

alfa

Our **VISION** of
sustainability



The Company

ALFA is a Mexican company comprising four business groups: Alpek (petrochemicals), Nemak (high-tech aluminum auto components), Sigma (refrigerated food) and Alestra (telecommunications). ALFA is the world's leading manufacturer of high-tech aluminum engine heads and blocks. It is one of the world's largest producers of PTA and PET, and has a leading market share in other petrochemicals in Mexico. In addition, ALFA is Mexico's leader in the processed meats and cheese market and one of the most important value-added telecommunications services companies in Mexico.

In 2010, ALFA reported revenues of \$136,395 million pesos (U.S. \$10.8 billion), and EBITDA of \$15,958 million pesos (U.S. \$1.3 billion). Currently, ALFA has manufacturing operations in 16 countries and employs more than 56,300 people. ALFA's shares are quoted on the Mexican Stock Exchange and on Latibex, the market for Latin American shares of the Madrid Stock Exchange.



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Highlights of the year

→ The ALFA Employees

13 plants set internal records in industrial safety.

1,860 courses and more than 1.4 million man-hours of training.

120,000 participants in recreational events.

→ The Community

102 educational, health-care, and social-assistance institutions received support from ALFA.

\$6.5 million pesos contributed to the Teletón in Mexico.

250,000 people visited the ALFA Planetarium.

→ The Environment

+7.9 million tons of CO₂ were not emitted thanks to ALFA's recycling and energy-saving programs.

20% less CO₂ emissions over the last 10 years, while production increased by 48%.

4.1 million GJ of energy saved in the last four years.

→ Economic Impact

U.S. \$ **10,794** million economic value generated.

56,300 employees, 31% are women.

U.S. \$ **889** million in investment and acquisitions.

ALFA:

Global Footprint and Businesses



Alpek

One of the largest producers of PTA and PET in the world; the only producer of polypropylene in Mexico. Also, it operates the largest expandable polystyrene site in the Americas.

- Main products: PTA, PET, polypropylene, expandable polystyrene, caprolactam, ammonium sulphate, urethanes, glycols, polyester fiber, and nylon polymer
- Plants: 21 in 3 countries
- Capacity: 5.8 million tons per year
- Employees: 4,076

Nemak

The world's leading manufacturer of high-tech aluminum auto components.

- Main products: Aluminum heads and blocks for gas and diesel engines, and transmission parts
- Plants: 27 in 12 countries
- Capacity: 43 million equivalent heads per year
- Employees: 18,067

ALFA serves the following industrial sectors: petrochemicals and plastics, auto parts, food and beverages, textiles, packaging, construction, furniture, and telecommunications.



presence in **16**
countries

82
production
plants

56,300
employees

Sigma

The leader in the processed meats and cheese markets in Mexico.

- Main products: processed meats, cheese, yogurt, and prepared foods
- Plants: 34, plus 145 distribution centers in 9 countries
- Capacity: 1,000,000 tons per year
- Employees: 29,197

Alestra

One of Mexico's leading value-added telecommunications services companies.

- Main services: data transmission, Internet, managed services, security and hosting, local telephone and long distance services
- Presence: 200 cities across Mexico
- Employees: 1,696

Message

from the Chairman of the Board and the President

→ We present ALFA's 2010 Sustainability Report, the first to be produced using the methodology of the Global Reporting Initiative (GRI). Of particular note is the fact that during the year ALFA broadened and reinforced its sustainability programs.

From an operating and financial standpoint, ALFA achieved favorable results. In addition, the foundations were laid for future profitable growth through investments and acquisitions. All of this was done with the clear aim of creating value for the Company's stakeholders.

In the area of sustainability, the ALFA companies made progress. For instance, they invested in projects aimed at reducing and optimizing the use of energy and enhancing their CO₂ emissions reduction programs. Of special significance were the U.S. \$4.6 million invested in energy efficiency projects, the processing of 460,000 tons of recycled aluminum, and the start-up of a PET bottle recycling plant in the U.S.

Regarding industrial safety, the ALFA companies achieved important milestones during 2010: seven plants accumulated a year without suffering disabling accidents, while four others reached their second year without such accidents, and two plants, Polioles Altamira and Nyltek, extended their accomplishments to four consecutive years.

On another front, the ALFA companies offered 1,860 courses and 1.4 million man-hours of training. Moreover, 15,400 employees attended the 35 instruction programs offered by the Sigma Univer-

sity and 2,320 people participated in the ANSPAC (Mexican National Association for Self Improvement) program.

Through the ALFA Foundation and its companies, ALFA supported more than 100 educational, health care, social assistance and environmental initiatives. For its part, the ALFA Planetarium hosted more than 250,000 visitors.

It is important to give credit to the thousands of ALFA employees who joined it in participating in the sustainability programs described above. ALFA congratulates them for their willingness to unite efforts and contribute to a noble cause. The company encourages them to continue to do the same in future years, taking part in an activity that is a source of pride for all involved.

San Pedro Garza Garcia, N.L., Mexico
February 1, 2011.

Armando Garza Sada (left)
Chairman of the Board of Directors

Álvaro Fernández Garza (right)
President

ALFA achieved favorable results in the main financial lines and laid the foundations for future profitable growth.



Our Philosophy

mission

To become a source of pride for our workers and shareholders; exceed stakeholder expectations through leadership, innovation and long-term exceptional performance.

vision

Our commitments

Stockholders: Achieve outstanding long-term value creation through profitable growth, continuous portfolio optimization and by carefully investing in new business opportunities.

Employees: to be a great place to work. To attract and develop the best talent, motivating them to achieve their full potential.

Clients: to exceed expectations with superior experiences and innovative offerings.

Suppliers: to build long lasting mutually beneficial relationships.

Community: to promote safe and sustainable operations. To contribute to the development of our communities.

values

Integrity: Our actions are governed by our commitment to ethical conduct and social responsibility.

Respect and Empathy: We consider diversity as a strength. We seek to incorporate individuals with different backgrounds and experiences. We aspire to provide a work environment that promotes trust and cooperation.

Results Oriented: We are committed to value creation and to the continuous improvement of our businesses. All our employees embody a personal commitment to improving the performance of the company.

Innovation and Corporate Training: Encourage and reward innovation and development of new business opportunities.

Client focus: Dedicated to exceeding our clients' needs.

Since **2006**
ALFA has adhered to
the United Nations
Global Compact.

Our Vision of Sustainability

ALFA branched out from a group of companies that established the first private-sector employee health, training, and savings plans in Mexico.

→ ALFA believes that generating value through a model of sustainable development is key to its permanence and growth. As part of a community, it must not only generate economic value, but also contribute to the development of its employees and communities, as well as carry out its activities with deep respect for the natural environment.

ALFA branched out from a group of companies that, early in the twentieth century, established the first private-sector employee health, training, and savings plans in Mexico.

ALFA has maintained this tradition for more than 35 years. Over time, it has enhanced these programs, fitting them to the needs of the present moment and of the regions where it has a presence.

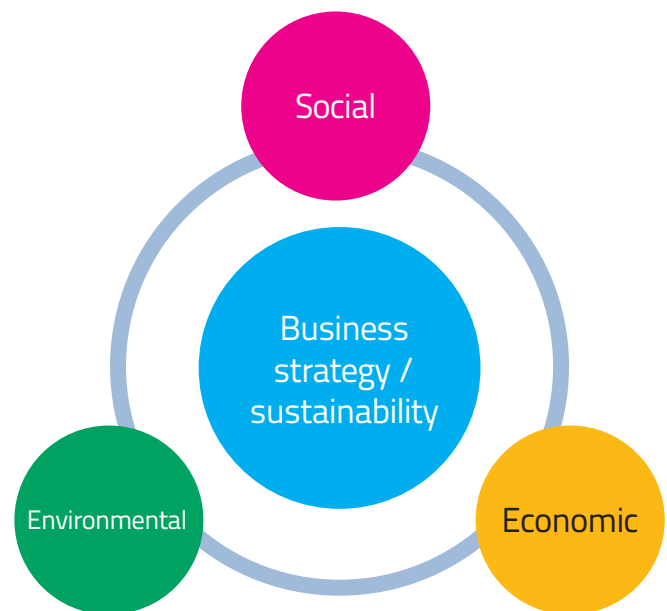
For ALFA, sustainability is a process of continuous improvement. In 2010, in accordance with its philosophy and under the leadership of the new management team, which assumed its duties in March of that year, it continued to develop programs to improve the health, industrial safety, and integral development of its employees. It also supported institutions that foster a better quality of life in the community and promote energy-savings, recycling, and emissions-reduction programs.

ALFA also created an organizational unit dedicated to coordinating, supporting, and monitoring sustainability initiatives, as well as to strengthening its sustainability vision, culture, and policies.

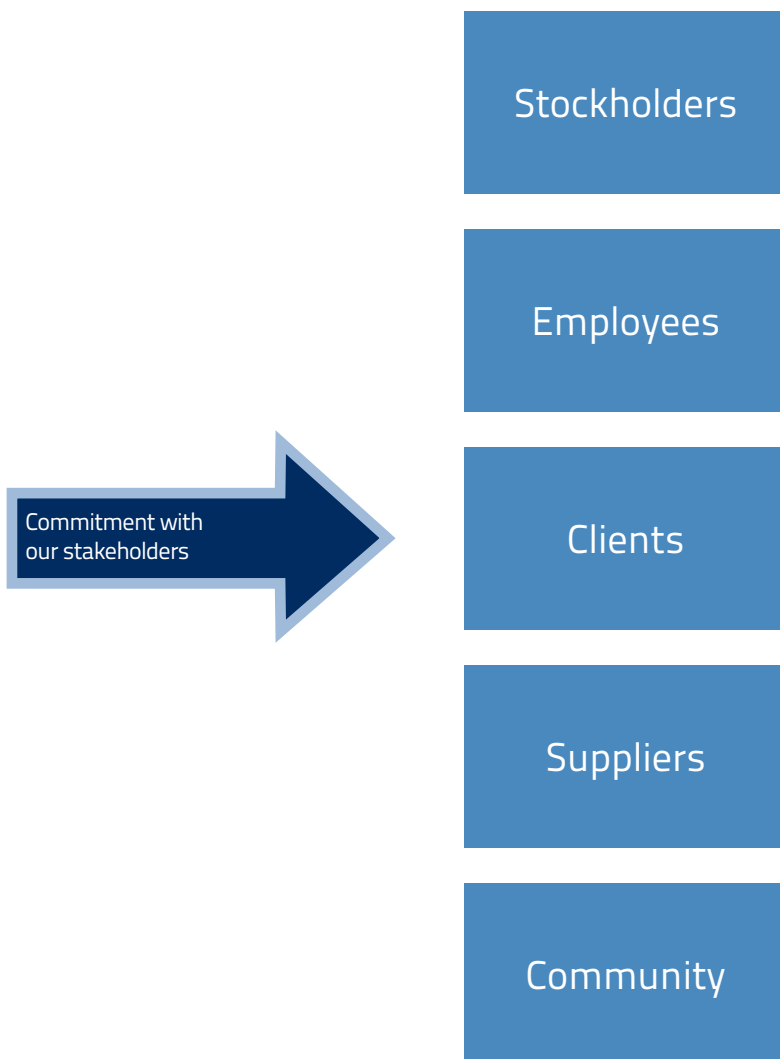
Mission

Vision

Values



For ALFA, its stakeholders are those groups who may be directly or indirectly affected by the company's activities.



Corporate Governance and Business Ethics

➔ A solid structure of corporate governance has been one of ALFA's pillars since its founding. The company adheres substantially to Mexico's Code of Best Corporate Practices, which governs its performance in this area.

The Board of Directors of ALFA has 13 proprietary members, who have no alternates. They are elected on the basis of their professionalism, business careers, leadership, experience, and adherence to ALFA values. Nine of them are independent directors. The Chairman himself does not occupy an operating position in the structure of the company.

The Board of Directors supervises the company's economic, social and environmental performance through ordinary and/or extraordinary meetings held during the year.

In order to carry out its functions correctly, three Committees support the Board of Directors: Finance, Human

Board of Directors

José Calderón Rojas
 Enrique Castillo Sánchez Mejorada
 Valentín Díez Morodo
 Francisco Javier Fernández Carbajal
 Álvaro Fernández Garza
 Dionisio Garza Medina
 Armando Garza Sada
 Claudio X. González Laporte
 Ricardo Guajardo Touché
 David Martínez Guzmán
 Adrián Sada González
 Federico Toussaint Elosúa
 Guillermo F. Vogel Hinojosa

Carlos Jiménez Barrera

Member

Independent Proprietary
 Independent
 Independent
 Independent
 Related Proprietary
 Related Proprietary
 Related Proprietary
 Independent
 Independent
 Independent
 Independent
 Independent
 Independent

Secretary

Committee

Audit and Corporate Practices
 Finance
 Human Resources
 Finance
 Finance
 Finance
 Human Resources
 Finance and Audit and Corporate Practices
 Finance
 Human Resources
 Audit and Corporate Practices
 Audit and Corporate Practices

Resources, and Audit and Corporate Practices. The Committees are headed by independent members and meet at least twice a year to resolve matters within their sphere of competence. All of the directors participate in at least one of these committees. The Audit and Corporate Practices Committee is formed by independent members only.

The compensation of the members of the Board of Directors is determined based on standard practices for companies of similar size and industry in Mexico. Other company officers and executives have both fixed and variable compensation, with the latter being calculated based on reaching certain previously established targets, and overall company results.

Nine out of the 13 Board members are independent.

ALFA has trustworthy and transparent means of registering complaints and a strict follow-up procedure.

ALFA has several channels of communication between the Board of Directors and its shareholders, including minority shareholders. These include:

- The Corporate Communications Department, which is an area devoted to providing information and attention to shareholders. It also serves to inform the Board of investor's concerns regarding the company.
- The Annual Shareholder's Meeting, where shareholders can directly express their concerns and opinions to the Board.
- The Transparency Mailbox, which can be used by shareholders, employees, customers, suppliers, and external audiences.

There is a corporate policy that regulates conflicts of interest at ALFA. There are anti-corruption policies and procedures in place, which are known and adopted by directors and employees. Such policies and procedures govern the personal, professional, and working relations of all the members of the organization.

Since several years ago, ALFA has put in place a Transparency Mailbox, which is a mechanism whereby inappropriate conducts can be reported anonymously, by telephone or e-mail.

The mailbox can be accessed by a different telephone number depending on the country from which the call originates. The mailbox provides ALFA employees with a trustworthy and transparent manner of sending their comments and concerns to ALFA at any moment.

Exceeding the expectations of customers and consumers is one of ALFA's core values. Through a toll-free phone number, e-mail and web pages, they can communicate their views and opinions:

- **Sigma** gave effective attention and response to 90.7% of the calls it received during 2010.
- **Nemak** maintains representatives at customer's plants, monitoring product quality daily.

- **Alestra** carries out weekly and monthly surveys and interviews with customers.
- **Alpek** performs continuous evaluations regarding product quality and customer service.

Human rights are of vital importance to ALFA. Since 2006, the company has adhered to the United Nations Global Compact.

All of the company's staff in security areas have received specific training in safety policies and procedures, as well as in human rights, a concern which is also vital regarding relationships with suppliers and contractors.

The principal associations to which ALFA belongs:

- American Foundry Society (AFS)
- Mexican Internet Association (AMIPCI)
- National Association of Chemical Industry of Mexico (ANIQ)
- Association for the Self-Improvement, A.C. (ANSPAC)
- National Chamber of Electronic, Telecommunications and Information Technology Industry (CANIETI)
- National Chamber of Transformation Industry (CAINTRA)
- Canadian Foundry Society (CFS)
- Mexican Employers Confederation (COPARMEX)
- Nuevo Leon State Civic Institutions Council (CCINLAC)
- Mexican Council of Businessmen (CCE)
- Mexican Enterprise Council of Foreign Trade, Investment and Technology (COMCE)
- Mexican Business Coordinating Council (CMHN)
- Mexican Council of Science and Technology (CONACYT)
- German Association of the Automotive Industry (GAAI)
- Hungarian Foundry Association (HFA)



31% of ALFA's
employees are **women.**

ALFA believes its employees are the foundation of its sustainability project. ALFA endorses the principles of equal opportunity, development, gender equality, and respect. It makes every effort to offer its employees quality of life based on a balance between work and family life, human development, health, and industrial safety. ALFA fosters a workplace environment in which employees are listened to and respected, where the working environment facilitates communication and collaboration. ALFA allows and encourages employee's access to and communication with all organizational levels.



The ALFA Employees



15,400
employees enrolled in the
Sigma University.



2,320

people participated in the programs offered by ANSPAC.

At the end of 2010, ALFA employed a total staff of 56,300 employees, of whom 31% were women. There is no difference in the base salary for men and women, since salaries are determined by position and not by gender. Some 46% of ALFA employees belong to a union and work under a collective bargaining agreement. 96% of employees have a permanent contract. Of this number, 95% work full time and 5% part time. Average monthly turnover is 1.97%.

ALFA employees receive benefits, including pensions plans, educational aid, and medical assistance, which exceed those required by law in the countries where they work. ALFA's pension system consists of a fixed contribution plan, fully supported by the company, which ranges from 4% to 17% of an employee's salary.

Industrial Safety and Health

Keeping high standards for industrial safety and health within the ALFA companies is a permanent task. Many of ALFA's employees take part on safety, health, industrial hygiene, and environmental protection committees. In 2010 significant progress was made in all of these areas. At the consolidated level, ALFA reduced its Injury Rate (number of days lost by occupational risks for every million man-hours of exposure) from 307 in 2009 to 94 in 2010. The Frequency Rate (number of disabling accidents for every million man-hours of exposure) was also reduced from 11.39 in 2009 to 10.77 in 2010. Seven plants recorded one year with zero disabling accidents, four more reached two years while the Polioles plant in Altamira, Mexico, and Nyltek extended their safety records to four consecutive years.

ALFA companies offer medical services in most of their work centers to care for the health of their employees. They also promote a culture of preventive health care, with activities such as health fairs, campaigns against contagious diseases, nutritional advice, sports programs, and physical exercise.

Training

Training is one of the pillars for the development of ALFA's employees. The main achievements in this area in 2010 included:

- 1,860 training programs and more than 1,420,000 man-hours of training.
- 15,400 employees participated in 35 programs offered by Sigma University.
- 2,320 people in Mexico, the U.S., Costa Rica, and the Dominican Republic participated in the programs offered by ANSPAC on subjects such as self-esteem, respect, personal improvement, and ethics.

In addition to training programs, the ALFA companies carried out performance evaluations that helped to design development plans for almost 80% of the employees. In order to foster professional development of ALFA's executives, a mentoring program was implemented throughout the different companies in which 66 staff members participated. They had the opportunity to develop essential skills to continue advancing within the organization. Another program, known as "ALFA Leaders", was aimed at young professionals who have shown exceptional qualities in terms of leadership, innovation and learning ability.

16 Sigma workplaces were designated as "Family Responsible Company".



➔ Several principles govern the relationship between ALFA and its employees, in terms of their growth, permanence, and commitment:

- **Health and Industrial Safety.** The physical safety of its employees is ALFA's highest priority. Accordingly, it gives special attention to the development of safer work procedures and programs.

Alestra was recognized for the "Effective Safety and Health at Workplace", by the Mexican Ministry of Labor and Social Welfare.

- **Training and development.** The strength of a company is based on the ability, responsibility, and integrity of its employees. Accordingly, ALFA offers training programs for all areas, levels, and functions.

- **Family development.** ALFA's sustainability program is extended to the families of its employees through educational and recreational activities.

- **An inclusive company.** ALFA offers employment opportunities irrespective of nationality, gender, creed, race, economic condition, or sexual orientation. ALFA also promotes the employment of handicapped people.



Family-Work Balance

ALFA believes the balance between work and family activities is a key for the integral development of its employees. To promote this relationship, in 2010 the ALFA companies organized a series of activities in which 13,782 employees and their families participated. Such activities included Family Days, ANSPAC and summer camps. Likewise, a total of 175 sporting and recreational events were held, including year-end celebrations, Mother's Day, Father's Day, and Child's Day, in which more than 120,000 people participated.

Sigma operates an Employee Assistance Program that consists of a toll-free phone number through which employees and members of their families can receive emotional, legal, financial, and nutritional counseling 24 hours a day, 365 days a year.

An Inclusive Company

Since 2004, ALFA has belonged to the Movimiento Congruencia (Congruence Movement), an organization that promotes the integration of people with disabilities into the workforce, seeking to widen their job opportunities. Last year, 201 persons with disabilities were employed in the ALFA companies.



U.S. \$3.2
million invested
in industrial safety.

1,641 tons
of food **donated** to the
benefit of 290,000 people.

102
educational and social
assistance institutions
supported.

The ALFA companies have a permanent commitment towards the communities where they operate. This commitment is manifest every time they contribute to the solution of common problems. The aim is to build long-term mutually beneficial ties.

ALFA therefore directs its actions following three priorities: education, nutritional health, and the environment. Every one of its companies in the 16 countries in which it operates, implements particular programs in the community, with the support of the ALFA Foundation.



The Community



+3,300
students benefited
by agreements with universities.



The ALFA Planetarium received more than 250,000 visitors, including 75,000 students from 533 schools.

In 2010 the social actions carried out by ALFA benefited 102 educational, health, social assistance, and environmental institutions. Additionally, ALFA employees devoted 1,281 hours of volunteer work.

The ALFA Foundation

The mission of the ALFA Foundation is to promote and support initiatives that contribute to the construction of a better future for the community. The Foundation focuses its efforts on:

- Education, within and outside of the company, as the main factor of social development.
- Nutritional health, with a special focus on child nutrition, a growing problem all over the world.
- The environment, mainly by raising awareness of its importance and the impact that individual actions can make.

In alliance with various institutions worldwide, the ALFA Foundation engages in sustainable projects, thus ensuring that it will benefit the largest number of people year after year.

Education

ALFA continued to support educational institutions at all levels, both rural and urban, as well as schools in disadvantaged areas, schools for children with disabilities, and universities. Support was given through economic contributions and/or in kind.

ALFA companies have signed agreements with the CONACYT (the Mexican Council on Science and Technology) and with public and private universities in various countries to promote technological development, research, and post-graduate education that benefited 3,328 students. In order to promote the exchange of knowledge, 295 outstanding students from universities in Mexico, Germany, the Czech Republic, the U.S., and other countries performed internships in several ALFA plants, complementing their academic studies with hands-on experience that will enrich their professional development.

The ALFA Planetarium offered government-certified diploma programs in robotics and astronomy to primary school teachers. In 2010, a total of 245 teachers participated in these courses.

Nutritional Health

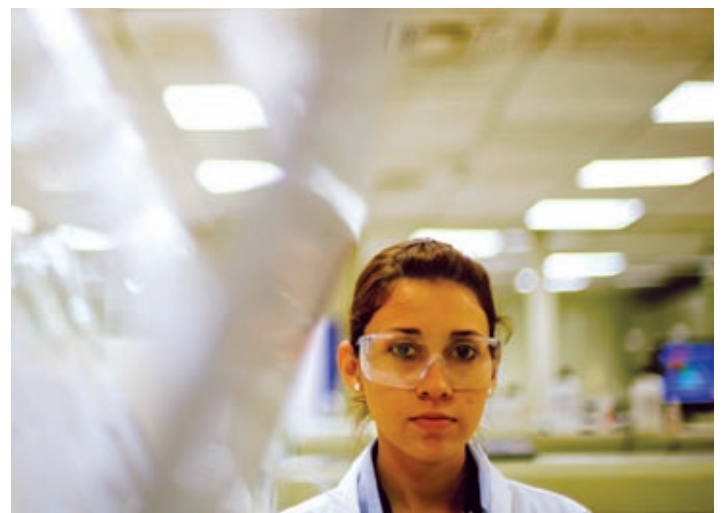
Sigma donated 1,641 tons of food to the Mexican Association of Food Banks, to the benefit of some 290,000 people.

Sigma also took part in the "Learning Health" initiative of the Ministry of Education of the state of Nuevo León, designed to create mechanisms and programs to improve the nutritional health of public school children.

Social Assistance

ALFA, and Sigma in particular, continued to collaborate with the Teletón, an Mexican institution devoted to the rehabilitation of children with disabilities. In 2010, some \$6.5 million pesos was

295 college students performed internships at ALFA'S companies.



→ The ALFA Planetarium

Since its founding in 1978, the ALFA Planetarium has sought to foster an appreciation of science and technology, in particular among children and young people. Considered the first interactive museum in Mexico, it includes an IMAX Dome projection hall (the first IMAX in Latin America), as well as didactic exhibition areas and interactive games. It is one of the most frequently visited cultural spaces in Mexico.

In 2010 the Planetarium hosted more than 120 events and received more than 250,000 visitors, including more than 75,000 students from 533 schools. New spaces were opened for workshops and learning games, and a variety of exhibitions, workshops, competitions, tournaments, celestial observations, and science weeks were held.

In collaboration with the DIF, a government-run family development agency, and the Ministry of Social Development of the state of Nuevo León, Mexico, the Planetarium welcomed 4,980 visitors from different community centers and/or less developed zones.



raised, with ALFA contributing \$5.5 million and the rest coming from employee donations.

In 2010, ALFA provided support to communities that were affected by Hurricane Alex, which in mid-year hit northeastern Mexico, leaving thousands homeless. On the one hand, the ALFA companies, the ALFA Foundation and employees joined efforts to support affected communities collecting food, water and blankets, as well as cleanup of homes and streets. On the other hand, the program "Hand in Hand" was created, where Sigma and its employees donated more than U.S. \$120,000, which were delivered to nearly 100 of their colleagues who were affected by the floods. In 2010, more than 600 employees from different companies dedicated more than 1,800 hours of voluntary work in support of their communities.

On Sigma Day, employee volunteers collected more than 500 toys which were donated to community centers in Monterrey.

As in every year, DAK Americas participated in community activities organized by the United Way, such as campaigns to collect donations of food and medicines.



\$6.5 million
pesos contributed
to the Teletón.

585,000 GJ

of **energy saved** and 200,000 tons of CO₂ emissions avoided in 2010 as a result of projects undertaken by ALFA in 2010.



4.6 million tons

of CO₂ avoided by Nemak in 2010, due to the recycling of 460,000 tons of aluminum.

Efforts to reduce the carbon footprint produced by its operations are an integral part of ALFA's business strategy. Considerable investments are made every year to this end, including the purchase of equipment and technology to responsibly use natural resources and to reduce, reuse, and recycle raw materials and inputs. The promotion of environmental awareness within and outside the ALFA facilities is also a part of this effort.

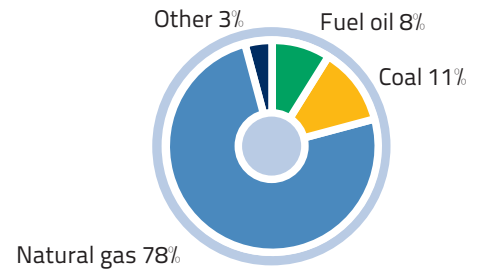


The Environment

78% of **ALFA'S** energy consumption is **natural gas**, the cleanest fossil fuel.



Primary energy source used by ALFA's operations



Energy

In the 2007-2010 period, ALFA invested U.S. \$53 million (including U.S. \$4.6 million in 2010) in 240 energy efficiency and productivity projects including, among others, the optimization of energy consumption, cogeneration projects, and improvements in waste water treatment. These projects have produced significant environmental benefits, since reductions in the consumption of energy translate into a decrease in the emissions associated with their production and use. The total energy savings generated by these projects from 2007 to 2010 was 4.1 million gigajoules* (GJ) per year, equivalent to the energy saved by retiring 370,000 compact cars. The energy projects started up in 2010 reduce energy consumption by 585,000 GJ per year and CO₂ emissions by 200,000 tons.

In order to keep improving its ecological performance, ALFA has continued to use more natural gas as a primary energy source, which is cleaner than other fossil fuels. In 2010, 78% of ALFA's production facilities consumed natural gas instead of other energy sources.

Recycling

Nemak is one of the largest processors of recycled aluminum in the world. The use of recycled aluminum makes it possible to save 95% of the energy necessary to produce aluminum from bauxite, according to the International Aluminum Institute, with the resulting emission reduction. Nemak used 460,000 tons of recycled aluminum, equivalent to 33 billion average-size cans.

This represented a reduction in CO₂ emissions of 4.6 million tons, equivalent to what 1.7 million compact cars emit in one year.

Toward the end of the year, Clear Path Recycling, an ALFA subsidiary, began operations in the U.S. The company is involved in the recycling of PET bottles. In the few months it operated in 2010, Clear Path recycled 6,350 tons of containers. This meant energy savings in the amount of 110,000 GJ, equivalent to the annual energy needed by 900 average homes in the U.S. At the same time, by recycling such containers, the need for 38,000 cubic meters of sanitary landfills was avoided.

Clean Air

Indelpro has a system in place that allows for the use of gases that used to be burned in PEMEX refineries and converts them into raw materials for polypropylene production. By utilizing these gases, more than one million tons of CO₂ emissions are saved every year.

The Energy Integration Program of Grupo Petrotemex uses residual energy from processes to generate electricity. By doing so, it has reduced 120,000 tons of CO₂ emissions per year. This program was registered with the United Nations as a Clean Development Mechanism.

ALFA has also developed and participated in various electricity co-generation and self-supply projects which reduce CO₂ emissions in Mexico by approximately 1.2 million tons a year.

* 1 Gigajoule = 278 kWh



13 million m³
of water processed at ALFA's
33 treatment plants.

→ Awards and Certifications:

- **Sigma:** Certification as a "Clean Industry" (SEMARNAT), ISO 9002, TIF (SAGARPA), USDA, and Certification to Export to the European Community

- **Alestra:** ISO 9000, Quality ISO 27001 Information Safety, Certification as a "Clean Industry" (SEMARNAT).

In summary, as a result of investing in environmental and energy efficiency projects, ALFA achieved significant CO₂ reduction (see table).

To measure Green House emissions, the calculation tools from "The GHG Protocol Corporate Standard" of the Greenhouse Protocol Initiative are used.

Water

In 2010, ALFA treated 13 million cubic meters of water, allowing for reuse of such vital resource in its production processes. Sigma achieved savings of 17% in the consumption of water for its processes. Nemark Monterrey reduced water consumption by 15% per unit of production. Grupo Petrotemex started up a project which generated savings of 400,000 cubic meters of water, enough to supply 1,100 homes per year.

Environmental Awareness

ALFA companies participate in actions in support of biodiversity. For instance, Petrotemex, Univex, and DAK Americas work on the protection and maintenance of more than 1,482 acres of ecological reserves. Grupo Petrotemex and Indelpro participate in the program to protect the Lora turtle in southern Tamaulipas, Mexico.

- **Alpek:** Certified as a "Clean Industry" (SEMARNAT), the "Actívate y Recicla" ("Get Up and Recycle") Award and "Management and Integral Responsibility System (SARI). (National Association of Chemical Industry).

- **Nemark:** Certification in ISO 14001 and Re-Certification in ISO-TS/16949, Certified as a "Clean Industry" (SEMARNAT), BS OHSAS 18001, Outstanding Sponsor of Miskolc University 2010.

Annual emissions avoided due to actions undertaken by ALFA

Actions	Tons of CO ₂ equivalents estimated
Recycled aluminum, Nemark	4,600,000
Co-generation and self-supply of electricity	1,200,000
Indelpro project	1,000,000
Energy efficiency and fuels	865,000
Grupo Petrotemex Energy Integration	120,000
Recycling of PET bottles, DAK Americas	110,000
Total	7,895,000

ALFA companies promote environmental awareness among their employees through conferences and lectures. Other activities include the cleaning of public spaces, the donation of trash bins to schools, and tree planting.

Sigma has joined the Environmental Leadership for Competitiveness Program of the Mexican Ministry of the Environment and Natural Resources (SEMARNAT), through which it offers training in environmental matters to its suppliers.

The Sigma Verde (Green Sigma) and Acciones Verdes (Green Actions) programs of ALFA Corporate Headquarters included plastic and paper recycling campaigns and the collection of discarded cell phones and batteries, as well as reforestation activities and lectures.

In addition to contributing to the conservation of the environment around its facilities, DAK Americas participated once again in the "Adopt a Highway" program, through which it collaborates in keeping clean several miles of highway close to its facilities.

In 2006 ALFA started the Energy Initiative, with the objective of gathering talent and unifying the efforts it has been making in facing the challenges of water availability, energy efficiency, and climate change. It also has an Innovation and Sustainability Department. Several research and development projects are currently underway to meet those challenges.



56,300
direct employees.



U.S. \$889
million in
investments and
acquisitions.

ALFA is involved in businesses where long-term investments, technology development, innovation and competitiveness are key.

ALFA contributes in different ways to the economy of the communities in which it participates: investments that create new jobs, the purchase of raw materials and goods and the contracting of services from local suppliers; and the payment of taxes whether federal or local, among other.



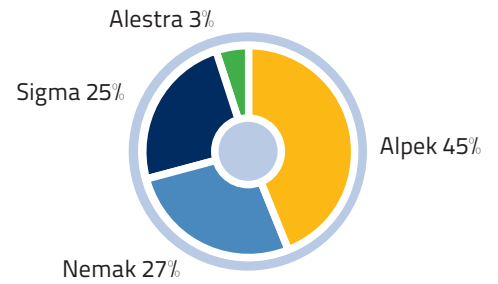
Economic Impact



+4,000
suppliers
supported.



Revenue Breakdown in 2010



Over the past few years, ALFA has successfully faced difficult global circumstances thanks to the competitive strength of its businesses, the talent of its people and a solid financial condition.

Innovation is another key factor. ALFA is one of the companies with the highest investments in research and development projects in Mexico. Its products are subject to strict quality standards and are constantly evaluated at every stage of their life cycle.

The criteria for selecting and approving investment projects are based on an integral approach, which takes into account their environmental impact as well as programs to minimize and mitigate it.

The growth and strengthening of the value chain is important to ALFA and is a part of its commitment to the economic development of the markets it serves. ALFA companies have established long-term relationships with suppliers, in which the learning process, innovation, and the exchange of best practices move in both directions.

Nemak, for example, created the Supplier Development area in order to enhance its supply chain. Its main objectives are:

- To strengthen the system by which supplier performance is measured.
- The creation and implementation of a Risk Management model;
- Special support projects (Six Sigma).
- The search for potential suppliers.

Sigma operates a program that offers support in the form of training and financing to small dairy producers. In 2010 it worked with almost 200 dairy farmers who improved their milk production as a result.

Other results of working hand-in-hand with the value chain include greater productivity, a quicker response time, the development of new markets and applications, better positioning, and more competitive costs. In 2010 the ALFA companies worked with more than 4,000 suppliers, 10% of whom were small or micro-businesses.

In 2010, for the third year in a row, ALFA offered a degree program in "Strategy, Planning, and Innovation", targeted at small and medium-sized businesses and organized by the Centro de Competividad de Monterrey (Monterrey Competitiveness Center) and CAINTRA in the state of Nuevo León.

- Direct economic value created of U.S. \$10,794 million (net sales + financial income + sales of assets).
- Direct economic value distributed of U.S. \$10,146 million (Cost of sales + salaries + social benefits to employees + other expenses + payment of taxes + dividends + interest payments + investment in the community).
- Economic value retained of U.S. \$648 million (economic value created – economic value distributed).

Financial Highlights

	2009	2010
Share Value (Mexican pesos)	82.01	124.40
Majority Net Income (U.S. \$ million)	157	392
EBITDA (millions of U.S. \$)	1,055	1,260



Principles of the United Nations Global Compact

The Global Compact seeks to promote, through collective action, responsible corporate practices that will enable the business community to be part of the solution to the challenges posed by globalization.

In this way, the private sector, in collaboration with other entities, may contribute to making the global economy more sustainable and inclusive.

By having embraced the Global Compact since 2006, ALFA reaffirms its commitment to sustainability.

Human Rights:

Principle I. Businesses should support and respect the protection of internationally proclaimed human rights.

Principle II. Business should make sure that they are not complicit in human rights abuses.

Labor:

Principle III. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle IV. Businesses should uphold the elimination of all forms of forced and compulsory labor.

Principle V. Businesses should uphold the effective abolition of child labor.

Principle VI. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

The Environment:

Principle VII. Businesses should support a precautionary approach to environmental challenges.

Principle VIII. Businesses should undertake initiatives to promote greater environmental responsibility.

Principle IX. Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption:

Principle X. Businesses should work against corruption in all its forms, including extortion and bribery.

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About this Report

→ This report contains the actions and programs carried out, and the results achieved, by ALFA in 2010. It has been drawn up in accordance with the methodology of version 3.0 of the Global Reporting Initiative (GRI) for sustainability reports. The report cycle is annual and the use of this methodology will be maintained in the future.

All of the information and figures contained in this report refer to the consolidated operations of ALFA and its business groups worldwide. Interviews, questionnaires, and field visits were carried out in preparing this document.

In order to determine the contents of this report, an analysis of ALFA's most relevant activities in the economic, social, and environmental areas was made. McBride SustainAbility collaborated in the determination of materiality, analysis, methodology, and writing of the report.

We believe our degree of application corresponds to level B.



Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9-3.13 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures	Not Required		Management Approach for each Indicator Category		Management Approach for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from: each of: Economic, Social and Environmental		Report on a minimum of 20 Performance Indicators, at least one from each of: Economic, Environmental, Human Rights, Labor, Society, Product Responsibility		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission	

alfa

ALFA, S.A.B. de C.V.

Ave. Gómez Morín 1111 sur
Col. Carrizalejo
San Pedro Garza García, N.L.
C.P. 66254, Mexico
Ph. +52 (81) 8748-1111
Fax: +52 (81) 8748-2552

www.alfa.com.mx

sostenibilidad@alfa.com.mx