



2016
**INTEGRATED
ANNUAL REPORT**

01

ABOUT US

- Letter to the shareholders
- About Lala
- Lala's achievements
- Sales per segment
- Lala growth

02

OUR SUSTAINABILITY MODEL

- Sustainable strategy
- Relationship with groups of interest

03

LALA LOOKS AFTER YOU TO GROW TOGETHER

- We believe in a world of possibilities
- We believe in a natural world
- We believe in an integral world
- We believe in a balanced world

04

CORPORATE GOVERNMENT

- We strengthen our principles
- Organizations and Chambers
- Administration Council
- Information about Action
- Statements for the future
- Contact and information for shareholders

05

ABOUT THIS REPORT

- Materiality
- Verification letter

06

GRI INDEX



01

LETTER TO THE SHAREHOLDERS

Year 2016 was a year full of important challenges due to the exchange rate, however, Lala Group has been able to provide solid results, to expand its geographic presence and to invest to prepare for future growth.

During 2016, we developed internal abilities in regards to planning, purchases and logistics, which allowed us to become more efficient and create a decrement in our margins. We also invested heavily in the expansion of our international presence by acquiring "La Perfecta" in Nicaragua, and the distribution agreement reached with Florida Bebidas in Costa Rica and with these activities, we have increased our presence in Central America. Similarly, with the acquisition of the brands and added value portfolio in the US, we have now entered the largest dairy products market in the world.

During this past 2016, acquisitions outside Mexico had an effect in the consolidated level of Grupo Lala. We are expecting an improvement in the results of these acquisitions during 2017.

INVESTMENTS

From January to December 2016, a total of 2,863 million pesos of capital was invested, of these, 73.0% was mainly destined to the increment of property, factory and equipment.

RESULTS

Net sells increased in 11.0% in comparison to 2015, from 48,183 million pesos to 52,468 million pesos to 53,468 million pesos, of which 6.7% were destined to organic growth, whereas the remaining 4.3% was allotted to acquisitions.

During 2016, gross profit increased 7.6%, lower than the 11.0% of increment of gross sales. This due to the growing inflation in the cost of raw material which could not be compensated with price increments.

Operation profit showed a decrement of 7.0% which can be explained by the consolidation of five months of operation in the US business, unexpected integration expenses in the Central America acquisitions, as well as the inflation of expenses in Mexico, above the increment of gross profit.

As a consequence of this, the 2016 EBITDA increased 0.7% to reach 6,861 million pesos. At the same time, the EBITDA margin decreased 130 base points, from 14.1% to 12.8%.

During 2016, consolidated gross profit increased 243 million pesos to reach a closing figure of 4,193 million pesos, or 6.2% above last year's.





01

INNOVATION

Strengthening our portfolio of products through innovation is a strategic priority. In year 2016 we innovated via the launching of new products, functionalities and new presentations, and with these, we were able to boost the consumption of dairy products in Mexico and to meet the demands of more consumers.

The launching of the line LALA 100® in its different presentations is amongst the most important launchings of 2016. This not only met our expectations but surpassed them and boosted the growth of the fresh milk category in Mexico. We also launched the Yoghurt Batido Deslactosado (Lactose-free crème yogurt), Yoghurt Batido LALA Semillas® (seeds creme yogurt) and Queso Panela under NutriLeche® brand.

USE OF CAPITAL

We made some investments dedicated to optimize our productions capabilities, also we developed processes that allowed using our distribution and administration structures more efficiently. This will allow us to face future challenges and to ensure a business model with a steady growth.

SUSTAINABILITY

During 2016, we continued sharing our culture among the groups of interest we have relations with in order to achieve a sustainable balance within and outside Grupo Lala. Aligned to our Lala Sustainability Model, and in agreement with the scientific information backing our global efforts, we carry our operations locally and in a coordinated manner with our clients and suppliers in order to reduce the emission of greenhouse gases and hydric footprint.

As a result of our efforts in the Environmental, Social and Corporate Government axes, last February Lala entered the Sustainable IPC, becoming one of the 30 companies in the Mexican market with the best practices in regards to Sustainability and Social Responsibility.

We would like to thank our collaborators, clients, partners, advisors and shareholders for the trust invested in 2016. Year 2017 comes full of new opportunities and we are certain that our team of collaborators in the United States, Mexico and Central America will continue to focus on the needs of our consumers, as well as on the creation and distribution of value for each one of our groups of interest.

Eduardo Tricio Haro
Presidente del Consejo
de Administración

Scot Rank
Director General



01



WHO WE ARE

We are a Mexican Company focused on producing healthy and nutritious foods. We are specialized in the production, innovation, commercialization and distribution of dairy products and their byproducts always looking for contributing with the welfare of our consumers offering high quality products.



01

OUR PHILOSOPHY

[G4-56]

Lala was founded based on frugality and perseverance with the objective of growing producing healthy foods. Almost seven decades later, these values from our founders are still alive.

VISION

Our vision is:

“To become the preferred dairy Company in the Americas”

which reaffirms our conviction of continuing growing with healthy foods and to increase our presence throughout the continent.

MISSION

Our mission is:

“Nourishing your life is our passion”

This mission expresses our very reason to be and endorses our Company's feeling.

HOW DO WE DO IT?

- » With quality, fresh, natural products.
- » With disruptive innovation to care for you and meet your everyday needs.
- » With a skilled team, committed to your health.



OUR VALUES

We define 6 values matching our origins and dreams. With this we guide our behavior and decisions; they are a symbol of identity that relates us as Lala collaborators.

AGILITY | We'll get there first than anyone else

To be able to respond quickly, with innovation, skill and flexibility.

INTEGRITY | We'll do the right thing always

Consistency in what we think, say and do; acting respectfully under every circumstance.

TEAMWORK | We are a team

To recognize that we are better when we work together, we build reciprocal long-term relationships.

QUALITY | Lala looks after you

To create with excellence, taking care of details and always caring for our customers.

AUSTERITY | We take care of Lala

To be humble and respectful of others.

RESULTS | We commit to having the best results

To be capable of achieving great results, always.



01

PRODUCTIVE INFRASTRUCTURE

[G4-5, G4-6, G4-8, G4-9]



GLOBAL



22

factories



MEXICO



166

distribution centers



CENTRAL AMERICA



+7,000

delivery routes



UNITED STATES



+34,000

collaborators



CENTRAL AMERICA



12

distribution centers



UNITED STATES



+250

delivery routes



UNITED STATES



+32,000

collaborators



UNITED STATES



+2,000

collaborators



UNITED STATES



350

collaborators



CERTIFICATIONS AND ACKNOWLEDGMENTS

01

RESULTS/ **LOGROS** LALA



Daily, we give over 34 thousand children in vulnerable situations a glass of Lala milk.



Lala and NutriLeche have been acknowledged as the most chosen brands by Mexican consumers.



We maintain a rate of less than one complaint per million pieces.



96% of our suppliers are of Mexican origin.



+1.9 million human-hours invested in training.



17 certified factories with international quality standards.



\$247.6 million pesos invested in the renewal of primary distribution network and delivery units.



We are one of the five companies with more capital invested in social programs in Mexico.



The reduction from 54.36 to 36.37 g CO₂ eq/kg of product in our primary and secondary distribution network.



We support over 18 thousand students from 8 different schools from SER Mexico program, which offers free academic excellence to developing communities.



+540 thousand people are benefited through Lala Foundation every month.

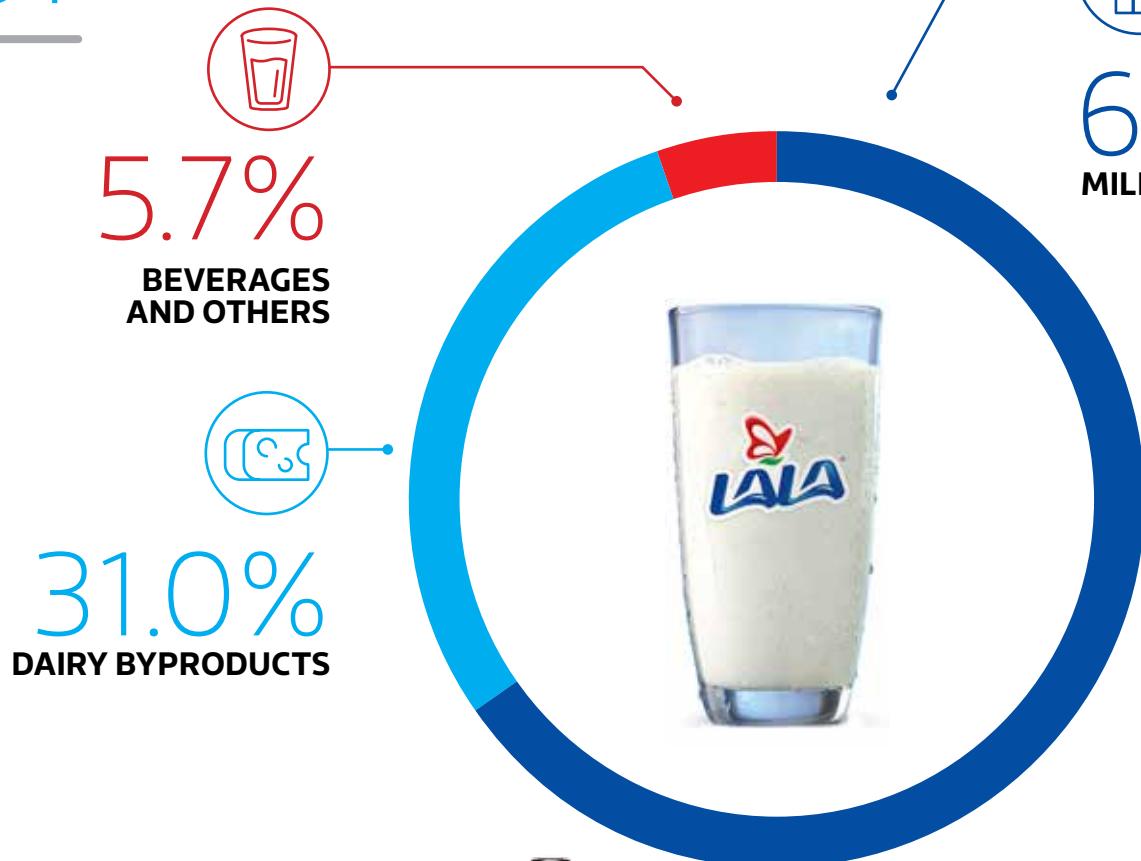


The reduction from 22.81 to 16.81 g CO₂ eq/kg of product in our factories.



01

SALES PER SEGMENT

63.3%
MILK

LALA GROWTH

An 11.0% growth in our Gross Sales, resulting in \$53,468 million pesos.

51 million pesos expansion in EBITDA⁽²⁾ resulting in \$6,861 million pesos.

An increment of 6.2% in Consolidated Gross Profit closing in \$4,193 million pesos.



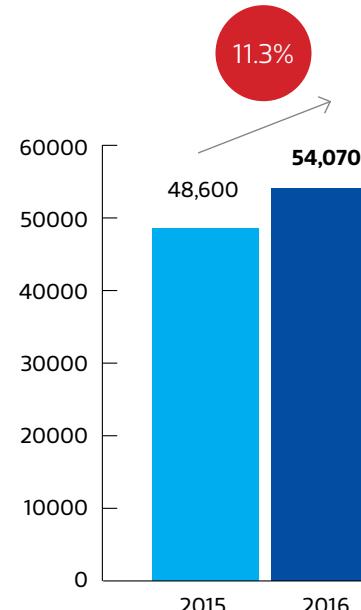
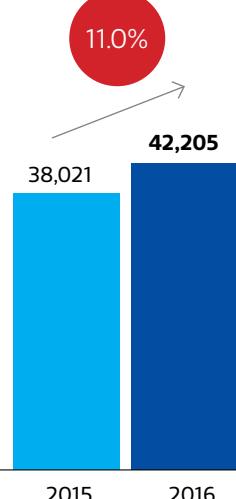
01

PERFORMANCE IN FIGURES

[G4-EC1]

	RESULTS ⁽¹⁾					
	Growth	2016	%	2015	%	
Gross sales	10.97%	\$53,468	100.00%	\$48,183	100.0%	
Gross profit	7.62%	\$20,295	37.96%	\$18,858	39.1%	
Operation profit	-6.95%	\$5,248	9.82%	\$5,640	11.7%	
EBITDA ⁽²⁾	0.74%	\$6,861	12.8%	\$6,810	14.1%	
Consolidated gross profit	6.15%	\$4,193	7.84%	\$3,950	8.2%	
	FINANCIAL POSITION ⁽¹⁾					
Total assets	18.4%	\$ 40,832.00	100.0%	\$ 34,474.00	100.0%	
Cash	-46.6%	\$ 4,266.00	10.4%	\$ 7,985.00	23.2%	
Long-term Liability	-22.4%	\$ 1,588.00	3.9%	\$ 2,047.00	5.9%	
Majoritarian accountable capital	13.0%	\$ 28,987.00	71.0%	\$ 25,643.00	74.4%	
	STOCK MARKET INFORMATION ⁽³⁾					
Share price	-24.9%	\$ 30.07	-	\$ 40.07	-	
Share utility	5.7%	\$ 1.67	-	\$ 1.58	-	
Dividend per share	0.0%	\$ 0.54	-	\$ 0.54	-	
Value in books per share	11.2%	\$ 10.98	-	\$ 9.87	-	
Shares in circulation (millions)	0.0%	2,474.43	-	2,474.43	-	
	OPERATION					
Collaborators ⁽³⁾	2.76%	34,884	-	33,944	-	
Generated economic value ⁽¹⁾⁽⁴⁾	11.3%	\$54,070.00	-	\$48,600.00	-	
Distributed economic value ⁽¹⁾⁽⁵⁾	11.0%	42,205	-	\$ 38,021.00	-	

CREATION OF VALUE

 GENERATED
ECONOMIC VALUE⁽⁴⁾

 DISTRIBUTED
ECONOMIC VALUE⁽⁵⁾


\$110.7
million pesos daily average operation volume of LALA B

(23.3%)⁽⁶⁾
Yield of the Issuing 2016

⁽¹⁾ Results and Financial Position in nominal million pesos and under the IFRS norms.

⁽²⁾ EBITDA is defined as the operation profit before depreciation and amortization.

⁽³⁾ At the end of each year.

⁽⁴⁾ Gross income+income per financial products+sales of actives+other products.

⁽⁵⁾ Sales cost+salaries+workers benefits+training+other expenses+taxes+dividends+interest payment+investment in the community.

⁽⁶⁾ The share yield includes the payment per dividend by \$0.51 pesos per share.



01

CERTIFICATIONS AND ACKNOWLEDGMENTS



CERTIFICATION

COFEPRIS (Federal Commission for Protection against Sanitary Risks)

We obtained 15 certificates of Free Sale before COFEPRIS to export our products to Guatemala.

SENASICA (National Service of Agro Alimentary Health, Safety and Quality) and the Ministry of Health of Guatemala.

Certificate for the export of finished product, as well a certificate of free sale linked to a certificate of good practices.

Mexican Diabetes Federation

This is the nine year on a row we are granted endorsement for sixteen products.

KOSHER

Certificate granted to products created with natural ingredients provided by the Jewish community.

Safe Quality Food Level II innocuousness 2016

We were granted the recertification of the Quality System "SQF Level II Innocuousness" in 11 milk factories in Mexico. Our three factories in the United States were also granted this certification.

SQF Level III Innocuousness and Quality

Envases Elopak and Tecnopak de La Laguna are recertified with the SQF "Level III Innocuousness and Quality" for plastic and cardboard packaging.

FSSC 22000 of Quality and Innocuousness

Our plant in San Ramón in Costa Rica was once more granted the certification FSSC 22000 of quality and Innocuousness.

IBD and Roundtable on Sustainable Palm Oil (RSPO)

Our supplier Compañía Aceitera Coto Cincuenta y Cuatro S.A. holds this certification which ensures that the palm oil comes from sustainable resources.

Clean Industry

4 fábricas certificadas como Industria Limpia ante auditoría de Profepa.

01

CERTIFICATIONS AND ACKNOWLEDGMENTS

ACKNOWLEDGEMENTS

Mexican Center for Philanthropy

We were granted the Acknowledgment as a Socially Responsible Company for the thirteenth year in a row.

Clean transport

Once more we were recognized by the SEMARNAT for our environmental performance in the Clean Transportation Program.

Forbes Magazine Mexico

Forbes Magazine Mexico gave Group Lala the seventh place of the ranking 40 Companies with high environmental commitment.

Expansión Magazine

Expansión Magazine ranked Lala in the fourth position of the most responsible Companies of Mexico due to its active participation in voluntary work activities, community relationships and an effective environmental management.

Brand Footprint Mexico 2016

Lala is positioned in the second place in the ranking of most chosen Mexican companies, reaching the 97.7% of Mexican households. Nutrileche is in the fourth place.

Rep Trak Mexico 2016

We are in the 13th place of the 50 Companies with better reputation of Mexico's ranking



Monitor Empresarial de Reputación Corporativa (MERCO) 2015 (Corporate Reputation Business Monitor)

We are in the 15th place among the one hundred best reputed companies in Mexico.

Asociación Nacional de Transporte Privado (National Association of Private Transport)

The National Association of Private Transport awarded Lala for having the best Road Safety practices by our collaborators.

CIO / Infoworld Magazine Mexico

As one of the organizations that use Information Technologies innovatively to add value to the "everyone under one collaborative cloud" business.

Centro Latinoamericano de Responsabilidad Social (CLARES) (Latin American Center for Social Responsibility)

Anáhuac University chose Group Lala to be granted the Latin American Centre for Social Responsibility Award (CLARES) 2016 in the Company category.

Competitiveness Center Mexico

We were granted a certificate for the developed Pymes (small and medium-size enterprises), as well as a recognition to our instructors who were in charge of these courses.

Employment Relations Network and Torreon Rotary Club

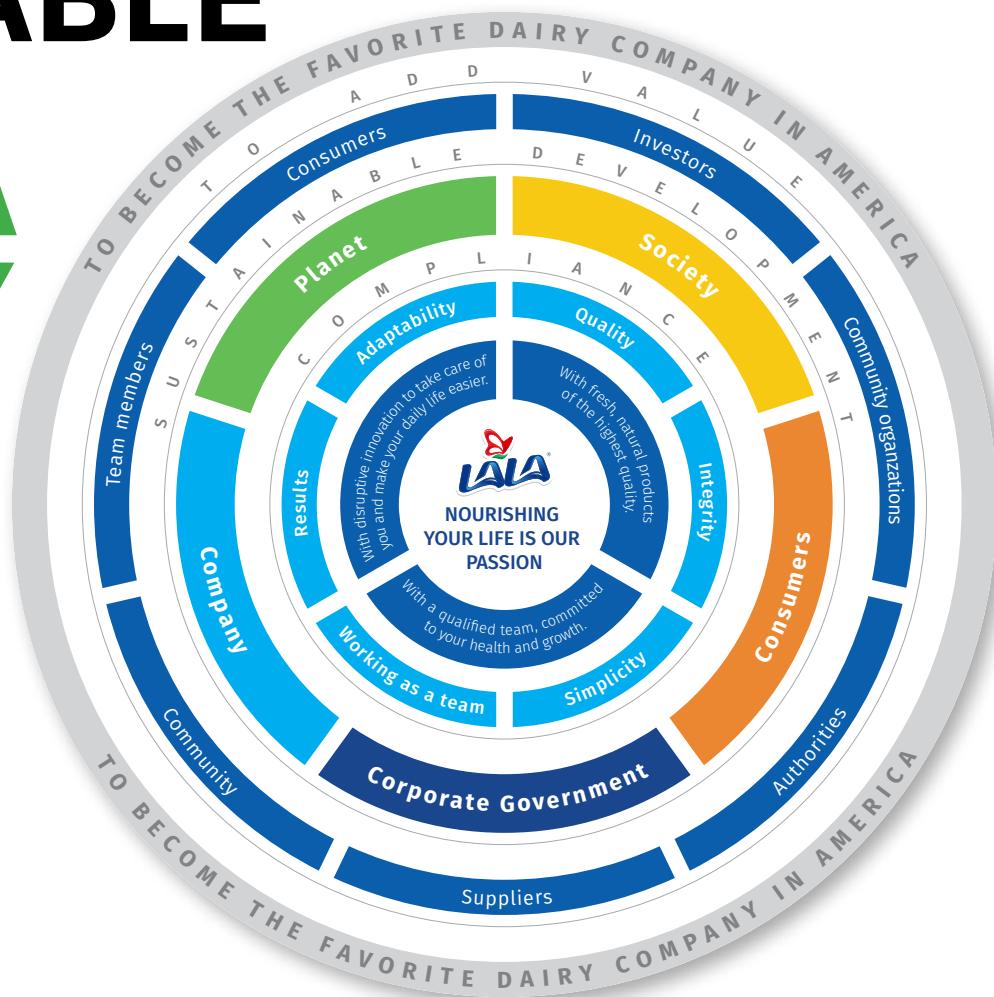
The Employment Relations Network and Torreon Rotary Club acknowledged Lala for its Labor Inclusion Program.



02

OUR SUSTAINABILITY MODEL / **SUSTAINABLE STRATEGY**

Throughout 2016, we continued with the policy of spreading our philosophy among the groups of interest we have relations with in order to achieve a sustainable equilibrium within and outside Lala. The model represents the steps to follow to continue growing with an integral structure and to obtain solid results.



02

RELATIONSHIP WITH GROUPS OF INTEREST

[G4-24, G4-25, G4-26, G4-27]

One of our main objectives is to provide value for the groups of interest we have relationships with through communication channels that facilitate relations of dialogue and strengthens confidence. This strategy allows us have a deep knowledge of their needs and expectations which at the same time develop opportunities for the company.

GROUPS OF INTEREST CHART

GROUP OF INTEREST	EXPECTATIONS	INITIATIVES	COMMUNICATION CHANNELS	FREQUENCY OF CONTACT
Clients	Provide stock, market Price, high standard for quality and freshness	Increase logistic, operational and productive networks and efficiency in the use of resources	Personal, and via telephone and web page.	Daily
Shareholders	Profitability and growth	Call conference. Principle of Transparency. Percentages of stock participation.	Personal and regular meetings.	Daily, monthly quarterly and annual.
Suppliers	Long term relationship and fair agreements.	Development Program and Approval of Suppliers. Evaluation. Competitiveness Center Mexico (development and outreach)	Personal, meeting and congresses.	Daily
Collaborators	Shared vision, Lala Culture learning and change, recognition and institutional information.	Compensations committee. Lala University. Internship Program. Safety Committees. Training. Working Inclusion. Leadership Model. Performance Evaluation.	Personal, meetings, internal digital and printed means. (Magazine Así Somos, Murales de Ventas y Operaciones, Lala Comunica, newsletters). Organizational climate survey. Lala forum. Union	Daily, monthly, bi-monthly and quarterly



02

[G4-24, G4-25, G4-26, G4-27]

GROUP OF INTEREST	EXPECTATIONS	INITIATIVES	COMUNICATION CHANNELS	FREQUENCY OF CONTACT
Consumers	Satisfaction in the purchase and consumption of our products. Great brand experience. Highest quality and freshness.	A wide range and innovation de productos saludables y nutritivos que satisfagan sus necesidades	Personal, via telephone, mass media and internet (web, social networks, mobile)	Daily
Community	To contribute in order to reach a common goal in the communities we work in	Lala Foundation. Social Investment. Reforestation programs. Lala international. Marathon.	Meetings with social leaders and social actors, means of communication.	Daily
Authorities	Respect for the normative judicial framework and alliances in common goals.	Observance of obligations, participation and constant dialogue.	Personal, meetings and specific calls. IN direct representation of the Company or as part of a representation organization.	Monthly and quarterly



03

LALA LOOKS AFTER YOU / TO **GROW TOGETHER**

Our purpose is to nourish your life.

We share with you what we believe in and how we are working to take care of you, as we did with your grandparents and as we will do with the generations to come.



WE BELIEVE IN
A WORLD OF
POSSIBILITIES



WE BELIEVE
IN A NATURAL
WORLD



WE BELIEVE IN
AN INTEGRAL
WORLD



WE BELIEVE
IN A BALANCED
WORLD



03



WE BELIEVE IN A WORLD OF POSSIBILITIES

LALA TALENT [G4-10, G4-LA12]

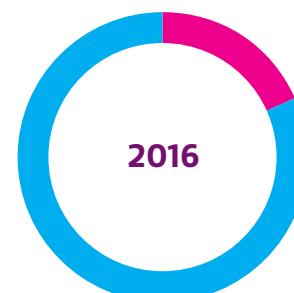
In Lala we are convinced that our staff is the basis of success, therefore, one of our major commitments is to promote their development and be regarded as a preferred place to work.

NUMBER OF COLLABORATORS



	MALE	FEMALE	TOTAL
2015	27,735	6,209	33,944
2016*	28,519	6,365	34,884

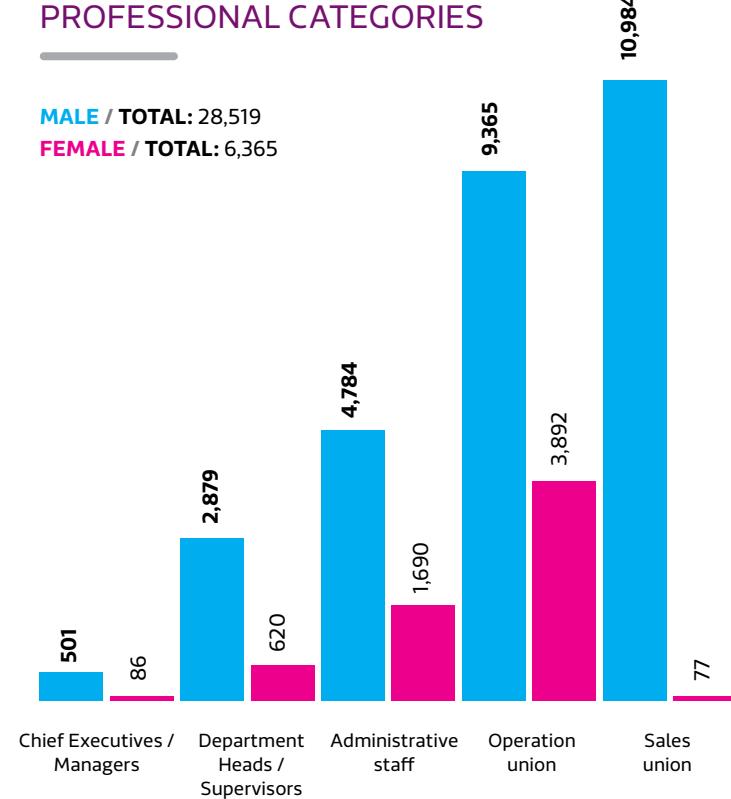
81.7%
male 18.3%
female



*From the total number of collaborators, 2.3% have a temporary contract. In addition, 7,045 are hired through outsourcing. The 75% of our collaborators in Mexico have a collective bargaining agreement.

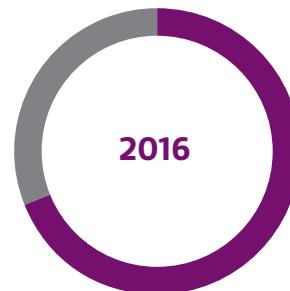
STAFF BY GENDER AND PROFESSIONAL CATEGORIES

MALE / TOTAL: 28,519
FEMALE / TOTAL: 6,365



03

BY COLLECTIVE AGREEMENT*

**34,884**
total of collaborators30%
Non- Unionized 70%
Unionized

*In Central America there are no trade unions.

**STAFF DEVELOPMENT**

[G4-LA9, G4-LA10, G4-LA11]

In Lala we seek to develop the careers of those who are talented, that is why we have programs specially designed for assessing performance, results achievement, as well as providing training for their optimum professional and social development.



WE LOOK
AFTER THOSE
WHO WORK
TO LOOK AFTER
YOU

03

LALA UNIVERSITY

In Lala University we promote individual growth through the learning and the development of new skills.



128,973
training events

1.9 millions
training hours

29,548
participants

45.9 million
pesos invested

Professional Categories	Number of trained people	Number of training hours	Training hours average per person
Chief Executives /Managers	326	38,989.10	119.5984663
Department Heads/ Supervisors	2,618	142,224.65	54.32568755
Administrative staff	3,252	117,355.85	36.08728475
Operation union	10,802	545,095.55	50.46246528
Sales union	10,170	1,108,149.50	108.962586
External*	111	19,771.50	178.1216216
Total	27,279	1,971,586.15	72.27486895

* Includes suppliers, universities, practitioners, staff family members, among others.

Central America					
#	Area/subsidiary	Workforce	2016 man-hours	Training hours average per person	
1	Guatemala	526	11,046	21	
2	Nicaragua	1,743	19,173	11	
Totals		2,269	30,219	13.3	
Central America					

WE ASSESS PERFORMANCE

In 2016 we made the performance management process for all the administrative workforce of Group Lala in Mexico and Central America.

5,101
Assessed people



37
Average age



3,845
men

1,256
women

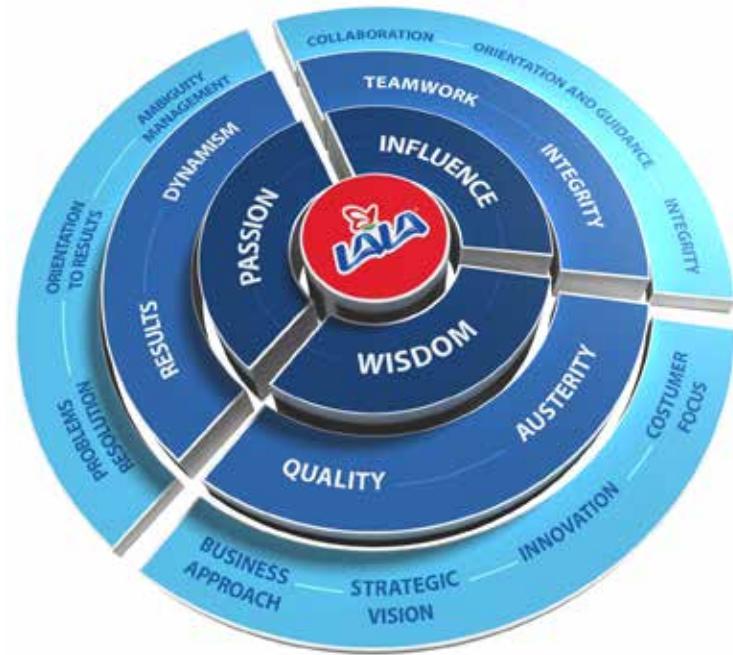
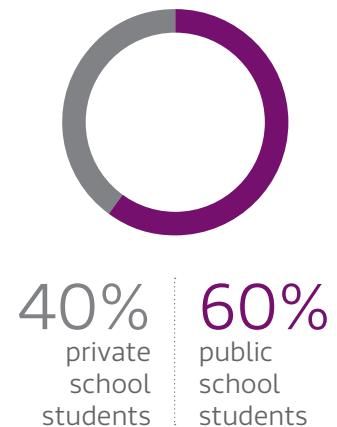


03



LAUNCH YOUR CAREER WITH LALA

In Lala we have an internship program which integrates young talent as interns so they can work in key projects for the company, commercial areas and corporate offices. The interns are supported by a mentor and they also count with financial support.



LALA LEADERSHIP MODEL

We are working on leaders training with the Lala Leadership Model for the development of skills and abilities that allow us to have the right people in positions of command.

The core competencies that are handled in this model are:

- » Result orientation
 - » Problems resolution
 - » Collaboration
 - » Integrity
 - » Customer focus
 - » Business approach



03



LABOR INCLUSION

We work under the Lala Equality Model with initiatives of labor inclusion and gender equality:

In 2016 we formally became part of the “Éntrale” initiative, which seeks the inclusion of disabled people. We participate as founder and social company.

- » We generate more openness in recruitment, making use of inclusive language in the application of vacancies in corporate and administrative areas.
- » We have carried out a review of policies and processes in order to establish an inclusive language and eliminate stereotypes.
- » We performed an analysis of accessibility in 4 factories where we hire people with disabilities.

We closed 2016 with 1% of our workforce with some type of disability in work centers that have the Lala Labor Inclusion Program..



03



OUR TEAM SAFETY IS A PRIORITY

[G4-LA5, G4-LA8]

We value each of our collaborators; that is why we care about their health and safety by maintaining an appropriate working place, we have safety committees and training in the field of occupational safety.

SAFETY COMMITTEES

190

We have 190 Safety and Health at Work committees.

230

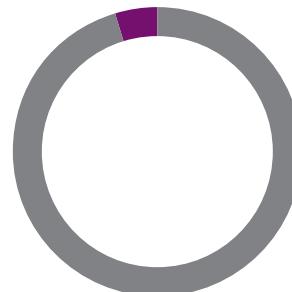
At the end of 2016 we had 230 Safety and Health at Work commissions.

14+17

14 factories and 17 Cedis joined the Self-management Program of the Ministry of Labor and Social Welfare (STPS).

4.5%

of the workforce integrates the safety committees and safety and hygiene commissions*



HEALTH TRAINING AND OCCUPATIONAL SAFETY

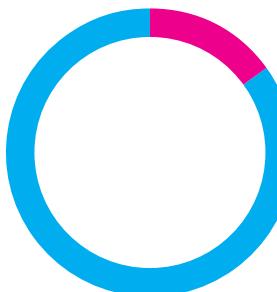
In 2016 we completed the training process in an advanced technical level to fulfill the processes of self-management and safety, hygiene and health management integrated system. The maintenance and monitoring of the system training required 44,937 hours.



85%
trained
men



15%
trained
women



ACTIONS TO IMPROVE THE PERFORMANCE OF THE SAFETY AND HYGIENE SYSTEM

- » Each year in our factory we produce two events called "**Safety Week**", in this event we provide training to all staff and we make drills in the field of industrial safety.
- » We implemented a program that consists of early warnings.
- » We work in the CEDIS Program of the Future with which we established additional indicators on health and safety issues which must be complied by each Lala Cedis. The program was conducted in the larger Cedis.
- » Our performance indicators in health and safety are validated with the parameters of the National Accessibility Index of the Mexican Social Security Institute (IMSS).



03

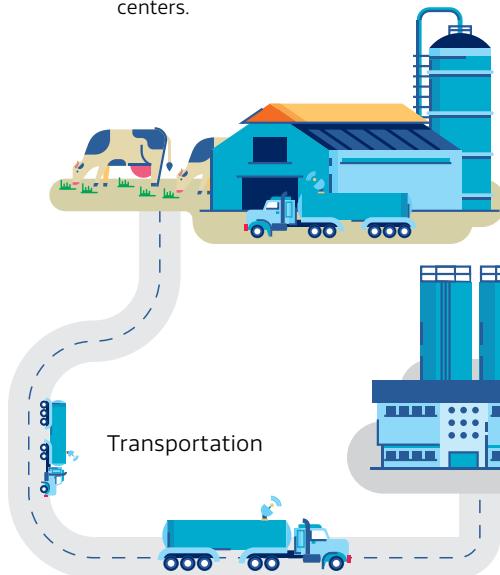


WE BELIEVE IN A NATURAL WORLD QUALITY AND SUPPLIERS

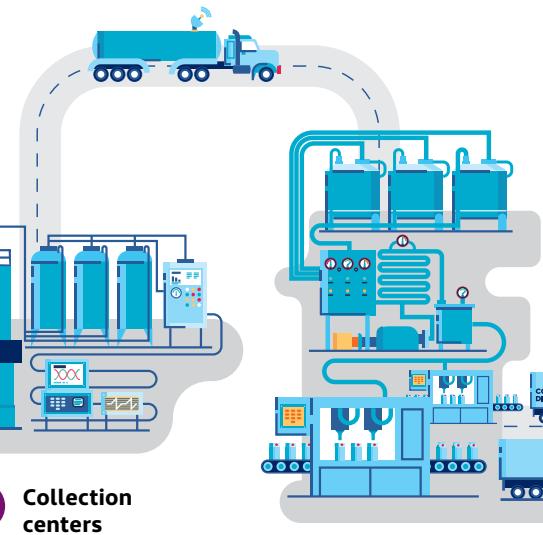
In Lala we are committed to continue offering the best quality products, that's why all our processes meet the highest quality and nutritional standards, and we look after them since its origin.

THE PRODUCTION PROCESS [G4-12, G4-PR1]

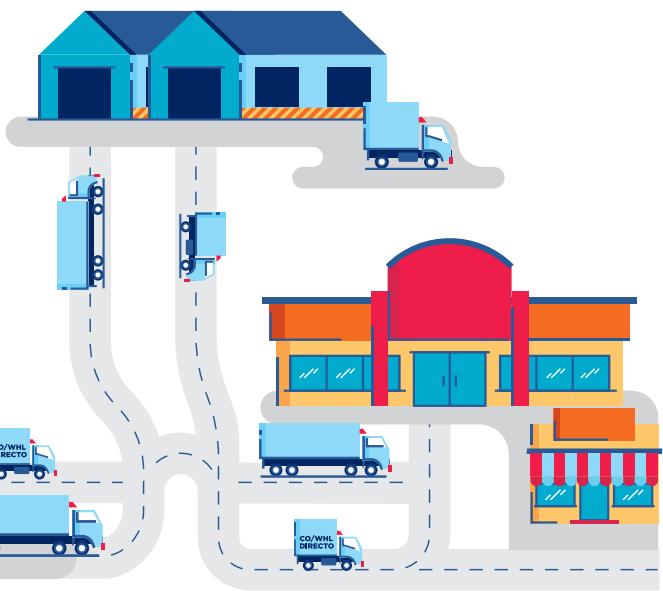
- 1 Collection**
Milk is collected in the stables and taken to our collection centers.



- 3 Transport**
Pipes that are released with the already analyzed milk, travel to the factories while maintaining a temperature of 4°C.



- 5 Distribution Centers**



- 2 Collection centers**

- 4 Production**

- 6 Distribution**

- 7 Point of Sale**



03



SUPPLIERS

- » We buy directly from manufacturers.
- » We give priority to the use of natural ingredients.
- » Primary suppliers have certified quality systems.

INGREDIENTS

- » Through a standardization process, we guarantee that the products have the ingredients and proportions that are offered to clients.

DEVELOPMENT

- » Verification of historical performance assessment carried out by our Quality area.
- » Management and needed communication for the ingredients, processes and products for its elaboration.
- » Heat treatment for pasteurized and ultra-pasteurized products.

QUALITY ASSURANCE

- » In Lala we have a quality system based on proactive engineering platforms, which enables us to manufacture products of excellence that meet the expectations of our customers. Lala's quality system is certified and approved by the initiative GFSI (*Global Food Safety Initiative*), recognized and accepted at a global level.

EVALUATION

All our products are submitted to evaluation through all the process:



03



QUALITY OF OUR PRODUCTS

- » Through the fulfillment of high national and international standards we guarantee the quality of all our products.
- » We maintain an index of less than one complain per million manufactured products.
- » To guarantee the quality and safety of our products, we adhere to the Global Food Safety Initiative (GFSI) in which 17 of our factories are certified.
- » The 95% of our raw material suppliers are enrolled in the Development and Approval of Suppliers Program..

The 95% of our raw material suppliers are enrolled in the Development and Approval of Suppliers Program.

- » Based on NOM 251: "Practices of hygiene for food, beverages or food supplements processes", we have implemented quality programs in our Distribution Centers.

Lala milk is originally natural, which ensures the best nutritional quality.



PROCESS WITHOUT STRESS OR HORMONES

We have a commitment with our milk suppliers to avoid the injection of STBr hormone in their cows.

- » A good genetic selection, in a stress-free environment, accompanied by a balanced diet and a hygienic milking processes, have enabled Lala Group suppliers produce an international quality fresh and natural milk.



03



SUPPLIERS

[G4-12]

In Lala we are aware of the importance of the participation of our suppliers in order to achieve our goals. That is why we work with those who share our philosophy, as well as our sustainability strategy and carry out their operations in an ethical manner.

According to the country of origin of our suppliers, we have the following percentages:



We receive the milk from certified stables with high standards in the feeding and care of milking cows.



SUPPLIER EVALUATION

We carry out an annual assessment on the basis of environmental criteria such as:

» **Automotive:** proper disposition of hazardous materials, regulations for the placement of the fuel tank..

We have IBD and RSPO certificates which guarantee the sustainable production of palm oil used in certain products.

» **Industrial:** review of documentation in accordance with the suppliers as the fulfilment of laws and Official Mexican Standards.

We also urge the **implementation of various ethical factors** as is the theme of anti-corruption: not gifts, fraud, money laundering, conflict of interest, among others; which is regulated through our **Code of Conduct**, signed by our suppliers and collaborators.

SUPPLIERS DEVELOPMENT

We maintain a close relationship with our suppliers through a program that allows the development and the involvement of SMEs in Mexico with large companies through an organization called Mexican Competitiveness Center.

At the end of the year 2016, we had a total of 80 SMEs providing Lala in consulting programs and diplomas, where large companies that constitute the Mexican Council of Business share their best practices.

We teach the Diploma of Business Intelligence and Organizational Culture that are part of our corporate philosophy.

03



OUR CONSUMERS

[G4-4, G4-9, G4-DMA]

We work for the customer's satisfaction that is why we offer you everyday a wide range of healthy, natural and nutritious products that cover the different needs depending on each lifestyle.

Among our portfolio we have star brands such as Lala and NutriLeche, recognized by Brand Footprint Mexico as the most chosen brands by Mexican consumers, occupying Lala the second place as well as NutriLeche which holds the fourth place.



In addition, we have different categories such as milk, drinks and juices, yogurt, desserts, cheeses and creams, always of the highest quality and complying with the highest standards of safety in each of our brands.



OUR PURPOSE IS TO **NOURISH YOUR LIFE**

We contribute with 84.1 million kilograms of protein to the Mexicans diet (equivalent to 4.2% of the daily protein that Mexicans need to consume).

03



LOW SATURATED FAT PRODUCTS, TRANS FATS, SODIUM AND ADDED SUGARS

[FP6, FP7]



50%

of our milks are reduced between 48% and 70% in the quantity of total fat.



100%

of our drinks went through a process of reducing sugars, and in the case of juices, natural sugars are from the fruit.



99%

of our food milk and dairy food combined, have a reduction of saturated fats, trans fats and cholesterol.



PRODUCTS THAT CONTAIN ADDED NUTRITIVE INGREDIENTS

» The **100% of our milks** are added with vitamins, some also with fibers and minerals.

» The **90% of our drinks and juice**, are added with vitamin C. The orange juice "Natural'es" maintains its naturalness, without additions.



» The 42% of the total of our desserts, such as Yomi Jelly, are added with vitamin A, C, D, and Zinc.

» The 100% of our food milk and combined milked products are added with vitamins and some with iron..

Instituto LALA®
NUTRICIÓN • SALUD • INVESTIGACIÓN

Through Lala Institute we have a positive impact on nutrition. We guide the improvement of our portfolio nutritional profile, we promote proper nutrition and encourage scientific research on dairy products and its dissemination in the medical community.

» In 2016 we spoke with 3.700 nutritionists and physicians on scientific information related to the benefits of dairy foods.

03



NEW PRODUCTS

[G4-4]

We innovate, creating nutritious, fresh, high-quality, delicious and natural products for you.

We launched...
33
new products
to the market.



WE WANT
EACH NEW
EXPERIENCE
TO BE A
**DELIGHT
FOR YOU**

03

LET'S TALK ABOUT LALA 100

LALA 100® Protein

70%
more protein

30%
more calcium

It is the option that can help repair and maintain muscles, as proteins have a key role in this process.

LALA 100®
Lala's greatest innovation, is the milk line with a better nutritional performance and great taste.



LALA 100® Without lactose

It has an innovative ultrafiltration which enables it to be the only one in Mexico without lactose and without a sweet flavor.



Lala 100 is available in an innovative PET container, the first of its kind used for milk, which resembles vintage glass bottles.



03



REGULATIONS AND NORMATIVITY

[G4-PR3]

A new standard was introduced in 2015: Frontal Mandatory Labelling, which requires clear information on the products content in terms of total sugars, saturated fat, energy supplied per serving of food and sodium. Since then we have made the change in all our products, fulfilling with all the requirements according to the regulations established by COFEPRIS.

We offer consumers accurate information according to the established regulations on all our products.



03



WE BELIEVE IN AN INTEGRAL WORLD

LALA FOUNDATION

[G4-SO1, G4-DMA]

Our volunteering activities represent a great experience for our collaborators and their families, as well as for suppliers and allies who take part, but especially for those communities with whom we share these moments.

Our mission is to contribute to the diet and nutrition of people going through a homelessness and poverty situation, especially children.



In 2016 we joined to the Sustainable Development Goals established by the UN.

- » **Objetive 1.** End poverty in all its forms throughout the world.
- » **Objetive 2.** End hunger, achieve food security and improve nutrition and promote sustainable agriculture.
- » **Objetive 4.** Ensure inclusive and quality education for all and promote lifelong learning.

For the first time, Nicaragua is part of our volunteering programs. Gatherings and product delivery to vulnerable people institutions took place in December.

03



We invested
\$106.9

million pesos in Mexico,
Guatemala and Honduras,
which were donated in
currency and in kind. From
these, \$78 million pesos
were destined exclusively
to nutrition.

We are present in

535

municipalities in Mexico,
5 in Guatemala and 2
in Honduras, where we
have 364 alliances.

This is our
15th year working
in the "Nurturing Hope"
nationally.



We are one of the companies
with the most capital investment
regarding society in Mexico.

We donate

7.71 million

kilos in kind, which is equivalent
to \$77.7 million pesos

United against hunger:

we have 47 alliances with food banks.

Nurture to transform: 14,956 people
were supported through 15 different
organizations.

We supported...

540,820

people who live in areas with high
and very high marginalization. This was
carried through 360 organizations.



03



VOLUNTEERING

[G4-SO1, G4-DMA]

These are some results from our volunteering initiatives:

3,404

Lala volunteers

20,678

volunteering hours



THE LALA FOUNDATION ROUTE

Throughout the journey of the delivery route, our staff delivers products to both institutions and organizations.

642

is the number of participants in this area

16,961

invested hours in this initiative

VOLUNTEERING IN ACTION

With the participation of our collaborators, family members, suppliers and groups of interest, we carry out initiatives whose target is to look after our society and our planet in an integral way with diverse activities such as: reforestation, visits to different organizations, and cultural activities, among others.

1,553

volunteers

4,587

invested hours



EXTERNAL GROUPS

External groups are formed by volunteers who visit vulnerable communities. In 2016, they took part in Mexico and Honduras.

544

participants

59,520

invested hours



03



Accompanied by 30 children, we planted 700 trees of 3 different species, all of them adaptable to the area. We then added 800 more trees, which were donated to the community.



2
reforested hectares
in one day

1500
donated trees, White Wood, Sweet Wood and mountain maguey.

828
hours of volunteer work

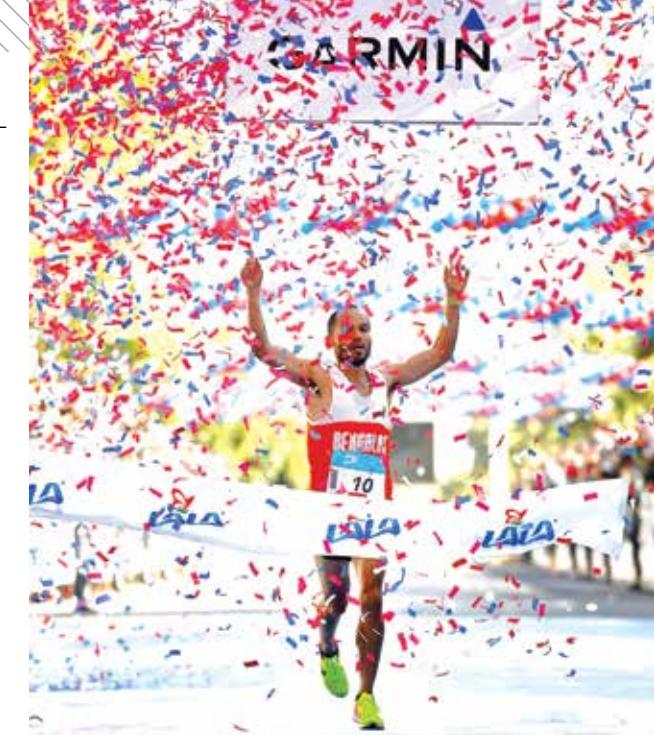
» **Education and environmental management in Cuatrocienegas:** water usage, care and preservation of species in the area and research fostering.

» **Rescuing of a forest species (Mexican Picea)**

(in Sierra de Santiago, Nuevo León and Arteaga, Coahuila.

» **Hive repopulation:** we provide support for the purchasing of 283 new hives.

With such initiatives, we directly benefited 7 thousand people and we indirectly did so with 62 thousand more. The investment was more than \$1.6 million pesos.



LALA INTERNATIONAL MARATHON

We celebrated the XXVII edition of the Lala International Marathon. With this event we motivate and promote runner participation in benefit of different social programs. At the same time, runners have the chance of improving their 42 K times and scores.

5000
runners

8
countries

Support to
more than
4000
volunteers

28%
female
participation

The International Association of Athletics Federation (IAAF) is in charge of endorsing results.



WE BELIEVE IN A BALANCED WORLD

[G4-14, G4-EN27, G4-EN31]

In Lala, we are committed to looking after the environment, which is why we carry out diverse tasks with the objective of improving efficiency of all our processes, contributing to a balanced world.

WATER CARE

[G4-EN9, G4-EN10]

In Lala, we support the conservation of the forest where **Mexican Picea** inhabits so it can sustain its ability to retain water and therefore infiltrate the aquifers. We also help preserve the **Cuatrociéngas Ecological Reservation** and the **Nazas River Watershed** in the Comarca Lagunera.

We implemented a self-supply strategy, which comes from the need to release water needed in the area. This means that the water dependence on networks dropped from 18% to 2%.

We reduced water consumption in our processes, going from 1.64 liters to 1.433 liters per kilogram of fabricated product.



03



REDUCTION IN ENERGY CONSUME AND EMISSIONS

[G4-EN6, G4-EN15, G4-EN19]

We have programs oriented to the reduction of energy consume.

In our primary and secondary distribution network.

- » We implement satellite tracking systems to increase efficiency of our routes.
- » We modernized our vehicle fleet with high-efficiency diesel motors.

CO₂ emissions reduction.

CO ₂ eq/kg of produced goods	
Base year ⁽¹⁾	54.36
2016	36.37

⁽¹⁾ Our base year is 2012.

FLEET RENEWAL

[G4-EN30]

As part of our commitment to the mitigation of climate change, we invested 185 million pesos in the renewal of delivery units which are now enabled to better perform and better driving.

In the Setysla division of Lala Transports, we renewed the refrigerated load, dry load and auto tank units, with a primary distribution investment of \$60 million pesos.



\$247.6 million pesos were invested in the renewal of the units of the delivery network.

In our vehicles, we increased the maintenance cycles in diesel and LP gas units, achieving the reduction of residues generation in a 40%.

03



REDUCTION IN ENERGY CONSUME AND IN FACTORY EMISSIONS

[G4-EN15, G4-EN16]

We have production planning systems which enable us to efficiently operate our steam generators and to reduce fuel consume.

Emission reduction in fuel consume.

gCO ₂ eq/kg of produce goods	
Base year ⁽¹⁾	22.81
2016	16.81

» Nuestros procesos de manufactura están diseñados para reducir el consumo de energía eléctrica.

Reduction in electric energy consume

gCO ₂ eq/kg of produce goods	
Base year ⁽¹⁾	28.78
2016	25.13



Reduction in emissions with acidification potential⁽²⁾

Units	2016 Reduction
Sulfure oxide (Sox)	7 %
Nitrogen oxide (Nox)	4 %

⁽¹⁾ Our base year is 2012.

⁽²⁾ Against base year.

RECYCLING AND HANDLING OF RESIDUES IN FACTORIES

[G4-EN23]

We are strongly committed to the preservation of the environment, which is why we have initiatives to reduce our impact and as well as the residues we generate..

More than 19.8% of the special handling residues are sent to final disposal.

In the case of dangerous residues (0.2%), these are composed of oils and solvents, which are sent to other companies as alternative fuels.



We recycle **80%** of our waste of special handling

04

CORPORATE GOVERNMENT / **WE STRENGTHEN OUR PRINCIPLES**

[G4-41, G4-44, G4-49, G4-56, G4-57, G4-58, G4-S04]

In Lala, we work under a strict Code of Conduct which orients us towards the correct behaviour in everyday situations. This is impulse by our values in order to provide an ethical behaviour culture within all the groups we have a relationship with, and with the objective of optimally reaching our goals.

This Code of Conduct, addresses four main topics:

- » Relationship with customers.
- » Relationship with suppliers.
- » Relationship with the competition.
- » Relationship with the authorities.

We work to ensure that our staff's tasks are carried out within the legal framework and abiding to people's dignity. We comply with the Federal Labor Law and with the Official Mexican Regulations, which dictated the working, safety and health conditions, complaint rights and other fundamental rights of working life.



04

TRAINING IN ETHICS, HUMAN RIGHTS AND FIGHTING CORRUPTION.

Professional categories	Number of trained people	Hours dedicated to training	Average training per collaborator
Directors/ managers	92	1,253.5	13.6
Heads/ supervisors	759	9,912.5	13
Administrative staff	1,048	12,788.5	12.2
Operation Union	3,727	68,187.5	18.2
Sales Union	4,133	75,715	18.3
External	48	1,790.5	37.3
Total	9,807	169,647.5	17.3

FORMAL COMPLAINT MECHANISMS

Everyone related to Grupo Lala may report situations regarding our Code of Conduct, which is of public knowledge and can be found in the Company's website. The support line is available 24 hours, 7 days a week. Complaints may be done anonymously and are taken care of by an external consultant. We have strict control of every report and they are all seen to by an Ethics Committee, they are all dealt with and an answer is provided in every case.



ORGANIZATIONS AND CHAMBERS

[G4-16]

We participate in more than 20 national and multilateral Trade Union organizations, between associations and chambers. We consider these strategic for Grupo Lala in order to provide the best possible conditions for the sector and business development hence contributing to the fulfillment of the company's mission, always observing its values and code of conduct regarding defined strategies.

Upper Business Leaders

Interlocution with the highest rank of public and private sectors

MEXICO

- » Mexican Business Council (CMN) *
 - » National Farming Council (CNA) *
 - » National Confederation of Industrial Chambers (CONCAMIN)
- NICARAGUA**
- » Nicaragua Industrial Chamber (Cadin)*
 - » Nicaragua Commerce and Services Chamber (CCSN)*

Organizations related to the business

Accurate attention to public policies and regulations for our sector, which have a part in the business.

MEXICO

- » National Private Transport Association (ANTP) *
- » National Transformation Industry Chamber (CANACINTRA) *
- » National Milk Industrials Chamber (CANILEC) *
- » Mexican Industrial Council of Consumer Products, A.C. (ConMexico)

NICARAGUA

- » Nicaraguan Dairy Sector Chamber (Canislac)*
- » Nicaragua Producers and Exporters Association. (APEN)*

COSTA RICA

- » National Milk Producers Chamber (PROLECHE)

INTERNACIONAL

- » Panamerican Dairy Federation (FEPALE)**

*Lala has a significant position in the Board of Directors.



04

ADMINISTRATION COUNCIL

[G4-34, G4-35, G4-36, G4-37, G4-38, G4-39, G4-40, G4-52]

President

Eduardo Tricio Haro

Proprietary Board Members

Marcelo Fulgencio Gómez Ganem
José Manuel Tricio Cerro
Juan Carlos Larrinaga Sosa

Independent Board Members

Arquímedes Adriano Celis Ordaz
Rafael Robles Miaja
Juan Pablo del Valle Perochena
Pablo Roberto González Guajardo
Blanca Avelina Treviño de Vega

Mauricio Gárate Meza¹

Secretary

Auditing and Corporate Practices Committee

Rafael Robles Miaja

President

Juan Pablo del Valle Perochena
Pablo Roberto González Guajardo
Blanca Avelina Treviño de Vega

We are an Anonymous Stock Corporation, hence our Administrative Council is to be formed by a maximum of 21 members, of which 25% must be independents elected based of their experience, abilities, and their Reputation in the General Ordinary Shareholders Assembly.

According to the Stock Market Exchange Act and our social regulations, the functions of our Administrative Council are, among others, to invigilate the management and to establish general strategies to the direction of Grupo Lala's business and that of the legal entities under its control. We hold Administrative Council Sessions in which the quorum exceeds 80%.

The people in our Administration Board are recognized for their outstanding professional experience mainly in the areas of Finance, Sales and Marketing.

The activities established by the Auditing and Corporate Practices Committee, from their foundation are as follows:
Supervise external auditors, to communicate to the Board any irregularities in internal control, regulate the realization of operations between parties as well as the General Director's activities and financial function and the elaboration of a yearly report.

Our Auditing and Corporate Practices Committee is integrated solely by independent members of the Administration Council.

Some other main functions and faculties of the Committee are: to formulate recommendations to the Council regarding performance of the main collaborators, operations with related parties, independent rulings, call shareholders assemblies and support the preparation of reports to Ordinary General Shareholders Assembly.

¹ Appointed in the Administrative Council Session on April 24, 2017.





04

Moreover, from February of the present year, the Company has a Compensation Committee which carries out activities regarding Compensation and Assessment established by the Lala Auditing and Corporate Practices Committee and those determined by the Administration Council. The Compensation Committee is formed by two independent council members and a board member:

Pablo Roberto González Guajardo - President

Juan Pablo del Valle Perochena - Member

Eduardo Tricio Haro - Member

Members of this Committee were appointed by the Administration Council and then ratified by the General Shareholders Assembly. Their main functions are: (i) Suggest assessment and compensation criteria of the General Director and high-end members, as well as the separation payment of the General Director; (ii) Analyze the proposal put forward by the General Director regarding the structure and compensation criteria for the Society personnel and (iii) Analyze and present to the Administration Council, for their approval the Formal Succession of the General Director System and high- end members.

The Lala General Shareholders Assembly is in charge of determining the payment to council members and other members of the different Committees, based on their attendances to the sessions which take place.

The growth of our Company, owes itself to the strategic and sustainable vision of our Directive team and to the commitment of our executives, as well as to the collaborators'. This joint work has allowed us to take seize investment opportunities in different markets and segments.

We reward our collaborators through productivity bonuses which are calculated and set according to their performance. Moreover, we have an Action Plan for high-end collaborators, which is aligned with the generation of value in the Company and interests of our shareholders, through the fulfillment of strategic rulings and business objectives so as to foster a high-performance culture. This way, we achieve our high-end staff commitment and development.

Our regulations include certain shareholders and minority shareholders' protection, according to the Stock Market Law and General Commercial Societies.

Information about Action

Lala actions, series B belong to the stock market listings ever since October, 2013 under the ticker symbol "LALA B".

Future declarations

This document contains certain previsions, projections and future declarations regarding Grupo Lala's and subsidiaries financial situation, operation results and operative information, as well as plans and objectives related to these respects.

The present inform does not represent a value offer from LALA. It has been issued solely with information purposes.





04

SHAREHOLDERS AND INVESTORS CONTACT INFORMATIONS

[G4-5, G4-6, G4-7, G4-31]

Grupo Lala Headquarters

Calzada Carlos Herrera Araluce 185, Parque Industrial Carlos A. Herrera
Araluce, Gómez Palacio, Durango, C.P. 35079

Relationships with Investors

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investor.relations@grupolala.com

Social Responsibility

Rafael Garza Jáuregui
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rafael.garza@grupolala.com

Independent Auditors

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Boulevard Independencia 1819-B Ote.
Colonia San Isidro
Torreón, Coahuila, México
C.P. 27100

Lala Administración y Control, S.A. de C.V.

Calzada Carlos Herrera Araluce 185, Parque Industrial Carlos A. Herrera
Araluce, Gómez Palacio, Durango, C.P. 35079, México.



05

ABOUT THIS REPORT

[G4-3, G4-7, G4-13, G4-15, G4-17, G4-22, G4-23, G4-28, G4-29, G4-30, G4-32]

We present our 2016 integrated report in its eleventh edition, where we highlight financial, environmental, social, and Corporate Government results corresponding the period from January 1st to December 2016 in Mexico, Central America and the United States.

For the first time, we started operating under our sustainability model, whose axis are: Planet, Society, Consumers, Enterprise and Corporate Government, reflecting the results of this implementation in the present document.

We have also included our new beliefs:

- » We believe in a world of possibilities.
- » We believe in a natural world.
- » We believe in an integral world.
- » We believe in a balanced world.

In these beliefs, we depict and transmit the importance that each group of interest has for us, and those material aspects deemed most important.

From these changes, and as part of the new corporate strategy, the 2016 inform was modified in the way we report environmental indicators to more practically visualize the advance accomplished through time.

This report was elaborated under the guidelines of the **Global Reporting Initiative (GRI)**, version **G4**, and independently verified by ILUNKA Sustainable Strategy.

We are also aligned to the Global Compact Principles and to the Sustainable Development Objectives established by the UN and to the Sustainability Index Principles, proposed by the Mexican Stock Market, through the methodology of Anahuac University.

For any further information, visit www.grupolala.com



05

MATERIALITY

[G4-17, G4-18, G4-19, G4-20, G4-21]

We determined the content of the 2016 Yearly Integrated Report, taking into consideration the most relevant aspects for our Interest Groups and for the organization.

We start from the materiality study carried out in 2015, in which we detected the most relevant and significant aspects for our sustainability and then updated the study through interviews and conversation with key people in the Company.

We reported the same material topics as those of the year before, with the aim of informing our initiatives and advances in those areas, as well as our goals for 2017.

The materiality study consists on the following phases:



IDENTIFICATION

We analyze relevant internal and external interest aspects through interviews and conversations with key people in the organization, as well as observation and field trips.



PRIORIZATION

We ponder obtained information and determine the most relevant topics for Lala and its groups of interest..



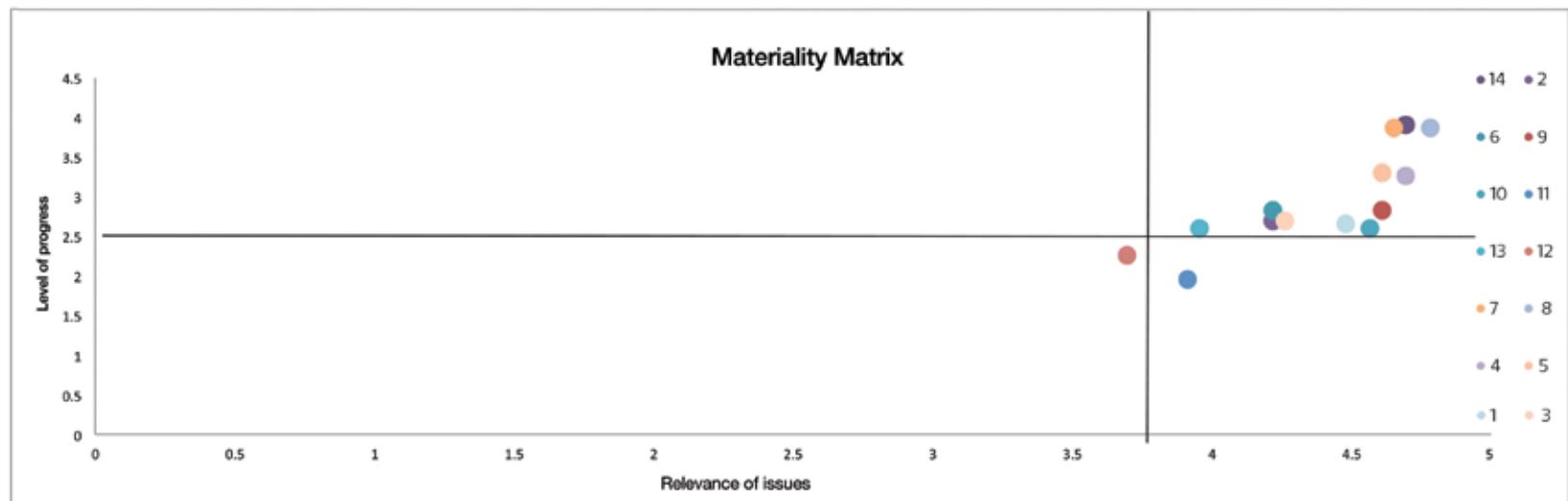
VALIDATION

We submit the contents to the directive team's assessment in order to select the focuses and indicators to be reported.



REVISION

We identify opportunity areas in the participation of interest groups and the organization



MATERIAL TOPICS AND INDICATORS GRI G4

[G4-19, G4-20, G4-21]

Material Topic	Coverage		Indicator
	Interna	Externa	
1 Handling and final disposition of residues	X	X	G4-EN23, G4-EN27
2 Proceedings for the assessment and control of social and environmental risks	X	X	G4-EN29, G4-EN31, G4-EN11
3 Regarding of the RSE rulings by the livestock breeders.	X		G4-EN32
4 Eco efficiency of water and energy consume	X	X	G4-EN6, G4-EN8, G4-EN9, G4-EN10, G4-EN22
5 Greenhouse effect gases (methane gas) resulting from production and distribution of the product	X	X	G4-EN19, G4-EN30
6 Social and economic benefits for the local community and minimize impact	X	X	G4-SO1
7 Transparency, publicity and labeling of products and services	X	X	G4-PR2, G4-PR3, G4-PR4, G4-PR6, G4-PR7
8 Product innovation	X	X	G4-PR1
9 Collaborators' wellbeing (internal, operational and field)	X		G4-LA5
10 Collaborator's training and development	X		G4-LA9, G4-LA10, G4-LA11
11 Diversity and inclusion value	X		G4-LA12
12 Suppliers regarding of the RSE regulations of the company	X		G4-LA14
13 Responsible purchasing, fostering local economy of the small and medium businesses	X	X	G4-SO9
14 Ethical Behavior	X		G4-SO4



GRI G4 CONTENT INDEX

[G4-32, G4-33]

GENERAL STANDARD DISCLOSURES


 Materiality
Disclosures
Grupo Lala

 May 2017
Service

INDICATOR	DESCRIPTION	PAGE / DIRECT ANSWER	OMISSION	EXTERNAL VERIFICATION
STRATEGY AND ANALYSIS				
G4-1	Provide a statement from the most senior decisionmaker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	2-3		e
G4-2	Provide a description of key impacts, risks, and opportunities	2-3		e
ORGANIZACIÓN PROFILE				
G4-3	Report the name of the organization..	43		e
G4-4	Report the primary brands, products, and services.	26-29		e
G4-5	Report the location of the organization's headquarters	6, 42		e
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	6, 42		e
G4-7	Report the nature of ownership and legal form			e
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	6		e
G4-9	Report the scale of the organization.	6, 26	Capitalization in terms of patrimony and debt is strictly confidential.	e
G4-10	Report the total number of employees by employment contract and gender.	17		e
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	17		e
G4-12	Describe the organization's supply chain.	22-25		e
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	43		e
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	35		e
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	43		e
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization is involved.	39		e



06

GENERAL STANDARD DISCLOSURES

INDICATOR	DESCRIPTION	PAGE / DIRECT ANSWER	OMISSION	EXTERNAL VERIFICATION
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	43-44		e
G4-18	Explain the process for defining the report content and the Aspect Boundaries. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	44		e
G4-19	List all the material Aspects identified in the process for defining report content.	44-45		e
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	44-45		e
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	44-45		e
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	43		e
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	43		e
STAKEHOLDER ENGAGEMENT				
G4-24	List of stakeholder groups engaged by the organization.	13-14		e
G4-25	Basis for identification and selection of stakeholders with whom to engage.	13-14		e
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	13-14		e
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	13-14		e



06

GENERAL STANDARD DISCLOSURES

INDICATOR	DESCRIPTION	PAGE / DIRECT ANSWER	OMISSION	EXTERNAL VERIFICATION
REPORT PROFILE				
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	43		e
G4-29	Date of most recent previous report (if any).	43		e
G4-30	Reporting cycle (such as annual, biennial).	43		e
G4-31	Contact point for questions regarding the report or its contents	42		e
G4-32	a. 'In accordance' option the organization has chosen. b. GRI Content Index for the chosen option (see tables below). c. Reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines	43-46		e
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report.	46		e
GOVERNANCE				
G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental, and social impacts.	40-41	This describes the "Corporate Government" section and is described in detail at www.grupolala.com/inversionistas	e
G4-35	Process for delegating authority for economic, environmental and social topics	40-41	This describes the "Corporate Government" section and is described in detail at www.grupolala.com/inversionistas	e
G4-36	Whether the organization has appointed an executive level position or positions with responsibility for economic, environmental, and social topics, and whether post holders report directly to the highest governance body.	40-41		e



06

GENERAL STANDARD DISCLOSURES

INDICATOR	DESCRIPTION	PAGE / DIRECT ANSWER	OMISSION	EXTERNAL VERIFICATION
GOVERNANCE				
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	40-41	This describes the “Corporate Government” section and is described in detail at www.grupolala.com/inversionistas	e
G4-38	Composition of the highest governance body and its committees.	40-41		e
G4-39	Whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	40-41		e
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	40-41		e
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed. Whether conflicts of interest are disclosed to stakeholders.	38-39		e
G4-44	a. Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a selfassessment.	38, 40-41	This describes the “Corporate Government” section and is described in detail at www.grupolala.com/inversionistas	e



06

GENERAL STANDARD DISCLOSURES

INDICATOR	DESCRIPTION	PAGE / DIRECT ANSWER	OMISSION	EXTERNAL VERIFICATION
EVALUACIÓN DE LAS COMPETENCIAS Y EL DESEMPEÑO DEL ÓRGANO SUPERIOR DE GOBIERNO				
G4-44	b. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including, as a minimum, changes in membership and organizational practice.	38, 40-41	This describes the "Corporate Government" section and is described in detail at www.grupolala.com/inversionistas	e
ETHICS AND INTEGRITY				
G4-56	Organization's values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics.	5, 38-39		e
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	38-39		e
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	38-39		e



06

SPECIFIC STANDARDS DISCLOSURES

INDICATOR	DESCRIPTION	PAGE / DIRECT ANSWER	OMISSION	EXTERNAL VERIFICATION
ECONOMIC				
Economic Performance				
G4-EC1	Report the direct economic value generated and distributed.	9		e
ENVIRONMENTAL				
Energy				
G4-EN6	Reduction of energy consumption.	36-37		e
Water				
G4-EN8	Total water withdrawal by source.	Total volume of consumed water: 5,625,813 m ³ Extraction: 4,865,528 m ³ Municipal network: 123,037 m ³ . The measuring is taken directly from the water meters located in site, by certified calibrated equipment by the authorities.		
G4-EN9	Water sources significantly affected by withdrawal of water.	The impact in percentage of our operation in the Nazas-Aguanaval and Irapuato Valley aquifers is of 0.8% of the total. Due to the characteristics of these environments, biodiversity is not to be affected.		
G4-EN10	Percentage and total volume or water recycled and reused.	35		e



06

SPECIFIC STANDARDS DISCLOSURES

INDICATOR	DESCRIPTION	PAGE / DIRECT ANSWER	OMISSION	EXTERNAL VERIFICATION
ENVIRONMENTAL				
Water				
G4-EN11				
Emissions				
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1).	36-37		e
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2).	36-37		e
G4-EN19	Reduction of GHG emissions.			e
Effluents and waste				
G4-EN22	Total water discharge by quality and destination.	For water discharge in municipal sewers 2,801,243 m ³ with treatment of primary residual waters: physicochemical, biological, aerobic, anaerobic in fulfillment of the NOM 002, in process of initial ultrafiltration and inverse osmosis to recover 365000 m ³ of water a year in fulfillment of NOM 127 which will add 373,502 m ³ with tertiary inverse osmosis system in fulfillment of NOM 127 discharged to a federal recipient, primary physicochemical, biological in fulfillment of NOM-001-1996, recipient type B plus tertiary (ultrafiltration and inverse osmosis. Recovery in initial phase of 237,250 m ³ of water a year with NOM 127.		e



06

SPECIFIC STANDARDS DISCLOSURES

INDICATOR	DESCRIPTION	PAGE / DIRECT ANSWER	OMISSION	EXTERNAL VERIFICATION
ENVIRONMENTAL				
Effluents and waste	G4-EN23 Total weight of hazardous and nonhazardous waste.	37	The weight of the residues is not specified since this information is confidential	e
Products and services				
	G4-EN27 Mitigation of environmental impacts of products and services	35-37		e
Compliance				
	G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental law and regulations.		There was a total of 3 fines in 2016, due to the speedy change in the regulatory framework. These fines added up to \$210,300 pesos.	e
Transport				
	G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	36		e
Overall				
	G4-EN31 Total environmental protection expenditures and investments by type.		Residual waters 21%, primary and secondary distribution vehicles 78%. Renewable energies 0.28%	e
Supplier Environmental Assessment				
	G4-EN32 Percentage of new suppliers that were screened using environmental criteria.		Our main suppliers sustainability reports were revised (Tetrapack, Paalsgard,FMC)	e



06

SPECIFIC STANDARDS DISCLOSURES

INDICATOR	DESCRIPTION	PAGE / DIRECT ANSWER	OMISSION	EXTERNAL VERIFICATION
SOCIAL				
SOCIAL LABOR PRACTICES AND DECENT WORK				
Occupational health and safety				
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	21		e
G4-LA8		21		e
Training and education				
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	17-18		e
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	17-18		e
G4-LA11		17-18 The information is not broken down in professional categories since this information is confidential.		e
Diversity and equal opportunity				
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	16		e
Supplier assessment for labor practices				
G4-LA14	Suppliers that were screened using labor practices criteria.	The company is not in possession of such information		



06

SPECIFIC STANDARDS DISCLOSURES

INDICATOR	DESCRIPTION	PAGE / DIRECT ANSWER	OMISSION	EXTERNAL VERIFICATION
SOCIAL				
SOCIETY				
Local communities				
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	31-34		e
Anti-corruption				
G4-SO4	Total number and percentage of governance body members that the organization's anticorruption policies and procedures have been communicated to, broken down by region.	38-39		e
Supplier assessment for impact on society				
G4-SO9	New suppliers that were screened using criteria for impacts on society.	The company is not in possession of such information		e
SOCIAL PRODUCT RESPONSIBILITY				
Customer health and safety				
G4-PR1	Significant product and service categories for which health and safety impacts are assessed.	22-24		e
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services within the reporting period.	No incidents are derived from the unfulfillment of any code related to health and safety of our products.		e
Product and service labeling				
G4-PR3	Product and service information and labeling.	30		e



06

SPECIFIC STANDARDS DISCLOSURES

INDICATOR	DESCRIPTION	PAGE / DIRECT ANSWER	OMISSION	EXTERNAL VERIFICATION
SOCIAL				
SOCIETY				
Product and service labeling				
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling.	No incidents are derived from the unfulfillment of any code related to labeling and packaging of our products.		e
Marketing communications				
G4-PR6	Sale of banned or disputed products	All of our products have been cleared for consumption by the competent authorities.		e
G4-PR7	Incidents of non-compliance concerning marketing communications	There was some prevention from COFEPRIS as to the advertising of Lala 100. This was then adjusted to their observations. The campaign is now functioning according to the reached agreements.		e
SOCIAL				
Healthy and Affordable Foods				
G4-DMA	Nature, scope and effectiveness of any program and practice (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promotes access to healthy lifestyles; the prevention of chronic diseases; access to healthy, nutritious and affordable food; and an improvement in the welfare of communities in need.	26, 31-33		e

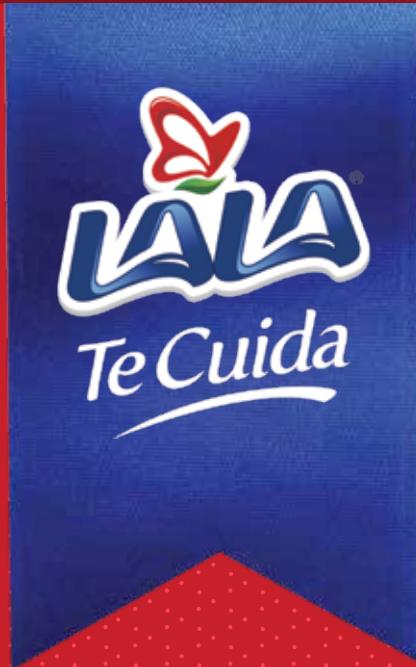


06

SPECIFIC STANDARDS DISCLOSURES

INDICATOR	DESCRIPTION	PAGE / DIRECT ANSWER	OMISSION	EXTERNAL VERIFICATION
SOCIAL				
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars.	27		e
FP7	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food.	27		e





2016 INTEGRATED ANNUAL REPORT