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Message from the President

As we are committed to a responsible business management, we have issued this fourth Sustainability Report to provide information about the progress made and the lessons learned by us in 2008 regarding the creation of economic, social and environmental value.

Throughout this period, in a context affected by the Argentine agricultural crisis during the first semester, with a significant increase in raw materials and labor costs, as well as the worst global financial and economic crisis in the last decades which arose in the third quarter, the Arcor Group succeeded in obtaining satisfactory consolidated results with acceptable levels of growth and profitability.

These results were achieved by investing in the development of our 20,000 collaborators, of different nationalities, cultures and customs; by applying strict occupational and environmental safety criteria in our operations, promoting social joint responsibility in our value chain; and working for the rights of children in partnership with Arcor Foundation in Argentina and Arcor Institute in Brazil.

All of these initiatives contributed to consolidate our leadership and lead us to continue our work under a strong commitment towards improvement opportunities –

which are still many.

Perspectives for the countries in the region are uncertain. As a company and as a community, we are ready to face challenges as they occur and contribute to the process of building a more equitable society.

Through this Report, we intend to strengthen the dialogue with our different stakeholders and show the progress achieved in 2008 in complying with human, labor, environmental and anti-corruption rights principles established in the United Nations World Agreement, to which we adhere from its inception in our country. Therefore, you are invited to read this Report.

Message of ASR Manager

During these years, we have implemented a process to promote, in an integral and transversal manner, the sustainable management of all businesses, areas and stakeholders.

Within this framework, 2008 represented the fulfillment of one stage of the Arcor Social Responsibility (ASR) Process, in which we could establish a participation management system and institutionalize policies related to responsible behavior.

Specifically, we have generated innovative practices by articulating specific projects with different areas of the company, including the integration of CSR issues in the company's value chain, progress in the Commitment to Healthy Life Habits, and the implementation of the Community Relationship Program.

These initiatives show us that sustainability is built collectively and requires that both our internal and external collaborators work jointly. To boost this interchange, we have developed dialogue meetings with different stakeholders which fed back the ASR management and communication.

In addition, we consolidated our public leadership in the subject by participating in the governing bodies of different related initiatives, including the United Nations Global Agreement, RedEAmérica, the Global Food Banking Network and the Argentine Network of Enterprises against Child Labor.

Such progress is embodied in this Report, in which we apply the guidelines proposed by the G3 Guide of the Global Reporting Initiative (GRI) for the first time ever, adjusting them to the regional context and the industry sector to which we belong.

By means of these guidelines, we inform in a transparent, systematized and comparable-through-time manner the activities developed by Arcor Group in 2008 in the economic, social and environmental fields. In some cases, we have included indicators for the previous years with the purpose of showing how this management evolved.

2009 will be a transition year towards a new stage in the Arcor Social Responsibility Process, focusing on the monitoring and evaluation of the ASR management, as well as the improvements introduced to ASR.

Our long-term goal is to consolidate the integral Social Responsibility process which the company is developing, seeking to consolidate the CSR vision as a business advantage and to strengthen transversal management; thus boosting, once again, one of the Group's differential values: the programmatic and strategic work with the value chain and its key stakeholders.

By working together, we will gradually achieve an increasingly sustainable management. We thank those who contribute to a fairer social development for everyone through their everyday work.

Chapter 1

The Arcor Group's Profile

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A GROWING BRAND

Arcor was founded in 1951 in the city of Arroyito, Córdoba (Argentina), with a view to manufacturing quality food products at the right price for consumers from all over the world.

Through sustained growth, the company has become a leading industrial group that specializes in the manufacture of sugar confectionery, chocolate, cookies, ice cream and food products.

In this way, the company became the first world producer of candy and the main exporter of sugar confectionery products in Argentina, Brazil, Chile and Peru. Through Bagley Latinoamérica S.A., it is the largest manufacturer of cookies and crackers in South America. Nowadays, Arcor exports its products to more than 120 countries in the 5 continents and keeps consolidating its leadership through a socially responsible management.

The Arcor Group in Figures¹

A track record of **57** years.

It has **13** commercial offices spread throughout the Americas, Europe, Asia and Africa.



It has **41** industrial plants: 30 in Argentina, 5 in Brazil, 4 in Chile, 1 in Mexico and 1 in Peru.



Provides work to more than **14,000** SMEs.

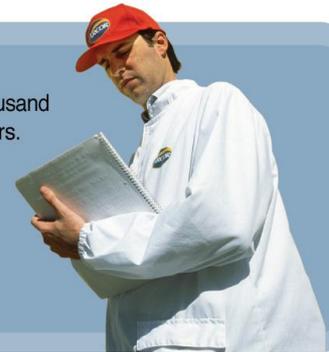
It has **19** distribution centers throughout Latin America.



It exports its products to more than **120** countries in the 5 continents.



20 thousand collaborators.



It has **10,000** registered brands.

The production volume amounts to **3** million kilograms per day.



It launches more than **100** new products per year.



It produces **131,000** tons of sugar in its La Providencia sugar refinery.

It obtains **90** thousand liters of milk per day from seven industrial dairy farms.

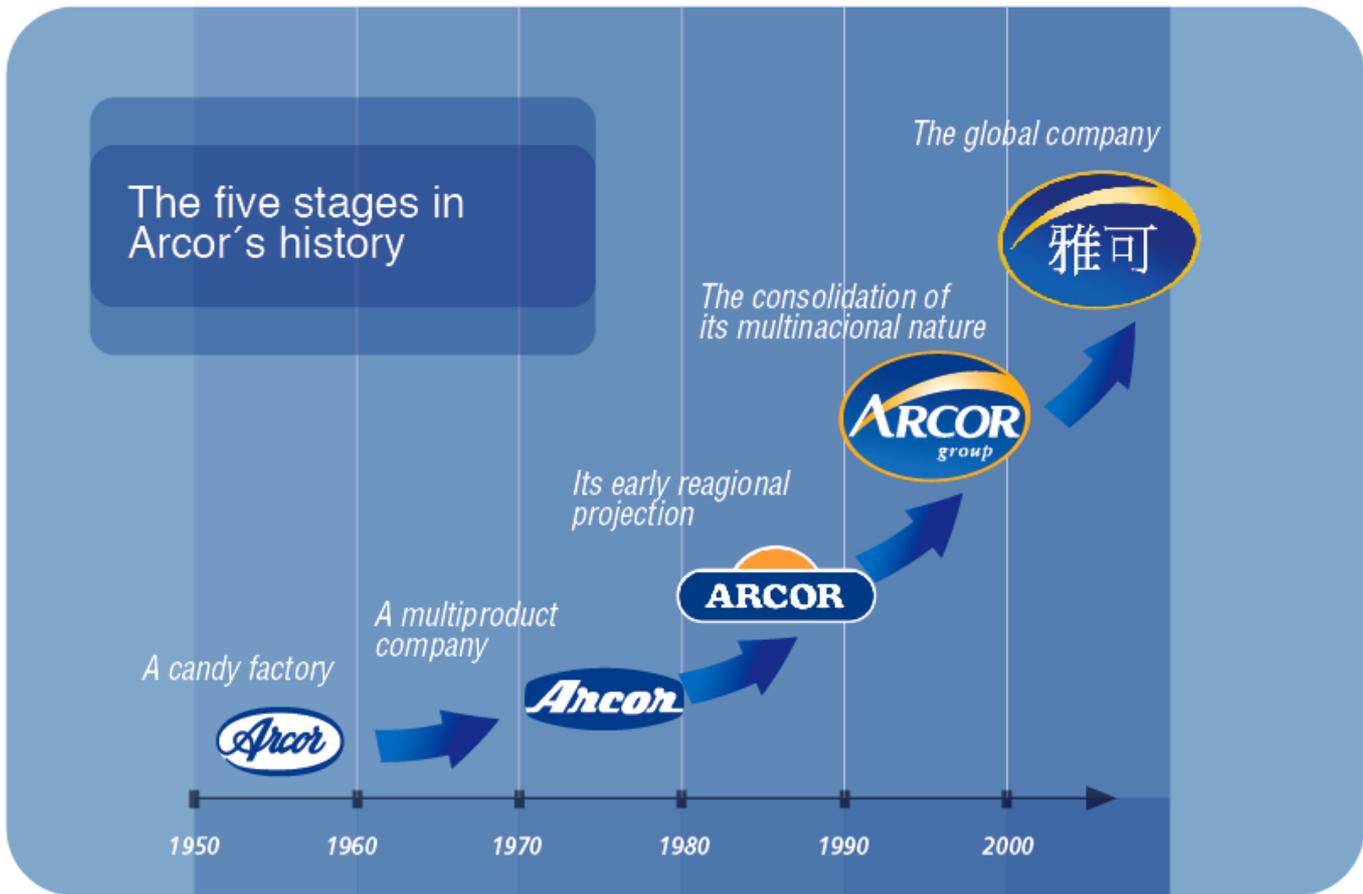


It produces **250** thousand tons of paper and corrugated cardboard per year through Cartocor S.A.

Through Converflex S.A., it has participated in the flexible containers market for

40 years.





THE ARCOR GROUP'S MAIN BUSINESSES

The main business segments of the Group are: Sugar Confectioneries, Chocolates, Ice Creams, Food Products and Cookies. Furthermore, it is vertically integrated in the production of strategic inputs with presence in agribusiness and in corrugated cardboard production. In addition, it manufactures the packaging for its own products.

Sugar Confectionery

This is the business that led to the birth of Arcor Group. It makes candies (filled, hard, acid, deposited hard candies and chewy), lollipops, chewing gum (with and without sugar) and bubble gum, jellies, nougats, compressed candies, milk toffees and marshmallows.



Today Arcor has six industrial units in Latin America, supplying the Group's chocolate needs in the world. Its products are distributed in over 100 countries, being the market leader in chocolates in Argentina. It makes bonbons and individual chocolates, chocolate bars, sugar-



coated sweets, chocolate for drinking and confectionery products, chocolates for kids, coated wafers, bars with chocolate and seasonal products.

Chocolates

Ice Creams

The launch of Arcor ice creams was a strategic move that transformed the main brands into creamy and refreshing ice creams. Fo

reign sales of these products extend to countries in the South Cone. It makes cups, cones ice lollies, chocolate-coated creams and ice cream bonbons.

Food Products

Its careful selection of raw materials and the application of advanced technological processes have made it a leader in food products in the Argentine market in jams, fish, fruits, vegetables and tomato-based products segments. Likewise, the products in this category are increasingly sold in markets such as Japan, South Africa, Australia, and Europe.

Cookies

With seven production plants in the region and over 40 launches per year, the Bagley Latinoamérica S.A. partnership with the Danone Group offers quality and variety of products. It makes snacks; crackers; cereal, assorted, filled, dry and sweet crackers; Christmas products; wafers; alfajores and cereal bars.

Agribusiness

Self-sufficiency in the principal raw materials allows the Group to uphold an irrevocable commitment to its consumers: to offer the best quality at an affordable price. It produces fructose, glucose, sugar, milk, semolina, cornmeal and ethyl alcohol from cereals in three industrial units in Argentina.

Paper and Corrugated Cardboard / Flexible Packaging

Cartocor and Converflex are the Group companies which supply the Group with corrugated cardboard and flexible packaging. Out of Cartocor total production, 90% is earmarked to the third-party market. Converflex production continues being mostly allocated to the Group self-consumption, with a continuous development of the third-party market.

A COMPANY SUSTAINED IN VALUES

Arcor was founded with a socially responsible vision. From the outset, the company has followed a development model premised on generating economic, social and environmental value. Such commitment is reflected in the Mission, Vision, Values and Ethical Principles that guide Arcor's operations worldwide.

MISSION

To offer people throughout the world the opportunity to enjoy quality products at the right price, creating value for our shareholders, working associates, customers, the community, suppliers and the environment, by means of a management process based on sustainable development.

VISION

To be Latin America's number one manufacturer of confectioneries and cookies, and to consolidate our presence in the international market.

ETHICAL PRINCIPLES

PRINCIPLE 1

Operate honestly and respecting the agreements established with the different people with which the Company works, promoting long-lasting relationships based on trust.

PRINCIPLE 2

Attain the highest quality and service standards in order to satisfy our customers and consumers.

PRINCIPLE 3

Create innovative means of growth and development to provide added value to the Company and its shareholders.

PRINCIPLE 4

Promote communication based on true information and facts.

PRINCIPLE 5

Create a safe and healthy working environment to stimulate initiative, creativity and the continuous growth of the Company's human capital.

PRINCIPLE 6

Contribute to the integral development of the communities in which we work and of the society in general, respecting their cultures and customs.

PRINCIPLE 7

Establish sustainable process management based on a balance between the economic, social and environmental aspects.

PRINCIPLE 8

Respect national and international laws and conventions, integrating our value chain according to this commitment and promoting a sustainable and competitive business framework.

CORPORATE VALUES

RELIABILITY

We develop relationships based on individual and professional respect, offering our support and assurance to all those with whom we relate.

RESPECT

We exercise caution, which guides us towards growth in a spirit of self-criticism and conscious of our strengths and weaknesses.

COMMITMENT

We conceive a management based on the continuous progress, stimulating the interaction, the effort and the contribution of our people.

LEADERSHIP

We maintain a long-term vision that drives our search for innovation in competitiveness through the creative and ingenious optimization of our resources.

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We maintain a long-term vision that drives our search for innovation in competitiveness through the creative and ingenious optimization of our resources.

CORPORATE GOVERNANCE

Arcor SAIC's government body is the Annual Shareholders' Meeting, where each Class A share of common stock carries five votes and each class B share of common stock carries one vote.

THE ARCOR GROUP'S BOARD OF DIRECTORS AND MANAGERS

Board of Directors

The Board of Directors is the governing body that runs and manages Arcor SAIC's businesses. It is composed of five to twelve regular members and an equal or lower number of alternate members, according to the resolutions of the Shareholders' Meeting.

Directors' fees are determined and approved at the Shareholders' Meeting. The Board of Directors meets upon the call of the president at least once every three months. Directors will hold office for three fiscal years, and may be reelected indefinitely.

Internal audit

The company's internal audit is held by a Syndics Committee, consisting of three regular members and three alternates, elected at the General Shareholders' Meeting for a period of three fiscal years, and who may be re-elected indefinitely according to our By-Laws.

Internal Control

The Group has internal systems and procedures designed under basic internal control criteria. An effective budgetary control system has been implemented to monitor the businesses' progress and to prevent and detect any deviations.

BOARD OF DIRECTORS OF ARCOR SAIC AS OF DECEMBER 31, 2008

President	Luis Alejandro Pagani
Vice President	Alfredo Gustavo Pagani
Secretary	Jorge Luis Seveso
Regular Directors	José Enrique Martín
	Hugo Enrique Lafaye
	Alejandro Fabián Fernández
	Victor Daniel Martín
	Gustavo D'Alessandro
	Fulvio Rafael Pagani
	Jao Alves Queiroz Filho ²

Alternate Directors

Luis María Blaquier ²
Lilia María Pagani
María Rosa Pagani de Babini
Zunilda Ramona Giordano de Maranzana

SYNDICS COMMITTEE OF ARCOR SAIC AS OF DECEMBER 31, 2008
--

Regular Syndics

Hugo Pedro Gianotti ²
Gerardo Rubén Scorza
Alcides Marcelo Francisco Testa

Alternate Syndics

Victor Jorge Aramburu
Gabriel Horacio Grosso
Carlos Gabriel Gaido

On the one hand, the Group's Internal Audit Department, which reports to the Board of Directors, has the aim of minimizing any potential impact which may be caused by the operational risks in furtherance of corporate goals, supporting various areas by means of the implementation and optimization of controls and procedures.

On the other hand, The Computer Security area of the Systems Corporate Department keeps centralized functions with high control levels based on world-class methodologies within the framework of an ongoing update and improvement program, by documenting and standardizing initiatives and procedures related to the access to the Group's IT assets and being responsible for complying with privacy and data protection regulations.

CONFLICT OF INTEREST PROCEDURE

Since 2007, the Group has a Conflict of Interest Procedure contributing to the company's commitment to acting with transparency and establishing relationships with its stakeholders based on ethics and trust.

The procedure specifically deals with gifts, benefits or favors sent or received as well as issues related to the performance of outside tasks by collaborators.

To guarantee the fulfillment of the Conflict of Interest Procedure, the Board of Directors appointed a Corporate Conduct Committee made up of members of the Board of Directors, the Human Resources Corporate Department, the Legal Corporate Department, and the ASR Corporate Department.

STRENGTHS OF A SUCCESSFUL BUSINESS MANAGEMENT

ARCOR'S BRAND EXPANSION

Arcor seeks to satisfy its consumers worldwide with a balanced offer in respect of their tastes and their needs. This is why it develops a large brand portfolio through which it establishes a relationship based on quality, safety, guarantee and trust with its customers.

port policy which became one of the cornerstones of the company's strategy.

VERTICAL INTEGRATION

In order to guarantee the best product quality at an affordable price, the Arcor Group is self-sufficient in its main strategic inputs – which, in turn, place the company as a key player in other business activities, even in the export markets. To reduce costs and ensure supplies, the Group is vertically integrated in the production of packaging for its products and for those agroindustrial inputs with a high impact in its end products.

PERMANENT REINVESTMENT

With a vocation for permanent reinvestment in state-of-the-art technology and continuous improvement in its production processes, Arcor works to surpass its own standards of productivity.

SUSTAINABLE PROCESSES

From its outset, Arcor has adopted a management model that relies on sustainable processes, with the systematic contribution to generating human, environmental and social capital. Therefore, the Group develops its business seeking to strike a balance between business activities and the interests of its stakeholders.

INTEGRATED MANAGEMENT SYSTEM

In order to ensure competitiveness as required by the global market, Arcor has developed an Integrated Management System (*Sistema de Gestión Integral or SGI*) with a view to supporting its expansion process through the continuous improvement of processes and its adaptation to the demands of the new markets.

The main aim of the SGI is to achieve, maintain and improve results such as to ensure that Arcor, in the mid and long terms, attains the competitiveness level required by the global market. This management system is based on the following key guidelines:

- The permanent systematization of processes and their improve

RETAIL DISTRIBUTION MODEL

Besides marketing its products through supermarkets and wholesale channels, Arcor developed a distribution model with the aim of strengthening its relationship with retailers and reach consumers with high quality of its products. Regarded as world-class, this model – created in 1967 in Argentina – is currently applied at a regional level.

PERMANENT EXPORT POLICY

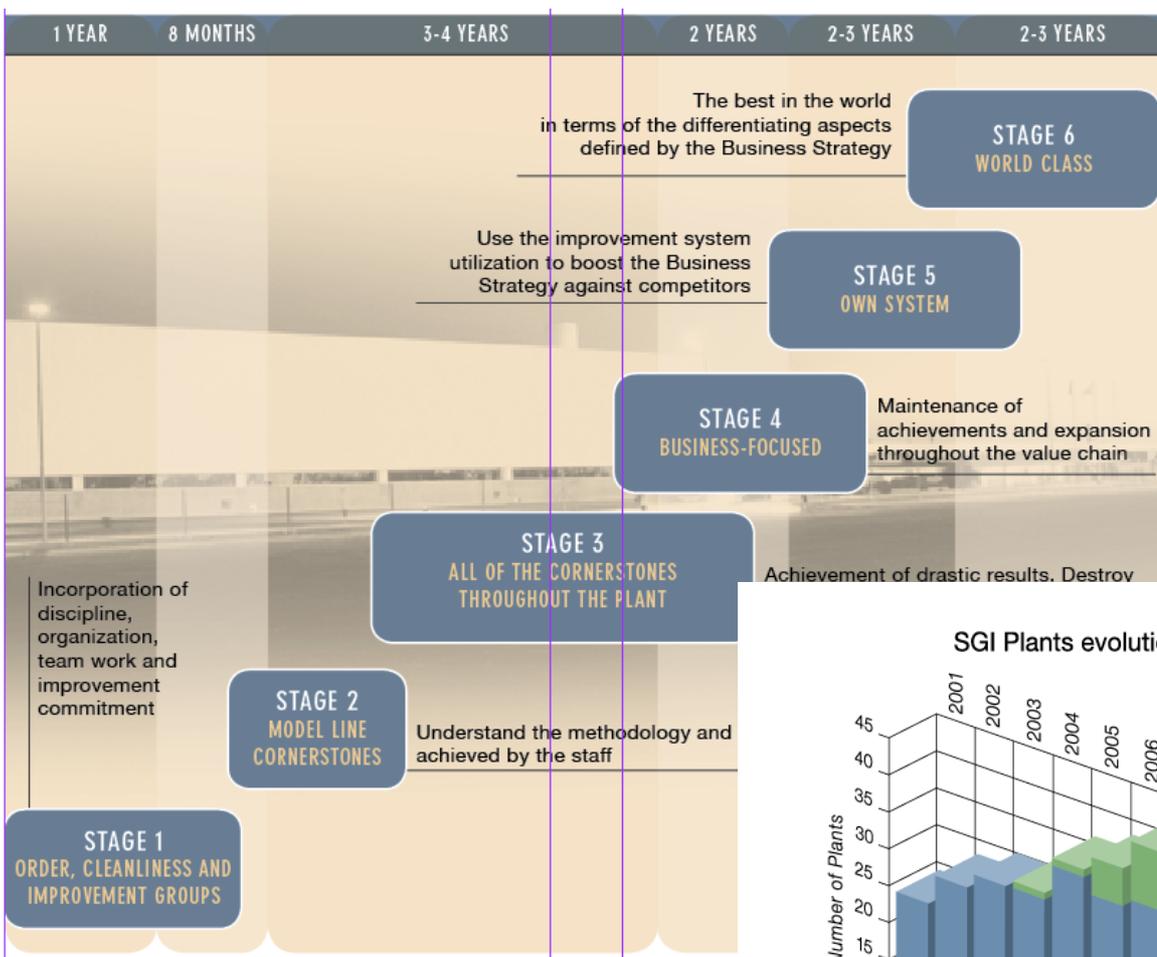
From its inception, Arcor has had a strong commitment towards international expansion and, in the early 60's, implemented an ex

ments.

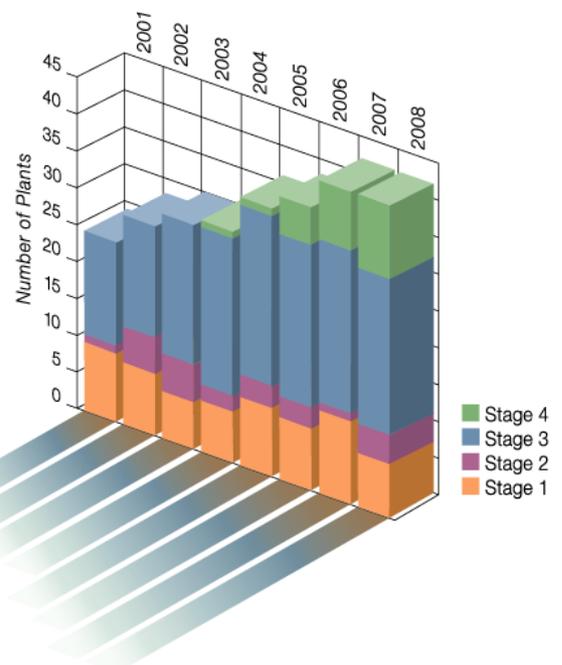
- The active participation of the entire staff in the improvement of processes, through integrated team work.
- The constant search for ways to improve all the management aspects.
- The growth and development of individuals through permanent learning.

The SGI is based on six elements which are the main axis on which such system lies, one of the main cornerstones being the Continuous Improvement, which is implemented by means of a staged system that considers the needs to improve the company competitiveness as well as respect people's maturing processes.

Improvement System stages



SGI Plants evolution



Arcor Group's plants are evolving along this improvement path. So far, 11 plants have succeeded in finishing Stage 3 of the SGI, thus paving the way for the Award for TPM Excellence (Total Productive Maintenance) granted in Japan. In 2008, three plants completed stage 4 and were granted the Award for TPM Excellence

, 2nd category. In parallel to this, the new plants being incorporated to the Group will start at the beginning of the system in Stage 1.

achievements; the public recognition for their improvements; and the interchange of experiences to boost results.

The initiative was structured in 3 stages. First, the collaborators of the Argentine, Brazilian and Chilean plants were invited to participate. More than 1,200 employees of 36 production units participated and submitted 180 papers. Second, the initiatives which would reach the second stage (called Business stage) were selected according to previously established criteria. Finally, each Business selected the best paper (called Group stage).

In November, the collaborators who participated in the Business and Group stages of the SGI Recognition program received awards and diplomas in the city of Cordoba, Argentina. During the ceremony, 14 finalist papers were exhibited and in presence of the company's top management, the following collaborators were highlighted: the Converflex Business collaborators of Villa del Totoral Plant for the alternative washing without solvents; the Candies Business collaborators of Recreo Plant for the output increase due to a reduction in drying time; and Arcor do Brasil collaborators of Bragança Paulista Plant, for the reduction in set-up time.

'I felt very happy when I exhibited our work to the rest of the companies, workmates and bosses. This experience allowed me to commit to myself and to my work, realizing that the efforts are recognized', said Fernando Gómez, wash station operator at Converflex, Villa del Totoral.

'At the beginning, our only aim was to submit the work, but, as we reached different levels, we felt confident as a team, which made us gain confidence and courage to take the stage before such a large audience,' said Maciel Rocca, order preparation worker at Arroyito Distribution Center.

SGI Improvement Process – Plants evolution in the different stages

The SGI Committee monitors the progress of the Improvement System by conducting annual audits of the different plants in order to assess the level of results obtained and the application of the systematic methodology required for the continuity of such results.

Moreover, within the SGI framework, a total number of 27 Group's production units are currently certified under ISO 14001 of Environmental Management and 15 under OHSAS 18001 of Occupational Health and Safety Management.

Likewise, in 2008, with the aim of standardizing criteria for assessing those aspects related to food safety through predetermined specifications, the Group plants started to migrate to BCR standards (British Retail Consortium Global Standard - Food).

SGI recognition of continuous improvement and team work

In the second semester of the year, Arcor launched the 'SGI Recognition' program aimed at recognizing the efforts and achievements obtained by working teams which helped to accomplish improvements in their plants between 2007 and 2008. Through this recognition the company intends to offer personal satisfaction to the collaborators for their efforts and ac

**Certifications and awards obtained at the
industrial facilities**

Company	Plant	Location	Certifications / Awards ^{(1) (2)}				
			ISO 14001	OHSAS 18001	ISO 9001	Food Safety Regulations	TPM Award
Alica	Powder for Desserts	Recreo Complex, Catamarca	●		●	◆	
Arcor	Hard Candies	Arroyito Complex, Córdoba	●	●	●	■	□
	Milk Candies		●	●	●	■	□
	Chewing Gums and Wafers		●	●	●	■	
	Corn Wet Milling		●	●	●		
	Thermal Power Plant		●	●			
	Distribution Center		●	●			
	Candies		Lules Complex, Tucumán	●		●	■
	Corn Wet Milling	●			●		
	Silos	San Pedro Complex, Buenos Aires	●	●	●	▲13	
	Corn Dry Milling		●	●	●	▲13	
	Oil		●	●	●	▲13	
	Alcohol from Cereals		●	●	●	▲13	
	Chocolates	Colonia Caroya, Córdoba	●		●	■	□
	Chocolates, Candies and Chewing Gum	San Luis, San Luis				■	□
Arcor Brazil	Candies and Chewing Gum	Rio das Pedras, São Paulo, Brazil			●	■	□
	Chocolates and Candies	Bragança Paulista, São Paulo, Brazil			●	■	□
Arcor Perú	Candies and Chewing Gum	Chancay, Perú				◆	
Bagley Argentina	Cookies	Córdoba, Córdoba	●	●	●		
	Cookies	Salto, Buenos Aires	●	●	●	◆	
	Cookies	Villa del Totoral Complex, Córdoba	●		●	◆	
	Cookies	Villa Mercedes, San Luis	●		●		
Bagley Brazil	Cookies	Campinas, São Paulo, Brazil			●		
	Cookies	Contagem, Minas Gerais, Brazil			●		
Candy	Candies	Recreo Complex, Catamarca	●		●	■	
Cartocor	Papers	Arroyito Complex, Córdoba	●	●			□
	Corrugated Cardboard	Arroyito Complex, Córdoba	●	●	●		□
	Corrugated Cardboard	Luján Complex, Buenos Aires			●		
	Corrugated Cardboard	Paraná, Entre Ríos	●		●		□
Converflex	Film Printing	Villa Mercedes Complex, San Luis	●		●		
	Film Printing	Villa del Totoral Complex, Córdoba	●		●		□
	Rotogravure Cylinders	Villa del Totoral Complex, Córdoba	●		●		
Arcor Dos en Uno Chile	Plant N°1 (Chocolates, candies and chewing gum)	Santiago, Chile				▲	
	Plant N° 2 (Chocolates and cookies)	Santiago, Chile				▲	□
Dulciora	Jams and Jellies	Villa Mercedes Complex, San Luis	●		●	◆	
Frutos de Cuyo	Canned Products	Rawson, San Juan			●	◆	
La Campagnola	Fruit Pulp	San Rafael, Mendoza			●	◆	

Notes:

- ISO 14001: Environmental Management System
OHSAS 18001: Occupational Health and Safety Management
ISO 9001: Quality Management
Food Safety Standards:
◆ : Hazard Analysis and Critical Control Points (HACCP)
■ : American Institute of Baking (AIB)
■ : British Retail Consortium Global Standard - Food (BRC)
▲ : Good Manufacturing Practices (GMP)
▲13 : Animal Food Safety of the Dutch Products Board of Animal Feed (GMP 13)
TPM Award: Award for Excellence in the implementation of the TPM (Total Productive Management of the Japan Institute of Plant Maintenance)
□ : Award for Excellence in the Implementation of the TPM (Level 1°)
□ : Award for Excellence in Consistent TPM Commitment (Level 2°)

2. Certifications and awards obtained in 2008 in green.

ARCOR GROUP FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2008

MAIN ECONOMIC AND FINANCIAL INDICATORS

In 2008, consolidated sales for the Group in terms of volume increased again in terms of value by 22.7% as compared to the previous year. The percentage of sales of the foreign subsidiaries accounted for 40.1% of the Group's total sales as of December 31, 2008. There was a net income of 2.7% on sales. The Group's consolidated EBITDA (operating income + depreciation and amortization) increased 9.2% on sales, representing a 51% increase, compared with the previous year.

It should be mentioned that the Group achieved these results in a context of significant increases in raw material and labor costs, which affected the operating income in the year up to the third quarter. After the fourth quarter, with the development of the biggest global

financial and economic crisis in the past few decades, all countries in which operations are under way were affected in terms of business level, with a subsequent slowdown in consumption and devaluation of local currencies. Additionally, during this fiscal year, labor conflicts and the dispute with the farming sector brought about more costs and loss of earnings totaling \$ 22 million, approximately.

The Group has achieved a sustained sales increase in local and regional markets, with expansion towards international markets, strategic associations with world class companies, development of investment projects, diversification through the addition and consolidation of new business units, acquisitions made to consolidate the Group's market share and the implementation of a financial policy aimed at increasing cash flows, maintaining adequate liquidity levels to tackle the current crisis, protecting the working capital and its financial integrity, prioritizing the fulfillment of obligations and long-term profitability.

Main economic and financial indicators

	FISCAL YEAR 2007 (IN MILLIONS OF PESOS)	FISCAL YEAR 2008 (IN MILLIONS OF PESOS)
NET SALES	5,816.1	7,137.8
MARKETING AND ADMINISTRATIVE EXPENSES	1,526.0	1,826.7
SALARIES, WAGES AND SOCIAL SECURITY CHARGES	1,058.2	1,288.6
INVESTMENT IN PP&E AND OTHER ASSETS	323.9	178.0
EBITDA	435.8	658.1
TOTAL TAXES	333.7	385.1
Direct Taxes	180.6	229.6
Taxes, rates and contributions	19.1	17.7
Income tax ³	134.0	137.8
NET INCOME FOR THE YEAR	197.1	195.1
TOTAL CAPITALIZATION ⁴	2,451.5	2,881.6
Shareholders' Equity	1,276.4	1,383.8
Non-Current Loans	839.1	847.9
Current Loans	336.0	649.9

Consolidated Sales

	FISCAL YEAR 2007 (IN MILLIONS OF PESOS)	FISCAL YEAR 2008 (IN MILLIONS OF PESOS)
ARGENTINA	3,638.9	4,463.0
BRAZIL	1,131.6	1,374.5
ANDEAN REGION ⁵	559.4	708.2
MEXICO	172.5	183.8
ALL OTHER COUNTRIES ⁶	313.7	408.3
TOTAL	5,816.1	7,137.8

(4) Includes Shareholders' Equity and total Group Financial Loans.

(5) Includes Chile, Peru and Ecuador.

(6) Includes Europe, Canada, the United States of America, Paraguay, Colombia, Bolivia, Venezuela and Uruguay.

COMMITMENT TO SOCIETY

In 2008, Arcor continued participating in more than 60 business organizations, as well as in government and non-government initiatives to promote interchange among companies, the government and social organizations, in order to support mutual learning and strengthen the private sector in Latin America.

The most important organizations include:

- Argentine Business Association (*Asociación Empresaria Argentina*)
- Argentine Industrial Union (*Unión Industrial Argentina*)
- The Office for Coordination of the Food Product Industries (*Coordinadora de las Industrias de Productos Alimenticios*)
- The Chamber of Food Product Industrialists (*Cámara de Industriales de Productos Alimenticios*)
- The Argentine Chamber of Advertisers (*Cámara Argentina de Anunciantes*)
- The Argentine Advertising Council (*Consejo Publicitario Argentino*)
- The Argentine Republic's Chamber of Exporters (*Cámara de Exportadores de la República Argentina*)
- The Business Foundation for Quality and Excellence (*Fundación Empresaria para la Calidad y la Excelencia*)
- The Institute for Argentine Business Development (*Instituto para el Desarrollo Empresarial de la Argentina*)
- Brazilian Chocolate, Cocoa & Confectionery Manufacturers Association (*Associação Brasileira da Indústria de Chocolates, Cacau, Amendoim, Balas e Derivados*)
- Mexican Business Council on Foreign Trade, Investment and Technology (*Consejo Empresarial Mexicano de Comercio Exterior, Inversión y Tecnología*)

Furthermore, the Group continued promoting a socially responsible management in the business sector by participating in the governance of diverse initiatives:

- The Executive Board of the United Nations Global Agreement in Argentina.

- The Executive Board of the Network of Companies Against Child Labor.
- Presidency of RedEAmérica.
- The Board of Directors of the Global Food Banking Network.

Likewise, in 2008, the Group participated in the panel discussion on Value Chain of the Ministry of Labor, Employment, and Social Security; in the Argentine Business Council for Sustainable Development (*Consejo Empresarial Argentino para el Desarrollo Sostenible*); in the board of advisors of the Argentine Center of Corporate Social Responsibility and Social Capital (*Centro Nacional de Responsabilidad Social Empresarial y Capital Social*); in the Group of Foundations and Companies (*Grupo de Fundaciones y Empresas*); in the Group of Institutes, Foundations and Company (*Grupo de Institutos Fundaciones y Empresa*); and the membership in ETHOS Brazil and IARSE Argentina.⁷

AWARDS AND DISTINCTIONS 2008

- 1st place for the sixth consecutive year in the 'Total Prestige' ranking of *Prensa Económica* Magazine.
- 1st place for the sixth consecutive year in 'The 100 most admired companies of Argentina' ranking of *Clarín* Newspaper.
- 1st place for the sixth consecutive year in the '100 companies with best image' ranking of *Apertura* Magazine.
- 1st place in the companies ranking made by the 1st International Conference on Public Relations in Argentina.
- 1st place in the 'Cordoba's TOP companies' ranking of *Punto a Punto* Magazine.
- 2nd place in the 'The TOP 30 brands' ranking of *Apertura* Magazine.
- 'Processor of the Year' in the Snacks and Confectionery Category of the *Industria Alimenticia* Magazine ranking.
- 'Main Latin American company of the sector' and 15th place in the ranking of the international Candy Industry Magazine.
- 'Argentine Export Award 2008' granted by *Prensa Económica* Magazine.

Argentinean Network of Enterprises against Child Labor (*Red de Empresas contra el Trabajo Infantil*) www.trabajo.gov.ar/conaeti; RedAmérica www.redeamerica.org; CENARSECS www.econ.uba.ar; Panel Discussion on Value Chain of the Ministry of Labor, Employment, and Social Security (*Mesa de trabajo sobre Cadena de Valor, del Ministerio de Trabajo, Empleo y Seguridad Social*) www.trabajo.gov.ar; CEADS www.ceads.org.ar; Group of Foundations and Companies (*Grupo de Fundaciones y Empresas*) www.gdfe.org.ar; GIFE www.gife.org.br; ETHOS www.ethos.org.br; IARSE www.iarse.org.

Chapter 2

Arcor Group and CSR

A way of being, a way of doing

Evolution of the Arcor Social Responsibility Process

The ASR Program in 2008

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PAG. 27

A WAY OF BEING, A WAY OF DOING

Growing through a sustainable management, premised on generating economic, social and environmental value, summarizes the way in which the Arcor Group has been following its business practice

–
for 57 years so far. From the outset, the company has promoted an economic development model based on the preservation of natural resources and the development of the societies in which it takes part.

Arcor Social Responsibility (ASR)

In Arcor's view, Corporate Social Responsibility (CSR) is a gradual, integral and strategic process, related to business management, which sees the company and as having joint responsibility for social development. This entails taking care of the relationship with all stakeholders with which it interacts, as well as creating:

- Economic growth through the company's productivity and profitability.
- Social value through the development of its human resources and the communities where it operates.
- Environmental value through managing its activities' impact on the environment.

As Arcor grew, and so did Arcor's impact on society, CSR has been consolidated as a corporate culture transversal to all its key businesses and audiences. This posed a challenge: to convey an integral vision of managing a Group consisting of different companies, geographically distributed in several countries, each with its own culture and idiosyncrasies.

In 2008, once again, the Group introduced innovative practices in the sustainable management of its business. It developed institutional strategic actions to consolidate CSR in all its areas and businesses; led initiatives to promote a joint responsibility relationship with its stakeholders; and strengthened the participative character of its ASR management system.

EVOLUTION OF THE ARCOR SOCIAL RESPONSIBILITY PROCESS

PROGRESS

In recent years, the Arcor Group has made progress in integrating sustainability into its business strategy through specific actions.

In 2005, the Group started to provide its Arcor Social Responsibility Program (ASR) with a corporate structure, defining the Group's CSR strategy and providing training on the subject to company staff. With a view on this, a working team composed of collaborators of different areas surveyed all of the company's socially responsible actions. This information was used to prepare a diagnosis, define the ASR Policy and establish the action plan for the forthcoming years.

Since its creation in 2006, the ASR Management Department introduced, boosted and oriented Arcor's sustainable practice premised on the comprehensiveness of the issues involved and the transversal nature of the management, seeking the participation of all the company's collaborators.

In 2008, the ASR Process transition stage – which had begun in 2006 – was completed. Progress had been made in all the topics labeled as weaknesses, opportunities and challenges in the 2004-2005 diagnosis:

- Progress was made in institutionalizing policies related to responsible behavior.
- It was possible to introduce innovative and participative practices through several projects articulated among different areas of the company.

- New skills were introduced by means of training in ASR and Sustainability Reporting.
- New participative ASR management models were structured through building work networks and internal teams divided for specific projects.

All these achievements, apart from creating value for Arcor's stakeholders and society at large, have had a positive impact on business management. They have contributed to the brand value and the company's reputation; to improving economic costs and productivity; to facilitating access to new markets; and to managing risks and strengthening the license to operate.

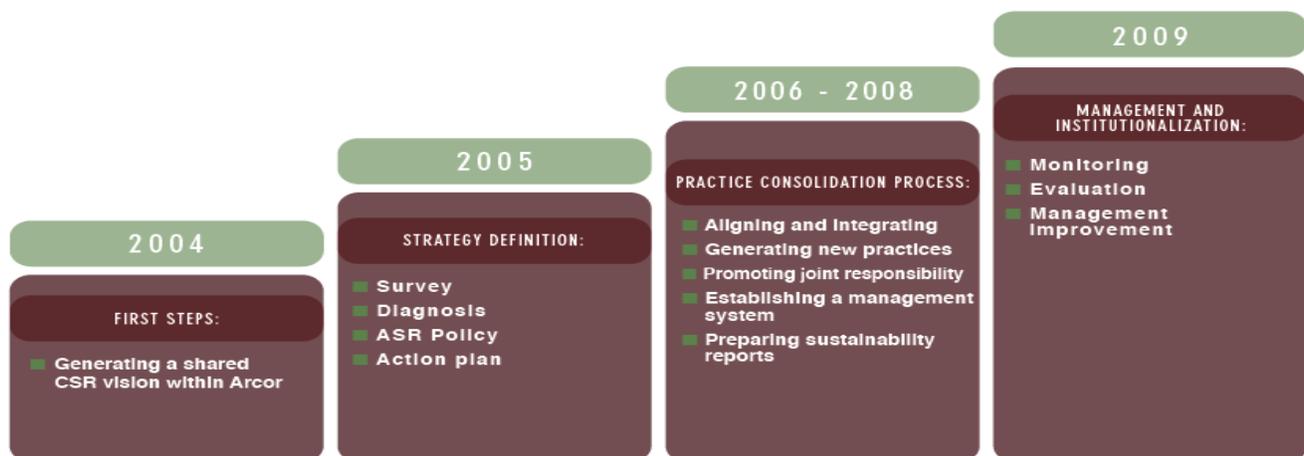
CHALLENGES

2009 will be a transition towards a new stage in the Arcor Social Responsibility Process. Emphasis will be placed on monitoring, evaluation and management improvement.

The goal for the future will be to consolidate – from the management and institutionalization standpoint – the comprehensive social responsibility process that the company has been carrying out for several years. In turn, Arcor will attempt to boost a differential value of the Group: its pragmatic and strategic work with the value chain and its key stakeholders.

There will be two major challenges, which will introduce opportunities to work gradually. The first challenge, on a conceptual level, involves consolidating the clarity of the value and advantage of CSR for the business from the sustainability viewpoint. The second challenge, on a functional level, is related to consolidating the transversal management of sustainability by fostering greater participation and involving other actors.

Evolution of the Arcor Social Responsibility (ASR) Process



THE ASR PROGRAM IN 2008

In 2008, Arcor made progress in implementing its ASR Program by following three lines of action: institutional strategic actions, initiatives with stakeholders and management system.

INSTITUTIONAL STRATEGIC ACTIONS

The Arcor Group carries out general and transversal actions in each and every area and business of the company so as to convey an integral vision of its responsible management business model.

Communication

The Communication Plan of the ASR Policy, implemented between 2006 and 2008, is a good example of such actions. The purpose of the Plan consisted in that the values, ethical principles and rules of conduct reached each of the 20,000 Group employees and that they committed to abide by them in their everyday work.

This communication strategy was implemented in an integral and gradual manner, premised on 'cascading' communication of the information, that is, one starting at the top managerial level and stepping down to general workers through a key role: the so-called 'multipliers'.

In each get-together, multipliers communicated the process being carried out by the company and handed out the Code of Ethics and Conduct (the core element of the ASR Policy) to their colleagues. Furthermore, they facilitated talks and communicational empathy between peers and gave information on the channels available to deal with ASR-related questions or inquiries: e-mail addresses, inquiry inbox, telephone numbers or mailing addresses. At the end of each get-together, a survey was conducted to assess the degree of comprehension of the message.

In 2008, the ASR Policy kept being spread to collaborators in Argentina, Chile, Colombia, Venezuela and Peru, who added up to the more than 10,000 collaborators who became familiar with the Policy in 2007. This communication strategy was systematized in a brochure and a video.

In addition to the communication of the ASR Policy, program progress is communicated internally through the following channels: ASR section on intranet, articles in newsletters and the company's internal magazine, as well as specific campaigns, including a campaign for the World Day against Child Labor and another for the 60th Anniversary of the Universal Declaration of Human Rights.

Training

Since the inception of ASR Program in 2005, Arcor relies on several instances of internal and external training and joint collaboration with other institutions.

In 2008, an ASR module was incorporated in the company's induction process and in corporate and business training courses. Moreover, specific courses were designed for company employees linked to sustainable development and over 40 people participated in a training cycle and became ASR key managers.

YEAR	PARTICIPANTS	TOTAL HOURS OF TRAINING IN AND COMMUNICATION OF ASR
2005	472	2966
2006	2331	6712
2007	11039	12419
2008	1377 ⁹	3658 ¹⁰
TOTAL ¹¹	15219	25755

Starting in 2008, Arcor extended training in CSR to two strategic external audiences. It provided its suppliers and distributors with specific CSR modules and, within the framework of the Companies Network against Child Labor, coordinated training in the provinces of Mendoza, San Juan and in the City of Buenos Aires, Argentina.

8) This campaign was made within the framework of the activities of the Companies Network against Child Labor. The image accompanying this text is part of the communication kit created by the network communications commission.

(9) 128 pertain to suppliers and distributors.

(10) 1080 pertain to suppliers and distributors.

(11) This information excludes participants in and total hours of training developed jointly with other institutions.

Evaluation and monitoring

Through the annual preparation of its Sustainability Report, the Arcor Group systematizes, measures and detects improvement opportunities in its economic, social and environmental performance.

In 2008, the company aligned itself with international best practices, migrating to the G3 Guidelines of the Global Reporting Initiative (GRI). The GRI Guidelines are, at present, a worldwide accepted framework for sustainability reporting and provides organizations with indicators to account for their economic, social and environmental performance in a transparent and balanced manner. Together with consultants specialized in CSR, an analysis was conducted on the viability of using such indicators, spotting improvement opportunities both in communication and CSR management.

A dialogue was also conducted with the company's internal and external stakeholders with the objective of listening to their expectations and suggestions and therefore, improving Arcor Group's sustainability reporting. Two face to face meetings were held: the first one involved CSR experts and colleagues, while the second included representatives of the different areas of the company that participate in the sustainability reporting process every year.

(Stakeholder Engagement as a way for improving

Thanks to the expectations and suggestions of the CSR colleagues and the company employees who participated in the specific dialogues, the following improvements were incorporated into the 2008 Sustainability Report:

- Preparation of a more concise and systematized report.
- Preparation of a design-friendly report, able to reflect the contents of the Report and the identity of the Arcor Group.
- A scope statement explaining the purpose of the Report.
- A specific box explaining Arcor's view on CSR.
- Development of a systematic process to define the relevant contents that will be included in the Report.
- A more concise institutional introduction of the Arcor Group.
- Highlights for the year and future challenges in terms of each stakeholder.
- More information on disability issues.
- New contents on the company's environmental impact and commitment.
- New contents on CSR initiatives developed by the company with its value chain.
- An Opinion Form at the end of the Report to assess the opinions and suggestions of stakeholders.
- Higher systematization and inclusion of qualitative indicators.
- Report preparation according to the GRI G3 Guideline.
- Distribution of the Summary together with the 2008 Sustainability Report.
- Financial statements and Sustainability Report printed on paper from sustainable forests.

INITIATIVES AND SPECIFIC PROJECTS WITH STAKEHOLDERS

In 2008, Arcor continued working to strengthen the relationship with its stakeholders employees, suppliers, customers, consumers, community, government and society.

With a view to this, Arcor fostered opportunities for dialogue, building new channels that promote communication as a two-way street, and continued developing projects to reinforce joint responsibility with all its key stakeholders.

The 2008 Sustainability Report was prepared through a systematized process coordinated by the ASR Management Department and with the participation of all the company's areas and business units. In order to define relevant contents, all the suggestions and expectations arising from the dialogues carried out were systematized, and individual meetings were held with the company's key informants. This gave way to a 'Materiality Analysis', which identified the relevant issues for both the company and its external audience to include in the Report.¹²

In 2008, Arcor continued working to strengthen the relationship with its stakeholders employees, suppliers, customers, consumers, community, government and society.

With a view to this, Arcor fostered opportunities for dialogue, building new channels that promote communication as a two-way street, and continued developing projects to reinforce joint responsibility with all its key stakeholders. Following is a list of some of these initiatives and specific projects that will be developed in each chapter of this document and the dialogue actions undertaken with the company's diverse stakeholders.

(12) Materiality Principle of the 2006 Guideline of the Global Reporting Initiative: The information in a report should cover topics and indicators that reflect the organization's significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders.

Following is a list of some of these initiatives and specific projects that will be developed in each chapter of this document and the dialogue actions undertaken with the company's diverse stakeholders.

DIALOGUE INITIATIVES	2008 SPECIFIC PROJECTS
EMPLOYEES (See Chapter 3)	
<ul style="list-style-type: none"> ■ Implementation of Climate Management action plans. ■ Launch of Arcor University, a comprehensive training space. ■ Specific improvement actions in job positions, plants and production units infrastructure. 	<ul style="list-style-type: none"> ■ Upstream communication channels: e-mail, inquiry inbox, telephone lines, Intranet. ■ Satisfaction surveys implemented by different areas. ■ Talks within the framework of the Performance Management System and Strategic Resources Planning. ■ Survey on job positions, as well as plants and production unit infrastructure (MAHPI).
SUPPLIERS (See Chapter 6)	
<ul style="list-style-type: none"> ■ Implementation of the first Education and Support Program in CSR for Small and Medium Sized Company Suppliers of the Arcor Group. ■ Progress in the Prevention and Abolishment of Child Labor Project. ■ Purchases of ancillary materials under the Responsible Inclusive Purchasing Program. 	<ul style="list-style-type: none"> ■ Survey of CSR practices of suppliers within the framework of the Education Program. ■ CSR plans and strategies developed jointly with supplying companies. ■ Diagnosis workshop on child labor developed with agricultural producers. ■ ArcorBuy.com Inbox to contact Arcor Group's purchasers.
CUSTOMERS (See Chapter 6)	
<ul style="list-style-type: none"> ■ Implementation of the first Arcor Distributors Direction Program (<i>Programa de Dirección de Distribuidores Arcor</i> or PDDA). ■ Response to customer requirements in terms of CSR. 	<ul style="list-style-type: none"> ■ Survey of CSR practices of distributors within the framework of the PDDA. ■ Argentine convention on sales and other get-togethers with customers.
CONSUMERS (See Chapter 6)	
<ul style="list-style-type: none"> ■ Progress in the Healthy Lifestyle Commitment. ■ Development of the fortified Nougat Project in alliance with UNICEF. ■ Opening of the Móvil Aymoré Cinema in Brazil. 	<ul style="list-style-type: none"> ■ Consumer Care Service. ■ Get-togethers with consumers. ■ Arcor Brazil Consumer Committee.
COMMUNITY (See Chapter 5)	
<ul style="list-style-type: none"> ■ Implementation of the Community Relationship Program. ■ 900,000 children benefited from projects of the Arcor Foundation and Arcor Brazil Institute. 	<ul style="list-style-type: none"> ■ Diagnosis and local strategies within the framework of the Community Relations Program. ■ Projects articulated with over 11,000 social organizations.
ENVIRONMENTAL CARE (See Chapter 4)	
<ul style="list-style-type: none"> ■ Four cases of eco-efficiency submitted to the CEADS, totaling 33 cases in 10 years. ■ 27 production units of the Group certified under ISO 14001 and 15 and OHSAS 18001. 	<ul style="list-style-type: none"> ■ Survey of the environmental and safety initiatives, which have an impact on the community, conducted by the Group's production units.
GOVERNMENT AND SOCIETY (See Chapter 1)	
<ul style="list-style-type: none"> ■ Participation in the governance of several CSR-related initiatives: United Nations Global Agreement, RedEAmérica, Global Food Banking Network and Network of Enterprises against Child Labor. 	<ul style="list-style-type: none"> ■ Talks on the Sustainability Report with CSR experts and colleagues. ■ Participation in more than 20 radio and TV programs, conventions, universities and other graphic media related to CSR.

STRENGTHENING THE ASR MANAGEMENT SYSTEM

Arcor Group relies on an ASR Management System that articulates the company's different areas and businesses by specific issue.

The Arcor Social Responsibility Management Department works as the axis of the management system. It is in charge of planning, coordinating, monitoring and evaluating the ASR Program and its internal articulation with other corporate areas.

In turn, the ASR Management Department coordinates the company's social investment (both the activities carried out by Arcor Foundation and Arcor Brazil Institute and the community actions carried out by the different production units of the company). Besides, it keeps records of the annual progress in the Sustainability Report, which accompanies the company's Annual Report and Financial Statements.

Nevertheless, based on the conviction that responsible business management is a built collectively, Arcor develops a participative process going beyond the ASR Management Department and articulating several areas and businesses.

In 2008, progress was made in strengthening the following instances of participative management:

Internal teams divided by project: the Conduct Committee, in charge of checking compliance with the Conflict of Interests Procedure; the Healthy Life Habits Committee, in charge of coordinating this initiative related to the promotion of a healthy eating within the company; the Climate Management Committee, in charge of the internal articulation of the initiatives related to quality of life initiatives; Local Committees, in charge of implementing the Community Relationships Program within the different production units of the Group and the Internal Team for the Prevention and Abolishment of Child Labor are remarkable examples.

- Working networks: the ASR Policy network of multipliers; the network of CSR operators consisting of the employees who take part in the different specific projects; the network of referees that participate in Sustainability Reporting; and the network of suppliers consisting of companies that took part in the CSR Training Cycle are the main ASR management networks.

Everybody's commitment: employees in the workplace align personally with the values and principles of the company, and also contribute to sustainable management through their everyday tasks and job performance.

Chapter 3

Employees

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2008 Highlights and future challenges	PAG. 42

A KEY ASSET

The Arcor Group is one of the main industrial employers in Latin America. Nearly 20,000 collaborators in different parts of the world are its main asset and a key link to the company's competitive advantage.

DIMENSIONS OF HUMAN CAPITAL

In 2008, The Arcor Group became the first Latin American company – and one of the first worldwide – to implement the PeopleSoft Enterprise Human Capital Management 9.0 software.

This system includes new functions and tools to manage key human resources information; and will enable the improvement of current practices , covering all locations and standardizing the company's processes.

Employees by Country ¹³

	2007	2008
TOTAL EMPLOYEES	20,180	19,446
Argentina	13,470	12,800
Brazil	3,461	3,474
Chile	1,866	1,811
Peru	234	293
Mexico	904	764
Rest of the World	245	304

Employees by Type ¹³

2007	2008	
BY POSITION		
Director	8	9
Manager	308	334
Head of Department	557	598
Analyst / supervisor	2,242	2,238
Administrative employee / Operator	17,065	16,267
BY GENDER		
Male employees	75,8%	76,1%
Female employees	24,2%	23,9%
BY SENIORITY		
Average seniority	9,3	9,7
BY AGE		
Average age	34,5	34,6
Staff over 45 (%)	16,45%	17,88%
OTHER INDICATORS		
Staff under collective bargaining agreements (%)	85%	83%
Average employee turnover ¹⁴	17%	11%

(13) Including all hiring types for in-house active staff.

Staff selection channels in 2008

RENOWNED UNIVERSITIES IN ARGENTINA, BRAZIL, CHILE, MEXICO, UNITED STATES AND SPAIN	57
PARTICIPANTS IN THE INTERNSHIP PROGRAM	90
RESUMES ON CORPORATE DATABASE	18,768

P), it seeks to ensure long-term business, developing and keeping in key talents. In addition, the company carries out different training programs and educational courses, both corporate and otherwise, in line with the needs of collaborators in each business, plant and country.

PERFORMANCE MANAGEMENT SYSTEM

Through the Performance Management System (PMS), performance in the workplace is planned, monitored and improved, promoting collaborators' professional development and optimizing the company's efficiency.

At every stage of the PMS process, collaborators have a space to talk with their superiors:

- In the planning stage, the chief organizational goals are communicated and each employee completes the PMS process taking his primary responsibilities, specific goals and individual development plan, checking such planning with his superior.
- During follow-up, the fulfillment of goals is assessed and an interview with the superior takes place.
- In the yearly evaluation, the collaborator evaluates his own performance and is in turn evaluated by his superior, followed by a review by both of the management process in a feedback interview.

In 2008, the PMS was applied to 3,777 collaborators in different countries and businesses, with 97% fulfillment in the planning and evaluation stages. A major achievement was the completion of the planning stage in April, establishing goals earlier than in previous years.

Educational instances also continued, including a Collaborator Development Management workshop attended by 670 leaders and dealing with skills at collaborators' growth and development.

(14) Calculated as annual voluntary and involuntary discharges over total staff.

SELECTION OF WORKING TEAM

The Arcor Group applies a transparent, rigorous policy for admission through different channels, including external consultancy services, an internship program and web pages: www.bumeran.com in Argentina, or www.laborum.com in Chile.

In 2008, Arcor implemented a Selection by Skills Program with a view to aligning this process in the whole Group. A Selection Manual was drawn up, and a training workshop attended by 43 human resources collaborators took place.

Through a University Link Plan, in 2008 the company worked on positioning the Arcor Group's 'employer image' as a priority for the finest talents on the labor market. Within this framework, the poster campaign was launched in renowned universities at both a national and international level. The Group also took part in over 30 get-togethers, including university fairs and institutional presentations.

The Internal Opportunities Program was also implemented in Brazil, seeking to disseminate work queries on an internal basis and to provide feedback to employees after the selection process for them to become familiar with their opportunity to improve. In 2008, 56 internal queries were conducted through which 24 collaborators are to assume new challenges.

EDUCATION AND PROFESSIONAL DEVELOPMENT

Arcor has a Performance Management System (PMS), which allows it to plan on, evaluate and optimize the yearly performance of its employees. On the other hand, through Strategic Resource Planning (SR

TALENT MANAGEMENT

With a view to ensuring leaders for the future of the company, Arcor relies on its own process to manage key talents: Strategic Resource Planning (SRP), encompassing general management, division management and each area's management. If the critical nature of the position demands it, it may also apply to top management levels.

The SRP helps identify critical positions in the company, detect high potentials and define replacement staff. This process is coordinated with other strategic human resources actions, good performance being the key to join the SRP.

The second edition of the Corporate SRP for highly critical posts and the first edition of the Business SRP for medium-critical posts took place in 2008.

CORPORATE EDUCATION: ARCOR UNIVERSITY

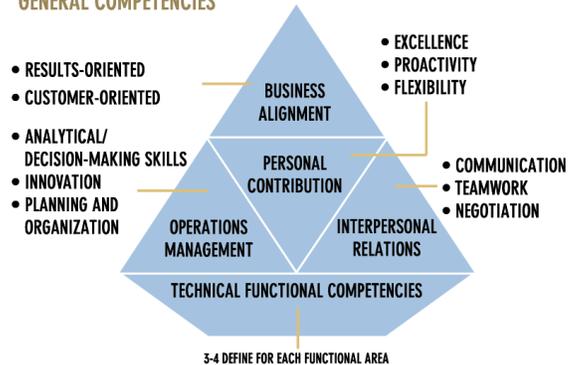
The Arcor University was implemented in 2008, providing a space to develop and strengthen the Group's skills through classroom training and e-learning. It consists of tailor-made educational options on the basis of the function, performance and development plan of each collaborator.

The Arcor University is a strategic tool seeking to:

- ESTABLISH a central vision for learning within the organization.
- SUSTAIN an organizational change process.
- CREATE a common culture and a sense of belonging to the Group.
- ORGANIZE training.
- MAXIMIZE investment in training.
- GENERATE, TRANSMIT and RETAIN knowledge.
- EDUCATE and provide LEARNING tools as a competitive advantage.

Skills Model for the Arcor Group

GENERAL COMPETENCIES



The Arcor Skills Model is made up of eleven generic skills (common to the entire staff) and five leadership skills. It further includes functional and technical skills typical of each area.

Educational programs developed within the framework of the University are aimed at all collaborators and comprise Corporate Programs and Programs aimed at the development of the Group's Skills Model. In 2008 a total 47,023 educational hours were taught, with an average 9 hours of classroom learning per employee.

INDICATORS OF ARCOR UNIVERSITY PROGRAMS	NUMBER OF ATTENDANTS	TOTAL HOURS OF TRAINING
CLASSROOM EDUCATION	953	33,474
Development of skills model	412	10,304
Corporate Programs	541	23,170
E-LEARNING TRAINING	-	13,549

Corporate Programs

The following Corporate Programs were developed in 2008:

- **Program for Young Professionals:** it takes on and helps develop young professionals with a high potential to accompany the growth strategy for the company's business. Conducted in Argentina and the Andean Region, this Program was attended by a total 92 participants in 2008.

■ **Technical Master's in Food:** developed together with the School of Chemical Science of the Catholic University of Córdoba, Argentina, it offers an educational framework with a high academic level in the food area. In 2008, 25 employees from the group took part in this Master's course.

■ **Graduate's Degree in Managerial Development:** conducted jointly with the Torcuato Di Tella University – Argentina, this graduates' degree facilitates the development of management positions through education in managerial topics in line with Arcor's challenges as a multinational company. It was completed by 37 employees.

■ **Educational Program for Middle Management:** carried out jointly with the Madero Institute – Argentina, it develops the managerial expertise of middle management. In 2008 it was attended by 57 collaborators in the Group.

■ **Key Human Resources Management Skills:** developed together with the San Andrés University - Argentina, it centers on education for skills defined by the company as key to work in human resources. It was attended by 26 employees in 2008.

■ **Intensive CSR Training Cycle:** it seeks to provide theoretical and practical knowledge to generate a space for CSR Exchange. It also communicates the process and the ASR Policy, and involves people identified as ASR promoters within the company. In 2008, 35 collaborators from the Group took part in this cycle. In addition to this training activity specific to CSR, 2008 corporate programs also added a module concerning this topic.

Besides these corporate programs, training in Selection by Skills and the Collaborator Development Management Workshop within the framework of the PMS were also added.

Arcor Skills Training

Aimed at developing the Group's Skills Model, classroom and e-learning courses were offered in 2008 on the following topics: Results Orientation, Team Work, Customer Orientation, Strategic Vision, Leadership, Communication, Innovation, Decision-Making and Negotiation. Training through e-learning also included courses on Languages, the Integrated Management System, the Management Information Systems and other tools.

Corporate Induction Program

An Induction Program was also implemented in 2008, attended by over 140 people. It consisted in the quarterly development of a special day to unveil the company's corporate process. Out of the eight units included, two dealt with topics related to business sustainability.

Arcor University: Participants opinion

In its first year of implementation, there was a high level of satisfaction among employees with Arcor University: 74% satisfaction with Corporate Programs and 90% satisfaction with the Development Programs in the Skills Model. To quote participants:

'Personally, the experience of attending Arcor University was very valuable. It's a big opportunity offered by the company to train, acquire fresh knowledge and develop new skills'-
María Laura Calafell, Collections Analyst.

'The experience of attending a course taught by Arcor people is always excellent. Being able to exchange opinions with people in different areas was a very enriching thing. The course is very good and motivating. It's different from the ones I was used to taking'-
María Sofía Esteves, Regional Head of Food Exports.

EDUCATION BY COUNTRY AND BUSINESS

In addition to corporate training, Arcor develops courses to meet the specific needs of each country and business, strengthening its human capital. In 2008, besides training aimed at employees in the business area, a number of these courses was taught at an industrial level within the framework of the SGI, including, among others, courses on Good Manufacturing Practices, Safety and Environmental Awareness and Total Productive Maintenance.

Brazil

Arcor Brazil continued implementing the Leader Development Program. Within such framework, its first stage was initiated, so as to guarantee the alignment of the 31 collaborators that participated with the Group's values and expertise. In order to complete the fourth stage, an in-company MBA (Master's in Business Administration) was organized in conjunction with the Getúlio Vargas Foundation with a view to preparing executives for business management in a context of changing demands. In addition to these initiatives, the first cycle of the Industrial Leader Development Program was launched, train

ning 159 production leaders.

Andean Region (Chile and Peru)

Training activities in Chile were directed at the development of skills needed to adjust industrial management to the standards required by environmental and food safety regulations. To that end, courses on Good Manufacturing Practices and Hazard Analysis and Critical Control Points (HACCP) were taught to over 1,100 collaborators. On the other hand, in order to strengthen the sales channel, a nationwide leadership program for distribution supervisors was conducted, attended by 90 people. A co-financing program for postgraduate activities in the most prestigious public universities was implemented, in which 26 collaborators took part with an outstanding performance.

In Peru, the development of the SGI training program was followed up, attended by 280 collaborators, including courses on Good Manufacturing Practices, HACCP, Environment and Industrial Safety, among others.

International Division

During 2008, an eight-hour training day took place for 28 collaborators, intended to integrate and dynamize the North-Overseas General Management (US, Canada-Europe, Africa, Asia and Oceania), developing three activities: one aimed at flexibility in the face of change, another one on team work and the last one for the achievement of goals before adversity. In addition, so as to help collaborators adapt to different work contexts, training continued being provided in Mandarin, Hebrew, French, English and Spanish. Arabic and Thai lessons were also added. As a result, 46 employees were given training, totaling 1,277 educational hours.

Argentina

Agribusiness, Food, Chocolates, Sugar Confectionery

In 2008, training and business link programs were continued, including New Leadership Outlook, Young Professionals and Project Management, among others.

In Agribusiness, the integrated education plans continued, focusing on technical, professional and industrial management update. These plans included the following courses: Leadership and Team Work for Supervisors and Production Leaders; Quality Systems; OHSAS 18000 Standards; ISO 14000; ISO 9000; Food Safety Units, Integrated Management System; Safety and t

he Environment; and Advanced Statistics.

On the other hand, a year's progress was made in the implementation of Secondary School Completion Program for employees, totaling 19,000 educational hours.

The Food Business worked on aspects related to technical-professional and industrial management update, leadership and teamwork, totaling 21,509 educational hours.

The Chocolates Business featured the development of, among others, programs concerning quality management (internal auditor, BRC standards, etc.), as well as training on the production process (advanced chocolate production, handling new technology). Moreover, investment was made in non-university, university and specialization education programs, including the Technical Degree in Health and Safety and the Graduate's Degree in Labor Engineering. As a result of such activities as well as others, this business totaled 44,000 educational hours.

The Sugar Confectionery Business organized activities for internal auditors, especially teaching the Business's BRC standards to 34 Internal Auditors. Other relevant courses dealt with the Integrated Pest Management Program and the Principles of Inspection and Audit. At the Recreational Complex (*Complejo Recreo*) staff was also taught on handling and maintaining technology in the new plant. During this period, courses covered over 38,000 yearly hours.

Lastly, a major milestone in 2008 was the launch of the distance-learning University Certificate in Food Program, in which collaborators from the chocolates, sugar confectionery and cookies businesses took part. This program is one of a kind in this country and was conceived by the *Universidad Nacional del Litoral* on the basis of specific needs of the Arcor Group.

Cookies

In the Cookies Business, the staff educational process was reviewed, with emphasis on transparency and equal opportunities for all collaborators and personal growth through training activities; in addition to a new methodology to monitor the results of investment in education and to optimize the evaluation of collaborators. Course development also continued for managers and heads of departments on leadership and teamwork tools. In all, 95,188 hours of training were taught to 1,925 employees, with an average 34.6 educational hours per employee.

Cartocor

Cartocor featured the continuation of courses on working team leadership, as well as training on health, safety and the environment. Through the Human Resources Key Skills Program, different skills w

ere developed, such as team work, innovation, communication and leadership. Various courses concerning the Integrated Management System were also taught, including topics concerning the safety of production processes. Each employee was taught 21.9 educational hours on average, 909 employees being provided with a total 22,265 hours of training.

Converflex

In 2008, education including subjects specific to the specialization of this business, programs aimed at developing skills and providing middle management with tools, as well as courses on the PeopleSoft 9.0 management software. Activities carried out within the framework of the Integrated Management System were essentially intended for the maintenance of equipment, thus earning the 2008 Award to Excellence in Consistent TPM Commitment 1st Category at the Plant in Villa del Totoral, Córdoba. Skills related to health, safety and environmental prevention were also developed for collaborators, relatives and visitors to plants. In all, 534 employees were taught over 19,087 hours in educational activities, on average 35.7 hours of training.

Business Mass Consumption: Argentina and Southern Region Subsidiaries (Bolivia, Paraguay and Uruguay)

In 2008, workshops were organized once again on Executive Coaching, Emotional Leadership and Communication Tools for High-Performance Teams with a view to boosting the skills of managers as organizational leaders. The Arcor Distributors' Management Program was also first conducted jointly with the IAE (Business Administration School of the Austral University), so as to accompany the professional development of the distributor network through leadership and management tools. Finally, a specific course was taught for collaborators to become familiar with and understand new work methods between manufacturers and marketing channels, including Category Management, a process to manage and develop product categories. In all, this year 163 employees in the business area were trained, covering over 7,000 hours of training.

INTERNAL COMMUNICATIONS

Internal communication channels are essential to develop a participative management which promotes the interaction between collaborators in the Arcor Group.

In 2008 these channels were reinforced, introducing novelties and upgrades. The institutional publication '*Tiempo de encuentro*' added new sections (Leadership, Our Plants, Our Offices and Promotions), together with a specific Quality of Life Supplement, and the '*Tie*

mpo de FundAr' supplement produced by the Arcor Foundation to announce the actions developed in the different regions of this country was continued. In Brazil, the magazine was still published with the supplementary electronic edition of the newsletter '*A Gente se Comunica*' and the quarterly publication '*Impulso*', providing employees and business suppliers with corporate information on marketing, sales, human capital and CSR.

Intranet browsing was also improved in 2008; the notice board kept on working and 3 digital newsletters aimed at specific audiences were added:

- Human Resources Community Newsletter: aimed at all members of the area, with information on the market and the company in the field of human resources.
- Leader Newsletter: intended for all collaborators in charge of teams. Each edition covers one leadership skill in depth, and includes statements by experts in the field.
- Arcor University Newsletter: digital medium with information on offered training courses, statistics, and opinions from participants and consultants.

Over 30 internal communication campaigns were conducted at a national and global level, giving special support to human resources processes: the launch of Arcor University, the new Corporate Induction Program and the implementation of PeopleSoft 9.0. The most novel campaigns of the year were:

- Climate Management Campaign: launched to unveil the plans for action on this field.
- Arcor Anniversary Campaign: for the first time, Arcor collaborators played a primary role in the campaign with their statements and anecdotes.
- 'Tu deseo Bon o Bon' Campaign: with the goal of aligning internal and external campaigns, this campaign was carried out both inside and outside the company.
- Campaign for the World Day against Child Labor on 12 June: conducted in order to raise awareness about this topic.

Talks with collaborators

Arcor has various channels that enable two-way communication with collaborators.

The most important instance is the Organizational Climate Survey first developed in 2007, involving the Group's entire active staff. Over 15,000 workers willingly gave their opinion on people management policy.

On the other hand, in order to improve the company's systems, the 1st User Satisfaction Survey was conducted in 2008.

Talks within the framework of the SRP and the PMS were other major spaces to provide feedback between the Group's management and the employees' vision.

There were also exit interviews for voluntary staff turnover cases, the Intranet inbox, the notice board, the internal communication and CSR email. In 2008, Arcor Brazil also held a Managerial Meeting with the entire body of directors and managers.

CLIMATE MANAGEMENT

Climate management is a continuous process that compels the company to work on a daily basis to adjust processes and add initiatives. In this process, listening to collaborators' expectations is the key to directing the company's actions and identifying opportunities to improve.

On the basis of the results of the Organizational Climate Survey and various surveys conducted by different areas, in 2008 Action Plans were defined to work on opportunities to improve to thus consolidate a better workplace.

In order to outline such plans, three multidisciplinary working teams prepared proposals. Then the Organizational Climate Management Committee was created to study lines of work in depth and prioritize them, as well as to coordinate the implementation process.

Within such framework, in 2008 the implementation of Action Plans began, on the following bases: Quality of Life, Leadership, Recognition and Rewards, covering the review and expansion of benefits offered to collaborators. The main Action Plans included, among others:

- Healthy Life Habits: raising awareness among staff and their families about healthy life habits.
- Exercise in the workplace: creating alternatives for exercising.
- Smoke-Free Company: reducing and preventing tobacco addiction.
- Regular check-ups: health testing to detect and prevent diseases.
- Cardiovascular Risk Prevention Program: surveying, evaluating, preventing and controlling risk factors.
- Upgrade of work posts: analyzing ergonomics, health and safety so as to introduce improvements.
- Infrastructure Enhancement: identifying opportunities to upgrade

restrooms, locker rooms, dining rooms and rest areas at plants.

- Flex actions: flexible hours and casual wear in corporate buildings; as well as reduced working hours after maternity leave for all of the Group's female employees in Argentina.

In order to disseminate information on plans, an internal communication campaign was created with various graphic and digital pieces, as well as gatherings in person. A communication kit was also developed for each internal communication expert to draft his own local campaign.

Quality of Life Week at Arcor Brazil

In 2008, Arcor Brazil organized the Quality of Life Week at the Bragança Paulista, Campinas, Contagem and Rio das Pedras plants. Their goal: to explain specific health issues, raising awareness among collaborators on disease prevention to achieve a balanced, harmonious quality of life. Throughout that week, different activities were developed for each collaborator to increase his knowledge on the concept of a Healthy Life.

DIVERSITY AND INTEGRATION

Arcor promotes activities for collaborators to interact and integrate their families into the workplace.

Children's Day celebrations, sporting and recreational activities for employees, holiday camps, among others, are activities that promote and respect the particular features of the regions in which the Group operates.

In 2008, the Peru subsidiary also developed microenterprise workshops for the employees' wives. Integration activities covered a total 600 individuals.

Commitment to social inclusion

In Brazil, Arcor develops the Disabled Professionals Program with a view to providing professional training to people with a mental, physical, hearing and visual disability, giving them greater competitiveness for the labor market. The Program is based on the acknowledgement of potential and talent in these people, preparing participants to work in different vacant posts within the company.

Implemented in three stages, 40 disabled employees were hired through this initiative and in the long term a Corporate Inclusion Program will be developed to draw, retain and develop suc

h human capital.

HEALTH AND OCCUPATIONAL WELFARE

In 2008, through the Corporate Medical Management, the company continued to develop health programs based on national and international guidelines, as well as those recommended by the World Health Organization, the Pan American Health Organization and the International Labour Organization.

The preparation of a Physical Status Assessment Manual to develop tailor-

made adapted physical education programs was one of the most innovative initiatives of the year, this being the only such Manual in the marketplace. It will allow occupational doctors to assess the physical status of all the Arcor Group's employees, developing plans adapted to each of their needs.

Another innovative practice was the development of a survey to evaluate collaborators' views on medical testing conducted annually. Out of those surveyed, 100% considered medical testing either useful or very useful for healthcare.

In this line, within the framework of the Cardiovascular Risk Prevention and Risk Factor Control Programs, epidemiological testing was conducted on the four years of evolution and follow-up of cardiovascular risk in the staff working at corporate buildings.

On the other hand, vaccination campaigns were once again implemented, giving influenza vaccines to a total 4,858 collaborators from the Group's companies in Argentina and tetanus vaccines to 1,485. The company also worked on an Awareness and Transfer Program in Food Education, to be implemented in 2009, and the internal 'Smoke-Free Arcor' alertness campaign continued.

Acknowledgement in Occupational Health

In 2008, Arcor was summoned by the Health Commission of the Argentine Congress Lower House to introduce the Tobacco-Smoke-Free Company campaign. It was also invited to the Argentine Conference of Occupational Medicine to deliver an address on 'Health Testing, an Outlook from the point of view of Quality of Life, Healthy Life Habits and Risk Factors.'

At the plants of each of the Group's businesses different campaigns and specific occupational health educational activities were carried out. Bagley and La Campagnola developed vaccination campaigns against influenza and rubella, as well as cardiovascular risks and tobacco addiction prevention activities and training on first aid.

Cartocor also provided first aid training and conducted a campaign against influenza and rubella. Converflex carried out a campaign against rubella and Hepatitis B, and training instances focused on obesity, diabetes, breast cancer, work-related stress and HIV-AIDS programs. At the complex located in Luján, both Cartocor and Converflex waged the 'Smoke-free company' campaign, implemented in four stages: awareness posters and survey, information via email, invitation to stop smoking (workshops and talks) and spread of the anti-tobacco rule. As a result, 21 of the 23 participants stopped smoking.

Disease prevention and health care activities were also carried out in other countries where the Group does business. In Chile, collaborators in all facilities were vaccinated against influenza, and the Health Week was organized with activities including: blood pressure check, ophthalmologic and dental checkup, as well as campaigns on nutrition and awareness on pathologies such as abusive alcohol consumption and drug use. In Peru, training was provided in the field of drug use prevention to the Lima and Chancay staff. In Brazil, a charitable campaign with potential bone marrow donors was conducted, drawing 395 volunteers who gave hope to people suffering from blood diseases.

Internal dissemination activities were also performed on healthy life habits among the entire Arcor staff in Argentina and Brazil. The results of the Health Tests under the Collective Bargaining Agreement, and the first training workshop for plant doctors on the Awareness, Prevention and Control of Addictive Behavior, Alcohol and Drugs Program was conducted.

Highlights

Implementation of Climate Management Action Plans to continue building a better work space.

The Arcor Group became the first Latin American company to implement the PeopleSoft Enterprise Human Capital Management 9.0. software for the integrated management of key human resources information.

Preparation of a Physical Status Assessment Manual for the development of tailor-made health programs for collaborators.

Launch of Arcor University, a space to reinforce the skills of all collaborators through classroom training and e-learning.

Future

To continue working on educational programs transmitting abilities into the ordinary course of business, following up on activities performed and creating a training network.

To implement the Awareness, Prevention and Control of Addictive Behavior, Alcohol and Drugs Program at a corporate level.

To make progress in the implementation of interviews in the Talent Pool, within the framework of the Strategic Resource Planning (SRP) Program.

To perform the second Organizational Climate Survey to hear the opinion of all collaborators in the Group and to implement Internal Communication Get-Togethers to help provide internal dialogue between all offices in the Arcor Group.

Chapter 4

Occupational Safety and environmental care

A safe and environmentally friendly workplace
Environmental management
Hygiene and safety management
2008 Highlights and future challenges

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A SAFE AND ENVIRONMENTALLY FRIENDLY WORKPLACE

Caring for the environment and people's safety is essential for the sustained growth of the Arcor Group. The protection of the environment, prevention and hazard control fall within the framework of the Integrated Management System, which is applied across to all operations and industrial processes.

The Group applies a systematized management based on eco-efficient models for the operation and integrated safety of each job position.

All industrial plants in Argentina, Brazil, Chile, Peru and Mexico have their own Environmental, Hygiene and Industrial Protection (EHIP) departments in charge of this area's activities, thus supporting compliance with the SGI policy. The heads of these departments meet from time to time to match their criteria, exchange their knowledge and deepen their communication and links.

ENVIRONMENTAL MANAGEMENT

The identification and evaluation of environmental impacts is a key tool in the Group's management strategy. On the basis of such information, improvement opportunities to be worked on are defined, which are materialized through various management initiatives and infrastructure works.

Environmental care activities developed in 2008 featured two specific projects that illustrate Arcor's commitment to enhance environmental management :

- As part of the environmental management actions carried out, La Providencia refinery was able to reduce CO2 emissions, one of the main gases causing global warming, and therefore the Group is now in a position to access the carbon credit trade. This was achieved thanks to a boiler running only on bagasse - residue remaining after sugarcane juice is extracted- instead of natural gas.
- The Converflex plant in Villa del Totoral went from the method of cleaning parts in contact with ink using solvent to cleaning them using water. This resulted in a 94% reduction in the use of ethyl acetate, the main solvent involved in the operation of factories. In order to keep improving, work is being done on developing and conducting all the necessary tests to wash elements using air instead of water.

ENVIRONMENTAL PERFORMANCE CONTROL

Through the analysis of environmental indicators, Arcor controls the evolution and obtains the information to serve as a basis to upgrade the performance of its operations.

Main environmental indicators of the Arcor Group

TOTAL ARCOR GROUP WITHOUT CONVERSION PLANTS

Power consumption per ton (KW/h/Ton)	170
Fuel consumption per ton (MJoul/Ton)	2.444
Water consumption per ton (M³/Ton)	3,2

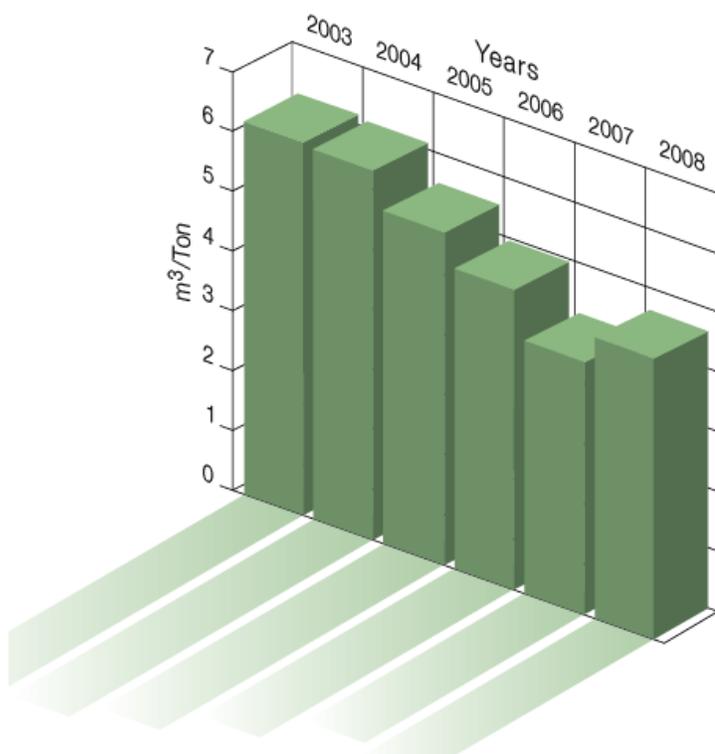
Recycled or reused waste (%)	30
CONVERSION PLANTS	
Power consumption per ton (KW/h/m x 10³)	50
Fuel consumption per ton (MJoul/m x 10³)	584
Recycled or reused residue (%)	60

Water

A key aspect in Arcor Group's environmental management is water consumption. All plants include some sort of activity related to the efficient use of water and many have set themselves figures to reduce consumption. Some examples relevant to this indicator include:

- Among eco-efficiency or environmental improvement cases, 28% account for water consumption decrease.
- At the Dulciora Plant –in Villa Mercedes, San Luis– water consumption was reduced by approximately 75 m³/h, through the recirculation and reuse of water in a cooling tunnel and a condenser.
- At the Arroyito Complex all plants work systematically to reduce water consumption. Between 1999 and 2003, significant investments reduced consumption by approximately 50%. From 2003 to date, actions related to leak disposal, improvement in cleaning techniques, upgrade of processes and reuse of water contributed to an 18% reduction.

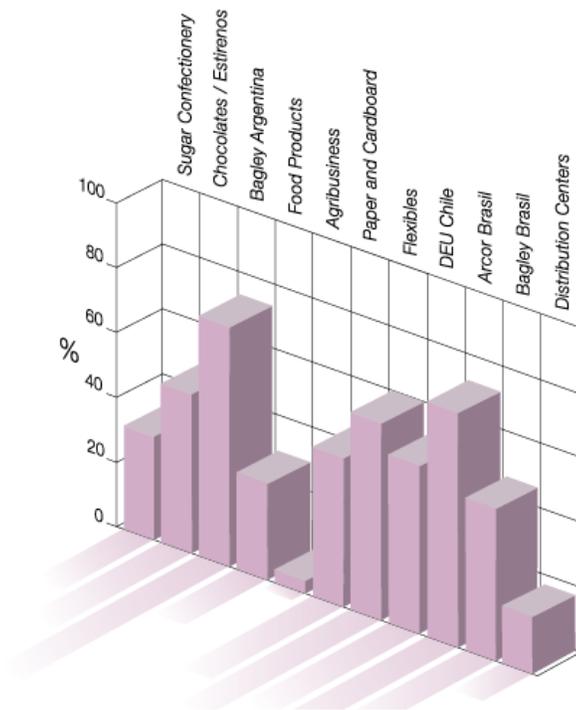
Water extracted per ton produced at the Arroyito Complex



Waste and recycling

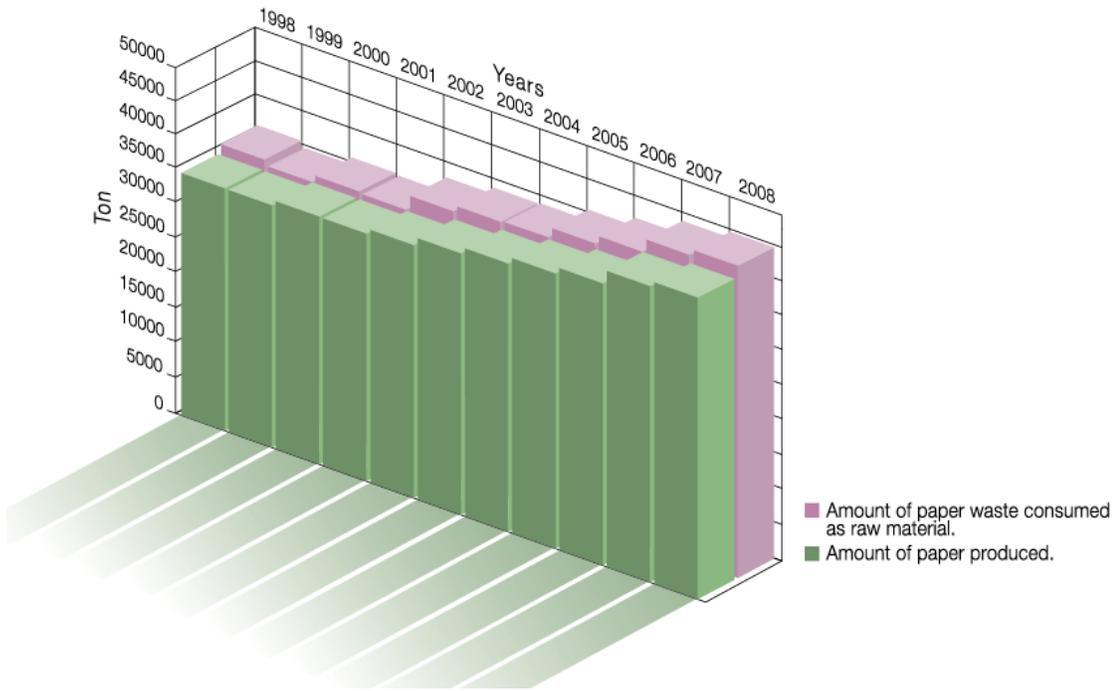
The percentage of recycled waste is significant for all manufactured product businesses. This indicator describes the percentage of reused or recycled waste over total solid, semi-solid and liquid waste generated.

Percentage of recycled or reused waste, per business, in 2008



Paper recycling is another noteworthy aspect in the Arcor Group's environmental management. Out of all paper manufactured, 100% is made at Cartocor's Plant in Arroyito, from paper and cardboard waste.

Arroyito Paper Mill Paper Recycling



ECO-EFFICIENCY: HIGHLIGHTED CASES

Eco-

efficiency is a tool that helps maximize resource productivity, thus minimizing waste and emissions, and creating value for the company and all its stakeholders.

As a corporate management tool, eco-

efficiency lays emphasis on opportunities, improves the performance of operations, makes companies more competitive and is materialized through the application of seven basic components enabling the integration of financial profit with environmental benefits.

Main eco-efficiency cases 1998-2007

From 1998 to date, the Argentine Business Council for Sustainable Development (*Consejo Empresario Argentino para el Desarrollo Sostenible - CEADS*) published 33 eco-efficiency and environmental improvement cases carried out by the Arcor Group at its plants. They are listed below.



CASE

Mechanization of sugarcane growing and reuse of residue from sugar production

Reuse of solid corn waste for production of ethyl alcohol

Minimization and recycling of scrap of corrugated board

Recovery of fiber from the liquid effluent and reuse of clarified effluent

Recovery of liquid waste generated in the film printing process

Reuse of industrial liquid effluent for crop irrigation

Reuse of tomato, corn and other waste for cattle feed

Recycling of scrap generated in the manufacturing process of bi-oriented polypropylene

Reduction of water consumption

Reduction of steam consumption and waste generation

PLANT / COMPLEX

La Providencia Refinery, Tucumán

San Pedro Complex (4 production plants)
Cartocor, Paraná, Arroyito and Luján Plants
Cartocor,
Paper Mill, Arroyito
Converflex, Villa Mercedes
Dulciora, Villa Mercedes
Frutos de Cuyo, San Juan
Vitopel, Córdoba
Arroyito Complex (7 production plants)
Hard Candy Plant, Arroyito

SUBMITTED IN

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CASE TYPE (1)

ECO
ECO

Reduced generation of scrap of aluminum during film metallization and of scrap of adhesive utilized in the lamination process
Reuse of hard candy residue
Upgrade of boilers
Streamlining of water consumption
Industrial waste
Environmental advantages of installing a diffuser for sugarcane production
Reduction of energy consumption to generate cold water
Optimization of solvent use
Solid waste management
Recovery of soft water
Optimization of liquid effluent management

Waste management

Improvement in industrial liquid waste management

Improvement in recovery of ethyl acetate

Improvement in solid industrial waste management

Reduction of flaws in Bon O Bon dough

Improvement in solid waste management

Reduction of water consumption

Reduction of water consumption

Reduction of scrap of film

Polluted waste management: rags

Improvement in production line management

Reduction of power consumption

Reduction of gas consumption

Reduction of solvent consumption

Converflex, Villa del Totoral Córdoba

Estirenos, San Luis

Villa Mercedes Complex (4 production plants)

San Pedro Industrial Complex, Buenos Aires

Bragança Paulista, Brazil

La Providencia Refinery, Tucumán

Colonia Caroya Plant, Córdoba

Converflex, Villa del Totoral, Córdoba

Misky Complex, Tucumán

Frutos de Cuyo, San Juan

Arroyito Corrugated Board Plant, Córdoba

Converflex, Villa Mercedes Complex

DEU (Dos en Uno) Plant 2, Cerrillos, Santiago, Chile

Converflex, Villa del Totoral, Córdoba

DEU Plant 1, Arauco, Santiago, Chile

Colonia Caroya Plant, Córdoba

DEU Plant 1, Arauco, Santiago, Chile

San Luis Plant

Soft candy plant, Arroyito, Córdoba

Converflex, Villa del Totoral, Córdoba

Converflex, Luján Buenos Aires

ALICA, Recreo Catamarca

San Luis Plant

La Providencia Refinery, Tucumán

Converflex, Villa del Totoral, Córdoba

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Note:

1: Abbreviations and symbols:

ECO: Eco-efficiency case

EI: Environmental Improvement case

Colors indicate the eco-efficiency element applied in each case:

- ↑ Reduction of toxic substances scattering
- ↑ Reduction in the intensity of use of materials for goods and services
- ↑ Reduction in the intensity of energy for goods and services
- ↑ Improvement in the recyclability of materials
- ↑ Maximization of the sustained use of resources

**Improvement in pallets and
recovery of 'corner' waste:
Arroyito Distribution Centre**

Location: Arroyito, Province of Córdoba.

Activity: Storing and shipping of finished products from all Arcor Group's factories.

Detected problem: Products stored at the Distribution Centre arrive in pallets which usually have two flaws: unstable pallets entailing generation of waste and delays in unloading operations; and pallets whose bases are not fully covered by products, thus wasting useful space during transportation. On the other hand, the assembly and loading of pallets is associated with the generation of 'corner' waste, accumulated in a disorderly manner resulting in different kinds of loss.

Implemented actions: On the basis of the analysis of the situation created by groups formed for such purposes, the configuration of pallets was changed for four critical products and the recovery circuit for "corner" waste was enhanced so as to reuse it and prevent it from being dismissed as waste.

Results: The use of trucks was reduced by 25% for the four improved products, thus cutting emissions, the use of fuel and tires, and reducing the number of trucks on the road. The improvement achieved in "corner" waste management also entailed its recovery and reuse, preventing the generation of 18 tons of waste a year. These results accounted for a profit of \$ 99,674 from saving on freight, \$ 85,357 from saving on storage costs and \$ 714.105 from saving on "corner" waste.

**Reduction of edible oil consumption
to make canned fish:
La Campagnola - Mar del Plata**

Location: Mar del Plata, Province of Buenos Aires.

Activity: Production of canned fish, such as sardines, mackerel, squid and tuna.

Detected problem: The volume of sunflower oil used to make tuna in LC oil x 170 g exceeded the theoretical consumption level.

Implemented actions: An improvement group was put together to work on applying the raw material efficient use principle and the improvement method, as defined under the Integral Management System. Action was taken on the oil storage tanks, the cookers to prepare the cover liquid and the tuna line. The action taken involved many management, awareness and training activities, and very few infrastructure tasks, which meant minimal problem-solving cost.

Results: The shift in oil consumption fell compared to theoretical consumption from an initial 13,5% to 2%, which resulted in a decrease in loss of oil from 1,500 Kg to 120 Kg per day of production of the specialty and a cost reduction from a daily \$ 3.840 to \$ 307. The developed task helped use this raw material rationally and minimize the loss and overflow of oil in the production line reaching the liquid effluent, thus reducing the organic load of the untreated effluent. The risk of falling or slipping due to oil on the floor was also cut.

Reduction of water consumption:**Arcor San Luis**

Location: San Luis, Province of San Luis.

Activity: Production of a range of sugar confectionery, including hard candy, lollipops, chewing gum, filled chewing gum, chocolates, products for Easter and bonbons.

Detected problem: 40% of the water used for production, services, cleaning and restrooms flows from the public water network and the remaining 60% is purchased and arrives in trucks, which entails a significant cost for this service. An analysis to determine which area has a better chance of achieving a significant decrease in water use, identifying fondant makers, used to prepare fondanting, as the piece of equipment with the best chance.

Implemented actions: Changes were made which helped reuse the cooling water of the fondant makers in the washing machine used for elements, trays and tins. Additionally, heat power in the reused water was used, thus reducing the amount of energy needed to heat the water to optimum conditions for part washing.

Results: An average 165 m³ of cooling water per month could be reused for elements cleaning tasks. This meant a decrease by approximately 27% in the amount of water that must be purchased, thus saving \$ 850 per month.

Reduction of water consumption:**Filled Hard Candy Factory**

Location: Arroyito, Province of Córdoba.

Activity: Production of hard candy and filled hard candy.

Detected problem: The tempering system – a process that helps achieve the optimum temperature of the candy dough to the values required for its preparation – was identified as the device that uses the higher amount of water at the plant, and therefore needs a deeper analysis to be improved. Its temperature is regulated by adding cold water or water vapor to the system. In order to achieve the lowest possible temperature switch both the cold water inlet and the system's exhaust were kept open, thus leading to the permanent loss of water disposed of as effluent.

Implemented actions: The activities conducted centered on closing the uncontrolled inlet of cold water and the system exhaust by placing a valve acting as a controlled exhaust in one of the timed tanks of each system and designing an excess disposal system to clear extra water. Operators were also trained to work with the new system.

Results: 94% of the water used for the plant's six timer devices was reduced, thus eliminating the expense incurred for extracting well water and treating liquid effluent, which meant a 38.5% drop in the plant's total water consumption. Taking into account that a monthly level of 974 m³ in water consumption was stopped in the tempering operation, approximately \$ 24.000 was saved annually.

ENVIRONMENT WEEK 2008

As is done every year, the Group's plants celebrated Environment Week to commemorate the World Environment Day on June 5. As in every other such occasion, Arcor joined the United Nations in its awareness initiative on the global warming issue through an inspiring message.

'IF NOT US, THEN WHO?

IF NOT HERE, THEN WHERE?

IF NOT NOW, THEN WHEN?'

Various activities took place that week with employees, their families and the community as a whole:

- n Training was provided to 1,200 employees in the factories, more than 2,000 hours of training.
- n Training was provided to 1,000 students in schools related to the factories.
- n OPLs¹⁶ on the subject were prepared and disseminated.
- n Over 1,000 flower seedlings and some 1,000 native trees were given.
- n Lots were drawn among participants in these activities.
- n The third bike race took place in Arroyito, 500 people participated.

COMMUNITY ENVIRONMENT SAFETY

A 2008 survey was conducted on environmental and overall safety initiatives developed with the community, based on 14 bases across Argentina, two in Chile and one in Brazil, following a sequential schedule defined for such purposes.

Those plants completed survey forms with actions related to environmental training, recycling of materials and coordination with government programs on environmental and safety matters, among other activities.

The main organizations related to the company were also identified, including educational institutions, local municipalities and provincial and/or federal government bodies, citizens of the respective area, as well as civil society organizations and public utilities.

The results of the survey showed that the areas selected performed different community environmental and overall safety actions; and therefore in 2008 it was attested that:

- n 1,533 children and teenagers took part in training activities.
- n 76,410 kg of paper were collected and donated and over 60 kg of caps and bottles were donated.
- n 121,715 Argentine pesos were allocated in support of schools through recycling programs.
- n Initiatives were conducted to recover parks and set up organic farms.
- n Disease prevention and healthy life encouragement activities were performed.
- n Complexes were modified to provide accessibility to people of limited mobility.
- n Working teams to study actions in depth and put initiatives into practice were consolidated.

HYGIENE AND SAFETY MANAGEMENT

The Arcor Group works with its collaborators to prevent diseases and industrial accidents in order to achieve the best possible welfare for all places of work.

Within the framework of the Integrated Management System, each plant has an EHIP "Pillar" contributing to the implementation of management tools, the dissemination of methodologies and results, training development, and the design, execution and follow-up of improvement plans. At the company's 32 plants in which the EHIP Pillar is consolidated, 350 people participated by disseminating and applying the environmental and work safety policy.

In 2008, the Bagley plant in Córdoba had four devices installed for air-conditioning packaging areas, and the condition of two jobs were improved by setting up air-conditioned booths. This resulted in the elimination or reduction of the heat burden in high-risk sectors where 70% of the staff works. During the Internal Week of Industrial and Road Accident Prevention (*Semana Interna de Prevenção de Acidentes no Trabalho e no Trânsito-SIPATT*) required under Brazilian legislation, the Arcor Group's factories in Brazil organized activities to go deep into awareness on safety in the workplace as well as at home and in the community.

SIPATT 2008 consisted of classroom and job training, games and contests for collaborators and their families, activities with external organizations such as the police, theater companies and medical professional associations and safety patrols, including draws of lots and various prizes.

In Campinas a theater company of collaborators from the plant performed '*Encontro com a operação*' (Approaching operation), on the topic of unsafe acts. In Contagem a contest was held in which the winning motto became the theme of SIPATT 2009: "Safety. It's not enough to participate, you've got to practise, so do it!"

Within the framework of Arcor's commitment to improve the integration of people of limited mobility, in 2008 the Arroyito Complex completed the adjustment of its facilities for people with physical disabilities to have access to do their jobs or to visit the plants. This included the construction of ramps and specially fitted bathrooms, as well as the installation of special lifts.

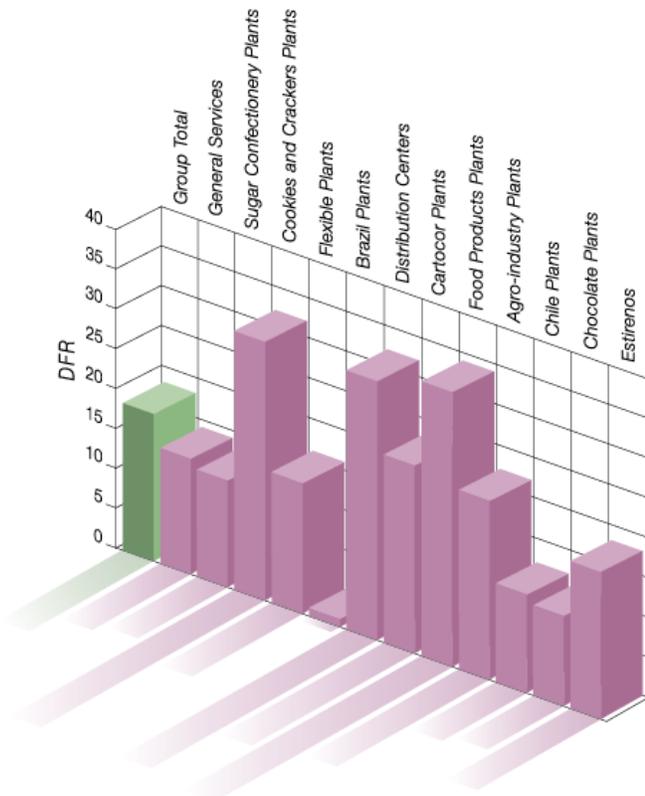
MEASURING TO IMPROVE

Through the following indicators related to likelihood of accidents, Arcor measures its performance in the field of work safety to detect opportunities to improve:

- Total Frequency Rate (TFR): it measures the total number of accidents for every million hours worked.
- Disabling Frequency Rate (DFR): it measures the number of accidents with sick leave for every million hours worked.
- Seriousness Rate (SR): it measures the number of days missed due to accidents for every thousand hours worked.
- Incidence Rate (IR): it measures the number of accidents with sick leave for every thousand workers subject to such accidents.

Arcor Group's safety rates 2008

TOTAL FREQUENCY (TFR)	33
DISABLING FREQUENCY (DFR)	18
SERIOUSNESS (SR)	0,27
INCIDENCE (IR)	37



SAFETY WEEK 2008

Since 2005, the Group has been organizing a week a year dedicated to safety at all its facilities. During this week, activities were carried out in which all collaborators were invited to think and work on the prevention of unsafe acts.

The image of the week, depicted on a poster displayed on strategic sites across the company and disseminated via the intranet, was the result of many proposals submitted by collaborators from the plants.

With the motto "Preventing an unsafe act is a question of attitude. Don't let silence and neglect make you risk more than you're willing to lose," the following activities took place:

- Training was provided to 5,700 people, covering 6,200 hours of training.
- A corporate contest was organized: 'Find the five unsafe acts,' in which 2,120 collaborators took part.
- 10,000 brochures were handed out.
- 75 safety patrols were conducted.
- 1,590 panic cards for unsafe acts were issued.
- 210 OPLs on the subject were prepared.
- 750 awards were given out.

2008 Highlights

43,300 tons of paper were made entirely from paper and cardboard residue at the Arroyito paper mill.

Survey of 75% of all jobs and the staff service infrastructure at the Group's offices.

Adequacy of the facilities of the Arroyito Complex to facilitate access to people of limited mobility.

Replacement of solvent with water to clean parts in contact with ink at Converflex plants.

Future

Challenges

Developing and measuring new indicators to become familiar with the evolution of different aspects of the Group's environmental management.

Optimizing the measurement of indicators kept currently at all plants.

Completing the survey of job risks.

Continuing with the implementation and certification of the ISO14001 Environmental Management Standard at the plants in Argentina, Brazil and Chile.

Chapter 5

Arcor Group's Social Investment

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A BETTER FUTURE FOR ALL

As a committed social actor, from the outset the Arcor Group has sought to grow contributing to the development of the societies where it operates. With this in mind, it became active in the improvement of the living conditions of its community, especially, in sectors where the people's rights are impaired. The company's social action became professional upon the creation of the Arcor Foundation in 1991, became regional upon the opening of Arcor Brazil Institute in 2004 and was consolidated in the Arcor Social Responsibility Policy adopted in 2007.

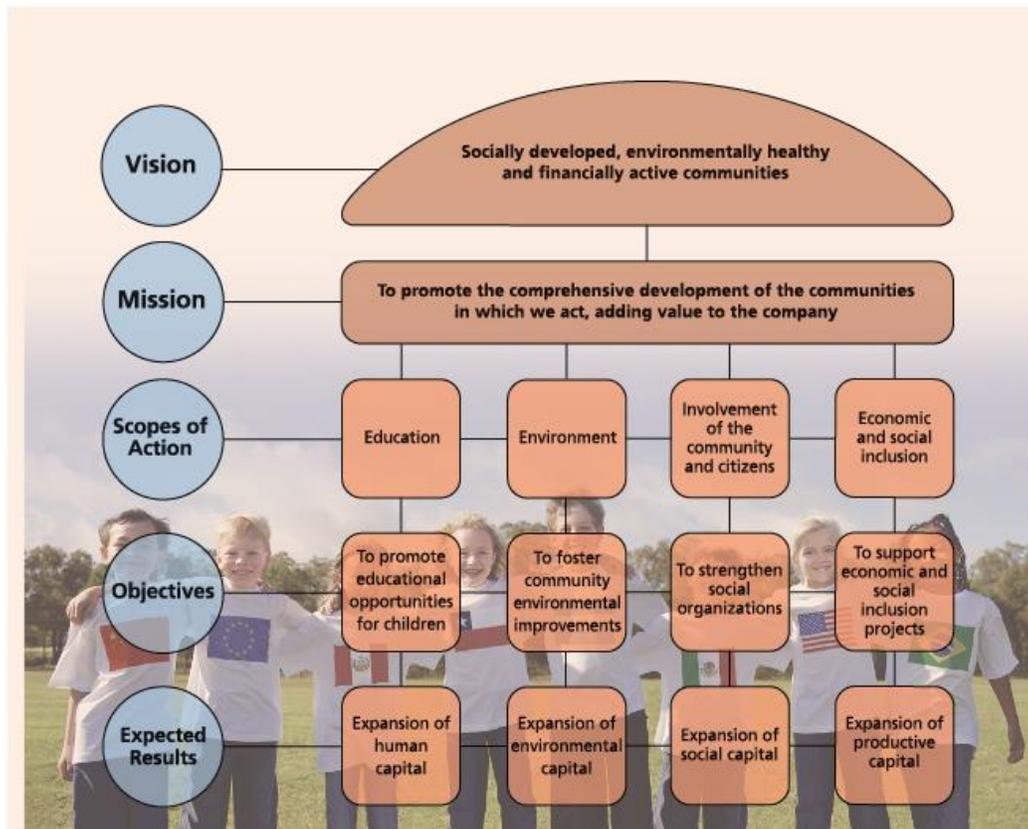
Social Investment	2007	2008 ¹⁷
TOTAL AMOUNT DESTINED FOR SOCIAL INVESTMENT	12,461,165	10,343,035

ARCOR SOCIAL INVESTMENT POLICY

The Arcor Social Investment Policy (ASI) orientates, in a strategic, systematic and articulated manner, the Group's social investment by means of the following:

- Direct investments at a corporate level and investments made by the industrial production units in the different locations.
- The Argentina Arcor Foundation and the Arcor Brazil Institute, which seek to create further opportunities for childhood through education.

Donations in products	2,305,628
Money and materials contributions	2,327,334
Arcor Foundation and Arcor Brazil Institute Investment ¹⁸	5,710,073



(17) In 2008, the systematization method of the company's social investment amounts was modified.

(18) Includes the contribution made by the Arcor Group to the Arcor Foundation and the Arcor Brazil Institute, as well as alliance funds. Contributions made by the company to cover structure and operation costs have been excluded.

RELATIONS WITH THE COMMUNITY PROGRAM

As part of the Social Investment Policy, the group established the Relations with the Community Program, the purpose of which is to manage strategically, consistently and efficiently the actions carried out by Arcor's units in the populations nearby, aiming at their integral development.

In 2008, the Program was implemented progressively through the development of two strategies targeted at:

- Communities, by means of implementing a new management structure that relies on a general committee at a corporate level, and local committees at a plant level.
- Transversal issues, by means of corporate social responsibility projects articulated with other areas of the Group.

Strategy by communities

In 2008, six local committees were created to manage strategically the Group's social investment in the communities near the plants, adapting them to the needs of each location.

Transversal in nature, each committee was composed of Human Resources and MAHPI representatives; the Head or Manager of the relevant production unit acting as a coordinator, and an outside community social worker working as a liaison between the plants and the communities. Once the local committees had been formed, the first training session for its members was held, as well as 4 workshops with the community social workers.

Each local committee surveyed the characteristics of its community and the activities carried out by each plant so far. This gave way to a diagnosis that was used to define the local social investment strategy to be implemented in 2009.

- **6 local committees** created in the communities of Colonia Caroya, Salto, Villa Mercedes, San Martín, Recreo and Arroyito.
- **40 collaborators** participating directly in the Relations with the Community Program.
- **5 community diagnoses**.
- **Over 12 programs** and projects.
- **276 community organizations** involved.
- Benefits for **70,893 children**, young people and adults.
- **548,977 Argentine pesos** mobilized within the communities.

Strategy by transversal issues – articulation with areas of the company

In 2008, programs and actions were articulated with Supplies, Human Resources, Environment and Industrial Protection (MAHPI) areas, the Arcor Foundation and the Food Products Business. Important progress was achieved through a general donations system to be implemented throughout the Group. Furthermore, the company coordinated its work on several initiatives and projects, such as:

- Prevention and Abolishment of Child Labor Project in Mendoza and San Juan.
- Community intervention project in Tunuyán and Tupungato, Mendoza.
- Survey of actions affecting the community, conducted by the MAHPI area in each production unit of the Group.
- Responsible Inclusive Purchasing Program, along with analysts of ancillary purchasing analysts of the Group's production units.
- Relations with Technical School Program.
- Programs developed by the Arcor Foundation in the communities where the industrial units of the Group are located.

Relations with Technical School Program

Created within the framework of the Argentine Enterprise Association's Asociación Empresaria Argentina (AEA) initiative known as 'Company-School Relations', the Program is focused strategically on ensuring the availability of qualified technical resources and contributing to improving the state education supply within a context of scarce and inadequate education quality.

With a view to this, support has been given to self-sustainable projects on education improvement that optimize educational processes, increase the number of enrolments and decrease the number of dropouts in technical secondary schools in areas where the Group's production units are located.

In 2008, the production units of San Martín, Choele-Choel and San Rafael of La Campagnola joined the program, totaling 19 units of the Group in Argentina.

The main actions included: the articulation of the Program with the Arcor Social Investment Policy; the creation of an e-learning platform for tutors of internship programs with secondary schools (with a total of 87 interns); the creation of a Virtual Working Team in the e-learning campus of Arcor University to promote interchange among the HR referees of the different production units; and the execution of an agreement with the Industrial Union of Córdoba and the Provincial Ministry of Education to foster technical education in the province.

ARCOR FOUNDATION: COMMITTED TO CHILDREN FOR A BIGGER COUNTRY



The Arcor Foundation has the mission of helping make education an instrument to promote equal opportunities for children. To put this into practice, the Foundation works on two strategic aims:

- **Knowledge Management:** Spread and share theoretical and methodological knowledge that contribute to equal educational opportunities.
- **Mobilization and incidence:** Contributing to establishing in the society and the public agenda the importance of

These strategies are put into practice through five lines of action:

1. Territorial Initiatives
2. Studies and Research
3. Training and Education
4. Publications and Dissemination
5. Social and Public Mobility

TERRITORIAL INITIATIVES

Working on its own or in alliance with peer entities, the Arcor Foundation accompanies and promotes initiatives articulated in communities throughout Argentina to contribute to education opportunities for boys and girls.

- **Community Educational Opportunities:** in 2008, 25 new projects were promoted in Entre Ríos, Misiones, San Luis, Mendoza, Córdoba and Río Negro, as well as together with the Loma Negra Foundation in Pocito (San Juan) and Frías (Santiago del Estero). Three regional training instances were organized in relation to childhood public policies; communication and incidence and the related local management. Besides, the Fifth Convention of Training and Interchange “Boys, girls and adults: common grounds” was held. In total, these initiatives involved 10,410 boys and girls; 2,529 adults and 307 organizations from 8 Argentine provinces.
- **Together for Education:** initiative developed together with the Minetti Foundation (and Nicolás Foundation as a local partner in Mendoza). In 2008, approval was granted to 5 new projects in Córdoba involving 1,450 boys and girls, 465 adults and 120 organizations.
- **Local Education Actions:** through the local nodal point of RedEAmérica, projects in Maipú (Mendoza), as well as in the areas of Villa Banana (Rosario) and Dock Sud, Avellaneda (Province of Buenos Aires), gathered pace. In order to promote interchange between the projects and the Foundations taking part of this initiative, there was a First Get-Together in Maipú that involved the representatives of the institutions that promote this Initiative, as well as representatives for the three projects in Argentina.

Arcor Foundation – Main Impacts

	2007	2008
FINANCED PROJECTS	108	127
SUPPORTED STUDIES	11	6
ISSUED PUBLICATIONS	24	15
BOYS AND GIRLS INVOLVED IN THE PROJECTS	288,151	391,505
ADULTS WORKING ON THE CHILDHOOD ISSUE	32,544	28,710
PROVINCES COVERED BY THE PROJECTS	16	17
ORGANIZATIONS INVOLVED	7,330	2,674
ARGENTINE PESOS INVESTED	2,639,253	3,223,144
MOBILIZED ARGENTINE PESOS ¹⁹	8,139,588	10,165,525

■ **Support to the Community:** in order to strengthen the work of the organizations engaged in the childhood issue, support was afforded to 54 projects in the provinces of Misiones, Córdoba, Buenos Aires, Tucumán, Mendoza, Catamarca, Entre Ríos, Neuquén and Río Negro, involving a total of 53,482 boys and girls; 4,527 adults and 410 organizations.

STUDIES AND RESEARCH

In alliance with study centers and academic units of great renown, the Arcor Foundation promotes research work that provides relevant knowledge and information on the childhood issue.

Six studies were advanced in 2008, the most important being:

■ **'Barometer of Childhood Social Debt' (*Barómetro de la Deuda Social de la Infancia*):** study on the living conditions of children in 9 large urban conglomerates in Argentina. In alliance with the Universidad Católica Argentina (UCA), a survey was conducted on the three dimensions of the life of children and adolescents: material conditions, child-rearing and socialization process and education (schooling).

■ **Monitoring Study of Elementary Education Financing:** developed by the Center for the Implementation of Public Policies Promoting Equity and Growth (CIPPEC) in order to analyze funding for pre-school education as far as the provinces and the federal government are concerned, and to estimate the funding that will be needed to meet the requirements under the Education Funding Act and the Argentine Education Act: universalization of 4-year-old kindergarten and compulsory 5-year-old kindergarten.

■ **'Are children that small? Postcards on children participation' (*¿Qué tan chicos son los chicos? - Postales sobre la participación infantil*):** coordination of the childhood and education contents of the Arcor Foundation magazine, issued half yearly. In 2008, renowned specialists in education, infancy and human rights participated in the fourth edition of the magazine.

TRAINING AND EDUCATION

Through several initiatives, the Arcor Foundation seeks to strengthen and rate the tasks undertaken by people and organizations that work towards education opportunities for children.

In 2008, 17 education proposals were promoted and developed, including:

■ **Contributions to the pre-school curriculum guidelines in the province of Entre Ríos:** along with the provincial Ministry of Education, the Foundation carried out the education sessions 'Promotion of the linguistic and cognitive development of children living under conditions of extreme poverty and curricular guidelines' (*Promoción del desarrollo lingüístico y cognitivo de niños en contextos de extrema pobreza y lineamientos curriculares*). Moreover, a proposal was advanced to design the curricular proposal for pre-school in the Province.

■ **'Education plan for the design of public policies of the Councils of Childhood, Adolescence and Family' (*Plan de formación para el diseño de políticas públicas de los Consejos de Niñez, Adolescencia y Familia*):** developed together with the Ministry of Social Action for the Province of Jujuy with the aim of strengthening the education and training process of the 10 Local Councils of Childhood and Adolescence in the provincial Municipalities, involving 50 adults from 10 districts.

- Training for 6,375 adults and professionals who work on the childhood issue.
- Indirect benefits for 24,624 boys and girls participating in the proposals.
- Involvement of 146 organizations in 8 provinces.

PUBLICATIONS AND DISSEMINATION

In 2008, the Arcor Foundation developed and sustained 15 publications related to the childhood issue from an educational standpoint. The institutional magazine, issued every four months, continued to be issued with a new editorial format, and with "Tiempo de FundAr" magazine, is

sued in three versions (North-West, North-East and Cuyo-

South Region) to provide the collaborators in each region with information on the activities carried out by the Foundation in each areas. The "InfOEC" Monthly Newsletter was also re-designed, with a more dynamic format and a wider variety of news on the Foundation's territorial initiatives.

The Arcor Foundation's website added a new section called "Dialogues with..." where journalistic interviews were published in relation to childhood, education and rights, with an average of 100,000 visits and queries per month.

SOCIAL AND PUBLIC MOBILITY

Through seminars, workshops, conferences and agreements, the Arcor Foundation fosters the mobilization of other actors of the society, whether public or private, so as to re-create the space of childhood as everybody's commitment.

In 2008, diverse initiatives were advanced in alliance with different organizations pursuing the following lines of actions:

■ Promotion of private social investment in childhood



'Businespeople for Education' in Córdoba: with the purpose of fostering school inclusion and the improvement of the educational quality of children and teenagers, 10 business organizations formed a Consulting Business Council to cooperate in public policies. They developed the program 'Business and School: An Opportunity to Improve' (*Empresa y Escuela: una oportunidad de mejora*).



Companies for Childhood: 'How to work with children? Guidelines on corporate actions from a children's rights perspective' (*¿Cómo trabajar por los chicos? Guía para la acción empresarial desde los derechos de la infancia*) was issued and introduced. In addition, training workshops were held on the application of such guidelines in Buenos Aires, Rosario, Córdoba and Mendoza.

■ Sensitization of mass media and opinion makers to the issue of childhood



'News Organization for the Rights of Childhood' (*Childhood News Organization member of the ANDI Network*): distinctions were awarded to Journalists who are Friends of Childhood.



Agreements with mass media to undertake actions in alliance: seven special issues on childhood were brought out in important graphic media: *Clarín* Newspaper (Buenos Aires), *La Voz del Interior* Newspaper (Córdoba), *La Capital* Newspaper (Rosario - Santa Fe) and *Los Andes* Newspaper (Mendoza). Furthermore, an agreement was executed with Encuentro TV channel, that belongs to the Argentine Ministry of Education, for the production of special TV spots concerning the rights of children.

■ Creation and preservation of alliances



Initiatives were developed in alliance with more than 35 companies, business foundations, universities and international and government bodies.

■ Mobilization initiatives of the community at large



'Dare to see' (*Animarse a Ver*) Program: in order to reach out to teachers and students to see cinematographic works, this Program was carried out in the City of Córdoba, Salta, as well as in Luján and Moreno (Province of Buenos Aires), involving 4,000 boys and girls of state-owned schools and providing training to over 200 teachers.



'A Minute for my Rights' (Un minuto por mis derechos): 25 workshops where 650 boys, girls and adolescents made 75 one-minute videos concerning their rights. Training was provided to 42 workshop coordinators in 11 provinces: Chaco, Corrientes, Misiones, Tucumán, Salta, Jujuy, La Pampa, Córdoba, Santa Fe, Río Negro, Buenos Aires and the City of Buenos Aires.



Program in alliance with the Noble Foundation of the *Clarín* Group: two conferences were held within the framework of the "Childhood on the

Agenda” Sessions on educational quality, the main conclusions were published on a special issue of *Clarín* newspaper. In addition, a report on the current educational quality in Argentina was prepared and, within the framework of the Program with Schools developed in rural schools throughout the country, awards were given for the second edition of ‘Yo te cuento una vez...’.²⁰

ARCOR BRAZIL INSTITUTE: FOR THE CHILDREN IN THE REGION



The Arcor Institute carries through Arcor’s childhood social investment projects in Brazil. Through projects carried out on its own or in alliance with other organizations, the aim is to contribute to equal opportunities for boys, girls and adolescents by supporting comprehensive development educational programs and social inclusion. Within the framework of Arcor Social Investment Policy, in 2008 the Institute went on working to have the initiatives expanded to several locations in Brazil.

Arcor Brazil Institute – Main Impacts

	2007	2008
FINANCED PROJECTS	45	38
BOYS AND GIRLS INVOLVED IN THE PROJECTS	592,043	605,000
ORGANIZATIONS INVOLVED	2,176	8,340²¹
BRAZILIAN MUNICIPALITIES COVERED BY THE PROJECTS	240	373²¹
BRAZILIAN STATES COVERED BY THE PROJECTS	7	11
ARGENTINE PESOS INVESTED	2,404,624 (1.370.000 Br. Reais)	2,486,929 (1.702.800 Br. Reais)
MOBILIZED ARGENTINE PESOS²²	7,127,867 (4.061.000 BR. REAIS)	6,134,075 (4.200.000 BR. REAIS)

OWN PROGRAMS

■ My School Grows

In 2008, the fifth edition of this program was carried out. The goal of the program is to support small projects in state-owned schools that promote the students’ learning and self-confidence, and that strengthen the bonds between the educational institution and the community. 24 projects were implemented in the municipalities of Rio das Pedras, Piracicaba, Capivari, Campinas, Vargem, any Bragança Paulista in the estate of São Paulo, and Cotagem in the state of Minas Gerais. They included: planting vegetable gardens in schools, restoring degraded areas, creating a classical dance center for students with special needs and making a movie concerning the school inclusion of deaf students, among others.

■ Life, Light and Sound

The project is aimed at improving health conditions that may affect school performance, conducting tests for students attending from 1st to 4th grade at schools in poor neighborhoods in order to identify hearing and sight impairments. In 2008 a new module was introduced, extending the project to two municipal schools located near Arcor factory in Bragança Paulista. Hearing and sight tests were obtained from 446 students, with 111 cases being referred to specific medical consultations.

PROGRAMS IN ALLIANCE

■ Friends of the Sea Program

In association with the Tamar Project, this initiative promotes environmental awareness of the protection of the sea turtle and water life in general. In 2008, the fifth edition of the 'Friends of the Sea' Environmental Education Award was given under the motto 'Our always-clean waters', reaching the North East of Brazil for the very first time and involving more than 300,000 students in 1,000 schools throughout 11 Brazilian states.

■ Together for Education Fund

In order to create and boost opportunities for the comprehensive and good-quality education for children of families in need, the second edition of the "Integral Time Education Program" was launched. With the collaboration of 70 organizations, five projects were carried out in Paraíba, giving benefits to more than 15,000 children and adolescents.

■ WCF-Brazil Institute Alliance

Through this Alliance with the Brazilian branch of the World Childhood Foundation, the Arcor Brazil Institute works to offer better living conditions to children and adolescents who are prone to violence, abuse or sexual exploitation. At present, over 400 companies have adhered to the Business Agreement entered into in 2006 against the sexual exploitation of children and adolescents in Brazilian roads. In 2008, the Institute kept working on the 'In the Right Hand' campaign, introducing the Program to the more than 40 associated transporters of Arcor Brazil who operate in the Campinas region, and ratifying its commitment to adopting these measures and guidelines in all chains comprising its relationship network.

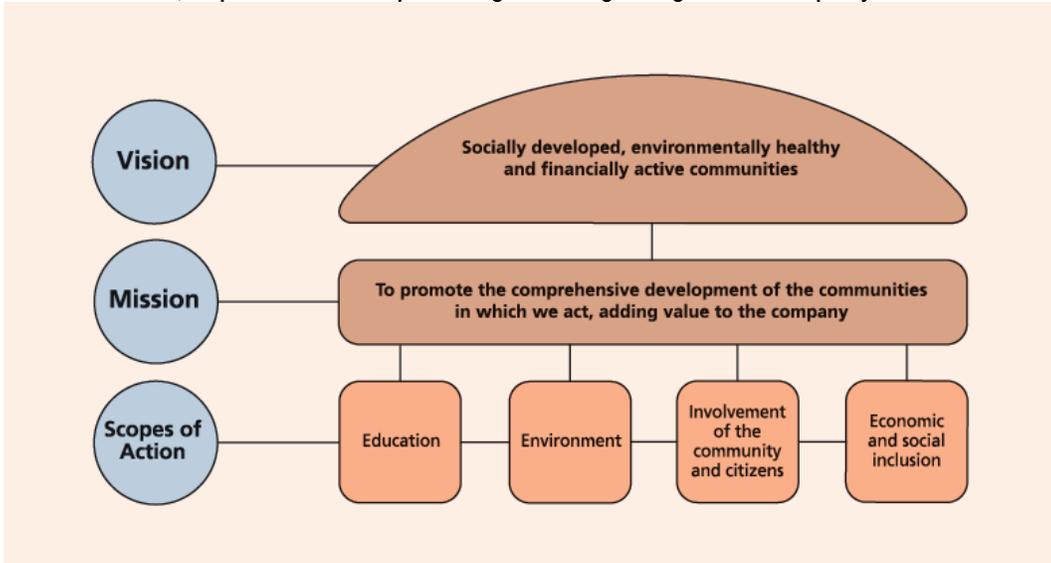
■ *Aliança Intéрге for the North East development*

In 2008, the Arcor Brazil Institute consolidated its participation in the Aliança Intéрге. This public institution created in 1999 gathers international cooperation bodies, private foundations and institutions to create the necessary conditions to achieve the institutional strengthening of the social frame of the North East of Brazil through the sustainable development of actions and policies in the region.

ALONG WITH THIS INSTITUTION, THE 'MOBILIZATION PORTAL' ([HTTP://PORTALMOBILIZAR.CESAR.ORG.BR](http://portalmobilizar.cesar.org.br)) WAS DEVELOPED, AN INNOVATIVE COMMUNICATION MEDIUM PIONEERING INFORMATION-GATHERING ON THE MOBILIZATION OF FINANCIAL RESOURCES, MATERIALS AND TECHNIQUES TO STRENGTHEN SOCIAL ORGANIZATIONS THAT WORK ON THE SUSTAINABLE DEVELOPMENT OF THE NORTH EASTERN REGION. IN 2008, AMONG OTHER INTERACTION ACTIONS, THE PORTAL SET IN MOTION THE AWARD FOR ASSOCIATIONS FOR THE SUPPORTIVE DEVELOPMENT OF THE NORTH EASTERN REGION. ²³

2008 Highlights

Articulation of the Arcor Group social investment with diverse corporate areas, developing initiatives to prevent and abolish child labor, to promote environmental care, responsible inclusive purchasing and strengthening educational quality.



Extension of educational opportunities for childhood to other regions in Brazil.

Implementation of the Community Relationship Program to manage, in a structured manner, all the actions developed by the Arcor Group's products on units in the populations where they interact.

For the second year in a row, development of the study known as '*El Barómetro de la Deuda Social de la Infancia. Condiciones de vida de la niñez y adolescencia*' (Barometer of Childhood Social Debt. Children and Adolescents' Living Conditions) along with *Universidad Católica Argentina*.

Future challenges

To create new local community relationship committees and implement the strategies designed to manage the community relationships in the Arcor Group's production units.

To consolidate social investment programs articulated with other areas of the company.

To continue promoting initiatives to develop educational opportunities for childhood in Argentina and Brazil.

To strengthen the articulation and interchange with private and public entities, and go on promoting initiatives to achieve the actual exercise of children's rights.

Chapter 6

Suppliers, customers and consumers

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SUSTAINABLE MANAGEMENT IN THE VALUE CHAIN

In order to achieve excellence in its products and services, the Arcor Group works on strengthening the relationship with its suppliers, clients and consumers. Arcor seeks to build a long-term relationship of trust with each one of them, promoting social joint responsibility in the value chain.

COMMITMENT TO PRODUCT QUALITY

Using high quality standards is a key commitment that governs the Arcor Group's business behavior. With this in mind, the Group carries out the following actions that go across the entire chain of value:

- It manages its productions with international food quality and safety systems incorporated in the Integral Management System.
- It invests in state-of-the-art equipment and frequent inspections to make sure the equipment is in the best conditions.
- It monitors the relationship between customers and internal suppliers to minimize defects and maximize the supplies efficiency.
- It makes sure processes are standardized and under control to ensure compliance with the products the relevant product through the Quality Assurance System.

In 2008, work continued to be done through an integral and preventive focus on improving the quality of the products and services. Two meetings on quality were held with representatives of the Arcor Group, and specific campaigns were launched according to the needs of each plant or business.

SFQA COMPUTER SYSTEM

The SFQA (System For Quality Assurance) is the computer system used by the plants of the Group to collect, store and evaluate quality control data, evaluate suppliers, conduct statistical analysis, as well as file and control technical specifications.

In 2008, deeper emphasis was placed on works on this new platform, which at present contains the information related to the evaluation of suppliers and the technical specifications of the production materials used within the company. The format has been unified to match all businesses of the Arcor Group.

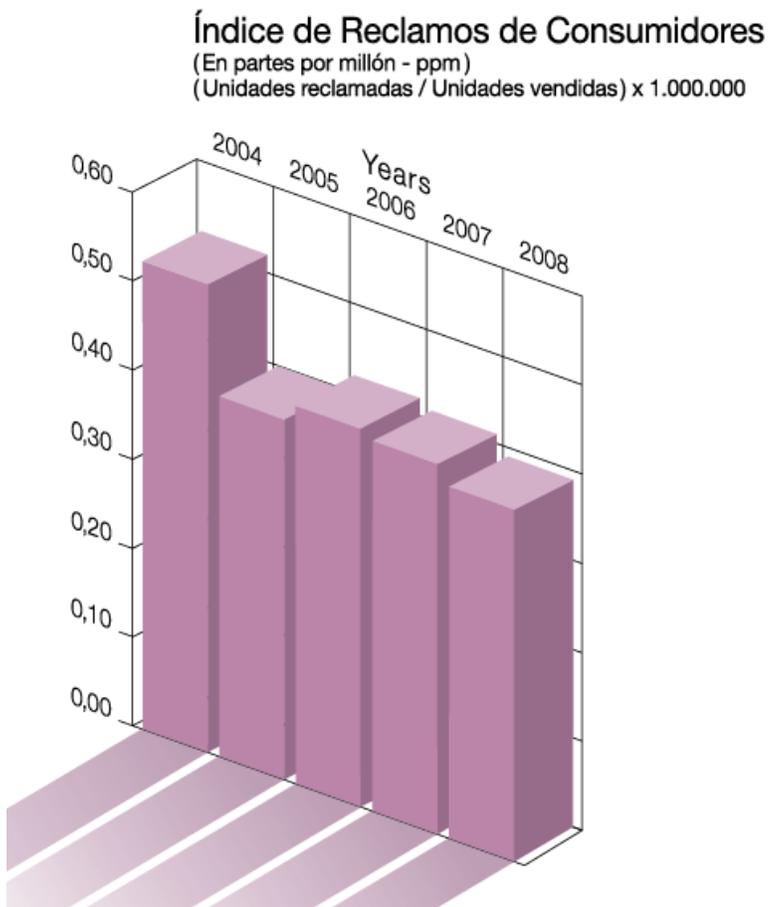
In addition, modules required to collect and analyze quality data have been designed. Estimates suggest that the modules will be implemented in 2009.

DEFECT TREATMENT AND REDUCTION

In 2008, the Group continued working on the consolidation of the Integral Management System, emphasizing the role of process operators to ensure compliance with the established quality parameters.

To avoid any defect, inspection preventive actions were taken regarding raw materials, pieces of equipment and products. The foregoing, along with the maintenance of the equipment and processes basic conditions, the early management in new products and equipments and the implementation of different defect treatment techniques by plant teams, is translated into a sustained reduction of the Consumer Claims Indicator in the last three years:

Consumer Claims Index



In order to guarantee the reduction of this Index in the future, the plan of implementation, certification and maintenance of the food quality and safety standards in the plants will continue within the framework of the SGI.

Other defect prevention activities focus on the work performed with raw materials suppliers to reduce the variability in the quality of the supplies by following sustainable continuous improvement strategies.

Besides, further work on and development of Equipment and Product Early Management methodologies will be undertaken, involving trouble prevention activities in the stages that precede the start-up of a production line or a new product.

All these improvement activities in the productive processes have an integral impact, improving not only the quality of the products, but also the efficiency of processes and their environmental impact, among other aspects.

RELATIONSHIP WITH SUPPLIERS

As the first link of the productive chain, suppliers are a key aspect of the elaboration of quality products and the development of a responsible value chain.

In 2008, the Arcor Group purchased more than 35,000 items from suppliers of raw materials, packaging, ancillary elements and services. Most of these purchases were made from Small and Medium Sized Companies (SMEs) giving support to an essential engine of economic growth.

Furthermore, the company keeps promoting social and environmental joint responsibility, carrying out actions to consolidate socially responsible initiatives in the value chain and multiply good practices to reach other segments of the market where suppliers interact.

Suppliers of the Arcor Group ²⁴

	2007	2008
TOTAL NO. OF ACTIVE SUPPLIERS	10,903	15,101
SUPPLIER PARTICIPATION BY CATEGORY		
RAW MATERIALS	52.6 %	41.3 %
ANCILLARY AND PP&E	12.1 %	10.6 %
PACKAGING	18.4 %	14.4 %
SERVICES	16.9 %	33.7 %
SUPPLIER PARTICIPATION BY SIZE		
LARGE COMPANIES	3.65 %	3.5 %
SMEs	96.35 %	96.5 %

(24) In 2008, the suppliers data systematization system was changed, including the total number of companies of the Group. No supplier concentrates more than 5.2 % of the total purchased volume.

EVALUATION AND DEVELOPMENT OF SUPPLIERS

The Arcor Group evaluates, selects and develops its suppliers following criteria that shape its procurement policy. Through a progressive process to match these criteria, CSR-related items are being incorporated, considering aspects linked to internal audiences and environmental management.

The evaluation of productive materials suppliers comprises two instances:

- The initial evaluation, made within a supplier incorporation process, where functional, commercial and food safety aspects are analyzed.
- The systematic evaluation of the compliance with the company's requirements, made on the selected suppliers, on each lot received.

The evaluation of food safety is recorded in a module of the SFQA known as Supplier Potential Index (SPI), where a predefined survey evaluates, as a prerequisite to approval, the supplier's reliability to prevent contamination of the food product. In cases where the required score is not attained, the quality area advises and monitors the supplier in the preparation of an action plan to develop any detected improvement opportunities. The plan implementation is monitored until a new audit is conducted for the supplier to be incorporated as such.

In 2008, each business channeled its efforts to audit all current and potential suppliers of raw and packaging materials. They also developed a unified methodology to evaluate and rate suppliers that make products under the Arcor brand name, thus ensuring compliance with the production requirements under the Arcor Group's standards.

On the other hand, to go further in strengthening the relationship between the company and its suppliers, in 2008 there was a selection of four strategic suppliers who have a high SPI and contribute with a product that is critical for the business. Within the framework of the development program of such strategic suppliers, seminars were held to build closer bonds between the parties. Such seminars were oriented to developing aspects such as the supplier's reliability, quality certifications, CSR issues, technological advances and logistics optimization, which is translated into sensitive quality and cost improvements for both parties.

ASR PROGRAM WITH SUPPLIERS

In 2008, Arcor kept generating innovative CSR practices with suppliers and promoting joint responsibility in the value chains with which they interact.

Through the ASR Program with Suppliers, the company continued working strategically on three axes:

1. Sensitization and training.
2. Progressive inclusion of CSR guidelines in the supplier selection, rating and evaluation processes.
3. Specific responsible purchasing projects.

Sensitization and training

With these actions, Arcor seeks to align its suppliers to the CSR practices and the procurement criteria established by the company. In 2008, ground was gained through the following:

- Ten sensitization messages were included in the purchase orders issued by Arcor SAIC in order to disseminate CSR important aspects.
- The first edition of the **CSR Training and Monitoring Program for Suppliers** was completed. In this first edition, 30 small and medium sized companies from central Argentina were invited to participate, attending diverse training and exchange meetings. The highlight for the year is that participants designed their own CSR plans, which included, among other actions: preparation of their own code of ethics, initiatives towards the rational consumption of energy, staff care activities and community impact projects.



Base Line
Diagnosis

Process Analysis

Development of CSR Strategies in Value Chain – Suppliers

Progressive incorporation of CSR guidelines in the suppliers selection, rating and evaluation processes

In 2008, Arcor continued implementing the progressive plan aimed at having its current suppliers sign the Letter of Adhesion to Fundamental Principles for a Responsible Management. Launched in 2007, this Letter is a decalogue of values related to the ten principles of the United Nations Global Compact, the international labor standards defined by the International Labour Organization (ILO) and the best corporate practices.²⁵

The adhesion to this letter is a prerequisite for incorporating each new supplier. The purpose of the letter is to have the supply chain commit to the society's development. In 2008, more than 1,200 suppliers adhered to this commitment.

This initiative, jointly with the inclusion of specific CSR issues into the Initial Questionnaire for Suppliers, evidences the Group's commitment to integrating responsible practices into the integral management of its value chain.

Specific Responsible Purchasing Projects

Responsible Inclusive Purchasing Program

Inspired in the experience of the United Workers Cooperative, in 2006 Arcor launched the Responsible Inclusive Purchasing Program in order to include productive businesses of vulnerable social groups in the company's supply chain.

Through this initiative, the company seeks to foster the growth of local economies, improve the quality of life of excluded groups, strengthen community relationships, consolidate cultural values such as equity, tolerance and shared learning, as well as transfer knowledge.

In 2007, the implementation of two pilot tests gave way to the Program's adjustment, highlighting the importance of counting on intermediaries of the social organizations sector and the requirement that potential suppliers have a minimum degree of commercial and productive experience.

Great progress was made in 2008: as part of their performance goals, purchasers of the group known as 'ancillary materials' had to engage in 'Responsible Inclusive Purchasing' throughout the year.

With this in mind, a methodology was designed that included a conceptual document with a brief introduction to the subject, an *ex-ante* evaluation to guide each purchaser to identify and select potential suppliers that meet the criteria defined under the Program, and an *ex-post* evaluation to systematize the experience.

(25) This document was prepared along with other companies within the framework of the panel discussion on Value Chain of the Ministry of Labor, Employment and Social Security of the Argentine Republic.

Productive Reactivation of the United Workers Cooperative

The Productive Reactivation Program, targeted at the United Workers Cooperative (Cooperativa de Trabajadores Unidos – CTU)²⁶ of Campo Herrera, Province of Tucumán, Argentina, was the path chosen by the Arcor Group to improve competitiveness and industrial growth of one of its main sugar suppliers.

Developed jointly by Arcor, the United Nations Industrial Development Organization (UNIDO) and the government of Italy, the project has sought, from its outset, to strengthen a work structure through the strategic, operational and organizational support from each of the actors involved.

In 2008, a five-year phase of support to the CTU came to an end after making important progress, including:

- Production diversification, thanks to the incorporation of strawberries.
- Optimization of facilities, with considerable growth in the sugar cane sowed surface.
- Strengthening of the CTU leadership through the Education Program for Officers.
- Strengthening of the bonds with main customers.
- Participation in the SANA Fair, in Bologna, Italy, with a view to establishing a market abroad.
- Construction of new strawberry packaging facility with storage areas for fertilizers and agrochemicals.
- Certification under Good Agricultural Practices (GAP) for the three crops (sugarcane, strawberry and lemon) and GMP (Good Manufacturing Practices) for strawberry packaging.

Besides, the school of Campo Herrera has been established, created by a founding associate of the Cooperative, for their members' children. At present, 2,000 families of Campo Herrera participate in and benefit from the CTU.

Prevention and Abolishment of Child Labor Project

The purpose of the Prevention and Abolishment of Child Labor Project is to have the company's value chain involved in the prevention and abolishment of child labor through an action plan, the first stage of which is to be developed between 2006 and 2010 on three main axes:

- **Support to studies and research:** participation in surveys, program mapping and providing funds for research on the subject.
- **Mobilization and incidence concerning the issue:** in June 2007, along with more than 60 top-of-the-line companies, Arcor formed the **Network of Enterprises against Child Labor** and is a member of the Network's Directive Board. Following this line, the company has also engaged in the active promotion of a Space for Committed Companies in Mendoza, in order to work jointly with local actors. Core elements of such articulation environments are sensitization and training. Therefore, in 2008, within the framework of the network, training activities were coordinated in San Juan and Buenos Aires. In addition, in the province of Mendoza, along with Valos, Bodegas de Argentina and Cafim, two training get-togethers were held, as well as three experience-exchange meetings among companies.

As far as communication is concerned, Arcor has actively promoted the campaign developed within the Network's framework to commemorate the World Day Against Child Labor on June 12.

- **Community intervention:** following this line of work, Arcor has made progress in developing community intervention strategies in San Martín and Villa Seca (Mendoza), as well as Pocitos (San Juan).

(26) www.ctu.org.ar.

RELATIONSHIP WITH CUSTOMERS

With a network of world-class distributors and other trade channels, including supermarkets and wholesalers, the Arcor Group's distribution strategy is one of its main strengths.

Through its customers, the group's products reach consumers efficiently, providing wide coverage and the best quality.

Arcor Group's Customers, 2007-2008

WHOLESALE	SSUPERMARKETS	OFFICIAL	SELLERS	VISITED SALE POINTS	
2007	2,218	1,012	446	4,531	724,897
2008	2,244	1,537	379	6,300	724,533

Arcor Group's Customers by country, 2008

COUNTRY	WHOLESALE	SUPERMARKETS	OFFICIAL	SELLERS	VISITED SALE POINTS
ARGENTINA	440	31	153	2,931	245,333
BRAZIL	1,007	1,467 ²⁸	103	2,006	243,879
MEXICO	170	7	30 ²⁹	550	75,000
CHILE	344	25	34	408	56,321
PERU	283	7	59	405	104,000

INTEGRATION AND COMMUNICATION

In 2008, the company kept developing contact channels and activities to strengthen its relationship with customers.

Through its institutional magazine, *Tiempo de Encuentro*, Arcor reached out to customers in different countries and also made trips with strategic customers for the firm to know the Group's plants. In turn, throughout 2008, the company met many CSR requirements from its customers.

Furthermore, recently ArcorNet has deepened the relationship with its customers, thus becoming the most important communication platform. Technically known as B2B, it is one of the most complete in the market owing to its content capacity and possibilities of operational interrelation, turning sales circuits and service quality more efficient. In 2008, more than 14,000 transactions a month and 4,000 queries a day were achieved, optimizing its current functionalities, with technological update leading to a decrease in maintenance costs, among other aspects.

Within the framework of this integration plan, and with the aim of continuing consolidating the distributors' network, the project '*Red Siglo XXII*' (XXII Century Network) is under way. This project, certainly one of the most ambitious ones, contributes to the integration through unified and timely information, process standardization and management optimization in order to enhance one of the most important commercial networks in Argentina. Currently, the stage establishing a single management system that allows the generation of homogeneous information has made considerable advances.

Two modules are worthy of note within the 'Red Siglo XXII' project: a module that allows the daily information interchange, and a module that automatizes the distributors' sales force, covering more than 3,000 sellers who reach around 250,000 sales points throughout the country.

In Brazil, distributors received the *Impulso* publication and the *Distriarcor* magazine, a direct communication channel with them. Likewise, they can count on a Logistics Customer Care Service and *Hable Trade*, a site for the communication between trading and distribution. The National Sales Convention and the four product launch tours in 2008 constituted other integration spaces. On the other hand, customers were invited to participate in an emergency operation to respond to heavy floods in the area of Santa Catarina and collect clothes, water and hygiene products, among others.

In the remaining countries where it operates, the company relies on a trade system that combines official with non-exclusive distributors, supermarkets and other wholesale channels.

(27) Data pertaining to the distribution network in countries where the company has industrial presence: Argentina, Brazil, Chile, Mexico and Peru. In the remaining countries where it operates, the company relies on a trade system that combines official with non-exclusive distributors, supermarkets and other wholesale channels.

(28) In 2008, the indicator measurement methodology was modified.

(29) Pertaining to strategic distributors.

Brazil: initiatives to improve customer service

In 2008, within the framework of the PECAM (*Programa de Excelência de Cadeia de Atendimento ao Mercado*, i.e. Excellence Program in the Market Service Chain), the initiatives developed in 2007 were deepened to strengthen the operating and logistic processes along the customer service chain. These included the construction of the Recife and Campaninas Distribution Centers, the implementation of a new shipment strategy and structure and a strategic Customer Service area.

In Peru, the official Distribution process was started in the Provinces, reaching 59 distributors. Further, a more active communication process was carried out between the distributors and the administrative areas of the subsidiary. In addition, improvement was also achieved in the levels of services to distributors, increasing dispatch frequencies. Likewise, there was a reduction on the number of accounts per Arcor supervisor, allowing a better contact with each one. Higher information-gathering became possible through the new Market Audit team, while sales communications and account statements kept being sent.

Besides, as in Mexico, the National Sales Convention was held, as well as loyalty activities on the seller's day in all distributors in the country.

In Chile, the Arcor-

DEU Tour 2008 was organized in four cities, gathering all members of the distribution network in the country to introduce the main launches of the year and the Furniture and Display Racks Project 2008, with the new furniture to be used in the country. Meetings were held from time to time with distributors, as well as telephone calls through the Sales Assistant Team.

TRAINING

In 2008, Arcor kept developing training activities to optimize the commercial network. In Argentina, training activities were carried out in Cuyo, Rosario, Litoral, North West and Central Regions, including training sessions to professionalize the structures and management of several distributors.

In Brazil, within the framework of the Excellence Program, Arcor's principles and values were strengthened, as well as the tools to plan and meet goals. This allowed improving the results of the distributors' evaluation conducted under the Program.

In Peru, training processes for official distributors in subjects such as costs, administrative and logistical management continued. Further, training was provided to commercial structures concerning Arcor's principles and values.

In Chile, training was focused on sales and distributors supervisors throughout the country on several subjects: time management, staff selection, team work and planning, among others.

Looking ahead: Arcor Distributors Direction Program

Jointly with the Business School of Austral University (IAE), in 2008, the Arcor Group launched the Arcor Distributors Direction Program (*Programa de Dirección de Distribuidores Arcor*, or PDDA). This innovative initiative is aimed at fostering and monitoring the professional growth

h of the company's distributors' network strengthening leadership and management tools that will be useful to tackle the challenged yet to come.

The experience of Arcor and its distributors was joined to the background of the IAE professionals to create this tailor-made program. Through team work and case studies, participants developed techniques to enhance the accounting, finance and logistics of their organizations and worked on improving leadership, team management and decision-making skills.

In addition, a module on how to manage family-owned companies was included, as well as another module on CSR, under which the distributors' practices in this area was surveyed.

In 2008, a total number of 98 distributors from areas other than Buenos Aires, the City of Buenos Aires and Greater Buenos Aires conducted the Program. In addition, Arcor's collaborators in charge of the distributors direct management were also involved.

In the words of Walter Gutiérrez for Matidol Distributor, 'Arcor is looking ahead and encourages the network to work alike, creating plans, always going for more more'.

According to Oscar Muriel for Muriel Distributor, this initiative exceeded his expectations: 'Thanks to this experience, we've understood that at a company is not a matter of figures only, it's a matter of people. That's why I really appreciate some of the human resources and communication tools on which we could do a deeper work. Now the challenge is to go deeper'.

RELATIONSHIP WITH CONSUMERS

Through a responsible management, which includes transparent information spaces, attention channels and interaction events, Arcor seeks to offer the best quality at the best price with the best service.

COMMUNICATION AND CONSUMER CARE

The Consumer Care Service (CCS) is one of the Arcor Group's main channels to listen to consumers' queries and claims. In 2008, over 128,900 calls were dealt with at the CCS of the different countries where it does business.

Based in Argentina, the Group also listens to its consumers from Uruguay, Paraguay and Bolivia, and gives advice to the different subsidiaries on consumer-related topics. The ISO 9001:2000 for the CCS was re-certified in 2008, and two internal audits were conducted. A total 32,505 queries were received, 84% via telephone and the rest via email, all of them solved in accordance with the established processes.

The electronic newsletter '*Club de Amigos*' (Friends' Club), a bulletin with information on themes of interest and ongoing promotions forwarded to a database of users who have signed up for the webpage to get to know their interests, expectations and consumer habits, was also continued. The webpage added a list of celiac-disease-awareness products, updated on a regular basis as well as the nutritious information.

Based on consumer experiences arising at the Argentine CCS since 2001, the Consumer Day model was also applied in 2008 with two different formats: a yearly session with 50 consumers taking part in different areas of the company to convey Arcor's values and principles and le

arn on consumer satisfaction; and bimonthly events with sampling and inquiries into consumer preferences on the basis of the requirements of each field. Within this framework, in 2008, the Arcor Consumer Committee was also created in Brazil, holding its first meeting at the company's facilities to become familiar with expectations and convey the Group's values. Various contests took place, new specific websites were launched and newsletters were submitted to become in touch with consumers.

In this period the Brazilian CCS dealt with a total 95,657 queries and claims, including complaints, praise and suggestions. Form the total number of calls, 67% were answered with a computerized answering machine, 23% were solved by personal telephone answering and the remaining 10% via email.

Ethics and transparency in business communication

To this end the Arcor Group willingly joined the following initiatives:

- Argentine Marketing Association
- Advertising Self-Regulation Council
- Argentine Advertising Council
- Argentine Advertising Self-Regulation Code of Ethics
- Brazilian Advertisers Association
- Brazilian Consumer Defense Institute

Policies and common procedures were outlined from the Argentina CCS, and the Brazil and Andes Region CCS were provided with training on the implementation of Gestar, a system to unify the information obtained and the Group's complaint circuit, which will help improve consumer care and claim response.

The Andes Region CCS received 752 calls, answering all 100% of them. A banner was also put on the website with consumers' frequently asked questions, thus speeding up response to the concerns of those contacting the company.

Lights, Camera, Aymoré Mobile Cinema

Thanks to an initiative developed by the Aymoré Cookies Marketing Team, the Aymoré Mobile Cinema truck travelled 8,000 kilometers for six months to bring cinema closer to 60 cities in the states of Minas Gerais, Espírito Santo and Rio de Janeiro, Brazil.

Thus, over 75,000 people enjoyed free pictures for the whole family. This program sought to take culture and entertainment to children and adults in areas with no cinema. Two of the seven daily showings were displayed for not-for-profit organizations and another one for state-owned school students. This was the first cinema experience for many people.

ARCOR GROUP'S COMMITMENT TO HEALTHY LIFE HABITS

In 2007, Arcor developed this commitment in order to encourage a better quality of life among collaborators, consumers and in society as a whole, through actions including promoting a balanced diet, exercise, giving up addictions, and a gradual check of substances and processes involved in food preparation.

In order to implement the actions that would be conducted within this commitment in the company, since the moment it was launched, a multidisciplinary Healthy Life Habits Committee was put together to explore different initiatives to develop.

In 2008 various training sessions took place to analyze how to add the following lines of action to the company's activities: assessment of the

e nutritious features of products, improvement of products' nutritious profile, and development of nutritionally balanced product lines and products with modified fat, sugar, salt and essential nutrients.

The coordination of this initiative with other company programs was also worked on, including actions concerning the quality of labor life. An Intranet section dedicated to healthy life was also created, where information on this subject is published on a regular basis.

Social-conscience nougat

In 2008, the Arcor Group launched jointly with UNICEF Argentina and the Arcor Foundation a child education campaign, while encouraging healthy diet habits at the same time.

With the purchase of a limited-edition nougat, fortified with vitamin A, C and D, contributions were made to the educational projects carried out by UNICEF in Argentina to reduce the level of repeating first grade. The promotion 'Win a cinema for your school' was also conducted together with the Arcor Foundation, giving schools with the biggest number of wrappings a total of 19 school cinemas comprised by multimedia equipment, films and educational material for teachers.

2008 Highlight

Preparation of CSR plans for small and medium-sized companies outside Buenos Aires within the framework of the First CSR Education and Support Program for Arcor Group Suppliers.

Launch of the Aymoré Mobile Cinema to bring the cinema closer to over 75,000 people from 60 cities in the states of Minas Gerais, Espírito Santo and Rio de Janeiro, Brazil.

Launch of the Arcor Distributors' Management Program together with the Business Administration School of the Austral University (IAE) to accompany the professional development of the company's distributor network.

Launch of the Nougat Program with UNICEF to help child education and encourage healthy diet habits.

Future challenges

To continue developing initiatives within the framework of the Arcor Group's Commitment to Healthy Life Habits, in order to encourage a better quality of life among collaborators, consumers and in society as a whole.

To continue working through an integrated, preventive approach to improve the quality of the Arcor Group's products and services.

To expand the Arcor Distributors' Management Program to all the Group's exclusive distributors in Argentina.

To follow up on the CSR Education and Support Program for Suppliers in other areas of Argentina.

GRI GUIDELINES AND UNITED NATIONS GLOBAL COMPACT

This 2008 Sustainability Report was prepared according to the “C” application level of the Global Reporting Initiative – GRI Guidelines.

In October 2006, GRI launched its third generation of guidelines for sustainability reporting, called the G3 Guidelines, prepared on a ‘multi-stakeholder’ basis, increasing its credibility and making it a more rigorous tool for accountability. For more information on GRI visit www.globalreporting.org.

Below is a GRI Indicator Table specifying the pages of the Report on which to locate the specific indicators. This table also shows Arcor’s compliance with the 10 Principles of the United Nations Global Compact and the commitment to elaborate annually its Communication on Progress (COP).

Compliance with the United Nations Global Compact

Indicators in orange show compliance with the 10 principles of the United Nations Global Compact.

1. Vision and strategy

- 1.1 Statement from most senior decision-maker.
- 1.2 Description of key impacts, risks and opportunities.

2. Profile

Organizational Profile

- 2.1 Name of the organization.
 - 2.2 Primary brands, products and/or services.
 - 2.3 Operational structure of the organization.
 - 2.4 Location of headquarters organization's.
 - 2.5 Countries where it operates.
 - 2.6 Nature of ownership and legal form.
 - 2.7 Markets served.
 - 2.8 Scale of the reporting organization.
 - 2.9 Significant changes during reporting period.
 - 2.10 Awards received.
-

3. Report Parameters

Report Profile

- 3.1 Reporting period for information provided.
- 3.2 Date of most recent previous Report.
- 3.3 Reporting cycle.
- 3.4 Contact point for questions regarding the report.

Report scope and boundary

- 3.5 Process for defining report content.
- 3.6 Boundary of the Report.
- 3.7 Limitations on the scope.
- 3.8 Aspects that may affect comparability.
- 3.9 Data measurement techniques and the bases of calculations.
- 3.10 Explanation of the effect of any re-statements of information provided in earlier reports.
- 3.11 Significant changes from previous reporting periods in the scope and boundary.

Page

GRI content index

- 3.12 Location of the Standard Disclosures in the report, identifying page numbers or web links.

Assurance

- 3.13 Policy and current practice with regard to seeking external assurance for the report.
-

4. Governance, commitments, and engagement with stakeholders

Governance

- 4.1 Governance structure of the organization.
 - 4.2 Indicate whether the Chair of the highest governance body is also an executive officer.
-

- 4.3 Board members that are independent or non-executive members.

- 4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.

- 4.5 Linkage between compensation for members of the highest governance body.

- 4.6 Processes in place for the Board to ensure conflicts of interest are avoided.

- 4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's.

- 4.8 Statements of mission or values, codes of conduct, and principles on sustainability.

- 4.9 Procedures of the Board for overseeing identification and management of sustainability.

- 4.10 Processes for evaluating the highest governance body's own performance.

Commitments to external initiatives

- 4.11 Precautionary approach or principle.

- 4.12 Externally developed economic, environmental, and social charters / principles.

- 4.13 Memberships in associations.

Stakeholder engagement

- 4.14 List of stakeholder groups engaged by the organization.

Page

- 4.15 Basis for identification and selection of stakeholders with whom to engage.

- 4.16 Approaches to stakeholder engagements.

- 4.17 Key topics and concerns that have been raised through stakeholder engagement.

ECONOMIC PERFORMANCE INDICATORS

Economic Performance

- EC1 (P) Direct economic value generated and distributed

- EC2 (P) Financial implications and other risks and opportunities due to climate change.

- EC3 (P) Coverage of the organization's defined benefit plan obligations.

- EC4 (P) Significant financial assistance received from government.

Market presence

EC5 (A) Range of ratios of standard entry level wage compared to local minimum wage.

EC6 (P) Policy, practices, and proportion of spending on locally-based suppliers.

EC7 (P) Procedures for local hiring and proportion of senior management hired from the local community.

Indirect economic impacts

EC8 (P) Development and impact of infrastructure investments and services provided primarily for public benefit.

EC9 (A) Understanding and describing significant indirect economic impacts.

SOCIAL PERFORMANCE INDICATORS

LABOR PRACTICES AND DECENT WORK

Employment

LA1 (P) Total workforce by employment type, employment contract, and region.

LA2 (P) Total number and rate of employee turnover by age group, gender, and region.

LA3 (A) Benefits for full-time employees that are not provided to temporary or part-time employees.

Labor/Management Relations

LA4 (P) Percentage of employees covered by collective bargaining agreements.

LA5 (P) Minimum notice period(s) regarding operational changes.

Occupational Health and Safety

LA6 (A) Percentage of total workforce represented in formal joint management–worker health and safety committees.

LA7 (P) Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region.

LA8 (P) Education, training, counseling, prevention, and risk-control programs regarding serious diseases.

LA9 (A) Health and safety topics covered in formal agreements with trade unions.

Training and education

LA10 (P) Average hours of training per year per employee by employee category.

LA11 (A) Programs for skills management and lifelong learning to employees.

LA12 (A) Percentage of employees receiving regular performance and career development reviews.

Diversity and equal opportunities

LA13 (P) Composition of governance bodies and breakdown
of employees per category according to gender,
age group, minority group membership.

Page

LA14 (P) Ratio of basic salary of men to women by
employee category.

SOCIAL PERFORMANCE INDICATORS: HUMAN RIGHTS

Investment and supply practices

HR1 (P) Percentage and total number of significant
investment agreements that include human rights clauses.

HR2 (P) Percentage of significant suppliers and contractors that have
undergone screening on human rights and actions taken.

HR3 (A) Total hours of employee training on policies and
procedures concerning aspects of human rights.

Non-discrimination

HR4 (P) Total number of incidents of discrimination
and actions taken.

Freedom of association and collective bargaining

HR5 (P) Operations identified in which the right to exercise
freedom of association and collective bargaining
may be at significant risk, and actions taken to
support these rights.

Child labor

HR6 (P) Operations identified as having significant risk
for incidents of child labor, and measures taken
to contribute to the elimination of child labor

Forced or compulsory labor

HR7 (P) Operations identified as having significant risk
for incidents of forced or compulsory labor,
and measures to contribute to the elimination
of forced or compulsory labor.

Security practices

HR8 (A) Percentage of security personnel trained
in human rights.

Indigenous Rights

HR9 (A) Incidents of violations involving rights of
indigenous people and actions taken.

SOCIAL PERFORMANCE INDICATORS: SOCIETY

Community

SO1 (P) Programs and practices that assess and manage
the impacts of operations on communities.

Corruption

SO2 (P) Percentage and total number of business units
analyzed for risks related to corruption.

SO3 (P) Percentage of employees trained in anti-corruption.

SO4 (P) Actions taken in response to incidents of corruption.

Public policy

S05 (P) Public policy positions and participation in public policy development and lobbying.

S06 (A) Total value of financial and in-kind contributions to political parties, politicians, and related institutions.

Anti-competitive behavior

S07 (A) Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.

Regulatory behavior

S08 (P) Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.

SOCIAL PERFORMANCE INDICATORS:

PRODUCT RESPONSIBILITY

Customer health and safety

PR1 (P) Life cycle stages in which health and safety impacts of products and services are assessed.

Product and service labeling

PR2 (A) Total number of incidents of non-compliance with regulations and voluntary codes.

PR3 (P) Type of product and service information required by procedures.

PR4 (A) Incidents of non-compliance concerning product and service information and labeling.

PR5 (A) Practices related to customer satisfaction.

Marketing communications

PR6 (P) Programs for adherence to laws, standards, and voluntary codes related to marketing communications.

PR7 (A) Incidents of non-compliance with regulations on marketing communications.

Customer privacy

PR8 (A) Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

Compliance

PR9 (P) Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

ENVIRONMENTAL PERFORMANCE INDICATORS

Materials

EN1 (P) Materials used by weight or volume.

EN2 (P) Percentage of materials used that are appraised.

Energy

EN3 (P) Direct energy consumption by primary energy source.

EN4 (P) Indirect energy consumption by primary energy source.

EN5 (A) Energy saved due to conservation and efficiency improvements.

EN6 (A) Initiatives to provide energy-efficient or renewable energy products and services.

EN7 (A) Initiatives to reduce indirect energy consumption.

Water

EN8 (P) Total water withdrawal by source.

EN9 (A) Water sources significantly affected

by withdrawal of water.

EN10 (A) Percentage and total volume of water recycled and reused.

Biodiversity

EN11 (P) Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

Page

EN12 (P) Description of significant impacts on biodiversity in non-protected and protected areas.

EN13 (A) Habitats protected or restored.

EN14 (A) Strategies, current actions, and future plans for managing impacts on biodiversity.

EN15 (A) Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations.

Emissions, discharges and waste

EN16 (P) Total direct and indirect greenhouse gas emissions by weight.

EN17 (P) Other relevant indirect greenhouse gas emissions by weight.

EN18 (A) Initiatives to reduce greenhouse gas emissions and reductions achieved.

EN19 (P) Emissions of ozone-depleting substances by weight.

EN20 (P) NO, SO, and other significant air emissions by type and weight.

EN21 (P) Total water discharge by quality and destination.

EN22 (P) Total weight of waste by type and disposal method.

EN23 (P) Total number and volume of significant spills.

EN24 (A) Weight of transported, imported, exported, or treated waste deemed hazardous.

EN25 (A) Details of water and habitats significantly affected by discharges of water and runoff.

Products and services

EN26 (P) Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

EN27 (P) Percentage of products sold and their packaging materials that are reclaimed by category.

Compliance with laws and regulations

EN28 (P) Significant fines and non-monetary sanctions for non-compliance with environmental law.

EN29 (A) Significant environmental impacts of transporting products and other goods and materials used.

Overall

EN30 (A) Total environmental protection expenditures and investment by type.

Explanations:

N/R: Indicator not reported by the company.

N/A: Indicator not applicable to the company's business.
Any other explanation is specified in the notes below.

Notes:

- (1) No significant changes took place in 2008 in the size, structure and ownership of the organization.
- (2) Explanations on data measurement techniques and the re-statement of information from earlier reports are found in footnotes of indicator chart throughout the Report.
- (3) The Chairman of the Board is also the CEO of the company.
- (4) The company's top management took part in the process to communicate the ASR Policy, and through regular reports from ASR Management it is kept apprised of progress on the matter within the company.
- (5) The Arcor Group's level staff is included in a Pension Plan scheme with established contributions. Staff expatriated or relocated to another country outside his original place of residence is given a benefit pack conducive to covering the social security aspect of his relocation. In 2008, the scope of the optional life insurance benefit was extended to include heads of departments and operational managers.
- (6) The Arcor Group's Code of Ethics and Behavior sets forth the company's commitment to give priority to local populations when hiring collaborators and suppliers.
- (7) In all countries where the company operates, a large portion of managerial posts are filled by native professionals.
- (8) The company complies with the legislation currently in force on this field.
- (9) Wages are defined on the basis of the position and performance, irrespective of gender.
- (10) No significant incidents, claims or non-compliance events took place in 2008.
- (11) The company encourages freedom of association and 83% of its staff is covered by collective bargaining agreements.
- (12) No operations with a risk of forced or compulsory work took place in 2008.
- (13) Though no incidents of this kind occurred, the company adopted the Conflict of Interest Procedure on a preventive basis.
- (14) In 2008, the company made no contributions to political parties and related institutions.
- (15) The Arcor Group's finished products meet international regulations and those in force in the countries where the company operates.
- (16) The company observes applicable legislation in the field. The availability of official data on water resources is currently being analyzed, allowing complete reporting of the indicator.

This Report, together with previous Sustainability Reports, is available on the corporate website: www.arcor.com.ar. To request a printed copy email to rse@arcor.com.ar.

The Arcor Group around the world

BUSINESS OFFICES

- **ARCORPAR S.A. - Asunción, Paraguay (1976)**
- **VAN DAM S.A. - Montevideo, Uruguay (1979)**
- **ARCOR USA INC. - Miami, USA. (1993)**
- **INDUSTRIA DOS EN UNO DE COLOMBIA LTDA. - Bogotá, Colombia (1998)**
- **UNIDAL ECUADOR S.A. - Guayaquil, Ecuador (1998)**
- **UNIDAL MEXICO S.A. DE C.V. - México D.F., México (2000)**
- **ARCOR CANADA INC. - Toronto, Canada (2001)**
- **ARCOR A.G. (S.A., LTD.) BRANCH OFFICE IN SPAIN - Barcelona, Spain (2002)**
- **LA SERRANA S.A. - Santa Cruz de la Sierra, Bolivia (2004)**
- **ARCOR A.G. (S.A., LTD.) BRANCH OFFICE IN AFRICA - South Africa (2005)**
- **UNIDAL VENEZUELA S.A. - Caracas, Venezuela (2005)**
- **ARCOR A.G. (S.A., LTD.) BRANCH OFFICE IN SHANGAI - China (2006)**
- **GAP REGIONAL SERVICES S.A. - Montevideo, Uruguay (2008)**

INDUSTRIAL PLANTS

ARGENTINA

- ARCOR S.A.I.C. - Arroyito, Córdoba (1951)
- CARTOCOR S.A. - Arroyito, Córdoba (1959)
- CONVERFLEX ARGENTINA S.A. - Villa del Totoral, Córdoba (1960)
- ARCOR S.A.I.C. - La Reduccion, Tucumán (1970)
- LA CAMPAGNOLA S.A.C.I. - San Rafael, Mendoza (1972)
- BAGLEY ARGENTINA S.A. - Villa del Totoral, Córdoba (1975)
- ARCOR S.A.I.C. - San Pedro, Buenos Aires (1978)
- CARTOCOR S.A. - Paraná, Entre Rios (1980)
- FRUTOS DE CUYO S.A. - Villa Krause, San Juan (1985)
- CARLISA S.A. - Recreo, Catamarca (1987)
- DULCIORA S.A. (PLANT 1) - Villa Mercedes, San Luis (1987)
- DULCIORA S.A. (PLANT 2) - Villa Mercedes, San Luis (1987)
- CONVERFLEX S.A. - Villa Mercedes, San Luis (1987)
- PRODUCTOS NATURALES S.A. - Villa Mercedes, San Luis (1987)
- CANDY S.A. - Recreo, Catamarca (1988)

- ALICA S.A. - Recreo, Catamarca (1988)
- FLEXIPRIN S.A. - Recreo, Catamarca (1988)
- ARCOR S.A.I.C. - Energetic Plant - Arroyito, Cordoba (1994)
- ARCOR S.A.I.C. - Colonia Caroya, Córdoba (1994)
- ARCOR S.A.I.C. - Río Seco, Tucumán (1994)
- BAGLEY ARGENTINA S.A. - Salto, Buenos Aires (1995)
- CARTOCOR S.A. - Luján, Buenos Aires (1997)
- ARCOR S.A.I.C. - Cookies Plant - Córdoba, Córdoba (1997)
- LA CAMPAGNOLA S.A.C.I. - Arroyo Seco, Santa Fe (1997)
- ARCOR S.A.I.C. - San Luis, San Luis (1998)
- CONVERFLEX ARGENTINA S.A. - Luján, Buenos Aires (2004)
- BAGLEY ARGENTINA S.A. - Villa Mercedes, San Luis (2005)
- LA CAMPAGNOLA S.A.C.I. - Mar del Plata, Buenos Aires (2005)
- LA CAMPAGNOLA S.A.C.I. - San Martín, Mendoza (2005)
- LA CAMPAGNOLA S.A.C.I. - Choele Choel, Río Negro (2005)

BRAZIL

- ARCOR DO BRASIL LTDA. - Piracicaba, San Pablo (1981)
- ARCOR DO BRASIL LTDA. - Bragança Paulista, San Pablo (1999)
- BAGLEY DO BRASIL ALIMENTOS LTDA. - Campinas, San Pablo (2005)
- BAGLEY DO BRASIL ALIMENTOS LTDA. - Belo Horizonte, Minas Gerais (2005)
- ARCOR DO BRASIL LTDA. - Pernambuco (2007)

CHILE

- ALIMENTOS INDAL S.A. - Los Andes (1989)
- INDUSTRIA DE ALIMENTOS DOS EN UNO S.A. (PLANT 1) - Santiago de Chile (1998)

- INDUSTRIA DE ALIMENTOS DOS EN UNO S.A. (PLANT 2) - Santiago de Chile (1998)
- CARTOCOR CHILE S.A. - Santiago de Chile (2007)

MEXICO

- MUNDO DULCE S.A. DE C.V. - Toluca, Mexico (2006)

PERU

- ARCOR DE PERU S.A. - Chancay (1996)

WE WISH TO HEAR FROM YOU

The following Opinion Form is for you to send us your comments and suggestions to improve our Sustainability Reports in the future.

You may fax it to 5411-4310-9501, email it to rse@arcor.com.ar or mail it to the following address: GRUPO ARCOR - Gerencia Corporativa de Responsabilidad Social Arcor - Maipú 1210. Piso 6° - C1006ACT – Ciudad Autónoma de Buenos Aires - República Argentina.

Opinion Form

1) WHAT IS YOUR CURRENT ENGAGEMENT WITH THE COMPANY?

EMPLOYEE CUSTOMER CONSUMER SUPPLIER COMMUNITY OTHER:

2) HOW MUCH OF THIS REPORT DID YOU READ?

ENTIRELY A SIGNIFICANT PART VERY LITTLE ALMOST NONE OF IT

3) HOW DO YOU FEEL ABOUT THE LENGTH OF THIS REPORT?

SHORT PROPER LONG

4) OVERALL OPINION ON THE REPORT

VERY GOOD GOOD REGULAR BAD

OVERALL OPINION

RELEVANCE OF THE INFORMATION

WORDING AND LANGUAGE

LAYOUT

5) OPINION ON THE CONTENTS OF EACH CHAPTER

VERY GOOD GOOD REGULAR BAD

MESSAGE FROM THE PRESIDENT

MESSAGE FROM THE ASR MANAGER

ARCOR GROUP PROFILE

ARCOR GROUP AND ASR

EMPLOYEES

OCCUPATIONAL AND ENVIRONMENTAL SAFETY

ARCOR GROUP'S SOCIAL INVESTMENT

SUPPLIERS, CUSTOMERS AND CONSUMERS

GRI GUIDELINES AND UNITED NATIONS GLOBAL COMPACT

6) WHAT OTHER INFORMATION WOULD YOU LIKE TO FIND ON UPCOMING REPORTS?

7) DO YOU HAVE ANY OTHER COMMENT ON OUR 2008 SUSTAINABILITY REPORT?

FULL NAME:

YOUR ORGANIZATION:

ADDRESS:

PROVINCE/COUNTRY:

TELEPHONE NUMBER:

EMAIL:

THANK YOU VERY MUCH!

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