

SUSTAINABILITY REPORT
2020



OUR COMMITMENT TO SUSTAINABILITY

Message from the CEO:

In 2020, Grupo Lamosa celebrated its first 130 years of presence in the construction market. Reaching a milestone of this nature implies a series of sustainable practices and values transmitted from generation to generation, which have allowed the company to endure over time and continue to grow in Mexico, as well as beyond its borders.

Grupo Lamosa’s ability to engage in a permanent dialogue with its different stakeholders and the capacity to reinvent itself and continue to innovate have been key variables that have enabled it to continuously adapt to different environments throughout its history.

During 2020, the company made progress with meeting its economic, environmental and social objectives, in accordance with its sustainability model, thereby contributing to the United Nations Sustainable Development Goals (SDGs).

Grupo Lamosa confirms its voluntary commitment to adhere to the principles of the United Nations Global Compact. The company will continue to carry out actions aimed at endorsing the fight against corruption, promoting human and labor rights, and implementing sustainable practices for the benefit of the environment and the communities where it operates.

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

7

**countries with
operations**

29

**production
centers**



+7,300
**direct
jobs**

ACTION AREAS

Social Development

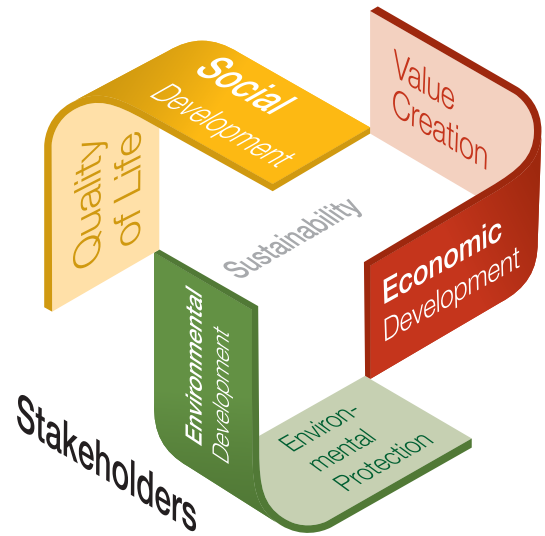
- Quality of life for employees and their families
- Respect for human rights and diversity
- Anti-corruption actions
- Social investment

Economic Development

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

Environmental Development

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



Stockholders/Investors

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



Government

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

STAKEHOLDERS



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)



Academia

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



Customers

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



Community

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



Communication media

- Press conferences
- Participation in interviews and reports



Employees

- Labor climate evaluation
- Transparency line
- Development plans

ECONOMIC DEVELOPMENT



PRODUCTS AND PROCESSES
Because ceramic products are durable, recyclable and a good substitute for natural and non-renewable materials, they represent a sustainable solution for construction needs, contributing to the creation of sustainable cities and communities.

Ceramics have been widely used for centuries around the world, being natural materials with attractive properties for making lasting, stylish products.

They are environmentally-friendly and have a range of useful technical characteristics, being resistant to chemicals and fire, hypoallergenic, durable both indoors and outdoors, easy to sterilize and ideal for withstanding heavy traffic.

\$19,473
million pesos
in sales

\$ 954
million pesos
of taxes

\$ 4,227
million pesos
of EBITDA

7,325
direct jobs

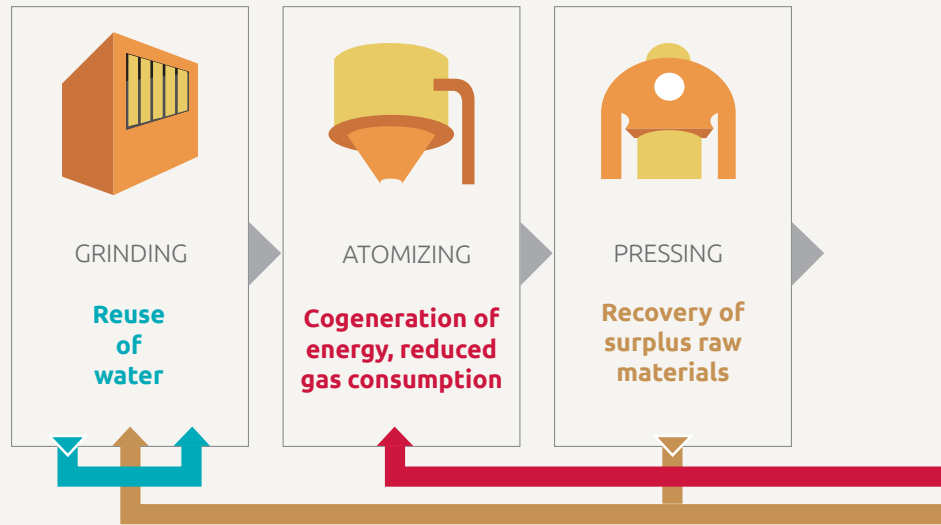
\$ 294
million pesos in
dividends paid

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, anti-bacterial ceramic products and the incorporation of solar panels into ceramics, among others

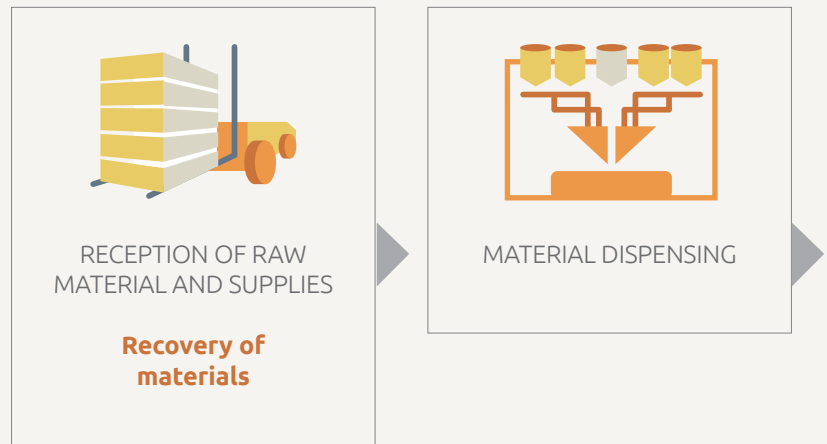


ADHESIVES PRODUCTION PROCESS

Products with the market's highest quality and performance characteristics and standards

- Technological leadership through research and development of specialized products for the construction industry

- Environmentally-friendly product lines



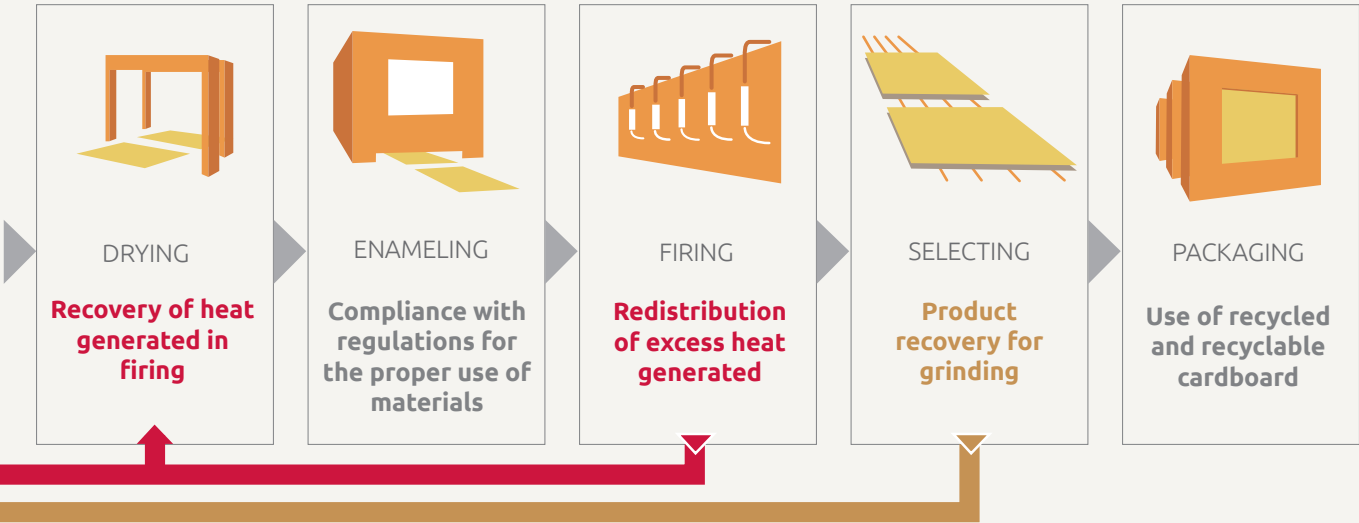
Initiatives and contributions to product innovation

One of Grupo Lamosa's main market differentiators and drivers is innovation. During 2020, the company launched approximately 300 new products. This represents approximately 20% of the total product range, meaning that the entire portfolio is renewed every five years, a rate higher than the industry average.

Although most new products have characteristics similar to previous designs, Grupo Lamosa's vocation to innovate results in a periodic development of significant

improvements, not only from the design standpoint, but also in terms of properties and characteristics. These novel solutions translate into benefits for the company, the market and also the environment.

A recent example is the development of new technologies that have made it possible to reduce the thickness of ceramic products, while continuing to comply with standards and regulations, maintaining stability and durability properties, enhancing energy efficiency and providing additional value to ceramics as sustainable products.



Certifications, collaborations and strategic associations with institutions or other companies on innovation and/or product development issues

Grupo Lamosa belongs to the Tile Council of North America (TCNA), a non-profit organization that develops and publishes standards for the ceramics industry, one of which is “Green Squared,” which provides a set of criteria to evaluate the sustainability of ceramics and ceramic products for their installation.

Grupo Lamosa products have Green Squared certification, meaning that they are manufactured in accordance with rigorous sustainability criteria, from

the extraction of raw materials to reuse at the end of a product’s life. The company also boasts other third-party certifications, such as “Leed” (Leadership in Energy and Environmental Design), an evaluation system for green buildings.

Moreover, Grupo Lamosa participates in the Green Matters Initiative, with the aim of transforming its manufacturing processes into a low-carbon operating system, and has Porcelain Tile Certification Agency (PTCA) Certification, ensuring that its porcelain products meet the required water absorption level of less than 0.5%.

Direct
relationship with
+14,000
suppliers across the
American continent

SUPPLIERS

Evaluation and selection of suppliers

Candidates to supply the company's different businesses are evaluated in a transparent way, based on their capabilities and experience, among other variables. Local, regional and global tenders are analyzed and evaluated through standardized processes.

Similarly, programs to search for new suppliers are ongoing, with innovative aspects that may represent improvements to products, processes or to the general operation of the company being taken into consideration. Potential suppliers are invited to make proposals to be incorporated into the company's supply chain, an exercise that can represent significant growth opportunities for them, given the size of Grupo Lamosa's operations.

LOCAL SUPPLIER DEVELOPMENT

Since its inception, Grupo Lamosa has supported local suppliers, thereby assuring inputs (clays, pallets, etc.) close to its plants, giving a significant boost to suppliers in the communities neighboring production centers and driving the development of local economies.



In 2020, a new collaboration program was put into practice in conjunction with certain specific suppliers, in particular those with raw materials mines and spare parts suppliers, to analyze their operations, identify best practices and pinpoint areas of opportunity. This initiative serves to optimize and streamline processes for the benefit of both parties in a spirit of continuous improvement.

Integration into the Grupo Lamosa culture, values and commitment to sustainability (Code of Ethics and other tools)

Grupo Lamosa promotes the integration of suppliers to its culture and values, both at a contractual level, with clauses related to sustainable practices and corporate values included in contracts, and through supplier-related policies. The company also has a Code of Ethics and a Transparency Line, tools that ensure a permanent commitment to the best sustainable practices.



20 winning projects

in the 2020
competition for
the Firenze
Entremuros Award

TRAINING AND PROFESSIONALIZATION PROGRAMS

The company participates in initiatives to develop SME suppliers, promoting their participation in professionalization programs, such as those offered by the Mexico Competitiveness Center (CCMX) and the Competitiveness Center (CC) of the Monterrey Chamber of Industry. These schemes offer training meetings, visits to plants and various support actions in order to prepare participants to join large companies' production chains.

CUSTOMER APPROACH

Actions and initiatives to improve the customer experience

Grupo Lamosa sees the consumer as the main objective of its actions, continuously seeking to improve customers' experience with the company's products and carrying out periodic market studies in order to identify their needs and evaluate their level of satisfaction.

During 2020, Grupo Lamosa developed an app that uses augmented reality to replicate a customer's real spaces in order to visualize how they would look with the company's different products installed. In fact, the consumer can select more than 70 products from a catalog and view them in any given space. The app, already available for the company's three brands, represents an important step forward to improve the consumer experience.

Programs in conjunction with the distribution network, initiatives for the development of the digital commercial platform, online store

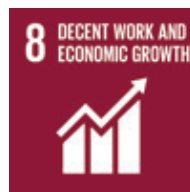
Throughout 2020, in conjunction with its distribution network, the company offered a series of virtual training programs to compensate for the lockdown resulting from the pandemic. This initiative was very successful, placing Grupo Lamosa at the forefront in the use of digital communication media.

The Firenze Entremuros Award as a vehicle for recognizing and promoting innovation in architecture and construction

It is important to highlight the growing value of the Firenze Entremuros Award. The competition has become an important benchmark in the industry and a means to encourage and recognize creativity and innovation in Mexican architecture and construction.

Unlike other prizes, competing projects do not have to use the company's products as a condition to participate. This has given the award great credibility and motivated the participation of the most notable architects, who have an increasing knowledge of the qualities and advantages of ceramics in terms of quality and sustainability.

SOCIAL DEVELOPMENT



THE LAMOSA TEAM

	2020			2019	2018
	Employees	Union members	Total	Total	Total
Total	3,067	4,258	7,325	6,725	6,705
Sex					
Male	2,432	3,853	6,285	5,744	5,744
Female	635	405	1,040	981	961
Age range (years)					
Less than 20	-	60	60	60	46
20-29	587	1,153	1,740	1,601	1,628
30-39	1,045	1,491	2,536	2,385	2,455
40-49	944	1,069	2,013	1,807	1,761
50-59	429	442	871	789	739
More than 60	62	43	105	83	76
Nationality					
Mexican	2,308	2,820	5,128	5,015	4,960
Other	759	1,438	2,197	1,710	1,745

HEALTH AND SAFETY

Investment in health and safety

In each business, Grupo Lamosa has implemented ongoing programs aimed at preventing industrial, operational and health risks for employees. During 2020, these programs were intensified as a result of the contingency caused by the emergence of COVID-19, with the company allocating resources for the development and implementation of protocols for protecting health, assuring safety and enabling the secure transportation of personnel.

The company complies with occupational safety and health programs approved by the Occupational Safety and Health Administration (OSHA) in all its Wall and Floor Tiles and Adhesives plants in Mexico, and operates with a health policy that conforms to NOM-035 (psychosocial risk factors at work) regulations and guidelines.

Main risk or stress factors in the workplace, actions to mitigate them

Through work climate assessment processes, Grupo Lamosa measures and identifies areas of opportunity in topics ranging from health and safety to aspects of staff involvement in decision making and leadership, in order to develop improvement plans for the good of all actors.

Acknowledgment

To encourage best practices in relation to health and safety issues, Grupo Lamosa has instituted programs to recognize personal safety by area and by plant; in fact, some production centers have achieved up to 10 years without accidents.



ACTIONS TO SUPPORT THE LAMOSA FAMILY IN THE FACE OF COVID-19

Support and guidance for distributors and customers for reopening and safe operating according to regulations



COVID Committee made up of Grupo Lamosa senior management

Implementation of prevention protocols and measures in all facilities (sanitizing tunnels, periodic sanitation, acrylic separators, temperature measurement, masks, antibacterial gel, signaling and healthy distance measures, and hospital-grade filters for air conditioning, among others)

6,350
COVID-19 tests
for the benefit of our employees

Prevention protocol for making informed and timely decisions



Permanent accompaniment for all personnel during the COVID-19 crisis

Support for the workforce in the face of COVID-19

Inspections by authorities with **100% compliance**

Adequate management of population density in facilities through a percentage of **personnel working from home**

Vulnerable population sent home with **100% remuneration**

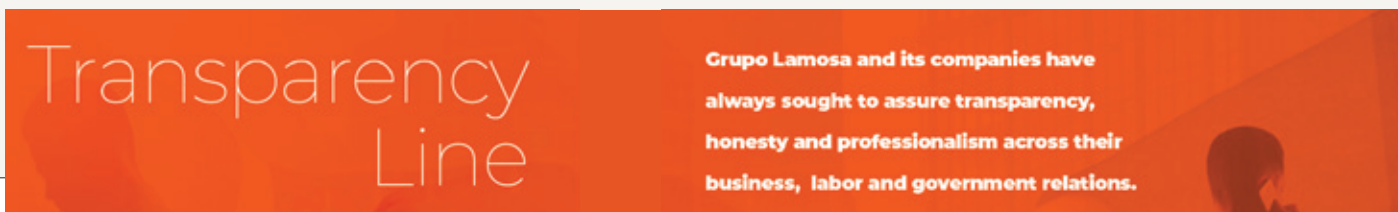


Online training for **safe return to work**

Increase in personnel transportation capacity, assuring reduced density according to **health guidelines**

67,207

hours of internal and external training



Initiatives carried out to face the COVID-19 contingency

At the end of March, when normal activities were suspended as a consequence of the pandemic, Grupo Lamosa set up a COVID-19 Committee, made up of members of the senior management team, to respond to the health emergency in a timely manner and maintain communication and coordination with the Mexican Business Council (CMN).

The activities carried out in the face of the pandemic include: protocol design with restriction and prevention measures, operational adjustments to assure healthy distancing, control of the density of personnel across production centers and the sanitizing of facilities.

DEVELOPMENT OF HUMAN POTENTIAL

Hours invested in internal and external training

In order to give employees the skills required to work remotely, during 2020, the company provided 58 digital training courses on the use of Office 365, with the participation of more than 2,200 employees.

RESPECT FOR HUMAN RIGHTS

Diversity

One of the company's policies is related to diversity. It includes human rights, diversity and gender equity, with the central objective of assuring an inclusive work environment for the achievement of the company's goals through the promotion of social equality and the inclusion of human resources based on their abilities and skills.

ANTI-CORRUPTION POLICIES

Grupo Lamosa has a Code of Ethics which establishes the rules of conduct that govern the company's actions based on its values.

The Code of Ethics is promoted through training sessions for new staff across all work centers.

HAGÁMOSLO BIEN (LET'S DO IT RIGHT) PROGRAM

The company disseminates its corporate values through programs such as *Hagámoslo Bien*, offering workshops and training sessions to promote the culture of legality, honesty and other related values.

COMPLAINT SYSTEM/ TRANSPARENCY LINE

Grupo Lamosa offers its stakeholders an efficient channel for reporting irregularities, its Transparency Line, which contributes to assuring transparency and enhancing internal controls.

Year	Complaints handled through the Transparency Line	Complaints related to acts of corruption
2018	122	29
2019	133	37
2020	98	30

SOCIAL INVESTMENT

During 2020, Grupo Lamosa focused on various projects aimed at addressing the COVID-19 health emergency, supporting institutions such as the Red Cross, the *Hospital Materno-Infantil* for mothers and babies and the Luis Elizondo Retirement Home.

ENVIRONMENTAL DEVELOPMENT



ENERGY AND EMISSIONS REDUCTION

Investment in improving energy efficiency in plants and offices

The company’s innovation and continuous improvement processes include initiatives that use nano-technology to lower firing temperatures and cycle times, thereby reducing energy consumption in the production process.

ENERGY COGENERATION PROGRAMS

Grupo Lamosa has three clean energy cogeneration plants in Mexico, providing carbon credits and generating part of the electricity required in the production processes. Interestingly, heat generated by the turbines is used in the cogeneration process.

Savings as a result of increased online activities

The number of employees working remotely during the contingency did not affect the normal operations of Grupo Lamosa’s businesses; moreover, the reduction in employee mobility contributed to lowering emissions.

As the health crisis began, the company rapidly implemented infrastructure and information technologies to enable people to work efficiently from home. Proper operations were assured through different digital platforms and the installation of a Virtual Private Net (VPN) on all computers to guarantee communication security.

WATER

Impact of the operations on consumption; technologies to reduce water use; reuse, treatment and discharge

Given the intrinsic characteristics of manufacturing ceramic products, Grupo Lamosa reuses some of the water used in its production systems, while the remainder evaporates as part of the process.

The company complies with all environmental regulations and makes a concerted effort to optimize its use of all inputs. A number of production centers operate with water treatment plants that enable this valuable resource to be reused.

PONTE LAS PILAS BATTERY-COLLECTION PROGRAM

In 2020, just like every other year, Grupo Lamosa carried out its *Ponte las Pilas* used-battery-collection campaign to contribute to environmental protection.

Year	Used batteries collected	Environmental impact (millions of liters of water* not polluted)
2018	4,002	668
2019	3,306	552
2020	4,176	697

**Estimation calculated assuming that an alkaline battery contaminates 167,000 liters of water..*

RECOVERY OF MATERIALS

Progress in material recovery

Grupo Lamosa has specific procedures for proper product recovery within its facilities.

	2018	2019	2020
Wood	2,272	2,104	1,820
Cardboard/Paper	1,045	924	848
Metal	1,502	1,066	1,041
Plastic	209	192	167
Other	93	58	137
Total material recovered in tons	5,121	4,345	4,014

