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# Nourishing

## Bonds for Development Sustainability Report

2018 Management Highlights



# RESPECT FOR AND PROTECTION OF HUMAN AND LABOR RIGHTS



## WE PROMOTE EQUITY AND DIVERSITY

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In general terms the industry significantly evolved regarding the access of women to certain positions traditionally filled by men.

The important position that women have reached at present in their workplaces cannot be denied. I have worked in the industrial field for 15 years. I started working at Arcor in 2012 in the Quality Management Area. Some years later, I was offered the possibility of working in the Production Area, and I accepted happily.

Motherhood was my first challenge: balancing between my role as a mother and as a professional. It required a permanent effort from me. I arranged my life when my baby boy was born and had to rearrange it for the birth of my baby girl. But nothing would have happened without the unconditional support of my family, the support of my work team and the trust that the company has placed on me.

The possibility that the company gave me and still gives to coexist with my two roles is really important. I am so proud to be part of this company and to make contributions from my place. It is a great responsibility to lead the Production Area, guide the team, strengthen ourselves with new challenges, create value with the changes the market demands in such an unpredictable



context, always trying to take the right decisions in order to become a more efficient team.

I believe it is vital not to lose sight of our goals and work in order to achieve them. I'm convinced that women can accomplish anything they propose and go as far as they want to. Effort, perseverance, commitment to the process, trust, and the cultivation of values make progress and personal development possible.

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**Lorena Sabena**, Ingenio (sugar mill) La Providencia Production Manager (Tucumán, Argentina).

<b>9.8% INCREASE IN WOMEN</b> in leadership positions within the industrial area in the last 10 years.	<b>292 PEOPLE WITH DISABILITIES</b> are part of the company's staff.	<b>UN EMPOWERMENT OF WOMEN PRINCIPLES' SUPPORT.</b>	<b>138 employees</b> hired through the <b>YOUNG ENTREPRE-NEURS PROGRAM.</b>	<b>92% OF MANAGEMENT PROMOTIONS</b> covered with Arcor talents.
Policy on <b>COMMITMENT TOWARDS CHILDREN'S RIGHTS</b> since 2014.	<b>770 YOUNG PEOPLE</b> involved in the Relationship with Technical Schools.	<b>DUE DILIGENCE PROCESSES</b> to diagnose, integrate, monitor and spread actions.	<b>95% RESOLUTION</b> in the 9,345 safety risk situations identified in the plant.	<b>ARCOR UNIVERSITY'S 10<sup>TH</sup> ANNIVERSARY:</b> 5,883 registered users + 7,583 hours of training.

# ACTIVE LIFE & HEALTHY NUTRITION



## WHAT YOU LIKE, IN THE RIGHT PORTION SIZE

At Arcor, we believe that a balanced life is a healthy life, in which allowing oneself to enjoy food goes together with taking care of our health. That is why, in 2018, we created the "Tu Porción Justa" (your right portion size) Program through which we included a logo in our products' packaging to help consumers easily recognize one (1) portion size on the product's label, in order to incorporate gratification options into a balanced diet without unbalancing it, either in individual portion presentations or packets.

These products comply with the portion size in grams stipulated by Mercosur's legislation for products within the same category. Together with this legislation, the Dietary Guidelines for the Argentinian Population (GAPA, as per its initials in Spanish) stipulates that daily calorie consumption in optional foods shall not exceed the daily calorie consumption limit. That is why, the products included in this program have a maximum of 150 kcal per individual package, or less in those cases in which the product's category has a lower calorie limit pursuant to Arcor's System of Nutritional Profiles (SPNA, as per its initials in Spanish).

There is a right portion size and a right moment to eat the right type of food in order to have a balanced nutrition. It is also important to know how much and what type of food we are eating in order to nourish ourselves in a conscious way. For easy products' identification that comply with the double condition of quantity and calorie limits, a green logo with the phrase "Tu Porción Justa" has been included on the products' labelling. ■



**Currently, there are 30 labelled products in different packages with the "Tu Porción Justa" logo. More products will be included progressively.**

**100%** of our products **WITH TRANS FATTY ACIDS REDUCTION (-2% OF TOTAL FATS).**

Up to **47% REDUCTION OF SODIUM** in canned vegetables and sauces.

Innovative **0% CALORIE JAMS** with **NO ADDED SUGARS.**

**NATURAL BREAK** dried fruit bar.

**IMO FIBER SYRUP**, 1<sup>st</sup> one with prebiotic effect in Argentina.

**SIMPLE,** A dietary supplements line, in association with Laboratorios Bagó.

More than **380 GLUTEN-FREE** products.

91% units elaborated under **GFS FOOD SAFETY CERTIFICATION**

**SELF-REGULATORY POLICY** for Children's Advertising aimed at children under 12.

**APRENDIENDO A DISFRUTAR PROGRAM,** 122 projects, 35,000 benefited children and 1,716 trained teachers.

# RATIONAL USE OF WATER



## REDUCTION, REUSE AND RECOVERY IN BRAZIL

Since the 2014 water crisis in Brazil, we developed a strategy that guarantees the sustainable supply of water in our plants through two main courses of action:

- 30% reduction in water consumption by 2020, and
- Minimization of external dependence of our water supply by using underground water from our own intake facilities or by exploring other sources, such as rainwater or effluent water reuse.

In this way, we significantly reduced external dependence and water consumption by 40% and by 30% for each ton produced through:

- The recovery of water from the vacuum pumps in hard candy manufacturing lines of
- The reuse of water from the restrooms' cooling towers
- The revision of cleaning procedures and the use of dry cleaning in several plants
- The reuse of liquid effluents water
- The reduction of water leaks
- The recovery of cold water from cream cooling equipment from wafers line

The challenges in Brazil remain in light of the fact that the water crisis is still far from being overcome. The goal is to achieve self-sufficiency by exploring other sources such as the use of rainwater and continuing



Arcor Bragança Paulista plant, San Pablo, Brazil.

to reduce water consumption, taking advantage of the opportunities detected. ■

▲▲ **Both for our processes and for the regions where we operate, water is a critical resource, that is why we must be 100% responsible with its use. At Arcor, we set out to reducing water consumption over the next few years. Specifically, in places like Brazil, where a strong water crisis is being faced, we have acted consistently reducing the use of water in our plants by more than 30%".**

**Alejandro Peris**, Environment, Hygiene and Industrial Protection Manager.

<b>98%</b> of the water used for production is from <b>OWN INTAKE</b> facilities (underground & surface)	Incorporation of <b>NEW TECHNOLOGIES</b> for the <b>TREATMENT OF LIQUID EFFLUENTS</b>	<b>22.9% REDUCTION IN WATER CONSUMPTION</b> in Mundo Dulce, Mexico.	<b>REDUCTION OF 5.6% OF WATER CONSUMPTION</b> required to manufacture 1 ton of product since 2016.	<b>40% REDUCTION</b> in total water consumption at Brazilian plants.
<b>MORE THAN 1.8 MILLION M<sup>3</sup> OF WATER SAVINGS</b> per year in Agribusiness plants.	<b>120,000 M<sup>3</sup> OF CLEAN WATER RECOVERED</b> by the washing of ion-exchange towers in the corn wet milling plant in Arroyito	<b>8.7% REDUCTION</b> in water consumption per ton produced in Agribusiness plants.	<b>WATER RECOVERY</b> in different stages of the process in Ingenio La Providencia.	<b>ANALYSIS BY REGIONS</b> to visualize the availability and extraction of water together with the other uses.

# ENERGY EFFICIENCY AND CLIMATE CHANGE



## GREENHOUSE GAS (GHG) EMISSIONS INVENTORY

As part of our strategy for reducing our environmental impact, we developed a report to recognize, map and account the GHG emissions that we -as a company- produced during 2017 and 2018.

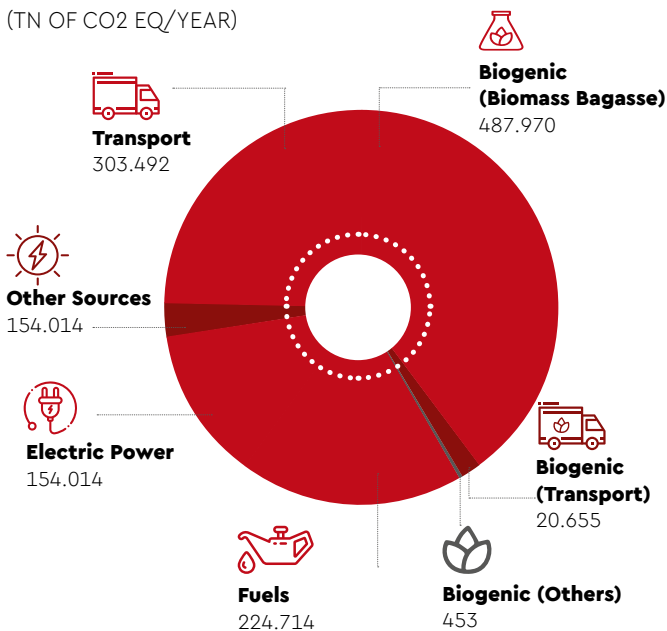
In 2018, we achieved to create a full report on GHG emissions generated by all our operations at our 47 bases, in all the countries where we operate (Argentina, Brazil, Chile, Mexico and Peru).



Biomass boiler, Papel Misionero plant, Puerto Leoni, Misiones, Argentina.

### 2018 ARCOR GROUP'S TOTAL EMISSIONS

(TN OF CO2 EQ./YEAR)



22% of our emissions stem from the generation of electric power. In Argentina, most of our electric power is produced through three thermoelectric power plants: "Mario Seveso", in Arroyito, which is fueled by natural gas; "José Gai", in Tucumán, which uses sugar cane bagasse from the sugar process in Ingenio La Providencia; and finally, since 2017 with the incorporation of Zucamor to Arcor Group, Papel Misionero, in Misiones, which produces electric power from biomass burning from wood derivatives. This allowed a reduction of non-biogenic emissions. ■

More than **40% OF THE ENERGY** used by Grupo Arcor comes from **RENEWABLE SOURCES**.

100% of the **ELECTRIC POWER** used in **BRAZIL** is from renewable sources (**HYDROELECTRIC**).

**EFFICIENT LOGISTICS:** 2,691 trips, 1,031,917 km and 392,950 liters of fuel saved.

**94%** of **WASTE GENERATED** at plants that produce raw materials **IS RECYCLED**.

**ZERO WASTE** sent to landfills in industrial and logistics operations in Brazil.

**GHG (GREENHOUSE GAS)** inventory consolidated in 47 bases: **1,223,720 TN CO<sub>2</sub> EQ.**

**41%** of emissions correspond to biogenic CO<sub>2</sub> (carbon neutral).

**22%** of the emissions are produced by **ELECTRIC** power generation.

**31%** of emissions come from the burning of fuels in boilers and ovens.

**42%** of non-biogenic emissions correspond to raw materials transportation and distribution.

# RATIONAL USE OF PACKAGING MATERIALS



## BUTTER TOFFEES, 60% COMPOSTABLE

A few years ago, we encouraged ourselves in designing a packaging with unconventional materials that were environmentally-friendly and highly-efficient in the wrapping process. That is how *Politwist* was created, a composition with PLA component, a corn starch bioplastic, which manages to create a 60% compostable container. Not only did we create it, but also, we incorporated it as a wrapper for our *Butter Toffees* candies.



For its design, we analyzed the environmental characteristics of the container under the COMPASS tool, comparing it against different structures. Confident of being on the right path, we began the wrapping feasibility tests, first working with a wrapping machine, and then expanding to the whole line. The key factors of this stage were the commitment and teamwork of all those involved: Quality Area, Production Area, Maintenance Area, Business Development, Candies Management, as well as the technical support received from Converflex, Arcor's flexible packaging division.

The implementation process took 12 months and 18 industrial trials. The whole line was validated, together with all the *Butter Toffees* designs with its associated variables: micron testing, torsion, friction coefficient, quality and production indicators. We managed to implement *Politwist* in the entire *Butter Toffees* wrapping line.

Undoubtedly, this achievement encourages us to continue working on the application of sustainable packaging for all of our products of the Confectionery Division. ■

■ ■ **We seek to promote an innovation process that allows us to provide sustainable solutions for the different needs and challenges faced by our customers, such as lengthening the shelf life of food, conserving products more effectively or minimizing the impacts generated in the environment when transporting or using a container. Achieving innovations that intrinsically contain sustainability as a component is a process that we promote in an oriented and conscious way, to the point that has become the main guideline of our daily work agenda."**

**Diego Gordo**, Innovation Manager  
- Packaging Division

**100% OF THE PAPER USED** in Cartocor plants as raw material is **FSC OR PEFC** certified.

**93% OF THE PAPER AND CARDBOARD** used is of **SUSTAINABLE ORIGIN** (certified and / or recycled).

**53%** of the total packaging material we use is **PAPER AND CARDBOARD.**

**10% REDUCTION** in the amount of material used per kg of product sold.

**37 INITIATIVES** to reduce or replace packaging materials in Operational Sustainability Plans.

Innovation and development of **PACKAGING WITH BIOPLASTICS.**

**24%** of the total packaging material we use is **PLASTIC.**

**REDUCTION OF PVC** consumption by more than half (-6% of total plastics used).

**7,000 HA** of pine **FORESTS MANAGED** in accordance with the PEFC standard of forest management.

**16,000 HA OF PROTECTED NATIVE FORESTS,** considered areas of high conservation value.

# GENERAL COMMITMENT TO SUSTAINABLE DEVELOPMENT



## COBRA, THE PROJECT THAT REVOLUTIONIZES THE PRODUCTION OF SUGAR CANE AMONG SMALL SIZE PRODUCERS

More than 400 producers supply sugar cane to Ingenio La Providencia. Around 25% of the total volume of processed cane comes from small and medium-sized producers.

Since 2017, Arcor has implemented the *Cobra Project* together with small size sugar cane producers (less than 20 hectares). This project is a sustainable production initiative which focuses on promoting a comprehensive development of these producers by replacing manual harvest (hand removal) with mechanized harvest.



The benefits of mechanization are several: environmentally, the burning of the cane is avoided as a method of cleaning the crop stubble and the conservation of the soil is promoted due to the fact that post-harvest organic matter is incorporated into the soil; economically, the sugarcane's manufacturing performance is improved since fresh cane tends to have a higher sucrose content that increases the profitability of the producers; socially, mechanization avoids heavy manual labor, reduces accidents risks and optimizes the logistics of the harvest. Above all, it allows producers to reduce the harvest time from 100 to 4 days, which gives them the possibility to diversify their economic activities and thereby increase their income.

extend the scope to a total of 20 small size producers who supplied us with 12,000 tons of cane. In addition, we deepened our support to producers with logistics, harvest scheduling and sustainable agricultural practices that contribute to the continuous improvement of the management of their farms. ■

**After two years of work, improvements have become even more tangible: there is a decrease in the impacts of greenhouse gases and an improvement in the modernization of production to increase profitability.**

We started with a pilot test with 15 producers, and, given the success of the experience, in 2018 we decided to

<p><b>MORE THAN 8,300 PEOPLE INVOLVED</b> in 102,570 hours of <b>SUSTAINABILITY TRAINING.</b></p>	<p><b>100% OF THE TERRITORY</b> of Argentina, Chile and Mexico with Community Relations Committees.</p>	<p><b>38 SUPPLIERS</b> of Responsible Inclusive Purchases (<b>CIR</b>, as per its initials in Spanish).</p>	<p><b>95.50%</b> of suppliers and primary producers qualified with <b>AUDIT PROCESSES.</b></p>	<p><b>1,795 TONS OF DONATED PRODUCTS</b> that benefited more than 300,000 people, <b>MAINLY CHILDREN.</b></p>
<p><b>RECONOCER (RECOGNIZE) PROGRAM:</b> 347 suppliers assessed by the Sustainability and Business Quality Index.</p>	<p><b>CERTIFIED INDUSTRIAL PROCESS:</b> 51 sites with ISO 9001, 42 with ISO 14001 and 34 with OHSAS 18001.</p>	<p><b>SUSTAINABLE AGRICULTURAL PROGRAM</b> for sugar, corn, wheat, fruits and vegetables, palm oil, cocoa and egg.</p>	<p>More than 31 million pesos for initiatives focused on <b>SOCIAL INVESTMENT IN CHILDHOOD</b></p>	<p>More than 150 Distributors that were self-assessed on <b>GOOD PRACTICES IN SUSTAINABILITY.</b></p>



# ARCOR, INNOVATION AND SUSTAINABILITY

Promoting our businesses through responsible management that considers economic growth, social development and environmental care. This has always been our commitment and distinctive feature.

Sustainability is for us an approach and a business strategy. This is why we promote initiatives that allow us to manage risks and maximize opportunities derived from the business and its environment together with all the stakeholders with whom we relate and throughout our entire value chain.

<b>1ST BONSUCRO CERTIFIED SUGAR MILL</b> in Argentina.	<b>51 CERTIFIED SITES</b> under international management standards.	<b>CORPORATE SUSTAINABILITY COMMITTEE</b> and local Committees in Brazil and Chile.	More than <b>\$ 171,440,000</b> aimed at social investment and community impact management.	<b>837 INITIATIVES</b> in 13 Sustainability Operational Plans.
<b>23 Community Relations COMMITTEES.</b>	More than <b>US \$ 6.8 MILLION</b> in investments linked to the promotion of sustainable management in operational facilities	<b>Sustainability MANAGEMENT AND MONITORING</b> tools.	<b>12 MILLION USD</b> of investment in research and development.	<b>MORE THAN 3,200 EMPLOYEES</b> reached with <b>SUSTAINABILITY GOALS</b>

**2020 STRATEGY**

**Goal:** To increase our corporate value through sustainable management and governance.



**SUSTAINABLE IDENTITY:** To strengthen the company's identity, based on our values and culture as distinctive features.



**OPERATIONAL CONTINUITY:** To guarantee the continuous improvement of our operations through sustainable management in all our processes.



**DEMAND GROWTH:** To promote business models and strategies, products and brands that generate sustainable links.

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