



**SUSTAINABILITY
REPORT**

2019



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PRESIDENT AND CEO'S COMMITMENT LETTER

GRI 102-10, 102-14, 102-15, 102-23

I am pleased to share with you our achievements as a company in 2019, a year in which we celebrated seven years of adhering to the Ten Principles of the UN's Global Compact.

These principles have been a **solid guide** at this stage of our growth as a **socially responsible company** that safeguards the **well-being** of our **stakeholders**.

The World Economic Forum's 2020 Global Risks Report* states that environmental concerns dominate the top long-term risks by likelihood. Three of the top five risks by impact are also environmental. At Multiceras, we believe that the best way to minimize and manage these environmental risks is through sustainability.

For example, we have begun to use green-energy technology in the manufacture of our products and in the optimization of our processes. We are also striving to help our customers achieve their impact-reduction goals. To this end, we have significantly reduced the use of plastic containers by switching to a tanker-truck delivery system for one of our industrial product lines, eliminating the packaging entirely. This not only optimizes our use of energy and lowers waste but also saves on costs, through more efficient loading, unloading, storage, and distribution.

The year 2019 was one that presented several challenges and lessons. Some of our customers had significant growth and opportunities to enter new markets, which in turn allowed us to grow as we responded to their needs with new formulations. Others faced uncertain markets and reduced their purchases, which prompted us to increase our capacity for innovation.

For Multiceras, offering value in a sustainable way is in our DNA. We are proud to continue to ratify our commitment to the Ten Principles of the UN's Global Compact and outline in this report our efforts and our commitment to sustainable development.

Yours sincerely,

Raúl Marmolejo Vélez
Multiceras President and CEO

* <http://reports.weforum.org/global-risks-report-2020/>





COMPANY PROFILE

GRI 102-1, 102-5

Multiceras S.A. de C.V. is a **Mexican corporation** specializing in the design, fabrication, and commercialization of natural, synthetic, and petroleum **waxes**, as well as related products for **industrial applications**.

The company is composed of an **interdisciplinary team** that promotes innovation and creativity, aligned with a **sustainability model** based on ethics, human rights, and respect for the environment.

MISSION

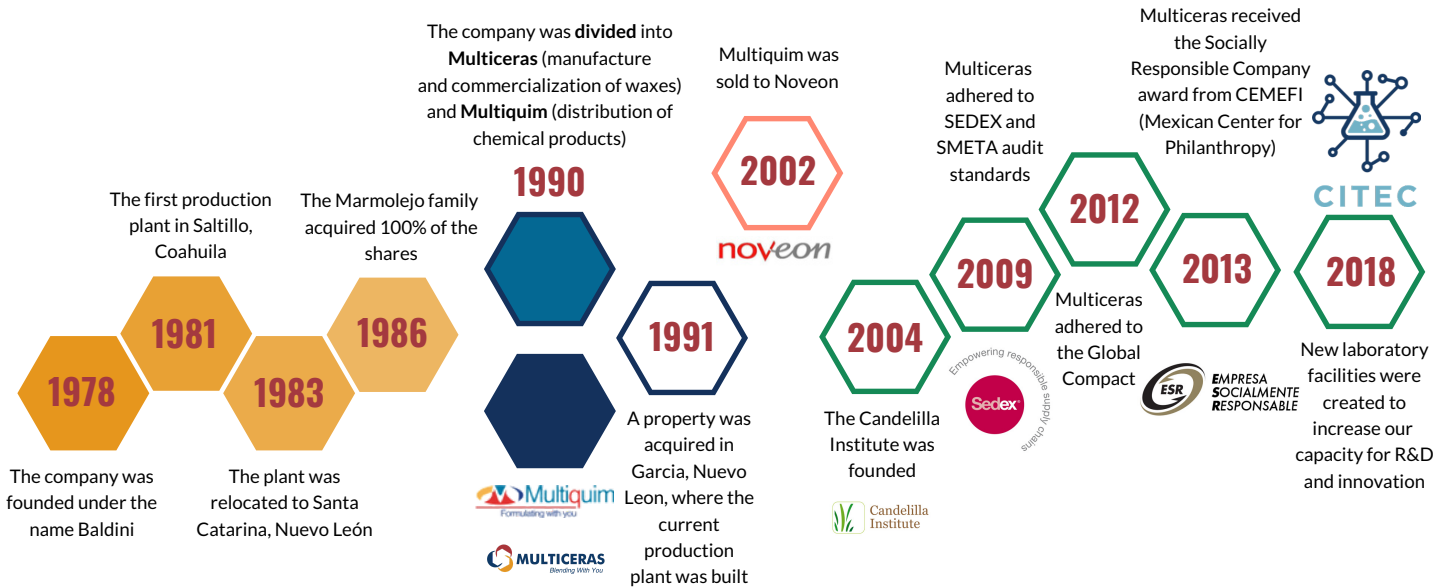
At Multiceras, we provide reliable and personalized solutions that contribute to the competitiveness of our customers.

VISION

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



HISTORY



41 years

OF CONTINUOUS IMPROVEMENT SERVING MORE THAN 30 INDUSTRIES

PRESENCE

GRI 102-3, 102-4

Our production plant is located in **García, Nuevo León, Mexico**. We have administrative offices in Cuatro Ciénegas and Saltillo, Coahuila, sales representatives in the Bajío Area and Mexico City, and distributors all over the world.

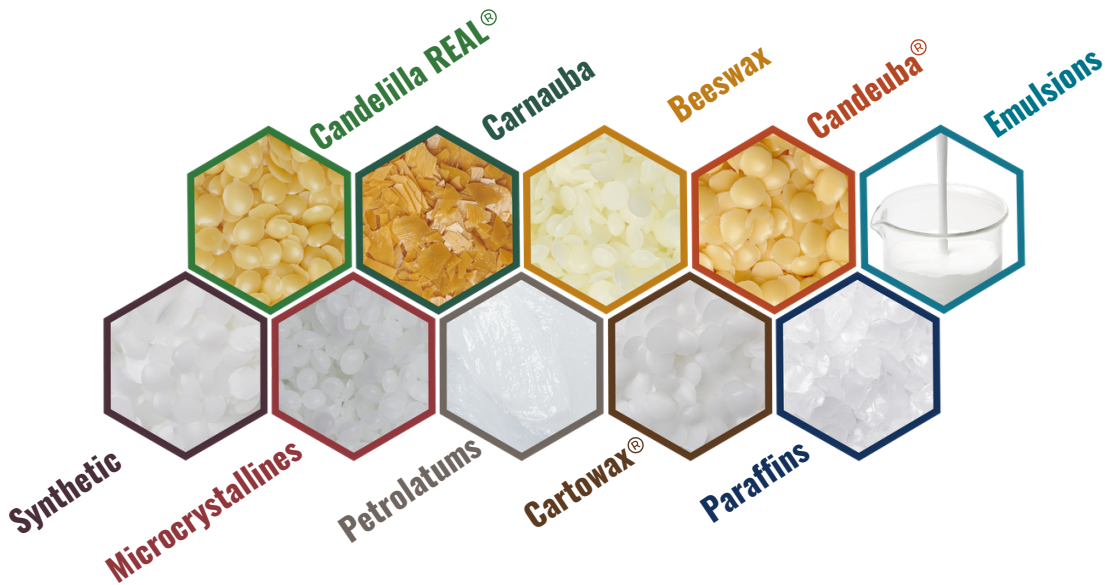
Distributors



PRODUCTS

GRI 102-2

We offer high-quality, innovative wax products.

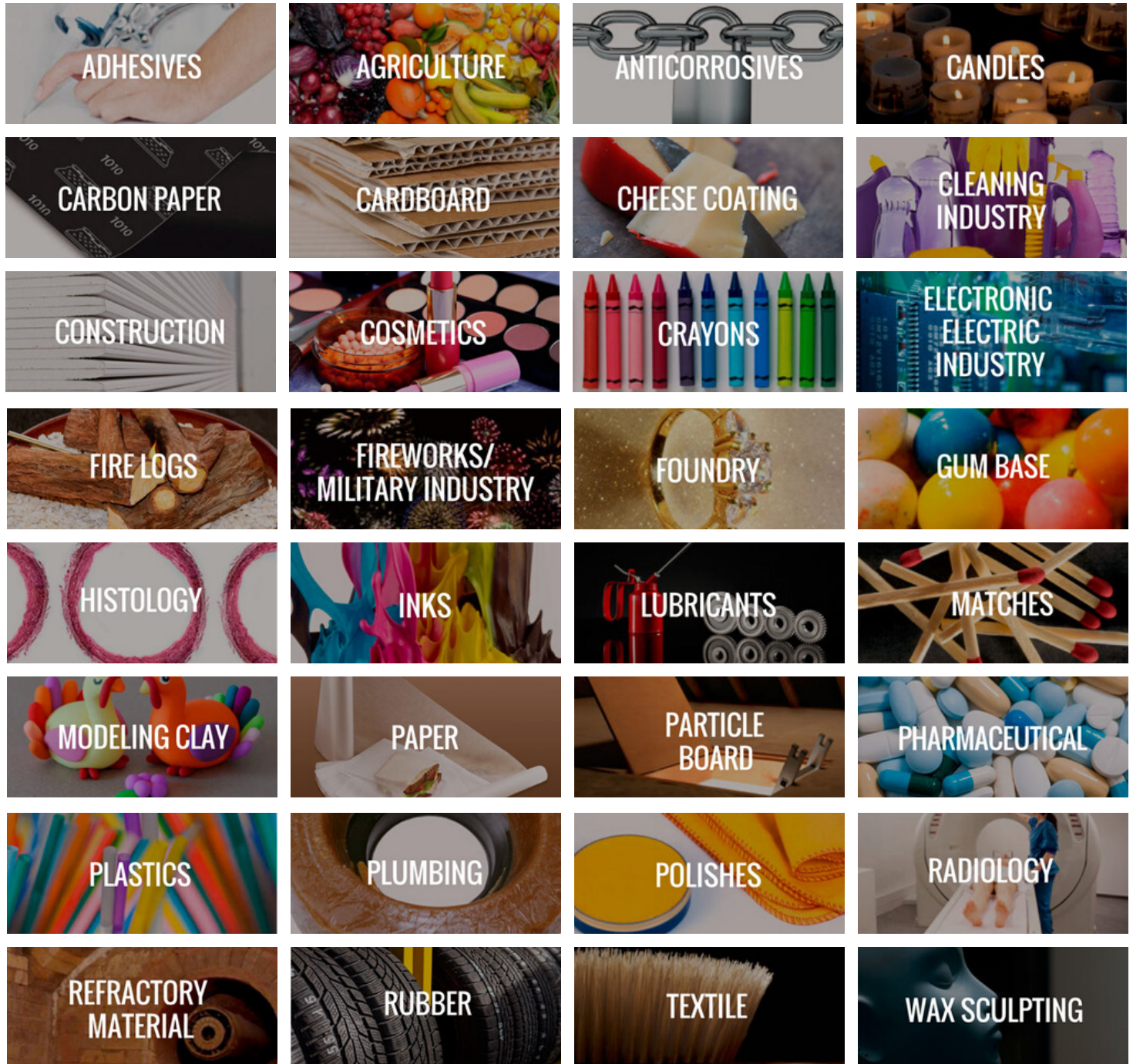


MARKETS

GRI 102-6



INDUSTRIES



ALLIANCES AND EXTERNAL INITIATIVES

GRI 102-12

We believe it is our **ethical duty** to contribute to the **social and economic development of Mexico**. Therefore, we **have undertaken** several initiatives and committed to international standards, such as the **2030 United Nations' Agenda for Sustainable Development**. We continually strive to **maximize the benefit of sustainability**.



2030 Agenda for Sustainable Development

We develop processes and activities with a focus on sustainable development goals, such as:



United Nations Global Compact

Since October 2012, we have adhered to the Ten Principles of the UN Global Compact regarding human rights, labor, environment, and anti-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.



Ethical Trading Initiative

To adopt international standards regarding ethical trading, we have included the ETI Code in our policies.



**Ethical
Trading
Initiative**

For workers' rights.
For better business.

Affiliation to Associations

GRI 102-13

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:



**Industry and Transformation
Chamber of Nuevo Leon*



CANACINTRA

**Industry and Transformation
National Chamber*



**European
Wax Federation**



Coahuila

**Coahuila's Government
Candelilla Committee*



SUSTAINABILITY



CORPORATE GOVERNANCE

GRI 102-18, 102-19, 102-20, 102-26

The Executive Board is our highest level of internal administration. It seeks to assure that internal procedures are correctly followed, authorizes the annual budget and strategy, and is responsible for monitoring progress.

Our Advisory Council of independent members provides advice on the integrity of the company in ethical, legal, and strategic matters.

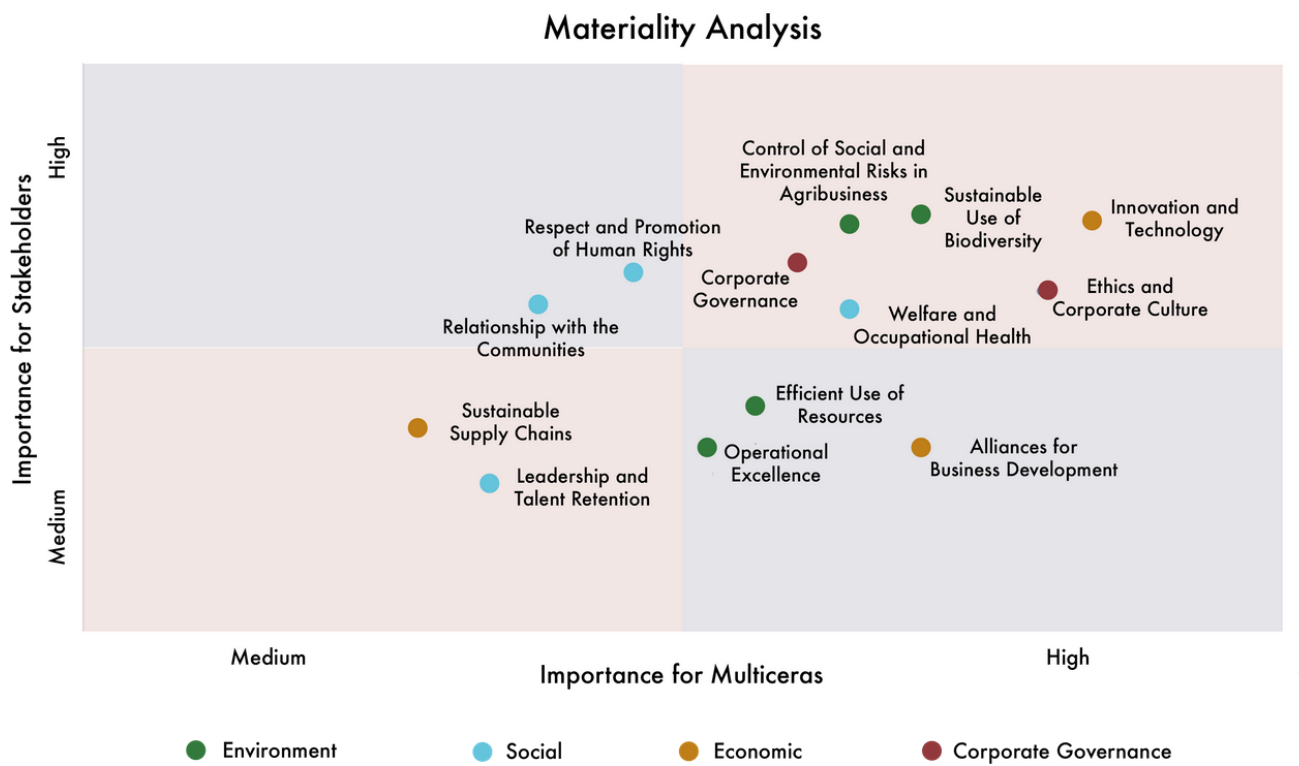
General management is responsible for the management, operation, and execution of the strategy defined by the Executive Board. The Chief Executive Officer is supported by the Chief Operating Officer and other management executives.



MATERIALITY

GRI 103-1, 103-2, 103-3

The company's sustainability strategy is based on 13 social, economic, environmental, and governance principles defined through a stakeholder exercise in 2019.



We continually **integrate** these **principles** into company **policies** and **initiatives** and **analyze** and **monitor** our **progress**.



CONSULTATION WITH STAKEHOLDERS

GRI 102-21, 102-40, 102-42, 102-43, 102-44

	Expectations	Actions Taken	Communication Channels & Frequency
Shareholders	Maximize economic value of the company sustainably, ensure its long-term survival and leadership position in the market, comply with the law and ethical considerations.	Establishment and execution of the business strategy. Participation of a board members as Sustainability Leader.	Monthly financial statements. Quarterly board meetings. Executive meetings.
Customers	Provide customers with trustworthy and personalized solutions that help them compete in their markets.	Customer audits on quality, safety, environment, management, and social responsibility. Follow norms and achieve certifications.	Biannual customer satisfaction survey. Visits to customer premises. Participation in national and international events, such as In Cosmetics and Suppliers' Day.
Employees	Guarantee a good working environment, support initiatives that promote personal and professional development, ensure employee safety, promote diversity, and provide equal opportunities for men and women.	Bonus and awards program. Code of Conduct. Training programs. Scholarship program. Healthy living program (nutrition and exercise).	Quarterly communication newsletter. Monthly breakfasts with Direction. Annual working environment questionnaire. Annual evaluations of performance and values. Open channel for complaints.
Community	Contribute to the quality of life in our Candelillero communities. Become involved in the communities where we operate.	Understand the needs of our Candelillero communities. Volunteer and donate. Get involved with civic organizations and cooperate with neighboring companies on shared issues.	Annual Candelillero survey. Communicate with local authorities and Candelilleros through the Department of Agribusiness. Monitor progress of annual work plan.
Government	Ensure all operations comply with the law.	Fulfill municipal, state, and federal safety and environmental requirements. Adhere to SEMARNAT requirements to ensure candelilla sustainability. Collaborate with local authorities in areas where we operate or have influence.	Communicate with SEMARNAT personnel to process permits. Communicate with municipal, state, and federal government. Participate in governmental forums and committees.
Suppliers	Establish long-term relationships with strategic partners in our value chain.	Communicate with key suppliers to ensure quality of products and services. Participate in events coordinated by organizations such as American Fuel & Petrochemical Manufacturers and European Wax Federation.	Monthly supplier evaluations. Supplier visits..



ETHICS

GRI 102-17, 102-25, 205-2, 205-3

We strongly reject any kind of corruption, extortion, or bribery. All staff have been trained on our Code of Ethics, and new staff also receive training on its various reporting mechanisms.



The **Code of Ethics** addresses the following situations and provides protocols to deal with them:

- Conflict of interest
- Bribes
- Fraud
- Corruption
- Money laundering

During 2019 no instances of corruption were detected.

100% Trained Staff

Sustainable Procurement Policy

Through our Sustainable Procurement Policy, we strive to align our value chain with our ethical, social, and environmental principles and require all suppliers to commit to compliance with our **Suppliers Code**. We take the sustainability profile of a supplier and the impact of the product it offers into consideration when evaluating and selecting sources of raw materials.



SOCIAL RESPONSIBILITY POLICY

GRI 102-16, 102-41



“

“Multiceras operates through a **sustainable business model**, based on the **creation of shared values** with its **stakeholders**, seeking permanence in the market through **legal compliance**, **respect**, and **care for the environment and the welfare of society.**”

”

At Multiceras, we conduct ourselves with a firm adherence to the respect of human rights and International labor norms. Through our social responsibility policies, we support initiatives that prohibit child labor and forced labor within our company and within our suppliers and contractors. We also recognize the right to collective bargaining and freedom of association, according to the law and rules within and outside of the company.

We integrate into our policies and operations a strict adherence to our Code of Conduct, to contribute to quality of life at work, equal opportunity, and the wellbeing of our employees and their families.

All employees are trained in our Social Responsibility Policy, Internal Regulations, Code of Ethics, and Code of Conduct.

Social Responsibility Mission

We will increase our value to all of our stakeholders — customers, suppliers, employees, and the community — by integrating sustainability and social responsibility into all aspects of our operations.

Social Responsibility Vision

To be a global leader in sustainability and social responsibility that drives growth.



CORPORATE VALUES

GRI 102-16



COMPLAINT MECHANISMS

GRI 102-17

All complaints, both internal and external, are processed in a **confidential** manner, with a guarantee of no retaliation and respect for **human rights**.

External Complaints

We are open to complaints regarding employee violations of our Code of Conduct through our email:

cuentanos@multiceras.com.

Internal Complaints

We have suggestion boxes located throughout our facilities, and all employees have direct access to Human Resources personnel.



SUPPLY CHAIN

GRI 102-9

At Multiceras, we have two well-defined supply chains. The first one provides us with the majority of our products, such as emulsions, petroleum-derived products, synthetic waxes, and specific formulations of wax blends.



The second is our agribusiness supply chain in which we collaborate with local, independent producers to obtain the raw materials for candelilla wax, our most emblematic product, through methods that are environmentally friendly and that create value in these communities.

Our candelilla wax supplier program provides opportunities for the development of communities through the sustainable use of forest resources, allowing us to offer products that are distinguished from those of our competitors in how they are responsibly sourced and processed.



CANDELILLA WAX SUPPLY CHAIN

1. Candelillero Organizations

In some communities, Candelilleros have organized into Rural Production Societies, which allow members to access the Mexican Social Security Institute (IMSS).

2. Candelilla Plant Collection

Our team of forestry engineers supports Candelillero communities, helping them obtain harvesting permits that allow them to collect candelilla plants without harming the sustainability of the species.

3. Wax Extraction

The equipment needed for the extraction is installed in the community, and the extracting agent is provided. In some of the communities, citric acid has been implemented as an extracting agent.

4. Transportation to Multiceras

Our buyers visit the more isolated communities, providing the Candelilleros guaranteed purchase quotas.

5. Refinement and Preparation of the Final Product

Our R&D and Innovation teams work with customers to understand their needs and provide solutions through products that have been tailored for them.

6. Permits for Exportation and Logistics

The exportation of candelilla wax requires a CITES permit. Our Sales department obtains the permits and organizes the logistics needed for shipments.

7. Sales and Customer Service

These teams ensure that all requirements are met.



ALLIES IN SOCIAL RESPONSIBILITY

As in previous years, our customer **Yokozeke** contributed **USD\$ 5,000** to improve working conditions of our Candelilleros and the **quality of life** in their communities. This year two of its employees accompanied us to volunteer. Thanks to this collaboration:

- Two rigid ceilings were installed to avoid exposure to extreme conditions in the candelilla wax extraction units in the communities of Tuxtepec and Amparo, both in Coahuila.
- In the Tuxtepec community, the school and the chapel were painted, and swings were installed in the playground.

YOKOZEKI



As part of our **L'Oréal solidarity-sourcing** initiative, we signed the **Candelilla Sustainable Sourcing** agreement, which aims to:

- Provide Candelilleros and their families with access to social security benefits.
- Improve the work safety conditions for our Candelilleros through financing the substitution of sulfuric acid with citric acid in the extraction of candelilla wax.

L'ORÉAL



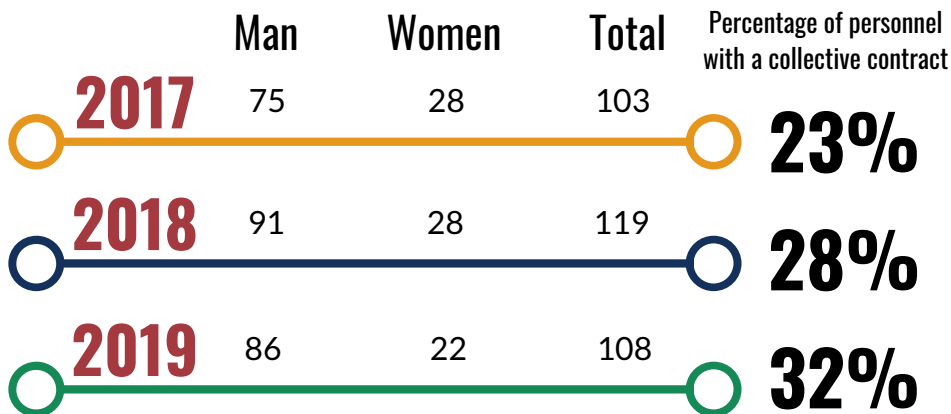
SOCIAL PERFORMANCE



OUR PEOPLE

GRI 102-7, 102-8, 102-41, 401-1, 401-3, 407-1

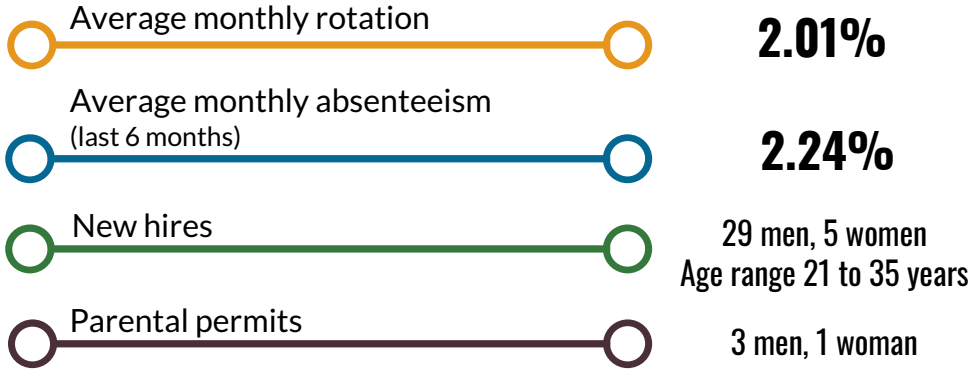
One of our pillars of social responsibility is our employees. Each employee is key to our success and part of what makes Multiceras a leader.



- We respect the right to collective bargaining, and 100% of employees working in operations have a collective labor contract that has been approved by local authorities.
- In addition to Multiceras personnel, some contractors provide us with staff for security, cleaning, and first aid.



The employment data obtained in 2019 is the following:



We value the commitment of our employees and provide awards to those who meet five-year milestones with the company. In 2019, 13 awards were given:



EQUALITY AND NO DISCRIMINATION

GRI 406-1

Inclusion is part of our culture. We seek the development of our employees without any discrimination. In our policies and internal procedures, discrimination due to gender, religion, ethnicity, and sexual orientation, as well as human rights violations, is prohibited.

We support equal opportunity for men and women. From our administrative staff, 30% are women, and 59% of women hold key positions within the company.

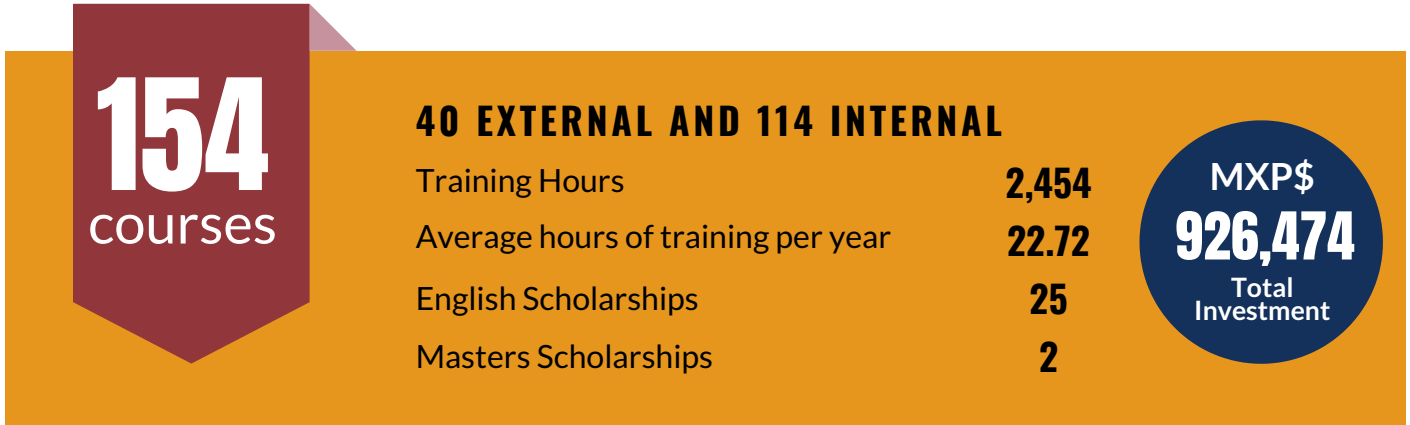
In 2019 no discrimination complaints were filed.



TRAINING AND EVALUATION

GRI 404-1, 404-2, 404-3

We invest in courses and training to foster employee development. We provide employees with resources to acquire knowledge, innovate, and increase their productivity. These are the 2019 results:



In 2019 we introduced a talent development program, which improved the leadership skills of 12 employees. All administrative staff also receive performance evaluations.



COMMUNICATION

It is essential that we foster an environment of transparency and trust. We do this by having continuous internal communication through practices and events that allow us to listen to all of our team.

Breakfast with Senior Leadership

Every month we host a breakfast for employees and executives during which employees are given a chance to express their concerns, suggestions, and complaints.

Communication with the CEO

Our CEO calls regular general meetings (which can be attended virtually) during which he presents the results obtained at different points in the year.

Somos MAZ Newsletter

We publish an internal newsletter that provides employees with details on actions that have been taken by every department, as well as their successes and challenges.

SAFETY

GRI 403-1, 403-2, 403-4, 403-9

The safety of our employees is paramount. We are always investing in infrastructure, and we are continually working with our personnel to improve their preparedness for an emergency.

Training is given annually to personnel belonging to our brigades and committees.

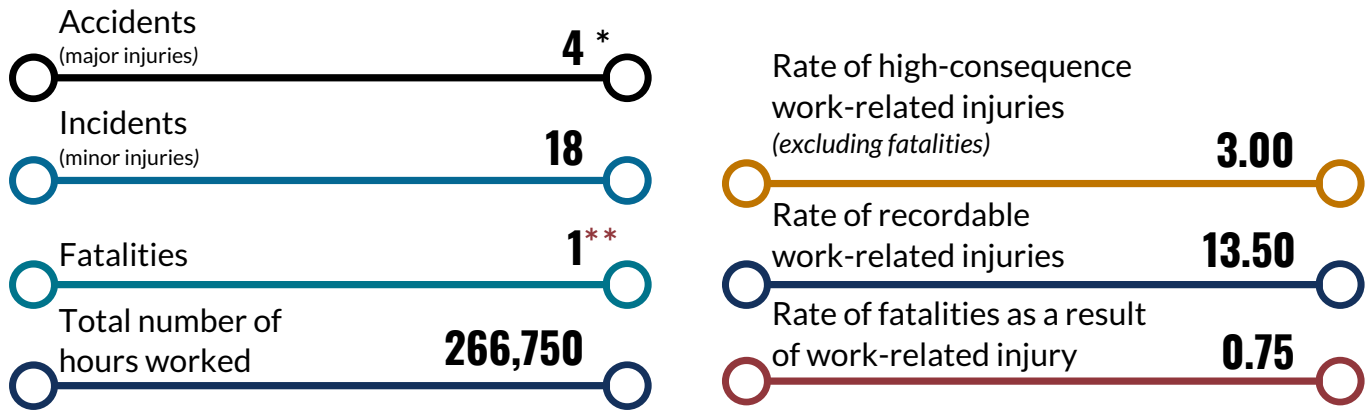
Staff Participation

Evacuation Brigade	14	Search and Rescue Brigade	14
Firefighters Brigade	18	First Aid Brigade	11
Legal Requirements Committee	4	Health and Safety Committee	14



Complying with federal regulation, we have evacuation drills. Following the international Good Labor Practices recommendations, we have also implemented nocturnal evacuation drills.

Our main processes integrate handling of chemicals, hot material and steam; in order to avoid and reduce potential injuries we perform risk analysis in the designated areas, integrating specialized and operational personnel. In case of an incident or accident, these are investigated and integrated into the internal methodology to determine the causes and avoid future recurrences. In 2019 we had:



* 2 on site, 2 going to work

** An employee from our Agribusiness area had an accident in the field while performing sampling tests. Immediately after the accident, he received specialized care in hospital and was discharged. During his disability period, he was readmitted to hospital and unfortunately died.

HEALTH

GRI 403-3, 403-6, 403-8

We promote the health and well-being of our employees through different mechanisms, providing 100% of our staff with the following benefits:

- Yearly health exams
- Vaccine campaigns
- Information campaign on breast cancer risks
- First aid
- Ambulance service
- Nutritional services
- Sports encouragement (football team, participation in monthly running races)
- Smoke-free environment



ADDITIONAL BENEFITS

Employees receive benefits and incentives beyond those required by law, which allow them to have a higher quality of life.

- Visual health aid
- Personnel transportation
- Use of recreation center for events
- Bonus for birth or adoption of children, death of family members, and marriage
- Education aid for employees' children
- Christmas bonus for employees' children



COMMUNITY ENGAGEMENT

GRI 413-1

To nurture a culture of volunteering and social responsibility, we invite our employees to participate in different volunteering opportunities.

Little Citizens (Pequeños Ciudadanos) in García, Nuevo León



To nurture a sense of citizenship in children, we volunteered at the Luis González y González Elementary School, in García, Nuevo León, where several of our employees' children study. We taught courses in collaboration with *Asociación Formando Emprendedores* (Preparing Entrepreneurs Association).

In 2019 we invited to give a talk and demonstration to the Nuevo León Firefighters and the Public Security Secretariat of García.



Volunteering in Candelillero Communities



In search of improving the conditions of educational and community spaces in Candelillero communities, we carried out maintenance and gardening work.

Multiceras volunteers and their families helped make improvements to the Tuxtepec community school and chapel in Ramos Arizpe, Coahuila, and installed swings in the playground.

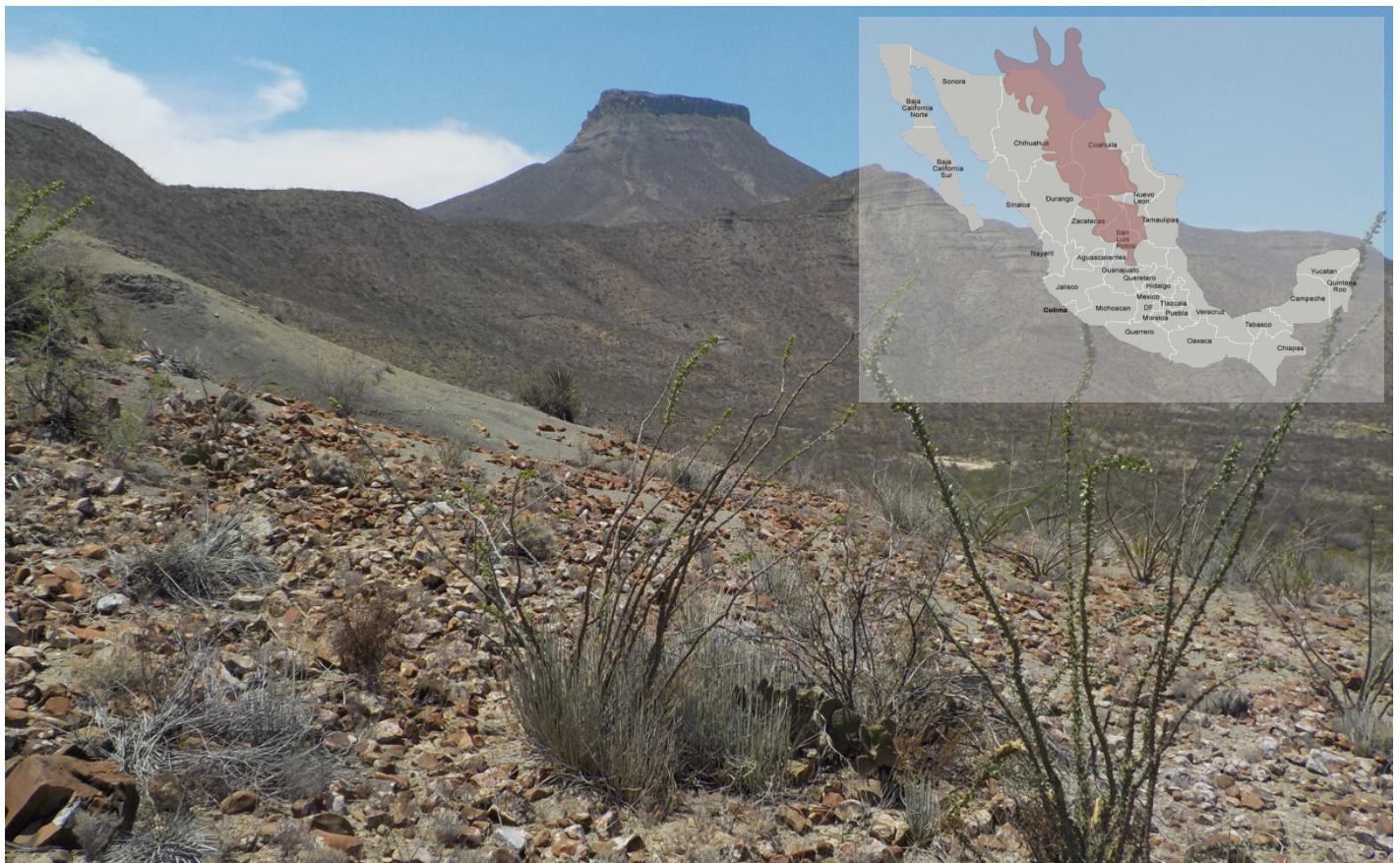




CANDELILLERO COMMUNITIES

GRI 413-1

Candelilla wax is extracted from the candelilla plant, which is native to the Chihuahuan Desert. In Mexico, candelilla is mostly found in the semi-arid areas in the states of Chihuahua, Zacatecas, Durango, Nuevo León, and Coahuila. Coahuila is where the largest number of people are dedicated to the harvesting of candelilla and the extraction of the plant's wax. The plant naturally generates a wax coating that allows it to avoid dehydration due to the desert's harsh temperatures.



For decades, **candelilla wax** has been extracted by the inhabitants of the communities of this region through a process of heating water and adding an **extracting agent**. All equipment and supplies required for this work are supplied **free of charge** to **Candelilleros** who maintain a buy-sell relationship with Multiceras.

The law requires that to harvest the candelilla plant, it is necessary to submit a technical justification study to the Mexican Environment and Natural Resources Ministry (SEMARNAT), which then issues a harvesting permit.



To reduce the risks associated with the candelilla extraction process and to promote greater economic activity in the region, Multiceras has undertaken various initiatives in the communities:

Use of Citric Acid

In 2016 the Multiceras R&D team introduced citric acid as an extracting agent, reducing the risks associated with the use of sulfuric acid.

Training of Producers

Our staff provides training to Candelilleros in terms of product quality and sustainable forest use.

Social Security

Multiceras is the only candelilla wax provider that helps Candelilleros access government social security benefits, such as medical services, financial protection in case of accidents and injuries, and pensions. In 2019 we helped **380 Candelilleros** access social security benefits, with an investment of **MXP\$ 3 million**.

Financing of Administrative Expenditures

We opened a forestry office in 2017 to support Candelillero communities. The office has a team of forestry engineers, who perform all necessary studies and monitor paperwork. In 2019 expenditures amounted to **MXP\$ 4.2 million**.

Guaranteed Purchase

We guarantee our purchase of certain levels of candelilla wax regardless of international demand, providing Candelilleros with a guaranteed income.

Infrastructure

We provide our Candelilleros with the equipment they need to extract the candelilla wax. We also supply them with all necessary items used during the wax extracting processes, such as the extracting agent and packaging materials. In 2019 we helped with the repair of extraction equipment and provided new equipment, with a total investment of **MXP\$ 894,034**.



Through **innovation** and the development of products from **candelilla wax**, Multiceras will continue **investing in these communities**, supporting the use of forest resources in a **sustainable way**, and promoting economic development in the region.



ENVIRONMENT



We are committed to the ideals of innovation and efficiency in our processes, as they allow us to decrease our negative environmental impact.

Environmental Policy

“
At Multiceras, we are committed to the protection and conservation of the environment, preventing injuries and illnesses in the workplace, and providing a safe working environment, by complying with legal requirements and best practices.
”

Environmental Goals

Energy

Reducing 20% of our CO₂ emissions by 2025.

Water

Reducing 10% of our clean water usage for general services by 2025.

ENERGY CONSUMPTION

GRI 302-1, 303-1

	2018	2019
Electric Power (kW)	583,715	594,576
Water (m ³)	7,244	9,834
Natural Gas (m ³)	478,417	527,446
Fuel (l)	81,257	73,411



MATERIALS

GRI 306-2

2018 **2019**

<p>Recycled waste (tons) We recycle cardboard and pallets</p>	36.67	29.10
<p>Hazardous waste (tons) We hire a certified third-party to properly dispose of hazardous waste</p>	2.8	8.7
<p>Special handling waste (tons) These wastes are handled by the local authority</p>	56.46	56.46



CARBON FOOTPRINT

GRI 305-1, 305-2

2018 **2019**

<p>Indirect emissions of greenhouse gases (GHG) Scope 1</p>	1,353	1,403
<p>Indirect emissions of greenhouse gases (GHG) Scope 2</p>	307	313
<p>Tons of CO₂ equivalent</p>	1,719	1,812



All carbon-footprint calculations were obtained through the company's internal measurement system, and using the emission for 2018 factors available in the **National Emissions Registry of the Ministry of Environment and Natural Resources** of the Mexican government.



SOLAR PANELS

GRI 302-4

In 2019 we installed 164 solar panels. These have a capacity to generate 88,202 kWh annually, which is equivalent to a replacement capacity of 20% with clean energy. In 2019 the solar panels generated 20,653 kWh.



BIODIVERSITY

GRI 304-2, 304-4

We recognize the importance of protecting biodiversity and commit ourselves to using natural resources responsibly, operating in accordance with national legal frameworks and regulations, and promoting sustainable projects of social and economic benefit to the Candelilla communities.



Candelilla is listed in Appendix II of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), which means that its international trade is regulated. This is done to avoid harvesting rates that are incompatible with candelilla's survival as a species.

To legally export candelilla, it is necessary to receive a **CITES** permit from SEMARNAT (Mexican Environment and Natural Resources Ministry), which is responsible for ensuring the lawful origin of the product and compliance with the **harvesting permit** for each community.

Multiceras **only** exports **wax** that **complies** with all **regulations**.



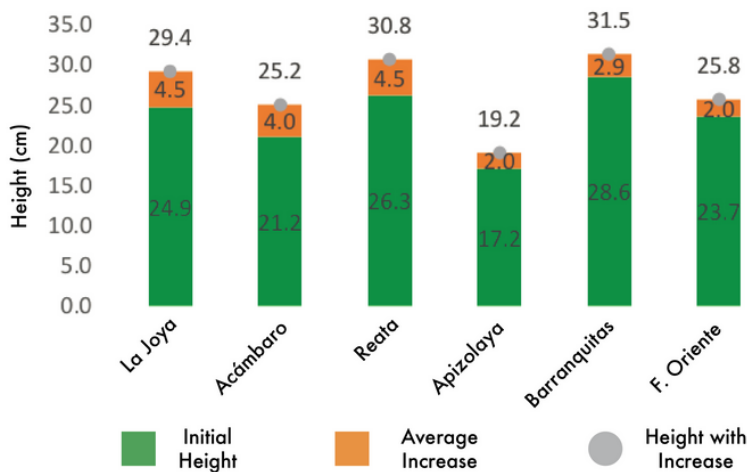
REFORESTATION

GRI 304-3

To promote the sustainability of candelilla, we offer Candelilleros a stipend for performing environmental services and reforesting their communities. In 2018 we financed the reforestation of 850 hectares of candelilla in nine desert communities.



Increase in Heights
Reforested Candelilla Plants



In 2019 we carried out a study to monitor the state of the plantings.

This first study was in six communities and verified **satisfactory average growth** of reforested plants.

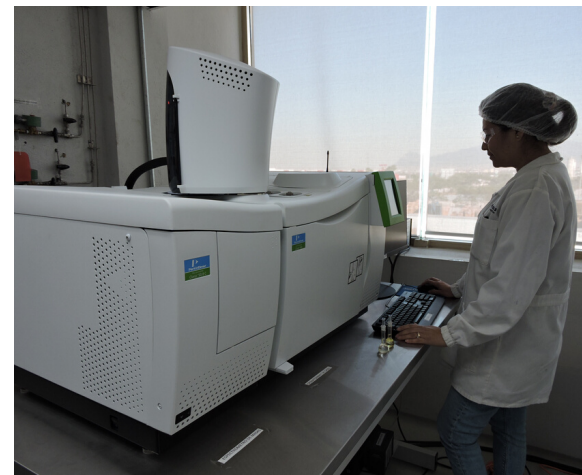


INNOVATION



At Multiceras, we pride ourselves on developing targeted solutions for our customers across industries, working closely with them to gain a deeper understanding of their business, so that we can offer a product that is tailored to their needs.

Innovation is one of the foundations of our business, which is why we nurture in our personnel the values of innovation and creativity. We invest in R&D plant, technology, and personnel to create high-quality products with outstanding functionality.



We have a **physical space** dedicated to the **creation and development of ideas**, which allows us to **differentiate ourselves** from our **competitors**.



Innovation in the Extracting Process

The candelilla wax extraction process has been unchanged for decades. Our R&D team has been working to modernize this process to create a higher return of wax per plant, make the process safer, and increase the quality of the product.



The extraction of candelilla with **citric acid** (instead of the traditional sulfuric acid) has been one of our most significant achievements in this area, making the extraction process **much safer for Candelilleros**.

Currently, we have 33 communities where wax extraction is done with citric acid, which represents 20% of our purchases of candelilla wax.

- 33 communities using **citric acid**
- 20% of candelilla wax purchases extracted with citric acid

Innovation in Emulsions

We developed new formulations with differential characteristics in emulsions for the construction industry.

The development of these formulations has allowed our customers to **reduce their environmental impacts**, increase the shelf life of the product and **reduce safety risks** in their processes and products.



APPENDIX

GRI CONTENT INDEX

GRI 102-55

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ABOUT THIS REPORT

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Through this Sustainability Report, we present results, activities, and commitments of Multiceras S.A. de C.V., from January 2019 to December 2019. This report is published annually on March 1, this being the seventh edition approved by the Executive Board.

The Social Responsibility department is in charge of collecting and preparing the information that has been presented in this report. This report was made following GRI 4 guidelines, and we will not request verification of this report.

As Multiceras is a private company, this Sustainability Report does not include financial statements. Our Management and Finance departments are responsible for keeping all information documented and archived, as well as following all legal requirements.

Past reports are published on the Multiceras profile on the Global Compact website:

<https://www.unglobalcompact.org/what-is-gc/participants/17892-Multiceras-S-A-de-C-V->

This report has been prepared to conform with the GRI: Option Essential Standards.

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