

Sustainability  
2016

*Sigma*



# Our Achievements

INVESTMENTS US\$mm

**\$11.9**

in wellbeing

+ **\$15.0**

in environment

+ **\$13.5**

in research and development

**\$40.4**

in sustainability

We saved more than  
**270,000 cubic meters of water**



We actively participate in  
**70 local and global**  
associations



**+42,000**

collaborators from more than 60 nationalities

**+380**

products with improved nutritional profiles



**13,000 tons**  
of CO<sub>2</sub>e avoided in Mexico

**67** plants

**190** distribution centers

**17** countries



**+882,000 kilos**  
of food donated through food banks



We **launched the Institute of Nutrition Sigma Alimentos** with the mission to develop and communicate relevant scientific knowledge on nutrition and eating habits



**100%** of our meat suppliers in Europe, the U.S. and Mexico were audited and certified

**+ 31,000**

collaborators and their families benefited from family development and recreational programs

**76 work sites**

operating with wind power in 2017



**15%**

less plastic in our drinkable yoghurt bottles

**1.7mm tons** of food distributed  
**+580,000** points of sale



**REDUCTION**

**+55.4** million tons of sugar

**+285,000** kgs of sodium



**+330,000**

people benefited through 318 institutions

**Zero Waste Program**

implemented in 3 Europe plants (phase 1)



**+280**

food specialists working on innovation and development

# Certifications and recognitions that endorse our work



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# Discover our 2016 Global Sustainability Report

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# Our Sustainable Path

Several years ago, we developed Sigma's sustainability strategy, which was focused specifically on the Cooked Meats and Dairy businesses in Mexico.

Over this period, the company's growth has been driven by the mergers, acquisitions and commercial agreements among companies in Mexico, the U.S., Latin America and Europe. In the process of integrating these companies, we realized that although sustainability is embedded in their organizational culture, their approaches and initiatives differed.

In the last months, we have been working on redesigning our sustainability strategy for which we created a work model based on our four pillars: Health and Nutrition, Environment, Wellbeing and Economy. This model can be applied to all the company's businesses and helps us organize our initiatives into a single platform, by means of central and local committees, each with specifically designed roles and responsibilities.



A wooden cutting board with a handle, featuring a stack of sliced cured meats (possibly salami or chorizo), a wedge of white cheese, and fresh green herbs. The board is set against a dark grey background.

# About this Report

We present our first Global Sustainability Report, based on this new strategy. It includes the economic, social and environmental results, as well as the challenges and commitments of our organizational units.

As part of the process to determine the report's content, we carried out our first global materiality analysis. It helped us identify those matters that are the most relevant for our company and our stakeholders, based on our four pillars.

In order to collect the report's content, a joint effort was made among some of the company's central and local departments, such as Technology, Human Capital, Operations, Finance, Marketing, Sales and Logistics, as well as that of representatives from our organizational units: Mexico, Latin America, Foodservice, Europe and the U.S..

The data included in this document has been subjected to a series of reviews and internal audit processes. For more information on our initiatives, please download the complete 2016 Sustainability Report from our website which adheres to the Global Reporting Initiative's Reporting Standards, "In Accordance" – Core option.

For questions, comments, or suggestions please contact us at:  
[sustentabilidad@sigma-alimentos.com](mailto:sustentabilidad@sigma-alimentos.com)

# Message from the CEO

**T**oday Sigma is a very different company than it was 15 years ago. We have evolved from a Mexican cooked meats company to a multinational organization with more than 42,000 collaborators, operating in 17 countries and producing more than 1.7 million tons of food annually. Likewise, based on our performance, we are positioned as the #1 player in many of the regions and business segments in which we participate.

As a participant in a dynamic and competitive market with many local and global challenges, I am proud to say that Sigma is not just a company that is exclusively concerned with its financial results. We are also an international team that has embraced the responsibility of creating value and having a positive impact on both society and the planet. Our financial growth is directly related to our sustainable growth.

Empowered by the integration of our organizational units and by the diversity of collaborators from more than 60 nationalities, in 2016 we redesigned our sustainability strategy. We are committed to continue working to achieve the long-term profitability of the business, ensuring environmental stewardship and social responsibility across our value chain. In order to accomplish this, we leverage our efforts into four pillars: Health & Nutrition, Wellbeing, Environment and Economy.

One of the most noteworthy events of 2016 related to this strategy was the opening of our cooked and dry meats plant in Burgos, Spain. With a net investment of US\$250 million, the plant has an annual production capacity of approximately 100,000 tons. Considered to be the most efficient plant in the sector due to its high automatization, its state-of-the-art manufacturing technology contributed to reducing water and energy consumption by 20% and 30%, respectively.

We also focused on being more efficient in the way we use natural resources, striving to reduce our environmental footprint. Another important event in the year consisted of equipping 76 operation sites in Mexico to source clean and renewable energy from a wind park. This project will enable us to significantly reduce our greenhouse gas emissions, thus contributing to the fight against climate change. Additionally, we reduced our water consumption globally by more than 270,000 cubic meters throughout the year.



This year, we launched the Institute of Nutrition Sigma Alimentos, in order to promote healthy lifestyles and improve eating habits. The institute brings together a group of international experts with the goal of generating and communicating relevant scientific knowledge regarding nutrition and public health. In 2016, the Institute of Nutrition Sigma Alimentos held six major scientific panels, and it has already outlined a new action plan for 2017. The institute is part of our Sigma Move platform an internal work group in charge of studying market and consumer trends. The work group also analyzes consumer needs in order to help us ensure their preference for our products.

Since people are by far the most important element in our company, we invested more than US\$11.9 million this year in initiatives that promote their wellbeing. This includes programs related to occupational safety, training and professional and personal growth.

In an effort to make a contribution that goes beyond our operations, we support several communities around the world. In collaboration with more than 318 institutions and social programs, we've had a positive impact on the lives of more than 330,000 people worldwide.

This year has undoubtedly been filled with global challenges and we expect no less of 2017. The integration and collaboration of all our organizational units has been vital to aligning our strategies and creating added value for the company and our brands. The process is described in this report.

It is with great pride that I present our 2016 Global Sustainability Report, which reaffirms our commitment to having a positive impact on our people, our communities and our planet. I wish to take this opportunity to thank our collaborators, as they constitute our Sigma family. It is because of their passion and their daily effort that they have become the cornerstone of our path to success.

  
**Mario H. Páez**  
CEO Sigma Alimentos



# Business Profile

We are a multinational company, part of Grupo Alfa, dedicated to supplying favorite foods to the community. With our presence spanning 17 countries worldwide, we offer high-quality food products in several categories and price ranges.

## Our Presence

Mexico, United States, Spain, France, Italy, Belgium, Netherlands, Portugal, Germany, Costa Rica, Guatemala, Nicaragua, El Salvador, Honduras, Peru, Ecuador and Dominican Republic

**67**  
Production facilities

**+42,000**  
Collaborators

**+60**  
Nationalities

**11 Brands**  
Sales > US \$100 million

**190**  
Distribution centers

## Types of Customers

**Modern:** Supermarkets, convenience stores.

**Traditional:** Retail, public markets and wholesalers.

**Foodservice:** Hotels, restaurants, movie theaters, industrial cafeterias.

**United States**  
**14%**

**Mexico**  
**41%**

**Europe**  
**38%**

% Sales by region

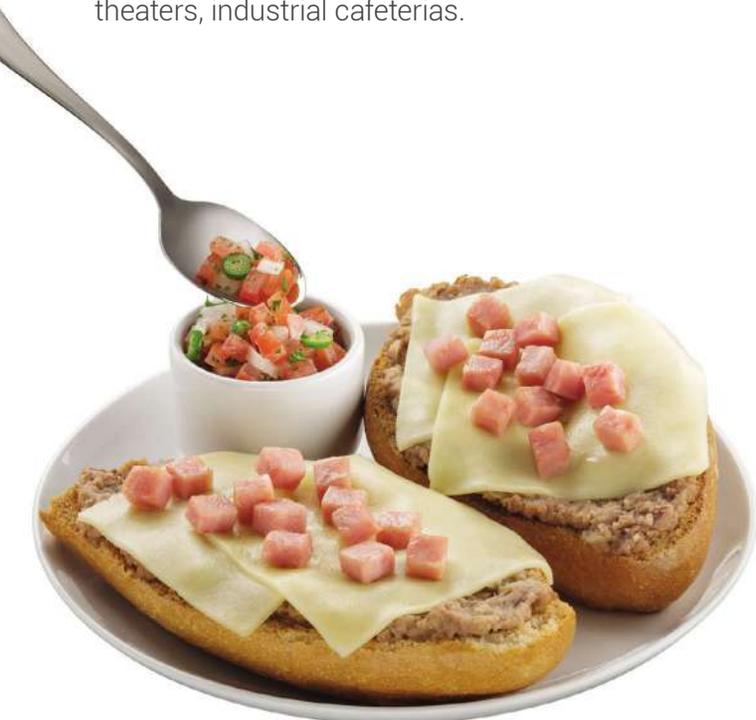
**7,000**  
Vehicles

**LATAM**  
**7%**

CAGR '10-'16  
**14%**  
Revenue

**+ 580,000**  
Sales points

**1.7 million tons**  
of food produced in 2016



# Our Mission

*Earn your preference for our brands with the best food products*

# Our Values

- Respect and Empathy
- Innovation and Entrepreneurial Spirit
- Passion for the Consumer
- Commitment to Results
- Integrity



We market our products to more than 580,000 customers through several distribution channels.

Cooked and dry meats



Dairy



Other



Third parties



# Our History

- Mergers & acquisitions
- Commercial agreements
- Organic growth

Started exporting to the U.S.



Started exporting to Guatemala



Divested in slaughterhouse



Acquired distribution in Mexico



1997

1993

1992

1989

1985

1980

1998

2000

2002

2003

2004



Entered the pizza market

2005

2006



Started distributing in CAM

2007



2008



Seminole Oklahoma



2009



2010



2012



2013



2014



2015



2016



Products in Mexico



# Sustainability Focus

Sigma's culture of sustainability extends across our operations globally. We measure our performance and promote the growth of our value chain, our environmental stewardship and our responsibility toward society, communities and consumers by means of our sustainability strategy, based on 4 pillars:



## Health and Nutrition

We promote healthy lifestyles through our innovative and high-quality products, supported by the renowned brands that our consumers prefer.



## Wellbeing

We strive to establish conditions that motivate people and make it easier for them to adopt habits that improve their life quality.



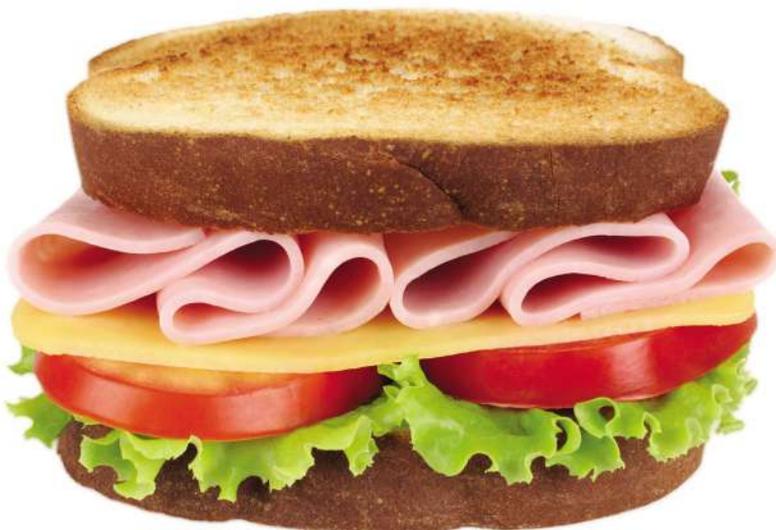
## Environment

We focus on reducing our environmental impact by using natural resources more efficiently.



## Economy

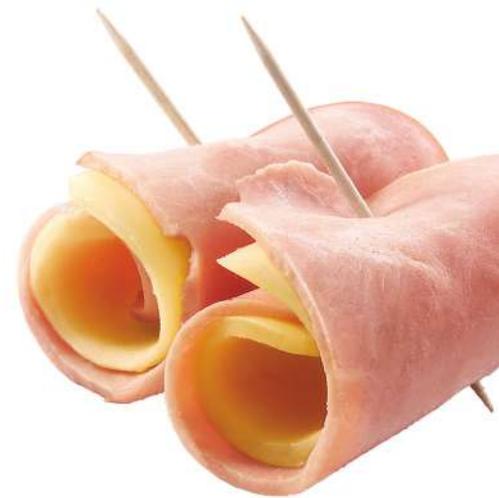
We create economic value through our strategic practices, and share it to promote the development and strengthening of our value chain.



# Sustainability Management

Our Central Sustainability Committee is a multidisciplinary planning, supervising and support group that includes experts from central departments such as Technology, Talent and Culture, Finance and Marketing. It establishes the general guidelines for each of our four pillars and makes executive decisions about the global sustainability strategy.

Based on the central guidelines, the Functional Committees of each organizational units are in charge of defining and later executing initiatives designed specifically for their operations. This is how we create a robust global community that helps us achieve our results while simultaneously promoting a sustainability culture within the organization.



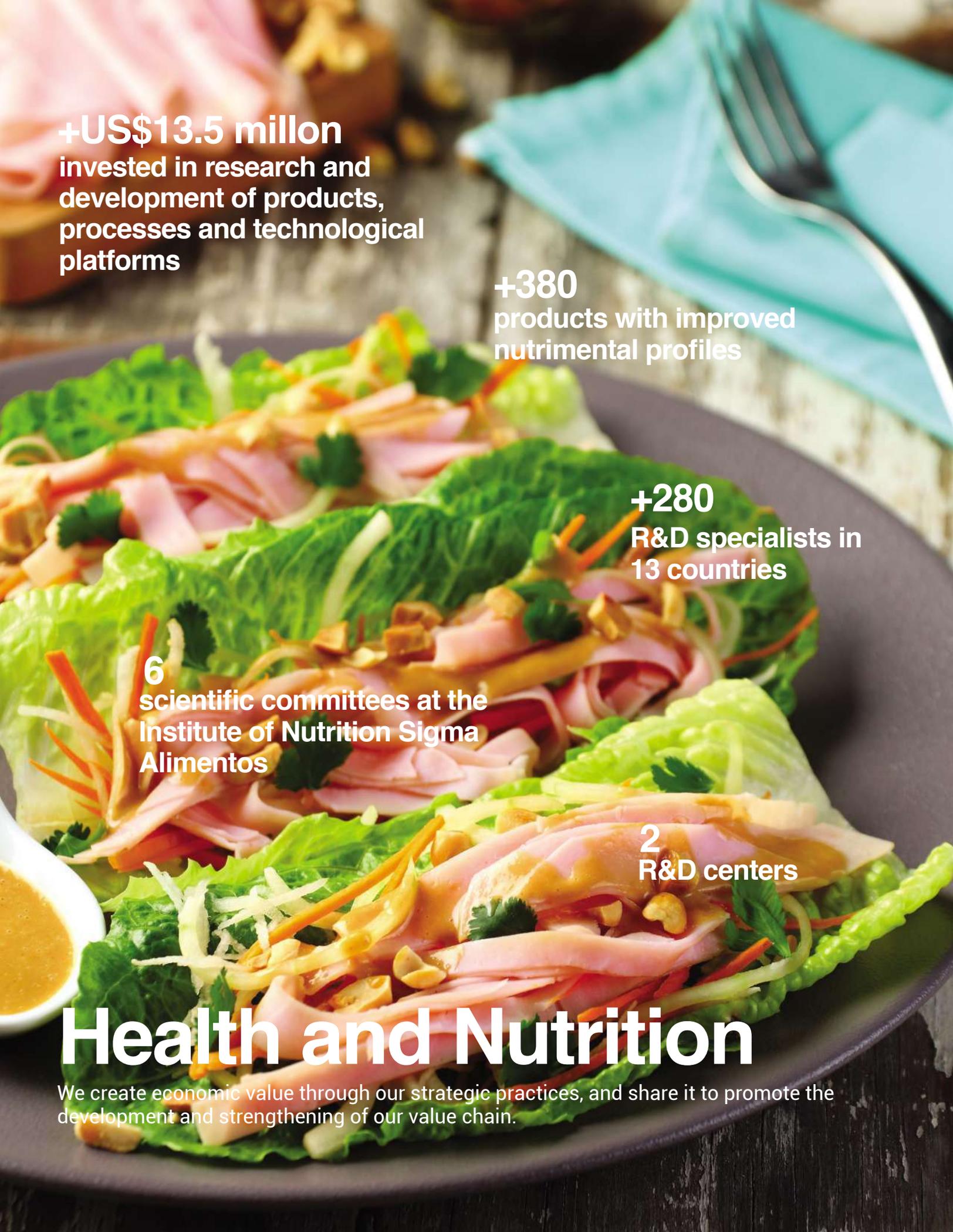
## Materiality Analysis

The first step towards creating our Global Sustainability Report included the process to define our material aspects. We considered that it was important to have a materiality analysis that reflected the importance of these issues for our organization and stakeholders globally.

For this, we carried out a comparative analysis with other companies in our industry, including suppliers and customers. Additionally, we also studied the relevance for Sigma in these matters, by conducting surveys in all our organizational units.

The following is the analysis resulting list:

- **Food quality and safety**
- **Healthy and nutritious food**
- **Occupational health and safety**
- **Organizational culture and work environment**
- **Compliance**
- **Water**
- **Air emissions**
- **Waste**
- **Value chain management**
- **Energy**
- **Economic performance and value creation**
- **Customer satisfaction and consumer choices**



**+US\$13.5 million**  
invested in research and  
development of products,  
processes and technological  
platforms

**+380**  
products with improved  
nutritional profiles

**+280**  
R&D specialists in  
13 countries

**6**  
scientific committees at the  
Institute of Nutrition Sigma  
Alimentos

**2**  
R&D centers

# Health and Nutrition

We create economic value through our strategic practices, and share it to promote the development and strengthening of our value chain.

## We work relentlessly to satisfy the needs of consumers who are interested in their eating habits

Besides offering safe, high-quality and tasty products, it is our responsibility to promote lifestyles and offer food products that promote health and a proper nutrition. It is also our duty to inform people in a clear, ethical and transparent way about the benefits and risks related to eating habits.

In addition to our internal consumer-oriented innovation models, we rely on a state-of-the-art research and development system. We have two major Technology Centers, one in Mexico and another one located in Spain, completely focused on researching processes, products and technological platforms. Our team of experts include more than 280 collaborators in 13 countries.

As part of our commitment to scientific progress, in 2016 we invested more than US\$13.5 million in R&D across all our organizational units.

### **We duplicated the investment in R&D**

*In Spain, we doubled our investment in these efforts over the past six years, allocating 70% of our R&D resources to projects related to health and wellbeing.*



# We commit to food quality and safety across our supply chain

At Sigma, we have implemented the Total Productivity Management (TPM) methodology to anticipate and prevent risks and to eliminate quality variations across our production systems. The goal is to obtain zero breakdowns, zero stops, zero defects and zero accidents.

We implemented a rigorous quality-control system and carried out an on-site lab analysis to review the raw materials, production, packaging and storing processes. In our distribution activities, we map and strictly follow the cold chain, from the moment our products leave our plant until they reach the consumer.

In addition to our internal controls, we are constantly inspected by several local and international organizations who validate food safety in our processes and products. This way, we are able to optimize the use of resources, continuously improving our processes and safeguarding our collaborators' occupational safety and our consumers' health.

**100%** of the cow's milk we buy from milk producers in Mexico complies with our internal regulations

**100%** of our meat suppliers in Europe, the U.S. and Mexico are audited and certified

## GFSI, USDA, TIF

*quality certifications at our plants*

### International Standards

*Our plants have been certified by local and international organisms, including the Global Food Safety Initiative (GFSI), the U.S. Department of Agriculture (USDA) and the Tipo Inspección Federal (TIF).*



# We innovate with purpose

At Sigma, innovation goes hand in hand with scientific research and development.

Our R&D team includes more than 280 experts who work at specialized facilities with the most advanced laboratories and equipment in the industry. At these centers, our specialists have the required means to develop new formulas and ingredients, improve the functionality and nutritional profile of our food products and discover and implement new technologies, among other projects.

In addition, we established partnerships with academic and governmental institutions with whom we collaborate in order to gain access to joint resources while strengthening open innovation. These include MIT, Tecnológico de Monterrey,

Oklahoma State University, GENT, Maastricht, Universidad Autónoma de Nuevo León and technological centers such as Conacyt, Danish Meat Research Institute, Instituto de Investigación y Tecnología Agroalimentaria (IRTA), CARTIF and Centro de Ingeniería y Desarrollo Industrial (CIDESI), among others. Exchanging best practices, solutions and scientific knowledge helps us contribute to a sustainable development in the food sector.

These efforts have helped us improve the nutritional profile in more than 380 of our products, enabling us to offer a greater variety of healthy options to those who prefer them. In Mexico, for example, we reduced the sodium content in 63% of our hotdogs and hams and the sugar content in 75% of our yoghurts.

## New Campofrio Hotdogs

*Two of our new Campofrio products, the chicken breast and turkey breast hotdogs, are the first and only hotdogs in the market that are low in fat. At less than 3%, this fat is similar to the content in fresh chicken or turkey breast. Furthermore, they contain no preservatives, added phosphates, food coloring, lactose, nor gluten.*



**EUROPE**

**0%**

*preservatives, added phosphates, food coloring, lactose, nor gluten in our new chicken breast and turkey breast hotdogs*

**MEXICO**

**-285,000**

*kilos of sodium across the whole Mexico portfolio*

**-55 million**

*tons of sugar across the whole Mexico portfolio*

**LATAM**

**0%**

*preservatives in the ham and turkey breast products in the Selección Natural product line*

# We promote healthy lifestyles with our products

By marketing our products in a responsible and transparent way, we promote a balanced diet and good eating habits as we give consumers the power to make informed decisions.

Reliability in how we describe nutritional properties in our labels is key to gaining the trust of our consumers. At Sigma, we make sure that every statement we make concerning our products is well founded and in compliance with the best international practices, including Codex Alimentarius, the European Food Safety Authority (EFSA) and the U.S. Food and Drug Administration (FDA). Additionally, we strictly comply with applicable local regulations in every country where we offer our products.

## International Participation

*In 2017, we started participating in the FReSH (Food Reform for Sustainability and Health) program of the World Business Council for Sustainable Development (WBCSD) and the EAT Foundation. The program's goal is to accelerate transformational change in global food systems while offering healthy and sustainable diets for all.*

## Example of front label

## Improved nutritional profiles

## Full information

## Quality that supports us



## We strive to create and transfer knowledge

Since consumer expectations and needs are in constant change, in 2015 we created Sigma Move an internal platform formed by a network of specialists from different areas, whose objective is to encourage initiatives that anticipate changes in national and international markets.

On the other hand, derived from efforts spanning several years, in 2016 we launched the Institute of Nutrition Sigma Alimentos with the mission to develop and communicate relevant scientific knowledge on nutrition and eating habits. Sigma executives and a group of highly recognized scientists in different fields participate in this Institute.

This project will help us establish close relationships with academia, government entities and media. As a result, we foster innovation within the company, as well as knowledge and health awareness among our collaborators, customers and consumers.



### Scientific Committees

*In 2016, we held six international Scientific Committees and published 11 newsletters and 9 infographics with the goal of enhancing communication of scientific facts surrounding public health problems. Some of the topics discussed included: consumption of meat, salt and sodium; food safety; and energy density.*





**+US\$11.9 million**  
invested in wellbeing  
programs

**+ 42,000**  
collaborators



**+60**  
nationalities

**+330,000**  
people benefited through  
318 institutions

# Wellbeing

We strive to establish conditions that motivate people and make it easier for them to adopt habits that improve their life quality.

# We promote the wellbeing of the people with whom we work every day

In 2016, we created a model through which we are able to comprehensively promote the wellbeing of more than 42,000 collaborators, their families and communities in the 17 countries where we operate, based on four dimensions:

- Health
- Personal relations
- Purpose
- Community

By implementing several programs at our organizational units, we foster physical and mental health, inclusion and diversity, life and career plans and engagement with society.



# We prioritize people's health

At Sigma, we are responsible for offering working conditions that improve the life quality of our collaborators. At our operating sites, we promote physical and mental health, while working day in and out to reach our zero-accidents goal.

We grant training courses on accident prevention, closely oversee our processes' safety and equip our facilities with industrial safety technologies. We also have a staff of specialists who offer medical attention at our operation sites.

As evidence of these efforts, the Lagos de Moreno plant in Mexico has recorded zero lost time injuries for three consecutive years and our distribution center in Costa Rica, has maintained zero lost time injuries for more than seven years.

In terms of physical health, we implement activities to improve their habits and life quality such as sports tournaments, health fairs, safety brigades and training courses, to encourage collaborators and their families. We also offer them emotional, medical and nutritional support, as well as assistance in legal matters and family finances, with our Orienta PAE program.

In 2016, we invested more than US\$5.1 million in initiatives to continue reinforcing health and safety.

## Accident Reduction

*Injury rate decreased 40% in Peru, lost days injuries decrease 70% in Portugal and injury rate decreased 31% in Italy.*

# +US\$5.1 million

*invested in health and nutrition*

**102**  
**Programs**

**53**  
*health and nutrition*

**49**  
*industrial security*



# We encourage collaboration and diversity

We firmly believe in the importance of maintaining a working place that promotes collaboration, diversity, equal opportunities and a good work-life balance for our our collaborators. We know that a successful work environment fosters productivity in our collaborators and creates a positive influence on their work teams and families.

We seek healthy job relationships based on mutual respect, empathy and adherence to our Code of Ethics. We also have a Transparency Mailbox where we handle and investigate 100% of the complaints. This mailbox is anonymous and available to all our interest groups

Convinced that inclusion and diversity enrich our culture, we assess people exclusively based on their talent. We advance the career path of our collaborators, with no distinctions for race, religion, gender, disability, social status, or sexual orientation. We are very proud of our multicultural team, which includes more than 42,000 people from more than 60 nationalities, among whom 39% are women.

Our mission as a company is to create the proper conditions under which our people can grow. We offer opportunities to our collaborators to help them address their personal needs as well as their professional responsibilities. We have policies in place that promote work-life balance, such as flextime, personal days, daycare, home office and family events.

In 2016, we invested more than US\$2.1 million in personal growth and family-oriented programs, benefiting 31,000 collaborators and their families. Among these initiatives, the most relevant are recreational events, holiday celebrations, awards ceremonies and vocational orientation for our collaborator's children.

**+US\$2.1 million**

*invested in family development and recreational programs*

**+31,000**

*beneficiaries*

**103**

*schools with programs for volunteers and professional internships*

## New offices for Sigma Mexico

*This year, we designed a new open plan office for our corporate office in Mexico in order to create a more flexible work space that promotes engagement, equality, effective communication and productivity.*

# We foster opportunities for personal and professional growth

We inspire people and guide them to establish plans that gives them a sense of professional and personal purpose.

We contribute to their professional growth by means of several training and development mechanisms. Through Sigma University, we offer courses in several academic fields to company collaborators at all levels. We also have programs in place that promote personal development on topics such as human rights, self-improvement, motivation and coaching.

In 2016, we invested more than US\$2.9 million in training, benefiting more than 27,000 collaborators. During the year, we granted more than 100 scholarships for renowned universities, some of which are ranked among the best in the world.

We extend these efforts to our value chain. We collaborate with training centers and offer programs for customers and suppliers, focused on developing managing capabilities that contribute to improving their business.

## ANSPAC

*We promote self-improvement capabilities that contribute to personal and professional growth. Through ANSPAC, we carry out training programs in 20 locations in the U.S., Mexico and Latin America. We had 5,589 students participating and offered more than 129,000 hours of training.*

# +US\$2.9 million

*invested in training*



# +11

*average training hours per collaborator*

# +100

*scholarships granted to collaborators*

## Young Talent

*Since 2007, the Young Talent program trains recently graduated collaborators through rotations in several organizational units in order to maximize their potential and learning opportunities. Besides offering them several courses, we help them create their career plan at Sigma.*

# We develop successful relationships with our communities

Contributing to the communities that surround us is what characterizes us as a company that seeks to have a positive influence in society.

At Sigma, we train our collaborators to become agents of change who actively participate in the development of the communities at all our operating sites. As part of our commitment to promoting a culture of sustainability, our collaborators and their families have joined forces with various organizations to contribute to the improvement of the communities' future where we operate.

Toward this end, we focus our social development efforts on carrying out community works, such as in-kind donations, reforestation, maintenance and infrastructure works at parks and schools, visits to foster homes and aiding our collaborators in case of natural disasters, to name a few.

In 2016, we worked with 318 institutions globally to benefit more than 330,000 people. We supported different types of organizations, including youth, medical, educational, religious and sports associations; food banks; among others. The Salvation Army, International Red Cross, United Way Campaign, Young Life and the Asociación Contra el Cáncer de Mama, are just a few examples of the institutions we help.

## The New Bureba Plant

*We worked in collaboration with the community near our Bureba plant, located in Burgos, Spain, in the reconstruction of this facility. As proof of their support, we created a sculpture made out of hundreds of donated objects, including stories that will help the population remember our joint effort.*

## Community Programs

*With our community programs, we worked in synergy with civil associations for a reforestation effort in vulnerable areas in Spain, Mexico, Dominican Republic and El Salvador, thus promoting environmental stewardship.*

**+330,000**

*people benefited from community programs*

**+ 882**

*tons of food donated*



**+US\$15 million**  
invested in environmental  
programs

 **+270,000m<sup>3</sup>**  
of water saved



sites consumed cleaner  
electricity from a cogeneration  
system in 2016

**Zero-Waste Program**  
implemented in  
3 Europe plants  
(phase 1)

**76** work sites will operate using  
wind power in 2017

# Environment

We focus on reducing our environmental impact by using natural resources more efficiently.

# We strive to be productive and use resources responsibly

At Sigma, we implement programs aimed at employing best practices to reduce our consumption of electric power, fuel, water and materials and enhance energy efficiency and thus decrease the negative impact on the environment.

We have an Environmental Policy in place that serves as our guide in unifying our efforts at all the organizational units and promotes an environmental responsibility culture within and outside Sigma.

As part of our commitment to the planet, in 2016 we invested more than US\$15 million in environmental technologies and projects.

These are some of the issues addressed as part of our environmental efforts:



# Energy efficiency moves us

At Sigma, we are convinced that implementing initiatives that contribute to limiting greenhouse gas emissions is a shared responsibility. We understand that energy management is an important part of our business model, so we take over the commitment of fighting against climate change through two main initiatives:

**Energy efficiency:** We strive to improve our processes and equipment in order to achieve greater profitability with a lower consumption of fuels and electricity.

**Clean energy:** We focus on finding alternative sources of energy that help us minimize our carbon footprint. In this task, we have several options, including cogeneration of electricity, wind, biomass, solar power and ecological gases, as well as hybrid vehicles.

Across our operations, we have developed performance indicators that help us to establish and comply with our short and long-term reduction and consumption goals. At our operational sites, we carry out periodic technical assessments to identify areas for improvement and establish action plans. In addition to this, we share best practices and replicate successful projects across sites through the company.

In our distribution activities, we optimize our transportation network, both with the help of our collaborators and by improving the vehicles we use. First, we train and certify our drivers in ecological driving techniques and sustainable vehicle practices. Second, we carry out periodic maintenance works, strategically assign loads and routes, investing in more sustainable components to make our fleet more efficient.

## Clean Transportation

*For the third consecutive year, we received the “Excellent Environmental Performance” recognition due to our outstanding performance in the Clean Transportation program sponsored by the Mexican Department of Natural Resources (SEMARNAT).*



# Cleaner energy for a lower impact

Over the past few years, we have also focused on using clean sources of energy in our processes as part of our goal to decrease our greenhouse gas emissions.

We have been able to progressively migrate to cleaner fuels in our plants and vehicles, and now we consume electricity generated from less-contaminant sources.

In the Dominican Republic, for example, in 2016 we opened a steam-generating plant that uses biomass as fuel. It is designed to use coconut husks—an abundant byproduct in the region—while at the same time ensuring a sound energy supply. Additionally, this year we sourced part of our electric power needs from an efficient cogeneration system in Mexico.

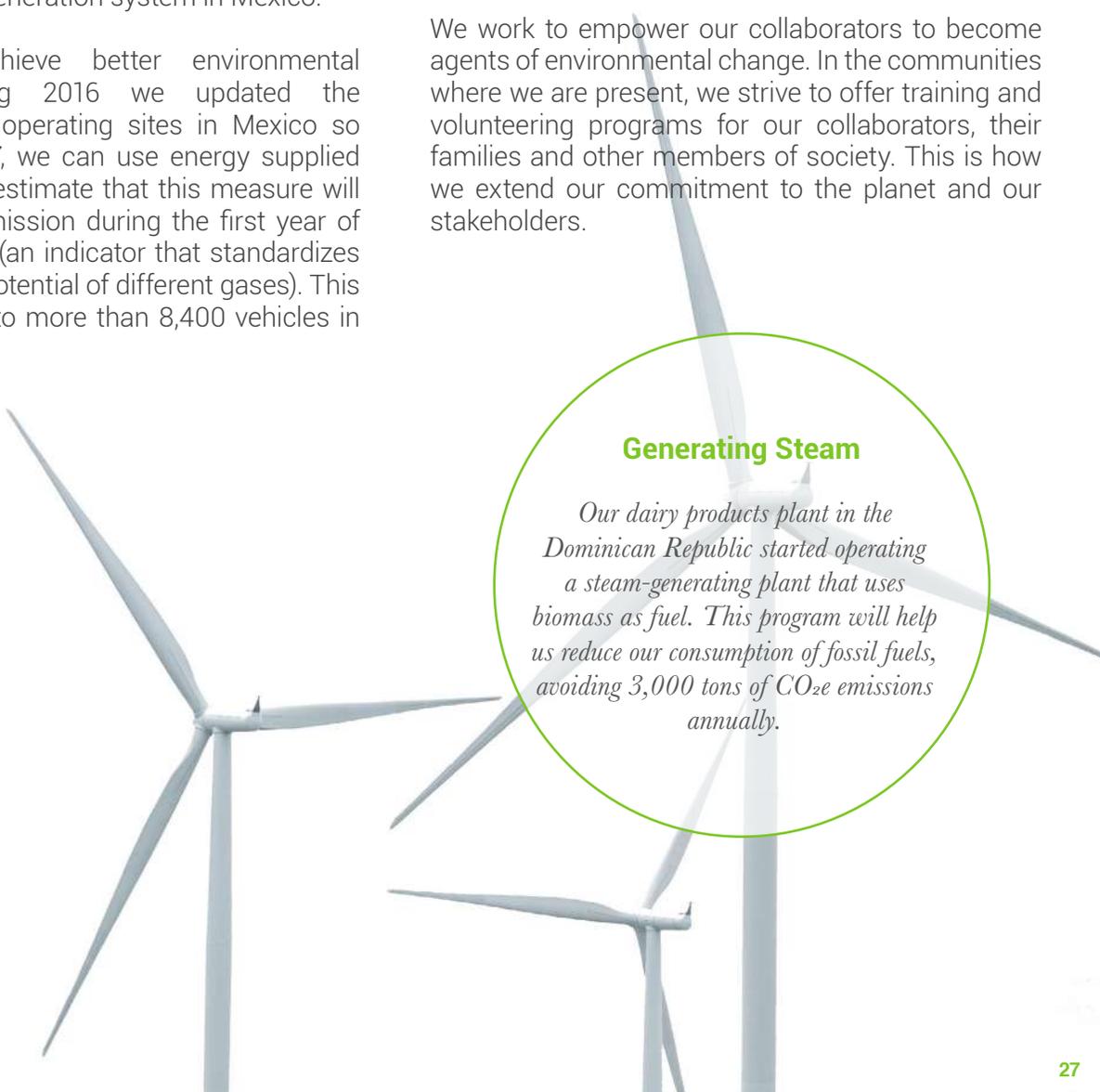
In striving to achieve better environmental performance, during 2016 we updated the infrastructure at 76 operating sites in Mexico so that, starting in 2017, we can use energy supplied by a wind farm. We estimate that this measure will help us avoid the emission during the first year of 40,000 tons of CO<sub>2</sub>e (an indicator that standardizes the global warming potential of different gases). This saving is equivalent to more than 8,400 vehicles in circulation per year.

Overall, our efficiency and clean energy strategies have helped us mitigate 13,000 tons of CO<sub>2</sub>e emissions during 2016. At Sigma, we also encourage the members of our value chain to adopt best environmental practices.

Concerning our suppliers, we make technical assessments, which include measuring performance on sustainability indicators that will help them improve their profitability.

For our customers, since 2014 we have installed more than 32,000 state-of-the-art refrigerators (more than 17,000 in 2016 alone). These help us extend the cold chain to our customers' facilities while also contributing to the reduction of their energy bill.

We work to empower our collaborators to become agents of environmental change. In the communities where we are present, we strive to offer training and volunteering programs for our collaborators, their families and other members of society. This is how we extend our commitment to the planet and our stakeholders.



## Generating Steam

*Our dairy products plant in the Dominican Republic started operating a steam-generating plant that uses biomass as fuel. This program will help us reduce our consumption of fossil fuels, avoiding 3,000 tons of CO<sub>2</sub>e emissions annually.*

# Water is life and we care for it

Water is an indispensable resource at our operations. Besides being an ingredient in our food products, we also use it in the majority of our processes, from cleanup and sanitation, to steam generation and condensers. This is why we work nonstop to optimize water consumption and support its conservation.

We place particular attention to this resource in each step of our production process, managing its use correctly in the following ways:

**Supply:** We have a management strategy in place that guarantees water availability and quality, in order to ensure hygiene, safety and productivity in the production process.

**Eco-efficiency:** We implement initiatives aimed at optimizing consumption by investing in new technologies, sharing best organizational practices and working on maintenance and routine inspection programs to ensure there are no leakages.

**Treatment:** We develop projects to ensure that the water complies with the required quality conditions for use, discharge or reuse for other purposes.

As we do with our energy, we have also included water performance indicators in our technical assessments, all ensuring that we have implemented a comprehensive methodology for managing and handling resources used at our plants.

Since water is a priority for Sigma, we have a specific long-term plan that will allow us to continue taking care for this resource. In 2016, we were able to reduce water consumption in our operations by more than 270,000 cubic meters, equivalent to 107 Olympic-sized swimming pools.

## Treatment Plants

*We opened three water treatment plants in Mexico and Latin America in order to comply with our water management strategy. We also invested US\$5.6 million in the expansion of our largest water treatment plant in Mexico.*

**+270,000m<sup>3</sup>**

*of water saved*

# We manage our waste responsibly and develop packages with a lower impact

We believe an effective waste management strategy must have its main focus on minimizing waste from the origin, separating it at our facilities and maximizing recycling prior to final disposal.

In 2016, we invested more than US\$8.5 million in waste management. The majority of the wood, cardboard, paper, aluminum, metal and plastic generated at our plants was recycled through certified third parties, rather than being disposed of in landfills. For waste that cannot be reused, we employ the service of certified companies that dispose of it in compliance with local regulations.

We discovered that, in addition to contributing to minimize the negative impact on the environment, the optimization of packaging also allows us to offer customers and consumers better and safer products, at a lower price.

For more than 10 years, at Sigma we invested in packaging research and innovation, working as a team with suppliers and renowned universities in several countries to develop dozens of patents and industrial designs.

In addition to our energy and water initiatives, in Sigma we are always motivated in increasing our efforts to develop new initiatives that help optimize materials management.

## Some of the most outstanding projects concerning packages include:

- The use of nanoparticles to coat cardboard boxes
- Developing biodegradable materials
- Decreasing materials gauge
- Modernization of equipment
- Increasing the format of portioned products
- Conserving and extending the shelf life

### Zero Discharge

*In our search for new solutions for disposing of several materials derived from our production processes, we began our “Zero Discharge” project in three plants in Europe. With this project, we were able to recycle 100% of our solid waste and to revalorize waste instead of investing in disposal.*

### New Yoghurt Bottle

*We worked on redesigning our drinkable yoghurt bottles, striving to use less plastic. By using state-of-the-art technology, we were able to reduce the weight of the bottle from 13 to 11 grams while maintaining the same strength and volume capacity. Aside from saving plastic, this initiative will also save fuel during the distribution process.*

# +US\$8.5 million

*invested in waste management*



**+US\$40.4 million**  
invested in sustainability

**67** production  
plants

**+580,000**  
sale points

**1.7 million tons**  
of food produced in 2016

**70** local and international  
associations in which  
we participate

# Economy

We create economic value with our strategic practices and we share it to promote the development and strengthening of our value chain.

# We keep our stakeholders informed, and we listen to them

At Sigma, we value our relationships with stakeholders and work to strengthen.

Because we know that the success depends on mutually beneficial, transparent and sustainable relationships, we have open communication channels that serve a double purpose: they help us keep our stakeholders informed and they allow us to listen to their opinions concerning economic, social and environmental issues.

Stakeholders	Commitments	Communication Channels
Shareholders	Create superior value for the long term.	ALFA Shareholders Meeting, corporate reports, website, social networks, transparency mailbox.
Collaborators	Attract the best talent and promote their wellbeing, growth and motivation.	Corporate reports, transparency mailbox, employee survey, Employee Assistance program, website, newsletter, internal magazine.
Consumers	Captivate them with superior experiences and an innovative and nutritious offering.	Contact centers, focus groups, satisfaction survey, website and social networks.
Costumers	Exceed their expectations with value proposals, sharing our best practices.	Contact centers, Excellent Customers program, satisfaction survey, website and salesforce.
Suppliers	Establish long-term, collaborative and mutually beneficial relationships.	Evaluation and training programs, contact centers, website and social networks.
Community	Ensure safe and sustainable operations and participate in their development.	Website, social networks, transparency mailbox and contact centers.
Authorities	Comply with applicable regulations and establish partnerships for sustainable development.	Associations, chambers and meetings.
Associations and NGOs	Collaborate effectively to create scientific and industrial groups.	Industry forums, meetings, participating in committees, social networks and website.



## We create and share value

We work every day, in partnership with our suppliers and customers, to deliver locally preferred favorite food products to millions of people all over the world. These collaborations have played a key role for reaching more than 580,000 points of sale in 17 countries.

We make sure that our operations are highly efficient and that we comply with the strictest quality and safety standards across the company. We are convinced that the growth of our business is directly related to a sustainable value chain.

At Sigma, we are committed to strive for operational excellence and to work on projects and initiatives that have a positive impact on society, the community and the environment. This is why in 2016 we invested more than US\$40.4 million in sustainability programs globally.

### Deboning Chicken

*By exchanging know-how and collaborating across divisions, in 2016 we increased efficiency at our chicken-deboning operations in Torrente, Spain, by 10 percentage points. This initiative proves that sharing best practices and resources within the company contributes to creating economic and sustainable value.*

### State-of-the-art Technology

*We reopened our cooked and dry foods facility in Burgos, Spain, with a US\$250 million investment. It has a production capacity of approximately 100,000 tons annually. Its state-of-the-art technology resulted in savings of 20% in water consumption and 30% in electric power consumption.*



## We work as a team with our suppliers

We know that there are many elements in our production processes that are key to ensuring the quality and safety of our products, but we also recognize that having reliable raw materials constitutes the first step in the process. Correspondingly, it is very important for us to select and develop suppliers with whom we can work as a team in order to create sustainable, mutually beneficial, long-term relationships.

We have a Supply Policy that outlines the criteria for selecting suppliers, based on the highest quality standards required for the inputs.

In addition, we have an internal Supplier Certification program through which we carry out technical assessments in order to find areas for improvement in safety, efficiency and profitability. At our operations in Mexico, Europe and the U.S., we audit and certify 100% of our meat suppliers.

Striving to contribute to their development, we also make sure we offer our suppliers the training and support they need. In addition to offering them programs centered on improving their management capabilities and practices, we motivate them to implement responsible practices that strengthen their value proposition and result in a win-win long-term relationship.

### Dairy Development Program

*With this program, we support over 190 farmer associations in Mexico. In 2016, we bought an average of 11 million liters of cow's milk weekly from them. We are committed to acquire 100% of the milk they produce as long as it meets our quality standards and responsible practices.*

# 100%

*of our meat suppliers in Europe, the U.S. and Mexico are audited and certified.*



# We create relationships based on trust with customers and consumers

We are aware that exceeding customer and consumer expectations is essential to achieve commercial results that guarantee all the previous work of the productive chain.

Our value offer to consumers is to indulge them with superior experiences through nutritious, safe and innovative products, which can be found in different sale points.

In order to complement the experience, we take the necessary measures to open communication channels that allow us to better understand their needs, concerns and suggestions and also to inform them of the benefits of our products, services and programs.

In addition to all the processes of innovation focused on the consumer and sensorial and functional analysis of products that we perform in the R&D centers, we also have customer service systems with which we serve our stakeholders. In 2016 alone, we received and serviced more than 250,000 contact records.

As with our suppliers, we are also interested in helping our customers and their businesses grow. We offer training programs for small and medium-sized companies on topics such as financial planning, human resources management and competitiveness, among others. Additionally, we provide them with infrastructure, such as the 17,000 energy-efficient refrigerators we installed in retail stores in Mexico throughout 2016. This effort allows us to streamline our cold chain, strengthen our brand presence at the sale points and reduce energy consumption at our customers' facilities.

For larger customers, we understand that just as we strive to have a responsible supply chain, they too need to work together with us when we provide them with our products. This is why, in addition to ensuring the wellbeing of the sales personnel who visit the sale points or are based there, we collaborate in our customers' communications efforts in order to increase transparency and share best practices. This contributes to us being a profitable value chain that has a positive impact on the environment and society.



## Excellent Customer

*As part of this program in Mexico, in 2016 we granted awards to 32,809 customers and equipped them with 17,700 state-of-the-art refrigerators. Additionally, our supervisors and executives carried out more than 18,300 personalized service and assistance visits.*

# Global Associations

70 Associations: Global Level

## Food Industry 37

GR	German Meat Industry Federation (BVDF)
BE	Agency for Innovation and Entrepreneurship (VLAIO)
	* Belgian Association of Meat Science and Technology (BAMST)
	* Belgian Food Industry Federation (FEVIA)
	* Belgian Federation of Meat Products (FENAVIAN)
	* Platform for Innovation in the Food Industry
US	* North American Meat Institute (NAMI)
	* The Consumer Goods Forum
SP	Asociación Interprofesional del Porcino de Capa Blanca (INTERPORC)
	* Asociación Multisectorial de Empresas de Alimentación y Bebidas (AME)
	Asociación Nacional de Industrias de la Carne de España (ANICE)
	* DEPORCIL
	FoodDrinkEurope
	* Fundación Alimentum
	Fundación Española de la Nutrición (FEN)
EU	Liaison Center for the Meat Processing Industry in the European Union (CLITRAVI)
FR	French Meat Industry Federation (ICT)
	French Food Industries Association (ANIA)
	* USRICT
NT	Dutch Food Industry Federation (FNLI)
	* Dutch Meat Products Association (VNV)
INT	Food Reform for Sustainability and Health (FReSH) program of the World Business Council for Sustainable Development
IT	Industrial Meat and Salami Association (ASSICA)
	Mortadella Bologna Consortium
	Parma Industry Association
	Parma Quality Institute
	* Prosciutto di Parma Consortium
	* Prosciutto di S. Daniele Consortium
	* (UNICEB)
MX	Agriculture and Food Cluster in the state of Nuevo León
	Asociación Mexicana de Bancos de Alimentos (AMBA)
	Asociación Nacional de Establecimientos TIF (ANETIF)
	Cámara Nacional de Industriales de la Leche (CANILEC)
	Consejo Mexicano de la Carne
	Consejo Nacional Agropecuario
	*** Iniciativa Global de Seguridad Alimentaria (GFSI)
PO	** Portuguese Meat Industry Association (APIC)

## General Industry 5

EU	European Agency for Safety and Health at Work (EU-OSHA)
MX	Asociación Nacional de Transporte Privado (ANTP)
	Cadenas Productivas de NAFINSA Monterrey
	Cámara Nacional de la Industria de la Transformación (CANACINTRA)
	Consejo Mexicano de la Industria de Productos de Consumo (ConMéxico)

## Research and Education 16

BE	+ De Liège University
	+ Ghent University
US	+ Massachusetts Institute of Technology Industrial Liaison Program (MIT ILP)
	Oklahoma State University
SP	+ Alimentación y Ciencia (ALICIA)
	+ Instituto de Investigación y Tecnología Agroalimentaria (IRTA)
	+ Universidad de Burgos
EU	+ Danish Meat Research Institute
NL	+ Maastricht University
MX	+ Centro de Competitividad en CAINTRA
	* Centro de Ingeniería y Desarrollo Industrial (CIDESI)
	+ Cluster Biotecnológico del Estado de Nuevo León, A.C.
	+ Consejo Nacional de Ciencia y Tecnología (CONACYT)
	+ Instituto Politécnico Nacional (IPN)
	+ Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM)
	+ Universidad Autónoma de Nuevo León (UANL)

## Responsible Marketing 6

GR	*** Brand Association in Germany (Markenverband)
SP	Asociación Española de Anunciantes (AEA)
IT	Industry and Enterprise Association (Unindustria)
	Italian Advertising Association (AITA)
PO	Portuguese Advertising Association (APAN)
	Portuguese Brand Products Companies Associations (Centromarca)

## Human Resources 6

US	Organizational Development Network
FR	Society for Human Resource Management (SHRM)
	Joint Organism for Approved Charging of the Funds for Forming Agricultural Cooperatives and Food Industries (OPCALIM)
MX	Unión Social de Empresarios de México (USEM)
	Asociación Mexicana en Dirección de Recursos Humanos (AMEDIRH)
	Movimiento Congruencia

### Region abbreviations

GR- Germany, BE- Belgium, US- United States, EU- Europe, SP- Spain, FR- France, NT- Netherlands, INT-International, IT- Italy, MX- Mexico, PO- Portugal

### Symbols indicate level of participation:

\* =Member of the Board  
 \*\* =Vice Chairman of the Board  
 \*\*\* =Chairman of the Board  
 + = Research Agreement  
 No symbol = Member of the Association

I:

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