



alfa

alfa

CHANGE LIES  
WITHIN US

2016 CORPORATE SOCIAL RESPONSIBILITY REPORT

# ALFA

IS A COMPANY THAT MANAGES A PORTFOLIO OF DIVERSIFIED SUBSIDIARIES:



## Sigma

Is a leading multinational company in the refrigerated food industry, focused on the production, marketing and distribution of quality foods through well recognized brands in Mexico, Europe, United States and Latin America.



## Alpek

One of the world's largest producers of polyester (PTA, PET and fibers), which also leads the Mexican market in polypropylene, expandable polystyrene and caprolactam.



## Nemak

A leading provider of innovative light-weighting solutions for the global automotive industry, specializing in the development and manufacturing of aluminum components for powertrain and body structure.



## Axtel

A provider of Information Technology and Communication services for the enterprise, government and mass markets in Mexico.



## Newpek

A company in the hydrocarbons industry in Mexico and the United States.



ALFA's production facilities are present in 27 countries:

- ARGENTINA
- AUSTRIA
- BELGIUM
- BRAZIL
- CANADA
- CHILE
- CHINA
- COSTA RICA
- CZECH REPUBLIC
- DOMINICAN REPUBLIC
- ECUADOR
- EL SALVADOR
- FRANCE
- GERMANY
- HUNGARY
- INDIA
- ITALY
- MEXICO
- NETHERLANDS
- PERU
- POLAND
- PORTUGAL
- SLOVAKIA
- SPAIN
- RUSSIA
- TURKEY
- UNITED STATES

ALFA's shares are quoted on the Mexican Stock Exchange and on Latibex, the market for Latin American shares of the Madrid Stock Exchange.

# GLOBAL FOOTPRINT

ALFA's products and services are marketed mainly the food and beverage, automotive, packaging, textile, construction, furniture, communications and energy sectors.



**PRESENCE IN  
27 COUNTRIES**

**126 OPERATION PLANTS**

**81,084 EMPLOYEES**

## ALFA highlights (U.S. \$ millions)

	2016	2015
REVENUE	<b>15,756</b>	16,315
EBITDA	<b>2,322</b>	2,420
TOTAL ASSETS	<b>16,868</b>	15,501
OPERATING INCOME	<b>1,313</b>	1,518
CAPITAL INVESTMENT	<b>1,491</b>	1,606
TAXES PAID	<b>290</b>	246
DIVIDENDS	<b>172</b>	156
PAYMENTS TO SUPPLIERS	<b>247</b>	34
EMPLOYEE WAGES AND BENEFITS	<b>1,687</b>	1,812
OPERATING COSTS	<b>12,140</b>	12,905
DIRECT ECONOMIC VALUE GENERATED	<b>15,787</b>	16,351
RETAINED ECONOMIC VALUE GENERATED	<b>969</b>	505
PAYMENTS TO PROVIDERS OF CAPITAL	<b>1,805</b>	1,756
TOTAL CAPITALIZATION IN TERMS OF DEBT AND EQUITY	<b>16,890</b>	15,497

# Change lies within us

## LETTER FROM THE CHAIRMAN OF THE BOARD

We at ALFA are aware of the importance of the company's corporate social and environmental responsibility, in order to meet our commitment of sustainable growth and of generating value for our stakeholders.

This report sums up ALFA's most important achievements and progress in the area of social responsibility last year. The actions are presented according to the Global Reporting Initiative (GRI) methodology, and represent our firm commitment to contribute to the development of our employees, the communities who welcome us, and the natural environment that supplies us the inputs we need to operate.

During 2016, ALFA once again faced a difficult economic scenario, which included low oil prices, greater volatility in the exchange rate of the peso against the dollar and slower growth in some of its main markets, coupled with the effects of the electoral process in the United States.

To meet these challenges, ALFA drew on the strengths it has been building over the years, like: operating efficiency, cutting-edge technology and market leadership, and ultimately reported results in line with estimates. It was also able to move ahead on its investment programs to improve operations, increase capacity and enhance the value of its products and services, as well as to expand its geographical presence.

Sigma built a modern facility in Spain, replacing the one destroyed by fire in 2014.

Alpek began the construction of a second energy cogeneration plant in Mexico, which will allow for more efficient, cleaner operation, acquired a PET plant in Canada and an expandable polystyrene plant in Chile. It also announced an agreement to buy two polyester plants from Petrobras in Brazil. Nematik commissioned an autoparts plant and a machining plant in Mexico, bought a company in Turkey, and made progress on construction of a plant in Slovakia that will produce structural components. Meanwhile, Alestra merged with Axtel to create a more competitive company in the Mexican IT and communications industry.

ALFA also continued investing in initiatives to strengthen the four pillars of its corporate social responsibility: Internal Well-Being, Community, Environment, and Economic Development.

The most significant social responsibility challenges facing ALFA today encompass employee health and safety, water management, reducing water, air and soil emissions, as well as its products' lifecycle. All of these merit special attention by ALFA's management and companies.

In the area of Internal Well-Being, ALFA continued to boost health, safety, training and development programs, as well as initiatives to reach a better family-work balance.

Regarding safety, although in previous years we had succeeded in lowering the number and seriousness of accidents,

# AND THE PRESIDENT



in 2016 there was an upturn. This inspires us to strengthen our unceasing efforts toward achieving zero work accidents.

Regarding our performance towards our Communities, we maintain relationships of trust, respect and collaboration with those where the company operates. In addition to the support ALFA provides, specially to those in greatest need or in contingency situations, the company dedicates substantial resources to the education area. ALFA Foundation Educational Project continued to grow, and today it operates three campuses and receives 1,250 high school students. During the year, students from this Project had outstanding achievements in various academic competitions organized by Mexican and international institutions.

Regarding our performance towards the Environment, we invested in the generation and use of clean energies. We are building a new cogeneration plant in Tamaulipas that will operate on natural gas, and signed an agreement to receive wind energy that will power Sigma's operations in Mexico. These are just two examples of the company's efforts in this area.

We also worked on the improvement of water management, since water is a key input to our operations. With this in mind, ALFA invested in optimizing its use, re-use, and discharge quality.

In the area of Economic Development, ALFA supports programs to strengthen its supply chain, such as providing consulting to supply chain on how to improve their operations and the quality of their products, supporting the vendors who sell ALFA's products, and providing timely and useful information on the products and services to clients and consumers.

Through all the programs and achievements presented in this report, we strive to assume an increasingly active role as positive agents of change in the world around us.

San Pedro Garza García, Nuevo León, Mexico February 20th, 2017.

**ARMANDO GARZA SADA**  
CHAIRMAN OF THE BOARD OF DIRECTORS

**ÁLVARO FERNÁNDEZ GARZA**  
PRESIDENT

**We at ALFA are convinced that investments in social responsibility are invariably repaid in benefits for our employees, our communities, the environment and our supply chain, all of which are driving forces in the sustainable growth of our company.**

# OUR SOCIAL RESPONSIBILITY MODEL



ALFA's Socially Responsible Company Model is based on four pillars:

## INTERNAL WELL-BEING

TO PROVIDE HEALTH AND SAFETY CONDITIONS, AS WELL AS DEVELOPMENT OPPORTUNITIES FOR EMPLOYEES.

## COMMUNITY

TO BE A RESPONSIBLE CITIZEN TOWARDS COMMUNITY.

## ENVIRONMENT

TO CONTROL AND REDUCE EMISSIONS IN THE AIR, SOIL AND WATER.

## ECONOMY

TO OBTAIN ADEQUATE BUSINESS RETURNS BASED ON THE INVESTMENTS AND RISKS TAKEN.

## MISSION

TO BECOME A SOURCE OF PRIDE FOR OUR EMPLOYEES AND SHAREHOLDERS, AND TO EXCEED OUR STAKEHOLDERS' EXPECTATIONS THROUGH LEADERSHIP, INNOVATION AND OUTSTANDING LONG-TERM PERFORMANCE.

## VISION

**THESE ARE OUR COMMITMENTS WITH OUR STAKEHOLDERS:**

**SHAREHOLDERS.** To achieve outstanding long-term value creation through profitable growth, continuous portfolio improvement, and selective investments in new opportunities.

**EMPLOYEES.** To be a great place to work. To attract and develop the most talented people, 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 encourage safe and sustainable operations. To contribute to the development of our communities.

## OUR STAKEHOLDERS

ALFA defines its stakeholders based on the direct or indirect impacts the company has or may have on specific groups. For Alfa, all of these groups deserve special attention, which is the reason why the company has made the commitment to maintain a respectful, ethical and transparent relationship with each one of them.

## 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 promote a work environment that encourages trust and cooperation.

**RESULTS ORIENTED.** We are committed to value creation and a continuous improvement of our businesses. All our employees embody a personal commitment towards improving the company's performance.

**INNOVATION AND CORPORATE SPIRIT.** Encourage and reward innovation and development of new business opportunities.

**FOCUS ON CLIENTS.** Dedicated to exceeding our clients' needs.

## ETHICS

Alfa's Code of Ethics provides guidelines for the conduct expected from its employees and companies. For more information, visit: <http://www.alfa.com.mx/NC/filosofia.htm>

## THE UN GLOBAL COMPACT

When it was founded in 1974, ALFA assumed the commitment of being a responsible company in each and every one of its axes of action: economic, social and environmental. In accordance with this principle, ALFA became a signatory of the UN Global Compact, which promotes economic and social development with respect for universal human values. ALFA is committed to acting within the framework of this initiative's 10 principles.

# MATERIALITY

ALFA operates within an ethical and responsible framework. This includes continuous interaction with stakeholders for the purpose of understanding their needs and concerns.

ALFA's social responsibility programs and initiatives have improved over the years to respond more closely to stakeholder's expectations.

ALFA's way of communicating this performance has also evolved to adopt the reporting standards most commonly accepted by organizations around the world. Accordingly, ALFA has prepared its corporate social responsibility report by applying the criteria, parameters and methodology developed and established by the Global Reporting Initiative (GRI).

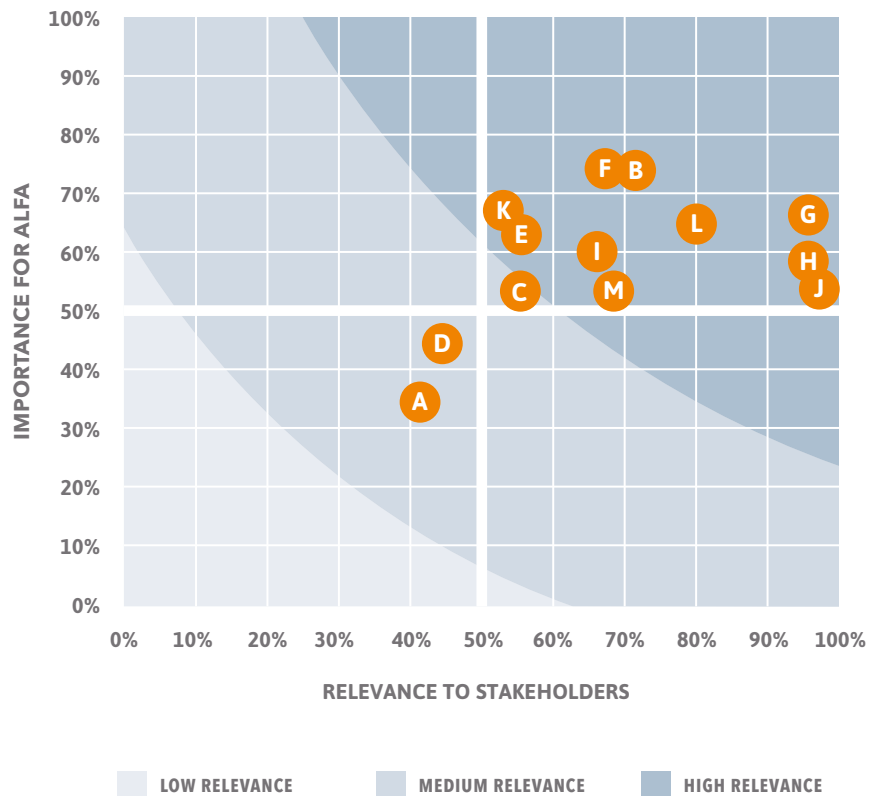
As part of this effort, ALFA conducted a materiality analysis in 2015, which allowed it to identify its stakeholders' most important opinions and expectations regarding the company's activities. This allows it to prioritize the most relevant aspects resulting from that analysis.


The study was conducted by an independent firm, in coordination with ALFA and its companies' social responsibility areas.

## SOCIAL RESPONSIBILITY PRIORITIES

- A** RESPONSIBLE MARKETING
- B** ENERGY ECO-EFFICIENCY
- C** CLIMATE CHANGE AND EMISSION STRATEGY
- D** WATER MANAGEMENT
- E** ENVIRONMENTAL MANAGEMENT
- F** LABOR PRACTICES
- G** RELATION WITH NGOs AND REGULATORY AGENCIES
- H** CUSTOMER AND SUPPLIER RELATIONS
- I** HEALTH AND SAFETY
- J** WEALTH MANAGEMENT
- K** RISK AND OPERATIONS STRATEGY
- L** INVESTOR RELATIONS
- M** COMMUNITY ENGAGEMENT

## MATERIALITY MATRIX



A woman with long dark hair, wearing a black hard hat, is smiling and looking towards the camera. She is holding a white marker and writing on a clipboard. In the background, there is a large, semi-transparent silhouette of a man's head in profile, facing right. The entire scene is set against a warm, golden-yellow background that looks like a sunset or sunrise over water.

**CREATING THE OPPORTUNITIES  
FOR THE COMPREHENSIVE  
DEVELOPMENT OF OUR  
EMPLOYEES LIES WITHIN US.**

**U.S.  
\$52  
million**  
invested in employee  
development, health  
and safety programs.



ALFA pioneers programs in Mexico that support the comprehensive advancement of its employees and their families.

The company considers its employees as its most valuable asset and the main reason for its success. That's why their quality of life and advancement is a priority and a constant task.

ALFA has ongoing programs that cover key aspects of its employees' comprehensive well-being, such as health and safety, training and development, recreational and formative activities for employees, and initiatives that support an appropriate family-work balance.

In addition, ALFA is a firm supporter of human rights and the right to free association, as well as gender equality and opportunities for all its employees.

## HIGHLIGHTS

	2016*	2015
<b>HEALTH</b>		
• INVESTMENT (U.S. MILLION)	21.2	20.2
• PROGRAMS	226	178
• EMPLOYEES BENEFITED	35,669	38,689
<b>SAFETY</b>		
• ACCIDENT RATE **	210.57	188.13
• FREQUENCY RATE ***	7.92	7.16
• DISABLING ACCIDENTS	932	853
• NON-DISABLING ACCIDENTS	258	452
• LOST DAY RATE	24,790	22,347
• FATALITIES	5	1
<b>TRAINING</b>		
• INVESTMENT (U.S. MILLION)	13.1	17.3
• AVERAGE MAN-HOURS	31	27
• EMPLOYEES BENEFITED	48,733	44,879
• SCHOLARSHIPS FOR EMPLOYEES	1,418	604
<b>DEVELOPMENT &amp; RECREATION</b>		
• INVESTMENT (U.S. MILLION)	4.9	6.3
• ATTENDEES TO EVENTS	237,354	240,740
• ACADEMIC SUPPORT FOR EMPLOYEE CHILDREN (SCHOLARSHIPS, SCHOOL SUPPLIES, ETC.)	3,961	3,157

\*2016 data include the numbers for Sigma global.

\*\*Lost days for each million of work man-hours.

\*\*\*Number of disabling accidents per million work hours.



### CONGRUENCY MOVEMENT

Since 2014, ALFA has been an active participant in *Movimiento Congruencia* (Congruency Movement), an institution whose mission is to promote the inclusion of handicapped persons socially and professionally into the business world. In 2016, 401 people with disabilities worked in ALFA's companies.



### OPPORTUNITIES FOR ALL

Through the launch of *TogetherALFA*, a development initiative for female employees, ALFA seeks to boost the comprehensive advancement of women in the company. Another example is the *Women in Nemark* program, which aims to create an optimal environment within the company in which women can develop their full potential.



### SIGMA-ANSPAC

The Sigma-ANSPAC Program continued its efforts to support employees, particularly in the commercial and operational areas, with courses and workshops on personal advancement and human development. The instructors are volunteers, primarily family members of company employees. In 2016, 5,589 students participated in the ANSPAC programs.



## WORKFORCE

ALFA employs a workforce comprised of employees of 40 nationalities, whose varying traditions, specialties and ways of working together foster a rich, robust labor culture.

At the end of 2016, ALFA had **81,084 employees in 27 countries, in Europe, Asia and the Americas.**

## HEALTH

ALFA encourages the prevention of illness through initiatives such as health fairs, vaccination campaigns, medical examinations, nutritional consultations and physical conditioning programs, among others. Most plants have internal medical offices that provide continuous care to employees.

## SAFETY

The physical integrity of employees is a priority for ALFA, and a focus of special attention and resources. All plants have Safety Committees with clear objectives and plans for action, monitoring and review of results. Regrettably, despite these efforts, in 2016 there was an upturn in the number and seriousness of accidents. This deepens our sense of obligation to stress preventive measures and a culture of safety.

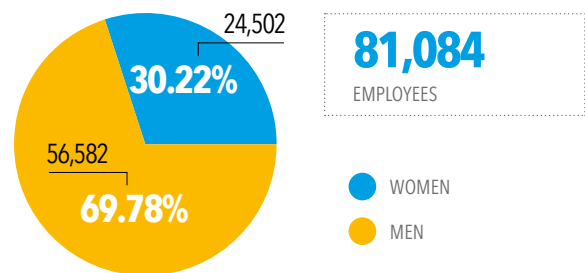
## EQUAL OPPORTUNITIES

At ALFA, men and women have equal opportunities for development. There is no difference between the base salaries for each of them, because compensation is determined according to employees' capacities and experience. ALFA's companies maintain gender equality policies, such as the DAK Americas Equal Employment Opportunity Policy. In 2016, 30.22% of ALFA's workforce were women.

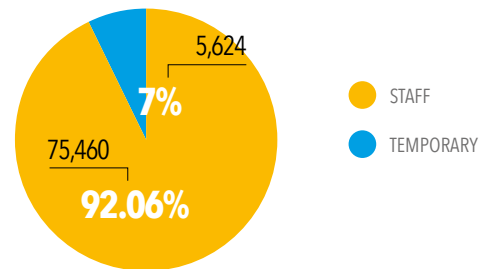
## LABOR RELATIONS

ALFA respects its employees' right to free association in trade union organizations and collective bargaining agreements. This policy is monitored by the Human Resources Committee of each business group.

### Employees by gender



### Employees by contract type



EMPLOYEE TYPE	MEN	WOMEN	TOTAL
EXECUTIVES	1,320	205	1,525
EMPLOYEES	28,140	20,514	48,654
UNIONIZED	27,122	3,783	30,905
<b>TOTAL</b>	<b>56,582</b>	<b>24,502</b>	<b>81,084</b>

## TRAINING

Training is a key element in the performance, motivation and retention of talent in ALFA. For this purpose, the company offers development programs that enable employees to train, update and acquire new knowledge at all levels and specialties. ALFA invested U.S. \$13.1 million in training programs.

### AVERAGE HOURS OF TRAINING BROKEN DOWN BY GENDER AND JOB CATEGORY

	2016*	2015
AVERAGE HOURS OF TRAINING	31	27
AVERAGE HOURS OF TRAINING PER MALE EMPLOYEE	25	25
AVERAGE HOURS OF TRAINING PER FEMALE EMPLOYEE	19	19
AVERAGE HOURS OF TRAINING PER UNIONIZED EMPLOYEE	22	27
AVERAGE HOURS OF TRAINING PER NON-UNION EMPLOYEE	29	25



## PERFORMANCE EVALUATIONS

Both the executive staff and plant workers receive regular performance evaluations that allow them to strengthen or reorient their actions to achieve the expected goals and performance.

### EMPLOYEES RECEIVING REGULAR PERFORMANCE AND PROFESSIONAL DEVELOPMENT EVALUATIONS

	2016*		2015	
	MEN	WOMEN	MEN	WOMEN
PERCENTAGE	75%	58%	91%	92%

\*2016 data include the numbers for Sigma global.



## HUMAN RIGHTS

The company provides employment and development opportunities to employees regardless of gender, race, religion, culture or economic status. All of the employees receive human rights training once they're hired. Likewise, ALFA's minimum age limit for hiring is 18 years old, and it makes sure that its suppliers meet the requirement of minimum age limit established by law in all of the countries it operates.

## FAMILY-WORK BALANCE

In addition to advancement and recreation programs for the employee's families, ALFA also provides options for improving the family-work balance. Flex-time schedules, maternity and paternity leave, and work-from-home policies, are proof of ALFA's flexibility to adopt new working practices.

**80%** ALFA's facilities granted some kind of support to boost the academic performance of employee's children.





**THE ABILITY TO PROMOTE  
OUR COMMUNITY'S  
DEVELOPMENT LIES WITHIN US.**

**405**

**charitable  
institutions supported.**

ALFA is deeply aware of its shared responsibility to contribute to the development and well-being of the communities where it operates, by maintaining a harmonious, respectful and collaborative relationship in pursuit of mutual benefit. This translates into specific initiatives and programs aimed at improving quality of life in disadvantaged neighborhoods, addressing health problems and providing aid in emergency situations. ALFA has defined three key areas to make a positive impact, to which it devotes most of its human and financial support: education, health and the environment. The educational aspect is the specific area addressed by ALFA Foundation Educational Project, the flagship program of the company's community support.

In addition to the institutional initiatives operated by ALFA Foundation, companies have social and educational assistance programs, depending on the needs of their communities.

## HIGHLIGHTS

COMMUNITY SUPPORT	2016*	2015
<b>EDUCATION</b>		
• SCHOOLS SUPPORTED	166	115
• STUDENTS BENEFITED	27,426	13,076
<b>SOCIAL ASSISTANCE</b>		
• INSTITUTIONS SUPPORTED	405	86
<b>VOLUNTEER</b>		
• EMPLOYEES PARTICIPATING IN VOLUNTEER WORK	1,562	1,251
• VOLUNTEER MAN-HOURS	19,033	26,575
<b>AMOUNT CONTRIBUTED (U.S. \$)</b>	<b>1'198,330</b>	<b>336,690</b>

\*2016 data include the numbers for Sigma global.



### AXTEL FOUNDATION

In 2016, this foundation gave support to seven charitable institutions, benefiting nearly 5,000 people in its communities. Also, through its two main volunteering programs "Purpose of life" and "Mentor Friend," Axtel supports youth in finding and achieving their life purpose and helps elementary schoolchildren in their academic regularization.



### RED SumaRSE

ALFA assumed this association's Presidency in Nuevo Leon for the 2015-2016 period. Through the efforts of 34 institutions of various sectors – corporate, academy, government, civil society and the active involvement of 2,739 volunteer citizens-, they worked towards the development of six communities.



### UNIVERDE

Univerde has a group of volunteers called Univerde, who supported the environmental education of 1,400 students in three junior-high schools of its community, in Guanajuato, Mexico.

## EDUCATIONAL PROGRAM

Through the Extracurricular Center and the ALFA Foundation Highschool, the company seeks to generate a more far-reaching change in the community, promoting education as a springboard for development and social mobility. This Project provides free extracurricular support to intellectually gifted students through an educational model that stimulates their development, encouraging them to continue their studies through college.

This Project started in 2013, with one campus, 100 students and 13 teachers. In 2015 it opened an officially recognized high school.

These students have been outstanding participants in various academic events and competitions organized by various institutions, including the College Board, a widely recognized international organization for assessing students' performance in key subjects such as mathematics.

	2016	2015
EXTRACURRICULAR CENTERS	3	3
HIGH SCHOOL(FULLTIME)	1	1
STUDENTS	1,250	988
TEACHERS	81	65



## EDUCATION

In addition to sponsoring the Educational Project, ALFA supports schools at all levels, from preschool through college. Our support goes mainly to campuses operating in disadvantaged communities, through funding and in-kind donations, including computer equipment, physical improvement of classrooms and sports facilities, lectures on environmental values and topics, to practical schools and research agreements with universities.

## SCHOOL FOR PARENTS

This initiative is aimed to parents of students enrolled in the ALFA Foundation's Educational Project and seeks to enhance the understanding of parents regarding the challenges that teens face today. The school operates since 2015 and its professors are ALFA's volunteers, trained by Tecnológico de Monterrey.



## ALFA PLANETARIUM

In 2017 this space celebrated its 38th year of fostering appreciation for science, technology, culture and nature, particularly among children and youth. The planetarium has an ImaxDome projection room (the first IMAX in Latin America), as well as five floors of learning exhibits and interactive games. It also has an aviary, a pre-Hispanic garden and the most complete astronomical observatory in northeastern Mexico.

During the year, the Planetarium hosted numerous activities, such as exhibitions, workshops, courses and conferences, receiving 369,302 visitors, including 120,391 schoolchildren, mainly from elementary schools. This represents an increase of 17% and 15% in visitors compared to 2015.

	2016	2015
EVENTS	32	48
WORKSHOPS	19	14
CONFERENCES	7	9
EXPOSITIONS	6	6
ATENDEES	369,302	308,007
SCHOOLCHILDREN	120,391	99,247



## SOCIAL ASSISTANCE

ALFA offers several types of support, especially to disadvantaged groups, either directly or through associations that serve people suffering from extreme poverty, health problems or emergency situations. This includes The United Way, Habitat for Humanity and Food Drive initiatives, among others. In 2016, Alpek benefitted more than 4,500 people through donations in kind and support activities in more than 20 charitable institutions.

## VOLUNTEER WORK

The volunteer programs promoted by the company allow employees to become agents of social change by participating directly and often with their families in actions that benefit their communities. In 2016, 1,562 ALFA employee volunteers contributed 19,033 work-hours on 36 community projects, ranging from reforestation to disaster relief and school restoration activities, among others.



THE RESPONSIBILITY FOR TAKING  
CARE OF **OUR ENVIRONMENT**  
LIES WITHIN US.

U.S.  
**\$35**  
million  
invested in  
environmental  
programs.



ALFA has the goal of steadily reducing the impact of its operations on nature. This is reflected in investments and initiatives for the implementation of best operating practices, the optimization of resources used in its processes, including water management, emission reduction, as recycling programs and responsible waste management, the use of greener packaging, as well as cleaner transportation schemes for our products and services.

ALFA continuously monitors its processes and executes regular performance audits (both internal and external), in order to comply with all the environmental standards in place in the countries where it operates. In 2016, none of its companies were fined for process pollution issues.

In addition, ALFA recognizes its responsibility to combat climate change. To this end, its companies have taken measures to detect possible risks that may arise in their activities. The companies are developing technologies and processes to ensure our full compliance with changing regulations.

## HIGHLIGHTS

	2016*	2015
• DIRECT ENERGY CONSUMPTION (GJ)	39.7 X 10 <sup>6</sup>	37.23 X 10 <sup>6</sup>
• ENERGY PRODUCED BASED ON NATURAL GAS	92.2%	96%
• CO <sub>2</sub> EMISSIONS (t)	4.17 X 10 <sup>6</sup>	3.71 X 10 <sup>6</sup>
• WATER CONSUMPTION (MILLION M <sup>3</sup> )	122	105
• WATER TREATMENT PLANTS	49	35
• USE OF RECYCLED ALUMINUM (t)	646,418	642,000
• RECYCLING OF PET (t)	69,380	53,777
<b>ENVIRONMENTAL INVESTMENT (U.S. \$ MILLIONS)</b>		
• WASTE REDUCTION AND DISPOSAL	10.1	10.2
• EMISSIONS REDUCTION	4.4	26.0
• REMEDIATION AND PREVENTION COSTS	10.7	2.1
• ENVIRONMENTAL MANAGEMENT	5.9	8.1
• OTHER ENVIRONMENTAL ACTIONS	3.7	2.3
<b>TOTAL</b>	<b>34.8</b>	<b>48.7</b>

\*2016 data include the numbers for Sigma global.



### WIND ENERGY

Sigma signed an agreement to receive clean energy from the Tres Mesas Wind Farm in Tamaulipas, Mexico, starting in 2017. This will supply clean, wind-generated energy for of Sigma's plants in this country.



### WATER MANAGEMENT

The Alpek Polyester Wastewater Treatment Plant Water Recovery Project not only improves the quality of process effluents before discharge, but also eliminated the consumption of 1.76 million m<sup>3</sup> each year. This is equivalent to the consumption of 58,700 families in the same period.



### REFORESTATION

Through three joint events, over 800 people, including Sigma employees, family and friends reforested six hectares in the Nevado de Toluca, La Primavera and La Huasteca parks.

## CLEAN ENERGY

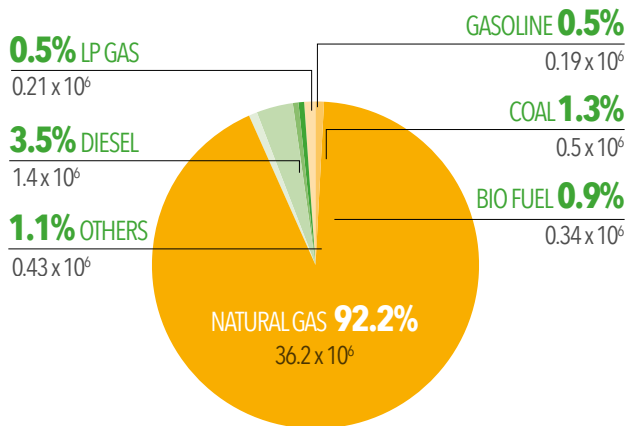
Bearing in mind the importance of this input for its operations, in 2007 ALFA created the Energy Department, responsible for ensuring a sufficient and reliable supply, optimizing its consumption and reducing CO<sub>2</sub> emissions. In 2016, 92% of the energy consumed by ALFA was generated from natural gas, the cleanest fossil fuel today.

In 2016, ALPEK began the construction of a cogeneration plant in Tamaulipas, with a capacity of 350,000 MW, which is expected to start operating in 2018. This plant follows the one built previously in Veracruz, which has generated 97,000 MW and prevented the emission of 100,000 T/CO<sub>2</sub> per year since it was commissioned in 2015. Another example is the Sigma dairy plant in the Dominican Republic, which started up a project to generate steam energy using biomass sources, reducing its consumption of fossil fuels.

**In the past five years, 53 energy efficiency projects have been implemented.**



Energy consumption by type 2016



## WATER MANAGEMENT

The safe, sufficient supply of water is an issue of greater importance for ALFA's operations, particularly in recent years, as a key and increasingly scarce resource in some regions.

In 2014, the ALFA Water Commission was created and given the task of bringing about a more efficient management of the vital liquid in all its facilities. The investments made so far have been used both to optimize the use of water and to improve the quality of discharged wastewater.

Also, for the second year in a row, The Water Commission organized the Water Day, an event in which internal and external speakers presented their opinions about operative and regulatory topics and projects regarding a better water management. Currently ALFA operates 49 water treatment plants.



# 92.2%

of the energy consumed by ALFA comes from natural gas, the cleanest fossil fuel.

# 74%

of Nematik's processed aluminum comes from recycled sources.

# 69,380 t

of PET containers recycled.

## RECYCLING

Recycling has been one of ALFA's initiatives to improve its environmental performance, given its benefits in terms of cleaner spaces, energy and water savings, and the elimination of emissions. ALFA is the main consumer of recycled aluminum in Mexico and a major recycler of PET packaging in the U.S. All its companies have recycling programs, ranging from trash separators and batteries, to collection of wood, steel, cardboard, and other materials.

In 2016, Nemark used 646,618 metric tons of recycled aluminum in its processes, which represents 74% of its total consumption. Alpek operates two PET container recycling plants, one in North Carolina, and the other in Argentina, which together processed 69,380 metric tons last year resulting in energy savings and reduced emissions.

## WASTE MANAGEMENT

Another of ALFA's important environmental care initiatives, is the management of waste produced by its operations. A significant percentage of waste is managed through recycling programs, an effort that is complemented by ongoing waste reduction and responsible management programs. One example is DAK Americas' Zero Waste to landfill program, which in 2016 met its goal of generating zero waste in all its plants, a project it has been working on since 2009.

## BIODIVERSITY

Some of ALFA's operations are contiguous or close to natural areas. In these areas, plants cooperate with the authorities in caring for and preserving of the habitats of existing flora and fauna. They also support and carry out reforestation campaigns to help build a culture of environmental awareness and protection in neighboring communities. ALFA's operations do not affect any endangered species.

ALFA companies located in the south of Tamaulipas participate in the annual ritual of releasing sea turtles into the Gulf of Mexico, where hundreds of employees, family and community members lend a hand.





**THE POWER TO ENHANCE  
OUR VALUE CHAIN  
LIES WITHIN US.**

**68%**

**of ALFA's procurement  
comes from local  
suppliers.**

**ALFA is a major force in the economy of many communities where it operates, by investing directly in productive and commercial infrastructures, creating direct and indirect jobs, buying materials and raw materials, and supplying products and services.**

**Because the value chain is crucial to the company's performance, ALFA has developed several initiatives to support its many components, which includes suppliers, distributors, customers and consumers.**

**The companies maintain a close relationship with its suppliers, supporting them to improve their processes and product quality, and providing advice on environmental issues. ALFA also monitors their compliance with its Code of Ethics, including issues such as respect for human rights, prohibition of child labor and respect for environmental regulations in their respective industries, among others.**

**HIGHLIGHTS (U.S. \$ MILLIONS)**

	<b>2016*</b>	2015
• DIRECT JOBS	<b>81,084</b>	72,830
• EMPLOYEE WAGES AND BENEFITS (U.S. MILLION)	<b>1,687</b>	2,079
• CAPITAL INVESTMENT	<b>1,491</b>	1,606
• TAXES PAID	<b>290</b>	246
• DIVIDENDS PAID	<b>172</b>	156
• PAYMENTS TO SUPPLIERS	<b>247</b>	34

\*2016 data include the numbers for Sigma global.



**SIGMA PLANT IN SPAIN**

Sigma built a new cooked and cured meats plant in Burgos, Spain, with a capacity to process 100,000 metric tons a year. The factory is considered the most advanced of this kind in the world, thanks to cutting-edge technology that makes operations more efficient and environmentally friendly.



**CUSTOMER SATISFACTION**

Axtel has a customer satisfaction evaluation system, as advertised in its services, administered through quarterly surveys. The Axtel Code of Ethics also contains a specific chapter on advertising and sales, which establishes the commitment to respect customers and be truthful in all advertising and sales activities.



**SUPPLIERS' DEVELOPMENT**

In 2016, Indelpro was granted with the AISTAC Award given by the Asociación de Industriales del Sur de Tamaulipas, which acknowledges those companies that give a significant boost to their suppliers' development. It also promoted the creation of the Suppliers Committee of the same association, through which best practices are shared regarding suppliers' development among the member companies.



## INVESTMENTS

In 2016, ALFA invested U.S. \$1,491 million in assets, covering a broad array of goods and services, including raw materials and inputs -petrochemicals, aluminum, energy, meat and milk-, industrial equipment, computers, construction materials, transport and insurance services, among others.

## VALUE CHAIN

### Responsible purchasing

ALFA pays special attention to its relationship with suppliers and follows strict selection procedures to ensure the quality and timeliness of their products and services. To do so, it relies on the Supplier Selection Policy, conducting continuous evaluations and reviews to verify the quality of the materials purchased.

In addition, through the Sustainability Committee, ALFA fulfills its commitment to helping suppliers to raise their social and environmental standards. This project will entail creating a frame of reference and methodology for learning about their sustainability practices, as well as the status of their progress in this area. With this, ALFA can help its suppliers draw up plans for their development that are reflected in better performance.

### Service and customer support

The Sigma Customer and Consumer Service Center provides a direct link with these stakeholders, offering a means of contact for hearing and responding to their concerns and thus receiving timely information that allows us to develop specific solutions. In 2016, this Center received 273,144 contacts, including, acknowledgments, congratulations, complaints, concerns and questions. At the same time, new mechanisms were installed to streamline responses, reducing to 1.4% the rate of non resolved calls, which is below the 6% average in the industry.

Providing an outstanding customer service is one of Axtel's priorities. In addition to the training that the operational and customer service personnel receive, the company has phone numbers that allow its users to report any doubt, need or service failure. Axtel made 3'521,973 interactions with its customers in 2016.

### Sigma Nutrition Institute

In 2016, the Sigma Nutrition Institute was founded to promote research and generate knowledge on nutrition and wellness. During the year, six international scientific committees were involved in an effort to learn about both the member opinions and the scientific reality of public health issues related to the consumption of foods in the categories of dairy, cold cuts and fresh meat.





## Responsible Marketing

ALFA acts responsibly in making products and providing services, as well as in its packaging design and marketing campaigns. 100% of the Sigma's packaging and labels provide all the nutritional information required by law in each country where it operates, as well as instructions on proper handling and disposal, especially those that may have a social or environmental impact.

Sigma abides by and measures its advertising aimed at children in accordance with the Self-Regulation Code for Advertising of Foods and Non-Alcoholic Beverages (PABI Code), as well as the initiative promoted by CONMEXICO, which promotes the placement of front labels in food packaging, in order to promote a broader awareness of nutrition. The Company is also a signatory of the National Agreement for Food Health Strategy to combat overweight and obesity in Mexico.

Marketing by ALFA's remaining companies does not require this level of detail, since they sell products for industrial use. None of ALFA's companies sell banned products, or are the subject of discussion among their stakeholders, or a topic of debate in public opinion.

## Protection of information

In 2010, Mexico enacted a new Federal Law on the Protection of Personal Data. ALFA has taken actions to ensure full compliance in all its operations, reinforcing the controls that were already in place.

Thanks to this effort, in 2016, there were no substantial fines, incidents or complaints of this kind in any of ALFA's businesses.

## Customer Satisfaction Surveys

ALFA's companies measure customer satisfaction through several processes, such as the complaint and suggestion hotlines, telephone and e-mail surveys, web page forms, face-to-face meetings, customer visits, and others.

	2016	2015
<b>AVERAGE GRADE OBTAINED</b>	<b>94.2%</b>	92.87%



# GRI G4 Index

DISCLOSURE	ANSWER	MATERIALITY	REPORTING LEVEL
<b>GENERAL STANDARD DISCLOSURES</b>			
Strategy And Analysis			
G4-1	<p><b>Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.</b></p> <p>See Letter from the Chairman of the Board and the President, pages 2-3.</p> <p><b>Importance of Sustainability for ALFA</b> For ALFA, operating under a sustainable development framework is fundamental to its viability and long-term business growth. In addition to creating economic value, ALFA promotes the development and well being of its employees and nearby communities, as well as operating in harmony with nature.</p> <p><b>Strategic Priorities and Key Issues</b></p> <p><u>Employees</u> To offer a health, safe and inclusive work environment. To offer opportunities for personal and professional growth.</p> <p><u>Community</u> To operate safely. To support the development of the community, particularly on education. To offer healthier, more nutritious food products.</p> <p><u>Environment</u> To reduce the carbon and water footprints of its operation. To reduce, reuse and recycle its wastes.</p> <p><u>Economy</u> To contribute to the development of communities where it operates, through investments, employment and development of its value chain.</p> <p><b>Broader Trends</b></p> <p><u>Mexico</u> Stricter environmental legislation. Reduced water availability in some regions. Higher costs of some basic raw materials.</p> <p><u>World</u> Effects of climate change (severe winters, droughts, floods, hurricanes, etc.). Compliance with international standards on issues related to the environment, health, nutrition, and others. Important international treaties and conventions regarding climate change.</p> <p><b>Main events, accomplishments and challenges</b></p> <p><u>Events</u> The prices of oil and other petrochemical raw materials continued to be unstable. Higher volatility of the Mexican peso value against US dollar. Generalized uncertainty due to the results of the presidential election process in the US.</p> <p><u>Markets</u> Lesser growth in both automotive and food markets in the US and Eastern Europe, respectively. Automotive markets showed stability and strength in the US and Western Europe, mainly. Polypropylene and expandable polystyrene businesses registered record performance.</p> <p><u>Accomplishments</u> Sigma Alimentos started operations of a modern facility of cooked and cured meats it built replacing the one that burnt down in 2014 in Spain. Alpek acquired a PET facility in Canada and an EPS plant in Chile; a MEG tolling agreement started from a Huntsman plant, Texas, and started the construction of a new cogeneration plant in Tamaulipas. Nemak started operations of an auto parts plant and another of machinery in Mexico, acquired an auto parts company in Turkey and made progress in the construction of a structural components plant in Slovakia. Alestra completed the fusion with Axtel.</p>	Mandatory	Fully



	<p><b>Challenges</b> The rise of the US dollar's value. The volatility of petrochemical raw materials' prices. Higher interest rates. Major force stoppage in PET plants located in the East coast of the US due to a hurricane.</p> <p><b>Setbacks</b> Five employees passed away in occupational accidents. Important diminished performance in the hydrocarbons' exploration and production business.</p> <p><b>Strategy</b> Continue to invest on improvement of business efficiency and to develop products and services with improved added value. Participating in markets where a position of leadership can be reached and maintained. Increasing cost competitiveness based on human resources and cutting edge technology.</p> <p><b>Goals</b> To eliminate fatal accidents. To reach a favorable performance in all of its businesses. To maintain a healthy financial condition.</p>																				
G4-2	<p><b>Description of key impacts, risks, and opportunities.</b></p> <p>See Letter from the Chairman of the Board and the President, pages 2-3.</p> <table border="1"> <thead> <tr> <th>Most significant impacts</th> <th>Stakeholder</th> </tr> </thead> <tbody> <tr> <td>Polluting emissions (air, ground and water). Water scarcity.</td> <td>Community, environment Community, environment</td> </tr> <tr> <th>Most significant challenges</th> <th>Stakeholder</th> </tr> <tr> <td>Workplace accidents. Emissions and spills.</td> <td>Employees Employees, community</td> </tr> <tr> <th>Most significant opportunities</th> <th>Stakeholder</th> </tr> <tr> <td>Reinforcing safety equipment and programs. Optimizing water management. Reducing emissions. Boosting recycling and reuse of materials. To continue supporting education. Contributing to community development.</td> <td>Employees, community Community, environment Community, environment Community, environment Community Community</td> </tr> </tbody> </table> <p style="text-align: center;"><b>Organizational Profile</b></p>	Most significant impacts	Stakeholder	Polluting emissions (air, ground and water). Water scarcity.	Community, environment Community, environment	Most significant challenges	Stakeholder	Workplace accidents. Emissions and spills.	Employees Employees, community	Most significant opportunities	Stakeholder	Reinforcing safety equipment and programs. Optimizing water management. Reducing emissions. Boosting recycling and reuse of materials. To continue supporting education. Contributing to community development.	Employees, community Community, environment Community, environment Community, environment Community Community	Operational Risk Strategy	Fully						
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G4-3	<p><b>Name of the organization.</b></p> <p>ALFA, S.A.B. de C.V.</p>	Mandatory	Fully																		
G4-4	<p><b>Primary brands, products and services.</b></p> <p>Business groups and products</p> <table border="1"> <thead> <tr> <th>Group</th> <th>Products/Services</th> <th>Brands</th> </tr> </thead> <tbody> <tr> <td>Sigma Alimentos</td> <td>Cooked and cured meats: Ham, sausages, bacon. Dairy products: Cheese, yogurt, cream, butter. Other refrigerated and frozen foods.</td> <td>FUD, San Rafael, Campofrío, Chimex, Iberomex, Tangamanga, San Antonio, Zar, Chen, Braedt, La Villita, Chalet, Yoplait, Guten, Sosúa, Checo, Norteñita, Bar-S, Zar, Bernina, Juris, Nayar, Aoste, Monteverde, La Chona, Nochebuena, Longmont, El Cazo.</td> </tr> <tr> <td>Alpek</td> <td>Polyester products (PTA, PET and fibers); Plastics and chemicals: Polypropylene, Expandable Polystyrene, foam and Caprolactam.</td> <td>Laser, Melinar, Delcron, Dacron, Styropor, Hydrotec, Profax, Valtec, Terza, Luxor.</td> </tr> <tr> <td>Nemak</td> <td>Aluminum heads and blocks for gasoline and diesel engines; Transmission cases; Structural components and parts for electric vehicles.</td> <td>Nemak</td> </tr> <tr> <td>Axtel</td> <td>Information technologies and communication services.</td> <td>Axtel, Alestra</td> </tr> <tr> <td>Newpek</td> <td>Exploration and exploitation of natural gas and hydrocarbon deposits.</td> <td>NA</td> </tr> </tbody> </table>	Group	Products/Services	Brands	Sigma Alimentos	Cooked and cured meats: Ham, sausages, bacon. Dairy products: Cheese, yogurt, cream, butter. Other refrigerated and frozen foods.	FUD, San Rafael, Campofrío, Chimex, Iberomex, Tangamanga, San Antonio, Zar, Chen, Braedt, La Villita, Chalet, Yoplait, Guten, Sosúa, Checo, Norteñita, Bar-S, Zar, Bernina, Juris, Nayar, Aoste, Monteverde, La Chona, Nochebuena, Longmont, El Cazo.	Alpek	Polyester products (PTA, PET and fibers); Plastics and chemicals: Polypropylene, Expandable Polystyrene, foam and Caprolactam.	Laser, Melinar, Delcron, Dacron, Styropor, Hydrotec, Profax, Valtec, Terza, Luxor.	Nemak	Aluminum heads and blocks for gasoline and diesel engines; Transmission cases; Structural components and parts for electric vehicles.	Nemak	Axtel	Information technologies and communication services.	Axtel, Alestra	Newpek	Exploration and exploitation of natural gas and hydrocarbon deposits.	NA	Mandatory	Fully
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G4-5	<p><b>Location of the organization's headquarters.</b></p> <p>Ave. Gómez Morín 1111 sur, Col. Carrizalejo, San Pedro Garza García, N.L. México. C.P. 66254.</p>	Mandatory	Fully																		

G4-6	<b>Number of countries where the organization operates.</b>	Mandatory	Fully										
	27 countries. Argentina, Austria, Belgium, Brazil, Canada, Chile, China, Costa Rica, Czech Republic, Dominican Republic, Ecuador, El Salvador, France, Germany, Hungary, India, Italy, Mexico, Netherlands, Peru, Poland, Portugal, Russia, Slovakia, Spain, Turkey and United States.												
G4-7	<b>Nature of ownership and legal form.</b>	Mandatory	Fully										
	ALFA, S.A.B. de C.V. is a stock limited company with variable capital whose regulations comply with Mexico's laws on Mercantile Corporations and the Stock Market.												
G4-8	<b>Markets served.</b>	Mandatory	Fully										
	<p>ALFA's products serve mainly the food and beverage, automotive, packaging, textile, construction, furniture, telecommunications and energy sectors. Their main markets are located in Mexico, United States, Germany and Brazil.</p> <p>Market Presence</p> <table border="1"> <thead> <tr> <th>Geographical zone</th> <th>Industry sectors</th> <th>Type of customer</th> </tr> </thead> <tbody> <tr> <td>North, Central and South America; Europe and Asia.</td> <td>Food and beverages, automotive, packaging, textile, construction, telecommunications, energy.</td> <td> <ul style="list-style-type: none"> <li>-Producers of packaging for food, beverages, and electronics. Construction companies. Nylon manufacturers.</li> <li>-Automotive manufacture and assembly companies.</li> <li>-Retail, supermarkets and convenience stores.</li> <li>-Corporate information and telecommunications market.</li> <li>-Other organizations: restaurants, hotels, hospitals, etc.</li> </ul> </td> </tr> </tbody> </table>		Geographical zone	Industry sectors	Type of customer	North, Central and South America; Europe and Asia.	Food and beverages, automotive, packaging, textile, construction, telecommunications, energy.	<ul style="list-style-type: none"> <li>-Producers of packaging for food, beverages, and electronics. Construction companies. Nylon manufacturers.</li> <li>-Automotive manufacture and assembly companies.</li> <li>-Retail, supermarkets and convenience stores.</li> <li>-Corporate information and telecommunications market.</li> <li>-Other organizations: restaurants, hotels, hospitals, etc.</li> </ul>					
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G4-9	<b>Scale of the organization.</b>	Mandatory	Fully										
	Employees			81,084									
	Operation sites			128									
	Revenue			U.S. \$15,756 million									
	Total capitalization in terms of debt and equity			U.S. \$16,890 million									
	Number of products and services rendered			35 (main)									
	Total assets			U.S. \$ 348,563 million									
G4-10	<b>Total workforce.</b>	Labor Practices	Fully										
Page 8.													
G4-11	<b>Employees covered by collective bargaining agreements.</b>	Labor Practices	Fully										
	<table border="1"> <thead> <tr> <th>Employee type</th> <th>Number</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Unionized</td> <td>34,508</td> <td>38.11</td> </tr> <tr> <td>Employees</td> <td>38,021</td> <td>61.88</td> </tr> </tbody> </table>			Employee type	Number	Percentage	Unionized	34,508	38.11	Employees	38,021	61.88	
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Unionized	34,508	38.11											
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G4-12	<b>Describe the organization's supply chain.</b>	Relations with Clients and Suppliers	Fully										
	ALFA uses a wide range of suppliers to satisfy the needs of its diverse business portfolio, including petrochemical raw materials producers, industrial equipment manufacturers, aluminum recyclers and processors, and poultry, pig and dairy farmers. For more information, please go to pages 19 to 21, Our value chain.												
G4-13	<b>Significant changes in the organization during the reporting period.</b>	Operational Risk Strategy	Fully										
	See Letter from the Chairman of the Board and the President and, pages 2-3, as well as Letter to shareholders, pages 4-6 of ALFA's Annual Report 2016, available here: <a href="http://www.ALFA.com.mx/down/informes/AnnualReport16.pdf">http://www.ALFA.com.mx/down/informes/AnnualReport16.pdf</a>												

G4-14	Whether and how the precautionary approach is addressed by the organization.	Environmental Management	Fully
	<p>Through various dialogue and engagement processes with stakeholders (see Table G4-15), as well as the Materiality Assessment carried out during 2015, ALFA has identified areas that present risks for and from its operations. As a result, ALFA has been able to create and modify its management strategy and to execute new actions that contribute to mitigating any significant risks.</p> <p><b>1. Identified risks</b></p> <p><u>Workplace</u></p> <ul style="list-style-type: none"> <li>-Workplace accidents. Due to the nature of their operations, some of ALFA's companies handle raw materials, products and carry out processes that could pose the risk of an accident.</li> <li>-Strikes. Despite human resources programs and a zero strikes or serious conflict record, this is regarded as a potential risk.</li> <li>-Changes in global labor culture, due to the characteristics/demands of the new generations of graduates and employees.</li> </ul> <p><u>Environment</u></p> <ul style="list-style-type: none"> <li>-Emissions, spills or discharges that could potentially pollute air, land and water due to the nature of raw materials, products and processes, and their handling and transportation.</li> <li>-Lack of natural resources. The increasing scarcity of natural resources like water is a risk for the continuous long-term operation of ALFA's businesses.</li> <li>-Product life-cycle. Some of ALFA's products like PET, polypropylene or EPS could pose a risk to the ecosystem if handled or disposed incorrectly.</li> </ul> <p><u>Community</u></p> <ul style="list-style-type: none"> <li>-Possibility of a community rejecting the operations of a plant because of the potential risk of emissions, explosions, traffic, effects on quality of life, etc.</li> <li>-Product life-cycle: for Sigma Alimentos, the sale of a product in inadequate conditions for human consumption, for any cause (attributable to the organization or not), could pose a risk for the health of consumers.</li> </ul> <p><u>Economic</u></p> <ul style="list-style-type: none"> <li>-Regulatory change in the countries where ALFA operates.</li> <li>-Economic volatility of international markets.</li> <li>-Cyclic nature of certain businesses.</li> <li>-Lesser availability of raw materials and feedstock like water or energy, which could increase their costs.</li> </ul> <p><b>2. Measures taken to mitigate these risks</b></p> <p><u>Workplace</u></p> <ul style="list-style-type: none"> <li>-Continuous improvement in programs and investments related to health and safety.</li> <li>-Labor relations programs, including training, integral development for employees and their families, connection with employees' families, competitive compensation and benefits, and other efforts towards a healthy, inclusive, and collaborative workplace.</li> </ul> <p><u>Environment</u></p> <ul style="list-style-type: none"> <li>-Investments in cutting-edge emissions reduction technologies, including the use of cleaner energies (one natural gas-based energy cogeneration plant operating and another one, twice as big, in construction).</li> <li>-Investments to promote recycling of final products (promoting the recycling of aluminum, sand and PET).</li> <li>-Complying with regulations set by authorities, suppliers, and the industry.</li> <li>-Promoting an environmental culture, in and outside the company, including the creation of commissions to propose and implement specific action points to strengthen environmental management.</li> <li>-Creating alliances with other companies to cooperate in activities in favor of the environment.</li> <li>-Advancing and supporting suppliers to achieve a thorough commitment to environmental and human rights-related topics.</li> </ul> <p><u>Community</u></p> <ul style="list-style-type: none"> <li>-Continuing to support education.</li> <li>-Promoting the company's involvement in community programs.</li> <li>-Supporting communities through volunteering work for natural disaster response and other contingencies.</li> <li>-Community support initiatives (improvements for schools, food banks, etc.).</li> <li>-Contributing to health programs for communities.</li> <li>-Identifying operational risks in communities and implementing effective actions to mitigate them.</li> </ul> <p><u>Economic</u></p> <ul style="list-style-type: none"> <li>-Continuously updating the company's business strategy.</li> <li>-Searching for substitute raw materials and better ways to recycle those that are currently used.</li> <li>-Investment on and support of innovation and technological development.</li> </ul>		

G4-15	Externally developed initiatives to which the organization subscribes.					Relations with NGOs and Regulators	Fully
Company	Type of initiative	Program	Institution	Joined	Results		
ALFA	Environment	Fondo Metropolitano del Agua en Monterrey	Monterrey's private enterprise	2014			
		Sponsorship	Pronatura Noreste, A.C.	2013	Restoring of natural habitats.		
	Community	Support of cultural projects	CONARTE (Consejo para la Cultura y las Artes de N. L.)	2012	Cultural events.		
		Promotion of Culture of Legality	Hagámoslo Bien	2014	Promotion campaigns through massive media, companies, institutions.		
		Red SumaRSe	Private sector initiative	2011	Rebuilding of social fabric of three communities in Nuevo Leon state, benefiting 14,000 people.		
	Movimiento Congruencia	Recruiting and Management Services.	2009	Promoting of the incorporation of handicapped people in the workplace and companies.			
Economy	Luis G. Sada Award	COPARMEX (Confederación Patronal Mexicana) Comisión de Empresarios Jóvenes (Young entrepreneurs commission)	2013	Award granted to SMEs to acknowledge their CSR practices.			
Alpek	Environment	EPS recycling project	Buenos Aires, Argentina	2016	EPS got to be considered as recyclable material and is now collected in recycling bins.		
		Clean Industry (Programa Nacional de Auditoría Ambiental)	PROFEPA (Procuraduría Federal de Protección al Ambiente)	2011	Better performance in environmental, legal and operative matters.		
		Carbon Credits Program	UNFCC (UN Climate Action)	2012	In 2015, PetroteMex got 900,000 CO <sup>2</sup> tons certified and by the middle of 2016, and by the middle of 2016, 124,971 tons more were reported to be certified in 2017.		
	Community	DAK gives back- Fostering of a child of Nancy K. Perry Children's shelter	Local school and shelter of Nancy K. Perry				
		Toys donation campaign	Hancock Co. Foster Program		85 children received Christmas presents		
		Blood donation campaign	Mexican Red Cross				
		Emergency drills, talks in schools and Safety Week	AISTAC (Asociación de Industriales del Sur de Tamaulipas A.C.)		Four events carried out		
		PROFEPA Drills	PROFEPA (Procuraduría Federal de Protección al Ambiente)	2014	Second year in a row		
	Labor	Support to women	Pink Heart Fund		More than a 100 women supported		
	Participation in the Woman Program	ANSPAC	2016				

Nemak	Environment	Earth Day	US Environmental Protection Agency		Garbage recolection	
		Picobello-Aktion	EVS – Waste Management Organization	2008	Clean environment	
		Dickson County Recycling Grant Program	TN Department of Environment and Conservation	2008	86,000 tons of recycled materials	
		Recolection of nonfunctional electronic equipment	Recolectrón	2016		
		Reforestation	Internal	2016	Donation of 500 trees to employees' families	
	Community	Respect to Human Rights	JDRF (Juvenile Diabetes Research Foundation)	2005	Donation of cash and time	
			United Way			
		Sponsorship	Foundation for Disabled Children	2010	Cash donation	
	Sigma Alimentos	Community	Sponsorship	Foundation for Disabled Children	2010	Cash donation
		Economy	Competitivity Center	CAINTRA (Cámara de la Industria de Transformación de Nuevo León)		
Universidad del Comercio Emprendedor (UNICEM)			Private sector		Development of retailing stores through bussines training	

G4-16 **Membership in associations.** Relations with NGOs and Regulators Fully

Country	Company	Association	Does it hold a position in the governance body or participate in committees?	Does it provide funding above membership dues?	Does it view its participation as strategic?
Germany	Nemak	Allgemeiner Arbeitgeberverband Harz e.V. (General Association of Employers of Harz)	No	No	Yes
	Nemak	DJH Hauptverband e.V. (Association of lodging for younglings)	No	No	No
	Nemak	Industrie- und Handelskammer Dillingen (Chamber of Commerce of Dillingen)	No	No	Yes
	Nemak	Industrie- und Handelskammer Magdeburg (Chamber of Commerce of Magdeburg)	No	No	Yes
	Nemak	VDA Verband der Automobilindustrie e.V. (German Association of Automobile Industry)	No	No	Yes
	Nemak	Verband der Metall- und Elektroindustrie Sachsen-Anhalt e.V. (Association of Electronic and Metal Industry of Sajonia-Anhalt)	No	No	Yes
	Nemak	VDA Verband der Automobilindustrie e.V. (German Association for the Automotive Industry)	No	No	Yes

Argentina	Nemak	Association for Components Made in Argentina	No	No	Yes
	DAK Americas	CAIRPLAS (Plastic Recycling Chamber)	Yes	No	Yes
	Nemak	Metal Industrialists Chamber	No	No	Yes
	DAK Americas	CCAM (Argentinian-Mexican Chamber of Commerce)	No	No	Yes
	DAK Americas	CEMPRE (Business Commitment for Recycling)	No	No	Yes
	DAK Americas	CICAZ (Interindustry Committee for the Conservation of the Environment Zárate Campana)	Yes	No	Yes
	DAK Americas	CIPETAR (Chamber of the Argentinian PET Industry)	Yes	No	Yes
	DAK Americas	CIQyP (Chamber of the Chemical and Petrochemical Industry)	No	No	Yes
Austria	Nemak	Austrian Chamber of the Economy	Yes	No	No
	Nemak	ÖGI Österreichisches Gießerei Institut (Institute for Foundry Research in Austria)	Yes	No	Yes
	Nemak	VÖG Verein Österreichischer Gießereifachleute (Austrian Association of Foundry Professionals)	No	No	Yes
Brasil	Styropek	ABIQUIM (Brazilian Association for the Chemical Industry)	Yes	No	Yes
	Nemak	Sindipeças (National Syndicate for the Automotive Component Manufacturing Industry)	No	No	Yes
Canadá	Nemak	Canadian Foundry Society	Yes	No	Yes
China	Nemak	Foundry Association (in Chongqing and Nanjing)	No	No	No
Hungary	Nemak	Association for the Hungarian Automotive Industry	No	No	Yes
	Nemak	MexCham Mexican-Hungarian Business Association	No	No	Yes
Mexico	Petrotemex	AISTAC (Industrial Association of Southern Tamaulipas, A. C.)	Yes	No	Yes
	Indelpro		Yes	No	No
	AKRA Polyester	National Association for the Chemical Industry	No	No	Yes
	Petrotemex		Yes	No	Yes
	Indelpro		Yes	No	No
	Poliolos		Yes	No	Yes
	Univex		Yes	No	Yes
	Sigma Alimentos		National Association of TIF Operations, A.C.	Yes	No
	Nemak	National Chamber of the Transformation Industry	No	Yes	Yes
	Sigma Alimentos		Yes	No	Yes
	Nemak		No	No	Yes
	Sigma Alimentos	CANILEC (National Chamber of Milk Industrialists)	Yes	No	Yes
	Nemak	CLAUT (Automotive Cluster)	Yes	Yes	Yes
	Sigma Alimentos	CONCAMIN (Confederation of Industrial Chambers)	Yes	No	Yes

México	Sigma Alimentos	Conmexico (Mexican Council for the Consumer Products Industry)	Yes	No	Yes
	Sigma Alimentos	Council for Self-Regulation in Advertising	Yes	No	Yes
	Sigma Alimentos	Mexican Council for Meat	Yes	No	Yes
	Sigma Alimentos	National Agricultural Council	Yes	No	Yes
	Nemak	COPARMEX (Mexican Employers' Confederation)	Yes	No	Yes
Poland	Nemak	Silesian Union of Private Employers	No	No	Yes
Slovakia	Nemak	Association for the Automotive Industry	No	No	No
Spain	Nemak	ACICAE (Automotive Cluster of the Basque Country)	No	No	Yes
United States	DAK Americas	AFMA (American Fiber Manufacturers Association)	Yes	Yes	Yes
	Nemak	AFS (American Foundry Society)	No	No	Yes
	DAK Americas	National Associate for PET Container Resources	Yes	No	Yes
Others	All	Local chambers of commerce and mutual aid committees	Varies	Varies	Yes

#### Identified material aspects and boundaries

G4-17	<b>Entities included in the organization's financial statements and report whether any of those entities is covered by the report or not.</b>	Investor Relations	Fully
	This report contains activities from all of the entities reported in ALFA's financial statements, except for: <ul style="list-style-type: none"> <li>Newpek (Newpek S.A. de C.V.) and ALFA del Norte, S.A. de C.V.</li> </ul>		
G4-18	<b>Process for defining the report content.</b>	Mandatory	Fully
	Page 5, Materiality.		
G4-19	<b>Material aspects identified by the organization.</b>	Mandatory	Fully
	Page 5, Materiality.		
G4-20	<b>For each material aspect, report the aspect boundary within the organization.</b>	Mandatory	Fully
	Page 5, Materiality.		
G4-21	<b>For each material aspect, report the aspect boundary outside the organization.</b>	Mandatory	Fully
G4-22	<b>Effect of any restatements of information provided in previous reports.</b>	Mandatory	Fully
	There were no restatements of information from previous reports.		
G4-23	<b>Significant changes from previous reporting periods.</b>	Mandatory	Fully
	This is the second time ALFA reports its sustainability activities using the Global Reporting Initiative's Sustainability Reporting Guidelines in their G4 version.		

#### Stakeholder engagement

G4-24	<b>List of stakeholder groups engaged by the organization.</b>	Relations with NGOs and Regulators	Fully
	Page 4.		
G4-25	<b>Basis for identification and selection of stakeholders with whom to engage.</b>	Relations with NGOs and Regulators	Fully
	Page 4.		

G4-26	<p><b>Approach to stakeholder engagement.</b></p> <p>Most of ALFA's companies maintain an open and constant dialogue with their stakeholders. ALFA's relationship with its stakeholders is based on the idea that all stakeholders are important and deserve to be heard in a timely manner. Our companies' relationships with them are always carried out in a professional, ethical and transparent way. Frequency of contact depends on the audience and its particular situation. The company, however, keeps an open door policy for all its stakeholders. In 2016, our relationship with our stakeholders was enriched through our Materiality Assessment Process. We consulted five stakeholder groups about their short, medium and long term concerns and priorities.</p>	Relations with NGOs and Regulators	Completo																																			
G4-27	<p><b>Key topics and concerns that have been raised by stakeholders and how the organization has responded.</b></p> <table border="1" data-bbox="201 457 1242 1612"> <thead> <tr> <th data-bbox="201 464 329 499">Stakeholder</th> <th data-bbox="334 464 537 499">Relevant channels</th> <th data-bbox="542 464 721 499">Frequency</th> <th data-bbox="725 464 948 499">Concerns</th> <th data-bbox="953 464 1242 499">Reponses</th> </tr> </thead> <tbody> <tr> <td data-bbox="201 506 329 632">Shareholders</td> <td data-bbox="334 506 537 632">Shareholders meetings Annual report Quarterly reports E-mail Phone Press releases</td> <td data-bbox="542 506 721 632">Quarterly Annual Bimonthly Periodic Continuous</td> <td data-bbox="725 506 948 632">Profitability and growth; adherence to corporate governance best practices.</td> <td data-bbox="953 506 1242 632">Monitoring performance indicators. Business development planning, compliance with applicable regulations. 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<b>Report Profile</b>																																						
G4-28	<p><b>Reporting period.</b></p> <p>From January 1st to December 31st, 2016.</p>	Mandatory	Fully																																			
G4-29	<p><b>Date of most recent previous report.</b></p> <p>Published on February 28th, 2016. Its reporting period was January 1st to December 31st, 2015.</p>	Mandatory	Fully																																			
G4-30	<p><b>Reporting cycle.</b></p> <p>Annual.</p>	Mandatory	Fully																																			
G4-31	<p><b>Contact point for questions regarding the report.</b></p> <p>Luis Ochoa. - Vice President Investor Relations - lochoa@alfa.com.mx - Tel. (52) 81 8748-2125.</p>	Mandatory	Fully																																			



G4-32	<b>GRI Index.</b> See pages 22 to 44.	Mandatory	Fully
G4-33	<b>External assurance practices.</b> This report has not been verified by a third party.	Mandatory	Fully
<b>Governance</b>			
G4-34	<b>Governance structure of the organization.</b> The Board of Directors comprises 11 proprietary members who do not have alternates. Each member was chosen based on their academic background, professionalism, business record and consistency with ALFA's values. All Board members are Mexican men of ages ranging from 45 to 70 years old. There are no other relevant diversity indicators in the Board.  In order to correctly perform its duties, three committees assist the Board of Directors: a) Audit, b) Corporate Practices, and c) Planning and Finance. Each committee is headed by an independent board member and meets from four to six times a year to discuss relevant matters. All board members participate in at least one of these committees. The Audit and the Corporate Practices committees are formed by independent members only. The three committees follow up on topics related to the company's social and environmental performance.  The Audit Committee examines and makes recommendations to the Board on matters such as the external auditor selection and their fees, coordination with the company's internal audit department and the analysis of accounting policies, among others. ALFA has internal control systems with general guidelines. These are submitted to the Audit Committee for its opinion. Moreover, the external auditor validates the effectiveness of the internal control system and issues the corresponding reports.  The Corporate Practices Committee makes recommendations to the Board in matters such as employment terms and severance payments for senior executives, and compensation policies, among others.  The Planning and Finance Committee evaluates all matters related to its particular area and issues recommendations to the Board on topics such as feasibility of investment, the company's strategic positioning, alignment of investment and financing policies, and review of investment projects.  The Human Capital and Audit department, as well as the Audit and Corporate Practices committees of the Board of Directors, are responsible for monitoring the members of the Board's ethical performance. Salary compensation for directors is set by comparing the standards of companies similar in size and sector.	Mandatory	Fully
G4-35	<b>Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees</b> See disclosure G4-34.	Environmental Management	Fully
G4-36	<b>Executive-level position or positions with responsibility for economic, environmental and social topics.</b> The Auditing, Corporate Practices, and Planning and Finance committees evaluate, together with the Board of Directors as a whole, the company's strategy, management and results, which includes environmental and social topics.	Environmental Management	Fully
G4-37	<b>Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.</b> The channels we use to communicate with our stakeholders are summarized in the answer to disclosure G4-27. The results of these consultation processes, including those related to economic, environmental, and social topics, are transmitted to the Board of Directors in order to address any relevant concerns.		Fully
G4-38	<b>Composition of the highest governance body and its committees.</b> To see the composition of the Board of Directors and the profile of each of its members, see the 2016 Annual Report, page 18.		Fully
G4-39	<b>Report whether the Chair of the highest governance body is also an executive officer.</b> The Chairman of the Board of Directors does not hold an executive position in the company. He is responsible of convening and presiding all meetings, and preparing the agenda. He is also responsible for the Board's correct operation and for organizing annual assessments.		Fully
G4-40	<b>Nomination and selection processes for the highest governance body and its committees.</b> Members of the Board of Directors are elected taking into account their professionalism, business record, leadership, experience and compliance with ALFA's values. No distinctions are made based on diversity indicators such as gender, race, nationality, or personal beliefs.		Fully
G4-41	<b>Processes for the highest governance body to ensure conflicts of interest are avoided and managed.</b> ALFA has a Conflict of Interests policy for members of the Board and the rest of its employees. This policy states that the responsibilities and duties of the members of the Board of Directors are governed by the Mexican Stock Market Law (LMV, acronym in Spanish), under the regulations applicable in Mexico to listed companies, and taking into account the Mexican Stock Exchange Code of Professional Ethics, the Code of Better Corporate Practices, the internal regulations of the Mexican Stock Exchange, and ALFA's Code of Ethics. In accordance with the LMV, members of the Board have a duty of due diligence and thus should always act in good faith and in society's best interest. They should also maintain confidentiality in the company's information and affairs and keep from participating or being present during deliberation and voting on issues that might pose a conflict of interest. Additionally, by ALFA's policy members of the Board of Directors who might have a conflict of interests in deciding over any matter are compelled to inform the Chairman and the rest of the Board. ALFA's policies state that employees must avoid any situation in which their interests might differ from those of the company. All employees who might have interests or relations with current or potential clients and suppliers must immediately inform their superior.		Fully

G4-44	<b>Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics.</b>		Fully
	There are several processes for evaluating the members of the Board, including measuring assistance to meetings of the Board and the committees in which they participate, and the effectiveness of the strategic decisions taken by them.		
G4-45	<b>Highest governance body's role in the identification and management of economic, environmental and social impacts, risks and opportunities.</b>		Fully
	Identification and management of risks are based on ALFA's business strategy and investments policies, including elements such as: evaluating businesses related to current operations, reinforcement of ALFA's competitive position, assessment of attractive markets in terms of profitability and growth, creation of synergies, and securing the competitiveness of our supply chain.		
G4-46	<b>Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.</b>		Fully
	The Board of Directors follows procedures consistent with those set by the corporate governance standards established in Mexico's Stock Exchange Law (LMV) and the Code for Better Corporate Practices. Moreover, the Board relies on the Audit, Corporate Practices, and Planning and Finance committees to review the company's strategy, management and results, which include risk management processes for economic, environmental and social issues.		
G4-47	<b>Frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities.</b>	Operational Risk Strategy	Fully
	These topics are debated and analyzed in the meetings of the Board, occurring six times per year. The guidelines established in ALFA's Code of Ethics and the 10 Principles of the United Nations Global Compact are considered in every decision-making process and action taken by the members of the Board.		
G4-48	<b>Highest committee or position that formally reviews and approves the organization's sustainability report.</b>		Fully
	The Senior Vice President of Human Capital.		
<b>Ethics and integrity</b>			
G4-56	<b>The organization's values, principles, standards and norms of behavior.</b>	Mandatory	Fully
	See page 4, Social Responsibility Model.		
G4-57	<b>Internal and external mechanisms for seeking advice on ethical and lawful behavior.</b>		Fully
	The President of ALFA supervises ethics policies and mechanisms. External consultants advise ALFA on current and necessary measures to maintain the integrity of the company and its employees.		
G4-58	<b>Internal and external mechanisms for reporting concerns about unethical or unlawful behavior.</b>		Fully
	ALFA has a Transparency Mailbox in the webpage for internal and external publics.		
<b>ECONOMIC</b>			
<b>Economic performance</b>			
EC1	<b>Direct economic value generated and distributed.</b>	Distribution of Wealth	Fully
	Page 1, ALFA in numbers.		
EC2	<b>Financial implications and other risks and opportunities for the organization's activities due to climate change.</b>	Operational Risk Strategy	Fully
	See letter from the Chairman of the Board and the President, pages 2 and 3.  At ALFA we pay close attention to climate change, and we know it could have consequences ranging from disruptions in our operations and supply chain, to reducing the availability of resources as important as water or energy. ALFA has implemented strategies to operate more efficiently and sustainably, reducing its hydric and carbon footprint and therefore contributing to minimize any impacts that could accelerate climate change. An example of this is our energy cogeneration program, which includes one plant that started operating in late 2014, and the construction of a second plant that will be twice as large as the first. Programs such as this one, and the PET and aluminum recycling programs ALFA supports, will bring both environmental and economic benefits.		
EC3	<b>Coverage of the organization's defined benefit plan obligations.</b>	Labor Practices	Fully
	Retirement plans, education support and medical assistance are available to all staff employees.  The retirement system consists of a fixed contribution plan, ranging from 4% to 17% of the employee's salary according to applicable laws, where the company and its employees contribute an equal amount.  All employee benefits are covered 100% by the company.		
EC4	<b>Financial assistance received from government.</b>	Relations with NGOs and Regulators	Fully
	In 2016 ALFA did not receive significant financial assistance from any governments, except for tax incentives related to technology development projects.		

Market Presence												
EC5	<b>Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.</b>	Distribution of Wealth	Fully									
	<table border="1"> <thead> <tr> <th>Country</th> <th>Ratio of ALFA's minimum wage to legal minimum wage</th> </tr> </thead> <tbody> <tr> <td>Mexico</td> <td>3.5 to 1</td> </tr> <tr> <td>United States</td> <td>1.85 to 1</td> </tr> </tbody> </table> <p>*Only information from Mexico and the United States is considered significant and reported, as 72% of ALFA's workforce is in these two countries. There are no differences between the wages paid by ALFA to men and to women.</p>	Country	Ratio of ALFA's minimum wage to legal minimum wage	Mexico	3.5 to 1	United States	1.85 to 1					
Country	Ratio of ALFA's minimum wage to legal minimum wage											
Mexico	3.5 to 1											
United States	1.85 to 1											
EC6	<b>Proportion of senior management hired from the local community at significant locations of operation.</b>	Community Involvement	Fully									
	ALFA hires local staff for the companies it establishes and maintains the workforce of those it acquires. Local personnel are hired in non-executive positions to develop their skills and provide training so they can move on to executive positions once they have acquired the necessary abilities. This allows for greater engagement with local communities and contributes to their development.											
Indirect Economic Impacts												
EC7	<b>Development and impact of infrastructure investments and services supported.</b>	Distribution of Wealth	Fully									
	<p>Every one of ALFA's companies and operational sites collaborates with its relevant communities in projects designed to target each community's needs. Some examples are: improving the infrastructure of local schools, maintaining streets, providing support during natural disasters, and sponsoring local events, among others.</p> <p>In 2016, investments of this kind amounted to US \$1'198,330.</p>											
EC8	<b>Significant indirect economic impacts, including the extent of impacts.</b>	Distribution of Wealth	Fully									
	Some of ALFA's actions that have a significant indirect economic impact are our support for dairy and goat farmers and for grocers.											
Procurement practices												
EC9	<b>Proportion of spending on local suppliers at significant locations of operation.</b>	Community Involvement	Fully									
	<table border="1"> <thead> <tr> <th colspan="2">Proportion of spending on local suppliers</th> </tr> </thead> <tbody> <tr> <td>Mexico</td> <td>59%</td> </tr> <tr> <td>United States</td> <td>80%</td> </tr> <tr> <td>Europe</td> <td>47%</td> </tr> <tr> <td>South America</td> <td>79%</td> </tr> </tbody> </table> <p>Asia is not considered a significant region for this disclosure. Sigma Alimentos' operations are not included in this answer.</p>	Proportion of spending on local suppliers		Mexico	59%	United States	80%	Europe	47%	South America	79%	
Proportion of spending on local suppliers												
Mexico	59%											
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ENVIRONMENTAL												
Energy												
EN3	<b>Energy consumption within the organization.</b>	Energy Ecoefficiency	Fully									
	Page 15.											
EN4	<b>Energy consumption outside of the organization.</b>	Energy Ecoefficiency	Fully									
	Page 15.											
EN5	<b>Energy intensity.</b>	Energy Ecoefficiency	Fully									
	This information is unavailable as of 2016.											
EN6	<b>Reduction of energy consumption.</b>	Energy Ecoefficiency	Fully									
	Page 15.											
EN7	<b>Reductions in energy requirements of products and services.</b>	Energy Ecoefficiency	Fully									
	This disclosure is not material for our operations.											

Water																											
EN8	<b>Total water withdrawal by source.</b>	Water Management	Fully																								
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EN9	<b>Water sources significantly affected by withdrawal of water.</b>	Water Management	Fully																								
	ALFA does not significantly affect any of its water sources.																										
EN10	<b>Percentage and total volume of water recycled and reused.</b>	Water Management	Fully																								
	12,151,095 m <sup>3</sup> of water were treated, and a percentage of them were reused in processes.																										
Biodiversity																											
EN11	<b>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.</b>		Fully																								
	<p>Seven of ALFA's plants are near areas of high biodiversity value:</p> <ul style="list-style-type: none"> <li>• Nemark Monterrey, Mexico</li> <li>• Nemark Dillingen, Germany</li> <li>• Petrotemex Cosoleacaque, Mexico</li> <li>• Petrotemex Charleston, United States</li> <li>• DAK Americas Columbia, United States</li> <li>• DAK Americas Zárate, Argentina</li> <li>• Styropek Guaratinguetá, Brazil</li> </ul> <p>These plants have put in place programs to protect the biodiversity in their relevant habitats. For example: Nemark Monterrey operates a conservation program in its 7,500 m<sup>2</sup> of yucca gardens.</p> <p>Additionally, ALFA's operations carry out actions in favor of nearby green areas, even when they are not protected biodiversity areas. For example, Nemark's Saltillo site, which is not near any protected area, protects local flora in its 1.5 hectares of gardens.</p>																										
EN12	<b>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.</b>		Fully																								
	See disclosure EN11. Some of ALFA's products may have a negative impact on the environment when handled or disposed inappropriately. Two examples are PET and EPS foam. ALFA is working to reduce this risk through recycling processes inside the company and recycling campaigns outside of it.																										
EN13	<b>Habitats protected or restored.</b>		Fully																								
	ALFA's plants that are near areas of high biodiversity value have put in place programs to protect them (see disclosure EN11).																										
EN14	<b>Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.</b>		Fully																								
	ALFA's operations do not affect species at risk of extinction.																										
Emissions																											
EN15	<b>Direct greenhouse gas (GHG) emissions (Scope 1).</b>	Climate Change and Emissions Strategy	Fully																								
	Page 15.																										
EN16	<b>Energy indirect greenhouse gas (GHG) emissions (Scope 2).</b>	Climate Change and Emissions Strategy	Fully																								
	Page 15.																										

EN17	<b>Other indirect greenhouse gas (GHG) emissions (Scope 3).</b>	Climate Change and Emissions Strategy	Fully																											
	There are no other significant emissions.																													
EN18	<b>Greenhouse gas (GHG) emissions intensity.</b>	Climate Change and Emissions Strategy	Fully																											
	This information is unavailable as of 2016.																													
EN19	<b>Reduction of greenhouse gas (GHG) emissions.</b>	Climate Change and Emissions Strategy	Fully																											
	In 2016 there was reduction in emissions, however, as the number of operations increased, these reductions are not reported in the numbers.																													
EN20	<b>Emissions of ozone-depleting substances (ODS).</b>	Climate Change and Emissions Strategy	Fully																											
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EN21	<b>NOx, SOx, and other significant air emissions.</b>	Climate Change and Emissions Strategy	Fully																											
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EN22	<b>Total water discharge by quality and destination.</b>	Waste and Spills	Fully																											
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EN23	<b>Total weight of waste by type and disposal method.</b>	Waste and Spills	Fully																											
	Waste from ALFA's companies is not significant in respect to their operation, given that they carry out reuse and recycle actions and programs, such as Zero Waste. Sigma Alimentos in the company that cannot reuse nor recycle its waste, but it sends it to the adequate treatment in compliance of the current legislation.																													
EN24	<b>Total number and volume of significant spills.</b>	Waste and Spills	Fully																											
	There were no significant spills in 2016.																													
EN25	<b>Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.</b>	Waste and Spills	Fully																											
	ALFA does not transport, import, export or treat this kind of waste.																													
EN26	<b>Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.</b>	Waste and Spills	Fully																											
	See disclosure EN22. ALFA does not significantly affect biodiversity through its water discharges and runoff.																													

Products and services			
EN27	<b>Extent of impact mitigation of environmental impacts of products and services.</b>	Environmental Management	Fully
	See pages 14 and 15.		
Compliance			
EN29	<b>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.</b>	Relations with NGOs and Regulators	Fully
	There were no significant fines for non-compliance with this type of laws and regulations in 2016.		
Transport			
EN30	<b>Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.</b>	Climate Change and Emissions Strategy	Fully
	ALFA generally outsources the transportation of its products. One exception is Sigma Alimentos, which has applied measures to reduce the environmental impact of its distribution operations. An example is its National Fuel Plan, an initiative that includes more efficient fuel management and more ecological driving techniques.		
Overall			
EN31	<b>Total environmental protection expenditures and investments by type.</b>	Environmental Management	Fully
	Page 15.		
EN32	<b>Percentage of new suppliers that were screened for responsible environmental practices.</b>	Environmental Management	Partially
	Pages 19-21.		
EN33	<b>Environmental negative impacts, real or potential, identified in the supply chain.</b>	Environmental Management	Fully
	In 2016 no negative environmental impacts were identified in the supply chain.		
Environmental Grievance Mechanisms			
EN34	<b>Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.</b>	Operational Risk Strategy	Fully
	In 2016 there were no grievances of this kind.		
SOCIAL: LABOR PRACTICES AND DECENT WORK			
Employment			
LA1	<b>Total number and rates of new employee hires and employee turnover by age group, gender and region.</b>	Labor Practices	Fully
	Page 8.		
LA2	<b>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.</b>	Labor Practices	Fully
	Full-time employees are given a Christmas and vacation bonus, food vouchers, savings fund, years of service recognitions and a retirement plan. Temporary employees and part-time workers do not benefit from the retirement plan. Benefits for Sigma Alimentos' employees vary according to region and position.		
LA3	<b>Return to work and retention rates after parental leave, by gender.</b>	Labor Practices	Fully
	This information is unavailable as of 2016.		
Labor/Management Relations			
LA4	<b>Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.</b>	Labor Practices	Fully
	The general minimum notice period is two weeks in advance. This provision is specified in collective agreements. The minimum notice period for consultations and negotiations related to collective agreements is 30 days.		
Occupational Health and Safety			
LA5	<b>Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.</b>	Health and Safety	Fully
	100% of unionized employees are represented.		

LA6	<b>Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.</b>	Health and Safety	Fully
	Page 7.		
LA7	<b>Workers with high incidence or high risk of diseases related to their occupation.</b>	Health and Safety	Fully
	Owing to the industrial nature of ALFA's operations, there are roles fulfilled by some of our employees that involve a relatively high risk. ALFA and its companies constantly work together to mitigate these risks through the use of the most recent safety technologies, constant feedback from employees of all levels, and a reliable incident analysis process. Approximately 460 of Nemak's employees and 244 of Alpek's employees perform high-risk activities.		
LA8	<b>Health and safety topics covered in formal agreements with trade unions.</b>	Health and Safety	Fully
	Most of ALFA's employees, including those that participate in unions, contribute in several different ways to our health and safety committees. These committees work permanently to reduce workplace accidents and illnesses. Additionally, all of ALFA's employees are given the appropriate safety equipment, training and programs to perform their duties in the safest possible way.		
<b>Training and Education</b>			
LA9	<b>Average hours of training per year per employee by gender, and by employee category.</b>	Talent Management and Human Capital	Fully
	Page 9.		
LA10	<b>Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.</b>	Talent Management and Human Capital	Fully
	In addition to benefits like savings and retirement funds, most of ALFA's sites have put in place programs that specifically support continued employability and assist in managing career endings. Some examples are: -Talks with external advisers about topics like savings accounts, retirement funds, loans, social security, affordable housing, and more. -Talks about job transitioning and career endings. -Support for writing wills and saving plans. -Counselling for money management, further employment, and other related topics.		
LA11	<b>Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.</b>	Talent Management and Human Capital	Fully
	Page 9.		
<b>Diversity and Equal Opportunity</b>			
LA12	<b>Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.</b>	Labor Practices	Fully
	To see the composition of the Board of Directors and the profile of each of its members, see the 2016 Annual Report, pages 18 and 19. See disclosure G4-10 for the composition of ALFA's workforce. Due to the large number of countries where ALFA operates, our only material indicator of diversity is gender.		
<b>Equal Remuneration for Women and Men</b>			
LA13	<b>Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.</b>	Distribution of Wealth	Fully
	There are no differences in the basic salaries paid to men and women for the same kind of position, since compensation is determined based on knowledge, capacity, and experience.		
<b>Supplier Assessment for Labor Practices</b>			
LA14	<b>Percentage of new suppliers that were examined in labor practices.</b>	Relations with Clients and Suppliers	Fully
	Pages 18-21.		
LA15	<b>Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.</b>	Relations with Clients and Suppliers	Fully
	In 2016 no negative impacts for labor practices were identified in our supply chain.		
<b>Mecanismos de reclamación sobre las prácticas laborales</b>			
LA16	<b>Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.</b>	Labor practices	Fully
	In 2016 there were no grievances of this kind.		

HUMAN RIGHTS			
Investment			
HR1	<b>Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.</b>	Investor Relations	Fully
	100% of ALFA's and its companies' investment contracts include human rights clauses.		
HR2	<b>Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.</b>		Partially
	Every employee that enters the company goes through a process that includes human rights training, and is informed of ALFA's commitment to the United Nations Global Compact.		
Non-Discrimination			
HR3	<b>Total number of incidents of discrimination and corrective actions taken.</b>		Fully
	In 2016 there were no incidents of discrimination.		
Libertad de asociación y negociación colectiva			
HR4	<b>Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.</b>	Relationships with Clients and Suppliers	Fully
	ALFA's guarantee of the freedom of association of its employees is one of the central labor practices applied by each company's Human Resources committees. ALFA has no sites where this right cannot be exercised. ALFA avoids business relationships with any suppliers that violate or are at risk of violating freedom of association. We comply with internationally recognized procurement standards through our sustainability practices in our supply chain. For more information, see pages 19 to 21. It is important to mention that in 2016, 100% of Nemark's suppliers signed the Supply Chain Code of Ethics.		
Child Labor			
HR5	<b>Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.</b>		Fully
	ALFA complies with the local laws of every country where it operates and is committed to the UN Global Compact. There are no risks of incidents of child labor in ALFA's operations.		
Forced or Compulsory Labor			
HR6	<b>Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.</b>		Fully
	ALFA complies with the local laws of every country where it operates and is committed to the UN Global Compact. There are no risks of incidents of forced or compulsory labor in ALFA's operations.		
Security Practices			
HR7	<b>Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.</b>		Fully
	100% of our security personnel have been trained on human rights policies.		
Indigenous Rights			
HR8	<b>Total number of incidents of violations involving rights of indigenous peoples and actions taken.</b>		Fully
	As part of ALFA's commitment to complying with the laws and regulations of every country where it operates, and with other social responsibility documents that go beyond what is strictly necessary, such as the UN Global Compact, we are dedicated to respecting the rights of indigenous peoples. In 2016, there were no registered incidents of violations of the rights of indigenous peoples.		
Human Rights Grievance Mechanisms			
HR10	<b>Percentage of new suppliers that were examined regarding human rights topics.</b>	Relations with clients and suppliers	Partially
	Pages 18-21.		
HR11	<b>Negative, potential and real human rights risks identified in the supply chain, and actions taken.</b>	Relations with clients and suppliers	Fully
	In 2016 no negative impacts were identified in the supply chain.		
HR12	<b>Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.</b>		Fully
	There were no grievances of this kind in 2016.		



SOCIETY			
Local Communities			
S01	<b>Percentage of operations with implemented local community engagement, impact assessments, and development programs.</b>	Community Involvement	Fully
	See pages 10-13. Most of ALFA's operations carry out community involvement activities and programs, including linking with third sector, international and governmental organizations (such as the Red Cross, Mexican Civil Protection, and other health institutions), and internal programs contributing to the development of communities. Some examples are: ALFA Fundación, Community Advisory Panels (DAK Americas, United States) School-Company Plan CAINTRA (Axtel), neighboring companies program (Axtel), employment fairs and volunteering programs (Sigma Alimentos and ALFA), Gansos Community (Sigma Alimentos), and Healthy School (Sigma Alimentos).		
S02	<b>Operations with significant actual and potential negative impacts on local communities.</b>	Community Involvement	Fully
	ALFA's sites constantly make an effort to enrich their interactions with local communities. None of our sites has a negative impact on its communities. When a potential impact on local communities is detected, ALFA's companies work to mitigate or eliminate it.		
Anti-Corruption			
S03	<b>Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.</b>		Fully
	100% of our operations have been evaluated.		
S04	<b>Communication and training on anti-corruption policies and procedures.</b>		Fully
	Depending on the gravity of each case, ALFA and its companies may take corrective action ranging from a direct warning to the termination of any implicated employees, and including taking the appropriate legal action.		
S05	<b>Confirmed incidents of corruption and actions taken.</b>		Fully
	In 2016, there were 841 incidents related to non-compliance of ALFA's policies and values. 100% of them was investigated. As a result, 133 persons were separated from the company. None of these cases implicated activities of ALFA's employees involved with governmental authorities. No contracts with commercial partners were rescinded or ceased to be renewed because of non-compliance of ALFA's policies and values. There was also no legal action against ALFA for any incidents related to corruption.		
Public Policy			
S06	<b>Total value of political contributions by country and recipient/beneficiary.</b>	Relations with NGOs and Regulators	Fully
	ALFA does not make political contributions.		
Anti-Competitive Behavior			
S07	<b>Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.</b>	Relations with NGOs and Regulators	Fully
	There were no legal actions of this kind in 2016.		
Compliance			
S08	<b>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.</b>	Relations with NGOs and Regulators	Fully
	There were no fines or sanctions of this kind in 2016.		
Supplier Assessment for Impacts on Society			
S010	<b>Significant actual and potential negative impacts on society in the supply chain and actions taken.</b>	Relationships with NGOs and Regulators	Fully
	No significant actual or potential negative impacts on society were detected in our supply chain in 2016.		
Grievance Mechanisms for Impacts on Society			
S011	<b>Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.</b>	Community Involvement	Fully
	There were no grievances of this kind in 2016.		

PRODUCT RESPONSIBILITY						
Customer Health and Safety						
PR1	<b>Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.</b>	Relations with Clients and Suppliers	Partially			
	Offering products and services that do not negatively impact the health and safety of our clients and consumers is a priority in every step of our product development. ALFA's companies constantly work to mitigate any impacts through the search for and implementation of new technologies and safer and more sustainable raw materials.					
PR2	<b>Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.</b>		Fully			
	There were no incidents of this kind in 2016.					
Etiquetado de los productos y servicios						
PR3	<b>Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.</b>	Responsible Marketing	Fully			
	The following table shows ALFA's companies to whose product labelling is applicable.					
			DAK Americas	Polioles	Sigma Alimentos	Terza
	<b>Sourcing of components of the product</b>		Yes	No	No	Yes
	<b>Content (with regard to substances that might produce an environmental or social impact)</b>		Yes	No	No	Yes
	<b>Safe use of the product</b>		Yes	Yes	Yes	No
	<b>Disposal of the product and environmental/social impacts</b>		Yes	Yes	Yes	No
PR4	<b>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.</b>	Responsible Marketing	Fully			
	There were no incidents of non-compliance with this kind of regulations in 2016.					
PR5	<b>Results of surveys measuring customer satisfaction.</b>	Responsible Marketing	Fully			
	All of ALFA's companies measure customer satisfaction through channels like telephone numbers for complaints and suggestions, email and phone surveys, web pages, meetings, client visits, and others. The average satisfaction score obtained in sites that performed a quantifiable evaluation in 2016 was 94.2%.					
Marketing Communications						
PR6	<b>Sale of banned or disputed products.</b>	Responsible Marketing	Fully			
	Two of our sites manufacture products that include flame retardants (HBCD) and nonylphenols, compounds that are prohibited in the European Union and restricted in other markets. In both cases, ALFA's companies are already searching for alternatives that comply with the strictest standards for the environment and human health.					
PR7	<b>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.</b>	Responsible Marketing	Fully			
	There were no incidents of non-compliance with this kind of regulations in 2016.					
Customer Privacy						
PR8	<b>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.</b>	Operational Risk Strategy	Fully			
	There were no incidents of this kind in 2016.					
Compliance						
PR9	<b>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</b>	Relations with NGOs and Regulators	Fully			
	There were no significant fines for non-compliance with this kind of regulations in 2016.					

# AWARDS AND CERTIFICATIONS

COMPANY	AWARD OR CERTIFICATION	GRANTED BY	COUNTRY
AKRA POLYESTER	Oeko-Tek	Hohenstein Textile Testing Institute	Germany
DAK AMERICAS	SCMA Safety Performance Recognition Award	South Carolina Manufacturers Alliance	USA
DAK AMERICAS	Support 46 Year NC DOL Gold Award	North Carolina Department of Labor	USA
DAK AMERICAS	Ecovadis Bronze Supplier Sustainability Certification	ECOVADIS	USA
PETROTEMEX	ISO 14001	AENOR Mexico	Mexico
PETROTEMEX	Comprehensive Responsibility	Chemical Industry National Association (ANIQ)	Mexico
INDELPRO	Socially Responsible Company	Mexican Center for Philantropy (CEMEFI)	Mexico
INDELPRO	Comprehensive Responsibility	Chemical Industry National Association (ANIQ)	Mexico
INDELPRO	ISO 14001	ABS Quality Evaluations, Inc	USA
INDELPRO	AISTAC Award	Industrials Association of South Tamaulipas, A. C.	Mexico
NEMAK BRASIL	ISO 14001	Det Norske Veritas (DNV GL)	Norway
NEMAK BRASIL	OHSAS 18001	Det Norske Veritas (DNV GL)	Norway
NEMAK CANADA	ISO TS 16949	British Standards Institute (BSI)	Canada
NEMAK CANADA	ISO 14001	ISO (International Standards Organization)	Canada
NEMAK DILLINGEN	ISO 50001	Det Norske Veritas (DNV GL)	Germany
NEMAK DILLINGEN	OSHAS 18001	Det Norske Veritas (DNV GL)	Germany
NEMAK GATEWAY	ISO 14001	Intertek	USA
NEMAK KENTUCKY	ISO 14001	Intertek	USA
NEMAK LINZ	Operational Healthcare	Fund for Healthy Austria	Austria
NEMAK LINZ	NEO- Excellent Talent Integration Award	Austrian Commerce Chambers	Austria
NEMAK MONCLOVA	ISO 14001	Det Norske Veritas (DNV GL)	USA
NEMAK MONCLOVA	Clean Industry	Environmental Protection Agency (PROFEPA)	Mexico
NEMAK MONTERREY	ISO 14001	ABS Quality Evaluations	Mexico
NEMAK MONTERREY	Clean Industry	Environmental Protection Agency (PROFEPA)	Mexico
NEMAK POLONIA	ISO 14001	Det Norske Veritas (DNV GL)	Poland
NEMAK SALTILLO	ISO 14001	ABS Quality Evaluations	Mexico
NEMAK SALTILLO	Clean Industry	Environmental Protection Agency (PROFEPA)	Mexico
NEMAK TAYLOR	ISO 14001	Intertek	USA
NEMAK TENNESSEE	ISO TS 16949	ISO (International Standards Organization)	USA
NEMAK TENNESSEE	ISO 14001	TRC	USA
SIGMA	Clean Industry	Environmental Protection Agency (PROFEPA)	Mexico
SIGMA	ISO 14001	ISO (International Standards Organization)	Switzerland
SIGMA	Clean Transport	Environment and Natural Resources Agency (SEMARNAT)	Mexico
SIGMA	Roundtable on Sustainable Palm Oil	Roundtable on Sustainable Palm Oil	Belgium
SIGMA	SKAL Certification	SKAL (Organics Food Certifier)	Netherlands
SIGMA	Family-Responsible Company	Ministry of Labor and Social Planning (STPS)	Mexico



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