



SUSTAINABILITY REPORT 2016



For 65 years, our history has been fueled by other histories.



Getting Together Made us All Grow

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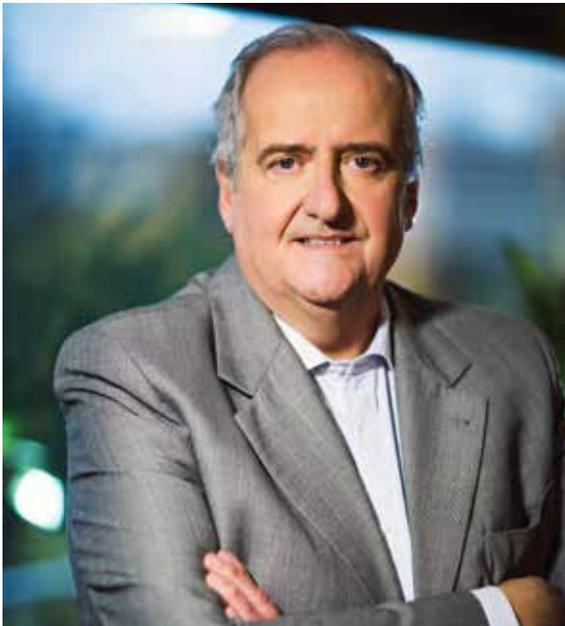


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About this report



Message from the President



Firmly committed to transparency and open dialogue, it has been twelve years now since Arcor Group has started to report annually on its economic, social and environmental performance to share the progress on the sustainable management of our business, to think about the long way we have gone and the challenges ahead of us.

Today, I am proud to present our 2016 Sustainability Report, prepared according to international standards, helping us communicate our efforts in a clear and standardized manner,

thus contributing to forge bonds of trust with all of our stakeholders.

The year 2016 was very special since we celebrated our 65th anniversary. Therefore, we decided to reflect on what makes Arcor different and unique. And we concluded that the key factor lies in our essence: we are a multilatin company, a family business which has relentlessly valued work, effort and respect for the people, families and communities. This essence makes us bet on the long term and encourages us to continue investing with sufficient flexibility to adjust to diverse contexts and different economic and political situations.

This new anniversary has been marked by significant changes and new challenges in the region that directly impact on the lives of the people. Arcor continued to favor development, preserving jobs, supporting the communities we are part of, and focusing on increasing our competitive edge based on improvements in the production processes and logistics operations. Accordingly, the start-up of the new wet milling plant in Arroyito was completed. The plant required an investment of USD 70 million, was built with environmental practices in mind, and will help us boost new agro-industrial business opportunities.

Another major milestone of the year was the launching of our new Corporate Philosophy: We are the result of dreams and

efforts made by a group of friends. This is how a small venture has grown into the largest food company in Argentina, the world's first manufacturer of hard candies, and one of the leading cookie and confectionery company in the region. But consumer times and needs have changed, making it necessary to understand the demands of today's world and embrace new dreams. And that was the big challenge we faced at the time of rewriting our Vision, Mission and Values: bridging the gap between our history and all the possibilities the future brings.

We have to take a leap, evolve and develop new skills to create new business opportunities. This is the time to dream again, to challenge ourselves and continue growing.

I invite you to read our new Report, getting a closer glimpse of what we are and what we do, and to join us in our task of building together a future for all.

A handwritten signature in black ink, appearing to read 'Luis A. Pagani'. The signature is stylized and fluid, with a large initial 'L' and 'P'.

Luis A. Pagani
Arcor Group's President

Message from the Corporate Sustainability Manager



In 2016 Arcor launched the sustainability strategy towards 2020, aiming to increase the company's corporate value through the sustainable business governance and management, based on three pillars of action: identity, operational continuity and demand growth.

Throughout the year, corporate businesses and areas promoted initiatives aligned with our Sustainability Policy, reflecting the six commitments undertaken therein. As regards new developments to improve planning, management and monitoring of the operating plans, a Sharepoint platform was designed and deployed, together with a new method that allowed businesses to update their relevant risk and opportunities matrices.

Progress has also been made on integrating this perspective into the Comprehensive Management System (SGI as per its initials in Spanish). All components of the Performance Management System (SGD as per its initials in Spanish) were further integrated, thereby allowing employees to set specific goals while business units defined their divisional goals related to sustainability.

Additionally, during 2016 the group's value chain settings were updated in a joint work involving all the company areas and mapping all processes and players, thus facilitating the update of Sustainability Risk and Opportunities Matrices for each business unit and at the corporate level.

Throughout the year, Arcor continued working on specific initiatives together with all its stakeholders. Within the organization, progress was made on the Work Inclusion Program for Persons with Disabilities, the third Work Environment Survey was conducted, and work opportunities for young talents were developed through the Employing Brand project. Dialogue was a key element in Arcor's relationship with the communities where it operates, completing the perception studies initiated in 2015 and developing matrices to assess the impacts of the industrial

operation on the communities where the group's facilities are located.

As part of its commitment to active life and healthy diet, Arcor continued to make progress towards meeting the goals set to reduce trans fat and sodium content in products, and in the development of a tool to monitor the nutritional composition of foods.

Lastly, it is noteworthy that as part of the new 2030 Agenda, we studied Arcor's contribution to the 17 Sustainable Development Goals, based on our Strategy and the initiatives we promote.

We are grateful to all the people who made this publication possible, and look forward to receiving your feedback and suggestions to keep on learning and as a means of improving our management and accountability.

A handwritten signature in black ink, appearing to be 'CG' or similar initials, written in a stylized, cursive manner.

Claudio Giomi

Corporate Sustainability Manager

ARCOR GROUP AND THE SUSTAINABLE DEVELOPMENT GOALS

A new development agenda

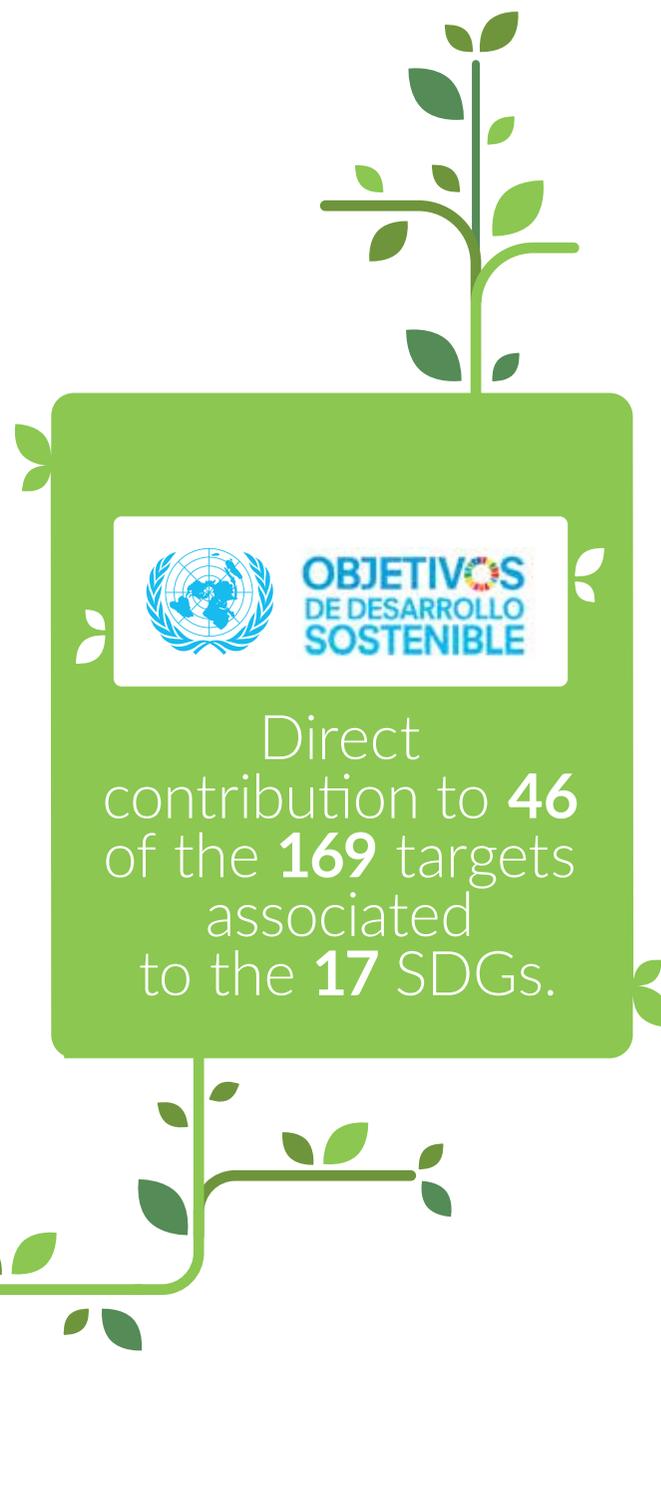
In September 2015, the 193 Member States of the United Nations adopted the new 2030 Agenda for Sustainable Development, including the 17 Goals with 169 associated targets, tackling the economic, social and environmental dimensions, with the aim to end poverty, protect the planet and ensure peace and prosperity for all.

An opportunity to align, prioritize and boost the impact

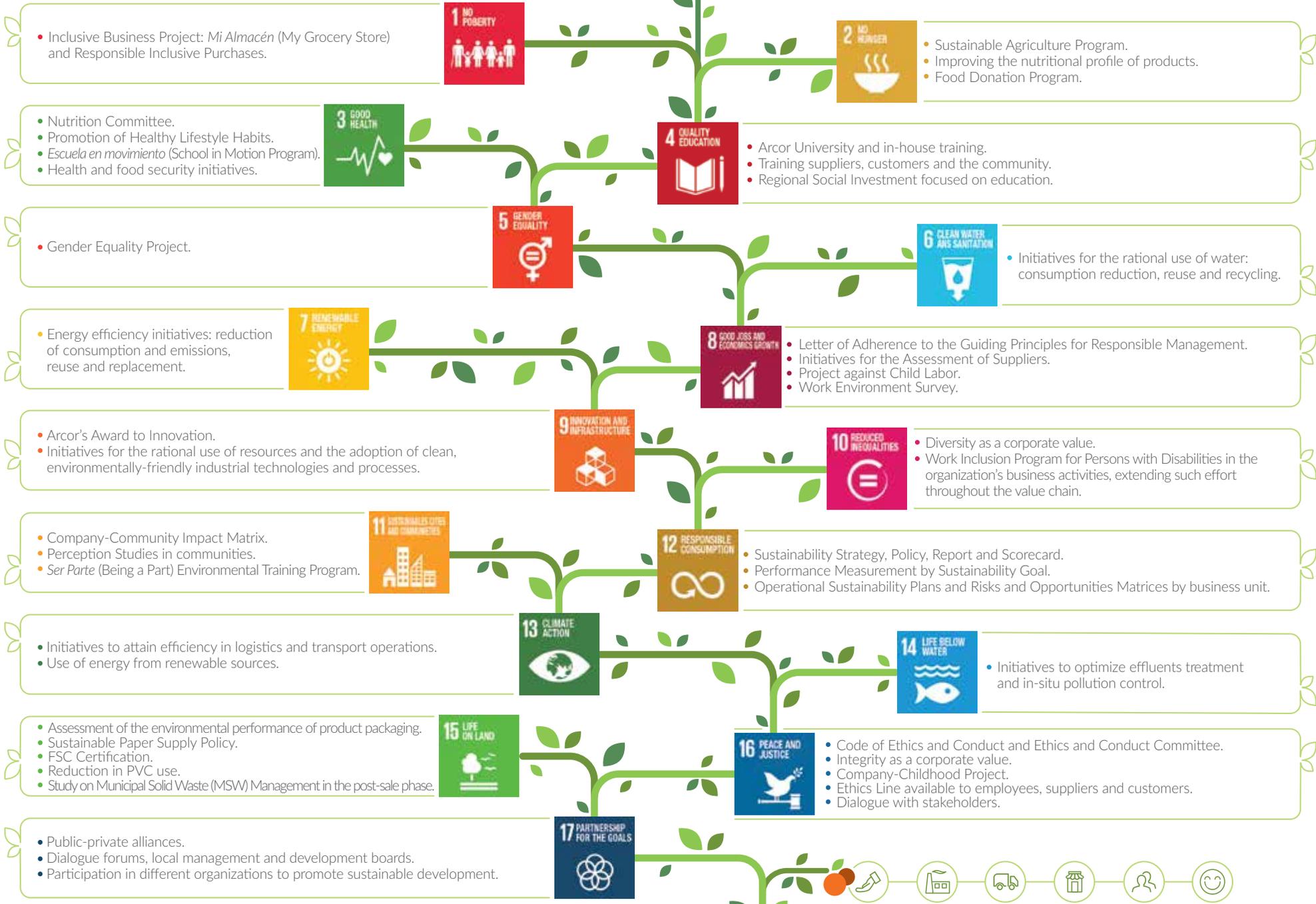
In order to gain a greater understanding of Arcor Group's contribution to the SDGs, during 2016 a study was conducted to determine the link between the SDGs, its targets and our Sustainability Policy; the impact they have on the value chain; the existing corporate initiatives; a definition of the top SDGs for the company according to the 2016-2020 Sustainability Strategy; and the identification of opportunities to create value shared in accordance with the industry's best practices.

Communicating the SDGs

Arcor Group participated in the discussion panel on "SDGs and the Environment: Building the 2030 Agenda in Argentina", organized by the Ministry of Environment and Sustainable Development, the United Nations Environment Program, the UN Global Compact, the Argentine Business Council for Sustainable Development (CEADS, as per its initials in Spanish), and "The Sustainable Development Goals in the Corporate Agenda", by Universidad de San Andrés (UdeSA). Furthermore, two cases were submitted to illustrate the work done in order to comply with SDG 8 and SDG 12 to the CEADS platform and the matrix developed by the UN Global Compact and KPMG, highlighting best corporate practices in the food, beverage and consumer goods industry worldwide which contribute to the SDGs¹.



¹This publication is available on the UN Global Compact website: www.unglobalcompact.org/library/3111



- Inclusive Business Project: *Mi Almacén* (My Grocery Store) and Responsible Inclusive Purchases.



- Sustainable Agriculture Program.
- Improving the nutritional profile of products.
- Food Donation Program.

- Nutrition Committee.
- Promotion of Healthy Lifestyle Habits.
- *Escuela en movimiento* (School in Motion Program).
- Health and food security initiatives.



- Arcor University and in-house training.
- Training suppliers, customers and the community.
- Regional Social Investment focused on education.

- Gender Equality Project.



- Initiatives for the rational use of water: consumption reduction, reuse and recycling.

- Energy efficiency initiatives: reduction of consumption and emissions, reuse and replacement.



- Letter of Adherence to the Guiding Principles for Responsible Management.
- Initiatives for the Assessment of Suppliers.
- Project against Child Labor.
- Work Environment Survey.

- Arcor's Award to Innovation.
- Initiatives for the rational use of resources and the adoption of clean, environmentally-friendly industrial technologies and processes.



- Diversity as a corporate value.
- Work Inclusion Program for Persons with Disabilities in the organization's business activities, extending such effort throughout the value chain.

- Company-Community Impact Matrix.
- Perception Studies in communities.
- *Ser Parte* (Being a Part) Environmental Training Program.



- Sustainability Strategy, Policy, Report and Scorecard.
- Performance Measurement by Sustainability Goal.
- Operational Sustainability Plans and Risks and Opportunities Matrices by business unit.

- Initiatives to attain efficiency in logistics and transport operations.
- Use of energy from renewable sources.



- Initiatives to optimize effluents treatment and in-situ pollution control.

- Assessment of the environmental performance of product packaging.
- Sustainable Paper Supply Policy.
- FSC Certification.
- Reduction in PVC use.
- Study on Municipal Solid Waste (MSW) Management in the post-sale phase.



- Code of Ethics and Conduct and Ethics and Conduct Committee.
- Integrity as a corporate value.
- Company-Childhood Project.
- Ethics Line available to employees, suppliers and customers.
- Dialogue with stakeholders.

- Public-private alliances.
- Dialogue forums, local management and development boards.
- Participation in different organizations to promote sustainable development.



A woman with dark hair, wearing a white lace top and a patterned scarf, is smiling and looking towards the left. She is standing behind a cashier counter. In the foreground, there is a display of 'Caramelos' (candies) in a box labeled 'pico dulces ALEGRIA'. The background shows shelves stocked with various packaged snacks, including bags of chips and candy bars. A computer monitor is visible on the counter in front of her.

**GETTING TOGETHER
MADE US ALL GROW**

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1.1.

About Arcor Group

65 years of history celebrating that “Getting together made us all grow” Arcor Group today: its associations, world presence, corporate governance and economic performance. Introduction of the new Corporate Philosophy and an overview of businesses and brands.

1.2.

Sustainability: a key component of the Company’s DNA

Arcor Group relies on a Sustainability Policy which reaffirms its commitment to sustainable development, and a 2016-2020 Sustainability Strategy, which provides for the sustainability planning, management, monitoring and governance.



1.3.

Proximity and dialogue with stakeholders

Main communication channels and outstanding actions aimed at consumers; customers; employees; suppliers; shareholders; the community, government, and society; the press and opinion leaders.



1.4.

Raising public awareness about the importance of childhood: a commitment involving everyone

Arcor Group places childhood at the heart of management and works jointly with all its stakeholders to promote respect and advocacy of children’s rights.

1.5.

Rankings and recognitions

Awards received by Arcor Group and awards granted to its employees by the Company throughout the year: recognition given to continuous improvement teams as part of the Comprehensive Management System and Arcor’s Award to Innovation.



1.1. ABOUT ARCOR GROUP



For 65 years, our history has been fueled by many other histories...

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

With a sustained growth, the Company consolidated into an industrial group specialized in the production of food, confectionery, cookies and crackers, chocolates and ice-creams, featuring an agri-business unit and a packaging unit.

By managing business in a sustainable manner, today Arcor is the Argentine group with the highest number of open markets around the world, distributing products to more than 120 countries in the five continents.



“GETTING TOGETHER MADE US ALL GROW”

To celebrate the Group’s **65th Anniversary**, a communication campaign was launched inspired by the idea that “**Getting together made us all grow**”.

Through **65 personal stories** told by employees, consumers, suppliers, kiosk owners, distributors and community members, we wanted to show how the Company is largely built alongside and hand in hand with the people and organizations present across the value chain. People telling their own growth stories, life experiences, showing and confirming that the group’s main asset is being a company that forges bonds of trust.

All stories are available on: www.65historiasarcor.com

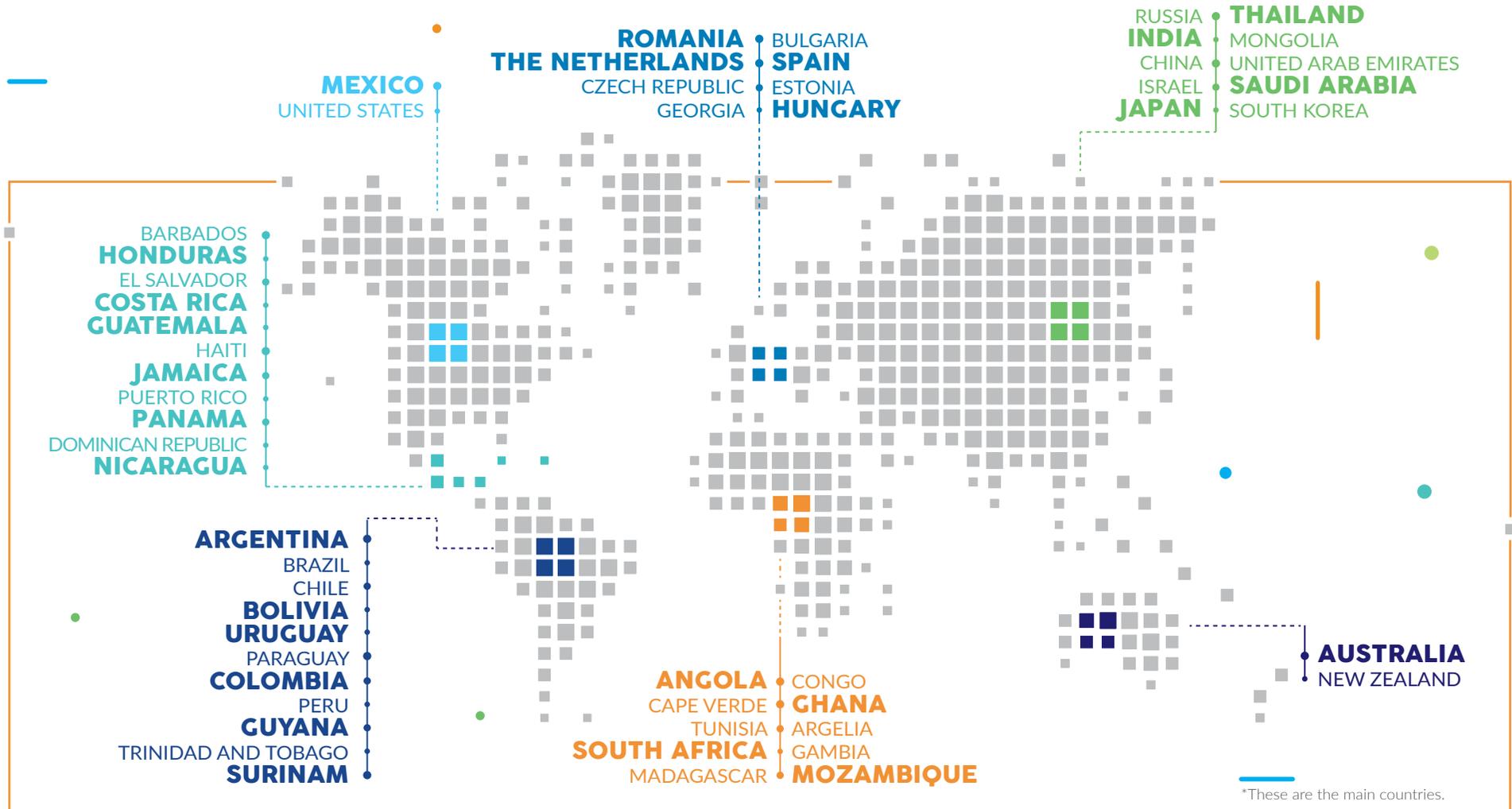


Arcor Group today



ARCOR AROUND THE WORLD

PRESENCE IN MORE THAN 120 COUNTRIES*



COMMERCIAL OFFICES

South America

-  ARCOR S.A.I.C. Buenos Aires, Argentina (Headquarters)
- ARCOR S.A.I.C. Córdoba, Argentina (Headquarters)
-  UNIDAL VENEZUELA S.A. Caracas, Venezuela (2005)
-  INDUSTRIA DOS EN UNO DE COLOMBIA LTDA.
Bogotá, Colombia (1998)
-  UNIDAL ECUADOR S.A. Guayaquil, Ecuador (1998)
-  ARCOR ALIMENTOS BOLIVIA S.A. Santa Cruz de la Sierra, Bolivia (2004)
-  ARCOPAR S.A. Asunción, Paraguay (1976)
-  VAN DAM S.A. Montevideo, Uruguay (1979)
- GAP REGIONAL SERVICES S.A. Montevideo,
Uruguay (2008)

North America

- ARCOR USA INC. Miami, USA (1993)
-  UNIDAL MÉXICO S.A. de C.V. Mexico City,
Mexico (2000)

Europe

- ARCOR A.G. (S.A. LTD.)
Barcelona, Spain (2002)

Asia

- ARCOR TRADING (SHANGHAI) CO., LTD.
Shanghai, China (2006)



STRATEGIC ASSOCIATIONS



The Coca-Cola Company



Corporate governance

Board of Directors

The Board of Directors is the Company's highest governing body and, as such, assesses and approves the Company's strategic and operational plans.

The members of the Board of Directors are covered by the provisions of the Company's Code of Ethics and Conduct, and they hold office for three fiscal years, with the possibility to be reelected indefinitely. Their compensation is determined and approved by the Shareholders' Meeting, and they hold meetings at the request of the Chairman and as often as the Company so requires it, but at least once every three months.

In addition, pursuant to the requirement of the National Securities Commission (CNV, as per its initials in Spanish), since 2013 Arcor releases a report on the degree of compliance with the Code of Corporate Governance, including nine principles, among which the following aspects can be found: aspects regarding governance transparency, risk management, information integrity, responsibility with regard to the relation with the community, fair and responsible compensation and business ethics.

Arcor SAIC's Board of Directors as of December 31, 2016

CHAIRMAN	Mr. Luis Alejandro PAGANI
VICE-CHAIRMAN	Mr. Alfredo Gustavo PAGANI
SECRETARY	Mr. Jorge Luis SEVESO
REGULAR DIRECTORS	Mr. José Enrique MARTIN Mr. Hugo Enrique LAFAYE Mr. Alejandro Fabián FERNÁNDEZ Mr. Víctor Daniel MARTIN Miss. Lilia María PAGANI Mrs. Claudia Susana PAGANI de MARTIN Mr. Guillermo ORTÍZ de ROZAS
ALTERNATE DIRECTORS	Mrs. Karina Ana Mercedes PAGANI de CAÑARTE Mrs. María Rosa PAGANI de BABINI Mrs. Zunilda Ramona GIORDANO de MARANZANA

Committees

Members of the Board of Directors take part in the following committees, whose main functions are detailed below.

- **AUDIT COMMITTEE:** Monitoring the operation of internal control systems and the administrative accounting system, review of the internal and external auditors' plans; assessment of services provided by external auditors.
- **PURCHASE COMMITTEE:** Manage and mitigate the risks related to the supply chain.
- **ETHICS AND CONDUCT COMMITTEE:** Ensure compliance with the Code of Ethics and Conduct.
- **FINANCE, INVESTMENTS AND STRATEGIES COMMITTEE:** Review of the annual budget, assessment of alternative funding sources, investment plans and new business plans.
- **HUMAN RESOURCES COMMITTEE:** Ensure that the key personnel compensation structure is linked to achievements, risks taken and long-term performance, propose selection criteria and apply training, retention and succession policies for senior management members.

CORPORATE SUSTAINABILITY COMMITTEE (CSA):

This Committee defines the strategic actions to enhance sustainability management, being the highest decision-making body in the Company as regards sustainability policies. Specifically, some of the Committee's functions are to:

- **ADVISE** the Management on all matters related to sustainability, providing support for the identification and analysis of the risks and opportunities that have a significant impact on the group.
- **SET PRIORITIES AND IMPLEMENT CORPORATE POLICIES, STRATEGIES AND ACTIONS**, related to Arcor Group's business sustainability.
- **ASSESS THE COMPANY'S PERFORMANCE** in terms of business sustainability, while monitoring and minimizing environmental and social impacts caused by its operations.
- **ASSESS AND MAKE RECOMMENDATIONS** on sustainability with respect to the Company's strategy for relationship building with its different publics.
- **FOLLOW-UP AND EVALUATE** the implementation of Arcor's Sustainability Plan.
- **ENSURE** that there are appropriate communications policies in place, and that they are effective to build and protect Arcor Group's reputation, both internally and externally, as a sustainable Company.

Statutory audit committee

The Company's oversight is under the charge of a Statutory Audit Committee made up of three regular statutory auditors and three alternate statutory auditors, appointed by the General Shareholders' Meeting for a three fiscal-year term of office. They may be indefinitely reelected, according to the Corporate Bylaws.

REGULAR STATUTORY AUDITORS

Mr. Victor Jorge ARAMBURU*
Mr. Gabriel Horacio GROSSO*
Mr. Carlos Gabriel GAIDO*

ALTERNATE STATUTORY AUDITORS

Mr. Hugo Pedro GIANOTTI*
Mr. Alcides Marcelo Francisco TESTA*
Mr. Daniel Alberto BERGESE*

*Independent members

Economic performance

By the end of 2016, Arcor Group recorded a 37.2% increase in sales in comparison to the previous year. Income for fiscal year 2016 attributable to the Company's shareholders, which amounts to ARS 454.1 million, is the result of the strategies adopted, which took into account the specific situation of each of the countries where the group carries out operations

MAIN ECONOMIC AND FINANCIAL INDICATORS ¹	2016	2015
Net Sales	37,812.2	27,553.5
Marketing and Administrative Expenses	9,103.1	6,748.7
Salaries, Wages and Social Security Contributions	9,564.3	6,886.9
Investment in Property, Plant and Equipment and Other Assets	1,549.9	750.3
EBITDA	3,835.5	3,165.7
Total Taxes²	1,809.7	1,427.8
Direct Taxes	842.9	652.4
Taxes, Rates and Contributions	128	89
Income Tax ³	838.8	686.4
Net Income for the Fiscal Year	454.1	327.3
Payment to Suppliers from the Autonomous City of Buenos Aires (CABA)	1,555.2	1,169.5
Total Capitalization⁴	14,025.8	10,813.7
Shareholders' Equity	4,521.5	3,696.7
Non-current Loans	5,612.2	4,059.7
Current Loans	3,892.1	3,057.3

(Figures stated in millions of Argentine pesos)

For further information, please refer to Arcor Group's 2016 Annual Report, available at www.arcor.com.

¹ All figures are stated in Argentine pesos, unless otherwise indicated.

² Breakdown of taxes per country (in millions of Argentine pesos): Argentina 1,676 - Bolivia 15.6 - Brazil 68.4 - Chile 27.2 - Colombia 0.1 - Ecuador 4.9 - Spain 2.1 - United States (21) - Mexico 13.3 - Paraguay 8.6 - Peru 1.4 - Uruguay 12.2 - Venezuela 0.9.

³ It includes deferred taxes.

⁴ It includes Shareholders' Equity and the Group's total Financial Loans.

New Corporate Philosophy: bridging the gap between what we were, are and want to be

In 2016 Arcor Group introduced a New Corporate Philosophy, which reflects its organizational culture and guides the actions of all those who are part of the Company.

Comprised of the Company's Vision, Mission and Values, the Philosophy serves as guide and inspiration to all employees, while helping the external audience to maintain an interest in the Company by reinforcing the leadership image reached in Argentina and consolidating the regional positioning.

The first version of the Philosophy was drafted in 2005. In 2016 a new version was introduced in order to reflect the new strategic goals, incorporate the new global context and use a current language. This way, the New Philosophy stays in line with world trends in sustainability, healthiness, connectivity and changes in consumer behaviors.

To introduce the New Philosophy, an internal communications campaign was run, called "Let's Move to the Future Together".

Vision

To be a leading food and confectionery company in Latin America, as well as in the international market, and be recognized for our sustainable practices and our ability to venture into new businesses.

Mission

To provide people all over the world with the opportunity to enjoy delicious and healthy food and confectionery products of high quality that will turn their everyday life into magical moments of gatherings and celebrations.





Code of Ethics and Conduct

Arcor Group's Code of Ethics and Conduct sets forth the Values, Ethical Principles and Rules of Conduct that guide the actions of all employees while ensuring the Company's sustainability and that of those with whom it interacts. The Code is distributed to 100% of the people who are part of Arcor Group, and is available on the corporate Intranet.

The Ethics and Conduct Committee is responsible for analyzing situations that may be construed as a violation to the Code. During 2016, the Committee met 10 times in order to deal with different issues related to the Code, including the analysis and resolution of the 56 reports and queries received through the Ethics Line.⁵

In turn, 3,984 Conflict-of-Interest Statements were received, 46 of which stated there was some situation to inform. These were analyzed by the Internal Audit Division and solved by the Ethics and Conduct Committee.

Furthermore, as part of the launch of the new Corporate Philosophy and as a result of last years' experience, changes were introduced to the Administrative Procedure and the Conflict-of-Interest Procedure of this Code.

Finally, new copies of the Code were distributed among employees, who will be required to take an e-learning mandatory training course next year, to reinforce compliance with the ethical standards defined by the Company.

⁵The Ethics Line is administered by the Internal Audit Management Division and is available to Arcor Group's employees, suppliers and customers.

Business units and brands

Arcor Group specializes in the manufacture of food products for mass consumption. Through different business units, it seeks to provide an exclusive offer with constant innovation and a large portfolio of brands. To this end, the Company is vertically integrated in the manufacture of its strategic supplies: agro-industrial raw materials and packaging.



Confectionery

The confectionery business is the one that gave rise to the Company. Today, Arcor Group is the major company in the region in terms of productive capacity, production volume, sales and brand development.

The Group has a great variety of confectionery products, such as candies (filled, hard, sour, crystal, and soft), milk candies, gummy candies, lollipops, chewing gum (sugar-free or not), bubble gum, jellies, nougat candies (*turrone*s), tablets and *marshmallows*.



Chocolates

Arcor Group has been taking part in the chocolate business since 1970. Today it has 7 industrial units in Latin America, which meet the group's needs all over the world.

It manufactures a wide variety of chocolates, such as bonbons and bite-size chocolates, tablets, sugar-coated, baking chocolate and pastry products, chocolates for children, chocolate-coated wafers, chocolate bars and seasonal products for holidays such as Easter, *Halloween* and Christmas, among others.



Ice-cream

Arcor Group's activity in the impulse ice-cream market was a strategic challenge that started in 2005, turning consumers' favorite chocolate and confectionery products into ice-cream.

The Company produces sundaes, cones, popsicles, chocolate-coated ice-creams and frozen bonbons.

111 SUSTAINABILITY INITIATIVES.

FOCUS: GENDER EQUALITY.

54 SUSTAINABILITY INITIATIVES.

FOCUS: USE OF TECHNOLOGY TO MANUFACTURE PRODUCTS WITHOUT WHEAT, OATS, BARLEY AND RYE (TACC, AS PER ITS INITIALS IN SPANISH).



Food

Arcor Group is the main food company in Argentina. It has 7 industrial plants that work making a careful selection of raw materials and using advanced technological processes.

The food division participates in more than 12 categories, such as marmalades, solid sweets, sauces, tomatoes, canned vegetables and fruits, desserts, canned fish, beverages, premixes, polenta, dressings, *dulce de leche* (caramel spread), and oils, among others.

102 SUSTAINABILITY INITIATIVES.

FOCUS: REDUCTION OF THE EFFLUENT ORGANIC LOAD.



Cookies and Crackers

Bagley Latinoamérica S.A., the company created with Danone Group for the cookies and crackers, *alfajores* and cereals business in Latin America, is regional leader in the production of cookies and crackers.

With 8 production plants in the region, the company launches more than 40 new products in the market every year, such as cereals, snacks, crackers, cereal cookies, assorted cookies, filled cookies, sweet dry cookies, Christmas products, wafers, *alfajores* and cereal bars.

125 SUSTAINABILITY INITIATIVES.

FOCUS: DEVELOPMENT OF FOOD PRODUCTS WITH SPECIAL NUTRITIONAL ATTRIBUTES.



Packaging

Arcor Group is self-sufficient concerning the main strategic supplies, producing corrugated cardboard and flexible cardboard packages through Cartocor, an Arcor Group's company with nine production units that consolidated itself as the main manufacturer of corrugated cardboard in Argentina and as one of the leaders in the region.

Out of the overall production, only 10% is used to meet internal needs, while the remaining 90% is used to meet third-party needs.

Moreover, under the Converflex brand, it produces flexible packages. Converflex has become a regional benchmark in the flexible packaging conversion industry.

155 SUSTAINABILITY INITIATIVES.

FOCUS: GENDER EQUALITY AND WORK INCLUSION OF PERSONS WITH DISABILITIES.

Agri-business

Since its inception, Arcor Group has been committed to providing consumers with the best quality.

To accomplish that, it has implemented an important self-supply strategy with regard to its main raw materials, being vertical integration one of its strengths.

In adherence to this principle, nowadays the group produces fructose, glucose, sugar, corn starch, corn flour and semolina, in five production units in Argentina.

Furthermore, Arcor Group is one of the Argentine leaders in the production of grain ethyl alcohol and good taste of grain, manufactured at the San Pedro Plant. As regards milk production, it has seven model dairy farms, strategically located in owned fields near Arroyito.

As a highlight of 2016, it is noteworthy the creation of the Agri-Business General Management Division, with the aim of driving the Group's growth by generating new businesses, based on its competitive advantages and the adoption of an holistic approach that goes beyond self-sufficiency.

102 SUSTAINABILITY INITIATIVES.

FOCUS: REDUCTION OF THE EFFLUENT ORGANIC LOAD.

New Wet Milling plant in Arroyito, Córdoba

Opened in 2016, this new plant is the third of its kind in Arcor Group, in addition to the existing facilities in Arroyito, province of Córdoba, and La Reducción, located in Lules, province of Tucumán.



IT MANUFACTURES:

FRUCTOSE, MAIN SWEETENER OF SOFT DRINKS, FLAVORED WATERS AND JUICES, AMONG OTHER PRODUCTS.

CORN BYPRODUCTS (GERM, FIBER AND PROTEINS)

USED AS RAW MATERIAL OF OTHER INDUSTRIES AND AS A BASIS FOR THE PRODUCTION OF BALANCED FOOD FOR PETS, CATTLE, PIGS AND POULTRY.

This plant has achieved the **British Retail Consortium (BRC) certification, in addition to both ISO 9001 and ISO 14001 certifications, apart from being Kosher certified.** It was built with environmental principles in mind with a view to prioritize energy efficiency in all its processes.

With a corn milling capacity of **600 tons per day**, the new facilities increase the group's wet milling capacity by 80%, thereby expanding the production not only to achieve self-sufficiency but to supply third-parties in Argentina and abroad, thus generating new agro-industrial business opportunities.



1.2. SUSTAINABILITY: A KEY COMPONENT OF THE COMPANY'S DNA



Sustainability Policy

Arcor Group believes that economic development should be aligned with welfare, social inclusion, and environment appreciation and protection. To this end, the group's Sustainability Policy sets forth a general commitment to sustainable development and five specific commitments, with the most significant and priority issues for our business and stakeholders.

2016-2020 Sustainability Strategy

In 2016 Arcor launched the sustainability strategy for the coming years, aiming to increase the Company's corporate value through the sustainable management and governance of our business.

This strategy is based on three pillars of action:

TO STRENGTHEN OUR **SUSTAINABLE IDENTITY** BY BASING IT ON OUR VALUES AND CULTURE AS DIFFERENTIATING ELEMENTS.

TO ENSURE THE **CONTINUITY OF OUR OPERATIONS.**

TO CONTRIBUTE TO THE **DEMAND GROWTH** BY ADOPTING SUSTAINABLE BUSINESS MODELS AND STRATEGIES.

Sustainability governance, management and monitoring

Arcor Group has a regional structure for the sustainability governance and management. The highest decision-making body is Arcor's Sustainability Committee that, jointly with the Sustainability Committees in Chile and Brazil, and the Corporate Sustainability Management Division, makes up the Company's management and governance system.

A workshop was carried out in Brazil and Chile, focused on a diagnosis process and a definition of the 2016-2020 guidelines, using the corporate method of reality-based planning, tailored to each particular context and business, to determine the priorities of the local Sustainability Plan. Overall, the Corporate Committee held four meetings, and the Brazilian and Chilean Committees met twice.

 In addition, Arcor Group relies on a Sustainability Scorecard, which uses 38 indicators to measure and report on the progress being made in meeting the commitments undertaken by the Company. In 2016, this Scorecard was used by the Sustainability Corporate Committee, the Brazilian and Chilean Committees, and the business units to monitor their plans. Moreover, the operation and display of the scorecard were further improved, already showing data on the evolution of indicators during the last 5 years.



 Throughout this Report, indicators that are part of the Sustainability Scorecard have been identified with this symbol.

Business sustainability planning



In 2016, 10 business units and 3 corporate areas promoted 955 initiatives in line with the commitments undertaken by the Company as set forth in the Sustainability Policy.

The main novelties of the period include the design and deployment of a Sharepoint platform to facilitate improvements in planning, management and monitoring of Sustainability Plans.

Additionally, a method was developed to allow business units to update their Sustainability Risks and Opportunities Matrices, a key input to define each plan. The new matrices were developed based on a comprehensive process, which included workshops with key players, the outlook of stakeholders, step-by-step evaluations to facilitate the analysis, and a new value chain configuration.



1.3. PROXIMITY AND DIALOGUE WITH STAKEHOLDERS



CONSUMERS

1 MILLION
points of sale.

78,598 CALLS
answered through the Consumer Service.

9,089 PEOPLE
involved in market research projects.



CUSTOMERS

Drafting of the **GUIDE FOR THE DEVELOPMENT OF SUSTAINABILITY PLANS** aimed at Arcor Distributors.

153 SUSTAINABILITY PLANS developed by Arcor Distributors.

175 RETAILERS invited to take part in the program "Mi Almacén" (My Grocery Store) in Argentina (175) and Chile (120).



EMPLOYEES

51 MEETINGS AND 71 UNIVERSITY FRAMEWORK AGREEMENTS.

382,487 TRAINING HOURS for employees.

97% PARTICIPATION RATE in the Work Environment Survey.



SUPPLIERS

8,118 SUPPLIERS signed the Letter of Adherence to the Guiding Principles for a Responsible Management.

650 FOOD SAFETY AND QUALITY AUDITS were made in the supply chain.

78 FRUIT AND VEGETABLE SUPPLIERS took part in the project "For a Childhood without Child Labor".



SHAREHOLDERS

SHAREHOLDERS' MEETING.

Report on the Degree of Compliance with the **CODE OF CORPORATE GOVERNANCE.**

ANNUAL REPORT AND FINANCIAL STATEMENTS.



COMMUNITY

17 COMMUNITY PERCEPTION STUDIES at 29 Group facilities.

OVER 15,700 people visited Arcor Group's plants.

Active presence in **11 COORDINATED MANAGEMENT AREAS.**



GOVERNMENT AND SOCIETY

Participation in **70 BUSINESS AND/OR SOCIAL ORGANIZATIONS.**

Promotion of sustainability in **275 TRAINING** sessions, congresses, universities and the Media.

AGREEMENT to promote a healthy diet through the Food Industry Coordinating Organization (COPAL, for its initials in Spanish).



PRESS AND OPINION LEADERS

10 MILLION people connected through the social networks.

127 THOUSAND FANS of the official fan page of Arcor Foundation in Argentina and in Chile on Facebook.

Presence in **13 RANKINGS** and **27 AWARDS GAINED.**

1.4. RAISING PUBLIC AWARENESS ABOUT THE IMPORTANCE OF CHILDHOOD: A COMMITMENT INVOLVING EVERYONE

Arcor Group has been working to raise public awareness about the importance of childhood, developing actions to promote respect and advocacy of Children's Rights, based on the cross-functional integration of the issue in the Company management, the joint work with all its stakeholders and active participation to have an influence on public policies.

To reinforce this commitment, Arcor Group has launched the "Company - Childhood" initiative, to facilitate a comprehensive and systematic view on the compliance of Children's Rights in all the Company's areas.

In 2012, Arcor Group accompanied UNICEF in the global and regional launch of the Children's Rights and Business Principles, an initiative that seeks to promote the commitment of companies to childhood at the workplace, the market, the community and the environment. Taking a step forward, towards the end of 2015, Arcor Group approved its **Policy on Commitment towards the Children's Rights**, becoming the first company in the region to include a children's rights perspective in its Sustainability Strategy.

In order to support and systematize actions that benefit children, a work team made up of key players in different areas of the Company is working for the respect and advocacy of Children's Rights within the Company's operations.

In 2016, this initiative was launched in Brazil and Chile, building communication channels with employees and implementing a mechanism at the Consumer Service (SAC, as per its initials in Spanish) to manage claims and suggestions related to the Children's Rights.

The Commitment to Childhood in Action

The project "*Crecer jugando, por una niñez sin trabajo infantil*" (Grow up Playing: A Childhood without Child Labor), developed with agricultural producers in the tomato, corn and peas value chains in Mendoza, San Juan and Río Negro.

More than 8,100 suppliers signed the Letter of Adherence for Responsible Management, including a commitment to eliminate child labor from the value chain.

Provision of kits with school clothing and supplies, and tutoring programs for employees' children.

Through the Environmental Training Program "*Ser Parte*" (Being a Part), Arcor Group's employees train primary school children on environmental matters.

Reduced workday for maternity reasons, adoptive parenting leave, and financial aid for working mothers.

Promoting play and recreation through summer camps and by celebrating Children's Day and Family Day.

Training on the Promotion of Children's Rights in corporate meetings on property security.

E-learning course about Company and Children's Rights at the Arcor University.

Promotion of bullying prevention campaigns jointly with the *Consejo Publicitario Argentino* (Argentine Advertising Council).

Support to projects that favor educational opportunities during childhood granted by the Arcor Foundation in Argentina and Chile, and the Brazil Arcor Institute.

1.5.RANKINGS AND RECOGNITIONS

Awards gained

1ST. PLACE

BUSINESS PRESTIGE RANKING (PRENSA ECONOMICA)

Recognition and leadership position in thirteen of the fourteen editions of this publication. Also, Luis Pagani was recognized as the most prestigious Argentine businessperson in Argentina. His outstanding attributes included the "Ability to Adapt to the Environment" and "Corporate Social Responsibility".



1ST. PLACE

IMAGE RANKING (APERTURA MAGAZINE)

Arcor Group has maintained this position during 15 editions. Main attributes where the company achieves first place: "Reliability of its Products", "Business Ethics and Transparency", "Track Record", "Responsible Consumer Service" and "Sustainable Management".



1ST. PLACE

CORPORATE REPUTATION RANKING (CLARÍN)

During the seventh edition of the MERCO Ranking (Monitor Empresarial de Reputación Corporativa) (Corporate Reputation Business Monitor), which measures a company's recognition by its major stakeholders, Arcor Group held the leading position for the seventh year running. In turn, Luis Pagani led the Top 100 businessmen list at the local level.

AWARDED 10TH PLACE IN THE LIST OF TOP 100 CANDY COMPANIES

"GLOBAL TOP 100" (CANDY INDUSTRY)



First Latin American candy company included in this ranking.

1ST. PLACE

CÓRDOBA COMPANIES RANKING (PUNTO A PUNTO MAGAZINE)



2ND. PLACE

RANKING OF TOP BRANDS (APERTURA)

2ND. PLACE

SUSTAINABLE COMPANIES RANKING (MERCADO MAGAZINE - EMPRESA OH!)



RANKING OF ARGENTINE FUTURE BRANDS (FUTUREBRAND)

Arcor Group was among the “future brands” in the Argentine industry, according to the ranking prepared by the global consulting company specialized in branding.

1ST. PLACE

APSAL AWARDS

Arcor Group was awarded in two categories by the Food and Health-Professional Association (*Asociación Profesionales de Salud y Alimentos* - APSAL as per its initials in Spanish): “Ingredients”, for the production of IMO Syrup (Isomalto-oligosaccharides); and “Foods for Celiacs”, for the communication and product development.



1ST. PLACE

ACDE ENRIQUE SHAW AWARD

ACDE recognizes those companies implementing projects, programs and policies which help reduce the social debt. Arcor Group was distinguished for its Responsible Inclusive Purchases Program.

4TH. PLACE

YOUTH DREAMS COMPANY RANKING (COMPAÑÍA DE TALENTOS)

This ranking identifies the companies chosen by young people at the start of their professional career.



46TH. PLACE

TOP 100 MULTILATINA COMPANIES RANKING (AMÉRICA ECONOMÍA)

Placed among the 100 most global companies in the region.

2ND. PLACE

SUSTAINABLE LEADERSHIP AWARD (CÁMARA DE COMERCIO ARGENTINO BRITÁNICA) - (ARGENTINE-BRITISH CHAMBER OF COMMERCE)

Category: Innovative Organization / Sustainability Report.



2ND. PLACE

MERCO TALENTO RANKING

At the third edition of this ranking, which monitors the top 100 companies with the greatest capacity to attract and retain talent in Argentina.

CORPORATE CITIZENSHIP AWARD (AMCHAM)

Arcor Group ranked among the 10 most sustainable companies within the Sustainability-Oriented Corporate Management category.



SOUTHERN STAR AWARDS TO THE MOST SUSTAINABLE INDUSTRY

Cartocor won the Golden Southern Star award for the L'Oréal display and 16 other awards in different categories.

EIKON AWARDS (IMAGEN MAGAZINE)

Arcor Group won 6 Eikon awards to the excellence in institutional communication, becoming the most award-winning company in the history of the Eikon Awards. Five Golden Eikon awards for the following cases: "Employing Brand Campaign: Arcor Group. You've Got a Company Ahead", "Arcor's Award to Innovation - 2015 Edition", "Annual Report and Financial Statements, Brochure and Sustainability Report Kit - 2015 Arcor Group", "Arcor Group's Institutional Video", "Arcor's Birthday Community Campaign". The Silver Eikon award went to the "Arcor Group's New Corporate Philosophy Internal Campaign". In addition, Arcor Foundation was awarded the Golden Eikon - Córdoba Edition within the "social marketing" category for the digital campaign "Life is Movement" launched on the World Physical Activity Day.

PREMIOS EIKON

1	Arcor	Alimenticia
2	Google	Servicios de Internet
3	Coca-Cola	Bebidas s/ alcohol
4	Unilever	Cosmética / Limpieza
5	American Express	Tarjeta de crédito
6	Kimberly Clark	Cosmética / Limpieza
7	Mastellone Hnos.	Alimenticia
8	Mercedes Benz	Automotriz / Autopartes
9	Quilmes	Bebidas alcohólicas
10	Toyota	Automotriz / Autopartes
11	YPF	Petrolera / Petroquímica
12	Banco Galicia	Bancos / Entidades financieras
13	Nestlé	Alimenticia
14	Procter & Gamble	Cosmética / Limpieza
15	Techint	Holding / Grupos económicos
16	Danone	Alimenticia
17	Volkswagen	Automotriz / Autopartes
18	Shell	Petrolera / Petroquímica

RANKING DE SUSTENTABILIDAD

1	Unilever	Universidad
2	Arcor	
3	Kimberly Clark	
4	Natura	
5	Coca-Cola	

ámbito financiero

1ST. PLACE

BUSINESS PRESTIGE RANKING

2ND. PLACE

SUSTAINABILITY RANKING

PRESTIGE AWARDS (ÁMBITO FINANCIERO)

Recognizing the most prestigious companies and brands as perceived at the corporate level and by the general public.

Arcor also awards prizes

SGI Recognition: continuous improvement teams

The implementation of the Comprehensive Management System (SGI) involves employees in all aspects associated to industrial operations. Their involvement takes place at the formation of improvement teams to resolve a specific problem.

One way to acknowledge this work is through the SGI Recognition, a corporate annual event held to present continuous improvement projects developed in three instances: Plant, Business, and Arcor Group.

<p>IN 2016 THE NINTH EDITION OF THE SGI RECOGNITION EVENT WAS HELD WITH THE PARTICIPATION OF:</p>	  <p>329 WORK TEAMS</p>	  <p>MORE THAN 2.200 EMPLOYEES</p>
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THE MOST OUTSTANDING TEAMS WERE:

The Distribution Center in Salto for its work on “Unavailability of Locations to Store Finished Products”.

La Campagnola Plant in Villa Mercedes for its work “Resolving Low Consistency Problems in the Quince Jam Production”.

Cartocor Corrugated Cardboard Plant in Arroyito for its project “PM⁶ Analysis to Reduce Blockage and Strap Cuttings in Folding Bar”.

SPECIAL MENTIONS WERE ALSO AWARDED:

To the Wet Milling Plant in Arroyito for its work “Organic Load Reduction,” contributing to Sustainability.

To the Bicentenario Plant in Chile, for having the greatest number of participating teams.

To the Brazil Business for the management system growth.

⁶ The PM (Phenomena-Mechanism) Analysis is designed to help analyze mechanisms that may produce deficiencies in a process in order to establish the cause of an error. The aim is to establish improvement mechanisms to prevent the occurrence of unwanted failures in the future.

Arcor's Award to Innovation



This award, which is granted every two years together with the National Agency for Science and Technology Promotion from the Ministry of Science, Technology and Productive Innovation, promotes the identification and appreciation of the research activity, being the first of its kind in the Argentine food industry.

Aimed at national Pymes (small and medium-sized enterprises, SMEs), individual researchers and/or research groups or associations, this award is intended to encourage a culture of innovation and technological development to effectively pass their results onto the food industry, achieving greater productivity and competitiveness in the sector while contributing to the improvement of living conditions and the social situation of communities.

A follow-up to the 2015 winning project was done during 2016, a project focused on the production of food from Solanum Betaceum Fruits, native from Argentina, featuring functional properties. This work refers to a non-timber forest species, native of the provinces of Jujuy, Salta and Tucumán. The exploitation of this natural



resource promotes the participation and involvement of rural communities together with small and medium-sized producers.

During this event, the Arcor Foundation's Special Mention focused on social innovation was granted to a project related to the "development of breaded products and fresh pasta suitable for celiac disease patients based on quinoa flour mixtures and different varieties of corn", directed by Dr. Rebeca Inés Ponce from the School of Engineering of the Universidad Nacional de Jujuy. This project seeks to develop gluten-free breaded products with higher nutritional value and the best technology solutions, based on the substitution of rice flour with alternative quinoa and corn flour mixtures, thus obtaining affordable and popular bakery products.

The virtue of this prize was to bridge the gap between the scientific community and the private sector. It is also a clear evidence of the innovative nature of Arcor Group, promoting new ideas in the food industry based on science.



**PREMIO ARCOR
A LA INNOVACIÓN**





EMPLOYEES



TABLE OF COTENTS

2.1. People as drivers of growth

Arcor Group offers opportunities to join its team through reliable and transparent processes, specific projects that promote inclusion and diversity, and the Employing Brand project to attract young talent.



2.2.

Career development, Arcor Group's strong bet

100% of Arcor Group's employees undertake an annual performance assessment, which includes sustainability in the Performance Management System (SGD, as per its initials in Spanish), and ensures talent development and retention by means of the Strategic Resources Planning (PRE, as per its initials in Spanish).

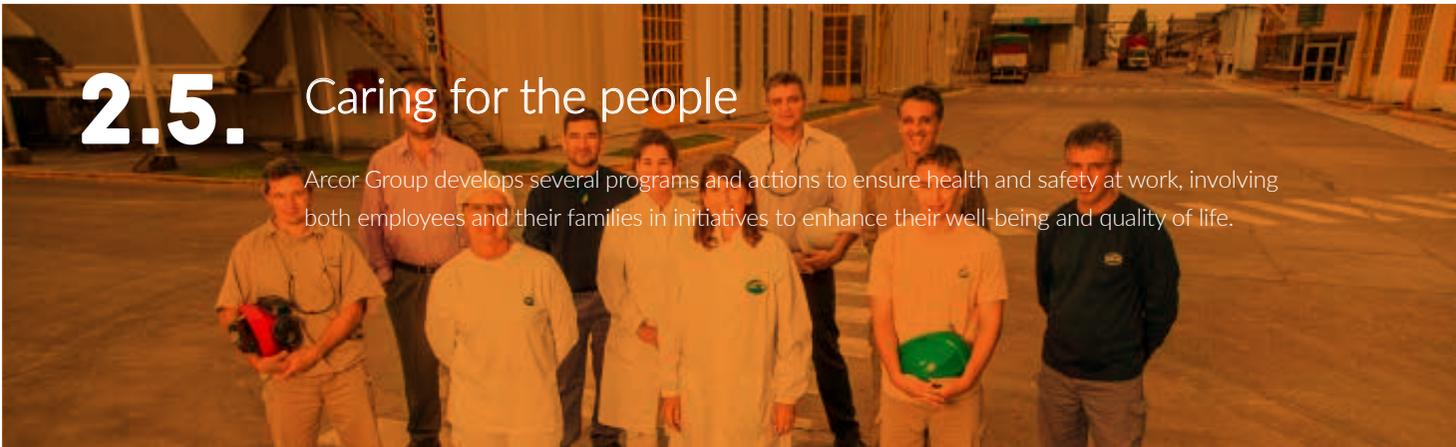


2.3. Strengthening skills to achieve sustainable management

Arcor Group furthers the development of employees and the company's sustainable growth by implementing training programs consistent with the group's strategy and geared to the needs of each business unit, plant or country.

2.4. Communication and dialogue, the foundation to build bonds of trust

The internal communications channels and the Work Environment Survey are key factors to build bonds of trust with employees, listen to their needs and promote benefits and improvements that help create a good work climate.



2.5. Caring for the people

Arcor Group develops several programs and actions to ensure health and safety at work, involving both employees and their families in initiatives to enhance their well-being and quality of life.



2.1. PEOPLE AS DRIVERS OF GROWTH

With more than 20,000 employees in different parts of the world, Arcor Group is one of the main industrial employers in Latin America.

The group promotes the development and well-being of its work teams in the firm belief that the Company grows along with the people who are part of it, and driven by values that foster an inclusive and diverse work environment.



Human Capital¹

	2016			2015
	Men	Women	Total	Total
Total Number	15,363	5,101	20,464	20,683
By Country				
 Argentina	10,268	2,643	12,911	13,043 ²
 Brazil	2,504	1,652	4,156	4,248
 Chile	1,458	179	1,637	1,605
 Peru	267	76	343	340
 Mexico	676	420	1,096	1,086
Rest of the World	190	131	321	361
By Category				
Director	8	5	13	12
Manager	355	47	402	403
Head	622	190	812	761
Analyst/Supervisor	2,015	845	2,860	2,660
Assistant/Worker	12,363	4,013	16,376	16,845
Staff under Collective Bargaining Agreement (%)	80.7%	76.0%	79.8%	80.5%

¹ The table includes: own employees, seasonal and temporary employees, and Arcor SAIC's Board of Directors as of December 31, 2016.

² This indicator has changed as compared to the 2015 Sustainability Report.

A diverse team

Through transparent recruitment processes, we seek to create bonds of trust while promoting the personal and professional growth of all our employees, as we endeavor to build, day by day, a more sustainable company.



³www.arcor.hiringroom.com/jobs

Employment processes

Job portal **LinkedIn**

Following main international recruiting trends, and aiming to enhance job search communication, Arcor Group advertises all of its job openings, shares recruitment ads, publishes relevant articles, and recruits through LinkedIn. The Company has published 9 monthly ads on average worldwide, with special focus on Argentina, Brazil and Mexico.

New tool: **Hiring Room**

— **Over 304,400 potential candidates' CVs received** —

During 2016 we started working with “Hiring Room”, an employment software focused on staff recruitment and selection, which facilitates employment management all across the group.

Current vacancies listings are made available on an exclusive mini-site³, using search filters to narrow searches according to user preferences. 110 searches were processed on the new portal and 25 job ads were published during the first stage of implementation.

Relationship with technical schools program

Internships were carried out by:

- 120 young students of 14 schools in Argentina
- 69 young students of 1 school in Brazil
- 5 young students of 1 school in Chile

This program aims at contributing to the learning process and quality education in the places where the Company operates while ensuring the availability of qualified technical resources. As part of this program, Arcor Group coordinated actions between Schools, Municipality and State.

Link-Up Plan with relevant universities



51 MEETINGS.
HELD.



71 AGREEMENTS.
MADE.



173 COLLEGE AND UNIVERSITY INTERNS.
HIRED.

In order to convey its value proposition to potential candidates and create bonds in different markets, the group promotes a Link-Up Plan with Universities, including meetings with national and international universities, congresses, job fairs, sponsorships, visits to the Company's plant, and institutional presentations.

BIA Program: Búsquedas Internas Arcor (Arcor's Internal Job Postings)



BIA Program: Búsquedas Internas Arcor (Arcor's Internal Job Postings)

This program allows employees to find new challenging opportunities within the Company to satisfy their growth needs.

In turn, the Company can internally identify the most suitable profile to cover a specific position.

	Job Postings	Applications Received	% of Positions Filled Using BIA
Argentina	129	229	43%
Brazil	77	47	50%
Chile	11	19	48%
Southern Affiliates ⁴	5	4	20%

⁴It was launched in Bolivia, Paraguay and Uruguay during 2016.



Employing brand

With the aim of attracting young talent and high-potential candidates, Arcor Group promotes its “Employing Brand” Project.

This initiative seeks to understand what motivates young professionals, creating differential value in our job offers, and positioning the Company as an attractive and aspirational employer as perceived by new generations.

Under this proposal, a new campaign was launched in 2016, named **“Arcor group, you’ve got a company ahead”**, mostly to promote the Internship and Young Entrepreneurs corporate programs. The campaign featured young professionals sharing their experience at the group, and had a strong presence in digital media, social networks and the mass media.



ARCOR

Buscamos jóvenes capaces de hacer grandes cosas

A vos que tenés iniciativa y compromiso. Arcor te está buscando! Si realmente la carrera podés sumarle a nuestro programa de "Jóvenes Emprendedores", y si además estás en la Facultad podés hacer una pasantía con nosotros. Entrá tu CV en www.arcor.com.ar y armate el desafío de iniciar en la empresa N°1 de almuerzos y golosinas de Argentina, que lleva con sus productos a más de 120 países.

Grupo Arcor. Tenés una empresa por delante.

COMPROMISO

DESAFÍOS

INICIATIVA

PP. Programa de Pasantías

JE. Jóvenes Emprendedores



- **OVER 36,000 CVs** RECEIVED.
- **197 INTERNS** HIRED.

This program aims to hire students currently enrolled in their final years of engineering, logistics, accountancy, business administration, marketing, human resources or social sciences studies, with a view to link their vocational interests to job prospects through a first experience in the labor market.



“In my experience, the internship at Arcor kicked start my career, allowing for the practical application of the academic knowledge acquired during my university degree. It was a very positive move to develop my working skills and competences while improving my academic training. Teamwork and constant search of improvement are the main attributes acquired as an intern of Arcor Group.”

Arturo Siri, Credit and Collection Analyst, Cartocor, Luján.



- **21 YOUNG** PARTICIPANTS.
- **MORE THAN 100 NEW HIRES** FROM THE PROGRAM'S INCEPTION.

Arcor Group relies on its Young Entrepreneurs Program to hire high-potential young candidates in the areas of Marketing, Trade Marketing, Administration, Production, Maintenances and Logistics.



“I’ve studied Chemical Engineering at the Universidad Nacional de Córdoba, and was absolutely resolved to work in the industrial field, but had no experience. When I started working at Arcor, I was surprised to see it was bigger than I expected. I worked in the flexible sector, which allowed me to travel and meet many clients. It’s been two years since I’ve started working at the Company and up until now, I’ve never felt a ceiling.”

María Amparo Herrera, Head of Quality Sector, Cartocor, Totoral Complex.

Diversity and Inclusion

Arcor Group makes diversity and inclusion top-priority values of its corporate identity and Sustainability Strategy.

Accordingly, many projects are developed across its value chain, among them, the Gender Equality Project, the Project on Work Inclusion of Persons with Disabilities, and more recently in 2016, a corporate initiative that seeks to promote intergenerational coexistence.



Gender Equality Project

This Program follows three lines of actions: income flow, awareness and communication campaigns, and actions to promote work-life balance with focus on maternity protection.

In 2016, 47% of participants in the Young Entrepreneurs Program were women. Awareness actions and communication campaigns were carried out to address the issue in Mexico.

In addition, the Company continues offering specific benefits, including financial support for women employees with small children, summer camps, school kits, reduced workday for maternity reasons, and a program for the protection of pregnant women at work.

Project on Work Inclusion of Persons with Disabilities

Aiming at promoting a diverse culture and offering equal opportunities, Arcor Group launched the Corporate Project on Work Inclusion of Persons with Disabilities in 2012.

Since then, progress has been made towards ensuring adequate accessibility conditions in the work environment, the development of local sources of recruiting, the implementation of actions to raise employee awareness and the provision of in-house training, and the recruitment of persons with disabilities providing follow-up and support to ensure successful onboarding.

To consolidate this initiative, in 2016 a “Management Toolkit” was developed jointly with relevant social organizations with the aim of promoting and facilitating the recruitment of persons with disabilities to join the work teams.

Outstanding actions by region:



ARGENTINA

- **AGREEMENT** with job portal **Incluyeme.com** where companies and candidates interact;
- **RECRUITING WORKSHOP** aimed at Human Resources Analysts;
- **PARTICIPATION** in R.E.D. (Network Participation)⁵, a collective effort with offices at the Universidad Torcuato Di Tella's Business School, where business, academic and civil organizations jointly work to promote diversity and inclusion at the corporate level; and
- **AGREEMENT** entered with COPIDIS⁶ to create alternative sources of recruitment.



BRAZIL

- The "Arcor Inclusive" **CAMPAIGN** to raise employee awareness and invite them to workshops;
- **IDENTIFYING** accessibility criteria in the work environment; and
- The "Industrial Learning **PROGRAM** for persons with disabilities" in collaboration with SENAI⁷ focused on preparing people to enter the labor market.



MEXICO

- **TALKS** to increase awareness of administration staff and the sales force;
- **TRAINING WORKSHOP** at the Toluca Distribution Center;
- **INITIATIVE** in liaison with Fundación para Life and Fundación Teletón to engage and commit employees; and
- **PARTICIPATION** in the forth job fair for persons with disabilities.



Staff with disabilities

Country	Women	Men	Total
Argentina	20	53	73
Brazil	56	68	124
Chile	1	2	3
Total	77	123	201

⁵ Red de Empresas por la Diversidad (Network of Pro-Diversity Enterprises).

⁶ Commission to ensure full inclusion and participation in society of persons with disabilities.

⁷ Servicio Nacional de Aprendizaje Industrial (National Industrial Training Service).

2.2. CAREER DEVELOPMENT, ARCOR GROUP'S STRONG BET

Arcor Group relies on two key programs to align the career development of its work teams with the Company's strategic goals: the Strategic Resources Planning (PRE) and the Performance Management System (SGD).

Talent management



The PRE is a key biannual process that contributes to managing the organization's future. By means thereof we seek to ensure the generation, development and retention of our talent pool in an effort to drive business sustainability.

This process is focused on achieving a better identification of potential future leaders by using tools that validate their development potential and consolidating a performance and potential matrix for the managerial levels to facilitate succession planning and future actions.

2016:

Sixth cycle and 10 years of PRE.

CONSOLIDATION OF DEVELOPMENT PLANS

aimed at high-potential employees.

82% OF MANAGEMENT PROMOTIONS

COVERED WITH EMPLOYEES AS PART OF THE PRE PROGRAM.



Performance management

100% of Arcor Group's employees undertake an annual performance assessment

Employees who are not under collective bargaining agreements undergo an assessment specifically tailored to each business unit.

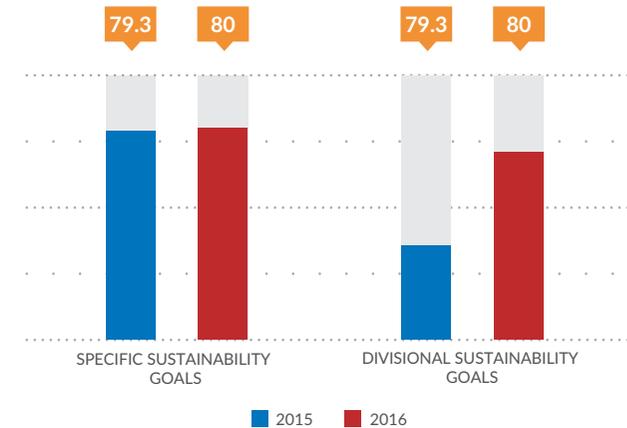
For employees outside collective bargaining agreements, the SGD is the main tool used to annually plan and evaluate the employee performance according to: the primary responsibilities of the position, defined targets (both on the individual and corporate level), competencies set by the Company, and compliance with agreed development plans.

In addition, the SGD is considered an opportunity to bring together managers and employees through communication and mutual enrichment actions with focus on continuous improvement based on the principles of "effective feedback".

During 2016, the group continued working on the incorporation of sustainability criteria into the different components of the SGD. Moreover, the Competencies Manual was updated based on the new Corporate Philosophy and the 2016-2020 Sustainability Strategy.



Coverage Ratio: Integrating sustainability into the SGD (expressed as a percentage)



The new **MANUAL OF COMPETENCIES**



integrated sustainability criteria in every competence. Two of these competencies are directly linked with the Company's Sustainability Policy (We are a Diverse Team and We Make Sustainable Decisions).



12 BUSINESS AND FUNCTIONAL AREAS



set divisional goals related to sustainability, involving **2.938 EMPLOYEES** (68.7% of total employees assessed by the SGD).



929 EMPLOYEES



set specific sustainability goals (**80% of coverage ratio**).

2.3. STRENGTHENING SKILLS TO ACHIEVE SUSTAINABLE MANAGEMENT

Arcor Group seeks to ensure sustainable growth through employee training programs, which are aligned with its business strategy and keep pace with today's working environment.

TRAINING INDICATORS(*)	2016			2015
	Men	Women	Total	Total
Total Training Hours/Person	286,314	96,533	382,487	533,014
Average Training Hours	19	21	20	27
Managers	19	51	23	18
Heads	29	23	28	34
Analyst/Supervisor	31	23	29	30
Administrative/Worker	17	19	18	26
Training Coverage Rate	86%	85%	85.5%	82%

(*) This table consolidates the major training indicators for the entire group, systematized within the framework of PeopleSoft Enterprise Human Capital Management 9.0, using the following definitions:

- Total training hours/person: the total number of training hours/person for the entire group during the period.
- Average training hours: the total number of training hours/person for the group divided by the total number of employees (headcount).
- Training coverage rate: the percentage of "different" employees engaged in training activities in the entire group during the period, in comparison to the staff with "permanent" and "seasonal" contracts, including active staff as of the last day of the period.

Arcor University

 **2.732**
EMPLOYEES
IN TRAINING SESSIONS

Arcor University is the channel through which employees can plan their training while the organization ensures the creation, transfer and acquisition of business-related knowledge that meets each country's needs.

It offers in-person and e-learning programs based on a curriculum design which responds to new trends and challenges in every field: Management, Sustainability, Marketing, Industrial and Business Leadership, and a self-development portal linked to the competency model, which facilitates employability.

As highlights of the year, the Company has been working on a skills training program based on the new Corporate Philosophy, in addition to the design of three technical skills matrices, that help identify the gap between the required knowledge level and the employee skill mastery level, taken as a basis to design the 2017 training program at the Schools of Quality Management, the SGI, and MAHPI[®].



[®]Environment, Hygiene and Industrial Protection.

MAIN INITIATIVES

SPECIALIZATION IN FOOD TECHNOLOGY (2ND EDITION):

Accredited by the CONEAU (National Commission for University Evaluation and Accreditation), this specialization was created to provide participants with the tools to streamline food production and handling.

13 participating employees.

YOUNG ENTREPRENEURS HIRING PROGRAM:

A one-year training and induction program aimed at developing the participants' full potential and accelerating their learning curve by rotating through different business units and working on challenging project assignments.

21 participating young entrepreneurs.

LEADERSHIP PROGRAM:

It provides tools and techniques that contribute to the development of leadership skills.

107 participating heads and managers.

MANAGERIAL DEVELOPMENT PROGRAM (PDG, AS PER ITS INITIALS IN SPANISH) (5TH EDITION):

Implemented in conjunction with Universidad Torcuato Di Tella, this program seeks to improve the management skills of middle-managers.

44 participating employees.



NEW TRAINING OFFERINGS

DIPLOMA IN OPERATIONS MANAGEMENT AND STRATEGY:

In-company executive training to strengthen managerial skills and employee management in industrial plants.

30 participating employees.

DIPLOMA IN TRAINING AND DEVELOPMENT OF MAHPI AGENTS OF CHANGE:

Reinforcing the skills of plant managers with the ultimate goal of becoming agents of change in their workplaces.

20 participating employees.

DIPLOMA IN PROJECT MANAGEMENT:

Professional training in project management based on the Project Management Body of Knowledge (PMBOK®) by the Project Management Institute (PMI®).

145 participating students.

Sustainability training for employees



Since 2005 Arcor Group has been working on the development of internal awareness and training programs, focused on sustainability as a key factor for the creation of a corporate culture committed to economic, social, and environmental development.

Accordingly, two comprehensive training programs on sustainability were developed as part of the Manual of Competencies.

— **“WE MAKE SUSTAINABLE DECISIONS”**, AIMED AT BROADENING THE EMPLOYEES’ VIEW OF THEIR OWN MANAGEMENT BASED ON THREE DIMENSIONS: ECONOMIC, SOCIAL AND ENVIRONMENTAL. **18** PARTICIPATING EMPLOYEES.

— **“WE ARE A UNIQUE TEAM THAT VALUES DIVERSITY”**, TO ADD A DIVERSITY PERSPECTIVE ON MANAGEMENT, PROMOTION AND DEVELOPMENT OF WORK TEAMS, WITH A FOCUS ON GENDER, DISABILITY AND GENERATION GAPS IN THE WORKPLACE. **38** PARTICIPATING EMPLOYEES.

*These data do not take into consideration the sustainability training offered within the framework of Arcor Group’s Comprehensive Management System.

Furthermore, a major axis of the in-company training on sustainability was the creation of programs specifically tailored for ongoing projects, such as:

PROJECT/PROGRAM 	TRAINING SUBJECT AREA 	PARTICIPANTS 	TOTAL TRAINING HOURS/PERSON 
Arcor's Corporate Sustainability Committee	Climate Change. SDGs. Global trends on nutrition.	13 members of the Sustainability Committee	52
Sustainable Agriculture	SDGs and Agri-Business Climate Change	23 participants, members of the Sustainable Agriculture Corporate group	46
Sustainability Risks and Opportunities Matrix	A method to develop business risks and opportunities matrices	99 business key players (Marketing, Industrial, Development, Human Resources, Logistics, and Distribution)	792
Sustainability and SGI	Integration of the sustainability component into the SGI	25 SGI Trainers	50
<i>Ser Parte</i> (Being a Part)	Theoretical and methodological training for environmental educators	152 employees	1,166
<i>Mi Almacén</i> (My Grocery Store)	Global trends on sustainability	22 business area account managers	88
Planning Guide for Distributors	Implementation of the Guide for the development of sustainability plans aimed at distributors.	68 business area account managers	272
Outsourcing Project	Global trends on sustainability	11 key players in the Legal, Human Resources, Quality, MAHPI and Purchase areas	16.5
Brazil Sustainability Plan	Arcor's Sustainability Policy, priorities and Brazil's Sustainability Plan.	55 plant heads and managers (Campinas, Río das Pedras and Braganza)	220
Sustainability and Inter-MAHPI	Training on SDGs	55 key players in the MAHPI area	152

2.4. COMMUNICATION AND DIALOGUE, THE FOUNDATION TO BUILD BONDS OF TRUST

Communications

During 2016 Arcor Group continued working on the alignment of internal and external communications to achieve enhanced synergy between different channels and improve employee involvement.



TIEMPO DE ENCUENTRO

A quarterly published magazine that allows employees to keep pace with the group's news in a dynamic manner. In 2016, every magazine edition featured an article related to sustainability practices in Arcor Group.



NUESTRA GENTE

A magazine that seeks to reinforce the sense of belonging of employees with regard to their own business area.



MOMENTO ARCOR (BRAZIL)

An in-house magazine, specially designed to bring employees' families closer to the Company.



ENLACE (MEXICO)

An in-house digital magazine that reflects the main achievements and challenges of the business and its teams. It features news of interest, including interviews to employees.



ARCORITO MAGAZINE (CHILE)

An in-house magazine featuring the affiliate's main achievements and challenges with the aim of improving employee involvement.





INTRANET

A modern, dynamic and interactive channel to keep employees informed and connected, ultimately creating a real community. It consists of digital minisites that provide information about different business areas, including a specific section to clear up doubts about the latest digital deployments and updates. In 2016 the Sustainability microsite and the Corporate Philosophy were updated. In addition, the Corporate Benefits section was created.

DIGITAL COMMUNITY OF INTERNAL COMMUNICATION PLAYERS

A digital platform aiming to create a space for connection among key players of each industrial base.



DIGITAL COMMITTEE

Made up of key players in different areas, this team aims at creating a collaborative and digital vision as the cornerstone of the Company's culture while fostering a mindset and management style based on technology innovation projects.



EN 2 MINUTOS

Así de rápido te ofrecemos



CAMPAIGNS

Their goal is to promote employee commitment towards a responsible behavior. The highlights of 2016 were the "New Corporate Philosophy", "SafetyWeek", "Campaign against Dengue", "EnvironmentWeek", "65th Anniversary", "Celiac Disease", "Code of Ethics", "World Day Against Child Labor", "Children's Rights", "Arcor is Worth More if It Is Sustainable", "International Day of Persons with Disabilities", "Company - Childhood" and the "Drawing Contest: A Diversity World for Employees' Children".

ENVIRONMENT: LA 1ª SEMANA DE SOSTENIBILIDAD DE "TODOS DIVERSOS"

El primer pilar de nuestra filosofía corporativa es el compromiso con el medio ambiente. En 2016, durante la Semana de Sostenibilidad, promovimos una serie de actividades que buscaban concienciar a nuestros colaboradores sobre la importancia de cuidar el planeta.

La participación de nuestros colaboradores en esta iniciativa fue muy alta, lo que demuestra su compromiso con el medio ambiente y con la sostenibilidad de la empresa.

COMUNICACIÓN DEL PRODUCTO: CHILE Y BRASIL

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¿CÓMO SE MIDE EL ÉXITO DE UNA CAMPAÑA? UNO DE LOS MÉTODOS MÁS COMUNES ES CONSIDERAR EL NÚMERO DE VENTAS QUE SE LOGRAN DURANTE EL PERÍODO DE LA CAMPAÑA.

El éxito de una campaña se mide a través de varios indicadores, como el número de ventas, el número de clientes nuevos, el número de seguidores en redes sociales, etc.

EL MUNDO PARA PREVENIR LA NEURONAVIGACIÓN

La navegación es la habilidad de dirigir un barco o un avión en un curso. Para ser un profesional en navegación, se requiere una gran cantidad de conocimientos y habilidades.

Los conocimientos necesarios para ser un profesional en navegación son:

- Matemáticas avanzadas
- Física avanzada
- Inglés avanzado
- Historia avanzada
- Geografía avanzada
- Filosofía avanzada
- Psicología avanzada
- Sociología avanzada
- Economía avanzada
- Derecho avanzado
- Medicina avanzada
- Artes avanzadas
- Ciencias avanzadas
- Tecnología avanzada
- Idiomas avanzados
- Habilidades avanzadas
- Actitudes avanzadas
- Valores avanzados
- Ética avanzada
- Espiritualidad avanzada
- Fe avanzada

RECONOCIMIENTO DE COMUNICACIONES INTERNAS

El reconocimiento de comunicaciones internas es un proceso que busca identificar y valorar las contribuciones de los colaboradores a la empresa.

Este proceso es importante porque ayuda a mejorar la comunicación interna, a fortalecer el sentido de pertenencia y a promover el compromiso de los colaboradores.

LA NEURONAVIGACIÓN

La navegación es la habilidad de dirigir un barco o un avión en un curso. Para ser un profesional en navegación, se requiere una gran cantidad de conocimientos y habilidades.

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- Habilidades avanzadas
- Actitudes avanzadas
- Valores avanzados
- Ética avanzada
- Espiritualidad avanzada
- Fe avanzada

SUGERENCIAS

Comparte tus sugerencias y nos ayudamos a mejorar la experiencia de nuestros colaboradores.

IC

EN 2 MINUTOS (IN 2 MINUTES)

A monthly published billboard that features institutional campaigns, product launches, new hires, internal meetings, sustainability highlights, etc. aiming to provide employees with a two-minute news summary featuring the most important events of the month.



Work environment management

97% of employee participation

In August 2016, the fourth edition of the Work Environment Survey was carried out. Conducted every three years in all business units, its purpose is to gather feedback from employees about the Company and to help create a better work environment.

The survey evaluates a broad range of indicators, including aspects related to people, working processes, rewards, decision-making power, leadership, and institutional issues such as the group’s communications policy, ethical principles and sustainable management. It is massive, voluntary, anonymous, simultaneous and confidential.

Based on the survey findings, showing an improvement compared to previous editions, action plans per business unit, country or region were defined and communicated to address the concerns raised by the employees.



WORK ENVIRONMENT SURVEY: COMPARATIVE RESULTS

■ Climate Index ■ Commitment Rate ■ Global Satisfaction Index



Compensation and benefits for employees

The Compensation System based on the HAY method allows Arcor Group to monitor the salaries of employees who are not under collective bargaining agreements to achieve better internal fairness, ensure gender equality and be competitive in the market.

During 2016 progress was made towards the standardization of existing benefits across plants based in Argentina, while continuing offering benefits tailored to each country's reality.

MAIN EMPLOYEE BENEFITS

 <p>PROVISION OF COMPANY PRODUCTS</p>	 <p>FOOD VOUCHERS AND LAUNCH VOUCHERS</p>	 <p>MARRIAGE GIFTS</p>	 <p>BIRTH GIFTS</p>	
 <p>DISCOUNTS ON FITNESS CLUBS</p>	 <p>ARCOR CLUB</p>	 <p>HEALTH CARE</p>	 <p>ADDITIONAL AND OPTIONAL LIFE INSURANCE</p>	 <p>PENSION PLAN FOR SENIOR STAFF</p>
 <p>ADOPTION MATERNITY AND PATERNITY LEAVES</p>	 <p>REDUCED WORKDAY FOR MATERNITY REASONS</p>	 <p>KITS WITH SCHOOL CLOTHING AND SUPPLIES FOR EMPLOYEES' CHILDREN</p>	 <p>MONTHLY FINANCIAL AID FOR WORKING MOTHERS PER CHILD UP TO SIX YEARS OLD</p>	

2.5. CARING FOR THE PEOPLE IN ARCOR



The protection of health and safety is essential to ensure the well-being of all the group's employees. To this end, specific programs and actions are developed to enhance their quality of life.

Analysis of Job Positions

The starting point when designing a program to care for the people at work is the assessment of work conditions to identify accident and health hazards. Based on that knowledge, remediation plans are prepared to correct deviations. The analysis of job positions is conducted in all plants, providing for a review every three years and an update in the event of changes in the facilities, processes or materials.

Occupational Risk Management Program

This program aims at minimizing the risk of occurrence of occupational diseases through the evaluation of the relationship between emerging diseases and the analysis of workstations, the management of task adjustment, and work organization based on the systematization of rotations, breaks and rest periods at work.

ERGONOMICS PROGRAM: IT SEEKS TO AVOID THE OCCURRENCE OF ILLNESSES RELATED TO ERGONOMIC PROBLEMS.

2016 Results (average values calculated based on individual plant results):

- **Medical consultations to check for ergonomics problems: 140**
- **Ergonomic accidents: 1**
- **Controlled ergonomic risks: 55%**

Continuing Education Program

— **90% Participation of the Plant's Chief Doctors** —

Training program for the healthcare staff at the plant's Medical Departments. During 2016 training programs were offered on protocols for prevalent pathologies, occupational health indicators, addictions, the initiative of cardio-protected company and the new Arcor's Occupational Health app.

Pregnant Working Women Program

This initiative aims at supporting female industrial production employees who are pregnant. 63% of pregnant working women took part in the program and 37% were relocated to other jobs.

Immunization Program

6,190 employees were vaccinated against the seasonal flu and **2,706** received one dose of tetanus vaccine.

Healthy Workplace Certification

La Providencia Sugar Mill received the Healthy Workplace Certification, as part of the Provincial Program developed by the Nutrition Division of the Ministry of Health of the Province of Tucumán.



Active life and healthy diet



82 INITIATIVES

RELATED TO THE PROMOTION OF HEALTHY LIFESTYLE HABITS

Arcor Group carries out initiatives to promote people's health and well-being, engaging employees and their families.

Arcor Salud (Arcor's Health) Intranet: Monthly updates are posted highlighting activities carried out by the medical departments, commemorative days, recommended websites, advice on prevention and healthcare, active life and healthy diet, and the vaccination calendar.

Internal Magazines and Posters: "En 2 minutos" (In 2 Minutes) features an exclusive section and related articles are included in the magazines *Tiempo de encuentro* and *Nuestra gente*.

Occupational Fitness: Access to gyms continued to be provided, including advice on physical activities at clubs and both public and private locations.

Cardiovascular Risks Prevention: 3,200 participating employees. Main cardiovascular risks are analyzed, providing recommendations to each participant.

Healthy Diet: Promotion of a healthy diet at cafeterias and monitoring of the results obtained, healthy snack option, nutrition counseling, programs to combat overweight and workshops on nutrition education and on how to cook healthy food.

Smoke-free Company: 100% of the plants in Argentina and Mexico.

Recreational and Integration Activities: Sports and integration events are held at the group's facilities, including Children's Day celebration, vacation camps, career guidance workshops, photography contests, chorus and family visits to the plants.



Occupational Safety



Incapacitating Frequency Rate of 10.6: The lowest accident rate registered in Arcor Group

The results of actions taken to reduce the accident rate is measured by four indicators:

OCUPATIONAL SAFETY RATES*	2016	2015
Total Frequency (IFT)	21	23
Incapacitating Frequency (IFI)	10.6	12
Severity (IG)	0.20	0.52
Incidence (II)	18	21

(*) Definition of occupational safety indicators:

- Total Frequency Rate (IFT, as per its initials in Spanish): It measures the total number of accidents every one million hours worked.
- Incapacitating Frequency Rate (IFI, as per its initials in Spanish): It measures the number of accidents with medical leave every one million hours worked.
- Severity Rate (IG, as per its initials in Spanish): It measures the number of work days lost due to accidents every one thousand hours worked.
- Incidence Rate (II, as per its initials in Spanish): It measures the total number of accidents with medical leave every one thousand exposed workers.

In order to reinforce our commitment to safety and improve the occupational safety rates, the Company has been developing culture change programs across the group's facilities.



On 15 November 2016, the San Pedro Complex, located in the province of Buenos Aires, Argentina, celebrated its first year with no accidents with medical leave. This Complex consist of the corn dry milling plant, the alcohol distillery, the corn oil extraction and refining plant, and the extruded products plant, in addition to the corn storage (silos plant) and central services.

250 people work in this Complex. For the past four years, a new strategy for the management of occupational risks is being used based on Safety groups made up of 50 people. This strategy allows each plant or sector to self-manage risk prevention and risk handling.

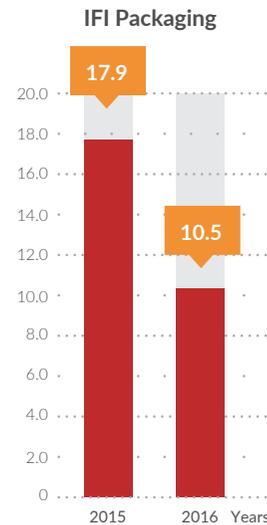
The 2016 activity plan included the Campaign "It May Happen to You", where different scenarios were created for each group to elaborate on a specific hazard (fire, electrocution, contact with toxic or corrosive substances, falls, entrapment, etc.). A total of 180 people participated in this activity, including plant staff and contractors.

“Cambiar para crecer” (Change to Grow) Program

Developed by the Packaging Business, this program helps to rethink practices in the areas of operation, strengthening our commitment to safety.

Results obtained in 2016:

- A 41.5% reduction of the IFI compared to last year.
- A decline of accidents by 43.9%.
- Systematic development of activities such as, behavioral observations, safety meetings, and 5-minute talks, ARPs¹⁰, ASTs¹¹.
- Elimination or mitigation of 294 major risks.
- Implementation of 160 NFPA recommendations¹².
- Identification and mitigation of risks relating to the classification of areas, electrical hazards and risks associated to internal pressure equipment.



Commitment Program

Progress has been made to further develop this program in mass consumption plants. During 2016 the program was implemented in the 4 farms Arcor Group has in Mendoza, adapting it to a rural setting.



¹⁰ Administración de Riesgos Profesionales.

¹¹ Análisis de Seguridad en el Trabajo.

¹² National Fire Protection Association.

Safety Week



The Safety Week was celebrated in all the group's plants with the slogan; "Always Listen to Your Safe Side", designed to convey the concept of safety as a value. Every plant organized activities to raise employee awareness and actively engage employees in the reduction of accidents.

Bagley Villa Mercedes used the occasion to further promote the campaign to reduce the accident rate, focusing on the need to define, communicate and train on safety standards, raising awareness about the risks factors with the highest accident rate. Some of the activities included the installation of posters, topic-related games, plant interventions with a character conveying the concepts of prevention, care and participation, and a special day inviting the employees' children to visit the plant.