



Thousands of products
for **hundreds** of industries

2014 Sustainability Report

pochteca 



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About

Pochteca

We are a Mexico based company with a considerable international presence dedicated to the sale and distribution of a broad array of industrial raw materials, a task in which we service more than 40 industrial sectors including water treatment, mining, the food and automotive industries, oil exploration and drilling, personal care, cleaning and sanitation products, metalworking and dozens of other industries.

Throughout the company's history we have based our operations on the strictest compliance with ethical and business integrity values that now form the backbone of Cultura Pochteca and have been essential to our solid growth.

We must further strengthen this corporate culture model so that it is always visible, up to date, and applied by all our associates over the course of their daily activities.

With this objective in mind, we decided at Pochteca to establish a SUSTAINABILITY STRATEGY as part of our culture model that underpins all efforts to meet our strategic objectives.

Message

from the CEO

Esteemed shareholders,

It is my pleasure to present our Sustainability Report for 2014, in which we show Grupo Pochteca's economic, social and environmental results for the period January 2014 to December 2014 based on the methodology of the Global Reporting Initiative (GRI) at a Self Declared "C" level.



GRI 1.1, 1.2, 2.8, 2.9, 3.5, EC1

In preparing this report, we have taken into account the reasonable expectations of our main interest groups, which are a priority in the company's decision making. We have also identified the challenges and opportunities that our social and environmental responsibilities entail.

2014 proved to be a year of challenges for the company mainly in the form of falling prices for oil and many other commodities, but we successfully sorted those hurdles. We achieved solid results and achieved greater growth than in 2013.

We grew sales 35% to Ps 6.0 billion and organic EBITDA (excluding Coremal), by 14% to Ps 247 million. We also successfully integrated the operations of Coremal, a Brazilian company acquired in December 2013, into those of Pochteca during 2014.

Our near term priority is to harmonize processes in both countries and increase the sale of Pochteca products that Coremal had not previously handled.

Looking forward, we believe we are well positioned to benefit from the expansion Mexico's energy reform is expected to bring to oil exploration and drilling activities, which already account for close to 8% of our sales.

During 2014 our Operations department created a Supply Chain Management unit that unified the operations of the different departments that intervene in the group's processes. This strategy has allowed us to align criteria, processes, objectives and indicators in ways that have enabled us to be more efficient and generate value for all those interested in our operations.

Our Integrated Management System (IMS) is the basis for assuring that we achieve our financial and growth objectives in compliance with the company's fundamental principles. In this way we have incorporated compliance with the international standards that we have voluntarily adopted.

The pillars that define sustainability are the efficient use of natural, economic and social resources. The extent to which our company is fully aligned with these three components allows our activities to assume social and environmental commitments while continuing to generate economic value.

Highlights

Economic

- Ps 303 million in EBITDA
- 35% sales growth including those of Coremal
- 5.0% EBITDA margin
- 2.0x Net Debt / EBITDA

Environmental

- 5,995 man/hours of internal training for clients, suppliers and neighbouring communities only in safety and environmental conservation topics
- Environmental risk studies at all our installations
- Soil contamination testing at 100% of company land before it is vacated or whenever there is any suspicion that an environmental liability may be present
- We filled 207,000 drums in 2014 and discarded only 51,750 in the year
- 100% of our operations are within the water parameters set by the regulatory authorities

- 100% of our equipment is within acceptable regulatory parameters regarding atmospheric emissions
- Beginning in 2014 we began measuring the energy consumption of all our operations in order to set energy reduction targets

Social

- Ps 1.8 million invested in safety equipment
- 53,122 hours of training in 328 classroom and virtual courses
- 57 internal promotions

Our world-class Secure Chain of Custody adds value to leading producers of commodities (our suppliers) and chemical products (our clients) by securely reaching cities that they cannot reach on their own, and in presentations tailored to the needs of customers that otherwise would often be unaffordable for our suppliers.

Fully cognizant of the impacts our operations have on the environment, we voluntarily have adopted national and international standards that allow us to identify, monitor, correct and lower those impacts:

- ISO 9001-2008
- The only Latin American company with RD (Responsible Distribution) and NACD (National Association of Chemical Distributors) certification in recognition of our excellence in responsible distribution
- World-class logistics
- The FSC (Forest Stewardship Council) certification in chain of custody
- Responsible Management System (SARI) seal of approval from Mexico's National Association of Chemical Industries (ANIQ)

We continue with our task of establishing performance indicators that allow us to measure and control security, occupational health, quality, food safety and environmental impact risks that we have identified in our operations, and which can further also allow us to evaluate our compliance with applicable laws and regulations. We will also contribute to controlling atmospheric emissions through measures such as guaranteeing that all our vehicles fully live up to inspection and vehicular maintenance programs.

I want to thank our shareholders, partners, clients, suppliers and communities for their interest and support.

Armando Santacruz González
Chief Executive Officer



Pochteca Monterrey

Bussiness

segments

In Grupo Pochteca we are organized into two business segments, the first being Pochteca Raw Materials, which is divided into four business divisions:

- Solvents and blends
- Lubricants and greases
- Chemicals for the food industry
- Inorganic chemicals

The second is Pochteca Paper, which processes and sells paper and board.

The Raw Materials business segment is by far the Group's largest and accounts for **91%** of consolidated sales. The Inorganic Chemicals division is the most representative as it generates **45%** of total sales, followed by Solvents and Blends at **25%**, Lubricants at **12%** and Food with **9%.**

Pochteca Paper accounts for **9%** of the company's consolidated sales.





We offer more than **5,500** products in our catalogue consisting of both generic and specialized products with which we cater to each segment of the industries we serve.

Through our **34** distribution centers in Mexico, **three** in Central America, and **seven** in Brazil, we serve over **20,000** customers each year in more than **500** cities, with support provided by specialists in each sector who in turn rely on **seven** quality control laboratories, and **five** labs specializing in research and application development.

We have the capacity to store **20.2** million liters of liquids and more than **322,000 m²** of logistics capacity in which to store our products and from which we provide service and technical support to our customers.



Oil services



Textiles



Water treatment



Agrochemical



Mining

Inorganic chemicals

We distribute a wide variety of inorganic chemicals, both generic and specialized, that are used in applications for water treatment, agrochemicals, textiles, cleaning and personal care, mining and oil industry services, among other industrial fields.

Our application development laboratory for cleaning and personal care products allows us to develop solutions tailor-made for our clients.

Solvents and blends

We supply high performance solvents while taking advantage of our capability to recycle used solvents. We have strengthened our value proposition by offering coatings, pigments, additives, resins and specialized chemicals for the automotive, electronics, resins, oil exploration and drilling, construction, paint and varnish industries, among others.

We have a laboratory for producing solvents and blends designed to meet the specific needs of our customers, and for validating the quality of our inputs.

We also have a pigment applications laboratory that allows us to match colors for our clients.

Lubricants

GRI 2.7

Shell Lubricants chose us to be the company's B2B (business-to-business) Master Distributor in Mexico in December 2010, and in El Salvador in 2011.

We serve a wide range of industries including the transportation, mining, food, construction, automotive, power generation, aviation, agriculture, marine, oil and gas sectors using Shell's lubricants, greases and specialty products. We also support our customers by providing them with a technical service designed to generate value proposals.

Food

We attend to the beverage, meat, dairy, confectionery, and baked goods industries as well as to those engaged in the production of sauces, dressings, soups and pastas, among others. We supply functional additive ingredients, texturing systems, conservatives, sweeteners and integral solutions that help to improve their formulations.

To that end we have an application development laboratory in which we work directly with our clients to improve their products and optimize their costs.

Paper

We distribute and convert paper products for the publishing, design, printing, advertising and packaging industries.



Bread industry



Sauces and seasonings



Automotive



Agrochemical



Mining



GRI 2.5

Through our extensive logistics and distribution network we serve more than 20,000 customers in over 500 cities in Mexico, Brazil, Guatemala, El Salvador and Costa Rica with the highest secure custody standards.

Mexico: 34 distribution centers

Brazil: 7 distribution centers

Central America: 3 distribution centers

GRI 2.8, EC1

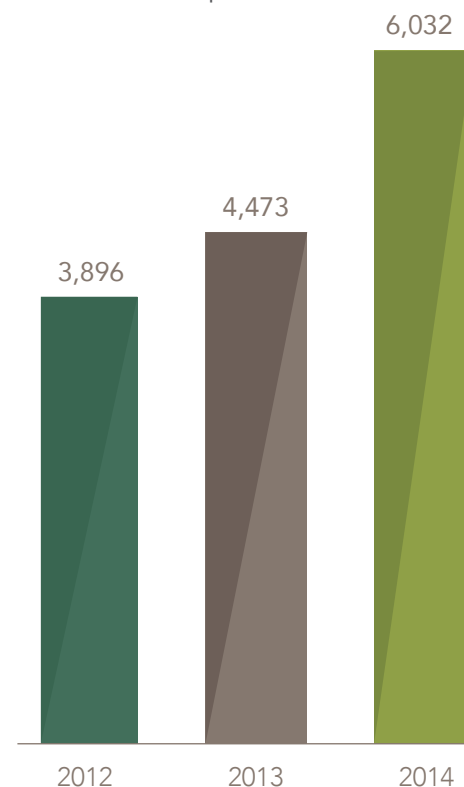
Financial Data

Relevant numbers

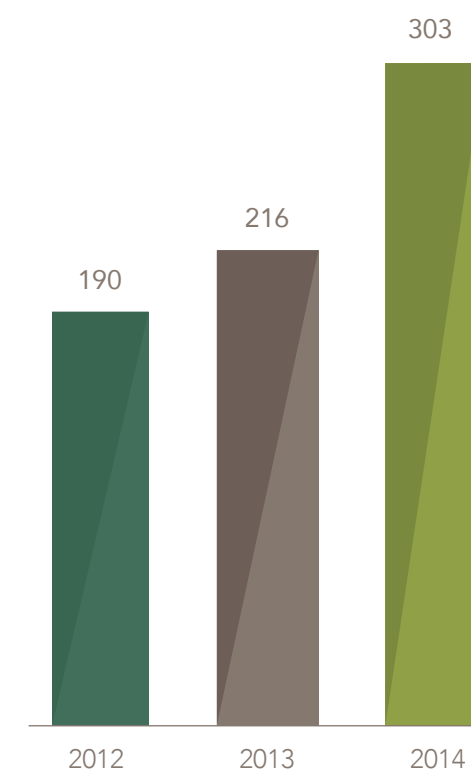
Consolidated millions of pesos	2014	2013	2012
Sales	6,032	4,473	3,896
Operating Income	195	156	154
EBITDA	303	216	190
EBITDA Margin (%)	5.0%	4.8%	4.9%
Financial Expenses	101	60	72
Forex gain (Loss)	(77)	(30)	4
Net income (Loss)	5	40	51
Net Debt / EBITDA	2.0x	2.2x	0.4x
EBITDA / Interest	2.7x	2.6x	2.6x

EBITDA = Operating income before depreciation and amortization

Sales (millions of pesos)



EBITDA (millions of pesos)



Operational

Relevant Data

UBS Casa de Bolsa, S.A. de C.V. **begins**
work as market maker

Successful penetration of the oil
exploration and drilling sectors in Mexico

Strengthening our management model and
implementing it in **Brazil**

Launch of first phase of operations in the
solvent recycling business

Strengthening
of the top management team

Culture

model

Mission

“To be the distributor of raw materials and integral solutions preferred by both customers and suppliers”.

Vision

“To reach annual sales of more than USD1 billion in the Americas”.

Commitments

- **Clients:** the best combination of price, quality and service.
- **Suppliers:** develop a long term partnership
- **Competition:** commitment and honest competition.
- **Shareholders and business partners:** loyalty and competitive returns on investment.
- **Associates:** a healthy and challenging environment that promotes personal and professional development.
- **Society:** provide benefits and avoid risks

Operating
efficiency
and custody
chain

Financial
strength

Commercial
excellence

Excellence
in talent

Sustainability and safety: Integrated Management System

Values

- Safety and norm compliance
- Austerity and frugality
- Open and dynamic communication
- Honesty and good practices
- Focus on results and continuous improvement
- A passion for growth
- A vocation of service
- Sustainability

Mission

“To be the distributor of raw materials and integral solutions preferred by both customers and suppliers”.

Vision

“Achieve annual sales of more than USD1 billion in the Americas”.

Value added

“ONE STOP SHOP”

- The largest product offering in the market.
- Uniting multiple suppliers under one roof
 - More than 5,500 products
 - More than 322,000 m² of logistics capacity and deliveries in 500 Latin American cities
 - 20.2 million liters of liquid storage capacity
 - Pre and post sales technical support
 - Application development laboratories

WORLD CLASS, SECURE CHAIN OF CUSTODY

- Only Latin America company with RD (Responsible Distribution) certification from the NACD (National Association of Chemical Distributors), awarded in recognition of excellence in responsible distribution
- World class logistics
- FSC (Forest Stewardship Council) certified in chain of custody
- ISO 9001:2008 Certification
- SARI / ANIQ (Asociación Nacional de la Industria Química / National Association of Chemical Industries) certified
- Best practices continuously audited by world class clients and suppliers



approach allows the company to move away from non-profitable customers or those with high working capital needs.

No product or client > 2.5%

5 main customers = 9%

5 main products = 8%

MANAGEMENT MODEL

In 2014 we improved the company’s management model by focusing our attention on the supply chain in an effort to lower costs and inventories, and in the process improve our working capital. We also invested considerable time and money in harmonizing the capabilities of our sales teams throughout the country. Similarly, we have made logistical improvements by optimizing transport costs and growing our fleet as well as exporting our Management Model to Coremal in Brazil.

This management model also adds value to our customers and suppliers by simplifying the supply chain as it provides them with a broad array of products from which to choose as well as vast geographical coverage, thereby minimizing distribution and logistics costs as well as their inventory levels.

DIVERSIFICATION

We remain focused on our strategy of customer, product, supplier, market and regional diversification, which is essential for avoiding risk concentration and minimizing the impact of falling prices and recessions in certain industries or regions. We can better optimize margins by avoiding dependence on specific clients or suppliers as such an

Corporate Governance

Grupo Pochteca adheres to the best international governance practices as well as to Mexican Law and the country's Securities Market Law.

Our Board of Directors is the governing body responsible for defining our long-term strategy, approving the major business decisions, supervising the Company's management team, managing risk, and ensuring regulatory compliance. In addition, the board selects, evaluates and replaces the Chief Executive Officer and the company's other officers.

The composition of our board, which is composed of a maximum of 21 directors, is decided by the Ordinary General Shareholders' Meeting, and at least 25% of directors must be independent. As of today, eight of 12 members are independent directors, thus exceeding this legal requirement. In addition, the Board of Directors will choose a Secretary who is not a member of the Board.

The board enjoys the support of an Audit Committee and a Corporate Practices Committee. Both committees, including their respective chairmen, consist exclusively of independent directors.

Audit Committee

The responsibilities of the Company's Audit Committee, the entity responsible for oversight of financial reporting and disclosure, include the following:

Advise the Board of Directors on matters that it is charged with under Mexico's Securities Market Law.

Assess the performance of the independent auditor, as well as analyze the findings, opinions and reports on the Company prepared and signed by the auditor. To that end, the Committee may require the presence of the independent auditor, when appropriate, notwithstanding that the independent auditor is required to meet with the Committee at least once a year.

Discuss and review the Company's financial statements with the persons responsible for their preparation, and based on those consultations recommend their approval or rejection by the Board of Directors.

Report to the Board of Directors on the performance of the Company's internal controls and on the internal audit of the Company and the entities it controls, including any irregularities that may have been detected.

Prepare an opinion in compliance with Article 28, section IV, paragraph c) of the Securities Market Law and submit it to the

Board of Directors, which will subsequently submit it to the Shareholders' Meeting for its approval based on information including the independent auditor's report and other documents.

Corporate Practices Committee

The Company's Corporate Practices Committee is the entity responsible for conducting the following functions:

Advise the Board of Directors on matters related to the Mexican Securities Market Law.

Request the opinion of independent experts in the cases it deems such a consultation appropriate for the adequate performance of the committee's duties, including cases specified in the Mexican Securities Market Law and the general provisions applicable to participants in the securities market.

Issue calls to shareholders' meetings and assure that the agenda of those meetings includes issues the committee deems pertinent.

Assist the Board of Directors in the preparation of the reports referred to in Article 28, section IV, paragraphs d) and e) of the Mexican Securities Market Law.

Assess the performance of the executive officers of the Company and review their compensation packages.

Board of Directors

Members of the Board

Jorge Ricardo Gutiérrez Muñoz **CHAIRMAN**
Tomás Acuña Begné*
Eugenio Santiago Clariond Reyes*
Antonio del Valle Ruiz
Francisco Javier del Valle Perochena
Francisco Javier Moguel Gloria*
Ernesto Moya Pedrola*
Luis Rebollar Corona*
Francisco Javier Ruiz Galindo y Terrazas*
Armando Santacruz González
José Antonio Vértiz Pani*
Fernando Benjamín Ruiz Sahagún*

*Independent Directors

Alternate Directors

Juan Pablo del Valle Perochena
Antonio del Valle Perochena

Eugenio Gerardo Manzano Alba
Federico Santacruz González

Juan Pablo del Río Benítez **SECRETARY**
Almaquio Basurto Rosas **ALTERNATE SECRETARY**

Audit and Corporate Practices Committee

Francisco Javier Moguel Gloria **CHAIRMAN**
Francisco Javier Ruiz Galindo y Terrazas **MEMBER**
Tomás Acuña Begné **MEMBER**
Juan Pablo del Río Benítez **SECRETARY, NON MEMBER**

Executive Committee

Jorge Ricardo Gutiérrez Muñoz **CHAIRMAN**
Armando Santacruz González **MEMBER**
Eugenio Gerardo Manzano Alba **MEMBER**



Participation

in civil organizations

At Pochteca we work with civil organizations such as ANIQ, CANACAR, ANAFAPYT, AMEDIR, AIVAC and CANACINTRA through monthly working meetings.

We also answer the calls that ANIQ issues for reviewing proposed Mexican legislation and official Mexican regulatory proposals regarding safety, hygiene and the environment. Through “*México Unido contra la Delincuencia*” (Mexico United Against Crime) we participated in a pilot course to provide feedback for the content and implementation of a virtual course that this association can use to promote a culture of legality throughout society. The exercise was conducted with a group of 20 people between March 18 and April 25.



Pochteca León

Our stakeholders

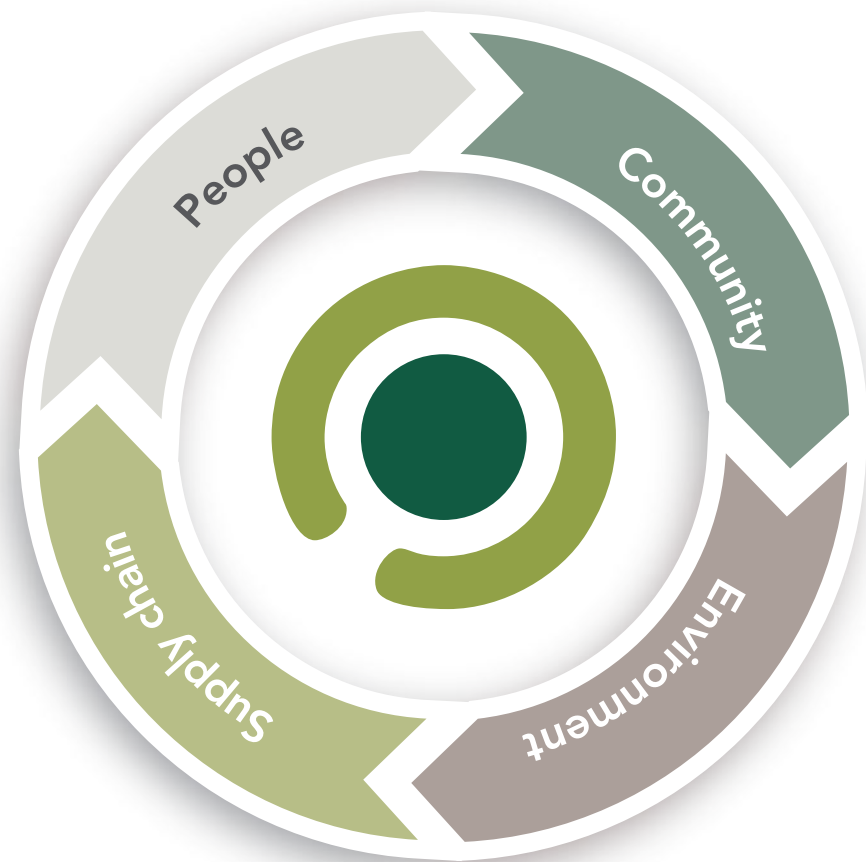
We have identified the relevant stakeholders that are in closest proximity to our operation. We maintain diverse commitments and communication channels with each of them with an eye toward learning more about their expectations and interests and integrating them into the management of the company.

Commitments

- **Clients:** the best combination of price, quality and service.
- **Suppliers:** loyalty, honest and long term commitment.
- **Competition:** commitment and honest competition.
- **Shareholders and business partners:** loyalty and competitive returns on investment.
- **Associates:** a healthy and challenging environment that promotes personal and professional development.
- **Society:**
 - Respect for the environment.
 - World class safety standards.
 - Strict compliance with applicable norms.

Sustainability

Strategy



We have identified and defined the four elements that comprise our Sustainability Strategy to assure its orderly, clear and effective implementation.

People

Because our people are of paramount importance we guarantee them the right to live with dignity as well as an inclusive environment and conditions that are adequate for their professional growth and development from the moment they join the company. To that end we invest in a range of programs and tools that allow us to establish healthy and long-term relationships with our team.

Community

We believe all the communities neighboring our operations as well as organizations that take a specific interest in our operations should be considered in our strategy. We are convinced that we cannot view ourselves as far removed from or indifferent to their needs. To that end we try to get close to them by offering them training, support and agreements that allow us to work in harmony in a mutually beneficial manner.

Environment

Fully aware of the impacts our operation has on the environment, we have voluntarily adopted national and international standards that allow us to identify, monitor, correct and reduce such effects. We also seek to expand the product catalogue we offer our customers in order to support their respective environmental protection strategies.

Supply chain

We work with our business partners in a coordinated and congruent manner in strict abidance with integrity and ethics principles in order to assure that our supply chain, purchasing, warehousing, and distribution practices as well as the use of our products and the disposal of their residues pose no risk to the safety of people or the environment, that all applicable regulations are abided by and that working conditions as well as principles of equality and inclusion are respected in the case of all people involved.

To guarantee effective implementation of the strategy within the organization we have bundled for each issue indicators that provide us with a parameter from which we can set our objective for the next year, evaluate our performance in relation to each of them and define the actions needed to correct or improve upon results.

For these reasons we have established a Culture Committee in charge of reviewing and monitoring the commitments laid out in each of the fundamental elements of our Sustainability Strategy. That committee is led by the Group's general and executive management teams, both of which are responsible for reporting to the Board of Directors on issues of strategy performance.



Our People

1,092
associates

We have established clear guidelines under which people should develop within the company. To that end we have adopted a Code of Ethics that governs our conduct in all operations and sets out the principles of behavior applicable to associates and suppliers both inside and outside the company.

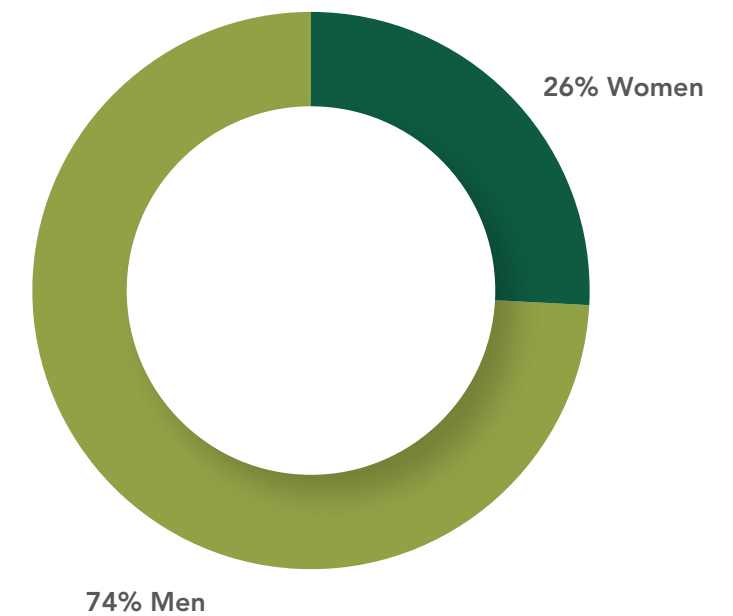
Integrity

From day one our associates are provided a work contract that spells out the mutual commitment we require. That contract complies with the guidelines laid out in Mexico's Federal Labor Law. All information contained in our associates' files, whether personal or health related, is confidentially safeguarded by all company personnel authorized to handle such matters.

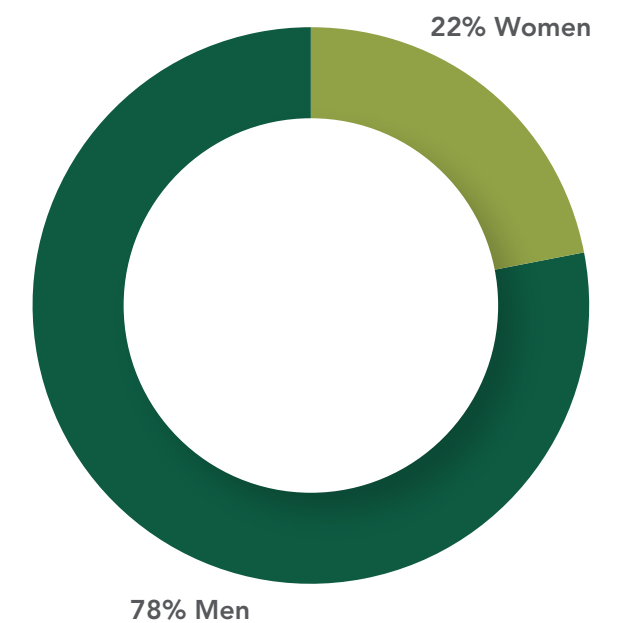
Equality

No one is discriminated against for reasons of sex, marriage status, age, race, religion, physical abilities, political preferences, sexual preference or social class. We have projected a 2% increase in our total personnel and a 5% rise in the number of women in management positions.

Total workforce



Management



Quality of Life

The tools we use to promote the wellness of our associates include a guidance program that provides psychological, health, financial, and nutritional guidance services managed by our external suppliers, who issue usage reports in the event that they are needed for the organization to take actions that can complement the support provided through these advisory services.

Employee Assistance Program (Orienta PAE)

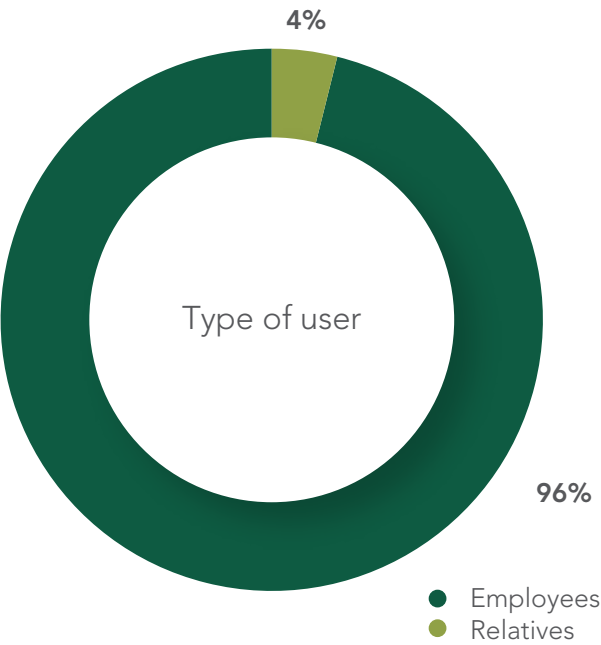


In 2014, **24.4%**, of our associates and their relatives **216 people in total** used the program. There were **195** hits on our *Orientame* (Orient me) on-line service.

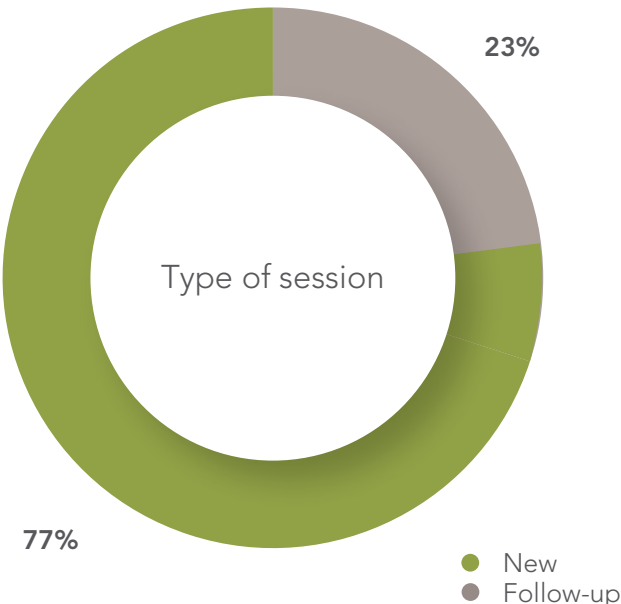
71.6% of the information that the program generated has the potential to affect the company as opposed to the remaining **28.4%**.

Results 2014

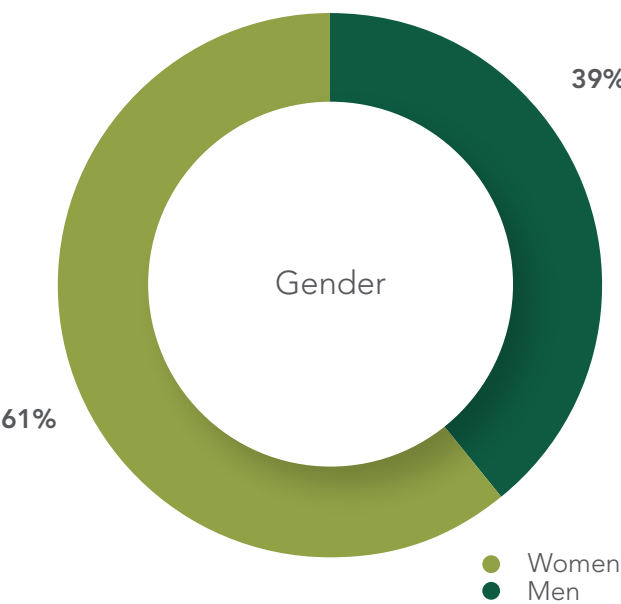
Type of user



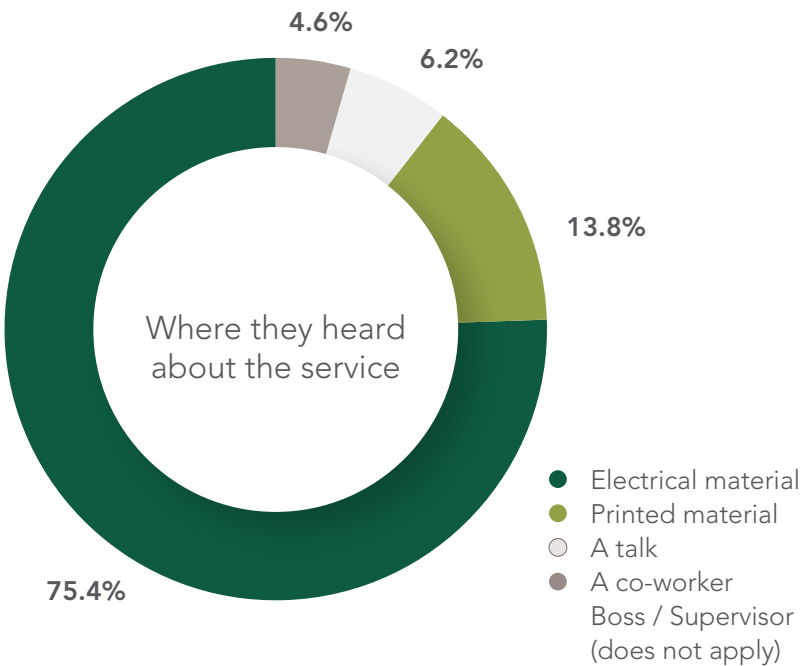
Type of session



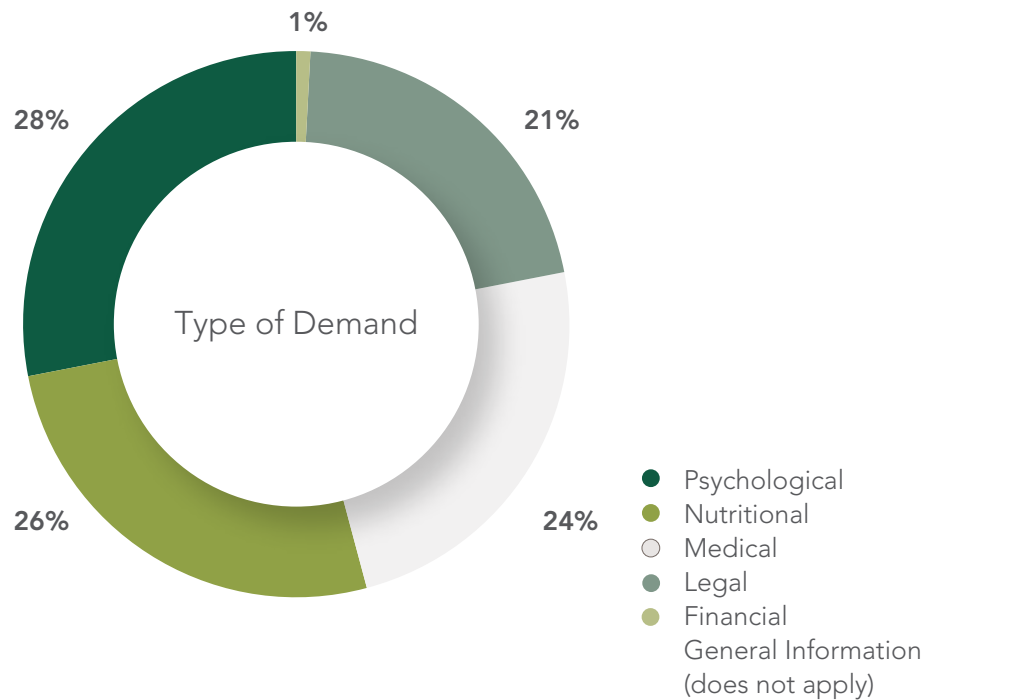
Gender



Where they heard about the service

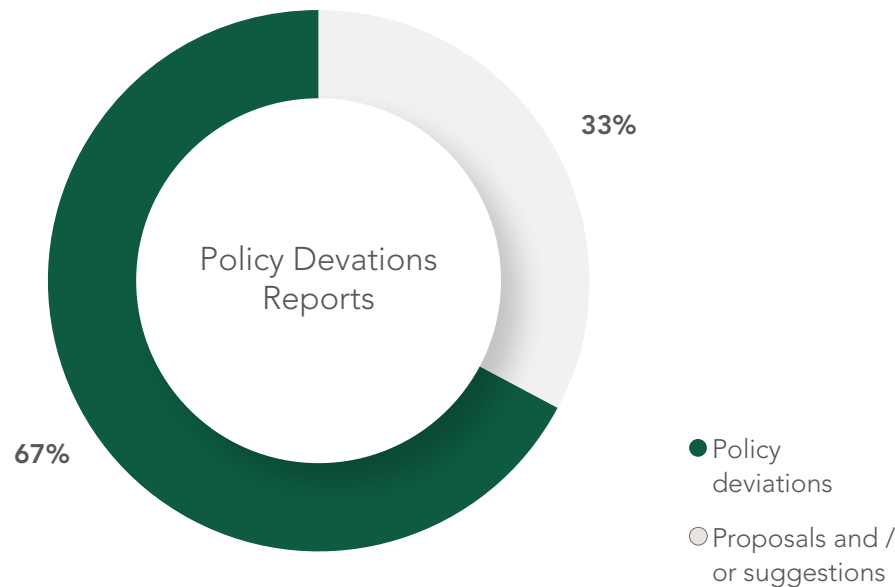


Type of Demand

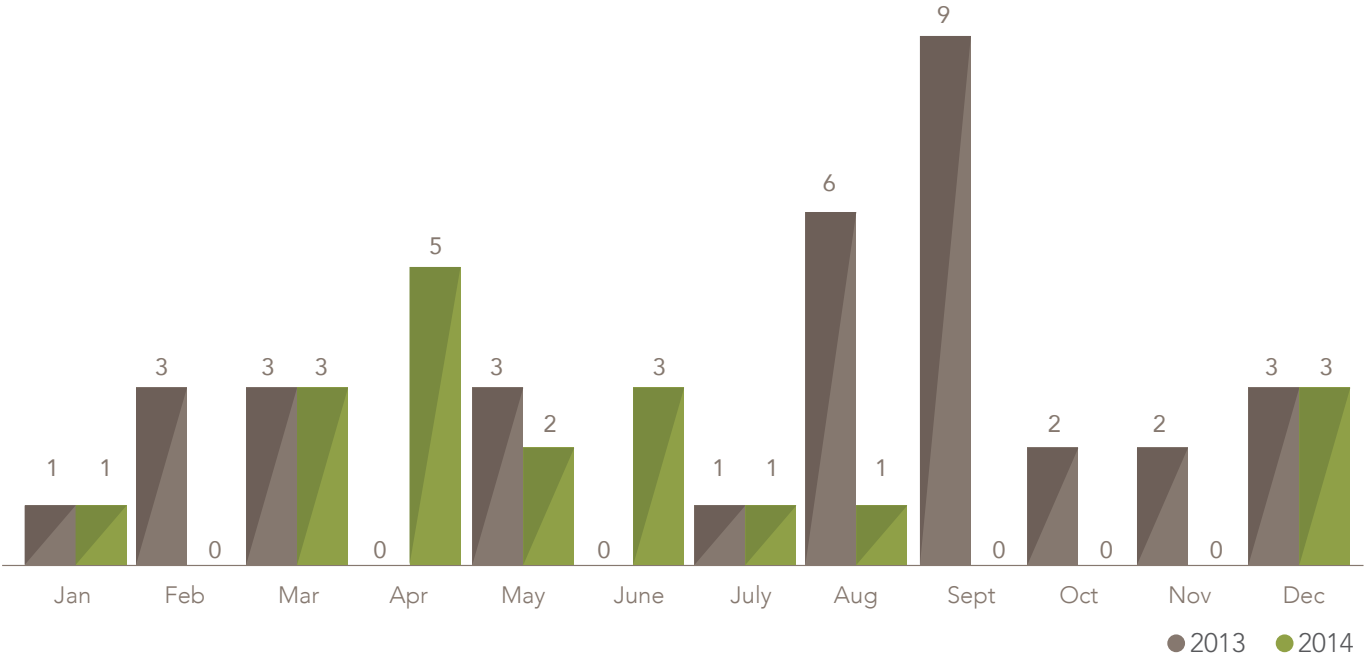


We also have a tool called **Transparency Line** that is available 24 hours a day, 365 days a year. The line is managed by an external body that reports any violations of our Code of Ethics. The service is available via phone, Internet portal and e-mail.

For the period of this report **67%** of reports on the Transparency Line involved **policy deviations** and **33%** suggestions or proposals in relation to our Code of Ethics. During 2014 it received **19 cases**.



Number of reports received per month in 2013 and 2014



Benefits

In order to improve life quality of our associates we have established a policy of flexible hours and provide the option of working from home; 167 of our associates already enjoy the benefits of such arrangements that help them to better balance their work and home lives while reducing or eliminating their commuting time. These policies are designed to benefit not only our associates but to reduce the consumption of water, electric energy, gasoline and the generation of atmospheric emissions.

On the Job Safety

At Pochteca we strictly abide by the regulations and guidelines issued by Mexico’s Ministry of Labor and Social Provision regarding general working, safety and hygiene conditions for our workers.

During 2014, we were the target of job site inspections and implemented the corrective measures the authorities requested following each inspection.

On-site Inspections

Branch	General Working Conditions	Safety and Hygiene Conditions
Aguascalientes	2	0
San Jose	N.A.	2
Tlydsa	N.A.	1
Tacubaya	1	1
Total	3	4

Fines







General Working Conditions	Safety and Hygiene Conditions
\$19,817	N.A.



Pochteca León

Risk management

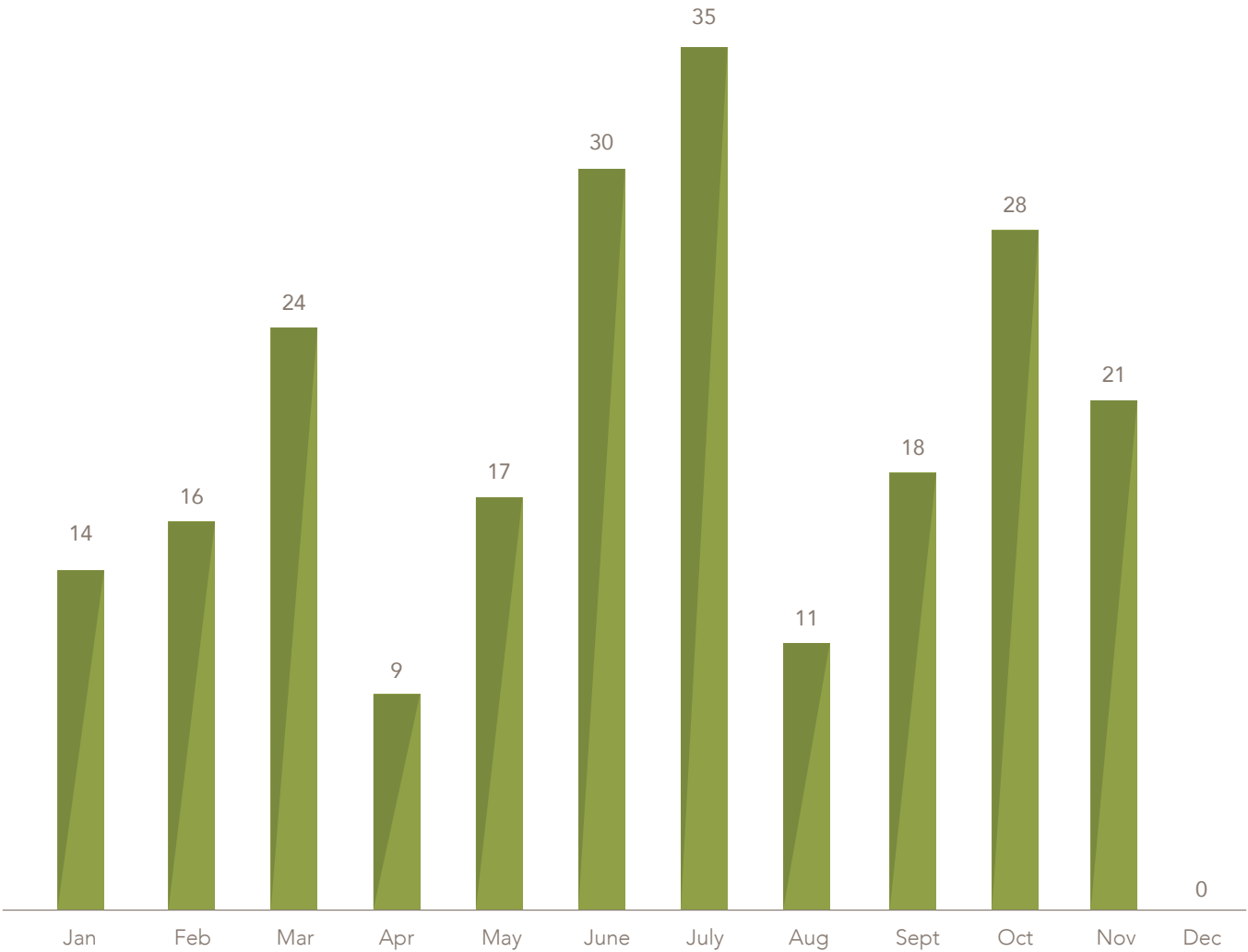
In order to assure a safe working environment for our associates we produce risk identification and prevention programs that allow us to anticipate personal-protection equipment needs as well as the equipment, infrastructure and training necessary for each operation. These actions have generated major benefits from year to year in our annual accident results.

Risk factors by Zone								
Zone	Risk factor				Measure-ment	Exposed employees	PPE	Observations
	Classification	Symbols	Type	Factor				
Zone 2: Warehouses for Acids and Bases	Physical		Noise	Forklift	83 -85 dB	4 operators	Earplugs	7 hrs / day
			Lighting	Insufficient	No	4 operators night shift		7 hrs / day
			Ventilation	Inadequate		4 operators		Insufficient extractors
	Chemicals		Liquids	Hydrofluoric Acid	No	4 operators	Helmet, Goggles, Protective mask, Cotton Uniform, Gloves, Safety footwear/ Boots	3 rd degree burns
				Chromic Acid				Burns, irritant
				Sodium Hydrosulfate				Reaction H ₂ O= Fires
				Flomic				Combustible, Flammable, Corrosive
				Hydrogen Peroxide				Corrosive, Irritant, Flammable
				Bases: Sodium Hydroxide, Ammonium hydroxide, Hypochlorite				Burns
	Mechanics		Dynamics			Forklifts	4 operators	Falls, collisions, run-overs
	Psychosocial		Work Organization	Shifts	Shift Rotation	Morn: 6:00 - 14:00 hrs Afternoon: 14:00 - 22:00 hrs Night: 22:00 - 6:00 hrs	4 operators	Shift rotation every 15 days

1.8 million pesos invested in safety equipment

5,995 man/hours of internal training for clients, suppliers and neighbouring communities only in safety and environmental conservation topics

Courses taught per month

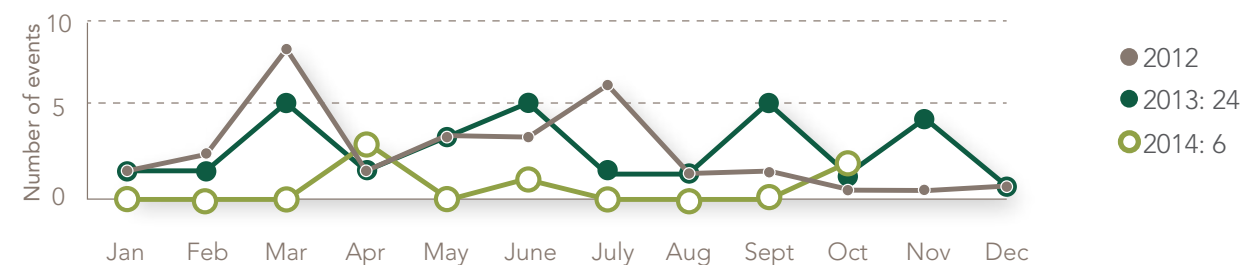




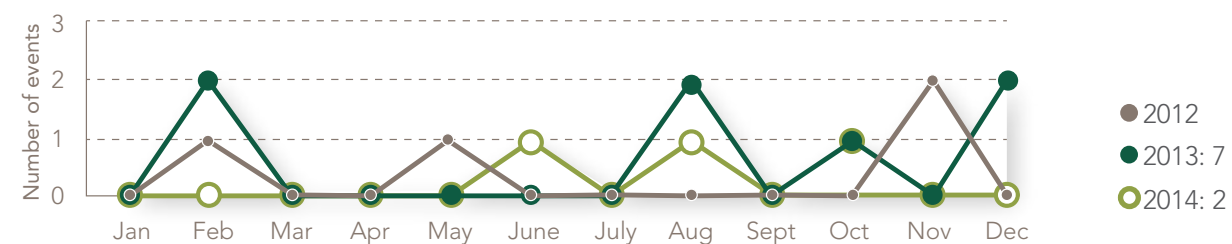
Pochteca Monterrey

GRI LA7

Accidents in operations



Accidents in transportation

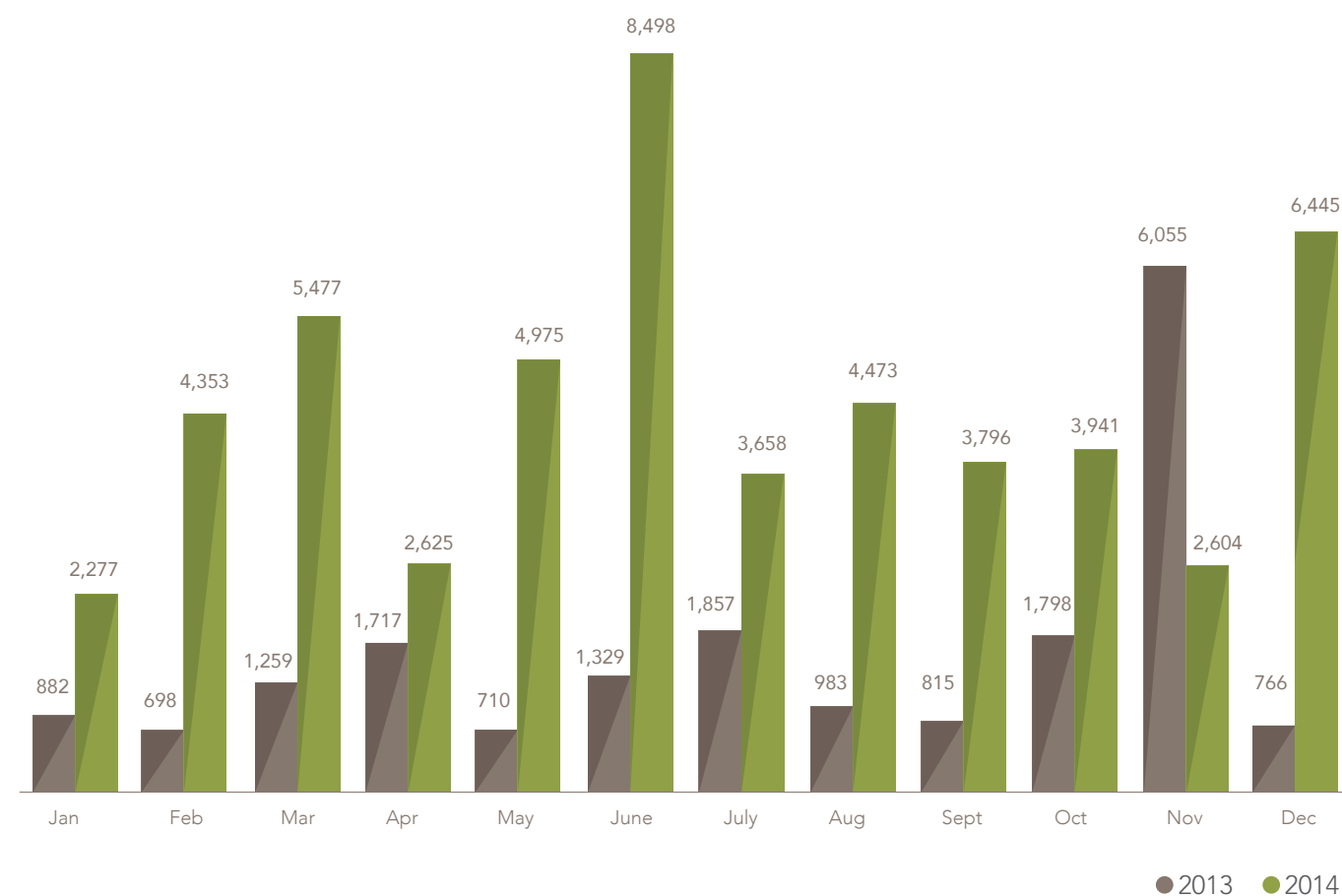


GRI LA10, LA11

Training

Training is very important to our associates' personal development and to the success of the company. We complement our training programs with our Universidad Virtual Pochteca platform, a virtual university that offers distance learning courses and evaluations. Our training programs are substantially more successful since we began providing this additional educational tool.

Number of hours of training



53,122 hours of training in
328 classroom and virtual courses



An extensive course catalogue:

- Corporate culture
- Safety, quality, health and the environment
- Operational courses
- Products, management and applications
- Policies and procedures
- General interest

The catalogue includes the following courses:

- Integration, responsibilities and tasks of the Joint Safety and Hygiene Committee
- Communicating Risks:
 1. System for identifying and communicating the dangers posed by hazardous chemical substances
 2. Safety and hygiene colors, signals, and pipeline risk identification
- Container care and maintenance
- Cultura Pochteca
- First Aid
- Comprehensive waste management
- Transport regulations
- Hazardous work procedures / Safety Rules for Pochteca Contractors
- Safety in transporting hazardous materials
- Safety and Comprehensive Management System

- Water Treatment
- Forest Stewardship Council
- Situational leadership
- Air/water environmental awareness

As part of this program we partnered with the *TEC de Monterrey* to provide training for our commercial department team. The partnership has allowed us to rank as one of the top five investors in training among TEC partners.

More than **15 million pesos** invested in the Monterrey TEC training project.

An additional benefit was the development in association with the university of more advanced programs tailored to Pochteca's specific needs. We also enjoy priority access to university-business cooperation programs.

In order to strengthen our high performance culture, we introduced an integral development program that we call PDP, Pochteca Development Potential. Through it we aim to:

- Manage and review our employees' performance under world class best practices
- Create a culture of merit-based growth
- Develop a transparent recognition system
- Generate shared goals among different areas and employees
- Achieve a clear definition of standards and expectations for individuals, teams, departments and even for the organization as a whole

The introduction of this program required an investment of more than 750,000 dollars in a world-class talent management system. With this program we plan to increase our productivity and to achieve further inclusion and equality.

We have also launched an "Our People First" program that allows us to know the job profiles of openings within the organization so our associates can apply to fill such positions as they become available.

The program consists of an online platform through which we publish internal company job listings.



Pochteca San Luis Potosí

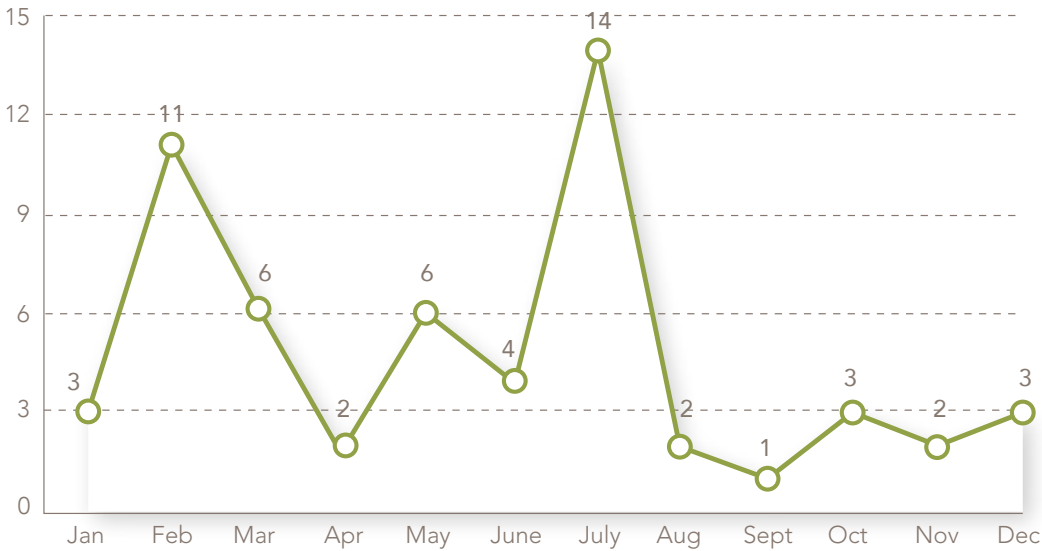


With the use of these tools we have increased the number of jobs that are being filled by current company employees.

Internal Promotions

Month	Employees	Promotions	% Var
January	1,222	3	0.3%
February	1,235	11	0.9%
March	1,239	6	0.5%
April	1,198	2	0.2%
May	1,181	6	0.5%
June	1,214	4	0.3%
July	1,151	14	1.2%
August	1,141	2	0.2%
September	1,139	1	0.1%
October	1,118	3	0.3%
November	1,085	2	0.2%
December	1,075	3	0.3%
AVERAGE	1,167	57	5.0%

Promotions



Occupational Health

The health of our associates is also a priority. For that reason, and in compliance with ILO Convention 161 and the Mexican Ministry of Labor’s Official Norm 30, we began to compile medical records of our employees that work in metropolitan Mexico City in an effort to identify and prevent general diseases as well as work related ones that affect their quality of life.

Based on those histories, we develop and implement campaigns and training to help our associates prevent the most common pathologies in Mexico.

Below we list most relevant case results, problem control actions taken, and the personal and social factors that affect the health of our associates.

- **Exercise**
- **Alcohol, tobacco and other types of substance abuse**
- **Type of family**
- **Maximum level of formal education obtained**
- **Reasons for requesting the consultation**

IMC	Percentage Men (%)	Percentage Women (%)
Low Weight	0.0	0.0
Normal	36.6	34.2
Overweight	44.6	43.9
Obesity I	16.1	19.5
Obesity II	0.9	0.0
Obesity III	1.8	2.4
Total	100	100

Type of family	Percentage (%)
Nuclear	59.5
Single parent	4.6
Blended	22.2
Extended	10.4
Live alone	3.3
Total	100

Exercise	Percentage (%)
Yes	49.0
No	51.0
Total	100

Formal education	Percentage (%)
Primary	2.6
Secondary	37.9
Higher Secondary	19.0
Technical degree	15.0
Bachelor’s	23.5
Post graduate	2.0
Total	100

Tobacco	Percentage (%)
Smokers	41.2
Non smokers	58.8
Total	100

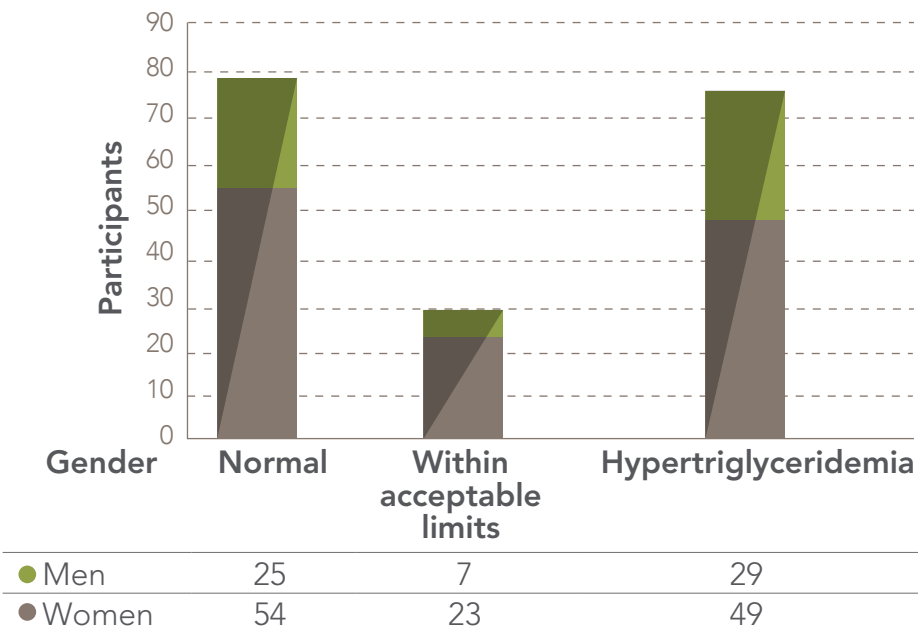
Breakdown of reasons for attention request within Grupo Pochteca

System – Group	Percentage (%)
Cardiovascular	18.5
Dermatological	4.8
Digestive	8.8
Endocrinological	4.5
Medical testing	5.1
Geriatric	0.8
Gynecological	2.9
Neurological	5.6
Ophthalmological	4.3
Musculoskeletal	12.3
Otorhinolaryngological	2.4
Others	7.2
Psychosomatic	1.9
Respiratory	20.9
Total	100

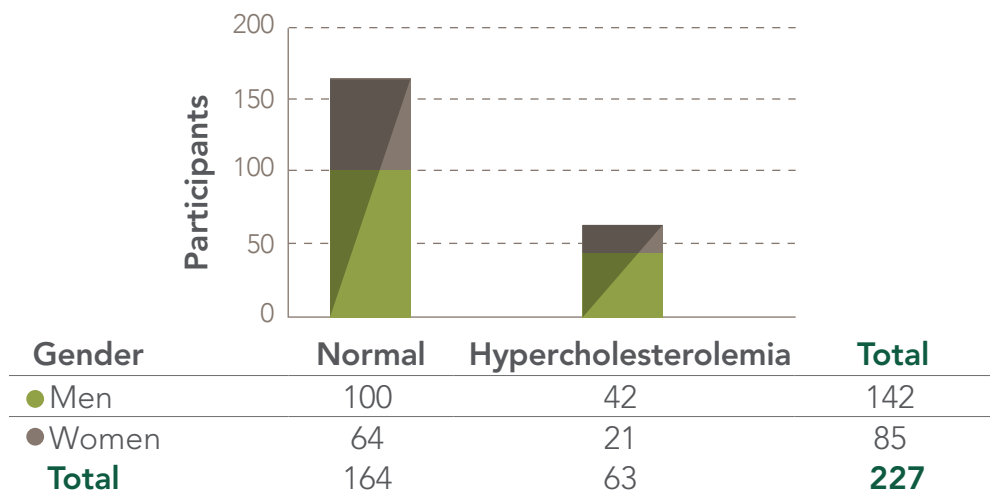
Healthcare service actions

Detection and prevention of grave illnesses

Hypertriglyceridemia among participating Pochteca personnel

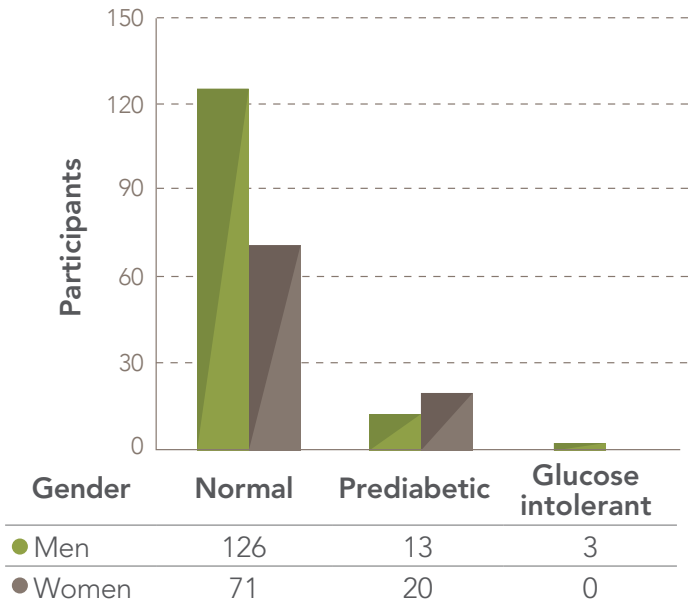


Hypercholesterolemia among participating Pochteca personnel

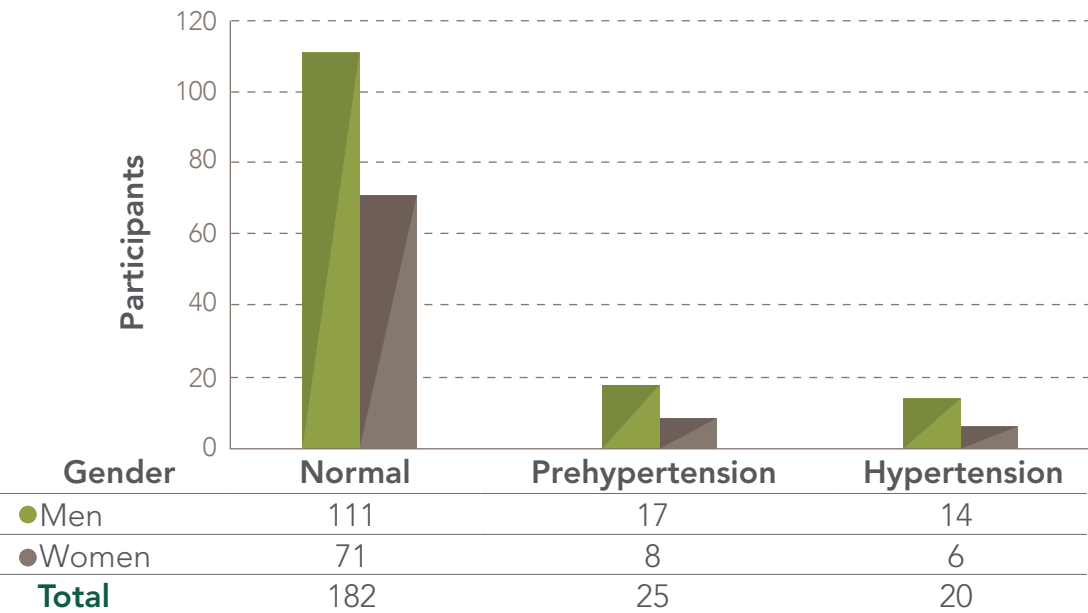




Glycemia among participating Pochteca personnel



Blood pressure among Grupo Pochteca personnel



We have implemented a series of wellness and prevention related actions among members of the Group such as:

- **Vaccination campaigns**
- **Visual acuity and eye health campaigns**
- **Training**
 - Metabolic Syndrome
 - Violence
 - Gender equality
 - Self-esteem
 - Dehydration
- **First aid courses**
- **Pochteca Health Week**
- **Health bulletins**

Pochteca Health Week 2014

In 2014 we conducted our Health Week at our facilities in San Juan, San Jose, Vallejo, and at the corporate headquarters, with activities focused on the following issues:

- **Gender equality**
- **Violence**
- **Self-esteem**
- **Talks on HIV/AIDS (raise awareness about the situation in Mexico, and the importance of not discriminating against those affected by the virus)**
- **Anti-stress exercises**
- **Vaccinations**
- **Testing for diabetes (DM2), abnormal cholesterol levels, and hypertriglyceridemia or high levels of blood fat**



Investment Health Weeks			
Grupo Pochteca HQ	Cost of the activities	Real expense to Grupo Pochteca	Grupo Pochteca Savings
San Juan	\$179,985	\$8,372	
San Jose	\$65,850	\$8,372	
Vallejo	\$62,250	\$8,372	
Corporate HQ	\$49,000	\$8,372	
Total Ps	\$357,085	\$33,488	\$323,596

In order to meet the goals of our health program and all applicable regulatory requirements we expanded our

2014 budget for this project by 30%.

Level of associate participation in Health Week							
Grupo Pochteca HQ	# of participants in gender equality, violence, self-esteem	# of participants in talks on HIV/AIDS	# of participants in rapid HIV testing	# of participants in anti-stress therapy	# of visual acuity assessments	# of vaccinations applied	# of people participating in massages, anti-stress techniques (cost assumed by the worker)
San Juan	105	75	55	82	13	124	13
San Jose	129	110	45	99	59		9
Vallejo	119	76	47	55	14		7
Corporate HQ	80	79	46	80	11		15
Total	433	340	193	316	97	124	44



Community

At Pochteca we identify “community” as all parties interested in the company that do not directly form part of our operations such as neighboring communities, society in general, clients, suppliers, government agencies and shareholders. We independently attend to each of them through a series of initiatives.

Neighboring communities and society in general

We undertake work initiatives to improve the health, safety and environmental protection concerns of our business associates, their families and other people living in proximity to Grupo Pochteca installations. We provide Civil Protection training to the most vulnerable of groups so they are better prepared to respond to emergencies related not only to the impacts our operations might have but also to risks that are inherent to the zones where they are located.

Community support activities included the following:

- Donation of balls to the Tlalnepantla Fire Department on Firemen’s Day
- Drafting of an emergency manual for the *Fundación Muros de Esperanza, A.C.* foundation
- Donation in kind of paper for printing didactic materials for the environmental education department of the Ministry of the Environment and the Government of the Federal District
- A cash donation to the *Fundación Mexicana para la Lucha Contra el SIDA, A.C.* (Mexican Foundation Against AIDS)
- A cash donation to the *Fundación Kardias, A.C.*, an institution that seeks to improve the quality of attention given to children with heart diseases in Mexico
- Donations of paper for diverse uses to the *Fundación Diarq, I.A.P.*, a center that specializes in attending to issues of violence and gender equality
- Support to municipalities affected by the acid spill in the Sonora River of August 6, 2014



Pochteca Minatitlán

We also participate in the communities by promoting **“Industrial Mutual Support Groups”** in the main cities where we have a presence.

The primary objective is to help industrial neighbors improve their performance on the level of safety, hygiene, the environment and social responsibility. We have also focused on attending to the concerns expressed by those around us regarding potential chemical industry impacts by

promoting a chemicals industry commitment to protect and maintain communications with communities.

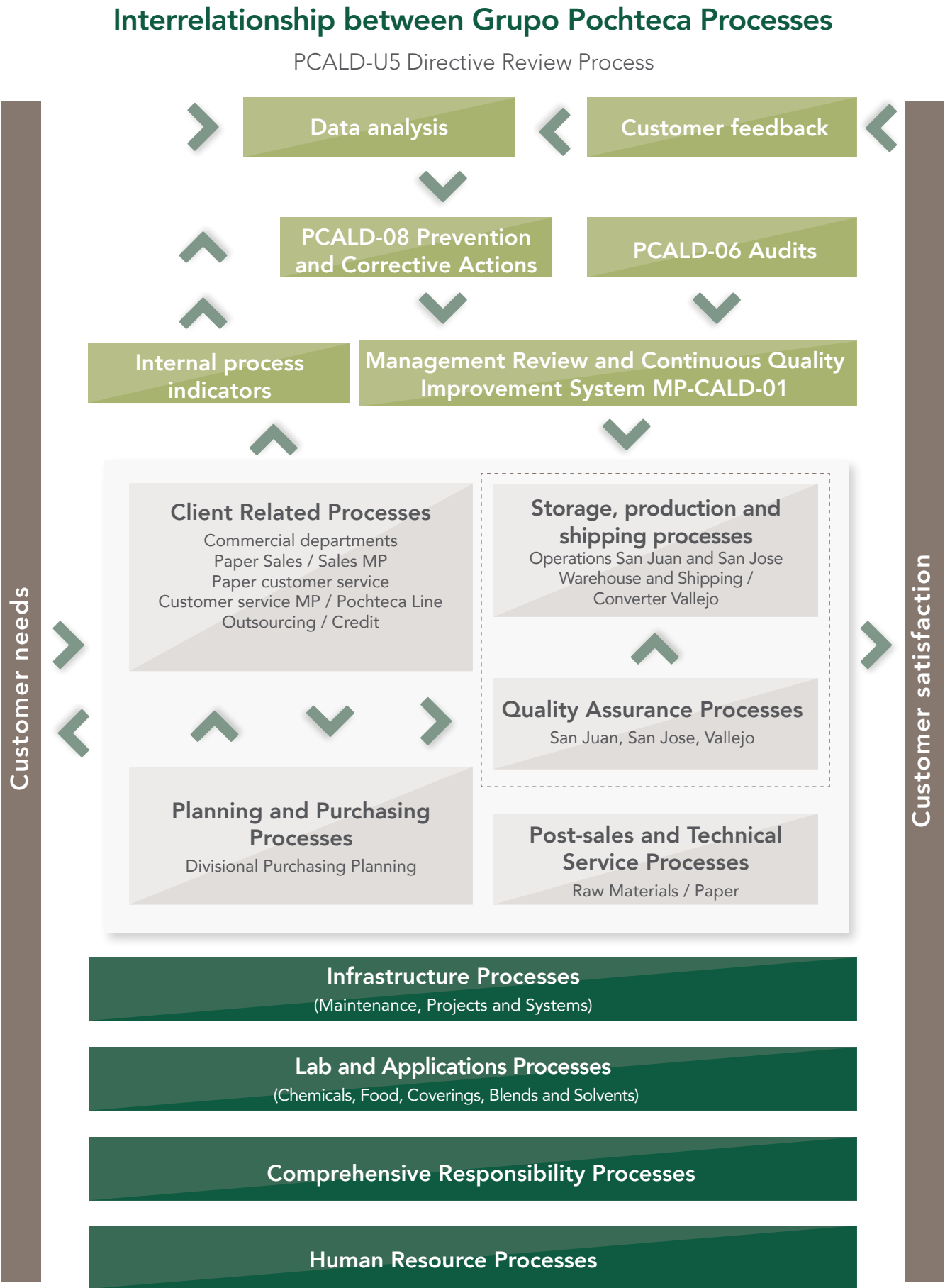
The Industrial Mutual Support Groups we are engaged in include the CRIS of Minatitlan, Veracruz, PAMI in San Jose (*Polígono de Seguridad San Juan Ixhuatpec*), in the State of Mexico and GAMI in Puebla.

The environment

Through Cultura Pochteca we sustain a strong commitment to preserving the environment. As part of that responsibility we have identified our operations’ environmental risks and established the controls needed to minimize or completely eliminate them. Such controls are integrated into our operating procedures and we make sure that they are respected by conducting internal and external audits in addition to the inspections of both local and federal authorities.

Internal risk control

In order to identify risks we base ourselves on Pochteca’s general operation as depicted in the following chart of general processes:



Once we have identified each process we proceed to construct a risk matrix for determining air, soil and water risks. In the same report we establish controls for avoiding such risks and indicate in which part of our Integrated Management System each control is documented.

	Air		Soil		Water	
	Impact	Control	Impact	Control	Impact	Control
	Solid particle emissions	Dust extraction systems	Subsoil solid and liquid spills	Spill containment systems (rain gutters, trenches, dikes, and spill containment pits)	Accidental contamination of solid and liquid drainage using contention systems	Installation of rain and chemical runoff drainage systems
Reception	Emissions systems for flammable, toxic and corrosive vapors	Vapor trapping systems		Conduct soil contamination analysis		Residual water contamination analysis
	Fire related combustible and toxic gas emissions	Fire control network, extinguishers, mobile units and sand		There are no soil remediation procedures		Residual water treatment system
Production	Air		Soil		Water	
	Impact	Control	Impact	Control	Impact	Control
	Flammable, toxic and corrosive vapor emissions	Vapor collection system	Subsoil spills	Spill containment systems (rain gutters, trenches, dikes, and spill containment pits)	Accidental drainage contamination from containment systems	Install rain and chemical drainage
	Flammable, toxic and corrosive vapor emissions	Vapor collection system				
	Flammable, toxic and corrosive vapor emissions	Vapor collection system				
	Solid particle emissions	Dust extraction systems	Soil spills	PREIN-04 and HEREIN-04-01 (Area cleanup)	Chemical contamination	PREIN-04 and HEREIN-04-01 (Area cleanup)
	Solid particle emissions	Dust extraction systems	Soil spills	PREIN-04 and HEREIN-04-01 (Area cleanup)	Chemical contamination	PREIN-04 and HEREIN-04-01 (Area cleanup)
	Vapor emissions	Vapor collection system	Subsoil spills	Spill containment systems (rain gutters, trenches, dikes, and spill containment pits)	Accidental contamination of drainage	Residual water treatment plant



External Risk Control

We conduct such controls by applying current regulations issued by federal and local authorities.

On the federal level:

I) Environmental Risk Assessments (ERA) that identify the highest risk materials and their affectation radius in the event of an accident. The materials we identify as high risk are:

- Hexane
- Acetone
- Toluene
- Methanol
- Hydrogen Peroxide
- Nitric Acid

Given the spill and fire risks these materials pose we conduct Environmental Risk Assessments for purposes of assuring the safe handling of these and all of our other materials. The results of those studies are presented to and authorized by the Mexican Ministry of the Environment's Office of Comprehensive Material Management.

II) Environmental impact assessments whenever one of our operations is regarded as being under federal regulatory control and in order to obtain the proper authorizations. Only two of our facilities require such authorization and both have it.

Our Comprehensive Responsibility Department reports directly to the CEO and is in charge of defining strategies with which to implement all prevention and corrective measures needed to eliminate the detected risks to Environmental Health and Safety (EHS).

This department works jointly with all the areas involved in processes related to the:

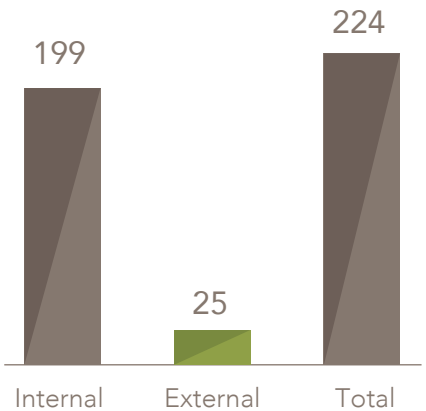


- a) Issuance and application of manuals, procedures and work instructions on safe handling, warehousing and emergency response.
- b) Impartment and coordination of training needed to assure safe product handling, emergency response teams.
- c) Drills to assure the effectiveness of plans and training.
- d) Guarantee that the installations have the means to conduct primary and secondary contention measures needed to avoid spills (spill containment pits in the case of liquid materials).
- e) Guarantee that the transportation units we employ meet the applicable regulations and physical-mechanical conditions needed to assure safe and responsible transport.

We also monitor the transportation accident indicator, which can include incidents involving spills.

- f) Guarantee execution of preventive and corrective programs for the maintenance of equipment and installations and lower related risks.

Courses given on Sustainability and Safety

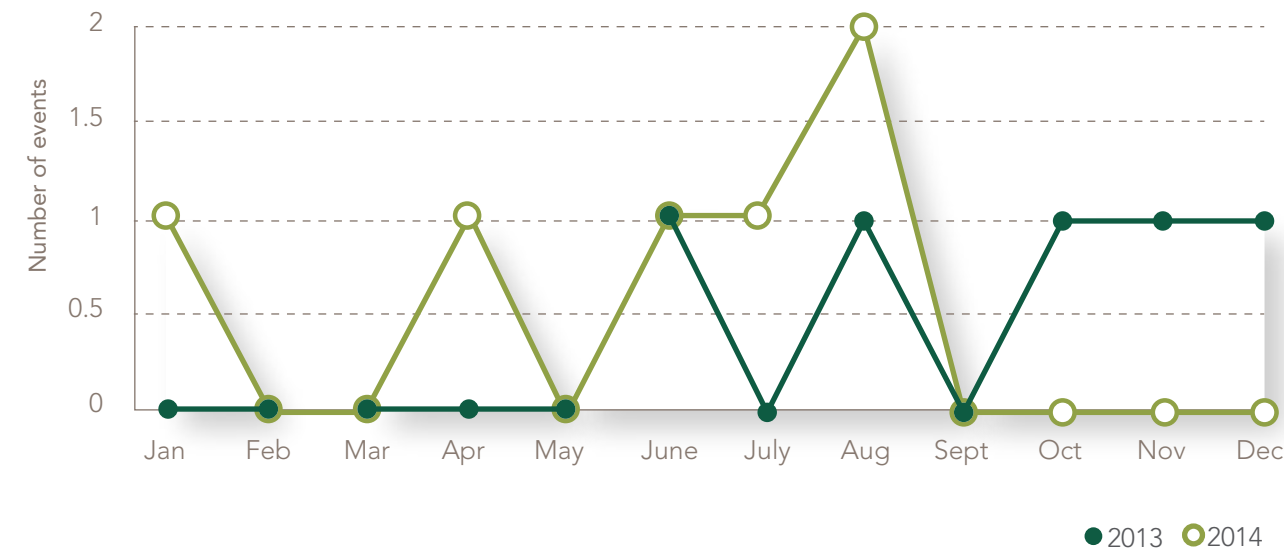


Soil

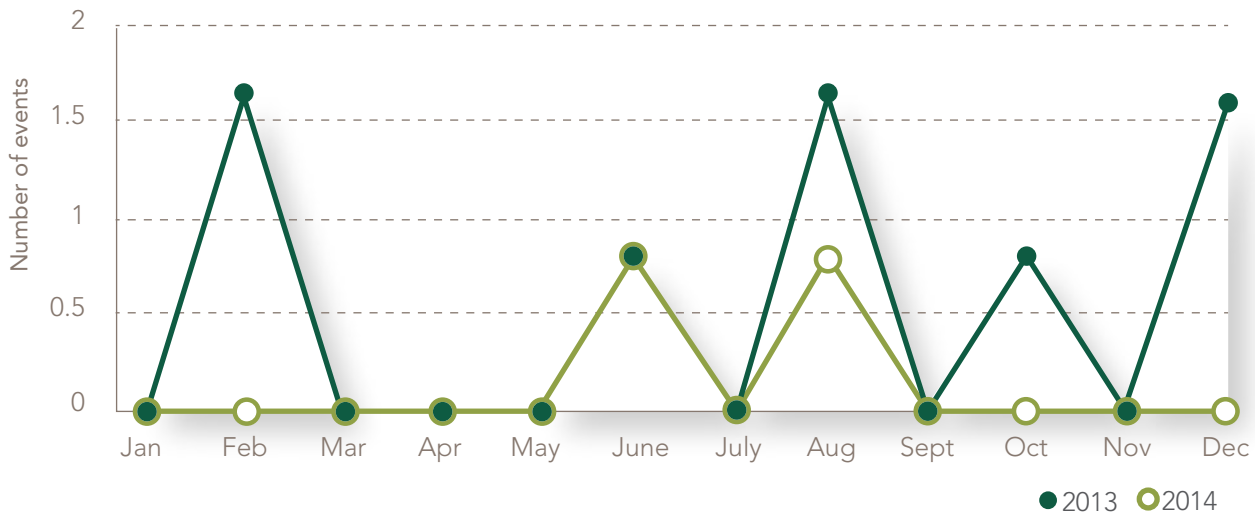
As part of our commitment to minimize the risk to soil posed by our operations we employ the following indicators:

- a) 100% of our installations are located on land zoned for industrial use.
- b) We have conducted pre and post soil contamination testing at 100% of our operations to rule out any environmental liabilities.
- c) We attend to 100% of all operational leaks and spills.
- d) We attend to 100% of transport leaks and spills.
- e) We attend to 100% of environmental liabilities.

Leaks and spills



Transport accident chart



During 2014 we experienced only two transport accidents over the course of 50,000 distribution runs and shipments of materials. Following each of those two events we conducted an analysis of the causes of the accident in an effort to determine what actions we could take to avoid similar events in the future. The controls we devised following those analyses were documented as part of the corresponding procedures.

In only one of the two cases was there a need to act in keeping with our emergency response protocols, including a soil evaluation that federal authorities signed off on.

On August 13 we responded to an emergency at km 42+400 of the Mexico-Toluca highway in which 1000 m² to the south of the highway and 400 m² to the north were affected.

We engaged in the following activities as part of our response:

- Containment of the spill using dirt and sawdust.

- Cleaning the asphalt road surface with water.
- On August 14, 2014 we hired a company authorized by the Ministry of the Environment (SEMARNAT) to remove the affected area with the support of a backhoe to extract all soil affected by the presence of spilled contaminants and just beyond.
- Following the removal the area was covered with gravel and sand (petrous material) and traffic was resumed on the north (westbound) side of the highway. Residue containment collection and removal occurred the same day as the accident on the south (eastbound) lanes.
- Soil studies concluded that concentrations of the materials in question were below maximum permitted levels stipulated in government regulations.



Residues

Pochteca Minatitlán

Hazardous residues

Most of our installations are registered as “small quantity generators” of hazardous residues in keeping with applicable regulations from the Ministry of the Environment. Only two of our installations are registered as “major quantity generators”. Warehousing and residue control is conducted in compliance with these regulations including the disposal of such residues using firms authorized by the ministry to provide those services.

After having discarded an average of 69,000 drums in 2013, we filled 207,000 drums in 2014 and discarded only 51,750.

We are currently studying the ideal number of times the drums can be used before they are discarded without endangering either people or the environment in the form of unnecessary leaks and spills.

Drums

We are implementing a drum cleaning process in our Minatitlan and San Jose plants as well as a process for the handling and control over the number of times the drums can be reused and in this way are lowering residue generation as every drum can be used three to four times on average.

Tires

We dispose of used tires under contracts we hold with a supplier who provides us with new tires. The supplier issues us a receipt for the final disposal of the tires, 100 of which were discarded during 2014.

Paper

The waste left over from the paper conversion process is sold for recycling. Last year the Group sold 878,000 kilograms of such material.

Non-hazardous residues

We conduct such waste disposal in strict compliance with the environmental regulations prevailing in the localities in which we operate.

Electronic waste

We use authorized suppliers to assist us in responsibly disposing of electronic equipment.

In an effort to reduce the volume of obsolete equipment we lease them to assure that the supplier properly maintains and disposes of the equipment.

Equipment disposed of

Quantity	Description
5	Voltage regulators
17	Printers
34	Monitors
3	Terminals
8	Keyboards
13	Mice
10	Telephones
3	Switchboard headsets
60	CPU
1	Typewriter
3	Printers
1	CPU con Floppy
4	Backup battery unit
2	UPS
Serial Cables H-H-Y-H-M	
1	DB9HM
1	2 m power cord

Water

The water we use at Pochteca is for sanitary services and only two of our plants, (Minatitlan and San Jose) have water from drum cleaning processes so we conduct residual water studies in both facilities to assure that there is 100% compliance with regulatory rules.

Our water consumption increased 13% in 2014 as we expanded container cleaning operations and dilutions following the incorporation of Mardupol operations.



Pochteca Monterrey

Air

We consider two types of atmospheric impacts:

- a) Fixed sources (three painting chambers, one boiler and an oil heater)

In order to guarantee that 100% of this equipment is within acceptable regulatory parameters, we conduct annual atmospheric emissions studies and devise preventive and corrective maintenance plans to assure proper operating conditions.

- b) Mobile sources. We maintain controls over our vehicular fleet consisting of 106 material transport units and 341 utility vehicles to make sure they can pass the necessary periodic verifications and better manage a vehicular replacement program.

During 2014 we invested Ps 10 million to replace seven hazardous material transport units and Ps 25 million to replace 140 utility vehicles.

Our 103 gas powered forklifts and 12 electric driven ones are not yet subject to and verification programs but we include them in our maintenance programs to make sure they are properly functioning.

Energy

Beginning in 2014 we started to measure our operations’ power consumption in order to set reduction goals.

Electricity

Our electric power consumption increased 5% above levels of a year earlier in large part due to the activation in our León, Guanajuato plant of our distillation equipment for recovering dirty solvents. However, as we do not have an efficiency reference point or measurement it is only possible to report the consumption and benefits derived from this equipment.

Diesel

We consumed 608,012 liters of diesel while traveling a combined 1,302,987 km. Average consumption was 2.14 liters per km.

Current yields relative to optimum consumption by type of unit are listed in the following table:

Truck Type	Ideal	Actual
Pipe	1.9 kms	1.8 kms
Thornton	2.5 to 3 kms	2.3 to 2.5 kms
Trailer	1.9 to 2.2 kms	1.8 kms

To meet this objective it is necessary to define the following strategies:

- Route optimization
- Review and monitoring of fuel loads
- Preventative maintenance on all transport fleet units every 15,000 km
- Preventive maintenance on all our units (tractor trailers) every 25,000 km



Pochteca Minatitlán

Gas

Gas consumption is limited to general services and forklifts; during 2014 we consumed 262,300 liters nationwide.

Gasoline consumption

We have a corporate gasoline card service for monitoring gas consumption. Our 2014 results stack up as follows:

Consumption in liters: **709,182 L**
Number of cards: **421**
Average consumption per card: **1,684 L**

Inspections

During 2014 we received official inspections at our installations, including four that were conducted by the Office of the Federal Prosecutor for Environmental Protection (PROFEPA); in all four instances PROFEPA issued reports with no fines.

We offer sustainable Products

We strive to constantly expand the percentage of products in our catalogue that sustain our clients' sustainability strategies.

Solvents and Blends Division

In 2014 we installed and put into operation a high-tech solvent distillation unit at our plant in León, Guanajuato. This equipment, which can work continuously and process up to 10,000 liters of dirty solvents a day and in the process affords us 100% recovery rates. The recovery system is fully automated, operates in a vacuum, and provides the following environmental benefits:

- Increases recovery efficiency 50% and reduces the production of hazardous residues to the same extent.
- By operating in a vacuum zero atmospheric emissions are generated.
- It allows for savings of up to 80% in energy consumption compared to what the equipment in our San Luis Potosi plant used.
- Obtain a greater volume of clean product available for use.

- Help our clients to focus on the key activities for their operation and in this way obtain a competitive edge through the reuse of their own solvents (closed cycle), and a smaller environmental footprint.

In addition to operating this equipment, we installed the infrastructure needed to store, mix, and package products with the resulting clean solvents serving as an input for the production of special blends for industrial use that comply with the highest quality standards.

The automotive industry is the leading producer of dirty solvents, which are generated as part of their painting processes. This sector's ongoing expansion phase provides us with a major opportunity to exploit those solvents as we are the only company in Mexico with the high-tech solvent distillation equipment for processing used solvents.



Food, Environmental and Specialties Division

The products offered by our Food Division include:

- Sugar substitutes such as Aspartame, Acesulfame-K, Sucrose, Stevia, Erythritol and Sorbitol as well as corn based sugars such as Dextrose.
- Products that help reduce sodium consumption such as Potassium Chloride, Calcium Propionate, Calcium Phosphates and ammonia compounds.
- 100% sustainable fertilizers such as Rosafert (granulated) and Rosasol (soluble). These products contribute to crop production without damaging the environment as they are produced using sustainable agriculture technologies. They are recommended for use in conventional agriculture as well as organic farming.
- Enzymatic products such as Kipos and Kopros that are certified as organic and designed for organic production.

Paper Division

Sustainable products comprise 95% of the products in our catalogue and our price lists, which comes complete with descriptions of the environmental characteristics of each type of product.



Environmental Attributes




FSC: "Forest Stewardship Council", is an international non-profit organization established to promote the proper use of forest resources through responsible practices toward the environment that are socially accepted, economically viable, and backed by credible certification processes.



SFI: "Sustainable Forestry Initiative", is an independent, nonprofit organization whose certification program is based on sustainable forest management, the defense of biodiversity, water quality and wildlife habitats.



PEFC: The Programme for the Endorsement of Forest Certification (PEFC) is an international, non-profit that began as a Pan-European initiative but is now the world's largest forest certification system that promotes voluntary certification of sustainable forest management.




RECYCLED PAPER: By using recycled products to make paper, we lower the consumption of wood and solid waste. All existing papers are regarded a recyclable products.



GREEN SEAL: Certification that indicates that the paper product contains a minimum of 30% of post-consumer fiber and is manufactured using a reduced level of energy.



PCF: "Processed Chlorine Free" products manufactured without employing chlorine.



GREEN E-CERTIFIED: Certification issued to products whose manufacture is based on renewable energy such as wind, solar power or other environmentally low impact sources.



ECF: Products that were not chlorine bleached during the manufacturing process.

CARBON NEUTRAL CCX: The seal of the CCX (Chicago Climate Exchange) that promotes reductions in the production of carbon and greenhouse gases.

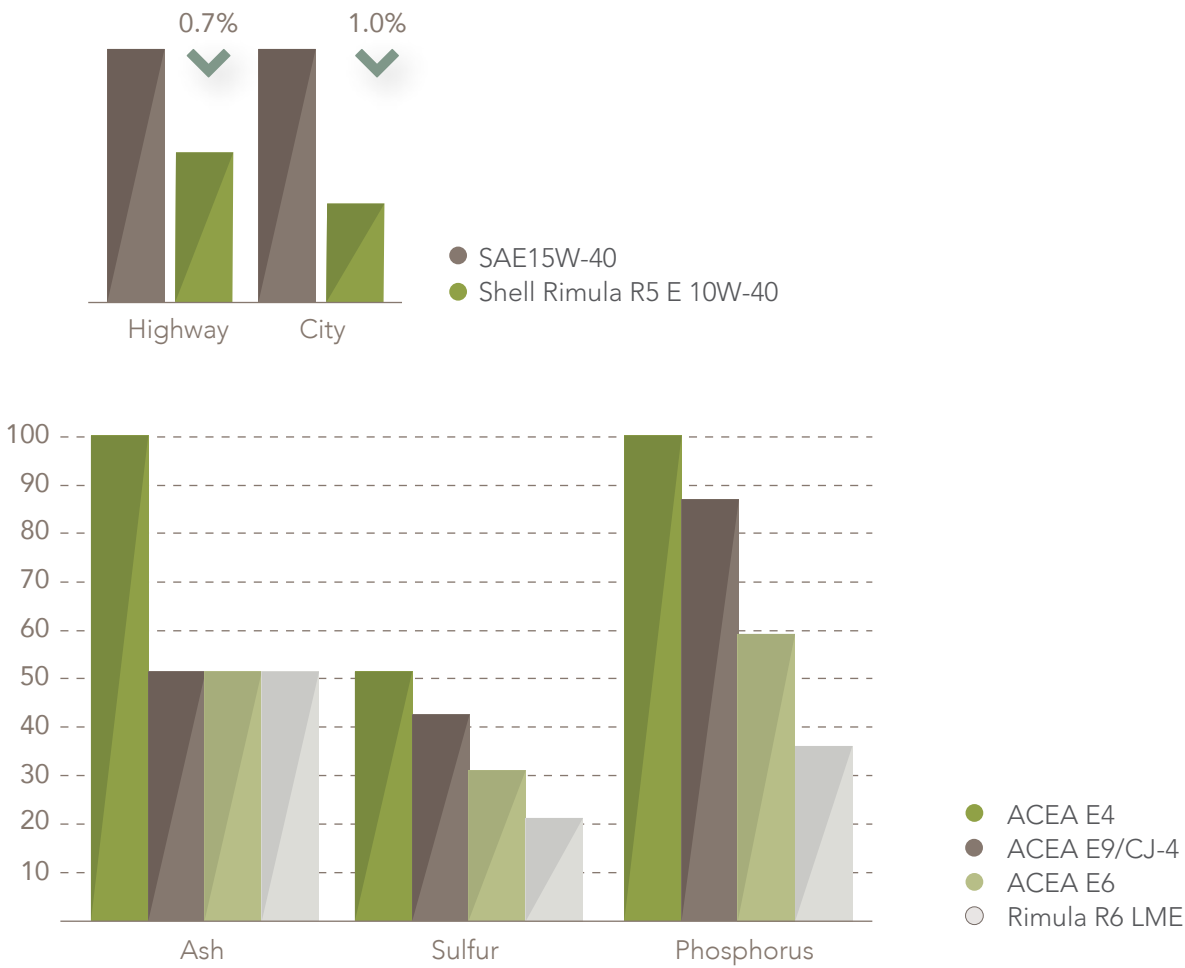
CARBON NEUTRAL: Product manufactured with processes that limit the production of carbon and greenhouse gases.

Since 2007 we hold FSC custody chain certification and are the first Mexico based paper distributor to receive such a distinction, 33% of the products in our price lists are FSC certified and each year we add more such products.

Lubricants Division

Lubricant products made using synthetic or semi-synthetic technologies account for 9% of our sales and help our clients to lower their operating costs by extending the useful life of their equipment, and reducing both their fuel needs and particle emissions. At Pochteca we maintain a special focus on increasing sales of products that bring real benefits to our customers and society in general.

Shell10W-40 synthetic technology oil - fuel economy benefit



Consumption of Sustainable Products

Our procurement processes place considerable emphasis on supplier evaluation and selection to assess how well they conform to our sustainability strategy and assure that the product we would be purchasing has qualities that would entail fewer residues, and lower both water and energy consumption.

Consumables and articles that we acquire today or are being considered over an intermediate time horizon are:

- Hygiene consumables. Biodegradable paper and biodegradable low sudsing soaps that allow us to lower water consumption and the generation of solid residues. At present, 40% of our Mexican consumption meets this specification.
- Water saving toilets and the placement of solar heaters. In an effort to curb water and gas consumption we have changed out 5% of existing devices and we have budgeted for replacing the other 20% of our toilets and heaters with the sustainable models.
- Motion detector based light switches. Current maintenance programs contemplate the programmed replacement and installment of such devices as they are currently present in only 3% of our operations.

Our printer rental service includes the supply of consumables (Toners Simitri® HD) that compared to conventional toners help to lower energy consumption during the printing process by approximately 40%. In this way we will help reduce CO₂ emissions, and energy consumption by approximately 15%.

Moreover, with a strategy of filters, restrictions, routing and per-user printing quotas within the Group, we seek to lower printing paper consumption by 20% from the current 470,000 sheets annually.

Supply chain

During 2014 our Operations Team established a Supply Chain Management that merged the operations of several departments from different parts of the corporate structure that had been intervening separately in the supply process. The unification strategy has made it possible to align criteria, processes, objectives and indicators, thereby allowing us to become more efficient and generate value for all the parties interested in our operations.

Supply chain process

Operational Division	Agrochemical Division	Chemical & Food Division	Lubricants Division	Sales Department	Paper Division
Operations:	Warehouses and Plants				
Management	Exercise operational good practices to control for variations in Containers, Intrinsic loss, Packaging Materials, Production and Investment Adjustments				
Supply chain:	BBP S&OP: Managing Demand, Supply, Registering Orders, Short-term Supply, and Inventory Control				
Planning	Logistical Efficiency & Optimization Projects				
Logistics and Distribution	General Input and Matrix Control Plan				
Projects:	Operational and Strategic				
Operation projects	New businesses				
Warehouses and Inventories	Disposition plan for excess, obsolete & slow moving inventories				

Our operations are based on the following:

- Efficient inventory management. We have implemented a SAP-based tool for managing demand and inventories that is to begin operating in 2015. This tool will facilitate collaborative processes with clients and suppliers through:
 - o Purchasing order placement through the platform
 - o Projection of sales based on forecasts by our sales team and the clients themselves
 - o Establishment of a procurement and supply policy that facilitates operations and maximizes client levels of service
 - o Optimization of warehouse usage while increasing inventory turnover
- Increased logistical efficiency. We establish long-term relationships with transport operators and customs agents that allow us to jointly define with them safe and efficient routes. Centralized control over hiring of transport services has raised the extent

of norms compliance facilitated the task of monitoring the updating of applicable documentation.

- Centralized management of inputs and services. We conduct volume negotiations with suppliers through bidding procedures that make it possible to guarantee the best choice of supplier and a mutual commitment to our principles, ethical values and sustainability. In the process, we have been able to sustain long-term win-win relationships.
- A service focused process. To assure that this process lives up to expectations it is necessary for everyone involved to focus on our clients and attend to their needs.



In order to validate that these processes' principles and objectives are effective and contribute to the fulfillment of our sustainability strategy, we have set the following indicators:

1) Logistical unit costs. This indicator shows us how transportation and import costs evolve in relation to tons moved. Upon achieving efficiencies in this indicator we generate greater productivity and competitiveness and reduce kilometers traveled by our own units and those we have subcontracted.

This indicator's 2014 result was Ps 524/Ton and our target is Ps 502/Ton.

2) Logistical efficiency. This is a financial objective that measures the benefits obtained through comprehensive negotiations in transport and imports as an absolute value as opposed to standard costs.

The 2014 result was a Ps 17 million deviation from the Ps 11 million target.

3) Inventory valuation. This helps us monitor the optimal inventory levels that assure us of compliance with commercial objectives. It also helps us to raise safety in our storage facilities by avoiding unnecessary increases in volumes of hazardous materials.

The objective is to achieve an 18% company wide reduction relative to December 2014.

4) Efficacy in negotiations with suppliers of both services and inputs. With this indicator we seek to achieve more efficient spending on services contracted in keeping with our frugal values while building a long term relationship with suppliers, and facilitating management by reducing the number of suppliers used, focusing on those that provide the best service proposals and that are best aligned with our strategies.

The objective is to lower related expenses by 6% of sales.

5) To fully employ the SAP & APO Management Model for managing demand. This cyclical process allows us to optimize inventory resources, plan supply and anticipate the company's cash flows. The process also aligns collaboration between the sales, commercial, financial, operational, logistical and planning divisions.

The objective is to have zero deviations from this practice.

6) Implement the controls and reports needed to understand the level of compliance in perfect deliveries.



Póchteca Minatitlán

GRI 4.17

Relations

with suppliers, clients and government agencies

Suppliers

We work hand in hand with our clients and suppliers to build mutually beneficial relationships based on trust.

We guarantee our suppliers the safety of all people involved and of the environment as well as compliance with all applicable regulations. We conduct

a material approval process that assesses risks and the viability of managing supplier materials before we agree to handle them in our warehouses. We develop the resource assignment and action plans necessary to assure the infrastructure, equipment, processes and personnel with the competencies needed to guarantee safety and product quality as well as health standard compliance where applicable.

To assure that our strategy is working we need to fully involve our suppliers in this process and focus controls and tracking to engage them through:

- Business relations based on trust and total respect for the supplier related guidelines in our Code of Ethics.
- Sharing with them the Suppliers Manual that includes our policies, Code of Ethics, IMS policy and performance evaluation criteria as part of our selection process.
- Generating a weekly report in which we report on their performance and ratings using the evaluation criteria employed by our Supplier Evaluation Procedure.

Transport Suppliers

Due to the importance of our transport suppliers to our distribution process and customer services, we have specific and differentiated processes for their selection and evaluation, including the following:

- Compile individual files for each shipping line that include contracts, licenses, permits, maintenance programs, insurance policies that include accident and environmental damage liability coverage, etc. This information is constantly updated as needed depending on the expiration date of such documents.
- Performance evaluation for every delivery.
From the time the units enter our facilities they are verified based on a series of criteria that include review of at least the following:
 - **Regulations:** Permits, licenses, insurance policies, social security enrollment; we make sure that all such items are up to date and in order.
 - **Safety:** The state of the tires, each unit's inspection logs and the record of the hours each driver has logged, the fire extinguishers, emergency response guide or safety sheet.
 - **The environment:** Free of leaks or spills, and presence of spill contention kits.
 - **Quality and safety:** Clean trailers or tanks that are compatible with the materials to be loaded or which have been fumigated, depending on the shipment in question.
 - **On time service:** Assure that they arrive at the designated time to load or unload, and deliver to the client on time.

In the event of failure to comply with any of these elements we generate the corresponding reports for a performance evaluation of the transport line and we produce the corresponding actions for carrying through with procedures.

Based on the analysis of incidents involving the transport lines and the detection of training needs arising out of changes in procedures or new regulations entering into effect, we conduct training sessions on a variety of training and sensitivity topics at least once a year. Such training may be conducted by either internal or external instructors.

In 2014 we conducted training on the following topics:

1. Highway vulnerability
2. SEDEX
3. Legal compliance in the transport of hazardous materials
4. SETIQ guide use
5. Satellite Tracking
6. SARI
7. Spill Kit
8. Tires

The safety of all persons involved in the distribution chain, communities adjacent to routes and the environment are our priority, and as such we place special emphasis on defining secure routes. To that end we have defined the following activities:

1. 40% of our fleet is GPS equipped, which is a requirement for contracting external services, hence 100% of our suppliers meet that standard.
2. We have logistical executives that monitor all of the units on route.
3. On the most frequently traveled routes we have established secure routes that we provide each operator.
4. Validation of toll-booth passage using the IAVE online website.

- 5. Fuel control using e-cards that can be used exclusively at gas stations located on authorized.
- 6. Safety protocols for high-risk zones that include phone communication, strictly daytime movement, authorized stops and emergency response procedures.
- 7. Drug tests when there are suspicions of drug use; all such testing requires authorization of the operator.

Integrated Management System (IMS)

Our Integrated Management System (IMS) is the basis on which we guarantee that we meet our financial and growth objectives while observing our fundamental principles as it is through this system that we have incorporated compliance with the international standards we have voluntarily adopted and which requires us to maintain constant internal and external reviews to detect opportunities for improvement; this is in addition to the suppliers and client audits.

The standards that conform our IMS are as follows:

- **ISO 9001:2008.** During 2014 we received a recertification audit with DNV GL Business Assurance, the world leader in services certification. The scope of this certification extends to our plants in the Mexico City Greater Metropolitan Area, whose operating volume accounts for 50% of our Mexico operation and we extended the certification through September 2017.
- **Forest Stewardship Council (FSC).** Custody Chain. We broadened the scope of Vallejo and Cancun in order to also include Guadalajara and Monterrey.
- **National Association of Chemical Distributors (NACD).** During the 2013 review we renewed our certification and it was determined that our reevaluation will take place in 2016.

- **Supplier Ethical Data Exchange (SEDEX).** We received the evaluation and remained in the data bases of the organizations that comply with ethical and responsible supply standards.
- We are recognized in Mexico as a Responsible Industry by Mexico's Office of the Prosecutor for Environmental Protection **PROFEPA.**
- **Mexico's National Association of Chemical Industries.** Certified us to use its Responsible Management System (SARI ®) seal of approval in recognition of our secure custody chain and which certifies the safety of our operation, the health of our associates and the surrounding community as well as our respect for the environment.

We are committed to maintaining these certifications and incorporating those necessary for gauging, correcting and improving our performance.



Integrated Management System policy

We have undertaken a process of updating our Policy of an Integrated Management System, which is the most important document and the one that governs our IMS to assure that the commitments acquired with this strategy are made known to all the members of the organization and all parties interested in our business are aware.

We are convinced that the constant validation of our IMS through internal audits, external ones on the part of our clients and suppliers, and regular inspections by regulatory authorities in charge of enforcing the regulations that apply to us will all prove to be very useful for the quick adoption of this strategy and allow us to detect in an objective manner the opportunities for improvement that we need to address.

Definition of our IMS Policy

At Pochteca we work with a focus on prevention and continuous improvement to satisfy the expectations and needs of our clients as well as to fulfill our financial and growth objectives without neglecting compliance with our four sustainability pillars.

- 1. People:** We care for their wellbeing, health, safety and professional development in an equitable and fully legal way.
- 2. The environment:** We operate on the basis of environmental impact reduction objectives so that we do not put at risk tomorrow's resources.
- 3. Supply chain:** We seek to reduce our operating expenses, but minimizing all potential risks along our supply chain, sharing our principles and values with our business partners.
- 4. Community:** In keeping with our values, we contribute to the nurturing a culture of responsibility, collaboration and compliance with all parties interested in our business.

Clients

We work to offer our customers value added to their processes, providing them with training in the safe handling of products and general safety guidelines upon their request.

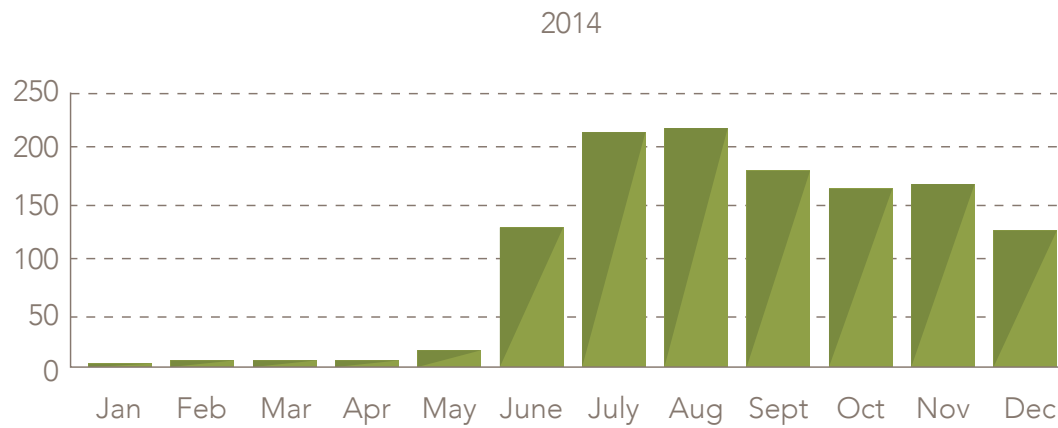
We issue reports on pre sales visits and the necessary advisory services on applicable regulations whenever clients request them.

Through periodic surveys and the registering and monitoring of delivery incidents, complaints and claims over the course of our post-sales service, we evaluate their level of satisfaction in the fulfillment of established objectives.

Our reporting system allows us to conduct weekly operating-commercial reviews of all incidents, complaints and claims registered throughout the country.

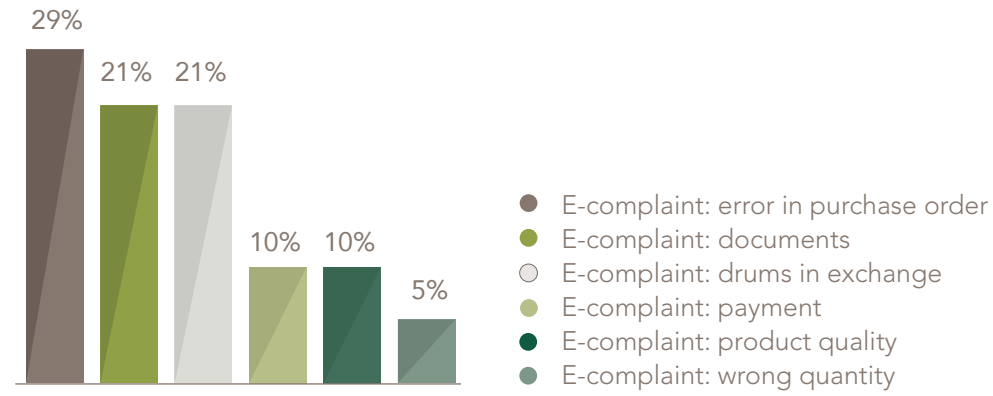
Out of all the incidents reported in 2014 corrective measures were applied to our processes in relation to 21 complaints and all were fully dealt with.

Complaints



Post sales attention 2014

Internal	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Billing mistake	4	4	3	1	1	1	5	2	1	5	0	4
Mistaken charge	2	0	2	0	0	3	0	1	1	0	3	1
Leaking drums	2	1	0	3	3	7	2	2	3	4	1	4
Performance	2	2	4	14	2	5	3	4	3	16	1	3
Non conforming product	9	13	13	0	14	27	18	22	18	24	15	17
Transport	0	2	0	5	5	1	0	3	1	4	0	0



Our clients provided **85**, general evaluations in 2014, the subject matter of which break down as follows:

- Product quality **90**
- Shipping and handling conditions **88.3**
- Communication **82**
- Sales executives **83**
- Technical support **83.5**
- Administrative support **87**
- Call center **81**

Our suppliers evaluate our installations through operating audits of our plants, a practice that commits us to attend to the findings they report and to strengthen our controls so as to assure we comply with their needs.

The effectiveness of our Integrated Management System improves each year according to the results of the reports our clients and suppliers issue following each audit.

Such audits have different objectives depending on the risk that the clients define for the type of product we supply them.

- **60%** to guarantee product quality and safety
- **30%** safety and environmental protection
- **5%** social responsibility
- **5%** comprehensive, which includes all of the above issues

35 external audits were conducted in 2014, 33 of which produced reliable supplier recognition plus two cases in which such recognition is conditioned on a Plan of Action. By way of comparison, the previous year 18 audits were conducted, 16 of which produced reliable supplier recognition and two were made subject to a Plan of Action.

Government agencies

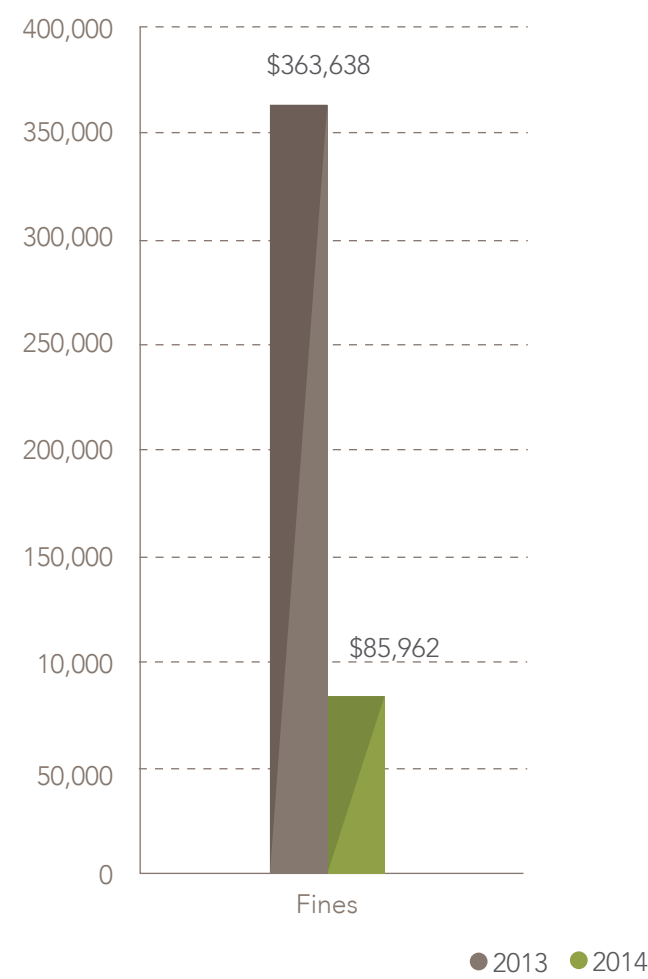
We monitor the percentage of compliance with regulations from every regulatory agency or department of government. Year after year we have improved our level of compliance and have earmarked the necessary resources to accelerate meeting a target of 80% minimal compliance by next year.

Percentage of Compliance

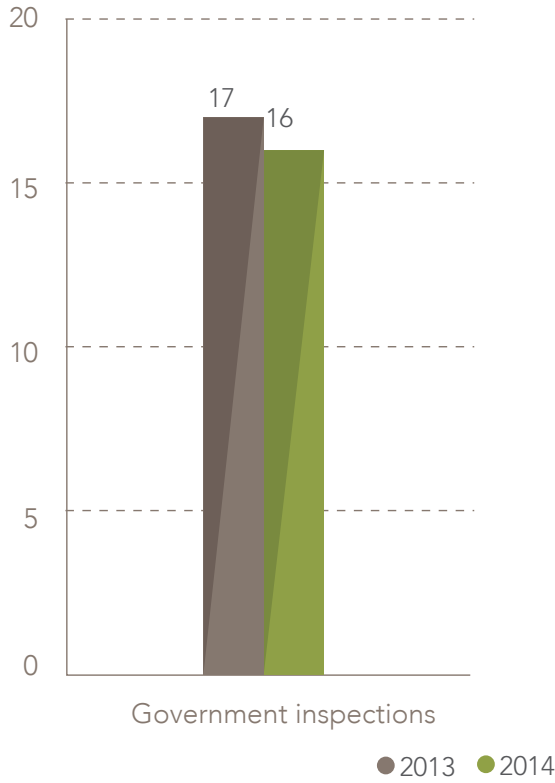


We maintain a monthly report of inspections and fines for compliance failures. The combined results of those reports are depicted in the following charts.

Fines



Inspections



GRI Index

GRI Indicator	Description	Level of reporting	Page / Direct Answer
Strategy and Analysis			
1.1	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy.	Fully	p. 7, 81
1.2	Description of key impacts, risks, and opportunities.	Fully	p. 7, 38, 62
Organizational Profile			
2.1	Name of the organization.	Fully	p. 5
2.2	Primary brands, products, and/or services.	Fully	p. 11
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	p. 11
2.4	Location of organization’s headquarters.	Fully	Back cover
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	p. 16 Five countries
2.6	Nature of ownership and legal form.	Fully	Grupo Pochteca, S.A.B. de C.V.
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	p. 5, 13, 15
2.8	Scale of the reporting organization (Number of employees, operations, net sales, total capitalization, etc.).	Partially	p. 7, 13, 17, 31
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	p. 7, 18
2.10	Awards received in the reporting period.	Fully	p. 21, 86, 87
Report Parameters			
Report Profile			
3.1	Reporting period for information provided.	Fully	January 1 st - December 31 st , 2014
3.2	Date of most recent previous report.	Fully	This document is our first Sustainability Report
3.3	Reporting cycle (annual, biennial, etc.).	Fully	Annual
3.4	Contact point for questions regarding the report or its contents.	Fully	Back cover

GRI Indicator	Description	Level of reporting	Page / Direct Answer
Report Scope and Boundary			
3.5	Process for defining report content (determining materiality, prioritizing topics within the report; and identifying stakeholders the organization expects to use the report).	Partially	p. 7, 27
3.6	Boundary of the report.	Fully	Grupo Pochteca, Mexico
3.7	State any specific limitations on the scope or boundary of the report.	Fully	Coremal branch’s performance is not reported
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	Coremal branch’s performance is not reported
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re statement.	Fully	There are no re-statements since this is our first report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	There are no significant changes in scope, boundary or measurement methods since this is our first report
GRI Content Index			
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	p. 96
Governance, Commitments and Engagement			
Governance			
4.1	Governance structure of the organization.	Fully	p. 22, 24
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	p. 24
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Fully	p. 22

GRI Indicator	Description	Level of reporting	Page / Direct Answer
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	p. 34
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	p. 19, 20, 29
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	p. 23, 29, 34, 60
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	p. 23, 29
Commitments to External Initiatives			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	p. 38, 43, 63
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	p. 26, 86, 87
4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organizations in which the organization: has positions in governance bodies; participates in projects or committees; Provides substantive funding beyond routine membership dues; or views membership as strategic.	Fully	p. 26, 86-87
Stakeholder Engagement			
4.14	List of stakeholder groups engaged by the organization.	Fully	p. 27
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	p. 27

GRI Indicator	Description	Level of reporting	Page / Direct Answer
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Partially	p. 27
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Partially	p. 27, 82-86, 90
Economic Performance Indicators			
Aspect: Economic Performance			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Partially	p. 7, 17
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Fully	p. 58-60, 62, 77
Environmental Performance Indicators			
Aspect: Materials			
EN1	Materials used by weight or volume.	Partially	p. 78
Aspect: Energy			
EN3	Direct energy consumption by primary energy source.	Fully	p. 70, 71
EN4	Indirect energy consumption by primary source.	Partially	p. 70
EN5	Energy saved due to conservation and efficiency improvements.	Fully	p. 70
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Partially	p. 70, 73
Aspect: Water			
EN8	Total water withdrawal by source.	Partially	p. 68
Aspect: Emissions, Effluents and Waste			
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Partially	p. 69, 78
EN22	Total weight of waste by type and disposal method.	Fully	p. 66

GRI Indicator	Description	Level of reporting	Page / Direct Answer
EN23	Total number and volume of significant spills.	Partially	p. 64
Aspect: Products and Services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	p. 73, 74, 76, 78
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Partially	p. 73
Aspect: Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Fully	p. 71, 86
Aspect: Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Fully	p. 65, 69
Aspect: Overall			
EN30	Total environmental protection expenditures and investments by type.	Fully	p. 69
Labor practices and decent work performance indicators			
Aspect: Employment			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Partially	p. 31
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Partially	p. 47
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Fully	p. 36
Aspect: Occupational Health and Safety			
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Partially	p. 40
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	p. 32, 49, 50, 53, 54

GRI Indicator	Description	Level of reporting	Page / Direct Answer
Aspect: Training and Education			
LA10	Average hours of training per year per employee by gender, and by employee category.	Fully	p. 39, 41
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	p. 41, 43, 44
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Partially	p. 44
Aspect: Diversity and Equal Opportunity			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	p. 31
Society Performance Indicators			
Aspect: Communities			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Partially	p. 56
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Partially	p. 56
Aspect: Public Policy			
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	p. 26
Aspect: Anti-competitive Behavior			
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	Fully	p. 27 In Grupo Pochteca, one of our commitments is honest competition

GRI Indicator	Description	Level of reporting	Page / Direct Answer
Product responsibility performance indicators			
Aspect: Customer Health and Safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Partially	p. 74, 77
Aspect: Product and Service Labeling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Partially	p. 90
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	p. 90-92
Aspect: Compliance			
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Fully	p. 94

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