



SUSTAINABILITY REPORT 2018

PROGRESS REPORT
OF ALEGRA FOODS
SUSTAINABILITY PLAN

Alegra

ABOUT THE *report*

With an increase in sales recorded in all retail items, we are pleased and proud to present the results achieved by Alegra Meat Industry operations during the year of 2018 to our target audience. [I02-52]

We closed the period with good prospects to the processed food sector. Those indicators, together with factors such as inflation control, reveal that the country might have taken the path to economic recovery, thus providing for a new growing cycle for our industry and the whole network we work with. Before this prospect, investment and projects developed in the last years, focused on management and

processes improvement, tend to place ourselves in an advantageous position to harvest the results from the opportunities that will come up.

It is important to bring to light that in the beginning of 2019, the Alegra Meat Unit underwent a number of changes and updates, especially in its governance structure; however, since the current report aims at the reporting of information from the base year of 2018, this new structure will only be better clarified in the following reports.



The Sustainability Report 2018 we are bringing aims at informing, with all due transparency, the several dimensions in which our business impacts in the economic, social and environmental life of all segments interacting with us all the time. In all these relations, we believe that the ethical posture, the values and the transparency must prevail. We encourage the adoption of good management practices, enhancing the value generation and sharing the sustainable business growth.

The Sustainability Report 2018 is a document that brings together the most important facts experienced by the Alegra Meat Industrial Unit over the year, providing information on its performance, mainly addressed to its stakeholders.

Alegra lives a continuous reinvention process required by its unique business model. The new technologies and the digitalization that are already part of all consumers' lives are also present in our brands, properly prepared to meet the needs of an even more connected and empowered consumer.

In the same manner as presented in the previous year, this report was prepared according to the directives of GRI (Global Reporting Initiative), following the Stan-

dard version. It brings data and information regarding the period of January 1 to December 31 2018, covering all the industrial and administrative operations and operations with partners. The information, gathered from several areas, were approved by the Executive Board. Only the economic-financial data was verified by an external audit, entrusted to the independent auditors Dickel & Maffi Auditing and Consulting.

The report for the year of 2018 covers the same subjects addressed in the preceding report, namely: About the Report, About Alegra, Highlights of the Year, Market and Products, People, Economic Results, Environmental Results, Animal Quality and Welfare and Summary. [102-32] [102-45] [102 -46] [102-49] [102-50] [102-51] [102-52] [102-56]

Other Records

In the energy-related disclosures [302-1] [302-3] [302-4] [302-5], the energy measurement procedure was rearranged so as to standardize all values in Gigajoules. [102-48]



Global Reporting Initiative (GRI)

This report was prepared according to the GRI Standards [102-54]



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[102-53]**

SENIOR DECISION-MAKER STATEMENT

The year of 2018 was challenging in terms of market to the entire meat sector, in Brazil and abroad as well, with deflationary prices trends. But it ended up with hope, mainly due to the spread of the African swine virus.

Alegra is a young and strong company in its 4th year of operations in 2018. This sudden evolution, which started up due to the Chinese swine sector context, demands a certain flexibility and adaptability from all players in the Brazilian market.

In February 25, 2019, the three cooperatives that constitute the brand Unium, a cooperation effort between Frísia, Castrolanda and Capal cooperatives, started a restructuring process to better prepare Alegra Meat Industry to its next growing phase and to make the most of the fast positive changes in the market, especially due to the African swine virus in Asia.

An adjusted governance model, enhanced skills in teams and management approach strongly focused on team performance, a culture focused on a clear sense of ownership and commitment bolstered by a deep focus on operational excellence, are crucial pillars of this restruc-

turing. Alegra is in the pipeline for a strong growth in terms of volume.

Each of the three companies' CEOs assumed different areas in Alegra for a limited time period, in order to generate the proper acceleration.

I thank each of Frísia and Capal colleagues for their continuous efforts and the positive involvement during this period, along with Castrolanda, which operationally leads Alegra in accordance with the cooperation model. The restructuring process had a positive outcome and is in compliance with the strategic plan for the Meat Industry. Alegra is ready to face the growth of the robust domestic market and of its exports as well.

As for the domestic market, Alegra has been able to maintain its growth with business partners, restaurant chains committed to our high quality products, and supermarket chains that provided to Alegra its deserved recognition in retail. As for the foreign market, Alegra is usually able to capture interesting prices, important volumes, and a customer base growth.

Finally, I would like to thank all producers who deliver us high level swines everyday. Unium covers a significant part of the value chain, from the seed sown by the



Alegra's slaughtering and deboning employee team

Unium farmers themselves, and the corn, soy or wheat created. Later on, those grains are turned by our industries into manipulated rations, which will feed the swine production units and the poultry farms from finishing producers. The result of this effort is high quality meat products, thus representing Alegra's whole employee team pride and passion.



Thomas Domhoff
CEO
Castrolanda Cooperativa Agroindustrial



Emerson Moura
Superintendent
Frísia Cooperativa Agroindustrial



Adilson Fuga
Chief Executive
Capal Cooperativa Agroindustrial

A QUICK *chat!*

The recession and slow recovery setting in Brazil's economy, which is our biggest market, did not drive us out of our path. In 2018, we kept working hard to achieve our established goals. This means Aleg-ra strives to place high quality, innovative and reliable solutions in each home, mar-ket or restaurant in all countries where it operates, and with liable high dietary components. Thus, it aims at being the preferable solution of customers and consumers, the best working place for its employees and the ideal ally for the sup-pliers' and communities' growth and de-velopment.

Within the business, there is the clear un-derstanding that the pressures of popu-lation growth and economic development tend to increase. And that any industry operational decision should have positive and negative impacts on the environment.

In face of that, Alegra confirms that health and safety, ethics, efficiency, innovation and com-munity engagement are the axes of its Sustain-ability Commitments. These pillars unfold in a series of goals and certify the engagement with the business future and the ecosystem where it operates, including the diverse audiences to be targeted and the environment.

The Meat Industrial Unit is always doing its ut-most to deliver the best outcomes. This con- tinuous overcoming encompasses innovations for products, processes and relationships, and the understanding of consumer trends and de-mands. The commitment of bringing well-being to its groups of interest is a permanent agen-da of Alegra's communication with its audience, thus providing opportunities for query handling, strategies alignment and values dissemination, exposing the integrity of the industry's deci-sion-making process. [I02-42]



Stakeholders



CUSTOMERS AND CONSUMERS

In order to show the quality of the products and operational processes, the communication is responsible for a continuous relationship with customers and consumers through visits, supported by information and publicity materials, actions on the sales outlets and on a daily basis with the customer service hotline (SAC) and social media.

EMPLOYEES

In the quest for talent retaining and development, sharing values and principles for the human and professional development, the communication undertakes to impact employees by means of internal newspapers, training and awareness programs related to safety and health. Regular meetings between the Superintendent, the Management and employees take place once a week.

SUPPLIERS AND PARTNERS

As for suppliers and partners, the communication aims at ensuring the strate-

gic alignment of values and principles, through a well-established relationship in specific monthly conferences and meetings with each department.

ORGANIZED CIVIL SOCIETY

Alegra aims at being a benchmark company to its customers and employees by bringing benefits to the entire community with its actions. Hence, it carries out monthly conversations with labor unions about labor-related conditions.

Alegra's industrial plant was designed to adopt the best sustainability practices, so, the business stands up with a great educational appeal. Alegra volunteers to welcome previously scheduled visits of technical schools, universities and customers to its industrial complex.

It also eventually establishes campaigns and disclosures proving not only the industrial sustainability, but also the community sustainability.

COOPERATIVE MEMBERS

Side by side with the cooperative member, aims at developing the strategic alignment of values and principles based on internal quality regulations. The open and transparent communication channel with the cooperative members takes place through weekly meetings and previously scheduled visits.

FINANCIERS AND BANKS

With financiers and banks, the communication achieves the goal of winning the public confidence by the transparency used in the reporting of operational and financial outcomes. This is a daily conversation, and takes place through the finance department. [102-40] [102-42] [102-43]



Materiality

To promote the materiality under GRI Standards format, Alegra has defined in 2017 five global topics that guide the company's business and goals, aligning its demand with its stakeholders', as follows: Markets and Products, People, Economic Results, Environmental Results and Animal Welfare. These are the regrouped corporate material topics that remain in promotion in 2018, to a better public understanding. [I02-47]

There were periodic meetings with the company top leadership in order to gather information and achieve principles of materiality that form what the company considers as more important. In 2018, still under maturing process, this materiality had no significant changes, following the same one disclosed in the previous report. [I02-46]

In the consulting cycle performed in 2017 by Alegra communication department, the business had already engaged its main internal (employees and top executives) and external (suppliers, institutional partners and the community, referred to as stakeholders) target audiences. [I02-42]

The main topics and concerns from the stakeholders drive the decision making process and the way to connect with the audience, as shown in the table:

MATERIAL TOPIC (GRI 102-47)	SUBTOPICS	GRI RELATED TOPICS	ALEGRA LIMITS (GRI 103-1)	LIMITS OUTSIDE ALEGRA (GRI 103-1)
MARKETS AND PRODUCTS	Purchasing	204-1	Top Leadership Managers Cooperative members	Goods Suppliers Pig Breeders
	Client's safety and health	416-1	Top Leadership Managers	Local Community Consumers Clients
PEOPLE	Market presence <i>(Senior managers hired in the local community)</i>	202-1	Top Leadership Gestores	Local Community
	Employment	401-1, 401-2	Top Leadership Managers Cooperative members	Local Community
	Diversity and equality opportunities	405-1		Consumers Clients
	Training and education	404-1, 404-3		Local Community Institutional Partners Clients
ECONOMIC RESULTS	Economic performance	201-1	Top Leadership Managers Cooperative members Employees	Fornecedores de insumos Suinocultores
	Indirect economic impacts	203-2	High Leadership	Local Community Intitucional Partners
ENVIRONMENTS RESULTS	Energy	302-1, 302-3, 302-4	Top Leadership Managers	Goods Suppliers
	Water	203-2		Local Community Clients
	Emissions	305-7		Local Community Clients Institutional Partners
	Effluent and waste	306-1		Local Community Clients Institutional Partners
ANIMAL QUALITY AND WELFARE	Animal welfare	FP-9, FP-10, FP-11, FP-12, FP-13	Top Leadership Managers Cooperative members	Clients Pig Breeders Consumers

[I02-44] [I03-1]

ABOUT Alegra



As an outcome of the cooperation promoted by Frísia (Carambeí), Castrolanda (Castro) and Capal (Arapoti) cooperatives, since October 2015 the Alegra Meat Unit is a cooperative society under Castrolanda management, which successfully develops industrial activities in swine meat transformation in its headquarters, located at Rodovia PR 151, km 278 – Castro/PR. [I02-1] [I02-2] [I02-3]

Alegra is part of a strategic alliance under Unium brand, which offers to the cooperative members of the three cooperatives a profitable alternative and market structure to their production. Unium brand, therefore, is the symbol of the cooperation, thus gathering together the swine, dairy and wheat industrial plants. It covers, among other things, the brands Alegra, Herança Holandesa

(wheat flour), Colônia Holandesa, Colaso and Naturalle (dairy brands). The brands gathered by Unium are already known by their quality and excellence in domestic and foreign markets. [I02-5]

Health, Safety and Environment are areas for which Alegra provides such a special attention, to the extent that all topics described in its management policy are, by a way or another, associated with at least one of these pillars.

The management policy is disclosed and it is available to all employees. There is a wide range of actions to ensure health and safety to partners, customers and employees and the environment preservation, including marketing and a personal approach itself, aiming at providing awareness to everyone, individually. [I02-11] [I02-12]

The cooperation culture allows Alegria Meat Unit to maintain partnerships, among others, with institutions like:

ABC Foundation – which carries out applied research to develop and adapt technologies for the reality of the Campos Gerais region, seeking technological solutions for agribusiness. “Technological arm for Dutch cooperatives”, the Foundation carries out field analyses, thus ensuring food quality, traceability and reliability to the animals supplying the business.

The industry also benefits from monitoring, professional education and social promotion services offered by Sescop/Paraná (National Apprenticeship Service on Cooperatives). Keeps an institutional relation with OCB - Organization of Brazilian Cooperatives, representing the cooperative activity at federal level.

It is linked to Coonagro - National Agroindustrial Cooperative, a cooperation initiative from several cooperatives in Paraná for trading disintermediation, as well as to encourage the purchase and industrialization of raw material and supplies to develop its activities. Coonagro is part of ABPA – Brazilian Animal Protein Association, Union of entities UBABEF, Brazilian Union of Poultry, and ABIPECS, Brazilian Pork Producers and Exporters Association. [I02-I3]

Through cooperation, the cooperative members of Frísia, Castrolanda and Capal design a business model that ensures a strategic investment alliance to compete together in the market. Thus, they benefit from production scale and competition force to the regional, national and international level.



ORGANIZATIONAL GOVERNANCE STRUCTURE

[I02-I8]



The model, structure and corporate governance policies in the Meat Industrial Unit were built as to ensure support to the strategy defined by the Executive Committee, ensuring its implementation with transparency, efficiency and integrity.

At Alegra, this structure is rooted on twelve main axes, which are: superintendent, production manager, swine technical manager, domestic market manager, administrative coordinator, R&D (research and development) coordinator, PPC (production planing and control) coordinator, quality coordinator, communications manager, foreign market manager and HR manager.

Alegra also has auxiliary governance structures formed by four agencies:

COOPERATION JOINT COMMITTEE

Which makes technical decisions related to the industrial process;

UNIUM BOARD OF INDUSTRIES

Composed of the presidents, vice-presidents and CEOs of the three interconnected cooperatives;

INTERCOOPERATION AUDIT COMMITTEE

Intended to monitor, guide and inspect cooperatives operations, activities and services regarding the industrial activities shared;

PIG BREEDING TECHNICAL COMMITTEE

Responsible for the monitoring of production costs, primary industry indicators and field actions. Changes that took place in the beginning of 2019 will be reported in the next Sustainability Report.

[I02-I8]



Values, GOVERNANCE AND COMPLIANCE

Two main documents rule the business conduction and the relationship of Alegra Meat Industry with its audiences: the Proposal of Values and Principles, regarding to the company's Vision and Mission, and the Code of Conduct, regarding the expected ethics from everyone involved in the organization business. The value proposal aggregates the values of the three cooperatives involved in the Alegra industrial project, which are: Frisia, Castrolanda and Capal.

MISSION

Generate value to the cooperative member, keeping the cooperative's sustainable development.

VISION

Being an innovative, solid and agile cooperative dedicated to agribusiness, thus applying the best management techniques, meeting internal and external customers expectations, seeking continuous improvement of the quality of life of the cooperative members and employees land producing consistent outcomes, comparable to those from market leaders.

VALUES

- Transparency
- Ethics
- Creativity
- Valuation of people
- Commitment
- Leadership
- Union
- Socioenvironmental responsibility
- Loyalty
- Entrepreneurship
- Competence
- Results generation

CASTROLANDA'S C CULTURE

Seeking to adapt to the needs and best market practices, Alegra established *Compliance* practices, that seek to ensure the achievement of its institutional values by conformity and compliance to all national and international laws, as well as its internal policies.

Compliance is a word from the English language increasingly present in Brazilian corporate world vocabulary. It means being in conformity with ethic and transparency standards, thus respecting laws and regulations at all times. This is basics in Alegra, and it is present in its DNA, transmitted by its founders, the Dutch cooperatives in Paraná.

For the dissemination of these *Compliance* practices, Alegra counts on an important tool: the Code of Conduct. Coming from Cooperativa

VALUE PROPOSAL
Produce and provide food with sustainability, high quality, innovation, convenience and confidence.

Castrolanda, the Code of Conduct encompasses the set of ethic conducts expected from its employees, cooperative members, elected members and business partners. Its main guidelines are simplified in the **7 blue rules:**

1. Daily experience of the institutional values
- "2. Safe and prosperous environment;
3. Respect to human dignity;
4. Compliance with national and international laws;
5. Environment and community development;
6. Intolerance to any type of violence;
7. No corruption allowed;

[102-16]

ALEGRA IN NUMBERS

[102-7]



1.593

Employees

BRL 311mi

Net Worth



31

Exporting
Countries

BRL 566mi

Net Sales



	2017	2018
EMPLOYEES	1.476	1.593
NET WORTH	272m	311m
COUNTRIES	24	31
STATES	17	21
NET SALES	511m	566m



Total operation (in numbers)

1st Alegra

2nd Alegra Curitiba
Store

3rd Warehouse
Branch in SP

Products provided

- Salami and coppa, sliced products
- Ham products
- Smoked sausages
- Feijoada ingredients
- Savory food
- Smoked products
- Frescal sausage
- Easy to cut meat
- Premium cuts (frozen / cooled meat)
- Seasoned meat
- Raw cuts

Highlights OF THE YEAR

In 2018, Alegra received the certification renewal of **NAMI Seal (North American Meat Institute)** from certified auditors licensed by PAACO (Professional Animal Auditor Certification Organization). This rule certifies that the most careful guidelines of animal welfare were followed, from swine transportation, to receiving and slaughtering. All these actions also ensure greater quality for the meat and its by-products. **In 2017, Alegra was the first slaughter plant to obtain this certification.**

Another highlight was the **Jovem Chef** program, conceived to improve the quality of life of disadvantaged young people. Through this social project, 14 young people were graduated, with ages between 16 and 24 years old, as kitchen assistants. Carried out in partnership with Chef Dobis, Alegra's consultant, the classes took around six months. In recognition to the project, Alegra was awarded with the **2018 SESI ODS award**, reaching one of the 17 Sustainable Development Goals that provides for the end of poverty in all its forms, everywhere.

Alegra is recognized in ABRE Brazilian Packaging Award

In September 2018, the 2018 ABRE Brazilian Packaging awarding ceremony took place in São Paulo – promoted by ABRE – Brazilian Packaging Association. Alegra and Bemis Latin America received both the silver award in the food and beverage packaging technology category with the product flavored sausage.

The ABRE Award is focused on companies and design and industry professionals and aims at recognizing their efforts to improve quality, design, innovation, sustainability and other aspects that contribute to the appreciation of the national packaging. Therewith, the competition proposes to strengthen the connection of the Brazilian packaging with the society, thus supporting the acceleration of the sector.

The packaging innovation that brought the silver award to Alegra Foods and to Bemis Latin America was the first tactile packaging produced in Brazil. The package is flexible and multi-layered with rotogravure printing and inner varnish, in line with a differentiated application process. The connection between innovation and the new flavored sausage restores the experience of a product manufactured with the highest quality and care for the consumer. Besides encouraging the sense of the customer, the wrapping allows for a better sealing quality, thus improving the transportation process and standardizing the product in the sales point, which makes them more appealing in the shelves. [I02-I0]



MARKETS AND *products*

A company that has the objective of taking space in an increasingly tough and competitive market, controlled by already consolidated brands, Alegra considers that the development of new products and the achievement of new markets are items of extreme importance for its growth and development.

The brand's goal is to be recognized all over the domestic territory and also to achieve the biggest swine meat markets in the world. And the results are already are noticeable. They are evidenced by the growing advances and the achieving of new domestic and foreign markets. [I03-2] [I03-3]

Alegra brand has 50 different products in markets throughout the country, acting on retail, wholesale, food service and industrial sectors. Salami and coppa salami, cooked and smoked ham, ham luncheon meat, various types of sausage, bacons, smoked and boneless rib, loin, leg, rumpsteak, shoulder, filet mignon, loin chop, and other cuts are part of the identity of the Campos Gerais region, in Paraná. Thanks to partnerships built in the last years, Alegra currently provides services to food market giants, such as McDonalds, Ceratti, BOUA and Madero.

	Salami and Coppa Salami Milano Hamburgers Italian Summer Salami Coppa	Sliced Products Salami Smoked ham Cooked ham Coppa Loin	Ham Products Cooked ham Smoked ham Ham luncheon meat Loin	Seasoned Products Leg Loin Swine rumpsteak Shoulder Filet mignon	McDonalds Bacon	Madero Ribs Belly Pork Belly Loin roast Chin Leg Cut 20 Loin chop
SAUSAGES	FrescaL Tuscan Sausage Leg Sausage BBQ Sausage	Flavored Cheese Spicy Bacon Parsley and green onion/chives	Smoked Italian Portuguese Large	Smoked Product Special leg bacon Swine Ribs Sliced bacon	Ceratti Ham Ham luncheon meat Salami	
					BOUA Ham Ham luncheon meat Bacon	Outback Bacon Swine Spare Ribs
CUTS	Premium T-Bone Deboned rib British Cut - Leg Ribeye Primer Rib	Easy Sliced rumpstick Sliced coppa-loin Filet mignon Brisket navel end Sliced loin BBQ ribs	Raw Ribs Spare ribs Swine shoulder Swine loin Filet mignon Loin chop	Feijoada Ingredients	BRF Cuts 50 and 20 Belly Shoulder ham Chin	

[I02-2]

MARKET

Alegra is always present in various continents through its products, always trying to be the best at what it does. And it is always working to improve the adopted practices to achieve superior performance in the most modern features in the markets where it works. It is increasingly enlarging its competitive advantage by the quality, thus granting consumers and customers the best experiences with its products.

21
States in
the domestic
market

DOMESTIC MARKET

Alagoas, Bahia, Ceará, Distrito Federal, Espírito Santo, Goiás, Maranhão, Mato Grosso do Sul, Minas Gerais, Pará, Paraíba, Paraná, Pernambuco, Piauí, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Santa Catarina, São Paulo, Sergipe and Tocantins. [I02-4] [I02-6]



31
Countries in
the foreign
market



GLOBAL
presence



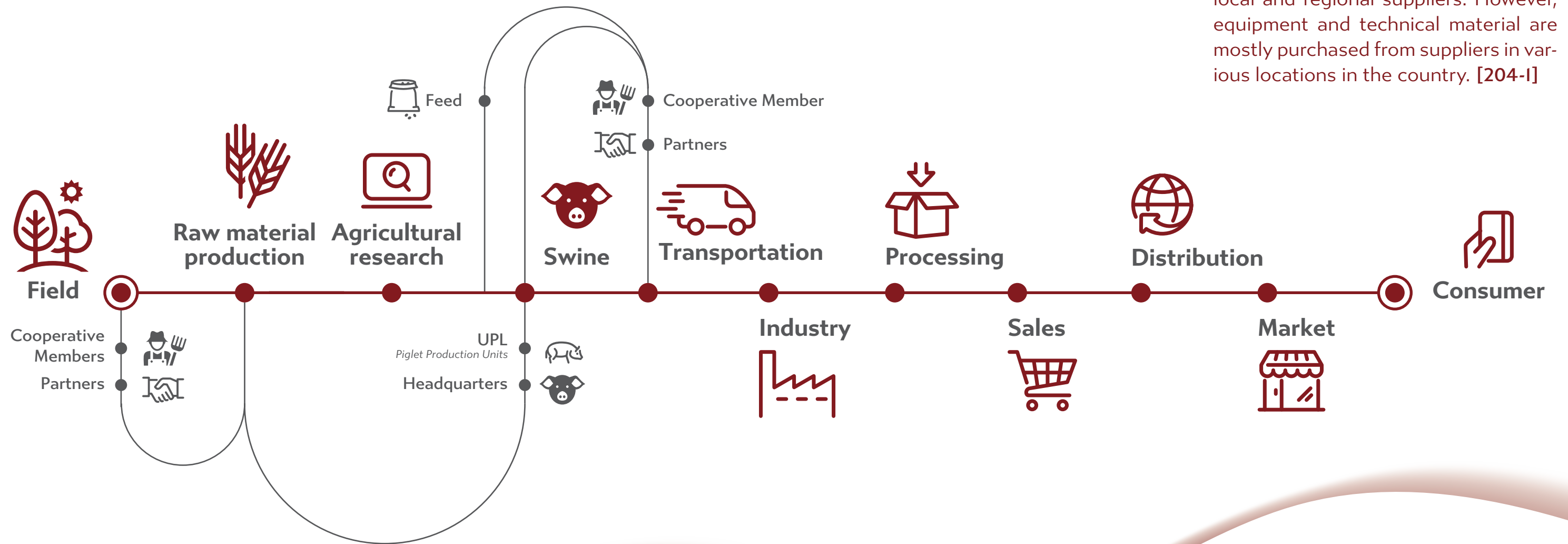
FOREIGN MARKET

Alegra already supplies food to 31 countries in several parts of the world. Those are: South Africa, Angola, Argentina, Armenia, Azerbaijan, Bahamas, Bermuda, Bonaire, Cape Verde, Singapore, Congo, Ivory Coast, Cuba, Arab Emirates, Georgia, Grenada, Haiti, Hong Kong, Kosovo, Liberia, Maldives, Mozambique, Moldavia, Oman, Paraguay, Saint Martin, Seychelles, Tortola, Ukraine, Uruguay and Viet-

CHAIN *suppliers*

SUPPLIERS CHAIN

Alegra purchases all essential raw material to manufacture its products from local and regional suppliers. However, equipment and technical material are mostly purchased from suppliers in various locations in the country. [204-I]



AGRICULTURE RESEARCH

ABC Foundation was founded from the merging of cooperatives currently known as: Frisia, Castrolanda and Capal. The mission behind its creation was offering research support to its cooperative members, so, up to the present, the ABC Foundation works recommending supplies, having in view a greater and improved swine production delivered to Alegra.

ANIMAL FEED MILLS

Alegra is aware of the high costs involved in animal nutrition in livestock production, so its suppliers count on the support of feed mills owned by the three cooperatives of the Unium group. The goal is to optimize the resources and ensure good results to the supply chain. Animal feed is produced following a strict quality control, so as to get the maximum from the animal.

TECHNICAL ASSISTANCE

The three cooperatives composing Alegra, have

in its staff, technicians, agronomists, veterinarians and zootechnists working directly in technical support to the producer. This support not only seeks to increase productivity, but also to align it with the current regulations and laws, and meet the consumer's needs as well.

TRANSPORTATION

Animal transportation to the industry is a phase that brings several risks to the health of the animals. In order to prevent these risks and to follow the animal welfare regulations, Alegra works meeting the maximum capacity limit of each type of vehicle, thus providing shadowing and water sprinkling in the animals in hot seasons. In addition to animal welfare, these practices help ensuring the best meat quality to the consumer.

INDUSTRY

The industry is responsible for the entire swine processing. It works according to a previously established production plan, to meet all con-

sumers' demands without losing focus on product quality.

PROCESSING

In the processing phase, the swine meat goes through a transformation process until the final product. The type of processing used will depend a lot on what product is to be produced.

SALES

An extremely important phase to the promotion of Alegra products, the sales department is composed of professionals who work in the most diverse areas of the country, developing and opening new markets, and promoting their products in the most diverse areas of the country.

DISTRIBUTION

The distribution encompasses logistics aligned according to the needs and demands of consumer markets. The logistics vehicles are refrigerated, thus keeping the ideal product conser-

vation temperature. In addition, Alegra has a DC (Distribution Center) in São Paulo and operators in the biggest capitals. All the production to be exported leaves Brazil through Itajaí Port.

MARKET

Alegra counts on a very wide consumer market, its suppliers chain is very diversified and its products can be found in restaurant chains, fast food chains, gourmet chains and wholesale and retail markets.

CONSUMER

Market researches show that the profile of Alegra consumers is heterogeneous and the big product portfolio can reach the most diverse social layers, which are supplied according to their requirement and demand.

[102-9]



People

People are the most important assets that maintain Alegra, and they will help in the development of the business by keeping the quality of its products. People are key elements in Alegra. The development, health and safety of its employees are vitally important items for the company.

The company can only reach its goals if the employees are happy and productive. On the other end,

customer satisfaction will only be met if the product quality is maintained. And in order to do that, you need employees satisfied with their workplace.

Alegra works keeping equality among its employees, regardless of ethnicity, belief or social position. Almost half of the external employees is composed of women, and the goal is to increase this balance in the next years. [I03-2] [I03-3]

PROFILE OF *the employees*

ALEGRA DEPARTMENTS DIVISION

ADMINISTRATIVE DEPARTMENTS:

Administrative, Entrance, Billing, Warehouse, Dining Room Kitchen, Health, Safety and Environment, Commercial, Commercial Foreign Market, Swine Logistics, Technical Management, Human Resources, Logistics, Communication, Information technology and Store.

PRODUCTION DEPARTMENTS:

Production Planning and Control, Lab, Slaughter, Deboning, Inner Offal, Outer Offal, Cuts Secondary Packaging, Cut Room, Loading, Flour Mill, Maintenance, Steam Generation, Cooling, Tunnel, Cleaning, Water Treatment Station, Effluent Treatment Station, Quality, Production Administration, Research and

Development, Federal Inspection Service, Shipping, Cooked Sausages, Sliced Products, Spicery, Secondary Packaging Industry, Frescal Sausages, Bacon, Salami and Coppa, Ham and Ham Luncheon Meat, Marinated and Seasoned Products.

The administration model (governance) adopted by Alegra relies on a group of 11 managers, and there is one superintendent among them. Three of them belong to the Campos Gerais community, and eight come from other regions. 82% from this staff is composed of men and 18% of women. This group's profile reveals that their ages are within the following ratio: 63.7% between 30 and 50 years old; 27.2% over 50 years old; and 9.1% under 30 years old. [202-2]

In December 2018, the company's staff registered a total of 1593 employees, 44% of which being women (701) and 56% being men (892). There were 767 employees under 30 years old; 684 employees between 30 and 50 years old, and 45 employees over 50 years old. As for minority groups, there were 59 apprentices (4%) and 36 people with special needs (disabled), or 2.26% of the staff.

In addition to these employees, Alegra has more than 30 third party employees working specifically for the company in Restaurant, Surveillance, Tripe Processing, Locker Room and Gardening departments. [102-8] [405-1]

The collective bargaining cover 100% of permanent employees.

Having as policy the negotiation between representative classes, all of our employees have the freedom to be associated with the representative entities. The benefits provided to effective employees are life insurance, drugstore assistance, dental care, health care, opthalmic care, private pension, gym, school material, educational scholarship and variable compensation. [102-41] [401-2]



1593

Employees in
2018

WOMEN	701	44%
MEN	892	56%
UNDER 30 YEARS OLD	767	48%
30 - 50 YEARS OLD	684	42,9%
OVER 50 YEARS OLD	45	2,8%
APPRENTICES	59	4%
PEOPLE WITH SPECIAL NEEDS	36	2,26%

STAFF		WOMEN	MEN
PERMANENT EMPLOYEES	Administrative Area	63	137
	Production	618	745
TEMPORARY	Administrative Area	0	0
	Production	0	0
THIRD PARTY	Administrative Area	0	0
	Production	20	10
TOTAL		701	892

HUMAN RESOURCES

Alegra's business success is closely related to the development of its staff. To captivate, develop and make people love their job activities in the business is a permanent challenge the company faces everyday. So, the company is continuously proposing new strategies to face the demands and expectations of the market and also of its employees.

Dependent upon that, Alegra permanently invests in people training and capacity building. In 2018, there were 216,431 hours worked and 19,515 training hours, resulting in a percentage of 9% of training hours per hours worked. With 1,593 employees, at the end of 2018, a percentage of 8.17 training hours per employee was registered. Alegra employees and cooperative members also count on the support of **Unifica - Universidade Corpora-**

tiva da Castrolanda [Castrolanda's Corporate University]. Created in 2018, this project has as its main goal the technical development of employees and cooperative members, aiming at the maintenance of familiar and business sustainable development, among others. The initial focus is providing education to the leaders, young successors, employees, family and strategic board.

Surveys show that Alegra raised the number of hours of several types of training to better qualify its employees in 2018. Over the year, 1,135 people have been through the performance assessment, being 285 in a structured manner and 850 by informal feedback.

[404-1] [404-3]

STAFF TURNOVER

	2017	2018	
DISMISSED	132	209	WOMEN
TOTAL	664	733	
PERCENTAGE	20%	28,51%	
DISMISSED	165	278	MEN
TOTAL	812	890	
PERCENTAGE	20%	31,23%	
	20% Annual Turnover	30,5% Annual Turnover	
	1,67% Monthly Turnover	2,54% Monthly Turnover	

[401-1]



HEALTH AND SAFETY IN

the workplace

Alegra is always working to meet all legal requirements of labor law, yearly revising its collective labor agreement and seeking for ideal health and safety conditions in the workplace. In the industry, the twenty-six CIPA members are responsible for representing the employees and the employer. Thirteen are elected by direct voting and thirteen are indicated by their leaders. They all receive capacity building training to perform the task, and obtain insights on the civil and criminal liabilities of belonging to the team, and about being aligned with the company policies, culture and needs. [403-4]

The CIPA (Internal Commission for Accident Prevention), has as one of the main goals preventing unsafe actions and acts inside the facilities with preventive actions using internal tools, participating in campaigns, performing the monitoring of the use of PPEs, contributing in SIPAT (Internal Workplace Accident Prevention Week), among other attributions.

In 2018, CIPA and SSMA carried out several legal training sessions in compliance with NRs, such as: traffic education, Emergency Brigade evacuation simulations, fire fighting, traffic safety blitz, among others, thus involving the entire occupational safety department. A total of 47 trainings

were applied to Alegra employees, reaching 850 people. In addition, instructions were transmitted in a weekly basis via DSS (Weekly Safety Discussion) for guidance and capacity building of the employees, reaching 100% of the target audience. [403-1] [403-2]

Alegra monitors their performance regarding accidents, incidents and lossless occurrences rates, with the aid of indicators SSMA feeds in a monthly basis, named IMS (Safety Maturity Index).

This is an indicator in respect of occurrences affecting the good performance of the processes of the company. The IMS (Safety Maturity Index) is the calculation that contemplates the frequency of accidents without days away from work, adding up to the frequency of accidents with days away from work to the severity index.

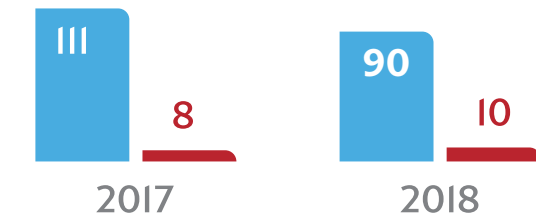
Currently, the main organizational factors are the items related to work accidents. A Occupational Safety Management System, managing the risks and emphasizing the safety culture, is an essential instrument to improve workplace conditions and reduce accidents and occupational diseases.

In four years since Alegra started operating and

at the peak of its 1,593 direct employees, when comparing the IMS indicators, good results were obtained. The evolution of the indicators shows where the number of ACAs (Accidents With Days Away from Work) and ASAs (Accidents Without Days Away from Work) decreased, when compared with previous years. [403-2]

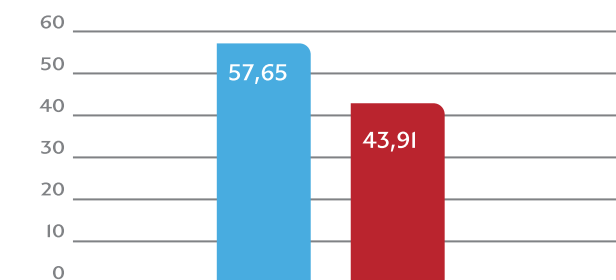
ACCIDENTS

■ WITHOUT DAYS AWAY FROM WORK (ASA)
■ WITH DAYS AWAY FROM WORK (ACA)



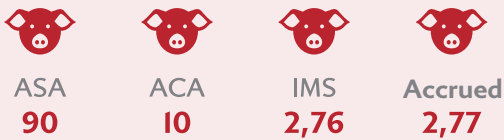
TOTAL FREQUENCY RATE

■ 2017
■ 2018



2018 IMS indicator had a slight increase in ACAs, however, there was a significant decrease in ASAs, which are accidents without days away from work. However, the indicator still kept its position within the maximum rating of 4 anticipated to 2018. As for 2019, the maximum will be reduced from 4 to 3, which will demand a great collective effort to reach the index.

IN 2018 WE HAD:



In this monitoring of occurrences, a reduction in the frequency rate may be observed. Even so, the company has been working to further reduce these ratings, through internal safety campaigns, monitoring of deviations with behavioral tools and recycling training sessions.

Health professionals composing the SSMA, on the other hand, carry out preventive actions such as: campaigns against AIDS, smoking, Pink October and Blue November, besides ambulatory guidance by physicians, nurses and nurse technicians. [403-2]

2018 HEALTH AND SAFETY INDICATORS

Accidents	With days away from work	10
	Without days away from work	90
	Total number of accidents	100
Frequency Rate	International frequency rate (T.F.I)	3,99
	Accident frequency rate (T.F.A)	39,92
	Total (frequency rate)	
Seriousness Rate		25,78
Days away from work (calendar days, one day after the event)	Due to accidents	61
	Deducted days	0
	Total days away from work	306
Deaths	Typical accidents	0
	Commuting accident	0
	Total	0
Safety Indexes	Frequency of reportable accidents (F.A.R)	5,99
	Frequency of accident leaves (F.A.A)	0,6
	Severity of the accident leaves (S.E.V)	21,98
	IMS (accrued)	2,76
	Safety maturity index (I.M.S)	2,77
	Limit	4





Food safety

Alegra works with the commitment to provide high quality food to its consumers, aiming not only at producing food that tastes good, but which is also nutritious and safe. Precautions with food safety begin in the management of raw material and products used and in the establishment of purchasing criteria, so as to provide materials in accordance with the principles of the company principles, which will not contaminate the final product.

The company also relies on a specialized department for food Quality and Safety. This department works on a daily basis monitoring the production quality through randomly collected samples, thus evaluating the microbiological quality and the production compliance in all its manufactured items. It also counts on an industrial cleaning team that is constantly working to

keep equipment and facilities in the best cleaning conditions.

The industry makes all necessary efforts to keep the continuous improvement of its manufacturing processes, in a way that ensures safer products to its consumers. This guideline is featured in all workforces through self-monitoring programs, BPF - Good Manufacturing Practices, HACCP - Hazard Analysis and Critical Control Points and PPHO Operational Hygiene Patterned Procedures. In addition, the company works according to the specific regulations and requirements of each client.

The SAC (Customer Service Hotline) shall receive all demands and noncompliances found by its clients and consumers. Having this identified, it is possible to put together working plans aim-

ing at the continuous processes improvement. Wherefore, it is extremely important to Alegra to receive these feedbacks, making it possible to directly deal with eventual issues, according to the needs of its audiences.

Alegra's industrial plant is qualified by SIF - Federal Audit Service to trade its products in the domestic market, and all criteria evaluated in the food safety procedures are based on the current domestic regulations regarding the manufacture of animal origin products for human consumption. [416-1]

ECONOMIC *results*

The results in social and environmental areas can be outstanding, but if the company does not present satisfactory economic results, it will not be able to maintain the development and will no longer be sustainable. This context makes economic results one of the topics Alegria considers as the most important at the administration level.

Although the year of 2018 was very hard to the meat segment, Alegria, supported by all cooperatives of its group, remained strong, achieving new markets, developing new products and increasing its production. Believing in its potential and in the market's potential, Alegria projects an even higher production increase in the coming years. [I03-2] [I03-3]



ECONOMIC PERFORMANCE

As of 1950, when Dutch colonization started in the region, the scalable swine production has always been the boost for the economic development in the Campos Gerais region. The animal protein production and its industrialization contribute decisively to the regional growth.

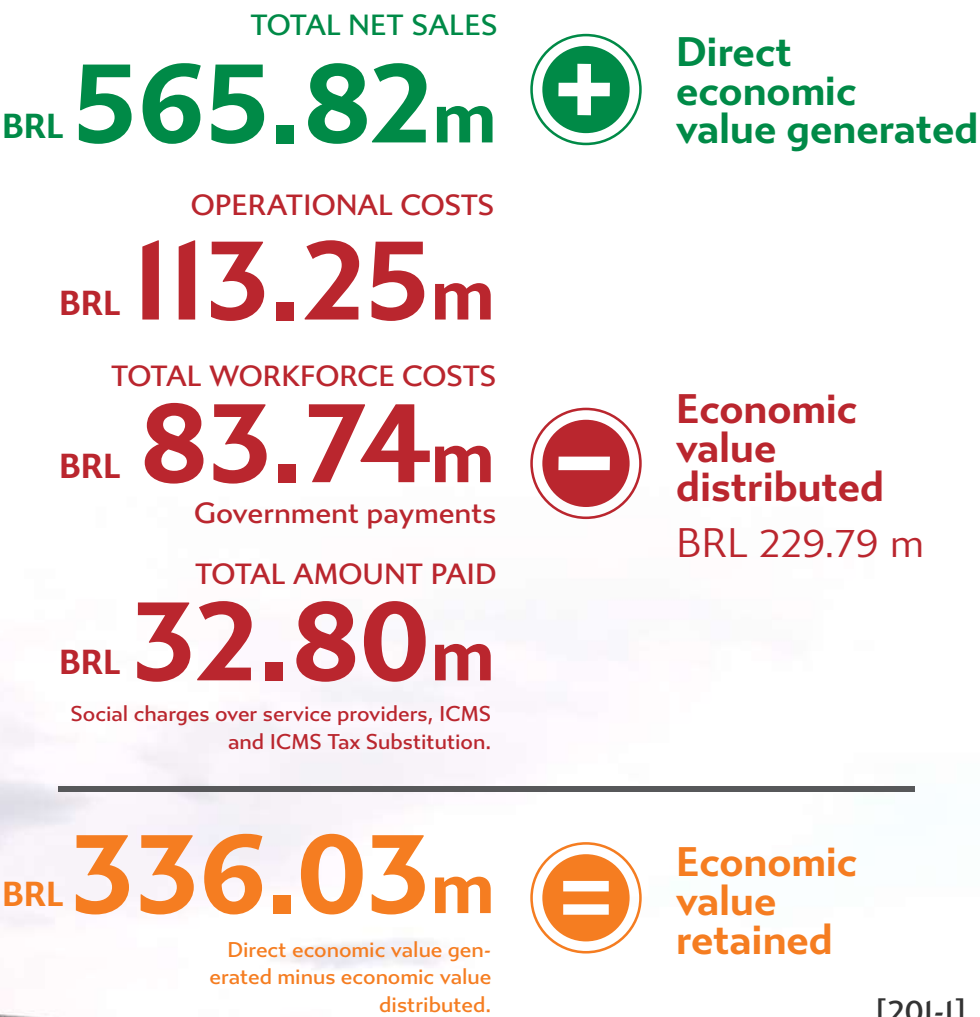
Swine production has become part of many farmers businesses that felt attracted by the increasing industry demand and began to invest in pig breeding. Support and assistance sectors, such as transportation, logistics, animal feed production, facilities and equipment maintenance, are growing in the wake of pig breeding.

The impact of scalable pig breeding means market opening for producers, creation of new work positions, and positively influences the urban and rural development, allowing for higher family incomes thanks to

the employment opportunities to women.

Pig breeding also positively affects the increase of tax collection, the increase in access to services such as medical and dentist consultations, drugstores, transportation, sports and leisure, thus improving the quality of life of the people.

The implementation of Alegra Meat Industry in this context has been permitting to the Campos Gerais region to minimize its economic and social issues, and structure a chain intended to extent its effects as other businesses are being created. The search for skilled labor gradually increases the technical development of the region.
[203-2]



[201-I]



ENVIRONMENTAL *results*

Most of the economic activities rely, one way or another, to a greater or lesser degree, on nature. In the agricultural area, this reliance is even bigger. Alegra is aware of that, and since its industrial plant was conceived, some actions were taken aiming at the reuse of available resources to reduce the environmental impacts.

The plant has an air emission treatment system that reuses part of the gases that would be emitted to the atmosphere as fuel to condense ammonia. This system is called absorption. In addition, there is also the rainwater and effluent treatment. There is also a constant monitoring of potential pollutants, such as waste disposal, effluents and its own air emissions. These are measures taken not only to comply with

the law, but also to ensure the continuous improvement of processes and treatment, so that they would have a minimal impact on the environment. [103-2] [103-3]

Alegra's facilities are located in a privileged environment, near two environmental conservation units, the Escarpa Devoniana and the Parque Estadual do Caxambu [Caxambu State Park], thus being proud of operating near these two areas that fill people from Campos Gerais region in Paraná with pride. Protecting the rich vegetation, the grasslands and the flora and fauna under threat of extinction are part of the company's corporate citizenship. [304-1]

WATER management

In 2018, 629,871 thousand m³ of water were treated, of which 76,60 thousand m³ came from rainwater collection and 553,271 thousand m³ from surface collection from Pirai river. [303-1]

With the production increase, a higher water consumption was required from the industry. And, just as with the energy data, there was also a better efficiency in water usage, from 6 liters/

TPA to 5.76 liters/TPA.

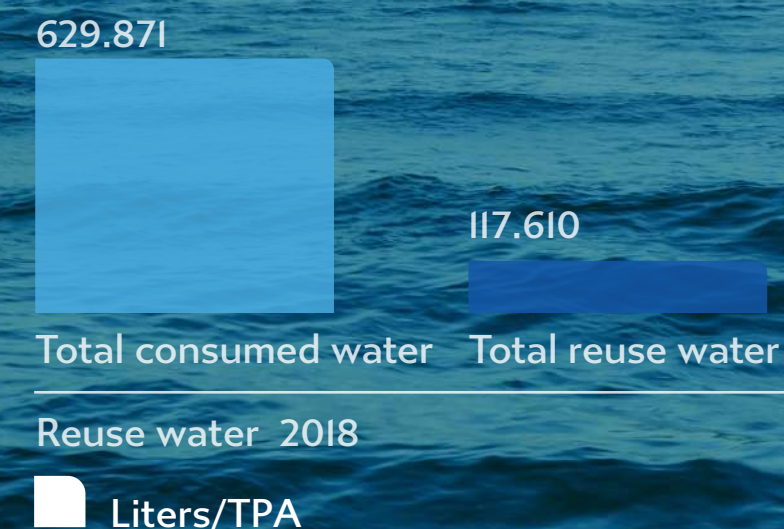
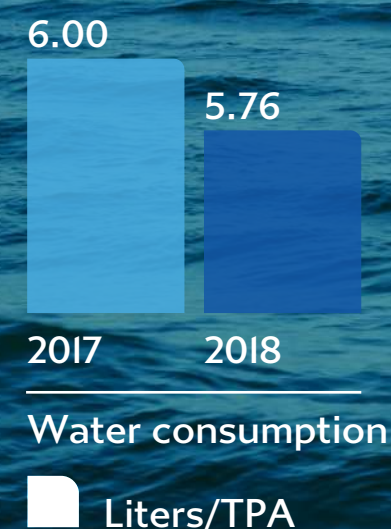
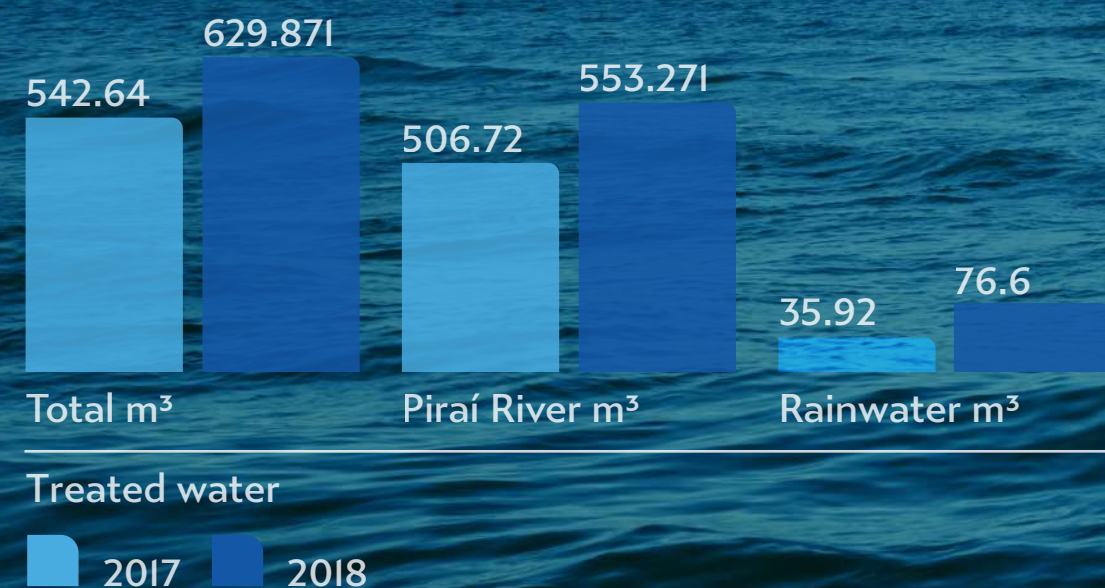
Due to the higher rain volume in 2018, it was also possible to collect even more rainwater, making the treatment volume almost twice versus the previous year, thanks to Alegra's capacity in collecting water through its roofs.

Besides all the water treated in the Unit, there is another reuse source, which is the treated effluent itself. Since the release parameters required to the water body are very strict, it is possible to reuse this effluent in some cleaning processes that do not have contact with any product. At

Alegra, the cleaning processes where the effluent is used are the washing of sieves from the effluent treatment itself, and also the washing of trucks that transport swines, a procedure that avoid the waste of drinkable water and also reduces the costs for this treatment. [303-3]

In 2018, a total of 654,236 m³ were treated. Due to all of these reuse sources, it is possible to notice that Alegra treats more effluents than collects water. This volume was notably higher than the 430,151 m³ treated in 2017, mostly due to the production increase. In order to treat the entire volume of effluents, making it adequate for the releasing required by the environmental

agencies, Alegra counts on a highly developed treatment system, comprised of physical and chemical treatments and biological treatment lagoons. The analysis and control of the biggest pollutants are routinely carried out to ensure and retain the effluent releasing control. In 2018, the total average of all monitored and collected water-releasing parameters remained within the predetermined limits. [306-1]



18,7%
of the water
used in the
industry was
reused

ENERGY *management*

Due to the gradual production increase, Alegra has also increased its energy and wood shakes consumption levels in 2018. All energy consumed at the Unit comes from hydroelectric power and wood transformed into shakes, which come from mostly exotic woods fostered by the cooperatives.

Nevertheless, Ethanol and Gasoline consumption increased as well due to the expansion of the company's fleet, aiming at promoting the brand and attracting new clients and partners. As a counterpoint to the increase in gasoline consumption, there was a reduction in a greater pollutant, diesel fuel.

The reduction was mainly driven by the improvements in the electric system carried out at the end of 2017, with the implementation of the substation I38, thus avoiding abrupt energy shortages that forced the use of diesel-fueled generators. Reductions were also seen in LPG gas consumption, basically associated with the efficiency and continuous process improvement.

		ENERGY CONSUMPTION IN GIGAJOULES			ENERGY INTENSITY	
		2017	2018		2017	2018
Non-renewable energy	Diesel	524,8064	336,7121	-188,094	GJ	86615,82 103488,55
	GLP	6646,436	6233,04	-413,396	TPA	90438 109312,4
	Gasoline	392,9267	3453,743	3060,816	GJ/TPA	0,9577 0,9467
					[302-3] [302-5]	
Renewable energy	Ethanol	27,94955	297,3582	269,4086		
	Shakes	359,906	413,9594	54,0534		
	Electric	79084,67	96504,84	17420,17		

[302-1]

The overall energy consumption was greater than in 2017, however, there was a considerable production increase, which made the energy efficiency per tonne of finished product (TPA) even lower in 2018, thus showing a considerable evolution. [302-4]

- Heating power data taken from Aalborg tables, and conversion of fuel units and densities according to ANP (National Agency for Petroleum, Natural Gas and Biofuels) table;
- 100% renewable Electric Power, according to purchase conducted in a free market;
- Not totally renewable gasoline, not considering its Ethanol percentage.



WASTE AND MATERIAL *management*

The supplies consumed by the industry had a relative increase if compared to 2017, and the highest use of supplies is mainly related with the productivity increase, which demands a greater use of these materials. As a consequence, there was also an increase in the purchase of already recycled supplies, which are supplies that already passed through some recycling process until its arrival at the industry. The already recycled supply purchase percentage has reached 19.48% in 2018.

NON-RENEWABLE MATERIAL

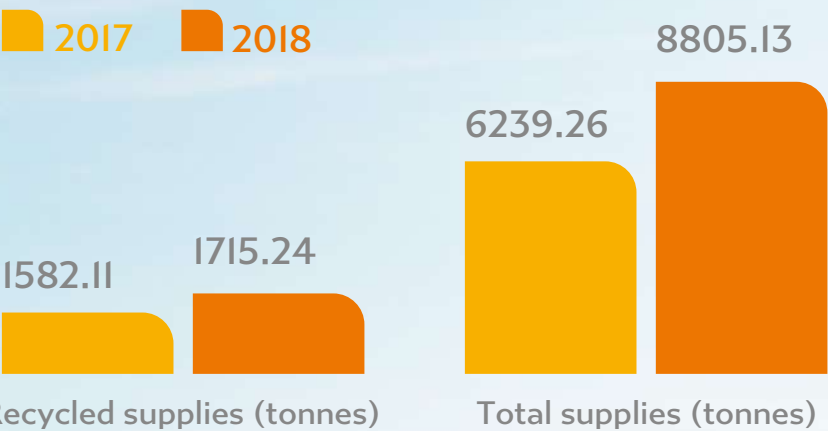
Plastic	4.166,44 tonnes
Aluminum/Fabric/Plastic	54,93 tonnes
Labels	70,09 tonnes

RENEWABLE MATERIAL

Cardboard boxes	1.715,242 tonnes
Collagen and natural casings	911,34 tonnes
Spices and ingredients	1887,09 tonnes

[301-2]

SUPPLIES IN TONNES



[301-1]

EMISSIONS [305-7]

Alegra keeps total control of its air emissions, keeping it always below the limit established by the environmental laws. To do so, the company carries out a biannual monitoring of the air emissions released by its two boilers chimneys. This monitoring is carried out by specialized companies environmentally licensed to perform this type of activity.

**Data taken from the average report of monitoring sessions performed in the first and second semesters of 2018, regarding the emissions from two Industry boilers, containing the analysis of the parameters determined as per CONAMA Resolution No. 436/2011, which establishes the maximum limits of air pollutant emissions for fixed sources.*

	FIRE-TUBE BOILER			H.BREMER HBFR-3	H.BREMER HBFR-5
	Particulate	Carbon Monoxide	Nitrogen Oxide	Particulate	
2018 Result	220,06	641,71	87,53	259,79	
2017 Result	54,45	695,52	149,1	495,09	
SEMA Limit 016/2014	400	1000	500	1000	





ANIMAL QUALITY AND *welfare*

Rich in protein and vitamins, swine meat differentiates itself as an indispensable item in the diet of thousands of people and delivers many benefits to the health. However, it goes a long way until finally arriving in the consumer's house. To Alegria, this way does not need to be painful for the animals. With that in mind, many actions are taken to ensure their welfare. Cooperative members that supply the animals to the industry have continuous technical assistance that spreads animal welfare techniques throughout the development and transportation phases and even inside the Industrial Unit.

One of the proofs of this care is that Alegria was the first Industrial Swine Meat Unit in Brazil to obtain the North American Meat Institute (NAMI) certificate in animal welfare comprising swine receiving, transportation and slaughtering areas, granted by **World Quality Services (WQS)**. Even with this recognition, the improvement activities are continuous, aiming at providing an increasingly better environment for the animals. [I03-2] [I03-3]



ANIMAL WELFARE

[FP - 9] [FP-10] [FP-II] [FP-I2] [FP-I3]

Alegra relies on the support of Genetic Development Units from its cooperatives. Through genetic improvement, the units pursue the best breeding pigs in the market, ensuring and supplying the best genes to their producers to meet an increasingly demanding market. The swine matrices insemination is artificially performed, with approximately 70% being by post-cervical insemination and 30% by Cervical insemination. [FP-9]

Since its conception, Alegra fosters the collective pregnancy of swine matrices, a process that allows female pigs to remain in herds keeping their routine activities during the pregnancies. This handling brings many benefits to the animal, such as stress reduction, improvement of body muscles and decreased incidence of injuries.

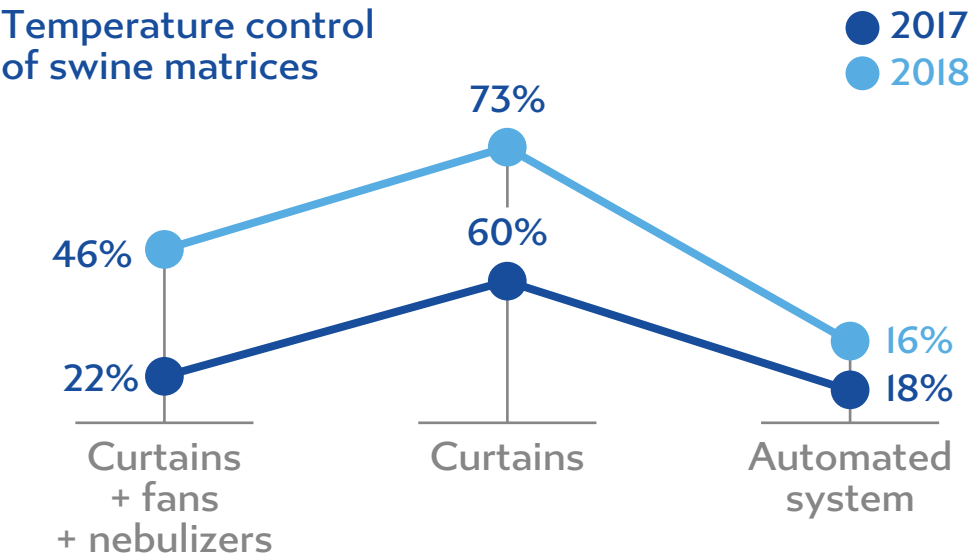
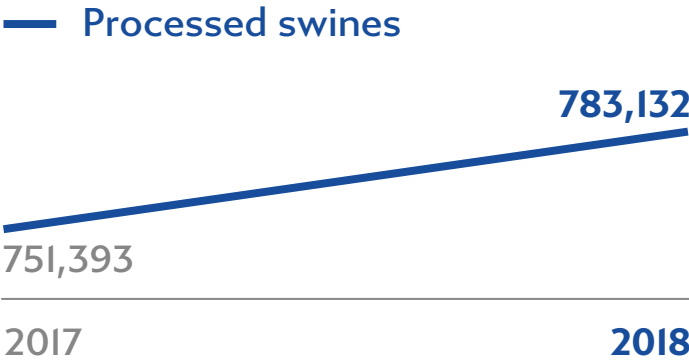
Apart from these practices, other animal welfare practices aiming at not causing pain and suffering to animals are constantly adopted by Alegra. One of those was the immunocastration -male chemical castration-, adopted in the beginning of the operations and soon abandoned.

After the procedure, the meat had a strong and strange taste, and there were complaints from the consumers. Swine teeth clipping and wearing is another routine practice in pig breeding that causes discomfort to the animal. Alegra has been reducing this procedure. In 2018, it was not applied to 38% of the animals. [FP-10]

In 2018, Alegra lead managed the swine slaughtering increase and processed 783,132 animals, 100% coming from its three cooperatives.

The evolutions also took place in the animal farming places. The use of energy generated from the biogas produced from swine manure to regulate the temperature of maternity and nursery environments went from 35% in 2017 to 39% in 2018. As for reproduction, in 2018, around 73 % of the matrices had temperature controlled through curtain systems, 46% through curtains, nebulizers and fans and 16% through automated temperature control. [FP-II]

Species	Breeding	
Swine	Individual pregnancy	82%
Swine	Collective pregnancy	18%





Another handling that always deserves attention is the type of slaughtering carried out by Alegra. It is a different process from most slaughterhouses in the country. First, the animals are made insensitive through CO2 chambers, and lose consciousness, thus reducing pain and stress. Then they are moved to the slaughtering process. Besides preventing animal suffering, the practice brings significant improvements to the meat quality. [FP-10]

The actions taken to control eventual diseases in the herd are primarily focused in preventive actions, such as: care in purchasing reproducers from certified origin; quality control of eating patterns; strict compliance with cleaning and disinfection procedures; and use of vaccines. Alegra's production system is hormone- and ractopamine-free. Ractopamine is a feed additive already banned from several importing markets. [FP-

12]

Through its self-monitoring animal welfare program, Alegra establishes the appropriate requirements for the management and control of all stages involving swine handling in the industry. The program reaches producers, employees of poultry farms, haulers and drivers, planning, production, technical assistance and quality assurance department and employees of all receiving, unloading, pigsties, stunning and bleeding areas.

Noncompliances identified during the activities are treated along with the managers of the department and/or deviation source process, involving the Agricultural Management (Cooperative Member and Living Animal Haulers), and Industrial Management (Receiving, Rest, Stunning and Bleeding) departments.

In 2018, four violation episodes were detected by the Federal Audit Ser-

vice, which occurred due to the noncompliance with the practices defined by the company, resulting in warning and fines. All of them were recorded in control documents with the corrective actions to solve the issue.

In addition to the requirements defined in Decree 9013/2017; Ordinance 711/1995; Normative Ruling 03/2000, the company has been following, since 2017, the Recommended Animal Handling Guidelines and Audit Guide of the *American Meat Institute*. Training and capacity building of its employees in compliance with the STEPS Program (program designed to make the Technical Cooperation Term effective, entered in 2007, between *World Animal Protection*, and the Brazilian Ministry of Agriculture, Livestock and Supply (MAPA). [FP-13]

GRI SUMMARY

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		403-4	Health and safety topics covered in formal agreements with unions	20
	GRI 404: Trainig and Education	405-1	Diversity of governance bodies and employees	18
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SUSTAINABILITY REPORT 2018

PROGRESS REPORT
OF ALEGRA FOODS
SUSTAINABILITY PLAN