



2019

SUS TAI NABI LITY

REPORT



LAMOS

OUR COMMITMENT TO SUSTAINABILITY

Message from the CEO:

During 2019, Grupo Lamosa made progress with meeting the short-, medium- and long-term objectives related to the company's sustainability model, contributing to the Sustainable Development Goals (SDGs). The year's achievements were related to the specific economic, social and environmental objectives which are deployed each year to the different levels of the organization.

The company confirms its voluntary commitment to adhere to the principles of the United Nations Global Compact and will continue to implement initiatives to promote social responsibility and the fight against corruption across the organization. It will also continue to promote human and labor rights, as well as sustainable practices that benefit the environment and the communities where it operates.

Federico Toussaint Elosúa
 Chairman of the Board of Directors
 and Chief Executive Officer

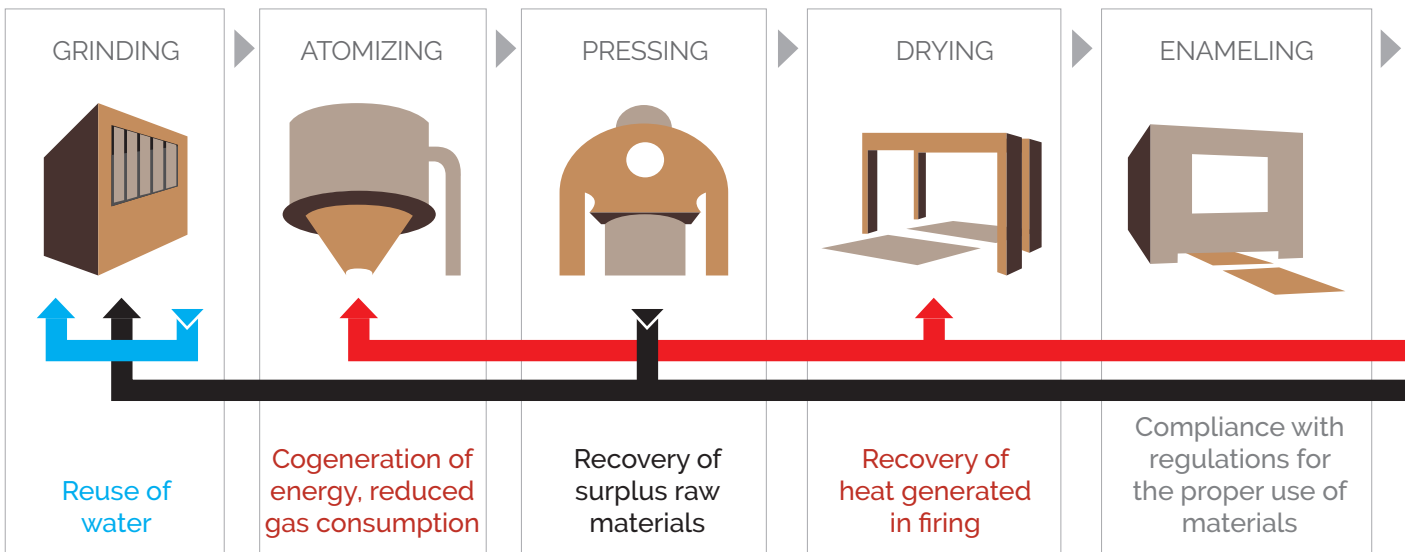
28
 production
 centers

7
 countries with
 operations

+6,700
 direct
 employees

TILE PRODUCTION PROCESS

- High operational performance based on technological leadership and a sustainable vision.
- Full Definition Technology to enable the replication of wood, textures and natural stones.
- New developments in ceramics: facades, bactericidal ceramic products and the incorporation of solar panels into ceramics, among others.





COMMUNICATION ON PROGRESS

ACTION AREAS



Economic development

- Business model, product and process innovation
- Economic value creation
- Local supplier development
- Investment in the community

Social development

- Quality of life for employees and their families
- Respect for human rights and diversity
- Anti-corruption actions
- Social investment

Environmental development

- Innovation
- Energy
- Water
- Emissions reduction
- Product recovery

STAKEHOLDERS

Stockholders/Investors

- Stockholders' Assembly
- Investor relations area
- Transparency line
- Meetings with analysts
- Reports on results

Customers

- Focus groups
- Transparency line
- Visits of commercial advisors
- Internet page

Employees

- Labor climate evaluation
- Transparency line
- Development plans

Suppliers

- Transparency line
- Signing of agreements and clauses protecting human rights and promoting sustainability
- Development of local suppliers and SMEs (Small and Medium-sized Enterprises)

Community

- Transparency line
- Donations program
- Dialogue with neighbors
- Volunteer projects

Government

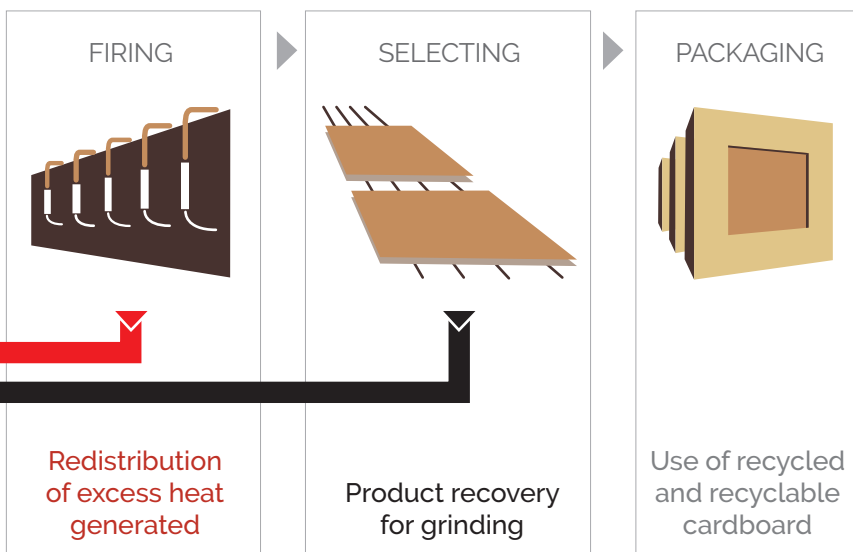
- Participation in meetings and forums on relevant topics
- Relations with government entities

Academia

- Agreements for research projects
- Plant visits
- Work experience opportunities for students

Communication media

- Press conferences
- Participation in interviews and reports





Contributing to the development and growth of more than 17 thousand suppliers across the Americas.

Adhesion of suppliers to the Grupo Lamosa Code of Ethics.

Diploma course in commercial strategy, Querétaro Tile Plant



SOURCING

In 2019, Grupo Lamosa continued to promote its Local Procurement policy, aimed at developing and supporting SME suppliers in the different locations where it has a presence. The policy is implemented through a permanent search for new local suppliers of inputs and services, ensuring that they all operate with sustainable practices.

During the year, the company actively partnered with the Competitiveness Center (CCMX) in Monterrey and Mexico City, transmitting best practices to our suppliers in order to empower them. Professionalization programs taught included: Commercial Strategy and Organizational Culture.



Diploma course in Organizational Culture, Querétaro Tile Plant

Quality
of Life

Social
Development

Vaccination campaign, Argentina



HEALTH AND SAFETY

To guarantee the health and safety of all personnel, in 2019 Grupo Lamosa began the implementation of the first stage of its new Safety Management Model, re-vitalizing the previous model to ensure that the company is operating with world-class standards and results.

The new model is based on a cycle of planning, doing, checking and acting (PDCA), and comprises institutional practices covering safety, environmental and continuous improvement issues.

During 2019, 214 health and safety events were held at Grupo Lamosa's plants in Mexico, and Central and South America. The events included training on the Official Standards of the Mexican Ministry of Labor and Social Welfare (STPS), including NOM-035, as well as health and safety campaigns.

Fire-fighting simulation, Peru



Quality of Life

Social Development

Safety training,
Gres Tile Plant



TRAINING

During 2019, Grupo Lamosa continued to provide varied training for employees and workers.

With the objective of standardizing operational practices and concepts across all tile plants in Mexico and South America, in 2019 a technical training program on ceramic technology was initiated. The modules taught during the year were: Introduction to Ceramic Technology, Metrology and Statistics Applied to the Ceramic Process, with the plants in Querétaro, Monterrey, Tlaxcala and San Luis Potosi taking part in this first stage.

Also in 2019, the standardizing and training plan for control policies and matrices between Grupo Lamosa and tile business operations in South America was completed.

Additionally, a Retiree Training Program was offered, with the aim of providing information and guidance to personnel who are in the period of transition to retirement.

HOURS OF INTERNAL AND EXTERNAL TRAINING

| 2017 | 2018 | 2019 |
|---------|---------|---------|
| 156,828 | 171,423 | 173,084 |

Training in Legality,
Pavillion Tile Plant



DIVERSITY

The expansion of operations to other countries in Latin America has given the company a diverse personnel base and allowed it to retain talent, contributing to the enrichment of management activities and growth opportunities.

Grupo Lamosa, through its Diversity Policy, ensures each year that it has an inclusive work environment in order to achieve its objectives, always promoting social equality and inclusion according to the skills and competencies required across the different business areas.

During 2019, the company continued its practical training program for students from various educational institutions, both in Mexico and in other countries, thereby promoting learning and development opportunities for future professionals.

Grupo Lamosa also continued to promote objectives aimed at offering job opportunities for the disabled. As of yearend 2019, the company had 13 employees with some type of physical disability, including visual, hearing and motor, thereby promoting a culture of inclusion.



Trekking activity for personnel in Argentina

| | 2019 | | | 2018 | 2017 |
|-------------------|-----------|---------------|-------|-------|-------|
| | Employees | Union members | Total | Total | Total |
| Total | 2,868 | 3,857 | 6,725 | 6,705 | 6,762 |
| Sex | | | | | |
| Male | 2,297 | 3,447 | 5,744 | 5,744 | 5,867 |
| Female | 571 | 410 | 981 | 961 | 895 |
| Age range (years) | | | | | |
| Less than 20 | 2 | 58 | 60 | 46 | 55 |
| 20-29 | 571 | 1,030 | 1,601 | 1,628 | 1,731 |
| 30-39 | 995 | 1,390 | 2,385 | 2,455 | 2,469 |
| 40-49 | 863 | 944 | 1,807 | 1,761 | 1,764 |
| 50-59 | 390 | 399 | 789 | 739 | 673 |
| 60 and over | 47 | 36 | 83 | 76 | 70 |
| Nationality | | | | | |
| Mexican | 2,280 | 2,735 | 5,015 | 4,960 | 5,061 |
| Other | 588 | 1,122 | 1,710 | 1,745 | 1,701 |



Plant visit for children from the Sol Brillante Kitchen, Argentina



SOCIAL INVESTMENT AND VOLUNTEER PROGRAMS

In compliance with its sustainability objectives, during 2019 Grupo Lamosa carried out 54 volunteer projects, including the following:

| COUNTRY | BUSINESS | PLANT/OFFICE | PROJECT | ACTIVITIES |
|-----------|----------------------|--|---|--|
| MEXICO | Adhesives | Navojoa Niasa Plant, Sonora | Visit to an old people's home | Navojoa Plant personnel visited the Huatabampo Old People's Home in Sonora, spending time with senior citizens there. |
| MEXICO | Adhesives | Guadalajara Niasa Plant, Jalisco | Urban park clean-up | Guadalajara Plant personnel cleaned up the Bosque Los Colomos urban park in Zapopan, Jalisco. |
| MEXICO | Adhesives | Santa Catarina Plant and Crest Monterrey Offices, N.L. | Support and visits to educational institutions | Personnel of the Santa Catarina Plant and Offices visited and donated toys to children at the Pedro López Tafoya Primary School, in the municipality of Juárez, N.L., and the Don Bosco Comprehensive Education Center in Monterrey. |
| MEXICO | Wall and Floor Tiles | Pavillion Plant, Tlaxcala | Support for migrants | Pavillion Plant personnel helped with the donation and handing out of clothes at the migrant center in Apizaco, Tlaxcala. |
| MEXICO | Wall and Floor Tiles | Italgres 2 and Porcelanato Plants, Guanajuato | Improvement of, and donation to, an old people's home | Guanajuato Plant personnel took part in the donation of groceries and improvement of personal and community rooms at the Santa Ana Home in San Jose de Iturbide, Guanajuato. |
| PERU | Wall and Floor Tiles | Lurin Plant | School improvements | Workers at the Lurin Plant volunteered to repair and improve the Dapelo School in Lurin, carrying out painting, gardening and finishing work there. |
| ARGENTINA | Wall and Floor Tiles | Azul Plant | Donations and visits to an eatery | Azul Plant personnel collected clothes and food for the children of the Sol Brillante Kitchen in the El Sol area of Azul, inviting them to a plant tour and a meal, and giving them coats and jackets. |
| COLOMBIA | Wall and Floor Tiles | Sopó Plant | Donation to a charitable foundation | Colombia Plant personnel gave clothing to the people of the Mi Felicidad Foundation in Chia, Cundinamarca. |

Hagámoslo Bien (Let's Do It Right) Program, Porcel Tile Plant



CORRUPTION AND HUMAN RIGHTS

In order to promote the commitment to ethical, honest and upright behavior in Grupo Lamosa employees and across its companies, an Anti-Corruption and Anti-Laundering Policy was implemented during the year, to reinforce compliance with all applicable Mexican and foreign laws, especially those related to the fight against corruption and money laundering.

During 2019, participation in the Let's Do It Right Program was continued, with the training of new staff and the giving of workshops on the culture of legality at diverse Grupo Lamosa plants, in order to strengthen corporate values.

During the year's internal audits of the procedures and processes in the company's different areas, no situations were found that could be considered discriminatory.

| | Complaints addressed through the Transparency Line | Complaints addressed in relation to acts of corruption |
|------|--|--|
| 2017 | 112 | 44 |
| 2018 | 122 | 29 |
| 2019 | 133 | 37 |

Escuela Digna (Decent Schools) Program, Gres Tile Plant, 18 de Marzo Primary School



ESCUELA DIGNA PROGRAM

During the year, the *Escuela Digna* Program was continued in Tlaxcala, with the company providing materials and labor for classroom needs, in order to ensure that the children and relatives of Lamosa workers have an appropriate space in which to study. To date, 22 educational institutions (Preschool, Elementary, and Middle and High School) have been supported, directly benefiting more than 2,000 children.



Escuela Digna Program, Keramika Tile Plant, Emiliano Zapata Primary School in Ixtacuixtla, Tlaxcala

Environmental Protection

Environmental Development

Reforestation in the community of San Marcos, Contla, Tlaxcala, Porcel Tile Plant



ENERGY, WATER AND CO₂ EMISSIONS

Technologies to enable online meetings continued to be promoted across all Grupo Lamosa businesses, resulting in economic savings and contributing to the environment by avoiding emissions due to staff transfers between different production centers. During the year, 7,508 online sessions were held, 42% more than in 2018.

In 2019, diverse reforestation activities were carried out. In Colombia, Sopó Plant personnel planted 278 native trees at the mine located in the municipality of Tausa, Cundinamarca. Personnel from the offices of the Wall and Floor Tiles Business in Mexico City carried out reforestation activities in the

Emerald Forest in Amecameca de Juárez, State of Mexico, contributing to the construction of a sustainable ecosystem. In Tlaxcala, personnel from the Porcel Plant took part in the reforestation of the San Marcos Contla community, planting 1,000 trees.

During the fourth quarter of the year, the annual *Ponte Las Pilas 2019* used-battery collection campaign was implemented once more at the plants and corporate offices in the state of Nuevo León. The batteries collected were then appropriately confined in institutions specialized in such materials, thereby helping to prevent them polluting the environment.

| Year | Batteries recovered | Environmental impact (millions of liters of water* not polluted) |
|------|---------------------|--|
| 2017 | 3,348 | 559 |
| 2018 | 4,002 | 668 |
| 2019 | 3,306 | 552 |

* Estimation based on the assumption that one alkaline battery pollutes 167 thousand liters of water.



Reforestation in the Emerald Forest, State of Mexico, Forest Office



Clean Industry Certification



Reforestation at a mine en Tausa, Colombia Plant personnel

PRODUCT RECOVERY

During 2019, Grupo Lamosa's businesses continued to manage waste materials and products in an appropriate manner at its different production centers, in accordance with the company's established procedures. This ensures that they are recovered and recycled, thereby contributing to environmental protection.

Given the importance of having certifications that underscore Grupo Lamosa's compliance in the care and protection of the environment, during the year progress was made with Clean Industry Certification programs of the Mexican Federal Environmental Protection Agency (PROFEPA). This certification covers issues related to water, atmospheric emissions and environmental management systems, among others.

| | 2017 | 2018 | 2019 |
|----------------------------------|-------|-------|-------|
| Wood | 2,284 | 2,272 | 2,104 |
| Cardboard/Paper | 1,159 | 1,045 | 924 |
| Metal | 1,179 | 1,502 | 1,066 |
| Plastics | 200 | 209 | 192 |
| Other | 47 | 93 | 58 |
| Total material recovered in tons | 4,868 | 5,121 | 4,345 |