



Sustainability

Report 2021

Focus on **sustainability**

Grupo Lamosa is committed to sustainable development, working comprehensively on the main environmental, social and governance (ESG) issues related to its businesses and the context of the countries where it operates. The company's track record over more than a century and its ability to serve new markets and meet the expectations of all its stakeholders go hand in hand with the incorporation of sustainability in all aspects of the operations, from business models to the product portfolio, and in the culture of the organization.

During 2021, Grupo Lamosa moved forward with its commitment to enhance its Sustainability Strategy, driving its actions even further. The new road map to 2025 unites existing efforts with new initiatives to address risks and leverage emerging opportunities for the business.

In this way, Grupo Lamosa is contributing to the achievement of the United Nations Sustainable Development Goals (SDGs), which reflect the priorities of society in aspects such as the fight against inequality, the depletion of resources and climate change. Grupo Lamosa also reaffirms its commitment to the application of the 10 Principles of the United Nations Global Compact, carrying out actions aimed at promoting the fight against corruption, respecting human and labor rights, and protecting the environment.

Federico Toussaint Elosúa

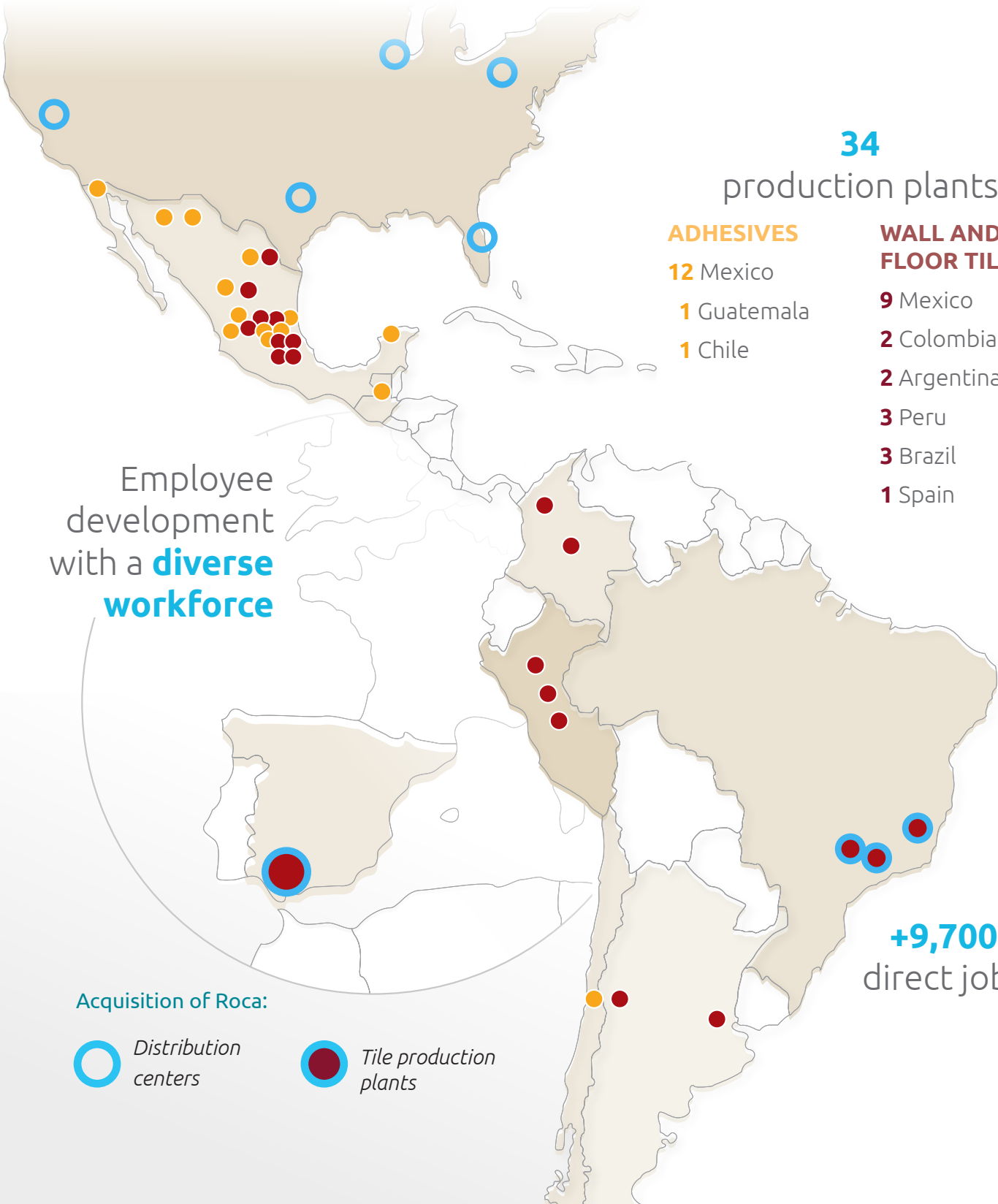
Chief Executive Officer



Company with revenues greater than **1.0 billion dollars**

Presence with productive operations in **9 countries**

Presence of the Company's products in **Latin America, Europe, North Africa and Asia**



34
production plants

ADHESIVES

- 12 Mexico
- 1 Guatemala
- 1 Chile

WALL AND FLOOR TILES

- 9 Mexico
- 2 Colombia
- 2 Argentina
- 3 Peru
- 3 Brazil
- 1 Spain

Employee development with a **diverse workforce**

+9,700
direct jobs

Acquisition of Roca:

Distribution centers

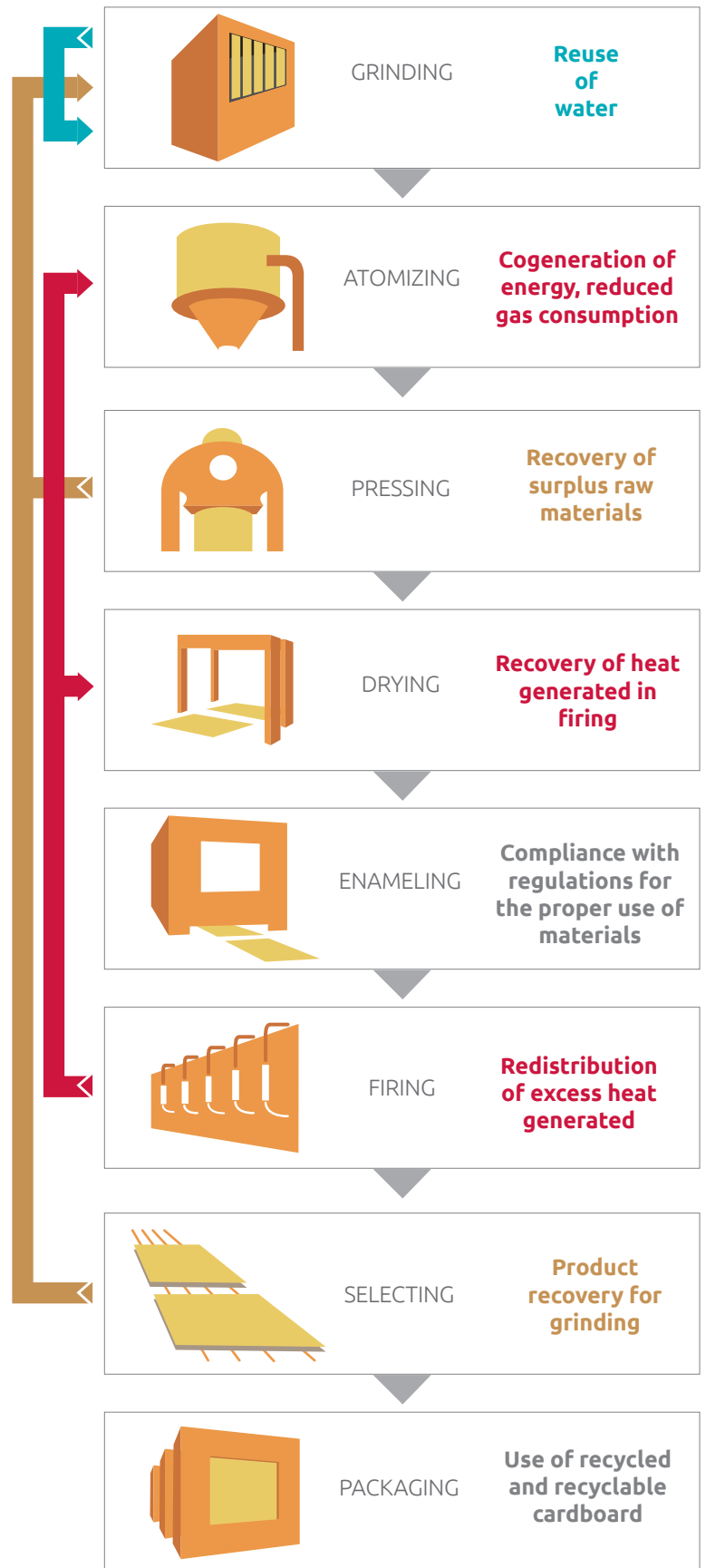
Tile production plants

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

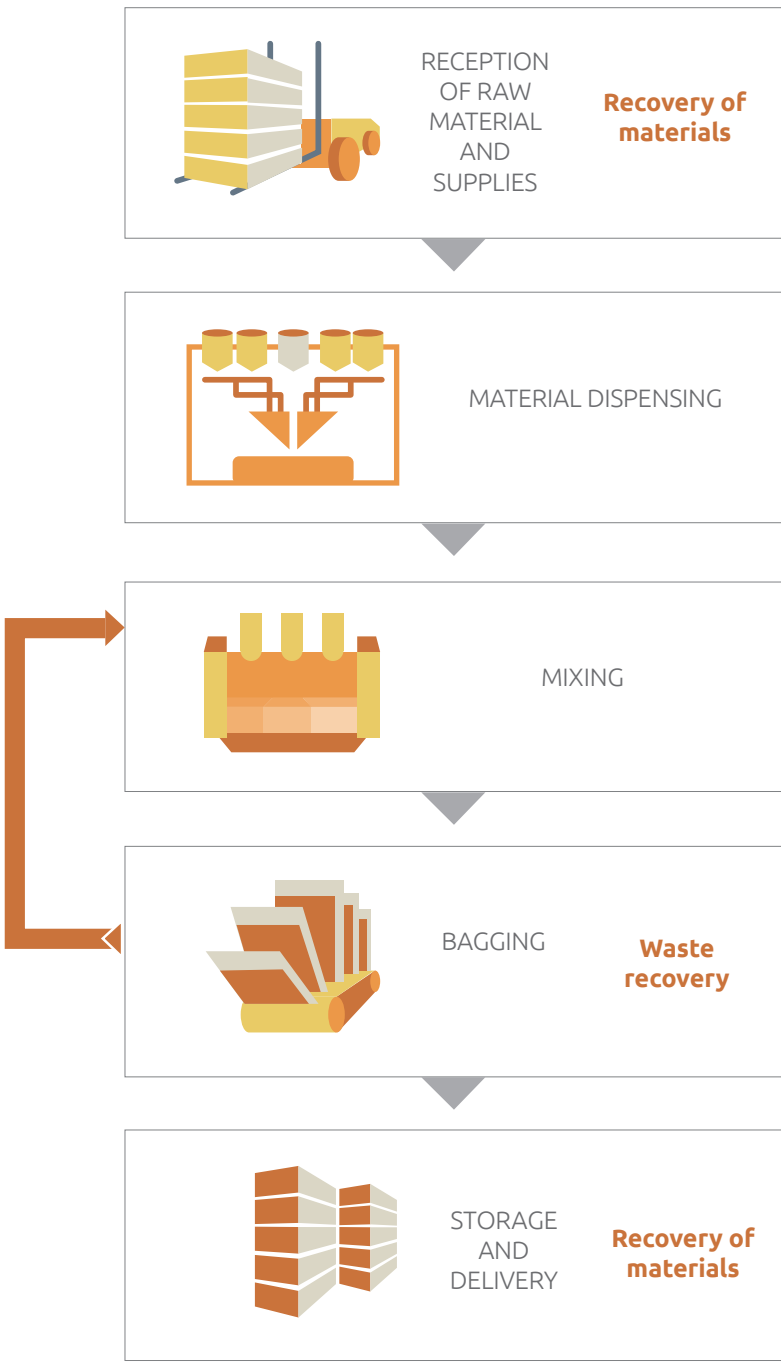


ADHESIVES PRODUCTION PROCESS

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



Stakeholders

Grupo Lamosa maintains a close dialogue with all its stakeholders, who actively contribute to its operations and place their trust in the company's strategy. The value proposition for each of them is presented below.

Stakeholders	Value proposition	Channels
 <p>Investors, stockholders and other providers of capital</p>	Generate economic value, guaranteeing the company's financial sustainability over time and moving forward in accordance with the approved strategic plan. Identify and address risks and opportunities. Be transparent about results, including ESG performance.	Stockholders' meetings Investor relations area Transparency line Meetings with analysts Reports on results
 <p>Distributors</p>	Partner to make it easier for products to reach the end consumer, through coordinated inventory management, innovative products and the support of the company's brands.	Distribution agreements Visits from area and/or product managers
 <p>Customers</p>	Contribute to creating the best conditions in homes and work spaces, with quality materials that meet the different consumer needs. Implement an innovative approach to changes in lifestyles.	Third-party stores Visits from commercial advisors Websites for the company's brands Commercial apps Transparency line Focus groups and other consultations
 <p>Employees</p>	Offer employment opportunities and professional development, safeguarding health and safety. Create teams that consider employees' wellbeing and promote their commitment.	Work environment evaluation Intranet Transparency line
 <p>Suppliers</p>	Partner to offer quality products, with suppliers showing behaviors aligned with company principles and values. Develop an efficient relationship that guarantees the continuity of Grupo Lamosa's production and the corresponding financial return for the supplier.	Transparency line Contracts and purchase orders Development of local suppliers and SMEs (Small and medium-sized enterprises)
 <p>Government</p>	Operate according to the law, abiding by ethical principles.	Participation in meetings on important topics and consultation forums Response to requirements
 <p>Academia</p>	Offer opportunities to materialize innovation in materials, technology and products, and generate jobs for different professionals. Make agreements for research projects and/or internships.	Participation in job fairs Presence in events on relevant topics
 <p>Media</p>	Respect their interest and provide appropriate attention in operations and relationships with the different stakeholders. Highlight the company's performance in such a way as to increase the scope of the interest groups reached.	Press conferences Press releases Participation in reports and/or interviews
 <p>Communities</p>	Be a good neighbor, generating employment and development opportunities, and protecting the environment without adversely affecting living conditions.	Transparency line Donation program Dialogue with neighbors Volunteer projects

Priority areas

In order to establish strategic priorities in sustainability, in 2021 Grupo Lamosa carried out its first materiality analysis, with a selection of the most important stakeholders and the strategic participation of senior management.

The concept of double materiality was used to carry out the sustainability analysis, taking into account: on the one hand, the most significant impacts of Grupo Lamosa outward, in sustainability topics that are material to the economy, the environment and society (socio-environmental materiality); and, on the other hand, the environmental, social and corporate governance (ESG) issues with a reasonable probability of affecting the company's financial position, operating performance and cash flows (financial materiality).

Process for financial materiality

The Sustainability Accounting Standards Board (SASB) has carried out a process of analysis and international consultation to construct standards by industry. In the company's materiality analysis, the standards established by this initiative for those sectors in which Grupo Lamosa is active were used: construction products and furniture; and multi-line and specialized distributors and retailers. Additionally, important aspects of the operations (such as main revenue streams and main inputs for value creation) and the operating environment (economic, regulatory, operating and business environments) were reviewed, in order to identify additional indicators not identified in the previously-mentioned standards, as well as to exclude indicators identified within the standards that do not apply to Grupo Lamosa. These elements were then integrated into the methodology for obtaining the socio-environmental matrix.



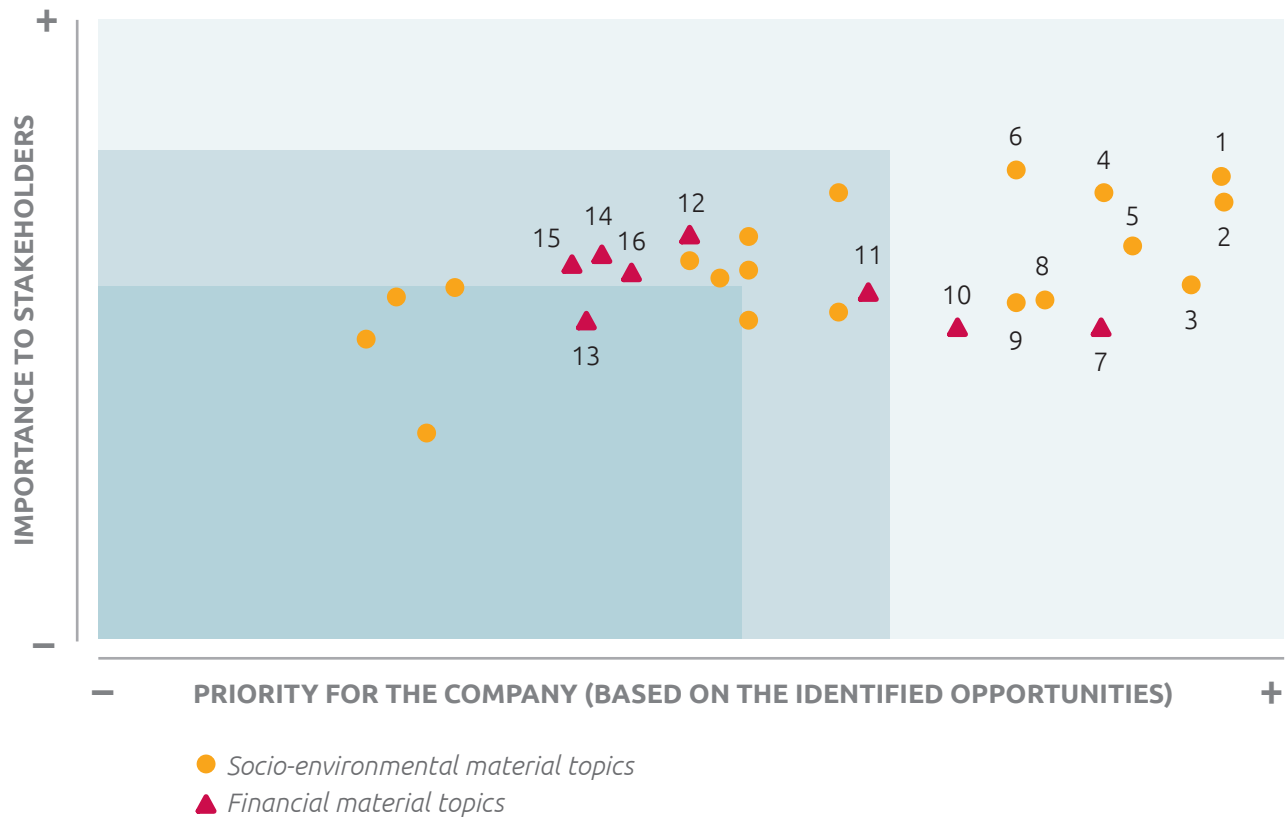
Process for socio-environmental materiality

Using the four-step process that the Global Reporting Initiative (GRI) recommends for carrying out materiality analyses, potentially relevant topics were identified by analyzing the main risks and opportunities of the sectors in which Grupo Lamosa operates. Specific references were used in the management of ESG issues, such as the S&P/SAM Sustainability Yearbook 2021 for construction materials, to mention just one example. Once the potential material topics for the company were identified, interviews, focus groups and surveys were conducted with senior management and the company's diverse stakeholder groups (employees, customers, distributors and suppliers), in order to prioritize these topics. The activities carried out led to the creation of a two-axis matrix and the determination of the material topics.

Senior management validated the 16 material topics identified internally.



The matrix presenting the two materialities is shown below:



Materiality		Material Topics
Socio-environmental	1	Customer service
Socio-environmental	2	Product innovation
Socio-environmental	3	Digital transformation
Socio-environmental	4	Employee health and safety
Socio-environmental	5	Economic performance
Socio-environmental	6	Quality products (customer health)
Both	7	Talent attraction and retention
Socio-environmental	8	Multi-channels and relations with distributors
Socio-environmental	9	Automation and operational process efficiency
Both	10	Supply chain
Both	11	Energy use management
Financial	12	Data protection
Financial	13	Product life cycle
Financial	14	Work climate
Financial	15	Management of chemical compounds in products
Financial	16	Diversity and inclusion in the workforce

Sustainability strategy

Based on the material topics and the synergies between them, Grupo Lamosa’s ESG work priorities were determined.

The structuring of these priorities is presented below. The diverse lines of action that are the focus of the strategy are materialized through a range of different initiatives.



SUSTAINABLE DEVELOPMENT GOALS (SDG) RELATED TO THE STRATEGY



LINES OF ACTION

- 1.1 Corporate governance
- 1.2 Culture of compliance
- 1.3 Supply chain
- 2.1 Sustainable homes
- 2.2 Customer experience
- 3.1 Health and safety
- 3.2 Employee development
- 3.3 Work climate
- 3.4 Contribution to communities
- 4.1 Materials and technology
- 5.1 Climate action: energy and emissions
- 5.2 Circularity: water and waste

The way in which each of the areas of focus of the Sustainability Strategy is related to the material topics identified is shown below:

<p>1. Business integrity and robustness</p> <p>Economic performance Supply chain</p>	<p>2. Customer focus</p> <p>Customer service Digital transformation Multi-channels and relations with distributors Data Protection</p>	<p>3. Driving talent</p> <p>Employee health and safety Talent attraction and retention Work environment Diversity and inclusion in the workforce</p>	<p>4. Product innovation, quality and safety</p> <p>Management of chemical compounds in products Product innovation Quality products Automation and operational process efficiency</p>	<p>5. Product innovation, quality and safety</p> <p>Energy use management Product life cycle</p>
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The company continues its efforts to become increasingly sustainable and contribute to the generation of value for all stakeholders. To this end, the cooperation and work of every area of the organization have improved Grupo Lamosa's Sustainability Strategy, integrating programs that were already being developed with new ones.

This initiative is accompanied by enhanced transparency in the company's performance, with the addition of a selection of ESG indicators that

will be available online on the company's corporate webpage: www.grupolamosa.com. In future reports, Grupo Lamosa will provide more information related to the indicators with data relevant for all audiences.

Grupo Lamosa belongs to the Tile Council of North America (TCNA), a non-profit organization that develops and publishes standards for the ceramics industry. The Green Squared Standard, that Grupo Lamosa products comply with, is one of these, involving criteria to evaluate the sustainability of ceramic tiles and products for their installation.

Progress in performance

Integrity and a culture of compliance

Grupo Lamosa has a Code of Ethics, applicable to all employees. The company also encourages suppliers and distributors to apply it in their organizations. Additionally, the company's Transparency Line provides a way for possible irregular events to be reported. Any complaints received are investigated and, depending on their nature and the outcome of the investigation, consequences applied.

Employees receive instruction in the Code of Ethics as part of the induction program. Moreover, campaigns that call for a culture of legality and honesty are held throughout the year.

The industry is evolving towards a greater use of technology in processes, including online information and data analytics. Grupo Lamosa works continuously to guarantee the security of its systems and to leverage every opportunity to strengthen communication across the value chain, including with the customer.

HUMAN RIGHTS AND CORRUPTION

	Complaints handled through the Transparency Line	Complaints related to acts of corruption
2018	122	29
2019	133	37
2020	98	30
2021	118	25

Corporate governance

Grupo Lamosa has a solid track record extending over more than a century, supported over the years by its corporate governance. Listed on the Mexican Stock Exchange since 1951, the company adheres to the corresponding Mexican stock market legislation, to the Mexican Business Coordinating Council's Code of Best Corporate Practices and to related international recommendations.

This guarantees that the company's decisions strengthen its position over time and generate value for all stakeholders, including investors.

The Annual Ordinary General Stockholders' Assembly establishes the number of members of the Board of Directors and appoints them, including the alternates, with the exception of those appointed directly by stockholders with more than 10% of the capital stock. The Assembly is also responsible for approving the company's annual results presented by the Board of Directors.

The Board of Directors defines the company strategy, approves the annual budget, reviews the operational performance and results for which the management team is responsible, and ensures compliance with applicable legislation, holding an ordinary meeting at least once a quarter. The directors receive remuneration approved by the Annual Ordinary General Stockholders' Assembly for their attendance.

Directors are appointed for a period of one year and can be reelected, with no limit to such renewal. They are chosen on the basis of the guidelines established in Grupo Lamosa's company bylaws. The selection of independent directors also conforms to the requirements of Mexican Stock Market Law to guarantee that they perform their role appropriately.

In the absence of an express appointment by the Annual Ordinary General Assembly, the members of the Board of Directors may appoint the Chairman and Secretary of the same, as well as the members of the committees that support the Board. The Board of Directors is also responsible for appointing the company's Chief Executive Officer and senior management

During 2021, the Board comprised 12 directors, all professionals with a long business career. Six of them are independent (50% of the total). The directors currently on the Board have held their positions for an average of 21 years.

The directors have great experience through their extensive participation in different industries, enabling them to understand and manage the main risks and trends related to the company's businesses for better decision making.

It is important to note that, with the exception of the Chairman who also acts as CEO, the companies where the directors work have no relationship with Grupo Lamosa, thus avoiding any conflicts of interest.

50% of the directors are independent

Board of Directors	Status (I or R)	Number of years on the Board	Audit Committee	Corporate Practices Committee
Federico Toussaint Elosúa <i>Chairman of the Board and Chief Executive Officer of Grupo Lamosa</i>	Related Chairman	33		
Guillermo Barragán Elosúa <i>CEO of Hidrobart</i>	Related	29		
Eugenio Clariond Rangel <i>CEO of Cuprum</i>	Independent	1		
Eduardo Elizondo Barragán <i>Chairman of the Board and CEO of CRIOTEC and Subsidiaries</i>	Independent	30		Chairman
Antonio Elosúa González <i>Co-Chairman of the Board of Directors of U-calli</i>	Related	13		
Bernardo Elosúa Robles <i>Independent Consultant</i>	Related	29		
Armando Garza Sada <i>Chairman of the Board of ALFA</i>	Independent	25		
Eduardo Garza T. Fernández <i>Chairman of the Board of Grupo Frisa Industrias</i>	Independent	10		
Maximino José Michel González <i>CEO of 3H Capital Corporate Services</i>	Independent	13		
Miguel Eduardo Padilla Silva <i>Ex-CEO of FEMSA</i>	Independent	18	Chairman	
Javier Saavedra Valdés <i>Professional Painter</i>	Related	24		
José Manuel Valverde Valdés <i>Independent Consultant</i>	Related	24		

Stockholders' Assembly

Board of Directors

Chief Executive Officer
Federico Toussaint Elosúa

**Human Resources
Vice-President**
Germán Alvarado
Paredes

**Chief Financial
Officer**
Jorge Antonio Touché
Zambrano

**Wall and Floor Tiles
Vice-President**
Sergio Narváez Garza

**Adhesives
Vice-President**
Jorge Aldape Luengas

The Board is supported by the Audit Committee and the Corporate Practices Committee, both mainly comprising independent directors, who perform their duties in accordance with current legal provisions and Grupo Lamosa's corporate bylaws. Additionally, the Board of Directors has a Finance Committee which it can use for consultation purposes.

- The Audit Committee reviews the internal control and internal audit system of the company and its subsidiaries, and evaluates the services of the external auditor, the financial information and the applicable accounting policies.
- The Corporate Practices Committee appoints the company officers and evaluates their performance. It is also responsible for reviewing transactions with related parties.

The Chief Executive Officer conducts the company's operations, adhering to the strategies, policies and guidelines the Board of Directors establishes, and the guidelines set out in the company bylaws.

The management team is characterized by its experience and commitment, and operates in accordance with the guidelines that the Board of Directors establishes. The Corporate Practices Committee sets the remuneration of the company officers. Their payment comprises a fixed part and a variable part associated with the achievement of previously set objectives related to the company's financial results and the performance of the particular management area.

The functioning of the corporate governance is closely linked to the company's Code of Ethics, as well as its culture and values, which have been passed down from generation to generation.

Grupo Lamosa Values: Responsibility, Honesty, Spirit of Service, Teamwork and Continuous Improvement.

The Code of Ethics is the main reference to which employees, management, directors and other stakeholders, such as suppliers and distributors, must adhere. Employees receive training on the Code on their first day at the company, during the induction process, sign a commitment letter (attesting that they have no conflicts of interest) and endorse it every two years. Additionally, training on the Code of Ethics is provided on a regular basis to reinforce compliance.

To ensure that the internal control environment of the company is appropriate and that human rights are respected, Grupo Lamosa's Transparency Line is available for anyone to present their complaints, either anonymously or with their personal details. During the process of monitoring and analyzing the complaints, the confidentiality of all information is guaranteed for the complaining parties. The analysis and resolution of cases are the responsibility of the Ethics Committee, which is made up of Grupo Lamosa's CEO, the Corporate Human Resources Vice President, the Chief Financial Officer and the Corporate Internal Audit Manager

Supply chain

The quality of Grupo Lamosa's products and the continuity of its operations go hand in hand with the suppliers, who are selected in a transparent manner based on quality and innovation, together with growing ESG requirements.

Grupo Lamosa has been developing local suppliers, enabling the company to access materials (clays, pallets, etc.) close to the location of its plants, contributing to driving the economy and employment in the neighboring communities, and reducing greenhouse gas (GHG) emissions from transportation units.

It is important to note the company's focus on SMEs, through support for development programs such as those offered by "CCMX" (Mexico Competitiveness Center) and the "CC" (Caintra Monterrey's Competitiveness Center).

Customer focus

Sustainable homes

The availability of sustainable products, such as those with Green Squared certification, in Grupo Lamosa's brand portfolio makes it easier for customers to certify their facilities (LEED, BREEAM, etc.).

The company's porcelain products are certified by the Porcelain Tile Certification Agency (PTCA), ensuring that they meet water absorption levels of less than 0.5%.

It is essential that customers know, understand and value the sustainability attributes of Grupo Lamosa products. To this end, the company focuses on direct communication and training and awareness initiatives for the direct sales force and distributor network.

Customer experience

Technology is bringing Grupo Lamosa ever closer to its customers. Such is the case of the app launched in 2020, which uses augmented reality to enable customers to better visualize the company's products in three dimensions. Progress has also continued with online sales.

Grupo Lamosa maintains its strong commitment to its distribution network, offering training sessions and involving distributors in product launches and conversations with customers.

Additionally, Grupo Lamosa supports the Firenze Entremuros Award, which is now an industry benchmark, encouraging and recognizing creativity and innovation in Mexican architecture and construction, and showcasing the potential of ceramic products in terms of quality and sustainability.

Developing talent

Safety and health

Given the continuing pandemic, in 2021 the company continued to prioritize the health of its employees, applying biosafety protocols and measures across its operations.

Moreover, Grupo Lamosa has implemented safety and health management systems using OSHA control methodology at all its plants. In Mexico, the NOM-035 standard for psychosocial risk factors at work is applied.

Employees are trained on a recurring basis, and awareness campaigns focused on the culture of prevention are implemented throughout the year.

Developing employees

Grupo Lamosa makes both internal and external training available for its employees, offering opportunities for professional development. Moreover, the company's robust positioning and growth provide security for the workforce.

Throughout the organization, innovation goes hand in hand with the incorporation of diverse talent, with different capabilities and backgrounds.

In the area of conciliation and flexibility, which unite professional and personal development, based on the learning experienced in the context of pandemic, Grupo Lamosa is currently developing hybrid in-person and remote schemes for those positions where the nature of the job functions permits such work arrangements.

TRAINING

	2019	2020	2021
Hours of internal and external training	173,084	67,207	109,696

DIVERSITY

	2021			2020	2019
	Employees	Union members	Total	Total	Total
Total	4,512	5,225	9,737	7,325	6,725
Gender					
Male	3,512	4,362	7,874	6,285	5,744
Female	1,000	863	1,863	1,040	981
Age range					
Less than 20 years	49	98	147	60	60
20-29 years	933	1,450	2,383	1,740	1,601
30-39 years	1,466	1,622	3,088	2,536	2,385
40-49 years	1,343	1,396	2,739	2,013	1,807
50-59 years	623	601	1,224	871	789
More than 60 years	98	58	156	105	83
Nationality					
Mexican	2,612	2,966	5,578	5,128	5,015
Other	1,900	2,259	4,159	2,197	1,710

Work climate

Grupo Lamosa seeks to operate in an environment where employees feel safe and motivated, and committed to their teams. An annual measurement of the work climate enables the identification of strengths and opportunities for improvement, with the company working to mitigate the latter.

Respect for diversity is essential and Grupo Lamosa actively safeguards non-discrimination. In addition to the Code of Ethics, the company has a specific policy in this regard, which is complemented by awareness initiatives.

Since the acquisition of companies has required the incorporation of new members to the Grupo Lamosa team, the company has worked intensely on the integration process, always taking into consideration the cultural aspects of each particular situation.

Contribution to neighboring communities

Grupo Lamosa is committed to being a good neighbor, and its employees are a key element for the social actions in their own communities. During 2021, the company continued to support initiatives to address the health emergency resulting from the pandemic, as well as to attend to the main needs of the communities around each production center.

Product innovation, quality and safety

Materials and technology

Grupo Lamosa has a broad product portfolio, which allows it to meet different consumer needs and offer sustainability characteristics:

- Ceramic products have competitive advantages in such areas as durability and recyclability, as well as being a substitute for diverse natural and non-renewable materials. Moreover, the fireproof nature of ceramic and the latest technological developments, such as the incorporation of antifungal components, represent advantages for customers' health.
- Various Grupo Lamosa products boast Green Squared certification, recognizing that they have been manufactured in accordance with rigorous sustainability criteria, from the raw material extraction process to product reuse, the latter avoiding the end of the product life.
- New lines of environmentally-friendly adhesive products are being developed.

Across the operations, the company seeks to take advantage of new technologies, for example by reducing the thickness of ceramic products, which means less energy is used in manufacturing. Regulations are complied with in all cases and stability and durability properties maintained.

Environmental management: circularity and climate action

Climate action: energy and emissions

In all processes, Grupo Lamosa continuously seeks to enhance energy efficiency, using technologies that enable lower process temperatures and shorter cycles. Grupo Lamosa also participates in the Green Matters initiative, with the aim of transforming its manufacturing processes into a low-carbon operating system.

The fuel used in most of Grupo Lamosa's operations is natural gas, the burning of which emits less GHGs than other alternatives. The company has three cogeneration plants in Mexico, which generate part of the electricity required for production.

Circularity: water and waste

Grupo Lamosa has infrastructure to ensure efficient water use and reuses a significant amount of this vital liquid in the production processes. It has water treatment plants at a number of the production centers.

The company also seeks to avoid the final disposal of waste, recycling it whenever possible. Grupo Lamosa enables selective and differentiated collection at its facilities, using external third parties for reuse and/or recycling.

It should be noted that the company complies with all environmental regulations.