

SUSTAINABILITY

Report 2018



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Message from the CEO



Dear Readers,

I am very pleased to present you our 2018 Sustainability Report. This report attests to just how successful our operation is in generating social, environmental and economic value, rendered tangible through our PetStar Sustainable Business Model (PSBM) a palpable example of Circular Economy for PET containers, one that inspires others to think sustainably.

Through the implementation of these processes, we reiterate our conviction of operating in a fully sustainable manner, as well as our aspiration of attaining a better and more efficient Circular Economy one that will extend the useful life of natural resources through recycling, and that goes hand in hand with Inclusive Recycling actions that bring dignity to the lives of waste pickers and collectors in our country through formal work, and through the application of a virtuous circle as evidenced in our PetStar Inclusive Collection Model (PICM).

Under the leadership of Arca Continental, Coca-Cola de México, Bepensa Bebidas, Corporación del Fuerte, Corporación Rica, Grupo Embotellador Nayar and Embotelladora de Colima, PetStar reiterates its commitment to the sustainability of the packaging of the Mexican Coca-Cola Industry (MCCI), as it is fully aligned to the strategy launched by The Coca-Cola Company worldwide, "A World Without Waste". Its goal is to collect the equivalent of all bottles and incorporate up to 50% recycled material in containers by 2030.

We are convinced that in light of the environmental challenges we now face including global warming, Earth Overshoot Day, and plastic waste pollution it is important to act in conjunction with the authorities, society and

the private sector, and in keeping with the precept of shared responsibility, seeking progress in the responsible management of solid waste in such a manner that these challenges will become tomorrow's opportunities, with our model emerging as a global benchmark for Circular Economy.

In 2018, we enjoyed important achievements, including being awarded the National Prize for Quality, and accession to The New Plastics Economy Global Commitment, strengthening our philosophy of excellence. Thus, for 2019 and 2020, we will continue to draw up ambitious goals, not just in environmental terms to reach neutral water and carbon footprints, but also to consolidate our capacity to consistently generate social and economic value for our various stakeholders.

I thank all you for your ongoing support and the trust you deposit in our shareholders and collaborators, and in our collection and recovery partners, in addition to the receptiveness of authorities and society to work together toward the preservation of the environment.

Ing. Jaime Cámara Creixell,
Founder & CEO

PetStar in numbers

SOCIAL Value



24,000

indirect jobs
(Waste pickers and
trash collectors).

1,186

established collection points
(Collector Partners).



1,090

collaborators in
8 of the country's states.



694

boys and girls, children of waste
pickers, are supported by defenders
of the rights of children through
CEDIC and MAYAMA Center.



14,000

visitors to the Museum
Auditorium per year.



16,000

followers on social media.



ENVIRONMENTAL Value



79,543 ton

of PET bottles collected per year,
of which 63,722 are processed
and the remainder marketed
as sub products.

3,181

million bottles recycled
per year.



50,816 ton

of recycled food grade
PET resin produced.

91%

less volume of greenhouse
gas emissions
versus virgin resin.



83%

of electrical power comes
from renewable sources.



77%

reduction of CO2 emissions
per tons of resin produced
as compared to 2010.

66%

of PET containers collected
that our shareholders
put on the market.



**30% to
100%**

of recycled content in our
shareholders containers.

ECONOMIC Value



1

Food grade PET
recycling plant,
the largest in the world.



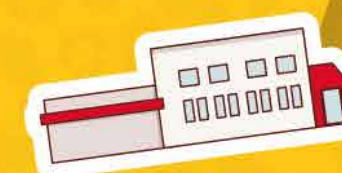
8

Collection Plants.



1

By-products
valorization plant.



1

Specialized lab.



1

Botelloteca
(Library of Bottles)
Unique department that
analyzes viability
of recycling.



14.4%

EBITDA





Who we are

PetStar is a mexican company dedicated to the collection and recycling of PET containers. Its food grade PET recycling plant is the largest in the world, and the company also operates a sub product assessment plant, as well as 8 collection plants distributed throughout the country.

PetStar over the years

- 1995** Avangard México was created, a company dedicated to the collection and sale of post-consumption plastic waste. In less than one year, it became the largest PET collection company in Latin America.
- 2001** Technologies began to emerge that allowed recycled PET to be used for food grade applications.
- 2002** Together with *Industria Embotelladora Nacional* (National Bottling Industry), Jaime Cámara took part in the design of ECOCE (a civil association, whose meaning is Ecology and Business Commitment), with Avangard operating as the collection arm for ECOCE.
- 2006** PetStar emerged from the partnership of Avangard México and Promotora Ambiental (PASA).
- 2007** Construction of the first phase of the PetStar plant began, with an installed capacity to process 22 thousand tons of food grade recycled PET resin.
- 2011** The company was acquired by Arca Continental and other bottling plants belonging to the Mexican Coca-Cola Industry, with the commitment to expand the plant to include a second phase.
- 2014** The expansion of the plant was concluded, thus doubling installed capacity and making it the largest food grade recycled PET plant in the world. That same year, Mexico was recognized as the only country to attain and surpass the goal of 25% recycled content in its containers, according to Coca-Cola's Global Sustainability Report.
- 2017** PetStar's Sustainable Business Model was designed, deemed unique and innovative, encouraging the mobility and dignifying the work of waste pickers, thanks to its Inclusive Collection Model (Modelo de Acopio Inclusivo, or MAIP).
- 2018** The former President of Mexico, Enrique Peña Nieto, awarded PetStar with the National Quality Award 2017 in the category of "Organizational Innovation", recognizing companies that are renowned for administrative quality and innovation to support a culture of excellence and drive competitiveness and sustainability.

"In the past recycling was unthinkable, but time has proven us right and currently Mexico is the leader of the global challenge to recycle PET."

Ing. Jaime Cámara
Founder & CEO

PetStar's Sustainable Business Model

PetStar's Sustainable Business Model (PSBM) entails creating social, environmental and economic value. This value proposal lays the foundation for aligning the key processes of collection and recycling with the company's strategic business objectives and with meeting the needs of its shareholders, clients, collector partners, waste pickers and trash collectors, as well as with personnel and the community. As enshrined in our Mission statement, sustainability

is the essence of the organization; consequently, all our processes are designed to preserve the environment through the implementation of innovative solutions that guarantee the sustainability of PET containers through a Circular Economy approach. This, in turn, allows the recovery of containers produced by our shareholders and the integration of our food grade recycled product in the generation of new containers.



Corporate Sustainability Philosophy

PetStar is a company whose foundational principle is sustainability. We have a Sustainable Business Model that promotes Inclusive Recycling. The concept and philosophy of this model's profile adhere to initiatives and organizations such as the Earth Charter, the Global Reporting Initiative, the Sustainable Development Goals, and the Principles of the Global Compact.

PetStar is not a company that embraces sustainable development as a restricted concept still contradictory in today's world; PetStar prefers to embrace the notion of sustainability to seize the world again and break away from the dichotomy of society versus nature. This paves the way for a holistic vision one in which the social, environmental and economic dimensions are to be understood as an indivisible unit in which everyday life for people, and for PetStar as a company and all its collaborators gain importance in the framework of locality.

The PSBM (PetStar's Sustainable Business Model) fosters social, environmental and economic value, all of which are essential components of sustainability. PetStar is an organization that reads the present in order to write a different future; it offers the possibility of doing business profitably, favoring social inclusion, harmonious living, and respect for our environment. Lastly, another reason is that

PetStar is very grateful to its home, Planet Earth. Maturity, trailblazing, inclusion and capacity for change to generate forms of social interaction... doing business with others who should also be winning and complementing our work. This is what motivates and defines us. Because we are the largest food grade PET Recycling Plant in the world, it is the responsibility of the large companies to work and lay the groundwork for everyone to be able to move toward better days through collaboration, connection and growth.

At PetStar we manage sustainability through our Corporate Sustainability System, an approach that becomes the way we manage the company; its purpose is to contribute to Global Sustainability through supporting the management of PSBM, that, based on universal principles and values, generates social, environmental and economic value stemming from Inclusive Collection. This, in turn recognizes, grants dignity and empowers waste pickers as well as other exploited communities, making it possible to develop a Circular Economy that promotes the inclusion of food grade recycled resin obtained from PET for the manufacture of bottles, thus avoiding the use of even more natural resources for processing and minimizing waste. These actions place us as an agent that positively impacts compliance of the Sustainable Development Goals, as declared in the United Nations 2030 Agenda.

Pioneers and Leaders in PET Recycling

Sustainability System

Continuous Improvement

Interest Groups
Shareholders
Clients
Collaborators
Civic social organizations
Collector Partners
Scavengers
PetStar's fans

Materiality Study

Global Community

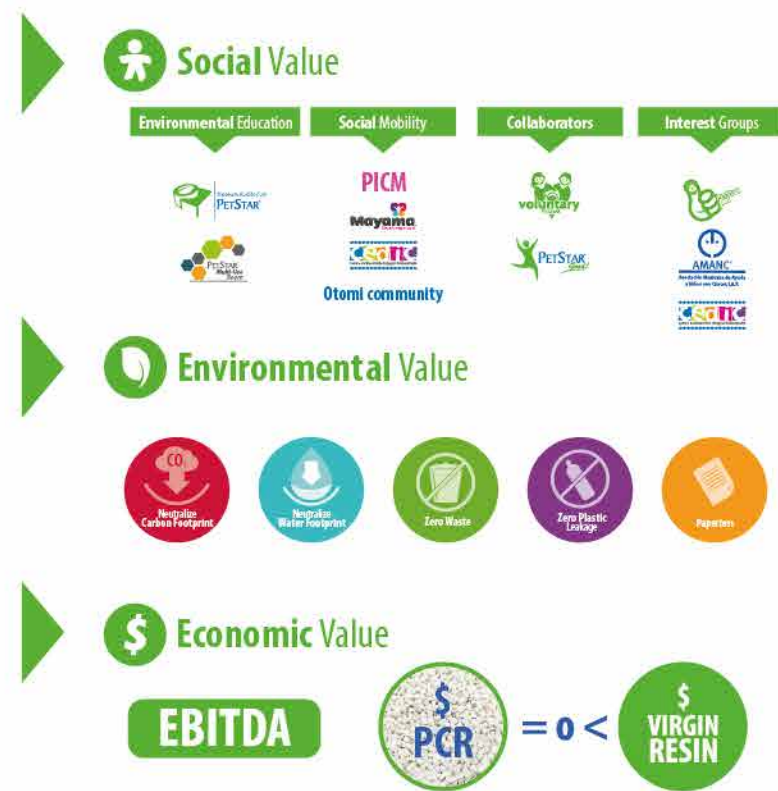
Ethical Framework



Innovation



Leadership



Sustainability Report

Corporate Affairs and Sustainability Committee

Communication Management

External Communication
Museum-Auditorium Visits
Social Media
Web Site
Media

Internal Communication
Sustainability Committee
Dialogues with Upper Management
PetStar Bien Platform

Corporate Profile

Institutional Philosophy



Mission

To promote the preservation of the environment to benefit future generations by implementing innovative solutions that make sustainable the PET containers we collect and efficiently recycle to produce high-quality food grade resin with social responsibility.



Values



SAFETY

Execution of all our work placing our integrity and the integrity of our co-workers and visitors first.



HONESTY

Impeccable management of the company's resources, information, personnel management and rejection of any corrupt practice.



RESPONSIBILITY

Proper execution of all tasks agreed upon, after reflection and evaluation of the consequences of these acts.



Vision

To be a reference of excellence worldwide through inclusive recycling of the PET container, that with talent, commitment, innovation and well-being, we give value to our clients' social and environmental responsibility by contributing to being a solution for climate change and inspiring others to act sustainably.



With our PICM we ensure a supply chain free of child labor and we promote social mobility and inclusion of pickers and PET bottles collectors



At PetStar we are in charge of internalizing these values, so that they live on a daily basis contributing to global sustainability and respect for the fundamental principles of the Earth Charter.

www.petstar.mx



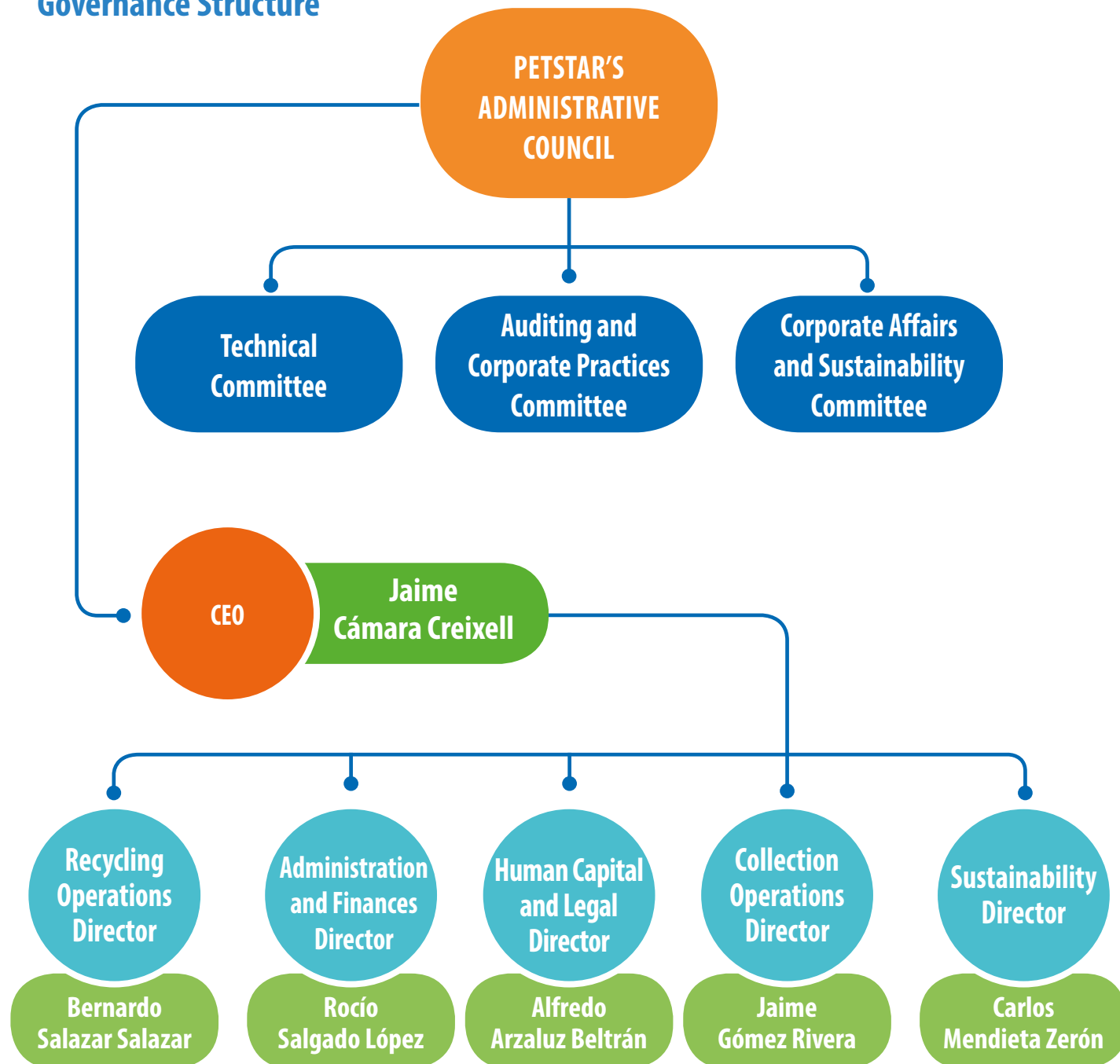
buzondetransparencia@petstar.mx



Corporate Governance

PetStar S.A.P.I. de C.V. is a 100% mexican company established in 2006. Its governance structure is based on the following system:

Governance Structure



PetStar Shareholder's Map

PetStar was established as a result of synergy and efforts to support the sustainability efforts of various bottling plants within The Coca-Cola Mexico system:



Administration Board

The Administration Board is the company's highest authority, comprising ten members, each one having an alternate. These members are shareholders, partners, employees, or a shareholder's company officer or a person affiliated to a given shareholder, with no independent board members or remuneration whatsoever established for the foregoing. The Chairperson of the Board of Administration may not hold an executive position within PetStar.

There are 3 categories of shareholders with the right to be named members of the Board:

I. Coca-Cola de México has the right to three members to the Administration Board.

II. Arca Continental has the right to four members to the Administration Board and the right to nomination as Chairperson of the Board.

III. Bepensa Bebidas, Corporación del Fuerte, Corporación Rica, Grupo Embotellador Nayar and Embotelladora de Colima may name three members to the Administration Board.

Committees within the Board of Administration

Audit and Corporate Practice Committee: comprised of 6 members and their alternates, designating 2 for every one of the different types of shareholders; Chairman of this Committee to be nominated amongst the members of said Committee.

Technical Committee: comprising 4 members and one Chairperson. The 4 members are designated in the following manner: Coca-Cola de México, one; Arca Continental, two; the last one is designated among the remaining shareholders.

Corporate Affairs and Sustainability Committee: comprising 4 members and one Chairperson; the designation of members for this Committee is the same as for the Technical Committee.

The Board of Administration establishes the salaries for Senior Management based on compliance of the Work Plan, as previously authorized. In like manner, communications matters are assessed and approved in and is physically present at the Board's quarterly meetings for analyses of impacts, risks and opportunities of an economic, social and environmental nature.



Code of Ethics and Code of Conduct



Everyone at PetStar is a representative and ambassador for the organization, every day; therefore, their conduct and engagement with stakeholders around them is always based on the company's Code of Ethics.

The Code of Ethics is the backbone of the organization's values, and provides guidance on appropriate conduct for relations with different target audiences for the purpose of carrying out activities with honesty, integrity and transparency, and in full respect of human rights and the legitimate interests of all people and organizations with whom company is involved.

The Code of Conduct was created to ensure that all employees comply with all relevant laws, practices and codes in order to act in the best interests of the company, as well as reject any kind of personal preference or advantage.

Guiding Principles

In order to relationships of respect and trust, PetStar abides by The Coca-Cola Company's Guiding Principles for Suppliers. These Guiding Principles shall direct our conduct pursuant to the eight fundamental conventions of the ILO:

- Freedom of association and collective bargaining;
- Prohibition of child labor;
- Prohibition of forced labor and mistreatment;
- Elimination of discrimination;
- Working hours and wages;
- Providing a safe and healthful workplace;
- Protection of the environment;
- Commercial integrity;
- Procedure and recourse for workers to present claims;
- Administrative systems.

Supply Policy Free of Child Labor

At PetStar we promote and respect the rights of boys and girls as enshrined in the Convention on the Rights of Children, adopted in 1989, and currently ratified by 192 countries, including Mexico; we reject the exploitation of child labor for the collection of PET containers through our internal policy and that of our suppliers to promote the higher interests of children.

**Supply Policy
Free of Child Labor**

PetStar has assumed the commitment of **ZERO TOLERANCE** of Child Labor throughout its supply chain and verifies compliance with minimum working age provisions.

www.petstar.mx

In October 2018, PetStar took part in the workshop “Dialogue on child labor and work conditions in the waste recovery and recycling sector in Mexico”, organized by the International Organization of Employers (IOE). Over the course of two days, topics discussed focused on combating child labor and on the working conditions of this sector.

Participants at the event included Concamin, Coparmex, various consumer goods companies, NGOs and authorities of the government of Mexico.



Course in 2018

Workshop “Living our Values”

To ensure ethical and legal conduct, we offer an induction course to our new personnel, as well as the workshop “Living our Values”. Additionally, all members of our personnel must sign the company's Conflict of Interest statement.



	INDUCTION COURSES OFFERED	RE-INDUCTION COURSES OFFERED	WORKSHOP LIVING OUR VALUES OFFERED
PLANT	# EMPLOYEES	# EMPLOYEES	# EMPLOYEES
Acapulco	9	67	67
Guadalajara	43	72	67
San Luis Potosí	28	64	64
Mérida	8	62	62
Monterrey	17	64	64
Corporate Offices	6	40	60
PVS	13	85	85
Querétaro	23	61	61
Recycling	35	-	305
Toluca	18	60	60
Xalostoc	36	174	174
Total	236	749	1,069

Transparency Inbox

To identify deviations from observance of the organization’s principles and values, an electronic transparency inbox has been made available for personnel to submit comments regarding any perceived deviations. Senior management and the Human Capital department analyze these submissions directly and make pertinent decisions for each case.

buzondetransparencia@petstar.mx

This is the place to present any complaint or comment in a completely safe and confidential manner. A Committee for Assessment and Follow-up has been established, comprising,

Permanent Evaluation Members:

- ▶ CEO
- ▶ Human Capital and Legal Director

Members relevant to these matters
required by the Committee:

- ▶ Administration and Finances Director
- ▶ Collection Operations Director
- ▶ Recycling Operations Director
- ▶ Sustainability Director

PetStar Transparency Inbox

YEAR	REPORTED CASES	SOLVED CASES	PENDING CASES
2018	15	13	2
2017	17	17	0
2016	13	13	0

During 2018 no significant fines or sanctions were reported due to lack of compliance of laws or regulations.



Social
Value

Human Capital

As set forth in its Human Capital Policy, PetStar is committed to the well-being, development and integrity of its collaborators through attracting talent, creating an organizational culture grounded on an inclusive, participatory, innovative, and safe teamwork environment, one respectful of their rights and commitment to sustainability, thus promoting loyalty to the organization and a sense of belonging. This contributes to attaining both harmony in the workplace and the organization’s objectives.

Workforce

1,090 colaboradores

34.6% women

65.3% men

“In PetStar the Human Capital is the most valuable investment because its people consolidate the sustainable business model. We have leaders who always act with ethical principles and values that respect dignity, equality and non-discrimination.”

Lic. Alfredo Arzaluz Beltrán
Human Capital and
Legal Director

Workforce broken down by gender and age

	2016	2017	2018
Women	302	348	378
Men	661	725	712
18 to 25 years of age	-	175	172
25 to 45 years of age	-	790	813
45 and over	-	108	105
Total	963	1,073	1,090

Workforce broken down by region and position

REGION/PLANT	MANAGEMENT STAFF	ADMINISTRATIVE STAFF	OPERATIONS STAFF
Acapulco	-	12	55
Guadalajara		12	59
Mérida		13	47
Monterrey		13	51
Central Office	4	56	-
Querétaro	-	12	46
Recycling	2	75	246
San Luis Potosí	-	12	51
Toluca		19	124
Veracruz		1	-
Xalostoc		26	154
Total	6	251	833

Training and Development

The main objective of PetStar’s training program is to stay abreast of best practices in recycling and sustainability.

Training Courses

TRAINING	2016	2017	2018
Courses offered	130	223	260
Collaborators trained	1,025	1,073	1,090
Hours of training	108,372	185,899	200,202
Hours of training per employee	105.7	173.25	183.67
Investment	\$1.16 million pesos*	\$2.12 million pesos*	\$2.60 million pesos*

* MXN: is the currency of Mexico

Commitment to eliminate
gaps in education

In 2017, PetStar signed an agreement with INEA (National Institution for Adult Education), the “Company Committed to the Reduction of Educational Gaps”, with the purpose in mind of combatting illiteracy and educational gaps for the benefit of those workers who had not finished elementary or junior high schooling.

In 2018, the program benefited 132 collaborators, of which 86 have already obtained their official certificate of studies, 26 are currently studying elementary school, 10 are studying junior high school and 10 dropped out.



132 collaborators enrolled
86 obtained certificates



Ideas in Action

This initiative seeks to encourage intelligent participation of all personnel for company’s improvement and innovation through generating, validating and implementing ideas that are in line with the company’s strategic objectives.



	PROPOSED	ACCEPTED
2018	384	184
2017	466	154

PetStar Passport

PetStar Passport is an ongoing learning and organizational culture program designed to ensure that all those working at the company know of and understand in an experiential manner the functioning of other departments, and how their everyday work is one of the utmost importance to the attainment of the company’s goals.

In 2018, visits to collection process departments were organized, including maintenance, quality, transportation, commercial, production and to our Botelloteca, as well as to recycling departments, including the Museum Auditorium and the treatment plant.



PetStar Passport Participants

REGION/PLANT	ADMINISTRATIVE STAFF
Acapulco	67
Guadalajara	72
Mérida	9
Monterrey	64
Central Office	40
PVS	85
Querétaro	61
Recycling	314
San Luis Potosí	64
Toluca	60
Xalostoc	174
Total	1,010

Quality of Life

As part of PetStar’s commitment to be a good company to work for, we have implemented programs to maintain a pleasant work environment and benefits to encourage our collaborators.

Benefits:

- ▶ Savings Fund
- ▶ Supermarket Coupons
- ▶ Productivity Bonuses
- ▶ Life, Health and Dental Insurance
- ▶ Assistance for Funeral Expenses

Recreational Activities:

- ▶ Birthday Celebrations
- ▶ Sunday Bicycle Outings
- ▶ Day of the Dead Celebration
- ▶ Lighting of the Christmas Tree
- ▶ Christmas/New Year’s Banquet
- ▶ Reforestation Day
- ▶ Christmas at CEDIC
- ▶ Recycling Day



Top Companies

In order to assess the climate and culture in a systematic manner, for the last four years we have applied the Expansión survey Super Companies, following the Top Companies methodology, a process audited by Price Waterhouse Cooper. This allows the company to learn of our personnel’s needs, determine employee satisfaction through comparison to world class companies, and to design a work plan together with our directors to tackle areas of opportunity and further strengthen our solid areas.

YEAR	PERSONNEL APPROVAL	TOP TEN	RANKING
2015	80.02%	91.57%	44
2016	81.61%	89.98%	41
2017*	77.47%	80.46%	48
2018	77.21%	84.01%	44

*2017: Change of methodology.



6th International Top Companies Congress

Through following this methodology, the company once again, for the fourth time, was considered in 2018 to be a Super Company, “The Place Where Everyone Wants to Work”, thanks to the project “High Performing Work Teams” (Equipos de Trabajo de Alto Desempeño or ETADS), with the participation of Jaime Cámara at the Congress.





PetStar Bien!

PetStar Bien! is a platform to assist company collaborators in the development of a culture of wellbeing that is committed to health and the adoption of a healthful lifestyle to prevent disease and illness.



Get Moving for...
PetStar Bien!

- ▶ Our collaborators set up teams to carry out physical activities and a nutritionist offers advice and monitors their progress.
- ▶ On the 4th edition of this program, in 2018, **630** collaborators took part, which is **59%** of the entire workforce.

Recognition for ...
PetStar Bien!

- ▶ Collaborators recognize and are recognized on birthdays, anniversaries and living up to values.
- ▶ **630** were rewarded High Performing Work Teams; **30** more were rewarded during Safety Week.



Safety and Health



In order to create and maintain a healthy and safety workplace for all workers, visitors, suppliers and contractors who enter and/or work at our facilities, PetStar has implemented an Advanced Safety System (ASS).

This system has been in operation for 10 years now, and has evolved thanks to ongoing improvement, in alignment with national and international regulations. Designed based on OHSAS 18001 with a predominantly preventative approach, the certification was awarded in 2015. We received the "Safe Day" recognition by the Mexican Self-Managed Program for Occupational Health and Safety since 2017.

Recognition "0 Accidents"

PetStar recognizes plants that celebrate anniversaries with zero accidents, emphasizing the efforts and achievements of each plant as being safe, and encouraging them to continue working to maintain zero accidents.

This event brings together the family members of our collaborators for the purpose of sharing with them the importance of safety at PetStar, and our endeavors to provide the appropriate infrastructure for our workers and influence the development of a culture of safety.



Disabling Accidents

YEAR	COLLECTION	RECYCLING	TOTAL
2016	6	6	12
2017	8	1	9
2018	6	1	7



Brigades and the Safety and Health Committee

BRIGADES AND COMMITTEES	PERSONNEL ASSIGNED	% OF THE WORKFORCE
Brigades to fight fires, provide first aid for search and rescue missions.	196	18%
Safety and Health Committee.	55	5%

At PetStar we are aware and attentive to possible emergencies; we organize groups of volunteers with an attitude of service to take part in the Safety and Health Committee and the Emergency Brigades at each plant. These groups participate actively in training and drills to provide timely response to aid in or prevent emergencies in the event of an incident that endangers personnel.



Community Engagement

Social Collection

PetStar supports various organizations to consolidate a collection network that allows for fair work with dignity and provides additional income that benefits the target communities.

Community Collection

This is a model that sets up a program for complementary production for rural, indigenous, disenfranchised or urban populations.

Collecting for a Cause

This program helps support the social and environmental endeavors of a foundation, association, group or welfare institution through an ongoing drive for collection of PET containers. PetStar provides the collection service, which in turn offers these institutions a complementary source of income.

Organizations supported



Children's Community Education and Development Center



400 boys and girls
receiving support
\$2 million pesos invested

Chimalhuacán

In order to improve the living conditions for the children of waste pickers, PetStar works with CEDIC (for its initials in Spanish), the Community Center for the Education and Development of Children.

CEDIC has a positive effect on the integral development of low-income boys, girls and adolescents of the waste picker's communities in Chimalhuacán and Netzahualcoyotl, State of Mexico; through using a joint-care model that provides informal education, health and nutrition to improve the quality of their lives.



This project is implemented in partnership with:

- **Dibujando un Mañana:** responsible for coordinating the efforts of various organizations to provide the services offered by CEDIC.
- **Comedor Santa María:** a renowned association that feeds 400 boys and girls every day.
- **Un Mañana para la Comunidad:** in charge of the educational aspects through an innovative and entertaining model.
- **HOPE:** provides medical care to the children's population cared for by CEDIC and to the community at large.

In 2018, 400 boys, girls and adolescents were provided with care through an investment amounting to two million pesos, through several programs such as: fun math, reading and writing groups; chess club; homework and tutoring club, and the emotional literacy program.



MAYAMA Guadalajara

294 boys and girls received direct care
96 families received direct care
2,304 indirect beneficiaries
More than **\$3 million pesos** invested

With the purpose of expanding the social impact of the CEDIC model to other regions where PetStar is present, the company partnered with Mayama, a learning center that transforms the lives of disenfranchised boys, girls and families who make their living through waste picking and live in a violent area of the metropolitan city of Guadalajara.

In 2018, 294 boys and girls received support through Mayama, with an investment of 3.36 million pesos*, via three key groups: Mis Derechos (My Rights), Mi Desarrollo (My Development) and Mi Familia (My Family).





Social Investment Fund

PetStar has created a Social Investment Fund, thanks to the sale of its processes' residual waste. This Fund supports various social causes through including all stakeholders and low-income population working the recycling chain. Thanks to the foregoing, most of all PET collection in Mexico is achieved.

PetStar's contributions add up to more than 1% of profits before taxes, in response to the call issued by the Mexican Center for Philanthropy (CEMEFI for its initials in Spanish), consequently becoming one of the 77 founding companies that shouldered this commitment toward the country in 2015.



Environmental
Value



“Sustainable development is successful only when it improves people’s well-being without degrading the environment.”

Global Footprint Network.

Environmental Projects

In order to achieve the strategic objective of becoming a worldwide reference in the production of top quality food grade recycled PET resin, lower carbon footprint, and lower water footprint and do so at a competitive price compared to virgin resin, PetStar works on projects that focus on the reduction and mitigation of greenhouse gases, as well as optimizing consumption and water treatment to promote its reuse and improve our water footprint.

This year we invested 8.2 million pesos in environmental projects:

Changing and improving lighting	\$5,000,000
Solar water heaters	\$700,000
Solar panels	\$1,500,000
A system for rainwater treatment	\$1,000,000



Sustainability Management

Since its approval in 2015, PetStar aligned its Sustainability System to the Sustainable Development Goals (SDGs), whose agenda comprises 17 goals and 169 targets, all designed to end poverty, protect the planet and guarantee peace and prosperity for all people.



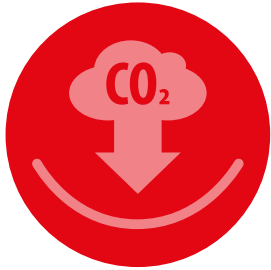
Environmental Goals 2020

In keeping with PetStar's Philosophy for Corporate Sustainability, we have established ambitious environmental goals for the year 2020.



Neutralize Carbon Footprint

To be carbon neutral in 2020, PetStar has produced an annual inventory of verifiable greenhouse gas emissions starting in 2010 as the base year.



Greenhouse Gas Emissions (GHG)

RESIN	EMISSIONS (TCO2E/TON)	PRODUCTION (TON/YEAR)	EMISSIONS (TCO2E)	AVOIDED USE OF VIRGIN RESIN (TCO2E)	AVOIDED USE OF VIRGIN RESIN (%)
Virgin	2.330	-	-	-	-
PetStar 2016	0.303	50,851	15,407	-103,076	87%
PetStar 2017	0.277	51,049	13,356	104,804	88%
PetStar 2018	0.219	50,816	11,128	107,816	91%

PetStar, to reduce its carbon footprint, has launched the following initiatives:

- Use of wind energy since 2016; to date, 83% of the energy used in processes comes from wind.
- Implementation of an energy cogeneration project to optimize the thermal energy that is produced during the washing process; at present, 12% of the energy consumed stems from this project.
- Energy efficiency project for lighting to reduce consumption of electrical power, improve lighting in work areas, optimize natural lighting, and establish control and measurement of energy efficiency and consumption.
- Installation of solar panels on the recycling plant's rooftop parking lot to generate all electrical energy used for the Museum Auditorium.
- Efficiency in energy consumption for operational processes.

Energy Consumption

	2016	2017	2018
Energy consumption from renewable energy sources	123,819,547 MJ	119,488,746 MJ	130,773,070 MJ
Energy consumption from non-renewable energy sources	170,644,279 MJ	185,418,395 MJ	179,138,128 MJ
Total energy consumption	294,463,826 MJ	304,907,141 MJ	309,911,198 MJ
Production	50,851 t	51,049 t	50,816 t
Energy intensity	5,791 MJ/t	5,973 MJ/t	6,099 MJ/t

- Of total energy consumption, 83% stems from wind energy, 12% is cogenerated and 4% from the CFE, Mexico's Federal Electricity Commission

Neutralize Water Footprint

To be water neutral in 2020, PetStar has produced a verifiable annual inventory starting in 2017 as the base year.

Water consumption

	2017	2018
Consumption of water at collection centers	7,758	7,837
Consumption of water at the recycling plant	166,239	147,044
Total water consumption	173,997	154,881
Discharging treated water in compliance with Mexican standard NOM-001-SEMARNAT-1996	91,575	98,961
Total water footprint	82,442	55,920



PetStar has launched the following initiatives, designed to reduce its water footprint:

- Establishment of a water treatment plant at the recycling plant for the physical, chemical and biological treatment of all water used in the plant's recycling processes.

- Implementation of water mitigation projects, such as: use of dry urinals; use of automated devices for water use in restrooms; foster a culture of efficient water use.

Zero Waste

PetStar has launched the following initiatives to reduce the waste it generates:

- ▶ A project for the extrusion of polyolefin to assess sub products.
- ▶ Assessment of all sub products.



Waste generated

TYPE OF WASTE	WEIGHT (TON)		
	2016	2017	2018
Solid urban waste	4,428	4,559	7,346
Hazardous	6	9	7

All materials used in processes are 100% appraised

Zero Plastic Leaks

- ▶ Improvement of rain drainage gutters and grated to avoid leakage of plastics.
- ▶ Implementation of the Clean Sweep Operation at all plants.



Paperless

- ▶ We motivate identifying opportunities to reduce the use of paper in all the organization's processes, encouraging the digitization of administrative processes.
- ▶ Development of a culture on the correct use and disposal of paper.
- ▶ Disposal and recycling of paper through specialized suppliers.



Sustainability Committees

PetStar has established a Central Sustainability Committee to design and implement a participatory agenda that will contribute to compliance of the company's sustainability goals.

At the local level, each collection plant has its own Local Sustainability Committee, a multidisciplinary group comprising the Manager, Accountant, Human Capital, two Commercial Representatives, Head of Quality, Head of Production, Head of Transportation, and Maintenance, in addition to two volunteers who rotate every year.

Volunteer Program

The local committees manage the volunteer program, whose objective is to collaborate with different civil society organizations, authorities, companies and institutions seeking sustainability through a reassessment of local actions.

In 2018 volunteer activities were held, with the participation of 842 volunteers, including PetStar collaborators and their families and friends.

Activity	No. of PetStar Volunteers
World Recycling Day	227
Mexican Tree Day	370
World Car Free Day	195
Christmas at CEDIC	50
Total	842

Recycling
wills,
transforming
realities





Environmental Education

The PetStar Museum Auditorium



Museum Auditorium
PETSTAR®

PetStar has a Museum Auditorium that, in addition to being itself an environmentally user-friendly facility, is a tool to inspire others to think about sustainability and to promote shared responsibility. This venue welcomes more than 14,000 visitors per year hailing from society, private industry and authorities.

	2016	2017	2018
Total Visitors	12,795	14,518	14,282

AUDIENCES	%
Members of Social Interest	95
Mass Media	1
Authorities	1
Shareholders	3





In 2018, two online platforms were created to promote environmental education, with an impact on more than 15,000 people, thanks to the launch of the Carbon Footprint Calculator and the Virtual Tour, available in:

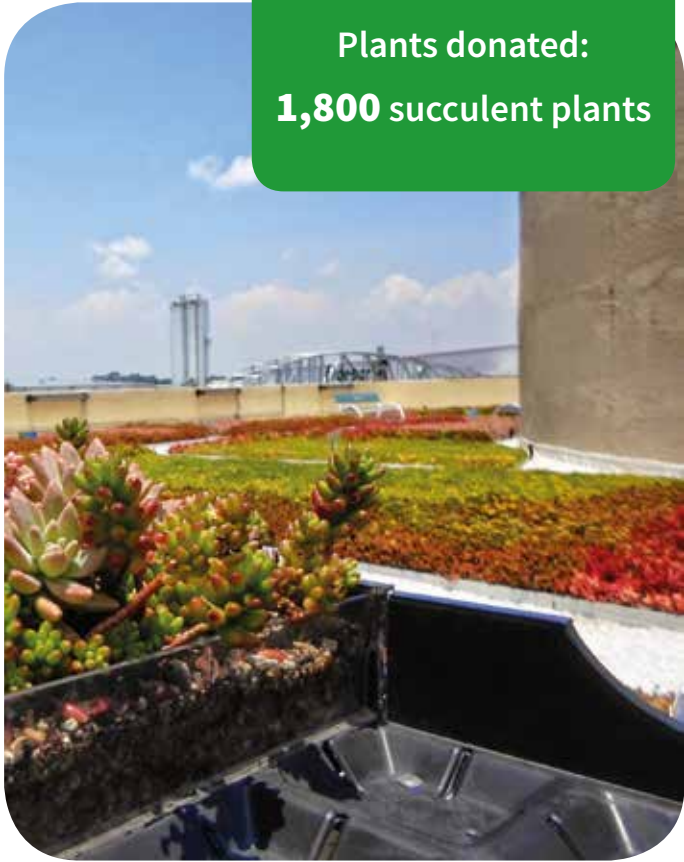
www.petstar.mx



PetStar Nursery Garden

Plants donated:

1,800 succulent plants





External Events

The company proved its commitment to environmental education, recycling and sustainability, as well as strengthening communication ties with various stakeholders, through participating in external events such as:

- Sustainability Day - Arca Continental
- Expo Environment Ensenada and Tijuana, together with Corporación del Fuerte
- Expo-fair “The Plastic in Your Life”, together with ANIPAC

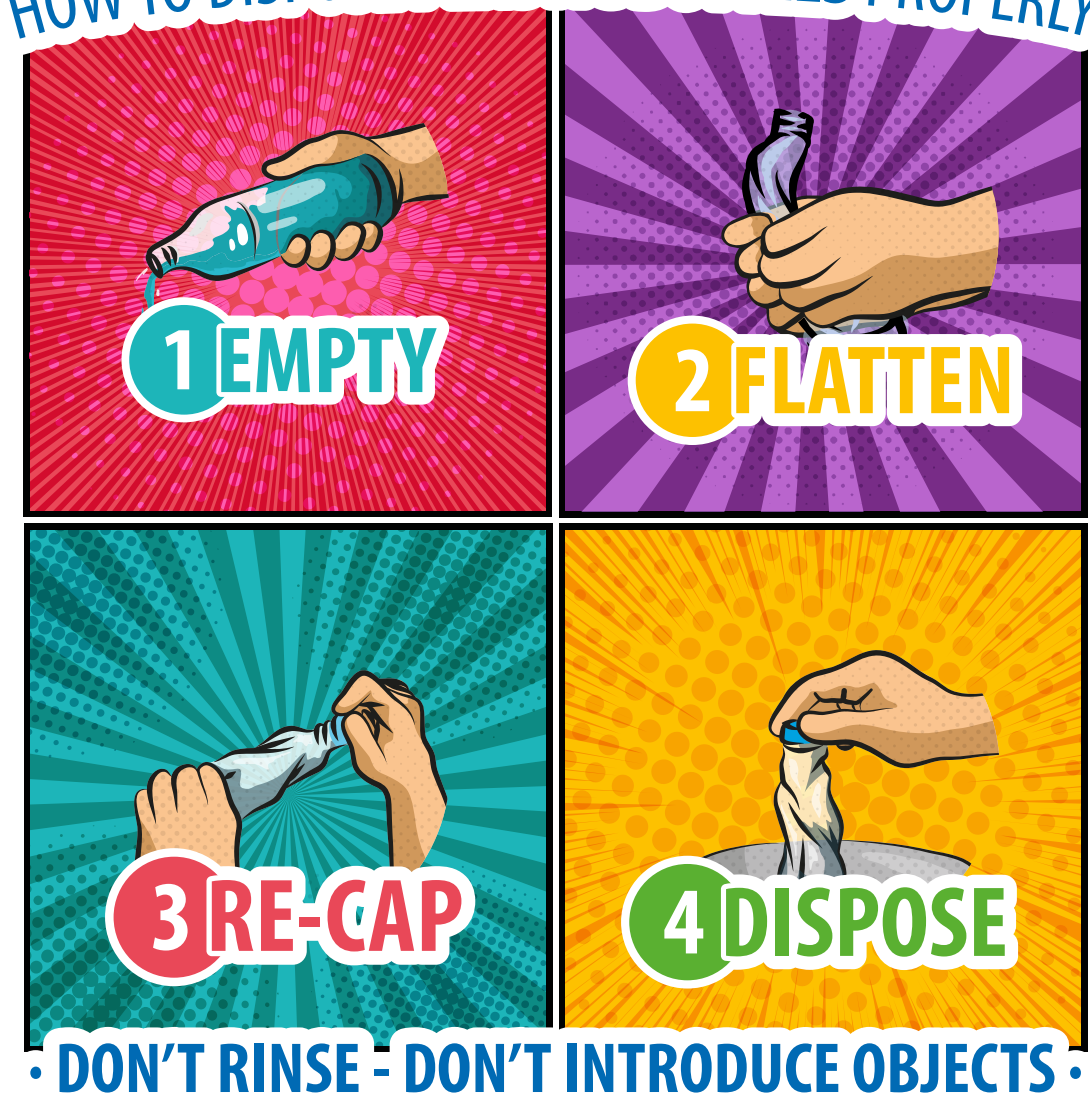


Healthy Oceans if We Recycle



In 2018 we launched the “Healthy Oceans if We Recycle” campaign to raise awareness among the population to keep clean their place of residence and prevent their waste reaching the oceans, promoting the correct PET disposal: **empty — flatten — re-cap — dispose.**

HOW TO DISPOSE PLASTIC BOTTLES PROPERLY



Green Latin-American Awards

The theme of the campaign is “Living to Transform the World”, and it is aligned with the United Nations #CleanSeas campaign and The Coca-Cola Company’s #WorldWithoutWaste campaign.

As a result of this campaign, we attained second place in the Green Latin-American Awards in the ocean category.



Corporate Lectures

As a result of corporate lectures activities at Universidad Anahuac, PetStar received an award during the business encounter event in the category of business-academy engagement; the company’s renowned participation entailed activities such as project development working with various faculties, school visits and PET recycling workshops.



We contribute to
global sustainability by
acting **locally** and **hand in
hand** with the
community.



**Economic
Value**

“The circular economy is one of the biggest creative challenges of our time”.

Tim Brown, CEO, IDEO



The New Plastics Economy Global Commitment

Aware that plastic management is one of the major environmental challenges that the world faces, PetStar adhered to the New Plastics Economy Global Commitment in 2018, led by the Ellen MacArthur Foundation and UN Environment.

The commitment focuses primarily on the following objectives:

- ▶ The elimination of problematic or unnecessary plastic packaging, and subsequent substitution for disposable and reusable packaging options.
- ▶ Innovation to ensure 100% of plastic packaging can be easily and safely reused, recycled, or composted by 2025.
- ▶ Circulate the plastic produced, by significantly increasing the amounts of plastics reused or recycled and made into new packaging or products.

To date, more than 300 international organizations have joined the commitment. PetStar is part of the first group of signatories, together with its main shareholder, Arca Continental; in turn, both are part of the Mexican Coca-Cola Industry. Through this commitment they strengthen the World Without Waste campaign by embracing the global objective of collecting and recycling the equivalent to 100% of its containers by 2030 and incorporate on average 50% of recycled content in its bottles.



ELIMINATE



INNOVATE



CIRCULATE

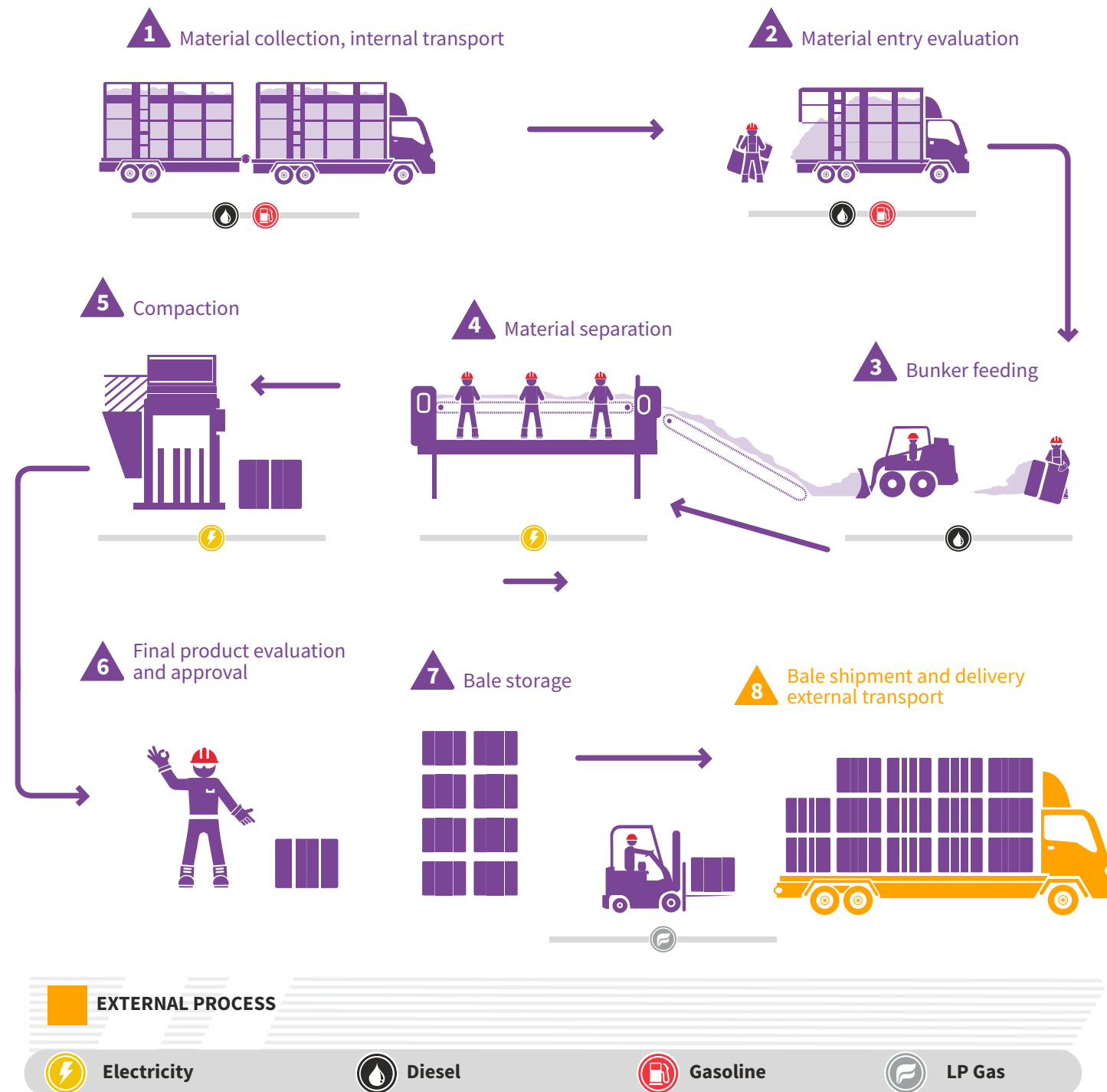
#LINEINTHESAND



In keeping with the foregoing, Jaime Cámara, CEO of the company, wrote the book “Towards Zero-Waste to Landfill” and subtitled “The Circular Economy Boost: Waste to Resources”, for the Springer Publishing, discussing the Circular Economy and PetStar as a global recycling success story. Also participating was Carlos Scheel, Professor Emeritus EGADE.

The PetStar Business Model: Circular Economy

Collection



Collector Partners

Our Collector Partners are the people who carry out the task of receiving recovered materials. They work out of a location where they perform the “basic consolidation” of clear PET containers; we provide quality service for receiving the collected goods through timely payment, consulting, and training, as well as paying market price for mixed materials for the ordinary assortment without shrinkage.

Our Inclusive Collection Model brings dignity to the task, endowing the work with formal qualities within the supply chain and avoiding the use of middlemen.

Our Collector Partners allow us to expand the benefits of our Inclusive Collection Model to the collectors themselves (waste sorters at landfills or dumpsites, urban waste pickers, waste collectors and the consumer in charge of the responsible management of the waste).



1,186
Collector Partners





PetStar Inclusive Collection Model

PICM*

Through the PICM, PetStar drives social mobility and recognition of the work carried out by waste pickers and PET collectors, granting dignity to their labor through programs dealing with their needs for education and health, as well as inclusion initiatives that acquire a formal role in the free of child labor supply chain. Thus avoiding middle men and enabling a Circular Economy to foster inclusive recycling in México.

Consequently, PetStar organized the first inclusive recycling forum, together with Center for Civic Collaboration (CCC), the Tlaloc Foundation, the Avina Foundation and the Research Institute for the Development of Equity of the Iberoamerican University (EQUIDE: Instituto de Investigaciones para el Desarrollo de Equidad de la Universidad Iberoamericana) "Towards an integral strategy for inclusive recycling in Mexico", where representatives of various recycling sectors were present: private, government, social and academy.

PetStar also took part in the summit "Latin America Recycles", held in Bogota, Colombia, where 400 representatives of organizations, recycling companies, developers of technology, and grassroots recyclers of Latin America convened.

As a result, the PICM received honorable mention in the category "Community Engagement" as part of the recognition granted through Cemefi's (Centro Mexicano para la Filantropía), Alianza por la Responsabilidad Social Empresarial en México (AliaRSE) and Forum Empresa awards "Best Practice in Corporate Social Responsibility 2018". Due to the commitment and leadership of companies such as PetStar, the culture of corporate social responsibility continues to grow in our country for the benefit of all.

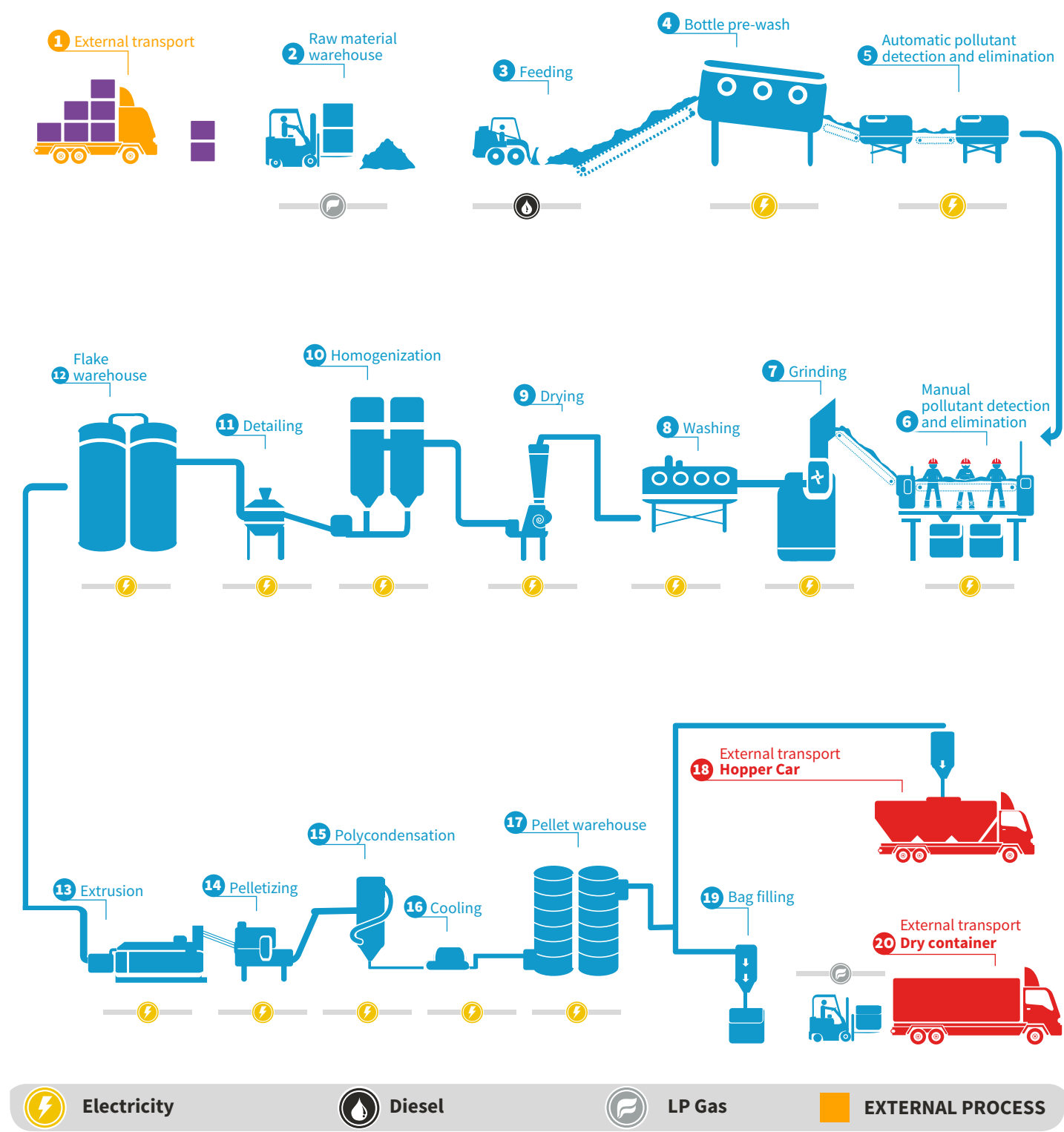
Carlos Mendieta, Director of Sustainability stated, "In order for the recycling industry to be possible, it must recognize the transcendent work of thousands of people who dedicate themselves partially or completely to recovering valuable solid waste. Therefore, PetStar implemented the PICM oriented to dignify waste picking with a perspective of rights."

* MAIP in spanish.



Encouraging Social Mobility and dignifying waste picking

Recycling



Suppliers

Our suppliers are our greatest allies since they allow us to receive supplies of quality raw material in timely manner.

To develop our suppliers and assess their compliance of our principles, we carry out performance audits and work programs pursuant to the areas of opportunity detected in said audits, and through enforcing standards, including ISO9001, ISO 22000, OSHAS 18001, ISO 14001 and ISO 50001 throughout our value chain.

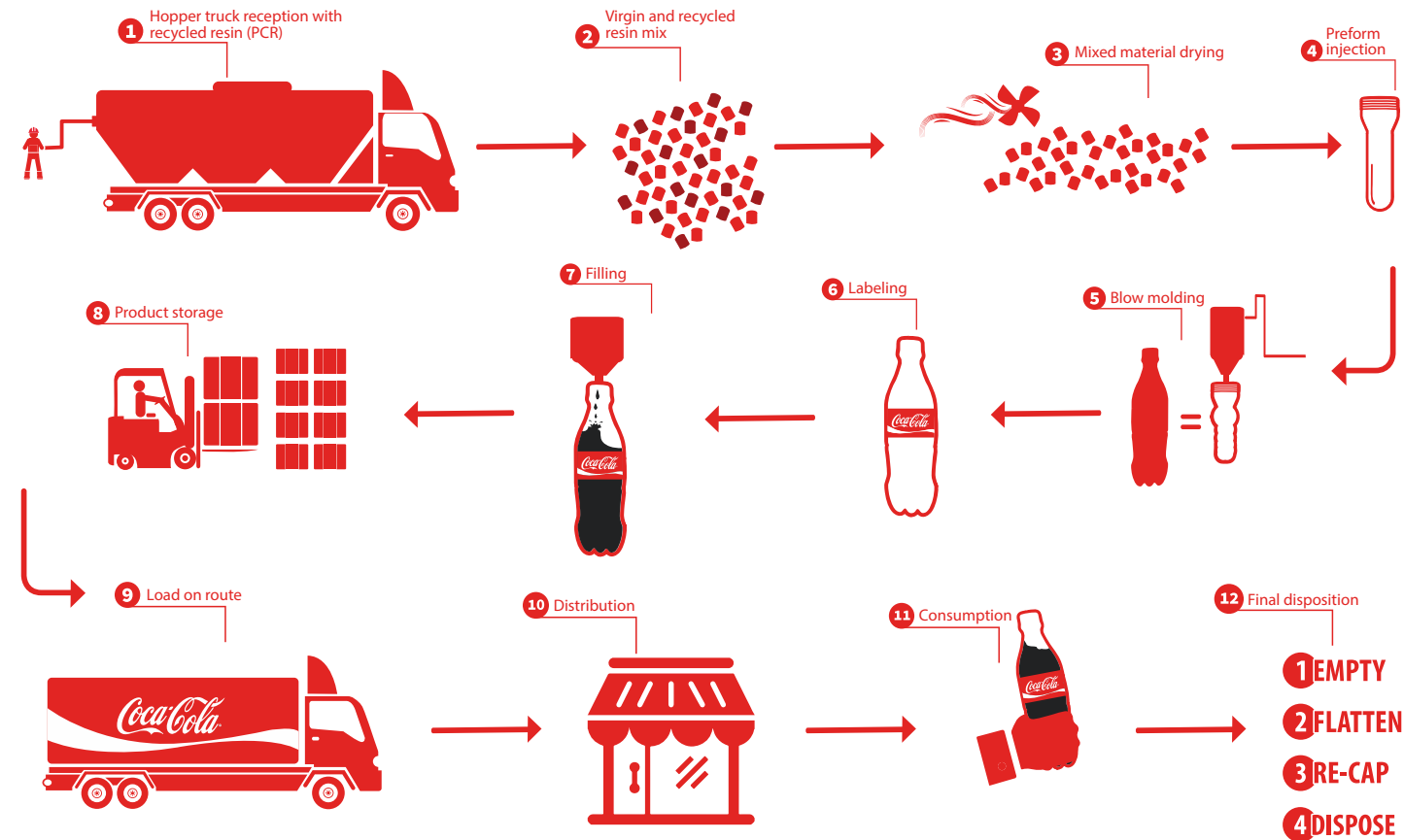
SUPPLIERS (RECYCLING PLANT)	2016	2017	2018
National	350	363	1,492
International	61	20	28
Total	411	383	1,520

Innovation

PetStar was recognized by IDCON INC for being one of the two companies worldwide in securing the highest score out of 200 companies that were evaluated on best practices in Preventive Maintenance, Planning and Scheduling, Root Cause Analysis, among others.



Customers Market



PetStar's direct customers are:

- ▶ **Recycled resin:** 7 bottling plants belonging to the Mexican Coca-Cola Industry.
- ▶ **By products:** 20 national and foreign customer, according to availability.

The final customer is the consumer of bottled products with our recycled resin, who in turn continue the virtuous circle of recycling PET containers upon proper disposal.

Relationship with Customer

Our relationship with customers is based on our Customer Service Process. This Process entails understanding the utilization of a given product in the customer's process, as well as understanding the logistics, transportation, safeguarding the custody of the goods, and unloading the product at the customer's facilities to ensure compliance of commitments regarding the quality and safety of the product. We also identify areas of opportunity, concerns, and new requirements and suggestions to better guide the continuous improvement and innovation of our processes.

We schedule visits to our customers at their facilities on a timetable drawn up annually, for the purpose of understanding the performance and utilization of the product and the conditions under which it is transformed, and we review the complaint and claims that may have arisen. The information resulting from the visit is then shared with all operations managers, so that they can implement the necessary actions to solve the problem or opportunity identified. Each customer is visited at least twice a year.

Customer Satisfaction Assessment

The process systematically measures compliance with finished product specifications for each delivery, and on an annual basis an assessment is carried out through applying a questionnaire to determine customer satisfaction regarding the quality and safety of the product, customer-supplier communications, and follow-up to resolving complaints and claims.

The results of the annual assessment are analyzed to generate corrective and/or preventive actions wherever opportunities are identified. The resulting information is shared with the CEO, who in turn analyzes the information with the Board of Administration's Technical Committee.

Launch of the CIEL Blue Bottle, made 100% from other bottles

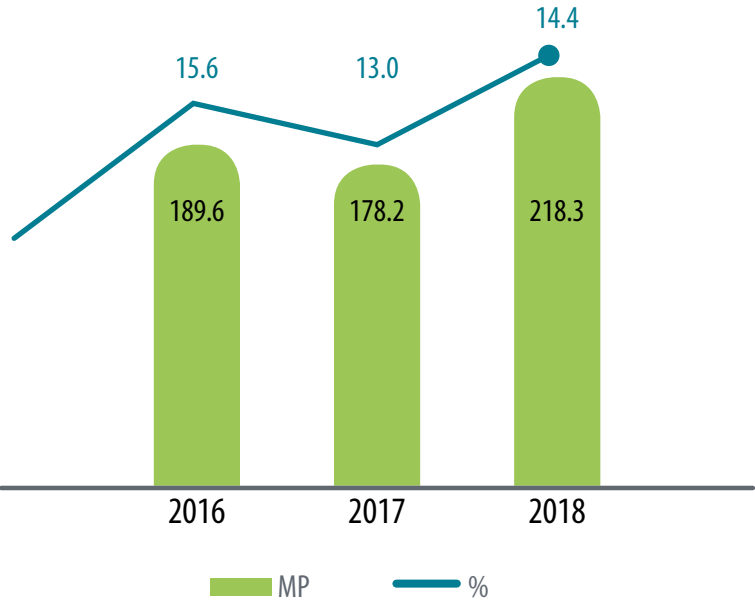
The CIEL Blue Bottle offers a perfect example of our Circular Economy, given that it is made 100% from PetStar recycled resin, once again becoming a bottle, and averting 87% of greenhouse gas emissions as compared to virgin resin.



Income Statement

Consolidated Profit and Loss Account

MILLIONS OF PESOS	2016		2017		2018	
M Ton (PCR)	50,044		50,644		51,196	
Sales	1,218.8	100%	1,375.7	100%	1,519.9	100%
Costs and Expenses	1,029.2	84.4%	1,197.5	87%	1,301.6	85.6%
Depreciation	99.2	8.1%	100.7	7.3%	108	7.1%
Operating Utiliy	90.4	7.4%	77.5	5.6%	110.3	7.3%
EBITDA	189.6	15.6%	178.2	13%	218.3	14.4%
% Growth vs. last year		69%		-6%		23%



PetStar
Influencer

Highlights

National Quality Award

The former President of Mexico, Enrique Peña Nieto, awarded the National Quality Award 2017 to PetStar in the category of “Organizational Innovation”, recognizing companies that are renowned for administrative quality and innovation to support a culture of excellence and drive competitiveness and sustainability.



Award for “Environmental Excellence” and “Environmental Commitment”

Environmental Attorney, Guillermo Haro Bélchez, and the Minister of the Environment, Rafael Pacchiano Alamán, officiated the award ceremony for Environmental Excellence, that PetStar received by virtue of obtaining the highest level of Clean Industry certification and for being one of the three environmentally outstanding companies in Mexico State. Shortly thereafter, PetStar was also the recipient of the Environmental Commitment recognition, thanks to its adherence to the National Program for Environmental Auditing (PNAA, in Spanish).



Visit of the Governor of the State of Mexico

PetStar was the venue where over 30 business leaders of the recycling sector convened, together with the State of Mexico Government, led by Mr. Alfredo del Mazo Maza, to discuss waste management.



Recycling Workshop

Coca-Cola plastic specialists from all over the world visited PetStar, thanks to the company being recognized as a global benchmark in recycling, as well as to learn about their best practices, and to be accountable for the “World Without Waste” initiative.



2018 Sustainability Panel

PetStar, pursuant to its Sustainability Philosophy, organized the Forum “PetStar ratifies its commitment to the Sustainable Development Goals (SDGs)”. During this event, the company presented its 2017 Sustainability Report, with the participation of renowned panelists such as Antonio Molpeceres, Resident Coordinator for the United Nations System and Resident Representative of UNEP in Mexico; Jesús Gonzalez, Chairman of the Board of Directors of the Board and Focal Point in Mexico for the Earth Charter; and, Martin Rincón Arredondo, Sustainability Director for BioPapel and Advisor to Global Compact.

They shared their points of view in regard to the importance of company participation regarding the sustainability of and compliance with the 2030 Agenda.

As part of the event, the incorporation of PetStar to the Global Compact Mexico Board of Directors was announced for the period covering June 2018 through May 2020; this will allow the company to join efforts and participate more actively in the construction of a culture of sustainability that is aligned to the 2030 Agenda and the SDGs.



Associations

PetStar affirms its leadership in diverse civil society and industry plastics organizations with whom it has associated some as members of the Board and in which it exerts a strategic influence.

ADHERENCES

UNIVERSITIES

NATIONAL ASSOCIATIONS

INTERNATIONAL ASSOCIATIONS

CSO's

ASSOCIATIONS IN WHICH WE ARE BOARD MEMBERS

Accessions

PetStar works closely on sustainability matters with the most important international initiatives.

The Earth Charter

In 2014, PetStar signed accession to The Earth Charter, a declaration of ethical principles based on the construction of a fair, sustainable and peaceful global society.

The draft project for The Earth Charter entailed the most inclusive and participatory process ever executed for the creation of an international declaration. This is precisely the source that legitimizes the process as a guiding ethical framework. The legitimacy of the document has been further strengthened through the support of more than 6,000 organizations, including many government agencies and international bodies.

The Charter seeks to inspire all people a new mindset of global interdependence and shared responsibility focused on the well-being of the human family, the greater community of all life, and on future generations. The Charter offers a vision of hope and a call to action.

At a time when education for sustainable development has become imperative, The Earth Charter provides a highly valuable educational tool. Through its accession, PetStar reiterates its commitment to contributing to global sustainability through local and regional action and through sharing this message with all its stakeholders.



The Global Compact

In 2016, PetStar acceded to the United Nations Global Compact, an initiative promoted in 1999 by then Secretary General of the United Nations, Kofi Annan. In 2018, PetStar took on a new role within the Compact as a member of the Board of The Global Compact Local Network in Mexico.

With more than 13,000 signatories in over 170 countries, this is the foremost voluntary corporate social responsibility initiative in the world.

The purpose is to transform the global market to empower a sustainable and responsible private sector on the basis of 10 principles in fields related to human rights, work, the environment and corruption.

The United Nations' Global Compact pursues two main objectives:

- a) Mainstream the ten principles in business activities around the world.
- b) Catalyze actions in support of broader UN goals, including the Sustainable Development Goals (SDGs).



Sustainable Development Goals

PetStar's operation is in alignment to the Sustainable Development Goals (SDGs), a new global agenda for sustainability by the year 2030.

The SDGs, adopted on September 25, 2015, by world leaders, comprises 17 ambitious goals for the eradication of poverty, protection of the planet and guarantee of prosperity.

PetStar has shouldered the challenges therein stated and has become an active part of a much needed change, acting locally and regionally, as well as inspiring other companies, governments, social organizations and people to do the same.



Operation Clean Sweep

In 2015, PetStar joined this international initiative in joint manner with the ACC (American Chemistry Council, Plastics Division) and the SPI (The Plastics Industry Trade Association). The objective of the initiative is to ensure that pellets and flakes do not reach the marine ecosystem.

Through implementing the Zero Pellets initiative, PetStar has shouldered the commitment of underscoring the importance of creating awareness regarding zero leakage of plastics into the environment. As the proprietors of residual matter, we take on the responsibility of proper eradication and disposal of waste to reduce adverse impact on the environment.



New Plastics Economy Global Commitment

In 2018, PetStar undersigned the Global Commitment for a New Plastics Economy, spearheaded by the Ellen MacArthur Foundation and the United Nations Environment Program.

The commitment focuses primarily on the following objectives:

- Elimination of problematic or unnecessary plastic packaging and substitute disposable packaging models for others that are reusable.
- Innovate to guarantee that 100% of plastic packaging is reusable, recyclable or compostable.
- Circulate plastic and significantly increase the quantity of reusable plastic transformed into new packaging or goods.

To date, over 300 international organizations have joined the commitment. PetStar is part of the first group of signatories, together with its main shareholder, Arca Continental; both, in turn, belong to the Mexican Coca-Cola Industry. This commitment serves to strengthen the latter's campaign "World Without Waste", whose global objective is to collect and recycle 100% of its packaging by 2030 and manufacture its bottles with an average of 50% recycled content.



UN Environment #CleanSeas campaign

According to the United Nations Environment Program (UNEP), plastic pollution is everywhere from the shores of Indonesia to the ocean floor in the North Pole, and it is rising up through the food chain and reaching our tables.

“According to estimates, 99% of all birds will have ingested some kind of plastic by mid-century,” said Petter Malvik, UNEP’s Communications Officer

In February 2017, the United Nations Environment Program launched the #CleanSeas campaign during the World Ocean Summit organized in Bali by The Economist.

This campaign urges governments to approve policies for the reduction of plastic, and urges industry to minimize the use of plastic containers and redesign its products, calling on consumers to change their waste disposal habits before there is irreversible damage to our seas. The campaign now represents the greatest worldwide partnership to counter plastic pollution in oceans.



“The citizens of Latin America and the Caribbean are adopting bold, exemplary measures to counter plastic pollution in their oceans and protect their valuable marine resources,” said Leo Helleman, Regional Director for UNEP for Latin America and the Caribbean.

As PetStar’s commitment attests to through its outstanding initiatives in terms of sustainability, the company undersigned the UNEP #CleanSeas agreement in 2018, and launched its campaign “Healthy Oceans if We Recycle.”



A Philosophy of Excellence

Certification

In order to maintain standards of quality and safety, PetStar has been certified under the most renowned industry standards:



ISO 9001

Quality certification in processes and products at all 10 plants.



ISO 14001

Environmental certification in processes at all 10 plants.



ISO 22000

Safety certification in processes and products at the recycling plant in the city of Toluca.



ISO 50001

Energy efficiency certification at all 10 plants.



OHSAS 18001

Certification of occupational health and safety at the recycling plant in the city of Toluca.



LEED Platinum (Leadership in Energy & Environmental Design)

Certification granted by U.S. Green Building Council to the PetStar Museum Auditorium for being a sustainable building.



Safety Company PASST (Program for Self—Management of Safety and Health at the Workplace)

Certification granted by the Mexican Ministry of Labor and Social Welfare at 6 plants.



NQA

National Quality Award 2017 in the category of “Organizational Innovation”

Recognition

Some 2018 recognitions:



Green Latin-America Awards

Second place in the category of Oceans, for the project “Healthy Oceans if We Recycle” and the recognition called “Protagonists” granted by DIRECTV for being among the most outstanding stories of the event.



Socially Responsible Company (ESR, Empresa Socialmente Responsable)

Distinction awarded by CEMEFI (Mexican Center for Philanthropy)
Recognized as Socially Responsible Company for the fourth consecutive year.



SRC for 1% Social Investment

Granted by CEMEFI. Recognition for donating at least 1% of profits before taxes to a social cause. PetStar is one of the first companies to launch this social commitment.



SRC Committed to Social Inclusion

Awarded by CEMEFI . Distinction for the commitment to promote social inclusion within the company.



Cemefi Best Practices

Honorable mention in the category “Community Engagement” for the PetStar Inclusive Collection Model (MAIP, in Spanish).



Clean Transportation

Awarded by SEMARNAT (Ministry of the Environment and Natural Resources).
Recognition of the vehicular fleet for efficiency and for being environmentally friendly.



Clean Industry

Awarded by PROFEPA (Federal Department for Environmental Protection) and PROPAEM (Office for the Protection of the Environment in the State of Mexico).
This award is for companies with Level of Environmental Development 2 (NDA2).
Distinction granted to the recycling plant in the city of Toluca.



Market recognition granted by the magazine Ganar-Ganar

Recognized as being an outstanding company in its field, one that drives social responsibility in Mexico.



Top Rewards

Awarded by Top Companies.
Recognized as a Super Company for its project “High-Performing Work Teams (ETADS)”.



Empresa de Diez (Top Scoring Company)

Recognition granted by CANACINTRA (National Chamber for the Transformation Industry) for on time compliance of legal obligations and payment of dues.



Super Companies 2018

Awarded by Grupo Editorial Expansión
44th place in companies with 500 to 3,000 employees.



INEA

Award to educational commitment and free of educational gap.



Made in México

A 100% Mexican company that contributes to the national economy, using Mexican labor and materials.

International Events

This year we had a chance to participate in the following events:

Annual APR Conference

February 2018, Nashville, EU.
Annual Report “The business case for global protocol harmonization”

Latin American Recycling Forum

March 2018, Bogota, Colombia.
Presentation of results of the Inclusive Recycling Forum

Green Latin-America Awards

August 2018, Guayaquil, Ecuador.
Forum “A Green Economy and Sustainability”

Launch of the program “Development, Environment and Recycling” (DER)

August 2018, Ecuador.
Conference “PetStar’s Best Recycling Practices”

Forum Industrial Actions for Transformation

November 2018, Dominican Republic.
Conference “PetStar, a model for the recycling industry”

56th Edition of CADE Executives

November 2018, Peru.
Conference “Innovation, productivity and a circular economy”



National Events

Visit from Latin American Media Members

March 2018, Mexico City.
Host for the visit to Latin American Coca-Cola, various members of Latin American media participating

Entrepreneur Growth 2018

August 2018, Mexico City.
Keynote Speech “Sustainable Models, how to build the companies of the future”

6th International Conference for Top Companies 2018

October 2018, Mexico City.
Conference “PetStar’s Sustainable Business Model”

PetStar, A Socially Responsible Company

May 2018, Mexico City.
During the fourth year in a row, PetStar was awarded with the ESR insignia during the XI Latin-America Meeting of Socially Responsible Companies “Corporate Social Responsibility and SDG, Strategic Synergy”

Workshop “Dialogue on Child Labor and Work Conditions in the Waste Collection and Recycling Sector in Mexico”, offered by the IOE

October 2018, Mexico City.

3rd International Congress on Educational Research and Innovation Applied to International Business UAEM (Autonomous University of Mexico State)

November 2018, Mexico State.
Conference “The Sustainable Business Model”

Earth X México

November 2018, Mexico City.
Panel “Companies, The Economy and the SDGs”



PetStar in the Media

We take this opportunity to thank members of the media for their support in the dissemination of PetStar’s events, achievements and actions throughout 2018.

Throughout the year we received visits from various national and international journalists and members of media, including:



Annexes

For more information:
www.petstar.mx/saladeprensa

About this Report

The PetStar Sustainability Report 2018 records the company’s activities and results, and its financial, social and environmental performance from January 1st through December 31st, 2018.

This Report has been drawn up pursuant to Essential Option of the GRI Standards, as well as on the Principles of the Earth Charter, the Sustainable Development Goals (SDGs), and the Principles of the Global Compact.

Promotora ACCSE, S.A. de C.V, performed the drafting and design of the report.

To determine the content, an analysis of materiality was implemented, consisting of direct consultations with collaborators, clients and suppliers, as well as indirect consultations with secondary sources of information.

The report’s content, drafting and design was approved by the Central Sustainability Committee, headed by the Company’s CEO.

PetStar’s 2019 Materiality Analysis

PetStar materiality analysis comprised four steps.

1. Direct consultations: An online survey was conducted with 5 groups of stakeholders to learn about their perception of the importance of PetStar’s social responsibility.

- ▶ Collaborators
- ▶ Collector partners and/ or waste pickers
- ▶ Suppliers
- ▶ Clients
- ▶ Museum visitors

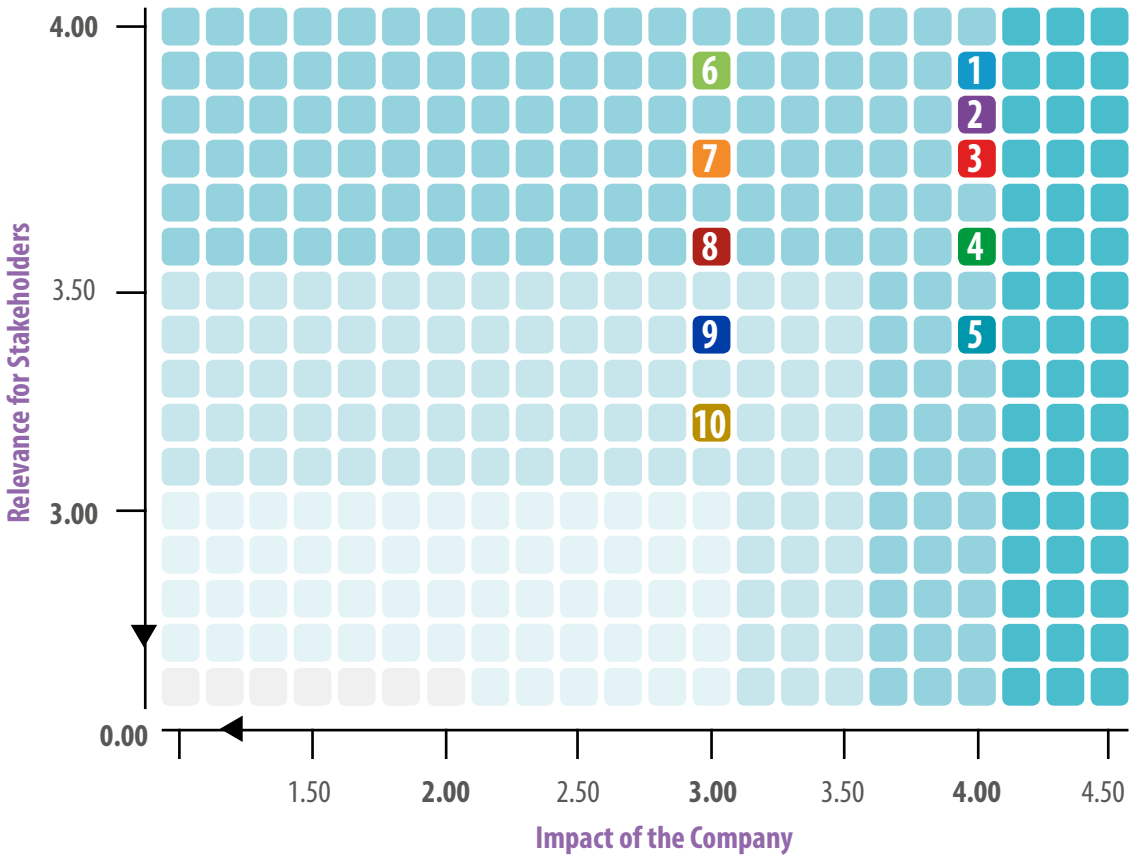
Stakeholders	Number
Collaborators	262
Suppliers	263
Collector Partners and waste pickers	675
Museum Visitors	49
Clients	7
Total	1,256

2. Indirect consultations: An investigation was conducted of public sources of information, such as:

- ▶ Journalistic articles
- ▶ Sectoral organizations
- ▶ International organizations

1. Consistent topics between the different sources were identified to be considered as the most relevant.
2. The results were plotted according to the ranking assigned by each group of stakeholders and the company’s impact on these issues.

Graph of materiality



Assessment

	TOPIC	RELEVANCE FOR STAKEHOLDERS	IMPACT OF THE COMPANY
1.	Service to Collector Partners and waste pickers	3.74	4
2.	Recycling and water reuse	3.68	4
3.	Environmental regulations for the company	3.66	4
4.	Measurement and actions to drop GHG emissions	3.52	4
5.	Impact on habitats and biodiversity	3.27	4
6.	Foster inclusive recycling	3.75	3
7.	Waste management, waste water discharge and leaks preventions	3.60	3
8.	Evaluation and fostering respect for human rights in all operations	3.47	3
9.	Mechanisms to avoid discrimination in all operations	3.35	3
10.	Inclusion, wage equality and development of diverse groups	3.20	3

Index of GRI content “according to”
GRI standards: essential option

GRI STANDARD	CONTENT	PAGE/ DIRECT ANSWER	OMISSIONS
GRI 101: 2016 Fundamentals			
GENERAL CONTENT			
GRI 102: 2016 General Contents	102-1 Organization's name	PetStar S.A.P.I. de C.V.	
	102-2 Activities, brands, products and services	PetStar business model: Circular Economy p. 54	
	102-3 Headquarters location	Contact p. 87	
	102-4 Operations location	Workforce by region and position p. 23	
	102-5 Nature of the ownership and legal form	Corporate governance p. 14	
	102-6 Served markets	Corporate governance p. 14 Customers p.60	
	102-7 Size of the organization	Workforce p. 23 PetStar in figures p. 5 Income Statement p. 62	
	102-8 Information about employees and other workers	Workforce p. 23	
	102-9 Supply chain	Suppliers p. 58	
	102-10 Significant changes in the organization and in its supply chain	About this report p. 78 Corporate governance p. 14	
	102-11 Caution principle or approach	Institutional Philosophy. 12	
	102-12 External initiatives	PetStar Influencer p. 63	
	102-13 Associations and accessions	PetStar Influencer p. 63	
	102-14 Statements of top executives responsible for decision making processes	Message from the CEO General p. 3	
	102-15 Main impacts, risks and opportunities	Message from the CEO General p. 3	
	102-16 Values, principles, standards and conduct standards	Institutional Philosophy. 12 Code of Ethics and Code of Conduct p. 17	
	102-17 Counselling mechanisms and concerns	Transparency Inbox p.20	
	102-18 Governance structure	Corporate governance p. 14	
	102-19 Delegation of authority	Corporate governance p. 14	
	102-20 Executives' responsibility related to economic, environmental and social affairs	Corporate governance p. 14	
	102-21 Consultation with stakeholders about economic, environmental and social affairs	Materiality and stakeholders p. 78	
	102-22 Board of administration and its committees	Corporate governance p. 14	
	102-23 Chairman of the Board	Corporate governance p. 14	
	102-24 Nomination and selection to the board of administration	Corporate governance p. 14	
	102-25 Conflicts of interest	Corporate governance p. 14	

GRI STANDARD	CONTENT	PAGE/ DIRECT ANSWER	OMISSIONS
GRI 102: 2016 General Contents	102-26 Role of the board of administration when choosing objectives, values and strategy	Corporate governance p. 14	
	102-27 Collective knowledge of the board of administration	Corporate governance p. 14	
	102-28 Performance evaluation of the board of administration	Corporate governance p. 14	
	102-29 Identification and management of economic, environmental and social impacts	Corporate governance p. 14	
	102-30 Risk management efficiency	Corporate governance p. 14	
	102-31 Review of economic, environmental and social topics	Corporate governance p. 14	
	102-32 Role of the board of administration when developing sustainability reports	About this report p. 78	
	102-33 Communicating ethical concerns	Materiality and stakeholders p. 78	
	102-34 Total number and nature of critical concerns	Materiality and stakeholders p. 78	
	102-35 Compensation policies	Corporate governance p. 14	
	102-36 Process to determine compensation	Corporate governance p. 14	
	102-37 Stakeholders engagement in compensation	Corporate governance p. 14	
	102-38 Total annual compensation ratio	Not available	
	102-39 Percentage increase ratio of the total annual compensation	Not available	
	102-40 Stakeholders list	Materiality and stakeholders p. 78	
	102-41 Collective contract negotiation	Human Capital p. 22	
	102-42 Identification of stakeholders	Materiality and stakeholders p. 78	
	102-43 Approach for stakeholders participation	Materiality and stakeholders p. 78	
	102-44 Key topics and concerns mentioned	Materiality and stakeholders p. 78	
	102-45 Entities included in consolidated financial statements	Corporate governance p. 14	
	102-46 Definition of the contents of the report and Coverages of the topic	Materiality and stakeholders p. 78	
	102-47 List of material topics	Materiality and stakeholders p. 78	
	102-48 Information restatement	About this report p. 78	
	102-49 Changes during the preparation of reports	About this report p. 78	
	102-50 Reporting period	About this report p. 78	
	102-51 Date of the last report	About this report p. 78	
	102-52 Cycle of reports preparation	About this report p. 78	
	102-53 Contact for report questions	Contact p. 87	
	102-54 Statement of the report in accordance with GRI StandardsI	About this report p. 78	
	102-55 Index of GRI content	Index of GRI content p. 80	
	102-56 External verification	No independent verification was carried out	

GRI STANDARD	CONTENT	PAGE/ DIRECT ANSWER	OMISSIONS
Material topics			
ENVIRONMENT			
MATERIAL			
GRI 103: 2016 Management Approach	103-1 Explanation of the topic and its Coverage	PetStar's Business Model: Circular Economy p.54	
	103-2 Management approach and its components	PetStar's Business Model: Circular Economy p.54	
	103-3 Evaluation of the management approach	PetStar's Business Model: Circular Economy p.54	
GRI 301: 2016 Materials	301-1 Materials used by weight or volume	PetStar in figures p. 5	
	301-2 Recycled inputs	PetStar in figures p. 5	
	301-3 Reused products and packaging materials	PetStar in figures p. 5	
WATER			
GRI 103: Management Approach 2016	103-1 Explanation of the topic and its Coverage	Environmental Objectives 2020 p. 39	
	103-2 Management approach and its components	Environmental Objectives 2020 p. 39	
	103-3 Evaluation of the management approach	Environmental Objectives 2020 p. 39	
GRI 303: Water 2016	303-1 Water extraction by source	Neutral Water Footprint p. 41	
	303-2 Water sources dramatically affected by water extraction	PetStar's operations have not impacted water sources	
	303-3 Recycled and reused water	Neutral Water Footprint p. 41	
BIODIVERSITY			
GRI 103: Management Approach 2016	103-1 Explanation of the topic and its Coverage	Healthy oceans if we recycle p. 49	
	103-2 Management approach and its components	Healthy oceans if we recycle p. 49	
	103-3 Evaluation of the management approach	Healthy oceans if we recycle p. 49	
GRI 301: Materials 2016	304-1 Operating centers owned, rented or managed, located inside or nearby to protected areas or areas with a high biodiversity outside of protected areas	PetStar Museum Auditorium p. 45	
	304-2 Significant impacts of activities, product and services on biodiversity	Healthy oceans if we recycle p. 49	
	304-3 Protected or restored habitats	PetStar Nursery p. 47	
	304-4 Species included in the IUCN Red List and in domestic conservation listings with habitats located in areas affected by the operations	PetStar's plants corporate offices do not impact biodiversity or other protected areas	
EMISSIONS			
GRI 103: Management Approach 2016	103-1Explanation of the topic and its Coverage	Environmental Objectives 2020 p. 39	
	103-2 Management approach and its components	Environmental Objectives 2020 p. 39	
	103-3 Evaluation of the management approach	Environmental Objectives 2020 p. 39	
GRI 305: Emissions 2016	305-1 Direct GHG emissions (scope 1)	Neutral Carbon Footprint p. 40	
	305-2 Indirect GHG emission during energy production (scope 2)	Scope not reported	
	305-3 Other Indirect GHG emissions (scope 3)	Scope not reported	
	305-4 Intensity of GHG emissions	Not available	
	305-5 Reducing GHG emissions	Neutral Carbon Footprint p. 40	
	305-6 Ozone depleting substances (ODS)	Not available	
GRI 305: Emissions 2016	305-7 Nitrogen Oxide (NOX), Sulphur oxides (SOX) and other significant emission into the air	Not available	

GRI STANDARD	CONTENT	PAGE/ DIRECT ANSWER	OMISSIONS
ENVIRONMENTAL COMPLIANCE			
GRI 103: Management Approach 2016	103-1Explanation of the topic and its Coverage	PetStar's sustainable business model p. 8	
	103-2 Management approach and its components	PetStar's sustainable business model p. 8	
	103-3 Evaluation of the management approach	PetStar's sustainable business model p. 8	
GRI 307: Environmental Compliance 2016	307-1 Non compliant with rules and regulations and environmental standards	No significant fines or sanctions were reported due to the lack of compliance of environmental standards. Certifications p. 71	
SOCIAL			
NON DISCRIMINATION			
GRI 103: Management Approach 2016	103-1Explanation of the topic and its Coverage	Code of Ethics and Code of Conduct p. 17	
	103-2 Management approach and its components	Code of Ethics and Code of Conduct p. 17	
	103-3 Evaluation of the management approach	Code of Ethics and Code of Conduct p. 17	
GRI 406: Non discrimination 2016	406-1 Discrimination cases and corrective actions implemented	Transparency Inbox p. 20	
HUMAN RIGHTS EVALUATION			
GRI 103: Management Approach 2016	103-1 Explanation of the topic and its Coverage	Child labor exploitation free supply policy p. 18	
	103-2 Management approach and its components	Child labor exploitation free supply policy p. 18	
	103-3 Evaluation of the management approach	Child labor exploitation free supply policy p. 18	
GRI 412: Human Rights Evaluation	412-1 Operations under review or impact evaluations on human rights	Child labor exploitation free supply policy p. 18	
	412-2 Training for employees on policies or procedures of human rights	Workshop Living our Values p. 19	
	412-3 Agreements or contracts with significant investment including recitals on human rights or subject to a human rights evaluation	Supply chains free of child labor p. 18	
LOCAL COMMUNITIES			
GRI 103: Management Approach 2016	103-1Explanation of the topic and its Coverage	Collector Partners p. 55 PetStar Inclusive Collection Model (MAIP) p. 56	
	103-2 Management approach and its components	Collector Partners p. 55 PetStar Inclusive Collection Model (MAIP) p. 56	
	103-3 Evaluation of the management approach	Collector Partners p. 55 PetStar Inclusive Collection Model (MAIP) p. 56	
GRI 413: Local Communities 2016	413-1 Operation including the engagement of the local community, impact evaluations and development programs	Collector Partners p. 55 PetStar Inclusive Collection Model (MAIP) p. 56	



Principles of the Earth Charter

Principles		Page
I. RESPECT THE EARTH AND TAKE CARE OF THE COMMUNITY OF LIFE		
1	Respect Earth and life in all its diversity	8,9,10, 12
2	Care of the community of life with understanding, compassion and love	
3	Build democratic societies that are just, participatory sustainable and peaceful	
4	Secure Earth ´s bounty and beauty for present and future generations	
II. ECOLOGICAL INTEGRITY		
5	Protect and restore the integrity of Earth’s ecological systems, with special concern for biological diversity and the natural processes that sustain life.	39,45,54
6	Prevent harm as the best method of environmental protection and, when knowledge is limited, apply a precautionary approach.	
7	Adopt patterns of production, consumption, and reproduction that safeguard Earth’s regenerative capacities, human rights, and community well-being.	
8	Advance the study of ecological sustainability and promote the open exchange and wide application of the knowledge acquired.	
III. SOCIAL AND ECONOMIC JUSTICE		
9	Eradicate poverty as an ethical, social, and environmental imperative.	12,18,24
10	Ensure that economic activities and institutions at all levels promote human development in an equitable and sustainable manner.	
11	Affirm gender equality and equity as prerequisites to sustainable development and ensure universal access to education, health care, and economic opportunity.	
12	Uphold the right of all, without discrimination, to a natural and social environment supportive of human dignity, bodily health, and spiritual well-being, with special attention to the rights of indigenous peoples and minorities.	
IV. DEMOCRACY, NONVIOLENCE AND PEACE		
13	Strengthen democratic institutions at all levels, and provide transparency and accountability in governance, inclusive participation in decision-making, and access to justice.	14, 17,24,56
14	Integrate into formal education and life-long learning the knowledge, values, and skills needed for a sustainable way of life.	
15	Treat all living beings with respect and consideration.	
16	Promote a culture of tolerance, nonviolence, and peace.	



Sustainable Development Goals

	SDG	Description	Page
People	1 NO POVERTY	End poverty in all its forms everywhere.	34, 56
	2 ZERO HUNGER	Eradicate hunger, attain food security, improve nutrition and promote sustainable agriculture.	32, 33
	3 GOOD HEALTH AND WELL-BEING	Ensure healthy live and promote well-being for all at all ages.	28
	4 QUALITY EDUCATION	Obtaining quality education is the foundation to improving people’s lives and sustainable development.	24, 32, 33
	5 GENDER EQUALITY	Attain gender equality and empower all women and girls.	17, 20
Planet	6 CLEAN WATER AND SANITATION	Guarantee the availability of water and its sustainable management, and sanitation for all.	41
Prosperity	7 AFFORDABLE AND CLEAN ENERGY	Guarantee access to affordable, safe, sustainable and modern energy for all.	40, 41
	8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, fair and productive employment and decent work for all.	22, 56
	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization, and drive innovation.	25, 64, 71
	10 REDUCED INEQUALITIES	Reduce inequality in and among countries.	55, 56
Planet	11 SUSTAINABLE CITIES AND COMMUNITIES	Ensure that cities and human settlements are inclusive, safe, resilient and sustainable	8, 54
	12 RESPONSIBLE PRODUCTION AND CONSUMPTION	Guarantee consumption modalities that are sustainable and protected.	45, 54
	13 CLIMATE ACTION	Adopt urgent measures to combat climate change and its effects	40, 45
	14 LIFE BELOW WATER	Sustainable conservation and use of the oceans, seas and marine resources for sustainable development.	49, 69, 70
Peace	15 LIFE ON LAND	Protect, reestablish and promoted the sustainable use of land ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity sustainably.	45, 54
	16 PEACE AND JUSTICE STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, facilitate access to justice for all and create efficacious, responsible and inclusive institutions at all levels.	17, 20, 68
Alliances	17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of execution and revitalize the global partnership for sustainable development.	67, 68







Global Compact

Area		Principles of the Global Compact	GRI Standards	Page
Human Rights	1	Businesses should support and respect the protection of internationally proclaimed human rights, recognized internationally, within their sphere of influence.	HR-1, HR-3-, HR-4, HR-5, HR-6, HR-9, HR-11	18
	2	Businesses should make sure they are not complicit in human rights abuses.		
Labor Questions	3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	G4-11	22
	4	The elimination of all forms of forced and compulsory labor.	HR-6	18
	5	The effective abolition of child labor.		
	6	The elimination of discrimination in respect of employment and occupation.	G4-10, LA-12	56
Environment	7	Business should support a precautionary approach to environmental challenges.	EN-1, EN-3, EN-8, EN-15, EN-16, EN-20, EN-21	39
	8	Undertake initiatives to promote greater environmental responsibility.	EN-1, EN-2, EN-3, EN-6, EN-8, EN-9, EN-10, EN-15, EN-16, EN-20, EN-21, EN-29	39
	9	Encourage the development and diffusion of environmentally friendly technologies.	G4-2, G4-4, EN-6	8, 54
Anti-Corruption	10	Business should work against corruption in all its forms, including extortion and bribery.	G4-56, G4-57, G4-58	17,19

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We contribute to the achievement of



SUSTAINABLE DEVELOPMENT GOALS

