

# 2010 SUSTAINABILITY REPORT



*Building a future  
for everybody*



*Magical Moments*

*"It's too late to be a pessimist... It's time to come together.*

*What's important is not what's gone, but what remains.*

*We know that the solutions are there today.*

*We all have the power to change. So what are we waiting for?"*

## 2010 SUSTAINABILITY REPORT

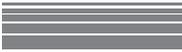


*Magical Moments*



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# Message from the President

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As part of the business sector, we play a relevant role in the transformations needed to obtain a sustainable society, and this demands that we make concrete efforts in order to balance our economic impact with our social and environmental ones.

In the case of Arcor Group, since our beginnings we have introduced socially responsible practices and have taken on a major commitment to the environmental cause and the development of the communities we are part of.

As we began to grow and our impact on society increased, we focused on consolidating a sustainable management and this has been a distinctive feature of our business practice. During 2010, we took up, once more, a new challenge: to strengthen the advantage of Sustainability for the business and to consolidate its transversal management.

Within this context, we seek to implement a sustainability vision in all company business branches and people we relate to. We have been developing long-term strategies which have allowed us to keep on growing as a company together with a solid team, where constant dialogue and the development of lasting relations with different stakeholder groups are key factors.

We are aware that generating a fairer, more inclusive and equitable society implies the creation of value shared by all social actors. We face big challenges and have huge opportunities awaiting us.

We therefore invite each person we relate to -our staff, suppliers, customers and consumers- to join us in this commitment in order to build together a sustainable future for all.



*Luis Pagani*  
President of Arcor Group

# Message from the Executive Director

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Through sustained growth, Arcor Group has consolidated itself as a leading company in the Argentine economy and has come to be one of the most important and respected companies in the country and in the region.

After almost 60 years from its foundation, we are convinced that a great part of this growth has been grounded on solid, genuine and lasting values which have established the way of doing business since its beginnings, with the conviction that the economic development of the company should be in harmony with social welfare and inclusion, and with the appreciation, preservation and protection of the environment.

These values together with a talented and committed human team, the expansion of the brand value, a consistent exports policy and the permanent reinvestment of profits in industrial, technological and commercial developments are the central pillars which have allowed us to become one of the biggest confectionery, cookies and crackers companies worldwide.

2010 was a year of great satisfactions. With sales over 2.6 billion dollars, we focused on the consolidation of our brands in the market and continued producing new ideas in order to satisfy our consumers' demands.

Furthermore, through the formulation of corporate policies and programs with our stakeholders, we have worked in the development of our employees, in the strengthening of the value chain and in the systematic contribution towards the generation of human and social capital. These actions are centered on a model of sustainable business which brings about economic, social and environmental benefits in a simultaneous way; and is based on Arcor's Sustainability Policy signed by Arcor Group's leaders in 2010. Within this framework, another substantial advance regarding corporate governance has been the creation and implementation of Arcor's Sustainability Committee composed of the top-tier leaders of the company.

Arcor Group's sixth Sustainability Report reflects, in a clear way, our commitment to the development of initiatives and programs which add value to all stakeholders we relate to. Moreover, through this document we communicate our progress in the implementation of the 10 principles of the United Nations Global Compact, to which we adhered in 2004.

We invite you to read this publication and hope to receive your feedback in order to keep improving the preparation of these reports and our performance in all areas, building solid and lasting relationship with our stakeholders in pursuit of sustainable development.



A handwritten signature in black ink, which appears to read 'Osvaldo Baños'. The signature is stylized and fluid, with a long horizontal line extending from the end of the name.

*Osvaldo Baños*  
*Executive Director of Arcor Group*

# Arcor Group and Sustainability

## Great progress, great challenges

Population growth, poverty, inequality, health, education, drinking water shortage, climate change: the world faces great challenges which affect the way in which societies live and develop, having an impact on the traditional models for doing business. Within this context, a successful company will be, in the long run, a company which effectively manages these risks and opportunities; adapting to changes and identifying new ways of growth and innovation.

Aware of this reality, since our beginnings we have strived to manage our business based on the generation of economic, social and environmental value. This philosophy and long-term vision have been driving the operation of our company for 59 years and have consolidated themselves as a gradual and transversal process in all our business and stakeholders.

In this context, the year 2010 has been a period of major advances as well as great challenges. During this year we have launched **Arcor's Sustainability Strategy** which seeks to strengthen the advantage of sustainability for the business and to consolidate its transversal management.

A 2010-2013 Action Plan -structured in 3 pillars, developed hereinbelow- was defined in order to accompany this Strategy. In this report, an account of the progress of each pillar is given:

**For Arcor, Corporate Sustainability consists of a business approach which creates long-term value, taking advantage of the opportunities and managing the risks derived from economic, social and environmental development.**



### ARCOR'S SUSTAINABILITY STRATEGY - STRATEGIC PILLARS -

#### SUSTAINABILITY IN THE BUSINESS STRATEGY

To integrate environmentally and socially responsible practices across the value chain, through innovative and proactive actions.

#### SUSTAINABILITY IN STAFF PERFORMANCE

To promote, support, monitor and evaluate the performance of the company's staff from a Sustainability perspective.

#### SUSTAINABILITY IN THE MANAGEMENT SYSTEM

To establish a transversal Sustainability management system in all company areas.

# Sustainability in the business strategy

The main objective of this pillar is to offer greater clarity on the value and advantage that a sustainability perspective brings to the business. In this sense, the first step we took was to identify and understand in depth the sustainability elements that have to be taken into account in order to successfully support the company's future strategy and then, define our commitment in relation to them.

Therefore, in 2010 we developed the sustainability Opportunity-Risk Matrix for the company, established a Conceptual Framework, defined the Policy for the whole of Arcor Group and made progress in identifying the priority lines of action and in integrating this perspective within the operational planning of Arcor Group's business.

As a result of this process, the 2011 Operational Plans have integrated this dimension which accounts for the commitments to sustainability undertaken by the company and the established priority action issues.

## Arcor's Sustainability Policy

Our development is grounded on innovative and sustainable practices that aim at influencing different actors of the markets and societies in which we operate in order to generate value for all our stakeholders.

Based on the interrelation among the three dimensions (economic, social and environmental) and on our roots, values, principles, mission and motivation, we have adopted the following commitments, which make up Arcor's Sustainability Policy:



## General Commitment to Sustainable Development

- To establish a sustainable management of all processes, balancing economic, social and environmental dimensions.
- To promote the integral development of surrounding communities and contribute to the sustainable development of the regions in which we operate.
- To support and respect the protection of human rights within our area of influence, making sure we are not accomplices in human rights violations.
- To facilitate and sponsor actions and projects for the promotion of sustainability and human development.
- To apply the best environmental conservation practices, minimizing and compensating the impacts of our operations.
- To promote awareness and training programs aimed at raising the consciousness of each member of our company and of all of our value chain, as active agents in the construction of a corporate culture committed to sustainability.



## Specific commitments

Apart from our general commitment to sustainable development, we have taken on five specific commitments to the most relevant and priority issues for our business, from this perspective:



### Rational use of water

Water is an essential natural resource for life on our planet, for the survival of the human being and for the production of food. We understand that the responsible management of water resources is absolutely necessary, in order to contribute to its conservation



### Energy efficiency and minimization of impacts that contribute to global climate change

The influence of GHG (Greenhouse Gas) emissions in climate change and the increasing concern about energy shortage are known worldwide. Consequently, the world is moving towards a low carbon economy and a constant search to raise energy efficiency standards.



### Rational use of packaging

One of the biggest challenges for companies that market packaged products is the design and management of the packaging used. This generates impacts on several stages: from the protection of the product to the logistics, sale and final disposal.



### Active life and healthy nutrition

Malnutrition is one of the biggest challenges of our times featuring undernourishment and the lack of healthy living habits. Under these conditions, global demands and pressures have increased, encouraging all sectors of society and companies in particular, to incorporate practices aimed at dealing with these social challenges.



### Respect and protection of human and labor rights

Human rights are important both for individuals and for the organizations the individuals create. The responsibility of respecting human and labor rights is not limited to governments or states. Companies have the responsibility of respecting those rights in the workplace as well as in their wider areas of influence, integrating this new way of thinking and acting in business.

## Sustainability in staff performance<sup>(1)</sup>

With the aim of integrating sustainability in staff performance, promoting transversal management within the organization while involving all people as active agents of this process, during 2010 we have made progress in two complementary ways. On the one hand, in the definition and implementation of a **General Awareness, Communication**

**and Training Plan** on the new Strategy so that all members of the company, may, in a progressive way and in levels, regardless of their position, learn about, understand and commit to the concept of sustainability and its relationship with sustainable management. The idea was to mobilize more than to inform, in order to make people aware of the fact that a sustainable

vision contributes not only to the business but also to each one of them as citizens.

On the other hand, we have made progress in the development of a plan in order to incorporate the dimension of sustainability into the Performance Management System of Arcor Group's staff.

(1) For further information see "Employees" chapter.

## We therefore commit ourselves to:

- Promote the efficient management of the water we use, reducing its consumption, recycling it and replacing it according to the existing technical conditions.
- Involve our value chain in the implementation of good water management practices, promoting the reduction, reuse and recycling of its consumption.

- Adopt, promote and stimulate initiatives for the rational use of energy through efficient consumption, aiming at contributing to the conservation of natural resources.
- Undertake a pro-active and preventive approach in relation to the environmental challenges through the adoption of clean processes and technologies and a low use of carbon.
- Prevent contamination and stimulate the practice of reduction, reuse and recycling of materials, in the development and manufacturing processes of our products.

- Optimize the use of packaging materials in all our products.
- Support technological research and development projects that contribute to the minimization of the environmental impacts caused by the packaging of our products.
- Raise awareness and promote best practices for waste management and final disposal of packaging across our value chain.

- Promote healthy living habits, in particular a healthy diet, physical activity and the overcoming of addictions.
- Contribute to the scientific assessment of the nutritional properties and the effects on health of the substances that are found in food.
- Manufacture food that adds pleasure to nutrition, meeting all consumer needs.
- Research and develop lines of products that are in accordance with the recommendations of the World Health Organization and the national health plans, considering the acceptability of the products and the available technologies.
- Use only ingredients which are considered to be safe according to the criteria of the World Health Organization, in the manufacture of our products.
- Adopt responsible advertising practices aimed at promoting healthy lifestyles.

- Comply with the legislation in force, guaranteeing decent working conditions, career development, improvement of knowledge and equal opportunities, involving our value chain in this commitment.
- Respect voluntary labor unions and recognize the right to collective bargaining.
- Contribute to the elimination of all kinds of forced labor and child labor.
- Promote practices that contribute to inclusion and diversity in the areas in which the company operates.
- Facilitate and support actions and projects that contribute to the generation of equal opportunities for children.

## Sustainability in the management system<sup>(2)</sup>

Another one of the milestones reached in 2010 was the implementation of an organizational structure for the governance and management of sustainability, reporting to the top tier executives of the company, including the creation of Arcor's Sustainability Committee and the Sustainability Corporate Management.

- Arcor's Sustainability Committee (ASC) is responsible for the adoption

of corporate sustainability policies and guidelines which are part of the company's strategy and business plans. It is led by the Executive Director, it is composed of members representing Arcor's top tier management, and it is coordinated by the Sustainability Corporate Manager.

- Arcor's Sustainability Corporate Management (ASCM) is responsible for the definition of the mechanisms, parameters, processes and indicators

that allow the implementation of the policies and guidelines throughout the company.

It aims at guaranteeing, supporting and monitoring the development of sustainability plans for each area or business, grounded on corporate strategic planning.

(2) For further information, see "Arcor Group's Profile" chapter.

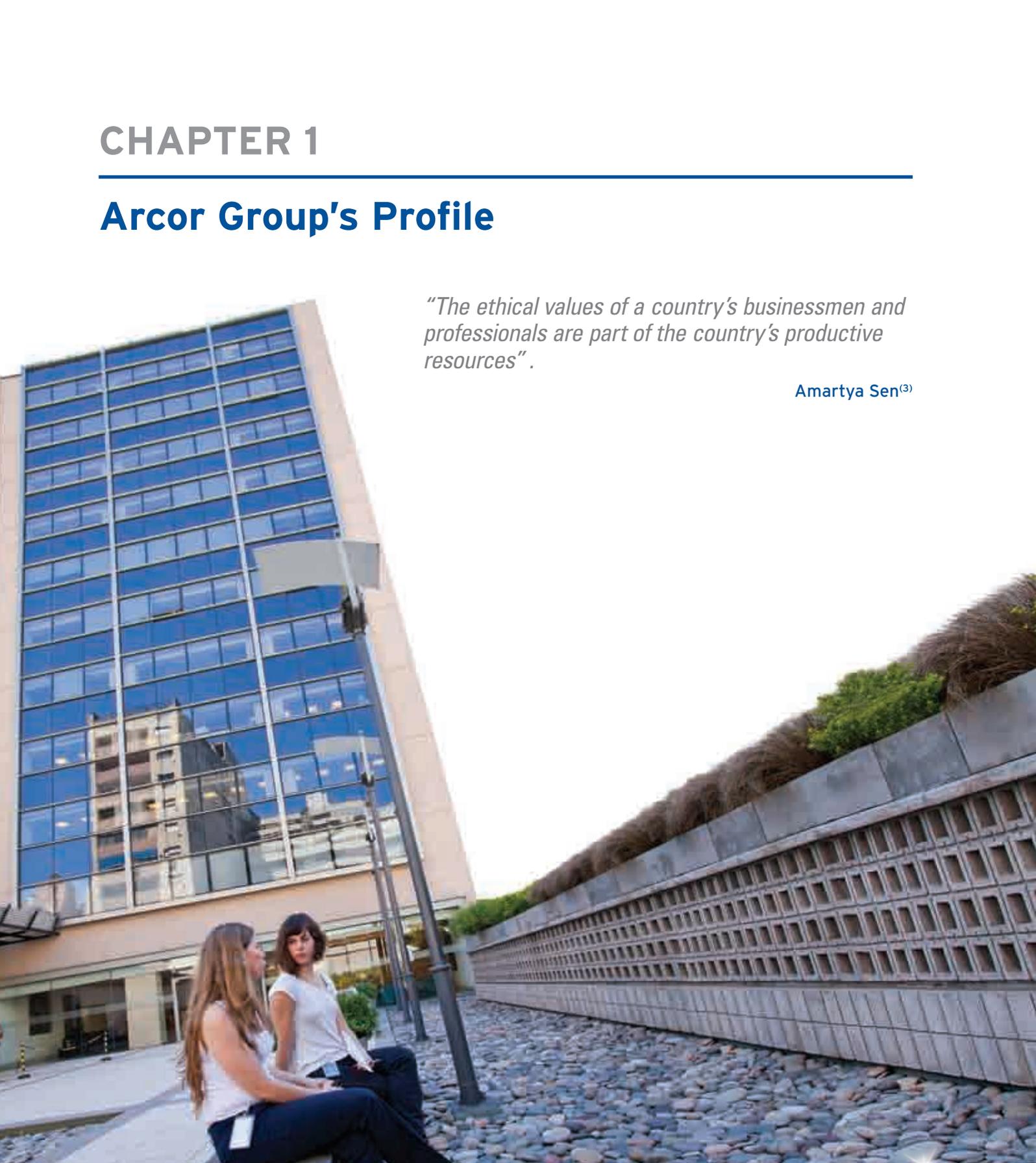
# CHAPTER 1

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## Arcor Group's Profile

*"The ethical values of a country's businessmen and professionals are part of the country's productive resources".*

Amartya Sen<sup>(3)</sup>



**13**

**COMMERCIAL OFFICES  
DISTRIBUTED IN AMERICA,  
EUROPE, ASIA AND AFRICA**

(3) Bengali philosopher and economist, awarded 1998 Nobel Prize in Economic Sciences.

## A leading company in constant growth

In 1951, a group of young people led by Fulvio S. Pagani had a vision: to create a candy factory in order to offer quality products at a fair price to consumers all over the world. This is how Arcor was born, nowadays present in more than 120 countries in the five continents.

After almost sixty years of constant growth, and thanks to a management focused on the sustainability of the business and on social development, the company has become the first world manufacturer of candies and the main exporter of confectionery of Argentina, Brazil, Chile and Peru. Bagley Latinoamérica S.A., Danone and Arcor's joint venture, is the largest cookies and crackers company in South America.

### Arcor Group in numbers<sup>(4)</sup>

U\$S **2.6** billion  
in sales

U\$S **360** million  
in exports

**59**

year of history

**13**

commercial offices distributed throughout America, Europe, Asia and Africa

More than

**19,000**

employees

About

**800,000**

points of sale in the region

**3** million

kilograms produced daily

More than

**200**

products launched annually.

**40**

industrial plants: 29 in Argentina, 5 in Brazil, 4 in Chile, 1 in Mexico and 1 in Peru

**27**

industrial plants certified under ISO 14001 and 14 plants certified under OHSAS 18001

More than

**12,000**

SMEs hired as suppliers

More than  
U\$S **4.5** million  
in social investment

More than  
U\$S **2.5** million  
in investments for the control of environmental impacts



(4) Data as of December 31, 2010.

## Main brands and business

The main businesses of Arcor Group are: confectionery, chocolates, ice creams, foodstuff and cookies and crackers. In addition, the company is vertically integrated guaranteeing in this way the self-supply of the main strategic inputs; such as agro industrial raw materials, corrugated cardboard and packaging of its products.

**Sugar Confectionery:** 9 plants produce candies, lollipops, chewing gum and bubblegum, jellies, nougat candies, hard candies, milk candies and marshmallows.

**Chocolates:** 6 plants manufacture bonbons and bite-size chocolates, candied tablets, bars of chocolate and confectionery products, children's chocolates, coated wafers, bars with chocolate and seasonal products.

**Ice creams:** Arcor's main brands manufacture ice cream sundaes, cones, popsicles, chocolate-coated ice creams and ice cream bars.

**Foodstuff:** plants manufacture jam, fish, fruits, vegetables and tomato purees and sauces.

**Cookies and crackers:** in its 7 plants, Bagley Latinoamérica S.A. manufactures snacks, crackers, Christmas products, wafers, alfajores, cereal bars and cereal, assorted, sandwich, sweet and dry cookies.

**Paper and cardboard / Flexible packaging:** Cartocor and Converflex

provide Arcor Group with flexible containers and corrugated cardboard, being the leader of the Argentine market.

**Agroindustry:** 5 industrial plants manufacture fructose, glucose, milk, sugar, cornmeal, semolina and cereal ethanol and supply other lines of production.



## A management based on values and principles

### 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.

### CORPORATE VALUES



## Corporate Governance

The highest government body of Arcor S.A.I.C. is the Shareholders Assembly which appoints the Board of Directors that directs and administers Arcor Group's business.

At the same time, Arcor relies on an in-house oversight process undertaken by an Oversight Committee, and systems and procedures of internal control in which the Internal Audit Management and the Information Security area of the Systems Corporate Management participate. Furthermore, on October 12, 2010, an Audit Committee has been set up (although the Company is not forced to follow this guideline).

### Board of Directors of Arcor SAIC as of December 31, 2010

President	Luis Alejandro Pagani
Vice-president	Alfredo Gustavo Pagani
Secretary Director	Jorge Luis Seveso
Regular Directors	José Enrique Martín
	Hugo Enrique Lafaye
	Alejandro Fabián Fernández
	Victor Daniel Martín
	Fulvio Rafael Pagani
	Jao Alves Queiroz Filho <sup>(5)</sup>
	Luis María Blaquier <sup>(5)</sup>
	Lilia María Pagani
Alternate Directors	María Rosa Pagani de Babini
	Zunilda Ramona Giordano de Maranzana

### Code of Ethics and Conduct

In 2010, Arcor Group informed its staff about the Administration Procedure of the Code of Ethics and Conduct, and the way the Ethics Committee -which safeguards its compliance- and the Ethics Line -managed by the Internal Audit Management and comprising an e-mail, exclusive fax number and P.O. Box- operate.

During 2010, the Ethics and Conduct Committee met 8 times and dealt with the reception, analysis and resolution of complaints and questions received through the Ethics Line and other channels authorized by the company, as well as with the Code implementation process.

All managerial levels of Arcor Group have signed a formal letter of commitment by means of which they have guaranteed to know the Code and have committed to comply with it. They have also signed a Personal Statement regarding Conflicts of Interest.



### Sustainability Governance and Management

In 2010, Arcor created and started up **Arcor's Sustainability Committee** which is a permanent body led by the Executive Director and composed of members representing Arcor Group's leadership who are appointed by the top-tier management of the company. Its responsibilities include:

- Giving advice to managerial functions in issues related to sustainable management and actively participating in the identification and handling of critical matters of high impact for Arcor Group.

- Advicing and approving the decisions and recommendations of the Sustainability Ad Hoc Working Teams.
- Recommending and advising the different areas and businesses in the implementation of policies, strategies and sustainability actions.
- Evaluating the performance of the company regarding the sustainability of its business, proposals referring to sustainable investments and the relationship with stakeholders.

As a complement to this governance body, the management is in charge of the **Sustainability Corporate Management** which is responsible for:

- Acting as a source of information and posing challenges for permanent innovation in sustainability practices.
- Facilitating and providing technical advice to the different areas of the company that establish and implement their sustainability plans.
- Monitoring the implementation of Arcor's Sustainability Policy.

(5) Independent members.

## Arcor in the public field

The company has taken part in more than 60 corporate organizations, public and civil society initiatives, promoting the exchange between the private sector, the government and social organizations. Furthermore, it has continued performing executive tasks in the governance bodies of the Network of Companies Against Child Labor and the Global FoodBanking Network.

### Awards and recognition at corporate level

- Most prestigious businessman in Argentina: Luis Pagani, Corporate Prestige ranking, Revista Prensa Económica
- 1st place in the Image Ranking, Revista Apertura
- 1st place in the Prestige Ranking, 2009 edition, prepared by CEOP Consulting for El Cronista Comercial.
- 1st place in the companies ranking of Córdoba, Revista Punto a Punto.
- 1st place in the Corporate Reputation Ranking, Diario Clarín.
- 2nd place in the 30 top brands ranking prepared by SEL Consulting for Revista Apertura.
- CEO of the year: Oscar Botto, Arcor's Systems Corporate Manager, Information Technology magazine.
- 1st place in the sector ranking of the best and greatest companies and 8th place in the general ranking, Revista Fortuna.



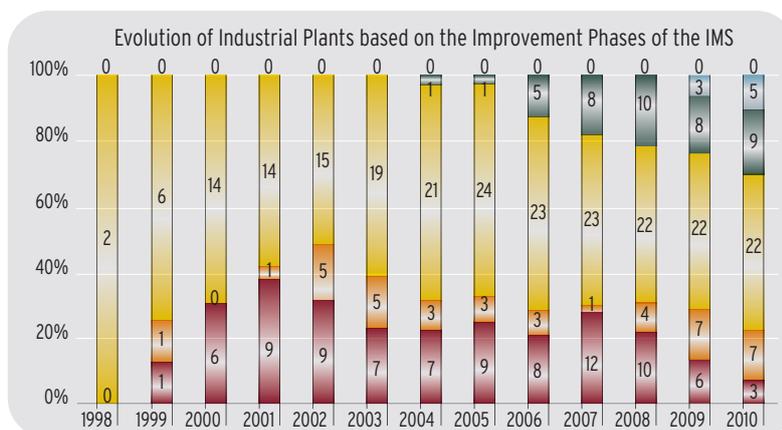
### Recognition for progress in sustainable management

- 1st place in the Sustainability-Oriented Management category, 2010 Corporate Citizenship Award, American Chamber of Commerce in the Argentine Republic (AmCham).
- Exemplary Company in CSR in Latin America, Centro Mexicano para la Filantropía (CEMEFI).
- Special mention in the Latin American CSR Award, Foro EcuMénico Social.
- Sustainability Award, Argentine-Brazilian Chamber of Commerce of Sao Paulo, Brazil.
- Merit Award for Arcor Foundation, Board of Directors of the Argentine Pediatric Society.
- 1st place in the Education category, Social Entrepreneur Award for the Community Educational Opportunities Program (CEO) of Arcor Foundation, Foro EcuMénico Social.
- Best 2010 CSR Practice in the Value Chain category for Arcor's Social Responsibility Program with Suppliers, Centro Mexicano para la Filantropía (CEMEFI), Alianza por la Responsabilidad Social Empresarial (AliaRSE) in México and Forum Empresa.



## Strengths of the industrial process: the Integral Management System

The Integral Management System (IMS) was designed by Arcor for the management of its industrial operations with the aim of achieving, maintaining and improving results that would guarantee the level of competitiveness that the world market demands. Its structure is defined by six pillars, including an essential one: Continuous Improvement. This pillar is implemented through different stages that show evidence of the evolution in the systems in relation to the improvement of competitiveness and the maturing times of people. In 2010, five industrial plants complied with this stage.



<b>WORLD CLASS:</b> the best in the World in relation to the different aspects defined by the business strategy.	<b>Phase 6</b>
<b>OWN SYSTEM:</b> use of the improvement system in order to promote the business strategy before its competitors.	<b>Phase 5</b>
<b>FOCUS ON THE BUSINESS:</b> maintenance of achievements and extension to all its value chain.	<b>Phase 4</b>
<b>ALL PILLARS IN THE WHOLE PLANT:</b> achievement of drastic results. Breaking the "cannot do it" paradigm. Operators' autonomy.	<b>Phase 3</b>
<b>PILLARS ON MODEL LINE:</b> understanding of the methodology and achievement of results by the staff.	<b>Phase 2</b>
<b>ORDER, CLEANING AND IMPROVEMENT GROUPS:</b> introduction of discipline, organization, team work and predisposition to improvement.	<b>Phase 1</b>

### Certifications and awards obtained by the industrial plants in 2010

**ISO 14001:** Cartocor and Converflex Complex (Luján), Frutos de Cuyo (San Juan) and Estirenos (San Luis).

**ISO 9001:** Estirenos Plant (San Luis).

**OHSAS 18001:** Misky Complex - Confectionery and Syrups (Tucumán) and Bagley Villa del Totoral.

**TPM Award:** 1st level: Syrups Arroyito, Syrups Tucumán, Dulciora Villa Mercedes, San Pedro Complex, Bagley Totoral, Campinas and Contagem (Brazil). 2nd level: Confectionery Tucumán.

**British Retail Consortium (BRC):** Bagley Villa del Totoral.

## Economic results of Arcor Group in 2010<sup>(6)</sup>

In the year 2010, Arcor Group reached a sales record level, with a 25.9% increase with respect to the previous year. The company consolidated its positive results, was able to maintain its market leadership, strengthened international development and carried out the investments necessary to accompany growth and increase the profitability level.

Main economic - financial indicators	Year 2010 (millions of pesos)	Year 2009 (millions of pesos)
<b>Net revenue</b>	<b>10,121.4</b>	<b>8,038.9</b>
Operating expenses	2,714.3	2,123.8
Compensation expenses	1,998.7	1,485.5
Capital expenses	267.0	109.1
<b>EBITDA</b>	<b>765.5</b>	<b>789.1</b>
<b>Total taxes</b>	<b>590.9</b>	<b>498.6</b>
Direct taxes	335.5	258.8
Taxes, duties and contributions	28.6	20.8
Income tax <sup>(7)</sup>	226.8	219.0
<b>Net operating income</b>	<b>418.9</b>	<b>339.6</b>
Market capitalization <sup>(8)</sup>	3,665.8	3,233.6
Shareholder's equity	1,698.5	1,655.7
Long-Term liabilities	1,414.2	904.4
Short- Term liabilities	553.1	673.5

(6) All amounts are denominated in pesos (Argentine currency) except as otherwise stated.

(7) It includes deferred taxes.

(8) It includes Shareholder's Equity and total Financial Loans of Arcor Group.

# CHAPTER 2

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## Employees

*"The world is moved along, not only by the mighty shoves of its heroes, but also by the aggregate of tiny pushes of each honest worker".*

Helen Keller<sup>(9)</sup>



**99%**

**PARTICIPATION IN THE SECOND  
ORGANIZATIONAL CLIMATE  
SURVEY BY ARCOR GROUP**

(9) Writer and author of 14 books. Considered to be one of the most outstanding models of self-improvement despite her physical limitations, Keller was awarded the Presidential Medal of Freedom -U.S. highest civilian award- by President Johnson (1964).

## Human resources, the key engine for growth

As one of the main industrial employers in Latin America, Arcor promotes the welfare and development of the close to 20,000 staff members who make up its working team, and aims at getting them actively involved in the process of consolidating the sustainable management of the company.

### HUMAN CAPITAL IN NUMBERS

<b>EMPLOYEES BY COUNTRY<sup>(10)</sup></b>	<b>YEAR 2010</b>	<b>YEAR 2009</b>
<b>Total employees</b>	<b>19,436</b>	<b>19,064</b>
Argentina	12,663	12,607
Brazil	3,574	3,585
Chile	1,719	1,588
Perú	227	227
México	877	714
Rest of the world	376	343



<b>EMPLOYEES BY TYPE<sup>(10)</sup></b>	<b>YEAR 2010</b>	<b>YEAR 2009</b>
<b>By category</b>		
Director	8	9
Manager	305	302
Department Head	627	581
Analyst/ Supervisor	2,570	2,392
Administrative worker/ Operator	15,926	15,780
<b>By gender</b>		
Male employees	75.6%	75.7%
Female employees	24.4%	24.3%
<b>By seniority</b>		
Average seniority (in years)	10.5	10.3
<b>By age</b>		
Average age (in years)	35.3	35.1
Headcount older than 45 years (%)	20.1%	19.3%
<b>Other indicators</b>		
Headcount under collective employment agreements (%)	89%	90% <sup>(11)</sup>
Average employee turnover <sup>(12)</sup>	9%	9,2%

(10) It includes all hiring conditions of company personnel.

(11) In 2010, the indicator calculation method was changed.

(12) Calculated as total annual voluntary and involuntary drops in the number of employees as of December 31 of the corresponding year. It does not include Mundo Dulce.

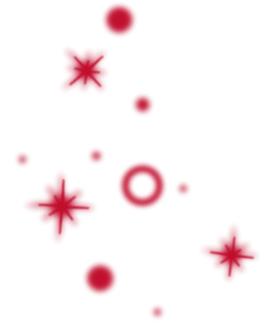
## Strategic building of the working team

In 2010, Arcor worked to strengthen the positioning of the company as “a best place to work” brand, transform it into a place of work preference and attract the best talents. With this aim in mind, the participation in and implementation of specific tasks was increased by 105% (compared to 2009); some of which involved

the use of promotional posters, special websites (www.zonajobs.com in Argentina or www.laborum.com in Chile) and participation in 41 meetings and fairs developed by associations and university institutions within the framework of the Partnership Program with Universities.

Furthermore, the Global Employment Strategy began to be redefined with the objective of unifying the human capital selection processes, and the Internal Opportunities Program continued in order to communicate job posts among employees.

Recruiting sources	YEAR 2010	YEAR 2009
Events / Fairs / Dissertations at National and International Universities <sup>(13)</sup>	41	20
Participants in the Internship Program	152	137
Number of CV in the corporate database	91,197	87,685



## Professional Development in Arcor

### Performance Management System (PMS)

Arcor Group's PMS is the main tool used for planning the career of and for evaluating its staff in the key competencies defined by the company. It consists of three stages: planning of objectives and individual development plan, follow-up stage and annual evaluation.

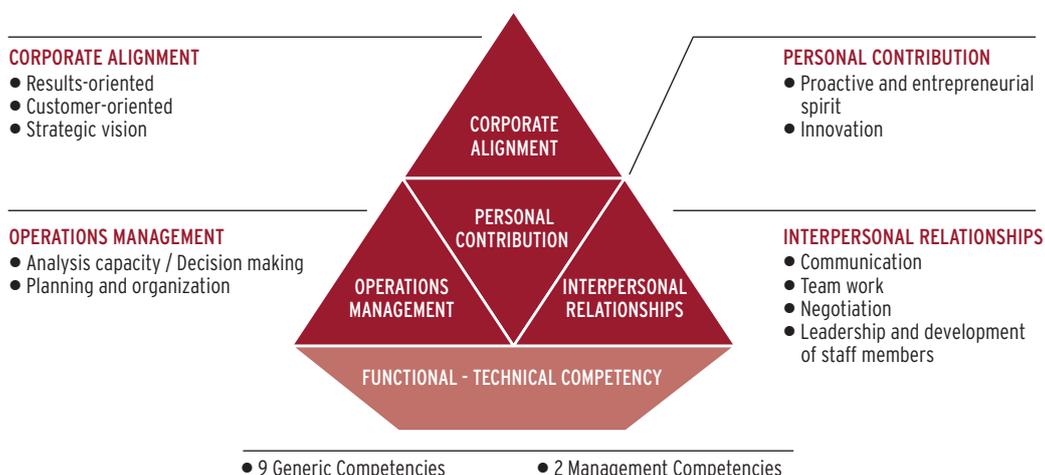
were modified; the concepts, descriptions and material for self-management were redefined in the Competency Manual; and reports were permanently made in the evaluation stage so that department heads and reviewers could compare and adjust the global evaluations.

progress with the 2010 planning phase, which reached 3,490 staff members from different countries and businesses, with 98% compliance. Furthermore, 100% of the objectives established in the planning phase of all managerial levels were audited.

For the PMS to facilitate staff development, in 2010 the descriptions of the performance grading scales

In this period, the 2009 PMS evaluation was carried out with 98,9% compliance and we have also made

### Arcor competencies model



(13) In 2010 an adjustment was made to the item “High Interest Universities” which was replaced by the item included in this chart as it was more adequate and representative.

## Inclusion of Sustainability parameters in the PMS

In 2010, within the framework of Arcor's Sustainability Plan, progress was made in the development of a corporate proposal to gradually incorporate the sustainability dimension in the PMS of all Arcor Group staff.

As a first step in this process, all the management level of the company must plan the 2011 PMS taking into account the specific objectives which account for the commitments undertaken in Arcor's Sustainability Policy.

## Talent management: a key glance at the future

Arcor relies on a biannual process to manage its key talents: Strategic Resource Planning (SRP), in which the critical positions of the organization are analyzed (at managerial levels) as well as their possible substitutes in order to generate, develop and retain the pool of talents.<sup>(14)</sup>

In 2010, 18 round-table talks with the participation of 119 managers were organized. In these meetings, 287 critical positions were identified and 452 staff members were earmarked

as part of the pool of talents, as well as 144 key contributors.<sup>(15)</sup>

Within this framework, as a challenge for 2011, "interest talks" on the career development of Arcor's staff and Individual Development Plans (IDP) will be organized.

On the other hand, 66% of promotions at Managerial Levels were covered by workers within the pool of talents; and the Internal Development Index, which evidences the relationship between the positions to be covered and the internal promotions, was of 78%, above the market average (66%).



## IMS (Integral Management System) Recognition - 3rd edition

This award grants recognition to working teams for their efforts and achievements in the implementation of improvements in their plants. In 2010, 888 staff members representing 123 projects took part in it. In December, the closing event was carried out, in which 13 finalist cases from different Arcor Group businesses were presented. Three of them received special recognition:

- Reduction in the organic load in the liquid effluent (Wet Grinding Plant Tucumán-Agro industry)
  - Set-up time reduction in the Blinder line (Colonia Caroya-Chocolates).
  - Efficiency increase in packaging of Big Big chewing gum (Recife-Arcor do Brasil).
- organizational structure, due to his low mobility or grade of specialization.



(14) Pool of talents: composed of staff members who are considered to be successors to a critical position and of young professionals with a high level of performance and potential who require more than 2 years before filling a critical position.

(15) Key contributor: an occupant of a critical position in the organization who stands out for his level of excellence in his position but who shows no clear chances of climbing the corporate ladder in the organizational structure, due to his low mobility or grade of specialization.

## In-House Training Programs

Arcor permanently invests in the professionalization of its human capital. In this way, the training programs improve the abilities of staff members, foster their talent in relation to the different job positions, businesses and countries and go hand in hand with personal development.

Training indicators <sup>(16)</sup>	YEAR 2010	YEAR 2009
Total training man-hours	339,347	263,706
Different participating persons	14,082	13,499
Training coverage rate	85%	73%



## Arcor University: a space for development

Arcor University is a strategic tool to strengthen the competencies of Arcor Group through on-site and e-learning training programs. This space offers a customizable educational offer depending on the position, the performance and the development plan of each staff

member. In 2010, Arcor University registered an 82% attendance, showing once again the high level of acceptance of staff members.



## Corporate Training Programs

Within the structure of Arcor University, the employees were trained in specific issues of each business and job position, in order to develop their technical and corporate management skills.

### • *Young Professionals*

62 Young Professionals with a high potential from Argentina and the Andean Region have taken part in inclusion and integration practices in order to develop a "Corporate Identity" and to introduce new talents into the company.

### • *Master's in Food Technology*

In alliance with the Universidad Católica de Córdoba (Catholic University of Córdoba) (Argentina), Arcor offers education of a high academic level in the food-related area. In this way, 20 employees of Arcor Group attended the second year of this master's degree course.

### • *Project Management*

Two events attracted 50 staff members who were trained in the strategies and abilities necessary to lead project work.

### • *Labor Relationships Program*

35 staff members from the Human Resources Area have taken part in this program.

(16) This chart consolidates the main training indicators for all Arcor Group which are systematized within the framework of PeopleSoft Enterprise Human Capital Management 9.0, by using the following definitions:

- Total training man-hours of all Arcor Group during the period.

- Total different people taking part in the training activities in all Arcor Group during the period. This indicator replaces the one reported in 2009 which corresponded to the total participants in training activities. For this reason, the data published in 2009 (68,941 total participants) was replaced by the number corresponding to the new measuring standard of the indicator.

- Training coverage rate: percentage of "different" staff members who took part in training activities in the whole Arcor Group during the period with respect to workers under an "effective" and "seasonal" employment agreement, counting the active working team as of the last day of the period.

### • **Managerial Development Program**

Arcor and Universidad Torcuato Di Tella (Argentina) have jointly organized this Program which was attended by 45 key employees of Arcor Group. The objectives have been the following ones:

- To create a general knowledge base in functional, economic and social aspects.
- To strengthen the conceptual and analytical capacities which are necessary to be a leader, make decisions, assume the responsibility of their implementation and foresee future events.
- To develop an entrepreneurial spirit and ethical skills transmitted through the daily behavior within the organization.

### • **Leadership Program**

The main objective of the program, the first edition of which took place in 2010, lies on providing the conceptual tools and operating techniques in order to contribute to the development of leadership abilities in all leading levels of Arcor Group. With an annual duration, the idea is to reach 862 staff members in a three-year period. Some of the issues discussed are: leadership role, performance and development of employees, management of the working environment, motivation and handling of working teams. The program also includes a specific Sustainability module aimed at raising awareness and training the company's leaders in the issue. During this period, 252 employees from the managerial and executive levels of Arcor Group participated in the Program.

### • **Corporate Induction Program**

In 2010, this Program -including a sustainability module and an Arcor Social Investment module-continued to be carried on.

### • **Program for the Development of Young Professionals in the Industrial Area**

This program started to be implemented in the Industrial Mass Consumption's and Bagley Argentina's businesses. In 2010, a communication plan of the program was launched and the Selection Process was carried out; 14 university graduates with a high development potential were selected out of 3,000 young applicants. The former will go through the experience of working during 13 months in plants all over the country and in two Distribution Centers.



### • **Industrial School: training activities in Industrial Maintenance and Quality**

Based on the definition of Technical Competencies and the Development Map prepared some years ago for the Industrial Mass Consumption area, in 2010, Learning Maps, which systematized and arranged the technical training tools, were prepared in order to comply with the competencies necessary in the different job positions. In this context, the Industrial School of Arcor University developed Industrial and Quality Maintenance training courses and prepared the contents and materials for them. The first step consisted in a diagnosis which implied the participation of more than 594 staff members from 23 plants in Argentina related to Mechanical Maintenance, Central Services and Electrical-electronic Services sectors. As regards the Quality Industrial School, a Workshop on Food Microbiology was held and 38 people from the laboratories of the different businesses took part in it.

## **Training in Arcor Competencies**

Corporate programs oriented to contribute to the development of the Negotiation Competencies, Decision Making, Communications, Innovation, Customer Orientation and Strategic Vision Models were offered. 250 staff members took part in these programs.



## Strengthening a corporate culture committed to sustainability

“Promoting awareness and training programs aimed at raising the consciousness of each member of our company and of all of our value chain, as active promoters in the construction of a corporate culture committed to sustainability”.<sup>(17)</sup>

In line with this commitment, the following in-house training and awareness programs were promoted during 2010.

- Sustainability Model in the Corporate Induction Program.
- One-day exchange and training courses for members of 11 Local Committees from the Community Relations Program.
- 4 training workshops in IMS, social investment and sustainability tools for the Team of Community Social Workers.
- E-learning course on the Code of Ethics and Conduct in the virtual platform of Arcor University.

### Training in Sustainability

	Participants	Total training / awareness hours
2005	472	2,966
2006	2,331	6,712
2007	11,039	12,419
2008	1,377	3,658
2009	524	3,241
2010	2,307	7,288
<b>Total 2005-2010</b>	<b>18,050<sup>(18)</sup></b>	<b>36,284<sup>(19)</sup></b>

- Sustainability Module in the Leadership Program.
- Sustainability in the First Managerial Meeting of Arcor Group.
- 15 regional training meetings in view of the launch of Arcor's Policy and Sustainability Plan for managerial and executive levels.
- 3 one-day training courses in Responsible Inclusive Purchasing for the team of buyers of auxiliary inputs.



### Specific training for each country and business

Apart from the corporate training courses carried out by Arcor University, the company develops courses to meet the specific needs of each country and business.

In Arcor Brazil, 30 executives have taken part in the in-company MBA (Master's in Business Administration) while in-house training courses on Total Productive Maintenance (TPM) for operators have been carried out. In the Andean Region, the plant productive personnel have continued to be trained in industrial mechanics and environment, and all area heads have received training within the framework of Arcor Chile Distributors' Management Program. As regards the international division, the

implementation of training initiatives oriented to the integration of working teams and to the development of attitudes for an efficient leadership is still under way in the different countries, and employees of the company have taken part in different External Training Programs related to the specific needs of the area and of their positions.

In Argentina, under the cookies and crackers business, a Training Program for Junior Engineers addressed to production leaders, was carried out and the LID (Leadership, Innovation and Development) Program of Supervisors and Leaders was also run. Within the area of Industrial Mass Consumption, a workshop

on "IMS as a key tool in the Value Proposition (VP)" was organized and a training program in Production and Quality and a Leadership Program were developed. In Cartocor and Converflex a technical training course on electronic and mechanical aspects was run for the maintenance personnel, while staff members were trained on the use of specific accounting vocabulary and a training plan in Customer Orientation was implemented. In the Commercial Mass Consumption area, an Integration Workshop for Supervisors and Leaders of the Commercial Logistics area was carried out together with a workshop on Tools for Staff Management.

(17) Extract from Arcor's Sustainability Policy.

(18) 16,795 corresponding to the in-house public and 1,255 to the external public.

(19) 32,665 corresponding to the in-house public and 3,619 to the external public.

## Internal communication to strengthen dialogue

Arcor has different communication channels which are essential to get to know and listen to its staff and to keep them connected and informed regardless of their geographical region or their position within the company. Among the main communication tools, we find:

### “Tiempo de encuentro” newsletter

A company magazine that reaches all Arcor Group’s staff, informing them about the main actions developed by the company during the year. Each one of the 2010 three editions included a specific section related to sustainability covering issues such as the Code of Ethics and Conduct, energy efficiency in the Sugar Refinery and the entry of Arcor into the carbon bond market and Arcor’s Sustainability Policy.



### Intranet

Includes the Organizational Climate, Sustainability and Health Management mini-websites, among others.

### Corporate campaigns

More than 34 internal campaigns were organized, some of the most important ones being:

- Safety Week
- Environment Week

- Red Card to Child Labor
- Food Legislation Week
- Second Organizational Climate Survey
- Ethical Line

- Sustainability
- Quality Month
- Contest: Drawing Our Values
- New Competencies Manual



### “In 2 minutes” monthly poster

Displayed on the billboards, this poster is the main channel of communication for employees who have no access to a computer. In all 2010 editions, a subject of interest related to

Healthy Lifestyles was published as well as the main news related to Sustainability.



### Digital newsletters

3 newsletters on Leadership with information on 3 key competencies: communication, negotiations and customer-orientation; and 3

newsletters on Human Resources, with issues related to human capital management.

### Dialogue with staff members

3 post-campaign surveys have been conducted to find out the opinions on the communication tools which were developed and the impact they had on the different internal publics:

- 80% considered that the designs were creative.
- 95% stated that the messages were clear.
- 90% were of the opinion that the information was complete.

- 100% believed that the campaigns were effective.

In turn, **Internal Communication Meetings** -a channel used to listen to concerns and suggestions, and to foster communication and integration among the different hierarchical levels of the company- continued to be held. In 2010, 2,200 employees took part in 215 meetings

developed in 29 sites of Argentina, Brazil and Chile. The satisfaction index was 99% and evidenced the high valuation staff members have for this channel for dialogue.

## Building together a future for all: Internal Communication and Awareness Plan of Arcor's Sustainability Strategy and Policy.

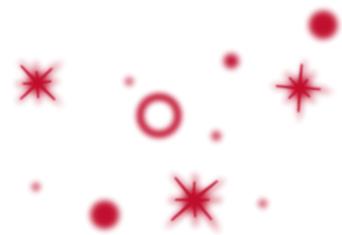
The General Communication Plan was launched on August 12, 2010, within the framework of the First Managerial Meeting of Arcor Group, in which 200 company leaders took part and the central theme of which was sustainability. Arcor's Sustainability Strategy and Policy was introduced and was signed by all as a symbolical way of expressing their consent to it.



In this way, the biannual plan based on three pillars -sustainability in the Business, in the Job Position and in Everyday Life- was kicked off. The first one was developed during 2010 while the remaining two pillars will be dealt with during 2011.

15 Regional meetings to introduce Arcor's Sustainability Strategy, Policy and Plan were organized in Argentina, Mexico, Brazil, Peru

and Overseas and were attended by 601 managers and executives. These meetings included group dynamics so that staff members could discuss, identify and propose lines of action in relation to the commitments taken on by Arcor Group.



## Climate management: listen to be closer and improve



### Organizational Climate Survey

In 2010 Arcor Group's Second Organizational Climate Survey was carried out. It was voluntary, anonymous and confidential, and was conducted in all countries where Arcor operates, having a 99% participation. It was available in Spanish, English and Portuguese, and could be answered either in paper or through digital form.

#### Main results of the 2010 Climate Survey

- **76%** general satisfaction index of Arcor Group's staff.
- **74%** level of staff commitment to the company.
- **60%** staff members believe that the situation of their country will be between very good and good in the future.
- **60%** climate index.
- **66%** Arcor's employees think the company is committed to the community in which it operates.
- **83%** staff members think Arcor Group is committed to the protection of the environment.
- **63%** staff members are familiar with the Code of Ethics of Arcor Group, its administration procedure and the channels available to make queries or complaints related to its breach.

The communication of the survey results began in December and will go on "on a cascading basis" throughout all the organization until April 2011. The Action Plans shall then be defined, informed and implemented according to the issues disclosed.

## Inclusion and integration: commitment as employers

### Employees' families, also part of the company

Arcor has different activities so that employees' families can become integrated into the company, get to know each other and form a big community. Some of the initiatives which took place in 2010 include: holding a drawing contest for Arcor Group employees' children, celebrating children's day in Argentina and Brazil, Christmas in Chile, and organizing sports tournaments.

### Labor inclusion in Arcor

The company seeks to promote the incorporation of people from vulnerable sectors of society into its working teams by means of specific experiences developed in different sites.

In 2010, Arcor continued supporting the project on inclusion of disabled

people into the Bagley plant in Salto (Argentina) and worked in the training of in-house tutors who were responsible for providing permanent support within the plant. Brazil's Disabled Professionals Program drew the participation of 80 disabled employees who were introduced into

the labor market. Chile carried out training courses on sign language for its staff in order to achieve a high integration of the employees with special abilities who work for the company.

## Health and occupational well-being

### Measures to improve health conditions

The program on the promotion of physical activity aimed at modifying sedentary habits continued during 2010. Voluntary evaluations and surveys were conducted and the program on the prevention of cardiovascular risk factors, which reached 3,000 staff members, was carried on.

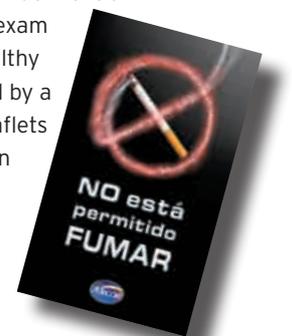
In Argentina, Arcor has been a Tobacco Smoke Free workplace since 2005, according to the certification granted by the Ministry of Health of the Nation. As such, it encourages its employees to cut smoking by

means of workshops, special talks and mentoring.

Based on this health prevention approach, 5,990 doses of the flu shot and 826 of the tetanus vaccine were applied and the health condition of 10,439 workers was evaluated.

In Brazil, the Life Quality and Health Week included information activities, courses and workshops in which 4,000 employees participated. About 700 staff members received the flu shot in different vaccination stands located in the plants.

At Arcor Dos en Uno, Chile, the Fourth Health Week was organized. Different specialists conducted talks, offered pieces of advice and raised awareness on health promotion amongst more than 600 workers. Furthermore, all staff members underwent a preventive health exam and received a healthy food plan prepared by a nutritionist and leaflets with information on the prevention of drug and alcohol consumption.



### Raising awareness and providing training in health and quality of life

11 plant physicians took part in 20 one-day training courses on Project Management, which dealt with issues such as transversal leadership, integrating project, management by objectives and indicators, the role of the Occupational Physician, and 2003 Project use and practices, among others.

In addition, 11 nurses completed their degree in Occupational Health by means of an agreement with Universidad Nacional de Córdoba

and Universidad de Compostela, Spain. They trained in different subjects of occupational health, working conditions and health,

prevention of occupational risks, public health in the work field, occupational medicine and industrial hygiene.

#### Care of the Pregnant Worker program

In October 2010, the "Care of the Pregnant Worker" program was launched in Argentina. This program aims at taking care of future mothers assigning them tasks which are adequate to their condition and offering them the monthly medical checks. At the same time, specific parameters for the tasks that they can perform within their position were defined. It is estimated that an average of 130 women will be covered by this program every year.

# CHAPTER 3

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## Occupational Safety and Environmental Protection

*“Safeguarding the environment... It is a guiding principle of all our work in support of sustainable development; it is an essential component of poverty eradication and one of the foundations of peace”.*

Kofi Annan<sup>(20)</sup>



**MORE THAN 10 MILLION PESOS IN INVESTMENTS FOR THE CONTROL OF ENVIRONMENTAL IMPACTS.**

(20) Born in Ghana, he was the Secretary General of the United Nations between 1997 and 2006 and was awarded the Nobel Peace Prize in 2001.

## A safe workplace in a protected environment

Caring for the safety of our employees and preserving the environment are two key factors in Arcor Group's management. Consequently, Arcor Group develops and implements actions to guarantee these goals.

### Preserving the environment: a commitment that translates into actions.

Within the scope of Arcor's Sustainability Policy and the Integral Management System Policy, the Environment, Hygiene and Industrial Protection Departments (EHIP) of each plant and the EHIP Corporate Management lead and manage the activities related to the commitment to preserve the environment. During 2010, Arcor Group performed works of different magnitude and cost intended to eliminate, minimize and control the environmental impacts of the plants. These were the most

significant ones according to their cost:

2010 Environmental investments <sup>(21)</sup>	
Liquid effluent treatment plant of Mundo Dulce, Toluca, Mexico	\$ 5,904,000
Stage 3 of the liquid effluent biological treatment plant of Bagley Córdoba	\$ 2,284,735
Adjustment of the liquid effluent treatment plant of Arroyito Complex so that it reaches the necessary capacity to include the treatment of the liquid effluent generated in the municipality	\$ 1,978,276

### Measurement of environmental performance: main indicators

Arcor Group has defined, and regularly analyses, the following set of indicators which show the evolution of the different aspects of the environmental management of the company's operations.

Main environmental indicators <sup>(22)</sup>	YEAR 2010	YEAR 2009
<b>Total Arcor Group without conversion plants<sup>(23)</sup></b>		
Electrical power consumption per ton (Kw/h/t)	206	209
Fuel consumption per ton (MJoul/t)	4,615	5,246
Water consumption per ton (m <sup>3</sup> /t)	6.1	6.1
Recycled or reused waste (%)	59	58
Greenhouse gas emissions (t CO <sub>2</sub> eq/t)	0.44	0.53
<b>Conversion Plants</b>		
Electrical power consumption per ton (Kw/h/m x 10 <sup>3</sup> )	41	23
Fuel consumption per ton (MJoul/m x 10 <sup>3</sup> )	352	400
Recycled or reused waste (%)	55	63
Greenhouse gas emissions (t CO <sub>2</sub> eq/m x 10 <sup>3</sup> )	0.038	0.028



(21) Amounts are denominated in pesos (Argentine currency).

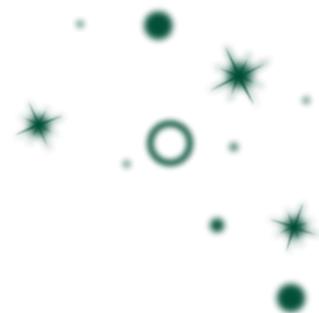
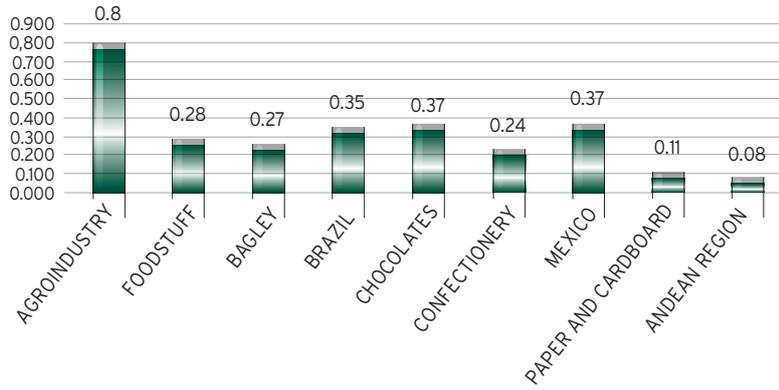
(22) The production unit of measurement at conversion plants is thousands of meters, that is why there are two different groups of results for the indicators. Those corresponding to film conversion factories have m x 10<sup>3</sup> as reference unit; in the rest of the plants, indicators are referenced by tons.

Definition of indicators:

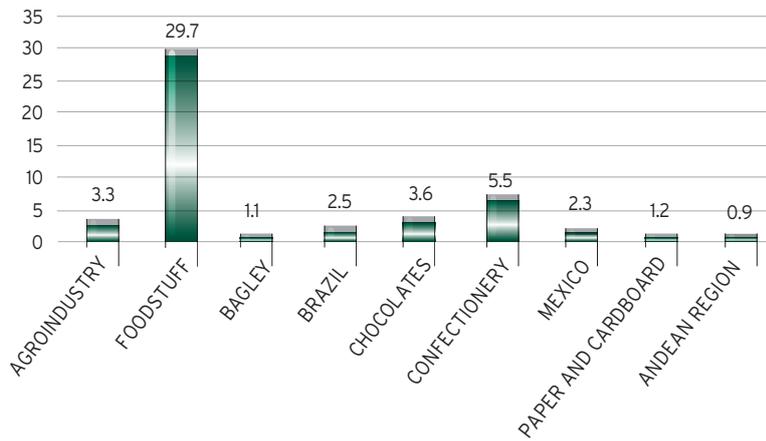
- Electrical power consumption: it describes the amount of electrical power that is used for all purposes.
- Fuel consumption: it describes the total amount of fuel (natural gas, liquefied gas, gas oil, fuel oil) that is used for production and services.
- Water consumption: it describes the total amount of water used, including the sources and uses.
- Recycled or reused waste: it describes the percentage of waste that is reused or recycled from the total amount of solid, semi-solid and liquid waste generated.
- Greenhouse gas emissions: it describes the amount of equivalent CO<sub>2</sub> issued in direct or indirect operations.

(23) Conversion plants are those manufacturing bases of Arcor Group in which film for packaging is printed.

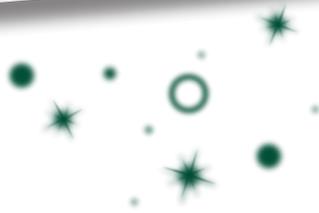
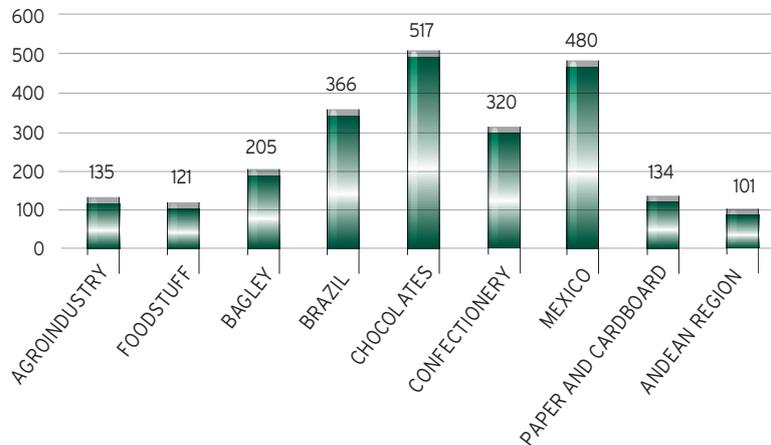
**EMISSION OF GREENHOUSE GAS PER BUSINESS IN 2010**  
(t CO<sub>2</sub> eq/t produced)



**WATER CONSUMPTION PER BUSINESS IN 2010**  
(m<sup>3</sup>/t)



**ELECTRICAL POWER CONSUMPTION PER BUSINESS IN 2010**  
(Kw/h/t)



## Total weight of waste managed by type and by treatment method in 2010

Type of solid and semi-solid waste	Treatment	Amount of waste managed (t)	
<b>Dangerous waste</b>	Empty packages	Alternative fuel	22.3
		Other uses	49.2
	Used oil	Alternative fuel	119
		Other uses	51
	Solids with oil or solvent	Alternative fuel	315
		Other uses	104
	Waste from solvents	Alternative fuel	224
		Other uses	380
<b>Recyclable waste</b>	Cardboard	Reused	20,904
		Recycled	27,340
	Metallic waste	Recycled	1,600
		Organic waste	Animal food
	Compost		31,300
	Other uses		4,050
	Plastics	Reused	198
		Recycled	3,352
	Glass	Reused	31
		Recycled	165
	Wood	Reused	1,872
		Other uses	2,635
	<b>Similar home waste</b>	Burial	43,400

## Carbon Inventory in the Confectionery Business

The influence of GHG (Greenhouse Gas) emissions in climate change and the increasing concern about energy shortage are known worldwide. Consequently, the world is moving towards a low carbon economy and a constant search to raise energy efficiency standards.

In 2010 the company continued with the development of training programs -on climate change and its possible effect on company operations- for the main leaders in each area. It also completed the Carbon Inventory calculation<sup>(24)</sup> of the Confectionery Business for the years 2007-2009 which includes six plants located at three industrial complexes in Argentina.



### Evolution of total GHG emissions in the Confectionery Business

	Total emissions (t CO <sub>2</sub> e)	Total intensity Rate (t CO <sub>2</sub> Total/ t product) <sup>(25)</sup>
<b>2007</b>	60,543	0.49
<b>2008</b>	59,621	0.49
<b>2009</b>	60,986	0.51

(24) The GHGs Inventory calculation was made by applying the method established in:

- Greenhouse Gas Protocol. Corporate Standards of Accounting and Report. WBCSD - WRI.

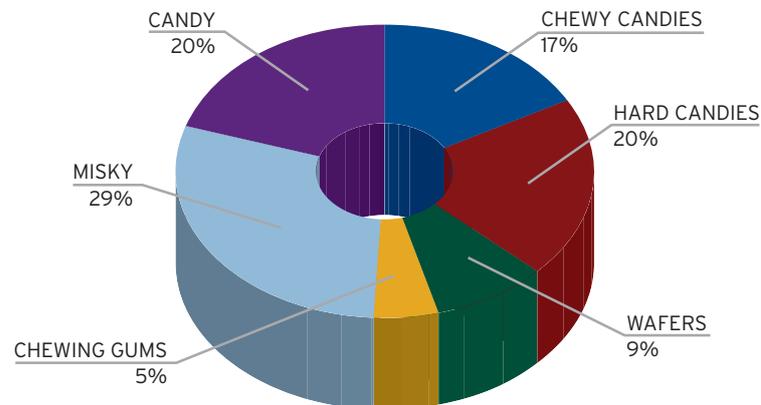
- GHG Protocol. Designing a Customized Greenhouse Gas Calculation Tool. 1. WBCSD - WRI. Copyright ©2009.

(25) It expresses the impact of emissions per unit of physical activity or unit of economic performance and it reflects the performance of the organization analyzed.

The main sources of GHG emissions on the confectionery business are:

- Steam consumption that represents 90% of the direct emissions of the business and 33% of the total emissions of the business.
- Transport intended to foreign trade with 18% of the total emissions of the business.
- Electrical power consumption for production lines with 16% total emissions of the business.
- Electrical power consumption used for the cooling system with 9% of the total emissions of the business.

## Percentage contribution by plant in 2009



## Eco-Efficiency: remarkable cases

### Packaging reduction: Chocolate Business

Encouraged by its development area, this business has been working for almost ten years in different projects to reduce packaging consumption and to achieve a better use of materials by maintaining the properties for an efficient storage and conservation of products. As a result of this constant effort, from 2002 until the end of 2010 there was a reduction of 750 tons of packaging mass material; this is equal to an average of 93.7 tons per year.

These are some of the most outstanding achievements due to the volume reduction they represent in the use of packaging materials:

- **Corrugated cardboard boxes for display provision** (poster board boxes) were eliminated and displays were designed with dividers and film stretch, thus eliminating the original box.
- **Aluminium in primary packages was eliminated** and it was replaced by other flexible materials. Also, the closing technique for bubbly chocolate bars and filled chocolate bars was modified.
- **The size of the package was reduced** to achieve a better adjustment to the product. This improvement was made in some versions of wafers, bonbons and Easter eggs.
- **The size of the Easter eggs package was significantly reduced** without altering the product image or its exhibition on the shelf.
- **The packages of bonbons, Easter eggs, frostings and bars were optimized** by replacing the different materials used in them.
- **Significant saving was achieved** on corrugated cardboard used on the secondary packaging of ice-creams.



## Reduction of the organic load in the liquid effluent: Wet Grinding Plant, Misky Complex, Lules, Tucumán

The manufacturing process of this plant generates a liquid effluent that constitutes the biggest contribution of organic load to the treatment plant of the Complex. In the last years, actions were taken in order to reduce the flow and the organic load of the effluent; however, despite the improvements the internally expected value was not reached. That organic load represented higher expenses for the effluent treatment and high losses due to deviations in the mass balance.

In this framework, a working team was put together to deal with the problem and after a deep analysis it came to the conclusion that the

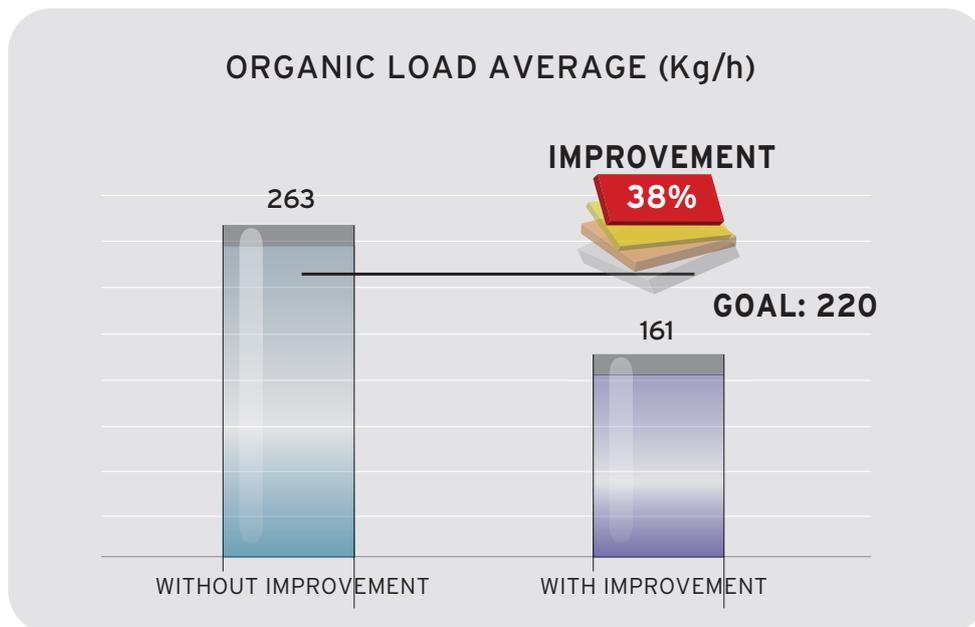
filtration system constitutes the biggest contribution of organic load to the effluent.

The main action designed by the working team was the recovery of the mixture of syrup and water obtained during the mud filtration and its reuse on an initial stage of the production process. This measure represented a significant improvement:

- The syrup loss of nearly 1,000 tons per year was eliminated.
- Water consumption was reduced by nearly 50,000 m<sup>3</sup> per year.
- Organic load of the liquid effluent of the plant was restricted by 38%;

this reduction is equal to organic load values significantly lower than the internal expectations.

- An annual economic benefit of approximately 750,000 pesos (estimated on the production basis of the last months of 2010) was registered.
- The annual goals regarding the difference in mass balance and global efficiency were exceeded.



## Environment week: "Energy is life. We must take care of it"

It is necessary to know about energy in order to use it efficiently. The environment week activities were organized based on this basic concept. In this context, Arcor Group distributed informative material and organized training activities at the different bases. In some plants, the families participated in the activities while in others students of schools of the area were invited to take part in them. In other cases, the staff participated in tours to get acquainted with the operation of the facilities that are essential to environmental care.



## Commitment to occupational safety

The company measures its performance regarding occupational safety through the indicators that are shown below. In 2010, Arcor Group achieved a significant improvement in them, mainly in the

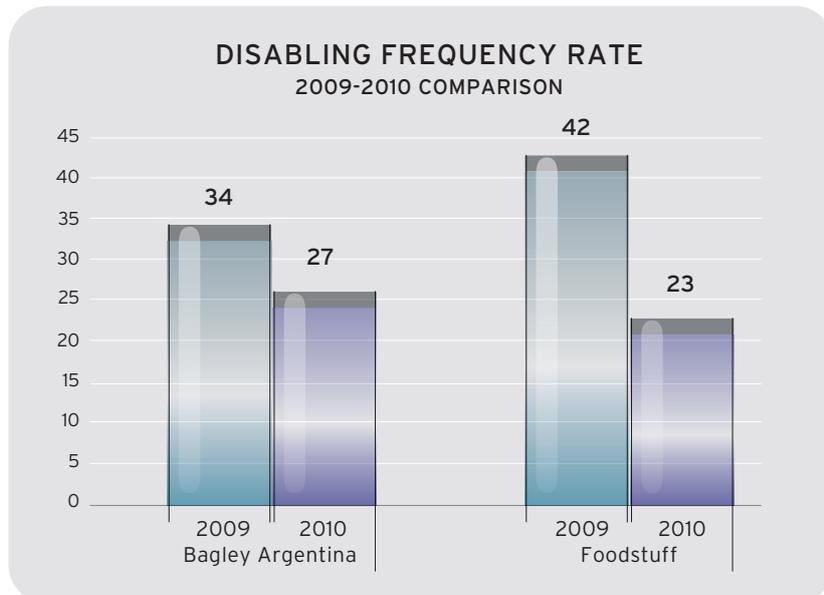
Total Frequency Rate (TFR) and in the Disabling Frequency Rate (DFR), reaching, in this case, the lowest values registered by Arcor Group in the last 10 years.

ARCOR GROUP SAFETY INDICATORS <sup>(26)</sup>	YEAR 2010	YEAR 2009
Total Frequency (TFR)	22	29
Disabling Frequency (DFR)	13	19
Severity (SR)	0.36	0.31
Incidence (IR)	28	37



### Commitment Program

In 2010, the second stage of the Commitment Program was implemented in the 4 plants of Bagley Business and in 3 plants of the Foodstuff Business (Frutos de Cuyo, La Campagnola San Martín and Dulciora) with the aim of achieving behavioral changes in safety. As a result, Arcor Group obtained the involvement and acceptance of responsibility of the middle and upper management levels and a 23% reduction in the amount of accidents occurred at the plants of the business involved.



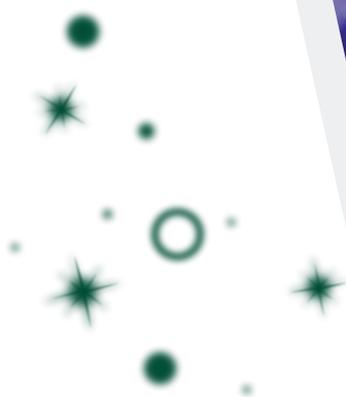
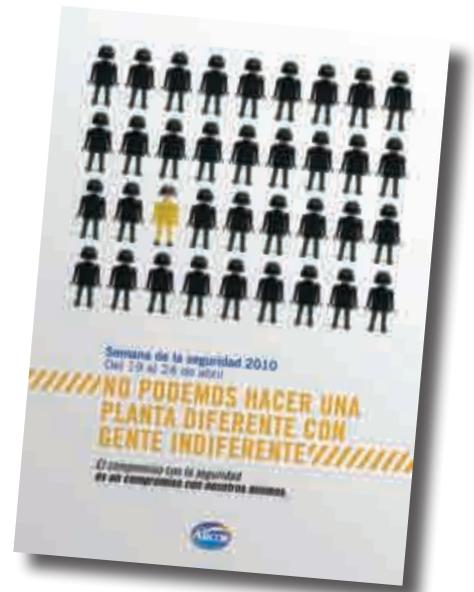
(26) Definition of safety indicators:

- Total Frequency Rate (TFR): it measures the number of accidents per one million of hours worked.
- Disabling Frequency Rate (DFR): it measures the number of accidents with medical leave per million of hours worked.
- Severity Rate (SR): it measures the quantity of days lost due to accidents per one thousand of hours worked.
- Incidence Rate (IR): it measures the quantity of accidents with medical leave per thousand workers.

## Safety Week 2010: "A different industrial plant cannot be built by indifferent people"

As every year, in 2010, there was a week dedicated to safety. At corporate level, there were boards announcing the Safety Week and a journal with news and general information on the subject was distributed.

On the other hand, each plant organized special activities focused on the promotion of concepts and good practices through classroom trainings, at the workplace or through leaflets and messages. At most of the bases, participation translated into draws and giving of gifts.



## CHAPTER 4

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### Social Investment

*“The cycle of intergenerational poverty must end. Investing in children’s health, education and protection is an obvious place to start.”*

Ann M. Veneman<sup>(27)</sup>



# 911,018

**GIRLS, BOYS AND TEENAGERS  
BENEFITED FROM THE SOCIAL  
INVESTMENT INITIATIVES OF ARCOR  
GROUP DURING 2010**

## Investing in a developing society, a strategic glance at human development

The social investment strategy, professionalized in 1991 with the creation of the Arcor Foundation in Argentina, reached a regional sphere in 2004 with the creation of the Arcor Brazil Institute, and consolidated in 2007 with the formulation of Arcor's Social Investment Policy and the start-up of the Community Relations Program.

SOCIAL INVESTMENT	YEAR 2010	YEAR 2009
<b>Total amount earmarked for Social Investment<sup>(28)</sup></b>	<b>\$ 19,427,406</b>	<b>\$ 18,088,265</b>
Product donations	\$ 8,316,461	\$ 7,052,767
Cash and material contributions	\$ 4,354,516	\$ 2,321,741
Investment in Arcor Foundation and Arcor Brazil Institute <sup>(29)</sup>	\$ 6,756,429	\$ 8,713,757

## Arcor's Social Investment Policy: leading the way

This policy directs social investment made by Arcor Group through the Arcor Foundation and Arcor Institute, and the one made directly at corporate level, as well as the initiatives carried out within the Community Relations Program.

LINES OF ACTION	
FIELD OF ACTION	OBJETIVE
<b>Education</b>	Promote educational opportunities for children
<b>Environment</b>	Strengthen community environmental improvements
<b>Citizen and community participation</b>	Strengthen social organizations
<b>Economic and social inclusion</b>	Support social and economic inclusion projects

(28) Amounts are denominated in pesos (Argentine currency).

(29) This amount includes the contribution made by Arcor Group to the Arcor Foundation and Arcor Institute, and alliances funds. The contributions made by the company for infrastructure, personnel and operation expenses of both organizations are not contemplated.

## Community Relations Program

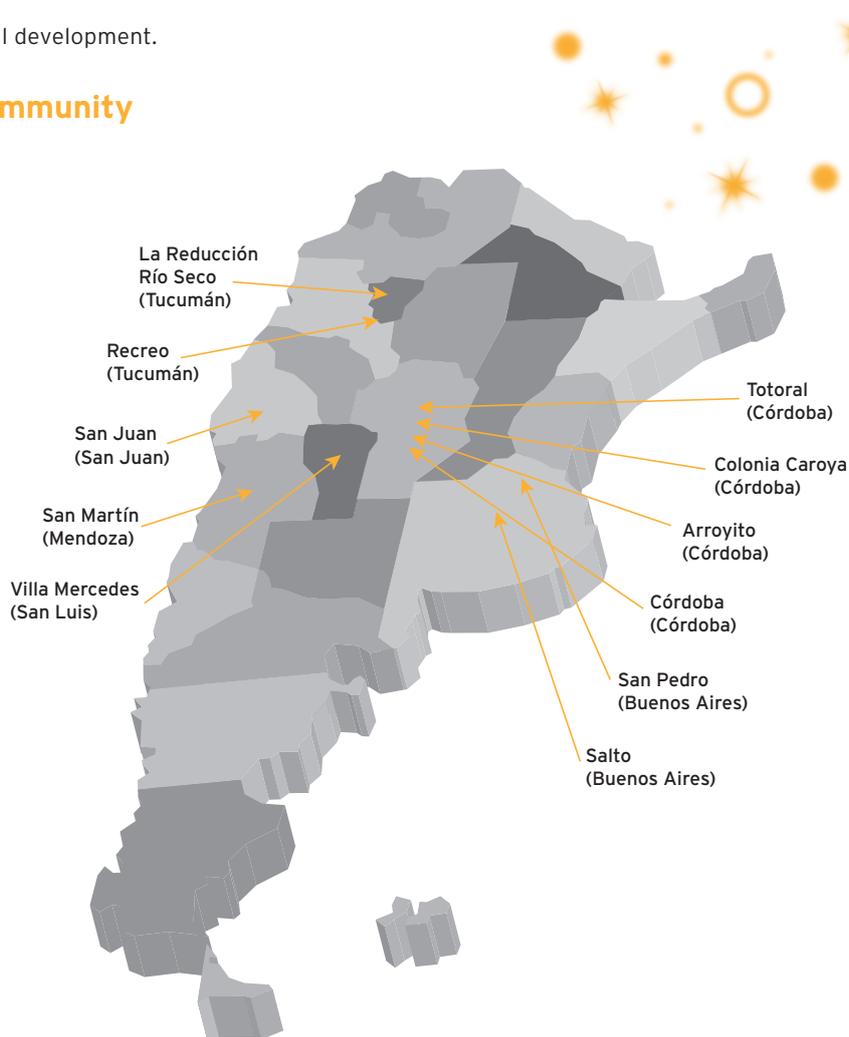
This Program aims at managing in a strategic, organic and efficient manner the actions developed by Arcor's plants in its neighboring communities. It is structured on two important pillars:

- Local strategies for each community.
- Specific projects to contribute to social development.

### Local strategies for each community

With the help of local community relations committees, Arcor Group meets the specific needs of each area. In 2010, Arcor worked to consolidate and strengthen the 12 existing committees; and 5 one-day training courses on social issues as well as 6 workshops for community social workers taking part in this effort were run.

Based on the diagnoses made in each community and the strategies defined, inter-sector communication was boosted and alliances with local governments and organizations of the civil society were forged.



### Results of the Community Relations Program

	YEAR 2010	YEAR 2009
Local committees set up	12	11
Staff members with direct participation	85	70
Community diagnoses made	12	9
Community organizations involved	561	476
Children, young people and adults benefited	242,426	219,000
Invested amount <sup>(30)</sup>	\$ 3,050,959	\$ 2,725,775
Programs and projects implemented	14	12

(30) Amounts are denominated in pesos (Argentine currency). This amount corresponds to the total financial contributions and donations of products made by the plants that have a local committee.

## Specific projects to contribute to social development

Social Investment Area	Main programs/projects implemented in 2010	Areas of the company involved in Community Relations
<b>Education</b>	<ul style="list-style-type: none"> <li>• Educating Communities Program</li> <li>• Training programs for teachers and adults working with children</li> <li>• Partnership Program with Technical Schools</li> <li>• Programs and projects supporting education and the training of staff members and their families.</li> <li>• Projects linking staff members, their families and community.</li> </ul>	<ul style="list-style-type: none"> <li>• Arcor Foundation</li> <li>• Arcor Foundation</li> <li>• Human Resources</li> <li>• Human Resources</li> <li>• Human Resources - Environment, Hygiene and Industrial Protection (EHIP)</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Environmental Education Program</li> <li>• Program for the classification and recycling of materials</li> </ul>	<ul style="list-style-type: none"> <li>• EHIP</li> <li>• EHIP</li> </ul>
<b>Citizen Participation</b>	<ul style="list-style-type: none"> <li>• Donations Program</li> <li>• Growing up playing: A childhood without child labor project</li> <li>• Community Strengthening Program</li> </ul>	<ul style="list-style-type: none"> <li>• Logistics - Administration - Quality</li> <li>• Foodstuff Business - Agricultural Supplies</li> <li>• Arcor Foundation</li> </ul>
<b>Economic and Social Inclusion</b>	<ul style="list-style-type: none"> <li>• Responsible Inclusive Purchasing Program</li> <li>• Base-strengthening program to fight against poverty</li> </ul>	<ul style="list-style-type: none"> <li>• Supplies</li> <li>• Arcor Foundation -Supplies</li> </ul>

### Dialogue: a chance to build something together

Arcor organized meetings with members of the communities in order to reinforce dialogue and learn in depth their perceptions, expectations and needs with respect to the community, the company and the relationship between both.

More than 200 people, including community leaders, members of civil society organizations, local governments' representatives and neighbors in general, took part in these meetings.



### Partnership Program with Technical Schools

Development of abilities and generation of job opportunities. Within a context of scarcity of technical profiles, Arcor has continued with this program created under the Company-School

Relationship Initiative of the Asociación Empresaria Argentina (AEA - Argentine Corporate Association). In 2010, the company designed and implemented, in Córdoba, Argentina, a pilot

test of the Teachers' Training Program offering training in issues identified as the main weaknesses in the learning process of intern-students.

## Arcor Foundation: committed to children for a bigger country<sup>(31)</sup>

Based on an integral conception of childhood as a key stage in human development, Arcor Foundation promotes the generation of equal opportunities of boys and girls through education. It has for this purpose established 4 lines of action:

### • Territorial Initiatives

The Community Educational Opportunities and Local Educational Actions programs, among others, have backed 34 projects in which 3,513 adults and 180 organizations took part and from which 10,279 boys and girls benefited.

### • Studies and Research

During this period the development of 8 studies was encouraged. Among them, it is important to mention: Barometer of the Childhood Social Debt, with Universidad Católica Argentina (UCA - Argentine Catholic University); Childhood as a measure -EduCometro; Educational Opportunities in Early Childhood; Financing Index for Equity and the Quality of Public Education and Proposal for costing of Educational Goals.



### Results of the 2010 Barometer of the Childhood Social Debt<sup>(32)</sup>

#### LIVING CONDITIONS

- 55% boys/girls and teenagers live in homes which have been forced to restrict their food intake as regards either its quantity and/or quality.
- 28% children face nutritional risk (19,8% in a moderate level and 8,1% in a serious level).
- 47% boys/girls have neither prepaid medical care nor health insurance.

#### UPBRINGING AND SOCIALIZATION PROCESSES

- 40% children under 5 are not read stories.
- 90,6% boys/girls between 5 and 12 do not use Internet, within the lowest 25% of the population.
- Almost 5 out of 10 school-age boys/girls have no family bookcase at home, and it is calculated that 4 out of 10 teenagers have no access to books within their home.

#### EDUCATIONAL PROCESSES

- Early schooling (between 2 and 4 years) reaches almost 6 out of 10 boys/girls in the big cities of Argentina.
- The educational deficit in primary school, that is to say, boys and girls who do not go to school or who have fallen behind, has reached 7% in 2009, experiencing no significant variations since 2007.



### • Training and education

During 2010, Arcor Foundation promoted and developed 13 educational proposals involving 169 organizations in 9 Argentine provinces. 2,562 adults and professionals working in childhood-related matters were trained and 25,987 boys and girls were indirectly benefited from said training.



(31) For further information on the work of Arcor Foundation, you can visit [www.fundacionarcor.org](http://www.fundacionarcor.org).

(32) Based on a group of 1,885 cases in urban conglomerates with more than 200,000 inhabitants.

### Promotion of Linguistic and Cognitive Development Program for kindergartens in the province of Entre Ríos, Argentina.

Arcor has worked together with the General Educational Council of the Province of Entre Ríos and the National Scientific and Technical Research Council in order to intensify the relationship between families and educational institutions. Within this framework, the actions aimed at kindergarten teachers and adults of the community in order to capitalize the potential of children and promote their linguistic and cognitive development

were strengthened.

In this way, they have worked on:

- Training of teachers, headmasters, supervisors and families.
- Preparation and provision of didactic material for kindergartens and educational institutions.
- Assistance in the preparation of the curricular guidelines of the initial level.
- Performance evaluation.



The results showed significant progress in the performance of children, the vocabulary of whom increased from 24 to 43 recognized words (they practically doubled their vocabulary). As regards comprehension, they recognized almost the double of the words referring to different conceptual categories (food, animals, clothes, furniture) -from 43 to 76 words. Finally, with respect to the writing test, at the beginning of the period 87% of children did not write at all or wrote letters at random or only the initial letter of a word, while by the end of 2010, the percentage dropped to 27%.

### • Social and public mobilization

With the aim of raising awareness and mobilizing different public and private members of society on the importance of recreating the world of children as a responsibility common to all, the commitment of Arcor Foundation is translated into the preparation of studies, seminars, workshops and agreements with organizations, companies and municipalities. During 2010 different initiatives were developed, working in alliance with different organizations such as Promotion of private social investment in childhood through the Companies in favor of Childhood initiative; Equity for Childhood in alliance with The New School and Arcor Institute; 2nd Latin American Congress on Childhood, Adolescence and Family organized by the Asociación Latinoamericana de Magistrados, Funcionarios, Profesionales y Operadores (Latin American Association of Magistrates, Officers, Professionals and Operators), among others.

### Companies in favor of Childhood

In alliance with Save the Children and UNICEF, Arcor Foundation has promoted a more active role of companies and business foundations in social investment programs aimed at childhood and adolescence, through one-day training and exchange courses, studies and publications, focusing on the protection and promotion of

children's rights. The Second Meeting for the Training of Educators who shall replicate this initiative in different business spaces in the country and in the region, was also held.



ARCOR FOUNDATION	YEAR 2010	YEAR 2009
Financed projects	84	116
Studies on education and childhood	8	8
Edited publications	14	14
Boys and girls with a key role on projects	240,592	310,243
Adults working on childhood-related issues	47,532	37,269
Provinces covered by the projects	18	18
Organizations involved	24,591 <sup>(33)</sup>	9,520
Invested amount <sup>(34)</sup>	\$ 2,863,761	\$ 3,886,884
Mobilized amount <sup>(35)</sup>	\$ 9,724,343	\$ 11,883,150

## Arcor Brazil Institute: opportunities for boys and girls in the region

Since its creation in 2004, the Arcor Brazil Institute has been implementing initiatives in order to support the education, integral development and social inclusion of boys, girls and teenagers. Its own programs as well as those implemented jointly with other institutions have involved 428,000 children and teenagers and the participation of 1,460 organizations, in 2010.



### Own programs

#### My school grows

Small projects which favored learning and self-esteem of students in primary public schools were supported while the relationship between the educational institution and the community was strengthened. 20 projects were implemented in 11 municipalities of Sao Paulo, Minas Gerais and Pernambuco, involving 31 organizations and benefiting 8,576 children and teenagers.

#### Life, Light and Sound

583 auditory and visual tests on boys and girls from communities in which the company is present were conducted with the aim of improving health conditions affecting school performance.



(33) There was an increase in the number of organizations with which Arcor worked during 2010 due to the type of projects carried out oriented to Social and Public Mobilization.

(34) Amounts are denominated in pesos (Argentine currency). The amount includes the total funds -own funds as well as funds derived from alliances- administered by Arcor Foundation.

(35) Amounts are denominated in pesos (Argentine currency). The amount includes the total own, joint and counterpart resources.

## Alliance Programs

### Friends of the Sea Program

This initiative, articulated with the TAMAR Project, promoted environmental conscience on the protection of the sea turtle and aquatic life in general in 405,000 students from 1,357 schools.

### Comprehensive Education Program

65 organizations participated in 10 projects developed in 4 municipalities. These projects have benefited 14,000 children and teenagers and have created and promoted opportunities which facilitated an integral and quality education for children from low-income families.

### Na Mão Certa (In the right way) Program

In alliance with the World Childhood Foundation, this program includes more than 840 companies that have adhered to the Business Pact against sexual exploitation of children and adolescents on Brazilian roadways.

### RedEAmerica Fund

Brazil Arcor Institute has participated in 2 cooperation programs between the Inter-American Foundation and the Fondo Común de RedEAmérica Brazil. Within this framework and in collaboration with Instituto Holcim, Arcor Institute has supported 3 projects related to income-generation and education, in Cantagalo (Rio de Janeiro), Pedro Leopoldo (Minas Gerais) and Sorocaba (Sao Paulo).



ARCOR BRAZIL INSTITUTE	YEAR 2010	YEAR 2009
Financed projects	37	34
Boys and girls participants in projects	428,000	431.000
Organizations involved	1,460	1,397
Brazilian municipalities covered by the projects	220	214
Brazilian states covered by the projects	16	15
Invested amount <sup>(36)</sup>	\$ 3,892,668 (1,647,819 reais)	\$ 4,826,963 (2,235,326 reales)
Mobilized amount <sup>(37)</sup>	\$ 3,590,696 (1,520,000 reais)	\$ 12,168,923 (5,635,326 reales)

(36) Amounts are denominated in pesos (Argentine currency). The amount includes the total funds -own funds as well as funds derived from alliances- administered by Brazil Arcor Institute.

(37) Amounts are denominated in pesos (Argentine currency). The amount includes the total own, joint and counterpart resources.

## CHAPTER 5

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# Suppliers, Customers and Consumers

*“Every firm should look at decisions and opportunities through the lens of shared value. This will lead to new approaches that generate greater innovation and growth for companies –and also greater benefits for society”.*

Michael E. Porter y Mark R. Kramer<sup>(38)</sup>



# 13,408

**ACTIVE SUPPLIERS,  
96.2% OF WHICH ARE  
SMEs**

## Commitment to food quality and safety

Offering healthy and safe products is the result of the work across the whole value chain. This is why the company manages industrial operations through an Integral Management System which uses the highest food quality and safety standards for all its products.

In line with this commitment, Arcor has adopted an integral and preventive approach: to monitor the relationship between customers and suppliers in order to minimize the defects and maximize the yield of inputs, and to enhance the quality of its products and services based on the optimization of methodologies and the generation of actions to raise awareness in the whole Arcor Group.



### Raising awareness, a key step: Quality Month

In October 2010, the Quality Month, Arcor conducted specific campaigns with its staff about the care that the product must receive throughout the value chain in order to guarantee its quality and harmlessness. In this way, under the mottoes "Quality is our letter of introduction for consumers to choose us" and "You are in our minds in every product we make", this characteristic was highlighted as a differential feature and the commitment of the members of the company was reinforced.

### Preventive actions for the reduction of defects

During the whole year, distributors were trained, under the "Best Logistic Practices" Program, in the good practices necessary to guarantee the quality and harmlessness of products during storage and distribution. These

activities focused on providing information and orientation on integrated pest management, cleaning, operating methods, personnel and maintenance management for food safety, among others. In this same sense,

specific training courses were run for suppliers in order to share knowledge and the best management practices with the supply chain.

### Strengthening the strategic relationship with SMEs suppliers

Arcor Group's supply chain comprises 13,408 active suppliers who work together with the company. 96.2% are Small and Medium Enterprises (SMEs), which constitute the engine of economic growth which Arcor seeks to promote, strengthen and develop through sustainable management.

ARCOR GROUP'S SUPPLIERS		
	YEAR 2010	YEAR 2009
<b>Total active suppliers<sup>(39)</sup></b>	<b>13,408</b>	<b>11,447</b>
<b>By type of product/ service</b>		
Raw materials	48.97%	47.59%
Auxiliary products and services	4.45%	9.86%
Packaging	12.23%	13.87%
Services	34.35%	28.68%
<b>By size of Active Supplier</b>		
Large companies	3.75%	3.67%
SMEs	96.2%	96.3%

(39) During 2010, no supplier concentrated more than 4.52% of the total purchased volume.

## Evaluation and development of suppliers

Within the evaluation process, audits were carried out to classify suppliers of productive materials according to commercial, food quality and safety aspects. Those who did not reach the score required by the Supplier Potential Index (SPI over 70) but who were interested in improving, received advice from the quality unit, were assisted in the preparation of an improvement plan and became subject to a new audit in order to be finally authorized in case of meeting the established requirements.

Year	Number of audits performed	% of audits with a score above or equal to 70
2007	178	56%
2008	252	62%
2009	246	70%
2010	337 <sup>(40)</sup>	68%

## Sustainable Management Initiatives with Suppliers

During 2010, the approach was centered on aligning these practices with Arcor Group's Sustainability Strategy, seeking to minimize the economic, social and environmental risks in the supply chain and to promote this perspective in management.

### SUSTAINABLE MANAGEMENT INITIATIVES WITH SUPPLIERS

#### Awareness and training

- Sustainability message in purchase orders

Thanks to this pillar Arcor has transmitted the concept of sustainability through the inclusion of sustainability-related messages in the purchase orders addressed to a great number of supplier companies.

#### Progressive inclusion in the hiring policy

- Letter of commitment
- Procedure for the evaluation, selection and follow-up of *façon* suppliers<sup>(41)</sup>

As a first step, 914 new suppliers -in addition to the 2,500 signatories since 2007- have signed, in 2010, the Letter of Commitment to Essential Principles for Responsible Management, related to the ten principles of the UN Global Compact, to international labor rules defined by the International Labor Organization (ILO) and to the best business practices.

The project was born in 2009 as an answer to the increase in the variety and complexity of this type of suppliers, the need to identify and manage associated risks, and the decision to expand sustainability practices. During 2010, work increased and corporate requirements were established through a general procedure, while the integral evaluation process to audit quality management, environmental management, occupational safety and the compliance with legislation, among other issues, was launched. In this first stage, 30% of current 47 *façon* suppliers were assessed and the new procedure implemented was analyzed and adjusted.

#### Responsible purchasing projects

- Responsible Inclusive Purchasing (RIP)
- Growing up playing, a childhood without child labor

See the table on Responsible Inclusive Purchasing (page 47).  
See text on Growing Up Playing, a childhood without child labor project (page 47).

(40) 13 of these audits correspond to *façon* suppliers also audited in socio-environmental issues.

(41) *Façon* supplier is the one who manufactures and/or packs products, including suppliers of raw materials and packaging of products and containers.

## Responsible Inclusive Purchasing

The RIP Project aims at expanding and improving the supply sources of the company and at contributing to the economic and social development of the region through the inclusion of enterprises in vulnerable conditions into the supply chain; allowing them, in this way, to improve their costs and productivity, acquire new knowledge and have access to market opportunities.

During 2010, 17 industrial bases made RIP purchases from 25

projects with a social basis which were incorporated into the company's supply chain as suppliers. Arcor acquired, under this project, 37 different products or services (textiles, maintenance services, washing of garments, weeding of sites, polyethylene and paper bags, trees and seedlings, among others) and issued 445 purchases and services orders.



### The road towards institutionalization, the challenges of "thinking in an inclusive way"

Commitment to inclusive purchasing has been growing within the company and has become part of the everyday administration within the supplies area. Thus, this team has undertaken the challenge of

taking into account a new criterion when deciding a new purchase. The project is coordinated by the RIP team, which was specially created for this task and which relies on the technical support of the Community

Relations Program. The fulfillment of this initiative was incorporated as an objective into the buyers' performance management system.

## Growing up playing, a childhood without child labor project

Through this project, Arcor seeks to involve the supply chain in the prevention and eradication of child labor. With this objective in mind, the company has defined an action plan based on three main pillars: studies and research support, mobilization and incidence, and community involvement.

In 2010, Arcor Group kept an active participation in the field of the Network of Companies against Child Labor and made progress in the development of community diagnoses to gather information of the specific situation of each situation.

As part of the community participation pillar, in Mendoza, more than 70 kids from 45 days to 12 years of age attended, during the harvest period, the Child Development Center in Villa Seca,

a place implemented in alliance with government agencies, which is open all year round, providing attention to more than 100 children. In this district, artistic and sports workshops for 45 teenagers were organized; and 35 women were trained in early stimulation and nutrition.

In San Juan, in multi-sector alliance with the Municipality of Pocito and the Government of the Province, Arcor supported 8 Childhood Development Centers attended by more than 300 children from the Department of San Martin, and was able to open another one within the Community Integration Center of the Department of Pocito. The latter was responsible for the care and education of more than 40 children from 45 days to 6 years of age during the harvest period and involved the active participation of

6 producer suppliers of the company. Moreover, training was provided to 30 families.

Arcor Group also took its first steps on the Project in Río Negro, making a community diagnosis of the Choele Choele and Lamarque municipalities. 120 teachers from these municipalities were trained in Play and Recreation issues.



## To consolidate the relationship with customers for business growth

Arcor reaches its consumers through a world retail distribution model and other commercialization channels which include supermarkets and wholesalers. They constitute the last link in the production chain and are essential players for the company to be able to respond in the best possible way to the demand for its products all over the world.



### ARCOR GROUP'S CUSTOMERS 2009-2010<sup>(42)</sup>

	Wholesalers	Supermarkets	Official distributors	Sellers	Points of sale visited
<b>YEAR 2009</b>	1,937	87	379	6,948	774,536
<b>YEAR 2010</b>	1,655	83	373	6,756	795,873

### Relationship and communication practices

Tiempo de Encuentro Newsletter is one of Arcor Group's communication channels with the distribution network and with the commercialization network of the different countries; its pages include news on the company and the different business. Moreover, plant visits and meetings with strategic

customers are organized in order to deepen the dialogue and test improvements in the service.

During 2010, in each country where Arcor Group is present, the staff worked to improve communication based on tools with state-of-the-art technology, focused on the

systematization of the information, on the integration of suppliers' networks and on the follow-up of the main marketing and sale processes.

### Training and development of the distributors' network

#### Taylor-made courses for customer companies: Arcor Distributors' Management Program in Chile

With the aim of accompanying the professional development of the distributors' network and of adapting the training needs to local realities, Arcor has implemented Arcor Distributors' Management Program in Chile, coordinated by the Distribution Sales Management Office and the HR Management Office.

32 distributors and area and regional heads were trained in the improvement of their business performance in order to face in a mature and analytical manner the new challenges of this channel. The course included five modules (becoming thus, a Diploma Course), which were taught by professors from Universidad Adolfo Ibáñez (Adolfo Ibáñez University).



(42) The data correspond to the distribution network of countries with industrial presence: Argentina, Brazil, Chile, Mexico and Peru.

### Strengthening the Distributors' Network, betting on development

Two years after launching Arcor Distributors' Management Program (ADMP), carried out in Argentina jointly with the School of Business of Universidad Austral (IAE), in 2010, the development measures for distributors have focused on the implementation of the Best Logistic Practices Program, its deposit operations and physical distribution, with the aim of accompanying them in order to professionalize their management and prepare them to face challenges and Arcor's growth. Thus, a strategy grounded on four pillars was defined:

- To offer technical and professional support.
- To strengthen the distributor's negotiation and competitiveness capacity.
- To provide technological development to adapt it to the logistic needs.
- To train and raise awareness among distributors on food quality and safety, and on storage and distribution processes.

In 2010, 14 training meetings were organized with the participation of 470 people from 141 distributor companies.

## Commitment to consumers: excellence in products and in customer service

In 2010, Arcor handled 78,163 calls at the Customer Service Centers (CSC) dealing with questions, complaints, information requests, suggestions, criticism and congratulations.

In Argentina, the CSC was certified under the new version of ISO 9001:2008 and the satisfaction surveys module of complaints within the Gestar-CRM continued to be implemented.

Furthermore, a Consumer's Day was organized with the participation of consumers from different ages who asked questions about products and the improvements carried out in the

different lines of production based on the calls and their expectations.

Brazil's CSC received 45,774 queries, complaints, criticism, praises and suggestions. 56% of the calls were answered by a computerized answering system, 29% were solved with personal telephone attention and the remaining 15% via e-mail. Furthermore, the new Arcor do Brasil portal ([www.arcor.com.br](http://www.arcor.com.br)) which includes entertainment and information options for consumers, was launched.

On the other hand, the CSC from the Andean Region received 940

contacts and in Chile meetings were organized with consumers in order to test commercials for the different categories of products. Moreover, Arcor adhered, in Chile, to an initiative of the Foodstuff Industry and adopted a voluntary nutritional labeling for its products: GDA (Guideline Daily Amounts).

### Survey on the satisfaction of consumers who made a complaint about a product

	Argentina	Brazil	Chile
<b>Telephone customer service</b>	9.6	9.5	9.8
<b>Technical answer from the Quality Management area</b>	9.6	9.3	9.2
<b>General opinion</b>	9.6	9.3	9.7

Score from 1 to 10, being 10 the highest and 1 the lowest



# Message from the Sustainability Corporate Manager

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During this year of great progress and challenges in the field of sustainability, we have published our sixth Report following the Global Reporting Initiative G3 Guide, communicating once again our economic, social and environmental performance.

After making a balance of our performance, I would like to highlight the move from the CSR concept to Sustainability, and with it, the changes that have taken place in the company by virtue of the creation of a Sustainability Policy and the constitution of a Corporate Committee which safeguards its compliance.

This Policy was implemented during 2010 through the launch of a corporate Strategy and the definition of the 2010-2013 Action Plan based on three pillars: sustainability in the business strategy, in staff performance and in the management system.

During this stage, different areas of the company have advanced in these three aspects. Regarding our staff performance, we can emphasize the implementation of an Awareness, Communication and Internal Training General Plan on the new Sustainability Strategy and the incorporation of this dimension into the Performance Management System of Arcor Group's staff.

Together with our suppliers, we have developed awareness actions in order to transmit our values for a responsible management; we have deepened our knowledge of the Evaluation, Selection and Follow-up Procedure of *façon* Suppliers; we have institutionalized the Responsible Inclusive Purchasing Program; and we have trained 470 members of our network of distributors in Quality Management and Best Logistic Practices.

On the other hand, we have been working in the communication and dialogue with our customers and have certified again our Customer Service under the new version of the ISO 9001:2008. Our Customer Service Center has received 78,163 contacts and we continue implementing the module of surveys on the satisfaction of complaints.

The commitment to the integral development of the regions in which we operate is shown in our strategic work with communities and in the social investment of more than 19 million pesos in 2010. Through the Arcor Foundation, the Arcor Brazil Institute and the Community Relations Program, we have developed actions which have reached 911,018 boys and girls and contribute in generating equal opportunities through education.

With regards to our environmental performance, which is always innovative in technology and implementation of processes, we have been able to complete a Carbon Inventory calculation in the Confectionery Business that includes 6 plants located in Argentina.

In 2010 we have done a great deal, but there is still more to be done. In 2011 we aim to consolidate the first stage of Arcor's Sustainability Strategy, to strengthen the articulation and integration of the different areas to meet this common challenge, and to continue working with our value chain to make it more sustainable.

We are guided by this vision which is nourished by our best practices and is reinforced by our desire to build a sustainable future together.



A stylized, handwritten signature in black ink, consisting of several overlapping loops and lines.

*Claudio Giomi*  
Sustainability Corporate Manager

This publication is a summarized version of Arcor Group's 2010 Sustainability Report which was prepared following the Global Reporting Initiative G3 Guidelines, with a C Application Level.

The complete version of this Report can be found in the corporate website  
**[www.arcor.com](http://www.arcor.com)**

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