

APPENDIX 1: ESG APPROACH

Appendix 1.1: Materiality analysis (GRI 3-1, 3-2)

With the aim of improving its sustainability performance, in 2022 Grupo Lamosa carried out its first materiality analysis, identifying the ESG priorities that are strategic for the organization.

The concept of double materiality was used to prepare the analysis. This concept is based, on the one hand, on an evaluation of the most significant impacts of Grupo Lamosa on its external settings: the environment, society and other stakeholders (socio-environmental materiality); and, on the other hand, taking into account those ESG topics that are most likely to affect the company's financial condition, operating performance and cash flows, while, at the same time, responding to market demands (financial materiality).

The process of identifying material topics was based on the methodology of the Global Reporting Initiative (GRI). To this end, one of the first steps for a correct understanding of what is expected in sustainability was a documentary review of different international references in the management of ESG topics.

Once a list of potentially material topics had been identified, senior management and the different stakeholders (employees, customers, distributors and suppliers) were consulted. Through interviews, focus groups and surveys, the previously identified topics were prioritized.

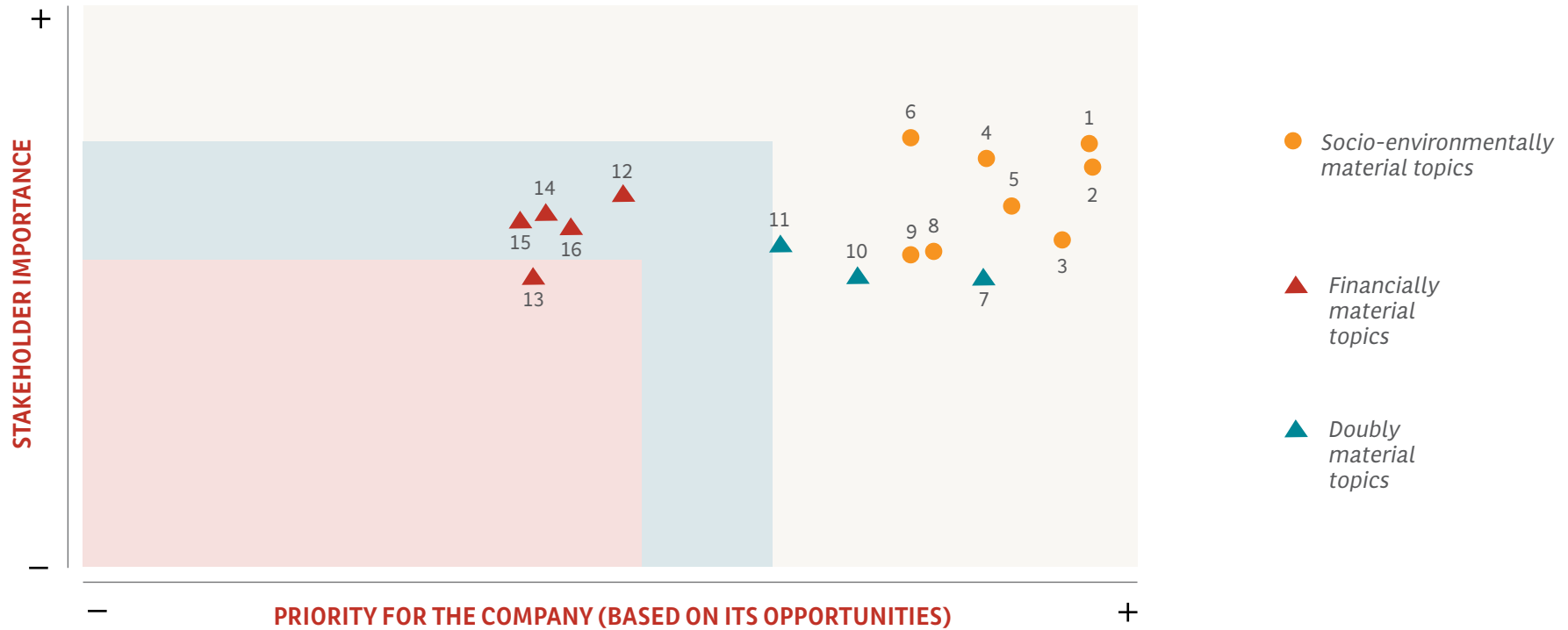
As a result, 16 material impact topics were identified, which were then internally validated by senior management.

The financial materiality recommended by the Sustainability Accounting Standards Board (SASB) was also added. The SASB is an organization that provides a series of industry standards, which were previously defined through a process of analysis and international consultation. Specifically, the standards that the initiative has identified as relevant for those sectors in which Grupo Lamosa is active were applied:

- Construction materials
- Building products and furnishings
- Chemicals
- Multi-line and specialty retailers and distributors

In addition, important aspects of the operations (main revenue streams and inputs for value creation) and the operating environment (economic, regulatory, operational and business environments) were reviewed, in order to identify additional indicators that had not been identified in the aforementioned standards.

Finally, both processes were consolidated to obtain the integrated materiality matrix, as shown below:



Materiality	Material topics	Materiality	Material topics
Socio-environmental	1 Customer service	Socio-environmental	9 Operating process automation and efficiency
Socio-environmental	2 Product innovation	Double	10 Supply chain
Socio-environmental	3 Digital transformation	Double	11 Energy management
Socio-environmental	4 Employee health and safety	Financial	12 Data protection
Socio-environmental	5 Economic performance	Financial	13 Product lifecycles
Socio-environmental	6 Quality products (customer health)	Financial	14 Work environment
Double	7 Talent attraction and retention	Financial	15 Managing product chemicals
Socio-environmental	8 Omni-channel and distributor relations	Financial	16 Workforce diversity and inclusion

Appendix 1.2: Details of the channels and stakeholder engagement (GRI 2-29)

Grupo Lamosa is committed to maintaining a transparent dialogue with its stakeholders, who actively contribute to its operations. Therefore, the relationship and ongoing dialogue with them are essential for the company to achieve its objectives.

The value proposition and main channels for each of the stakeholder groups are presented below.

Stakeholder	Value proposition	Channels
Investors, stockholders and other capital providers	<p>Generate economic value, guaranteeing the financial sustainability of the company over time and advancing in accordance with the approved strategic plan. Identify and address risks and opportunities.</p> <p>Be transparent about results, including ESG performance.</p>	<ul style="list-style-type: none"> • Stockholders' assembly • Investor relations area • Transparency Line • Meetings with analysts • Reports on results
Distributors	<p>Work together to make it easier for products to reach the final consumer, in a coordinated manner in inventory management, and with innovative products and the support of the company's brands.</p>	<ul style="list-style-type: none"> • Distribution agreements • Visits from area and/or product managers
Customers	<p>Contribute to making the best conditions in homes and work spaces, with quality materials that meet different needs. Innovatively address changes in lifestyles.</p>	<ul style="list-style-type: none"> • Third-party stores • Visits from commercial advisors • Websites of the company's brands and commercial apps • Transparency Line • Focus groups and other consultations
Employees	<p>Offer employment opportunities and professional development, safeguarding health and safety.</p> <p>Create teams that consider the well-being of their members and encourage their commitment.</p>	<ul style="list-style-type: none"> • Work environment evaluation • Intranet • Transparency Line
Suppliers	<p>Partner to offer quality products, with behaviors aligned to principles and values.</p> <p>Build an efficient relationship that guarantees the continuity of Grupo Lamosa's production and the corresponding financial return for the supplier.</p>	<ul style="list-style-type: none"> • Transparency Line • Contracts and purchase orders • Development of local suppliers and SMEs (small and medium-sized companies)

Stakeholder	Value proposition	Channels
Government	Operate in accordance with the law and ethically.	<ul style="list-style-type: none"> • Participation in topic-centered meetings and consultation forums • Response to requirements
Academia	Offer opportunities to materialize innovation in materials, technology and products and generate jobs for different professionals.	<ul style="list-style-type: none"> • Agreements for research projects and/or internships • Participation in job fairs • Presence in topic-centered events
Communication media	<p>Respect the interest and pay close attention to transactions and relationships with the different stakeholders.</p> <p>Accurately describe the company's performance to expand the scope of the stakeholders reached.</p>	<ul style="list-style-type: none"> • Press conferences • Press releases • Participation in reports and/or interviews
Communities	Be a good neighbor, generating job and development opportunities, and protecting the environment and local living conditions.	<ul style="list-style-type: none"> • Transparency Line • Donations program • Dialogue with neighbors • Volunteer projects

Appendix 1.3: Membership in associations and initiatives

(GRI 2-28)

Grupo Lamosa is committed to sustainability, working comprehensively on the principle ESG topics, and is therefore aligned with the Sustainable Development Goals (SDG) and the United Nations Global Compact.

It belongs to the Tile Council of North America (TCNA), a non-profit organization, which develops and publishes quality standards for the ceramics industry, including Green Squared, a certification that evaluates the sustainability of ceramic products. Some tiles in Grupo Lamosa's portfolio boast this certification,

as well as Porcelain Tile Certification Agency (PTCA) certification, which guarantees water absorption levels below 0.5%.

Grupo Lamosa is also part of the Green Matters initiative, aimed at improving operational performance by minimizing possible environmental impacts.

Sectorial alliances

In 2022, Grupo Lamosa joined the CAINTRA (Mexican Chamber of Industry) Business Alliance Program, in order to support technical education in the state of Nuevo León. In partnership with recognized companies in the state, the initiative seeks to contribute to the development of qualified technical personnel in the region.

The intervention model consists of providing comprehensive support to students of the National College of Technical Professional Education (CONALEP), thus contributing to the successful completion of their studies. There is also a special program for women who are enrolled in a technical education course.

Grupo Lamosa supports these students with both economic donations for the payment of tuition fees and school supplies, and volunteer

time from its employees, who in 2022 participated with the students' tutors in professional and socio-emotional skills training.

For more information on the social impact activities that Grupo Lamosa carries out, see the Community support section of the Driving talent chapter.

Firenze Awards

Grupo Lamosa, through its Firenze porcelain tile brand, annually organizes the Firenze Awards in collaboration with Entremuros, a magazine specializing in architecture and interior design. Since 2015, these awards have recognized the best projects in different categories, including:

- Corporate buildings
- Public architecture
- Residential buildings
- Commercial interior design
- Residential interior design
- Sustainable architecture

This year, nine projects received awards, out of 400 that were registered.

Appendix 1.4: Contribution to the SDGs




Grupo Lamosa contributes to the 2030 Agenda of the United Nations as a roadmap to address the great social and environmental challenges at a global level.

The materiality analysis carried out in 2022 identified relevant business issues and also made it possible to prioritize those objectives that will have the greatest impact.

The main contributions are presented below:

SDG	3 GOOD HEALTH AND WELL-BEING 	4 QUALITY EDUCATION 	7 AFFORDABLE AND CLEAN ENERGY 
Contribution	<p>Occupational health and safety management system based on the guidelines of the Occupational Safety and Health Administration (OSHA), aimed at accident prevention.</p> <p>Medical hotline for employees.</p> <p>Continuation of COVID protocols.</p>	<p>Training approach focused on developing capabilities for the correct performance of functions.</p> <p>Access to online training through platforms such as LinkedIn Learning and Coursera.</p>	<p>Use of renewable energy, both self-generated and cogenerated in the production processes, to operate.</p>
Indicators	<p>Partial Frequency Index of lost-time accidents (PFI):</p> <p>Tiles: 0.78</p> <p>Adhesives: 1.84</p> <p>Insulators and Lighteners: 9.15</p>	<p>1.09 hours of training / employee for women on average.</p> <p>1.05 hours of training / employee for men on average.</p>	<p>The company is currently calculating how much clean energy it produces.</p>

SDG	8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	10 REDUCED INEQUALITIES 
Contribution	<p>Numerous job opportunities as a result of the company's domestic and international presence.</p>	<p>The tile and adhesives businesses offer products with sustainable characteristics and international certifications, such as Porcelain Tile Certification Agency (PTCA) and UL GREENGUARD certifications.</p>	<p>The company addresses one of the most urgent needs in its communities, education, supporting primary, secondary and high schools, mainly in the state of Nuevo León, Mexico, through the Escuela Digna program.</p>
Indicators	<p>11,299 total employees in the workforce across nine countries.</p>	<p>\$193.2 million Mexican pesos in certified products.</p>	<p>Grupo Lamosa is making a specific analysis of the impact of the Escuela Digna program.</p>

SDG	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	13 CLIMATE ACTION 	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 
Contribution	<p>Waste management process aimed at reducing waste and optimizing the use of materials through reuse and recycling processes.</p> <p>Efficient water use prioritized through reuse and treatment in the production processes.</p>	<p>Grupo Lamosa's operations use mainly natural gas, a fuel that produces fewer greenhouse gas emissions than other alternatives.</p> <p>The heat generated in some processes is used as energy in others.</p> <p>Efforts are being made to reduce firing temperatures, thus lowering energy consumption.</p>	<p>The company has a robust compliance culture as set out in its corporate values, Code of Ethics and policies, which are periodically communicated to employees and business partners.</p> <p>Both suppliers and distributors must commit in writing to Lamosa's Code of Ethics, that they are given a copy of.</p>
Indicators	<p>Non-hazardous waste 92.8% reused or recycled in the tile business. 85.2% reused or recycled in the adhesives business. 66.3% reused or recycled in the insulators and lighteners business.</p> <p>Hazardous waste 94.6% reused or recycled in the tile business.</p> <p>Water 0.39% reused in the tile business. 0.11% reused in the adhesives business. 2.82% reused in the insulators and lighteners business.</p>	<p>Grupo Lamosa is currently preparing a calculation of Scope 1 and Scope 2 emissions.</p>	<p>100% of employees trained in the Code of Ethics.</p> <p>269 complaints responded to through the Transparency Line during 2022.</p>

Appendix 1.5: Progress with the principles of the Global Compact

HUMAN RIGHTS

PRINCIPLE	COMMITMENT	ACTIONS
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.	Grupo Lamosa commits to respect and comply with the declaration of human rights established by the General Assembly of the United Nations in all its operations and areas of action, across all the countries where it operates.	<ul style="list-style-type: none"> The Code of Ethics establishes the organization's commitment to respect human rights.
Principle 2. Businesses should make sure that they are not complicit in human rights abuses.	Grupo Lamosa is committed to ensuring that more and more of its business partners, including suppliers and distributors, adhere to its Code of Ethics.	<ul style="list-style-type: none"> The Code of Ethics establishes the organization's commitment to respect human rights.

LABOR STANDARDS

PRINCIPLE	COMMITMENT	ACTIONS
Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Grupo Lamosa is committed to respecting employees' legal right to collective labor association in the countries where it operates.	<ul style="list-style-type: none"> As of yearend 2022, 55% of Grupo Lamosa's personnel was affiliated to a trade union. The decision of employees to affiliate to, or disaffiliate from, a union is respected.
Principle 4. Businesses should support the elimination of all forms of forced and compulsory labor.	Under no circumstances is forced labor allowed at any of the company's production centers.	

LABOR STANDARDS

PRINCIPLE	COMMITMENT	ACTIONS
Principle 5. Businesses should support the effective abolition of child labor.	Under no circumstances is child labor allowed at any of the company's production centers.	<ul style="list-style-type: none"> The Code of Ethics establishes the organization's commitment to the prevention of child labor.
Principle 6. Businesses should support the elimination of discrimination with respect to employment and occupation.	The company undertakes to deal with any cases of discrimination that occur under due process and to implement reporting and resolution measures.	<ul style="list-style-type: none"> Employees are offered ethics awareness programs in order to reduce possible cases in the organization.

ENVIRONMENT

PRINCIPLE	COMMITMENT	ACTIONS
Principle 7. Businesses should support a precautionary approach to environmental challenges.	Grupo Lamosa commits to always act in accordance with environmental legislation.	<ul style="list-style-type: none"> Care is taken to ensure that the production processes have no adverse impacts.
Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	Grupo Lamosa is committed to promoting a green culture among its employees.	<ul style="list-style-type: none"> The company is part of the international Green Matters initiative, aimed at helping companies such as Grupo Lamosa achieve a low-carbon operating system.
Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	Grupo Lamosa is committed to continue promoting practices that contribute to reducing the environmental impact of its operations.	<ul style="list-style-type: none"> Products with sustainable criteria. Cogeneration and self-generation of energy in production processes.

ANTI-CORRUPTION

PRINCIPLE	COMMITMENT	ACTIONS
<p>Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>Grupo Lamosa commits to continue promoting its corporate values among its employees and business partners, as well as to reinforce the mechanisms for the prevention and management of non-compliance.</p>	<ul style="list-style-type: none"> • Grupo Lamosa offers employees and other stakeholders its Transparency Line, through which possible cases of corruption are assessed, and corrective measures potentially taken. • The Ethics Committee is responsible for following up on the cases of non-compliance presented.