



Aztec Plumbing

Our quality behind your brand

5th ANNUAL SUSTAINABILITY REPORT 2017



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1. COMMERCIAL MANAGER'S COMMITMENT LETTER

Dear Friends:

I am pleased to announce that this is our fifth consecutive year of adhering to the UN Global Compact and its Ten Principles. During 2017 we carried out projects that support these principles in our community and within our organization; we promoted the care of the environment and the protection of human rights and workers' rights; and we continued to combat corruption.

This year also brought great challenges for our company, which we treated as opportunities to move forward through the efforts and commitment of our employees who continually strive for excellence.

The implementation of a new Strategic Management System has helped us continue to improve and grow as a more structured and professional company, facing new market challenges and meeting our goals and objectives every day.

We are pleased to provide you with this summary of all of our social responsibility projects this year and reaffirm our commitment to the Global Compact.

Cordially,



Edgar G. Contreras Castillo
Commercial Manager



2. ABOUT US

Aztec Plumbing is dedicated to the manufacture of wax rings and other products for the plumbing industry. It belongs to the Multiceras Group, a wax operation specializing in the custom design and fabrication of natural, synthetic, and petroleum wax products for industrial applications. Our two production plants are located in García, Nuevo León, Mexico.

MISSION

At Aztec Plumbing we supply reliable, private-label products that generate prestige for 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 Multiceras 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.



The first production plant was established in Saltillo, Coahuila

1980

The company began producing wax rings for toilet installation

1985



A property was acquired in an industrial park in García, Nuevo León, where the current production plant was built

1991



Multiquim was sold to Noveon, Inc.

2002



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.

Our new plumbing product portfolio was launched

2015

1983

The plant was relocated to Santa Catarina, Nuevo León



1990

The company was divided into Multiceras for the manufacture and commercialization of waxes, and Multiquim for the distribution of chemical products

2000

Aztec Plumbing began operations as an independent business unit



2012

Aztec Plumbing adhered to the Global Compact and began to present its sustainability reports the following year



3. AZTEC PLUMBING 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 by adhering to the UN Global Compact. In 2017 we completed five years of integrating social responsibility into our operations and strategic planning in alignment with the needs of our stakeholders.

One of the raw materials that our sister company Multiceras sells is candelilla wax. This product comes from the candelilla plant, which grows in the Chihuahuan desert and is collected and extracted by rural producers known as Candelilleros who live in remote areas with few resources. The Candelillero communities are considered a key stakeholder for both Multiceras and Aztec Plumbing, and many of our social benefit programs are organized to improve their living conditions.

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. Our Healthy Life program, which includes access to a nutritionist, has helped employees lose weight and increase their quality of life, as has our support of participation in athletic activities, such as monthly races and soccer leagues.

We have been able to benefit 911 children in the Candelillero region with school supplies and Christmas gifts. Multiceras organized a volunteer program to improve the conditions of a school in a Candelillero community in which Aztec Plumbing staff actively participated.

At Aztec Plumbing we believe that following The Ten Principles of the UN Global Compact will help ensure the future of the company, and we continue to promote activities that ensure respect for human rights, compliance with labor standards, the preservation of the environment, and the fight against corruption.



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 Aztec Plumbing 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

Aztec Plumbing 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.

Aztec Plumbing 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.



6. NEW PRODUCTS

We introduced several new products for the plumbing industry to complement our main offering of toilet wax rings. Some were developed by our research staff with our own technology, and we even patented our Plumber's Putty. Other products were sourced from carefully selected suppliers.

As always, our portfolio of products offers:

- Private label opportunities ("Our quality behind your brand"),
- Outstanding customer service, and
- Excellent performance.



Plumber's Putty

Creates a watertight seal around faucets and drains. It remains soft and flexible; is water- and gas-proof; and will not harden, shrink, crack, or crumble.



Pipe Joint Compound with PTFE

Forms a film of Polytetrafluoroethylene (PTFE) in pipe joint thread connections for lasting protection against leaks.



PTFE Thread Seal Tape

A white tape made from PTFE that creates a tight seal and permits easy disassembly.



Sand Cloth

Ideal for cleaning and polishing copper tubing for soldering, as well as many other plumbing applications.



Copper Fitting Brushes

Ideal for cleaning the inside of copper tubing and fittings prior to soldering.

7. HUMAN RIGHTS

At Aztec Plumbing 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 Aztec Plumbing that combat discrimination, harassment, and inequality through the promotion of communication, health, education, and professional development.

Multiceras supplies the wax that 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

Aztec Plumbing 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) 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.



d) Safety Training

Aztec Plumbing has four emergency brigades:

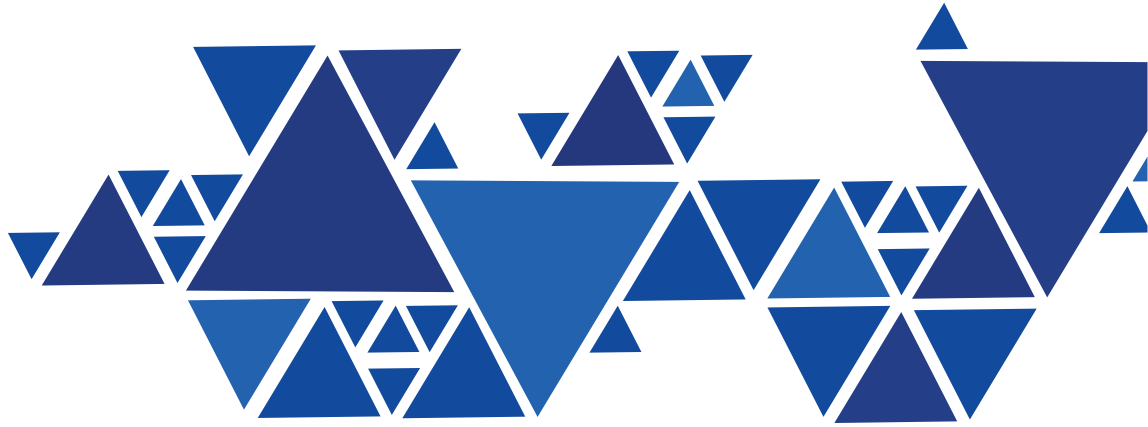
- Evacuation
- Search and Rescue
- Fire Combat
- First Aid

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



e) 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.



f) 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.

g) Smoke Free Installations

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



h) 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.

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



"One of the things that interested me the most about the Supervisor's Skills course was the situational leadership because I believe that the greatest responsibility I have is to develop the almost 50 people in my charge. I must identify at what stage of maturity each one is in order to lead them correctly to achieve the company's objectives. Personally, I learned: the tools for resolving conflicts, the way you should address yourself with people, how to motivate them to want to reach an objective, to give attention to the needs of each person, and to develop my emotional intelligence to make the best decisions in an objective way. At the end of the day, if you help people to develop and grow, everything else will work."

Claudio de la Garza
Supervisor's Skills Course



b) 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



c) Running Club

We have a running club named "MAZ + RUNNERS" where Aztec Plumbing 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.



d) Football Team

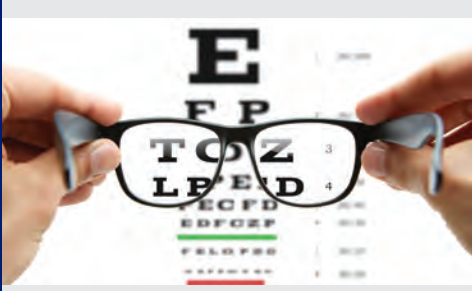
Since 2011 we have sponsored a soccer team in the Lomas Soccer league in Garcia, Nuevo León, by donating uniforms and the registration fee. This initiative encourages teamwork among employees while having a positive impact on their health and fitness.





e) Benefits

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

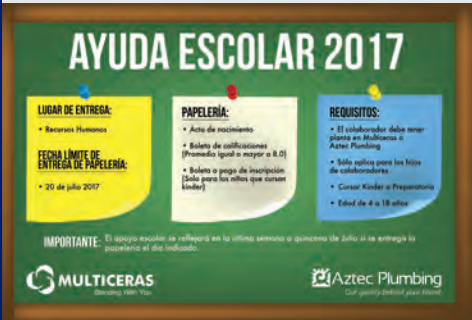


Vision

A Visual Health campaign is organized every year, where Aztec Plumbing 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

Aztec Plumbing 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

Aztec Plumbing 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. Aztec Plumbing 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 Aztec Plumbing 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 massages to employees.





7.2 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.



7.2.1 Donations



a) Down Association of Monterrey

Thanks to the invitation of one of our clients, we participated in a golf tournament organized by the Down Association of Monterrey. The mission of this association, which was founded in 1978, is to offer a support network to improve the quality of life of people with Down syndrome and their families. We demonstrated our support of this worthy cause through a donation of MXN\$30,000.



b) Nuevo León Firefighters

Aztec Plumbing 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.



c) 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 transport everything collected to the areas that needed it.

7.2.2 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	2016	2017
125 school kits	154 school kits	211 school kits
Children from 5 communities	Children from 6 communities	Children from 13 communities



b) Christmas Presents

All Aztec Plumbing 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.

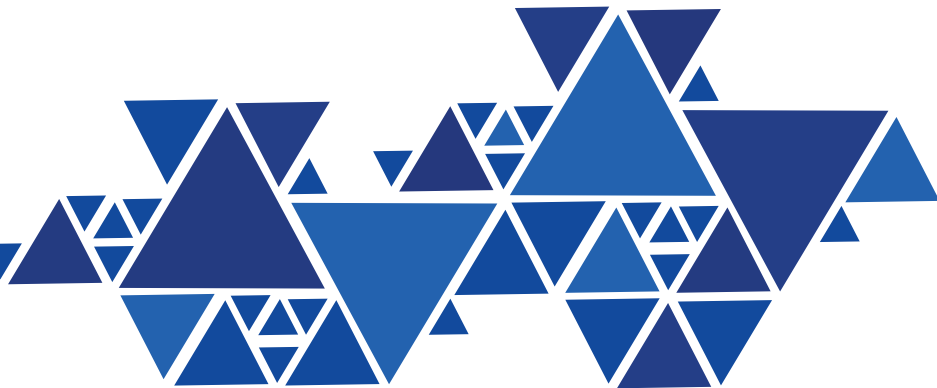
	2015	2016	2017
CHILDREN	47	78	196
SENIORS	16	22	24
EMPLOYEES WHO DONATED	19	43	51
PRESENTS	298	478	1076



c) 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.



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. Aztec Plumbing 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

Aztec Plumbing 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 Aztec Plumbing 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.



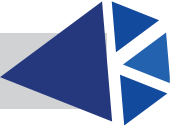
CREATIVITY

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.

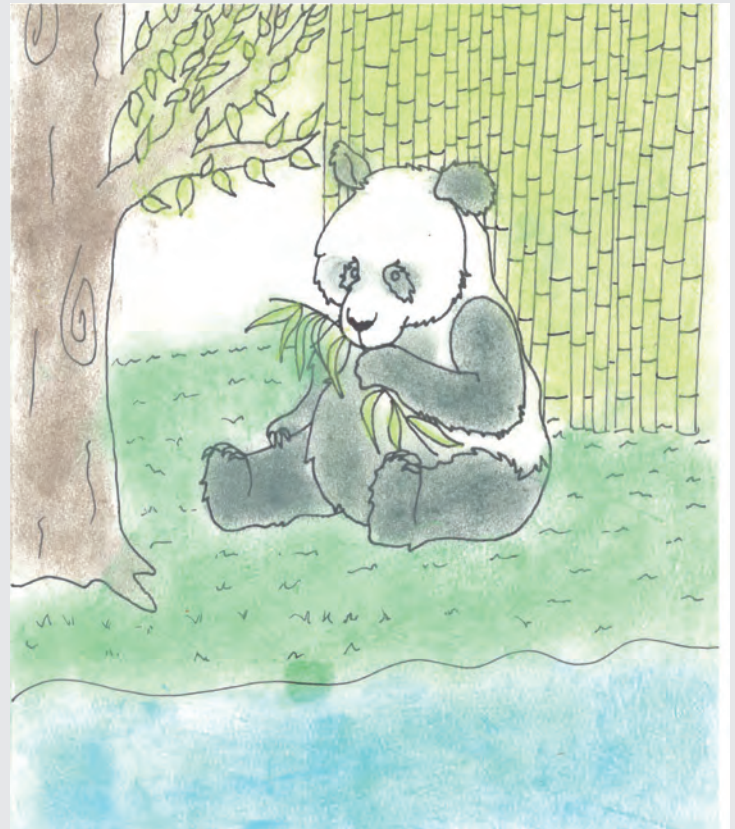


c) Internal Labor Regulations

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

Aztec Plumbing 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
Four-year-old son of Melissa Karely Aparicio Valdez



8.2 Freedom of Association

Aztec Plumbing 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

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



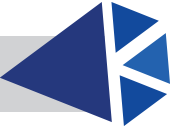
8.5 No Discrimination

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:

- The opportunity to fill the vacant position is first offered to employees through internal communications.
- If no suitable candidate presents him- or herself, we search outside the company.
- 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.
- 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.
- 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	Daniel Casas
Commitment	Ruth Garza Solís
Quality	Genaro Ramón Tapia
Creativity	Alejandra Villavicencio

WINNERS 2016

Commitment	Cristina Gallo
Commitment	Cruz María Salas
Excellence	Josefina Rosales
Excellence	Ma. Teresa Hernández
Diligence	Daniel Casas
Diligence	Ruth Garza Solís
Respect	Gerson Gallardo
Respect	María Blasa Salas
Safety	Claudio de la Garza
Safety	Genaro Ramón Tapia

WINNERS 2017

Commitment	Edgar Contreras
Commitment	Ruth Garza Solís
Excellence	Ma. Teresa Hernández
Diligence	Fabián Saracho
Diligence	Alejandra Manuel Cruz
Respect	Josefina Rosales
Safety	Genaro Ramón Tapia



"I am grateful that my colleagues have awarded me the Commitment Award, which makes me feel more committed to my work and in my day-to-day life. It also drives me to be a better person with my team members and my family. I am passionate about my work. Thanks to Aztec Plumbing, my colleagues, and supervisors for trusting in me."

Ruth Garza Solís
Employee Commitment Award Winner



d) Seniority Award

We are proud to have Aztec Plumbing 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.

Verónica Oviedo
15-Year Award

	2015	2016	2017
5 years	3	2	3
10 years	-	-	1
15 years	2	-	1

"It seems like yesterday when I started working at Aztec Plumbing. For me it was a new experience and a challenge. There is a lot of camaraderie here, both with my colleagues and with my supervisors. Here I have another family. I have never had problems; the work environment is very good. After 15 years, I'm still learning from day to day, both from my job and from my colleagues; it does not matter if they are new. My family is happy with my work, especially for the salary, savings, and benefits that I receive. I am grateful to Aztec Plumbing. I feel a great commitment to the company, so much so that in 15 years of service, I have not missed a single day."

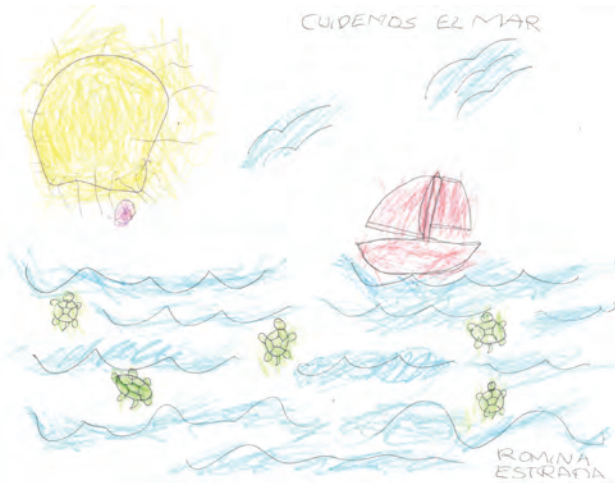
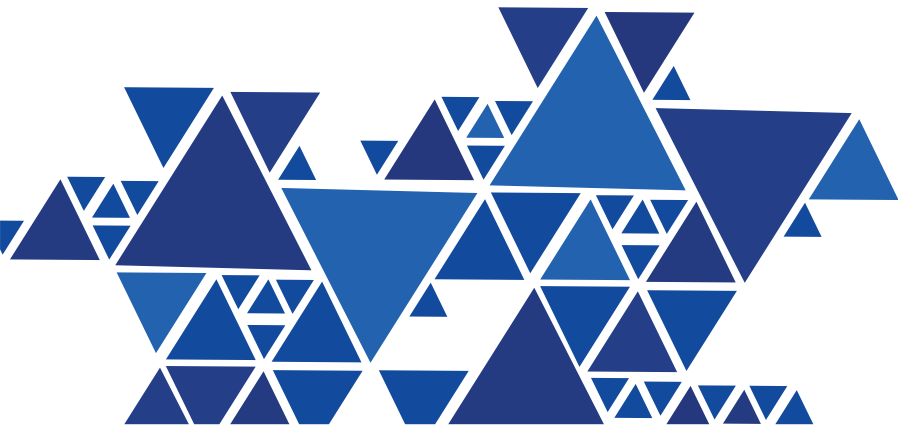


e) Termination of Employment

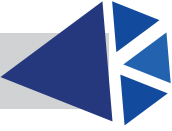
Aztec Plumbing has a procedure for job termination, either by the decision of the employee or the company. Human Resources is responsible for making the appropriate arrangements. It is also responsible for conducting an exit interview to ascertain the reasons for termination. A letter is given to the 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 — 82% of our personnel are women. In recruiting, hiring, promoting, rewarding, and terminating employees, we do not discriminate with regard to religion, ethnicity, sexual orientation, or social status.



Romina Estrada
Three-year-old daughter of David Estrada



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 and energy in our operations, as well as to make our processes more efficient so that these resources are used efficiently. In 2017 no special projects were made for water consumption, but some will begin in 2018.

9.1.1 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. In 2017 we were able to reduce our energy consumption by 5.24%.

ENERGY kWh

2015	135,411
2016	138,965
2017	131,680



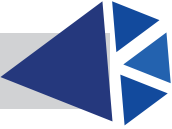
9.2 Climate Action

In October 2017 Dr. Rodolfo Morales Ibarra gave Multiceras and Aztec Plumbing 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 Aztec Plumbing we are committed to complying with the environmental legal framework that applies to our industry:

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



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

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

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

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 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.

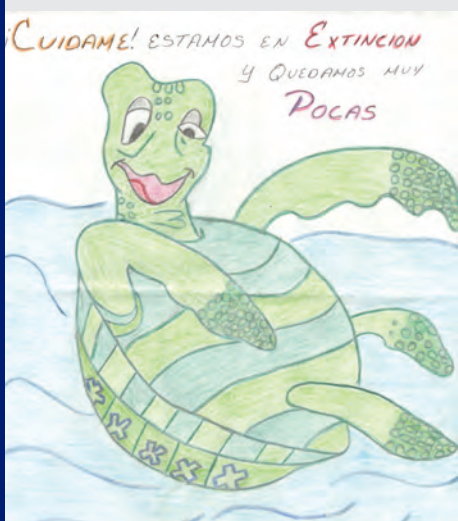


Luis Sámano Saavedra

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.

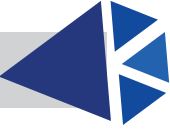


Dactima Yuriria Arroyo Santos

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 Aztec Plumbing 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

Aztec Plumbing 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.

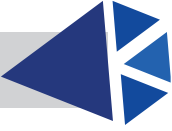


10.2 Conflict of Interest

Aztec Plumbing 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.

10.3 Software Copyright

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



10.4 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.

10.4.1 Clientes

Aztec Plumbing 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) More than 80% of our customers give us positive feedback on product price, quality, and performance, as well as order fulfillment and customer service.
- c) We set contribution margins to allow us to be competitive in the markets we serve.
- d) According to customer needs and specifications, contracts are established, or purchase orders are created.
- e) If an order does not meet a customer's specifications our quality team follows a protocol to solve the problem.
- f) For international sales, all legal requirements are verified and met to export our products.
- g) We participate in plumbing industry trade shows and exhibitions at which we showcase our products.



10.4.2 Suppliers

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

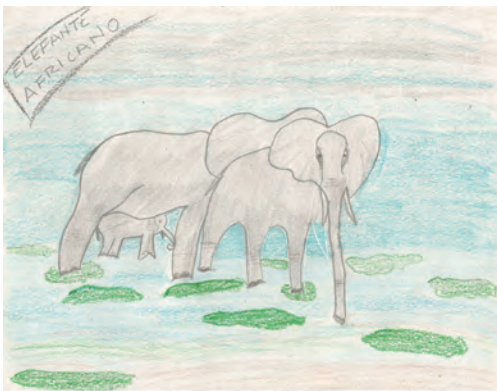
- a) We have a supplier selection process in which we evaluate value propositions and choose the most suitable supplier for our requirements.
- b) Approximately 95% of our suppliers are Mexican, which helps to promote the local economy.
- c) We are constantly working with suppliers to improve products, 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 encourage open communication at all levels of the company: buyer, purchasing manager, director, and president.
- f) 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
- Edgar Contreras – Commercial Manager
- Fabián Saracho – Operations Manager
- Juan Carlos Martínez – Human Resources Manager
- David Estrada – Safety Leader
- Lizeth García – Industrial Relations Leader
- Maximino Juárez – Accounts Payable Leader
- Hugo Rodríguez – Administrative Coordinator
- Claudio de la Garza – Production Leader
- Ruth Garza – Production Supervisor
- Verónica Oviedo – Technician
- 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)



Luis Roberto Valencia Juárez
Seven-year-old son of Josefina Juárez Rodríguez



Esteban Martínez Morado
10-year-old son of de Juan Carlos Martínez