the most of our resources and reduce our waste.



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

In the year 2017 we had an increase of 47% in the production of emulsions, which caused a similar growth in water consumption. In terms of gas, we had a consumption reduction of 8%, as a result of lower demand for our solid products.

9.1.2 Energy

The reduction in energy consumption in all operations not only brings significant benefits to the environment, but also results in competitiveness by reducing costs. During 2017 the demand for some of our products increased, so we increased the capacity of an electrical substation from 300 kVA to 750 kVA, taking advantage of the power factor in peak demand, as well as creating capacity for future growth.

We also installed 18 50-Watt LED reflectors in our raw materials warehouse, improving lighting and eliminating the use of incandescent lamps. These lamps consume 60% less electrical energy.



9.2 Climate Action

In October 2017 Dr. Rodolfo Morales Ibarra gave Multiceras employees a talk on Global Warming and the Climate Crisis. Dr. Morales received his training as a volunteer with The Climate Reality Project from former US Vice President Al Gore. Volunteers on this project have a mission to inform the public on this topic and possible solutions in their communities.

9.3 Environmental Responsibility

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

- **COA** – Annual Operating Certificate (It includes air emissions report, sewage water and dangerous residues)
- **DAR** – Report of wastewater discharge in accordance with the provisions of the norm NOM-002-SEMARNAT-1996.
- **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.



9.4 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.

9.4.1 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.

9.4.2 Reuse

Remanufactured Print Cartridges: 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.

9.4.3 Recycle

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

	2015	2016	2017
Pallets (wood)	2,619 pieces	3,690 pieces	4,751 pieces
Cardboard	26,731 kg	31,203 kg	34,233 kg



9.4.4 Green Week Campaign

To commemorate World Environment Day (June 5), all employees were given a reusable water bottle, and 25 employees received a tree to plant.





9.5 Candelilla Plant Domestication Project

In March 2017 we began a domestication and acceleration of the growth of the candelilla plant (*euphorbia antisiphilitica*) project for the production of wax using the abiotic stress technique.

The objectives of this project are to:

1. Identify macro elements to use as fertilizers to accelerate and induce the production of biomass in the candelilla plant and explore the possibility of using wastewater from Candelillero communities as a water supply for the crop.
2. Establish conditions to induce abiotic stress in candelilla at the field level during the rainy season.
3. Discover genetic lines of candelilla that perform better.

9.6 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
- 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.

As a result of the monitoring project of these plantations, it was concluded that the plants with the highest survival rate are located in higher altitude areas above sea level, such as Las Ánimas, which is 1,890 meters above sea level. Regarding the number of stems or rods, better results are obtained using at least 20 stems with rhizomes. In 2018 the aforementioned plantations will continue to be evaluated to determine the rate and causes of mortality, as well as regrowth, in order to have more data on better reforestation techniques.





9.7 Drawing Contest

As in previous years, in 2017 we organized a drawing contest for employees' children. The contest helps to promote family values, and participants are invited to reflect on the environment. This year the theme was Animals in Danger of Extinction, and we had a record number of participants, with 42 children up to 12 years old submitting their work.

The winners in 2017 were:



Gerson Ismael Gallardo González

6 years old

Most original drawing prize

We liked his drawing very much because in addition to drawing a Mexican Gray Wolf with great skill, he explained that this animal symbolizes Chantico, the pre-Hispanic goddess of fire.



Alondra Abigail Rangel Vázquez

11 years old

Most artistic drawing prize

Her drawing is excellent, and Alondra included various details, such as feathers and tree leaves from the habitat of the Red Macaw.

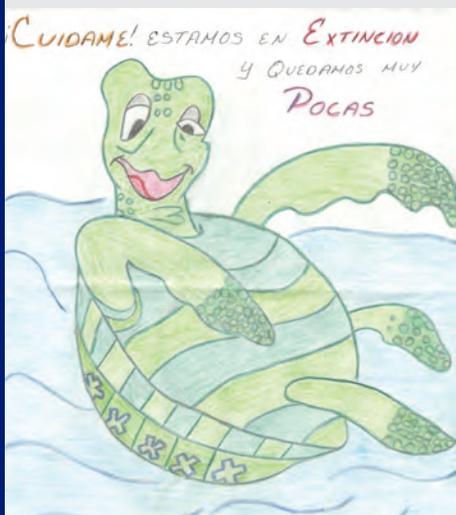


Luis Sámano Saavedra

11 years old

Most scientific drawing prize

Luis included an explanation of the plight of the habitat of the Macaws and why they are in danger of extinction.



Dactima Yuriria Arroyo Santos

9 years old

Most colorful drawing prize

We chose her drawing because she used the whole range of greens and blues, achieving a very nice drawing with a funny turtle.



10. ANTICORRUPTION AND FAIR TRADE

Corruption and abuses seem to be inherent in government. However, these would not be possible without the protection of the population and the companies that facilitate and sometimes promote it. As part of our ideals, our values, and the principles of the Global Compact, we categorically reject any kind of corruption, extortion, or bribery.

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 these issues. 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

We have specific objectives for our customers and suppliers. We are aware of the important role these stakeholders play in the success and permanence of our company, and this is why we seek to establish greater clarity in business relationships.



10.5.1 Customers

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

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





10.5.2 Suppliers

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

- a) We have a supplier selection process in which we evaluate value propositions and choose the most suitable supplier for our requirements.
- b) Approximately 75% of our suppliers are Mexican, which helps to promote the local economy.
- c) We are constantly working with suppliers to improve products, processes, and prices to the benefit of both parties.
- d) We make and receive plant visits for current and potential suppliers to confirm capacity and standards that may be needed to meet future customer requirements.
- e) We attend wax conferences organized by the American Fuel & Petrochemical Manufacturers, attend the annual meeting of the European Wax Federation, and cultivate vendor relationships at these events.
- f) We encourage open communication at all levels of the company: buyer, purchasing manager, CEO, and president.
- g) 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 and CEO
- Fernando Montaña – CEO (November 2012 – January 2018)
- Francisco Díaz – Chief Operating Officer
- Juan Carlos Martínez – Human Resources Manager
- Carlos Medellín – Agribusiness Manager
- Jesús Lozano – Operations Manager
- Carlos Aldana – Supply Chain Manager
- Avril Zamora – Commercial Manager
- Alejandro Canizales – Financial Manager
- César Romero – Process Engineer
- David Estrada – Safety Leader
- Lizeth García – Industrial Relations Leader
- Hugo Rodríguez – Administrative Coordinator
- Miguel Castellanos – Natural Waxes Researcher
- Yessica Valencia – Shift Leader
- Carina Ramos – Customer Service Coordinator
- Marycarmen Cirilo – Market Intelligence Leader
- Mireya Marmolejo – Sustainability Leader
- Yesenia Yáñez – Social Responsibility Leader (September 2015 – January 2018)
- Aldo Rodríguez – Social Responsibility Leader (January 2018 to date)

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



Luis Roberto Valencia Juárez
7 years old, son of Josefina Juárez Rodríguez



Esteban Martínez Morado
10 years old, son of de Juan Carlos Martínez