

1. Scope of the Environmental and Social Review

IDB Invest's environmental and social review included meetings and telephone calls with Sigma Alimentos' management teams in Mexico, as well as with the persons responsible for the environment, sustainability, human resources, and the Company's supply chain. The review included an analysis of the Company's environmental and social management process and its approach to supply chain management.

The Due Diligence Process included a review of supplementary information, such as environmental management policies, plans, manuals, and procedures; the human resources (HR) policy; occupational health and safety (OHS) programs; information on waste management (both non-hazardous and hazardous or special management waste); monitoring and review of ambient conditions in the workplace (e.g. air emissions, noise, and effluents); and emergency response plans, among the most important

Given the nature of this financing, the review focused on: i) environmental and social management, and the labor and working conditions of Sigma; and ii) the evaluation of Sigma suppliers' management programs and their fulfillment of basic environmental and social requirements pursuant to the regulations of the country in which they are located.

2. Environmental and Social Categorization and Rationale

This is a Category B operation under the IDB Invest Environmental and Social Sustainability Policy, as its possible environmental and social (E&S) risks and impacts are, overall, limited, mostly reversible, and subject to being managed by measures that are readily available with current technologies and whose implementation is feasible within the context of the operation.

The Project will trigger the following Performance Standards (PS):

- PS 1: Environmental and Social Assessment and Management System;
- PS 2: Labor and Working Conditions;
- PS 3: Pollution Prevention and Abatement; and
- PS 6: Biodiversity Conservation and Sustainable Management of Natural Resources.

3. Environmental and Social Context

Sigma, a subsidiary of Grupo Alfa incorporated in 1971 in Mexico, is a leading multinational company in the food industry, which produces, markets and distributes quality brand-name foods, including cold meats, cheese, yogurt and other refrigerated and frozen food. Sigma has a diversified portfolio of leading brands and operates 69 plants in 18 countries in four key regions: Mexico, Europe, the United States of America (USA) and Latin America (LATAM).

Sigma distributes its products through: (i) a modern channel of supermarkets, hypermarkets, and convenience stores; (ii) a traditional channel of grocery stores, traditional butchers, and wholesalers; and (iii) a food service channel for hotels, restaurants, hospitals, etc. Globally, the Company has 69 manufacturing plants, 208 distribution centers, more than 640,000 points of sale, more than 7,900 reefer vehicles and a workforce of more than 45,000 employees from more than 60 nationalities, of which 39% are women.

Sigma has the following products categories: i) cold and matured meats (sausages and hot dogs, among others) whose principal raw materials are pork, beef, and poultry, which represented 77% of consolidated sales in 2018; ii) dairy products (cheeses, yogurt and other milk by-products), which are marketed mainly in Mexico, Central America, South America and the Caribbean, and which

accounted for 18% of consolidated sales in 2018; and (iii) other refrigerated products, including pizzas, stuffed breasts, taquitos, etc., which represented 5% of consolidated sales in 2018.

4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a Environmental and Social Assessment and Management System

Sigma has an environmental and social management model that is fully integrated into all its production operations and facilities. Some of the local and international certifications it has to date include: Clean Industry of the Procuraduría Federal de Protección al Ambiente (PROFEPA, for its acronym in Spanish) in Mexico; ISO 14001; ISO 50001; and the Integrated Environmental Authorization (AAI, for its acronym in Spanish) of the Ministry for Ecological Transition of the Government of Spain. As part of its ongoing certification process, Sigma conducts regular internal and external E&S audits.

Starting in 2016, Sigma has analyzed and redesigned its sustainability strategy, working to achieve the long-term profitability of its business, and ensuring proper environmental management and social responsibility throughout its supply chain. In 2018, it held its first Sustainability Forum, where the Company launched its sustainability goals to be met by 2025, resulting in 15 commitments aligned with the United Nations (UN) Sustainable Development Goals (SGOs).

4.1.b Policy

Sigma has an Environmental Policy and a Safety Policy that, together with the Global Corporate Sustainability Policy (2018), fulfill the requirements of PS-1. To ensure compliance with its internal regulations and policies, this policy group is based on the implementation of a four-pillar strategy: (i) Environment, with a focus on reducing its environmental impact through a more efficient use of natural resources; (ii) Well-being, which seeks to provide conditions that motivate and facilitate people's adoption of habits that improve their quality of life; (iii) Health and Nutrition, which promotes healthy lifestyles through the supply of innovative and high-quality products, backed by its recognized brands; and (iv) Shared Value, in which economic value is created through strategic practices, encouraging the development and strengthening of its value chain.

The dissemination of these corporate policies is the responsibility of the Sustainability Committees (part of the Sustainability Global Community) of each organizational and business units, with the support of the Central Sustainability Department headed by the Global Technology Director.

4.1.c Identification of Risks and Impacts

In line with its sustainability approach, Sigma has set itself the goal of reducing its environmental impact by identifying impacts and risks and through the efficient use of natural resources. Risk and impact identification is managed at a company level in adherence with defined E&S policies, procedures and management plans in line with its internal policies (e.g.: comprehensive solid and liquid waste management program, occupational health and safety program, emergency response/contingency plans, among others), in addition to the regulatory requirements for voluntary Clean Industry certification in Mexico and those of other countries where it operates.

4.1.d Management Programs

To favor energy efficiency and reduce negative impacts on the environment, Sigma has implemented

programs that foster best practices to reduce the consumption of energy and fuel, in addition to water, inputs, and raw materials.

Among the most significant programs implemented in 2018, special mention should be made of the following: i) the Clean Transport Program, which, due to the results it achieved in terms of greenhouse gas (GHG) emissions reduction through fuel changes and route optimization, obtained, for the fifth time, the "Excellent Environmental Performance" recognition awarded by the Government of Mexico; and ii) the "Zero Landfill" Program, successfully implemented in Europe, which has managed to recycle 100% of the solid waste generated by the Company in 2018 and which is scheduled to be implemented in three additional plants in Europe as of 2019.

4.1.e Organizational Capacity and Competency

In 2018, Sigma created the "Sustainability Community," in order to define, monitor, and manage each of the sustainability goals defined for 2025. This community consists of a multidisciplinary team of more than 160 experts and representatives from each organizational unit (Mexico, Europe, USA, LATAM, and FOSE).

At the forefront and as leader of this Sustainability Community is the Global Technology Director, who has been a member of the Sigma Executive Committee since 2010. His role is to promote sustainability throughout the Company, including its Board of Directors, and to encourage initiatives that bring Sigma closer to the fulfillment of its long-term objectives. At a second level, Sigma has a Central Sustainability Department, whose objectives include defining global strategies, creating policies and guidelines applicable to the different OUs, facilitating and promoting projects, and recording the progress of long-term goals.

At a third level, for each of the 15 sustainability goals defined for 2025, Sigma created the figure of a "Global Champion," who is an executive with experience and deep knowledge of the corresponding subject. At a fourth level, to ensure that its commitments are fulfilled in all the regions in which Sigma operates, Champions work with one leader for each organizational unit, who coordinates and manages local initiatives and actions. At the fifth level (project execution), each organizational unit leader designates a local team responsible for the implementation of each initiative, thus ensuring that at each site there are collaborators involved in projects that contribute to the overall fulfillment of each sustainability goal.

4.1.f Emergency Preparedness and Response

Each operating plant has an Emergency Committee, Emergency Response Plans, and specific procedures and instructions for emergency situations, tailored to the risks that may affect the company's business and the regulations of each country. These plans and procedures take into account the capacity of nearby emergency services within the areas of influence of each plant. The respective Safety, Hygiene and Ecology Managers and Chiefs are responsible for ensuring that the requirements of each plan are implemented and met and that everything is in place in terms of equipment, facilities, and trained personnel. Emergency response plans are accessible and clearly communicated to all plant personnel.

In order to evaluate and improve management capacity in possible crisis situations, drills are carried out every six months. External organizations (firefighters, civil defense, etc.) usually participate in these exercises. Emergency plans and procedures are regularly reviewed to incorporate lessons learned from previous incidents and exercises.

Sigma has a Training Procedure whose objective is to guarantee that its personnel are prepared and

have the knowledge required for the job. In this regard, annual training programs are designed and implemented to strengthen the effective response of emergency plans and procedures. The training courses include: first aid (basic life support, hemorrhages, shock, wounds and burns, fractures, mobilization of injured people, etc.); firefighting and prevention (firefighter safety, hose folding, fire jets, handling extinguishers, etc.); and search and rescue, among others.

Furthermore, Sigma has a specific Crisis Management policy that sets forth governance standards to ensure an adequate organizational response to events that threaten or affect Sigma and all of its companies operating in Mexico, in terms of their people, environment, reputation and/or assets, thereby ensuring business continuity.

4.1.g Monitoring and Review

Governed by its environmental policy and management procedures, Sigma applies a continuous improvement process through its internal audits. As part of this continuous improvement process, the plants define specific targets for reducing impacts and improving efficiency, and document and report progress and new procedures. Environmental key performance indicators (KPIs) are defined pursuant to the Cleaner Production regulation (in Mexico) and other certifications, depending on their country of location.

4.1.h Stakeholder Engagement

Through the Shared Value pillar, Sigma is committed to listening to and servicing different stakeholders through more than 20 communication channels made available to satisfy the needs of customers, suppliers, consumers, shareholders, and collaborators. Sigma has developed strategies tailored specifically to each group.

The Company also has an Anti-Corruption Policy and a Conflict of Interest Policy, which allows it to address the concerns of these stakeholders, be aware of their needs, and protect the Company from any risk situation. Sigma also actively participates in more than 112 local and international associations from different fields, in order to foster positive impact and collaboration, thus creating value.

4.1.i External Communications and Grievance Mechanisms

4.1.i.i External Communication

Sigma has a Global Corporate Communication Policy, which ensures that all communication, whether directed to internal or external audiences, is delivered in a careful, responsible, and efficient manner. This policy establishes that all Company information will be regulated by the Central External Communications.

The external communication channels used by Sigma to listen to its stakeholders include the following: corporate reports, website, press releases, social networks, transparency mailbox, contact centers, focus groups, satisfaction surveys, social events, presence in associations, chambers of commerce, industry forums, and participation in committees.

4.1.i.ii Grievance Mechanism for Affected Communities

Sigma, as part of the Alfa Group, has adopted the latter's Transparency Mailbox as its anonymous grievance response mechanism. The objective of this system is to report any situation that is considered a breach of the appropriate levels of transparency, trust, or security. This Transparency Mailbox fulfills the requirements of PS-1 and provides communication alternatives via a form on the

Internet (global external medium), Intranet (global internal medium), toll-free telephone number per country, text message (WhatsApp), or e-mail. Once the message is received, the process of analyzing it begins, which consists of: (i) classification of the message; (ii) analysis and assignment; (iii) resolution; (iv) review of the results of the investigation and the actions taken during the process, classification of the grievance and closure of the investigation; and (v) follow-up.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationship

4.2.a.i Human Resources Policies and Procedures

Sigma has several policies and guidelines on human resources management. These include the Code of Ethics, the Staff Selection and Recruitment Policy, and the Code of Conduct and Sexual Harassment. These management instruments set forth the principles of gender equality and non-discrimination, equal opportunity, the prohibition of child labor, fair treatment, prohibition of workplace harassment and penalties for sexual harassment, a contract with suitable working conditions and terms of employment, and notice of dismissal and severance pay.

4.2.a.ii Working Conditions and Terms of Employment

Sigma fulfills the provisions of PS-2 and the Federal Labor Law (FLL^[1]) and its reforms, as well as the Federal Regulations on Occupational Health and Safety, through its Internal Labor Regulations (ILR) and the Staff Selection and Recruitment Policy, which dictate the regulations and conditions for staff selection and hiring; working days, hours, and breaks; vacations; leaves; flexible work schemes to promote collaboration and productivity; wages and benefits; employer and employee rights and obligations; behavior and disciplinary measures; asset security; risk prevention; and workers with disabilities, among others.

Sigma has a Human Training program that operates in 37 locations, including Mexico, the United States, and Latin America, and promotes personal growth and skills training. As part of this program, more than 600 volunteers and 5,000 employees attended courses and workshops at Sigma's virtual university in 2018. The Company also granted scholarships for undergraduate and postgraduate degrees, allowing its collaborators to continue their studies at prestigious universities.

4.2.a.iii Workers' Organizations

Mexico is a signatory to a number of international conventions and treaties of the International Labor Organization (ILO) relating to workers' rights, including Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize, and Convention No. 98 concerning the Right to Organize and Collective Bargaining. Pursuant to this, Sigma allows its employees to choose the Union they wish to belong to. As per the information provided, 20% of Sigma Mexico and 4% of LATAM employees are unionized.

4.2.a.iv Non-discrimination and Equal Opportunity

Mexico is a signatory to several ILO international conventions and treaties relating to workers' rights, including Convention No. 100 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value and Convention No. 111 concerning Discrimination in Respect of Employment and Occupation. Sigma, through its human resources management policies and guidelines, satisfies these principles.

4.2.a.v Grievance Mechanism

Sigma utilizes the Transparency Mailbox (see Section 4.1.i) as its grievance response mechanism. In addition, through the Communication 360 initiative, Sigma holds communication forums during which its management team globally communicates the Company's main achievements, challenges, and advances, thus keeping all stakeholders informed. Stakeholders have the opportunity to ask questions and raise concerns during these forums.

4.2.b Protecting the Workforce

Mexico is a signatory to several ILO international conventions and treaties relating to workers' rights, including Conventions No. 138 concerning Minimum Age for Admission to Employment, Convention No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor, Convention No. 29 concerning Forced or Compulsory Labor and Convention No. 105 concerning the Abolition of Forced Labor. Likewise, Sigma, in observance of the FLL, has an ILR that regulates labor relations by prescribing the minimum rights and duties of employers and employees, and which promotes equality and equity in the enjoyment of human, civil, political, economic, social, and cultural rights between women and men.

4.2.c Occupational Health and Safety

For Sigma, protecting the physical integrity of its employees is of the outmost importance. In addition to fitting its facilities with required accident prevention measures, the Company provides continuous training to its collaborators through various programs and workshops. In 2018, Sigma invested US\$6.5 million globally in occupational health and safety, specifically, in courses, workshops, and safety equipment.

Sigma has a Safety Policy whose purpose is to ensure the health and safety of its employees, contractors, and suppliers, and of the communities in which the Company operates, by acting appropriately to prevent and avoid accidents and damage to health. This policy sets forth a management system to detect, identify, evaluate, control, and prevent risk to ensure accident-free working conditions throughout its value chain; it also sets forth the obligation to comply with all applicable laws, regulations, and legal requirements relating to health and safety in the countries in which it operates and that all employees, contractors, suppliers, and visitors will be responsible for their own safety and that of others; they shall conduct all their activities safely and comply with existing health and safety standards, procedures, and regulations.

Sigma also has a Health, Safety and Ecology Manual and a Safety Regulation that lays down the basic procedures and guidelines to conduct high-risk work. As part of its management system, the Company monitors: (i) the accident rate, which counts incidents resulting in the loss of at least one working day or shift compared to the number of hours of exposure; and (ii) the severity of the accident, which is determined by the number of days lost relative to the number of accidents; and the days lost. In the event of accidents or incidents, Sigma has a Root Cause of Accidents and Safety Incidents Investigation procedure to investigate the cause of incidents or accidents occurring within each plant and identify measures to prevent their occurrence.

In order to promote the well-being of its employees and their families, Sigma Mexico, in addition to the Employee Care Program, which offers advice on economic, nutritional, emotional, and legal issues, also offers access to gymnasiums and other physical activities for health care (eChallenge and Club Balance, for physical activity).

4.2.d Workers Engaged by Third Parties

Sigma's Staff Selection and Recruitment Policy sets out the rules and conditions relating to the

selection and hiring of its employees and those hired by third parties (contractors and sub-contractors), in accordance with each country's labor laws and ILO international conventions.

4.2.e Supply Chain

Sigma has a Global Supply Policy to identify any risk of child or forced labor in its main supply chain, outlining criteria for the selection of suppliers based on quality standards. According to its 2018 Sustainability Report, Sigma is incorporating a questionnaire with questions related to Well-being for its suppliers, which will be integrated into the internal Supplier Certification program (see Section 4.6.a).

The Global Supplier Master Data Management Policy provides that, should a supplier fail to comply with each country's labor laws or Sigma's policies or regulations, that supplier will be blocked in the System and will no longer be able to supply inputs or materials to the Company.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

Sigma's operations are subject to environmental protection laws and regulations in the countries where it operates. However, in many cases, it has incorporated stricter internal standards and has begun to migrate its existing energy portfolio to one with cleaner, renewable sources such as wind, biomass, and solar power. As part of its sustainability strategy, since 2015, 85 Sigma sites have been using electricity from a renewable or cleaner energy source (a total of 474 GWh), preventing the emission of more than 190,000 tons of carbon dioxide equivalent to the environment.

4.3.a.ii Water Consumption

Sigma invests heavily in projects to make its processes more efficient and, therefore, reduce water consumption. Thanks to these efforts, in 2018 Sigma was able to improve the efficiency of one of its plants in the United States by 10%.

Likewise, Sigma promotes projects that adopt better technologies to make its processes more efficient. As an example, in distribution centers in Mexico, rainwater harvesting systems have been in place since 2015 and are used to wash transport equipment and for toilets.

Sigma manages its own wastewater treatment plants (WWTP) in North America, Central America, the Caribbean, and Europe, ensuring that they are properly discharged and, in some cases, reused to wash vehicles or in secondary processes.

4.3.b Pollution Prevention

4.3.b.i Wastes

In 2018, Sigma focused on finding more environmentally friendly packaging solutions, reducing the plastic caliber of its containers and offering more practical packaging for consumers. In addition, it has created alliances to promote recycling, collaborating with other companies. At its operating sites, the Company separates waste so that it can be reused or disposed of appropriately by an authorized third party. As a result of this management, more than 90% of the cardboard, wood, paper, plastic and aluminum that used to be discarded has been recycled.

In Europe, Sigma continues with its "Zero Landfill" program, succeeding in recycling 100% of solid waste. Similarly, thanks to a change in its technology, in 2018 Sigma managed for 30% of its 145 gr yogurt containers in Mexico to use 27% less plastic, therefore generating less waste.

4.3.b.ii Hazardous Materials Management

Sigma has a Working Manual for Hazardous Waste Management that aims to identify, control, minimize, give value, and comprehensively manage the hazardous waste generated by each Work Unit, and that seeks to develop a comprehensive waste management culture. These instructions determine the measures for the internal collection and transfer to temporary storage for each type of hazardous waste and infectious biological waste, as well as the use of an authorized external supplier for final disposal. To supplement this manual, Sigma has a Hazardous Materials Safe Storage Standard that contains a compliance sheet to be used during internal audits.

Likewise, Sigma's Safety Regulations mention the conditions for the identification, handling, storage, transport, and disposal of hazardous substances according to their characteristics, according to each country's official regulations, standards, and safety procedures.

4.4 Community Health, Safety and Security

The Project will not generate any impact on the health, safety and security of the communities located in the proximity of its facilities.

4.5 Land Acquisition and Involuntary Resettlement

The Project does not involve any development outside of its own land - acquired previously through private purchase agreements/contracts-and does not involve involuntary resettlement or economic displacement.

4.6 Biodiversity Conservation and Management of Natural Resources

4.6.a Supply Chain

Sigma seeks to guarantee the production and distribution of safe food for its consumers throughout its value chain, which includes activities from obtaining raw materials to releasing the final product, eliminating any risk and implementing preventive controls.

Sigma's plants have different certificates that guarantee compliance with the highest international quality standards, such as those issued by: i) the Global Food Safety Initiative (GFSI); ii) the U.S. Food and Drug Administration (FDA); (iii) the U.S. Department of Agriculture (USDA); (iv) the Federal Inspection Type Certification (TIF) of the Ministry of Agriculture and Rural Development of Mexico; and (v) the ISO 9001 standard. In addition, its Global Harmlessness and Quality Policies ensure that this commitment is properly managed.

Sigma's Harmlessness Policy is based on GFSI-recognized schemes, local and international regulations, good manufacturing practices and a Hazard Analysis and Critical Control Points (HACCP) system, among others. The Quality Policy, on the other hand, is divided into six pillars: i) Quality and Harmlessness Management System; ii) Raw Material Standards; iii) Measurement Management System; iv) Sensory Evaluation; v) Quality; and vi) and Harmlessness in the Supply Chain and Customer Service.

Sigma, under its Global Supply policy, has supplier selection criteria. However, in order to fully comply with PS-6 and contribute to ensuring environmental management and social responsibility

throughout its value chain, Sigma will incorporate the following into its internal Supplier Certification program: i) a socio-environmental evaluation survey of its suppliers; and ii) the implementation of the Responsible Sourcing Code, which describes the requirements and standards that will apply throughout the supply chain, and considers the industry and regulatory standards, based on Sigma's four pillars of sustainability: Well-being, Environment, Health and Nutrition, and Shared Value.

4.7 Indigenous Peoples

The Project will be developed within the company's own facilities, in urban locations in major cities where there are no indigenous peoples. For this reason, no impacts on any indigenous peoples are anticipated.

4.8 Cultural Heritage

The Project is developed in existing facilities and does not envisage any type of construction, excavation, and/or earthmoving, so no impact on cultural heritage is foreseen.

5. Local Access of Project Documentation

The documentation related to the project can be accessed at the following link:

<https://www.sigma-alimentos.com/sustentabilidad-en-sigma/> or at <https://idbinvest.org/es/projects>

6. Contact Information

For Project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB using the email requestinformation@idbinvest.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.

7. Environmental and Social Action Plan (ESAP). Please see attached document.

[1] Last reform published in the Official Gazette of the Federation (OGF) on November 30, 2012.