



**Formulating solutions.
Multiplying possibilities.**

Mexichem.

TABLE OF CONTENTS

1	1. Company Profile	30	7.4.1 Social responsibility in our communities
1	1.1 About Mexichem	30	7.4.2 Strengthening our abilities
2	1.2 Diagram of product chains	30	7.4.3 Awards, certifications, and distinctions
3	1.3 Map of business units	34	7.4.4 Achievements through the Kaluz Foundation, A.C.
4	1.4 Diagram of processes and uses	35	<i>External social, environmental, and economic initiatives</i>
6	1.5 Mexichem Culture: Mission, Vision, and Values	38	7.4.5 Impact of investments on social infrastructure
7	1.6 Products, brands, and markets	39	<i>Mexichem supports Children's Hospital</i>
8	2. Message from the CEO	40	8. Environmental Dimension
10	3. Introduction	41	8.1 Impact of new plants on environmental performance
10	3.1 Triple-bottom-line model	41	8.2 Investments in environmental projects
10	3.2 About the 2010 Sustainability Report	42	8.3 Use of natural resources (salt, fluorite and sulfur)
11	4. Corporate Governance		<i>Technological Innovation</i>
11	4.1 Governance system	43	8.4 Efficient use of water and energy
11	4.2 Corporate governance structure	45	<i>Mexichem on the global water situation</i>
13	4.3 Code of ethics	46	8.5 Controlling emissions and handling waste
13	4.4 Management systems and policies	47	<i>Mexichem at the United Nations Framework Convention on Climate Change, Cancun 2010</i>
14	5. Management Focus	48	8.6 Development and introduction of safer and more eco-friendly products
14	5.1 Goals and performance	48	8.7 Protection of biodiversity
15	5.2 Relationship with our stakeholders	49	8.8 Product stewardship
18	6. Economic Dimension	49	8.8.1 Product safety management
19	6.1 Creation of wealth and prosperity	49	<i>Water production project: Conservation of the Chimalapas – Uxpanapa Forest</i>
20	6.2 Economic performance	50	9. Achievements in 2010
21	6.3 Added value broken down by country		Appendix
22	7. Social Dimension	56	Mexichem GRI indicators (version G3)
23	7.1 Relationships with stakeholders	60	Glossary and acronyms
24	<i>Mexichem led the Fourth Andean Conference on PVC and Sustainability</i>	63	Definition of units and conversion factors
24	7.2 Management of human capital	63	Greenhouse gas conversion factors by fuel type
24	7.2.1 Labor practices	63	Affiliations
27	7.2.2 Human rights	64	Verification of GRI level
28	<i>Communication on Progress (CoP) Report, Mexichem Colombia</i>	Inside back cover	Contact information
28	7.3 Health and safety of workers		
30	7.4 Contribution to social progress		



1. COMPANY PROFILE

1.1 About MEXICHEM (2.4)

Mexichem is a leader in the chemical and petrochemical industry in Latin America, with more than fifty years of experience operating in the region and more than thirty years as a member of the Mexican Stock Exchange (Bolsa de Valores de Mexico). Its products are marketed worldwide and generate sales of more than USD3 billion annually. Today Mexichem has more than 10,000 employees, each actively contributing to progress in the countries in which we operate.

Mexichem products have a significant positive impact on people's quality of life and are in increasing demand in dynamic fields such as construction and civil infrastructure, water supply and basic sanitation, power generation, transportation, communications, and health care, among many others.

The company's mission is to create value from its basic raw materials, salt and fluoride, through efficient product chains that generate superior business results and operate within a framework of corporate responsibility.

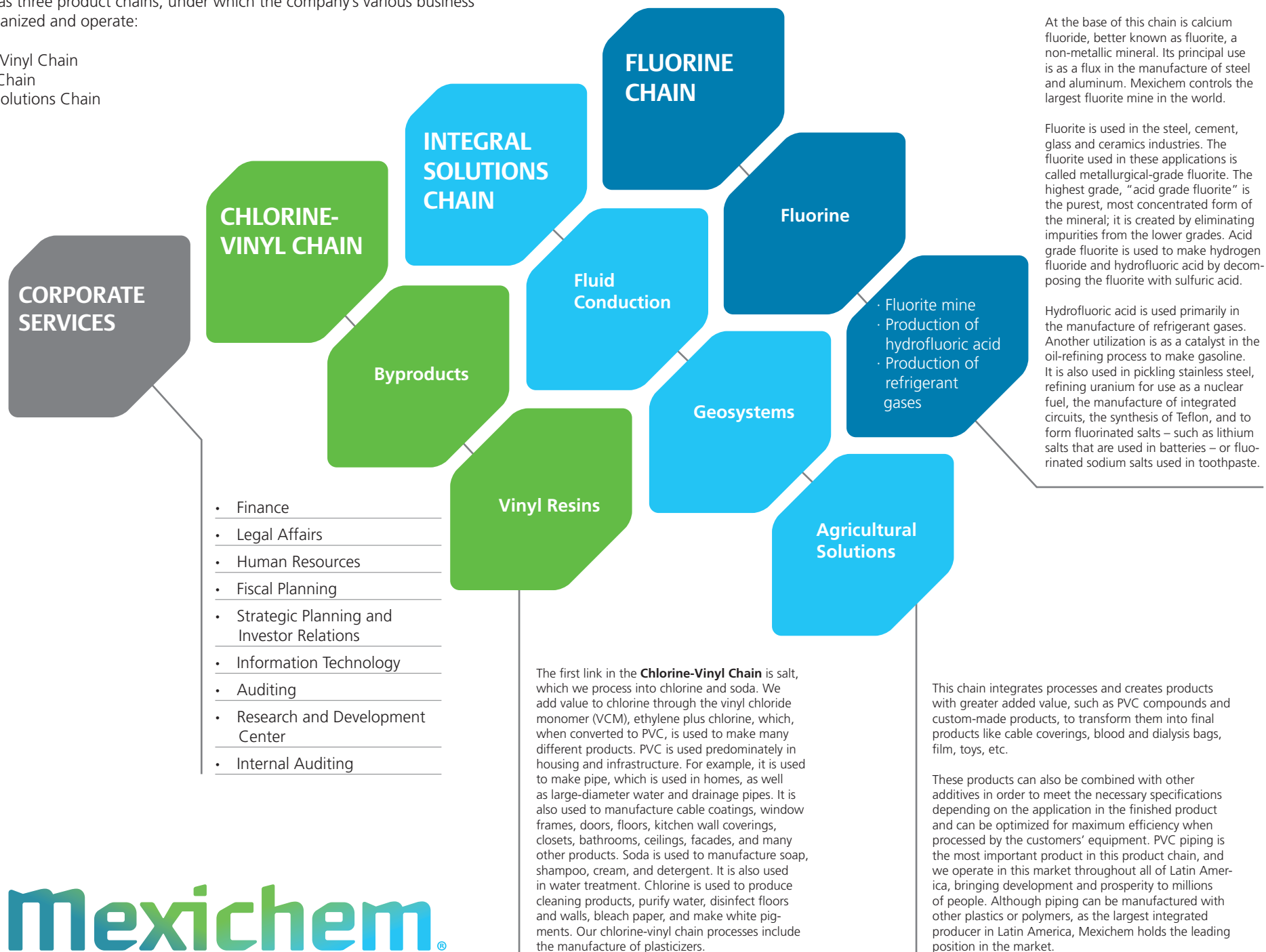
The corporate headquarters are located at:

Río San Javier #10
Fraccionamiento Viveros del Río
Tlalnepantla, Estado de México
54060 México

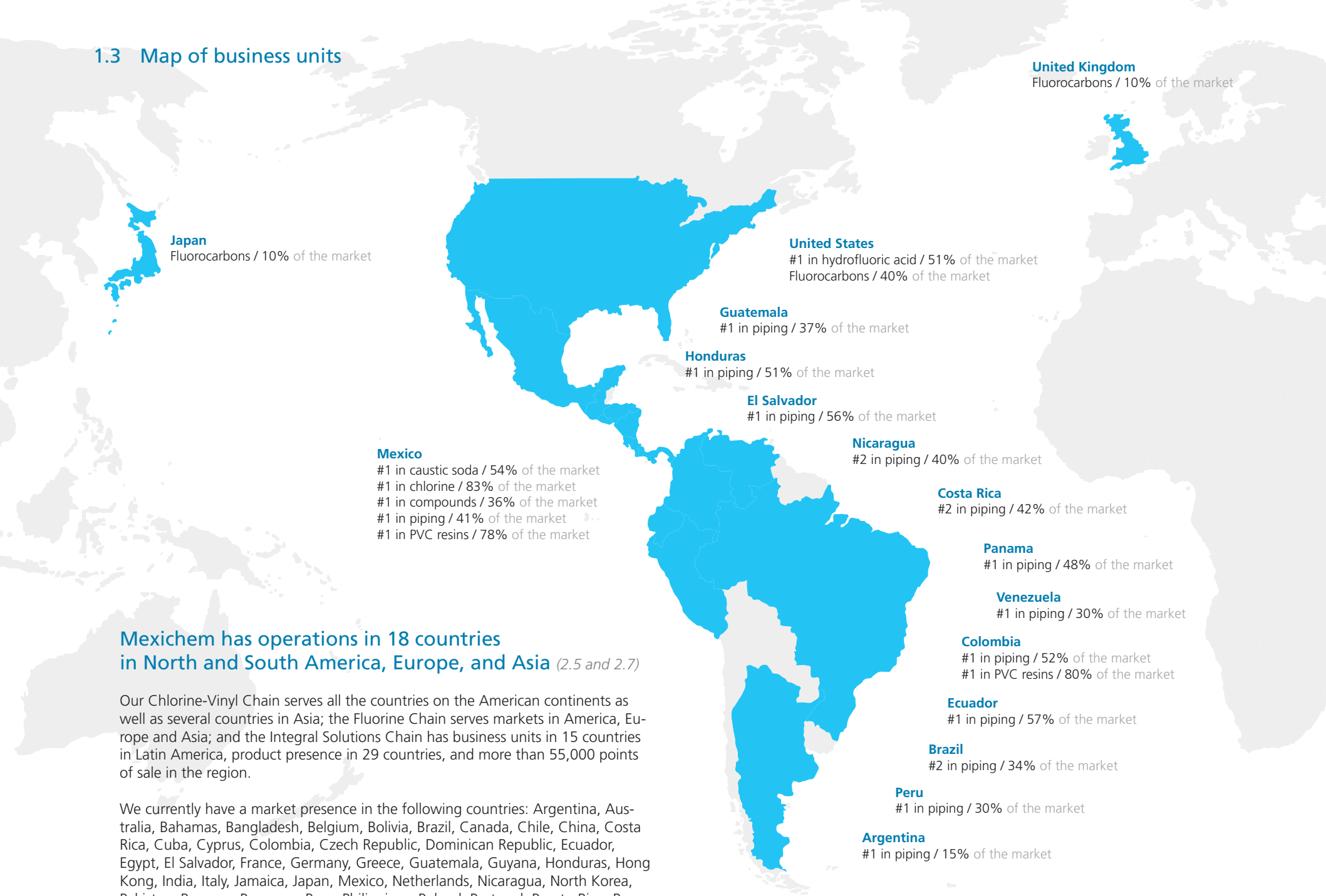
1.2 Diagram of product chains (2.2, 2.3 and 2.7)

Mexichem has three product chains, under which the company's various business units are organized and operate:

1. Chlorine-Vinyl Chain
2. Fluorine Chain
3. Integral Solutions Chain



1.3 Map of business units



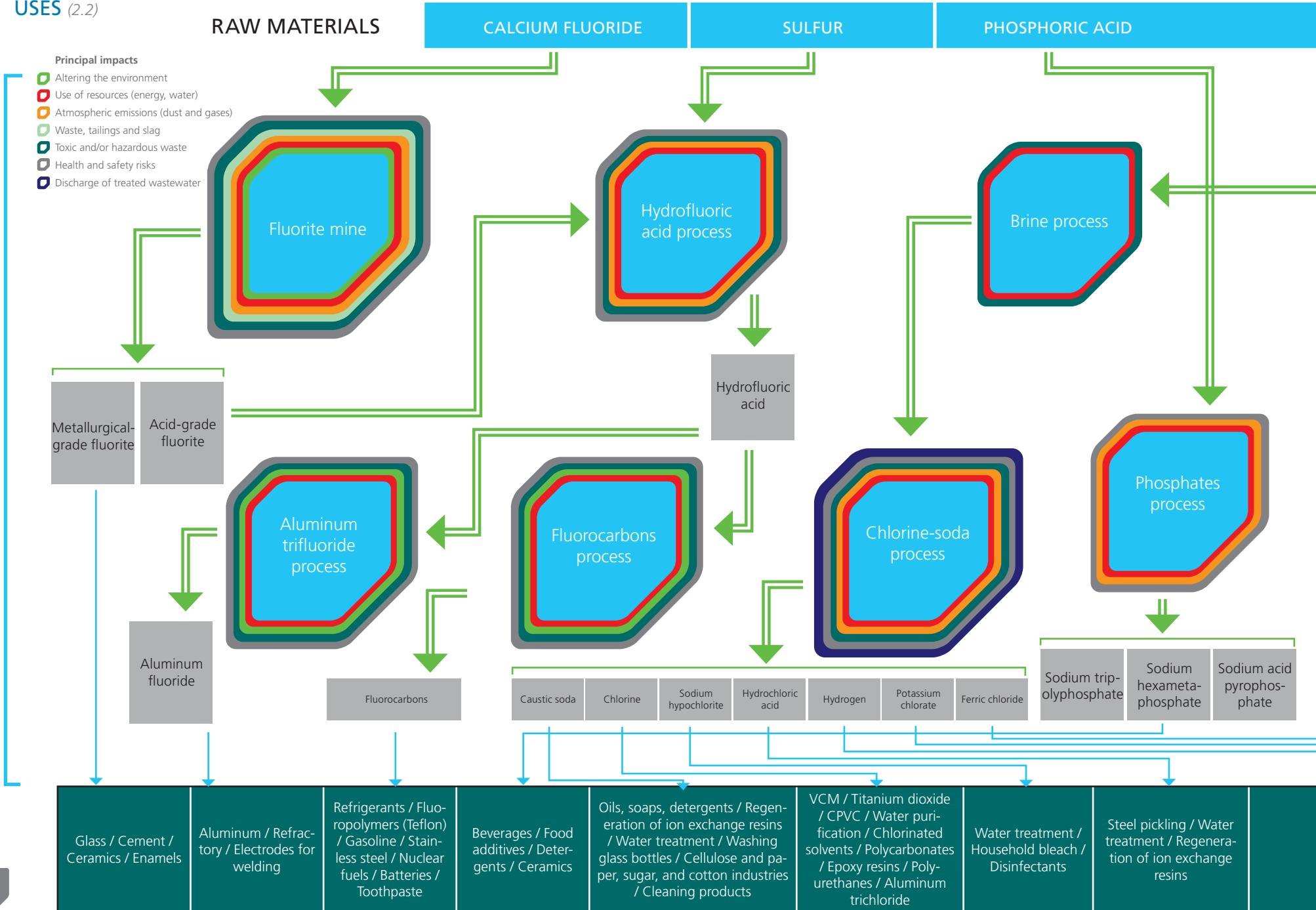
Mexichem has operations in 18 countries in North and South America, Europe, and Asia *(2.5 and 2.7)*

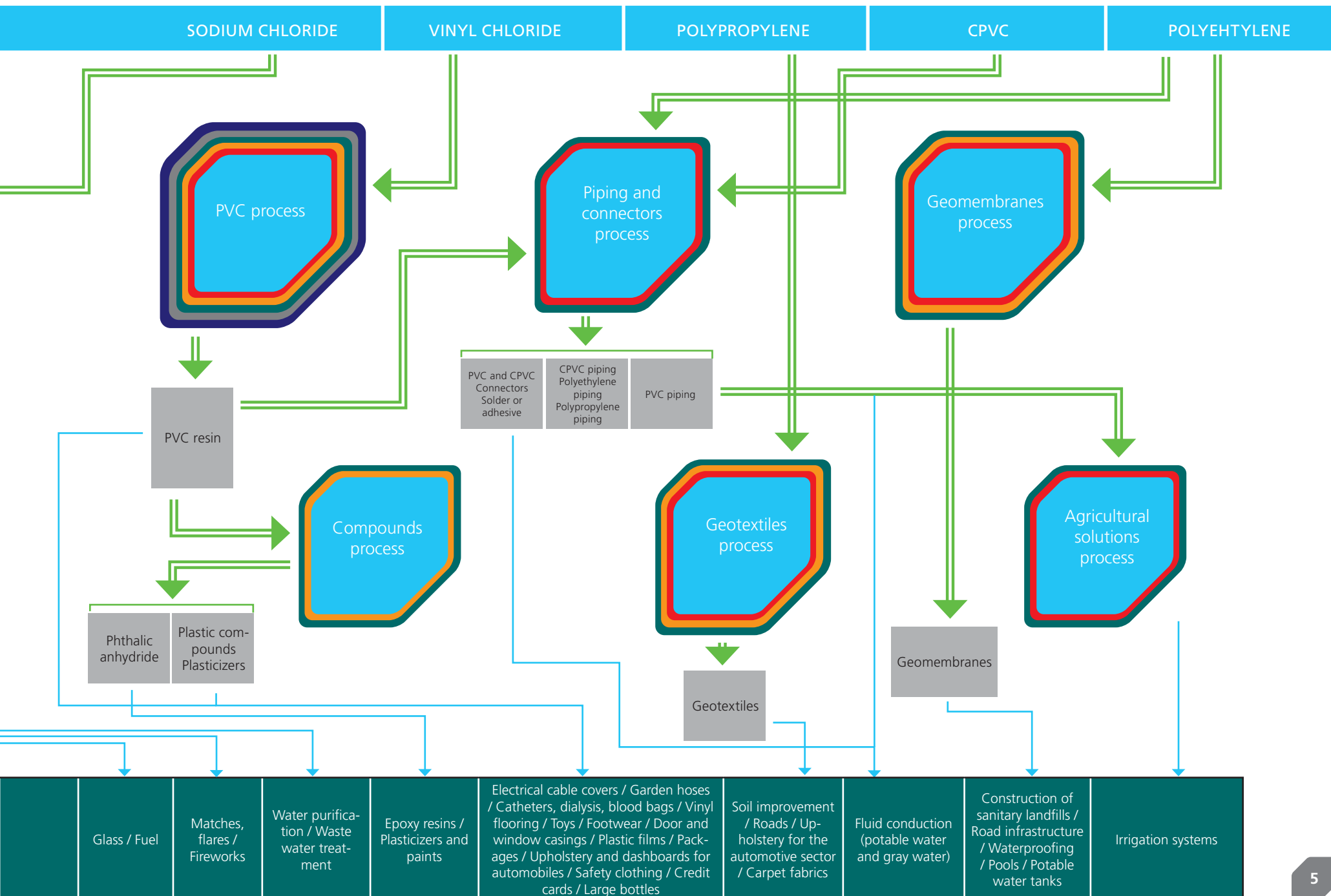
Our Chlorine-Vinyl Chain serves all the countries on the American continents as well as several countries in Asia; the Fluorine Chain serves markets in America, Europe and Asia; and the Integral Solutions Chain has business units in 15 countries in Latin America, product presence in 29 countries, and more than 55,000 points of sale in the region.

We currently have a market presence in the following countries: Argentina, Australia, Bahamas, Bangladesh, Belgium, Bolivia, Brazil, Canada, Chile, China, Costa Rica, Cuba, Cyprus, Colombia, Czech Republic, Dominican Republic, Ecuador, Egypt, El Salvador, France, Germany, Greece, Guatemala, Guyana, Honduras, Hong Kong, India, Italy, Jamaica, Japan, Mexico, Netherlands, Nicaragua, 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, Venezuela, and the Virgin Islands.

1.4 DIAGRAM OF PROCESSES AND USES (2.2)

MEXICHEM PROCESSES AND PRODUCTS





1.5 Mexichem Culture: Mission, Vision, and Values

Who we are

Mexichem, S.A.B de C.V., is a public company listed on the Mexican stock exchange. Its 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 Securities Market Law). (2.1, 2.6)

Mexichem actively operates in international markets, acting as the market leader in major economic sectors in many countries and regions. This has driven the company's continuous growth, especially over the last few years. Some of this growth has been through acquisition, which brings with it the challenge of consolidating and integrating all of these companies into a single culture: the new Mexichem culture.

VISION

Our vision describes what we aspire to achieve and the position we strive to attain in the future. It gives all of us who work at Mexichem a sense of direction in our daily work.

To be respected and admired globally as a leading chemical company focused on producing results, contributing to social progress and improving people's lives.

MISSION

Our mission expresses what we need to do to achieve our goals and make our vision a reality. In other words, it defines what we do at Mexichem, how we do it and for whom. It represents the framework that shapes our efforts and actions and keeps us on track.

We transform chemicals into innovative products, services and solutions across widely diverse industrial sectors by focusing on operational excellence and market needs. Our offerings generate ongoing value for our customers, employees, partners, stockholders, and communities and contribute to enhancing people's quality of life.

VALUES

To realize this vision and mission, Mexichem associates share the values that direct our daily activities and enable us to achieve our company objectives:

LEADERSHIP

We seek to continually drive innovation in our products, processes and solutions and to make a positive impact on the market and the industry.

COMMITMENT

We believe in dedication, focusing on achieving shared goals and teamwork in order to exceed the expectations of our clients and to keep our commitments to our partners, employees, and the communities of which we are part and in which we operate.

RESPONSIBILITY

We act responsibly and fairly in the communities in which we do business. We contribute in the best way possible toward the preservation of the environment through sustainable activities.

SAFETY

The health and safety of our people are our priority. We will strive to ensure safety at our facilities, in the communities in which we operate, and in the environment.

RESULTS

We believe in operational and financial efficiency and excellence to deliver positive results with sustainable growth and products that make a difference.

INTEGRITY

We are committed to being an ethical, honest and trustworthy firm that treats employees appropriately and with respect.

1.6 Products, brands and markets

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



MESSAGE FROM THE CEO

(1.1, 3.1, 3.2 and 3.3)

Dear Readers:

Our 2010 Sustainability Report, *Formulating Solutions, Multiplying Possibilities*, reflects Mexichem's commitment to face our economic, environmental, and social challenges.

At Mexichem, we are aware that the long-term viability of a country and of our planet depends on successful sustainable development that balances the current and future needs of society within the constraints imposed by the natural ecosystem. The inherent viability of such development brings with it a better quality of life for present and future generations. We operate by leveraging **synergies that generate sustainability**, with the goal of reducing current levels of poverty, inequality, and environmental degradation.

With these principles in mind, in 2010 our management team initiated plans to strengthen our financial stability and consolidate our growth within the framework of an operating-year agenda geared toward generating triple-bottom-line results.

Performance in 2010

Despite the worldwide economic crisis, Mexichem recorded an excellent sales performance, with significant increases over 2009's results, improving its operating profit and EBITDA. The details of these financial results are reported fully in our 2010 Financial Report. http://www.mexichem.com/informes_anuales.html

Our operations are part of the mining, chemical and transformation industries, in which operating discipline is vital for health, safety, and protection of the environment. In this regard, we continue to emphasize our policy aimed at achieving zero accidents. We redoubled our efforts to emphasize this as a fundamental value that we instill in each employee and all our external partners.

While we continue with our efforts to maintain and increase the output of our operations, we have simultaneously reduced our environmental footprint. As a result, we have increased our energy and water use efficiency, limited our greenhouse gas emissions, and upgraded technologies in our industrial processes in order to reduce the use of substances that deplete the ozone layer.

Similarly, we continue to strengthen our comprehensive strategy to protect biodiversity, reviewing its scope and including new objectives by country to increase biodiversity where we have operations. Together with the Kaluz Foundation, we are supporting important projects that protect and enhance the natural capital of mega-diverse ecosystems.

Our commitment to the communities in regions where we have operations came to fruition through joint initiatives to aid their advancement. We view our social responsibility as a great endeavor to promote human development and strengthen the communities in which we are engaged. Notable among these regional projects are our initiatives in Colombia to support marginalized groups; steps taken to manage water distribution in Costa Rica; the strengthening production ca-

pabilities in Peru and Ecuador; and our innovative efforts to benefit those at the base of the social pyramid in Brazil. The base of the pyramid is a segment of the population at a low socioeconomic level that is unable to obtain financing to build its own housing. Our strategies are to build relationships among clients, stockholders, employees, suppliers, and society geared toward promoting sustainability in our value chains and to educate all of our stakeholders about them.

In 2010, we incorporated a sustainability committee into our organizational structure. It is comprised of executives from the various Product Chains and members of management, who steer the management and development of initiatives in order to implement our sustainability strategy. This committee provides systematic and holistic support to our operations, reviews the best sustainability practices in our industry, and encourages their adoption while fully respecting the cultures at the sites in which we have a presence.

Likewise, we are strengthening our strategic planning process and information systems to meet requirements for monitoring and reporting indicators included in the Global Reporting Initiative (GRI) in order to facilitate report preparation and to reliably include the data generated by the growing number of Mexichem companies. A unified reporting system was created and initiated in all plants, based on the GRI indicators, which allows us to integrate consolidated global information to support decision-making, adopt performance criteria, and identify key indicators by business, product chain, country, or locality. This enables us to improve performance with regard to sustainability and social responsibility in all our business units.

Today, all our employees are committed to respecting ethical values, the self-development of communities in which we have a presence, and environmental stewardship. All Mexichem units are fully engaged in managing sustainable development, and our organization has identified the principal

impacts, risks and opportunities in its operation to improve performance and make sustainability a successful strategy. The opportunities and challenges identified thusly have been incorporated in our 2010–2013 Sustainability Strategy.

Looking to the future

Environmental and social sustainability management will continue to be at the core of our business decision-making and strategic planning processes. We will ensure that these guidelines are incorporated by new businesses we acquire or establish, and will continue to incorporate best management practices and the most advanced technologies available for eco-efficient and sustainable performance. We are seeking to deepen our understanding of the conditions necessary for sustainability at our production organizations and at our company. In particular, we seek to clarify management's vision and take decisions to advance our vision.

Energy is a very important input for us, and currently most of ours comes from fossil fuels. We will continue to assume our responsibility to reduce our greenhouse gas emissions with efficiency improvements in our current equipment, as well as by replacing old technologies with new ones that will improve our renewable energy options, through our own implementation projects or ones supported by the Clean Development Mechanism.

At Mexichem we have a dual responsibility: first, in our position of leadership as producers of basic supplies directly affecting the quality of life in Latin America; and, second, because our business is fundamentally connected to both water and sanitation. Every effort will be compensated by growth, in improving the development of the communities in which our production facilities are located, generating synergies that multiply the results and bring social progress, all of which will ultimately generate more economic growth for our companies.

Throughout this report, the reader will find examples and case studies showing our commitment to economic growth, environmental stewardship, social involvement, wellness, stakeholder relations, and the promotion of community self-development through the inclusion of less-favored groups, all of which has resulted in a mutually productive circular flow. That our focus is now less philanthropic and more strategic will allow us to make the most of current and future synergies, while our business commits to sound corporate social responsibility. Sustainability is not merely an ideology or utopian dream; it must be understood as an objective that can be managed pragmatically and systematically in order to face business realities that go beyond our own existence as human beings. It is for this reason that I invite you to join us in 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 Ricardo Gutiérrez, Chairman of the Executive Committee; to our directors and members of the corporate practices and audit committees; and to our stockholders, clients, employees, suppliers, and members of the community for their continuing concern and support. We also thank them for their dedication to helping our company adopt better triple-bottom-line practices within an ethical governance framework that strengthens our leadership year after year and enables us to develop sustainable value chains.



Rafael Dávalos Sandoval
Chief Executive Officer



Rafael Dávalos Sandoval
Chief Executive Officer

3. Introduction

3.1 The triple-bottom-line model

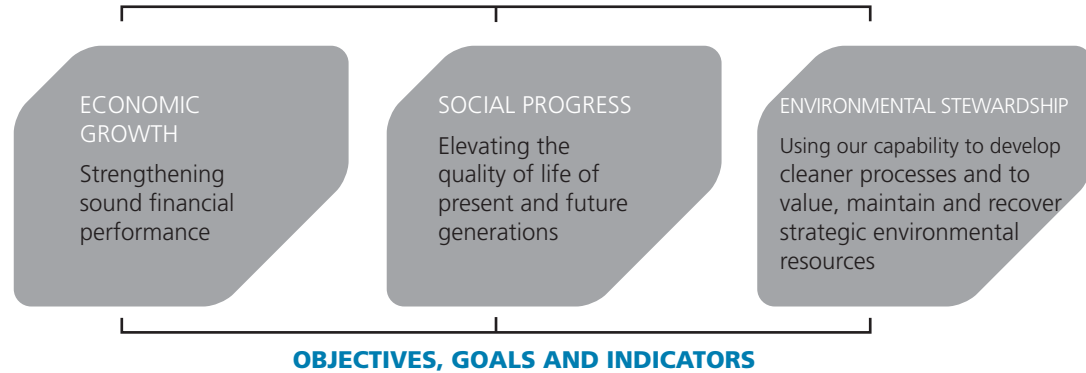
Mexichem is a company with an increasingly global presence. Therefore, to continue to grow it must adopt actions that enable it to compete economically, reduce the environmental impact of its operations and products, and promote social progress in the communities in which it has a presence.

Recognizing its commitment and leadership as a global company, Mexichem adopted a management model for sustainability based on a dynamic triple-bottom-line focus, in accordance with which the factors determining the sustainability of the business – ensuring a robust financial position, reducing its products’ environmental impact throughout their entire lifecycle, and contributing to improving the quality of peoples’ lives now and in the future – are defined and displayed by the balanced scorecard of Kaplan and Norton, translated into performance indicators and quantitative goals for advancement for each indicator.

This system originates in the strategic business planning process and is an essential management tool, serving as a benchmark in the management and monitoring of all operations. Its adoption is essential to the strategic priorities and the reference values of the corporation, including developing and promoting policies on governance and respect for the rights of key stakeholders: employees, stockholders, customers, suppliers and surrounding communities.

We live in the era of the socially responsible consumer, meaning that more and more consumers are basing their purchasing decisions on factors that go beyond quality and price. Not only is a product’s impact on the environment taken into consideration, but also the impact from the production process and the treatment received by the workers and communities near the operating facilities. By favoring or rejecting a product based on these criteria, consumers are expressing an opinion on the performance of the company that produces or sells it. Those companies that proactively operate in accordance with this new premise will be rewarded by the market.

SUSTAINABILITY MODEL Integrating the triple bottom line



When we speak of a globalized economy in which there is no place for subsidies, we believe that to really be competitive, companies will need to assume their actual production costs. Upon doing so, they will generate additional value by transferring the social or environmental costs of their production to neither the community in which they operate nor society in general.

3.2 About the 2010 Sustainability Report *(3.1, 3.2, 3.3, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11)*

For the second year in a row, we are publishing our Sustainability Report. This demonstrates Mexichem’s commitment to integrate its sustainability model into its operations to create economic value, environmental value, and social value.

The information provided in this report covers the period from January 1 to December 31, 2010, and applies the Global Reporting Initiative (GRI) G3 sustainability reporting guidelines. Similarly, we adhered to the AA1000 AccountAbility standards (2008) and to its principles of materiality (relevance), inclusivity and responsiveness to our principal stakeholders. We used the GRI indicator technical protocols and the 2010 Mining Sector Supplement as a reference. We also used the principles of the United Nations Global Compact,

the Universal Declaration of Human Rights and the recommendations of the International Labor Organization as guidelines. In accordance with all of the above parameters, we are communicating our principal activities, achievements, goals, and vision for the future.

Historical data from the two previous years (2008 and 2009) are included for comparison purposes and to identify trends. The information contained in this document comes from operations of our three principal business chains: chlorine-vinyl, fluorine, and integral solutions, as well as their corporate support services. The information provided is verified by our information systems, and the basis for making calculations is mentioned in the numerical indicators. The main performance indicators cover all of our business units, except in instances where there were limitations in geographic coverage or available information; these exceptions are annotated. Triple-bottom-line indicators relevant to the business and to our principal stakeholders are documented.

Mexichem has self-declared a GRI Application Level of “**B**” for this report.

While preparing this sustainable development report, we took into account the principles of relevance or materiality, the participation of stakeholders, the concepts of sustainability and exhaustivity, together with performing verifications of con-

formity with each principle. The application of these principles, their basic tenets and an internal analysis performed by our sustainability committee determined the topics and indicators on which we reported. We took into account the principles of balance, comparability, precision, frequency, reliability and transparency as well. Last year, we used the updated G3 edition of the GRI Guide as well as the 2010 version of the Mining Supplement. (3.5)

4. Corporate governance

4.1 Governance system

Mexichem, S.A.B de C.V., is a public company listed on the Mexican stock exchange (BMV), 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 Securities Market Law). (2.1, 2.6)

Our corporate governance principles provide us with a framework for management of the company's activities while meeting the needs of our principal stakeholders. Mexican legislation and national legislation of the countries in which we operate form 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 *Código de Mejores Prácticas Corporativas* (Code of Best Corporate Practices) endorsed by the *Consejo Coordinador Empresarial* (Council for Business Policy Coordination).

4.2 Corporate governance structure (4.1)

Board of Directors

The board of directors is responsible for determining corporate strategy, defining and supervising the implementation of the values and vision that define us, and sanctioning transactions between related parties, as well as transactions that are part of the normal course of business. The number of independent members in this, our highest governance body is seven, with five alternate independent directors. (4.3)

Our corporate bylaws call for the establishment of audit and corporate practices committees, whose



functions are to assist the board of directors in the performance of its duties.

The board of directors determines management policies and monitors our triple-bottom-line performance, with support from the audit and corporate practices committees. We have an internal auditing department, whose director reports directly to the board of directors in order to avoid any conflicts of interest.

Audit Committee

The audit committee's duties are to evaluate the company's internal controls and internal audit systems, identifying and responding to any significant deficiencies in them; monitor any corrective actions or preventive measures taken if noncom-

pliance with operational and accounting guidelines or policies occurs; evaluate the performance of external auditors; describe and evaluate non-audit services provided by the external auditors; review the company's financial statements; evaluate the ramifications of any accounting policy modifications approved during the fiscal year; monitor actions taken due 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 claims related to irregularities in management, including practices to ensure anonymity and confidentiality in handling whistleblower reports from employees; and overseeing compliance with directives from the general stockholders meeting and the board of directors.

Corporate Practices Committee

The corporate practices committee's duties are to evaluate the performance of related directors; review transactions between related parties; review compensation of the aforementioned directors; evaluate any exemption granted to the directors, and especially the related directors, that allow them to take advantage of business opportunities; and perform their duties as required by the Securities Market Law. According to our bylaws, all members of the audit and corporate practices committees, including each chairman, shall be independent directors. (4.6)

Directors are paid in accordance with the resolutions of the seventy-fourth regular annual general stockholders meeting, which took place on April 30, 2010. Compensation for the chairmen of the board of directors and the members of the audit and corporate practices committees of Mexichem is MXN70,000 per annual meeting that they attend. The remuneration for other members of the board is set at MXN35,000 per meeting they attend. Members of the audit and corporate practices committees 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 governance body are through the operational and board meetings. During board meetings 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 set yet to evaluate the triple-bottom-line performance by the highest governance body. (4.10) The chairman of the board of directors is not an executive in the company. (4.2)

Executive Committee

The executive committee was established by resolution of the board of directors on July 16,

2009. Its core activity is to address and resolve relevant and urgent issues that cannot wait until the next session of the board of directors. However, in no case shall the executive committee have the powers reserved by law or by the bylaws for 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, when appropriate, propose to the board of directors for its approval any investments in productive assets and company acquisitions. In addition, the committee discusses business plans with a focus on the triple bottom line, financing operations, and commercial names and brands, and establishes and validates strategies for the medium and long term, among various other duties. (4.8, 4.9 y 4.10)

Directors of Product Chains

Our directors of the chlorine-vinyl, fluorine and integral solutions chains are responsible for the productivity and safety of our operations and products. All departments mentioned, except Internal Auditing, report to the CEO.

Research and Development Center (CID)

The Center has senior managerial responsibility over innovation, environmental stewardship, eco-efficiency and operational safety at Mexichem. The Director of the CID designates a Corporate Sustainability Coordinator to oversee onboarding and executive support.

Corporate Director of Human Capital

The Corporate Director of Human Capital is responsible for activities that come under the scope of social responsibility, which ties together the labor, human rights, community relations, and corporate communications aspects of our operation.

Board of Directors (2.9)

Honorary Chairman of the Board for Life

Antonio del Valle Ruiz

Chairman of the Board

Juan Pablo del Valle Perochena

Secretary

Juan Pablo del Río Benítez

Acting Assistant Secretary

Andrés Eduardo Capdepón Acquaroni

Directors (related)

Antonio del Valle Ruiz
Adolfo del Valle Ruiz
Ignacio del Valle Ruiz
Alain Jean Marie de Metz Smart
Ricardo Gutiérrez Muñoz
Jaime Ruiz Sacristán
Juan Pablo del Valle Perochena
Divo Milán Haddad
Fernando Ruiz Sahagún
Jorge Corvera Gibsone
Guillermo Ortiz Martínez
Eduardo Tricio Haro
Armando Santacruz Baca
Valentín Díez Morodo
Eugenio Santiago Clariond Reyes

Alternate Directors

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
Francisco Moguel Gloria
José Luis Fernández Fernández
René Rival León
Dolores Palacios Norma
Arturo Pérez Arrendondo
Eugenio Clariond Rangel

Independent Directors

Divo Milán Haddad
Fernando Ruiz Sahagún
Jorge Corvera Gibsone
Guillermo Ortiz Martínez
Eduardo Tricio Haro
Armando Santacruz Baca
Valentín Díez Morodo
Eugenio Santiago Clariond Reyes

Alternate Independent Directors

Francisco Moguel Gloria
José Luis Fernández Fernández
René Rival León
Dolores Palacios Norma
Arturo Pérez Arrendondo
Eugenio Clariond Rangel

Audit and Corporate Practices Committees

Fernando Ruiz Sahagún *Chairman*
Divo Milán Haddad
Eugenio Santiago Clariond Reyes
Juan Pablo del Río Benitez *Secretary*

Executive Committee

Antonio del Valle Ruiz *Honorary Chairman*
Ricardo Gutiérrez Muñoz *Chairman*
Juan Pablo del Valle Perochena *Executive Chairman*
Eugenio Clariond Reyes Retana
Adolfo del Valle Ruiz
Ignacio del Valle Ruiz
Jaime Ruiz Sacristán
Francisco Javier del Valle Perochena
Antonio del Valle Perochena
Guillermo Ortiz Martínez

Chief Executive Officer

Rafael Dávalos Sandoval

4.3 Code of Ethics

At Mexichem, we encourage an attitude of openness and transparency toward the governmental institutions and political organizations with which we interact. The company has policies that help us ensure we comply with applicable laws, standards, regulations, and codes; are transparent; and maintain standards of ethical behavior in areas such as corruption, conflicts of interest, monopolies, bribery, political contributions, and accounting practices. We have a Code of Ethics, which is communicated to all employees as soon as they are hired, and which can always be referenced online. *(SO2 and SO3)*

In 2010 there were no incidents of corruption. To prevent problems of this nature, in addition to the Code of Ethics, we have corporate policies that all employees are made aware of – and endorsements agreeing to the policy that they must sign – when they join the company. If it is necessary to revise this policy, an updated policy and endorsement will be delivered to employees and signed during their tenure at the company. The supplemental policies to the Code of Ethics are the Conflicts of Interest Policy and the Confidentiality and Patents Policy.

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.

As a result of our management system's monitoring of this policy, in 2010 there were no sanctions due to corruption. Internal documents, behavior of executive officers and employees, and work performance are measured based on the code of ethics, policies, and protocols. Employee evaluations include a focus on compliance with triple-bottom-line practices. *(4.8)*

Mexichem does not participate directly in public politics or in lobbying activities with the intent of influencing elections, public policy or regulation. Its participation within the business sector is through organizations. For example, we are active in the housing boards for the public interest put

together by the federal government, as a member of the Board of Directors of Camacol (Colombian Construction Association), Cencauca (Business Corporation of Norte del Cauca), public-private partnerships with the municipality of Guachené, and international organizations such as UNICEF. In addition, Mexichem is a member of ACODAL (Colombian Health and Environmental Engineering Association), ANDESCO (National Association of Domestic Public Service Companies) in Colombia and the National Association of the Chemical Industry in Mexico. Along these same lines, we do not make contributions either in kind or in cash to political parties or related institutions, nor do we attempt to influence political outcomes or support through our employees. *(SO5 and SO6)*

There is no need to conduct studies regarding specific practices that are monopolistic or against free competition, as the majority of our products are generic commodities and we compete in international markets in a global environment. Proposals regarding the acquisition of companies are communicated in a timely manner to the appropriate agency regulating free competition in the countries of origin of the companies that we hope to acquire. If any condition is imposed to allow the acquisition, we comply fully with it, and the acquisition is carried out with the full disclosure to the public through communications with stakeholders. *(SO7)* During 2010 none of our subsidiaries was subject to fines. *(SO8)*

4.4 Management systems and policies

Mexichem and its subsidiaries have established and accredited management systems based on international standards ISO 9001, ISO 14001 and OHSAS 18001 for its three Product Chains. The chemical product subsidiary companies (chlorine-vinyl and fluorine chains) have signed on to the voluntary Responsible Care® Program and adhere to its principles established under the supervision of the chemical associations in Mexico, Colombia, the United States, and the United Kingdom. In addition, Mexichem has received every year the distinction of Socially Responsible Company in Mexico for the three Product Chains.

At Mexichem we have a safety, environmental, and quality policy that is communicated to the entire organization. Through this policy we make clear that Mexichem and its subsidiaries consider safety to be the most important consideration in its activities. At the same time, we practice environmental stewardship, manufacture high-quality products and provide high-quality services to meet the needs of our clients. We realize that our employees are our primary strength.

Commitments

- Prevent accidents based on the principle that 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 establishment of goals.
- Comply with current applicable legislation and with any other requirements to which the organization's management system is subject.

To achieve the above, we encourage our employees, vendors, and clients to play their parts as we set aside the resources necessary to achieve excellence.

If you would like more information, please visit:

http://www.mexichem.com/web_mexichem/politica_seguridad.html

5. Management Focus

Our company has a business profile based on a strategic model that has proven to be well-suited for competing in our market niches. In the mining, chemical and petrochemical industries, the best way to rise above a volatile market, with its varying economic cycles, is through ongoing expansion, integration and organizational consolidation. To do this, we focus on sustainability to generate economic, environmental, and social value, utilizing the following core themes:

- **Sustained, healthy growth:** Create wealth through rigorous implementation of our plans for vertical integration, starting with our raw materials – salt and fluorite – making the most of synergies generated by integration to improve processes, reduce consumption of resources and achieve economies of scale.
- **Excellence in operations:** Incorporate the best management practices and technology available to maintain the most stringent standards of security and environmental stewardship.
- **Development of human capital:** Stimulate the company's progress in an environment of cultural diversity, giving our people new knowledge and experiences, generating conditions that favor the development and retention of talent.
- **Technological development and innovation:** Establish a culture that encourages ideas and innovation so that we can offer product's of genuine value that meet the criteria of eco-efficiency and risk minimization in our products lifecycles.
- **Social responsibility:** Commit effective efforts toward stewardship of water resources and vulnerable ecosystems; support social progress that comes from self-management in communities where we have operations, and respond with transparency to all stakeholders that are part of our business.

During 2010, we focused our efforts in three principal areas:

- Approve, adapt, and improve labor practices that facilitate the personal and professional development of our colleagues.
- Guarantee that human rights are respected and defended in the workplace.
- Provide the best conditions for safety and health.

In 2010, for the third year in a row, Mexichem received certification as a Socially Responsible Company. In addition, one of our subsidiaries in Brazil was chosen by *Exame* magazine as one of the top 20 sustainable companies. Another of our subsidiaries in Colombia was a finalist for the Andean Socially Responsible Company award in the

category of Company or Institution in the National Economy, 2010 version, an award that considers the environmental, social and economic aspects inherent to sustainable development in scenarios where greater value and well-being are created for the companies and the country. This award has been endorsed by the United Nations Global Compact.

Our plants have developed environmental administration systems to identify and manage significant potential environmental problems and design improvements in operations. They are recognized as clean companies for their incorporation of best



practices in industrial operations and mining. Knowing that energy usage and consumption are significant environmental concerns for Mexichem, we developed a culture that promotes responsible energy use through energy-savings programs designed by committees comprising technical personnel from the plants, and successful practices are replicated throughout our various chains. As recognition of the effectiveness of our energy savings programs, several of our plants in Mexico have been awarded the National Energy Savings Award. (EN5)

5.1 Goals and performance

Sustainability Plan

The 2010–2013 sustainability plan includes specific goals for this period in the areas of



social, economic and environmental responsibility. Management and the sustainability committee are responsible for seeing that these goals are disseminated to and understood by all employees, as well as for ensuring that they are completed within established time frames.

The opportunities and challenges that we have identified are included in our 2010–2013 sustainability plan. We have an organizational structure that includes a sustainability committee comprising executives from the product chains and from management, who develop proposals to implement our sustainability strategies. Likewise, we are creating a reporting system for all the plants based on the GRI indicators, which allows us to integrate consolidated global information to support decision-making, approve performance criteria, and identify key indicators by business, product chain, country, or locality.

In addition, and as a socially responsible company, our 2010–2013 sustainability plan includes expanding the scope of our “base-of-pyramid” products and gradually incorporating into manufacturing the lifecycle vision for our new products. (1.2)

Below we highlight progress made in our performance toward established goals for the 2010–2013 cycle on economic, environmental, and social aspects.

5.2 Relationship with our stakeholders

Identification and selection of stakeholders

Our plants have developed environmental administration systems to identify and manage significant environmental concerns and have developed guidelines for external communications in all the communities in which we have a presence. This gives us access to reliable information on which to base decisions; strengthens our brand and reputation; and reinforces our capacity to maintain current operations and initiate new projects and to coordinate communications with our principal stakeholders: investors, employees, communities, suppliers, and clients. (4.14 y 4.15)

A survey was taken in 2010 of stakeholders from our various production plants. For this a questionnaire was designed for the Mexichem plants in the various countries, investigating how we were perceived in the community, and by authorities and vendors with respect to corporate governance, our internal organization, safety of our operations and our environmental impact. The information received allows us to determine which plants present the greatest misperceptions in the public awareness with regard to potential risks, taking into account how the various stakeholders interact at the site locations

Some of the questions on the survey were:
What is the opinion of us in our facilities' neighboring communities regarding the degree of danger our operations pose?
Are our plants perceived as threats to the environment?
Is there a perception that our operations are a high risk to our employees, the community or ecosystems?

The responses obtained reflect the perception that the communities, without knowing what materials or products are being handled or stored, have the impression that our industries are very risky, that they are bothered by the traffic from transporting our supplies and/or products, and that no safety training is being carried out in which the authorities and the community can participate.

After analyzing these responses, we identified the plants most at risk and determined that these plants should be included in the initial group of studies conducted for stakeholders. These plants are the Villa de Zaragoza mine in San Luis Potosí (fluorine chain); Jáltipan, Veracruz (fluorine chain); Cartagena, Colombia (chlorine-vinyl chain), and Matamoros, Mexico (fluorine chain).

The next step consisted of defining the objectives and scope of the study for our stakeholders and completing the studies involving each group, specifically by professionals outside of Mexichem. The results will provide data to identify actions we can take to improve the information we provide to the various stakeholders in order to change misperceptions and generate trust through effective communication. (4.14, 4.15, 4.16)



Goal	Description	Progress
Economic performance	Approve the practices of the subsidiaries to finance the purchase of construction materials by clients, evaluating feasibility and incorporating the current systems proven to be effective.	Best practices have been reviewed to identify the optimal method of implementation.
Economic performance	Promote a culture that respects idea generation and technological innovation, through the implementation of an R+D+I (Research + Development + Innovation) Management System.	Conceptually created an R+D+I management model and defined the steps necessary to develop it.
Environmental performance	Strengthen the culture of energy savings in all personnel, implementing or improving our energy-management systems and our compliance with energy-efficiency programs.	Formed energy savings committees at the plants that consume the most energy. A list of improvement projects is available.
Environmental performance	Reduce waste by improving production processes, implementing or developing new technologies and finding alternate uses.	Established a baseline for waste, identifying those with the greatest volume by type of waste. Management plans are in development.
Environmental performance	Reduce greenhouse gas emissions by 5% (baseline year 2009), increasing the efficiency of our processes, making technology upgrades and using more renewable energies.	Identified improvement projects to achieve this goal.
Environmental performance	Reduce emissions of substances that deplete the ozone layer by 20% (baseline year 2009), replacing gases and coolants used in refrigeration and liquefaction equipment with others that are more environmentally sound.	Changed technology in the processing plant with the highest volume of emissions. It is estimated that this goal will be achieved earlier than projected.
Environmental performance	Formalize a comprehensive strategy for biodiversity protection, reviewing our current scope and including new sites in countries with the greatest biodiversity in which we operate.	Identified the sites with the greatest biodiversity.
Environmental and social performance	Endorse sustainable development and social responsibility concepts that are aligned with the vision and mission of Mexichem.	Changed the vision and mission of Mexichem to align them with sustainability and have distributed them throughout the entire organization.
Social performance	Regarding our people: Promote the value of the individual to contribute to his or her own development – both personal and professional – and the achievement of individual and business objectives.	Identified three guiding principles: - Contribute to the company's business strategy - Act ethically and professionally - Maintain an excellent work environment.
Social performance	Regarding our people: Support the company's growth and consolidation by attracting and retaining personnel, through recruitment and selection methods that allow us to employ the best people.	Have recruitment and selection guidelines through evaluation of positions by Hay Group.
Social performance	Regarding our people: Manage the education and intellectual capital of our employees.	Created a program to strengthen capabilities, supporting management skills and continuing education for employees who need it.

Social performance	Regarding our people: Maintain organizational structures that support our business strategy. Strengthen an organizational structure that facilitates sustainability at Mexichem.	Have a reporting system for all plants based on GRI indicators, which allows us to integrate consolidated comprehensive information. Created a sustainability committee.
Social performance	Regarding human rights: We will draw up a human rights policy that revisits the principles of our code of conduct and extends to our contractors and distributors, defining our positions on issues such as freedom of association, child exploitation, the rights of indigenous peoples, and forced labor.	Have a human rights policy and are currently developing the supporting training documents for it.
Social performance	Regarding our people: Achieve zero fatalities and zero incapacitating accidents; investigate the causes of the accidents and take corrective and preventative measures.	Have a corporate procedure used to investigate the root causes of accidents.
Social performance	Regarding our communities: Strengthen a constructive dialogue with our stakeholders. Complete an analysis of stakeholders.	Carried out the first step in the analysis of stakeholder relations through a questionnaire used by our product chains.
Social performance	Regarding our product responsibility: Approve our product safety protocols in order to reduce potential risks that could impact the health and safety of our clients and reduce potential effects on ecosystems.	Identified product safety protocols. Registered products with REACH (Registration, Evaluation and Authorization of Chemicals).



6. ECONOMIC DIMENSION





6.1 Creation of wealth and prosperity

Sales generated by Mexichem in 2010 reached MXN36.472 billion (USD2.885 billion), a favorable result despite the difficulties of operating in the complex environment that global level businesses have to navigate.

Mexichem	2010
Net sales	36,472
Cost of sales	24,133
EBITDA	8,124
Total assets	50,133
Total debt	30,350
Stockholders' equity	19,783
Market capitalization	79,578

Figures in millions of Mexican pesos (2.8)

Despite the global economic crisis during the past two years and the increase in the price of raw materials, energy in particular, we have a solid financial structure that is capable of weathering this negative cycle, which is affecting most 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 market at the lowest rungs of the economic ladder can be a profitable market segment for the majority of our products. In the past, we served a segment of this market with the sale of bulk chlorine derivatives. We have implemented a bold and innovative initiative in Brazil that has had a very gratifying outcome from both a social and an economic perspective, as this segment of the population is paying its debts. This initiative has given us key information to formulate new strategies and to be successful among this group of consumers, which, even though living at the lowest rungs of the economic ladder, has purchasing power of USD5 billion globally. As a socially responsible company, we have attempted

to reduce their barriers, and the project has, in turn, fostered sustained economic growth.

6.2 Economic performance

On growth

Mexichem reported its results at the close of 2010. Consolidated sales increased 19% over those of 2009, reaching MXN36.472 billion (USD\$2.885 billion), boosted by better sales prices (+8.7%), a 9.4% increase in volume sold and the incorporation of the results from the acquisitions of Ineos-Fluor as of the second quarter of the year and Policyd and Plasticos Rex as of November 2010.

With regard to fourth quarter results, sales rose to MXN9.494 billion, 19% higher than for the same period in 2009.

It is important to mention that the 2010 and 2009 figures are reported under the new International Financial Reporting Standards (IFRS), which include changes in the presentation of information, the most significant of which are: i) the change to absorption costing, and ii) the inclusion of other expenses/income and PTU in the operating results, which is why the figures reported are comparable.

Efficiency and productivity

The accumulated operating profit plus depreciation and amortization (EBITDA) totaled MXN8.124 billion, 31.6% higher than in 2009. This increase is the result of better sales performance, as well as incorporation of figures and synergies generated by acquisitions made by the business chains.

EBITDA for the fourth quarter was MXN1.759 billion, an improvement of 31.4% over that of 2009. Even when the sales margin for the quarter went from 16.6% in 2009 to 18.5% in 2010, when comparing them against the average for the year it is less, due to a series of "non-recurring" events: i) the incorporation of Policyd and Plásticos Rex for two months (reducing the margin to 6%), ii) the stoppage of the plant in

Cartagena, Colombia due to flooding (60 days), and iii) the early termination in gas coverage.

Net income in 2010 reached MXN3.913 billion, 32.5% higher than in 2009, due to improved sales performance and the incorporation of new businesses.

Gross cash flow for the year was recorded at MXN5.758 billion, 30% higher than that reported in 2009, driven by a better operating result.

At the close of 2010, the company's net debt in dollar terms was USD864 million. This represents an increase of USD412 million compared with that as of the close of 2009, as a result of the acquisitions made during the year (Ineos-Fluor, Policyd and Plasticos Rex).

The ratio of net debt to EBITDA remained at 1.32x, below the limit of 2.0x established as an internal goal. It is important to emphasize that only 12% of our debt is short term.



Mexichem, S.A.B. de C.V., in millions of constant pesos at December 31, 2009 and 2010

Income Statement	2010	2009	Variation
Net sales	36,472	30,647	19%
Cost of sales	24,133	19,860	22%
Gross profit	12,339	10,787	14.4%
Operating expenses	6,694	6,386	5%
Operating income	5,645	4,401	28.3%
Comprehensive financing cost	835	699	19%
Special item and others	-	-12	-100%
Income before income taxes	4,810	3,714	30%
Income taxes	751	789	-5%
Income from continuing operations	4,059	2,925	39%
Discontinued operations, net	-146	44	-433%
Consolidated net income	3,913	2,969	32%
EBITDA	8,124	6,175	32%

(2.8 and EC1)

During 2010, we received an incentive grant for research and technological development in the amount of MXN27.5 million from the National Science and Technology Council (CONACYT). (EC4)

The most significant economic events for the organization in 2010 were the following:

March

The acquisition of Ineos-Fluor was successfully completed on March 31, making Mexichem the world's largest producer of hydrofluoric acid and the only integrated producer of fluorocarbons in America.

September

The acquisition of Plastisur S.A., a company in which Mexichem was a minority stockholder, was completed this month. Plastisur is a Peruvian company and a leader in the manufacture and marketing of PVC pipes and connectors. With this acquisition, Mexichem achieved market leadership in Peru in the pipes and connectors business.

October

After a period of negotiations and review by the competent authorities in Mexico, the acquisition of Policyd y Plásticos Rex by Mexichem was approved. With these acquisitions, Mexichem consolidated its position as the leading manufacturer of PVC pipes and resins in the country. (2.9)

6.3 Added value broken down by country

The geographic diversity and efficiency of our operations allow us to maintain a leadership position in the Americas and a presence in Europe and Asia. We are orienting production in accordance with the specific needs of each market, making the most of our entire logistics network, with production facilities in 18 countries and more than 55,000 points of sale. The breakdown of sales by country is shown:



MEXICHEM – 2010 SALES BY GEOGRAPHIC AREA

Figures in millions

COUNTRIES	ORIGIN		
	USD	MXN	%
Mexico	1,067.7	13,503	38%
Colombia	536.1	6,771.1	18%
Brazil	457.8	5,795	17%
United States	219.9	2,777	8%
Central America	128.4	1,621.2	4%
United Kingdom	117.4	1,482.2	4%
Ecuador	92.3	1,165.7	3%
Peru	78.5	991.4	3%
Asia	73.9	933.5	2%
Argentina	43.0	543.4	1%
Others and eliminations	25.1	316.6	1%
Venezuela	45.3	572	1%
Total	2,885.4	36,472	100%

7. SOCIAL
DIMENSION





7.1 Relationships with stakeholders

Investors

Mexichem is committed to providing its shareholders with reasonable, sustained profitability. We communicate with our investors through:

- An annual financial report
- Quarterly reports
- Meetings arranged by brokers for institutional investors (buy-side and sell-side)
- Presentations to potential investors in North America, South America, and Europe to announce the issuer's recent projects and other news
- Our web page, www.mexichem.com
- 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 respecting the dignity of all employees and to fostering a work environment that is adequate for them to grow both professionally and personally.

One of the formal ways in which we engage with our employees is through a survey called "Toma de Pulso" (Taking the Pulse), which is taken every two years by all of our employees – both unionized and nonunionized – to evaluate 13 points. This 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 makers, governmental authorities, and international organizations.

We maintain dialogues with opinion makers, academic institutions, governmental institutions, social organizations, media and institutions in our field. (SO1)

Suppliers and clients

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

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

Knowing that sustainability cannot be achieved by our companies individually, but is rather a goal through the integration of product chains, Mexichem has led initiatives that connected suppliers and key clients in educational and innovative processes aimed at improving the management of sustainable development in the chlorine-vinyl chain. In this way, pioneering projects were developed through the Andean PVC Forum, an entity backed by Mexichem and other companies in the sector and headquartered in Colombia. For more information, please visit www.foroandinopvc.org.co

Public Sector

We form partnerships with the public sector and enter into annual labor agreements with unions. (4.16)

Results from the study of stakeholder expectations

The results of the study conducted with principal stakeholders are as follows:

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	want job creation; purchases 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, encouraging research and development with universities and local research centers, and introducing the concept of social responsibility as a focus for local development, in addition to establishing a collective agenda to achieve sustainability, based on the principles of the United Nations Global Compact and Agenda 21. (4.17)

Mexichem led the Fourth Andean Conference on PVC and Sustainability

The University of the Andes, in Bogotá, hosted the Fourth Andean Regional Conference on strategic issues related to sustainability in the PVC industry. More than 120 business and academic leaders and other stakeholders deliberated in this open encounter organized biennially by the Andean PVC Forum, headed by Mexichem, and the Engineering Research Group on Materials and Manufacturing at this prestigious Colombian university.

The conference was supported by organizations such as the European Council of Vinyl Manufacturers, the Vinyl Institute (United States), the Vinyl Environmental Council (Japan), the Vinyl Council of Australia, and the PVC Institute (Brazil), as well as Acoplástico and the Colombian Institute for Research and Training on Plastic and Rubber. Experts from these organizations, researchers from the University of the Andes, and Mexichem executives contributed as panelists.

The successful local participation and the broadcast of the event by simultaneous videoconference in

Mexico and Argentina for members of the ANIQ's ProVinilo Group, the ITESM and the Argentinean PVC Association, clearly showed the positive results of the joint corporate-university efforts; this was also a highlight of the three previous conferences and in the research projects and innovation they fueled in the region.

The rector of the University of the Andes opened the conference by acknowledging the efforts of the PVC chain in sustainability and recognizing the value of vinyl applications in this context. Mexichem's director of the chlorine-vinyl chain in Colombia presented on the state of the PVC market and its prospects for growth in the region. The Executive Director of the Forum, Mabel de Guillem, pointed out the challenges of sustainable development and introduced the management model known as The Natural Step, chosen as a reference point for the PVC industry in Europe. (www.thenaturalstep.org)

During the conference the following were analyzed: the achievements of the voluntary commitment by the European PVC industry, Vinyl 2010; the implications of the "political toxicology"

agenda for the plastics industry and the state of emerging regulations that will globally affect the production and marketing of chemicals; the technological advances in the development of more sustainable materials and processes; and the challenges of bioplastics, recycling and degradability of waste for the PVC chain. The afternoon speakers focused on the attributes of PVC in the framework of sustainability and emphasized the favorable reports regarding applications of this plastic in the most well-regarded accreditation systems aimed at sustainable building. During the day, the results of Colombian research applicable to the PVC industry, as well as innovative projects using this material, were exhibited.

The conclusions emphasized the importance of approaching sustainability as a goal in the product chains more than for individual companies, and of adopting strategies to connect all those involved in managing objectives such as climate neutrality, the limitation of emissions, the uses of toxic substances, and the recycling of post-consumer waste. Reports of this event can be viewed on the website of Mexichem Resinas Colombia or the Andean PVC Forum, www.foroandinopvc.org.co.

7.2 Management of human capital

7.2.1. Labor practices

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

Mexichem has a workforce of 11,072 persons throughout the various countries in which it operates. All of them have a full-time, open-ended employment contract that provides them with work stability. The table below shows the number of directors, managers, supervisors, and other

Employees by country

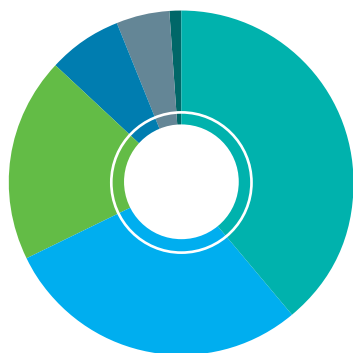
Country	Number of Employees	Directors	Managers	Supervisors	Other Levels	Women	Men	Individual Employment	Collective Bargaining
Argentina	309	1	6	28	58	27	282	93	216
Brazil	2496	7	40	83	1,047	466	2,030	1,177	1,319
Colombia	1844	6	37	146	441	281	1,563	630	1,214
Costa Rica	308	0	7	8	94	35	273	109	199
Chile	75	0	1	8	51	8	67	60	15
Ecuador	530	1	20	23	108	62	468	152	378
United States	53	0	5	0	8	0	53	13	40
El Salvador	71	0	0	12	39	14	57	51	20
Guatemala	203	0	3	20	63	22	181	86	117
Honduras	79	0	1	10	39	18	61	50	29
Mexico	3,968	27	151	521	774	351	3,616	1,473	2,495
Nicaragua	27	0	0	4	16	8	19	20	7
Panama	120	0	2	9	52	28	92	63	57
Peru	432	1	10	27	122	42	390	160	272
Venezuela	316	0	10	40	88	60	256	138	178
UK, U.S., Japan	241	2	63	8	168	95	146	90	151
TOTAL	11,072	30	356	947	3,168	1,517	9,554	4,365	6,707

leaders. It also includes the proportion by gender and the breakdown between individual contracts (nonunionized employees), and those covered by collective-bargaining agreements (unionized employees). We are not including subcontractors, who work independently, or part-time workers. (LA1). The proportion of women to men shows that the male employee population is larger (86%) than the female (14%), and the operations of Mexico and Brazil are where the greatest amount of our employees are concentrated. (LA2)

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

Age range of Mexichem employees (years)

- 7% up to 24
- 39% from 25 to 35
- 29% from 36 to 45
- 19% from 45 to 55
- 5% from 56 to 65
- 1% more than 65



Mexichem's professional relationship with unions is based on effective, direct, and timely communication that fosters operating efficiency and healthy worker interaction, respecting the differences between each country or region.

From our base of employees – 11,072, the turnover index is 1.48%, meaning, 163 ceased working at Mexichem during the year. These results are due to personnel leaving the company and reorganizations that took advantage of synergies to improve operating efficiency.

Personnel turnover at Mexichem

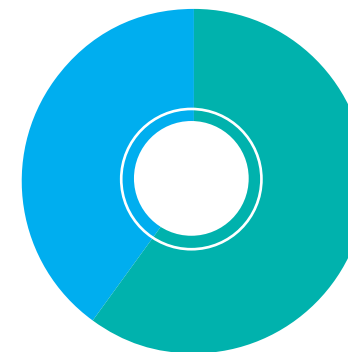
% Turnover (directors)	2.35%
% Turnover (managers/superintendents)	1.19%
% Turnover (operational leaders/coordinators)	1.11%
% Turnover (other positions)	1.79%
% Turnover, unionized	1.48%
% Turnover, nonunionized	4.95%
% Turnover	1.48%

Annual turnover in percentages: 20% are female employees, and 80% are male. (LA2)

With regard to employee benefits, Mexichem pays equitably and fairly in relation to the duties and responsibilities of the job and the strength of the labor market, so 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 vouchers or food vouchers, and company contributions to a savings plan (LA3). We give benefits greater than those required by current local labor law, such as savings funds, 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 transfers these savings into a pension fund. (EC3). We have a defined contribution plan created with contributions from both the employee and the company. These contributions are deposited with a financial institution and are invested in fixed-income instruments, with individual accounts that can be reviewed via the internet. A technical committee charged with administering this plan analyzes the best plans to

Employee distribution



- 60% Unionized employees
- 40% Nonunionized employees

diversify the investments among different types of financial assets, with the goal of obtaining the highest return from the market.

Of our employees, 60% (6,384) are part of a collective-bargaining agreement. (LA4)

Organizational changes are communicated in a timely manner to union offices and, if there are modifications to the agreements, these are available for viewing immediately after revising the contracts or collective-bargaining agreements. (LA5)

With regard to continuing education, in 2010 there were 99,370 hours of training, both for unionized as well as non-unionized employees; 27.5% of this total was from Mexico and the remaining 72.5% from other Latin American countries. The main areas of training were safety, production technologies, corporate culture and code of ethics, management of sustainability at Mexichem, English, orientation for new employees, computer, and administrative studies. There were 10,541 people who benefited from this training.

COUNTRY	TRAINING INDICATORS		
	MAN-HOURS	USD AMOUNT	NUMBER OF EMPLOYEES
Argentina	1998	3,673.42	309
Brazil	0	0	2,496
Colombia	25371	244,858.33	1,844
Costa Rica	5922	94,054.11	308
Chile	1	0	75
Ecuador	21095	987,810.66	530
United States	0	0	53
El Salvador	2226	22,464.85	71
Guatemala	2167	34,406.49	203
Honduras	950	4,449.32	79
Mexico	27369	283,107.97	3,678
Nicaragua	151	2,218.60	27
Panama	589	2,000.38	120
Peru	6911	121,513.84	432
Venezuela	4620	824,591.98	316
TOTAL	99,370	2,625,149.95	10,541

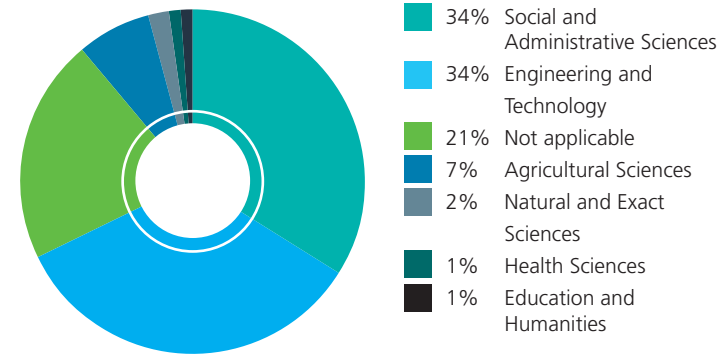
In 2010, each employee received an average of 9.4 hours of training, at an investment cost of USD249 per hour. (LA 10)

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

Education of Mexichem employees in 2010

Education of nonunionized employees	%
Technological/Technical	40.30
Professional degree	42.40
Postgraduate work (graduate work/specialization)	11.90
Master's	5.30
Doctorate	0.10
Grand total	100

Area of knowledge of Mexichem employees



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 planning for executives and personnel with high potential and leadership abilities. (LA12)

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 MXN3,358,521.00.

It is our 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)

There is a rate stipulated by legislation in each country regarding the local minimum wage. Mexichem does not use this amount in determining remuneration, but rather calculates it based on a wage tabulator designed by the Hay Group that assesses the labor market, the type of sector, and the duties and responsibilities of the position, in accordance with a profile. The remuneration is equitable, fair, and based on knowledge and skill, regardless of gender. There is no differentiation in the wages of unionized or nonunionized men and women (EC5)

Materials and services required for operation of the plants are purchased preferentially from local suppliers, after verification of their quality standards and competitiveness in terms of pricing. Although there is no policy in this regard, 69.8% of orders in the chlorine-vinyl chain during 2010 were given to local suppliers, and generally approximately 90% of contract laborers are hired locally. By local suppliers, we mean those who are geographically near our facilities or within the same state.

In Brazil, we finance a program called Excellence in Practice with a group of suppliers, which had a significant impact on the integral solutions product chain. The program was developed jointly with the Euvaldo Lodi Institute (IEL) in Brazil, and its purpose is to develop productivity and quality control in suppliers through training and

consulting. The initial results show lower costs and higher productivity from suppliers who are in the program. (EC6)

7.2.2 Human Rights

Mexichem is a signatory to United Nations Global Compact through one of its subsidiaries in Colombia, and it shares the same approach as this initiative with regard to human rights, as reflected in our Code of Ethics. We respect the diversity of our people and diligently work 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.

Mexichem's Human Rights policy was published in 2010, and is in the process of being distributed to all levels of the organization.



Human rights: Rights without regard to race, language, social position or religion

As the first company to become a member of the Global Compact in 2009, Mexichem Colombia notified its almost 1,500 employees and contractors, through bulletin boards and talks with employees, of its commitment to align its operating strategies with the ten principles in following areas: human rights, labor conditions, the environment, and the fight against corruption. In the Norte del Cauca operation, the plant directors took the Business and Human Rights Course given by the Global Compact Network and sponsored by the United Nations, ACNUR, USAID and GTZ. Afterwards, it implemented an improvement plan that included plant personnel as well security contractors. Through the Pavco Foundation, workshops and meetings were held that promoted empowerment of the citizens in communities neighboring the Bogotá plant to inform them of their rights and enable them to fulfill their obligations. Specifically, we worked on two lines of action that came from the *La Ruta del Afecto* program: good interpersonal skills and democracy. We highlighted the promotion of children's rights and laws governing the treatment of children and adolescents and analyzed acquisitions of new companies, distributors and contractors in this area of the Colombian operations. We hope to extend this practice to the rest of the organization.

There is no information available with regard to human rights in significant investment agreements, or in analyses to distributors and contractors. (HR1 and HR2)

All company employees currently receive an introductory course on our Code of Ethics, policies and procedures. In turn, all nonunionized employees must sign a letter confirming that they have no conflicts of interest. (HR3) In 2010, there were no incidents of discrimination recorded. (HR4)

Freedom of association and the right to negotiate work contracts or collective-bargaining agreements is defined according to each worker's position and job duties, and we are vigilant in making sure these rights are respected. (HR5)

In accordance with our procedures and with applicable 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)

No external agency has conducted a systematic study to identify operations at risk for forced or nonconsensual labor. Even so, safety and hygiene committees are made up to ensure that there are an equal number of members representing the company on one hand and workers on the other. Similarly, we inspect the plants on a monthly basis to ensure that there no unsafe activities or conditions present, which reduces the number of potentially unsafe incidents and prevents the practice of forced or nonconsensual labor. After the visit, a report is drawn up with the results of the inspection. Managers are then assigned to verify that unsafe conditions have been corrected. In addition, all personnel can notify upper management of any failure to comply or of any abuse by using the complaint box, either anony-

mously or openly. Our hiring agreements fully support the International Human Rights Convention and the standards of the International Labor Organization. (HR7)

Safety personnel are made aware of our principles, values, code of ethics, technical knowledge of operations, materials and products, and are responsible for ensuring compliance with policies, procedures and technical and administrative standards. All safety personnel who work at the company receive training on 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 philosophy, and its policy is to be a good neighbor, as stated in Mexichem's mission statement. Our hiring policy gives preference to the local population. During the year covered by this report, there were no incidents related to violations of the rights of indigenous communities or local natives. (HR9)

7.3 Health and safety of workers

Among other duties, the union or labor teams are responsible for facilitating communication processes in each business unit, analyzing improvements to work systems, and resolving conflicts. These tasks are carried out during periodic meetings with human resources and union committee representatives. Because of these actions we had no strikes or work stoppages in 2010. (MM4 2010). Our contracts and collective-bargaining agreements are based on trust and support principles of good labor practices that are reviewed and updated at the work sites by the work teams. These changes allowed us to improve employee satisfaction levels and employee productivity indices.

Both labor and administrative personnel (management and employees) are represented on health and safety committees. The function of these committees is to contribute ideas to improve health and safety, check compliance

Communication on Progress (CoP) Report, Mexichem Colombia (4.12)

Mexichem Colombia joined the Global Compact in 2009, at which time we committed to support and implement the ten principles related to human rights, labor relations, the environment, and the fight against corruption. This brings balance and consistency to our triple-bottom-line management system, which considers environmental protection, social responsibility, and economic performance.

The first CoP presented aspects related to respect for human rights and labor rights in the areas of safety, occupational health, training of employees and clients, remuneration, and well-being. Synergies with the neighboring communities in which we operate are evidenced by

the 24,000 people served by the Pavco Foundation in 2010, as well as by active community participation in initiatives that promote improved quality of life in the Norte del Cauca communities.

With regard to the environment, we expect to remain competitive and at the same time reduce our environmental footprint. We responsibly manage resources in our production processes and bring environmentally responsible solutions to the country. As a company that is active in a sector deeply connected to water issues, we invest in research programs related to new technologies and hydraulic performance that we subsequently share with our clients and users. These are only some of the examples that we submit for consideration in our Communication on Progress.

Regarding the fight against corruption, we favor actions that encourage ethical behavior, both inside as well as outside the company.

We reiterate our commitment to the principles of the Global Compact and demonstrate this by the advancements our company has made based on them. As our policy states, because we believe that if we, as a private company, direct our efforts toward a triple-bottom-line approach, then we will help accelerate our progress toward becoming a sustainable country with a more equitable society, where companies can grow together with their employees and clients.

Mexichem Colombia S.A.S.

If you would like further information on the mandatory progress report, visit http://www.unglobalcompact.org/system/attachments/9399/original/CoP_Mexichem_Colombia_S_A_S_PAVCO_2010_color.pdf?1298671243

with the agreements established, inspect areas of the plants to uncover any possible unsafe conditions, follow up on major deviations, discuss any accident investigations, and actively participate in implementing activities that will improve 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.

EAt Mexichem, the most important factor in carrying out our activities is employee safety, with the goal of zero accidents. Our operations are in the industrial sectors of mining, chemistry and transformation, sectors in which operating discipline is essential to reach world-class levels of safety, health and environmental protection. In this aspect, we are strengthening our zero-accidents policy, emphasizing this as a fundamental value of Mexichem, which we have instilled in every employee and outside collaborator. Although the results show a positive trend in some indicators, they unfortunately also include two fatalities, which we deeply regret, and the root causes of which we have duly investigated. These results allow us to see that our efforts to encourage self-inspection and self-protection, respect for work procedures, the use of personal safety equipment, and, most importantly, committed participation at all levels of administration, must be strongly reinforced to avoid any repetition of this type of accident.

As a result of the actions implemented in 2010, in particular those that emphasize reinforcement in self-inspection and self-protection, the use of various safety tools for employees and maintenance of the safety systems, we achieved the following:

- 20% reduction in incapacitating accidents.
- 34% reduction in the number of days lost due to injuries.
- 19% reduction in the incidence rate.
- 34% reduction in the severity rate. (LA7)

	2007	2008	2009	2010
Incapacitating accidents	179	185	165	131
Days lost	10,079	3,253	3,251	2,153
Fatal accidents	2	1	0	2
Man-hours worked	19,208,894	17,708,791	19,451,891	19,558,905
Incidence rate *	1.8	2.1	1.6	1.3
Severity rate **	105	36.7	33.4	22.0

* IF = (Number of incapacitating accidents / Man-hours worked) x 200,000

** IS = (Number of days lost / Man-hours worked) x 200,000

Other achievements were the following:

- The following plants: Tubosistemas, Ecuador; Uberaba, Brazil; St. Gabriel, United States; Runcorn, United Kingdom; Mihara, Japan; and the El Salto, Tlaxcala Resinas, Tlaxcala Compuestos, Altamira Resinas, Altamira II, La Presa, and Quimir Tultitlán plants, all in Mexico, recorded no incapacitating accidents for the year.
- Eight plants in Mexico achieved the lowest premium for risk level, derived from the annual review of the accident rate by the Mexican Social Security Institute (IMSS). (LA7)

These achievements, however, do not compensate for the regrettable occurrence of the two fatalities mentioned above due to negligence in the use of personal protection equipment, a fact that will motivate the intensification of preventive and self-care efforts, as well as the active participation of all levels of administration, to see that preventable tragedies do not occur.

With regard to occupational illnesses in our mining facilities – salt and fluorite mines – no cases have been recorded at the brine plant in its 30 years of operation. Its annual occupational illness prevention program includes:

- 1 Protection and Preservation of Hearing Program (physical examination, ear examination and audiometry for each worker once a year).
- 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 (physical examination, assessment of the eye and its musculature, study of campimetry and visual acuity for farsightedness and nearsightedness each year)
- 4 Program Promoting and Encouraging Health, one talk each month.

The fluorite and sulfur mines have an annual occupational illness prevention program, the purpose of which is to prevent illness and protect the health of workers exposed to risks, damage, occupational illnesses and/or accidents that could arise in the work environment. This program focuses on preventive and/or corrective measures geared toward improving safety and hygiene condition.

In turn, the safety education and training program at the fluorite mine is focused mainly on controlling risks from hazardous materials used during the mineral-extraction process and avoiding

employee injuries inside the mine. Principal risks include falling rock, use of explosives, handling of heavy equipment used to move materials, and operation of ventilation systems.

Some of the preventive programs are:

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

The health programs are run annually by doctors at the company's various locations and include training and distribution of information to employees. The programs are responsible for controlling risks of the most common serious illnesses, such as high blood pressure, diabetes, obesity, influenza, stress, etc. Equally important has been our focus on preventative health measures, such as smoking cessation, which has been linked to increased productivity.

Training for clients and carriers (Persons)

	2008	2009	2010
Training of customers	366	453	288
Training of carriers	396	255	257

Accident statistics broken out by means of transportation

Means of Transportation	Periods			
	2007	2008	2009	2010
Rail	1	2	1	0
Truck	5	8	9	9
Maritime	0	0	0	0
Pipeline	0	0	0	0

During the year there were no incidents of non-compliance with regulations or voluntary codes related to the impact of our products or service on health and safety. (PR2)

Nor were there any incidents regarding non-compliance 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 non-compliance related to the provision or use of our products. (PR9)



7.4 Contribution to social progress

7.4.1 Social responsibility in our communities

Our commitment to the communities in which we have a presence is based on a joint initiative to promote self-development. Due to the diversity of social conditions in these communities, we are currently looking at 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 focus less on purely philanthropic initiatives and more on strategic initiatives, in order to give priority to the social

and environmental issues that are aligned with the company's interests.

7.4.2 Strengthening our abilities

The core areas that we have developed are strengthening abilities, water supply, and health. We extended training to strengthen abilities to family members of our employees and to members of the community.

In some projects we established social synergies with organizations with similar missions. For example, in Costa Rica, working with the community's water association and the Rotary Club of Cartago, we undertook to support 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 the following objectives to help us strengthen relationships:

- Adopt a strategic focus that responds to the priority needs of the community, in line with our business objectives.
- Establish partnerships with community organizations, public or private.
- Guarantee tangible results by defining, establishing and monitoring indicators focused on each project. (4.16)

7.4.3 Awards, certifications and distinctions (2.10)

The leadership, drive, perseverance, commitment and good performance of our employees have been noticed and recognized by national and international agencies.

For the third year in a row, in 2010, Mexichem received certification as a Socially Responsible Company by demonstrating its commitment and dedication to Mexico, its people and its communities. Along the same lines, one of our subsidiaries in Brazil was selected as one of the 20 top sustainable companies by *Exame* magazine. Another of our subsidiaries, this time in Colombia, was a finalist for the Andean Corporate Social Responsibility Award in the category of Business or Institution in the National Economy, 2010 version, an award that combines the environmental, social, and economic aspects inherent to sustainable development in scenarios where greater value and well-being are created by companies in the country. This award is endorsed by the United Nations Global Compact.

MEXICHEM CERTIFICATIONS

Location	Certification as Clean Industry	ISO 9001 Certification	ISO 14001 Certification	OHSAS 18001 Certification	Others
Salinera del Sur Plant		YES			Kosher Certification
El Salto Plant	YES	YES			NSF Certification for Chlorine and Caustic Soda
Coatzacoalcos Plant	YES	YES	YES		NSF Certification for Chlorine and Caustic Soda Kosher Certification
Altamira Plant	YES	YES	YES		SARI Certification
Tlaxcala Plant	YES	YES	YES		
Cartagena Plant		YES	YES		Baxter Distinguished Supplier Certification. Probos – Plásticos de Portugal Certification
Matamoros Plant	YES	YES			
Patio Operation, San Luis Potosí		YES			
Fluorite Mine, San Luis Potosí		YES			
New Jersey Plant			YES		
Honduras Plant		YES	YES	YES	
San Salvador Plant		YES			
Costa Rica Plant		YES	YES	YES	
Guatemala Plant		YES	YES	YES	
Sumaré, Brazil Plant		YES	YES	YES	
Suape, Brazil Plant		YES	YES	YES	
Joinville, Brazil Plant		YES	YES	YES	
Podesta, Argentina Plant		YES	YES	YES	
Lima, Peru Plant		YES	YES	YES	SEDAPAL Certification of Product Compliance

Location	Certification as Clean Industry	ISO 9001 Certification	ISO 14001 Certification	OHSAS 18001 Certification	Others
Cua, Venezuela Plant		YES	YES	YES	NORVEN Venezuelan Official Seal of Quality
Maracay, Venezuela Plant		YES			
Guayaquil, Ecuador Plants		YES	YES	YES	Receipt and/or Renewal of INEN Seal of Quality
Bogotá, Colombia Plant		YES	YES	YES	Icontec Certification of Product Compliance
Guachené Cauca, Colombia Plant		YES	YES	YES	Icontec Certification of Product Compliance
Barranquilla, Colombia Plant		YES	YES	YES	Icontec Certification of Product Compliance
Runcorn, United Kingdom Plant		YES	YES	YES	
St. Gabriel, USA Plant		YES	YES	YES	
Shinagawa, Japan Plant		YES	YES	YES	
Colpozos, Colombia Plant		YES			
RCA, Guatemala		YES	YES	YES	
La Presa, Mexico Plant		YES			
Altamira II, Mexico Plant		YES	YES		
Monterrey Rex, Mexico Plant		YES			Safe Company Certification, Level 3

Clean Industry certification granted by the Environmental Authority of Mexico

ISO 9001: Quality Management System

ISO 14001: Environmental Management Systems

OHSAS 18001: Occupational Health and Safety Management Systems

NSF: NSF International is an independent nonprofit agency dedicated to product testing and certification that establishes global performance standards for a wide variety of products for home and industry

ICONTEC: Instituto Colombiano de Normas Técnicas (Colombian Institute of Technical Standards and Certification)

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)

AWARDS AND DISTINCTIONS RECEIVED BY MEXICHEM

Plant	Environment	Health and Safety	Social	Energy
Mexichem, Mexico			Distinction as Socially Responsible Company, awarded by CEMEFI	
Mexichem – Amanco, Mexico			Distinction as Socially Responsible Company, awarded by CEMEFI	
Altamira, Mexico Plant	COPARMEX Award for reuse of water First Place National SEMARNAT Project: Production of Fumaric Acid	Recognized by the STPS for the Self-Management of Health and Safety at Work Program		
El Salto, Mexico Plant	**Recognition from the Chlorine Institute for zero emissions and zero accidents in 2010	Recognition from the Chlorine Institute for zero OSHA accidents in 2010		
Coatzacoalcos, Mexico Plant	Environmental Excellence Award			In 2009, National Energy Savings Award in the Industry category
Tlaxcala, Mexico Plant			Distinction as a Family-Responsible Company, from the STPS, Mexico	
Matamoros, Mexico Plant		Recognition from Union Pacific for zero safety incidents	Distinctions from the Mexican Red Cross and the local government's Family Development Agency (DIF) for supporting its social programs	
Mexichem, Brazil			<i>Aqua Vitae</i> magazine, first place Printed Media ABERJE Award (Brazilian Business Communications Association), 2010. Book <i>Hydros</i> , best publication, São Paulo, ABERJE Award 2010 Masterinstal Award Kaluz 2010 One of top 20 Sustainability Companies, <i>Exame</i> magazine	
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 (Association of SABESP Engineers) Innovation Award granted to our Amanco Biax product
Suape, Brazil Plant				Renewable Energies Award for consumption of energy from sources receiving incentives

Plant	Environment	Health and Safety	Social	Energy
Joinville, Brazil Plants	Joinville, Brazil Plants Expressão de Ecologia Award, in recognition of the company's environmental actions Fritz Muller Award — Environmental 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)	Ekos 2010, second place in Plastics Industry Expoagro Fair 2010 – Best Stand, Avisa Fair 2010 – Best Stand	
Guachené, Colombia Plant			Finalist in the Andean Corporate Social Responsibility Award	
Bogotá, Colombia Plant	Environmental Excellence Generating Sustainable Development, Elite category within the District Environmental Excellence Program (PREAD) for the Bogotá Mayor's Office and the district Department of the Environment		Finalist in the Andean Corporate Social Responsibility Award	
RCA, Costa Rica			Kaluz Foundation Award: A water solution for Gavilán Canta	
RCA, Guatemala			Kaluz Foundation Award, Ecology: Sewage Water Treatment Project	

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

7.4.4 Achievements through the Kaluz Foundation, A.C.

The Kaluz Foundation, A.C., supported by Mexichem and other companies in the Kaluz Group (Grupo Empresarial Kaluz), fosters the development of the whole person through education, housing, the arts, sports, health, safety, and environmental stewardship. The foundation supplies the tools needed to imple-

ment its own projects and offers support to other institutions in order to generate multiple synergies that promote well-being. Likewise, it supports social responsibility initiatives aimed at communities in the countries in which the Kaluz Group operates. Through its driving force for new program creation,

Redoblando Esfuerzos por mi Comunidad (Redoubling Efforts for my Community), it helped more than two million people in 2010. In addition, the Kaluz Foundation Award, *Redoblando Esfuerzos por mi Comunidad*, helped more than 56,000 people from various countries in Latin America.

EXTERNAL SOCIAL, ENVIRONMENTAL AND ECONOMIC INITIATIVES (4.12 and 4.16)

Project	Main Purpose	Chain	Plant	Location Benefited
Construction of a community center	Promote development in the most at-risk community in the rural zone of Cajicá, through the construction of a community center with materials that will demonstrate the excellent properties and advantages of our PVC product in the construction sector. The center will enhance local recreational activities and stimulate development in a healthy environment that improves quality of life in the community.	Chlorine-vinyl	Mexichem Derivados Colombia	Cajicá (Colombia)
Clean school	Receive the Clean School certificate in a community school. This would be the second in Tlaxcala and in the country to obtain it, which would help create awareness about environmental stewardship among the new generations in the community.	Chlorine-vinyl	Resinas Vinilicas Tlaxcala	St. Toribio Xicohtzinco, Tlaxcala (Mexico)
For healthy development of children in the community	Begin developing the green area in the residential development with an investment of MXN100,000 that will be contributed by Mexichem Resinas Vinilicas and Mexichem Compuestos.	Chlorine-vinyl	Resinas y Compuestos Altamira	Colonia Lázaro Cárdenas in Altamira, Tampico (Mexico)
Building together: the future of La Salitrera	Provide building blocks for modernizing, expanding, and adapting rural housing, with the company's participation, through the purchase of the block maker and production of the blocks, specifically by working with labor from the community.	Fluorine	Fluorine, San Luis Potosí	La Salitrera, municipality of Villa de Zaragoza, San Luis Potosí (Mexico)
La Gruta Project	Expand and beautify the zone known as La Gruta in the community neighboring our company, where there is a natural water spring.	Vertical solutions	Amanco Tubosistemas de Costa Rica, S.A.	La Asunción de Belén, Heredia (Costa Rica)
Reading and writing activities	Promote reading and writing as tools for learning for low-income boys and girls in the localities of Bosa and Ciudad Bolívar, in Bogotá. Spaces for reading will be provided to encourage the habit of reading and stimulate creativity in assembling written and oral texts through the use of the libraries and activities in the world of books.	Vertical solutions	Pavco Foundation	Localities of Ciudad Bolívar and Bosa in Bogotá (Colombia)
Environmental education	Promote environmental education to influence a change in habits in the protection of natural resources of the school-age population in the localities of Ciudad Bolívar and Bosa in Bogotá. Increase awareness and promote creation of environmental stewardship activities in children and youth.	Vertical solutions	Pavco Foundation	Localities of Ciudad Bolívar and Bosa in Bogotá (Colombia)
Environmental sanitation	Promote environmental sanitation to improve living conditions for residents in the localities of Ciudad Bolívar and Bosa in Bogotá, which will help improve health conditions, habitability, and use of housing and institutions by the participants..	Vertical solutions	Pavco Foundation	Localities of Ciudad Bolívar and Bosa in Bogotá (Colombia)
Improvement of social skills	Encourage play in at-risk children, as a tool for learning and education, to improve their social skills and mental acuity.	Vertical solutions	Pavco Foundation	Localities of Ciudad Bolívar and Bosa in Bogotá (Colombia)
Sports education	Develop and promote sports programs that contribute to the cognitive, emotional and physical development of children and teens, supporting their development as well-rounded persons and leaders in society.	Vertical solutions	Pavco Foundation	Localities of Ciudad Bolívar and Bosa in Bogotá (Colombia)
Development of skills and abilities	Encourage the well-rounded development of boys and girls from 0 to 6 years of age through programs of exploration, games and experimentation that stimulate their abilities; skills; and their physical, cognitive and social performance.	Vertical solutions	Pavco Foundation	Localities of Ciudad Bolívar and Bosa in Bogotá (Colombia)
Nutritional education	Promote nutritional education as a strategy to encourage healthy habits in low-income families in the localities of Ciudad Bolívar and Bosa in Bogotá. This will help improve the nutritional condition and health of the families participating in the project by adopting healthy lifestyles that will allow them to prevent illness and live well.	Vertical solutions	Pavco Foundation	Localities of Ciudad Bolívar and Bosa in Bogotá (Colombia)
Professional plumber certification program	Help professionalize the plumbing trade with a skills certification to enable individuals to be more competitive in the market and gain access to better employment opportunities.	Vertical solutions	Pavco Colombia	Bogotá, Bucaramaga, Cucutá, Manizales and Medellín (Colombia)

Improvement of education in Guachené-Cauca, Colombia	Become involved in the Ecological School in the Barragán United Rural Settlements in the Municipality of Guachené, to help improve conditions to guarantee higher-quality education in the rural zone of this municipality. The project, in partnership with the local government, Pavco, UNICEF and the community, promotes repurposing of infrastructure to create learning spaces that meet the needs of the school-age children, improve health and hygiene conditions, control health risks, encourage an environmentally aware culture with concern for the safe handling of water, wastewater, sewage and solid waste in schools and its impact on families. The methodology was contributed by UNICEF.	Vertical solutions	Pavco de Occidente Ltda., Guachené Cauca	Barragán United Rural Settlements, Municipality of Guachené (Colombia)
Minga Mujer Women's Association	Train women in the community of Guachené, help them set up the Minga Mujer regional association so they can supply the companies in the industrial park in the free zone of Cauca. This group of women, who have supplied lunches and light snacks for the Pavco plant in Guachené for the past four years, will improve their business skills in order to obtain new clients in the industrial park where we are located. In 2010, they were trained in administrative principles, basic concepts of food preparation and prevention of food-borne illness, good manufacturing practices, quality control, hygiene and basic sanitation (see attachment). In 2010, the training was sponsored by Pavco de Occidente, which received the Social Responsibility Award, Undertaking Peace, a Business Wager, in 2009.	Vertical solutions	Pavco de Occidente Ltda., Guachené Cauca	El Guabal Rural Settlement, Municipality of Guachené (Colombia)
Safe sanitation for rural communities of Guachené	Equip the families in the rural zone of Guachené with systems for safe management of wastewater with sewage and soap, avoiding illnesses such as acute diarrhea, parasitism and Dengue fever, which affect mainly children in the region. The project consists of building restrooms and wastewater treatment systems.	Vertical solutions	Pavco de Occidente Ltda., Guachené Cauca	Colombia – Department of Cauca – rural zone of the Municipality of Guachené
Arturo Uslar Pietri Project	Donate books for the 2010–2011 school year to a school that has proven to be in financial need. The books will be delivered to the children with special instructions to use them and keep them so that, at the end of the school year, they can share them with the students who will be promoted up to their level. In turn, they will receive from the more advanced students the books necessary for their new school year. This way, we are teaching our children to keep possessions in good condition and to share them with others, important values for life. In addition, we will be able to increase the level of education by guaranteeing that all the students have the books needed for their instruction, facilitating the teacher's work and thereby increasing efficiency.	Vertical solutions	Pavco de Venezuela	Costa del Rio Barrio, Via Coropo, Municipality Francisco Linares Alcántara (Venezuela)
Complete piping system for Colinas de San Gabriel	Design a comprehensive piping system to supply and distribute clean water and to divert used water in the community of Colinas de San Gabriel, located in Cúa, State of Miranda, Venezuela.	Vertical solutions	Pavco de Venezuela	Colinas de San Gabriel, located in Cúa, State of Miranda (Venezuela)
Organic urban agriculture in southern Bogotá	Encourage organic urban agriculture as a strategy to provide safe foods to low-income families on the south side of Bogotá, which will contribute to an improved quality of life for that population.	Vertical solutions	Pavco Foundation	Localities of Ciudad Bolívar and Bosa in Bogotá (Colombia)

Project	Main Purpose	Chain	Location	Location Benefited	Category
Acquisition of defibrillator-pacemaker for the area of Pediatric Oncology in the Regional Hospital	Prevent deaths due to cardiorespiratory failure in children undergoing chemotherapy. Contribute to the certification of the Valentín Gómez Farias Hospital in the specialty of Pediatric Oncology, which will make it easier for the federal and state governments to allocate financial resources to improve the department.	Chlorine-vinyl	Mexichem Derivados Coatzacoalcos	Coatzacoalco Veracruz (Mexico)	Health
Construction and funding of the park at the Primero de Agosto residential area in Pasacaballos	Provide a park for the Primero de Agosto residential area in the rural township of Pasacaballos, to be used as a space for recreation and to play sports, to be used for appropriate leisure activities for its residents and neighboring areas.	Chlorine-vinyl	Mexichem Resinas Colombia	Rural township of Pasacaballos (Colombia)	Outdoors
Never Too Late to Learn	Improve the adult educational facilities in the community.	Chlorine-vinyl	Quimir	Melchor Ocampo, State of Mexico (Mexico)	Education
Schools Program	Improve the perception that youths 15–18 years old have of the chemical industry and how they relate to science. Due to the declining interest in the sciences, there is a knowledge gap in this generation's proficiency in chemistry. It more important than ever to communicate the value of chemistry.	Fluorine	Flúor RU	Helsby, Cheshire (United Kingdom)	Education
Biggest Loser Competition	Inspire employees to lose weight and encourage each other in a healthy lifestyle.	Fluorine	Fluorine, United States	St. Gabriel, LA Plant (United States)	Health



Project	Main Purpose	Chain	Location	Location Benefited	Category
Rain water and storm water management	Support the sustainability of water in the regions.	Vertical solutions	Amanco Guatemala	Zone 4 Mixco, Guatemala	Ecology
Transitional shelters (75)	Provide emergency housing for families affected by the path of tropical storm Agatha in Chimaltenango and Sololá, with the support of World Vision and local authorities.	Vertical solutions	Amanco Guatemala	Chimaltenango and Sololá, Guatemala	Housing
Water vigilantes	Actively participate in the program to reduce consumption of potable water caused by leaks and internal damage, and promote a change in water usage habits of students, teachers, and administrators in selected schools.	Vertical solutions	Amanco Tubo-sistemas Costa Rica	San José-Heredia-Alajuela-Pavas (Costa Rica)	Ecology
Development of public spaces for recreation and sports for the school-age population	Contribute to the physical development and good use of free time of the school-age population in marginalized areas, adapting a space for recreation and playing soccer.	Vertical solutions	Pavco Bogotá Colombia	Bogotá (Colombia)	Sports
A Mother's Love: Project to promote breastfeeding for the first 6 months	Help promote, protect and support breastfeeding among pregnant and nursing mothers.	Vertical solutions	Pavco Bogotá Colombia	Localities of Ciudad Bolívar and Bosa in Bogotá	Health
Merry Christmas for underprivileged children	Provide a joy-filled day for the neediest children in the community. We are seeking a sponsor among our friends and collaborators to provide a gift, an item of clothing and a delicious meal.	Vertical solutions	Pavco Bogotá Colombia	Locality of Bosa in Bogotá	Recreation
Start-up of teaching facility in Guachené	In the municipal seat of Guachené, implement tools to improve elementary school students' learning conditions and strengthen their cognitive abilities and aptitudes.	Vertical solutions	Pavco Occidente	Urban area of Guachené-Cauca, Western Pavco Plant (Colombia)	Education
Helping grandparents	Improve the quality of life of the elderly at the Hogares Fraternales Madre Admirable A.C. nursing home in El Salto, Jalisco, by providing wheelchairs, walkers, portable toilets, mattresses, etc.	Chlorine-vinyl	Mexichem Servicios Derivados	El Salto, Jalisco (Mexico)	Health

7.4.5 Impact of investments in social infrastructure

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 \$2.9 million.

Mexichem Coatzacoalcos plant donated MXN230,000 for the purchase of equipment for the pediatric oncology room of the regional hospital. This supports the diagnosis and treatment of children in the 18 adjoining municipalities in the region south of Veracruz, Mexico, who suffer from some type of cancer. (EC8)

Mexichem's Tlaxcala plant supported the municipality of Santo Toribio, Mexico, with MXN1 15,000 to remodel a recreational children's 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)



Mexichem supports children's hospital (4.12)

Coatzacoalcos is located in southeastern Mexico, in the state of Veracruz. In the region, there are more than 20 documented cases of children with cancer who are not receiving formal medical treatment (a special hospital area for this), and those who do receive it share these limited spaces, exposing themselves to infections and contagious diseases due to lack of adequate facilities. Those who can transfer to the city of Xalapa, 350 km away, do so at their own risk and with their own resources, to receive better care.

Due to the lack of financial resources, appropriate equipment and pediatric oncology specialists, only four children are receiving specific cancer treatments at the Community Hospital of Coatzacoalco, which serves 18 municipalities in the region.

La Asociación Mexicana de Ayuda a Niños con Cáncer (Mexican Association to Aid Children with Cancer), a nonprofit association, negotiated with the state government to expand the Community Hospital to establish an oncology wing. This location, equipped to provide oncology services to young children, is divided into the following areas:

- a) Operating / procedures room
- b) Chemotherapy Room A
- c) Chemotherapy Room B

The oncology wing requires equipment, instruments and specialized diagnosis and treatment units that allow children and adolescents to increase their chances of recovery and to bring them back healthy to their families.

Mexichem Derivados supported the Association with MXN230,000 to purchase diagnosis and treatment

equipment for young children with any type of cancer. The company matched each peso contributed by workers. With these resources, a portable, six-channel electrocardiograph machine, portable digital ultrasound equipment, a horizontal laminar flow hood, a six-parameter vital signs monitor and a defibrillator-pacemaker were purchased.

This last item is especially important, as it can prevent children dying during chemotherapy from suffering cardiorespiratory arrest during treatment.

The Oncology Wing at the Community Hospital was equipped and opened with the donations from workers at Mexichem Derivados. The chemotherapy area was named the Mexichem Room and was furnished with easy chairs, various media and equipment for the complete care of children.

Our focus on environmental management is centered on eco-efficiency, meaning, to continue to do even more and go further with less. In this way, 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 wisely manage our natural resources.

Mexichem is a large transformer of energy and raw materials into products that are an essential part of peoples' daily lives. We know that the triple-bottom-line sustainability model is supported both by corporate governance and by technological development. Our research center focuses on strategic projects for continual improvement and innovation and supports the production chains in the development of environmental management processes aimed at finding sustainable development in our operations. Accordingly, we have worked in priority areas to

- 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 water, and aquifers
- Conduct research to design and produce products that are safer and harmless for the environment.

Our plants have developed management systems to identify and manage significant environmental aspects, design improvements in operations and incorporate good industrial and mining practices that distinguish them as clean companies.

Through its subsidiaries in the various countries in which it operates, Mexichem has signed the global initiative of the chemical industry known as Responsible Care®. Member companies commit to continually manage the safety of their operations and production and the protection of health and the environment, all within a framework of ethical principles and practices. These include, among others, transparency and openness in public communications regarding operations and



8. ENVIRONMENTAL DIMENSION



products, collaboration with public and private authorities for the development of better practices and regulations, and the supervision of products aimed at incorporating safety considerations in all the stages of a product's lifecycle – from design and production to transportation, transformation, use, and final disposal.

8.1 Impact of new plants on environmental performance

During 2010, Mexichem continued its vertical integration strategy in the fluorine chain through the acquisition of refrigerant gas production plants in the United Kingdom, the United States, and Japan, as well as the construction and start-up of a sulfur extraction plant in Jáltipan, Veracruz, Mexico. With regard to the chlorine-vinyl chain, we acquired PVC resin and pipe production plants in Mexico.

The impact of these acquisitions on our environmental performance, as shown in this report, was reflected in the increased consumption of raw materials, natural gas and water, as well as in the volume of wastewater discharged. The consumption of electrical energy was not affected, and waste generation increased only slightly.

Our baseline of information, established in 2009, was modified with the contribution of the new plants in 2010. Therefore, we now have a greater challenge in meeting our environmental performance goals and must integrate the information from the operations in 2011 and adjust our baseline. We believe that our environmental focus in the sustainability management model will allow us to adjust proposed goals if necessary.

8.2 Investments in environmental projects

In 2010 we made investments in environmental control projects amounting to USD18.5 million, primarily in activities related to soil remediation,



improvements to optimize energy use, reduction of emissions that deplete the ozone layer and reduction of industrial waste. (EN30)

Below are some of the main projects we carried out:

Project	Country	Plant
Decontamination of mercury in the soil, in the electrolysis zone, an area of 2,900 m ² and volume of 10,410 m ³	Mexico	Santa Clara
Replacement of fluidized bed to reduce noise levels in the compounds plant, on the KP3 line	Mexico	Altamira I
Increase in the capacity for cooling effluents to supply the biological reactor at safe, temperature ranges	Mexico	Altamira I
Environmental sanitation, step one	Mexico	SLP Mine
Recovery and drying of mud from the PVC effluent treatment plant	Colombia	Mexichem
Wastewater treatment	Guatemala	Mexichem

8.3 Use of natural resources (salt, fluorite, and sulfur)

The raw materials used to manufacture Mexichem products are essentially salt (sodium chloride), fluorite (calcium fluoride), and sulfur. These three raw materials are obtained from our own mines through extraction processes. (EN1)

Salt is the natural resource that is the starting point of the chlorine-vinyl chain. It is converted into chlorine and sodium by means of an electrolytic process. The reaction of chlorine with ethylene produces the vinyl chloride monomer (VCM), which is transformed into polyvinyl chloride (PVC) through a polymerization process. Plasticizers, stabilizers and other substances are added to PVC resins to convert them into vinyl compounds, which can be processed and then transformed into any number of final-use products. Mexichem converts part of the PVC it produces into pipes and geosystem membranes.

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, through a reaction with sulfur. This hydrofluoric acid is then used in the manufacture of refrigerant gases for air conditioning and refrigeration systems.

In June of 2010 we started operations at the sulfur extraction plant using the Frasch mining process. This method requires the injection of superheated water with natural gas, at high pressure, into the subsoil to melt the sulfur, converting it into a liquid state. The sulfur is extracted using a U-bend by injecting high-pressure air through pipes installed in wells drilled 200–300 meters deep. The evaluation of the environmental impact, from the project design, considered that there would be a reduction in the use of energy through the recovery of at least 90% of the water injected, and the environmental effects of the disassembly to access the drilled areas would be offset with reforestation. (EN26) Environ-

mental impact authorization was obtained for the extraction of sulfur for 30 years, with a closing plan that includes environmental recovery of the site for ten years. (MM10)

	2007	2008	2009	2010
Raw materials in ton per year	2,927,557	2,852,913	3,355,918	3,942,044

(EN1)

We are continually making efforts to use our resources more efficiently, incorporating the “reduce, reuse, recycle” and industrial metabolism principles.

We achieved an average industrial recycling percentage of 14%; that rate is greater in our fluid conduction chain, in which PVC waste used as a raw material is recovered to be reintegrated into the process, as a part of the product’s lifecycle. (EN2)

Technological Innovation

Mexichem Resinas Vinílicas in Altamira, Mexico, was recognized with the National First Place in Environmental Leadership in the category of Technological Innovation for Better Environmental Performance, for its Production of Fumaric Acid from the Phthalic Anhydride Production Process. The prize was awarded in the framework of the Environmental Cooperation Program initiated by the Department of the Environment and Natural Resources (SEMARNAT) and the Mexican Employers’ Association (COPARMEX), whose objective is to improve environmental performance and competitiveness in business.

The project

The production of phthalic anhydride generates organic volatile gases at the end of the process. Its treatment as a waste – through a catalytic incinerator – requires an estimated investment of USD4.5 million and annual expenses of more than USD500,000 to operate the incinerator.

With a sustainable focus based on ecoefficiency and synergies derived from making the most of by-products, Mexichem channeled its efforts into finding alternative technologies to use this waste as a raw material for other processes. The result was the development of a project that allows

the treatment of 58,000 m³/hr of exhaust gases with recovery of maleic anhydride, a raw material in the production of fumaric acid, which is used in the food industry as a regulator of acidity and as a preservative.

The treatment of the residual gas flow in this manner allowed us to avoid the investment and operating expenses associated with handling it as a waste, and to avoid wasting materials that can be used to produce useful substances. Likewise, it helped increase profitability of the business and preserve the environment.

8.4 Efficient use of water and energy

Considering the economic value of our products and the growing cost structures for energy and water, we are continually seeking to improve our efficiency in the use of these resources.

Energy consumption

Electrical energy and natural gas are the main sources of energy that Mexichem consumes. We are constantly trying to improve energy efficiency through technological improvements in processes and other initiatives. Our efforts have resulted in cost savings as well as competitive advantages and market differentiation.

We are aware that the use and consumption of energy is a significant environmental aspect at Mexichem, and we have developed a responsible culture regarding use of this input through savings programs designed by committees comprising technical personnel from the plants. Successful practices are then replicated at the various

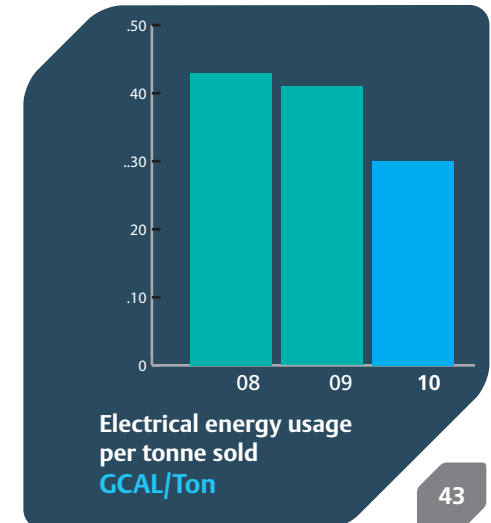
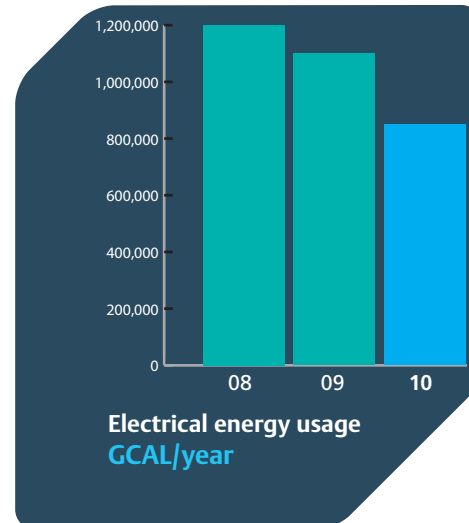
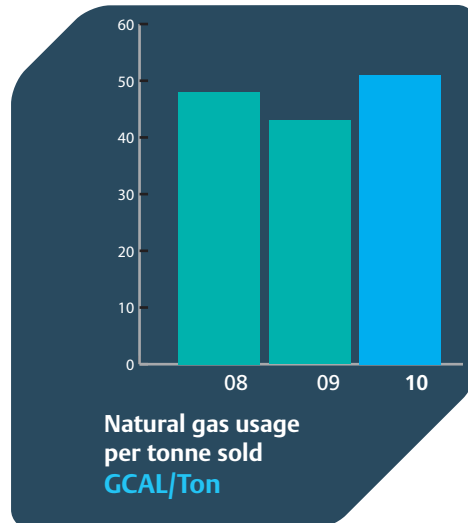
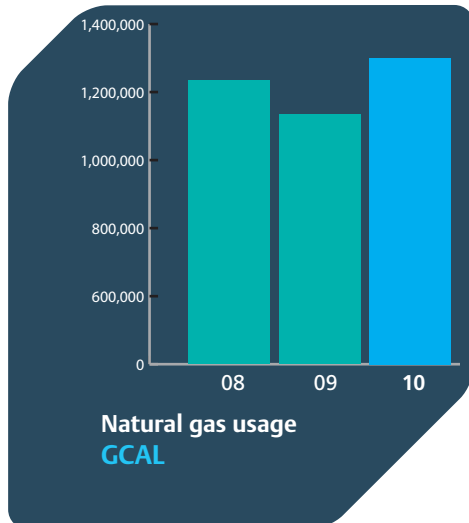
chains. Mexichem initiated the Energy Efficiency Program in 2004 at its chlorine-soda plant in Coatzacoalcos, Veracruz, Mexico, which represents 38% of the total electrical energy consumption in this country. The program has been introduced at another eight companies in the group and, as a result of this effort, between 2008 and 2009 the Mexichem plants have won awards in various categories of the National Energy Savings Award given by the National Commission for Energy Savings. Although the level of savings was maintained in 2010, being able to increase it will depend on advances achieved by new energy efficiency projects incorporated in the environmental performance goals. These include the installation of solar panels to provide energy to the lighting network for the Coatzacoalcos and El Salto plants, as well as for the corporate offices at Tlalneantla, Mexico. (EN5)

Most of the energy we use comes from electricity provided by outside companies. We also use gas and, to a lesser extent, steam purchased from a third party, diesel and GLP. To generate energy, the suppliers use thermoelectric, hydroelectric,

coal-generated-electric, geothermal-electric, wind-generated-electric, nuclear-generated electric, and biomass plants. (EN4)

The consumption of fossil fuels (natural gas) is a significant source of GHG emissions, and this use is directly related to CO₂ emissions at our company. At Mexichem, direct energy consumption of natural gas in 2010 was 20% higher than in the previous year, due primarily to the start-up of the sulfur extraction mine. This increase offset the savings achieved in 2009, which amounted to an 18% reduction over the 2008 amount (EN3) while total products sold in tons rose only 7% over the same period. This indicates that we are operating with less energy efficiency through direct consumption of energy per unit of product sold.

Given that the sulfur extraction mine caused the primary increase in natural gas use, we developed a plan to increase energy recovery in the extraction process, which will allow us to optimize consumption of the fuel. These improvement actions are part of our 2010–2013 goals.



At Mexichem, the indirect consumption of electrical energy in 2010 was 20% less than in 2009, while the volume in tons of products sold increased by 7% over the same period, demonstrating a trend of improvement in the efficient use of electrical energy per unit sold.

The Mexichem plants in Brazil have been working for several years to provide products and services that stand out, through three strategies in the product's life cycle: ecoefficiency, ecodesign, and ecoinnovation. One example is the modern plant of Suape, in Pernambuco, inaugurated in 2005, and considered to be a model of ecoefficiency, as it consumes energy that comes from biomass and uses less than 20 liters of water per tonne of pipe manufactured. Likewise, it has an effluent-treatment system that allows the reuse of water in irrigation of gardens, in toilets, and for cleaning the plant floors. The environmental division in Brazil reported savings of more than USD40 million between 2001 and 2010, with a 78% reduction in the use of water for processing. It should also be mentioned that significant reductions have been made in energy, waste, and excess weight. (EN6)

Other investments implemented at Mexichem plants to save energy include: increasing the number of electrolytic diaphragm cells to reduce the flow of current in the production of chlorine-soda; exchanging electric engines for high-efficiency engines; replacing incandescent bulbs with energy-saving bulbs; increasing the efficient use of water with improvements in compressors; changing packing in the cells of the cooling tower; and installing more efficient frozen water equipment. In addition, we implemented operating practices such as reduction in line equipment and a decrease in the number of ventilators in the cooling towers during the winter months. (EN7)

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 2010, the consumption of "first-use" water was 10,208,789 m³. The extraction of

water from surface bodies of water was 84%; from aquifers it was 16% (EN8)

	2007	2008	2009	2010
Surface water m ³	6,414,535	5,861,867	6,214,158	8,604,753
Subterranean water m ³	627,393	936,159	600,757	1,604,036
Total use of water in m ³	7,041,928	6,798,026	6,814,915	10,208,789

We have no knowledge of water sources that have been significantly affected by the extraction of water for use by Mexichem (EN9). We currently recycle and reuse more than 50% of the water that we utilize, mainly in the mineral concentration processes at our fluorite mine. (EN10) In this way, only 47% of the water used is "first-use" water.

	2007	2008	2009	2010
Recycled and reused water m ³	5,675,623.7	5,917,573.6	5,603,900.1	5,417,633
Recycled and reused water %	80.0	87.0	82.0	53

The total discharge of our residual water, with primary or secondary treatment, to surface bodies, municipal drainage and infiltration, was 5,803,790 m³, which represents 56% of the total water used. (EN21) In the total soil 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%. The change in amount was affected by the sulfur extraction and the fluorine chain operations in the United States.

	2007	2008	2009	2010
Discharge of wastewater, m ³ in rivers, streams, municipal drainage, infiltration	2,420,187	2,550,174	2,273,020	5,803,709

MEXICHEM ON THE GLOBAL WATER SITUATION

Water as a core theme

We must not let the urgent undermine the essential

Ban Ki-Moon, Secretary-General of the United Nations.

We are at a decisive moment in history – a point at which we must achieve sustainability in our various fields of activity and responsibilities. We must do this to guarantee that our planet will continue to be healthy and functioning. According to the 2010 Living Planet Report from the World Wildlife Fund (WWF), the earth has surpassed its capacity to replenish the resources necessary for human needs by 30%.

Facing this challenge, we at Mexichem understand that water, as a vital element of development, becomes a core theme in all our business activities. We recognize that this resource connects our actions with the everyday life of investors, employees, clients, suppliers, communities, government heads and opinion makers. Together, we must understand how human beings relate to water, and how much land and water are necessary to produce the resources that we consume and absorb the waste that we produce. The business leadership that we have consolidated in more than 15 countries around the world allows us to adopt a position at the forefront, implementing business strategies that anticipate and handle risks, changing them into opportunities for economic, social, and environmental progress. For this, our daily water pact will continue to be a part of our agenda. We are committed to continue creating awareness of the global challenges we face. We want to be part of a paradigm shift in human behavior, building a new coexistence with water, in a world in which humanity lives within the limits of the earth's ability to replenish itself.

The magazine *Aqua Vitae* receives the highest business communications award in Brazil: the ABERJE Award

- The magazine *Aqua Vitae*, published by Mexichem, wins first place in Brazil.
- *Hydros*, a book published by Mexichem and the Kaluz Foundation, stands out as the best special publication in the city of São Paulo.

Mexichem, through one of its companies in Brazil, merited the 2010 ABERJE Award in the category of Print Media, given by the Brazilian Business Communications Association to the magazine *Aqua Vitae*, which had won the São Paulo regional award in this same category.

Aqua Vitae, a pioneer in Latin America, has been in existence there for the past five years. A project backed by Mexichem, its purpose is to increase awareness and generate knowledge, reflection and suggestions related to the themes of potable water and sanitation. In accordance with the director of *Aqua Vitae* and manager of Corporate Communications at Mexichem Brazil, the award is a recognition of the company's commitment to a theme that is extremely relevant for the present and future of humanity.



At Mexichem, we understand the importance of multisector actions and of collective and individual commitment in order to face the issues related to water. More and more, society requires that this issue be approached with a comprehensive focus, as it is an economic, technological, and cultural matter. The magazine *Aqua Vitae* responds to these needs.

Aqua Vitae is published every four months with a print run of 18,000 copies and is distributed in more than 14 countries in Latin America. It is produced in Brazil, Costa Rica and Colombia in Spanish and Portuguese. *Aqua Vitae* is the only publication in these regions that speaks to the challenges related to water from a vision that is 100% Latin American, with a multisector focus, within a global context.

Special recognition

Hydros III – Challenges, a photography book published in 2010 by Mexichem, was the winner of the ABERJE Award in the Region of São Paulo in the category of Special Publication, and was a finalist in the national competition. This is the third volume in the photography series promoted by Mexichem; its purpose is to serve as a channel to increase awareness among national, regional, and global leaders.

The book shows the most urgent challenges facing us in the sanitation sector, from the view of a participant rather than a spectator: as one responsible for his own destiny, dedicated to molding and adopting a decisive role in transforming the world, and forging his own mission.

These publications were recognized during the 36th edition of the ABERJE Awards, whose mission is to strengthen the strategic vision of communications in businesses and institutions by stimulating, recognizing, and presenting efforts and initiatives. (SO1, 4.12 and 4.16)

8.5 Controlling Emissions and Handling Waste

Controlling emissions

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

Most of the countries in which we operate are not members of the Annex I of the United Nations Framework Convention on Climate Change and of the subsequent Kyoto Protocol, so there is no obligation as a company to make greenhouse gas inventories; nor is there a commitment to reduce emissions. Nonetheless, we have been conducting our greenhouse gas inventories 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 the emission factors from the Comisión Federal de Electricidad (CFE) reported in the greenhouse gas program of Mexico, <http://www.geimexico.org/>. (EN16 and EN17)

The commitment to reduce these emissions has 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, in order to decrease our carbon footprint.

	2007	2008	2009	2010
Direct emissions of greenhouse gases, in equivalent tonnes of CO ₂	157,100	143,313	146,318	187,044
Indirect emissions of greenhouse gases, in equivalent tonnes of CO ₂	852,400	706,240	635,751	643,125
Total emissions of greenhouse gases, in equivalent tonnes of CO ₂	1,009,500	849,553	782,069	830,169

In 2010, Mexichem's level of direct and indirect emissions changed with the acquisition of the refrigerant gases (fluorocarbons) production plants in the United Kingdom, United States and Japan, as well as with the start-up of operations of the sulfur mine.

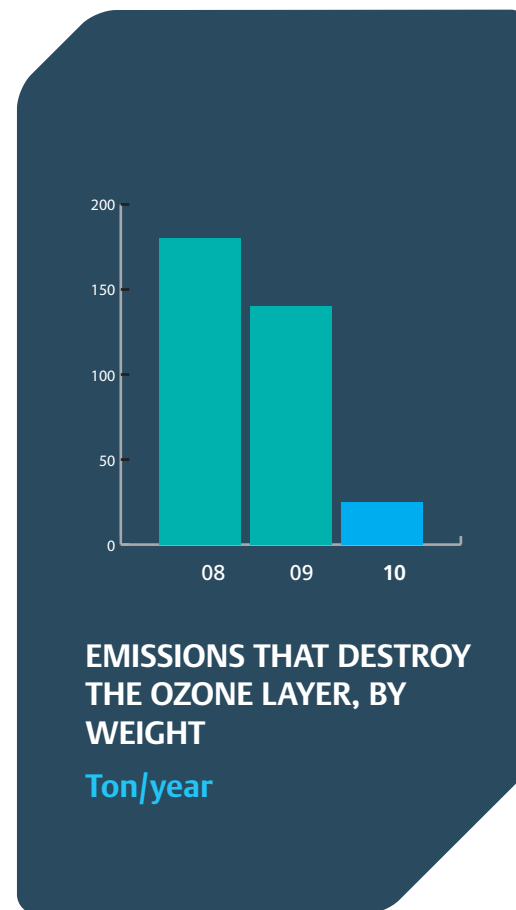
Initiatives to reduce GHG emissions and the reductions achieved

We will continue with our plans to implement ecoefficient energy in processes, update technology, and evaluate options for renewable energy use. (EN18)

As a result of the implementation and maintenance of good practices in handling substances that destroy the ozone layer, agreed to in the Montreal Protocol, we have achieved significant reductions since 2007. (EN19)

In 2010, we started a new chlorine recovery process using a system of low-temperature tertiary liquefaction, a project that we developed in conjunction with the United Nations Industrial Development Organization. This project has allowed us to eliminate the use of carbon tetrachloride and the R-12 refrigerant in the Coatzacoalcos plant, and we were thereby able to lower emissions of substances that deplete the ozone layer.

Mexichem was invited to participate in the Climate Change Conference (COP 16) which took place in Cancún, Mexico, to demonstrate the success of the project in terms of the environment, economics, and cooperation of international governmental entities and private industry. Mexichem's case was the only one that represented the international industrial sector at this conference.



Waste management

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

There were no accidental spills of products in 2010, 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 handled in temporary warehouses to subsequently be sent to controlled containment sites, with treatment to stabilize the product or recycle it, in accordance with

Mexichem at the United Nations Framework Convention on Climate Change, Cancún 2010 Synergies between Montreal Protocol actions and mitigation of climate change

In December of 2010, Mexichem Derivados, Coatzacoalcos plant, notably participated in the talks at the United Nations Framework Convention on Climate Change and the Kyoto Protocol (16th Conference of the Parties (COP16) / 6th Convention of Montreal Protocol (CMP6)). This global meeting, which on this occasion took place in the city of Cancún in Quintana Roo, Mexico, was held from November 29 to December 12, 2010.

Mexichem was one of the three Mexican companies invited by the Office of the Ozone Layer, under the authority of the SEMARNAT, to present the environmental achievements of its project to eliminate the use of carbon tetrachloride in the country, a project that was initiated in 2009 and ended in the third quarter of 2010. Mexichem Derivados Coatzacoalcos plant made the Phase Out of

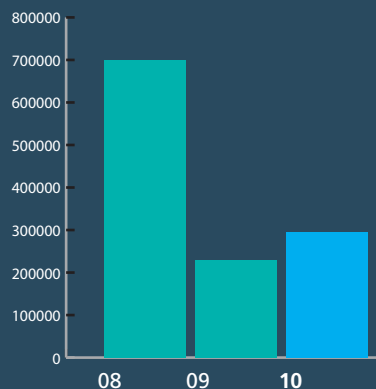
CTC Consumption in Mexico presentation as part of the Parallel Events program, which took place at Cancunmesse, called Synergies between Montreal Protocol Actions and Climate Change in Mexico.

The Department of the Environment of Mexico highlighted this project carried out by Mexichem as a successful example derived from the coordinated participation of three sectors to achieve a common goal: industry (Mexichem), the government (SEMARNAT), and the United Nations Organization (UNIDO), focused on the fulfillment of the Montreal Protocol agreements to reduce emissions of gases that damage the ozone layer and contribute to global warming.

The speakers in this group of meetings were Secretary of the Environment, Juan Rafael Elvira Quesada; Executive Secretary of the Ozone Layer for Latin America, Marco González; Dr. Mario Molina, Nobel Award in Chemistry 1995; and Mr.

Kandeh K. Yumkella, General Manager of the UNIDO.

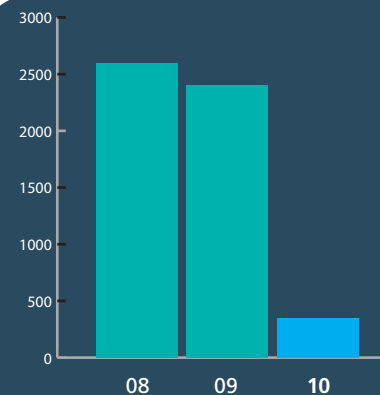
There were 193 delegations participating in the COP16, and important agreements were reached in aspects such as definition of goals to reduce emissions, technology transfer, financing, and reduction of emissions owing to deforestation and soil degradation. The Cancun agreements reaffirm the global commitment to combat climate change and, in the conclusions of this Convention, it was determined to create a "Green Fund" to mobilize annually, until 2020, USD100,000 million in developing countries that endeavor to implement measures to mitigate climate change. Given that an agreement was reached under which developing countries would be paid to not cut down forests, Latin American countries with forest resources would be able benefit from this.



Total waste handled
Tonnes/year

environmental legislation in each country. In 2010, we did not transport any hazardous waste to other countries. (EN24)

We are generating waste that requires special handling, although it does not meet the characteristics to be considered hazardous: tires, glass, plastics, paper, cardboard, biodegradable organic material, wood, and others. Some of these are recovered, as in the case of oils that are used as fuel in the 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 protocols, as in the case of by-products from processing. Consequently, this class of waste must have special plans of action that define its use and/or final sustainable purpose, such as use in paving roads, or fill and compacting material.



Hazardous waste transported
Tonnes/year

With regard to packaging materials used for the products sold, including industrial plastic bags, pallets and containers, 17.46% are recovered at the end of their useful life. (EN27)

Mexichem received no fines or sanctions for failure to comply with environmental regulations during 2010. (EN28). Nor did it have significant environmental or logistic impact derived from the transportation of products or personnel during the year covered by this report. (EN29)

8.6 Development and introduction of safer and more environmentally sound products

We have adopted a precautionary approach for products going to the medical and food industries, through validation of new raw materials by the Food and Drug Administration (FDA): physiochemical, cytotoxicity, microbiological, melamine, genetic and biocompatibility tests. (4.11)

Replacement of lead-based stabilizers

In accordance with its commitment to the environment and reduction of problematic materials such as lead, years ago in its vertical solutions chain at its plants in Brazil in Argentina, Mexichem replaced the lead-based stabilizer, one of the additives used in the manufacture of pipes, with more environmentally-friendly alternatives, such as organic calcium and zinc salts. Calcium zinc is used in its plants in Colombia, Venezuela, Peru, Ecuador and Central America, while in Mexico it is conducting tests with tin stearate stabilizers.

In addition, with the support of the PVC Institute, Mexichem is committing itself to replacing lead-based stabilizers in the entire PVC production chain, including the pipe and connector transformers and the manufacturers of PVC resin and stabilizers. The objective is 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)

8.7 Protection of biodiversity

We do not have a specific policy on protection of biodiversity; nevertheless, our commitment through doing business in some of the countries with the greatest biodiversity in the world, such as Brazil, Colombia, Ecuador, Mexico, Venezuela and Peru, is 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 four decades from 1960 to 2000, and which currently is an industrial zone. We monitored the quality of the bodies of water near our facilities, and the results showed no evidence of acute toxicity or cumulative toxic effects.

Our main mining operation is the fluorite (calcium fluoride) extraction mine located in the village of La Salitrera in the Municipality of Zaragoza, in San Luis Potosí, Mexico. Its surface area is estimated at 500 hectares, approximately 50 of which are for the mining operation, while the remaining 450 have not been impacted. The mineralized bodies being exploited are located southeast of the Sierra de Alvarez, in the western part of the Eastern Sierra Madre, outside the boundaries of the polygon declared to be a protected natural area by the government of the state of San Luis Potosí. Due to its geological characteristics and physiography, this region is clearly naturally created for mining; in fact, mining activities have been carried out here since the 1950s. The site of the mine has environmental characteristics of arid zones, where the main features that determine the potential for productivity of the zone are the soil type, the topography, and the limited water resources. (MM1 and EN11)

The existing habitat mainly promotes permanence of species of avifauna typical of arid zones and some small mammals and reptiles. The current effect on fauna is considered to have a small scope, as most fauna were displaced from the beginning of human settlement, before any mining facilities were established.

The strategy and actions introduced and planned to manage the mining operation's impacts on biodiversity are mainly small-scale, and we have established mitigation measures to reduce them.

No natural resources that require special attention have been identified in the zone of influence around the mine. Only one species of flora under special protection, *Echinocactus platyacanthus*,

grows in proximity to the mine in an area that is not currently affected; nor is it expected to be affected in the future by the mining operations. (EN11, EN12, EN13, EN14, EN15)

We have plans to close two mines, fluorite (San Luis Potosí) and sulfur (Jáltipan, Veracruz). (MM10)

8.8 Product Stewardship

Mexichem is implementing the Stewardship or Protection of Products program in its global operations. This program is based on the chemical industry's comprehensive Responsible Care® initiative. Mexichem's guidelines on chemical product safety cover all the stages of a product's lifecycle, from extraction of natural resources, manufacturing, transportation, transformation, marketing, and use, to final disposal.

8.8.1 Product safety management

In 2010, we began a review process for substances produced in the United Kingdom and/or exported by Mexichem plants to countries in the European Union, in accordance with the requirements of the REACH standard, to update them with regard to classification and labeling, scenarios of exposure and new information available according to recent risk evaluations. The company met the requirements of the new REACH regulation for 45 substances in its chlorine-vinyl and fluorine chains. In 2010, the investment required for timely registration of the eight priority substances exported by our company to the European Union surpassed EUR485,000 (not including the cost of the company specialists dedicated to managing this process during the year).

Water Production Project: Conservation of the Chimalapas-Uxpanapa Tropical Forest (EN13)

In 2010, Mexichem and the Kaluz Foundation financed the Chimalapas Water Production environmental improvement project for the purpose of contributing to the conservation of the Chimalapas Tropical Forest, one of the last two bastions of virgin forest in Mexico. The investment, allocated to provide environmental services in the community of Santa María Chimalapas, will contribute to improving the availability of natural resources (water and energy) in the zone southeast of Mexico, where Mexichem has two production plants in operation: Jáltipan and Coatzacoalcos in Veracruz, Mexico.

Our objective has been to help guarantee the conservation of the natural water sources in forests and jungles in the region of Chimalapas-Uxpanapa, the largest hydrological system in southeastern Mexico, particularly in Santa María Chimalapas, a site considered to be the source of the water flowing in the Coatzacoalcos, Uxpanapa and Usumacinta rivers, and which also supplies water to the dams that generate electrical energy in Chiapas. Chimalapas is a portion of forest covering approximately 250,000 hectares located in states of Veracruz, Oaxaca and Chiapas, a region that generates 40% of the water run-off in Mexico from rainfall recorded during much of the year.

The project's strategy is based on three core themes: conservation of nature, development of sustainable communities, and environmental management. The progress achieved includes the signing of a collaboration agreement with the community, agreements for meetings to certify land through registration of forest-life conservation management units, biological monitoring and evaluation of habitat, development of forestry management plans, study of water quality through spring and river sampling, analysis of population, housing, services, discharge of sewage and handling of solid waste.



Energy-efficient wood stoves were also installed, benefiting 50 families.

The beneficiaries have a large expanse of land covered with high and medium jungle vegetation, considered to be a strategic site for various reasons:

- i) The majority of the territory is maintained in a good state of conservation.
- ii) It is an area of biological connectivity for plants and animals where diverse migratory species from the Eastern and Western Sierra Madres pass through on their way toward Central America.
- iii) The area shelters a wide variety of endemic and endangered species.
- iv) The territory contributes 40% of the fresh water that flows through the country in large rivers such as the Coatzacoalcos and Uxpanapa – which flow toward the Gulf – as well as from rivers that supply the Huave lake in the Pacific.
- v) Despite the high degree of biodiversity that distinguishes Santa María Chimalapa, the poverty rates from the National Population Commission (CONAPO) indicate a high marginalization in the municipality. In 2008, it was recorded as one of the 100 poorest municipalities in the country, and was therefore considered as part of the 100 x 100 strategy.

This initiative provides the opportunity to benefit the local community, serves to connect local authorities, the academic community and other groups interested in environmental stewardship and social progress of the indigenous communities of the Chimalapas.



9. ACHIEVEMENTS IN 2010

Mexichem - Amanco Costa Rica employees receive technical training

Costa Rica.

At Amanco Costa Rica, the human resources area encourages alliances to better train employees. To this end, it signed a technical training agreement with the National Institute of Learning (INA), a state agency specializing in technical training courses in this Central American country. This agreement allowed 93 employees in the areas of production, maintenance, customer service and technical support to receive 662 hours of training. At the end of each course, they were given a certificate indicating the hours and the courses covered.

The courses were designed to reinforce previous training or train employees in accordance with the duties of the job they perform. We were able to maintain continual improvement in a year of many economic challenges for our country and our markets. We would like to note the openness of the employees to this program and the support received from corporate headquarters, enabling them to participate in this type of training.

Among the courses provided, those that stand out are the PVC Production Assistant (488 hours), Electrical Installations Support (60 hours), Customer Service (60 hours), and General Topography (40 hours of training) courses.

“We were able to provide our people with technical tools, and they can share their experiences from their work center, as the INA training rooms are located at Amanco.”

In 2010, Amanco Costa Rica coordinated with the INA to offer four more courses to strengthen its employees' knowledge in the areas of operations, maintenance, and technical support. In addition, given that the INA is interested in expanding its educational frontiers to providing virtual training, Amanco Costa Rica coordinated a course for customer service on a regional level.

Mexichem Resinas Vinílicas, Altamira plant, is recognized for its Self-Management of Occupational Health and Safety Program

Mexico.

Mexichem Resinas Vinílicas, Altamira plant, received a Level 2 recognition from the Federal Labor Representative in the state of Tamaulipas, for its actions in Ongoing Improvement in Occupational Health and Safety, in accordance with the Self-Management of Occupational Health and Safety Program (PASST), emphasizing the company's commitment, as well as the enthusiastic participation of its employees.

1. **Level 1** For its compliance with Occupational Health and Safety Standards
2. **Level 2** For its Ongoing Improvement in Occupational Health and Safety
3. **Level 3** For its achievements in Occupational Health and Safety Administration

Having completed all the previous steps and enjoying the participation of all personnel, both unionized and nonunionized, the Altamira plant realized the benefits of applying the program, including an increase in effectiveness, elimination of unsafe acts and conditions, an increase in the level of employee awareness, appropriate conditions of order and cleanliness, better work practices and, consequently, increased productivity. (LA8, LA9)

These actions are reflected in the fact that the plan achieved 100% compliance in verifying the analysis by the STPS inspector, who evaluated the level of commitment and involvement of all personnel in promoting a culture of safety aligned with Mexichem's corporate policy on Safety, Quality, and the Environment.

Based on this result, the Department of Labor and Social Welfare directly awarded a Recognition Level 2 at the time the first audit was performed at the Altamira plant.

Mexichem Fluorine Plant, Matamoros: 11 years of being a Clean Industry

Mexico.

The Mexichem fluorine plant in Matamoros received the Clean Industry Certificate granted by the government of Mexico through the Attorney General's Office for Environmental Protection (PROFEPA), after passing the audit performed by this office on all processes involved in the production of hydrofluoric acid (HF), sulfuric acid (H₂SO₄), and aluminum fluoride (AlF₃).

The 2010–2011 certification is the continuation of sustained efforts that started November 1, 1999, when the plant in Matamoros became one of the first industries in Mexico to achieve this certificate. Our certification guarantees that this plant's chemical operations for the production of HF, H₂SO₄ and AlF₃ are carried out in compliance with the terms of the General Law on Ecological Balance, "the environmental standards and the international parameters and applicable good operating and engineering practices, for the purpose of . . . protecting the environment" in each of the activities carried out within its facilities.



Likewise, the certificate validates the preventive and protective measures the plant has undertaken in Matamoros to safeguard the community, its people, and the surroundings in this city bordering the United States.

For the Director of Safety, the Environment, and Processes, who is responsible for the certification process for the Mexican environmental authority, "maintaining the Clean Industry Certificate is the result of a joint effort within our organization, without which it would not be possible: first, Mexichem's commitment to social responsibility, upheld through its Policy on Safety, the Environment and Quality,

which provides the support, means and resources to handle the environmental management of the chemical operations; second, the enthusiastic, responsible, and above all conscious participation of each of the plant's employees to pay attention to and resolve the details that support a safe operation that also fully respects the environment; and third, the technical and professional capacity of the work team participating in the certification process."

The uninterrupted certification of the Matamoros plant for eleven years stands out, among other success factors, for the fact that none of the audits performed by PROFEPA during that time resulted in any plans of action, as the findings of the audits were resolved as soon as they were detected. This immediate action allowed the plant, during the period the certification was in effect, to focus on maintenance and improvement of prevention mechanisms to protect the environment.

The Mexichem fluorine plant in Matamoros is in the process of earning international certification CR-14001 granted by the American Chemistry Council of the United States – of which Mexichem Fluor is an active partner – to expand even more the scope of its responsibility with regard to the environment and sustainable development.

Mexichem's Altamira plant is internationally recognized for one of its best maintenance practices: Excellence in Lubrication
Mexico.

Notable advances in the area of lubrication at Mexichem's Altamira plant were recognized by the prestigious magazine *International Machinery Lubrication*, published by the Noria Corporation in English, Spanish and Japanese for all of North and South America and part of Asia. Likewise, this successful example was featured



in the United States at the 2010 Reliability Conference in Columbus, Ohio, and in two other major magazines: *Up Time* and *Confiabilidad.net*.

Mexichem's Altamira plant, a petrochemical complex that processes PVC resin, phthalic anhydride, plasticizer, PVC compounds and fumaric acid, is constantly reexamining its technologies and best practices. One of the ways it does this is to apply reliability engineering on its processes. This philosophy is implemented 100% at the plant. Three of the major areas of concern addressed in applying reliability engineering are: Thermography (heat build up), Vibration and Tribology (wear and corrosion). The Altamira plant is being recognized for its work in the area of Tribology.

Benefits:

With the implementation of this cutting-edge technology in the unit's five production processes, we achieved an operating availability of 100% of the installed capacity and decreased the conversion cost due to reductions by:

- 40% in oil consumption
- 23% in spare parts inventory
- 50% in use of bearings.

This also brought about a decrease in the generation of waste, which supports the company's commitment to environmental stewardship and is one more demonstration of the vision of



sustainability that we apply day in and day out. Those who are part of the maintenance department are firmly dedicated to promoting reliability through excellence in lubrication. Today it is a seal of approval that sets them apart. This practice was shared with other companies in the Mexichem group.

If you wish to see the document published in Machinery Lubrication, go to the following link: http://www.machinerylubrication.com/sp/mexichem_abraza_la_excelencia-en-lubricacion.asp

Altamira receives second place nationally in water-use efficiency
Mexico.



Por un Uso Eficiente del Agua (For Efficient Use of Water) is a large national competition endorsed by COPARMEX and SEMARNAT. This award is part of its Environmental Cooperation Program, which is implemented for companies, research centers, institutions of higher education, social organizations, and governmental entities.

This project has brought about, on average, a reuse of one million cubic meters of water per year, yielding significant economic benefits due to the reduction in consumption; social benefits, at a time when the amount of water available for human consumption is critically low; and environmental

benefits, by strengthening the rational use of natural resources. The project was completed in various stages: Identification of Effluents, Physical-Chemical Treatment, Biological Treatment, Purification, Disinfection, Filtration, and Definition of Users.

The Water Reuse project is consistent with our current and future vision of sustainability. Accordingly, we are pleased to confirm that we have achieved a significant goal in making the best use of this resource. We will continue with the ongoing improvement process to keep decreasing consumption and increasing reuse.





Government of Mexico recognizes Mexichem's leadership and transparency in greenhouse gas accounting and reporting

Mexico.

- SEMARNAT of Mexico awards this important distinction.
- Mexichem is committed to reducing greenhouse gas emissions in all of its operations by 5% to mitigate the effects of climate change.

The Mexican government, through its Secretary of the Environment and Natural Resources, engineer Juan Rafael Elvira Quezada, granted Mexichem this recognition for “demonstrating leadership and transparency in the accounting and reporting of its greenhouse gas emissions for the year 2009.”

All Mexichem companies located in Mexico participated in preparing this report. The accounting was performed based on the methodology presented in WRI/WBCSD Guidelines for National Greenhouse Gas Emissions and the guidelines of the Mexico GHG Program.

This program, which affirms that “what is not measured cannot be controlled,” focuses on developing the technical capability to quantify GHG emissions. When the concentrations and sources of emissions are known, it is possible to identify areas of opportunity to reduce them and create reduction plans.

The Mexico GHG Program is coordinated by the Department of the Environment and Natural Resources (SEMARNAT) of

Mexico and the Private Sector Commission on Sustainable Development (CESPEDES), with the technical support of the WRI and the WBCSD.

At this point, there are 85 companies reporting their emissions; these represent 19% of total estimated emissions in Mexico. A credible inventory can ensure that Mexichem’s early and voluntary reductions will be recognized in future regulatory programs.

Climate change has been identified as one of the biggest challenges facing our nations, governments, industries and citizens in the coming decades. This phenomenon affects humans as well as the natural world, causing changes in the use of resources, production, and economic activity.

Mitigation of climate change means reducing greenhouse gas emissions to levels far below current levels. Greenhouse gases are the six gases listed in the Kyoto Protocol: carbon dioxide (CO₂); methane (CH₄); nitrous oxide (N₂O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulfur hexafluoride (SF₆).

Mexichem committed to reducing greenhouse gases in its operations in all countries by 5%, and to this end is taking extensive measurements in other plants with the same methodology. This will also allow us to identify projects that will help us reach the emissions-reduction goal we have set. The business units included in the emissions audit, in addition to the offices in Tlalnepantla, are:

Fluorine Chain	Chlorine-Vinyl Chain	Vertical Solutions Chain
Matamoros Plant	Coatzacoalcos Plant	León Plant
Fluorite Mine	El Salto Plant	Monterrey Plant
Patio	Tultitlán Plant	Cuautilán Plant
	Lechería Plant	Hermosilla Plant
	Quimir Coatzacoalcos Plant	Mérida Plant
	Planta Altamira	
	Tlaxcala Plant	
	Distribution Centers, Monterrey, León, Guadalajara	

Mexichem operations in Central America already have regional certification

Costa Rica.

For the first time in Mexico, a group of Mexichem's companies achieved triple certification (Quality, Environment and Occupational Health and Safety) in accordance with a regional integrated management system.

In March of 2010, the Technical Standards Institute of Costa Rica (INTE-CO) certified the operations of Amanco Tubosistemas in Guatemala, Honduras, El Salvador, and Costa Rica in a single regional integrated management system fulfilling the requirements of standards ISO 9001:2008 (Quality Management), ISO 14001:2004 (Environmental Management) and OHSAS 18001:2009 (Occupational Health and Safety Management).

Until 2008, RCA Amanco operations maintained independent management systems, with high costs and different ways of operating.

"We see a world of opportunities in having an integrated management system that allows us to decrease costs and integrate the six countries under similar ways of operating, and we have become much more efficient. We knew that it would not be easy but that the challenge would be really interesting. We began with workshops to discuss the various requirements of the standards, successfully arming ourselves with a robust yet flexible system to allow for compliance in six countries. We support this process with a coordinator in each country and an overall coordinator," stated Marco Contreras, Director of Operations for the Northern Region (Mexico and RCA).

"The simultaneous transitions toward a regional management system was made possible due to the work and the drive of the management coordinators in each country: Jaqueline Rosales (El Salvador), Elder Hernández (Honduras), Romín Pacheco (Guatemala), Juan Thompson (Panama), and Marcos Salguero (Costa Rica), coordinated by Nancy Zelaya, Director of Quality and Coordinator of the Integrated Management System.

Each operation was unique, and this process involved many months of arduous work, drive, and dedication, several hours dedicated to meetings and training, and a lot of

coordination and communication with people and corresponding positions in the six operations in Central America," noted the project coordinator. Equally valuable was the work performed by all the Mexichem Amanco RCA employees who made this ambitious project a reality.

"The advantage of having this triple regional certification is that it allows the Mexichem operations to renew and uphold its image as a quality company, committed to the environment and to the health and safety of its workers, in addition to having a practical and simple management system, adapted to a region, not to individual companies."





Quimir Dairy obtains ISO22000 Certification
Mexico.

The Quimir Dairy received its ISO 22000:2005 certificate from one of the leading certifying agencies in the world: Lloyd's Register Quality Assurance, Inc. This certification applies to companies that manufacture food-grade products, whether as a final food product, raw material, or additive.

Two production units at this plant produce technical-grade phosphates, and a third produces food-grade additives. The construction of the latter began in February 2009, and operations started at the end of that year.

The certification process for the unit producing food-grade additives started in January of 2010, and in April the recommendation for certification was obtained. The certification was received in June.

Quimir Dairy is the first company in the chemical sector to obtain this certification, and the first nonfood company on the American continents. The certification covers the products monosodium phosphate, disodium phosphate, trisodium phosphate, tetrasodium pyrophosphate, sodium acid pyrophos-

phate, and sodium tripolyphosphate, from design through manufacture. The additives manufactured at Quimir Dairy are used in making meats, sausages, dairy products, and seasonings, among others.

Quimir also has other related certifications that support its marketing strategy, such as the KOSHER (PAREVE and PASSOVER), HALAL and NSF certifications.



Appendix

MEXICHEM GRI INDICATORS (VERSION G3)

Page	GRI ID	DESCRIPTION OF THE GRI INDICATOR
	1	PROFILE: STRATEGY AND ANALYSIS
8	1.1	Statement from the Chairman of the Board of Directors or CEO or both
15	1.2	Description of key impacts, risks and opportunities
	2	PROFILE OF ORGANIZATION
6, 11	2.1	Name of organization
2, 4, 7	2.2	Principal brands, products, and/or services
2	2.3	Operational structure, including principal divisions, companies, subsidiaries and joint ventures
1	2.4	Location of the organization's headquarters
3	2.5	Number and name of countries in which the organization operates
6, 11	2.6	Nature of ownership and legal form
2, 3	2.7	Markets served
19, 20	2.8	Size of organization (# of employees, sales, capitalization, assets, costs, etc.)
21	2.9	Significant changes in the organization
30 - 34	2.10	Awards, certifications and honors received during the reporting period
	3	PARAMETERS OF THE REPORT
8, 10	3.1	Reporting period
8, 10	3.2	Date of most recent previous report (if any)
8, 10	3.3	Reporting cycle (annual, biennial, etc.)
Inside back page	3.4	Contact point for questions regarding the report or its contents
10, 11	3.5	Report scope and boundaries
10	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)
10	3.7	Limitations on scope
10	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.

Page	GRI ID	DESCRIPTION OF THE GRI INDICATOR
10	3.9	Techniques for measuring data and basis for making calculations
10	3.10	Description of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement
10	3.11	Significant changes from previous reporting periods
2ª de forros	3.12	Table identifying the location of the Standard Disclosures in the report
64	3.13	Policy and current practice with regard to seeking external assurance for the report
	4	CORPORATE GOVERNANCE, COMMITMENTS AND STAKEHOLDERS
11	4.1	Governance structure
12	4.2	Indicate if the chairman of the highest governance body is also an executive officer
11	4.3	Number of independent members in the highest governance body
12	4.4	Means of communicating with the highest governance body
12	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance, including triple-bottom-line objectives
12	4.6	Procedures implemented to avoid conflicts of interest in the highest governing body
12	4.7	Procedures for determining education and experience required for members of the highest governing body in order to guide the organization's strategy in social, environmental, and economic aspects
12, 13	4.8	Mission statements developed internally, codes of conduct, and principles for economic, environmental and social performance, and the status of their implementation
12	4.9	Procedures of the highest governing body to evaluate the organization's management in triple bottom line, including risks and opportunities, as well as adherence to or compliance with internationally recognized standards, codes of conduct and principles
12	4.10	Procedures used to evaluate the triple-bottom-line performance of the highest governing body
48	4.11	Description of how organization has adopted a precautionary approach, including with risk management
35 - 38	4.12	Social, environmental, and economic programs or initiatives carried out outside the company (cases)
63	4.13	Main associations to which the organization belongs and/or national and international entities which the organization supports
15	4.14	Identification of stakeholders
15	4.15	Selection of stakeholders
15, 30, 35-38	4.16	Participation of stakeholders
15, 23	4.17	Results from analysis of stakeholders



Page	GRI ID	DESCRIPTION OF THE GRI INDICATOR
ECONOMIC PERFORMANCE INDICATORS		
20	EC1	Direct economic value generated and distributed, including income, operating costs, payment of employees, donations, etc.
25	EC3	Coverage of the organization's obligations to social benefits programs (pensions)
21	EC4	Significant financial assistance received from government
27	EC5	Proportion of standard initial wage compared to local minimum wage
26, 27	EC6	Policy, practices and proportion of expenses with regard to local suppliers in locations where we have large operations
26	EC7	Procedures for local hiring and proportion of upper management from the local community in places where we have large operations
38	EC8	Implementation and impact of investments in infrastructure and services provided primarily for the public benefit through commercial, pro bono or in kind commitments
ENVIRONMENTAL PERFORMANCE INDICATORS		
42	EN1	Materials used, by weight or volume
42	EN2	Percentage of materials used that are recycled as a raw material
43	EN3	Direct energy usage broken down by primary sources
43	EN4	Indirect energy usage broken down by primary sources
14, 43	EN5	Energy savings due to conservation and improvements in efficiency
44	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
44	EN7	Initiatives to reduce indirect energy usage and reductions achieved through these initiatives
44	EN8	Total extraction of water by source
44	EN9	Water sources that have been significantly affected by extraction of water
44	EN10	Percentage and total volume of recycled and reused water
48, 49	EN11	Description of land adjacent to or located within protected natural spaces or unprotected areas of high biodiversity
49	EN12	Description of the most significant impacts on biodiversity in protected natural spaces, derived from activities, products and services in protected areas and in areas with high value in biodiversity in zones not connected with the protected areas

Page	GRI ID	DESCRIPTION OF THE GRI INDICATOR
49	EN13	Protected or restored habitats
49	EN14	Strategies and actions introduced to manage impacts on biodiversity
46	EN16	Total direct and indirect emissions of greenhouse gases, by weight
46	EN17	Other indirect emissions of greenhouse gases, by weight
46	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved
46	EN19	Emissions of substances that destroy the ozone layer, by weight
46	EN20	NO _x , SO _x , and other significant emissions into the air by type and weight
44	EN21	Total discharge of wastewaters, by quality and destination
46	EN22	Total weight of waste managed, by type and method of treatment
46	EN23	Total number and volume of the most significant accidental spills
47	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

Pág.	GRI ID	DESCRIPTION OF THE GRI INDICATOR
42, 48	EN26	Initiatives to mitigate environmental impact of products and services and the degree of reduction of this impact
48	EN27	Percentage of products sold, and their packaging materials, that are recovered at the end of their useful life, by product category
48	EN28	Cost of significant fines and number of non-monetary sanctions for failure to comply with environmental regulations
48	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
41	EN30	Total environmental expenses and investments, broken down by type
SOCIAL PERFORMANCE INDICATORS		
25	LA1	Breakdown of the group of workers by type of employment, contract, and region
25	LA2	Total number of employees and average employee turnover, broken down by age group, sex and region
25	LA3	Social benefits for employees working full time, which are not offered to temporary or part-time employees, broken down by significant locations of operation



Page	GRI ID	DESCRIPTION OF THE GRI INDICATOR
25	LA4	Percentage of employees covered by a collective bargaining agreement
25	LA5	Minimum period(s) for prior notice with regard to organizational changes, including if these notifications are specified in the collective bargaining agreement
29	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
29	LA7	Rates of absenteeism, occupational illnesses, days lost and number of work-related fatalities by region
29	LA8	Education, training, counseling, and risk prevention and control programs regarding serious illnesses that apply to workers, their families or members of the community
29	LA9	Health and safety matters covered in formal agreements with unions
26	LA10	Average hours of training per year per employee, broken down by category of employee
26	LA11	Skill management and continuing education programs that promote worker employability and that support them in managing the end of their professional careers
26	LA12	Percentage of employees who receive regular performance and professional development evaluations
27	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
27	HR4	Total number of incidents of discrimination and corrective measures adopted
27	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
28	HR6	Activities identified as involving a potential risk of child exploitation, and measures adopted to contribute to its elimination
28	HR7	Operations identified as involving a significant risk of being at the root of incidents of forced or nonconsensual labor, and the measures adopted to help eliminate it
28	HR8	Percentage of security personnel trained in the organization's policies and procedures regarding human rights that are relevant to their activities

Page	GRI ID	DESCRIPTION OF THE GRI INDICATOR
28	HR9	Total number of incidents related to violations of the rights of indigenous populations and the measures adopted
45	SO1	Nature, scope and effectiveness of programs and practices to evaluate and manage the impact of operations on the communities, including the company coming in, its operations, and its leaving
13	SO2	Percentage and total number of business units analyzed with regard to risks related to corruption
13	SO3	Percentage of employees trained in the organization's anti-corruption policies and procedures
13	SO5	Position in public policies and participation in development of the latter and of lobbying activities
13	SO6	Total value of financial contributions and contributions in kind to political parties or related institutions, by country
13	SO7	Total number of proceedings for causes related to monopolistic practices and against free trade, and their results
13	SO8	Monetary value of significant fines and penalties, total number of non-monetary sanctions for noncompliance with laws and regulations
30, 49	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
30	PR7	Total number of incidents resulting from failure to comply with regulations on marketing communications, including publicity, and advertising, distributed depending on the type of result of these incidents
30	PR8	Total number of claims based on respect of privacy and the leaking of personal client information
30	PR9	Cost of significant fines resulting from failure to comply with regulations regarding the provision and use of the organization's products and services
ICMM/GRI 2010 SUPPLEMENTAL MINING AND METALS INDICATORS		
48	MM1	Amount of land (owned or leased and administered for extraction activities) disturbed or restored
28	MM4	Number of strikes or work stoppages that have exceeded one week, by country
42, 49	MM10	Number and percentage of operations with plans to close

GRI ID

Indicator from the G3 guide used to prepare sustainability reports

MC

Core Indicator from the GRI Mining and Metals Sector Supplement

MM

Indicator from the GRI Mining and Metals Sector Supplement

GLOSSARY AND ACRONYMS

BASE OF THE PYRAMID MARKET

Segment of the population that lives on less than USD2,000 per year (USD5.50 per day). In Latin America, 50% of the population lives on this income. Companies direct only 10% of their advertising expenses toward 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. Different species of plants, animals, fungi and microbes interact with each other in diverse ecological processes that form the ecosystems. Biodiversity is very important as the combination of distinct forms of life has made the earth a unique place, habitable for human beings; it sustains human life and life in general.

BRINE

Solution of sodium chloride in water.

CLOSING PLAN

Plan that requires mines to issue an operating license. It includes the procedures for closing the site, with a schedule of the stages of remediation, schedule of re-vegetation or stabilization of land and the proposal for monitoring, maintenance and subsequent use after closing.

CO₂e

Equivalents of carbon dioxide.

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 due to climate change caused by each additional tonne of greenhouse gas emissions, expressed as equivalents of carbon dioxide (CO₂e) to facilitate the comparison.

CPVC

Chlorinated polyvinyl chloride.

DAYS LOST

Days of work lost due to work accidents, as a consequence of the resulting inability to perform the work.

DIRECT USE OF ENERGY

Consumption of primary energy sources owned or controlled by Mexichem.

ECOEFFICIENCY

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

WORLD BANK EQUATOR PRINCIPLES

A set of principles that serve as a benchmark for financial entities in evaluating environmental and social risks associated with project finance; projects 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 prior ones.
- **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.

ENVIRONMENTAL AUDIT

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

FATAL ACCIDENTS

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

The third generation of the Global Reporting Initiative Sustainability Reporting Guidelines indicators, which Mexichem applied in developing this report.

GREENHOUSE GASES

Gases located in the lower part of the atmosphere (the troposphere) and that cause the greenhouse effect (increase in temperature). These include carbon dioxide, chlorofluorocarbons, ozone, methane, and nitrous oxides. These gases, released into the atmosphere through the burning of fossil fuels and through other means, are the primary cause of the change in the global environment.

GRI

Global Reporting Initiative, the most widely accepted sustainability reporting standard. The GRI lists 79 indicators that serve as a guideline for companies when reporting on their economic, environmental and social performance. In developing this report, we applied the third generation GRI Guide, 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.

INCAPACITATING ACCIDENTS

Accidents that result in the loss of faculties or skills which make it impossible for a person to perform his or her job for a period of at least one full work shift following the date the accident occurred.

INCIDENCE RATE

This is the number of incapacitating accidents within the number of man-hours worked in the period, multiplied by 200,000.

INDIGENOUS GROUPS

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

INDIRECT ECONOMIC IMPACTS

As defined in the Economic Indicators Protocols of the GRI, these impacts are the result, often non-monetary, 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).

INTEGRATED RESPONSIBILITY

Global, voluntary initiative of the chemical industry, the goal of which is to have companies who have joined this program and, throughout their normal course of business, continually take action to improve safety, protect health and be stewards of the environment in accordance with the principles of sustainable development.

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 have a bearing on the company and that could influence the assessments and decisions of stakeholders seeking to make decisions and assess 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: Guides issued by said agency to evaluate occupational health and safety.

OHSAS 18001

System for evaluating management systems governing an organization's occupational health and safety.

PARTICIPATION

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

PVC

Polyvinyl chloride

REACH

(Registration, Evaluation and Authorization of Chemicals) Regulation of the European Union covering chemical substances and their safe use. Concerns registration, evaluation, authorization and restriction of chemical substances. This law came into effect in June of 2007.

RESTORATION

Re-establishment of the original properties of an ecosystem or habitat with regard to its community structure and fulfillment of its natural functions.

RSE

Corporate Social Responsibility (Responsabilidad Social Empresarial)

SEVERITY RATE

The number of days of disability granted within the number of man-hours worked in the period, multiplied by 200,000.

SLAG

Waste from the metal smelting and refining processes, comprising mainly 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 impacted positively or negatively by the economic, environmental (including health and safety) and social aspects of an organization's operations, as well as those who have an interest in or influence on the organization's activities. This term is also known as stakeholder communities.

SUSTAINABILITY

Balancing meeting the current and future needs of society within the limits imposed by the natural ecosystem.

SUSTAINABLE DEVELOPMENT

Development that meets current needs without compromising the ability to meet the needs of future generations, as defined by the World Commission on Environment and Development (Brundtland Commission) in 1987.

TAILINGS

Waste from the concentration process or smelting of minerals with low content of these.

TAILINGS DAM

Shallow depression where tailings are confined. Its main function is to provide time for the heavy metals to settle, or for the cyanide (used to dissolve the mineral's gold and silver) to be destroyed before the water is discharged into a 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 strategy 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

Liquid of varying composition discharged after use by various sources: municipal, industrial, commercial, agricultural, livestock, or any other type, whether public or private, which has degraded from its original quality.

WASTEWATER TREATMENT

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

- **Primary treatment**, during which all floating and sedimentable solids are eliminated by means of screens, mechanical extractors, and other devices.
- **Secondary treatment**, during which the content of organic materials is eliminated through microbial processes.
- **Tertiary treatment**, during which 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.

DEFINITION OF UNITS AND CONVERSION FACTORS

T	Metric Tons (1,000 kg)
Kt	Kilotons (1,000 t)
mg	Milligram (0.001 g)
µg	Microgram (0.000001 g)
ppm	Parts per million
L	Liter
m³	Cubic meters
GJ	Gigajoules (10 ⁹ joules)
TJ	Terajoules (10 ¹² joules)
kWh	Kilowatts/hr (0.0036 GJ)
GWh	Gigawatts/hr (106KWh)

GREENHOUSE GAS CONVERSION FACTORS BY FUEL TYPE

	CO₂	CH₄	N₂O	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

AFFILIATIONS

(4.13)

Agencies that we are affiliated with or initiatives that we support because we share the same philosophy on sustainability.



MEXCHEM



- Chlorine Institute
- NSF – Product Certification Organization for Food, Water and Consumer Goods
- Centro Mexicano para la Filantropía (Mexican Center for Philanthropy)
- Green Building Council Brazil
- World Business Council for Sustainable Development (WBCSD)
- Consejo Empresarial Brasileño para el Desarrollo Sustentable (Brazilian Business Council for Sustainable Development)
- CAMIMEX (Mexican Chamber for Mining)
- PROVINILO – Commission for the Promotion of Vinyl
- CIPRES – Plastics Industry Commission on Responsibility and Sustainable Development
- Responsabilidad Integral (Worldwide voluntary program for businesses in the chemical industry to adopt measures to solve environmental, safety and safety problems)
- SETIQ – Transportation Emergencies System for the Chemical Industry
- ECBE – Emergency Squad Training School
- Bolsa Mexicana de Valores (Mexican Stock Exchange – BMV); Ticker symbol MEXCHEM
- IDIEM – Institute for Research and Testing of Materials
- Global authority on measuring climate and organizational culture
- Initiative of the Chemical Industry Initiative to Improve Health, Safety, and Environmental Development
- The United Nations Global Compact
- Asociacion Mexicana de Relación con Inversionistas, A.C. (Mexican Association of Investor Relations)
- Asociación Mexicana de Intermediarios Bursátiles (Mexican Stockbrokers' Association)
- LATIBEX-Latin American Stock Exchange
- APLA (Petrochemical and Chemical Association of Latin America)

VERIFICATION OF GRI LEVEL



Statement GRI Application Level Check

GRI hereby states that Mexichem, S.A.B. de C.V. has presented its report "Formulate solutions, multiply possibilities" (2010) to GRI's Report Services which have concluded that the report fulfills the requirements of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

29 March 2011, Amsterdam

A handwritten signature in blue ink, appearing to read "Nelmara Arbex".

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.
www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 14 March 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

CONTACT INFORMATION

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

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