Mexichem

Synergies that generate sustainability

2009 SUSTAINABLE DEVELOPMENT REPORT

Table of Contents *(3.5)*

"Life comes from the water of the ancestral seas. Before life there was water and land, fire and air. That which surrounds the human embryo and makes it possible is the placental water. We can stop eating for days as long as there is still water and salt. The subject of water, therefore, is not a matter that pertains to the universe of luxury, but rather it is a matter of life or death. It is commendable that Mexichem is putting its focus on water and salt."

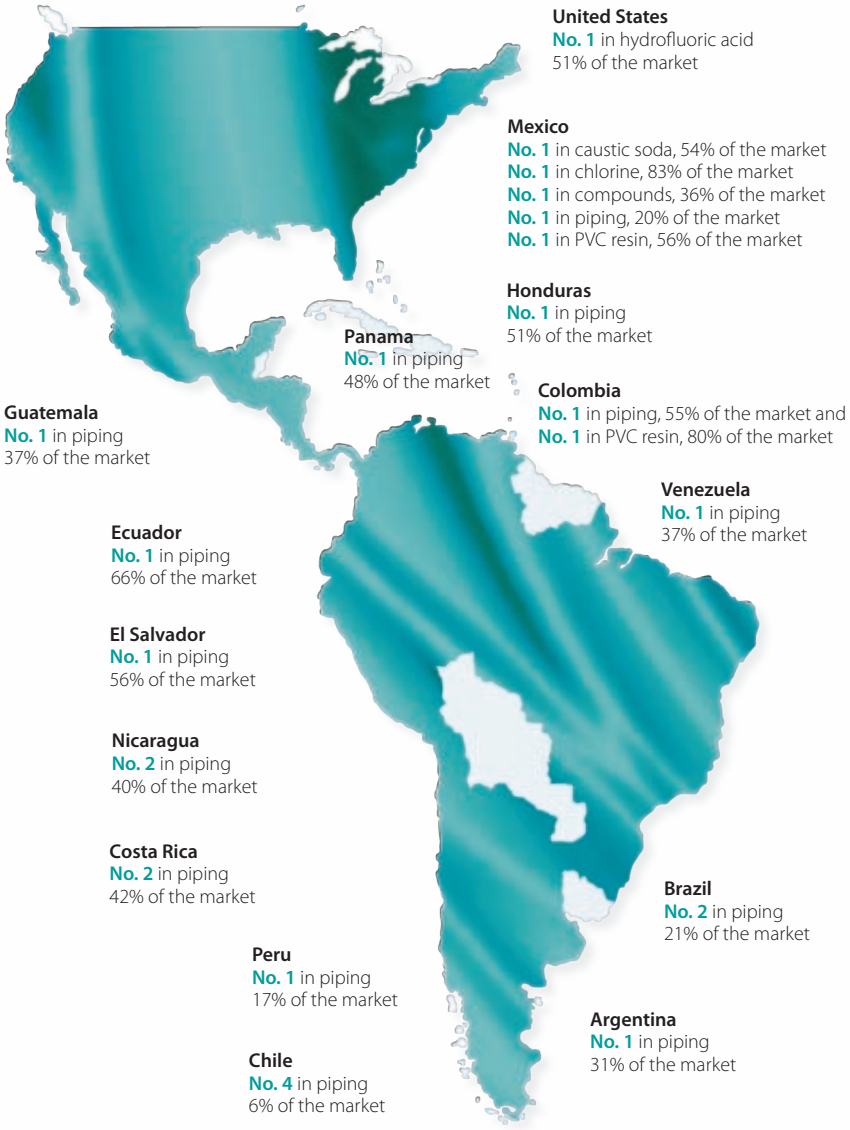
Fernando Cruz Kronfly,
Associate Professor
School of Administrative Sciences
Universidad del Valle, Colombia

1. Our Company

1.1 Who are we?

Mexichem, S.A.B de C.V., is a public company listed on the Mexican Stock Exchange whose corporate bylaws are governed by the Ley General de Sociedades Mercantiles (the General Corporations Law of Mexico) and by the Ley del Mercado de Valores (the Mexican securities law). *(2.1 and 2.6)*

1.2 Map of Business Units



Mexichem operates in 15 countries in the American Continent. *(2.5 and 2.7)*

The corporate headquarters is located at:

Río San Javier No.10
Fraccionamiento Viveros del Río
Tlalnepantla, State of Mexico
54060 Mexico *(2.4)*

VISION

To be respected and admired globally as a multinational chemical company oriented towards performance that promotes and contributes to human progress.

MISSION

To transform chemicals and petrochemicals into products, services, and solutions for the construction, agriculture, and other industrial sectors through our vertical integration, proactive innovation, and focus on the market's needs, generating continuous value for our employees, partners, clients, and stockholders and helping improve people's quality of life.

CORPORATE VALUES

RESULTS ORIENTED

We believe in the efficiency and excellence of operational performance and in delivering positive results with sustainable growth.

LEADERSHIP

We are focused on innovation and the generation of processes and products that have an influence in the market and industry.

INTEGRITY

We are an ethical, honest, and trustworthy firm that acts appropriately and responsibly. We value commitment.

COMMITMENT

We believe in dedication, focus, and teamwork. We follow through on our commitments, exceeding expectations.

RESPONSIBILITY

We treat others fairly and kindly, acting in the same manner in our communities. We care for the environment.

SAFETY

We ensure the safety of our facilities and the protection of our people, communities, and surroundings.

1.3 Diagram of processes and uses *(2.2)*

RAW MATERIALS

MEXICHEM PROCESSES AND PRODUCTS

CALCIUM FLUORIDE

SULFUR

PHOSPHORIC ACID

SODIUM CHLORIDE

VINYL CHLORIDE

POLYPROPYLENE

CPVC

POLYETHYLENE

Fluorite Mine

Metallurgical grade fluorite

Acid grade fluorite

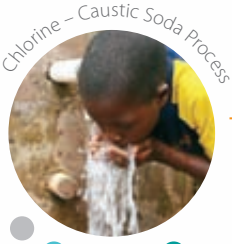
Hydrofluoric acid process

Hydrofluoric acid

Brine Process

Brine

Chlorine – Caustic Soda Process



PVC Process

PVC Resin

Compounds Process

Geomembranes Process

Piping and Fittings Process

Geotextiles Process

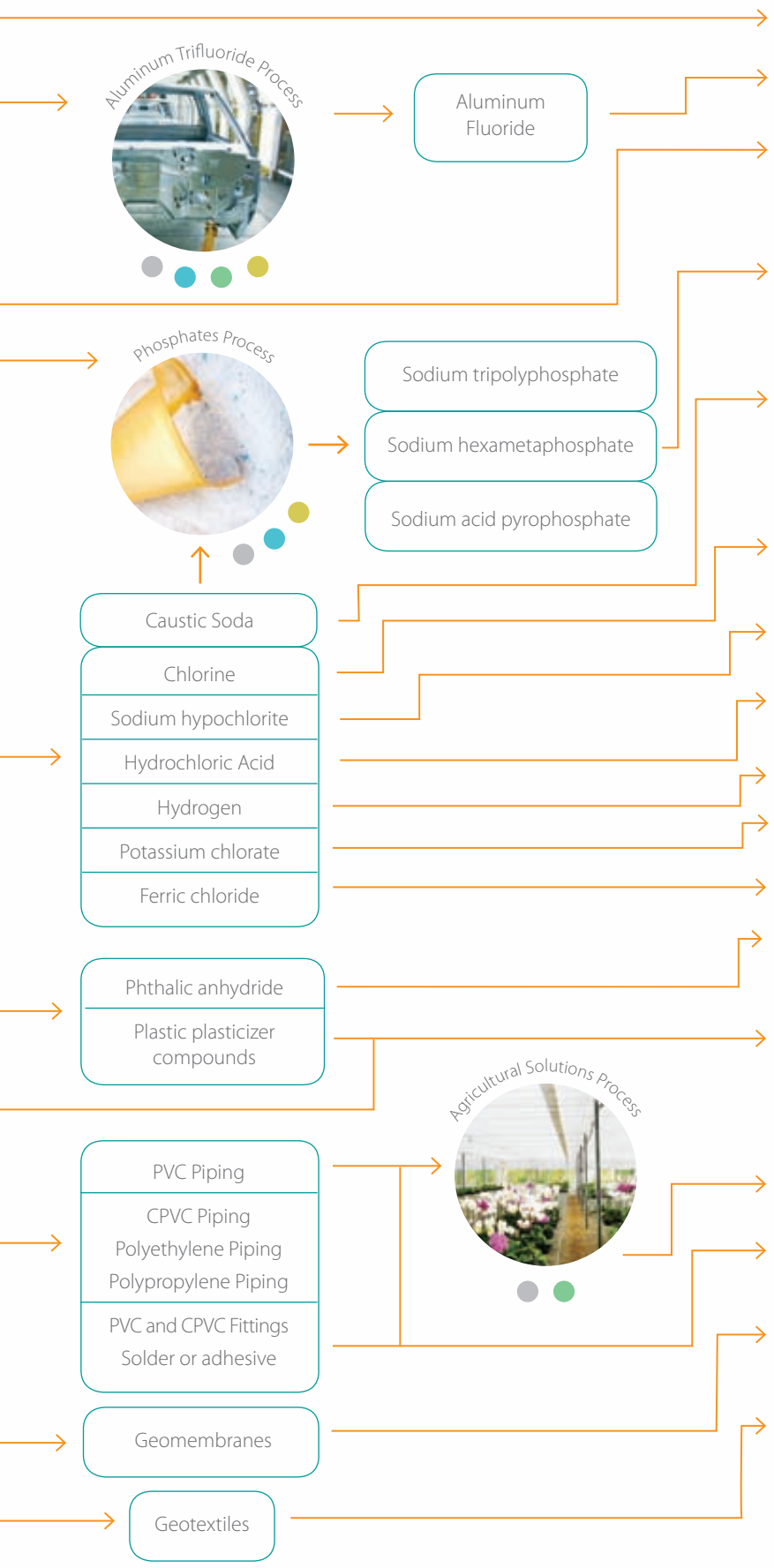
Principal Impacts

- Alteration of landscape
- Use of resources (energy, water)
- Atmospheric emissions (dust and gasses)
- Tailings and slag
- Toxic and/or dangerous wastes
- Health and safety risks
- Discharge of residual treated water

Acronyms

CPVC	Chlorinated polyvinyl chloride
PVC	Polyvinyl chloride
Brine	Solution of sodium chloride in water
VCM	Vinyl chloride monomer

USES BY SECTOR



Glass / cement / ceramics / enamels

Aluminum / refractory / electrodes for welding

Refrigerants / fluoropolymers (teflon) / gasoline / stainless steel / nuclear fuels / batteries / toothpaste

Beverages / food additives / detergents / ceramics

Oils, soaps, detergents / regeneration of ion-exchange resins / water treatment / washing of glass bottles / pulp and paper, sugar, and cotton industries / cleaning products

VCM / titanium dioxide / CPVC / water purification / chlorinated solvents / polycarbonates / epoxy resins / polyurethanes / aluminum trichloride

Water treatment / bleach / disinfectants

Steel pickling / water treatment / regeneration of ion-exchange resins

Glass / fuel

Matches, flares / fireworks

Water purification / residual water treatment

Epoxy resins / plasticizers and paints

Electrical cables linings / garden hoses / catheters, dialysis, blood bags / vinyl flooring / toys / footwear / door and window casings / plastic films / packages / upholstery and dashboards for automobiles / safety clothing / credit cards / carboys

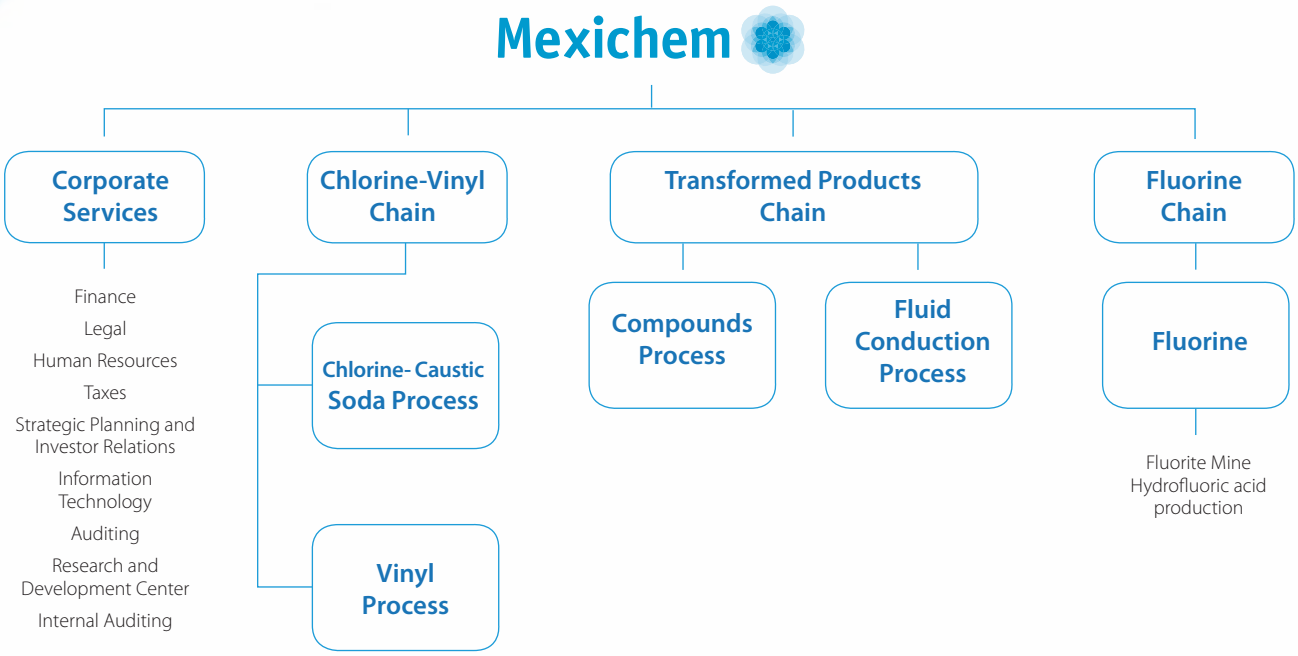
Irrigation systems

Conducting fluids (potable water and sewage)

Construction of sanitary landfills / road infrastructure / waterproofing / pools / potable water tanks

Soil improvement / roads / upholstery for the automotive sector / carpet fabrics

1.4 Organizational Structure *(2.3)*



1.5 Brands, Products, and Markets

Our brands are: Mexichem, Amanco, Plastigama, Pavco and Celta. *(2.2)*

	2009	PRODUCTS	% OF CHAIN	FINAL USE
Transformed Products 	Sales 52% USD1.3 bn EBITDA 44% USD234.7 mm	Piping and fittings	83%	Piping, fluid conduction.
		PVC Compounds	17%	Films, flooring, footwear, bags, medications and toys.
Chlorine-Vinyl Chain 	Sales 41% USD1.00 bn EBITDA 40% USD212.0 mm	PVC Resin	68%	Piping, cable covers, doors and floors.
		Phosphates	15%	Soaps, foods, water purifiers.
		Caustic Soda	13%	Soaps, shampoos, conditioners and detergents.
		Chlorine	4%	Bleaches, water purification, paper and disinfectants.
Fluorine Chain 	Sales 7% USD188 mm EBITDA 17% USD90.0 mm	Hydrofluoric acid HF	51%	Refrigerants for air conditioning, gasoline components, batteries and toothpaste.
		Fluorite	49%	Steel, cement, ceramics and Teflon®.
		Aluminum fluoride	<1%	Manufacture of metallic aluminum.

We have three production chains: *(2.7)*

1. **Transformed Products,**
2. **Chlorine-Vinyl, and**
3. **Fluorine**

The Transformed Products chain has business units in 15 countries in the American Continent, a presence in 29 countries, and more than 55,000 points of sale in the region; the Chlorine-Vinyl chain is in all the countries in the Americas and in some Asian countries; the Fluorine chain serves markets in America, Europe, and Asia.

We are currently active in the following countries: Argentina, Australia, Bahamas, Bangladesh, Belgium, Bolivia, Brazil, Canada, Chile, China, Cyprus, Colombia, Costa Rica, Cuba, Czech Republic, Dominican Republic, Ecuador, Egypt, El Salvador, France, Germany, Greece, Guatemala, Guyana, Honduras, Hong Kong, India, Italy, Jamaica, Japan, Mexico, Nicaragua, Netherlands, North Korea, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Puerto Rico, Romania, Russian Federation, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, United Kingdom, United States, Uruguay, Virgin Islands, and Venezuela.

We provide safety information on our products (chlorine, caustic soda, sodium hypochlorite, hydrochloric acid, hydrofluoric acid, hydrogen, potassium chlorate, etc.), such as: material safety data sheets, emergency transportation data sheets, classification and identification of materials, and risk communication system. All materials classified as dangerous have the required information as established in the regulations that cover both our facilities as well as transportation of our products to clients and distributors. *(PR3)*

In 2009, there were no incidents regarding noncompliance with regulations relative to marketing communications or claims from clients with regard to privacy and leaking of their personal information *(PR7 and PR8)*. Therefore, we did not have any fines or noncompliance related to the provision or use of our products. *(PR9)*

The Transformed Products Chain has business units in 15 countries in America, a presence in 29 countries, and more than 55,000 points of sale in the region; the Chlorine Vinyl Chain is in all the countries in America and in some Asian countries; the Fluorine Chain serves markets in America, Europe and Asia.

1.6 Fundación Kaluz, A.C.

The foundation fosters the development of the whole person, supporting programs that promote human values, education, housing, the arts, sports, health, safety, and care of the environment.

It seeks to provide the tools needed to implement its own projects and offers support to other institutions in order to generate multiplier synergies that promote the wellbeing of our communities.

The foundation supports social responsibility initiatives aimed at the communities of the countries in which Grupo Empresarial Kaluz operates, through its driving force, Redoblando Esfuerzos (Redoubling Efforts). The new programs it created benefited more than 2 million people in 2009. In addition, with the Fundación Kaluz Award, Redoblando Esfuerzos por mi Comunidad (Redoubling Efforts for my Community) benefited more than 56,000 people in various countries in Latin America.

2. Message from the CEO *(1.1, 3.1, 3.2 and 3.3)*

Dear Readers:

Thank you for your interest in this, our first sustainability report, which demonstrates Mexichem's commitment in facing our primary economic, environmental, and social challenges.

In our company, we believe that the long-term viability of a country or of our planet depends on putting in motion a process of sustainable development that allows for a balance between society and nature, preservation of the state's flexibility, expansion of the areas of freedom and democracy, an elevation in quality-of-life levels for present and future generations, and the constructive inclusion of all peoples in a world that continues to be more populated and globalized and that offers the best of several cultures in order to build **synergies that generate sustainability**. Only in this way can we lower the levels of poverty, inequality, and environmental deterioration, and this is feasible only if the company or the country is financially sound.

The concept of sustainable development, also called sustainability or triple bottom line, is already widely known in academic, governmental, private, multilateral, and civil society circles concerned with matters related to the environment and social progress. It was coined in the 1980s by the so-called Brundtland Report, also known as *Our Common Future*.

The United Nations World Commission on Environment and Development, then presided over by the Norwegian Prime Minister, Gro Harlem Brundtland, concluded that, **"Humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs"** and that protection of the environment, economic growth, and social progress should be faced as a single concern, despite being approached from three distinct perspectives.

We are aware that there are many definitions of sustainable development. Nonetheless, its meaning is almost intuitive because it involves valuing, maintaining, and rebuilding public goods and communal environmental resources of a strategic character, which requires a careful balance between the market economy, technological development, government regulation and promotion, participation of business, social inclusion, and participation of communities in its development.

Performance during 2009

We form a part of the extraction and chemical industries, in which operational discipline is vital. We are very pleased to report that during this year we had no fatal accidents and all of our safety ratings show an improvement in the interval from 2007 to 2009. Despite this, we are relaunching our health and safety policy of zero accidents, reinforcing it as a fundamental value that we instill in each employee and outside supplier.

Despite the worldwide economic crisis, our sales maintained the same level as the previous year, we improved our operating profit, and we were able to realize a 31% increase in profits before taxes, interest, and depreciation (EBITDA). The details of our economic performance appear in our 2009 Financial Report.

We continue our efforts to maintain and increase the production of our operations; at the same time, we are reducing our environmental footprint, thanks to increases in energy and water efficiency and through technology upgrades in our industrial processes. For example, with the cooperation of the United Nations Industrial Development Organization, we replaced the chlorine-recovery system to eliminate the use of carbon tetrachloride in one of our Mexichem Derivados plants, and thus met the commitments made in the Montreal Protocol, which regulates the use of ozone depleting susbtances. In addition, this effort will allow us to reduce our greenhouse gasses and inputs such as energy, steam, and nitrogen.

Likewise, we are supporting initiatives, together with the Kaluz Foundation, to increase the natural capital of extremely diverse ecosystems, as is the case in the Chimalapas Jungle, in the watershed that supplies the Coatzacoalcos and Uxpanapa Rivers, in Veracruz, Mexico. This ensures that there will be adequate water flow to generate clean electrical energy, that there will continue to be important estuary systems that ensure the primary and secondary production of multiple organisms, and that water will be supplied to the industrial zones in which we operate.

Our commitment to the communities in which we have a presence is based on a joint initiative to promote self-development. We take on our roles in social responsibility or social sustainability as a subsidiary of our effort to support human development, strengthening the social fabric of communities in which we are engaged. Toward this end, we appreciate the initiatives of inclusion and productivity taken in Colombia, steps taken to manage water distribution in Costa Rica, the strengthening of capabilities in Peru and Ecuador, the innovative efforts in Brazil to include those at the base of the economic pyramid, and the strategies for building relationships between clients, stockholders, employees, suppliers, and civil society.

At Mexichem, we have a double responsibility: First, from our position of leadership in Latin America, and second, because our business is very essentially connected to both water and sanitation.

Looking to the future

The management of environmental and social sustainability will continue to be a core part of our decision-making process. Likewise, we will ensure that our experience is transferred to our new businesses or that the new businesses incorporate better practices than those already existing. We will adapt our information systems and will adopt some of the GRI indicators for strategic planning and measurement of our triple bottom line in a way that is both trustworthy and transparent, so as to engage in constructive dialogue with our stakeholders.

We will formalize a comprehensive biodiversity strategy, reviewing our current scope to include new sites of high diversity in the countries in which we operate. We will develop a functional sustainability structure that provides strategic support to our operations in a systematic and holistic way; we will review and adopt our industry's best sustainability practices while fully respecting the culture of the sites in which we are present.

Energy is a very important input for us and comes in large part from fossil fuels. We assume our responsibility to continue reducing our greenhouse gas emissions by improving efficiency in our current equipment, replacing technology, and reexamining our options for renewable energy, joint implementation projects, and clean development mechanisms.

We at Mexichem have a double responsibility: first, from our position of leadership in Latin America, and second, because our business is very essentially connected to both water and sanitation. We will satisfy that responsibility by improving the quality of life of those in the communities in which our production facilities are located, generating synergies that multiply efforts and bring social progress or that ultimately will generate more economic growth for the business. In the words of Kofi Annan, former Secretary General of the United Nations, **"Business cannot prosper in a society that fails."** Throughout the report, the reader will find examples and case studies on our commitment to economic growth, care for the environment, participation in society, preventive health, our relationship with our stakeholders, and the promotion of community self-development through inclusion of less-favored groups, all of which has resulted in a mutually productive circular flow. Our focus will be less philanthropic and more strategic because this will allow us to make the most of current and future synergies and a healthy social responsibility for our business. Sustainable development is not only an ideology; it must also be a pragmatic and systematic focus in order to face a business reality that goes beyond our own existence as human beings. It is for this reason that I invite you to join us on this mission, in which we are responsible for the well-being of future generations, including our own children and our children's children.

We extend our sincere thanks and recognition to Don Antonio del Valle Ruiz, Chairman of the Board of Directors of Mexichem; to our directors, members of the corporate practices and auditing committees, to our stockholders, clients, employees, suppliers, and members of the community for their continuing concern, support and dedication to having our company adopt better triple-bottom-line practices and cleaner technology, in an ethical governance framework.

Ricardo Gutiérrez Muñoz
CEO

3. About this first report

(3.1, 3.2, 3.3, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11)

The sustainability data from January 1 to December 31, 2009, is presented by applying the Global Reporting Initiative (GRI) indicators, Third Generation (G3). Likewise, we adhere to the AA1000 AccountAbility Principles Standard (2008) and to its principles of materiality (relevance), inclusivity, and responsiveness for our principal stakeholders. The GRI indicators we have reported incorporate the GRI technical protocols and the 2005 Mining Sector Supplement and, very timely, the 2010 Mining Sector Supplement, just published on March 6, 2010. Likewise, we refer to the principles of the United Nations Global Compact, the Universal Declaration of Human Rights, and the recommendations of the International Labor Organization.

Historical data from the two previous years (2007 and 2008) is included for purposes of comparison and to show trends in the case of some indicators that merit this. The information contained in this document refers to our three principal business chains: transformed products, chlorine-vinyl, and fluorine, and their areas of corporate support. The information provided is supported by our information systems, and the basis for making the calculations is mentioned in the numerical indicators. The majority of the central or performance indicators covers all the business units, except in cases in which we have indicated that there were limitations in geographic coverage or available information. As this is our first report, we performed a preassessment of indicators and an analysis of materiality to select and assign priority to the triple-bottom-line indicators, presenting those that were relevant to the business and to work together with our principal stakeholders.

Mexichem has self-declared a GRI application level of **B** for this report, which has been checked by the GRI.

4. Corporate Governance

4.1 Governance System

Our corporate governance principles provide us with a framework for running the company and for meeting the needs of our principal stakeholders. Mexican legislation, as well as the legislation of the countries in which we operate, forms the basis of our corporate governance practices. Because Mexichem shares are listed on the Mexican Stock Exchange (BMV), we are governed by the Securities Market Law. We also adhere to the Code of Best Corporate Practices backed by the Business Coordinating Council.

The board of directors is responsible for determining corporate strategy, delineating and supervising the implementation of the values and vision that define us, and approving transactions between related parties and transactions that are not part of our normal course of business.

Our corporate bylaws call for the establishment of auditing and corporate practices committees, whose function is to assist the board of directors in performing its duties.

The audit committee is responsible for evaluating the internal control and internal audit systems of the company, identifying and responding to any significant deficiencies; monitoring any corrective or preventive measures taken in the event of noncompliance with operational and accounting guidelines and policies; evaluating the performance of the external auditors; describing and evaluating nonaudit services performed by the external auditors; reviewing the company's financial statements; evaluating the effects of any modification to the accounting policies approved during the fiscal year; monitoring the measures taken with regard to observations by stockholders, directors, executive officers, employees, or third parties regarding accounting, internal control systems, and internal and external audits, as well as any claim related to irregularities in management, including anonymous and confidential methods for handling reports from employees; and overseeing compliance with the decisions of the general stockholders meeting and the board of directors.

The corporate practices committee is responsible for evaluating the performance of the relevant executives; reviewing transactions between related parties; reviewing officers' compensation; evaluating any dispensation granted to the directors or relevant executives so that they may take advantage of business opportunities; and performing activities as required by the Securities Market Laws. According to our bylaws, all members of the auditing and corporate practices committees, including each chairman, shall be independent directors. *(4.6)*

The executive committee was established by resolution of the board of directors on July 16, 2009, and the core activity of said committee will be to try to resolve relevant and urgent issues that cannot be delayed depending on the frequency of sessions

of the board of directors. However, in no case shall the executive committee have the powers reserved by law or by the bylaws to the board of directors, audit committee and/or corporate practices committee, or stockholders assembly. The powers of the executive committee are to analyze, evaluate, and if necessary propose to the board of directors for its approval investments in productive assets and company acquisitions, as well as to discuss business plans, financing operations, and commercial names and brands, and to establish and validate strategies in the medium and long term, among others.

Directors are paid in accordance with the resolutions of the seventy-first regular annual general stockholders meeting, which took place on April 29, 2009. Compensation going to the chairmen of the board of directors and to the members of the auditing and corporate practices committees of Mexichem is MXN70,000 for each meeting of said body that they attend. The remuneration of the other members of the board is MXN35,000 for each meeting they attend. Members of the auditing committee and corporate practices committee are paid MXN40,000 for attendance at their committee meetings. The educational background and professional experience of the members of the board of directors is primarily economic and managerial. *(4.5 and 4.7)*

Communications with the highest governing body are through the operations and board meetings. It is precisely during the board meetings that the financial results and compliance with the company's social and environmental goals are evaluated *(4.4 and 4.9)*. We do not have procedures to evaluate the performance of the triple bottom line from the highest governing body. *(4.10)*

The chairman of the board of directors is not an executive in the company. *(4.2)*

Chairman of the Board of Directors
Antonio del Valle Ruiz
Secretary
Juan Pablo del Río Benítez
Acting Assistant Secretary
Andrés Eduardo Capdepón Acquaroni
Alternate Related Directors
Antonio del Valle Ruiz
Adolfo del Valle Ruiz
Ignacio del Valle Ruiz
Alain Jean Marie de Metz Simart
Ricardo Gutiérrez Muñoz
Jaime Ruiz Sacristán
Juan Pablo del Valle Perochena
Directors [related]
Antonio del Valle Perochena
Adolfo del Valle Toca
José Ignacio del Valle Espinosa
Francisco Javier del Valle Perochena
María Blanca del Valle Perochena
Gerardo del Valle Toca
Guadalupe del Valle Perochena
Directors [independent]
Divo Milán Haddad
Fernando Ruiz Sahagún
Jorge Corvera Gibsone
Juan Francisco Beckmann Vidal
Eduardo Tricio Haro
Armando Santacruz Baca
Valentín Diez Morodo
Eugenio Santiago Clariond Reyes
Alternate Independent Directors
Francisco Moguel Gloria
José Luis Fernández Fernández
René Rival León
Juan Domingo Beckmann Legorreta
Eugenio Clariond Rangel
Auditing Committee
Fernando Ruiz Sahagún - *Presidente*
Divo Milán Haddad
Eugenio Santiago Clariond Reyes
Corporate Practices Committee
Fernando Ruiz Sahagún - *Presidente*
Divo Milán Haddad
Eugenio Santiago Clariond Reyes
Executive Committee
Antonio del Valle Ruiz
Honorary President
Juan Pablo del Valle Perochena
Executive President
Ricardo Gutiérrez Muñoz
Eugenio Santiago Clariond Reyes
Adolfo del Valle Toca
José Ignacio del Valle Ruiz Espinosa
Jaime Ruiz Sacristán
Chief Executive Officer
Ricardo Gutiérrez Muñoz

The number of independent members in the highest governing body is eight, with five alternate independent directors. *(4.3)*

4.3 Management Systems

At Mexichem, we encourage an attitude of openness and transparency towards the governmental institutions and political organizations with which we deal. The company has policies that help us ensure that laws, standards, and codes are fulfilled, in order to maintain our transparency and ethical behavior in matters such as corruption, conflict of interest, monopolies, bribery, contributions to political parties, and accounting practices.

In accordance with our Code of Ethics, employees may not receive remuneration of any type from competitors, clients, distributors, suppliers, or governmental agencies for services or negotiations carried out while representing Mexichem.

Based on the above, any act of corruption is strictly prohibited, and all employees working at the company and all business units that are part of Mexichem are well aware of this. *(SO 2 and SO 3)*. As a result of the monitoring and implementation of this policy by our management systems, in 2009 there was no type of sanction on account of corruption. Internal statements, behavior of executive officers and employees, as well as work performance are measured based on the code of ethics, policies, and protocols. We are in the process of developing triple-bottom-line evaluations for employees. *(4.8)*

The company does not participate in public politics or in lobbying activities with the intent of influencing them through third parties. Along these same lines, it also does not make contributions in kind or in cash to political parties or related institutions; nor does it attempt to influence political preferences or support through its employees. *(SO 5 and SO 6)*.

The company has no study regarding practices that are monopolistic and against free competition, as the majority of our products are commodities, and we compete in international markets, in a global environment. *(SO 7)*

5. Management Focus

Mexichem is committed to sustainable development and has identified principal impacts, risks, and opportunities in order to improve its performance and make sustainability a successful strategy. Our employees are committed to respecting ethical values, to the self-development of communities in which we have a presence, and to environmental protection.

For the third year in a row, Mexichem received certification as a socially responsible company by demonstrating its social commitment to Mexico, its people and its communities. Also for the third consecutive year, one of our subsidiaries is one of the 20 model companies for corporate social responsibility in Brazil, according to the Guía Exame de Sustentabilidade. Our plants have implemented environmental administration systems to ensure good practices and to be recognized as clean companies. In addition, our operations use energy savings programs, which have allowed us to again receive the National Energy Savings Award in Mexico.

The opportunities and challenges that we have identified are indicated in our approach to sustainability. It is relevant to create an organizational structure that facilitates the implementation of our strategies for sustainability and allows us to approve and recognize performance in the area of sustainability and social responsibility in all business units.

As a socially responsible company, we contribute to improving the quality of life and the comfort level of those using our products. In the next few years, we wish to expand the range of our products in the "base of the pyramid" market and gradually incorporate into the manufacturing a "cradle to cradle" vision for our new products, with the understanding that sustainable development is a journey rather than a destination. *(1.2)*

5.1 Goals and Performance

Sustainability program

Our sustainability program includes specific goals for the period from 2010 to 2013, taking into consideration the areas of social, economic, and environmental responsibility. Management and the executive groups are responsible for seeing that these initiatives are disseminated and understood by all employees, as well as for ensuring that they are completed within the established time frames.

With regard to our organizational structure, our board of directors provides the policies and monitors our triple-bottom-line performance with the support of the auditing and corporate practices committees. We have an internal audit department whose director reports to the board of directors for the purpose of avoiding conflicts of interest. The highest position with operative responsibility over environmental, energy, and safety aspects is the

Director of the Center for Research and Development (CID), while the position with the greatest social responsibility that groups together aspects related to labor, human rights, communities, and corporate communication is that of the Corporate Director of Human Resources. Our directors of the transformed products, chlorine-vinyl, and fluorine production chains, among their other duties, are responsible for our products. All the management positions mentioned, except for internal auditing, report to the CEO.

We have a safety, environmental, and quality policy that permeates the entire organization and establishes that Mexichem and its subsidiaries consider safety to be the most important factor, making care for the environment relevant in the manufacturing of products, and providing quality services to meet the needs of our clients, with our employees being our primary strength.

Commitments:

- Prevent accidents from the ground up; safety is everyone's responsibility.
- Maintain the health of our employees.
- Prevent contamination when carrying out our activities in order to protect the environment.
- Continually improve the efficiency of our management system, through the established objectives.
- Comply with current applicable legislation and with other requirements to which the organization's management systems subscribe.

To achieve the above, we encourage our employees, suppliers, and clients to contribute as we set aside the resources necessary to achieve excellence. For more details, go to: **http://www.mexichem.com/web_mexichem/politica_seguridad.html**

Below we list some of our performance goals set out for the year 2010 under the headings economic, environmental, labor, human rights, communities, and product responsibility.

Economic performance goals

- Approve the practices of the subsidiaries to finance the purchase of construction materials for clients, evaluating feasibility and incorporating the current systems that have proven effective.
- Promote a culture for generation of ideas and technological innovation, through the implementation of an R+D+I Management System (Research + Development + Innovation).

Environmental performance goals

- Strengthen the culture of energy savings for all of employees, implementing or improving our energy administration systems and our compliance with energy-efficiency programs.
- Reduce waste by improving the production processes, implementing or developing new technologies, and finding alternate uses.
- Reduce greenhouse gas emissions by 5% (base year 2009), increasing the efficiency of our processes, making technological upgrades, and using renewable energies.
- Reduce emissions of substances that exhaust the ozone layer by 20% (base year 2009), replacing gases and coolants in the refrigeration and liquefaction equipment with others that are more environmentally sustainable.
- Formalize a comprehensive strategy on protection of biodiversity, reviewing our current scope and including new sites of greater diversity in the countries in which we operate.
- Endorse sustainable development and social responsibility concepts that are aligned with the vision and mission of Mexichem.

Work performance goals

- Empower the value of individuals who contribute to their own development—both personal and professional—and the achievement of individual and business objectives. This strategy is accomplished through the definition of three guiding principles, all directed at contributing to the company's business strategy and formulated within an ethical, professional framework and an excellent work environment.
- Support the company's growth and consolidation by attracting and retaining employees through recruitment and selection methods that allow us to employ the best people.
- Develop the knowledge and intellectual capital of our colleagues.
- Maintain organizational structures that support our business strategy.
- Strengthen an organizational structure that facilitates the sustainability function at Mexichem.

Human rights performance goals

- Create a human rights policy that revisits the principles of our code of conduct and that extends to our contractors and distributors, indicating our position regarding freedom of association, child labor, the rights of indigenous peoples, and forced labor.
- Record zero fatalities and zero disabling accidents, investigating the causes of accidents and taking corrective and preventive measures.

Performance goals concerning our communities

- Build more robust and constructive dialogue with our stakeholders.
- Improve stakeholder analysis

Product responsibility performance goals

- Approve our product-safety protocols in order to reduce potential risks that impact the health and safety of our clients as well as reduce possible effects on the ecosystems.

(1.2)

5.2 Awards, Distinctions and Certifications *(2.10)*

Awards and Distinctions

LOCATION	ENVIRONMENT	HEALTH AND SAFETY	SOCIAL	ENERGY
Mexichem			For the third consecutive year, distinction as Socially Responsible Company, awarded by CEMEFI	
Mexichem Amanco			For the sixth consecutive year, distinction as Socially Responsible Company, awarded by CEMEFI	
Altamira Plant		Recognized by the STPS for the Self-Management of Health and Safety at Work Program		
El Salto Plant	**In 2008 and 2009, for zero emissions and zero accidents, from the Chlorine Institute	**In 2009, for zero accidents, from Occupational Health and Safety Administration (OSHA) of the Chlorine Institute ** In 2009, for achieving a record low in accidents / illnesses from OSHA del Chlorine Institute		
Coatzacoalcos Plant	**In 2008 and 2009, for zero emissions and zero accidents, from the Chlorine Institute			**In 2008, National Energy Savings Award in the Industry category
Santa Clara Plant	**In 2008 and 2009, for zero emissions and zero accidents, from the Chlorine Institute	** In 2008, for achieving a record low in accidents / illnesses from OSHA of the Chlorine Institute		**National Energy Savings Award, and Renewable Energies 2009 in the Industrial Energy Savings category
Tlaxcala Plant			In 2009, distinction as a Family-Responsible Company, by the Department of Labor and Social Welfare of the Government of Mexico	
Sumaré, Brazil Plant	FIESP/ CNI Award — Sustainable Development Category for good practices in the areas of Innovation, Productivity, Design and Sustainable Development		Fufo / ACIAS Award, Recognition for participation in the development of the city of Sumaré	2008 Anamaco Award —Technological innovations for the Amanco Silemtium PVC product line. 2009 AESABESP (Asociación de Ingenieros de SABESP) Innovation Award granted to our Amanco Biax product
Suape, Brazil Plant				Renewable Energies Award for consumption of energy from sources receiving incentives
Joinville, Brasil Plants	Expressão de Ecología Award, recognition for the company's environmental actions Premio Fritz Muller Fritz Muller Award — Environ—mental Management Category, sponsored by the Environmental Foundation of Santa Catarina			
Guayaquil, Ecuador Plants		Second place, Chemical Producers Association of Ecuador (Responsible CARE Award, Ecuador 2009)	Fourth place, 2009 Great Place To Work	
Guachené, Colombia Plant			2009 National Award for Socially Responsible Employer: Emprender Paz: La Apuesta Empresarial (Undertaking Peace: The Business Challenge)	
Bogotá, Colombia Plant	Environmental Excellence Generating Sustainable Development, Elite category within the District Environmental Excellence Program (PREAD) for the Bogota Mayor's Office and the district Department of the Environment			

CEMEFI: Centro Mexicano para la Filantropía (Mexican Center for Philanthropy)
STPS: Secretaría del Trabajo y Previsión Social (Secretariat to Labor and Social Welfare)

The leadership, efforts, perseverance, commitment, and good performance of our colleagues have been observed and recognized by national and international agencies.

Certifications

LOCATION	CERTIFICATION AS CLEAN INDUSTRY	ISO 9001 CERTIFICATION	CERTIFICATION ISO 14001	OHSAS18001 CERTIFICATION	OTHERS CERTIFICATIONS
Salinera del Sur Plant		✔			
El Salto Plant	✔	✔			
Coatzacoalcos Plant	✔	✔	✔		NSF Certification for Chlorine y Caustic Soda
Santa Clara Plant	✔	✔			
Altamira Plant	✔	✔	✔		
Tlaxcala Plant	✔	✔	✔		
Cartagena Plant		✔	✔		
Matamoros Plant	✔	✔			
Patio Operation, San Luis Potosí	✔				
Fluorite Mine, San Luis Potosí	✔				
New Jersey Plant			✔		
Honduras Plant		✔	✔	✔	
San Salvador Plant		✔			
Costa Rica Plant		✔	✔	✔	
Guatemala Plant		✔	✔	✔	
Sumare Plant, Brazil		✔	✔	✔	
Suape Plant, Brazil		✔	✔	✔	
Joinville Plant, Brazil		✔	✔	✔	
Podesta Plant, Argentina		✔	✔	✔	
Lima Plant, Perú		✔	✔	✔	Product Certification in compliance with SEDAPAL 2009
Cua Plant, Venezuela		✔	✔	✔	Venezuelan Official Seal of Quality NORVEN 2009
Plantas Guayaquil, Ecuador		✔	✔	✔	
Bogotá, Colombia Plant		✔	✔	✔	Product Certification in compliance with Icontec 2009
Guachené Plant, Cauca Plant, Colombia		✔	✔	✔	Product Certification in compliance with Icontec 2009
Barranquilla Plant, Colombia		✔	✔	✔	Product Certification in compliance with Icontec 2009

- Clean Industry certification granted by the Environmental Authority of Mexico
- ISO 9001: Quality Management System
- ISO 14001: Environmental Management Systems
- OHSAS 18001: Professional Safety and Health Management Systems
- NSF: NSF International is an independent, objective nonprofit agency, dedicated to testing and certification of products, which establishes global performance standards for a large variety of products for the home and industry
- ICONTEC: Instituto Colombiano de Normas Técnicas (Colombian Technical Standards Institute)
- NORVEN: Brand that certifies final product quality in Venezuela
- SEDAPAL: Servicios de Agua Potable y Alcantarillado de Lima (Potable Water and Sewer System Services of Lima)

6. Relationships with our stakeholders

6.1 Identification and selection of stakeholders

It is important for Mexichem to have a measurement that reflects an integrated focus on systematically managing its impact, both negative and positive, in all the communities in which we have a presence. This gives us access to trustworthy information on which to make decisions and strengthen our brand and reputation, in addition to reinforcing our capacity to maintain current operations and initiate new projects. For this reason, we initiated an effort designed to improve and systematize communication with our principal stakeholders: investors, employees, communities, suppliers, and clients. *(4.14 and 4.15)*. This first sustainability report is one example of this.

6.2 Participation and communication with stakeholders

Investors

Mexichem has committed to providing its shareholders with reasonable, sustained profitability in return for their investment. We communicate with our investors through:

- Annual financial report
- Quarterly reports
- Meetings designed by financial intermediaries for institutional investors (buy-side and sell-side)
- Presentations for potential investors in North America, South America, and Europe to announce the issuer's recent projects and other news
- Through our web page, **www.mexichem.com.mx**
- Telephone conferences
- Scheduled formal meetings (one on one)
- Relevant notices through the Mexican Stock Exchange

Employees

Mexichem recognizes that its executives and employees are its most valuable resource. It is committed to its guarantee to respect the dignity of all employees and to foster a work environment and space that are adequate for them to grow both professionally and personally.

One of the formal ways we engage in dialogue with our employees is through a survey called **"Toma de Pulso"** (Taking the Pulse), which is given every two years to all of our employees – both unionized and nonunionized—to evaluate 13 points; the survey is confidential and anonymous. Other forms of dialogue are messages via the Mexinet intranet; regular mail and e-mail; bulletin boards; and face-to-face meetings with immediate supervisors and executives.

Communities

As part of our culture and our values, social responsibility applies to each and every one of the communities in which we operate. We communicate through various channels, such as homeowners associations, opinion leaders, governmental authorities, and international organizations.

Mexichem on the global water situation

The resource of water is directly tied to our business plan and is a strategic matter for the company. We are convinced of our responsibility towards the challenges we face regarding water, which requires an integrated, interdisciplinary, and multisectoral approach and shares a commitment to humanity and to the planet.

We respond to this reality with not only our products and services, but also actions to raise the awareness of the people of Latin America and to encourage the participation of the authorities, the private sector, and civil society. Aqua Vitae, a magazine specializing in concerns over water, is one of these initiatives. The purpose of this magazine, which has been in existence for five years now, is to develop a platform for exposing solutions, analyzing suggestions, and fostering dialogue between sectors. It hopes to follow up on continuing global discourse as well as international agreements and their implementation, and to create international awareness of the importance of the challenges faced in Latin America. To this end, it has established two lines of action: increase awareness of the goals of managing water in Latin America and propose innovative solutions to reach them.

The editorial board comprises prestigious international figures, well-known for their work in the water and sanitation sector, both in theoretical and applied aspects. Aqua Vitae reviewed the activity in global forums to offer updated thinking: World Social Forum in Belo Horizonte, Brazil, in 2006; Fourth World Water Forum in Mexico, in 2006; Expo 2008 in Zaragoza, Spain; [Water] Forum of the Americas in Foz de Iguaçu, Brazil in 2008; and the Fifth World Water Forum in Istanbul, Turkey in 2009.

Aqua Vitae, published every four months in Spanish and Portuguese and distributed free throughout Latin America with a print run of 18,000 copies, had published nine editions through November 2009. It was recognized as one of the best business initiatives in Latin America and the Caribbean and received the 2007 PLACA Award—an international award endorsed by the United Nations Environment Program, UNICER, and CATHALAC, among other organizations. **(www.aquavitae.com)**

Hydros: A collection of photography books on water and sanitation

- Three years with three editions published.
- Distributed among the principal governmental, legislative, and municipal authorities and the communication media of 14 countries in Latin America.

(SO1; 4.12 and 4.16)

Another corporate communication initiative is Hydros, a collection of photography books also related to the theme of water. It began publication in 2007 with one volume per year. In 2009, Hydros III—Challenge 2009 was published. This third book tries to show the most urgent challenges facing the sanitation sector, from the view of a participant rather than a spectator.

TESTIMONIALS:

"Companies must learn to be responsible, to commit themselves to projects or programs such as Aqua Vitae, which increase awareness. I know that many efforts are being made in this sense, but there should be more, because there are [companies] that have to learn to respect and to coexist."

Rigoberta Menchú,
Nobel Peace Prize, 1982.

"I congratulate you for this Latin American effort, which spreads knowledge concerning water."

Ger Bergkamp,
Director, World Water Council

We maintain dialogues with opinion leaders, academic institutions, governmental institutions, civil society organizations, communication media, and institutions in this sector. *(SO1)*

Suppliers
Mexichem works with suppliers that share the highest levels of quality and honesty, seeking mutual benefit that adds efficiency to the vertical integration of our production chains. We have a supplier-evaluation system that allows us to identify areas of common opportunity.

Clients
For Mexichem and its employees, our clients are strategic allies that we support in their growth and development. We take yearly satisfaction surveys that help us identify needs and ways to improve.

We form alliances with the public sector and establish annual labor agreements with unions. *(4.16)*

6.3 Result of the stakeholder analysis

The results from the analysis with the principal stakeholders are:

- **Investors:** Expect a greater return on their investment through constant growth.
- **Employees:** Want development of leaders; retention of talent, professional development, outplacement plans and career plans; compensation that demonstrates internal equity and external competitiveness; performance management.
- **Communities:** Value employment creation; purchase from local suppliers; knowledge of environmental and safety management programs.
- **Suppliers:** Expect prompt payment and better treatment.
- **Clients:** Want improved delivery times and reduced prices.

The public sector and academia both show interest in establishing alliances to achieve community development and the protection of public assets; encourage research and development with universities and local research centers and introduce the concept of sustainability as a synergy for local development; establish a collective agenda to aim for sustainable development based on the principles of the United Nations Global Compact and Agenda 21. *(4.17)*

We are convinced that we will build better relationships with open communication, in both directions, that encourages a close connection with our stakeholders. We have corporate strategies that intertwine intersectoral, interdisciplinary, and intergenerational visions facing various problems of core significance. One example is the case of water, a limited resource, vital, deteriorating, and the abundance and quality of which we should preserve for succeeding generations.

7. Human Capital

We are aware that, due to the rapid growth of our company in new geographic regions, we face enormous challenges in maintaining and increasing our human capital. During 2009, we focused our efforts in three principal areas:

A. Approve, adapt, and improve labor practices that facilitate the personal and professional development of our colleagues.
B. Guarantee the respect of and vigilance over human rights in the workplace.
C. Provide the best conditions for safety and health.

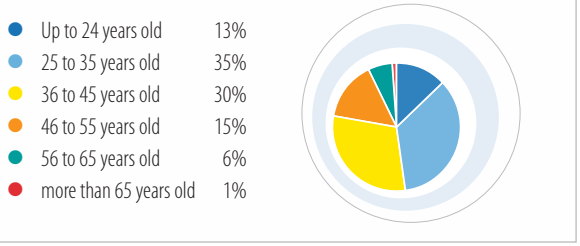
7.1 Labor Practices

Mexichem has defined eight strategic guidelines that direct the actions of each one of the areas of the company's employees. One of them refers to human resources: *"To have the best people by establishing processes that allow us to attract, retain and develop talent."* To address the needs and requirements of the business strategy, we implemented plans based on leadership and innovation.

At the end of 2009, we had a total workforce of 9,372 persons. The proportion of women to men shows that the male employee population is larger (82%) than the female (18%) and the operations of Mexico and Brazil are where the greatest amount of our employees are concentrated. *(L42)*

Our 9,372 coworkers, in the various countries in which we have a presence, have a full-time, open-ended employment contract that provides them with work stability. The table below breaks down the number of directors, managers, supervisors, and other leaders. It likewise shows the proportion by gender and the breakdown between individual contractors (nonunionized employees) and those covered by collective-bargaining agreements for unionized employees. We are not including subcontractors, who work independently, or part-time workers. *(LA1)*

Age range of Mexichem employees



The professional relationship with unions is supported by effective, direct, and timely communication that fosters operating efficiency and healthy worker interaction, respecting the differences between each country or region.

From our foundation of employees—9,372—the turnover index is 1.09%, meaning, 103 persons ceased working at Mexichem in the year ending December, 2009. These results are related to the process of integration of the companies and operating efficiency.

More specifically, for nonunionized employees, the turnover is the following:

% Turnover (directors)	1.72%
% Turnover (managers / superintendents)	0.89%
% Turnover (operational leaders / coordinators)	0.48%
% Turnover, other positions	1.22%

The proportion of women and men is 20.82% and 79.18% respectively. *(LA2)*

COUNTRY	NUMBER OF EMPLOYEES	DIRECTORS	MANAGERS	SUPERVISORS	OTHER LEVELS	WOMEN	MEN	INDIVIDUAL CONTRACT	COLLECTIVE AGREEMENT
Argentina	330	0	5	19	91	50	280	115	215
Brazil	2,116	7	37	81	909	423	1,693	1,034	1,082
Colombia	1,887	4	42	147	416	599	1,288	609	1278
Costa Rica	307	1	6	10	110	45	262	127	180
Chile	64	0	3	4	15	8	56	22	42
Ecuador	517	1	23	23	109	85	432	156	361
El Salvador	86	0	1	10	48	14	72	59	27
Guatemala	206	0	2	22	58	28	178	82	124
Honduras	85	0	2	9	42	17	68	53	32
Mexico	2,845	30	149	328	499	274	2,571	1,006	1,839
Nicaragua	34	0	0	5	21	8	26	26	8
Panama	163	0	3	11	52	33	130	66	97
Peru	353	1	9	24	100	39	314	134	219
United States	39	0	1	2	10	13	26	13	26
Venezuela	340	0	15	18	112	127	213	145	195
TOTAL	**9,372**	**44**	**298**	**713**	**2,592**	**1,763**	**7,609**	**3,647**	**5,725**

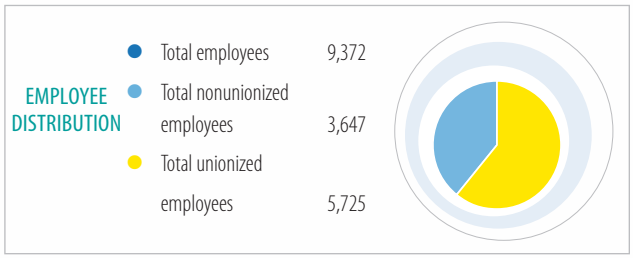
The majority of our nonunionized employees are between 25 and 35 years of age.

With regard to employee benefits, Mexichem pays equitably and fairly in accordance with one's duties and responsibilities and the labor market, such that an employee with a full-time contract, versus a temporary or part-time contract, receives higher benefits, such as the number of vacation days, vacation bonus, lunch tickets, or food vouchers and savings fund *(LA3)*. We give greater benefits in accordance with current local labor law, such as the savings fund, cafeteria service, specific vaccination programs, major medical expenses, pension plan, life insurance, productivity bonus, uniforms, and support for recreational and sports activities.

For nonunionized employees, Mexichem has a pension plan that encourages savings for retirement (capital) and converts these savings into a pension fund. *(EC 3)*

We have a defined-contribution plan created with contributions from both the employee and the company. Said contributions are deposited with a financial institution and are invested in fixed-income instruments, with individual records that can be consulted via the internet. A technical committee charged with administering this plan analyses the best plans for diversification of the investment in other financial assets, with the goal of obtaining the highest yield on the market.

Of our employees, 61.10% (5,725) are part of a collective-bargaining agreement. *(LA4)*



TOTAL UNIONIZED EMPLOYEES **61%**

Organizational changes are communicated in a timely manner to union offices, and in case of modifications to the agreements, are reflected immediately after revising the contracts or collective-bargaining agreements. *(LA5)*

With regard to continuing education, in 2009 there were 123,430 hours of training, both for unionized as well as nonunionized employees: 35% of this total was provided in Mexico and the remaining 65% in other Latin American countries. The main areas of training were work skills, health, and safety, English, code of ethics and conduct, orientation for new employees, computer, and administrative studies.

In 2009, each employee received an average of 13.17 hours of training, at an investment cost of USD40 per hour.

Employee hours of training and investment costs

COUNTRY	TOTAL RESULT		
	HOURS	USD AMOUNT	NUMBER OF EMPLOYEES
Argentina	3,278	6,952.79	330
Brazil	904	22,850.06	2,116
Colombia	28,276	28,849.06	1,887
Costa Rica	5,504	3,363.51	307
Chile	143	0.00	64
Ecuador	27,476	130,938.03	517
El Salvador	2,101	0.00	86
Guatemala	2,112	0.00	206
Honduras	435	0.00	85
Mexico	43,798	35,722.79	2,845
Nicaragua	225	505.69	34
Panamá	200	935.00	163
Peru	4,737	16,885.89	353
United States	0	0.00	39
Venezuela	4,281	117,252.29	340
TOTAL RESULTS	**123,469**	**364,255.10**	**9,372**

(LA 10)

As part of the program to strengthen abilities, we support skills management and continuing education for all employees requiring it. This increases the intellectual capital of the company and fosters employment opportunities for employees throughout their working life. We do not yet have a specific program for employees in the final stage of their professional career who, due to reorganization or economic slowdown, have had to leave the company. *(LA 11)*

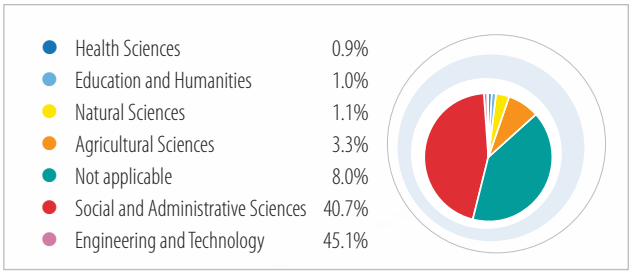
Education Levels Attained

	%
Technological/Technical	12.8
Professional degree	61.2
Postgraduate work (graduate work/specialization)	16.3
Master's	9.6
Doctorate	0.2
Grand total	**100**

Base of nonunionized employees = 3,647

In order to encourage the development and performance of its human capital, the company performs an annual review of all nonunionized employees. Each employee is evaluated by his or her immediate supervisor, and this is the basis for career plans of executives and employees with high potential and leadership abilities. *(LA 12)*

Area of knowledge



Inclusion and productivity at the plant in Guachené, Colombia

The Guachené plant is located in the Industrial and Commercial Park of Cauca, municipality of Guachené, department of Cauca, 24 kilometers from the city of Cali and three hours from the port of Buenaventura. The plant is currently part of the fluid-conduction business in the Mexichem transformed products chain and manufactures PVC piping. In 1988, at the time of a natural disaster in the area, the government of Colombia offered tax benefits to companies who set up installations in the so-called "Páez Law" Zone. The Guachené plant was established in northern Cauca, one of the poorest regions of Colombia and one affected by acts of violence.

The industrial parks in the "Páez Law" zone are surrounded by small towns, inhabited mainly by communities of African descent. The municipality has approximately 20,000 inhabitants, 99% of them African-Colombians living in extreme poverty, who have no potable water services and who have a very low level of education.

The company made the decision to work with people who are natives of the region. As most of the economically active population was involved with growing sugar cane, it was necessary to invest in intensive training programs to educate people so that they acquired the skills required for the production process. The learning curve was intense, but we had the support of state agencies. Today our employees have elevated their levels of basic and specific skills to carry out their job responsibilities to such a degree that leadership positions such as supervisors and process engineers are already held by employees from the region.

As a company that gives back to communities as a part of conducting its business activities, our main objective was to develop local abilities and to bring social and economic progress to the communities in which it operates, with a focus on fostering the community's self-determination.

After eleven years in operation, 82% of the payroll comprises people originally from the region, with positive financial and productivity indicators, which breaks racial paradigms and prejudices. Today the Guachené plant is considered a model plant for ethnic integration at Mexichem.

Likewise, programs were organized to develop local suppliers among the female family members of the workers. The Minga Women's Association is responsible for providing the food service to plant employees, as well as making the cloths to clean machinery and equipment. The women's commitment and ability to learn quickly increased the number of requests for food and sewing services from other companies in the zone.

In addition, the Guachené plant invests the time and talent of its

executives to establish alliances with the local government and UNICEF in projects to provide the infrastructure for education and water supply in the zone. It has invested approximately USD230,000, the product of local tax deductions, and it directly manages the execution of the work. Community members and employees actively participate in these projects.

The company has just increased the number of formal job openings, which has been met in large part by local labor; the level of training for people from the region has increased, becoming a benchmark for progress in the communities in which it operates; production indicators and profitability are positive. On two occasions, the company earned high standings in the Suratep Excellence Awards, in the category of Best Management in Occupational Health and Zero Accidents. Likewise, the Guachené plant certified the PVC piping production lines to the Quality Management System NTC-ISO 9001 version 2000 standard, obtained certifications in the Environmental Administration ISO 14001 standard in December 2002 and the OSHAS 18001 standard in December 2004. The company was recognized with the 2009 National Social Responsibility Award for business in Colombia, Emprender Paz (Undertaking Peace): the Business Challenge. It was recognized for being a pioneering company by entrusting the people of the region to be employed in the production process, and for the policies and practices adopted by the creation of business and, at the same time, furthering an environment of peace.

The company has learned the importance of breaking stereotypical paradigms and prejudices in order to be consistent with the triple-bottom-line philosophy. This has allowed us to contribute to the social progress of the community in which we operate and to realize financial growth that in turn establishes a virtuous cycle for both parties. *(4.12)*

TESTIMONIALS:

"There is nothing better than the knowledge of human logic and reasoning that govern the production processes, many times hidden to conscious reason, to serve as a foundation for, and above all, to value and appreciate, the meaning of human respect in the scenario of work relationships."

Fernando Cruz Kronfly
Associate Professor, Universidad del Valle, Colombia

The Páez Region is in southwestern Colombia. Its area of influence covers zones in the departments of Cauca and Huila. Tax exemptions for the zone were established by means of Law 218 of 1995.

On occasion, the dialogue between the company and the unions requires mediation. For this reason, we are acquiescing to ten labor demands that have an approximate cost of MXN3.4 million.

It is a practice to hire people who live in zones near the business units. This supports the community by offering jobs and encourages a better quality of life and more family time, as employees don't lose time with long commutes. *(EC7)*

We are seeking to offer our employees benefits that are attractive and pass on to them a certain well-being over the long term and also guarantee that they can maintain a minimum level of living standard in their old age. Toward this end, there is a retirement plan, better known as a pension plan. This provision is in addition to what the labor law in Mexico requires. *(EC3)*

Although all the countries and plants do not yet have a pension plan, one of the initiatives is to approve this benefit at all our operations.

7.2 Human Rights

Despite the fact that it is not a formal member of the Global Compact, Mexichem shares the same approach with regard to human rights, which is reflected in our Code of Ethics. We respect diversity and stay on guard to prevent discrimination and preserve the rights of our employees, without regard to age, gender, race, religion, nationality, physical condition, social condition, sexual orientation, political creed, or any other factor.

All company employees receive an introductory course about our Code of Ethics, policies, and procedures. In turn, all non-unionized employees must sign a letter in which they confirm that they have no conflicts of interest *(HR3)*. In 2009, there were no incidents of discrimination recorded. *(HR4)*

Freedom of association and of recourse to contracts or collective-bargaining agreements is limited by each worker's position and activity, and we are vigilant in making sure this right is respected. *(HR5)*

In accordance with our procedures and with labor legislation, a person must be at least 18 years old to be hired. We avoid hiring minors and respect the agreements established by the Human Rights Convention in that respect. The minimum working age is clearly stipulated in the collective-bargaining agreements. *(HR6)*

We have not ordered a systematic study to be undertaken by an external agency to identify operations that entail the risk of forced or nonconsensual labor. Nonetheless, the safety and hygiene committees are resolved to reduce the incidents of risk and to prevent cases of forced or nonconsensual labor from occurring. In addition, all employees can report to upper management any failure to comply or any abuse by using the complaint box, either anonymously or openly. Our hiring agreements fully support the International Human Rights Convention and the standards of the International Labour Organization. *(HR7)*

Safety personnel are aware of principles; values; the code of ethics; and technical knowledge of operations, materials, and products, and are charged with fulfilling policies, procedures, and technical and administrative standards. All safety personnel who work at the company receive training regarding human rights, reliability tests, and the values of Mexichem. The training of safety personnel can help prevent risks to reputation and litigation derived from inappropriate actions or approaches that are not tolerated. *(HR8)*

For the company, maintaining a good relationship with the community is a part of its political philosophy of being a good neighbor, as stated in its mission statement. Our hiring policy gives preference to the local population. During the year of this report, there were no incidents related to violations of the rights of indigenous communities or natives of the area. *(HR9)*

As part of our triple-bottom-line commitment, we went further than traditional business practices to bring social progress to areas of limited opportunity and to encourage inclusion of the least favored in our workforce. With this vision, the company saw itself compensated not only in productivity but also in appreciation from the communities. The social license granted to us by these communities was a consequence of our conduct: inclusion to initiate a virtuous cycle.

7.3 Safety, health, and product transportation

The union or labor teams are responsible, among other duties, for facilitating the communication processes in each business unit, analyzing improvements to work systems, and resolving differences or handling conflicts. These tasks are carried out at periodic meetings with the human resources and union committee representatives. These actions prevented strikes or work stoppage during the current year. *(MM4 2010)*. We developed our contracts or collective-bargaining agreements based on trust and supported by labor procedures that are reviewed and updated on the work sites for the work teams. These changes allowed us to improve the levels of employee satisfaction and employee productivity indices.

Both labor and administrative personnel (management-employees) are represented in health and safety committees. The function of said committees is centered on contributing ideas that improve health and safety, checking compliance with the agreements established, making trips to areas of the plants to detect unsafe conditions, following up on major deviations, discussing any accident investigations, and actively participating in carrying out activities aimed at improving employee health and safety. *(LA6)*

Generally speaking, the committees comprise an equal number of representatives from management and from the union. In locations with a large number of employees, more than one committee may be formed.

At Mexichem, the most important factor in carrying out its activities is employee safety, with the goal of zero accidents. As a result of the actions taken in 2009, among those that emphasize reinforcement in the use of various safety tools for employees and maintenance of the safety systems, we achieved the following:

- 11% reduction in disabling accidents from 2008 to 2009
- Zero fatal accidents
- 24% reduction in the incidence rate from 2008 to 2009
- 9% reduction in the index of severity from 2008 to 2009. *(LA7)*

	2007	2008	2009
Disabling accidents	179	185	**165**
Days lost	10,079	3,253	**3,251**
Fatal accidents	2	1	**0**
Employee man-hours worked	19,208,894	17,708,791	**19,451,891**
Frequency rate *	1.8	2.1	**1.6**
Severity rate **	105	36.7	**33.4**

* FR = (Number of disabling accidents / Employee man-hours worked) x 200,000

** Severity Rate = (Number of days lost / Employee men-hours worked) x 200,000

Other significant achievements were the following:

- In September 2009, the Joinville fittings plant in Brazil completed five years with no disabling accidents; however, in November 2009, a disabling accident did occur.
- The Santa Clara plant completed five years with no disabling accidents.
- The plants in Brazil and the El Salto, Santa Clara, Tultitlán, Lechería, and El Patio plants, in Mexico, recorded no disabling accidents. *(LA7)*

With regard to occupational illnesses in our mining facilities—salt and fluorite mines – no cases have been recorded at the brine plant in its 29 years of operation. Its annual occupational illness prevention program includes:

1. Protection and Preservation of Hearing Program (annual physical examination, otoscopy, and audiometric, or tonal exam for each worker).
2. Protection and Preservation of the Respiratory Tract Program (physical examination of lungs, annual spirometry, and examination of the thorax every two years).
3. Protection and Preservation of Sight Program (annual physical examination, assessment of the eyes and their surroundings, study of campimetry, and visual acuity for farsightedness and nearsightedness).
4. Program Promoting and Encouraging Health, one talk each month.

Preventive healthcare and a decrease in production waste as a fundamental basis for the increase in productivity at the Bogota plant. Project: WIN-WIN

The Geosystems production plant is located in Bogota, Colombia. With the experience acquired, we proved that the strengthening of "win-win" relationships and creating awareness among the employees benefits both parties, helps reduce environmental impacts, and generates social progress and economic growth for the organizations.

The first issue was that 34% of the labor force was over 50 years of age and exerted physical effort on a daily basis, a situation that was reflected in the number of disabilities related to lumbar pain and an increase in days of disability. The second issue was that the plant's production of fibers represented 36% of total production and the manufacturing of nonwoven products (geotextiles and upholstery), 40%. A problem related to this low productivity was that the production waste index was very high, as the material from these processes did not meet specifications.

To address these issues, we adopted a preventive approach, establishing programs to decrease waste—on the one hand, the decrease in productivity from absenteeism due to disability from intense low back pain and, on the other hand, those decreases from defective materials that must be reprocessed. The objectives were to implement the Shoulder School program to strengthen the shoulder muscles, and to decrease the percentage of material that was reprocessed in the manufacture of nonwoven fiber—the fiber is the raw material for manufacturing nonwovens.

A daily follow-up of each one of the processes was performed. The information was analyzed and shared with the workers so that they could also be aware of the advances and the areas of opportunity. The main challenges included obtaining the commitment of more workers, who became aware that improving one's physical condition improved their health and made their jobs easier. This contributed to the company's competitiveness, and both parties won. In strengthening the culture of self-empowerment, commitments were made through conviction and not through supervision; we standardized the appropriate best practices in each process; and job abilities were standardized. Moreover, despite the improvements achieved in recent years, we demonstrated that there is still opportunity for continuing improvement and innovation.

In the past five years, we decreased operating expenses and strengthened our culture of self-empowerment and self-care. We reduced the percentage of material from reprocessing of fibers by 23%, while the indicator from reprocessing of nonwovens decreased 22%. Likewise, after implementing the Shoulder School program absenteeism caused by lower back pain dropped 53% compared with that of 2008. *(4.12)*

The fluorite mine has an annual occupational illness prevention program, the objective of which is to prevent illness and protect the health of workers exposed to risk, damage, occupational illness, and/or accidents that could arise in the work environment, through preventive and/or corrective measures geared towards improving safety and hygiene conditions. Nonetheless, in 2009 there were three cases of pneumoconiosis and two of acoustic trauma.

In turn, the safety education and training program is oriented mainly to controlling risks from dangerous materials used during the mineral concentration process and to avoiding injuries to persons inside the mine. The principal risks include falling rock, use of explosives, handling the heavy equipment used to move the material, and operation of ventilation systems.

Some of the prevention programs are:

- Safety Orientation for New Employees
- Safety Orientation for Contractor Personnel
- Safe Handling of Sulfuric Acid
- Material Safety Data Sheets and Emergency Sheets
- Investigation of Accidents and Incidents
- First Aid
- Major Emergencies

(MM12, MM13 see 2005)

The activities in the health programs led annually by the doctors at the company's various locations include training, distribution of information to the employees responsible for controlling risks of the most common serious illnesses: high blood pressure, diabetes, obesity, smoking, influenza, stress, etc. Equally important has been our focus on preventive health measures linked to productivity.

Supporting these actions, most locations celebrate the Safety, Health and Hygiene Weeks, events attended by employees in the health sector in order to give talks, to which the families of our workers are invited. This encourages good life habits, which will bring better personal and family health.

Periodic medical examinations for our workers, vaccination campaigns, review of cafeterias and foods, and visits to work areas by our doctors and safety personnel, together with information on health and hygiene provided in brochures, on bulletin boards, and in posters, make important contributions to employees' positive health results. *(LA8)*

In addition, the company has instituted an annual medical exam and provides personal protection equipment (safety helmet, glasses, and shoes). Depending on the duties of each employee, he or she is given additional equipment (safety belt or harness, masks or filters to protect against dust or other impurities, special uniform). These are formal agreements that are ratified or are in union contracts. *(LA 9)*

Some chemical products that are handled or marketed by Mexichem in large quantities are classified by international standards as hazardous materials. Among them are chlorine, sodium hydroxide, hydrofluoric acid, sodium hypochlorite, vinyl chloride, hydrochloric acid, and hydrogen. We conduct annual training and consulting programs for clients and distributors, during which they are provided with information regarding the physiochemical properties, product handling and storage safety, system of risk communication, optimum personal protection equipment, and aid in emergency situations involving accidental spills of material, among others. This consulting is provided to all our clients and distributors in Mexico. Likewise, operators of the various transportation companies that enter our facilities receive annual training, based on current regulations issued by the Secretary of Communications and Transportation. The information they are provided includes the following subjects: regulatory framework, classification and identification of materials, physiochemical properties, proper use of personal protection equipment, regulatory documents for the transportation of materials, and actions to respond in case of emergencies during transportation and defensive driving. *(PR1)*

Training for clients and carriers

	2008	2009
Number of clients	366	**453**
Number of carriers	396	**255**

Statistic of accidents by means of transportation for companies with operations in Mexico

Means of Transportation	Periods		
	2007	2008	2009
Rail	1	2	**1**
Truck	5	8	**9**
Maritime	0	0	**0**
Pipeline	0	0	**0**

During the year, there were no recorded incidents of noncompliance with regulations or voluntary codes relative to the impact of our products or services on health or safety. *(PR2)*

Sales generated by Mexichem in 2009 reached MXN30.699 billion, a good result despite the global economic crisis.

Synergies for economic growth

MEXICHEM	2009
Net sales	30,699
Cost of sales	19,503
EBITDA	6,844
Total assets	40,293
Total debt	16,589
Stockholders' equity	13,453
Market capitalization	59,274
Figures in millions of pesos	
Employees	9,372

(2.8)

8.1 Creation of wealth and prosperity

Despite the increase in the price of inputs, energy in particular, and of the global economic crisis during the past two years, we have a solid financial structure that is capable of confronting this negative cycle, which is affecting the majority of industries. The success of our strategy to create wealth and prosperity is due to the following factors: implementation of our plans, adding value to our raw materials, continuation of vertical integration, geographic diversity of our markets, and discipline in the reduction of costs and investments.

We know that the "base of the pyramid" market can be a profitable factor for the majority of our products. In the past, we paid attention to a segment of this market with the sale of bulk chlorine derivatives.

In 2009 we completed an audacious and innovative initiative in creating a credit card for the low-income sector in Brazil, the outcome of which was very gratifying from both a social and an economic point of view. As a socially responsible company, we have attempted to open opportunities and foster sustained economic growth among this group of consumers, which represents purchasing power of USD5 trillion globally and knows how to honor its debts. In turn, this initiative has given us key information to formulate new strategies and to be successful among this group.

8.2 Economic performance

During 2009, we achieved consolidated sales of MXN30.699 billion, successfully maintaining the same level as in 2008 despite a recessionary environment. The gross margin increased 20% to MXN11.196 billion, which represents 36% of sales. This increase in the margin is due mainly to the synergies achieved through increased consumption of our own raw materials and to the reduction of energy costs.

Net income increased extraordinarily compared with that reported in 2008, reaching MXN2.948 billion—an increase of MXN2.808 billion—as a consequence of the imbalance in the financial markets, which, in 2008, were affected by a lack of liquidity that caused a strong depreciation of the peso.

Net debt at the close of 2009, in dollar terms, was USD476.3 million, which, compared with that at the close of 2008, shows a decrease of USD114.6 million, as a result of i) a capital increase of USD173 million, and ii) payment of current and long-term debt amortizations. At the end of the year the debt was refinanced, with only 14.5% remaining due within one year, compared with 25.4% at the close of 2008. The ratio of net debt to EBITDA closed at 0.94x, under the limit of 2.0x established as an internal goal.

During 2009, we received an incentive for research and technological development in the amount of MXN12.735 million from the National Science and Technology Council and a Single Rate Special Tax refund of MXN49.451million. *(EC4)*

Net income increased extraordinarily compared with that reported in 2008, reaching MXN2.948 billion—an increase of MXN2.808 billion—as a consequence of the imbalance in the financial markets.


Irrigacion

Mexichem, S.A.B. de C.V., in thousands of Mexican pesos as of December 31, 2009 and 2008

Income Statement	2009	2008	Variation
Net sales	$ 30,699,064	$ 31,071,523	-1%
Cost of sales	19,503,420	21,755,079	-10%
Gross profit	**11,195,644**	**9,316,444**	**20%**
Operating expenses	6,200,164	5,562,246	11%
Operating income	**4,995,480**	**3,754,198**	**33%**
Comprehensive financing cost	(692,982)	(3,082,484)	-78%
Other expenses, net and associated participation	(627,762)	(322,498)	95%
Income before income taxes	**3,674,736**	**349,216**	**952%**
Income taxes	816,020	198,111	312%
Income from continuing operations	**2,858,716**	**151,105**	**1792%**
Discontinued operations, net	89,048	(11,429)	n/a
Consolidated net income	**2,947,764**	**139,676**	**2010%**
Controlling interest	2,932,240	115,367	2442%
Noncontrolling interest	15,524	24,309	-36%
EBITDA	**6,844,253**	**5,235,726**	**31%**

(2.8 and EC1)

The most significant economic changes in the organization during 2009 were the following:

- **January:** Acquisition of the remaining 30% of DVG Industria e Comercio de Plásticos Limitada (Plastubos) for an approximate amount of USD18.5 million
- **March:** Acquisition of Tubos Flexibles, S.A. de C.V., located in Mexico, with more than 50 years in the market and with four plants that produce and market PVC, CPVC, polyethylene, and polypropylene pipes and fittings.
- **August:** Capital increase of 153,600,000 new shares, which represented a capital increase of MXN2.258 billion.
- **September:** Inauguration of the aluminum fluoride plant in Matamoros, Tamaulipas.
- **September:** Placement of MXN2.5 billion in 5-year bullet certificates in the Mexican debt market at a rate of 28 day TIIE plus 244 basis points. The resources obtained were used to refinance current debt and change the debt profile, leaving short-term debt equal to only 15% of total debt.
- **October:** Purchase of the remaining 50% of Geon Andina, thus ending the association with Polyone.
- **November:** Sale of subsidiary Mexichem Estiren, S.A. de C.V., to Mexalit, S.A. de C.V., in order to focus our business on products lines having greater added value.
- **November:** First placement of international bonds: a USD350 million, 10–year bullet note with a coupon of 8.75%. The resources obtained were for general corporate purposes, including working capital and possible future acquisitions. *(2.9)*

8.3 Added value broken down by country

The geographic diversity of our operations allows us to maintain a position of leadership in Latin America, which brings about significant operating efficiency in orienting the production of the various products in accordance with the specific needs of each market, making the most of our entire logistics network. With production facilities in 15 countries, Mexichem generates its sales mainly in Mexico (43%), Colombia (20%), and Brazil (14%).

Figures in thousands of pesos

	2009	
COUNTRY	SALES	COST OF SALES
Argentina	593,536	(423,401)
Brazil	5,957,618	(3,856,217)
Chile	67,835	(79,493)
Colombia	8,222,745	(6,471,825)
Costa Rica	616,854	(429,091)
Ecuador	1,223,816	(700,391)
El Salvador	232,181	(177,367)
Guatemala	527,238	(419,380)
Honduras	343,469	(271,810)
Mexico	17,735,080	(12,619,695)
Nicaragua	79,978	(61,718)
Panama	256,829	(175,351)
Peru	624,436	(401,223)
United States	2,102,183	(1,864,084)
Venezuela	1,526,753	(773,169)
Holding	519,521	(1,102)
Eliminations	(9,931,010)	9,221,898
TOTAL	**30,699,064**	**(19,503,420)**

MM2 see 2005

8.4 Impact of social infrastructure investments

Mexichem Fluorite Mine built a school for primary education that currently benefits 60 children from the mining community and villages near the municipality of Zaragoza, Mexico, with an investment of MXN2.86 million.

Mexichem Coatzacoalcos plant donated MXN130,000 to the regional hospital for the purchase of equipment for the pediatric oncology room. This supports the diagnosis and treatment of children in the 18 adjoining municipalities in the region south of Veracruz, Mexico, who are suffering from some type of cancer. *(EC8)*

Mexichem Tlaxcala plant supported the municipality of Santo Toribio, Mexico, by providing MXN115,000 to remodel a children's recreational park that benefits the overall success of the community. Today, this park has a new look, and the children have a place to play. *(EC8)*

Credit card for the low-income sector in Brazil

Considering that construction through community labor in Brazil represents 80% of the civil construction market, the populations that make up the "base of the pyramid" are the main engine of this Brazilian sector.

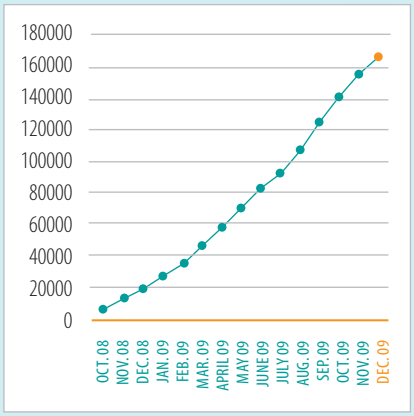
According to studies by the Banco Central de Brasil, approximately 40 million people do not have access to credit, which is one of the main obstacles of the civil-construction sector in the country.

Aware of this situation, Mexichem, through one of its Brazilian companies, launched a financial service in 2005 that is directed at the low-income sector. With this financial product, through the Amanco CredConstrução credit card, the consumer obtains a line of credit to finance the purchase of quality construction materials.

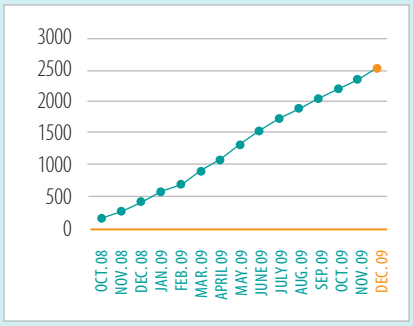
The big difference is offering a personalized card with the logo of the hardware store issuing it, even if it is a small business. One part of the credit limit is reserved exclusively for the hardware store that issued the card, where consumers can immediately purchase construction materials with monthly payments of up to 18 months and lower interest rates than offered by other banks, or up to 10 monthly payments with no interest.

By the end of 2009, the number of cards issued in Brazil reached 150,000. In addition, 1,500 new home improvement stores were added to the program, for a total of 2,500. Sales of our products recorded an increase of 15% to 20% in the hardware stores offering the credit card.

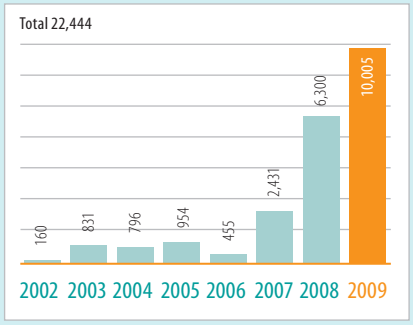
Credit cards issued (cumulative)



Stores installed (cumulative)



Number of persons trained per year



Formal training for laborers in Brazil

According to data from the Ministry of Labor of Brazil, 72% of the professionals that work in civil construction lack a formal education. In addition, 21% of the work accidents in the country occur in this sector. Because of these factors, Mexichem, through one of its companies in Brazil, created a professional training program for the purpose of opening up new opportunities and training workers.

The program, developed in alliance with SENAI (Servicio Nacional de Aprendizaje Industrial—National Industrial Training Service), trains young plumbers. In 2009, 10,005 plumbers were trained through approximately 600 courses, which is a 40% increase over 2008. The program is being implemented in the 27 states of the country through 162 SENAI units, with a training load of 100 hours per course.

Professional training allows for improvements in the production chain and increases the income and self-esteem of the professionals in this sector. This initiative forms part of our vision for sustainable business, where each action and/or product must present economic advantages, offer benefits to society, and respect the environment. *(4.12)*

Our focus on environmental management is centered around eco-efficiency: to do more and go further with less.

Synergies to care for the environment

We expect to remain competitive and at the same time reduce our environmental footprint. This commitment permeates all areas of the company, as we are convinced of the vital need to handle our natural resources rationally.

We know that the triple-bottom-line focus is supported by corporate governance and technological development. Our research center focuses on strategic projects for continual improvement and innovation, aimed at finding sustainable development in our operations. The priority areas are:

- Optimize the use and utility of water and energy
- Reduce waste
- Control atmospheric emissions
- Restore or compensate for the possible negative impacts on biodiversity, the soil, surface bodies of water, and aquifers
- Develop product initiatives that reduce environmental impact

9.1 Management and investments in environmental control

We have made investments in environmental control projects amounting to MXN83.044 million (USD6.388 million), primarily to reduce emissions that deplete the ozone layer in the Mexichem derivatives plant in Coatzacoalcos, Veracruz. *(EN30)*

9.2 Materials used (fluorite and salt)

We are always making efforts to manage our resources more efficiently, incorporating reduction, reuse, recycle, and industrial metabolism principles. *(EN1)*

The raw materials used in the processes to make the Mexichem products are originally salt and fluorite.

Salt, which is the starting point of the chlorine-vinyl chain, is converted into chlorine and caustic soda by means of an electrolytic process. From the reaction of chlorine with ethylene, the vinyl-chloride monomer is produced, which is transformed into polyvinyl chlorine (PVC) in a polymerization process. The PVC is used to make products for the construction, housing, and infrastructure sector.

Fluorite, known chemically as calcium fluoride, is a mineral used in the steel, cement, glass, and ceramics industries. It is also used in the manufacture of hydrofluoric acid, which is, in turn, used in the manufacture of refrigerant gases for air conditioning and refrigeration systems.

The percentage of recycling has a large impact on our Transformed Products chain, representing up to 10% of the PVC that is used as a raw material. *(EN2)*

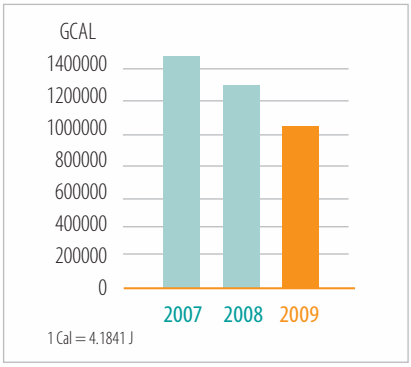
9.3 Use and management of resources (energy and water)

Considering the economic value of our products and the growing cost structure of energy and water, we are continually seeking greater ecoefficiencies in our processes.

Energy consumption

Most of our energy comes from the electricity provided by external companies. We also use natural gas and, to a lesser extent, diesel and fuel oil.

Mexichem natural gas consumption



We are aware that the consumption of fossil fuels is a significant source of greenhouse gas emissions and that this consumption is related directly to our company's emissions. Our direct consumption comes mainly from natural gas, and in 2009 it was 18% less than in 2008, *(EN3)* while that per volume of products sold was reduced 8% over the same period. This indicates that we had better energy efficiency per product unit sold.

	2007	2008	2009
Raw materials in tons per year	2,927,557	2,852,913	3,355,918

Indirect energy consumption comes primarily from the purchase of electricity and, to a lesser extent, the purchase of steam power from third parties. To generate energy, the suppliers use thermoelectric, hydroelectric, coal-generated-electric, geothermal-electric, wind-generated-electric, nuclear-generated-electric, and biomass plants. *(EN4)*

In 2009, our consumption of electrical energy was 11% less than in 2008, while the volume of products sold decreased 8% over the same period, a trend that shows greater energy efficiency per unit sold.

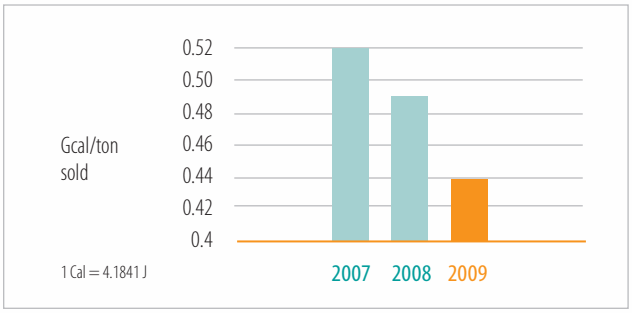
We were proactive in our efforts to improve energy efficiency through the technological improvement of processes and other energy conservation initiatives. These resulted in cost savings leading to competitive advantages and market differentiation. The efficient use of energy is a key strategy in the fight against climate change.

In Mexico, Mexichem initiated its Energy Efficiency Program in 2004 in its chlorine- caustic soda plant in Coatzacoalcos, Veracruz, which represents 38% of the company's total energy consumption. As of that date, the program was introduced in another eight companies in the group. As a result of the Program's implementation and of the change in technology in the chlorine-caustic soda plant in Santa Clara, State of Mexico, we achieved a reduction of 12% in 2007. In 2009, the reduction was 3% over that of the previous year. Due to our efforts, we were honored with the National Energy Savings Award in 2009, granted by the National Energy Savings Commission. *(EN5)*

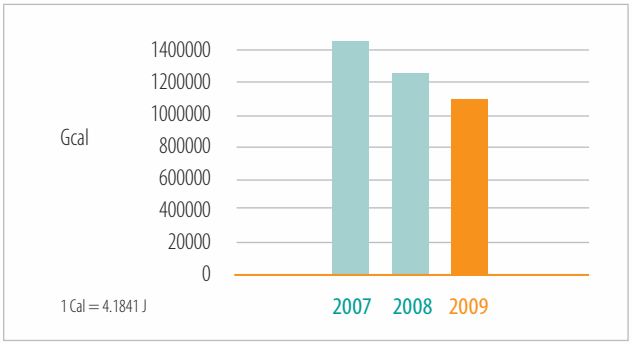
The Mexichem plants in Brazil have been working for several years to provide products and services that stand out through three strategies in a product's life cycle: eco-efficiency, eco-design, and eco-innovation. One example is the modern plant of Suape, in Pernambuco, inaugurated in 2005 and considered to be a model of eco-efficiency, as it consumes energy that comes from biomass and uses less than 20 liters of water per ton of piping manufactured. Likewise, it has an effluent-treatment system that allows for the reuse of water in irrigation of gardens and in sanitary systems and for cleaning plant floors.

Our plants are administered through eco-efficiency indicators that seek to improve the process and the yield of energy, water, and resources such as specific type of wastes, which not only improves the profit margin but also reduces environmental impact. The environmental division in Brazil had a savings of USD40 million from 2001 to 2009, with a 78% reduction in the consumption of processing water. In addition, we achieved significant reductions in energy, waste, and excess weight of packing material. To position ourselves in a segment of the population concerned by the selection of products that are less harmful for the environment, the company launched new products, such as Amanco Novafort, Amanco Silentium, and Amanco PPR, among others. *(EN6)*

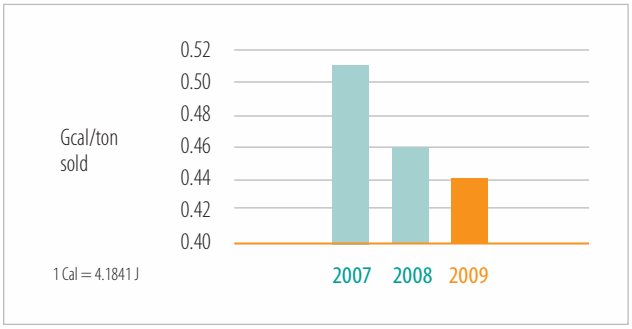
Natural gas usage per ton sold



Electrical energy usage



Electrical energy usage per ton sold



As a part of our initiatives to reduce indirect energy usage, we implemented the following actions:

- At other Mexichem plants, investments were made in areas such as exchanging electric engines for high-efficiency engines; replacing incandescent bulbs for energy-saving bulbs; installing more efficient frozen-water equipment; increasing the efficient use of hydrogen with improvements in compressors; changing packing in the cells of the cooling tower; increasing the number of electrolytic diaphragm cells to reduce the flow. In addition, we implemented operating practices such as reductions in line equipment and a decrease in the number of ventilators in the cooling towers during the winter months. Notably, the change in mercury to membrane technology in the chlorine-caustic soda plant in Santa Clara allowed for energy savings of 30%. *(EN7)*

Project: Upgrade of the Chlorine-recovery system

The objective of this project is to eliminate the use of carbon tetrachloride in the chlorine recovery process, replacing the current system with a system of secondary and tertiary liquefaction at very low temperatures, using refrigerants that are not harmful for the environment.

In its normal operation subsequent to the primary liquefaction of the chlorine, the Mexichem derivatives plant in Coatzacoalcos generates, using a diaphragm-cell process, a gaseous flow called "tail gas," which in the gaseous state contains 5% of the chlorine production. This percentage of chlorine is currently returned to the process through a recovery system that has operated since the initial startup of the plant. Mexichem decided on the joint implementation of this project with support from the United Nations Industrial Development Organization (UNIDO), establishing as the objective the complete elimination of carbon tetrachloride. This way, it will fulfill Mexico's commitments to the Montreal Protocol, which regulates the use of substances that deplete the ozone layer.

The project provides for the upgrade of the existing secondary liquefaction system and absorption of chlorine by another secondary and tertiary liquefaction system that uses refrigerants that have a lesser impact on the environment and that will allow recovery of 97% of liquid chlorine from the gaseous flow. The remaining chlorine gas will be made to react with a diluted solution of sodium hydroxide in a packed absorption tower to convert it into a weak solution of sodium hypochlorite, which will finally be treated in a catalytic converter to produce a weak solution of sodium chloride and water. This solution will be sent to the current effluent-treatment system. The project has a focus on eco-efficiency as it will not only improve our environmental performance by stopping the use of carbon tetrachloride and the refrigerant R-12—which contribute to the depletion of the ozone layer and to climate change—but also generate financial savings, estimated at USD500,000/year, resulting from the reduction in:

Steam power consumption.
1880 Tons/year

Electrical energy consumption.
177 Kw/h

Nitrogen consumption
650 Tons/year

The preparation necessary for the installation of equipment was completed in October 2009, and the equipment was installed in November and December. The new system will begin operating in March of 2010. The total investment for the project was USD4.43 million, USD1.49 million of which was a non-refundable contribution by UNIDO.

It is believed that, if all countries met the objectives proposed in the treaty, the ozone layer could recover by the year 2050. The Montreal Protocol has become an example of international cooperation. *(EN19 and 4.12)*

Think globally, act locally: Bonus for Waste Separation

Taking into consideration that we all need to take a more proactive approach and that there currently is a need to join efforts to preserve the planet for future generations, we started the Bonus for Waste Separation project in 2005. This is an internal initiative for the responsible handling of our waste that involves the separation of recyclable, nonrecyclable, and hazardous waste. All of our employees, as well as some suppliers of goods and services, participate in this effort.

Our objectives are: to minimize the creation of waste, to dispose of it responsibly, and to obtain a financial benefit from managing it, while reducing our internal industrial safety risks. The project is self-sustaining, maintained by the proceeds collected from the sale of the recyclable waste, as well as the reduced expenditures from proper handling of nonrecyclable waste and hazardous waste.

All workers in the various administrative and operating areas participate in waste separation, using the colored containers that are placed in specific locations. As this activity is carried out internally, there are no communities that participate in our project. The idea is to financially motivate the employees to correctly separate and at the same time reduce the amount of hazardous and nonhazardous waste that is disposed of in the landfill, which allows us to create an effect that may be multiplied by being repeated in employees' homes or other institutions where they may be found.

The amount of money obtained is distributed among the employees at the end of the year, dividing it proportionally according to the months in which the employee worked at the company. Participating employees take responsibility for correctly separating the waste in the administrative offices, plants, and warehouses. Each month, they are informed of the increase in the bonus to employees and compensated through lunch tickets or food vouchers.

In 2007, as there was no formal document regarding the details of the waste separation bonus, the company and the Sole Labor Union of Amanco del Perú approved a regulation for distributing the funds collected from waste management. The union asked the company for its commitment to maintain the separation of waste bonus program, which had faced various challenges, including:

- Changing habits to correctly separate the waste, and
- Insufficient environmental awareness due to lack of awareness on the suitable use of the waste.

To maintain interest in the project, we organize awareness campaigns and training workshops on the importance of recycling and caring for the environment, and we invited employees to participate permanently in this joint responsibility effort.

We learned that it is necessary to maintain a consistency of purpose and clearly-defined goals, working towards a common good. *(4.12)*

Water consumption

Our operations are subject to authorizations from the governmental agencies that give us the permits, licenses and/or water deeds, issued in accordance with the environmental laws of each country. In 2009, the consumption of "first-use" water was 6,814,915 m3. The extraction of water from surface bodies of water was 91%; from aquifers it was 9%. *(EN8)*

	2007	2008	2009
Surface water (m^3)	6,414,535	5,861,867	6,214,158
Subterranean water (m^3)	627,393	936,159	600,757
Total use of water in m^3/year	7,041,928	6,798,026	6,814,915

We have no knowledge of water sources that have been significantly affected by the extraction of water. *(EN9).* We currently recycle and reuse more than 80% of the water that we utilize, mainly in the mineral concentration processes at our fluorite mine. *(EN10)* In this way, less than 20% of the water used is "first-use" water.

	2007	2008	2009
Recycled and reused water (m^3/year)	5,675,623.7	5,917,573.6	**5,603,900.1**
Recycled and reused water (%)	80.0	87.0	**82.0**

The total discharge of our residual water, with primary or secondary treatment, to surface bodies, municipal drainage and infiltration was 2,273,020 m3, which represents 33% of the total water used. *(EN21)* In the total water balance, we did not quantify losses by evaporation or natural collection of rain water in our tailings dam, which can represent a variation of up to 15%.

Our policies to evaluate eco-efficiency include reuse of water, reprocessing of old tailings, and efficient electrical energy savings. *MM5, version 2005*

9.4 Controlling Emissions and Handling Waste

Controlling emissions

We monitor emissions of gases and particulates in our facilities to guarantee the health and safety of neighboring communities as well as the protection of the environment we share.

None of the countries in which we operate are members of Annex I of the United Nations Framework Convention on Climate Change and of the subsequent Kyoto Protocol, so there is no legal obligation as a company to make greenhouse gas inventories or to make a commitment to reduce emissions. Nonetheless, we have been taking our greenhouse gas inventory since 2007, with the aim of reducing total emissions. These emissions are calculated based on the methodology of the World Resources Institute (WRI) and of the World Business Council for Sustainable Development (WBCSD), as well as in emission factors from the Comisión Federal de Electricidad (CFE) reported in the greenhouse gas program of Mexico, **http://www.geimexico.org/.**

*United Nations Industrial Development Organization, UNIDO

EN16 and EN17

These emissions have caused us to give even greater consideration to energy efficiency and energy savings at all levels of the organization, from our offices to our industrial facilities. Likewise, we are giving greater weight to the use of renewable energy sources, which allows us to decrease our carbon footprint.

	2007	2008	2009
Direct emissions of greenhouse gases, in equivalent tons of CO_2	157,100	143,313	**146,318**
Indirect emissions of greenhouse gases, in equivalent tons of CO_2	852,400	706,240	**635,751**
Total emissions of greenhouse gases, en equivalent tons of CO_2	1,009,500	849,553	**782,069**

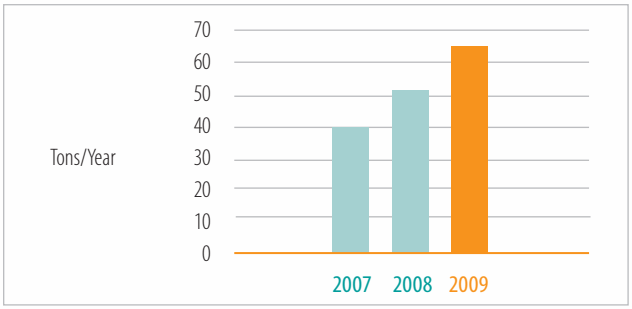
Initiatives to reduce greenhouse gas emissions

We will continue with our plans for energy eco-efficiency in our processes, technological replacements, and evaluating options for renewable energy. *(EN18)*

Emissions of substances that destroy the ozone layer, by weight

We will achieve a signification reduction with the project at the Mexichem derivatives plant in Coatzacoalcos, which is replacing the existing system with a low-temperature liquefaction one. *(EN19)*

Emissions that destroy the ozone layer



Throughout 2009, we have worked jointly with UNIDO* on a project that will allow for the elimination of carbon tetrachloride and the refrigerant R-12 at the Coatzacoalcos plant, which will allow us to release fewer substances that destroy the ozone layer.

NOx, SOx, and other significant emissions into the air, by type and weight

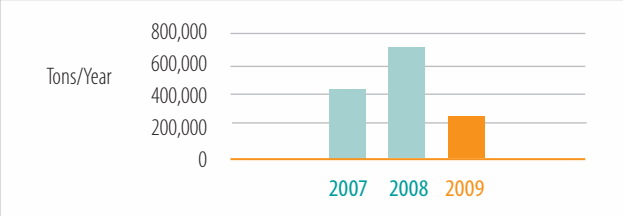
Other significant emissions into the air			
	2007	2008	2009
NOx (plants in Mexico) tons/year	910	407	**534**
SOx (Matamoros plant) tons/year	1,189	1,067	**999**
Kg of SOx per ton sold of hydrofluoric acid	11.37	11.32	**11.16**
Sales in tons/year of hydrofluoric acid in USD	104,545	94,238	**89,484**

The use of a more efficient catalyzing agent in the sulfuric acid plant allowed us to decrease emissions of SOx by 6% in 2009, compared with the emissions in 2008. Nevertheless, the reductions in these emissions continue to be marginal. *(EN20)*

Waste management

Most of our waste is tailings, also known as slag and sterile material. These waste materials are disposed of in specific sites for that purpose, as are tailings dams and deposits in yards within our facilities, and that have been approved by the authorities. *(EN22)*

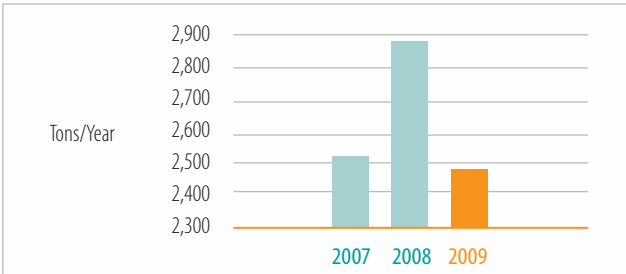
Total waste handled



There were no accidental spills of products in 2009, or in previous years. The Mexichem plants have specific plans and personnel trained to take care of accidental spills, both within our operations as well as in the case of accidents during transport. *(EN23)*

Hazardous waste is temporarily handled in warehouses and is subsequently sent to controlled containment sites, with treatment to stabilize the product or recycle it, in accordance with environmental legislation in each country. In 2009, we did not transport any hazardous waste to other countries. *(EN24)*

Hazardous waste transported



We are generating a class of waste that does not meet the characteristics to be considered hazardous, such as spent oil and filters, tires, glass, plastics, paper, cardboard, biodegradable organic material, wood, and others. Some of these waste materials are recovered, as in the case of oils that are used as fuel in cement plants; others are reused, as in the case of wood, cardboard, and paper, or are recycled, as with plastics. In other cases, when coming from industrial operations, they must be handled in accordance with special conditions, as in the case of by-products. This class of waste must have special handling; we establish action plans to define their use and/or final sustainable purpose, such as to be used in paving roads or for fill and compacting material.

With a global vision, but local action, office personnel also carry out ongoing initiatives to handle solid waste, such as the separation of household waste from neighboring communities and offices in one of our plants in Peru.

9.5 Protection of biodiversity

We do not yet have a specific policy on protection of biodiversity; nevertheless, our responsibility as a company that operates in some of the countries with the greatest biodiversity in the world, such as Brazil, Colombia, Ecuador, Mexico, Venezuela, and Peru, commits us to demonstrate particularly appropriate actions in our mining activities. Some of our operations are in the watershed that supplies the Coatzacoalcos River in Veracruz, a region in Mexico that suffered heavy environmental impact in the decades from 1960 to 2000, and which currently has the soil use corresponding to that of an industrial zone. We monitored the quality of the bodies of water near our facilities and the results did not show any evidence of acute toxicity or cumulative toxic effects.

Despite having no specific plans for handling biodiversity in our facilities, we undertook jointly with Fundación Kaluz a project to protect the habitat in the Chimalapas forest in southeastern Mexico, a region that currently has one of the highest rates of deforestation in the entire country. *(EN13)*

9.6 Initiatives to mitigate environmental impact

To meet our commitment to the environment and reduce the use of questionable materials such as lead, we are replacing one of our additives—a lead-based stabilizer—with more environmentally safe raw materials such as organic calcium and zinc salts, while in the markets of Brazil, Argentina, and Mexico we are trying tin stearate stabilizers. In addition, with the support of the PVC Institute, we are involving the PVC production chain in Brazil, including the piping and fittings transformers and the manufacturers of PVC resin and stabilizers, to promote the Brazilian movement to replace lead-based stabilizers with calcium and zinc compounds.

Our company in Brazil acted prior to the voluntary agreement led by the production chain and completed the replacement of the extrusion stabilizers at the end of 2003. The project was shared with the Brazilian PVC chain, which successfully replaced lead with calcium and zinc, achieving economic sustainability with a resulting decrease in costs and increase in product demand. *(EN26)*

In addition, we were able to recycle 1% of the packaging materials, such as industrial plastic bags, pallets, and containers, of all the products sold that are recovered at the end of their useful life. *(EN27)*

We are happy to report that we received no fines or sanctions for failure to comply with environmental regulations during 2009. *(EN28)*. Nor did we have significant environmental or logistic impact derived from the transportation of products or personnel during the year covered by this report. *(EN29)*

We have plans to close two mines, fluorite and salt. *MM10*

We adopted the precautionary principle in our products that are going to the medical or food industries; we are seeking validation of new raw materials by the US Food and Drug Administration (FDA) through physiochemical, cytotoxicity, microbiological, melamine, genetic, and biocompatibility tests. *(4.11)*

Water Production Project: Conservation of the Chimalapas—Uxpanapa Jungle

Chimalapas is a section of jungle covering approximately 250,000 hectares, located in the vertex formed by the southeastern states of Mexico: Veracruz, Oaxaca, and Chiapas. In this region, the winds coming off the Gulf of Mexico generate precipitation that gives birth to the most significant hydrological system in southeastern Mexico, the starting point of the Coatzacoalcos and Uxpanapa rivers and the primary contributor to the Usumacinta and Grijalva rivers, which contain 40% of the river flow in Mexico.

The project helps guarantee the conservation of the natural water sources in jungle in the Chimalapas-Uxpanapa area, particularly in Santa Maria Chimalapas, ensuring the production of water arising from the Coatzacoalcos and Uxpanapa rivers, which feed water to the country's largest hydro electrical systems, in the state of Chiapas. Part of the volume of the water flow is used in industrial zones in Veracruz—where Mexichem has production plants—and another part feeds the estuary systems of the Coatzacoalcos River, where hundreds of animal and plant species reproduce, need a gradient of salinity for their reproduction, and are key factors for maintaining the environmental equilibrium.

At present, the region of Chimalapas has the highest rate of deforestation in the country: 3.8% per year. In the last 14 years, the jungle coverage decreased 40% due to the lack of financing to support sustainable production activities and the illegal poaching and sale of species. This has had serious environmental and social impacts, such as soil erosion, deterioration of water quality, changes in use of the land from virgin tropical jungle to lumber and livestock, and a decline in the quality of life for 14,000 ethnically diverse inhabitants.

The project is financed jointly by Mexichem and Fundación Kaluz with the intent to contribute to the conservation of the Chimalapas jungle through a strategy based on three core themes: conservation of nature, development of sustainable communities, and environmental management. This initiative provides the opportunity to benefit the local communities and serve as a link to local authorities, the academic community, and other groups interested in environmental conservation and the social progress of the indigenous communities of Chimalapas. *(EN13 and 4.12))*

The project is financed jointly by Mexichem and Fundación Kaluz with the intent to contribute to the conservation of Chimalapas.

10.1 Social responsibility in our communities

The commitment to the communities in which we are present is based on a joint effort of self-development.

Synergies for social progress

Due to the diversity of social conditions in the communities in which we operate, we encounter various phases of development: assistance, management, co-management, self-management, and self-development. We support the volunteer work of our employees when these activities join forces with the needs and initiatives of community development. We are working to make our focus less purely philanthropic and more strategic, in order to give priority to the social and environmental issues that are aligned with the company's interests. Our commitment to sustainability is broader: we want to help the "fishermen" of our communities learn to use their fishing rods, so that they themselves can decide what "fish" they want to catch.

10.2 Strengthening abilities

The core areas to which we have contributed are strengthening of abilities, the water supply, and health. Training in information technologies was extended to some family members of our employees and to members of the community.

Establishing social synergies with the community's water committee, the Rotary Club of Cartago, and the company, we gave ourselves the task of supporting improvement in the quality of life of the population of Gavilán Canta, Costa Rica.

As part of the management strategy with the community, we established objectives to help us strengthen relationships:

- To adopt a strategic focus that responds to the priority needs of the community, in line with our business objectives.
- Establish alliances with community organizations, public or private.
- Guarantee tangible results by defining, establishing, and monitoring indicators focused on each project.

(4.16)

Our commitment to sustainability is broader: we want to help the "fishermen" of our communities learn to use their fishing rods, so that they themselves can decide what "fish" they want to catch.

Forging alliances to improve quality of life in the communities:
Aqueduct for the indigenous community of Gavilán Canta, Costa Rica

Gavilán Canta is an indigenous community that is a part of the Talamanca Cabécar Reserve, located in the province of Limón, in the canton of Talamanca, district of Bratsi, Costa Rica. It is located north of the Telire River and southwest of the villages of Sibujú and Shiroles.

Currently the indigenous population in Costa Rica represents 1% of the total population—63,876 people according to the 2000 census—and it is the indigenous people who live in their territories who have the most unfavorable socioeconomic conditions: high morbidity due mainly to gastrointestinal and respiratory illnesses.

Plantain farming is the driving force behind the economy, society, and culture of Gavilán Canta, as the entire daily life is permeated with activities related to this crop. The community has approximately 500 inhabitants who have no potable water; they get their water supply from the river near the village for all their needs: bathing, drinking, food preparation, agriculture. The labor to transport the water from the river to the homes falls on the women, who suffer from bone and muscle injuries.

The lack of potable water in the community limits its development and affects the quality of life of its inhabitants. For this reason, in 2008 the Rotary Club of Cartago undertook a project to provide this community with an aqueduct. A water committee was formed to manage the resource and will contribute the labor for the project, as the Rotary Club took on the commitment to contribute the necessary construction materials. During 2009, the Rotary Club of Cartago, together with Tubosistemas de Costa Rica, joined together to build this aqueduct, a project that will be completed in two stages: the first included the purchase and installation of 4 km of 3" piping, while the second involved construction of a set of tanks, purification, training, and sustainability of the project.

The company contributed the design for building the aqueduct. It took advantage of the topography of the mountain to guide the water by gravity, and therefore it was not necessary to install any pumping equipment to bring the water to the town. It also engaged in training for the community regarding installation of the piping and supervision of the installation process. On its end, the Rotary Club of Cartago contributed funds to purchase the piping and the storage tank for the first stage. The community is participating by contributing the labor to install the piping.

We learned that building relationships with indigenous communities starts with respect for their traditions and social organization, and that any solution considered must be reached by general consensus; the community projects allow solutions to be offered beyond the area of competence of the company or its employees. Therefore, there must be goodwill for the project in order for it to succeed. The formation of alliances among several sectors produces synergies that yield triple-bottom-line results.

Mexichem, with the financial support of Fundación Kaluz, the support of the Rotary Club, and the participation of the community and other allies such as Florida Bebidas, will be responsible for executing the second stage of the project in 2010. In this way, forging alliances can bring social progress to the neediest communities.

We learned that building relationships with indigenous communities starts with respect for their traditions and social organization, and that any solution considered must be reached by general consensus.

TESTIMONIES:

"Up to this point, the community is motivated. We need more information to motivate more people, so that the project will move ahead more quickly, as some don't understand [the project] very well, and we need them to be motivated so that we all work more. This project is very appreciated and supported by the community; we are going to achieve these connections because we need them and we are going to work hard to complete it in the near future."

Margareth Fernández Solís
Chairman Gavilán Canta Water Committee

"We are very happy and we sincerely appreciate all the participating entities. We take the water from the stream, at a site where we all bathe, and this caused a lot of illness; this is why we asked for this help. We are very happy and are grateful for all the people that are helping us."

Enrique Reyes
Fiscal Comité de Agua Gavilán Canta (4.12)

School of Digital Inclusion and Growing Citizenship Together

The Amanco Plastigama plant, located in Guayaquil, Ecuador, completed the project: School of Digital Inclusion and Growing Citizenship Together, which teaches information technology in the Panorama Community, near Guayaquil. This residential area was built 25 years ago and has basic services: piped-in drinking water, light, telephone, and sewer system. There are 875 families living there, with an average 4.5 persons per home, or approximately 4,000 residents. The socio-economic situation of the sector is lower-middle class, and its level of education is mid-level and higher.

The purpose of the project is to motivate citizens to participate in improving quality of life, providing a better knowledge of information technology to the family members of our employees and to members of the community in a free training center. To start up this project, an agreement was signed in August of 2008 with the foundation of the Comité para la Democratizacion de la Informatica (CDI; Committee for the Democratization of Information Technology), for a period of three years. In 2009, 237 people from the community, including 66 family members of employees, benefited from three levels of courses.

This type of investment increases community participation in projects that seek the common good while strengthening the company's "social license to operate." *(4.12)*

In 2009, 237 people from the community, including 66 family members of employees, benefited from three levels of courses.

GRI Indicators

GRI ID	DESCRIPTION OF THE GRI INDICATOR	PAGE
1	STRATEGY AND ANALYSIS	
1.1	Statement from the Chairman of the Board of Directors or CEO or both	6 and 7
1.2	Description of main impacts, risks and opportunities	10 and 11
2	PROFILE OF ORGANIZATION	
2.1	Name of organization	1
2.2	Principal brand trademarks, products and/or services	2 - 4
2.3	Operational structure, including principal divisions, companies, subsidiaries and joint businesses	4
2.4	Location of the organization's corporate headquarters	1
2.5	Number and name of countries in which the organization operates	1
2.6	Nature of ownership and legal form	1
2.7	Markets served	1 and 5
2.8	Size of organization (# of employees, sales, capitalization, assets, costs, etc.)	24 and 26
2.9	Significant changes in organization	26
2.10	Awards, certifications and honors received during the reporting period	13
3	PARAMETERS OF THE REPORT	
3.1	Period covered	6 - 8
3.2	Date of most recent prior report	6 - 8
3.3	Presentation cycle of reports	6 - 8
3.4	Contact information for matters related to the report	3rd of cover pages
3.5	Definition and content of the report	8 and second of cover pages
3.6	Scope of report	8
3.7	Limitations to the scope	8
3.8	Basis for including information on changes that affect the comparability of the information reported	8
3.9	Techniques for measuring data and basis for making calculations	8
3.10	Description of the effect that restating information may have	8
3.11	Significant changes	8
3.12	Table that indicates location of contents	41 - 44
4	CORPORATE GOVERNANCE, COMMITMENTS AND STAKEHOLDERS	
4.1	Governance structure	9
4.2	Indicate if the Chairman/President of the highest governing body is also an executive	9
4.3	Number of independent members in the highest governing body	9
4.4	Means of communicating with the highest governing body	9
4.5	Remuneration of members of the highest governing body, including triple bottom line	9
4.6	Procedures implemented to avoid conflicts of interest in the highest governing body	8
4.7	Procedures for determining the education and experience required from members of the highest governing body in order to guide the organization's strategy in social, environment, and economic affairs	9
4.8	Mission statements developed internally, codes of conduct, and principles for economic, environmental and social performance, and the status of their implementation	10
4.9	Procedures of the highest governing body to evaluate the organization's management of the triple bottom line, including related risks and opportunities, as well as the adherence or compliance with internationally recognized standards, codes of conduct and principles	9
4.10	Procedures of the highest governing body used to evaluate the triple-bottom-line performance	9
4.11	Description of how the organization has adopted the precautionary principal , including risk management	34

	ID GRI	DESCRIPTION OF THE GRI INDICATOR	PAGE
	4.12	Social, environmental, and economic programs or initiatives carried out outside the company (cases)	19, 27 and 31
	4.13	Main associations to which the organization belongs and/or national and international entities which the organization supports	48
	4.14	Identification of stakeholders	13
	4.15	Selection of stakeholders	13
	4.16	Participation of stakeholders	15 and 36
	4.17	Results from analysis of stakeholders	15
		ECONOMIC PERFORMANCE INDICATORS	
IP	EC1	Direct economic value generated and distributed, including revenues, operating costs, payment of employees, donations, etc.	26
IP	EC3	Coverage of the organization's obligations owing to social benefit programs (pensions)	20
IP	EC4	Significant financial assistance received from governments	24
IP	EC7	Procedures for local hiring and proportion of upper management from the local community in places where significant operations are being carried out	20
IP	EC8	Implementation and impact of investments in infrastructures and services provided primarily for the public benefit through business commitments, pro bono, or in kind	26
		ENVIRONMENTAL PERFORMANCE INDICATORS	
IP	EN1	Materials used, by weight and volume	28
IP	EN2	Percentage of materials used that are recycled as a raw material	28
IP	EN3	Direct energy usage broken down by primary sources	28
IP	EN4	Indirect energy usage broken down by primary sources	30
IA	EN5	Energy savings owing to conservation and to improvements in efficiency	30
IA	EN6	Initiatives to provide products and services that are energy efficient or based on renewable energies and reductions in energy usage resulting from these initiatives	30
IA	EN7	Initiatives to reduce indirect energy usage and reductions achieved through these initiatives	30
IP	EN8	Total extraction of water by source	33
IA	EN9	Water sources that have been significantly affected by extraction of water	33
IA	EN10	Percentage and total volume of recycled and reused water	33
IA	EN13	Protected or restored habitats	34 and 35
IP	EN16	Total direct and indirect emissions of greenhouse gases, by weight	33
IP	EN17	Other indirect emissions of greenhouse gases, by weight	33
IA	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	33
IP	EN19	Emissions of substances that destroy the ozone layer, by weight	31 and 33
IP	EN20	NOx, SOx, and other significant emissions into the air by type and weight	33
IP	EN21	Total discharge of wastewaters, by type and destination	33
IP	EN22	Total weight of waste managed, by type and method of treatment	34
IP	EN23	Total number and volume of the most significant accidental spills	34
IA	EN24	Weight of waste transported, imported, exported or treated that is considered hazardous according to the classification by the Basel Convention, Annexes I, II, III and VIII and percentage of waste transported internationally	34
IP	EN26	Initiatives to mitigate environmental impact of products and services and the degree of reduction	34
IP	EN27	Percentage of products sold, and their packaging materials, that are recovered at the end of their useful life, by product category	34
IP	EN28	Cost of significant fines and number of nonmonetary sanctions for failure to comply with environmental regulations	34
IA	EN29	Significant environmental impacts from the transportation of products and other goods and materials used for the organization's activities, as well as from the transportation of personnel	34
IA	EN30	Total environmental expenses and investments, broken down by type	28
	GRI ID	DESCRIPTION OF GRI INDICATOR	PAGE

		SOCIAL PERFORMANCE INDICATORS	
IC	LA1	Breakdown of the group of workers by type of employment, contract, and region.	16
IC	LA2	Total number of employees and average employee turnover, broken down by age group, sex and region.	16
IA	LA3	Social benefits for employees working full time, which are not offered to temporary or part-time employees, broken down by main activity.	17
IC	LA4	Percentage of employees covered by a collective bargaining agreement.	17
IC	LA5	Minimum period(s) for prior notice with regard to organizational changes, including if these notifications are specified in the collective bargaining agreements.	17
IA	LA6	Percentage of total workers represented in the joint management-employee health and safety committee, established to help monitor and advise health and safety programs at work.	21
IC	LA7	Rates of absenteeism, occupational illnesses, days lost and number of work-related fatalities by region.	21
IC	LA8	Education, training, counseling, and risk prevention and control programs regarding serious illnesses that apply to workers, their families or members of the community.	23
IA	LA9	Health and safety matters covered in formal agreements with unions.	23
IC	LA10	Average hours of training per year per employee, broken down by category of employee.	17
IC	LA11	Skill management and continuing education programs that promote worker employability and that support them in managing the end of their professional careers.	17
IA	LA12	Percentage of employees receiving regular performance and professional development evaluations.	17
IA	HR3	Total hours of employee training on policies and procedures related to those aspects of human rights that are relevant to their activities, including the percentage of employees trained.	20
IC	HR4	Total number of incidents of discrimination and measures adopted.	20
IC	HR5	Activities of the company in which the right to freedom of association and to make use of collective agreements can run significant risks and measures adopted to support these rights.	20
IC	HR6	Activities identified as involving a potential risk of child exploitation, and measures adopted to contribute to its elimination.	20
IC	HR7	Operations identified as involving a significant risk of giving rise to incidents of forced or nonconsensual labor, and the measures adopted to contribute to its elimination.	20
IA	HR8	Percentage of security personnel trained in the organization's policies and procedures regarding human rights that are significant for their activities.	20
IA	HR9	Total number of incidents related to violations of the rights of indigenous populations and the measures adopted.	20
IC	SO	Nature, scope and effectiveness of programs and practices to evaluate and manage the impact of operations on the communities, including the company's arrival, its operations, and its departure.	15
IC	SO2	Percentage and total number of business units analyzed with regard to risks related to corruption.	10
IC	SO3	Percentage of employees trained in the organization's anti-corruption policies and procedures.	10
IC	SO5	Position in public policies and participation in development of the latter and of lobbying activities.	10
IA	SO6	Total value of financial contributions and contributions in kind to political parties or related institutions, by country.	10
IA	SO7	Total number of proceedings for causes related to monopolistic practices and against free trade, and their results.	10
IC	PR1	Phases in the lifecycle of products and services in which their impact on the health and safety of clients is evaluated, improved upon if applicable, and the percentage of significant product and service categories subject to such evaluation procedures.	23
IA	PR2	Total number of incidents arising from failure to comply with regulations or voluntary codes related to the impact of products and services on health and safety during their lifecycle, distributed depending on the type of result of these incidents.	23
IC	PR3	Types of information on products and services required by current procedures and regulations, and percentage of products and services subject to these reporting requirements.	5
IA	PR7	Total number of incidents resulting from failure to comply with regulations on marketing communications, including publicity, advertising, and sponsorship, distributed depending on the type of result of these incidents.	5
IA	PR8	Total number of claims based on respect of privacy and the leaking of personal client information.	5
IC	PR9	Cost of significant fines resulting from failure to comply with regulations regarding the provision and use of the organization's products and services.	5

		GRI MINING AND METALS SECTOR SUPPLEMENT 2005 INDICATORS	
MC	MM2	Added value broken down by country. (total revenues—total purchase costs)	26
MA	MM5	Description of policies used to evaluate the eco-efficiency and attributes of sustainability of products. For example: recycling, consumption of materials, energy consumption, toxicity, etc.	33
MA	MM10	Closing of operations: Number or percentage of operations with plans for closing, including the social—counting job transition—environmental, and economic aspects. Describe the company's policy, processes to strengthen the commitment with interested parties, the regular intervals at which the plan is reviewed, and the type of financial provisions for the closing.	34
MA	MM12	Preparation for emergencies: Description of criteria used to identify, prevent, and respond to emergency situations that affect the workers, the local communities, or the environment. This must include a description of existing aptitudes, emergency response teams, training, practice drills, review processes, and the degree to which the community is involved.	23
MC	MM13	Health and Safety: Number of cases of occupational illness by type. Describe programs for the prevention of occupational illnesses.	23

		GRI MINING AND METALS SECTOR SUPPLEMENT 2010 INDICATORS	
MA	MM4	Number of strikes or work stoppages that have exceeded one week, by country.	21
MA	MM10	Number and percentage of operations that have plans to close.	34

	MANAGEMENT'S FOCUS ON ECONOMIC, SOCIAL, AND ENVIRONMENTAL ASPECTS
IC	Primary Indicator from the guide used to prepare GRI G-3 Core Indicator
IA	Indicator from the guide used to prepare GRI G-3 additional indicator.
MC	Core Indicator from the GRI Mining and Metals Sector supplement
MA	Additional Indicator from the GRI Mining and Metals Sector supplement

12. Glossary and acronyms

Aquifer: Water-bearing porous rock or soil.

Base of the pyramid market: Segment of the population that lives on less than USD2,000 per year (USD5.5 per day). In Latin America, 50% of the population lives on this income. Companies direct only 10% of their advertising expenses towards them.

Biodiversity: The concept of biodiversity includes various living organisms, genetic diversity, and habitat diversity, as well as the processes that create and sustain variation in the environment. The different species of plants, animals, fungus, and microbes interact among themselves in diverse ecological processes that form the ecosystems. Biodiversity is very valuable as the combination of distinct forms of life has made the land a unique place, habitable for human beings; it sustains human life and life itself.

Brine: Solution of sodium chloride in water.

Closing plan: Plan required in order for mines to be issued an operating license. The closing plan includes the procedures for closing the site, with a schedule of the stages of remediation, schedule of re-vegetation or soil stabilization and the proposal for monitoring, maintenance, and subsequent use after closing.

CO_2e: Carbon Dioxide Equivalents

Comprehensive responsibility: Form of administering the chemical industry business at a global level, which allows us to voluntarily take the necessary measures in a responsible way to resolve environmental, health, and safety issues arising from our operations.

Cost of carbon: The virtual price of carbon is used to assess the increase or decrease in greenhouse gas emissions, as a result of a set policy. In simple terms, this virtual price "puts a price" on damages provoked by climate change, caused by each additional ton of greenhouse gas emissions, expressed as equivalents of carbon dioxide (CO2e), to facilitate the comparison.

CPVC: Chlorinated polyvinyl chloride.

Days lost: Days of work that are lost due to work accidents, as a consequence of the inability to perform the work.

Direct use of energy: Consumption of primary energy sources owned or controlled by Mexichem.

Disabling accidents: Accidents that result in the loss of faculties or aptitudes that make it impossible for a person to perform work duties for one entire shift or more, subsequent to the date the accident occurred.

Eco-efficiency: Level of efficiency associated with the operating processes, expressed as a combination of economic and environmental performance. In general, eco-efficiency is expressed in terms of the monetary value of the product or service, divided by its environmental impact.

Environmental audit: Analysis of the operation of a company with respect to contamination and the risk it generates, as well as the degree of compliance with environmental regulations. These audits define the preventive and corrective measures necessary to protect the environment.

Equator principles of the World Bank: Constitute a benchmark for financial entities in evaluating environmental and social risks associated with the financing of projects; they are evaluated in accordance with the following categories:

Category A

A.1 Significant impact on people (involuntary relocation, economic displacement, issues affecting the indigenous population).
A.2 Loss or degradation of habitat in preserved ecosystems.
A.3 Adverse impact on cultural heritage.
A.4 Various substantial impacts, in combination with above.

Category B

Projects whose activities take place in natural habitats, with a defined land use. They impact only locally, can be mitigated, and do not trigger any of the category "A" policies.

Category C

Refinancing of projects; expansions with minimal or no adverse environmental impact.

Fatal accident: Accidents that result in the loss of human life.

Fossil fuel: Product of the decomposition, partial or complete, of prehistoric plants and animals, found as crude oil, coal, natural gas, or heavy oils that are created as a result of their exposure to intense heat and high pressure under the earth's crust for millions of years.

G3: Global Reporting Initiative indicators (third generation), in accordance with which this report was made.

Greenhouses gases: Gases located in the lower part of the atmosphere (the troposphere) and that are at the origin of the greenhouse effect (increase in temperature). Among others, they include carbon dioxide, chlorofluorocarbons, ozone, methane, and nitrous oxide. These gases, released into the atmosphere through the burning of fossil fuels and through other means, are the primary cause of global climate change.

GRI: Global Reporting Initiative, the most common methodology for presenting sustainability reports. It lists 79 indicators that serve as a guideline for companies when reporting on their economic, environmental, and social performance. For this report, used the third generation of the GRI Guides, known as "G3".

Human rights: Concept that affirms that human beings have universal rights or statuses, apart from jurisdiction or other distinct factors, such as ethnic group, nationality, and gender.

ICMM: International Council on Mining and Metals.

Incidence rate: This is the number of disabling accidents divided by the number of man-hours worked in the period, multiplied by 200,000.

Indigenous groups: Cultural groups and their descendents who have a historic relationship with a specific region. They share a cultural identity and, as minorities, can be vulnerable to the existing social and economic systems.

Indirect economic impacts: As defined in the Economic Indicators Protocols of the GRI, these impacts are the result, often nonmonetary, of direct economic impacts (transactions between the company and its stakeholders).

Indirect use of energy: Energy used by Mexichem, generated by sources owned and controlled by another company (electricity, heat, or imported steam).

IPCC: Intergovernmental Panel on Climate Change.

ISO 14001: International standard governing environmental-management systems.

Man-hours worked: This is the sum of man-hours worked in each location of the group.

Materiality: Information that can affect the company and that has the potential to influence the perception of stakeholders who hope to make decisions and evaluate Mexichem's commitment to sustainability.

MSDS: Material Safety Data Sheet.

NGO: Nongovernmental organization, a nonprofit organization financed mainly by private contributions, which operates outside institutionalized government or political structures. In general, the agendas of NGOs include social, political, and environmental issues.

OSHA (Occupational Safety and Health Administration), Guides of: Guides issued by said agency to evaluate occupational health and safety.

OHSAS 18001: System for evaluating occupational health and safety that governs management systems in these areas.

Participation: Process of contact, dialogue, and interaction that guarantees that all stakeholders have adequate information and participate in the decisions that affect their future.

Pesos: Refers to Mexican currency.

PVC: Polyvinyl chloride

Restoration: Reestablishing original properties of an ecosystem or habitat with regard to its community structure and performance of natural functions.

Residual water: Liquid of varying composition coming from municipal, industrial, commercial, agricultural, livestock, or any other use, whether public or private, which has degraded from its original quality.

RSE: Socially Responsible Business (Responsabilidad Social Empresarial).

Safety policy: Establishes that Mexichem has made commitments to:

* Prevent accidents; that safety is everyone's responsibility.
* Preserve the health of our employees.
* Prevent contamination in the performance of our activities, for the protection of the environment.
* Continuously improve the efficiency of our management system, through the objectives established.
* Comply with current applicable legislation and with other requirements to which the organization subscribes through its management system.

Severity rate: The number of days of disability granted divided by the number of man-hours worked in the period, multiplied by 200,000.

Slag: Waste from the metal smelting and refining processes, comprised mainly of iron, silica, and calcium.

Socio-efficiency: Describes the relationship between the company's added value and its social impact.

Stakeholders: Groups or persons who can be affected positively or negatively by the financial, environmental (including health and safety), and social aspects of our operations, as well as those who have an interest in or influence on our activities.

Sustainable development: Process that meets the needs and aspirations of the current generation, without compromising the ability to meet those of future generations. (WBCSD, World Business Council for Sustainable Development).

Sustainability: Development that meets the needs of the present without compromising the ability of future generations to meet their own needs, as defined by the United Nation's World Commission on Environment and Development (Brundtland Commission), in 1987.

Tailings: Waste from the concentration process or smelting of minerals with low remaining mineral content.

Tailings dam: Shallow depression where tailings are confined. Its main function is to give the heavy metals time to settle, or for the cyanide (used to dissolve the mineral's gold and silver) to be destroyed before the water discharges into some local source.

UICN: Unión Internacional para la Conservación de la Naturaleza (International Union for the Conservation of Nature)

United Nations Global Compact: The United Nations Global Compact is an initiative for ethical commitment, encouraging entities in all countries to adopt as an integral part of their strategies and their operations its ten principles of conduct and action with regard to human rights, labor, the environment, and the fight against corruption.

Universal Declaration of Human Rights: Declaration adopted by the United Nations General Assembly that describes the rights guaranteed to all persons.

VCM: Vinyl-chloride monomer

Wastewater treatment: Procedure by which water contaminated with organic and mineral matter is purified. It is divided into three phases:

• ***Primary treatment***
First step in the treatment of wastewater, in which all floating and sedimentable solids are eliminated by means of screens, mechanical extractors, and other devices.

• ***Secondary treatment***
During this phase, the content of organic materials is eliminated through microbial processes.

• ***Tertiary treatment***
In this stage of the process, nutrients (phosphorus and nitrogen) are removed and a high percentage of solids suspended and dissolved.

WBCSD: World Business Council for Sustainable Development

WRI: World Resources Institute

13. Definition of units and conversions factors

Units

Definition of units and conversion factors	
t	Tons (1,000 kg)
Kt	Kiloton (1,000 t)
mg	Milligram (0.001 g)
µg	Microgram (0.000001 g)
ppm	Parts per million
l	Liter
m^3	Cubic meters
Gj	Gigajoules (10^9 joules)
TJ	Terajoules (10^{12} joules)
kWh	Kilowatt hours (0.0036 Gj)
gWh	Gigawatt hours (106kWh)

14. Conversion factors of greenhouse gases by fuel type

Units and equivalencies

Greenhouse gas conversion factors by fuel type				
	CO_2	CH_4	N_2O	Gj
Diesel	2,730g/L	0.12 g/L	0,1 g/L	38.68 Gj/m^3
Gasoline	2,360 g/L	0.19 g/L	0.39 g/L	34.66Gj/m^3
Natural gas	1,880 g/m^3	0.048 g/m^3	0.02 g/m^3	0.03723 Gj/m^3
Propane	1,530 g/L	0.03 g/L	0	25.53 Gj/m^3
HFO (heavy fuel oil)	3.090 g/L	0.12 g/L	0.013 g/L	38.68 Gj/m^3
Coal	2,110 g/Kg	0.015 g/Kg	0.05 g/Kg	30.5 Gj/t
Coke	2,480 g/Kg	0.12 g/Kg	0	28.83 Gj/t

Source: Mining Association of Canada

15. Affiliations *(4.13)*

These are the organizations with which we are affiliated or initiatives that we support because we share their sustainability philosophy.

EMPRESA SOCIALMENTE RESPONSABLE

Chlorine Institute
Member of the Chlorine Institute

NSF

Organization that certifies food products, water, and consumable goods

Centro Mexicano para la Filantropía (CEMEFI; Mexican Center for Philanthropy)

Green Building Council, Brazil

WBCSD

Brazilian Business Council for Sustainable Development

Cámara Minera de México (Mining Chamber of Mexico)

National Chemical Industry Association

PROVINILO
Commission for the Promotion of Vinyl
CIPRES
Plastic Industry Commission on Responsibility and Sustainable Development
Comprehensive Responsibility
SETIQ
(Sistema de Emergencias en Transporte para la Industria Química)—Transportation Emergencies System for the Chemical Industry
ECBE
(Escuela de Capacitación de Brigada de Emergencia)—Rescue Squad Training School

MEXCHEM

Mexican Stock Exchange (Bolsa Mexicana de Valores—BMV)
Ticker symbol MEXCHEM

IDIEM (Instituto de Investigaciones y Ensayos de Materiales)—Institute for Research and Testing of Materials

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Chemical Industry Initiative to improve Health, Safety, and Environmental Development

APOYAMOS EL PACTO MUNDIAL

United Nations Global Compact

AMERI

Global Reporting Initiative

LATIBEX

Asociación Mexicana de Relación con Inversionistas, A.C. (Mexican Association of Investor Relations)

Latin American Stock Market

APLA

Petrochemical and Chemical Association of Latin America

16. Contact information

If you would like further information on this report or about Mexichem, please contact Enrique Ortega Prieto, Director of Strategic Planning and Investor Relations. *(3.4)*

Mexichem, S.A.B. de C.V.
Río San Javier #10
Fraccionamiento Viveros del Río
Tlalnepantla, Estado de México
54060 México
Phone 52+(55) 5366 4000
Fax 52+(55) 5397 8836
www.mexichem.com

DESIGN: signi.com.mx

Mexichem

Mexichem, S.A.B. de C.V.
Río San Javier #10
Fraccionamiento Viveros del Río
Tlalnepantla, Estado de México
54060 Mexico
Phone 52+(55) 5366 4000
Fax 52+(55) 5397 8836
www.mexichem.com
sustentabilidad@mexichem.com