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TURNING  
challenges into strengths

# ABOUT THIS report

We are pleased to present, for the third consecutive year, the KUO Integrated Annual Report, whose results correspond to the period from January to December 2019.

In line with our environmental strategy, as of this year, we are producing our report digitally and only publishing a summary of the information in print.

This publication includes financial and sustainable performance information on the group and its businesses: Pork Meat, Branded Food, Synthetic Rubber and Polystyrene, Transmission and Auto Parts. The information on environmental and social management indicators only considers companies in Mexico, except for the Branded Food business. We have included footnotes on the tables and figures to specify the scope of the information and the calculation methods used.

This report was prepared in accordance with the Global Reporting Initiative (GRI) standards for the preparation of sustainability reports, in their essential version. The report contents were selected in accordance with the company's internal strategy and the current list of material issues.

## GRI TABLE OF CONTENTS

### 102 ORGANIZATIONAL BACKGROUND INFORMATION

CONTENT	PAGE / DISCLOSURE	OMISSION																		
<b>ORGANIZATION PROFILE</b>																				
<b>102-1</b> Organization name	Grupo KUO S.A.B. de C.V.																			
<b>102-2</b> Activities, brands, products, and services	<b>CORPORATE PROFILE</b>																			
<b>102-3</b> Location	Paseo de los Tamarindos 400-B, Piso 31, Bosques de las Lomas, Ciudad de México, México																			
<b>102-4</b> Operational location	Plants in 6 countries (Mexico, United States, Belgium, China, Spain and Peru)																			
<b>102-5</b> Ownership and legal form	Grupo KUO, S.A.B. de C.V.																			
<b>102-6</b> Business areas	Pork Meat, Branded Food, Synthetic Rubber and Polystyrene, Transmission and Auto Parts. Exports to more than 70 countries.																			
<b>102-7</b> Organizational structure	CORPORATE PROFILE, OVERHEAD FIGURES, LEADERSHIP FOCUS																			
<b>102-8</b> Information of employees and other workers	TALENT IN PASSION  Contractual employees by gender during 2019:																			
	<table border="1"> <thead> <tr> <th>Gender</th> <th>Contrato por tiempo indeterminado</th> <th>Temporary contract</th> </tr> </thead> <tbody> <tr> <td>Men</td> <td>14,896</td> <td>928</td> </tr> <tr> <td>Woman</td> <td>7,757</td> <td>435</td> </tr> <tr> <td>Total</td> <td>22,653</td> <td>1,363</td> </tr> </tbody> </table>	Gender	Contrato por tiempo indeterminado	Temporary contract	Men	14,896	928	Woman	7,757	435	Total	22,653	1,363							
Gender	Contrato por tiempo indeterminado	Temporary contract																		
Men	14,896	928																		
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	Contractual employees by region during 2019:																			
	<table border="1"> <thead> <tr> <th>Region</th> <th>Undetermined period contract</th> <th>Temporary contract</th> </tr> </thead> <tbody> <tr> <td>Mexico</td> <td>21,178</td> <td>1,325</td> </tr> <tr> <td>United States</td> <td>881</td> <td>-</td> </tr> <tr> <td>Spain</td> <td>443</td> <td>38</td> </tr> <tr> <td>China</td> <td>-</td> <td>-</td> </tr> <tr> <td>Belgium</td> <td>151</td> <td>-</td> </tr> </tbody> </table>	Region	Undetermined period contract	Temporary contract	Mexico	21,178	1,325	United States	881	-	Spain	443	38	China	-	-	Belgium	151	-	
Region	Undetermined period contract	Temporary contract																		
Mexico	21,178	1,325																		
United States	881	-																		
Spain	443	38																		
China	-	-																		
Belgium	151	-																		
<b>102-9</b> Supply chain	The KUO supply chain is broadly divided into service, packaging and logistics providers. Some suppliers are managed from the corporate level and others depend on each business: indirect suppliers (services) and direct suppliers (raw materials).																			
<b>102-10</b> Supply chain and significant changes for the organization	QUALITY FOCUS																			

CONTENT	PAGE / DISCLOSURE	OMISSION
<b>ORGANIZATION PROFILE</b>		
<b>102-11</b> Caution principle or approach	In accordance with applicable regulations, with the company's risk management approach and aiming to avoid negative impacts on the environment, KUO applies the caution principle in its operations, including the development and launch of new products.	
<b>102-12</b> External initiatives	We implement actions contributing to the achievement of Sustainable Development Objectives. QUALITY FOCUS; WELFARE COMMITMENT	
<b>102-13</b> Partnership affiliation	·Centro de Competitividad de México, CCMX - KUO ·Industria Nacional de Autopartes, INA – Auto Parts ·Asociación Nacional de la Industria Química, ANIQ Synthetic Rubber and Polystyrene ·Asociación Nacional de Establecimientos TIF, ANETIF – Pork Meat	
<b>STRATEGY</b>		
<b>102-14</b> Senior Executive Decision Makers' Statement		
<b>102-15</b> Main impacts, risks and opportunities		
<b>ETHICS AND INTEGRITY</b>		
<b>102-16</b> Values, principles, standards and code of conduct	CORPORATE PROFILE. Further information is available in our Code of Conduct: <a href="http://www.kuo.com.mx/anexos/Image/kuo_c_conducta_ok.pdf">http://www.kuo.com.mx/anexos/Image/kuo_c_conducta_ok.pdf</a>	
<b>GOVERNANCE</b>		
<b>102-18</b> Governance structure		
<b>STAKEHOLDER ENGAGEMENT</b>		
<b>102-40</b> Stakeholders' list	During 2018 a materiality study was carried out in which, with the advice of a specialized external party, we identified our stakeholders, which are: <ol style="list-style-type: none"> <li>1. Financial community (Investors, shareholders, banks and rating agencies)</li> <li>2. Joint ventures</li> <li>3. Collaborators (Unionized and non-unionized)</li> <li>4. Collaborators' families</li> <li>5. Suppliers</li> <li>6. Authorities</li> <li>7. Communities</li> <li>8. Customers (consumers and users)</li> </ol>	

CONTENT	PAGE / DISCLOSURE	OMISSION
<b>STAKEHOLDER ENGAGEMENT</b>		
<b>102-41 Collective bargaining agreements:</b>	65% of our employees are covered by collective bargaining agreements.	
<b>102-42 Stakeholders identification and selection</b>	We recognize our stakeholders as those we impact with our actions and which in turn impact us with their decisions.	
<b>102-43 Stakeholder engagement approach</b>	We establish communication mechanisms with our stakeholders and encourage their participation in the processes of defining strategies that impact on the financial and sustainable performance of the Group and its businesses. The communication frequency depends on the type of information or the need for interaction with each stakeholder. Communication channels for stakeholder dialogue and participation may include: editorial media and the company's internal and external platforms; face-to-face events and programs; board and committee sessions; and evaluation instruments such as surveys.	
<b>102-44 Key issues and concerns mentioned</b>	<ul style="list-style-type: none"> <li>-Financial community: Joint ventures, economic performance, operational efficiency, innovation, regulatory compliance, performance in the economic, social, environmental and corporate governance dimensions.</li> <li>-Joint ventures: Economic performance, innovation and investment.</li> <li>-Collaborators: Training and development, safe working environments and recognition.</li> <li>-Collaborators' families: Safe working environments, environment, health promotion and welfare.</li> <li>-Suppliers: Training and development, competitiveness, operational efficiency.</li> <li>-Authority: Change in regulation.</li> <li>-Communities: Community development, employment generation, environmental preservation.</li> <li>-Customers: Product quality and safety, availability, variety, accessibility and competitiveness of the product.</li> </ul>	
<b>REPORTING PRACTICE</b>		
<b>102-45 Entities included in the consolidated financial statements</b>	GRUPO KUO S.A.B. de C.V. and its subsidiaries.	

CONTENT	PAGE / DISCLOSURE	OMISSION
<b>REPORTING PRACTICE</b>		
<b>102-46 Definition of report contents and subject coverage</b>	Report prepared in accordance with GRI standards: Essential option. The report contents were selected in accordance with the company's internal strategy and the current list of material topics updated during 2018. The report includes the financial and sustainable performance of the Group and its businesses: Pork Meat, Branded Food, Synthetic Rubber and Polystyrene, Transmission and Auto Parts. The information on the environmental and social management indicators (WELFARE COMMITMENT; AWARENESS ACTIOS) only considers the facilities in Mexico except for the Branded Food business.	
<b>102-47 List of material issues</b>	<ul style="list-style-type: none"> <li>• Product control and quality</li> <li>• Collaborator development</li> <li>• Economic performance and growth</li> <li>• Operational efficiency</li> <li>• Business ethics and transparency</li> <li>• Waste management</li> <li>• Risk management and monitoring</li> <li>• Customer relations</li> <li>• Occupational health and safety</li> <li>• Community outreach</li> </ul>	
<b>102-48 Information re-expression</b>	Information restatement notes are included in each case, if applicable.	
<b>102-49 Reporting changes</b>	There were no changes in the reporting process.	
<b>102-50 Reporting period</b>	January 1st to December 31st, 2019.	
<b>102-51 Last report date</b>	Integrated Report 2018, issued April 2019.	
<b>102-52 Reporting cycle</b>	Annual.	
<b>102-53 Contact point for questions about the report</b>		
<b>102-54 Reporting statement in accordance with GRI standards</b>	Report prepared in accordance with GRI standards: Essential option. <b>ABOUT THIS REPORT</b>	
<b>102-55 GRI Table of Contents</b>		
<b>102-56 External verification</b>	The information corresponding to the company's sustainable performance was not subject to external verification.	

103 MANAGEMENT APPROACH

GRI STANDARD	CONTENT	PAGE /DISCLOSURE						
<b>PRODUCT CONTROL AND QUALITY</b>								
<b>GRI 103: Management Approach 2016</b>	103-1	Pork Meat, Branded Food, Synthetic Rubber and Polystyrene, Transmission and Auto Parts. External coverage: Customers.						
	103-2	At KUO we have policies and procedures intended to mitigate the risks associated with the safety and quality of the products we offer. These guidelines are implemented in the production, marketing and distribution processes of our products.						
	103-3	KUO has various systems, certificates, authorizations and recognitions related to the quality and safety of our products, including: ·Pork Meat: TIF Certification (Federal Inspection Type), Mexico Supreme Quality Certification, and FSSC 22000 Certification (Food Safety System Certification); HACCP System (Hazard Analysis Critical Control Point), Standardized Sanitation Operating Procedures (SSOP), Quality Control Laboratory under ISO 17025, and Good Manufacturing Practices (GMP); authorization from the governments of Japan and South Korea to export to their markets and the USDA to export pork meat to the United States of America. ·Auto Parts Business: Quality Management System in accordance with ISO 9001. ·Synthetic Rubber and Polystyrene Business: Environmental Management Certification in accordance with ISO 14000 and Clean Industry Level 2; Quality Management System in accordance with ISO 9001 and Good Manufacturing Practices (GMP).						
<b>GRI 416: Customer Health and Safety 2016</b>	416-1	We perform assessments of the health and safety impacts of our products on users and consumers in all businesses.						
<b>PARTNER DEVELOPMENT</b>								
<b>GRI 103: Management Approach 2016</b>	103-1	Internal Coverage: KUO Corporate, Pork Meat, Synthetic Rubber and Polystyrene, Transmission and Auto Parts. External coverage: NA						
	103-2							
	103-3							
<b>GRI 404: Training and Education 2016</b>	404-1	Average number of training hours by professional category in 2019:						
		<table border="1"> <thead> <tr> <th>Professional Category</th> <th>Average</th> </tr> </thead> <tbody> <tr> <td>Executives</td> <td>27.52</td> </tr> <tr> <td>Individual Contributors (Employees)</td> <td>16.58</td> </tr> <tr> <td>Operational (Unionized)</td> <td>9.73</td> </tr> </tbody> </table>	Professional Category	Average	Executives	27.52	Individual Contributors (Employees)	16.58
Professional Category	Average							
Executives	27.52							
Individual Contributors (Employees)	16.58							
Operational (Unionized)	9.73							
Does not include Branded Foods								

GRI STANDARD	CONTENT	PAGE /DISCLOSURE																								
<b>EMPLOYEE DEVELOPMENT</b>																										
<b>GRI 404: Training and Education 2016</b>	404-1	Average hours of training by gender in 2019:																								
		<table border="1"> <thead> <tr> <th>Gender</th> <th>Average</th> </tr> </thead> <tbody> <tr> <td>Men</td> <td>12.06</td> </tr> <tr> <td>Women</td> <td>10.82</td> </tr> </tbody> </table> <p>Does not include Branded Foods</p>	Gender	Average	Men	12.06	Women	10.82																		
	Gender	Average																								
Men	12.06																									
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404-2	<table border="1"> <thead> <tr> <th>Attending (Women)</th> <th>Attending (Men)</th> <th>e-learning (Women)</th> <th>e-learning (Men)</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>279</td> <td>4,549</td> <td>99</td> <td>1,109</td> <td>5,945</td> </tr> <tr> <td>14,698</td> <td>37,163</td> <td>1,301</td> <td>3,862</td> <td>57,023</td> </tr> <tr> <td>28,018</td> <td>70,814</td> <td>146</td> <td>886</td> <td>99,863</td> </tr> <tr> <td>42,994</td> <td>112,525</td> <td>1,546</td> <td>5,767</td> <td>162,831</td> </tr> </tbody> </table> <p>Does not include Branded Foods</p>	Attending (Women)	Attending (Men)	e-learning (Women)	e-learning (Men)	TOTAL	279	4,549	99	1,109	5,945	14,698	37,163	1,301	3,862	57,023	28,018	70,814	146	886	99,863	42,994	112,525	1,546	5,767	162,831
Attending (Women)	Attending (Men)	e-learning (Women)	e-learning (Men)	TOTAL																						
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28,018	70,814	146	886	99,863																						
42,994	112,525	1,546	5,767	162,831																						
404-3	99% of employees receive regular performance and development evaluations by professional category:																									
<table border="1"> <thead> <tr> <th>Professional Category</th> <th>Men</th> <th>Women</th> </tr> </thead> <tbody> <tr> <td>Executives</td> <td>189</td> <td>29</td> </tr> <tr> <td>Individual Contributors (Employees)</td> <td>2,580</td> <td>857</td> </tr> <tr> <td>Operational (Unionized)</td> <td>7,052</td> <td>3,138</td> </tr> </tbody> </table> <p>Does not include Branded Foods</p>			Professional Category	Men	Women	Executives	189	29	Individual Contributors (Employees)	2,580	857	Operational (Unionized)	7,052	3,138												
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<b>ECONOMIC PERFORMANCE AND GROWTH</b>																										
<b>GRI 103: Management Approach 2016</b>	103-1	Internal coverage: Corporate KUO, Pork Meat, Polystyrene, Transmission and Auto Parts. External coverage: Shareholders and suppliers.																								
	103-2	2019 (MILLIONS OF PESOS)																								
	103-3	Income (Economic Value Generated, EVG) 44,344																								
<b>GRI 201: Economic Performance 2016</b>	201-1	<b>CONCEPT</b> 2019 (MM)																								
		Income (Economic Value Generated, EVG) 44,344																								
		Expenses (Economic Value Distributed, EVD) 44,366																								
		Operating expenses (including supplier expenses) 35,0545																								
		Salaries and employee benefits (i) 4,874																								
		Government tax and contribution payments (ii) 487																								
		Capital provider payments 1,766																								
		Investment in infrastructure (expansion of plants, equipment, machinery) (iii) 2,132																								
		Contributions to the community 53																								
		Retained (VEG-VED) 21																								

(i) Does not include information from JV Dynasol  
 (ii) Corresponds to the Income Tax paid without considering JV's  
 (iii) Does not include sale of fixed assets to third parties

**GRI STANDARD      CONTENT      PAGE /DISCLOSURE**

**OPERATIONAL EFFECTIVENESS**

<b>GRI 103: Management Approach 2016</b>	<b>103-1:</b>	Internal Coverage: KUO Corporate, Pork Meat, Synthetic Rubber and Polystyrene, Transmission and Auto Parts.
	<b>103-2</b>	
	<b>103-3</b>	

<b>GRI 302: Energy 2016</b>	<b>302-1</b>	Fuel consumption by type (GJ):
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Energy Source		2019
Fuel Type	Diesel	35,182
	Natural Gas	823,576
	Fuel Oil	68,888
	LP Gas	135,798
	Gasoline	15,267
<b>Total</b>		<b>1,078,711</b>

For the conversion to GJ of diesel, LP gas and gasoline consumption, the calorific value published by the CONUEE in 2018 was used. The natural gas balance was obtained mainly from invoices.

Electricity consumption (MWh):

Source	2019
CFE	144,625
Clean Energy	214,084
<b>Total</b>	<b>358,709</b>

<b>GRI 305: Emissions</b>	<b>305-1</b>	
	<b>305-2</b>	
	<b>305-5</b>	

Sector	2019		
	Scope 1	Scoop 2	Total
Automotive	20,980	30,817	51,797
Consumer	36,292	77,299	113,591
Chemical	40,301	92,068	132,369

Greenhouse gas and compound emissions 2019: 298,070 TCO2 e

<b>GRI 303: Water 2016</b>	<b>303-1</b>	
	<b>303-3</b>	

Total water consumption 2019: 9'934,513 m3

**BUSINESS ETHICS AND TRANSPARENCY**

<b>GRI 103: Management Approach 2016</b>	<b>103-1</b>	Internal Coverage: KUO Corporate Pork Meat, Synthetic Rubber and Polystyrene, Transmission and Auto Parts. External coverage: Strategic partners and suppliers.
	<b>103-2</b>	
	<b>103-3</b>	

**GRI STANDARD      CONTENT      PAGE /DISCLOSURE**

**BUSINESS ETHICS AND TRANSPARENCY**

<b>GRI 205: Anti-corruption 2016</b>	<b>205-2</b>	New employees received induction courses, including training on the code of ethics with an anti-corruption component. Currently there is no specific anti-corruption training for the Board of Directors, however, 100% of the members of this body are aware of and have signed their Letter of Adherence and Compliance with the KUO Group Code of Conduct, which prevents the misuse of privileged information, acceptance of gifts or personal favors, embezzlement of assets or information, and prevention of money laundering.
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**WASTE MANAGEMENT**

<b>GRI 103: Management Approach 2016</b>	<b>103-1</b>	Internal Coverage: Pork Meat, Synthetic Rubber and Polystyrene, Transmission and Auto Parts. External coverage: Strategic partners.
	<b>103-2</b>	
	<b>103-3</b>	

<b>GRI 306: Effluents and wastes 2018</b>	<b>306-2</b>	Waste by type and disposal method in 2019 (T):
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Waste Type	Disposal Method	Weight
Non-hazardous waste	Recycling, reuse	59,668
Hazardous waste	Confinement, reuse	1,186
<b>Total</b>		<b>60,854</b>

**RISK MANAGEMENT AND MONITORING**

<b>GRI 103: Management Approach 2016</b>	<b>103-1</b>	Internal Coverage: KUO Corporate, Pork Meat, Synthetic Rubber and Polystyrene, Transmission and Auto Parts. External coverage: Shareholders, strategic partners and suppliers.
	<b>103-2</b>	We use a Risk Management System based on the Enterprise Risk Management Framework (ERM). The Group's Integrated Enterprise Risk Management Methodology allows decisions to be made regarding strategic and operational objectives, reporting and compliance.
	<b>103-3</b>	The Board of Directors carries out the evaluation of risk management processes, in economic, environmental and social issues.

<b>GRI 201: Economic Performance 2016</b>	<b>201-2</b>	Based on current risk analysis and assessments, no financial implications and other risks and opportunities arising from climate change have been identified.
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**CUSTOMER RELATIONSHIP**

<b>GRI 103: Management Approach 2016</b>	<b>103-1</b>	Internal Coverage: KUO Corporate, Pork Meat, Synthetic Rubber and Polystyrene, Transmission and Auto Parts. External coverage: Strategic partners and customers.
	<b>103-2</b>	All businesses have mechanisms to ascertain customer satisfaction.
	<b>103-3</b>	In 2019 DACOMSA prepared 92 surveys with 89% satisfaction; 22 remote conferences for the knowledge of its products with the assistance of 8,050 customers.

GRI STANDARD	CONTENT	PAGE /DISCLOSURE	OMISSION
<b>OCCUPATIONAL HEALTH AND SAFETY</b>			
<b>GRI 103: Management Approach 2016</b>	103-1	Internal Coverage: Pork Meat, Synthetic Rubber and Polystyrene, Transmission and Auto Parts. External Coverage: Contractors.	
	103-2		
	103-3		
<b>GRI 403: Health and Safety at Work 2016</b>	403-2	Accident types and frequency rates, occupational diseases, days lost and absenteeism due to occupational accidents or diseases of employees and contractors, by Strategic Business Unit:	Due to the diversity of businesses and size of the Group, the information is not broken down by region, but by business.

GRI STANDARD	CONTENT	PAGE /DISCLOSURE
<b>CONNECTION WITH THE COMMUNITY</b>		
<b>GRI 103: Management Approach 2016</b>	103-1	Internal Coverage: Pork Meat, Synthetic Rubber and Polystyrene, Transmission and Auto Parts. External coverage: Community
	103-2	
	103-3	
<b>GRI 413: Local communities</b>	413-1	

<b>GRI 304: Biodiversity</b>	304-3	We have 903 protected hectares. Our objective is to improve the ecosystems and stop the loss of biodiversity, conserve the natural resources of wild flora and fauna, among which are endemic species; we also seek to generate awareness in people to positively impact the resistance to climate change.
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Pork Meat		Synthetic Rubber		Polystyrene		Transmissions		Auto Parts	
Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Accident Frequency Rate (AFR)									
3.77	3.03	0.95	0	0.32	0	1.54	0.29	3.5	4.9
Incidence Rate of Occupational Diseases (IROD)									
0.05	0.03	0	0	0	0	0	0	0.06	0.26
Lost Day Rate (LDR)									
27.88	20.47	27.67	0	40	0	14.37	0.29	64.24	145.1
Absenteeism Rate (AR)									
223.06	163.8	221.22	0	320	0	11.96	2.29	514.03	1160.7

Contractors:

Pork Meat		Synthetic Rubber		Polystyrene		Transmissions		Auto Parts	
Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Accident Frequency Rate (AFR)									
0.3	0	0.79	0	0	0	2.12	1.21	0	0
Incidence Rate of Occupational Diseases (IROD)									
0	0	0	0	0	0	0	0	0	0
Lost Day Rate (LDR)									
3.45	0	9.51	0	0	0	17.63	10.9	0	0
Absenteeism Rate (AR)									
27.62	0	76.07	0	0	0	141.04	87.17	0	0

AFR= (No. of accidents/Overall hours worked) x 200,000  
 IROD= (No. of occupational diseases/Overall hours worked) x 200,000  
 LDR= (Total no. of days lost /Overall hours worked) x 200,000  
 AR= (Total no. of days lost due to absence/Total no. of days worked by all staff) x 200,000



K U O . C O M . M X