

2016

Sustainability Report

COMMITTED

to sustainable care



Genomma Lab.  
Internacional

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# Letter from Our CEO

(G4-1) (G4-2)

At Genomma Lab Internacional we have consolidated the expansion of our operations and we have strengthened ourselves as a world-class company. The road was known as a challenge, but substantial achievements were reached, which strengthened our positioning in order to grow in a more sustainable and profitable way.

As part of these results, we are pleased to present with great satisfaction our sixth Sustainability Report, through which we demonstrate the growing importance of sustainable development for our business and our stakeholders.

Our commitment to sustainability is reflected in the objectives, the definition of goals and those responsible for their achievement, integrating economic, environmental and social aspects in our management.

This allows us to make sustained progress in the positioning, diversification and strengthening of our brands, products and distribution chain.

Our vision and actions in terms of sustainability translate into constant generation of value for the long-term permanence of the business. The growing global expansion and strengthening of our operations is reflected in a greater consolidation and capitalization of investments, resulting from a formal, focused, standardized and sustained international business planning.

In 2016 we operate in 19 countries. Our positioning at international level is the result of various actions such as strategic acquisitions and focus on core brands taking into consideration the preferences of our target markets and growth segments, as well as a reduction of non-key brands; which had a positive impact on product turnover, higher revenues, improved cash flow and financial margin.

Innovation has been a key factor in the creation of megabrands and power brands through the diversification of successful products in by-products, which meet the requirements and needs of the market, being offered in different presentations.

The expansion took place as part of a comprehensive strategy that not only improved margin and income, but was accompanied by greater efficiency with its consequent reduction in costs, through an optimal organizational structure for business development.

We focus on strengthening our position as a leading company in our categories of over-the-counter medicines (OTC) and personal care products (PC), implementing responsible actions that ensure proper reputational management in our goal of positively impacting the health and well-being of people, communities and the environment.

We are aware that strategic achievements and business progress are only feasible through proper talent management, continuous training and organizational culture across all levels of the Company.

Our supply chain, one of our main pillars, is made up of more than 1,700 suppliers. This structure has been key to achieving a solid penetration and diversity in the markets in which we operate. Our relationship is key, given the quality standards we demand from this chain, so we carry out a strict process of audits on expected quality and service.

Our operations are developed in a business environment with highly demanding regulations, especially for products related to the health and well-being of the human being, thus we adhere to the specific regulations of each country. By ensuring that the quality of our products is in balance with the applicable regulatory compliance, we align our processes to agencies recognized by their high performance standards

such as the European Medicines Agency (EMA) and the US Food and Drug Administration (FDA).

On the other hand, we work steadily and aim to obtain attractive financial results with the least possible environmental impact. This is achieved by defining specific goals and actions for our internal operations, as well as for our business partners and supply chain. We voluntarily conduct our Greenhouse Gas Inventory (GHG) on an annual basis and establish measures for the adequate management of water, packaging and waste generated, implementing mitigation measures, thus showing our commitment to minimize the environmental impact of our actions.

We recognize the great work and relevance of the communities where we operate, it is because of them that we maintain our commitment to have programs to support vulnerable groups with concrete actions of social responsibility.

The presentation of this report gives us the opportunity to maintain a clear and transparent communication with our stakeholders who are a key factor in the performance of our activities. We are aware that all these actions are the reflection of a current and future profit generation platform, which generates greater value especially for the investors. On the other hand, the generation of our report allows us to analyze with a strategic vision the actions taken as a whole always compared to the requirements of the market. We seek to contrast our investments and achievements against the possible areas of business opportunity, achieving a constant evolution.

We keep relationships with Chambers and Organizations at national and international level, endorsing our commitment to the development, growth and strengthening of the industry in the social, environmental, economic and ethical fields.

This year we made significant achievements that generated substantial value both within and outside of the Company. These include:

- The implementation of the SAP ERP IT system version S/4HANA, which is a new generation business system, that is being called the biggest

technological update in over two decades and replaces the old R3 version. An interdisciplinary team, under the leadership of Engineer Antonio Zamora Galland, Executive Vice President of Administration and Finance, successfully concluded its implementation this year, with the collaboration of different areas in our operations in Mexico.

- The signing of agreements with our manufacturers to comply, and standardize processes that satisfy and exceed the quality of our products, which at the same time will be reflected in all stages of the value chain, from the purchasing of materials, innovation, development, manufacturing, storage and distribution, up to the shelf where our consumers take the product.
- The creation of an independent whistleblower hotline to report abnormal situations occurred in the workplace or that undermine the Company's assets.
- The signing of the Covenant against child malnutrition in Colombia, "GEN CERO" in which our commitment to support the eradication of chronic malnutrition in Colombia by 2030 becomes official.
- Environmental measures aimed at efficiency in the use of materials and water and energy resources.

In Genomma Lab Internacional we continue adding achievements in terms of sustainability and social responsibility, having been honored for the tenth consecutive year, with the award as a Socially Responsible Company (SRC). Likewise, we were awarded the Acknowledgment of Family-Responsible Company and in 2014 the Award "Gilberto Rincón Gallardo" as Inclusive Company with a validity of three years. Similarly, since 2007, we adhered to the Global Compact as a company active on human rights issues, health and anti-corruption, we joined the Global Compact initiative Call to action: Anti-corruption to prevent or avoid the practice of acts of corruption in all its forms.

For the fourth consecutive year, we endorse our permanence in the Sustainable Index of Prices and Quotations (IPC, for its acronym in Spanish) of the Mexican Stock Exchange. Of the 80 sustainable companies qualified in Mexico to make up the group of sustainable issuers in our country, only 30 were selected within the Sustainable

IPC, with Genomma Lab Internacional being one of them. In this way, our Company demonstrates its invaluable and strategic commitment to sustainability. In addition, we were recognized by the Issuers' Committee of the Sustainable IPC for our outstanding performance in Social Responsibility.

In order to ensure the quality, safety and efficacy of our products, during 2016 we continue investing in research and development, encouraging innovation and creativity of our collaborators, thus promoting our culture of improvement.

I thank all those who contributed to the establishment of our strategy and the achievement of our goals and objectives to promote the sustainable development of Genomma Lab Internacional.

**Máximo Juda**

CEO Genomma Lab internacional, S.A.B. DE C.V

## About this Report

Our commitment in this sixth Sustainability Report is to inform clearly and transparently the achievements, impacts and main challenges of Genomma Lab Internacional in economic, environmental and social matters. The content of this report is based on the principles of materiality, completeness and participation with stakeholders, to ensure the transparency of our information.

We reveal through the three principles of materiality, aspects that reflect the economic, environmental and social effects of the Company. We also share information on issues that impact our stakeholders' decisions and assessments and on our practice to their expectations and interests.

Through the principle of the context of sustainability we expose our sustainable performance and vision based on the opportunities and risks that we identify about conditions in our environment and business strategy, sharing our impact and contribution in the countries in which we are present.

This report is the result of a strategic transformation in our operation, faced with a changing and innovative environment. We share relevant information from the Company from an external perspective, we focus our work on emphasizing the practices of our supply chain seeking to promote sustainable development and driving the social responsibility that we have as a Socially Responsible Company before our value chain.

The information in this report covers the period from January 1 to December 31, 2016 and in some specific cases we make a comparison with respect to the year 2015. We present the performance of our

operations in Mexico and incorporate relevant data on our international operation, where it is as such indicated. The countries where we operate at international level are Argentina, Brazil, Bolivia, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Trinidad and Tobago and Uruguay. Our report is aligned with the requirements of agencies that set the guidelines for Sustainability Reporting, under the guidelines of the Global Reporting Initiative (GRI), reporting for the third time under the version of the GRI G4 Guide under the essential compliance option. The reporting processes used are aligned with the Principles of Inclusiveness, Relevance and Responsiveness defined by AccountAbility AA1000APS (2008).

We also reaffirm our commitment to responsible practices that strengthen the respect and protection of human rights, care for the environment and permanent work with anti-corruption principles, and we have since 2007 reaffirmed our commitment to the Global Compact initiative (The Global Compact) of the United Nations, as well as our permanence as of 2013, as an active issuer in the Sustainable Index of Prices and Quotations (IPC) of the Mexican Stock Exchange (BMV).



# 01 Profile of Genomma Lab Internacional

(G4-DMA, G4-3, G4-4, G4-5, G4-6, G4-7, G4-8, G4-9, G4-13)

## About Genomma Lab international

*We are an extensive network that brings together companies and institutions that research, manufacture and market pharmaceutical and dermo-cosmetic products that meet the highest quality standards, adhering to national and international regulations, and the good manufacturing, documentation and analytical practices.*

The formula for achieving success in each of our brands lies in the fact that they efficaciously improve the well-being and health of our consumers. Most of the activities we carry out at Genomma Lab Internacional revolve around this purpose and are based on research, analysis, development and commercialization of pharmaceuticals and personal care products.

Through our actions, we seek to distinguish ourselves as an organization that considers the needs and concerns of its key stakeholders. We have an international presence, not forgetting our Mexican roots, and we are characterized by being an avant-garde company, young, dynamic, flexible and innovative, focused on finding solutions to improve the quality of life and health of people.

We stand out for being one of the leading companies in the pharmaceutical over-the-counter (OTC) and personal care (PC) industry, highlighted by our brands that have positioned themselves in the first places of the national and international market.

Our operation, which began and was strengthened in Mexico, has crossed borders, extending to 19 countries of the American continent and positioning itself significantly in Latin America and the Caribbean. Our business model is based on the continuous improvement and development of innovative, safe and efficacious products.

All our efforts are aimed at improving the well-being and health of our consumers. To achieve this, we have a team of highly committed partners, an extensive network of distributors and an efficient supply chain. Our products are based on scientific research and international quality standards.

The principles that define us are: quality, growth, expansion, consumer satisfaction, development and safety. Here's how we live them on a day-to-day basis.



### Quality

We work together with our suppliers and customers to provide products of the highest quality and available to the consumer.



### Growth

We focus on maintaining sustained growth with the highest return level for the investors.



### Expansion

We are constantly growing in Latin America and the United States.



### Satisfaction

We solve the needs of our consumers, improving their health and well-being.



### Development

We create products that improve health and quality of life, through a high investment in research and development.



### Safety

We thoroughly analyze our products, scientifically demonstrating their efficacy and safety.

Source: page Genomma Lab Internacional: <http://www.genommalab.com/es/index.html>

<sup>1</sup>Genomma Day 2016

## Sustainability Strategy: turnaround

In 2016 in Mexico we continue with the turnaround process we announced in the previous year. The objective of this strategy was to geographically diversify our presence, to reinforce the most important brands in our portfolio, to restructure operations, to strengthen financial policies, to implement additional procedures and controls and to establish mechanisms that will increase profitability in the long term.

We have achieved the goals established for this year, taking into account the following strategic imperatives: a) creation of value for shareholders, b) sustainable business model and renowned brands, and c) international expansion (balanced geographic reach)<sup>1</sup>.

## Relevant Figures

In this exercise the Company's global sales increased 2.5% compared to 2015, reaching the amount of \$11,316.3 million pesos. Mexico's sales accounted for 41% of total sales for 2016, while Latin America and the United States accounted for 45% and 14% of total sales, respectively<sup>2</sup>, in line with the objective of further diversifying our operations to decrease dependence on Mexico.

For the fourth quarter of 2016, Mexico's sales exceeded our expectations. They reached \$ 1,315.3 million pesos, reporting an increase of 41.5% compared to the same period of the previous year.

Below, the Profit and Loss Statement of Genomma Lab S.A.B. De C.V. and its subsidiaries:

## Consolidated Statements of Profit and Loss and Other Comprehensive Income

For the years ended December 31, 2016, 2015 and 2014  
(Thousands of Mexican pesos, except earnings per share information expressed in pesos.)

Source: Financial Statements audited by Deloitte.

<sup>2</sup> Financial information <http://www.genommalab.com/Inversionistas/Upload/Documents/8/Genomma%20Lab%20Internacional%204Q%202016%20ESP%20Final.pdf>

	Note	2016	2015	2014
Net revenue		\$11,316,310	\$11,042,452	\$11,540,998
Cost of goods sold		3,635,327	3,777,058	3,538,831
<b>Gross profit</b>		<b>7,680,983</b>	<b>7,265,394</b>	<b>8,002,167</b>
Selling, general and administrative expense		7,491,077	7,334,154	5,569,258
Other expenses (income) net	22	86,676	6,850	(12,187)
Impairment of long lived assets		1,770,194	899,612	-
		9,347,947	8,240,616	5,557,071
<b>Operating (loss) income</b>		<b>(1,666,964)</b>	<b>(975,222)</b>	<b>2,445,096</b>
Interest expense		(329,941)	(392,562)	(360,003)
Interest income		33,241	20,586	11,827
Exchange (loss) gain, net		379,349	(119,512)	32,525
Equity in income (loss) of associated	12	68,002	12,024	(11,684)
(Loss) income before income taxes from discontinued operations		(1,516,313)	(1,454,686)	2,117,761
Income taxes	23	126,478	(373,895)	623,598
<b>Consolidated net (loss) Income from continuing operations</b>		<b>(1,642,791)</b>	<b>(1,080,791)</b>	<b>1,494,163</b>
Income for the year from discontinued operations, net	13	-	68,154	12,943
<b>Consolidated net (loss) income</b>		<b>(1,642,791)</b>	<b>(1,012,637)</b>	<b>1,507,106</b>
Other comprehensive income for the year:				
Items which will be reversed to results in the future				
Exchange differences on translating foreign operations		182,637	262,741	160,330
<b>Consolidated comprehensive (loss) income</b>		<b>\$(1,460,154)</b>	<b>\$(749,896)</b>	<b>\$1,667,436</b>
Net (loss) income attributable to:				
Controlling interest		\$(1,680,925)	\$(1,068,519)	\$1,444,558
Non - controlling interest		38,134	55,882	62,548
		\$(1,642,791)	\$(1,012,637)	\$1,507,106
<b>Consolidated comprehensive (loss) income attributable to:</b>				
Controlling interest		\$(1,509,566)	\$(800,330)	\$1,581,285
Non - controlling interest		(48,729)	50,434	86,151
		\$(1,558,295)	\$(749,896)	\$1,667,436
Basic and diluted (loss) income per ordinary share:				
From continuing operations		\$(1.71)	\$(1.11)	\$1.37
From discontinued operations		\$0.00	\$0.07	\$0.01
<b>Basic and diluted (loss) income per share</b>		<b>\$(1.71)</b>	<b>\$(1.04)</b>	<b>\$1.38</b>
Weighted average shares outstanding (thousands of shares)		980,808	1,031,553	1,048,255



## Milestones in our history: Genomma Lab Internacional

**1996:** Genomma Lab is constituted as an advertising company with a direct-to-consumer approach and production capacity of infomercials on television.

**1997:** We restructured our operations in order to concentrate our activities on beauty products, starting to develop our own products.

**1999:** We began to develop a platform for product development and advertising thereof, establishing a network of distributors and wholesalers in order to place our products in strategic points of sale. Our product

categories include over-the-counter (OTC) pharmaceutical products.

**2003:** we started with the sale of our products to pharmaceutical wholesalers.

**2006:** We modified our organizational structure, hiring staff with extensive experience in pharmaceutical and personal care products.

**2007:** We acquired new brands and expanded our portfolio to new areas considered as strategic opportunities.

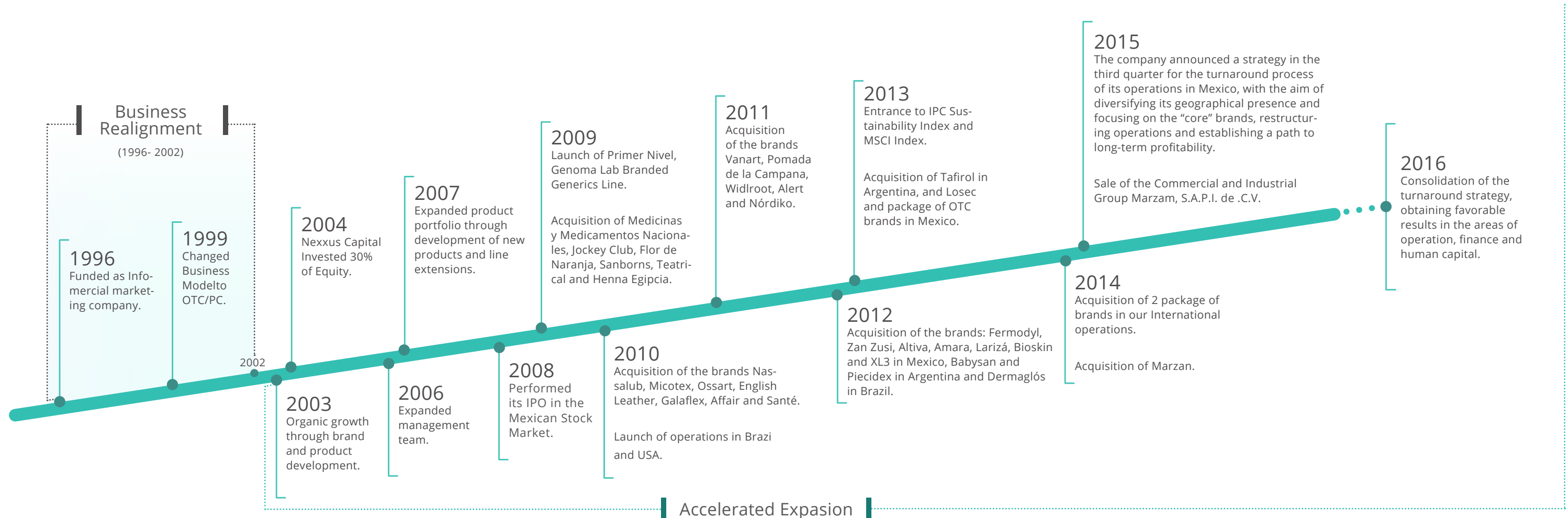
**2008:** we adopted the publicly traded stock corporation regime therefore the company name is currently, Genomma Lab Internacional, S.A.B. Of C.V.

**2013:** Entry to the sustainable IPC of the Mexican Stock Exchange (BMV).

**2015:** We innovate our business strategy based on the turnaround process under the strategic imperatives of value creation for shareholders, sustainable business model and stronger brands, international expansion and

reduced dependence on Mexico<sup>3</sup>. Sale of the Commercial and Industrial Group Marzam, S.A.P.I. de .C.V.

**2016:** the company's turnaround strategy was consolidated, with a successful inventory adjustment process, demand supported by the strength of our brands, convergence of the processes of sell-in and sell-out, and the integration of experienced executives in key areas.



<sup>3</sup> <https://www.bmv.com.mx/docs-pub/prospect/00120080626121850.pdf>

## Our products and operations

(G4-9)

Our portfolio consists of 60 brands. In 2016, we launched 30 products to the market, of which 29 were line extensions of existing brands and/or portfolio renewals and one under a new brand. The main categories we market include:

**Categories:** Facial creams, body creams, anti-acne products, cosmetics, shampoos, hair treatments, hair stylers, flu treatments, antitussives, oral and topical analgesics, intimate hygiene, electrolyte-added beverages, condoms, athlete's foot antifungal, onychomycosis, multivitamins, body soaps in bar, antihemorrhoids, antidiarrheals, antiparasitic agents, antacid products, colitis, nasal solutions, products indicated for stress and anxiety.

### > Cicatricure

Is the # 1 dermatological brand of Genomma Lab Internacional, expert in skin care. It has an extensive portfolio of facial and body products which over the years have provided consumers with benefits that help reverse skin damage (from scars to major signs of aging).

### > Goicoechea

The specialist in legs, has a range of products specially designed to provide superior care to women's legs. GoicoTabs relieves tiredness and heaviness of the legs caused by varicose veins and its line of creams moisturize and relaxes the legs instantly providing specialized benefits. It also has a specialized product in the skin care of people with diabetes: Goicoechea Diabet TX.

### > Teatrical

The iconic brand in skin care with more than 90 years in the Mexican market evolves its formula incorporating a unique ingredient: Stem Cells of the Buddleja Davidii Flower, making an accessible product portfolio available to Mexican women inspired by the current needs of women.

### > Asepxia

A leading brand in the Anti-acne category, it has a product line designed to help adolescents fight against imperfections. Always looking to be at the forefront, in 2016 the new formula "Hydro Force" was launched; the perfect balance between technology and nature, to provide consumers with maximum anti-imperfection effectiveness while caring for and protecting the skin.

## > Vanart

The brand with more than 60 years in the market today evolves by introducing its Brilliant Repair line, a whole family of products with natural coconut oil that, combined with the best ingredients, take care of the hair daily providing extraordinary results and making the Mexican families shine.

## > Sistema GB

The leading brand expert in hair loss, knows that this problem can only be solved with the right system: GB System contains a unique formula with 3 active ingredients that stimulate hair growth by decreasing hair loss.

## > Tío Nacho

Natural and specialized anti-hair loss brand with the best of nature combined in its homemade formula, Royal Jelly with natural ingredients that revitalize your hair.

## > XL3

An anti-flu brand with more than 40 years of experience relieving the flu of Mexicans. With one of the broadest portfolios in Mexico. XL3 has solutions to relieve a mild flu, to a severe flu that requires antiviral action.

## > Next

The brand of anti-flu medicines recognized for its efficacy and speed of action to relieve all the symptoms of the flu and help you continue with your day thanks to its powerful formula with paracetamol, caffeine, phenylephrine and chlorphenamine.

## > Lomecan V

The expert brand for the intimate care of Mexican women. With the widest portfolio covering the OTC market with ova and creams as well as daily hygiene products such as intimate shampoos and soaps.

## > Nikzon

The leading brand in hemorrhoid relief, market leader thanks to its effective pharmaceutical form in chewable tablets.

## Main launches by country

The main launches by country in 2016 were:

Launch of Cicatricure Plasma  
**Mexico**



Relaunch of the Suerox brand  
**Mexico**



Launch of Triatop Clinical  
**Argentina**



Launch of Vanart Brilliant Repair  
**Mexico**



Launch of MaEvans Hialubot Line, Tukol and Cicatricure Micellar Water  
**Argentina**



Launch of Asepzia's BB Cream  
**Argentina**



Launch of Cicatricure SPF  
USA



Launch of Cicatricure Beauty Care and  
Cicatricure Roll-on Eyes  
Chile



Launch of Farmaderma Concept and  
New Hair Packs  
Peru y Bolivia

Launch of Tío Nacho: Conditioners Younger  
Looking & Mexican Herbs  
USA



Launch of Tío Nacho Herbals  
Chile



Launch of Next, launch of Cicatricure Beauty Care and  
launch of Nasalub  
Colombia



Launch of Genozol  
USA



Launch of Lomecan V ova and launch  
of Fermodyl  
Central America



Launch of Lomecan V Ova and X-Ray  
Capsules  
Ecuador



During the year 2016 we developed new products with the objective of strengthening our existing brands, as well as penetrating into categories where we do not yet have a presence.

During this year the Company decided to enter the grocery market where the main benefit is to facilitate the movement of brands such as Genoprazol, Next, Alliviax, Nikzon and Condoms M.

In the following web sites, we present each of our brands and products according to their classification.

**Pharma:** <http://www.genommalab.mx/farma>

**Derma:** <http://www.genommalab.mx/derma>

**Well-being:** <http://www.genommalab.mx/bienestar>

All our products are made with international quality standards and are supported by scientific research. This is the result of our commitment to the health and well-being of our consumers.



# 02 Sustainable Approach Of Genomma Lab Internacional

## Materiality and stakeholders

(DMA, G4-17, G4-18, G4-19, G4-20, G4-21, G4-22, G4-23, G4-24, G4-25, G4-26, G4-27)

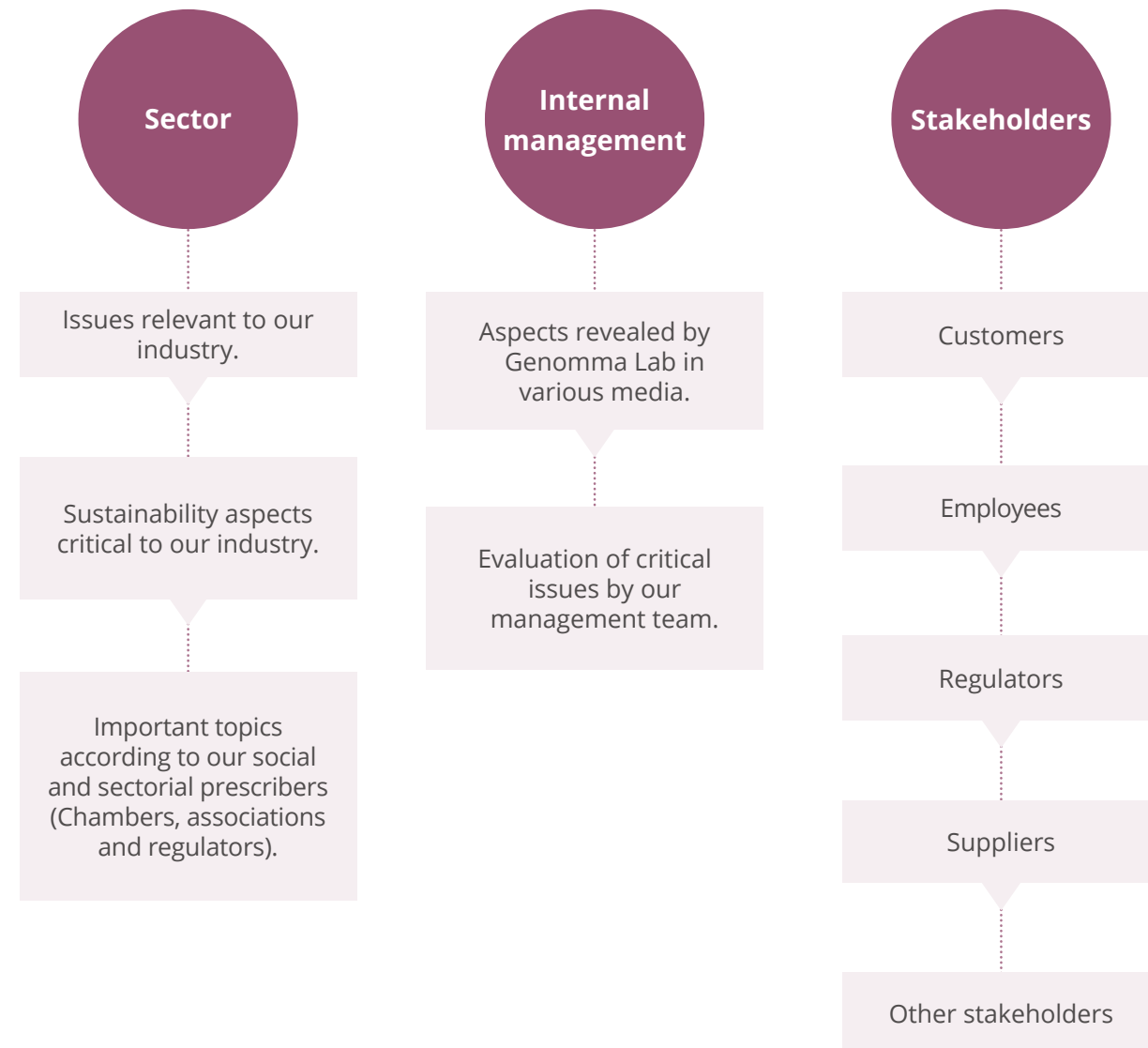
The analysis of materiality or relevant aspects in sustainability of Genomma Lab Internacional covers the entities included in our financial statements and that, as a whole, make up to Genomma Lab Internacional S.A.B. Of C.V. and subsidiaries.

### Genomma Lab Internacional S.A.B. de C.V. and subsidiaries

- Genomma Laboratories México, S.A. de C.V.
- Television Products Retail, S.A. de C.V.
- Medicinas y Medicamentos Nacionales, S.A. de C.V.
- Iniciativas de Éxito, S.A. de C.V.
- Aero Lab, S.A. de C.V.
- Servicios Logísticos Genomma, S.A. de C.V.
- Genomma Lab USA, Inc.
- Genomma Lab Centroamérica, S. A.
- Genomma Lab Perú, S.A.
- Genomma Lab Chile, S.A.
- Genomma Lab Ecuador, S.A.
- Genomma Laboratories Argentina, S.A.
- Genomma Lab Colombia, LTDA
- Genomma Laboratories do Brasil, LTDA
- Genomma Lab Dominicana, S.R.L.
- The Dutch-LATEM Royalty Company, B. V

Genomma Lab Internacional's Corporate Social Responsibility strategy integrates the relevant aspects identified in the analysis of materiality and the corporate imperatives derived from our business strategy. The points that our main stakeholders consider important, as well as the priorities for each of the national and international entities of Genomma Lab Internacional, are considered in the information disclosed in this report.

The methodology of the analysis of materiality consists of the identification, prioritization, review and validation of the issues that our company and stakeholders consider relevant. To carry out this evaluation, information was obtained from various sources, among which the following stand out:



The assessment is based on international standards, supporting our analysis on comparable and robust information. As a result, we obtained a materiality matrix that classifies the information into two main areas: risk and maturity:

**Risk:** refers to the level of impacts that have not yet materialized, but if they do so, may eventually affect our stakeholders. Issues that fall into this category should be included in action plans in order to mitigate them.

**Maturity:** should be understood as the level of attention that our stakeholders pay to certain sustainability aspects. It includes those issues that are addressed from within the organization and are externally communicated by public media.

The two previous criteria allow us to classify the aspects of sustainability as emerging, generalized, urgent and necessary, thus determining the approach with which we must address them. Calculations, weights and scores are performed to obtain reliable, repeatable and consistent results, which serve as a basis for prioritizing future strategic actions, investments and communications; in the same way, we rely on these **to define the scope and coverage of the content of our Sustainability Reports.**



Within the materiality analysis of Genomma Lab Internacional, several companies from the pharmaceutical and personal care sector were considered, identifying the degree of maturity of those companies for those aspects of sustainability that are publicly disclosed. We identified the following topics as those of greater disclosure:

- Management of sustainable development.
- Policy and environmental management system.
- Relationship with government and public policy.
- Waste management.

We also identify topics that represent a greater risk for Genomma Lab Internacional, which are:

- Management of sustainable development.
- Relationship with government and public policy.
- Financial topics.
- Operations.
- Access to health.
- Management of water resources.
- Talent attraction and retention.
- Ethics and Integrity.
- Corporate Governance.
- Corruption, bribery and transparency.

Of the topics that were classified as generalized (environmental affairs, employee satisfaction and human rights), we compared our performance against that of the companies that are considered leaders in the sector. As a result of the above, we established strategies and action plans to continue improving our performance in these matters, thus generating more value to our stakeholders.

## Key Stakeholder of Genomma Lab Internacional

Our stakeholders are those entities or organizations with which we interact on an ongoing basis through commercial and/or social transactions, and whose operations are significantly impacted by strategic or operational decisions. Below, we show our main stakeholders, referring to issues of major importance to them.

### Employees

The commitment and dedication of our employees is very important to reach the achievements and results of the company. We continually seek to strengthen their sense of belonging to Genomma Lab Internacional through programs that promote their professional and personal development, which at the same time foster a healthy and competitive work culture.

### Customers and consumers

Customers are the most important channel in order to bring our products to consumers and thus provide to the latter benefits to their health and well-being. We seek at all times to meet their expectations and needs through research and development of high quality and efficacy products.

### Suppliers and manufacturers

Through our supply chain we can potentiate our impacts on the quality of our products, environment and communities. For us, our suppliers and manufacturers are our allies, organizations with which we establish long-term relationships of trust.

### Community

We continuously implement programs that benefit the health and well-being of the communities in which we operate. Both Genomma Lab Internacional and the Genomma Lab Foundation are key players for these to be carried out.

### Shareholders

We seek to generate return on investment for our shareholders through the sustained growth of Genomma Lab Internacional, based on a business strategy that aims to strengthen our presence in the domestic and international markets.

## Communication with stakeholders

The channels and mechanisms of communication with which we interact with our stakeholders, the frequency of such interaction and what they expect from us, is detailed in the following table.

Stakeholder	Channel Communication mechanism	Frequency	Expectations
<b>Consumer</b>	<ul style="list-style-type: none"> <li>Market studies</li> <li>Satisfaction Surveys</li> <li>Service-hotline for customers and consumers</li> </ul>	Ongoing/Annual	<ul style="list-style-type: none"> <li>Assortment</li> <li>Prices</li> <li>Product Quality</li> <li>Quality of Service</li> <li>Environmental care</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Permanent contact</li> <li>Work Climate Survey</li> <li>Compensation Survey</li> </ul>	Ongoing/Annual	<ul style="list-style-type: none"> <li>Training</li> <li>Programs and benefits for employees and their families</li> <li>Acknowledgment systems</li> <li>Environmental care</li> </ul>
<b>Vendors and manufacturers</b>	<ul style="list-style-type: none"> <li>Permanent contact</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Development of the value chain</li> <li>Fair trade</li> <li>Long-term relationships</li> </ul>
<b>Authorities and regulatory agencies</b>	<ul style="list-style-type: none"> <li>Permanent contact</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Active participation in key industry issues</li> <li>Environmental care</li> </ul>
<b>Financial Institutions</b>	<ul style="list-style-type: none"> <li>Permanent contact</li> </ul>	Ongoing/weekly	<ul style="list-style-type: none"> <li>Transparency</li> <li>Timely and accurate information</li> <li>Compliance with laws and regulations</li> </ul>
<b>Communication Media</b>	<ul style="list-style-type: none"> <li>Permanent contact</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Constant communication</li> <li>Timely and accurate information</li> </ul>
<b>Communicators/ opinion leaders</b>	<ul style="list-style-type: none"> <li>Permanent contact</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Constant communication</li> <li>Timely and accurate information</li> </ul>
<b>Society</b>	<ul style="list-style-type: none"> <li>Community perception studies</li> </ul>	Annual	<ul style="list-style-type: none"> <li>Community support</li> <li>Information of activities</li> <li>Access to medicines</li> </ul>
<b>Shareholders, investors and analysts</b>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Telephone conferences</li> <li>Internet</li> <li>Permanent contact</li> </ul>	Continuous / monthly / quarterly/ annual	<ul style="list-style-type: none"> <li>Generation of economic and social value</li> <li>Environmental care</li> <li>Transparency</li> <li>Fair treatment</li> <li>Timely and accurate information</li> <li>Constant communication</li> </ul>
<b>Civil society organizations</b>	<ul style="list-style-type: none"> <li>Meetings</li> </ul>	Half-yearly	<ul style="list-style-type: none"> <li>Support</li> <li>Synergy</li> <li>Environmental care</li> </ul>
<b>Chambers</b>	<ul style="list-style-type: none"> <li>Meetings</li> </ul>	Monthly	<ul style="list-style-type: none"> <li>Support</li> <li>Sharing Best Practices Experiences</li> <li>Driving the sector's agenda</li> </ul>

## Participation in Initiatives and Associations

(G4-16)

We participate in different chambers and initiatives through which we identify more clearly the expectations and needs that our stakeholders have in relation to the personal care and pharmaceutical products industry.

Country	Association or Initiative
<b>Mexico</b>	<ul style="list-style-type: none"> <li>• Cámara Nacional de la Industria Farmacéutica [National Chamber of the Pharmaceutical Industry] (CANIFARMA)</li> <li>• Sociedad de Químicos Cosmetólogos de México, A.C. [Mexican Society of Cosmetic Chemists]</li> <li>• Consejo de la Comunicación A.C. [Communication Council]</li> <li>• Centro Mexicano para la Filantropía [Mexican Center for Philanthropy] (CEMEFI)</li> </ul>
<b>Peru</b>	<ul style="list-style-type: none"> <li>• Cámara de Comercio de Lima [Lima Chamber of Commerce]</li> </ul>
<b>Chile</b>	<ul style="list-style-type: none"> <li>• Cámara Integración Chileno Mexicana [Chamber of Chilean Mexican Integration] (CICMEX)</li> <li>• Consejo de las Américas [Council of the Americas]</li> </ul>
<b>Colombia</b>	<ul style="list-style-type: none"> <li>• Cámara de Comercio de Bogotá [Bogota Chamber of Commerce]</li> <li>• Programa Punto Azul [Blue Point Program]</li> <li>• Asociación Nacional de Empresarios de Colombia [National Association of Entrepreneurs of Colombia] (ANDI)</li> </ul>
<b>Ecuador</b>	<ul style="list-style-type: none"> <li>• Asociación de Empresas Productoras y Comercializadoras de Cosméticos del Ecuador [Ecuadorian Association of Cosmetics Production and Merchandising Companies] (PROCOSMETICOS)</li> </ul>
<b>Argentina</b>	<ul style="list-style-type: none"> <li>• Cámara Industrial de Laboratorios Farmacéuticos [Industrial Chamber of Pharmaceutical Laboratories] (CILFA)</li> <li>• Cámara Argentina de Productores de Especialidades Medicinales de Venta Libre [Argentine Chamber of Over-The-Counter Medications] (CAPEMVEL)</li> <li>• Dirigentes de créditos de la industria farmacéutica [Credit Directors of the Pharmaceutical Industry] (DICRINFA)</li> <li>• Asociación Argentina de Farmacia y Bioquímica Industrial [Argentine Association Pharmacy of Industrial Biochemistry] (SAFYBI)</li> <li>• Cámara Argentina de la Industria de Cosméticos y Perfumerías [Argentina Chamber of the Industry of Cosmetics and Perfumeries] (CAPA)</li> <li>• Consejo de la Industria de Cosméticos, Aseo Personal y Cuidado del Hogar de Latinoamérica [Council of the Cosmetics, Personal Care and Home Care Industry of Latin America] (CASIC)</li> </ul>
<b>Brazil</b>	<ul style="list-style-type: none"> <li>• Sindicato da Indústria de Produtos Farmacêuticos no Estado de SP [Syndicate of Pharmaceutical Products in the State of SP] (SINDUSFARMA)</li> <li>• Associação Brasileira da Indústria de Higiene Pessoal, Perfumaria e Cosméticos [Brazilian Association of Toiletries, Perfumes and Cosmetics] (ABIHPEC)</li> <li>• Sindicato do Comércio Atacadista de Drogas, Medicamentos, Correlatos, Perfumarias, Cosméticos e Artigos de Toucador No Estado de São Paulo [Trade Union of Drug Wholesalers, Manufacturers, Related, Perfumery, Cosmetics and Toiletries of São Paulo] (SINCAMESP)</li> <li>• Associação Brasileira da Indústria de Medicamentos Isentos de Prescrição [Brazilian Non-Prescription Medicine Industry Association] (ABIMIP)</li> </ul>
<b>USA</b>	<ul style="list-style-type: none"> <li>• Consumer Healthcare Products Association (CHPA)</li> <li>• Personal Care Products Council</li> </ul>

## Acknowledgments and certifications

(G4-15)

**Country**

**Acknowledgment**

**Institution**

**Mexico**

- “Gilberto Rincón Gallardo” Inclusive Company”
- Acknowledgment of Socially Responsible Company
- Acknowledgment of Family-Responsible Company
- Global Compact Membership Renewal
- Issuer in the Sustainable IPC Index of the Mexican Stock Exchange
- Member of the “Call to Action: Anti-corruption” Initiative

- Secretaría del Trabajo y Previsión Social [Ministry of Labor and Social Welfare] (STPS)
- Centro Mexicano para la Filantropía [Mexican Center for Philanthropy] (CEMEFI)
- Secretaría del Trabajo y Previsión Social [Ministry of Labor and Social Welfare] (STPS)
- United Nations Global Compact (UNGC)
- Mexican Stock Exchange (BMV)
- United Nations Global Compact (UNGC)

In this way, we continue to endorse our commitment to strengthening this industry in the countries where we have presence.



# 03 Corporate Governance

(G4-DMA, G4-34, G4-35, G4-36, G4-37, G4-38, G4-39, G4-40, G4-41, G4-42, G4-43, G4-44, G4-45, G4-46, G4-47, G4-48, G4-49, G4-50, G4-51, G4-52, G4-53)

The creation of value for the shareholders of Genomma Lab Internacional is based on a sustainable and diversified business through a stable market with presence in 19 countries. The growth we have achieved through strategic acquisitions and a core brand focus has been driven in carefully selected markets in Latin America and the US Hispanic market.

The result of this effort has not only involved higher revenues, but it has been achieved along with an efficiency effort, where the organic structure has been optimized during the last two years. There was a reduction of the workforce in Mexico and an increase in the international workforce, necessary for the expected expansion with better financial results.

Likewise, in order to provide stability in the day-to-day, the current management team has focused on improving cash flow and participating in attractive and growing business segments, always with recognized leading brands defined specifically for each market according to their needs.

There is also a board of market penetration progress by country, strengthening those countries where there is a strong presence and position, and developing and implementing brand penetration and consolidation strategies in those new markets where the presence is considered of value.

In Mexico, a strategy of strengthening core products has been pursued, expanding their presence and reducing non-key brands, seeking to focus our investment and sales effort on products with better rotation as well as greater margin, always to the benefit of the market needs as well as of the organization's return on investment.

Currently with a global business vision, we are working on megabrands, a mirroring of previous successes in several markets by duplicating critical success factors and meeting the local specifications that may exist. Likewise, we continue the effort of generating power brands, which means diversifying successful products into by-products that meet the market requirements and needs in different presentations and versions.

Innovation is another platform of the global plan where there are currently over 90 innovation base products in the pipeline. The work has taken place during this last year and is the success platform for the coming years.

The fulfillment of our objectives remains aligned to the effort and constant commitment of transparent disclosure of information and the strengthening of corporate policies and procedures that are characterized by being highly demanding with strict supervision aimed at achieving the future strategy.

Becoming a leading company in our over-the counter (OTC) medicines and personal care products (PC) is a cornerstone of our ongoing reputational improvement efforts. This implies to be recognized for positively impacting the health and well-being of individuals, the community and the environment. Issues that are seriously considered by our governing bodies and executives.

Transparency, equity, accountability and adherence to laws and regulations are part of our culture and the actions we undertake to generate value and our long-term permanence. Our Corporate Governance framework is essential to achieve adequate risk management, performance evaluation, transparent communication, collective decisions and for the prevention of conflicts of interest in the performance of our operations.

## Board of Directors

The legal representation and strategic management of Genomma Lab Internacional rests with the Board of Directors, which has the powers of authorization and execution of any action that is not expressly reserved to the Shareholders' Meeting.

The Board of Directors is chaired by Rodrigo Alonso Herrera Aspra, founder of the Company, who has more than 20 years of experience in marketing and brand positioning strategies.

Board Members	Experience Summary	Member Independent <sup>(3)</sup>
<p><b>Rodrigo Alonso Herrera Aspra</b> <sup>(1)(2)</sup></p>	<p>Chairman of the Board. He has more than 20 years' experience in marketing and brand positioning strategies. His main functions focus on the coordination and supervision of advertising material produced by the Company and the marketing of products and advertising campaigns. He holds a degree in engineering and administration from the Universidad Anáhuac and is a graduate of the Master's Degree in Senior Management from the Colegio de Graduados en Alta Dirección.</p>	<p>President</p>
<p><b>Scott R. Emerson</b></p>	<p>Founder and President of The Emerson Group and its subsidiaries, Emerson Healthcare and Emerson Marketing. He has more than 30 years of experience in management positions in the areas of brand management, new business development, sales operations and field sales at Fortune 500 companies including Johnson &amp; Johnson, Unilever and Novartis Consumer Health. He is a member of the Board of Directors of the Consumer Health Products Association, National Association of Chain Drug Stores, Efficient Collaborative Retail Marketing, among others. He holds a Master's degree in Accounting from the University of Texas.</p>	<p>Independent Director</p>
<p><b>Leandro Martín Sigman Gold</b></p>	<p>CEO of Chemo Corporation. Has extensive management knowledge in Marketing &amp; Sales, Business Intelligence &amp; Development, and Strategic Planning. Worked as Executive Director of Laboratorios Elea, and as Director of Marketing at Parke-Davis Argentina. Holds a Bachelor's Degree in Economics, and a Bachelor's Degree in Journalism, as well as a Master's (MBA) from the Instituto de Altos Estudios Empresariales (IAE), Universidad Austral de Buenos Aires, Argentina. He chairs the Argentinian Chamber of Commerce in Spain.</p>	<p>(Independent Director) Full member of the Board of Directors</p>
<p><b>Héctor Carrillo González</b></p>	<p>He studied in the United States his professional studies in Economics and specialization in Marketing. His work experience includes more than 47 years in the pharmaceutical industry, having held important and strategic positions in leading transnational pharmaceutical companies in the United States, Mexico and South America. He began his professional activities in Scheramex, today Schering Plough, subsequently his career extended into different companies such as ICN, Merrel, Smith Kline &amp; French, Searle, Wyeth, Lakeside, always in commercial areas, both in the domestic and international markets, especially in the Latin American area. He later joined Apotex Inc., a Canadian company, a leader in the generics market, where he held the position of General Manager for Apotex Mexico and Latin America.</p>	<p>Independent Director and Chairman of the Corporate Practices Committee</p>
<p><b>Arturo José Saval Pérez</b></p>	<p>He has more than 30 years' experience in risk capital, investment banking and commercial banking. Managing Partner of Nexxus Capital since 1998, and co-founder of the private capital funds managed by Nexxus Capital. Has held several senior positions in companies such as Santander Financial Group (Mexico), GBM Atlántico Financial Group, Interacciones and Serfín Financial Group. He is Board Member of companies including Nexxus Capital, Grupo Sports World, Crédito Real, Harmon Hall, Genomma Lab Internacional, Diamex, Grupo Hotelero Santa Fe, Taco Holding, Moda Holding and BOMI de México, among others. Graduated from the Universidad Iberoamericana with a Bachelor's degree in Industrial Engineering, and studied for a Graduate Specialization in Financial Analysis at the University of Michigan, and a Diploma from Instituto Tecnológico de Estudios Superiores de Monterrey.</p>	<p>Independent Director</p>

Board Members	Experience Summary	Member Independent <sup>(3)</sup>
<p><b>Luis Alberto Harvey MacKissack</b></p>	<p>He is a partner of Nexxus Capital and co-founder of the private capital funds managed by Nexxus Capital. Has approximately 25 years' experience in investment banking and risk capital. He held various positions at Grupo Bursátil Mexicano, Fonlyser, Operadora de Bolsa and Servicios Industriales Peñoles. His experience includes several private capital and public company operations, including the initial public offerings of several Mexican companies in the Stock Exchange and in several international markets. Mr. Harvey is a member of the Board of Directors of Nexxus Capital, Homex, Grupo Sports World, Crédito Real, Harmon Hall, Genomma Lab Internacional, Crédito Real, Harmon Hall, Diamex, Grupo Hotelero Santa Fe, Taco Holding and Moda Holding. He graduated from Instituto Tecnológico Autónomo de México and studied a Master's Degree in Business Administration with a major in Finance from the University of Texas at Austin.</p>	<p>Independent Director</p>
<p><b>Javier Vale Castilla</b></p>	<p>Founder and President of Grupo Vale Euro RSCG, which is one of the four leading agencies in its field in Mexico. He has extensive experience in advertising, marketing and corporate communications, he directs the operations of the advertising agency in 18 Latin American countries. He served as General Manager of the Pacific Television Group in Sinaloa. He then spent a decade in Televisa, where he was Director of Sales, managing five radio stations, five magazines, four television channels and the Cable TV division. He has an engineering degree in Communications and Electronics from the ESIME of the National Polytechnic Institute. Due to his merits and achievements in the field of communication and advertising, the University Center of Communication presented him the Doctor Honoris Causa award.</p>	<p>Independent Director</p>
<p><b>Jorge Ricardo Gutiérrez Muñoz</b></p>	<p>Certified Public Accountant by the National Polytechnic Institute with a Master's degree in Finance from the La Salle University, he has been a member of the Board of Directors of Mexichem S.A.B. de C.V., Grupo Aeroportuario del Centro Norte, S.A.B. de C.V., Grupo Pochteca, S.A.B. de C.V. y Bolsa Mexicana de Valores, S.A.B. de C.V. He has also served as CEO of Mexichem S.A.B. de C.V., CEO and Board Member of Grupo Industrial Camesa and Industrias Synkro, Vice-President of Corporate Development at Empresas Lanzagorta, and Director of Finance at Indetel/Alcatel.</p>	<p>Independent Director</p>
<p><b>Juan Alonso</b></p>	<p>Managing Director of ZAO Future Technologies, one of the largest luxury home builders in Russia. In Russia. The brand is known as SUN CITY Developments. In March 2007, he entered into a partnering agreement with BSG Investments, an Israeli real estate development company operating in Russia and the Commonwealth of Independent States to develop around one million square meters of commercial and residential real estate in Russia. He is also a majority shareholder of ZAO SILVER Nizhny Novgorod, Nestlé's national water bottling company in Russia. He was previously chairman of Domino's Pizza Jalisco, a master franchiser of Domino's Pizza in Central Mexico, and majority shareholder of Baskin Robbins D.F.</p>	<p>Independent Director</p>
<p><b>Sabrina Lucila Herrera Aspra <sup>(1)(2)</sup></b></p>	<p>She collaborated for 15 years in different companies, including Posadas de México, in the areas of Public Relations and Administration and Finance. Joined Genomma Lab Internacional in 1998 to manage international sales. In 2004, then serving as Director of International Operations, she led the opening up of Latin American markets. She has a Degree in Computer Science from the Universidad Anáhuac, and a Master's Degree in Senior Management from the Colegio de Graduados en Alta Dirección.</p>	<p>Related Proprietary Director</p>

<sup>(1)</sup> Mr. Rodrigo Alonso Herrera Aspra and Mrs. Sabrina Lucila Herrera Aspra and Renata Virginia Herrera Aspra, are siblings.  
<sup>(2)</sup> Renata Virginia Herrera Aspra is the Alternate Director of Rodrigo Alonso Herrera Aspra and Sabrina Lucila Herrera Aspra.  
<sup>(3)</sup> At the Ordinary General Shareholders' Meeting held on April 29, 2016, the following resignations were received: of Mr. Roberto Simón Sauma to his positions as full member of the Board of Directors and member of the Corporate Practices Committee; of Mr. José Luis Fernández Fernández to his positions as full member of the Board of Directors and member of the Audit Committee; of Mr. Alejandro Diazayas Oliver to his position as alternate member of the Board of Directors; of Mr. Arturo José Saval Pérez to his position as President of the Corporate Practices Committee; and of Mrs. Tatiana Suzette Treviño García <sup>(1)</sup> <sup>(2)</sup> to her position as alternate Secretary not a member of the Board of Directors.



## Steering Group of Genomma Lab Internacional

Our Steering Group is comprised of leaders with specialized technical skills and advanced skills that bring to the Company experience, ideas and actions of great value. Their work enables the materialization of the business objectives and the effective execution of our strategies.

Management	Job Title	Experience
<b>Máximo Juda</b>	CEO	Mr. Juda is General Manager since July 2015; previously he served as Executive Vice President of Operations since December 2014, and prior to that served as the Vice President of International Operations from March 2013 where he consolidated the international area as one of the fundamental pillars of the company's growth. Mr. Juda joined Genomma Lab Internacional in October 2002 as Director of Sales, then he was promoted to the position of Director of Commercial Operations being responsible for the areas of Purchasing, Sales and Operations. In 2006 he served as Vice President of Strategic Development and then was Founder and President of operations in Argentina, Brazil and the United States, which quickly became the largest company's operations outside of Mexico. Prior to joining Genomma Lab Internacional, he was Sales Manager for half of Casa Saba's branches and performed some advisory duties for Sanborns in Grupo Carso. Before arriving in Mexico, he studied the Bachelor's degree in Business Administration from the University of San Andrés in Argentina, and founded Farmaciaonline.com, the first portal in Latin America for the sale of medicines and cosmetics online.
<b>Ramón Neme Sastre</b>	Executive Vice President of Institutional Relations	Mr. Ramon Neme is Executive Vice President of Institutional Relations since the year 2012. Before joining the Company, Mr. Neme held various positions both in the public sector and private initiative. In the private sector, Mr. Neme was the Vice President of Corporate Relations for Empresas ICA, S.A.B. de C.V., Consultant and Project Developer of Enron Corp., and General Manager of Corporativo de Asesoría y Promoción Jurídica, S.C. In the public sector, Mr. Neme has held the position of General Manager of pharmacies and pharmaceutical distributors of the Institute for Security and Social Services for State Workers, Assistant Managing Director of the Secretariat of Energy and Brands' Director of Secretariat of Education. Mr. Neme member of the Mexican Bar Association of Lawyers and the Mexican Institute of Copyright. He has been a delegate of Mexico at various conferences related to the protection of intellectual property rights. Mr. Neme holds a degree in law from the National Autonomous University of Mexico, has completed various programs at Harvard University and has a certificate from the World Intellectual Property Organization in Geneva, Switzerland.
<b>Antonio Zamora Galland</b>	Executive Vice-President of Finance and Administration	Ing. Antonio Zamora Galland joined Genomma Lab Internacional in December 2015, after having held the position of Corporate General Manager at Cydsa. His professional career encompasses 25 years of experience in Consumer Products, Strategic Consulting, Financial Services and Capital Markets. Mr. Zamora Galland held for five years the position of CFO at Grupo Lala, where he coordinated its IPO (Initial Public Offering). Previously, he was Director of Financial and Strategic Planning of PepsiCo (Mexico and Central America) for five years. He also has an extensive experience in Strategic Consulting at McKinsey & Co. and EuroPraxis, as well as Corporate and Investment Banking in Bancomer and Banamex. He holds an Industrial Engineering degree from the Universidad Panamericana and holds an MBA from Stanford University.

Management	Job Title	Experience
<p><b>Marco Sparvieri</b></p>	<p>Executive Vice President of Commercial Operations</p>	<p>Mr. Marco Sparvieri is an Industrial Engineer from the University of Buenos Aires. He is the former Commercial Director of Procter &amp; Gamble in Mexico, has over 20 years of experience in mass consumer companies, occupying leadership roles in commercial areas. He also has international experience, having led businesses in six different countries, including the United States, Puerto Rico and the Caribbean, Venezuela, Argentina, Chile and Mexico. The years of experience have given him an in-depth knowledge of the commercial dynamics in the different channels and an understanding of how to design the architecture of a successful business plan of promotion and marketing at the point of sale.</p>
<p><b>Alejandro Bastón Patiño</b></p>	<p>Vice President of Business Expansion and Human Capital</p>	<p>Mr. Alejandro Bastón is Vice President of Business Expansion and Human Capital. Mr. Bastón joined the Company in October 2008 as Vice President of Business Strategy. He previously served as General Manager of Depilite from October 2007 to October 2008. From 1999 to 2007 he served as commercial Director of OCESA, where he was responsible for the sale of sponsorships and government, as well as the operation, promotion and structure of the reopening plan for the Hipódromo de las Américas. He has held various marketing and sales positions in companies such as Hotel Inter-Continental (Mexico D.F.), Hotel Stouffer Presidente (Ixtapa, Gro.) Hotel Las Brisas (Acapulco, Gro.) Camino Real Hotels and Westin Hotels. Mr. Bastón holds a Diploma in Senior Business Management from the Instituto Tecnológico de Estudios Superiores de Monterrey, two courses in business and marketing from Cornell University in the US, and a course in marketing from the University of California at Berkeley, as well as several training and formation seminars taught by leading companies in the hospitality industry.</p>
<p><b>Stefano Curti</b></p>	<p>Global President of Brands</p>	<p>Mr. Stefano Curti is Global President of Brands at Genomma Lab. He is responsible for the brand portfolio of the company and performs with a focus on growth, strategy, innovation, research and development, advertising and design of leading brands. He is a business executive with more than 27 years of experience in the areas of consumer health, well-being, beauty, OTCs, venture capital and private equity. He has held positions as Regional President, Global President and CEO. He was Senior Advisor and member of the Board of Directors of private equity firms, as well as Global President of Pfizer Consumer Healthcare. Previously, he was President, CEO and Board Member of ExploraMed, a Silicon Valley-based innovation incubator, backed by the venture capital firm New Enterprise Associates (NEA), focused on developing innovative advances for the well-being of the consumer. He began his career at Johnson &amp; Johnson, where he boosted the growth of the J &amp; J beauty business to lead the US market. He was Global Chairman of the divisions Beauty and Baby (Baby Johnson, Neutrogena, Aveeno, Clean &amp; Clear and Lubriderm, among many others). Stefano was also President of J &amp; J Consumer USA and General Manager of Neutrogena, where he was responsible for the operations in North America. He was also the Managing Director of J &amp; J in Europe and Director of Marketing for Europe, Africa and the Middle East.</p>

## Committees

(G4-34, G4-37, G4-48)

The Board of Directors must be assisted by an Operating Committee, an Audit Committee and a Corporate Practices Committee, as set forth in our bylaws. Likewise, according to Genomma Lab Internacional's corporate governance structure, the following committees are responsible for the analysis and suggestions to the Board of Directors for the decision-making on economic, environmental and social issues:

- Operating Committee.
- Auditing Committee.
- Corporate Practices Committee.
- Committee on Mergers and Acquisitions.

Note: During the year 2016, the committees presented changes in their structure, Arturo José Saval Pérez served as Chairman of the Committee on Mergers and Acquisitions; while the Presidency of the Corporate Practices Committee was chaired by Héctor Carrillo González. For his part, Jorge Ricardo Gutiérrez Muñoz participated as Chairman of the Audit Committee standing-in for Jose Luis Fernández Fernández.

Members of the Committees	Job Title	Experience	Time at the company	Shareholder Information	Another Committee/ Board in which
<b>Rodrigo Alonso Herrera Aspra</b>	President of the Board of Directors and the Operating Committee	Founder of the company. More than 20 years' experience in marketing and brand positioning strategies.	9 years	29.9% of the company's shares	Chairman of the Board of Directors, member of the Committee on Mergers and Acquisitions
<b>Leandro Martín Sigman Gold</b>	Member of the Corporate Practices Committee	CEO of Chemo Corporation. Has extensive management knowledge in Marketing & Sales, Business Intelligence & Development, and Strategic Planning.	2 years	Confidential	Board of Directors
<b>Juan Alonso</b>	Member of the Audit Committee and Corporate Governance Committee	Mr. Alonso is currently Managing Director of ZAO Future Technologies, one of the largest luxury home builders in Russia.	9 years	Confidential	Board of Directors
<b>Arturo José Saval Pérez</b>	Chairman of the Committee on Mergers and Acquisitions	More than 30 years' experience in risk capital, investment banking and commercial banking.	8 years	Confidential	Board of Directors
<b>Héctor Carrillo González</b>	Chairman of the Corporate Practices Committee	Almost 50 years of experience in the pharmaceutical industry, with important positions in transnational companies in the United States, Mexico and South America.	1 year	Confidential	Board of Directors
<b>Scott R. Emerson</b>	Member of the Audit Committee	Founder and Managing Director of The Emerson Group and its subsidiaries. He has more than 30 years of experience in Consumer Companies.	1 year	Confidential	Board of Directors
<b>Jorge Ricardo Gutiérrez Muñoz</b>	Chairman of the Audit Committee	He has served as CEO and member of the Board of Directors of different recognized companies.	4 years	Confidential	Board of Directors

## Report to the Board of Directors

The CEO submits to the Board of Directors the quarterly (or annual, if applicable) results relating to future economic, environmental and social operations, strategies and plans, taking into account the recommendations and suggestions of the Presidents of each of the committees. The committees receive feedback from the Steering Group to inform the Board of Directors of the issues to be addressed. The Board of Directors analyzes, evaluates and makes decisions regarding the actions and results of the company, approving or rejecting projects and business strategies.

The Board is informed of the management and performance of all the directors of the company, of the executive positions or with responsibility in economic, environmental and social matters, such as: General Manager, Executive Vice President of Institutional Relations, Executive Vice President of Finance and Administration, Executive Vice President of Commercial Operations, Vice President of Trade Expansion and Human Capital and Global President of Brands, who are accountable to the Chairman of the Board.

Through the reports developed for such purposes by the Business Management, the Board of Directors is informed about the management and performance of the organization. The report emphasizes critical aspects, achievements and potential challenges in economic, environmental and social matters, compared to its strategic objectives, as well as the possible risks and/or obstacles to achieve them.

The management of impacts, risks and opportunities of economic, environmental and social nature, considers possible business risks for the organization and they are shared with our Board of Directors for their knowledge and decision making.

Since 2013, the most relevant issues in economic, environmental and social aspects of the organization have been identified. They have been analyzed from the point of view of reputational risk, compliance, regulatory and operational risks; which has allowed the redefinition of our sustainability strategy and the strengthening of the actions of Genomma Lab Internacional in all its operations and throughout its value chain.

During the year 2016 there were no relevant concerns to report, since the Board of Directors limited themselves to analyzing the information submitted to them and to grant, where appropriate, the corresponding authorizations.

## Appointment processes and functions of the Superior Body of Government and Senior Management

(G4-40, G4-41, G4-42, G4-43, G4-44, G4-45, G4-46, G4-47, G4-51, G4-52, G4-53)

### Appointment and Selection of Directors

The Shareholders' Meeting accepts or rejects the integration of the members of the Board of Directors and the respective Committees. The names and curriculum of the aspiring members to the Board and the respective Committees are proposed, in order to receive their feedback and approval. The diversity of profiles is taken into account so that all areas of the Company are represented and the independence is considered in compliance with the Securities Market Law, as well as the technical plurality in various areas of opportunity and risk for the organization.

### Remuneration of Directors and Steering Group

The remuneration is approved by the Shareholders' Meeting, after carrying out an analysis comparing different companies of similar activity and size, observing at all times the applicable legislation in force. Each member of the Board and the Committees of Audit and Risk, and Corporate Practices receives a compensation of \$127,500 Pesos per session, the chairmen of the Committees receive \$170,000 Pesos. The members of the Board, who are owners do not receive any remuneration, such is the case of the Chairman of the Board, Rodrigo Herrera Aspra, and the Counselor to the Board Sabrina Herrera Aspra.

### Management of conflict of interests

The Securities Market Law maintains stipulations regarding the handling of conflict of interest, to which we strictly adhere. By virtue of the foregoing, the persons who are in this case abstain from knowing and voting on the matter concerned.

The mechanisms for the prevention of conflicts of interest are established by the Internal Audit area and the Ethics Committee; should a conflict arise, they analyze it and take appropriate actions.

The selection of our Independent Directors is based on their ability and their compliance with independence, given the importance for them to disclose any concerns about their status as independent, in which case, subsequent to their notification, they should refrain from commenting and voting on the specific point under discussion.

### Board Evaluation and Efficiency

Our Supreme Governance Body plays a fundamental role in the Company's strategy, in defining and renewing the purposes and values of the organization. The efficiency and approach that it provides are key to our long-term permanence. The Board of Directors is evaluated by the company's Shareholders, since the members of the Board are ratified or approved at the Annual Shareholders' Assembly.

Our Corporate Governance framework is aimed at a transparent, clear and timely management and communication of the information we disclose to the market, integrated by analysts, potential investors and shareholders. Our Investor Relations area is committed to communicating information to provide timely response to the information requirements of the shareholders and stakeholders relevant to the organization. At Genomma Lab Internacional we comply with all obligations provided for in the Securities Market Law. Further technical and detailed information can be found in the public information of the Mexican Stock Exchange: <http://www.bmv.com.mx> All information provided to the National Banking and Securities Commission (CNBV, for its acronym in Spanish) and to the Mexican Stock Exchange (BMV, for its acronym in Spanish) is also published on the Investors' Relations website: <http://www.genommalab.com/Inversionistas/>

## We renew our permanence as issuer of the sustainable IPC of the Mexican Stock Exchange (BMV).



In 2016, Genomma Lab Internacional endorsed for the fourth consecutive year its permanence in the Sustainable Index of Prices and Quotations (IPC, for its acronym in Spanish) of the Mexican Stock Exchange. This index has been driven by international stock markets, aware of the growing importance and trend in environmental, social and corporate governance issues. Of the 80 companies qualified in Mexico to make up the group of sustainable issuers in our country, only 30 Companies were selected within the Sustainable IPC, with Genomma Lab Internacional being one of them.

By virtue of the above, our Company demonstrates its invaluable and strategic commitment to sustainability. The social and environmental efforts integrated into the business strategy increase our value as a company, being recognized by the stock market.



### Recognition to Genomma Lab Internacional by the Issuers' Committee of the Sustainable IPC

The Committee of Issuers of the Index of Prices and Quotations (IPC) of the Mexican Stock Exchange (BMV) recognized Genomma Lab Internacional for our outstanding performance in Social Responsibility. This award was presented during the Seventh Forum of Issuers held in Cancún, Quintana Roo.

### Genomma Lab Internacional within the Ranking of the 100 companies with better reputation in Mexico, according to the study conducted by Merco

For the second consecutive year, Genomma Lab Internacional, is among the top 100 companies with the best reputation in Mexico according to a study conducted by the international company Merco (Business Monitor of Corporate Reputation), which is one of the reference monitors and the first audited monitor of the world by the firm KPMG International.



# 04 Corporate Ethics

(G4-56, G4-57, G4-58, G4-LA16, G4-SO3, G4-SO4, G4-SO5, G4-SO7, G4-SO8)

Based on ethical principles are the standards that direct our behavior and establish the guidelines of corporate and individual behavior of our stakeholders.

Through a Code of Conduct and Ethics, we institute a framework of behavior that defines the principles that lead to the integrity and good judgment of those who maintain a business or work relationship with Genomma Lab Internacional.

## Code of Conduct and Ethics

Our Code of Conduct and Ethics establishes the regulatory framework that allows us to develop and maintain relationships of equality, honesty, trust, non-discrimination and mutual respect towards all those with whom we maintain a professional or commercial relationship.

We strengthen relationships based on honesty, trust and respect with all the people with whom we establish a bond and we convey the Code of Conduct and Ethics to our main stakeholders such as partners, suppliers, manufacturers, business partners and subsidiaries, throughout our labor or commercial relationship.

We convey our Code of Conduct and Ethics both internally with our collaborators in a personalized way, as well as to all our stakeholders in a public way through our website Responsible Communication Genomma Lab Internacional, which is our digital platform that operates as a reference to consult

information of the Company about the topics related to the actions of Social Responsibility and Sustainability. There you can consult all our Sustainability Reports generated since 2011, the Code of Conduct and Ethics, the Policy that governs us on the subject of anti-corruption, our Diversity Policy, Environment Policy, among other topics.

The general ethical standards that govern our Code of Conduct and Ethics are:

- Show loyal, diligent and respectful behavior.
- Recognize the dignity of people, their freedom and privacy.
- Operate the business in accordance with principles of equality and discrimination.
- Promote Human Rights, prohibit and report harassment and bullying.
- Comply with the laws, regulations and legal systems in the countries in which we operate.
- Comply with regulations regarding money laundering.
- Protect and preserve the tangible assets of the Company.
- Maintain confidentiality of information and documentation of the Company.

The specific topics of the code are: Business Practices, Anti-Corruption, Conflict of Interest, Extraordinary Payments, Gifts and Entertainment Activities, Intellectual Property and Management of Insider Information.

## Updating the Code of Ethics and Conduct

As every year, we conducted a review of the Code of Conduct and Ethics, carrying out certain modifications of the same with the aim of enriching it. These modifications were made known through training sessions for all the collaborators at International level. 100% of our human capital has voluntarily signed the Code of Conduct and Ethics and the Anti-Corruption Policy.

In order to continue the program of dissemination of the Code of Ethics and Conduct, an induction course on the subject is given to new collaborators and, on the other hand, we update the Code of Conduct and Ethics and the Anti-Corruption Policy in our website on Responsible Communication to make it of public knowledge.



## Ethics Committee

The Ethics Committee is the body responsible for coordinating and ensuring compliance with the guidelines set forth in the Code of Conduct and Ethics of Genomma Lab Internacional.

Its mission is to promote, regulate and monitor proper compliance with the Code of Conduct and Ethics and the internal policies by all individuals related to the company, to boost the development of people fulfilling the Company's mission.

The vision of the Committee is to be the body that regulates and promotes a healthy working environment in which the fundamental rights of all individuals linked with the Company are respected in the workplace through compliance with the Code of Conduct and Ethics.

Our Ethics Committee is currently made up of 5 Holders, 1 Secretary and Ombudsperson<sup>4</sup>.

<sup>4</sup> Figure with the capacity and independence necessary to meet confidential and impartial complaints concerning human rights of employees.

### Holders

- Executive Vice-President of Finance and Administration
- Corporate Legal Director
- Internal Auditing Director
- Patrimonial security
- Human Capital Director

### Secretary

- Social Responsibility Manager

### Ombudsperson<sup>4</sup>

- General Manager of the Research and Training Center for Development

The Committee's objectives are:

- Ensure the correct application of the Code of Conduct and Ethics.
- Clarify any doubts or queries about the applicability of the Code of Conduct and Ethics.
- Receive, handle and solve complaints of cases and situations that deviate from the desired behavior of the Code of Conduct and Ethics.
- Inform Senior Management about the Ethics Committee's activities and their results.

In order to plan and carry out work sessions that enrich its functioning, the Ethics Committee meets periodically or when there is an urgent case to address.

## Complaint line

In our constant quest to reaffirm the level of transparency and confidence of our Company, we extend the mechanisms of denunciation, guaranteeing the confidentiality and deepening the investigation of any anomaly that is presented.

To this end, this year we hired an outside company specialized in the management of the complaints' line. Complaints about anomalous situations that occur in the workplace or that harm the Company's assets are received via different means such as web page, telephone and email in all countries where we have operation.

The Ethics Committee is governed by the Procedure of attention to complaints about breaches of the Code of Conduct and Ethics, which aims to deal with complaints of the collaborators of Genomma Lab on breaches of the Code of Conduct and Ethics, through:

- The establishment of means and ways to report non-compliances.
- The investigation of the facts relating to the possible non-compliance.
- Establishing the responsibility of those involved.
- The resolution of the complaint and determination of the corresponding sanction.
- The determination of preventive and corrective measures to prevent the recurrence of such acts.

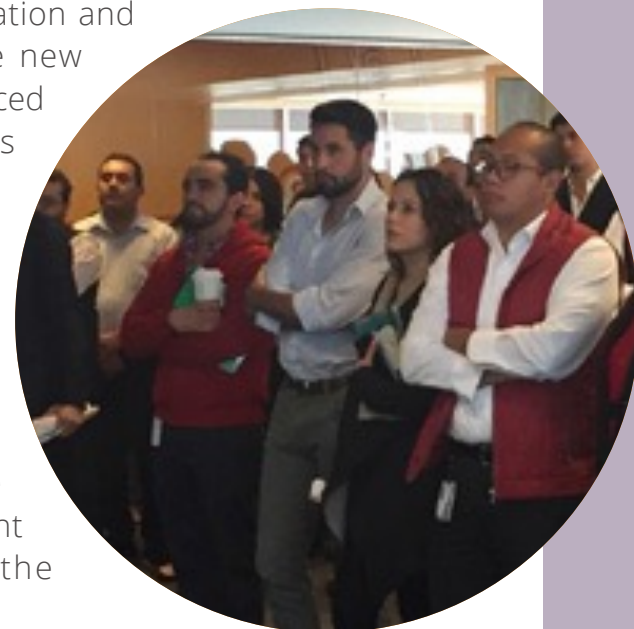
The procedure is governed by the protocol of Attention to Complaints, which aims to address the actions of non-compliance with the Code of Conduct and Ethics, as well as internal policies in order to ensure optimum working conditions.

Complaints are made through an external entity to Genomma Lab Internacional that acts neutrally in the analysis of the complaint, treating it confidential and providing prompt follow-up to each case, keeping the corporate guidelines of our Company.

During the year 2016, four complaints were reported, three of which were received by telephone and one via email. Of the total number of complaints received, one was submitted by a collaborator denouncing a possible small-scale pilferage, which is still in progress and the remaining three did not proceed due to lack of evidence.

For the dissemination of the complaint line, the General Management in conjunction with the Human Capital area and the Ethics Committee, coordinated the implementation of the dissemination and communication program of the new complaint mechanism and reinforced the message in all the group's operations at global level.

The General Management together with the Social Responsibility area launched a communication video to spread and transmit the corporate message about the line. The Ethics Committee conducted joint workshops to communicate the mechanism and use of the line.



## Anti-corruption measures and protection of Human Rights (G4-HR1, G4-HR3, G4-HR7, G4-SO6 y G4-SO11)

For the tenth consecutive year, Genomma Lab reconfirms its adherence to the Global Compact by reaffirming its commitment to support the Sustainable Development Objectives (ODS, for its acronym in Spanish ), dealing with issues related to Human Rights, Labor Standards, Environment and the fight against corruption.

Genomma Lab Internacional is one of the companies that supports the Global Compact's "Call to Action: Anti-corruption" Initiative. With this action, Genomma Lab reaffirms its commitment to prevent and/or avoid the practice of acts of corruption and influence peddling by employees and/or third parties related to the company strengthening its transparency.

Through the Code of Conduct and Ethics of Genomma Lab Internacional, we reject any practice of corruption inside and outside the company. The scope of our obligations includes to prevent acts of corruption and influence peddling, and our employees must commit not to solicit or accept any stimulus from a third party that compromises their work performance. Disapproved practices can constitute a crime and will be sanctioned by the authorities as appropriate.

Any offer, act of corruption or influence peddling that might exit related to Genomma Lab Internacional, must be denounced through the authorized means in the external line of denunciation. In the year 2016, Genomma Lab Internacional was invited to an exclusive encounter with the pioneers of the Global Compact, who are working hard in the implementation of the 2030 Agenda regarding the Objectives of Sustainable Development. At the meeting the first document was developed with prospects of companies towards the implementation of these objectives. Genomma Lab Internacional, played an important role in the working table on the objectives of health and well-being. The report derived from this work was published in October of this year at the UN offices in Mexico.

In addition, the Global Compact Network in Mexico hosted 15 local networks, including Genomma Lab Internacional, at the Regional Meeting of Local Networks of America, which aims to generate regional and global partnerships for the best implementation results of the 2030 Agenda. This Regional Meeting was attended by Lise Kingo, Executive Director of the UN Global Compact and Javier Cortés, Director of Local Networks of Latin America, Caribbean and North America, where they highlighted the work of the companies that make up the Global Compact Network in Mexico.



# 05 Genomma Lab Internacional Quality

## Regulatory Compliance

In Genomma Lab Internacional we maintain a strict adherence to the regulations that govern us to ensure that our products comply with all the regulatory requirements of the countries where we have a presence. The legal framework that regulates us consists of rigorous standards, resolutions and decrees among which the following stand out.

### Regulatory framework in Mexico

- **General Health Law**
- **Regulation of Health Supplies**
- **NOM-059-SSA1-2013:** Good manufacturing practices for medicinal products
- **NOM-072-SSA1-2012:** Labeling of medicines and herbal remedies
- **NOM-073-SSA1-2005:** Stability of drugs and medications
- **NOM-137-SSA1-2008:** Labeling of medical devices
- **(NOM-141-SSA1, SCFI-2012):** Labeling for pre-packaged cosmetic products. Health care and commercial labeling.
- **NOM-177-SSA1-2013:** Procedures to demonstrate that a drug is interchangeable.
- **NOM-220-SSA1-2012:** Installation and operation of pharmacovigilance.
- **NOM-240-SSA1-2012:** Installation and operation of technovigilance.
- **NOM-241-SSA1-2012:** Good manufacturing practices for establishments engaged in the manufacture of medical devices.
- **Supplement for establishments dedicated to the sale and supply of medicines and other health ingredients FEUM.**

## International Regulatory Framework

- **RTCA 11.03.59:11 Pharmaceutical products.** Medicinal products for human use. Health Registration Requirements.
- **RTCA 11.03.47:07 Pharmaceutical products.** Medicinal products for human use. Quality verification.
- **RTCA 11.03.39:06 Pharmaceutical products.** Validation of analytical methods for the quality of medicines.
- **RTCA 11.01.02:04 Pharmaceutical products.** Labeling of pharmaceutical products for human use.
- **RTCA 11.01.04:10 Pharmaceutical products.** Stability studies of medicinal products for human use.
- **Ministerial Resolution No. 0909** Manual for Health Registration.
- **Decree Number 677 of 1995 (April 26)** which partially regulates the Regime of Registrations and Licenses, the Quality Control, as well as the Regime of Health Surveillance of Medicines, Cosmetics, Pharmaceutical Preparations based on Natural Resources, Toiletries, Hygiene and Cleaning and other products for domestic use and enacting other provisions on the subject.
- **Technical Standard No. 129** Guide for the completion and submission of stability studies of pharmaceutical products in Chile and its annex.
- **Decree 3** regulation of the national system for the control of pharmaceutical products for human use.
- **Technical Standard No. 127** Good manufacturing practices, related with the Supreme Decree No. 3, 2010, of the Ministry of Health, by which the regulation of the National System was approved for the control of pharmaceuticals for human use.
- **Agreement No. 00000586** Substitute regulation for health registry for medicines in general.
- **Decree 246-06** Regulation of drugs.
- **Law 1 of 10 January 2001** on medicines and other products for human health.
- **Executive Decree No. 178** That regulates the Law 1 of 10 January 2001, on medicines and other products for human health.
- **Supreme Decree (S.D.) No. 002-2010-SA** Single Text of Administrative Procedures for registration and re-registration approved with S.D. 013-2009-SA modified by S.D. No. 002-2010-SA
- **CFR - Code of Federal Regulations Title 21**
- **Manual of Procedures for registration of Specific Medicines ANVISA**
- **Provision 3554/2002 ANMAT**

In addition, we comply with the guidelines and regulations of the agencies that regulate the products we sell. One of the main institutions to whose requirements we follow is the Federal Commission for the Protection against Health Risks (COFEPRIS), which protects the population against health risks and establishes measures for the regulation, control and prevention of health risks.

Also, at international level we are in line with the provisions of the following agencies.

- National Health Surveillance Agency (ANVISA)
- National Administration of Medicines, Food and Medical Technology (ANMAT)
- National Institute of Food and Drug Surveillance (INVIMA)
- European Medicines Agency (EMA)
- National Center of Documentation and Information of Medicines (CENADIM)
- National Agency of Regulation, Control and Sanitary Surveillance (ARCSA)
- National Directorate of Medicines (DNM)
- Institute of Public Health (ISP)
- US Food and Drug Administration (FDA)

The bodies and provisions that regulate us may differ between countries. As an example, some of our OTC products may be marketed in certain countries by prescription only, while in other countries no prescription is required to purchase them.

## Incidents

(G4-HR12, G4-HR18, G4-SO2, G4-SO5, G4-SO7, G4-SO8, G4-SO9, G4-SO11, G4-PR2, G4-PR4, G4-PR46, G4-PR7, G4-PR8, G4-PR9, G4-EN29)

In Genomma Lab Internacional we implement strict security measures to comply with the applicable regulations regarding the quality of our processes and products, compliance with ethical codes and best practices in the industry, product safety, consumer information regarding our products, as well as in relation to the protection of personal data, the above through a strict sense of integrity.

In Mexico, there have been no incidents of non-compliance with the legal framework applicable to our activities, as well as compliance with voluntary codes regarding the impact of our products in terms of health, safety, environment, marketing communications and product labeling. By virtue of the foregoing, no sanction has been received from the Federal Consumer Protection Agency (PROFECO) or the Federal Commission for the Prevention of Health Risks (COFEPRIS) arising from the supply or use of our products. Neither has there been any claim or penalty for non-compliance with the regulations resulting in the payment of a fine.

In Mexico, there have been no judicial and/or administrative proceedings arising from acts linked to monopolistic practices or acts that violate the free competition, and no confirmed cases of corruption have been reported in our corporate structure. Genomma Lab Internacional does not market banned products in other relevant markets.

Likewise, no violation of privacy or leakage of customer data or complaints about human rights claims have been filed in any country where we have presence. Also, in our supply chain, no non-compliances were identified regarding the infringement of human rights or the affectation of any local or indigenous community.

## Commitment to Quality

(G4-PR1, G4-PR2, G4-PR3, G4-PR4, G4-PR5, G4-PR6, G4-PR7, G4-PR8, G4-PR9)

Our permanent commitment to quality and continuous improvement at Genomma Lab Internacional about our products and processes is reflected in all stages of the value chain, from the purchasing of materials, innovation, development, manufacturing, storage and distribution, up to the shelf where our consumers take the product. To guarantee that quality is a standard aspect at international level, in 2016 we made a significant investment in the consolidation of our Quality Management System (QMS) to comply and standardize processes that meet and exceed the quality of our products.

Our Quality Management System (QMS) was developed and strengthened by an expert consulting firm, which has extensive experience in the implementation of management systems in companies with high complexity and international presence. As a result of our work in coordination with this organization, we managed to consolidate a robust Management System that consists, mainly, of the following aspects.

## Quality Management System (QMS)

The design, implementation, documentation and evaluation of the Genomma Lab Internacional QMS has the purpose of establishing the necessary elements to support the quality of our products and to ensure the following aspects.

- Ensure that all our products are manufactured based on Good Manufacturing Practices requirements and standards.
- Establish defined responsibilities for meeting objectives.
- Ensure that our products can be marketed having fulfilled all the applicable regulatory requirements and quality standards.
- Ensure the safety and quality of products throughout the value chain, mitigating and eliminating operational risks.
- Establish a documentary control that allows us to determine the activities to be carried out, to ensure their timely implementation and to demonstrate what has been achieved.

In order to achieve the application of an appropriate SGC, we have undertaken the task of determining the needs and expectations of clients and other stakeholders, establishing a policy and quality objectives, in addition to the following elements.

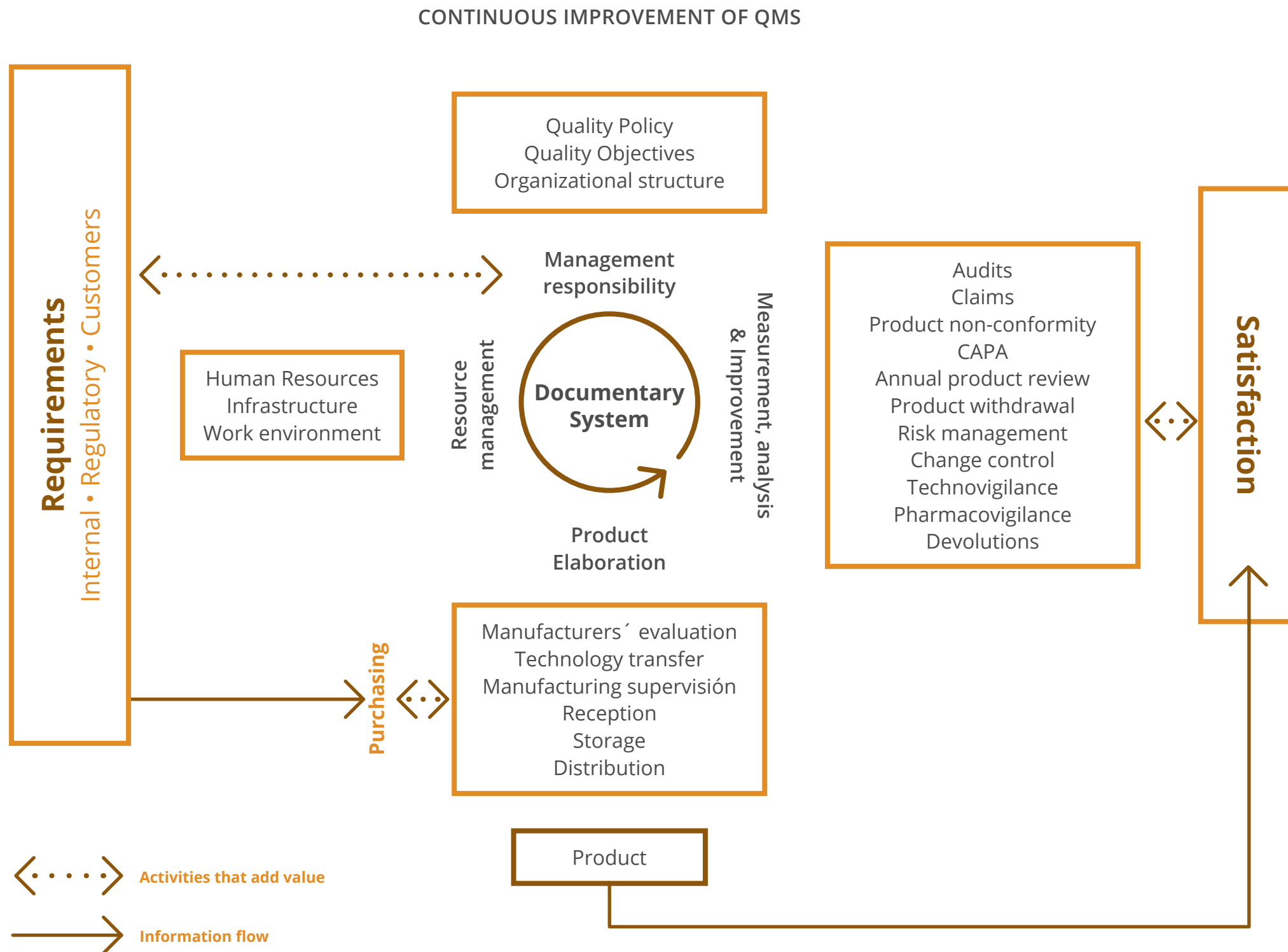
- Identify the processes required for the QMS and their application, sequence and interaction.
- Establish methods and criteria for the effective operation and control of these processes.
- Determine means to prevent nonconformities and eliminate their causes.
- Carry out measurements and follow-ups in such a way that allows us to carry out the necessary actions to achieve the planned results and continuous improvement of the system.

### Quality Policy

*“Genomma Lab Internacional is a Mexican company dedicated to the innovation, development, manufacture, storage, distribution and marketing of medicines, personal care products, and others; committed to the satisfaction of our customers and consumers through safe and efficacious formulas with the highest Quality of the market; complying with applicable legal requirements and regulations. We work in teams committed to innovation, achievement of objectives and results, focused on continuous improvement of the efficiency of our processes of the Quality Management System”.*

The reception, storage and distribution of the products manufactured for Genomma Lab Internacional is carried out in strict adherence to the applicable regulations and in compliance with Good Storage Practices. These different processes are detailed in procedures, where they are described and related to other documents or procedures, thus ensuring the interaction between all of them.

### Quality processes developed at Genomma Lab Internacional

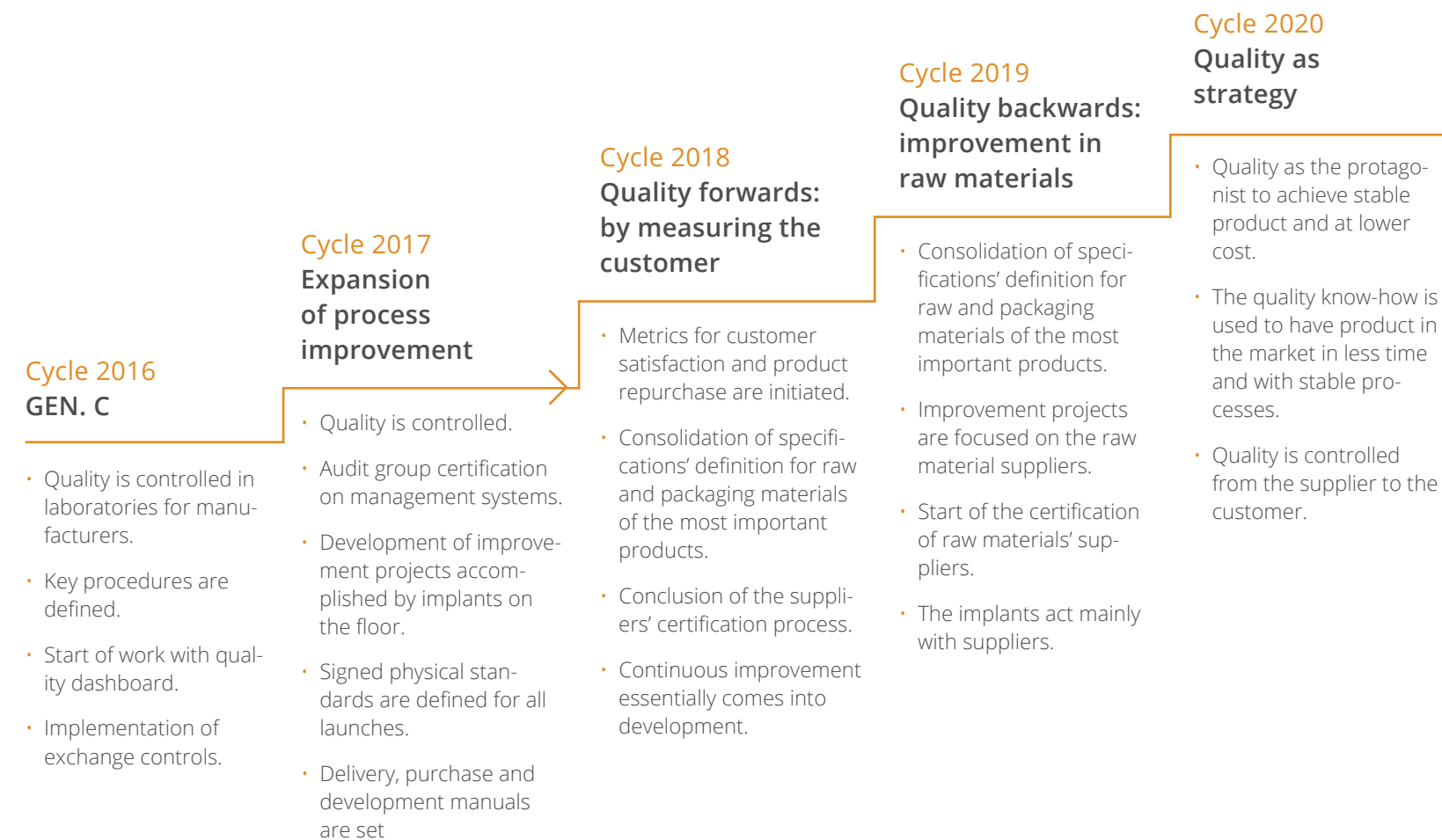


The commitment we have to offer products of recognized attributes has led us to strengthen the workforce of the Quality area, currently made up of 50 people strategically located in all the countries in which we are present. The whole team works with reference standards based on four important aspects: quality control and regulatory compliance, quality assurance, manufacturing supervision and customer service.

Our future goals are based on ensuring quality in synergy with all our manufacturers through the standardization of processes, creating quality agreements and closing agreements that commit both parties to comply with this process.

## Manufacturing supervision of our products

During the year 2016 we made quality agreements with sub-contracted manufacturers, who have several certificates issued by COFEPRIS which endorse the manufacturing of our OTC medicines and cosmetic products. Additionally, at Genomma Lab Internacional we have a strategy to 2020 in which we intend to raise our quality standards throughout the following cycles.



The great challenge that we determine for 2017 is to achieve the processes standardization at international level, as well as to engage our value chain at global level to adhere to the good labor practices, to our own quality standards and to those of our regulators.

\*Chart shared by the Quality area

<sup>5</sup> <http://www.eesc.europa.eu>

## Pharmaceutical and Cosmetic Clinical Research

In order to measure and monitor the quality of our pharmaceutical products, we have two very important programs:

- **Pharmacovigilance:** monitoring of possible adverse reactions that any of our medicine consumers might present.
- **Technovigilance:** monitoring of medical devices to determine if they comply with the required safety measures.

In relation to cosmetic products we have promoted the program COSMETOVIGILANCE, through which we perform analysis of adverse reactions. Although the program is not legally required by any official body, our commitment as a Socially Responsible Company (ESR, for its acronym in Spanish) leads us to include it as part of our continuous improvement processes.

During 2016, studies of efficacy and cosmetic and pharmaceutical safety were carried out at Genomma Lab Internacional. All the studies we carry out are based on international methodologies such as The European Cosmetic and Perfumery Association (COLIPA)<sup>5</sup> and the National Agency for Health Surveillance (ANVISA).

The cosmetic-efficacy studies that we perform to our products are always carried out by a third party in order to keep objectivity with regard to the results of these tests. Likewise, we carry out safety studies on all our cosmetic products and our directives in each case prohibit the use of animals in any of the studies that are carried out.

The innovation, quality and efficiency in our operations allow us to focus on implementing and monitoring processes to prevent loss or waste, creating value with high productivity, safety, costs and ethics, aimed at the continuous improvement of customer and consumer service.





# 06 Responsibility in Our Supply Chain

(G4-12)

The sustainability, quality and innovation at Genomma Lab Internacional are fundamental links in our value chain and serve as a strategic axis in the operations of our supply chain.

We establish lasting ties with our suppliers based on transparency, respect and communication, so that in the different stages from product development to the delivery of the final product, we commit ourselves to achieve together the creation, distribution and strategic positioning of our brands.

First, we develop our formulas internally and in cooperation with various specialists to subsequently manufacture our products through third parties. Second, we practice strict control and monitoring through an internal department and independent suppliers that ensure the control of our quality, purchase and billing processes. In the same way, we have logistics suppliers who are in charge of registering and managing of inventories, storage and control of our products.

Moreover, our line of cosmetics is subject to various studies and analysis of efficiency, efficacy and safety, through third parties authorized by health authorities. This research is conducted under the guidelines of an independent Ethics Committee that issues suggestions and recommendations on Human Rights and ethical principles.

Likewise, the distribution to the consumers of our products is efficiently regulated and carried out primarily through self-service channels, pharmacy chains and drug and grocery wholesalers. Additionally, for the international marketing of our products, we rely on international customs services and tax specialists.

Finally, our suppliers and marketing specialists are responsible for managing advertising media and spots coding that ensure the production and communication of our products to the public. Internally, we ensure a highly specialized attention to our customers before, during and after the purchase of our products.

In 2016 we operated with more than 1,700 suppliers under high standards of quality and innovation. Our supply chain reflects our aspirations and commitments in the social and environmental spheres, so we seek to work in coordination with our suppliers to create synergies and thus to increase the efficiency and optimization of production processes, while promoting the sustainability of our business model and our stakeholders.

## Audits

(G4-EC7, G4-EC8, EG-EC9, G4-LA12, G4-LA14, G4-LA15, G4-EN32, G4-EN33)

In order to confirm that the suppliers responsible for manufacturing our products comply with high quality, environmental, social and ethical standards, they are evaluated through audits that verify the basic aspects mentioned below, as part of the establishment and standardization of high level processes.

### Basic aspects evaluated in audits for the selection and monitoring of suppliers

#### ➤ Product quality and responsibility

- Regulatory framework, applicable certificates and licenses
- Quality management system
- Analytical and testing methods
- Product handling, transportation and storage
- Safety and hygiene controls
- Purchase of raw materials and packaging
- Management of subcontracted input, process and activities vendors
- Control of input handling, distribution and storage
- Input analysis certificates
- Risk management
- Technology transfer systems
- Control of manufacturing operations
- Product revisions
- Release of finished product
- Complaint management
- Non-compliant product handling
- Product returns and market withdrawal

#### ➤ Labor considerations

- Organizational structure
- Academic training and experience
- Health, safety and hygiene
- Health responsibility
- Training and capacity-building
- Facilities, equipment and maintenance
- Staff services areas
- Workplace violence prevention mechanisms

➤ Pharmacovigilance and Technovigilance

Training  
Suspicion reports  
Adverse reactions or adverse incidents  
Safety reports

➤ Environmental concerns

Legal, ecological and health provisions  
Waste management, storage and disposal  
Precautions for preventing product contamination  
Water systems  
Safety and hygiene guidelines  
Greenhouse gas emissions (GHG)

➤ Social Responsibility (SR)

Code of ethics and/or conduct  
Working conditions (remuneration and hours)  
Respect of human rights (principles of equality, non-discrimination, non-forced labor, non-child labor, freedom of association and collective bargaining, rights of the indigenous population, etc.)  
Equity and inclusion  
Actual or potential impact on communities  
Measures against corruption and unfair practices  
Acknowledgment of third-party regarding SR

Genomma Lab Internacional investigates and requires that its value chain does not work with conditions of forced labor, child labor, or under any other condition that violates the Human Rights of our suppliers' workers, as a result of our good practices, in 2016 none of these practices occurred in our supply chain. Likewise, the suppliers who work directly manufacturing our products have signed our Code of Conduct and Ethics.

## Privacy policy with suppliers of efficacy and safety cosmetics' studies

The suppliers that perform cosmetic efficacy and safety studies for us are world-class companies located in several countries such as Mexico, Brazil, Colombia and Argentina. They are committed to providing highly specialized laboratory services for the cosmetics industry and trade. They operate with methodologies, procedures, equipment and personnel of high level subject to quality standards and in compliance with the regulations of local and international regulatory entities such as ANVISA, INVIMA, ANMAT, COLIPA, FDA and COFEPRIS.

Our suppliers also have a quality system in compliance with the standard NMX-EC-17025-IMNC-2006 (ISO / IEC 17025) which outlines the general requirements for the competence of the testing and calibration laboratories. They are approved as Third Party Testing Laboratory Authorized by the Ministry of Health for the case of Mexico, so important companies in the commercial, industrial and service sectors recognize them as a reliable supplier.

Our suppliers have a Code of Ethics which goal is to provide assurances of moral solvency and establishing standards of professional performance of the company and its members, seeking to comply with the society, serving it with loyalty, diligence and respect.

Likewise, our suppliers have also issued a Declaration of Independence of Technical Judgment to provide guarantees of judgment and establish professional performance standards of the company, respecting their customers' information and decision-making.

Our suppliers perform their operations based on privacy and quality policies characterized by the following commitments.

### Privacy Policy

- ▶ Protecting confidential customer information and proprietary rights thereof, including those stored and transmitted electronically.
- ▶ Treatment of personal, commercial and tax data requested to any person, either in person, by email or web site, in accordance with the Law on Protection of Personal Data held by individuals and its regulations.
- ▶ Access to data only to adequately provide the services for which it is hired.
- ▶ Avoid transfer of personal, commercial, and fiscal data to third parties.
- ▶ Communication of the purposes for which the data are collected, which are:
  - Provision of required products and services.
  - Information about changes to products or services.
  - Information about changes in providing the required service.
  - Management of collection or payment.
  - Communication, promotion or dissemination of products and services.
  - Compliance with the obligations arising from the commercial and legal relationship.

Studies made by our suppliers are carried out in accordance with good clinical practices (ICH), in addition to an instrument called informed consent from the volunteers who participate in them. As part of the requirements specified by the Ethics Committee, our supplier will clearly inform to the volunteer, the purpose of his/her participation and what it is expected of him/her. At all times our suppliers guarantee independence and technical judgment to the volunteers.

The teamwork we have achieved with our suppliers, manufacturers and customers is aimed at seeking high quality standards and excellence in our products and processes.

## Agreements with manufacturers

During the year 2016 we work on quality agreements with our sub-contracted manufactures through contracts where they establish the guidelines and standards they must meet on the following topics: procedures and provisions for product manufacturing and handling; supply and requirements of raw materials and active substances; provisions and approvals of primary, printed and packaging materials; analysis and manufacturing of products; product monitoring and regulatory aspects.

Through these agreements we establish the criteria that suppliers must meet to ensure the best quality of our inputs. Sustainability recognition for our manufacturers and suppliers has been a practice that we continue to encourage so that they become involved in sustainable initiatives, with solutions and strategies defined to achieve positive impacts in the areas of economy, environment and society.

## Local supply

The sustainability of our business model is also reflected in the commitment to the economic development of the regions where we operate. In Genomma Lab Internacional we try, when the conditions allow it, that the products we market internationally are locally sourced, since in this way we support the communities of the region and, at the same time, we reduce transportation costs. In Argentina, the manufacturing percentage is 96%, 26% in Brazil, in the United States 93% and 47% in Colombia. The rest of the products come mostly from Mexico.



# 07 The Consumer as a Central Entity of Genomma Lab

During 2016 our marketing strategy was oriented to placing the consumer as the central axis of our Company, reinforcing the positioning of our core brands and strengthening the quality of our products to delight our consumers. The aspects that characterize the consumer-focused approach are:

- **Innovation.** Aspect that is characterized by investing the necessary time to develop and launch to the international market innovative products of high quality and reliability for our consumers, maximizing efficiency and minimizing waste.
- **Communication.** Key aspect to capture the interest of our consumers, creating synergies and strengthening our brands through different media such as the web, social networks and television spots.
- **Portfolio of Brands (project portfolio).** Central aspect of our core brands' development and positioning, through innovation, research and development, regulatory compliance and digital communication.
- **Understanding the consumer (insights).** This aspect aims to delight the consumer through a portfolio of products with proven efficacy and differentiated attributes, based on a deep knowledge of the consumer.
- **Points of Sale (retail).** Aspect that seeks to gradually increase the presence of our products in the stores, placing them in strategic and visible places, allowing greater interaction with consumers and a stronger relationship with our business partners.

All these elements are interrelated based on the culture and talent of our people, with the objective of achieving a synergy of the capabilities, strategic focus and experience of each of the team members integrating our workforce.

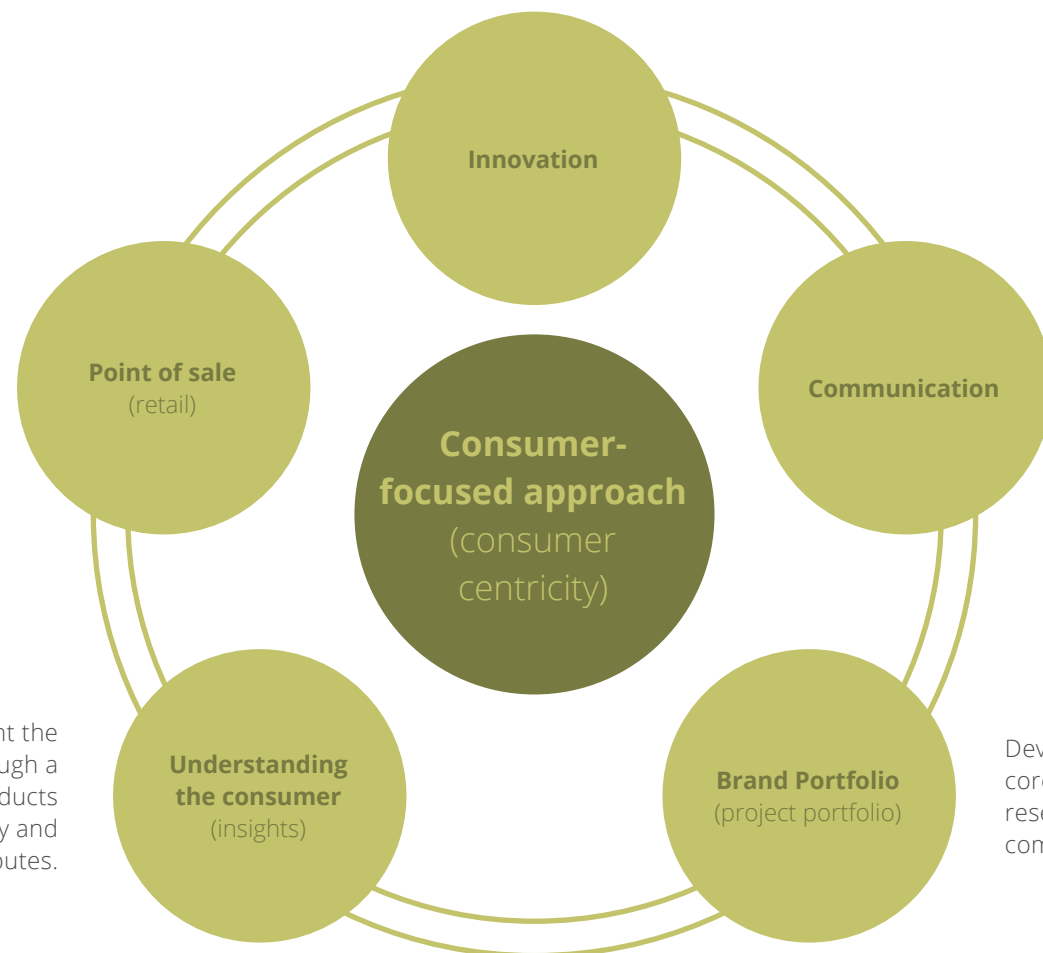
In this year, we continue with the standardization and globalization of our formulations and innovations at international level, adapting to the different regulatory environments and the particular characteristics of our consumers in each country. The globalization of our brands resulted in maximizing efficiency, minimizing waste and reducing costs in terms of manufacturing, packaging and marketing.

### Consumer centricity (consumer-focused approach)

We take the time needed to develop and launch innovative products of high quality and reliability to the international market for our consumers, maximizing efficiency and minimizing waste.

Gradually increase the presence of our products in stores, placing them in strategic and visible places, allowing greater interaction with consumers and a stronger relationship with our business partners.

We seek to delight the consumer through a portfolio of products with proven efficacy and differentiated attributes.



Multiply the channels of communication through the web, social networks and television spots; devising strategies to capture the interest of our consumers, creating synergies and strengthening our brands through different media.

Development and positioning of our core brands, through innovation, research and development, regulatory compliance and digital communication.

Culture and talent

## Knowledge and satisfaction of our consumers

This year we achieved greater investment efficiency with more assertive results. With the permanent challenge of maximizing our Return of Investment (ROI), optimizing times and streamlining the budget, we achieved the objectives set out in 2015, evolving at the same speed of the industry in which we operate and executing memorable campaigns with which the consumers feel identified.

We have used and gained greater advantage of the existing market research methodologies to understand our consumers and to establish closer and stronger relations with them towards our brands, where the consumption of our products generates recommendation and future brand loyalty.

During 2016 we expanded our understanding of what our consumers are looking for to meet their personal care needs or to improve their health conditions. We also increased our understanding of what the shopping experience means for the shopper, from the moment they enter the store until they are in front of our product. Similarly, we consolidated the way to attract consumers to our brands and products by creating a link with high levels of satisfaction; achieving a transformation of their yearnings, aspirations and feelings into emotional relationships with a high level of loyalty to our brands.



# 08 Responsibility for the Information about Our Products

(G4-PR3, G4-PR4, G4-PR5, G4-PR6, G4-PR7, G4-PR8, G4-PR9)

Our marketing strategy is framed by the trade regulations of the countries where we are present, being fundamental for us to respect the legal frameworks and criteria established through responsible advertising.

It is for this reason that the Internal Advertising Committee of Genomma Lab Internacional must approve that all types of publications, dissemination and advertising materials comply with the regulations of the agencies in charge of the industry in which we operate. In addition, voluntarily we have decided to adhere to:

- ▶ Cámara Nacional de la Industria Farmacéutica [National Chamber of the Pharmaceutical Industry] (CANIFARMA).
- ▶ Código de Ética Publicitaria de la Asociación de Fabricantes de Medicamento de Libre Acceso [Code of Advertising Ethics of the Association of the Over-the-Counter Medication Manufacturers] (AFAMELA) relating to the dissemination of information about our products.
- ▶ Consejo Nacional de Autorregulación Publicitaria [National Council of Advertising Self-Regulation] (CONAR).
- ▶ Código de Ética Publicitaria del Consejo de Autorregulación y Ética Publicitaria [Code of Advertising Ethics of the Council of Advertising Self-Regulation and Ethics].



In view of the above, we work closely with the Health Promotion Commission (CFS, for its acronym in Spanish), which is responsible for reviewing and validating the preliminary advertising of the Company before its submission for advertising approval to the corresponding authorities in each country.

The changes we face as a world class organization, occur rapidly and without pause. Therefore, at Genomma Lab Internacional, we evolve to the pace of the industry to meet the needs and requirements of our consumers, shoppers (real buyers) and retailers.

With the commitment to meet the demand for quality products for our consumers, we strengthened a more accessible and direct interaction through the follow-up of requests or complaints presented. We served and monitored the number of complaints received, measuring them in units of parts per million (PPM), which means that for one million products, a certain number of complaints are received. At the beginning of 2016 we received 17 PPMs, while at the end of the same year we were able to reduce them to 1 PPM, which positions us as a world-class company committed to continuous improvement.

## Advertising and labeling of products

(G4-PR3)

The information that Genomma Lab Internacional provides through websites, social networks, traditional media and advertising spots, among others, seeks to give advice on the use and benefits of all our products in a responsible manner, in order to convey to the public the importance of the personal and family care, as well as of the environment that surrounds them through the consumption of our products. Close monitoring and updating of our advertising allows us better control the communication strategies.

Likewise, Genomma Lab Internacional is committed to the transmission of accurate, reliable and real information in the labeling of our products, through rigorous guidelines on:

- Origin of the product.
- Safe way to use the product.
- Best way of disposal.
- Substances that may have a negative social or environmental impact.

In view of the above, we refer to the standard NOM-141-SSA1 / SCFI-2012, regarding the labeling for prepackaged cosmetics, health and commercial labeling and the applicable additional regulations, as well as the regulations that apply in each country where we are present.

## Digital Marketing

The digital area is committed to the transmission of information with a high degree of responsibility towards the consumer with the purpose of promoting their health and well-being. It is for this reason that it manages Genomma Lab's official websites, social networks and other digital channels, seeking the continuous reinforcement of our brands in the consumer's mind and following up on the doubts and feedback they express.

Likewise, the digital area responds in a timely manner questions about points of sale or channels the questions that are not of its scope to the customer service area; where they are given answers to their questions in consultation with the corresponding areas. This way of working represents the creation and strengthening of our business identity in virtual platforms and is an essential part of our Company's success.

Among many others, digital communication strategies have allowed our products to capture the attention of our current and potential consumers, in whom we focus our content, among which the following stand out:

**#AhoraEsCuando das tu mejor cara al mundo** [It is now when you show your best face to the world]

This year our Asepzia brand messages focused on highlighting the importance for teenagers' of living the best stage of their lives, being driven by the values of friendship, trust and self-confidence, while addressing their concerns about their physical appearance through consistently good skin care habits with Asepzia products.



**Asepzia** has a presence in various media to be in the minds of the consumers, achieving a rapprochement and understanding of the sensitive issues faced by young people, such as bullying, rejection and low self-esteem.

**Suerox**

The Suerox brand was positioned this year as a renewed product with the best formula on the market. Suerox now has a unique formulation that allows the recovery of lost electrolytes and vitamin C during the day.

The solid communication strategy carried out is strengthened by the attributes of this new formula and it counteracts the negative effects of dehydration caused by high temperatures, excessive physical activity and gastrointestinal diseases, among others.



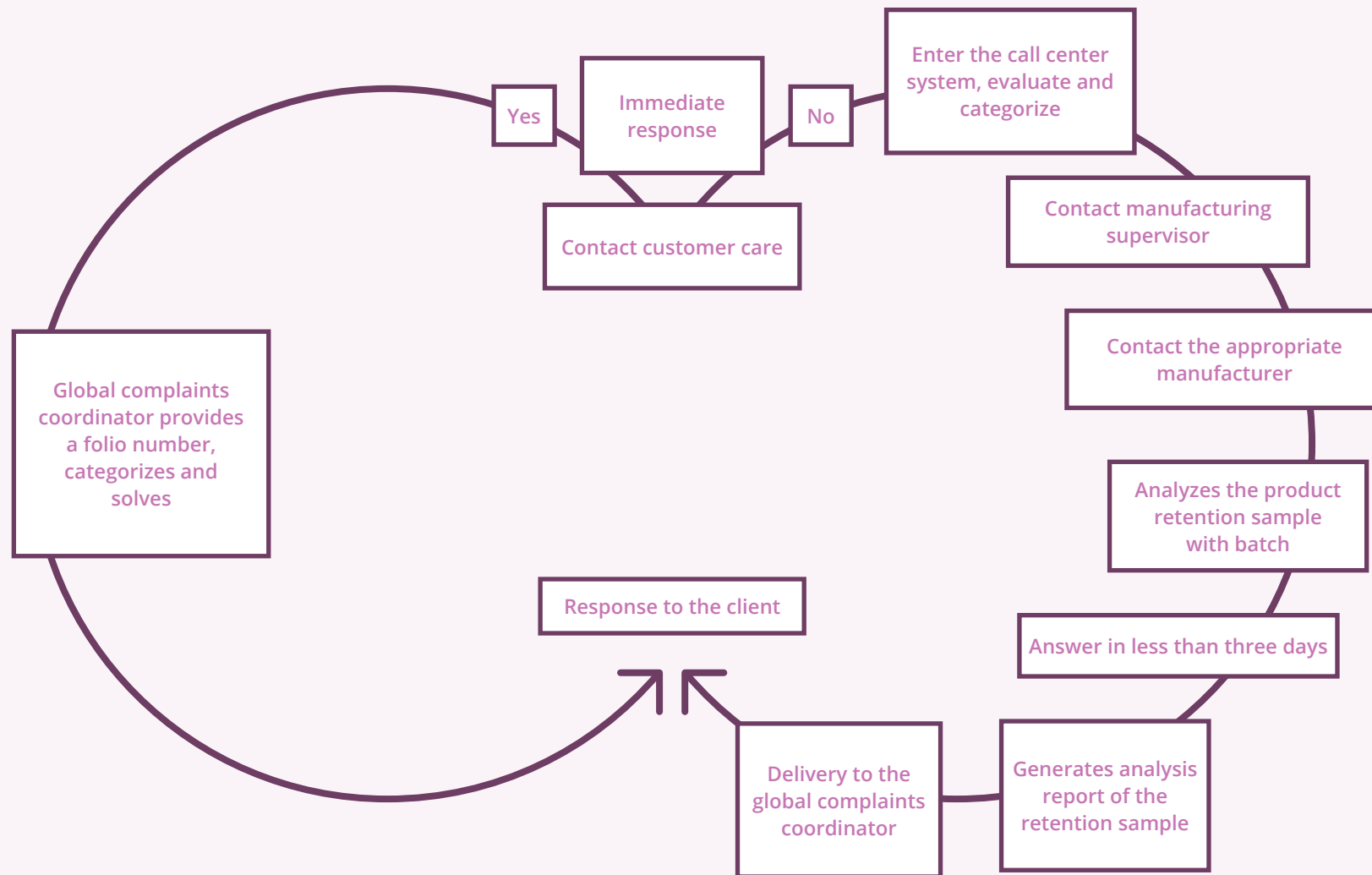
**Customer service**

The focus of the customer service area goes beyond answering calls, questions and complaints or following up on requests for product reimbursement, change or replacement.

Today we have innovative achievements in the consumer attention process, responding in a timely manner to their complaints and nonconformities, providing attention and adequate solution to their requirements. This process is part of the database of our call center system and our internal management system Genovigilance, through which 15,451 calls were received, serviced, monitored and completed globally.

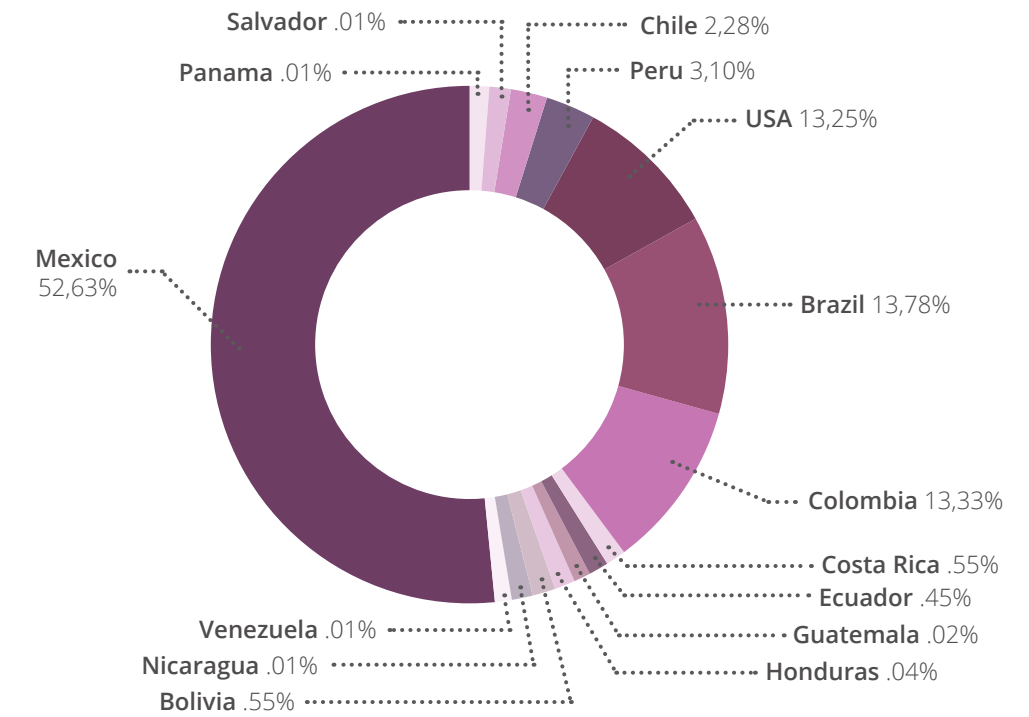
Following, a general description of the customer service process.

Consumer care process



The country with the highest number of calls was Mexico with 52.63% of the total calls, followed by Brazil with 13.78% and the United States with 13.25%.

Percentage of calls by country 2016



The highest recorded percentage of calls (59.08%) corresponded to solving doubts. While the reason "others" accounted for 35.91% of the calls. This category groups a large number of missed calls or wrong number calls.

Since 2015 and during 2016, other communication channels have been strengthened to achieve greater proximity to our consumers. We continue following the path of digitization with greater force, through web pages, Facebook, Twitter, Snapchat and customer service emails, where we carry out online research that has become a key source of information about market and consumers.

A major challenge for 2017 is to pay the same attention to both our customers and our consumers; improving, enriching and expanding our process of attention and continuous improvement in the interactions and relationships we establish with them.



# 09 Value Generation Through Our Workforce

(G4-LA1, G4-10, G4-LA4, G4-EC6)

At Genomma Lab Internacional, we recognize and value our team of employees, who are aware that it is they who integrate our workforce and focus their performance on generating value for the Company and our stakeholders. Therefore, we offer a work environment in which our collaborators can create with development opportunities for personal and professional growth with a vision to the future.

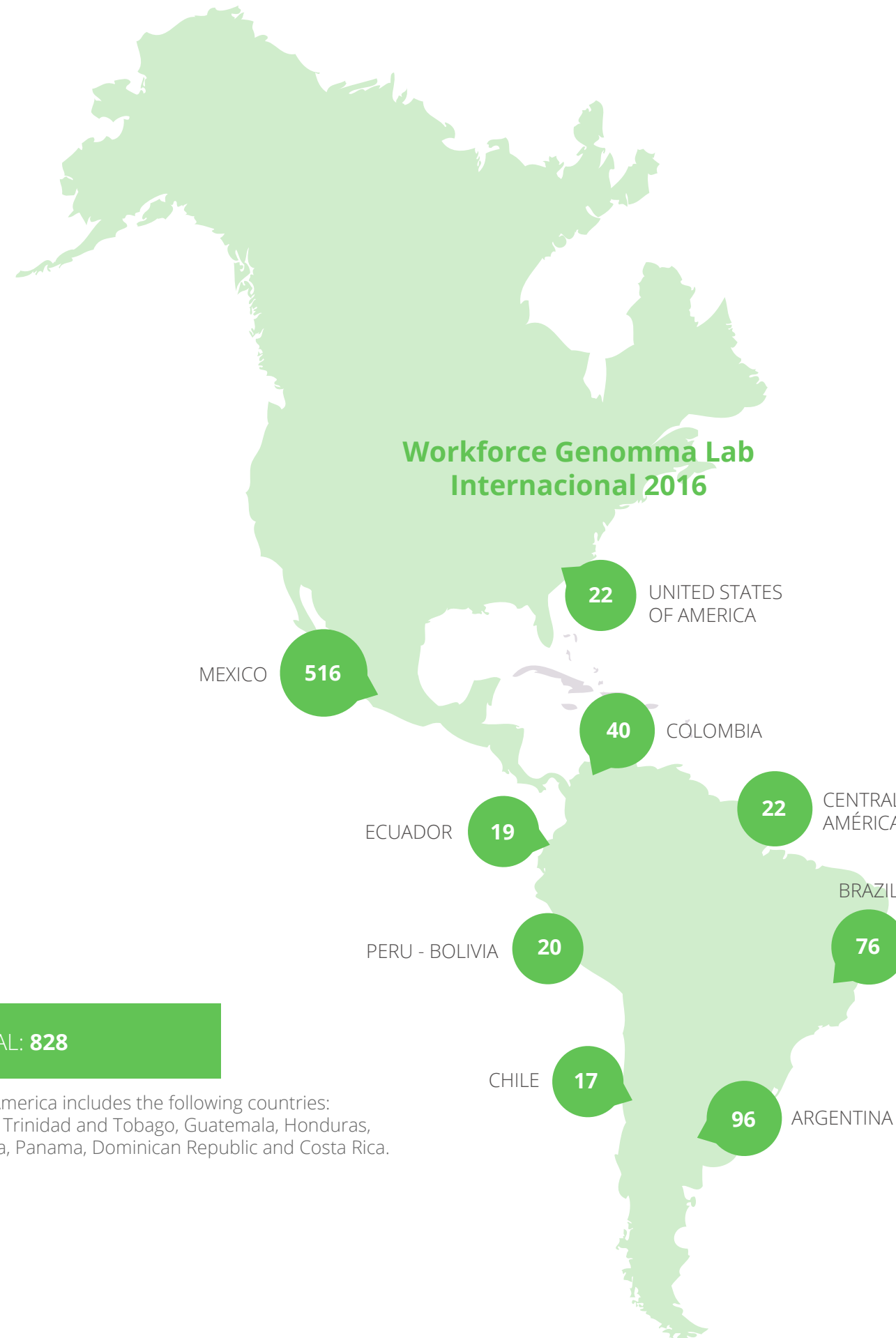
During the year 2016, the Steering Group, headed by our General Manager Máximo Juda, has worked to bring the Company to an important position in the market. Together with him, our directors and executives from the different areas that integrate Genomma Lab Internacional have participated in the implementation and promotion of the strategy with a sustainable vision, on the basis of our business model and driving the global competencies of the company.

In particular, the focus of the Human Capital area is to support our employees to develop their talent and strengthen their abilities to operate inside and outside the Company with a high level of performance and commitment, developing qualities and skills that enable them to meet our business goals and achieve their personal and professional objectives.

At Genomma Lab Internacional we have clear guidelines that govern our operation, however, each area has the freedom to work according to its particular requirements and taking advantage of its strengths, without losing sight of the business model and strategy. The performance and commitment of each of the areas, together with the work in synergy with our collaborators, provide the company with the necessary strength to meet the challenges we face year after year.

## Integration of our workforce

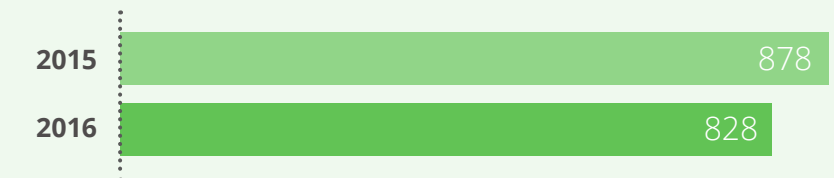
The workforce of Genomma Lab Internacional is integrated by 828 employees who make up our global talent, which brings experience, knowledge, skills, challenges and innovation proposals into a work community distinguished by its diversity and equity, in which we promote strategic thinking, leadership and teamwork.



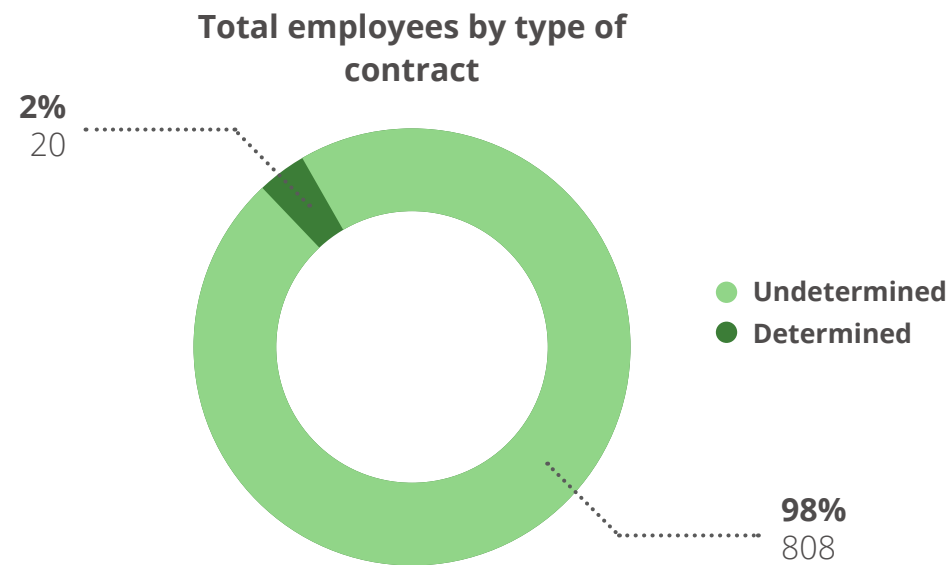
\* Central America includes the following countries: Salvador, Trinidad and Tobago, Guatemala, Honduras, Nicaragua, Panama, Dominican Republic and Costa Rica.

In 2016, there was a slight reduction of staff compared to 2015, as a results of the Company's strategic approach to efficiency, with which we seek high quality, commitment and efficiency to meet the company's objectives, optimizing the necessary activities and resources.

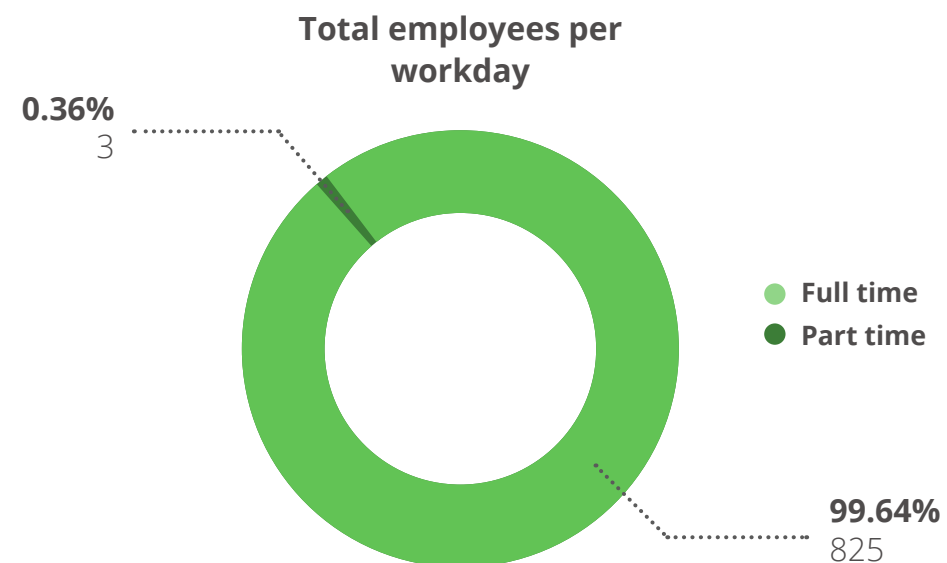
Workforce 2015-2016



Our commitment as a Socially Responsible Company is to create working relationships with our employees based on their performance and the conditions of our operations. For this reason we prepare working contracts for an indefinite duration or for a specific period of time. During 2016, 98% of our employees had contracts of indefinite duration and the remaining 2% were hired for a certain period of time.



This year, 99.64% of all our employees worked full time, while 0.36% did so partially.



From our total employees, per hierarchy 81% is distributed occupying positions at the level of Coordination, Specialist, Analyst and Auxiliary, and 19% of the employees hold positions of Vice-Presidency, Direction, Deputy Direction and Management. In the case of Argentina, 60% of the staff in management positions are women.

Regarding the provenance of top managers, in Argentina 100% come from the local community, in Colombia 82%, in Brazil 66.7%, in Central America 70% come from this region and in Chile 20% of senior managers come from their country.

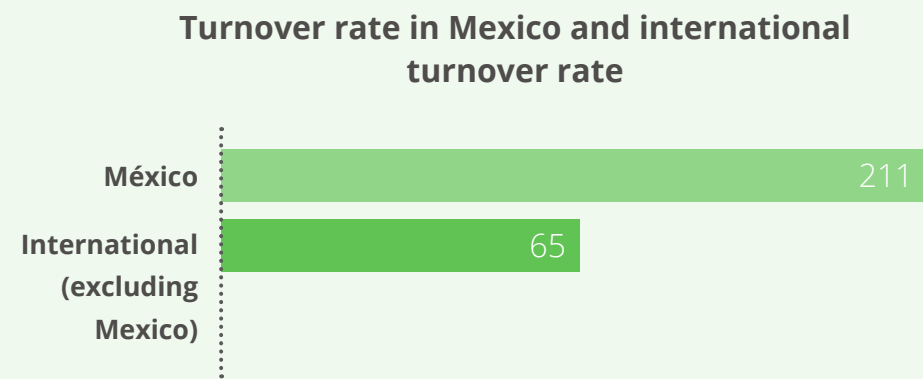
We continuously reinforce the mechanisms of talent attraction and retention, as well as the development of our people over time to reinforce their permanence. The factor that determines our hiring is always focused on talent, without making distinctions by gender or age.

With respect to new hires in 2016, 58% of them were concentrated in people between 30 and 50 years, followed by 37% of under 30 years and 5% of people older than 50 years. On the other hand, the staff recruited corresponds to 56% male employees and 44% to female staff.



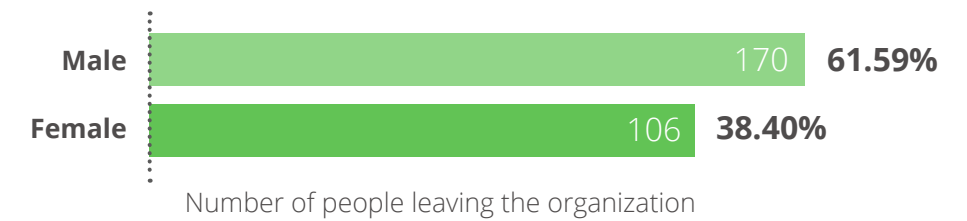
## Turnover rate

This year we were able **to reduce the global turnover rate by more than 35%**, from 68.52% in 2015 to a turnover rate of 33.29% in 2016. The turnover rate in Mexico was 37%, while the turnover rate in the rest of the countries was 21%.

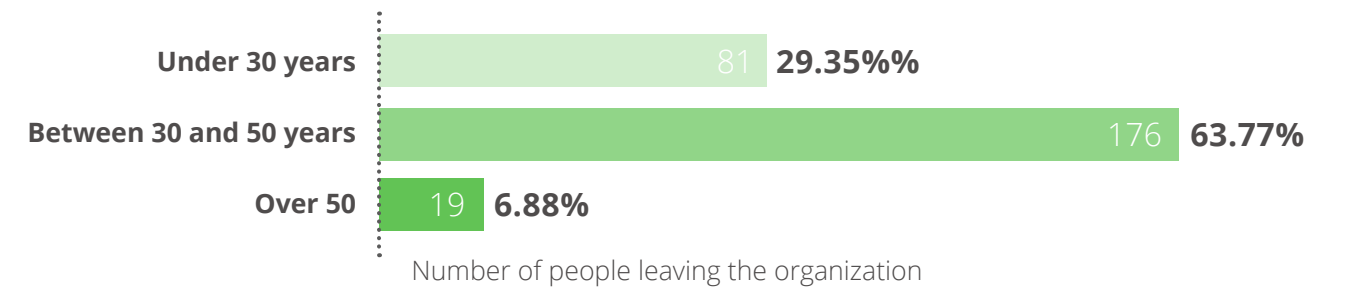


Of the total workforce, 276 people left the organization, of which 61.59% were men and 38.41% were women. Also, the highest turnover percentage, according to age, occurred in the group of people between 30 and 50 years of age.

### Breakdown of turnover by gender



### Breakdown of turnover<sup>6</sup> by age



It is inevitable that there are decisive moments in which important changes take place that could impact our collaborators, so they are notified when these happen. In these situations, we perceive any organizational change, as a challenge that commits us to improve and update our performance in the management of talent retention.

<sup>6</sup> In reference to the number of people who leave the organization.

## Diversity, inclusion and gender equity

At Genomma Lab Internacional we have undertaken the task of forming a team of collaborators distinguished by their diversity and equity, where different tastes and preferences are respected, discrimination in all its forms is avoided, it seeks to ensure that equal rights and opportunities are given to all collaborators and applicants aspiring to be part of our talent team.

The Code of Conduct and Ethics is the tool that establishes the guidelines and norms that regulate the behaviors of people within the company. Based on the Code, our Mission, Vision and Values lead us in the fulfillment of our objectives, contributing to the generation of a healthy and friendly work environment.

During 2016, we continue the process of internal awareness that promotes social equity to avoid workplace violence, discrimination and harassment in any of its forms, using the different media we have both internal and external.

We are constantly searching for tools and updating them that help us ensure equal access to opportunities within the Company. The policies, regulations and codes we have today help us to apply these principles in the recruitment, selection, evaluation and development of human capital.

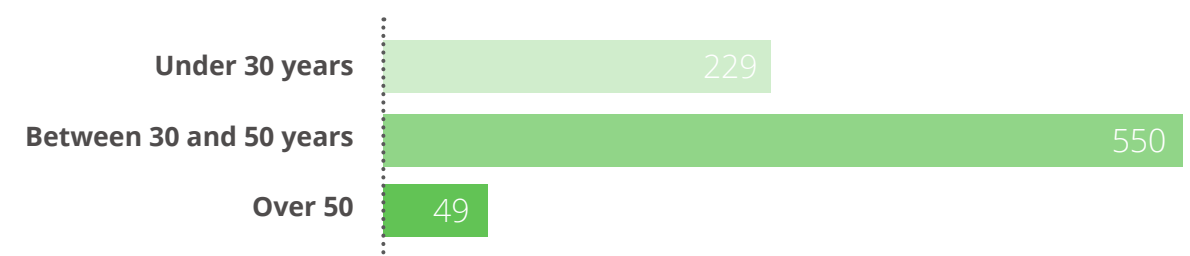
In relation to our commitment to gender equity, the number of men and women who made up the workforce in 2016 was comprised of 41% men and 59% women, a percentage that has remained from 2015.

**Distribution of the workforce by gender**



Regarding the distribution of the workforce by age, most of our employees are in the range of 30 to 50 years, representing 66.43% of the total workforce, followed by those under 30 years of age with 28 % and 6% corresponds to those over 50 years.

**Distribution of the workforce by age**





## Talent Management: Global Competencies Genomma Lab

(G4-HR2, G4-LA9, G4-LA10, G4-LA11)

During the year 2016 we followed the mechanisms of talent management that we started in 2015. Our performance culture has favored the development of our human capital, encouraging them, motivating them and supporting them in their personal and career plans to establish professional goals to grow within the Company. The strategy we set for their development is based on global competencies that seek to enhance the talent of our collaborators, aligned with the objectives of Genomma Lab Internacional.

The mechanisms implemented for the retention of talent motivate us to continue driving these initiatives, since for the second consecutive year the special award CEO AWARDS 2016 was granted, whose objective is to reward those collaborators who stood out for making extraordinary contributions in their daily work, in line with the Global Competencies of Genomma Lab Internacional<sup>7</sup>.

### Global Competencies of Genomma Lab Internacional

#### Leadership

Competencies that impel the employee to:

- **Envision:** recognize the opportunities that arise.
- **Engage:** achieve the commitment of others.
- **Energize:** motivate their peers.
- **Empower:** do the possible and remove obstacles.
- **Execute:** develop and establish plans for achieving the strategy.

#### Strategic thinking

Ability to integrate knowledge by designing management strategies focused and prioritized, for the short, medium and long term, along with action plans that reflect their implementation.

#### Adaptation to change

Ability to adapt to different situations quickly and flexibly. It refers to the ability to respond and be versatile in a changing business environment.

#### Teamwork

Competence to collaborate, be inclusive, create partnerships, build working networks, respect others, create synergies, share information and work as a team.

#### Effective communication

Ability to communicate orally and in writing, in a clear and concise manner.

#### Capacity building

Sustained focus on the development of processes, systems and structures that will last even when the individual changes positions.

<sup>7</sup> <http://blog.genommalab-esr.com>

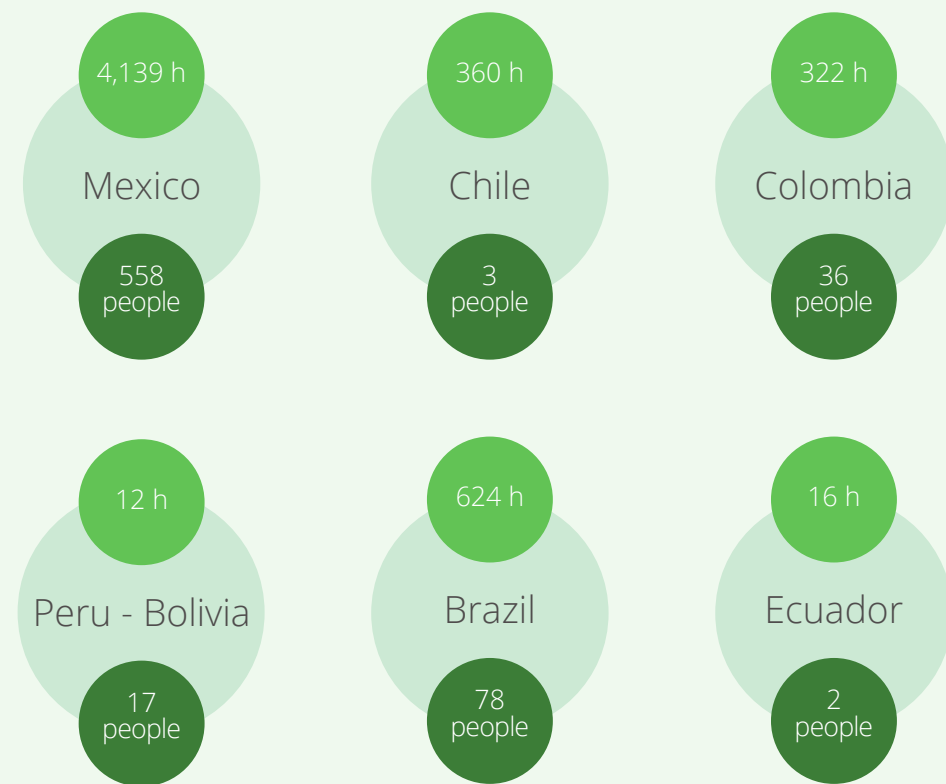
## Training and Development

(LA9)

The talent of our collaborators and their performance in carrying out their activities is strengthened through the development of abilities, knowledge and skills that are fostered through training enabling our team to perform optimally.

We provide courses, diploma courses and programs aimed at all collaborators at Genomma Lab, focused on their specific activity and level. During the year 2016, 5,473 hours of training were given, that is **39.44% more hours than in 2015**. 688 employees were trained, of which 552 belonged to Mexico and the rest to other countries.

Hours of training 2016, broken down by country



**Total training hours: 5,473**  
**Total number of people trained: 688**

Hours of training 2015-2016



Regarding the total number of hours given by hierarchical level, 67% corresponded to high levels categorized into Vice-Presidency, Direction, Deputy Direction and Management, while 33% corresponded to the levels of Coordination, Specialist, Analyst and Auxiliary.

In addition, all the collaborators have the opportunity to participate in training and cultural exchanges when visiting other countries where we have a presence, which enriches their cultural and professional knowledge.

Training needs vary from one contributor to another, therefore we perform assessments to determine the allocation of courses, diploma courses and postgraduate courses according to their different business areas. In countries like Colombia, financial support was provided to employees to attend seminars, courses, professional training and graduate programs; in order for them to have updated information and the best knowledge regarding their field of work.

Training in health and safety at work has also been provided to promote a culture of self-care, thus enabling them to acquire safe routines while doing their work.

In Chile, our employees attended external diploma courses with a duration of 6 months to one year, as well as internal programs developed by the company. The topics in which they were trained are: logistics, negotiation, teamwork, product knowledge and legislation.

In Brazil, technical issues addressed in training are: products, regulatory affairs and tax updates, the same as in Ecuador. For new employees in Brazil, there is a program of integration and coaching by their direct boss.

In Mexico, some of the training programs focus on regulatory, safety and hygiene issues. Our collaborators also receive technical training in data processing programs and specialized finance and purchasing software. Likewise, they are trained in effective communication skills and teamwork.

Genomma Lab Internacional's training programs offer short- and long-term benefits, as our employees are prepared for the challenges they face on a day-to-day basis, but at the same time they gain expertise for their future professional life; thus contributing to the empowerment of our employees. An example of specialized training within Genomma Lab Internacional is the one carried out at the Distribution Centers (CEDIS).

### ➤ **Model Parvada: specialized training in CEDIS**

In 2016, we prioritized time efficiency and reduction or elimination of losses, which prompted us to carry out mappings of constant processes, looking for continuous improvement to establish action plans in productivity, quality, service and safety, driving us to improve the staff's productivity.

For this, we implemented a comprehensive training program that we named **"Model Parvada"** in which the employees are trained in several of the functions performed at the CEDIS, so that all the staff has the skills and knowledge to participate in all the stages of the different processes that are carried out there. This program was very motivating since we managed to increase the productivity of our employees by about 60% compared to 2015; by empowering them technically and strategically, we optimized the times and resources assigned to each activity.

Within the "Model Parvada" program we have a monthly performance evaluation system in which we evaluate our employees in terms of quality, productivity, service and (moral) safety. We classify the results obtained, and the best evaluated employees are invited to an event in which they are recognized and rewarded. This has led to a healthy competition and a solid growth of our workforce.

As a result of the increase in efficiency, the reduction of the workforce at the CEDIS was 36%, combined with the reduction and use of physical spaces. However, the employees have taken these changes with a positive attitude, since their economic perceptions have improved and their leisure time has increased, thus raising their family quality of life.

### ➤ **Program "Finish your high school"**

With the aim of promoting the academic and professional development of our talent, we offer more and better education initiatives such as **"FINISH YOUR HIGH SCHOOL"** with the participation of 55 employees of the Distribution Center. They were offered lessons within the facilities, with specialized teachers in different subjects. Students were prepared to take the CENEVAL examination and obtain their high school certificates. Of the total number of participants, 60% received their high school degree in 2016 and the remaining 40% will submit their examination in 2017.

### ➤ **"Generators of ideas"**

During 2016 we continued working with the **"Generators of Ideas"** program which started in 2015. As a result of this program, an innovative case stands out, which arose from the breaking down of a pallets' turner and resulted in significant money savings. That is, with a proactive attitude of innovation, the CEDIS employees created and built a turner made by themselves at a cost well below the market.

This represents a tangible demonstration of Genomma Lab Internacional's interest in the growth and training of its employees and their empowerment by supporting them in the materialization of their ideas.

In addition to the above programs, several trainings took place regarding good storage practice, documentation management, handling of forklifts and electric skates, among others.

The CEDIS programs have generated real satisfaction for our employees, which is reflected in a 50% decrease of absenteeism in 2016 compared to 2015.

The development and quality of life of the employees is a priority for Genomma Lab Internacional, this is the reason why we are carrying out initiatives and programs that have a positive impact.

As we have done in recent years, we endorse our public commitment to corporate sustainability through an annual review of our socially responsible management in the areas of quality of life in the company, link with the community, business ethics and care and preservation of the environment. As a result, we receive for the **tenth consecutive year** the **Acknowledgment of Socially Responsible Company**.

Our sense of responsibility towards the well-being of our human capital is supported by the Life Balance Policy, which sets out the guidelines for reconciling work life with the family and personal life of our employees, promoting their performance in an environment of well-being and productivity within a climate of trust, credibility and respect.



At Genomma Lab Internacional we seek through our programs of social responsibility and human capital development, to improve the environment in which our employees thrive. That is why, in the year 2015, we were honored the **Award Family-Responsible Company**, granted by the Ministry of Labor and Social Welfare (STPS, for its acronym in Spanish) with a validity of two years, which will be endorsed during 2017.

“A Family-Responsible Company is one that proves to be a promoter of good labor practices in the areas of gender equity, the prevention and combating of workplace violence and sexual harassment, as well as actions and policies to help workers meet their family responsibilities.”<sup>8</sup>

Within our workforce we have employees with a professional career, who are also mothers and with whom we have a very important commitment. For this reason, we offer several benefits for them, including compressed working weeks, flextime, telework, agreed working hours and maternity leave, according to the labor regulations of each country.

We also grant maternity and paternity leave to all our employees, in which women and men are entitled to request a leave for the days established by law, depending on the country where they are. During 2016, 13 female employees and five men employees requested a maternity or paternity leave, returning to the company without any inconvenience, which represented a 100% reincorporation and retention during 2016.

<sup>8</sup> Ministry of Labor and Social Welfare (STPS) Secretaría del Trabajo y Previsión Social, [http://www.stps.gob.mx/EMPRESA\\_FR/002%20%20Manual%20de%20Aplicacion%20EFR%20\(PDF\).pdf](http://www.stps.gob.mx/EMPRESA_FR/002%20%20Manual%20de%20Aplicacion%20EFR%20(PDF).pdf)

## Human capital policies

The constant revision, updating, modification and renewal of policies has helped us to strengthen the processes of recruitment, training, development and retention of talent, promoting continuous improvement in the management of our human capital.

➤ **Policy for training, development and performance management:** commitment to foster professional development based on knowledge, skills, experience and career path.

➤ **Policy for talent attraction:** commitment to allow access to employment respecting human dignity, human rights and determining our inalienable obligations, complying with the legal and social security framework.

➤ **Policy for compensation and benefits:** commitment to guarantee benefits, agreements and additional compensations to those required by law, to enable our employee to enjoy a better quality of personal and family life.

➤ **Policy for apprentices and trainees:** commitment to promote the recruitment and development of the best talent, focused on the interaction between the company and the participant to achieve objectives in a responsible, inclusive and sustainable manner.

➤ **Policy for job severance:** commitment to give the corresponding and additional bonuses to the employee who is being separated from the company.

## Employee benefits

G4-LA2

An added value to the training as part of talent management within the Company, are the benefits we give our employees for their personal well-being. At Genomma Lab Internacional we offer benefits superior to those required by law, granting competitive salaries accompanied by compensation where we consider gender equity and non-discrimination, all this in order to support our employees to achieve their business, personal and professional goals.

The Company offers additional benefits such as medical service, canteen service, transportation allowance, educational supports, daycare and parking, among others; which may vary between countries and job levels. Likewise, we grant corporate bonuses following the internal policies of Genomma Lab Internacional according to results obtained.

In the same way that we seek benefits that add value to our employees within the company, we do support their personal economy by providing discounts with external suppliers such as restaurants, clothing stores and entertainment centers, seeking to raise their quality of life outside the company.

At Genomma Lab Internacional we fulfill our social employer-employee obligations within the benefit plan, which vary between countries according to local regulations; however, the Christmas bonus, vacations, fund savings for retirement and vacation bonus are benefits that all our employees receive.

## Pillar of culture

At Genomma Lab we develop programs for our employees focused on strengthening the working culture, developing their talents and directing them to the achievement of our objectives. As a result, they participate in a series of programs and events aimed at strengthening their quality of life on a personal and family level.

During the year 2016, we followed up on the social programs undertaken previously, so that several events were held with great success, among which **"Rola tu libro 2016"** [Pass your book around] stood out.

This program was carried out for the fourth consecutive year in partnership with the Council of Communication, which encourages the habit of reading in our employees and their families. During these years we have accumulated a total of 39,317 reading hours with the participation of more than 200 employees.

### Program of Academic Excellence

According to the plan defined by the Committee on Culture, the Academic Excellence Program was developed in Mexico with the objective of recognizing, for its academic performance, the children of our employees, who are students of primary and secondary school who have an annual school average of over nine.

We had the registration of 38 children, who were invited to a famous amusement park (Kidzania), to enjoy the attractions, receive a diploma from our VP of Commercial Operations and the Country Manager of Mexico, as a special recognition for their effort and dedication to their studies, 13 economic scholarships and an honorary mention were awarded to those who obtained grades with an average between 9.7 and 9.9,

in order to support their studies. Later, the children were transported to our corporate facilities, where they were given a tour with an excellent reception from all areas.

This group of distinguished students was received by Rodrigo Herrera Aspra, Chairman of the Board of Genomma Lab Internacional, who had a pleasant talk with them giving motivating speech advising them to continue with their preparation to become great professionals.

Congratulations to all of them and their parents who made this great achievement possible.



### Celebration of the Day of the Dead

Due to the importance of the celebration of the Day of the Dead in Mexico, in the month of November, activities were organized for the employees to reinforce the teams' integration.

The Corporate office launched a "literary skulls" contest, to receive verses and prose written individually or as a team, addressing the issue of death differently and featuring their peers and areas of the company. 23 papers were published and the best of them were awarded.

In addition to this, at the Distribution Center (CEDIS), the traditional "Contest of Offerings (or altars)" took place, in which the employees and their relatives participate. In this activity there were also winners and with that, Mexican traditions were preserved and coordination and teamwork strengthened.



### CEDIS Festivities

In the same way, at the Distribution Center, the traditional year's end celebration was organized, in which employees and their families have the opportunity to spend time together and celebrate their achievements of the year that ends. During the celebration, there is a Mass to the Virgin of Guadalupe, the "traditional Christmas Posada" and the "Piñatas Contest". On this occasion, an acknowledgment was also given to the co-workers, who obtained their high-school certificate through the certification program promoted by Genomma Lab Internacional, to whom we reiterate our congratulations.



### Cheer up a Heart

As every year, Genomma Lab Internacional volunteers took up their annual collection of new toys through the "Cheer up a Heart" campaign to celebrate Three Kings Day. On this occasion it was decided to celebrate the children of the CEDIS employees, giving them a total of 438 gifts collected and a visit of the Magi.

The campaign was a great success, exceeding the amount of toys collected last year and achieving the goal of making an unforgettable day for children.



## Occupational Health and Safety

(G4-LA6, G4-LA5, G4-LA8)

For Genomma Lab Internacional, our collaborators are the heart of the Company, so we value and protect their health and physical integrity as a fundamental part to develop their goals and achieve their personal and professional objectives.

The work efficiency and performance of our employees depend to a large extent on their mood, which is why we care about their health and that of their families. We also recognize that our employees are exposed to musculoskeletal diseases due to repetitive movements and stress. Consequently, we are committed to providing and preserving a safe and

healthy work environment without risks through programs that provide information about health and self-care, motivating them to develop their skills both in the workplace as well as in their personal environment.

During 2016 we recorded and monitored the accidents occurred at the corporate offices and the CEDIS Distribution Center. Compared to 2015, the number of accidents at the CEDIS decreased considerably during 2016, with an 80% reduction by men and 100% by women, achieving our purpose of reducing or eliminating them.

At international level only Chile reported two accidents.

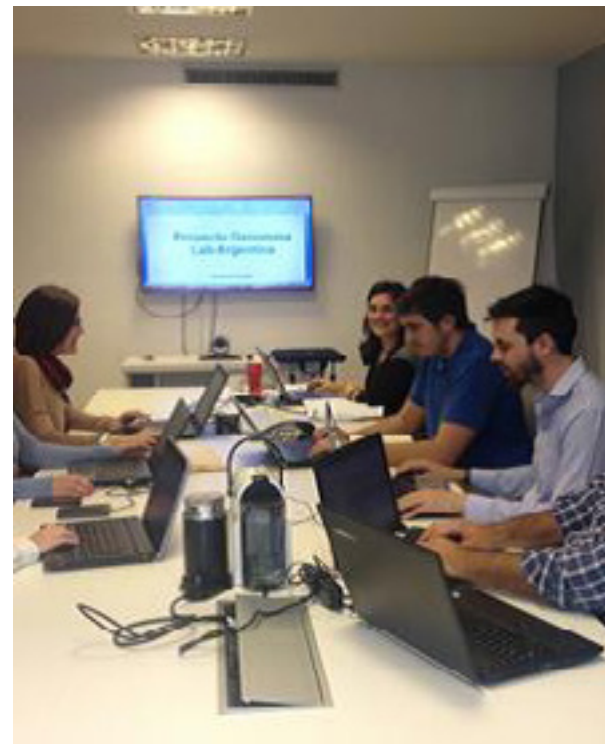
### Injuries, illnesses, days lost and fatalities at Genomma Lab Internacional

Indicator	2016	
	Men	Women
<b>Number of accidents with injuries</b>	8	4
<b>Number of days lost</b>	231	110
<b>Fatalities</b>	0	0

Among other activities, this year we carried out the influenza vaccination campaign together with the Ministry of Health, as part of our health and safety programs. In addition, it is important to note that all our employees are represented in the Health, Safety and Hygiene Committees, and in collective contracts managed by the company, as in the case of Brazil, yes, the conditions of health and safety care for the employees of the Company are considered.

Moreover, our commitment to safety in our Distribution Center is reflected through various insurance mechanisms, such as damage insurance to protect our facilities, furniture, machinery and products in case of accident, natural disasters or other conditions of vulnerability to which our valuable capital may be exposed.

## Implementation of SAP version S/4 HANA



**“Genomma Lab Internacional is the first company to implement this version of SAP in Latin America and one of the first in the world”.**

In Genomma Lab Internacional we have tools that contribute and give value to our daily operation.

Among them, the Company opted to start the implementation of the SAP ERP IT system version S/4 HANA in 2015, which is a new generation business system, which is being called the biggest technological update in over two decades and replaces the old R3 version.

The implementation of this new system in the Company paved the way to improve the communication of internal areas through different functionalities by increasing the speed and interaction of the data and generating useful information for decision making, resulting in a better overall management and adaptation to new digital technologies.

During the year 2016, an interdisciplinary team, under the leadership of Engineer Antonio Zamora Galland, Executive Vice President of Administration and Finance, successfully concluded the implementation of SAP S/4HANA, with the collaboration of different areas in our operations in Mexico.

The main modules implemented improved processes for finance, controlling, sales, distribution and logistics, achieving significant improvements in our main business processes.

In addition, in that same year Argentina began preparations to also implement SAP S4/HANA. The processes and the operational definitions of the areas that will have SAP have been developed: Sales and Distribution, Supply, Finance, Management Control and Quality, and the project is at an advanced stage.

A key success factor of the project has been the involvement and active participation of all employees of our Company.





# 10 Social Impact on Communities

(G4-DMA, G4-EC7, G4-EC8, G4-EC9, G4-SO1)

The commitment we have with the present and future generations drives us to continuously strengthen our ties with the communities in which we operate and with whom we have a relationship. This motivates us to actively participate in programs that seek to positively impact the areas of health, well-being and personal development of the internal and external communities where we have interference.

## Donations

In the year 2016, Fundación Genomma Lab, A.C. which is under the General Management of Lic. Sabrina Herrera Aspra, who is a Member of the Board of Directors of Genomma Lab Internacional and who also occupies relevant positions in the following Institutions: President of the Board of Trustees of the National Institute of Perinatology "Isidro Espinoza de los Reyes", Member of the Board of Trustees of the Hospital Juárez de México, Member of the Board of Trustees of the National Institute of Perinatology and Member of the Committee of the Foundation Duerme Tranquilo, A.C., showing our commitment to the Health sector, made donations of Suerox to the Mexican Red Cross and to the Cancerotón initiative. In addition, Silka Medic was donated to the population of Mexico City. On the other hand, a financial donation was granted to the Foundation **Xuajin Me Phaa, AC.**

### Genomma Lab Foundation grants donation to Xuajin Me´ Phaa A.C

Genomma Lab Foundation makes a donation of \$ 500,000.00 to the Civil Society Organization Xuajin Me Phaa, AC., to support the farmers of the Me Phaa community located in the High Mountain of Guerrero being one of the poorest areas of Mexico, to commercialize the flower of Jamaica at a fair price and improving the quality of life of the population.

Through the organization Xuajin Me Phaa A.C., producers of the area are trained with sustainable agriculture techniques that promote caring for the land and that benefit the production of their vegetables for self-consumption and sale.

On behalf of the Genomma Lab Foundation, the donation was presented by the President of the Company Lic. Rodrigo Herrera Aspra and it was received by the General Coordinator of Xuajin Me Phaa, AC., Mrs. Margarita Muciño.

### Mexican Red Cross

Due to the high temperatures that were recorded in the State of Sonora during this year, which ranged between 48°C and 50°C, 50,500 pieces of Suerox were donated, with the aim of preventing and combating dehydration. Furniture for medicines' storage were also donated. This with the aim of combating the dehydration caused by the extreme temperatures.

### Cancerotón

50,200 pieces of Suerox were delivered to cancer patients and their families. The product was distributed to the following institutions: General Hospital of Torreón in Coahuila, University Hospital against Cancer in the state of Nuevo León and General Hospital of Ciudad Victoria in Tamaulipas, as well as medical brigades in rural areas.

### Silka Medic

In partnership with the Government of Mexico City, through the Ministry of Health, in 2016, 67,830 pieces of Silka Medic were donated. This product that was available at health centers and timely detection units located at the underground transport system (Metro) from Mexico City. In this way, we continue to collaborate strategically and securely in the prevention of athlete's foot through the program of the Ministry of Health "Detecta, Medica, Eliminate" ["Detect, Medicate, Eliminate"].

### Covenant for child nutrition in Colombia

Our Country Manager in Colombia, Juan David Fajardo, signed the Covenant for Child Nutrition "Gen Cero", in which our commitment to support the eradication of chronic malnutrition in Colombia by 2030 becomes official. The brands Asepxia and Tío Nacho support the cause by donating a percentage of their sales. In total, around 10 companies participated in this Covenant promoted by the Éxito Foundation.

"With Gen Zero we feel that we are doing the right thing and that we will have an impact on the future of the country. In 20 years we can be hiring young people who have grown up in a scenario full of opportunities" said our Country Manager Juan David Fajardo.

According to the National Nutrition Situation Survey (ENSIN, 2010), one of every eight children in Colombia suffers from malnutrition, a condition that affects their development with lifelong consequences. By virtue of the foregoing, we were able to also support the achievement of the Sustainable Development Objectives (ODS, for its acronym in Spanish) through this project.



## Supporting groups in vulnerable social conditions

At Genomma Lab Internacional we are committed to equity and inclusion, fostering a culture of support for people with disabilities or special conditions.

The Acknowledgment Inclusive Company that we obtained in December 2014 and which has a validity until 2017, recognizes us as a company committed to good work practices towards groups in a situation of vulnerability. We maintain our equity model based on policies and practices so that our internal processes operate under the conditions of equality and equity necessary for men and women to fully develop their potential.



Our commitment is supported, among other aspects, by the **Policy of Integral Diversity**, which aims to promote practices for a healthy, safe, non-violent, non-discriminatory and inclusive work environment that allows full development of people with real equality of opportunities between women and men and full respect for human rights within the organization and the different stakeholders. Through this policy we commit ourselves to:

- i.** Promote the rights of equality and non-discrimination of people.
- ii.** Promote gender equality.
- iii.** Promote and respect diversity and inclusion of people.
- iv.** Promote access to employment to people in situations of vulnerability.
- v.** To grant a correct, respectful and dignified treatment, protecting the physical and moral integrity of people.
- vi.** Ensure respect for human rights.
- vii.** Lead with righteousness in all areas of the business.
- viii.** Promote the integration of all people.
- ix.** Promote an optimal and accessible work environment complying with the requirements of ergonomics that Civil Protection indicates.
- x.** Ensure the maintenance of an optimal working environment by preventing and addressing any possible occurrence of inappropriate behavior.
- xi.** Provide an environment of freedom of expression of comments or suggestions.
- xii.** Foster a culture of health, self-care, nutrition, physical activity and safety and hygiene at work.
- xiii.** Use of inclusive and accessible language in order to avoid reproducing discriminatory and exclusionary situations.
- xiv.** Raise awareness in people on issues of equality, human rights, gender mainstreaming and prevention of workplace violence, harassment and bullying, labor inclusion and diversity.

We are also working together with the Ministry of Labor and Social Welfare to obtain in a future the certification in the Mexican Standard on Labor Equality and Non-Discrimination NMX-R-025 - SCFI-2015.

We remain committed to our community, to provide a healthy, safe and respectful work environment that promotes gender equity, diversity, professional development and quality of life, where inclusion is a fundamental part of the respect for Human Rights.

## Community QG5

(G4-EC8, G4-EN11)

The guava leaf is the raw material from which Quercetin, active ingredient in our QG5 drug, is obtained, it is used for the treatment of colitis. The positive impact provided by the manufacturing of guava leaf is the result of a community business model that has its origins in 2007, which was created in response to an initiative by the Government of Veracruz that has the purpose to diversify crops in municipalities with a high degree of marginalization in the region of Totonacapan.

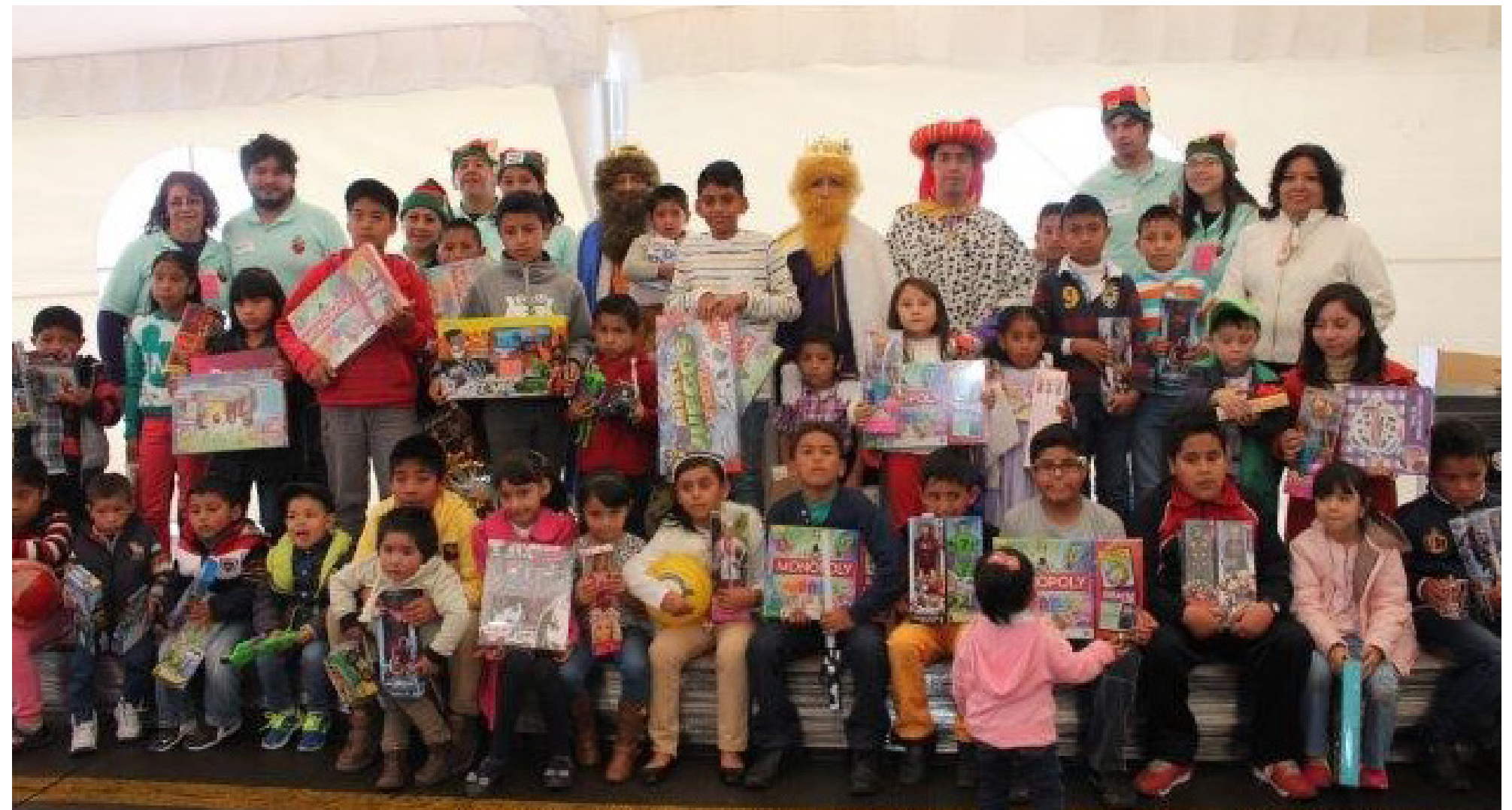
The productive business model benefits the totonacan farmers of the municipalities of Zozocolco of Hidalgo, being the exclusive suppliers of guava leaf. Creole guava tree plantations are based on agro-ecological production processes, totonacan harvesters have sustainable practices that prevent the application of agrochemicals and foster the protection of biodiversity in their environment. Also the guava leaf selling is based on practices of fair trade that benefit the communities.

Through market opportunities, strengthening self-management and development of productive capacities, we contribute to the improvement of the economic and living conditions of the inhabitants of the region, through the agreement made between Genomma Lab Internacional and the University of Veracruz, with the intervention of Diversificadora Agroindustrial y Comercializadora del Trópico S.A. de C.V. "DYCTRO.S.A.". Since 2010 until today, 58 tons of guava leaf have been produced to manufacture QG5.

## Volunteering: Cheer up a Heart

As every year, the team of volunteers integrated by our employees carried out their annual collection of new toys through the "Cheer up a Heart" campaign to celebrate the Three Kings Day. On this occasion it was decided to celebrate the children of the CEDIS employees, giving them a total of 438 gifts collected and a visit of the Magi.

The campaign was a great success, exceeding the amount of toys collected last year and achieving the goal of making an unforgettable day for children.





# 11 Environmental Care and Protection

(G4-DMA, G4-14, EN11, G4-EN27, G4-EN29 y G4-EN34)

At Genomma Lab Internacional we are convinced of the importance of inheriting a healthy environment and a sustainable environment for future generations. For this reason, we have reaffirmed our commitment to environmental protection and responsible management of our resources, both in the areas where we have direct influence as well as in our supply chain.

Our supply chain has become a key player in ensuring the success of our environmental strategy. This year we collaborated with our suppliers to continue promoting the use of environmental-friendly materials in our packaging, responsibly managing our waste and promoting programs in favor of biodiversity. In addition, we continue applying environmental criteria in our supplier assessments in order to identify areas of opportunity and accompany them in a process of continuous improvement.

Undoubtedly, these actions bring us closer to the high environmental performance to which we aspire, thus fulfilling our business strategy and our commitment to future generations.

## Our Environmental Policy

Our commitment in environmental matters focuses on offering products that improve the quality of life of people, promoting favorable conditions for social benefit and protection of the environment, promoting clear and measurable programs.

Our objective is to continue improving our environmental performance to mitigate our negative impacts and to take advantage of our resources in a more efficient way, standardizing our

commitment and performance in all other countries where we have a presence. Our lines of action are aimed at increasing energy efficiency and reducing the use of materials, emissions and waste. In this way, we aim to minimize our ecological footprint gradually over the next few years.

## Energy in Genomma Lab Internacional

Electricity consumption is the most significant category for Genomma Lab due to its connection with climate change. Our efforts in this area have focused on the implementation of energy efficiency projects, such as replacement of luminaries and updating of electronic equipment.

The operational area with the highest electricity consumption in 2016 was the Distribution Center (CEDIS) in Mexico. However, thanks to the reduction programs mentioned above, it was possible to reduce its consumption by 31.5%, going from 2,572.33 MWh in 2015 to 1,760.95 MWh in 2016.

## Our Carbon Footprint

(G4-EC2, G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7, G4-EN15, G4-EN16, G4-EN17 G4-EN18, G4-EN19, G4-EN20, G4-EN21, EN30)

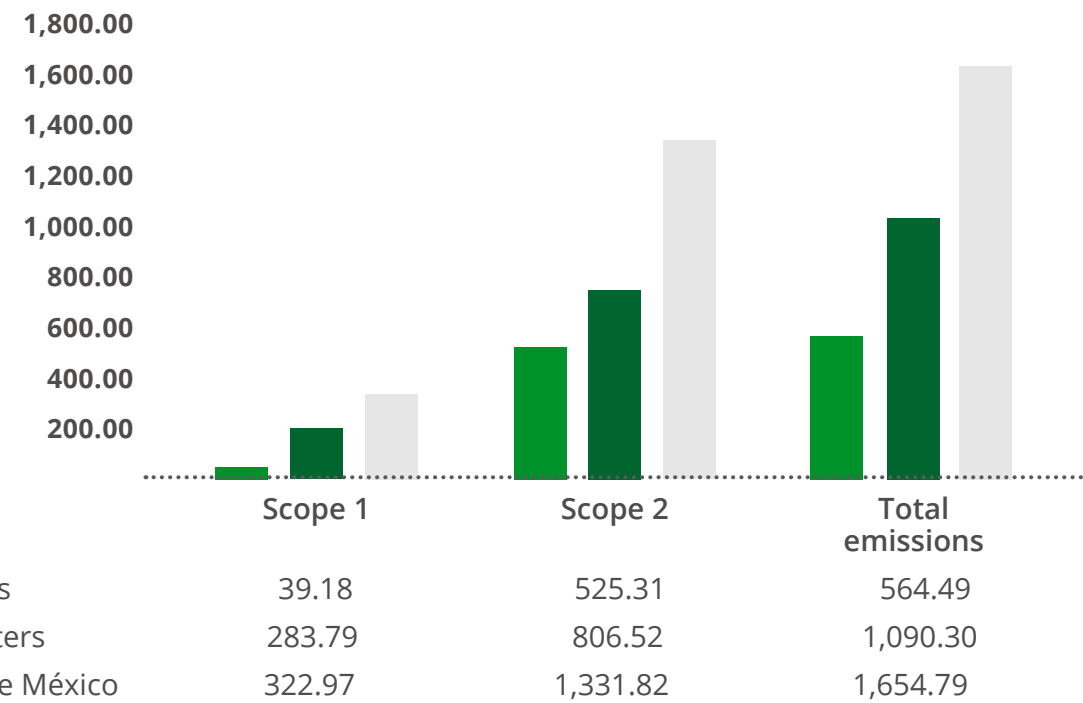
We recognize that climate change poses a risk to people's health and quality of life, as well as generating negative and irreversible impacts on biodiversity. For this reason, we identified and quantified our greenhouse gas emissions (GHG) with the objective of disseminating to our stakeholders our commitment to climate change mitigation. In 2016, we completed five consecutive years of our GEI inventory for our operations in Mexico.

The methodology we used for the quantification of emissions is based on the "GHG Protocol Corporate Accounting and Reporting Standard", issued by the World Resources Institute (WRI, for its acronym in English) and the World Business Council for Sustainable Development (WBCSD, for its acronym in English). We also align our calculations to the agreement of the Ministry of the Environment and Natural Resources (SEMARNAT) that establishes the technical particularities and formulas for the application of methodologies for calculating GHG emissions, issued in the Official Gazette of the Federation.

The following three categories were considered for the measurement of Carbon Footprint: Scope 1 emissions, Scope 2 emissions and total emissions. The first category refers to the emissions associated with the consumption of diesel, gasoline and LP gas; the second refers to the consumption of electrical energy; and the third, to the sum of the first two categories.

This year, our Carbon Footprint was 1,654.79 tons of CO<sub>2</sub>e, representing a reduction of 14% compared to 2015. The business unit that most contributed to the total emissions was the Distribution Center (CEDIS) with 66% of them, the rest of the emissions were issued by the Corporate Offices.

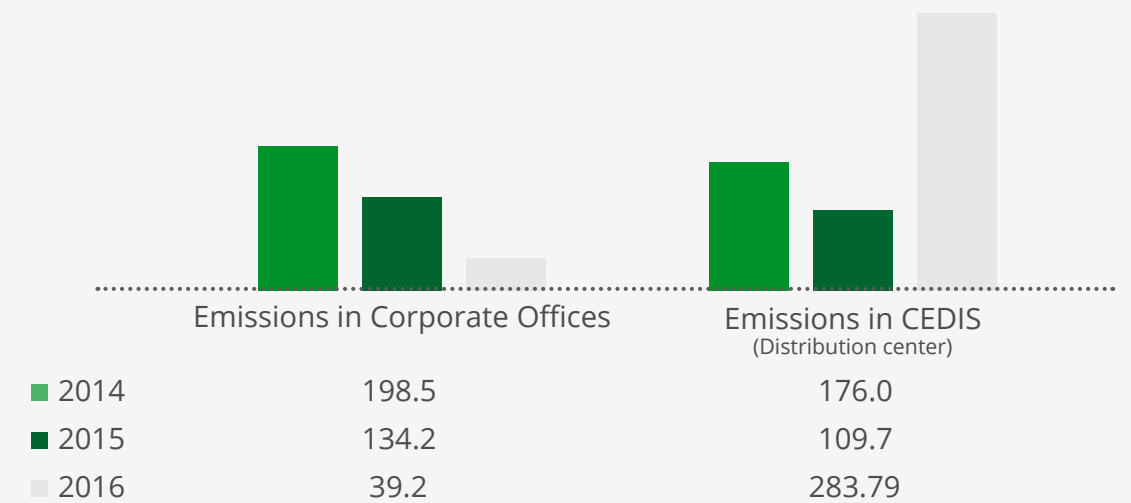
**Total emissions of Genomma Lab broken down by categories, in tons of CO<sub>2</sub>e\***



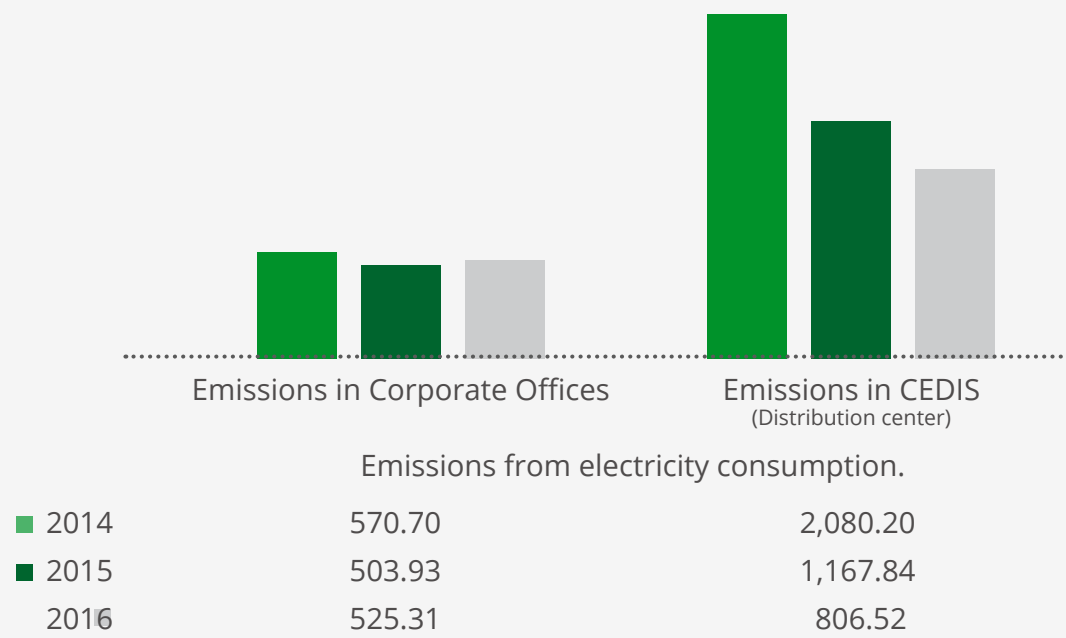
\*For the calculation of Scope 2 emissions, the emission factor for the year 2015 was used, due to the fact that at the time of writing this report the factor for 2016 had not been updated by the corresponding authorities.

If we analyze only the CEDIS emissions for 2016, it will be noticed that total emissions decreased by 15% over last year, while emissions from electricity consumption decreased by 31%. On the other hand, the Corporate Offices showed a decrease of 12% in their total emissions compared to 2015, as well as a reduction of 95 tons of CO<sub>2</sub>e derived from fuel consumption.

**Scope 1 emissions (diesel, gasoline and LP gas), in tons of CO<sub>2</sub>e**



Scope 2 emissions (electrical energy), in tons of CO<sub>2</sub>e



The consumption of fuels from mobile sources is mainly associated with the gasoline used to transport our associates to their workplaces. One of the mitigation actions that we implemented is to motivate our employees to use less their particular vehicle, providing transportation to our facilities in Samara and to the CEDIS Distribution Center.

The following is a breakdown of the information on fossil fuel consumption and electricity in 2016:

Consumption of fossil fuels and electrical energy in Genomma Lab Internacional 2016				
	Gasoline (liters)	Diesel (liters)	LP Gas (liters)	Electricity (kWh)
Corporate Offices	16,824.51	0	0	1,146,962.00
Distribution Centers	23,117.60	74,567.50	19,359.10	1,760,950.00
<b>Total Genomma Lab</b>	<b>39,942.11</b>	<b>74,567.50</b>	<b>19,359.10</b>	<b>2,907,912.00</b>



## Use of materials and waste

(G4-EN1 y G4-EN2, G4-EN23 al G4-EN26)

### ► Waste management

At Genomma Lab Internacional, we focus an important part of our efforts on the correct management of waste, not only because it is stated in our environmental policy, but also because it is one of the most direct ways of protecting the environment. We implement corporate awareness campaigns based on the 3Rs (reduce, recycle and reuse), as well as specific measures to reduce the use of paper.

Most of the waste we generate comes from the CEDIS and it is finished products that did not meet the minimum quality requirements, or were returned due to their expiration date. After an assessment, they can either be sent to destruction or recycling through a third party. In 2016, 52.51 tons of waste were sent to destruction, while 97.41 tons were shipped to recycling, consisting mainly of plastic and cardboard. In addition, 100% of the paper used in our offices was recycled. On the other hand, 624 m3 of waste were sent to final disposal.

In our supply chain there is also an environmental commitment from our label supplier, who demonstrates responsible management of their non-hazardous waste (cardboard, plastic and polyethylene), as it is reused by a third party.

### ► Materials

At Genomma Lab we quantify the materials we use throughout our value chain. Some polymers such as stretch film, transparent tape and polyolefins are used throughout the customer delivery process to protect products from potential damages. On the other hand, sheets of cardboard and pallets are used for the separation and transport of products within CEDIS, as well as paper for various uses within offices.

In our offices we managed to reduce the use of 50,000 sheets compared to the previous year, representing a reduction of 4% in paper consumption.

As a result of a greater rationalization of the materials used in CEDIS, this year we reduced the amount used by an average of 18% over the previous year. The use of materials with the highest reduction were the blue insulation tape, the stretch film and the cardboard corner.

Material	2015	2016	Unit	Variation
Stretch film	74,998	24,590	Rollos	-67%
Sheets of cardboard for separation	120,000	136,214	Piezas	14%
Transparent Tape	10,000	5,107	Piezas	-49%
Cardboard corner	150,000	58,500	Piezas	-61%
Filament Tape	7,000	5,617	Piezas	-20%
Polyolefin	422	195	Piezas	-54%
Transfer label different measures	3,360	2,138	Millar	-36%
White paper sheets	120	218	Cajas	82%
White pallet	44,238	42,000	Piezas	-5%
Black wax ribbon	493	821	Piezas	67%
Blue tape	4,000	1,148	Piezas	-71%

### ► Reduction of raw materials

The environmental efforts we carry out together with our suppliers, are focused on the reduction of raw materials' consumption for "core" products. Such is the case of a 15% decrease in the cardboard used for QG5 achieved by reducing the size of the secondary packaging. Likewise, in Devlyn Manzanilla the consumption of polyethylene in the primary packaging was reduced by 10% and the label was modified by reducing the heat shrinkable material, which made the manufacturing process more efficient.

### ► Biodegradable labels

We work with a Mexican company specialized in the manufacture and development of labels through flexographic printing processes. They have a highly experienced team whose objective is to deliver quality labels and printing alternatives for related products and services.

For our product labels, this supplier uses inks formulated without toxic heavy materials, which can be reused. The paper used comes from suppliers with FSC chain of custody (responsibly managed and reforested woodlands).

The environmental commitment of our supplier is also reflected in the responsible management of its non-hazardous waste (cardboard, plastic and polyethylene), since they are reused by a third party; and in the case of waste that cannot be reused, it is delivered to companies specialized in the management, control and recycling of hazardous or non-biodegradable waste authorized by the Ministry of Environmental Protection.

Our supplier is also certified by the ISO 900:2008 Quality Management Standard and it is in the process for the ISO 900:2015 certification.

The relationship with Genomma Lab Internacional is based on the supply of self-adhesive labels for products such as Teatrical, QG5, Fermodyl and Sistema GB among others.

## Commitment to Water Use

G4-EN10, G4-EN22, G4-EN31

Water consumption in our facilities is mainly for sanitary purposes. However, we work with our partners to reduce water consumption in our supply chain. Our focus is on reducing the amount of packaging used and the introduction of recyclable materials, always taking care of the quality of the product and its compliance with the applicable regulations.

In this way, we seek to go beyond our distribution and manufacturing processes, integrating an active supply chain into water use saving programs and promoting environmental awareness lectures that generate change.

In 2016 we replaced the bottles of water with demijohns in our facilities, thus reducing the consumption of this liquid and its cost substantially. In total, we reduced our consumption from 496,800 to 47,760 liters per year, which represented a reduction of 90.4% over the previous year. On the other hand, with this initiative we managed to save a total of \$ 439,488, demonstrating a serious commitment to the eco-efficiency of our operations.

With respect to the subject of effluents, it is important to mention that part of our wastewater is directed to the Wastewater Treatment Plant (WWTP) of an authorized third party. Throughout 2016 in Mexico, a total of 3,248 m<sup>3</sup> of wastewater was generated at CEDIS, of which 100% were treated through this system. Other countries have examples of good practice in this regard. In Ecuador, for example, a total of USD \$ 18,000 was invested in the construction of their own WWTP and in the analysis of the chemical composition of the effluents.



# 12 Supply Chain: Link of Positive Social Impact

Throughout our supply chain we have suppliers, who are highly committed to the preservation of the environment, and who implement actions based on innovation promoting environmental awareness with their stakeholders. In these cases, we seek to create an alliance, which through specific actions, helps us both to achieve the objectives of our sustainability strategy.

Together with our waste management supplier, we have managed to reduce the negative impact associated with the final disposal of waste, through an initiative an initiative to generate energy from waste by means of a system called "co-processing". In addition, this organization has implemented relevant actions for the conservation of biodiversity, specifically of the green and black iguana in Guerrero. Here is their case:

## Environmental responsibility in our waste management

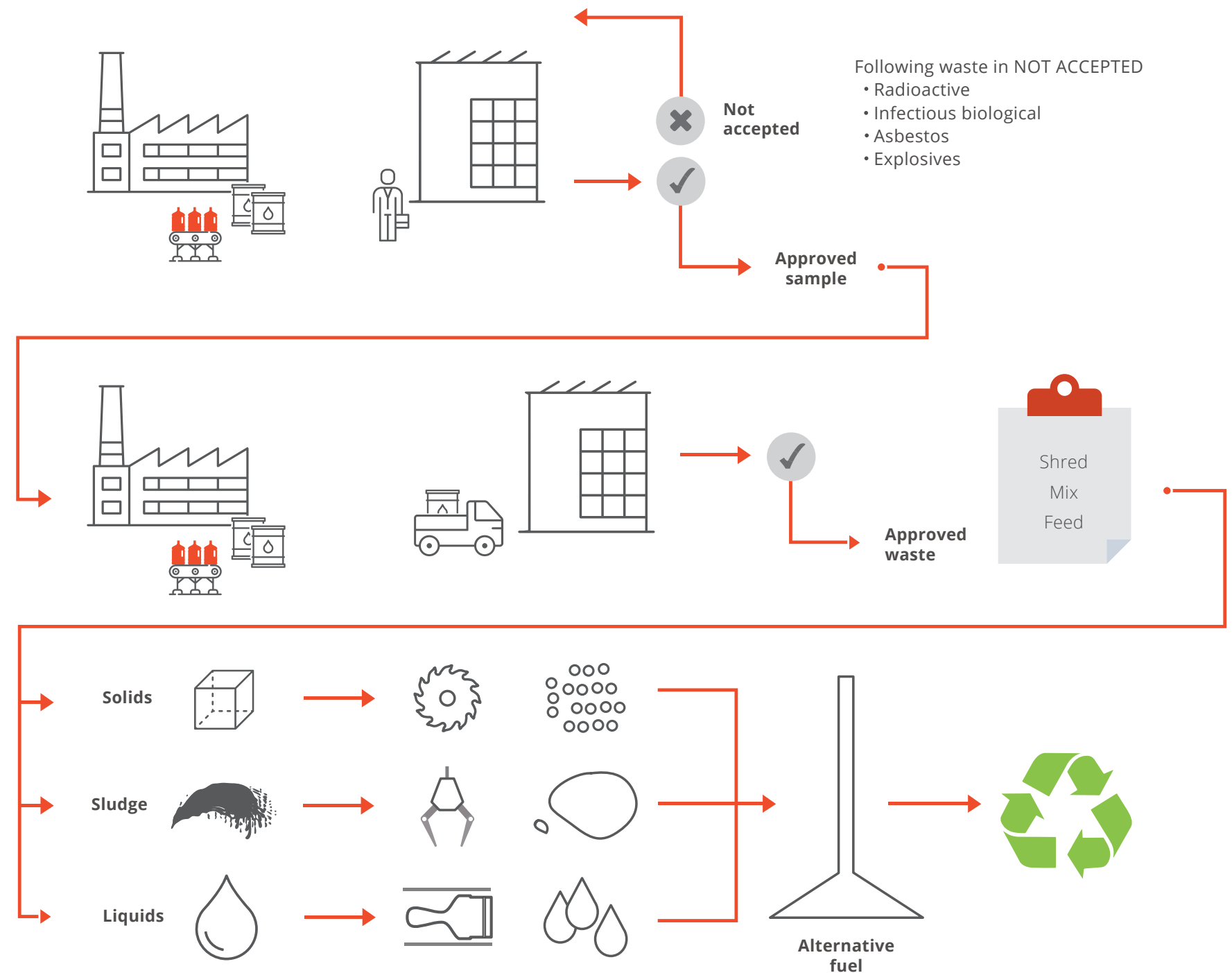
Our commitment to the integral waste management establishes the guidelines for its separation and appropriate use. As a result of this, we have made significant progress in this area since our waste management provider uses our waste to generate alternative energy.

## Co-processing of waste

Urban solid waste can be used as alternative fuel in high temperature furnaces, such as those used in the cement industry. It is a safe and viable alternative that is becoming increasingly important in Mexico and that many companies are beginning to adopt because of the benefits it generates for them and their stakeholders.

In our operation we identified an area of opportunity given that the products that are sent to shredding were not used in any way. It was then that through a company with global presence in 60 countries, we identified the solution of sending this waste to a process of energy generation alternative to fossil fuels.

Throughout 2016, this treatment was given to all the waste sent for shredding. After analyzing their physico-chemical characteristics (calorific value, humidity and percentage of biomass), these were formulated and sent to a high temperature furnace as alternative fuel. The gases emitted during combustion are constantly controlled and monitored by our supplier through sensors, which indicate that the emissions are kept below the levels established by SEMARNAT. The process followed is shown below:



This is an example of shared value in our supply chain, where by the adequate utilization of waste reduces the contribution to climate change and generates a benefit for both parties, in a safe manner and preserving the environment.

## Committed to the preservation of biodiversity

Our supplier also demonstrates its commitment to the preservation of biodiversity through a robust conservation strategy for the green iguana (*Iguana iguana*) and the black iguana (*Ctenosaura pectinata*). Both species have been severely affected by the loss of habitat, intense persecution, immoderate hunting and introduction of exotic species. Their efforts are key to avoiding the loss of these species, because due to these negative impacts their population has seriously decimated.



Conservation actions focus on a 12-hectare site of green areas, which were accredited in 1998 as the first Environmental Management Unit for green and black iguanas in the state of Guerrero. It is there where more than 500 iguanas are provided with a favorable environment for their reproduction and conservation with the support of specialized personnel. It is importantly noteworthy, that on the platform of our supplier in Acapulco, an average survival of 61% of the animals has been achieved; whilst in its natural habitat only 5% survive.

Also, in this space research projects on the species are carried out in collaboration with various universities in Mexico. Some of these are: the development of the use of zinc oxide for the elimination of fungi in the iguanas, analysis of breeding behaviors, identification of mites and their relation to the reproductive stage, observation of the behavior during mating season, as well as improvements in food for a better growth. In total, more than 1,023 specimens have been donated to other institutions for their breeding and research.



The Iguanario also carries out programs together with the neighboring communities to strengthen a culture of environmental care, foster environmental forums and provide free advice to individuals or groups interested in creating similar projects. Since its opening, more than 29,000 people have visited the facilities, in 2016 there were 1,443 visits. Without a doubt, this is an exemplary case of good practices in biodiversity conservation, which will greatly favor the preservation of the green iguana and the black iguana.



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	Indicator	Description	Page
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**CATEGORY: SOCIAL PERFORMANCE**  
SUBCATEGORY: LABOR PRACTICES AND DECENT WORK

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SUBCATEGORY: HUMAN RIGHTS

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ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT	G4-DMA	General information about the management approach.	6,21,65,69

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	G4-PR3	a. Report whether the following product and service information is required by the organization's procedures for product and service information and labeling: <ul style="list-style-type: none"> <li>· The sourcing of components of the product or service</li> <li>· Content, particularly with regard to substances that might produce an environmental or social impact.</li> <li>· Safe use of the product or service</li> <li>· Disposal of the product and environmental/social impacts</li> <li>· Other (explain)</li> </ul> b. Report the percentage of significant product or service categories covered by and assessed for compliance with such procedures.	37,48,49
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## Contact

The Sustainability Report 2016 presents our annual performance in the field of sustainability. In addition to the information referred to in the body of the report, we are attentive to any comments or suggestions you wish to share in relation to its content.

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