Risk Management

GRI 2-12, 2-13, 2-16

On a yearly basis, the Central Internal Control and Audit teams, both led by the Chief Financial Officer, employ an extensive global comprehensive risk assessment to manage potential risks that could impact the organization. Central Internal Control is responsible for risk identification, analysis, evaluation, monitoring and communication, while Central Internal Audit is responsible for reviewing risk management progress including emerging risks. Depending on the risk's root cause, action plans for mitigation are implemented by the applicable functional areas.

By following this comprehensive risk assessment process, **Sigma is well-positioned to navigate challenges and seize opportunities**, fostering long-term success, resilience, and ensure long-term sustainability.

RISK MANAGEMENT PROCESS

RISK IDENTIFICATION

Sigma gathers input from stakeholders, including employees, management, and external parties, to identify potential risks. This step involves analyzing historical data, industry reports, and conducting scenario analyses.

RISK ANALYSIS

Identified risks are analyzed to understand their potential impact and likelihood. Sigma uses both qualitative and quantitative methods to assess the severity and probability of each risk.

RISK EVALUATION

The analyzed risks are then prioritized based on their potential impact on the organization, which helps Sigma focus on the most critical risks that require immediate attention.

RISK MITIGATION

Sigma develops strategies and actions to mitigate identified risks. This includes implementing controls, developing contingency plans, and taking preventive measures to reduce the likelihood or impact of risks.

MONITORING AND REVIEW

The risk management process is ongoing, with continuous monitoring and review of risks and the effectiveness of mitigation measures. This ensures that new and existing risks are identified on a timely manner and properly managed or mitigated.

COMMUNICATION AND REPORTING

Regular communication and reporting of risk management activities and outcomes to stakeholders are essential. This ensures transparency and helps build trust and confidence among stakeholders. Risks are communicated to directors and functional areas. On an annual basis, risks are documented in ALFA's risk inventory tool which is overseen by ALFA's Audit Committee.

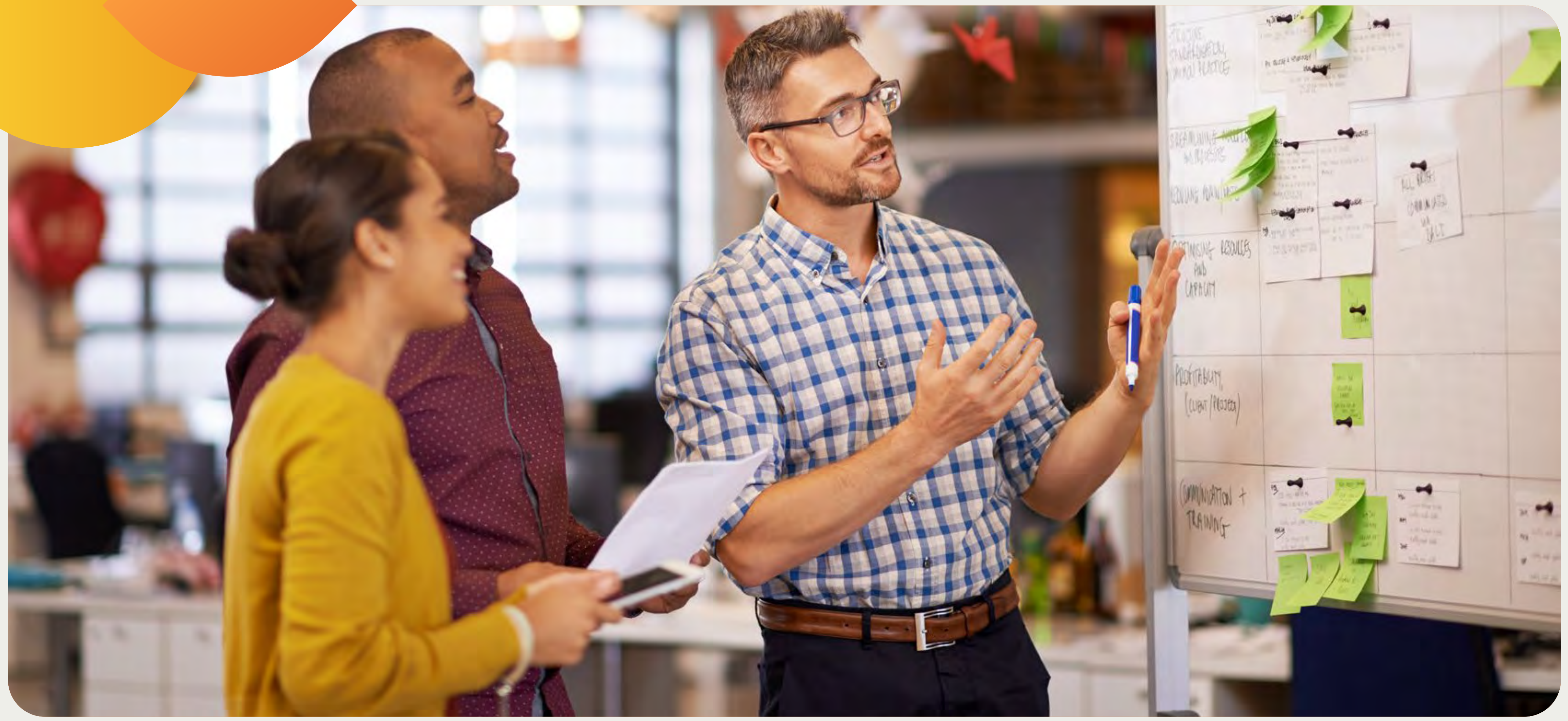
Identifying our business and sustainability risks, as well as their management and mitigation, involves various functional areas across different geographies. The process includes risks related to process, supply, finance, commercial, IT, legal risks, as well as the evolution of environmental, social, and corporate governance factors, among others. The mitigation plan for each of them considers nature, probability, and potential impact, as well as the time frame and those responsible for management. The most relevant risks identified include:

TOP 10 RISKS	AREA	DESCRIPTION / MITIGATION ACTION
1 Impact on operational continuity due to Climate Change - Natural Disasters	Global	Risk Identification and updated action protocols.
2 Disruption of the raw material supply chain due to border closures, stemming from climatic and political issues	Global	Diversification of suppliers in different countries and categories.
3 Impacts from ESG regulatory changes	Global	Prepare and anticipate potential regulatory changes in all geographies where we operate.
4 Increase in the cost of meat raw materials due to animal health related issues	Global	Diversification of suppliers in different countries.
5 Regulatory non-compliance due to changes in labor laws	Global	Anticipate potential regulatory changes
6 Impact on operational continuity due to Climate Change - Water Stress	Global	Risk identification and updated action protocols
7 Operational impact due to non-compliance with safety standards	Global	Anticipate to potential regulatory changes
8 System crashes due to Cybersecurity attacks	Europe	Coordination with Security Operation Center team for event response, and constant employees training.
9 Operational impact due to staff shortages	Global	Anticipate potential regulatory changes
10 Economic slowdown in Mexico that may lead to reduced consumption	Mexico	Monitor market share behavior for specific plans

Emerging Risks

Sigma has identified emerging risks, which can be defined as unforeseen or new risks that can potentially cause a significant long-term impact, and that are unpredictable and complex.

EMERGING RISK	TYPE OF RISK	DESCRIPTION	ACTION PLAN
Sustainability	Physical	Operational continuity due to climate change.	Establish an internal process for monitoring physical risks and continue its tracking



Climate change related risks

GRI 201-2

As of 2024, Sigma has developed a Climate Change Risk Assessment to be integrated into its Global Risk Management Procedure. The Climate Change Risk Report will serve as a crucial tool to understand the potential impacts of climate change on our operations and its financial impacts on asset values. In addition to this procedure, Central Sustainability provided training on climate change risks to multiple teams including the Central Finance team. This proactive approach helps ensure business continuity in the face of climate events and help make more informed decisions by aligning with strategic objectives.

Currently, Sigma uses multiple technologies to identify these risks and their impact on our business, decision making and investment opportunities, such as: Waterplan® and Climanomics®.

WATERPLAN®

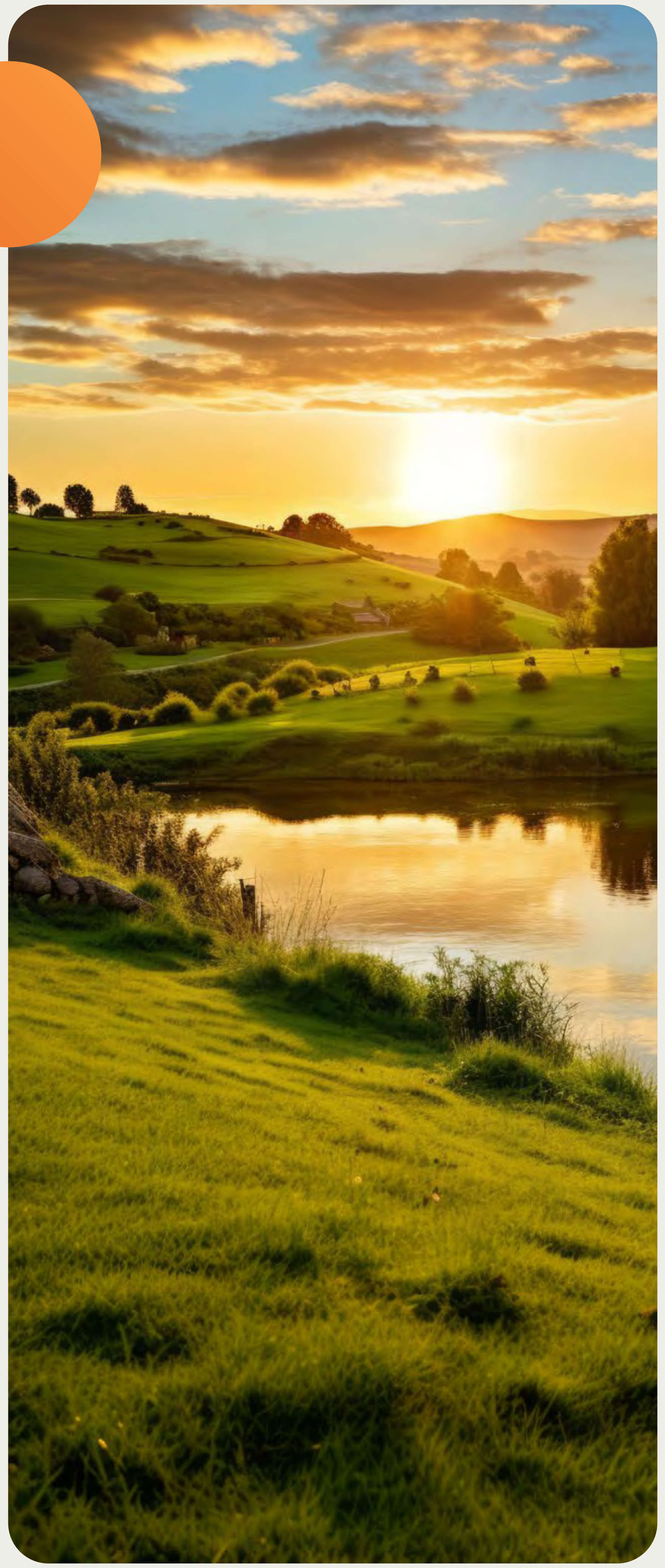
High quality data platform that provides support for decision making to align investments to a water resilient strategy.

97% OF MANUFACTURING FACILITIES ASSESSED IN 2024

CLIMANOMICS®

Risk analytics platform that identifies physical and transitional risks related to climate and calculates the financial impact of its assets as average asset value loss per year.

92% OF MANUFACTURING FACILITIES ASSESSED IN 2024



CLIMATE-RELATED RISKS IDENTIFIED EVALUATED BY CLIMANOMICS®

PHYSICAL

Extreme temperatures: Changes in frequency of occurrence of extreme temperatures.

Coastal flooding: Changes in frequency of coastal flooding of various magnitudes. Extreme coastal high water depends on average sea level, tides, and regional weather systems.

Drought: Changes in the frequency of drought conditions contributing to a period of abnormally dry weather long enough to cause a serious hydrological imbalance.

Wildfire: Changes in the annual probability of the 90th percentile wildfire conditions, as compared to the baseline period (1980-2000) at the asset's location.

Tropical cyclone: Changes in the location and intensity of hurricanes or tropical cyclones, the general term for a strong, cyclonic-scale disturbance that originates over tropical oceans.

Water stress: Changes in the WRI Aqueduct water stress index from current values to future values out to the 2040s.

Fluvial flooding: The annual probability of a 100-year riverine flood, relative to the historical baseline of 1950-1999.

Pluvial flooding: The annual frequency of the historical baseline 100-year precipitation rate which relates to the pluvial hazard metric of annual frequency of 100-year flood depth.

TRANSITION

Carbon pricing: Relates to policies and regulations that may impose a carbon price through such mechanisms as carbon taxes or emissions trading. Risk is calculated using a vulnerability function linking the price of carbon per ton of CO_2e emissions to financial impacts via current emissions at each asset or aggregate of assets.

Litigation: Relates to costs to defend against climate-related claims including failure to mitigate, adapt, and disclose risks in reference to various local and sovereign laws.

Technology: Refers to the extent to which new technologies reduce competitiveness, production efficiency, or demand.

Reputation: Refers to perceptions of an organization's social license to operate.

Market: Refers to the extent to which the transition to a low-carbon economy affects the supply and demand for products and services.