

Risk Management

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

Sigma Foods conducts an annual company-wide risk assessment led by the Chief Financial Officer through the Central Internal Control and Internal Audit teams. The former oversees risk identification, evaluation, and monitoring, while the latter reviews the effectiveness of our risk management processes, including emerging risks. It also ensures alignment with legal, regulatory, and governance expectations. As a result, mitigation plans are developed by the relevant functional areas based on each risk's nature and root cause.

Internal Audit plays a central role in safeguarding the organization's human, financial, physical, and reputational assets. It also advises on governance and internal control best practices, evaluates the reliability of reported information, and incorporates ESG risks into its audit and review programs.

The outcomes of this process include ESG-related risks, which are presented to the Board of Directors' Audit Committee. The Committee oversees progress on the most critical risks and assesses the adequacy of the proposed mitigation plans.

RISK MANAGEMENT PROCESS



RISK IDENTIFICATION
Sigma Foods 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 Foods 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 the Company focus on the most critical risks that require immediate attention.

RISK MITIGATION
Sigma Foods 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 identification and review of risks and evaluation of the effectiveness of mitigation measures. This ensures that new and existing risks are identified promptly 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 the risk inventory tool, which is overseen by the Company's Audit Committee.



The entire risk management process involves various functional areas across different geographies. The process covers a broad range of risks, including processes, 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, likelihood, and potential impact, as well as the time frame and those responsible for management. The most relevant risks identified include:

FUNCTIONAL AREA	DESCRIPTION	MITIGATION MEASURES
Talent and Culture	Impact of Labor Reforms (MX)	<ul style="list-style-type: none"> Defining human capital management strategies to minimize financial impacts.
Finance	Loss of self-financing with suppliers due to regulatory changes (EUR)	<ul style="list-style-type: none"> Monitoring financial performance. Evaluation of alternatives to optimize Net Working Capital.
Marketing	Increase in customer bargaining power and penetration of private labels (Latam)	<ul style="list-style-type: none"> Monitor market share trends to develop specific strategies. Develop new products. Drive attractive, differentiated, and relevant innovation for consumers and clients.
R&D	Opportunity in PT traceability if product recovery is triggered (Global)	<ul style="list-style-type: none"> Improve raw material control and digitize ingredient documentation. Implement technological tools. Standardization processes. Evaluate cleaning effectiveness.
Procurement	Supply disruption due to high dependence on single suppliers (MX)	<ul style="list-style-type: none"> Develop new suppliers and register substitutes according to a defined plan. Supplier evaluation.
Procurement	Impact on supply chain due to political conflicts (Global)	<ul style="list-style-type: none"> Situation monitoring. Define action protocols. Monitor financial impact. Develop new sourcing options (suppliers).
IT	System disruption due to cybersecurity attacks (Global)	<ul style="list-style-type: none"> Ensure proper and timely installation of EDR (Endpoint Protection) on all devices. Define and test critical incident response plans. Maintain effective coordination with the SOC (Security Operations Center) team to address incident.
Finance	Increase in cost and/or shortage of meat raw materials due to animal health diseases (Global)	<ul style="list-style-type: none"> Diversify suppliers across different countries for poultry, turkey, and pork categories. Advance purchases to secure inventory. Market monitoring. Global bidding processes.
Sustainability	Impact due to ESG regulatory changes	<ul style="list-style-type: none"> Reduce direct and indirect emissions. Continue projects related to energy, refrigerants, water, and packaging. Prepare Non-Financial Reporting statements required per geographical regulations.
Sustainability	Impact related to climate change effects to our operation's continuity (Global)	<ul style="list-style-type: none"> Ensure that action protocols are documented and kept up to date. Define and adhere to investment projects and evaluate their efficiency.

CLIMATE-RELATED RISKS

Sigma Foods utilizes digital tools (such as Aqueduct and Waterplan®) to monitor the climate risks to which its operations—particularly its production plants—are exposed. Through these technologies, the Company strengthens its ability to anticipate, prioritize and mitigate potential impacts associated with climate change.

To further reinforce this approach, the Company updated its own global water framework to assess both climate-related and non-climate-related risks across its production facilities. The framework is designed to identify priority locations and align water-related investments accordingly. It is guided by five key criteria to ensure that resources are deployed strategically and support long-term operational sustainability.

