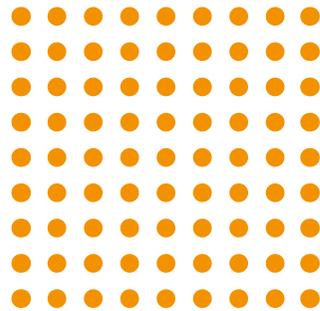
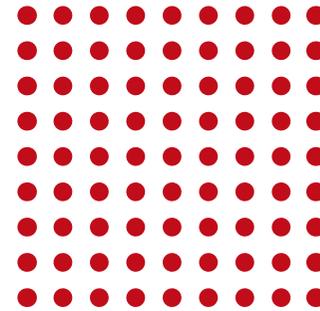
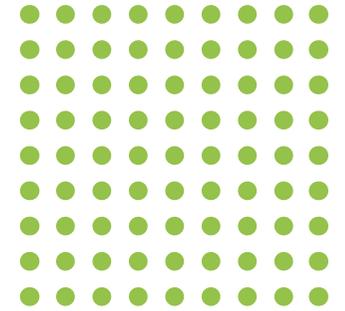
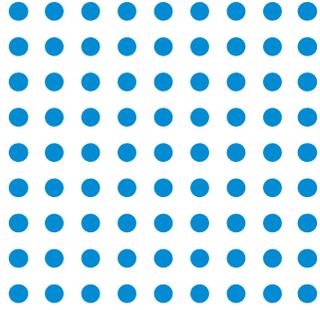
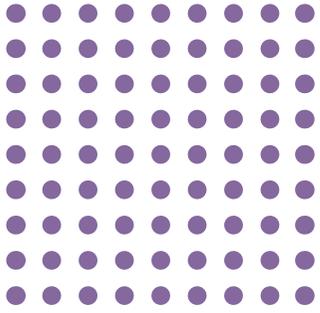




Nourishing

Bonds for Development
Sustainability Report 2018





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our President

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Energy Efficiency
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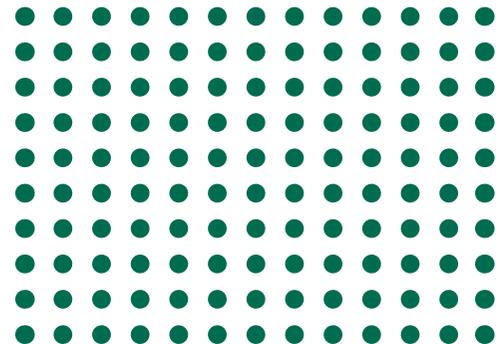
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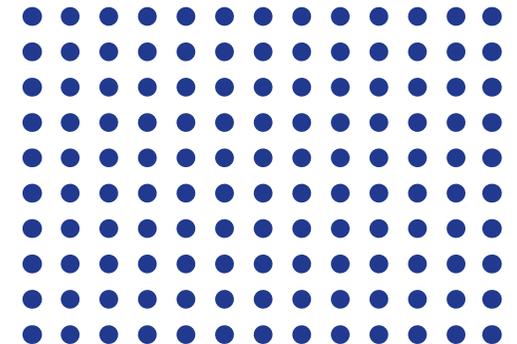
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MESSAGE FROM OUR PRESIDENT



I proudly present our Sustainability Report 2018, which means a new opportunity to take stock of the path that we followed together and reflect on the challenges we will face in the future.

We work daily to nurture the dialogue and bonds with all those with whom we relate. This 14th Report is another step in our commitment to inform the economic, social and environmental performance of Arcor Group, and we elaborated it using international standards that provide accuracy and transparency. Through this Report we show our commitment to the 2030 Agenda and the United Nations Global Compact, presenting our Communication on Progress (COP) in compliance with the principles of human, labor, environmental and anti-corruption rights.

2018 was marked by a challenging economic context for our region. We are known for being a company that sees opportunities for growth, even in less favorable contexts. In Brazil, Chile, Peru, Mexico and the Central American region, the group experienced significant growth throughout the year. With the consolidation of the merger between Cartocor and Zucamor, we

became the leading packaging solutions company in the Southern Cone, highlighting the growth of the Packaging Business in the Andean Region.

After seven years of work, in the month of March and together with Laboratorios Bagó (Bagó Laboratories), we launched Simple, a line of over-the-counter dietary supplements aimed at health care. With a joint investment of more than 90 million pesos, this alliance represents the union of two Argentine companies that decided to share their experiences and careers in the world of health and nutrition.

This milestone is another step forward in our Active Life and Healthy Nutrition Strategy, which encourages us to work on improving and transforming our product portfolio, creating alliances and responsible knowledge and communication.

In this framework, we created the "Tu Porción Justa" (Your Right Portion Size) Program, through which we incorporated a logo on the packaging of our products to help the consumer easily recognize how much a portion size is, in order to incorporate

gratification options as part of a balanced diet without unbalancing it.

Finally, in 2018 I had the honor of being appointed as Chair of the Task Force 'Sustainable Food System' (SAS, as per its initials in Spanish) of the Business 20, the G20 business chapter. I hope the relevance of the challenge of improving the well-being of humanity and the conservation of our planet, coupled with our initial work that produced a series of recommendations on grounded policies, as well as collaborative initiatives between the public and private sector and commitments by the private sector, guarantee the continuity of the Sustainable Food System agenda in future meetings; as well as this task force in future processes. I firmly believe that the contribution of the private sector is essential, both for the overall development of a sustainable food system and for the achievement of the 2030 Sustainable Development Goals (SDGs), and to ensure a more inclusive future for the peoples of the world.

I invite you to gain insight into all of these topics and many more by exploring our Sustainability Report,

which reflects the work of the people who help us build, on a daily basis, a company committed to a better future for all.

Thank you!



Luis A. Pagani
Arcor Group's President



MESSAGE FROM OUR CORPORATE SUSTAINABILITY MANAGER



In 2018 we set ourselves the challenge of creating a Sustainability Report that is closer to our readers and to all our audiences, transmitting with concrete examples what sustainability means for Arcor and how sustainable management is lived on a day-to-day basis, in strategies, in the development of our products, and at work, along with our entire value chain.

Throughout the document you will find the voices of the people involved who bear witness to this. We also share concrete examples of the more than 800 initiatives that were included in the 13 Sustainability Operational Plans developed by our businesses and corporate areas, and the programs promoted by our Corporate Sustainability Committee and local committees in Brazil and Chile.

Sustainability training for more than 17,000 people in our value chain has also been key to the systematization of the sustainable management of our businesses. We achieved significant results through initiatives and programs promoted within the framework of our sustainable supply strategy: more than 340 suppliers assessed under the Sustainability and Business Quality Index; the consolidation of the Sustainable Agricultural Program (80% of the producers of fruits and vegetables with mechanized

harvesting, presentation of the Communication of Annual Progress in the platform on sustainable palm oil (RSPO, Roundtable on Sustainable Palm Oil), more than 16,600 tons of Bonsucro certified sugar and 7,200 tons of organic sugar for export, a project of mechanization of harvest of small producers of sugarcane); 95.50% of qualified suppliers and primary producers with auditing processes; and 100% of the signed contracts that include the approval of quality and social, economic and environmental audits, just to name a few.

In addition, we have allocated more than 6.8 million dollars to investments linked to the promotion of sustainable management in our operations. We would also like to highlight that, through our local Community Relations Committees, we promoted a strategy of impact management in 100% of the territory with an industrial presence in Argentina, Chile and Mexico. Through the Corporate Donations Program, in 2018, we benefited more than 300,000 people, mainly children with more than 1,700,000 kg of donated products. We promoted 90 initiatives in 8 Distribution Centers within the framework of our sustainable logistics strategy and promoted the Self-assessment of Good Practices in Sustainability in more than 150 Arcor Group Distributors in Argentina and Uruguay.



In the Respect and Protection of Human and Labor Rights chapter we explain the due diligence processes that allow us to diagnose, integrate, monitor and spread actions implemented to ensure these rights, especially the rights of the children of the region. Committed to inclusion and diversity, 292 people with disabilities are part of our teams, and women leaders give their testimonies in the framework of the Gender Equality Project. In addition, this year Arcor University completed 10 years providing more than 7,500 hours of training for the development of our people.

In turn, this was a great year for the launching of new products with nutritional improvements: 0% jams (sugar-free jams), innovative in their type, without added sugars; the launching of the Natural Break nut bar; the development of IMO Syrup (Isomalto-oligosaccharides), the first syrup with prebiotic effect in the country; gluten-free chocolates, reaching a total of more than 380 gluten-free products; a reduction of 18 to 47% of sodium in canned tomatoes, vegetables and pulses; a reduction of saturated fats in Formis Ciano and new vitamins B1, B2 and B9 in Formis Frutis.

For the first time, we present a specific chapter dedicated to each of the environmental care commitments

which are key to Arcor Group: rational use of water, energy efficiency and climate change, and rational use of packaging materials. In each one, the main advances are highlighted, showing concrete examples. Among them, we achieved a 22.9% saving in the use of water in Mundo Dulce, Mexico; we reached the goal of zero waste sent to landfills in industrial and logistics operations in Brazil -one year earlier than established-; more than 40% of the energy used by Arcor Group is of renewable origin; 100% of the paper used in Cartocor plants as raw material is FSC (Forest Stewardship Council) or PEFC (Program for the Endorsement of Forest Certification) certified; and we developed a 60% compostable packaging for the Butter Toffee candies.

With more than 3,000 employees with sustainability divisional goals and more than 800 with specific goals, we can say that today Arcor's projects are implemented from the bottom up. The sustainable vision has spreaded throughout all the collaborators, not just to mention the leaders, and that is a great achievement and accomplished goal.

We thank Arcor Group's entire team for their commitment to the development of each of these projects and their

participation in the preparation of this publication that allows us to share our progress and challenges with all our stakeholders.

We hope to receive your comments and suggestions, leaving an open channel to continue enriching the communication and sustainable management of Arcor Group.



Claudio Giomi
Arcor Group's Corporate Sustainability Manager

Arcor, Innovation and Sustainability

Chapter 1



ARCOR, INNOVATION AND SUSTAINABILITY



1.1. About ARCOR GROUP.

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1.2. SUSTAINABLE MANAGEMENT.

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1.3. BUILDING LINKS links in our Value Chain.

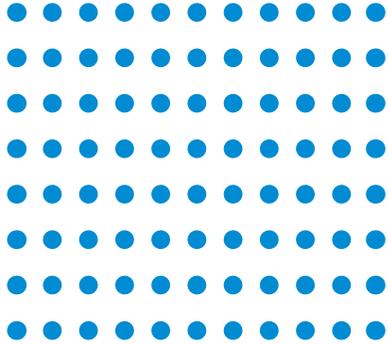
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1.4. Arcor Group left a TRACE IN THE HISTORY OF THE B20.

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**1ST BONSUCRO
CERTIFIED
SUGAR MILL**
in Argentina.



**51 CERTIFIED
SITES**
under
international
management
standards.

**CORPORATE
SUSTAINABILITY
COMMITTEE**
and local
Committees in
Brazil and Chile.

More than
\$171,440,000
aimed at social
investment and
community
impact
management.

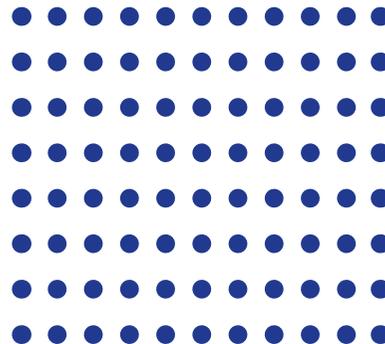
837 INITIATIVES
in 13 Sustainability
Operational Plans.

23 Community
Relations
COMMITTEES.

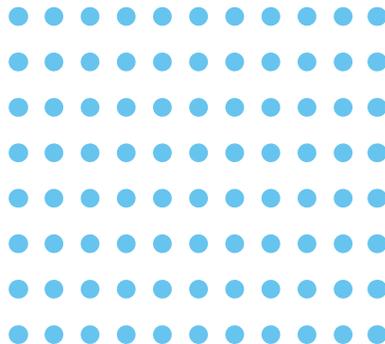
More than **US
\$ 6.8 MILLION** in
investments linked
to the promotion
of sustainable
management
in operational
facilities.

Sustainability
**MANAGEMENT
AND
MONITORING**
tools.

US \$ 12 MILLION
of investment
in research and
development.



More than **3,200**
EMPLOYEES
reached with
Sustainability
Goals.



1.1. ABOUT ARCOR GROUP

In 1951, a group of young entrepreneurs dreamed of making quality food accessible to consumers around the world. That is how, in the city of Arroyito in Córdoba, Argentina, Arcor Group was born.

With sustained growth, we have consolidated as a leading industrial group comprised of three business units: Consumer Food Products, Agribusiness and Packaging.

Fostered by a sustainable management policy, today it is the Argentine group with the highest number of open markets around the world: we reached more than 120 countries on five continents.

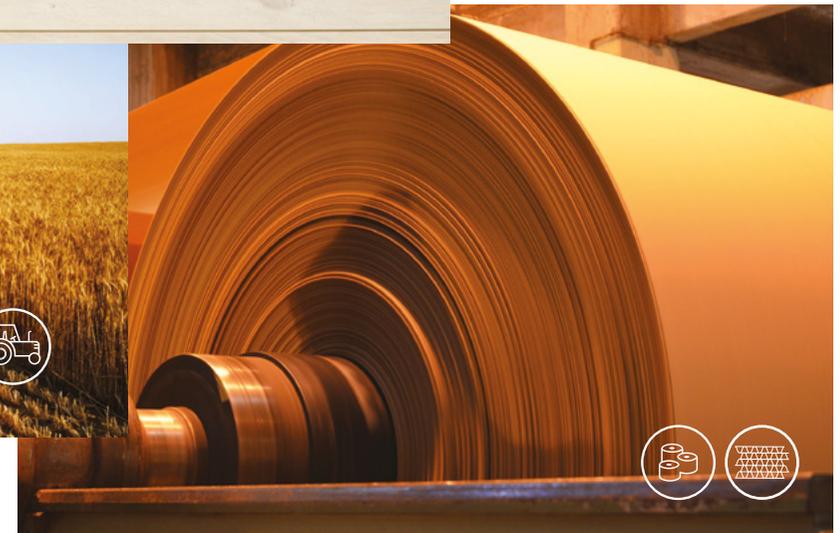


CONSUMER
Food
PRODUCTS

Packaging



Agribusiness



Arcor Group in the World

47 INDUSTRIAL PLANTS
in Latin America

US \$ 280 MILLION
in exports

1 MILLION POINTS OF SALE
in Argentina, Brazil, Chile,
Mexico and Peru

We **AGREED** to build an
INDUSTRIAL PLANT IN
ANGOLA in 2019



UNITED STATES
MEXICO



NETHERLANDS
CZECH
REPUBLIC
GEORGIA

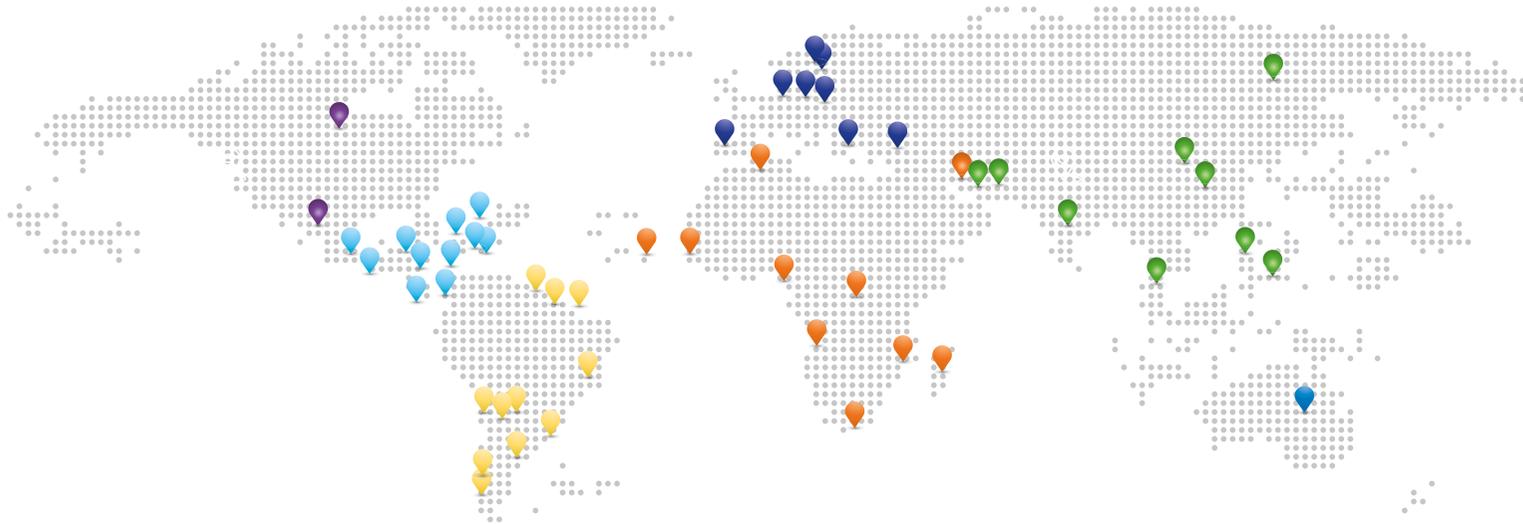
BULGARIA
SPAIN
ESTONIA
LITHUANIA



RUSSIA
INDIA
CHINA
ISRAEL

JAPAN
THAILAND
MONGOLIA
ARAB
EMIRATES

SAUDI
ARABIA
SOUTH
KOREA



BARBADOS
HONDURAS
EL SALVADOR
COSTA RICA
GUATEMALA
HAITI

JAMAICA
PUERTO RICO
PANAMA
DOMINICAN
REPUBLIC
NICARAGUA



ARGENTINA
BRAZIL
CHILE
BOLIVIA
URUGUAY
PARAGUAY

COLOMBIA
PERU
GUYANA
TRINIDAD AND
TOBAGO
SURINAM



CONGO
ALGERIA
GAMBIA
MOZAMBIQUE
MADAGASCAR

ANGOLA
CABO VERDE
CAMEROON
SOUTHAFRICA



AUSTRALIA

COMMERCIAL OFFICES:

-  Asunción, Paraguay
-  Barcelona, Spain
-  Bogotá, Colombia
-  Buenos Aires, Argentina*
-  Córdoba, Argentina*
-  DF, Mexico
-  Guayaquil, Ecuador
-  Miami, United States
-  Montevideo, Uruguay
-  Santa Cruz de la Sierra, Bolivia
-  Shanghai, China

* Location of Arcor Group's Headquarters.

Acquisitions and Strategic Associations



The Coca-Cola Company



42.65% stake in Mastellone Hnos



LABORATORIOS BAGÓ AND ARCOR GROUP, TOGETHER FOR THE WELL-BEING OF PEOPLE

We created an alliance with Laboratorios Bagó to boost innovation and face new challenges that contribute to improving people's quality of life.

With a joint investment of more than 90 million pesos, the alliance represents the union of two Argentine companies that decided to share their experiences and background in the world of health and food, respectively. This is how we created Simple, a line of dietary supplements that helps to incorporate the necessary nutrients that may be missing from the daily diet in a practical way.

With this joint venture we reinforce something that is key and part of the Sustainability Policy of the two companies: the commitment to the well-being of people through active life and a healthy nutrition (*For more information about this new product, go to Chapter Active Life and Healthy Nutrition*).

Our Philosophy

We work every day with the mission of providing people from all over the world with the opportunity to enjoy delicious and healthy food and confectionery products of high quality. We seek that their everyday life is turned into magical moments for gatherings and celebrations.



MISSION

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



VISION

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 moments into magical moments for gatherings and celebrations.

OUR VALUES



Main Economic Indicators

MAIN ECONOMIC AND FINANCIAL INDICATORS ⁽¹⁾	2018 (Millions of Argentine pesos)	2017 (Millions of Argentine pesos)
Net sales	85,628.9	78,720.9
Marketing and Administrative Expenses	19,533.6	18,651.6
Salaries, Wages and Social Security Contributions	21,763.3	21,349.6
Investment in Fixed Assets and Other Assets	3,017.7	3,316.5
EBITDA	7,441.3	5,964.7
Total taxes ⁽²⁾	1,100.8	2,830.0
<i>Direct Taxes</i>	1,455.7	1,680.4
<i>Export Rights</i>	168.6	0.0
<i>Taxes, Rates and Contributions</i>	341.8	334.6
<i>Income tax ⁽³⁾</i>	-865.3	815.0
(Loss) / Net Income for the Fiscal Year ⁽⁵⁾	-1,820.0	2,289.5
Payment to capital providers	5,724.5	3,656.9
Total Capitalization ⁽⁴⁾	47,822.1	39,607.8
<i>Shareholders' Equity ⁽⁵⁾</i>	14,175.3	15,235.5
<i>Non-current Loans</i>	22,625.5	18,175.1
<i>Current Loans</i>	11,021.3	6,197.2

⁽¹⁾ All figures are expressed in Argentine pesos, except where otherwise indicated.

⁽²⁾ Tax breakdown by country (in millions of pesos): Argentina 894.5 – Bolivia 41.6 – Brazil 83.8 – Chile 184.5 – China 0.3 – Colombia 0.3 – Ecuador 10.9 – Spain 71.9 – United States (4.7) – Mexico (222.1) – Paraguay 18.2 – Peru 4.8 – Switzerland 1.4 – Uruguay 40.1

⁽³⁾ Includes deferred taxes.

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

⁽⁵⁾ Result and Equity attributable to the Shareholders of the Company.

For more information, please refer to the 2018 Annual Report and Financial Statement of Arcor Group, available at www.arcor.com



Our Businesses and Brands



FOOD

Arcor Group has an important *know-how* in the manufacture of food products. We have 7 industrial plants in Argentina that work with a rigorous selection of raw materials and state-of-the-art technological processes.

Our offer of high-quality products is marketed with the support of Arcor and La Campagnola, and has a portfolio of highly valued and recognized leading brands.

Arcor Group's Food Business participates in more than 12 categories, among which are marmalades, solid sweets, sauces, tomatoes, canned vegetables, fruits and fish, desserts, beverages, juice powders, premixes, polenta, dressings, *dulce de leche* (caramel spread), oils, seasoning mixes with oven bags, among others, leading the majority of the segments in which it participates.

In addition, the company has a significant exporting vision, having a strong presence in the markets of Latin America and many countries of the world.

HIGHLIGHTED SUSTAINABLE RELEASE
JAMS 0% ADDED SUGAR.



CONFECTIONERY

Confectionery is the business that gave rise to the Company and through which it is highly recognized for innovation and constant growth. Arcor is the world's first manufacturer of hard candies and the largest company in the region regarding production capacity, production volume, sales and brand development.

It manufactures its products in 9 industrial plants: 4 in Argentina, 2 in Brazil, 1 in Chile, 1 in Mexico and 1 in Peru.

With over 100 product launches per year and a high top-of-mind level of its brands, Arcor offers enjoyable and functional products to the largest segment of consumers, attracting adults and children all over the world. The main brands are Topline, Bigtime, Poosh, Menthoplus, Mr. Pop's, Mogul, Butter Toffees, 7Belo, Alka and Big Big.

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

HIGHLIGHTED SUSTAINABLE RELEASE
NATURAL BREAK NUT BAR.



CHOCOLATES

Arcor has been taking part in the Chocolate business since 1970, and it now has 7 industrial units in Latin America, which meet the Group's needs all over the world. The business also supplies chocolate as a raw material to the industries and the Food Service sector (such as Pastry shops, Bakeries, Chocolatiers and Ice cream shops); Pymes (small and medium-sized enterprises, SMEs) and large dairy industries, industrial gelaterias, *alfajores* factories, puddings, sweet bread, and cookies.

We are the leader of the Argentine chocolate market and the only company present in all categories. Also, we occupy one of the main positions in the Chilean market, being leaders in the chocolate segment. In the rest of Latin America, we have had a progressive development in recent years.

We manufacture 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 relevant dates such as Easter, Halloween and Christmas. We have a portfolio of important brands, among which are Aguila, bon o bon, Cabsha, Chokko Snack, Cofler, Hamlet, Nikolo, Rocklets, Sapito, Tofi and Tortuguita.

HIGHLIGHTED SUSTAINABLE RELEASE
GLUTEN-FREE CHOCOLATES.



COOKIES, CRACKERS, SNACKS AND CEREALS

Through Bagley Latinoamérica S.A., association created with Danone Group for the cookies and crackers, *alfajores* and cereals business in Latin America, Arcor is one of the leading companies in the region. Arcor's performance reaches a strong leadership in Argentina, a relevant position in the Brazilian market and an increasing participation in Chile. Arcor has also developed a strong presence in other countries of the region.

Our products are manufactured at 8 production plants: 5 in Argentina, 2 in Brazil and 1 in Chile, which allows the Company to launch to the market over 50 new products every year.

Within this business the following brands are featured: Bagley, Maná, Saladix, Rumba, Formis, Aymoré, Triunfo, Selz, Opera, Chocolinas, Cereal Mix, Tentaciones, Danix, Criollitas y Sonrisas, among other leading brands in Argentina, Brazil and Chile.

Arcor also produces a great variety of products, such as cereals, snacks, crackers, cereal cookies, assorted cookies, filled cookies, sweet dry cookies, Christmas products, wafers, *alfajores* and cereal bars.

HIGHLIGHTED SUSTAINABLE RELEASE
INCORPORATION OF VITAMINS B1, B2 AND B9 IN FORMIS FRUTIS.





FROZEN FOOD

Arcor's presence in the impulse ice-cream market is a strategic challenge, which consolidates consumers' preference for chocolate and confectionery brands.

Today, Ice Creams are a core *business*, where Arcor maintains leadership in market share in Argentina thanks to the constant launching of new products,

HIGHLIGHTED SUSTAINABLE RELEASE
40% OF THE IMPULSE ICE CREAM
PORTFOLIO WITHIN THE RIGHT PORTION
SIZE PROGRAM.

tastes and presentations, with more than 26 million dollars invested in freezers, and the introduction to the market of about 10 new products each year boosted by the alliance generated with Coca-Cola and Danone. In 2016, we launched our home line to also transfer the value of our chocolates and confectionery from the kiosk to the freezer.

Among the main brands that are marketed are Tofi, Bon o Bon, Cofler, Slice, Aguila and Rocklets. Arcor produces popsicles, cups, cones, chocolate-coated ice-creams, frozen bonbons and frozen desserts.

But like all ice cream businesses, there are months in which consumption drops due to the time of the year. Glimpsing the possibility of working more efficiently with the capacity of the facilities in the distribution network during low consumption seasons and advancing on a new category, Ice cream is now called Frozen Food.

In July 2018, we launched our baked products marketing them under a B2B scheme with our Distributors. At the moment we are offering croissants, *criollitos* (typically Argentine square-shaped flaky bun) and *ventanitas* (square shaped pastry with quince jam or pastry cream filling), which we consider the tip of the iceberg of a business that can expand in the future with various categories.



NEW FUNCTIONAL BUSINESSES

With the objective of accompanying the growing trend of proactive health care, we created a new area that we define as New Functional Businesses.

In this sense, the first challenge the business will face will be to lead the development of the company in the nutraceutical segment (combination of "nutrition" and "pharmaceutical"), offering our consumers options that allow them to easily incorporate the nutrients that the body needs to be well, physically and mentally, with products that adapt to their different needs.

HIGHLIGHTED SUSTAINABLE RELEASE
SIMPLE, FROM LABORATORIOS BAGÓ
AND ARCOR.

Agribusiness



Since its beginnings, Arcor has been committed to providing consumers with the best quality. To accomplish that, it has developed an important self-supply strategy with regard to its raw materials, being vertical integration one of its major strengths.

Due to its capacity to add value to agro-industrial processes, Arcor made the decision of expanding, consolidating and generating new businesses in the market beyond the self-supply. The creation of the Agribusiness Division was driven by the vision of continuing to enhance our competitive advantages and the unbeatable conditions offered by Argentina in agro-industrial matters.

The Agribusiness Division seeks to add value to the agro-industrial processes in order to offer new and better solutions to different industries driven by a commitment to quality in all of their products.

Nowadays the Group produces fructose, maltose, glucose, corn starch, corn flour, semolina and corn oil in five production units engaged in corn milling, also



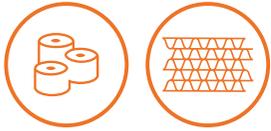
generating a significant number of by-products used for animal feeding.

Our Ingenio La Providencia has a production capacity of 150,000 tons of sugar, being the first of all Latin America and outside of Brazil to have the Bonsucro standard certification, and generates 11 mw of renewable energy through sugarcane bagasse. We are the first producer of corn flour in Argentina and we have 3 wet mill plants with a capacity of 1,400 tons per day. Also, we are one of the Argentine leaders in the production of ethyl alcohol from cereals and one of the main producers of milk with 75,000 liters per day in seven industrial dairy farms.

HIGHLIGHTED SUSTAINABLE RELEASE
IMO FIBER SYRUP



Packaging



Cartocor is one of the leading packaging companies in Argentina. It stands out for its special emphasis on customer service, ongoing innovation, productivity, quality and environment conservation.

The historical synergy of Cartocor, a company focused on the manufacture and marketing of corrugated cardboard, and Converflex, specialized in flexible packaging, consolidated a single packaging company with a comprehensive approach and with the possibility of offering the customer integral solutions, supported by team work.

In 2018, the integration process between the Zucamor and Cartocor companies was completed. This made the Packaging Division of Arcor Group the leading company in the region.



“ We are two companies that have a lot in common. Fortunately, we met and we felt comfortable with each other. A structure with a lot of strength is being built, which has a lot of history, a great current situation and, above all, a promising future. We are focused on providing solutions to the client and, in order to achieve that, we need closeness, interpretation of the customer’s problems and development of innovative proposals. We always talk about leadership, which is a huge challenge and a great responsibility, but what matters most to us as a company is to be the chosen ones, the preferred ones, both by our collaborators and by our customers and suppliers”.

Guillermo Muller, General Manager of Packaging.

Currently, we have great versatility in the supply of packaging solutions for our customers through flexible packaging, POP material, paper bags, corrugated cardboard, recycled paper, virgin paper and cardboard. We are the main manufacturer of recycled paper in the country with more than 170,000 tons, we manufacture 900 million square meters of corrugated cardboard, 12,000 tons of flexible material, 110 million of paper bags and we have 23 thousand hectares for forestry development.



**HIGHLIGHTED SUSTAINABLE RELEASE
PAMPA DRUM (PAPER DRUM).**



1.2. SUSTAINABLE MANAGEMENT

Sustainable Policy

Since it was founded, Arcor Group has expressed the conviction of being an important and responsible member of the community. This has always been a distinctive feature of our company: promoting our businesses through responsible management, which considers economic growth, social development and care for the environment, being guided by a long-term strategy that manages risks and maximizes the opportunities derived from the business and the environment.

To achieve this, we promote this conviction with the stakeholders with whom we relate through our entire value chain. The importance we attach to sustainability is reflected in our mission, vision, values, Code of Ethics and Conduct, and in all the policies and procedures associated with them.

This is how, together with our associates and strategic partners, we promote initiatives to take care of water, respect and protect Human Rights, become more efficient in water consumption and in the use of packaging materials, and promote an active life and healthy nutrition, which we frame within the commitments to sustainable development of our Sustainability Policy, in force since 2010.

2020 Strategy

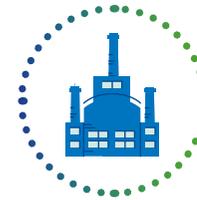
Goal

To increase our corporate value through sustainable management and governance.



SUSTAINABLE IDENTITY:

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



OPERATIONAL CONTINUITY:

To guarantee the continuous improvement of our operations through sustainable management in all our processes.



DEMAND GROWTH:

To promote business models and strategies, products and brands that generate sustainable links.

Arcor's Governance and Sustainability Management

GOVERNANCE

Arcor's Corporate management structure and sustainability

Corporate Sustainability Committee (CSA)

- Led by the Chairman and made up of the highest decision-making body.
- **Objetivos:** to analyze risks and opportunities, establish priorities, implement and evaluate the performance of the company

Meetings during 2018: 4 meetings

Sustainability Committees in Brazil and Chile

- Conformed by the General Managers of each country and their direct reports.
- **Goal:** to coordinate the local Sustainability Plans
- **Meetings during 2018:** 2 meetings each Committee

PLANNING

Corporate Projects

- Led by the Corporate Sustainability Committee, these projects impact all businesses
- 27 corporate projects in 2018

Operational Sustainability Plans (POS)

- Conducted annually by each business
- Comprised of initiatives that respond to the commitments of the Sustainability Policy
- Developed according to risk matrices and sustainability opportunities for each business
- Managed through a *Sharepoint* platform, which manages the life cycle of projects, validates each initiative and facilitates its development, monitoring and assessment
- 837 sustainability initiatives promoted through 13 operational plans ¹ 

MANAGEMENT

Performance Management

- 14 businesses and functional areas have divisional goals linked to sustainability
- There are 3,208 employees covered by divisional sustainability goals (73.7% coverage rate)
- 811 employees at driving levels set specific sustainability goals (92.2% coverage rate)

Comprehensive Management System (SGI, as per its initials in Spanish)

- Used in the 47 operating bases of the company
- Incorporates sustainability as a key component

MONITORING

Sustainability Scorecard

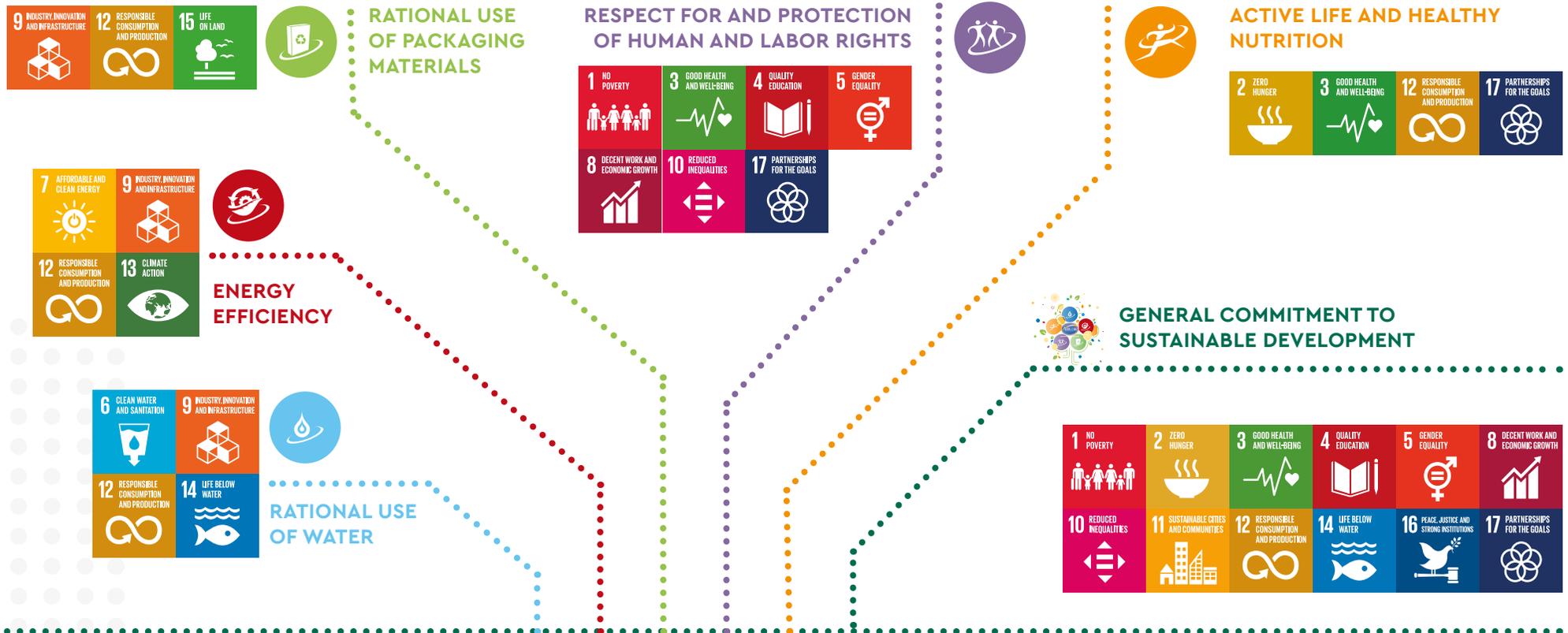
- 38 indicators
- They measure and report progress of the compliance with sustainability commitments
- 7 years of monitoring 

 ¹ Throughout the Report, indicators that are part of the Sustainability Scorecard are identified with this symbol.

Commitment with the 2030 Development Agenda

We contributed with **46 of the 169 goals** set by the SDGs.

We contributed to the **17 Sustainable Development Goals (SDGs)** of the United Nations with initiatives promoted within the framework of our Sustainability Policy.



.....

BRINGING COMMITMENTS TO ACTION



FOR A SUSTAINABLE FOOD PRODUCTION SYSTEM

We promote the incorporation of sustainable practices in supply chains to increase productivity and production, taking care of natural resources and seeking a better quality of life for people. Through our Sustainable Agricultural Program, we technically assist agricultural producers of sugar, corn and wheat, milk, tomato, peach, corn, fish, peanuts, palm oil and cocoa, we promote certification under sustainability standards and implement best practices of purchases and agricultural production. *(For more information, please refer to the General Commitment to Sustainable Development chapter).*

.....



COMMITTED TO THE HEALTH AND WELL-BEING OF PEOPLE

Our Healthy Living and Eating Habits Strategy (HVS, as per its initials in Spanish) helps us to promote a balanced and nutritious diet, which encourages people's gratification and bonding with each other. It follows the recommendations of the World Health Organization (WHO) and the National Health Plans and it is based on three pillars: 1) a portfolio of products with improved nutritional profiles; 2) a responsible and self-regulated communication and promotion, and 3) the generation of knowledge through partnerships to enhance the impact. *(For more information please refer to the Active Life and Healthy Nutrition chapter).*

.....



PROMOTING GENDER EQUALITY

Within the framework of the commitment to the protection of human and labor rights, which includes the promotion of inclusion and diversity, in 2012 we formally launched the Gender Equality Project, which includes improvements in the flow of women's income, campaigns of communication and awareness, and actions that contribute to the reconciliation of personal, family and work life, with focus on safeguarding motherhood. Deepening this responsibility, in 2017 we adhered to the United Nations' Principles for the Empowerment of Women (WEP). *(For more information, please refer to the Respect and Protection of Human and Labor Rights chapter).*

.....



Acknowledgments that Support Our Sustainable Management



KONEX AWARD

For his outstanding business performance during the last decade, our President Luis Pagani, received the Diamond Konex and was distinguished with the Platinum Konex in the category "Entrepreneur of the industry". The jury highlighted its management in favor of the growth, expansion and regional internationalization achieved by the company.

■ We were created to transform raw materials into value, to generate genuine employment and, mainly, to be the engine of sustainable development both in the local communities where we have our operations, and in the country as a whole".

Luis Pagani,
President of Arcor Group.



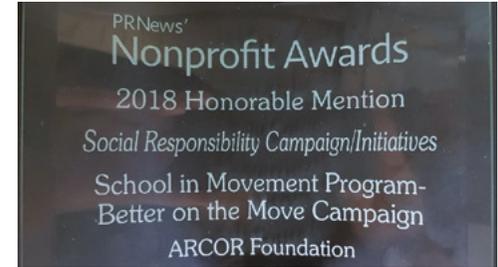
GLOBAL TOP 100

10th place among confectionery producers of the world.



ARGENTINE-BRITISH CHAMBER OF COMMERCE AWARD (CCAB) FOR SUSTAINABLE LEADERSHIP

Arcor Group obtained the 1st place in the "Innovative Organization" category for the preparation of the 2017 Sustainability Report.



PR NEWS' CSR & NONPROFIT AWARDS

Arcor Argentina Foundation together with Arcor Brazil Institute and Arcor Chile Foundation were the only ones from Latin America who were distinguished by their "It's Better on the Move" campaign.



RANKING TOP BRANDS

1st place of the Top Brands of Argentina.



CORPORATE CITIZENSHIP AWARD FROM THE UNITED STATES CHAMBER OF COMMERCE IN ARGENTINA (AMCHAM)

1st prize in the Thematic Initiatives - Suppliers category for our Sustainable Supply Strategy.



2018 APSAL AWARDS

The Association of Health and Food Professionals (APSAL) gave recognition to representatives of the health, food, academic instruction, communication and corporate CSR sectors. Arcor Foundation Argentina received an award in the category "Physical Activity" for its program *Requetemuévete / Superagite* (Move It / Shake It Off).

SOCIALLY-CONSCIOUS ENTREPRENEUR AWARD

The program *Niñez Cercana* (Close Childhood) carried out by the Arcor Argentina Foundation received this award given by the Ecumenical Social Forum in the "Business-Education" category.



RANKING "THE 100 BEST IN IMAGE", APERTURA MAGAZINE

Arcor Group obtained 1st place in the Image Ranking published by the magazine Apertura, retaining this position for 16 editions. The main attributes in which Arcor is positioned in the first place are: "Reliability of its Products", "Business Ethics and Transparency", "Track Record", and "Investment and Production in the Country".



BUSINESS PRESTIGE RANKING, PRENSA ECONÓMICA MAGAZINE

Arcor ranked 1st as the most prestigious company, a place that has obtained in fifteen of the sixteen editions of this publication. In addition, in this framework, the most prestigious businessman in the country was elected, where Luis Pagani was once again chosen as the most prestigious businessman in Argentina.



2018 EIKON AWARDS

Arcor Group was one of the companies with the most distinctions. Our actions and projects oriented to sustainable management that were recognized in this edition were:

- Gold Eikon in the category "Sustainability of Suppliers" from the program Diploma Degree in Sustainable Fruit & Vegetable Management.
- In the category "Sustainability in Education", the Learning to Enjoy Program received the first prize and the second prize in the Social Marketing category.
- In addition, Arcor Foundation in Argentina and Chile, and the Brazil Arcor Institute won 1st place in the category "Social Sustainability" in the Regional Chapter with the case *Requetemuévete / Superagite* (Move It / Shake It Off) that also received the Silver Eikon in the awards given by Eikon Córdoba.
- 1st place for the Launching of Simple in the category "Product Launches".
- Our Institutional Communication Kit – 2017 Edition was ranked 2nd in the category "Financial Communications or with Investors" and 3rd place in the category "Institutional Publications / Multimedia".
- The Arcor Innovation Award received the 3rd place in the category "Sponsorship or Cultural Sponsoring".



RANDSTAD RANKING: "WHAT DO ARGENTINEANS PAY ATTENTION TO WHEN CHOOSING WHERE TO WORK?"

Arcor fue reconocida como la empresa más atractiva para trabajar en el sector de consumo masivo en el Randstand Employer Brand Research.

RECOGNITION VALUE RSE + COMPETITIVENESS, AMIA / IDB / MIF INITIATIVE

Arcor Group was recognized by AMIA for its work linked to the sustainable management of its value chain.

MERCO TALENT RANKING

We are one of the most attractive Argentine companies to work for in Argentina. Arcor Group is ranked 4th.

MERCO RANKING RESPONSIBILITY AND CORPORATE GOVERNANCE 2018

For the ninth consecutive year, Arcor ranked 1st in this ranking that evaluates the image of companies in relation to their role in the community, their ethical behavior and transparency in executive management. In addition, Luis Pagani led the ranking of the 100 most outstanding entrepreneurs in the local area, and we also obtained the 1st place in the Responsibility and Corporate Governance Ranking.

CEADS RECOGNITION

The Argentine Business Council for Sustainable Development (CEADS), recognized the contribution of Arcor Group to achieve the objectives of the 2030 Agenda for Sustainable Development.

Top ten - MERCOSUR 2018

EMPRESA	
1º	 Arcor Alimentación
2º	 Unilever Alimentación
3º	 Toyota Automotor
4º	 Google Tecnología
5º	 Cervecería y Malter Quilmes Bebidas



1.3. BUILDING LINKS IN OUR VALUE CHAIN



SUPPLIERS

1. 80 Arcor Group buyers were trained on the ISO 20,400 Guide to Sustainable Procurement
2. 320 participants in the Month of the Supplier in Arcor
3. 20 small producers in the Cobra Project for mechanization of the cane crop
4. 971 quality checks and food safety with suppliers
5. 347 participating suppliers of the 2018 edition of the REconocer (Recognize) Program, Commercial Quality and Sustainability Index



PROCESSING

1. 42 sites with ISO 14001, 34 sites with OHSAS (Occupational Health and Safety Management) 18001, 51 sites with ISO 9001
2. 550 collaborators formed 76 teams for continuous improvement within the framework of the Comprehensive Management System (SGI as per its initials in Spanish) Recognition I
3. 98% of the water used for our production comes from the intake of our own facilities
4. More than 40% of the energy used by Arcor Group is of renewable origin
5. 23 Community Relations Committees



MARKETING AND DISTRIBUTION

1. 90 sustainability initiatives in 8 Distribution Centers
2. 94% of trained logistics middle managers
3. 207 drivers trained in safe driving practices
4. 509 retail customers trained in Chile
5. + out of 160 Distributors from Argentina and Uruguay self-assessed on Good Practices in Sustainability



CONSUMERS

1. 79,886 answered calls through the Consumer Service Department (SAC, as per its initials in Spanish) (1,430 Chile, 57,395 Argentina and 21,061 Brazil) with 9,4 / 10 telephone service average in Argentina, Brazil and Chile
2. Launching of the The Right Portion Size Program
3. Listening to 17,880 people through market research
4. Reduction of 18 to 47% of sodium content in canned vegetables, legumes and sauces
5. More than 380 gluten-free products



END-OF-LIFE

1. We stopped sending 2,600 tons of packaging materials to the market, reducing the impact on end-of-life of the materials' life cycle
2. Packaging 60% compostable in Butter Toffees candies
3. Recycling program with the "Antonio Da Costa Santos" Cooperative since 2013
4. Inauguration of waste yard at the Bicentennial Plant of Chile
5. Zero Waste Program in Brazil

SHAREHOLDERS

1. Shareholders' Meeting
2. Report on the degree of compliance with the Code of Corporate Governance
3. Annual Report and Financial Statements
4. Yearbook
5. Sustainability Report

GOVERNMENT AND SOCIETY

1. Participation in 90 business organizations
2. Networks in favor of children: RedEAmérica, United for early childhood, GIFE (Group of Institutions, Foundations and Companies), GdFE (Group of Foundations and Companies), National Early Childhood Network, among others
3. Participation in the Small and Medium-sized Enterprises (SME) Ecosystem, a program which belongs to the Ministry of Production and Labor
4. Collaboration with governmental agencies to improve competitiveness
5. Leadership of the B20 Sustainable Food System Task Force

PRESS, OPINION LEADERS AND PUBLIC OPINION

1. 717 media articles about Arcor's Group commitment to sustainable development
2. Presence in 15 rankings and prizes
3. + of 10 million people reached through social networks
4. 146 thousand fans on the official Arcor Foundation fan page
5. + of 100 media articles written within the framework of the participation of Arcor Group in the B20

1.4. ARCOR GROUP LEFT A TRACE IN THE HISTORY OF THE B20

At the end of 2017, Argentina assumed the presidency of the G20. Comprised of 19 countries and the European Union, the Group of 20 is an international forum for exchange, based on economic, financial and political cooperation, which seeks to develop public policies to face the main challenges at a global level.

To achieve its objective, the G20 seeks to enrich its agenda and decision-making process, through dialogue with the so-called affinity groups, which represent the interests of various stakeholders: Civil 20 (C20), Labor 20 (L20), Science 20 (S20), Think 20 (T20), Women 20 (W20), Youth 20 (Y20) and Business 20 (B20), the latter formed by the main actors of the national and international business sector.

In the case of the Argentine cycle, the B20 managed to summon more than 1,200 business representatives who participated in 8 task forces, led by local entrepreneurs: 1. Employment and Education; 2.



Digital Economy and Industry 4.0; 3. Integrity and Compliance with Standards; 4. Energy, Resource Efficiency and Sustainability; 5. Development of Small and Medium-sized Enterprises; 6. Funding of Growth and Infrastructure; 7. Trade and Investments; and 8. Sustainable Food System.



Sustainable Food System

Of the 8 task forces present in the Argentine edition of the B20, 7 have continued the topics discussed in 2017 under the German presidency and only one represents a new incorporation: Sustainable Food System, which was addressed in 2012 during the Mexican presidency of the G20, under the title Food Security.



In 2014, the High Level Panel of Experts on Food Security and Nutrition (HLPE) of FAO established that *"A sustainable food system (SAS) is a food system that provides food security and nutrition for all so that they do not jeopardize the economic, social and environmental bases that will generate food security and nutrition for future generations"* (HLPE, 2014).



Under the leadership of Luis Pagani, the task force Sustainable Food System (SAS) was formed by more than 90 companies from various G20 countries, who after a period of intense work, culminated in the development of Policy Paper, a document that presents the recommendations of public policies and initiatives of the private sector necessary for a greater worldwide development of a sustainable food system.

■ ■ It is an honor to have been appointed as Chair of the Task Force 'Sustainable Food System' of the B20. I think that, for all of us, it is a great opportunity to influence the global agenda of our industry and the public policies of the countries that make up the G20. It is also a possibility to contribute to many of the Sustainable Development Goals set by the United Nations, such as the end of poverty, zero hunger, climate action, production and responsible consumption".

Luis Pagani,
President of Arcor Group & Chair of SAS

Contributions to Achieve a Sustainable Food System

The Policy Paper development process began with an analysis of the most important challenges facing the global food system. Then, the task force agreed on a set of priorities based on its relevance, the priorities defined by the Argentine presidency of the G20 (The Future of Work, Infrastructure for Development and a Sustainable Food Future) and presence in previous documents of task forces of the G20 and the G7².

The selected topics, presented below, were the subject of in-depth research and discussions within the task force with the purpose of developing policy recommendations with calls to action and commitments from the private sector regarding the most significant challenges.

In the case of Arcor, the content development process was enriched with the contribution of specialists from various areas of the company.

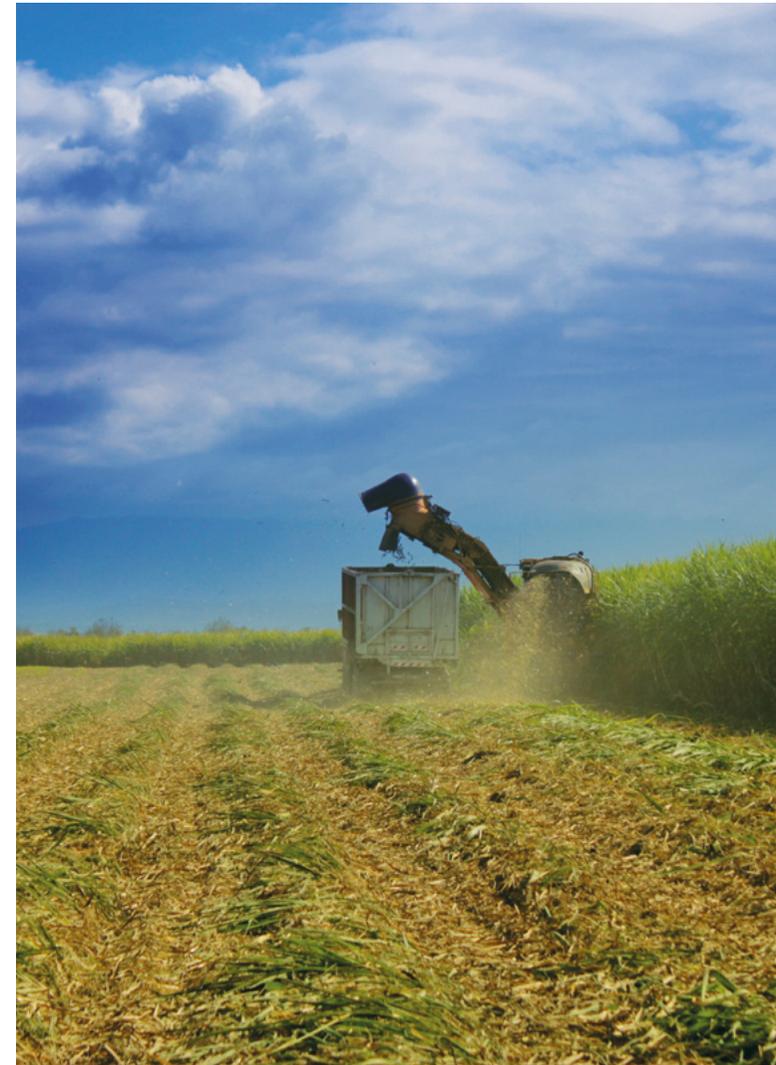


²The G7 is formed by Germany, Canada, the United States, France, Italy, Japan, and the United Kingdom.



/// The B20 aroused an interest and enthusiasm within the company, and benefited from the participation of specialists from various areas, with whom it was formed an internal team. Together, we analyzed the issues of the SAS Task Force, their local and international context and elaborated proposals of recommendations of public policies and commitments of the private sector, which were later presented to the rest of the members of the task force for their consideration".

Cecilia Rena, Corporate Manager of Public Affairs and Relations with the Press & Deputy Chair of SAS



Recommendations to Feed the World ³

As a result of the work done, the Policy Paper presents 15 recommendations in relation to the 5 main challenges identified, which it is necessary for the G20 leaders to refer, seek consensus and take action on the subject.

1 Eradication of malnutrition, undernutrition and obesity

2 Guarantee environmental conservation, mitigation and adaptation to climate change

3 Promotion of the development and adoption of technologies

4 Reduction of barriers to global food trade

5 Minimization of food loss and food waste

Finally, as part of its strategy of influence, the task force maintained a fluid dialogue with other affinity groups (mainly the T20 and in S20) and with various G20 task forces, with a focus on those formed by the Ministries of Agriculture and of Health.

■ ■ The B20 involved an intense constructive work, collaborative dialogue, and generation of consensus regarding policy recommendations and private sector initiatives necessary for a greater worldwide development of a sustainable food system. It was a key challenge, both to sustain human life on our planet, given the pressures to feed a growing population with a dwindling resource base, and to become an essential pillar to achieve the 2030 Sustainable Development Goals."

Luis Pagani

³To access the Policy Paper with the complete information that was used to build this section, as well as the specific recommendations made, go to:https://www.b20argentina.info/Content/Images/documents/20180918_210457-B20A%20SFS%20Policy%20Paper.pdf



■ ■ It has been a great challenge, learning process and mainly a source of pride to feel that we left our trace on the B20's history, as a leading company committed to sustainability".

Cecilia Rena

The Voice of the Chair, Luis Pagani



■ ■ I guarantee that over the years I have learned that the best criterion that guides both important decisions and the most daily ones is based on our values and principles. In our dreams, projects and convictions. So I suggest that we work during the year, in order to present our recommendations, assuming that the private sector has a key role in sustainable development ”.

First task force meeting, March 2018

■ ■ Our work not only addresses food security and nutrition, but also the economic, social, technological and environmental sustainability of the food system, including trade, with a holistic approach necessary to meet the challenge of feeding a growing world population in a context of scarcity of resources”.

Task force meeting in OECD, Paris, May 2018

■■ An effective response to the challenges identified requires advances in the formulation of policies at both the international and domestic levels, of a positive agenda for multilateral easing of trade in the agricultural food sector, of multiple public and private partnership initiatives and partnerships between different relevant actors of society. The main lesson learned, as Chair of this task force, is that the G20 process and the dialogue with affinity groups are a key institutional platform to fulfill this long-term agenda and achieve sustainable global development ”.

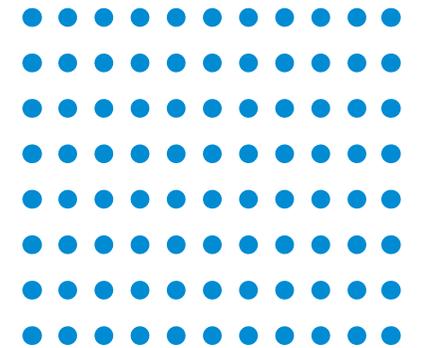
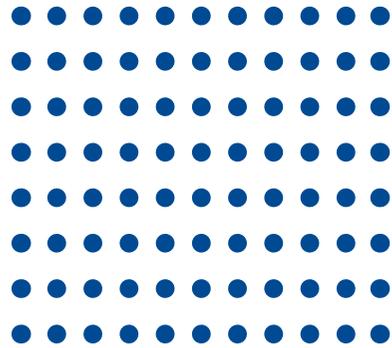
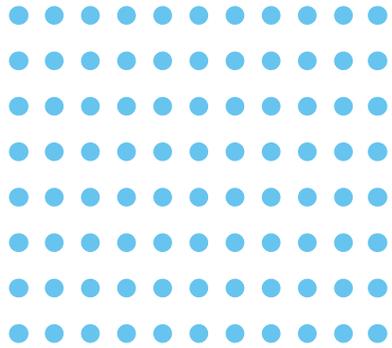
Speech to Ministers of Agriculture of the G20, July 2018

■■ I call you to disseminate the work of our task force, reflected in the Policy Paper, in all the relevant institutional, international, national and local spheres, in order to achieve concrete and significant progress in improving the levels and living conditions of people, in the elimination of hunger and poverty, and in the achievement of the 2030 sustainable development goals”.

Final Meeting of the Task Force, July 2018

■■ In our task force, one of the treasures that we have achieved has been to have representatives from the primary sector to the gondola sitting at the same table. This has been really significant, especially for Argentina, which has the capacity to feed 400 million people. The participation of all sectors to prepare the document is part of the wealth we have built.”

B20 Summit, October 2018



Arcor's General Commitment to Sustainable Development

Chapter 2



ARCOR'S GENERAL COMMITMENT TO SUSTAINABLE DEVELOPMENT



2.1. COMMITTED

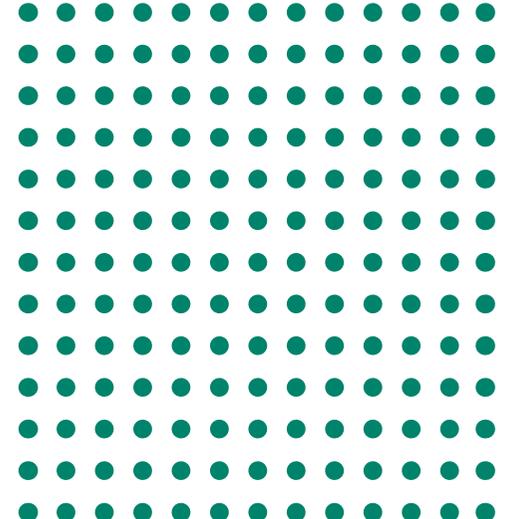
to the Well-being of People and the Care of the Planet Together with Our Value Chain.

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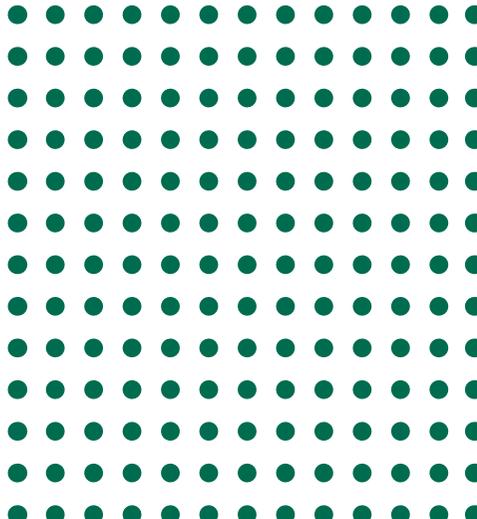
2.2. SUSTAINABLE SUPPLY Strategy.

PAGE 38



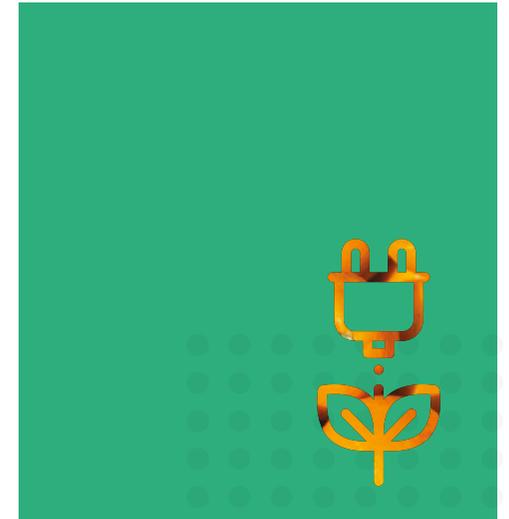
2.3. Operations' SUSTAINABLE MANAGEMENT.

PAGE 52

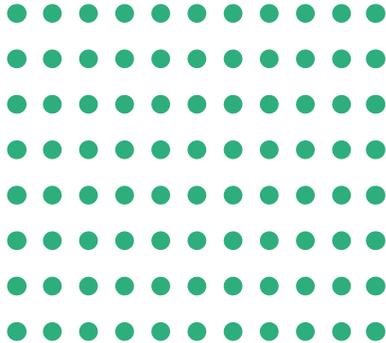


2.4. MARKETING AND DISTRIBUTION.

PAGE 68



More than **8,300 PEOPLE** involved in 102,570 hours of **SUSTAINABILITY TRAINING.**



100% OF THE TERRITORY of Argentina, Chile and Mexico with Community Relations Committees.

38 SUPPLIERS of Responsible Inclusive Purchases (CIR, as per its initials in Spanish).

95.50% OF SUPPLIERS and primary producers qualified with **AUDIT PROCESSES.**

1,795 TONS OF DONATED PRODUCTS that benefited more than 300,000 people, mainly children.

RECONOCER (RECOGNIZE) PROGRAM: 347 suppliers assessed by the Sustainability and Business Quality Index.

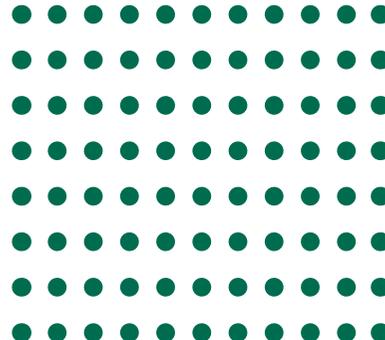
CERTIFIED INDUSTRIAL PROCESS: 51 sites with ISO 9001, 42 with ISO 14001 and 34 with OHSAS 18001.



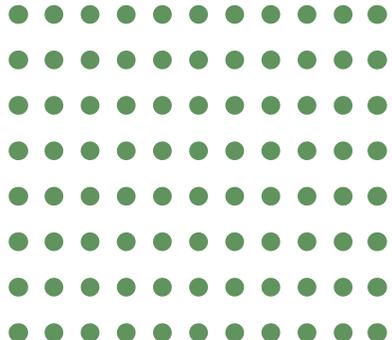
SUSTAINABLE AGRICULTURAL PROGRAM for sugar, corn, wheat, fruits and vegetables, palm oil, cocoa and egg.



More than 31 million pesos for initiatives focused on **SOCIAL INVESTMENT IN CHILDHOOD.**



More than 150 Distributors that were self-assessed on **GOOD PRACTICES IN SUSTAINABILITY.**



2.1. COMMITTED TO THE WELL-BEING OF PEOPLE AND THE CARE OF THE PLANET TOGETHER WITH OUR VALUE CHAIN

Arcor Group believes that economic development should be aligned with well-being, social inclusion, and environment appreciation and protection.

En In this sense, the sustainable management of the value chain is a key axis of our business strategy.

This is why our general commitment to sustainable development focuses on:

1
Establishing a sustainable management of the processes, based on a balance between the economic, social and environmental dimensions;

2
Promoting the comprehensive development of the communities in which we act and contributing to the sustainable development of those regions;

5
Applying the best environmental conservation practices minimizing and compensating the impacts of our operations, and

6
Promoting awareness and training programs to raise awareness among each member of the company and the entire value chain as active agents in the construction of a corporate culture committed to sustainability.

3
Supporting and respecting the protection of human rights within our influence zone, ensuring that we are not accessory to cases of violations of these rights;

4
Facilitating and sponsoring actions and projects for the promotion of sustainability and human development;

The implementation of Arcor's Sustainability Strategy and Policy considers our impacts in a broad sense, throughout the entire value chain, mapping the processes and actors involved, with the aim of developing innovative practices to create shared value, identify and manage the main risks and maximize the economic, social and environmental opportunities in each of the links that comprise it: **Supply, Operations, Marketing and Distribution, Consumers, and End-of-Life.**

Our supply includes both the acquisition of raw materials and supplies and logistics to processing plants, the preprocessing of intermediate inputs, as well as the acquisition of recycled materials. Operations management it includes both our industrial bases as well as those of transformation, our community impact management and regional social investment strategy. On the other hand, the processes of distribution and commercialization of the products imply from their storage to their distribution and international transport.



2.2. SUSTAINABLE SUPPLY STRATEGY



■ Arcor Group's Sustainable Supply Strategy is geared towards generating economic, social and environmental benefits, both for the business that directly affects it as well as for its entire value chain. It aims at having a positive impact beyond the transactional process, which allows us to deepen the knowledge we have of our suppliers and the challenges they face on a daily basis. Although it is in sustained development and it is our goal to promote it even more, the mission and goal that it raises helps us to be even more focused assure the sustainable and comprehensive inputs supply".

Oscar Cabrera, Corporate Purchasing Manager

Its goal is to contribute with the traceability in the supply process of the inputs fostering a sustainable management that helps to minimize the risks and maximize the opportunities of shared value that emerge from the commercial relationship established with our more than 14,000 suppliers.

Arcor Group's Suppliers	2018	2017
Argentina	8,108	8,778
Brazil	2,691	3,278
Chile	1,711	2,235
Mexico	915	852
Peru	659	N/A
TOTAL	14,084	15,143

Suppliers by Type of Product / Service 2018	
Raw Materials	1,485
Auxiliary Materials	2,203
Packaging	352
Services	10,044
TOTAL	14,084

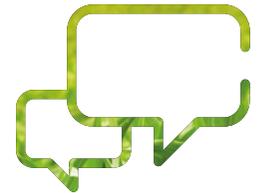
Our strategy of sustainable sourcing is the general framework that allows us to think, design and develop initiatives, projects and specific programs for the different groups of suppliers that we identify based on the risks and opportunities that each one represents from the point of view of sustainability.



Awareness & Training: Knowing to Transform

For all initiatives, our starting point is awareness and training. It means the starting point of a dialogue that allows us to establish and clearly communicate our expectations. In this way, we generate a fertile ground to later incorporate aspects of sustainability in our commercial relationship.

To do so, we use different mechanisms:



1

We include more than 90 different sustainability messages linked to our commitments in the Purchase Orders that we generate;

2

We share our Code of Ethics and Conduct and make the Ethics Line available;

3

We provide information about our sustainable management at ArcorBuy, the digital communication channel that we specifically have for current, potential and interested suppliers; and

4

We promote training opportunities on various topics related to sustainability depending on the specific needs of each group, and within the framework of each project, such as the Challenges of the 2030 Agenda. In 2018, 900 hours were allocated to specific training with suppliers.

Progressive Alignment: Promoting to Commit

Under this course of action, we include all actions aimed at incorporating sustainability into the usual procedures for managing the commercial relationship with suppliers.

We do this by signed the Letter of Adherence to the Guiding Principles for a Responsible Management, a guide of values related to the ten principles of the United Nations Global Compact, the international labor regulations set forth by the International Labor Organization (ILO) and the best business practices.

Since 2015, the adherence to the Letter is a requirement to be registered as an Arcor's supplier. At the moment, more than 11,000 suppliers from Argentina, Brazil, Chile, Mexico and Peru signed the Letter.

Monitoring & Assessment: Measuring to Improve

This dimension includes those initiatives that are focused on assessing our suppliers in a sustainability matters with the aim of promoting continuous improvement in their management.

ENSURING THE QUALITY OF OUR PRODUCTIVE MATERIALS

976
food safety and quality audits to suppliers¹

86%
these suppliers had a Supplier Potential Index (IPP², as per its initials in Spanish) equal to or higher than 70

95,50%
of the suppliers and primary producers are qualified³

Arcor is committed to ensuring that all production materials suppliers comply with the standards required to produce safe, genuine and best-quality products. Therefore, Arcor has implemented a thorough assessment and selection process.

An index is obtained during the audit which allows Arcor to assess reliability and qualify each supplier. The group deems approved any supplier who scores over the minimum level as indicated by the audit results, and those who are certified under any of the standards recognized by the GFSI (Global Food Safety Initiative), for instance the BRC standard⁴.

In cases where the minimum score required⁵ is not achieved, we help companies create improvement plans so that they can reach the required standards in the future.

In 2018, we continued assessing agricultural producers associated with the Food Business and Agri-business to define specific strategies and questionnaires that underpin their development.

¹ It includes face-to-face audits at the suppliers' plants and renewal of the Global Food Safety Initiative (GFSI) standards – certificates of the suppliers.

² IPP: Índice Potencial del Proveedor

³ Either from a specific audit or by having a certification recognized by the GFSI.

⁴ British Retail Consortium

⁵ 70 points.

In line with this, we implemented several programs:

- Certified Quality Program with strategic suppliers (internal and external), based on the reliability of their operations and raw and packaging materials delivered.
- Supplier Reliability Program, identifying suppliers that did not reach the minimum performance scores, suppliers associated with worldwide raw materials that are vulnerable to fraud or that are associated with critical hazards in the supply chain.

OUTSOURCED SUPPLIERS ASSESSMENT PROCEDURE

Since 2009 we have a procedure for the assessment of outsourced suppliers addressing quality, economic, social and environmental issues through on-site audits.

In 2018, we launched a new procedure with the aim of improving the assessment process of these strategic suppliers. For the qualification, hiring, monitoring and control of these suppliers, in addition to using the audit checklist developed by Arcor Group, certain

recognized certifications began to be considered valid: GFSI (Global Food Safety Initiative) (quality aspects), Social Accountability 8000 (contracting conditions), ISO 14001 (environmental management), and OHSAS 18001 (occupational health and safety). In turn, new internationally accepted audits began to be used: WCA⁶, BSCI⁷ y Smeta⁸.

The Outsourced Suppliers Corporate Committee, responsible for supervising the implementation of these procedures, met monthly throughout the year to assess 68 specific cases. In addition, in the month of August, it organized the 5th annual meeting of suppliers with the aim of creating a common space to exchange ideas related to issues of quality, sustainability, food safety and food defense. During the event, representatives of Arcor Group and two suppliers shared with all attendees information and ideas on how to incorporate good practices in their own management to achieve improvements in the operation for the control of physical pollutants and allergens, promote procedures for the prevention of food fraud and achieve improvements in environmental management



⁶ Workplace Conditions Assessment
⁷ Business Social Compliance Initiative
⁸ Sedex Members Ethical Trade Audit



This Program has been implemented since 2017 with the aim of assessing and managing risks and opportunities that may arise from the economic, environmental and social management of the supply chain.

The Program allows for a global and specific vision of the group's suppliers by means of a rating system that takes into consideration business quality and sustainability aspects, thus facilitating better purchase decisions based on an in-depth knowledge of suppliers.

Within the framework of the program, suppliers complete a performance self-assessment that includes aspects of Commercial Quality (Background, After-Sales, Capacity and Financial Services) and Sustainability (Human and Labor Rights, Business Integrity, Management, Safety and Occupational Health, and Environment). The information provided allows the Purchasing area to make better supply decisions (for example, to promote business with those suppliers that have a very good performance in the assessed aspects), and the development of supportive strategies to improve the performance of suppliers that have opportunities for improvement in their own management.

In 2018, the second edition of the program was implemented, reaching 347 suppliers from all areas in Argentina, Brazil, Chile, Mexico, Peru and Uruguay. To achieve this, the program had the active participation of 90 buyers from 6 countries.

Based on the results obtained in the two editions of the program (2017 and 2018), eight workshops were coordinated to define strategic guidelines to address the main improvement opportunities identified from the self-assessments. The workshops included the participation of 72 referents from the Purchasing areas, and included training and a diagnosis of Arcor Group in accordance with ISO 20,400 Guidance to Sustainable Procurement.



Specific Initiatives: Become a Partner to Grow

This course of action includes all those initiatives developed with the aim of promoting the improvement in management of sustainability aspects and the development of skills for specific suppliers who require a different approach due to their condition.

RESPONSIBLE INCLUSIVE PURCHASES (CIR, AS PER ITS INITIALS IN SPANISH)

Our goal is to contribute to economic and social inclusion of suppliers from our supply chain that have fewer opportunities to access the market. To achieve this goal, we have been striving since 2006 within the framework of an Inclusive Business program that we call CIR: Responsible Inclusive Purchases.

We are proud of CIR for many reasons: because it is a truly innovative initiative, because it has a comprehensive approach that not only involves a strategy of social investment and economic inclusion of more vulnerable sectors, but also the systematic and organic incorporation of these ventures into the supply chain of the company. In this way, it goes

beyond subsidies to become a lasting commercial relationship that fosters a sustainable development of the organizations and of the participating ventures.

The program specifically consists of the creation of a collaborative work ecosystem, which includes the development of a distinctive purchasing procedure, a business coupling matrix, mechanisms for the advancement of payments and funds, and alliances and systematization of good practices.

CIR considers three lines of action: local inclusive purchases, corporate inclusive business and supplier development.

During 2018, the initiative was consolidated in the group's industrial bases and expanded to the paper and corrugated cardboard manufacturing plants located in Ranelagh and Quilmes, as well as in Chile, Mexico and Brazil.

2018 CIR HIGHLIGHTS:

38
active CIR
suppliers.

37 plants and
commercial offices
with CIR suppliers.

\$ 12,457,300
allocated to CIR.

+ of 600
participating
entrepreneurs.

SCOPE:
Argentina, Brazil,
Chile and Mexico.

MODEL:
Replicability and
transfer of lessons
learnt.

ARTICULATION:
INCIDE, State
agencies (the
National Institute
of Industrial
Technology (INTI),
the Institute of
Nutrition and Food
Technology (INTA),
the Ministries
of Production
and Social
Development),
several
NGOs, work
cooperatives,
protected
workshops,
entrepreneurs
and universities.



■ The articulation between Arcor and El Arca Productores + Consumidores (El Arca Producers + Consumers) started more than 11 years ago. It has been a relationship of patient, respectful and long-term trustworthiness construction between two different organizations with complementary needs.

Differences in size, availability of resources, logics in the operation, internal procedures and logistics have always been visible. However, the design “of the right plug” between both actors has allowed a reciprocal, careful and win-win relationship for both parties. It was necessary to co-build the right technology for this. Arcor was able to be supplied with quality work clothing, at competitive prices, on time; and El Arca was able to generate decent and sustainable work opportunities for more than 50 producers, mostly women, who tackle difficult life situations. The first important purchase order was 120 overalls for La Campagnola San Martín in 2008, a very successful and demanding challenge. For several years now, El Arca has been producing more than 20,000 garments a year for Arcor (also some handicrafts), most of them overalls and long sleeve polo shirts that dress their employees. In 2016, we visited the Bagley plant in Villa Mercedes with 50 women that belonged to El Arca. We were impressed to see the vastness of Arcor's industrial production of biscuits. At the same time, knowing the “history of the overalls”, knowing the

interweaving of hands that made it possible, the organization of El Arca, and the values of cooperation that were put at stake in the production: intangible values that rarely fit in an Excel file or are part of the formality of a purchase order, caused a great impact on the management team and collaborators of the company. “What an honor to manufacture an Arcor's garment and see the employees wear it” said a producer while asking to be taken a photo with the Plant Manager. Throughout the years, the Arcor-Arca experience has been useful to encourage other companies to make responsible inclusive purchases, to groups of small producers to offer their products and services and to focus on the construction of theory from the practical experience. Personally, the relationship with Arcor has inspired and challenged me to design systems that disseminate opportunities and that generate decent work among small producers in vulnerable situations”.

Pablo Ordoñez, El Arca Productores + Consumers Association

SUSTAINABLE AGRICULTURE PROGRAM

Arcor Group has implemented the Sustainable Agriculture Program since 2012 and its goal is to achieve quality, quantity, health, environmental and social responsibility of the raw materials that we produce and receive.

The strategy of intervention in each of the inputs depends on the traceability of each chain (direct supply from producers, procurement, traders or brokers) and the risks and opportunities that each one represents from a sustainability point of view.

In 2018, we actively worked on supplying the following: sugar, corn, wheat, fruits and vegetables, palm oil, cocoa and egg. The initiatives we promoted in each of the chains promoted the following advances and results:



Development of Sustainable Corn Producers

With the aim of fostering the incorporation of good agricultural practices and other sustainability practices with corn producers that meet at our Arroyito Wet Milling Plant, in 2018 we made a diagnosis using a survey tool from the Sustainable Agriculture Program.

With this tool we analyzed the degree of compliance with good practices and defined possible back-up measures from Arcor.

The results showed that producers had high-performance levels performance. In addition, opportunities for improvement in environmental management were detected, in terms of air and energy, from which a Training Plan was drawn up.



Sustainable Palm Oil Supply Plan

Following the commitment assumed when joining the RSPO platform in 2016, in April 2018 we presented the first Annual Progress Communication (ACOP⁹). Arcor reported the volumes of palm oil used and set goals to reach 100% of sustainable palm supply.

During 2018, Arcor focused on deepening the identification of opportunities to promote sustainability in the supply of vegetable oils containing palm or palm kernel, beyond the purchase of RSPO (Roundtable on Sustainable Palm Oil) certified inputs.



⁹<https://www.rspo.org/file/acop2017/submissions/arcor%20saic-ACOP2017.pdf>



Sustainable Cocoa Supply

Since 2015 we use certified cocoa for the production of chocolate-filled candies. The Group has been holding the UTZ¹⁰ Standard at the plants located in Colonia Caroya and Arroyito through annual audits. Also, we have analyzed new opportunities to promote sustainability in the supply of cocoa, beyond the purchase of certified inputs.



Cage-free Egg Supply

Based on the concerns presented by animal welfare organizations, linked to the possibility that the egg products used by Arcor Group come from suppliers that use "battery cages" as a system for raising laying hens, during 2018 we made progress in the development of a comprehensive analysis of our supply chain, which allowed us to identify the problem and define supply alternatives from systems that do not prevent these animals from developing their natural behaviors.

Once the diagnosis was made, it was decided to move forward with a transition plan for the progressive



supply of "cage-free egg". For the first stage, since it is the business that consumes the most eggs, it was decided to start the transition through the Bagley Business. The plan for this stage will affect the lines of filled and assorted cookies, wafers and *alfajores*. In the future, it is expected to expand the lines reached, provided that local supply conditions are assured and the quality and accessibility of our products are not compromised.



¹⁰ Certification for the sustainable use of Cocoa.



Fruits & Vegetables Producers 2016–2020

Since its development in 2015, this initiative focuses on continuous improvement in terms of the incorporation of sustainable practices both in own farms and in fruit and vegetable producers that supply the Food Business.

In peach farms, during 2018, continuous improvement in management through the GLOBAL G.A.P. certification was continued.

Thanks to the 2017 Diploma Degree in Sustainable Fruit & Vegetable Management in conjunction with *Universidad Austral de Rosario* producers made a systematization of the learning outcome and Arcor participated in the definition of the Protocol for the Safe Use of Agrochemicals of the Tomato Association 2000. In addition, Arcor continued promoting the comprehensive mechanization of producers reaching a 100% of sowing, fumigation and mechanical harvesting and 60% hectares with pivot irrigation with corn. As regards tomato, bedformers reached 60%, mechanical transplant 70%, wind tunnels 65% and mechanical harvesting 80%. We also continued working on the logistics these raw materials.



Sugar Cane Sustainable Production

Within the framework of this project, the Bonsucro standard was re-certified for sugar cane production, extending the scope of this certification to 5,132 hectares, which translates into 16,677 tons of sugar. Also, USDA-NOP (United States Department of Agriculture – National Organic Program) certification was obtained for 7,200 tons of organic sugar that are produced in 912 hectares, both from own supply and third parties. Finally, Arcor maintained in its own fields the GLOBAL G.A.P. certification of good agricultural practices, and the LOCAL G.A.P. certification which ensures the non-use of fire during the production and handling of waste, during and after the harvest of sugar cane.

Small size cane producers (less than 20 hectares) continued with the Cobra Project which was aimed at promoting a comprehensive development of these producers through the mechanization of the harvest.

Finally, progress was made in the development of a Forest Plan to take advantage, both in own and third-party plantations, of spaces that were unsuitable for cane cultivation, such as riverbanks and lots with



slopes, through the implantation of forest species that have wood or energy purposes for a future use. In addition, the slopes of the mountain range were enriched with native species to maintain a steady biomass. Since 2016, 38,000 trees have been planted within the framework of this Plan.

COBRA

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

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

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

The benefits of mechanization are several: environmentally, the burning of the cane is avoided as a method of cleaning the crop stubble and the conservation of the soil is promoted due to the fact that post-harvest organic matter is incorporated into

the soil; economically, the sugarcane's manufacturing performance is improved since fresh cane tends to have a higher sucrose content that increases the profitability of the producers; socially, mechanization avoids heavy manual labor, reduces accidents risks and optimizes the logistics of the harvest. Above all, it allows producers to reduce the harvest time from 100 to 4 days, which gives them the possibility to diversify their economic activities and thereby increase their income.

We started with a pilot test with 15 producers, and, given the success of the experience, in 2018 we decided to extend the scope to a total of 20 small size producers who supplied us with 12,000 tons of cane. In addition, we deepened our support to producers with logistics, harvest scheduling and sustainable agricultural practices that contribute to the continuous improvement of the management of their farms.



“ They were vulnerable producers because of the informal labor of the sector and now they are becoming profitable. Arcor supports and helps them get organized. In this sense, Cobra project promotes a win-win situation: we help producers technify the green and fresh harvesting process – which increases the yield- and we benefit from the final quality of the product”.



Enrique Valenti,
Agricultural Production Manager



■ ■ **This moves like a spinner. Sugarcane producers realize that they harvest in four days and that there is no need to burn. The project expands, there is no pollution, a ripening curve can be set and the manufacturing performance of the cane increases. Not only my farm changed: it changed the community. The soot is something from the past".**

Rolando Campos, sugar cane small size producer, Ingenio La Providencia supplier



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

Ingenio La Providencia currently processes 90% of its cane from mechanized harvest and only 10% of manual harvest.





■ ■ The initiatives of Arcor's Sustainable Supply Strategy offer our suppliers the opportunity to be part of a continuous improvement process aimed at developing their productivity and efficiency, and improving their capacities to manage economic, social and environmental risks and opportunities.

We adopt tailored strategies to foster these initiatives taking into account the needs and possibilities of each group of suppliers and the challenges that each one faces from a sustainability point of view. This is how Arcor profits from its supply chain, by raising production standards of all productive sectors related to Arcor, working on vulnerabilities and adopting an inclusive and long-term approach. As the 2030 Agenda suggests, "no one will be left behind".

Bárbara Bradford, Sustainability Manager



ARCOR'S SUPPLIER'S MONTH

In order to favor the hiring of local suppliers and to get Pymes (small and medium-sized enterprises, SMEs) to improve their competitiveness, develop specialized economies and gain new markets, we created Arcor's Supplier's Month.

The aim was to summon SMEs to offer their products and services that merged with the needs of our company. Some of the products and services offered were the following: project services and assembly of industrial facilities, civil works, electrical, mechanical and hydraulic maintenance services, engines, windings and compressors' repair service, equipment and spare parts manufacturing, metal structures, automation maintenance services and control systems, and general office services. This initiative covers the whole country and it is divided into four regions.



■ ■ **There are a lot of people engaged to this initiative. We hope to develop many business opportunities that allow us to improve our operating costs, achieve a positive impact on regional economies, as well as create jobs in the communities".**

Maximiliano Tabin, Purchasing Manager of Maintenance, Repairs and Operations & Energy

RESULTS:

4 EVENTS held at Arcor plants:
Bagley Villa Mercedes, Bagley Salto, Misky y Caroya.

320 potential suppliers.

55% of the suppliers were contacted.

29 new selected suppliers.

2.3. OPERATIONS' SUSTAINABLE MANAGEMENT

+ US \$ 6.8 MILLION FOR INVESTMENTS
linked to sustainable management promotion

With a strong regional presence, through the generation and processing of products in different countries of Latin America, we promote care practices for people, communities and the environment in order to integrate sustainability into all our operations.

Certified Industrial Process

All of the group's industrial operations are framed within the Comprehensive Management System (SGI), a tool designed by Arcor Group to achieve, maintain and improve the results that ensure the level of competitiveness required by the global market.

The Operations Strategic Plan, put forward for the 2016–2020 period, helped consolidate the goals' scope, addressing key aspects such as operational efficiency, supply assurance, excellence in the quality of our products, innovation, management of people, security in the operations and care of the environment.

42
sites with
ISO 14001
certification.

34
sites with
OHSAS 18001
certification.

51
sites with
ISO 9001
certification.

37
plants with one or
more **food safety**
standards.

10
plants with forest
management
certification (**FSC**
& **PEFC**).

2
plants with
UTZ certification.

1
plant with
RSPO certification.

Bonsucro
Certification
at Ingenio La
Providencia.

The strategy to achieve these goals is based on:

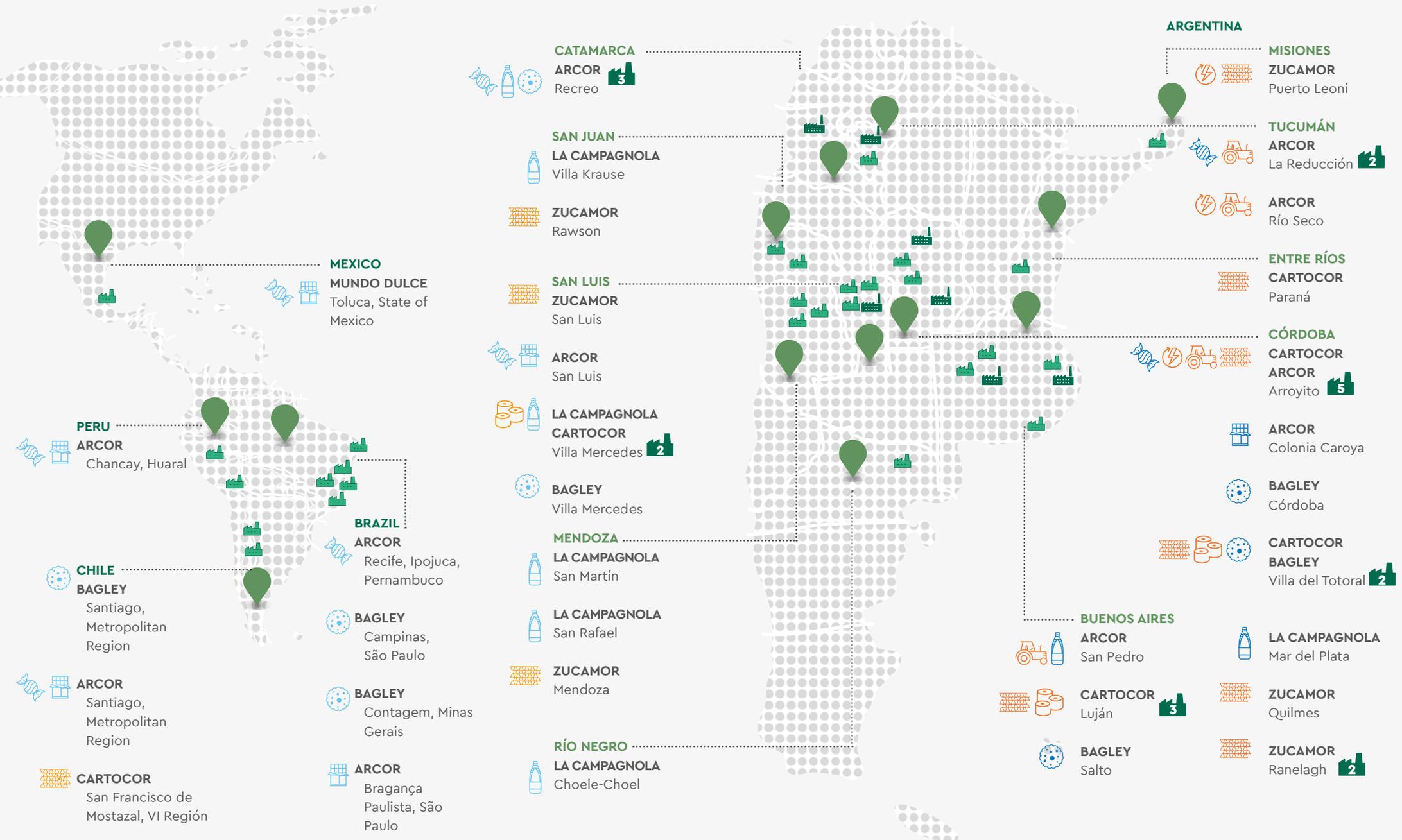
- Capital investments to streamline processes, minimize negative environmental impacts of operations and finance projects to reduce water consumption, energy efficiency and reduce waste during processes.
- Involvement of people in processes improvement projects that pave the way, through many small actions, to get significant results.
- Design of new processes that minimize energy, water and natural resources consumption.

The tools that structure the SGI include leading globally validated standards, such as ISO standards (9000, 14000 and, as of 2020, the transition from OHSAS 18000 to ISO 45000), the certification of Food Safety standards - which today it also includes the manufacture of our primary packaging- and the TPM¹¹, as a key tool for continuous improvement. For several years, other certifications oriented to sustainability have also been incorporated into this scheme, such as GLOBAL G.A.P., FSC¹², PEFC¹³ and Bonsucro, among others.

¹¹ Total Productive Maintenance

¹² Forest Stewardship Council

¹³ Programme for the Endorsement of Forest Certification



ARCOR Rio das Pedras, São Paulo	Food	Chocolates	Cookies and Crackers	Confectionery	Agribusiness	Energy	Cardboard/ Paper	Flexible Packaging	Industrial Plants	Complexes with more than one industrial plant
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SGI RECOGNITION

Within the framework of the application of SGI, improvement teams are created to contribute to the improvement of a specific problem in our industrial operations.

Through the SGI Recognition Program this contribution is promoted and acknowledged, since it is an initiative that promotes and highlights projects in three instances of the company: within the Plant, at the Business level and then each Business presents its chosen projects in an event in which Arcor Group participates.

During 2018, 76 work teams comprised of more than 550 employees participated

In the final instance (Arcor Group), the project that has significantly contributed to the sustainability of the business is acknowledged. In 2018, the project presented by the Luján Plant's team of the Packaging Division was highlighted: Reduction of transportation costs and final effluents disposal at the starch plant. The improvement aimed at treating effluents generated by the corrugator in the starch production plant and thus contribute to

the reduction of transport costs and final disposal. The main benefits obtained through the initiative were:

Reduction of trucks used (100% reduction).

Decrease of 3,536 kg / CO₂ eq.

84% decrease in final disposal costs and 81% in transportation costs.

Reduction of 4% of the total waste generated in the plant.

In addition, the initiative has scalability and horizontal expansion: the improvement can be implemented in any of the company's plants that have an effluent treatment plant with biological treatment.



Environmental Care



¿HOW DO WE MEASURE ENVIRONMENTAL MANAGEMENT?

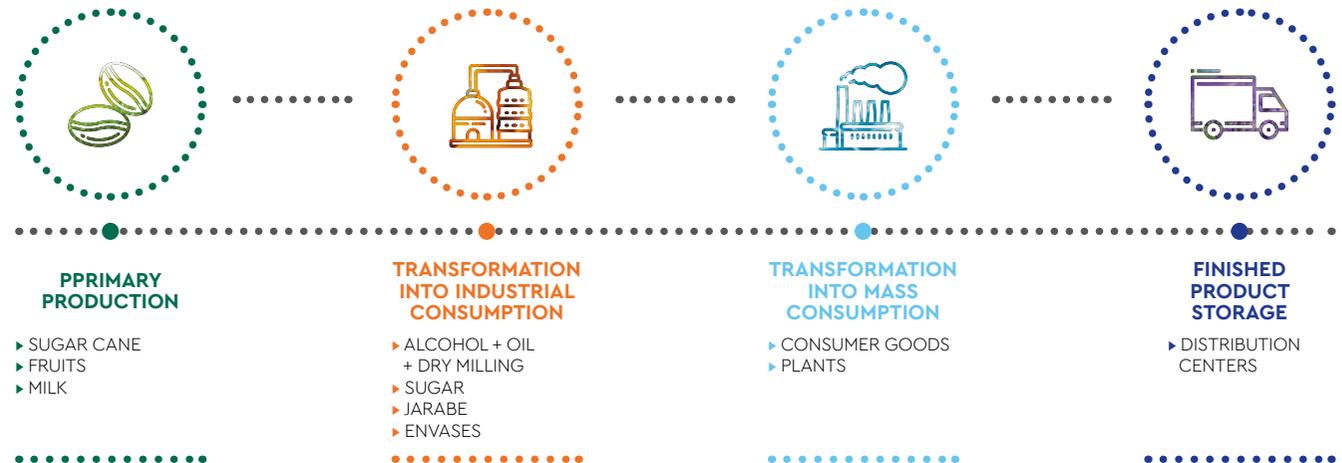
We believe that effective measurement is essential to be able to implement actions that bring us closer to meeting the objectives set by the Environmental Impact Management Strategy.

The 14 indicators that we developed to measure ourselves allow us to: thoroughly assess the environmental performance of our operation; know the evolution of the different aspects of the environmental management; and correct or improve already set standards.

Taking into account that Arcor Group encompasses several facilities, industrial sites and multiple activities, results are sorted by activity group to provide a valid basis for comparison. Four concepts represent the Company's value chain, supplemented by the follow-up of indicators in the transport area, the power generation plants, and the corporate buildings.

▲▲ We work hard to raise the level of systematization of our environmental management. We focus our operations towards eco-efficient working methods and use technological advances to moderate, minimize and eliminate short, medium and long-term environmental impacts. "

Marcelo Carranza, Corporate Manager of Environment, Hygiene and Industrial Protection (MAHPI) & Property Security





"SER PARTE" (BEING A PART), INVOLVEMENT TO CONTRIBUTE TO CHANGE

In order to communicate the environmental management of our industrial plants and with the aim of extending our commitment to the promotion of environmental care and involving the communities close to our plants, we have developed "Ser Parte" (Being a Part) Program since 2014.

Within this framework, children from primary schools take part in training activities and become multiplying agents of good environmental practices that we call "Promoters of Environmental Care". They take awareness messages home and put into practice everything they have learned. Children generate projects to promote environmental improvements in favor of their community.

Since 2014, a total of 15,704 children, 80 schools, and 649 of our collaborators in Argentina and Chile have participated and offered training in 1,248 workshops.

More than 60 environmental care projects were implemented at schools, in neighborhoods and communities which, in many cases, were added to initiatives that other organizations in the community or the Municipality were developing, such as waste recycling (sorting at source), water care, energy care, and public areas cleaning and improvement (squares, parks, rivers and streams shores, afforestation). We also highlight the presentation of the program in forums and fairs that took place in different Argentine provinces where the company has an industrial presence, such as Catamarca, Tucumán, San Luis, and Buenos Aires.

During 2018, we systematized and assessed the Program to identify improvement opportunities. We detected the need to sharpen initiative's goal to become a true communication channel of our Environmental Policy and Management in each of our plants, and to consolidate the participation of employees at all levels for its successful implementation.

2018 HIGHLIGHTS:

5,247 children actively participated

54 participating schools in Argentina and Chile

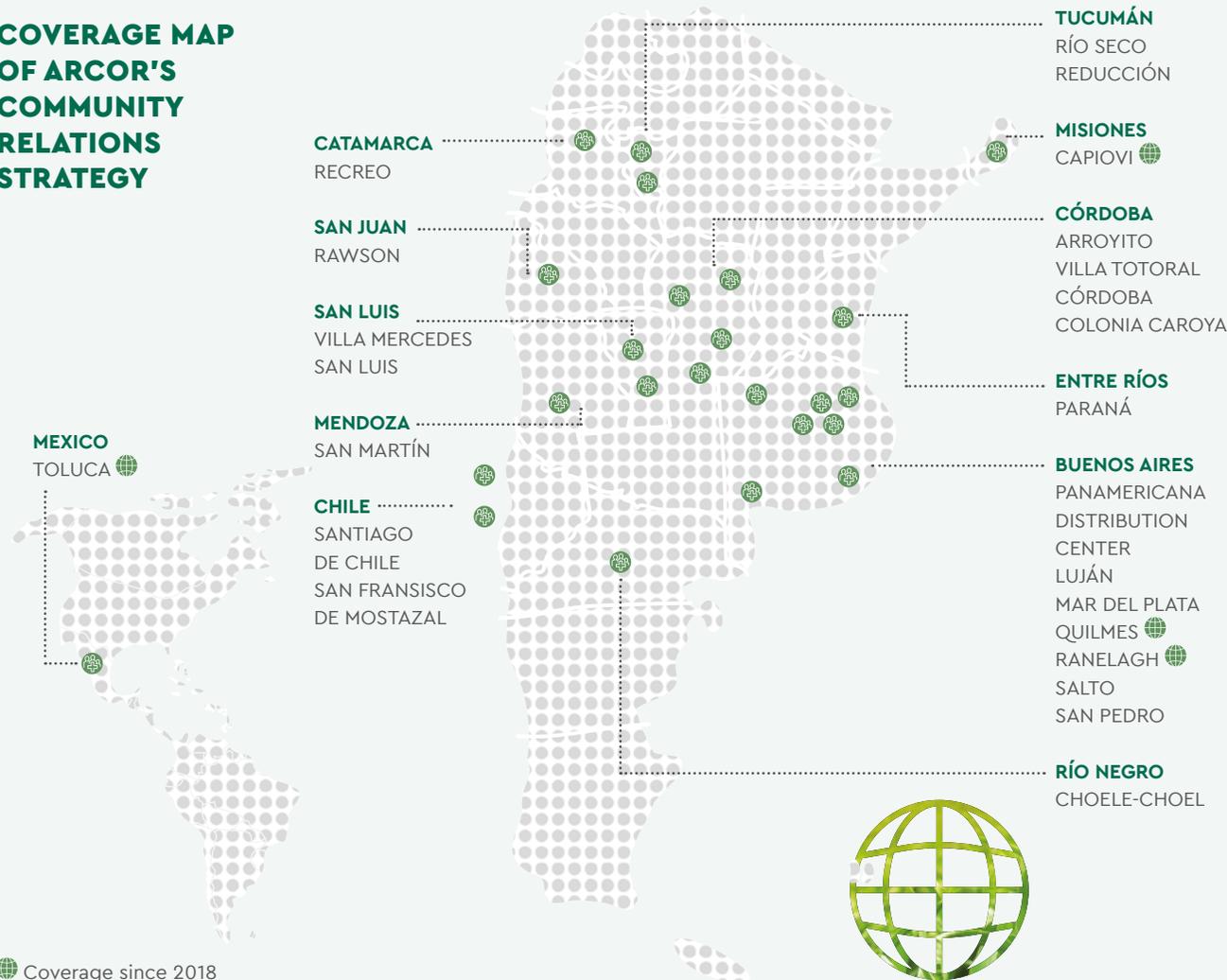
290 employees of the company
were environmental trainers

455 workshops provided

40 environmental care projects

Management of Community Impacts

COVERAGE MAP OF ARCOR'S COMMUNITY RELATIONS STRATEGY



23
Community
Relations
COMMITTEES.

**100% OF THE
TERRITORY**
with industrial
presence in
Argentina, Chile
and Mexico.

**PRESENCE
IN 16**
coordinated
management
SPACES.

**30
COMMUNITIES**
with implemented
projects.

756
associated
organizations.

337,651
people reached
by the projects.

ARROYITO:

1. Dialogue and public / private collaboration in the Strategic Plan of the City
2. Coordination with the local Municipality for the treatment and final disposal of waste
3. 1,700 m³ of sewage effluents daily treatment in coordination with the Cooperative and Municipality
4. Creation of the PROA School (Advanced Education Program)
5. 60 educational internships and professional practices with 7 technical schools
6. 6,540 people in the Visit to Plant Program
7. 15 projects of the Arcor Foundation
8. Hiring of 78 local suppliers
9. 25,549 beneficiaries through the Product Donations Program
10. 60 workshops and 510 children participating in the *Ser Parte* (Being a Part) Program



TUCUMÁN:

1. 10 educational internships and professional practices with 1 technical school
2. 10 projects of Arcor Foundation
3. Joint Local Development Initiative with YPF, Citrícola San Miguel and Lules District
4. Hiring of 113 local suppliers
5. 10,000 beneficiaries through the Product Donations Program



RECRO:

1. 56 educational internships and professional practices with 1 technical school
2. 14 projects of Arcor Foundation
3. Maintenance of Water Wells in the City
4. 87% recyclability rate
5. Hiring of 11 local suppliers



SALTO:

1. Work inclusion of 11 people with disabilities
2. Start-up of the automation laboratory of the EEST (Technical High School) N° 1
3. Hiring of 87 local suppliers
4. 3,390 beneficiaries through the Product Donations Program
5. Strengthening of 3 CSO: Protected Workshop – EEE (Special Education School) No. 501 – “Hogar del Niño” (Children’s Home)

.....

"To promote a comprehensive development of the communities where we take action and the sustainable development of the regions where we operate": this is the commitment settled in our Sustainability Policy that leads us to seek different ways to contribute to the expansion of productive, environmental, social and human capital of communities we are part of.

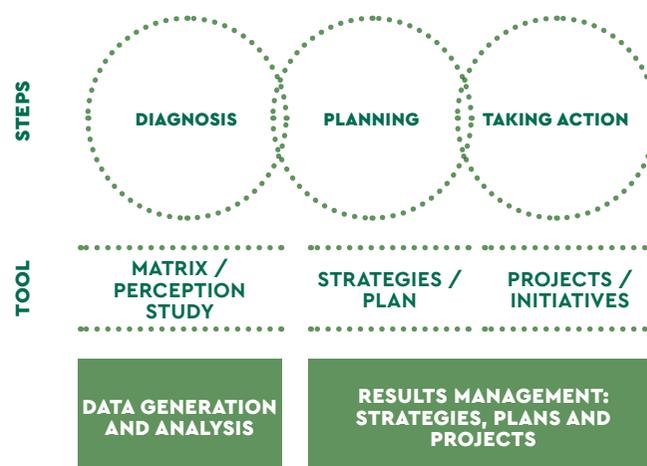


COMMUNITY RELATIONS COMMITTEES

The internal management structure that the company has defined for the management of impacts is through the creation of Local Community Relations Committees, led by the Plants Management and composed of those responsible for the main areas related to the industrial operation.

The Committees are responsible for implementing a community relationship strategy at a local level. This strategy includes 3 work axes:

- ➔ To recognize the impacts of the company-community relationship through diagnoses
- ➔ To strategically manage risks and opportunities
- ➔ To promote and manage comprehensive community development actions



The diagnosis includes quantitative and qualitative information gathering: information and classification of the local and regional territory where the company is located; information and classification of the company through a Community Impacts Matrix for the collection of economic, environmental and social indicators; and information to know how the community and different stakeholders perceive the company-community relationship, their appreciation, the assessment of those impacts and opportunities for improvement through Perception Studies.

During the planning stage, the main strategies for action are defined and the Operational Work Plan for the current period is designed. Then, the Plan is integrated into the Investment Plans of the plant and the Business Sustainability Plan.

In order to proactively manage risks and opportunities, a series of Programs and Projects are developed by different areas aimed at a comprehensive development of the communities.

This dynamic process that we establish through the Local Committees allows us to effectively manage challenges and opportunities that arise within communities through the execution of initiatives focused on promoting their comprehensive development.

An important additional action in which we worked throughout 2018 was the systematization of the information released by the Community Impacts Matrix. Based on a dynamic dashboard that makes it possible to analyze information more comprehensively and compare between different periods of the same plant or between different plants of the company, we were able to smooth the improvement processes and the replication of good practices among the Committees.

ALLIANCES AND WORK SPACES

Strengthening the links with the different actors of communities where we operate, also implies the construction of alliances and work agreements with other companies in the same territory, districts, intermediate entities, grassroots and civil society organizations.

These relationships take various forms: from institutional alliances, agreements and round tables to agreements that impact public policies. In this way, we contribute, together with the rest of the social participants, to the enrichment of the social network and of a responsible citizenship.

In this context, in 2018 we participated in exchange spaces between companies and organizations to promote and externally share our progress in the relationship strategy with the community:



LOCAL DEVELOPMENT AGENCY
-ADA- IN ARROYITO (CÓRDOBA)



REGIONAL EMPLOYMENT BOARD
IN JESÚS MARÍA (CÓRDOBA)



ASSOCIATED MANAGEMENT
TABLE IN RECREACIÓN
(CATAMARCA)



SUSTAINABILITY DIALOGUE
TABLE IN RÍO SECO (TUCUMÁN)



MANAGEMENT OF SOCIAL
RESPONSIBILITY AND
SUSTAINABLE DEVELOPMENT
TABLE IN SAN JUAN (SAN JUAN)



PROVINCIAL COMMISSION FOR
THE PREVENTION AND
ELIMINATION OF CHILD LABOR
IN MENDOZA (MENDOZA)



CLUB DE RSE (CORPORATE
SOCIAL RESPONSIBILITY) AND THE
PORT'S INSTITUTIONAL NETWORK
IN MAR DEL PLATA (BUENOS AIRES)



SOCIAL RESPONSIBILITY
COMMISSION OF ENTRE RÍOS
IN PARANÁ (ENTRE RÍOS)



EDUCATION AND LABOR
COORDINATION TABLE -COPRET-
IN SAN PEDRO (BUENOS AIRES)



ENVIRONMENTAL TABLE IN VILLA
DEL TOTORAL (CÓRDOBA)

Childhood Social Investment (ISA, as per its initials in Spanish)

Arcor Foundation in Argentina (1991) and Chile (2015) and Arcor Institute (2004) in Brazil, work to make education an equal opportunity tool for all children in the region.

The task carried out by these institutions is framed in the Social Investment Policy of the company and, from the perspective of the Children's Rights, directs its actions around two thematic axes:

1 CHILDHOOD AND HEALTHY LIFESTYLE

promoting healthy lifestyle since childhood. *(For more information, refer to the Active Life and Healthy Nutrition chapter).*

2 CHILDHOOD AND RIGHTS

seeking to mobilize different social actors around the promotion of children's rights.

Regional Social Investment ¹⁴	2018	2017
Supported projects	177	190
Participating boys and girls	116,672	123,202
Adults involved	54,037	157,155
Argentine pesos invested	\$37,693,624	\$28,263,371.00
Argentine pesos mobilized	\$50,701,384	\$48,374,315.00

Guided by these lines of action, we support children-focused initiatives by creating training processes, including our concerns in the social agenda and putting into action all the people involved: the community, the family, the school, the State, grassroots organizations, and companies in our fields of action.

¹⁴ Includes impacts and results of actions of Arcor Foundation in Argentina and Chile and Arcor Institute in Brazil.



Impact of 2018 Initiatives



NIÑEZ CERCA (CLOSE CHILDHOOD) PROGRAM (ARGENTINA)

Goal: to strengthen the proposals of local policies against early childhood labor.

35 KINDERGARTENS AND CHILDCARE CENTERS trained and equipped.

1,589 BENEFICIARY CHILDREN.

527 TRAINED TEACHERS.

LA INFANCIA PRIMERO (CHILDHOOD FIRST) PROGRAM (CHILE)

Goal: to help improve development and educational conditions of children from 0 to 8 years old by strengthening educational opportunities for early childhood at a local level.

4 SUPPORTED KINDERGARTENS.

429 BENEFICIARY CHILDREN.

372 TRAINED ADULTS.



LA INFANCIA PRIMERO (CHILDHOOD FIRST) PROGRAM (BRAZIL)

Goal: to strengthen the development and implementation of Municipal Education Plans through active players to promote greater access to education, greater quality in educational spaces and materials, teacher training and family commitment.

6 PARTICIPATING MUNICIPALITIES.

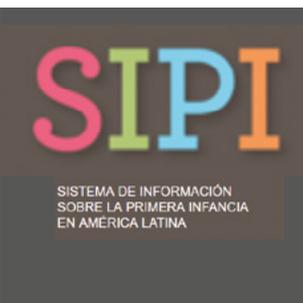
4 REGIONAL MEETINGS.

117 PUBLIC MANAGERS and 350 TRAINED EDUCATORS.



EARLY CHILDHOOD INFORMATION SYSTEM

Goal: to survey, systematize, analyze and disseminate information on the situation of Latin American girls and young children and their families in relation to the exercise of children's rights established by the Convention on the Rights of the Child; commitments assumed by States to guarantee, promote and realize rights in early childhood; and effective actions carried out by States in the same sense. In alliance with OEI (Organization of Ibero-American States).



5,745 ADULTS from 18 countries reached.

FRANCESCO TONUCCI IN ARGENTINA

FRANCESCO TONUCCI, Francesco Tonucci, prestigious Italian pedagogue, promotes the development of the international project "The City of Girls and Boys", which focuses on revaluing children's space in cities and schools by taking children's point of view as relevant to build more inclusive spaces which are respectful of their rights and needs.



2,500 PEOPLE attended the pedagogue's conferences organized by the Arcor Foundation in alliance with other actors.

**MI PATIO ES EL MUNDO
(MY YARD IS THE WORLD)**

Goal: to reward creative and innovative education projects for sustainable development that include the promotion of comprehensive practices that consider the social, environmental and economic dimensions, promoting the participation of the members of the educational community, being children the main protagonists. In alliance with OMEP (World Organization for Early Childhood Education).

**174
KINDERGARTEN
PROJECTS**
in Argentina
and Chile.

**+ OF 3,100
SUPPORTED
ORGANIZATIONS.**

**EDUCATIONAL
SITE**

Goal: to provide training proposals referred to childhood, active life and educational opportunities which addressed from the children's rights perspective.

**72,268 HOURS
OF VIRTUAL
TRAINING.**



Product Donations Program

2018 HIGHLIGHTS:

1,795 TONS
of donated products

368,000
beneficiaries, mainly children

+ OF 3,100
supported organizations

Through the Donations Program, we strengthen the mission of those organizations and institutions of Civil Society whose work is to provide feeding of children and adolescents in Argentina, Brazil, Mexico and Chile.

We work together with organizations that provide food assistance to the most vulnerable sectors of society, through the delivery of products to cover a main course and a snack.

This year, we worked to strengthen the Program through information gathering systems, internal processes for the recovery of raw materials and products for donation in our operational bases and the improvement in the links with beneficiary entities.

Arcor specifically a computer system to record, track and analyze the applications that entered the company through multiple channels and we worked in the internal donation process to create a greater commitment of all the key actors of the Distribution Centers that took part. This helped Arcor identify other ways to recover products and be able to donate them in a timely manner.

During 2018 Arcor also consolidated the work with Food Banks and Cáritas, our main targets. We are members of the Comité de Donantes de la Red Argentina de Bancos de Alimentos (Donors Committee of the Argentine Network of Food Banks) and we participated in a meeting with other donors and the Food Industry Coordinating Organization (COPAL, for its initials in Spanish) to present progress made to pass the Donal Law, and to analyze the challenges ahead.



SPECIAL DONATION PROJECT FOR NON-PERISHABLE FOODS

Between August and December 2018, watchful of the social vulnerability context in Argentina, we implemented this project, reinforcing and strengthening the work of organizations that work systematically with children and adolescents.

We moved forward with this initiative together with Mastellone Hnos. and in alliance with the *Movimiento de los Sin Techo* (Homeless Movement) of Santa Fe and the Food Banks of Buenos Aires, Córdoba and Tucumán.

Thus, 300 thousand rations of lunch and 300 thousand snacks were donated, a total of 130,000 kilos of products.



■ ■ The alliance with the Food Banks enables our products to effectively, timely and transparently reach organizations that feed more than 300,000 people per day, mostly children. In a context in which bonding is essential, we are contributing to the generation of social capital through the support of more than 3,000 community organizations that guarantee the access to nutrition rights. In a region in which more than 40% of the population is below the poverty line, to continue betting on the strengthening of social organizations that contribute to the reduction of hunger, malnutrition and food waste is an urgent mission".

Monica Camisasso, Community Relations Manager



2.4. MARKETING AND DISTRIBUTION



Sustainable Logistics

90
initiatives at 8 Distribution Centers

207
drivers of 35 companies trained on good safety practices

■ ■ In a scenario in which logistics becomes a key player and link in Arcor's value chain, we understand that it is essential to devote our greatest efforts to optimize the levels of productivity of operations and service quality from a sustainable, respectful and humanly approach. The Logistics department assumes that unwavering commitment to work thinking of present and future generations, promoting initiatives that improve our environmental performance and focusing on growing our greatest capital: people ".

Alejandra Grbich, Jefe SGI de Logística

The logistics activity is a vital link in our value chain: we must ensure that the products arrive in due time to our distribution centers, distributors and points of sale, preserving the products' quality and generating the lowest environmental impact.

As every year, in 2018 we implemented a Sustainable Logistics Plan outlined through a risk and opportunities matrix that includes all the logistics processes involved. In addition, we continue working on actions to optimize energy use in travels and reduce the pollution generated per freight ton and traveled km (For more information, refer to the Energy Efficiency Chapter).

ROAD SAFETY

Minimizing accidents that involve contracted transportation units is a priority for the Logistics area. During 2018, we worked on actions targeted towards improving drivers' safety. We focused on two key elements: drivers' awareness and training to promote good safety practices and safe driving, and research on technology applied to road safety.

Thus, together with Pointer -leader in vehicles' technological equipment- we carried out a pilot test by installing equipment for "safe driving" that detects,

analyzes and reports inappropriate maneuvers that occurred while driving, such as speeding, braking, acceleration and sudden turns in five transport units.

In addition, we carried out several actions to contribute to the safety of our distributors, such as the analysis and generation of an accident's root cause, the creation of brochures (safety triptychs) and the review of loading and unloading operations in order to optimize the drivers' time spent within the Distribution Centers or the industrial complexes.

As a result, we achieved a 30% decrease in the Road Accidents Indicator.



ASSESSMENT MATRIX FOR MASS CONSUMPTION TRANSPORT SUPPLIERS

In order to measure the level of service of mass consumption transport suppliers, we developed an assessment matrix that helped us know different factors to establish improvement processes.

This matrix made it possible to get a service level qualification of suppliers which ranks from 0 to 10. This rating is illustrated through a matrix, which details suppliers' invoicing participation percentage as second factor. This tool is very useful to manage the weak points of transport and identify those critical suppliers.



REDACTIVA (ACTIVE NETWORK) PROGRAM: TOWARDS A SOLID NETWORK OF DISTRIBUTORS



RedActiva seeks to comprehensively strengthen the competitive advantages of the Regional Distribution Network in Argentina, Bolivia, Paraguay and Uruguay.

In 2018, we continued working on three axes to promote good logistics practices:

1. Survey and diagnosis: we surveyed the entire network of distributors in Argentina and detected improvements in the incorporation of good logistics practices. Thanks to the commitment of the Network and collaboration of the commercial area, we managed to position 97% of the Argentine distributors in the Active and Proactive segments.

2. Training: we continued with the strategic development of the logistics middle management initiative. We held 15 training sessions throughout the country where

Distributors also participated. We obtained a 93.7% participation rate.

3. Communication and promotion of good practices: we facilitated contact among distributors for the sale or purchase of equipment. Throughout the year, warehouse layout proposals were made; advice on construction was given, rentals and investments related to logistics infrastructure were carried out; and proposals for the ABC inventory categorization picking technique.

In a joint work between different areas (Energy Efficiency Committee, RedActiva team and the Businesses' commercial area, among others) we took into account Distributors energy consumption during the last two years. The goal was to set a baseline, perform a consumption analysis in terms of type, seniority and use of equipment and facilities, define and monitor energy performance indicators, and plan actions to optimize consumption as of 2019.



Customers, Partners in our Commitment to Sustainability

2017-2018 ¹⁶ Arcor Group's Customers

Year	Wholesalers	Supermarkets	Official Distributors	Sellers	Points of Sale
2017	1,104	63	337	8,871	989,888
2018	1,036	37	345	8,479	951,174

For several years, we have implemented several initiatives to promote sustainable management in marketing channels that include Distributors, Supermarkets, Wholesalers, Special Customers and an international trade structure that ensures the arrival of products around the world.

2018 Arcor Group's Customers by Country

Year	Wholesalers	Supermarkets	Official Distributors	Sellers	Points of Sale
Argentina	287	25	158	2,854	247,492
Brazil	361	5 ¹⁷	90	1,875	219,361
Chile	140	9	31	420	53,821
Mexico	76	19 ¹⁸	10	3,000	300,000
Peru	172	3	56	330	130,500

¹⁶ The data correspond to the distribution network of countries with industrial presence: Argentina, Brazil, Chile, Mexico and Peru.

¹⁷ The indicator corresponds to national chains and does not consider smaller supermarkets.

¹⁸ The indicator corresponds to the direct sales force.





SUSTAINABILITY GOOD PRACTICES GUIDELINE FOR ARCOR GROUP'S DISTRIBUTORS: PAYING THE SUSTAINABILITY WAY TOGETHER

Within the Distribution Business Division, Arcor's Distributors are our starting point to introduce the promote sustainable management.

Our journey began in 2011 with the Ethics Line available to Distributors, the adherence to the Earth Charter Initiative together with the promotion of sustainable practices through a series of publications among which we can highlight the Distributors' Successful Stories on Sustainability Practices, Good Practices Guide in Sustainability and Guide for the Development of Sustainability Plans.

While the achievements were tangible and the advance could be easily recognized, we needed to go even further. Thus, in 2018, more than 150 Distributors in Argentina self-assessed once more through the Good Practices Guideline in Sustainability aimed at Arcor Group's Distributors.

For an adequate initiative's implementation, Arcor trained 68 Channel Account Managers and promoted a virtual training plan with the Distributors, consisting of a set of 8 videos and a presentation.



¹⁹ <http://cartadelatierra.org/>

As for the results, the initiative obtained a participation rate of 96.7%.

1

The implementation average score of the Good Practices Guide in Sustainability aimed at Arcor Group's Distributors was 83.15%.

2

For the practices that make up the Human and Labor Rights section, the average score was 77.54%.

3

For the practices that make up the Active Life and Healthy Nutrition section, the average score was 94.58%.



4

For the practices that make up the Rational Use of Packaging Materials section, the average score was 79.564%.

5

For the practices that make up the section on Energy Efficiency and Climate Change, the average score was 72.83%.

6

For the practices that make up the section on Rational Use of Water, the average grade was 91.56%.

Our breaking news is that Arcor conducted a pilot test in Uruguay by training the Account Managers' team and implementing self-assessment with the 9 Arcor exclusive Uruguayan Distributors.

The intention behind this initiative lies in the need to establish a new baseline and updated diagnosis in relation to the incorporation of good sustainability practices, in order to build a plan in 2019 with actions that empower Distributors and help them promote an increasingly sustainable management of their business.





509

retail customers trained in Chile

50%

more than in 2017

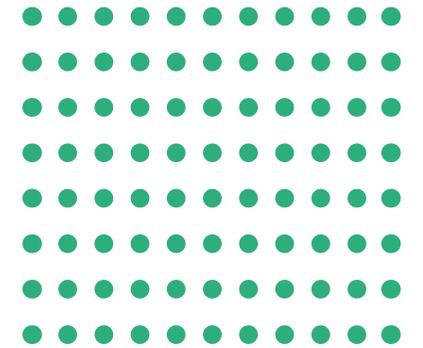
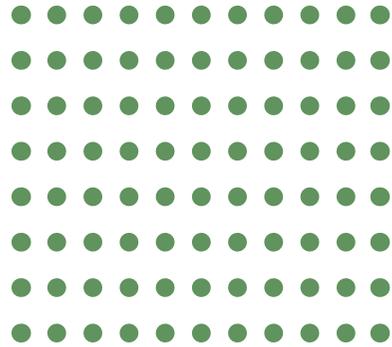
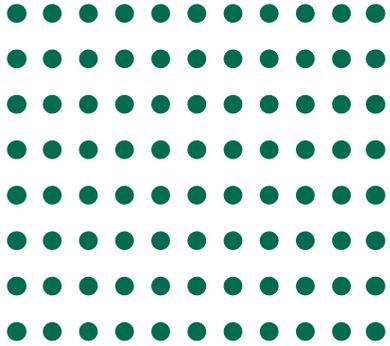
The Entrepreneur Club continues growing steadily. Since 2015, Arcor Chile has developed this initiative that compensates retailers that achieve a higher level of professionalism and improve their businesses' results through knowledge transfer and good management practices.



Thanks to this program, we have strengthened the link with retail customers by providing continuous support in training and improvement of their points of sale, and transforming the display and marketing model in the kiosks.

During 2018, we doubled the number of retail customers that belonged to the Entrepreneur Club: a total of 509, with the participation of 19 Distributors in 15 cities, who were trained in topics related to business, financial, commercial and sustainable management.





Rational Use of Water

Chapter 3

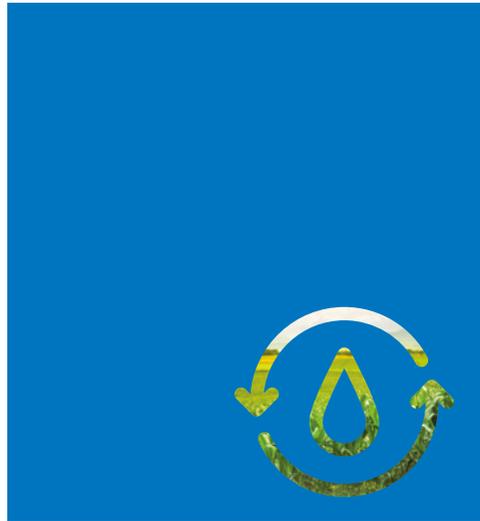




RATIONAL USE OF WATER

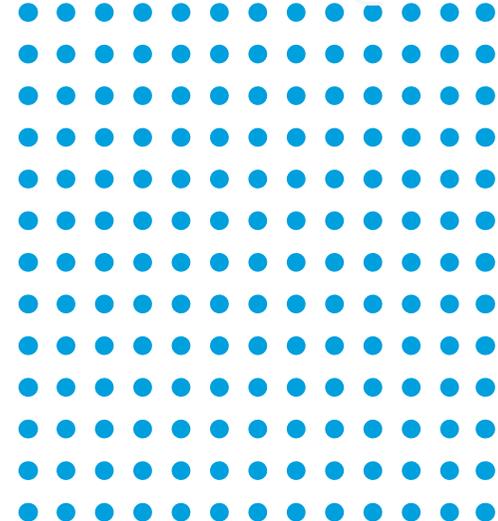
3.1.
WATER,
a Vital as well as
a Critical Resource.

PAGE 79



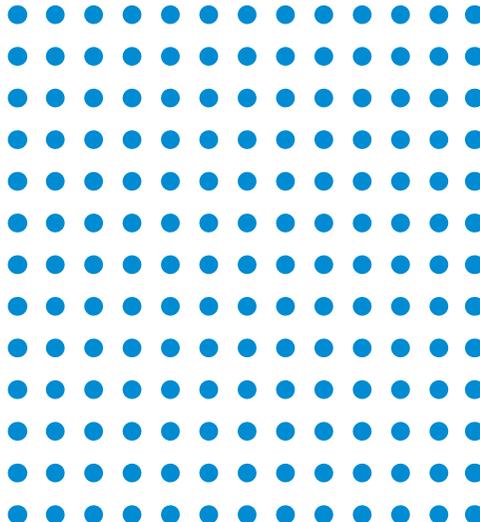
3.2.
Arcor Group's Water
USE ANALYSIS.

PAGE 80



3.3.
Rational Use of Water
INITIATIVES.

PAGE 81

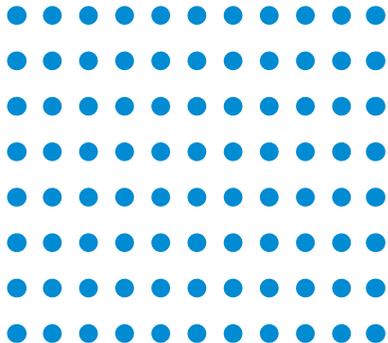


3.4.
EFFLUENTS
TREATMENT.

PAGE 87



98% of the water used for production is from **OWN INTAKE** facilities (57% from the underground and 41% from the surface).



Incorporation of **NEW TECHNOLOGIES** for the treatment of **LIQUID EFFLUENTS**.

22.9% REDUCTION IN WATER CONSUMPTION in Mundo Dulce, Mexico.

REDUCTION OF 5.6% OF WATER CONSUMPTION required to manufacture 1 ton of product since 2016.

40% REDUCTION in total water consumption at Brazilian plants.

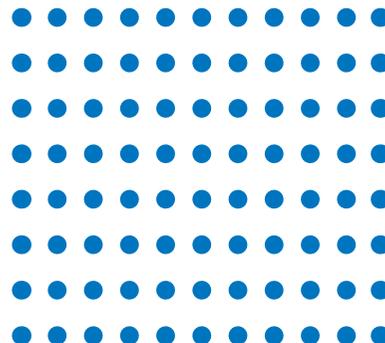
MORE THAN 1.8 MILLION M³ OF WATER SAVINGS per year in Agribusiness plants.

120,000 M³ OF CLEAN WATER RECOVERED by the washing of ion-exchange towers in the corn wet milling plant in Arroyito.

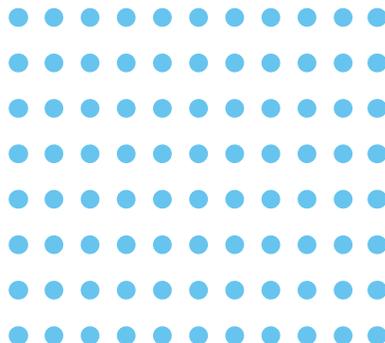


8.7% REDUCTION in water consumption per ton produced in Agribusiness plants.

WATER RECOVERY in different stages of the process in Ingenio La Providencia.



ANALYSIS BY REGIONS to visualize the availability and extraction of water together with the other uses.



3.1. WATER, A VITAL AS WELL AS A CRITICAL RESOURCE

Water is the natural resource par excellence. For this reason, it is necessary to take care that urban, industrial and agricultural developments not only take care of it, but also that operations are managed that causes the least impact.

Arcor Group understands that responsible management is essential to preserve water resources and guarantee the availability in the communities where we operate.

To this end:

1

We promote the efficient management of the water we use by reducing its consumption, and recycling and replenishing in accordance with the existing technical conditions; and

2

We involve our value chain in the implementation of **good water use practices**, promoting the reduction, reuse and recycling of its consumption.



The rational use of water is a central axis in all our processes. We work in four priority lines implementing specific actions on the daily tasks of each of our plants:

1 Consumption reduction

2 Reuse and recycling

3 Control of in-situ pollution

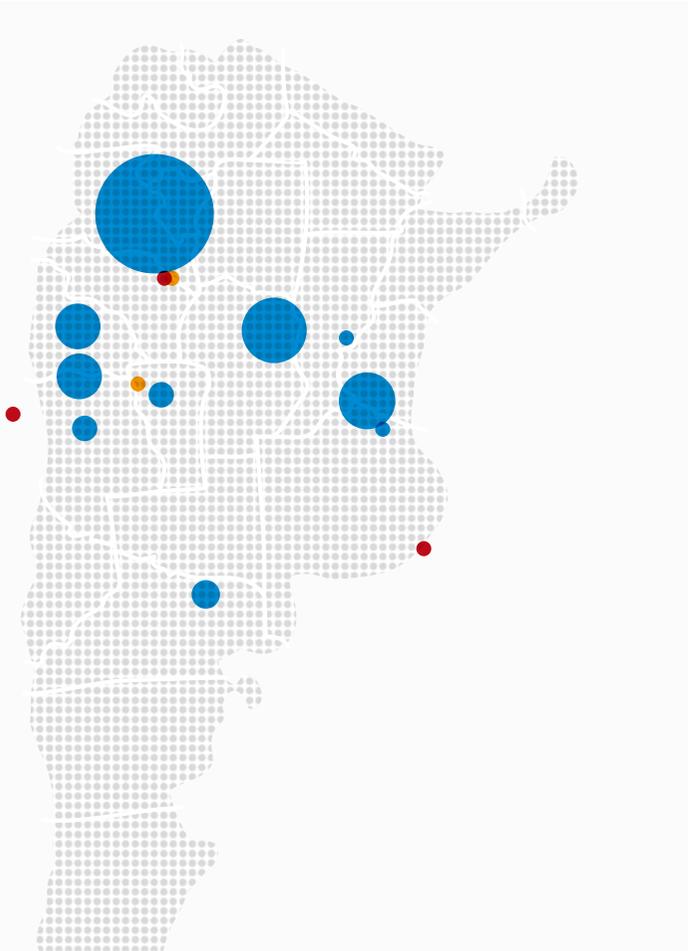
4 Effluents treatment

The initiatives that we develop to take care of the water range from training our collaborators to doing engineering works that help to use less water, recover it in bigger quantities and improve the treatment of the liquid effluent.

3.2. ARCOR GROUP'S WATER USE ANALYSIS

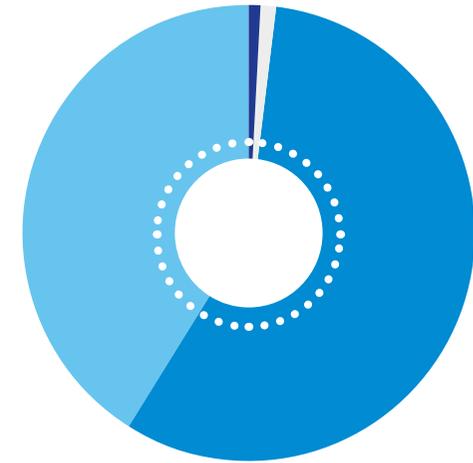
Most of the water collection at Arcor Group from its own facilities, mainly in Argentina, which allows a more controlled management of its use based on availability.

As part of a strategy that focuses on reduction processes, we have begun to carry out an analysis by regions, which provides us a broad picture of the availability and extraction of water together with the other uses (urban, agricultural) that affect each source.



- Own Intake Facilities
- ● Supplied By Third Parties

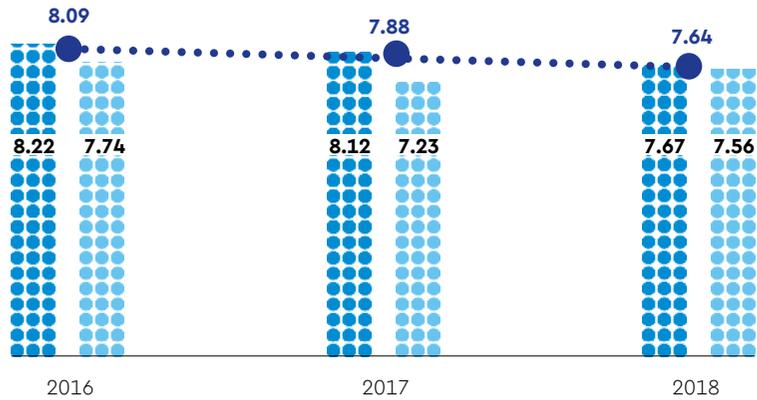
ARCOR GROUP'S WATER CONSUMPTION BY SOURCE (M³)



- **Underground water - public network**
290,616 m³ (1%)
- **Surface water - own intake facilities**
9,635,164 m³ (41%)
- **Surface water - public network**
298,436 m³ (1%)
- **Underground water - own intake facilities**
13,438,818 m³ (57%)

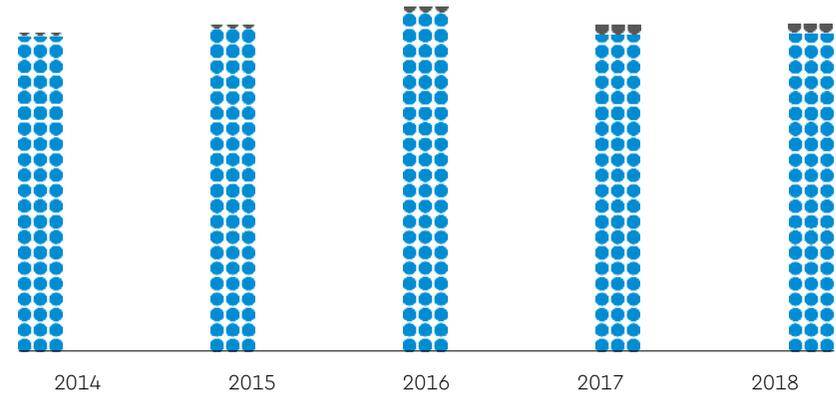
3.3. RATIONAL USE OF WATER INITIATIVES

RELATIVE WATER CONSUMPTION
(M³/TN PRODUCED)



- Transformation into Industrial Consumption
- Mass Consumption
- Arcor Group's Total Water Consumption

TOTAL WATER CONSUMPTION
(M³)



- Industrial Operations
- Agriculture
- Logistics
- Power Generation

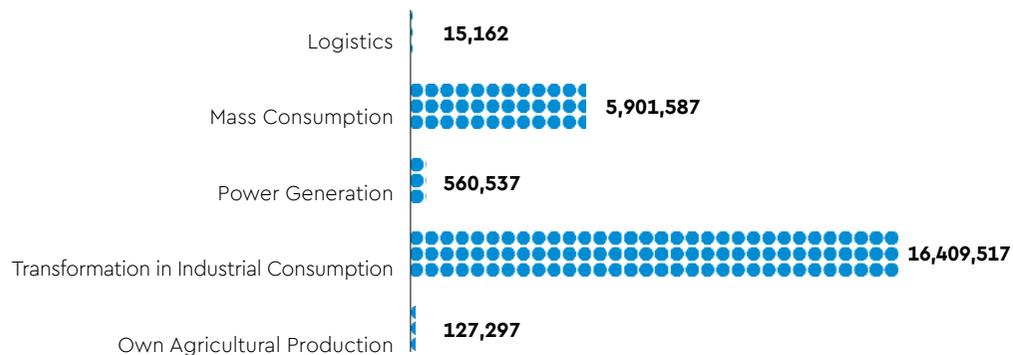
Since 2016, we have been able to reduce the consumption of water required to manufacture a ton of product in all of our global¹ operations by 5.6%.

ÁREA/AÑO	2014	2015	2016	2017	2018
Industrial Operations	22,068,782	22,591,975	23,836,551	22,196,410	22,256,625
Agriculture	88,397	77,185	26,439	51,835	127,297
Logistics	42,185	34,186	24,185	23,676	15,162
Power Generation	103,737	252,396	349,792	637,452	560,537

¹ In terms of volume (m³), this decrease is of the order of 6.7%, since there was a slight decrease in the tons produced

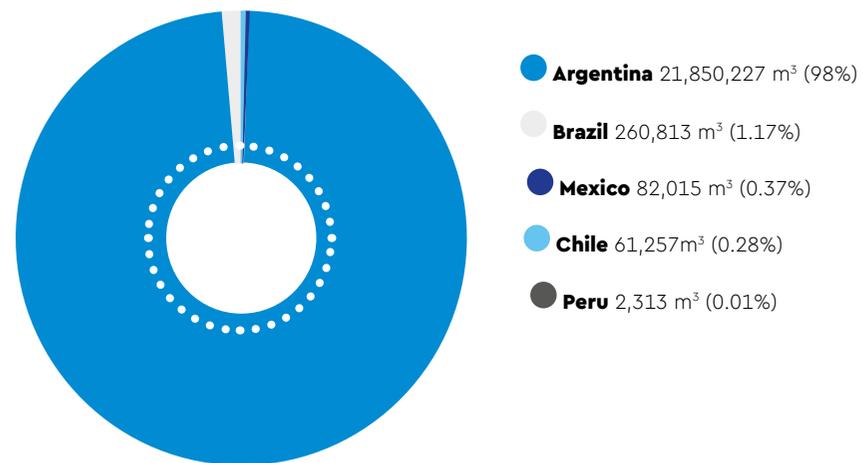
DISTRIBUTION OF ARCOR GROUP WATER CONSUMPTION

(M³)



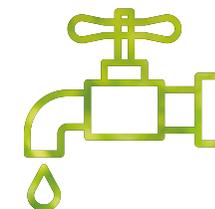
WATER CONSUMPTION PER COUNTRY

(M³)



To reduce water consumption in our operations, we focus on promoting initiatives that generate better and more efficient management of this resource in those plants that consume it the most: Agribusiness and Food.

We also promote improvements in particular regions that present some availability risk, such as Brazil.



AGRIBUSINESS PLANTS: EFFICIENT USE AND SAVINGS

The consumption of our 8 Agribusiness plants represents 85% of the Group's total water consumption.

That is why, since 2016 and thanks to improvements in the optimization of water recovery, we managed to reduce consumption by 8.7% per ton produced. This represented a saving of more than 1.8 million m³ in the year.

Among the most significant initiatives promoted in this framework, the following stand out:



1

Recovery of the washing water of the ion-exchange tower at the Arroyito Wet Milling Plant – an improvement that allowed the recovery of 120,000 m³ of clean water per year.



2

Ingenio La Providencia carried out a thorough plan that included better control of water loss in the circuits of vacuum pumps, water recovery to be reused in other stages of the process and mechanisms of water supply regulation during processes.





REDUCTION, REUSE AND RECOVERY IN BRAZIL

■ ■ Both for our processes and for the regions where we operate, water is a critical resource, so we must act with maximum responsibility in its use.

At Arcor, we decided to reduce consumption for the next few years by measuring our performance, particularly in places like Brazil, where a strong water crisis was felt a few years ago. Therefore, we have acted accordingly reducing more than 30% the use in our plants".

Alejandro Peris, Environment, Health and Industrial Protection Manager (MAHPI)

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

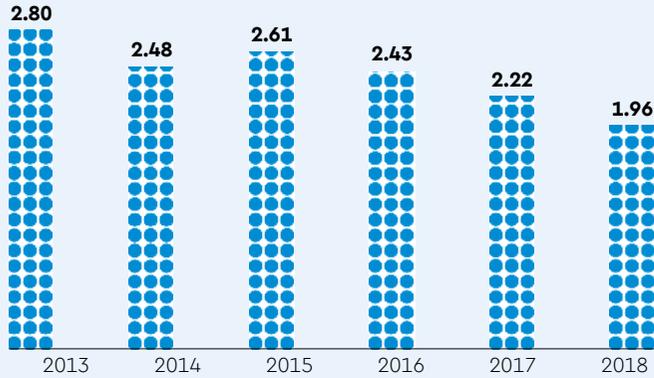
- To reduce consumption by 30% by 2020; and
- To minimize dependence on the supply of external distribution systems and change it to underground water from own intake facilities and to explore other sources such as the use of rainwater or the reuse of effluent water.

Thus, we managed to significantly reduce dependence on external distribution systems and reduce water consumption by 40% in absolute terms and by 30% for each ton produced through:

- The recovery of water from vacuum pumps in hard candy manufacturing lines;
- The reuse of water from the restrooms' cooling towers at the Rio das Pedras plant;
- The revision of cleaning procedures and the use of dry cleaning in several plants;
- The reuse of treated effluent liquids;
- The reduction of water loss at Campinas plant; and
- The recovery of cold water in the cream cooling equipment of the wafer line, one of the ingredients used to manufacture our products at the Contagem plant.

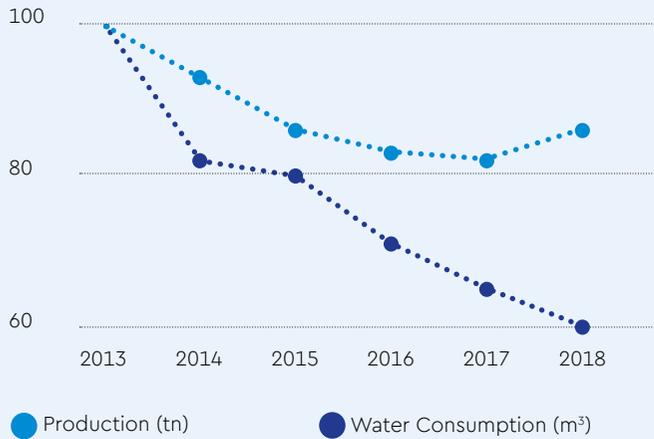
WATER CONSUMPTION AND PRODUCTION

(M³/TN PRODUCED)



BRAZILIAN BUSINESS UNIT WATER CONSUMPTION

(M³/TN PRODUCED)



The challenges in Brazil remain in light of the fact that the water crisis is still far from being overcome.

The goal is to achieve self-sufficiency by exploring other sources such as the use of rainwater and continuing to reduce water consumption, taking advantage of the opportunities detected.





WATER SAVING AT MUNDO DULCE

At Mundo Dulce, our industrial plant in Toluca (Mexico) which produces candy, chewing gum, tablets and chocolates, we developed an integral process of efficient use of water.

We did it from a diagnosis that included:

- Installation of meters to define the consumptions; and
- Location of greatest consumption points.

This analysis allowed us to incorporate several optimizations: from adjustments to reduce the time between the opening and closing of the purge valve, the reuse of the water used in other processes, improvements in the capacity of the water return pump to prevent it from being thrown away to drainage, up to the revision of machinery involved in the use of water, such as pumps and tanks.



From these improvements, from January to October 2018 we achieved:

Savings of 60.7 m³ of water

22.9 % reduction in water consumption

“At Mundo Dulce we will continue working on activities that lead us to awareness and consciousness-raising to achieve sustainable water management and we will also initiate new projects in light of other important benefits such as solid urban waste reduction”

Guillermo Montiel Urban, Head Director of Mexico.

3.4. EFFLUENTS TREATMENT



We are continuously looking for ways to incorporate innovative technologies to ensure that our operations progressively generate a lower environmental impact.

Therefore, during 2018 we launched new processes for the treatment of effluents that we generate in our production process.

For example, in our Bicentennial Plant, located in Santiago de Chile and inaugurated in 2017, we installed an aerobic biofilm reactor (MBBR, Moving Bed Biofilm Reactor), which promotes a more efficient process within aerobic treatment technologies. This technology achieves an efficient treatment of the effluent with a smaller space requirement. We also installed this technology in the new Colonia Caroya treatment plant, built to replace

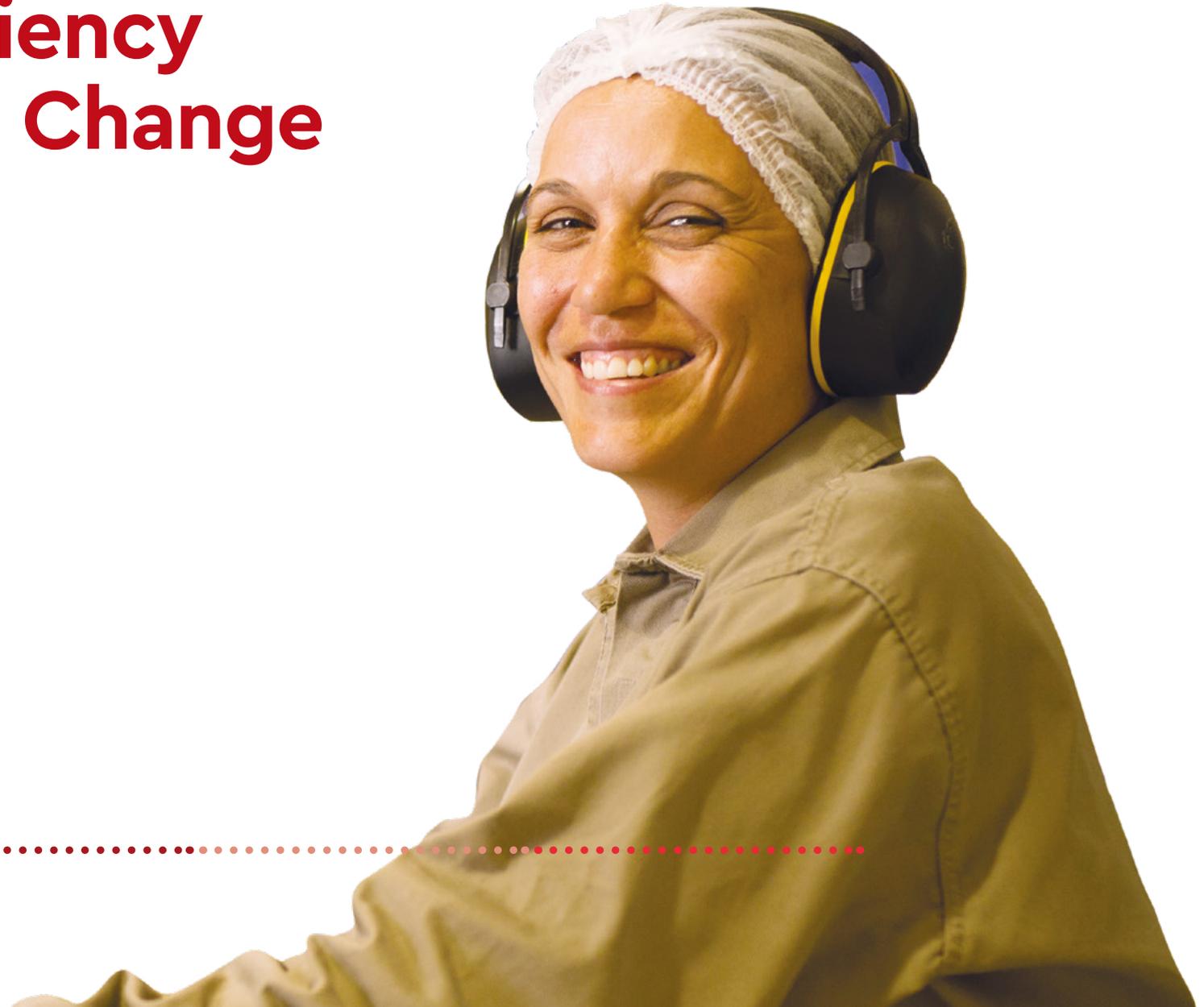
the previous one that had been affected by a flood of the Carnero River.

Meanwhile, at the San Pedro plant, we added an anaerobic reactor of the UASB (Upflow Anaerobic Sludge Blanket) type to the existing biofilter technology. This technology degrades organic matter with a lower energy consumption and thus generates a much smaller amount of sludge, with the possibility of recovering the methane produced to be incorporated in the plant's energy processes.



Energy Efficiency and Climate Change

Chapter 4



ENERGY EFFICIENCY AND CLIMATE CHANGE



4.1. CLIMATE CHANGE, Everybody's Commitment.

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4.2. INVENTORY OF GREENHOUSE GASES (GHG).

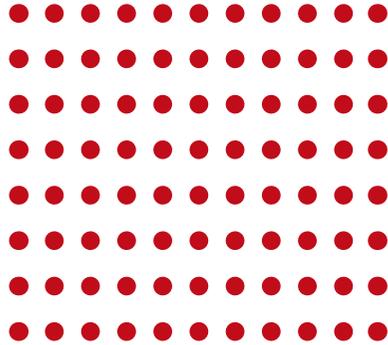
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4.3. Emissions Reduction STRATEGY.

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



100% of the **ELECTRIC POWER** used in **BRAZIL IS FROM RENEWABLE SOURCES** (hydroelectric).

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

94% of **WASTE** generated at plants that produce raw materials is **RECYCLED.**

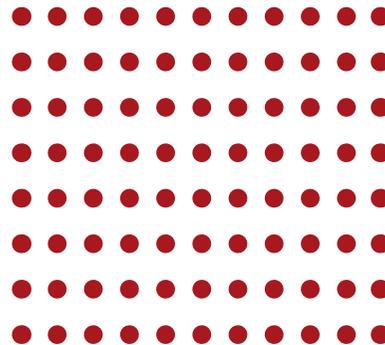
ZERO WASTE sent to landfills in industrial and logistics operations in Brazil.

GHG (greenhouse gas) inventory consolidated in 47 bases: 1,223,720 tn CO₂ eq.

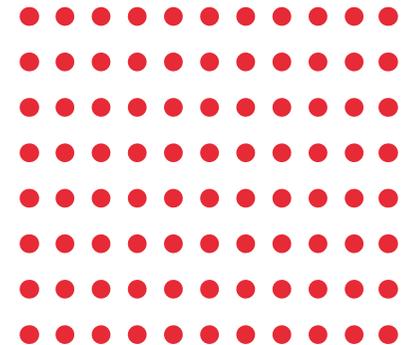
41% of emissions correspond to biogenic CO₂ (carbon neutral).

22% of the emissions are produced by electric power generation.

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



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



4.1. CLIMATE CHANGE, EVERYBODY'S COMMITMENT



In 2015, 195 countries agreed at the Paris Climate Summit to limit the increase in the temperature of the planet to less than 2 ° C compared to the pre-industrial era.

It is known that, in order to curb the effects of climate change – which puts health, food security, access to water and energy availability at risk – the transition to a low carbon economy is vital. Undoubtedly, this “decarbonization” requires immediate commitments of countries and companies in reducing Greenhouse Gas Emissions (GHG).

At Arcor Group we assume the commitment to move towards low-carbon production and to continuously search to raise energy performance standards. Specifically, in the framework of our commitment to energy efficiency, minimizing the impacts that contribute to global climate change. Arcor commits:



1
To adopt, promote and stimulate initiatives for the rational use of energy through efficient consumption to contribute to the conservation of natural resources.

2
To assume a proactive and preventive approach in relation to environmental challenges through the adoption of clean processes and technologies and low carbon use.

3
To prevent pollution and stimulate the practice of reducing, reusing and recycling materials in the products' development and production processes.

4
To reduce waste volume sent to landfills.

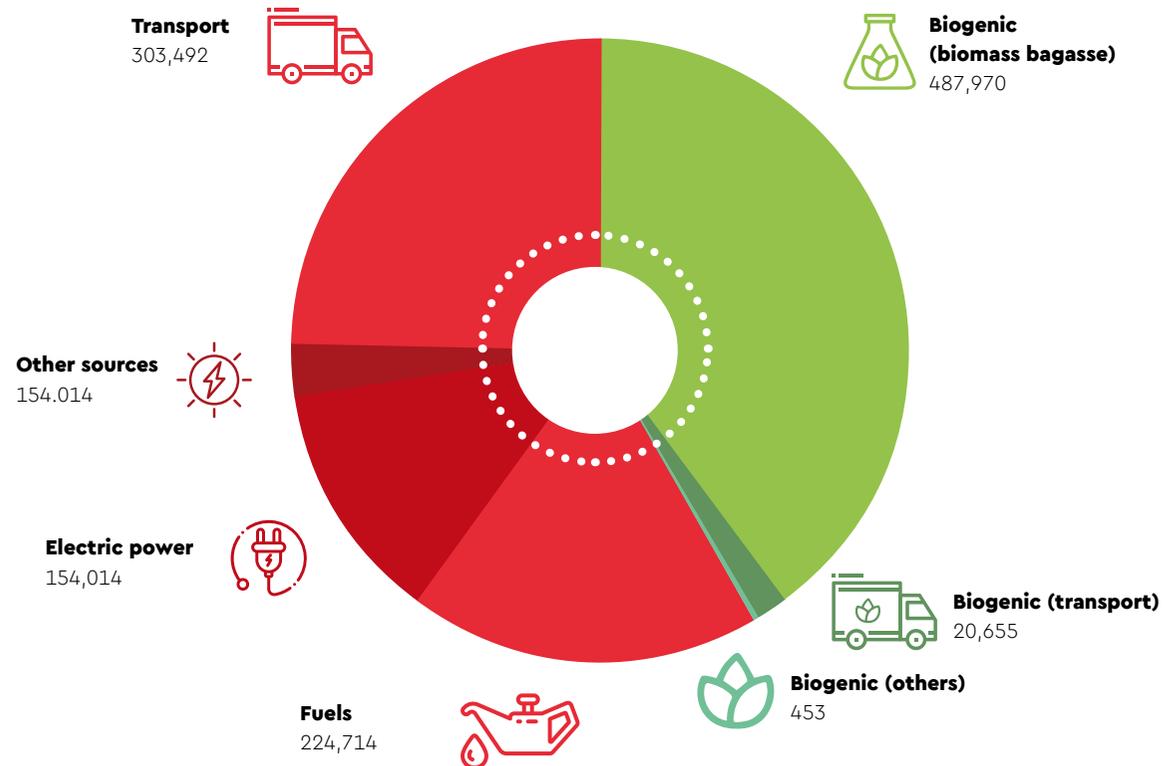
4.2. INVENTORY OF GREENHOUSE GASES (GHG)

As part of the work we do to reduce our environmental impact, we prepared a report to know, map and be able to report the greenhouse gas emissions that we generated in 2017 and 2018.

During 2018, we managed to consolidate the emissions report of all direct operations generated by the group's 47 bases in all the countries where we are present (Argentina, Brazil, Chile, Mexico and Peru).

This policy included emissions from the transportation of raw materials and the distribution of our products to customers, both in the domestic market and in exports¹.

2018 ARCOR GROUP'S TOTAL EMISSIONS
(TN OF CO₂ EQ/YEAR)



¹ It does not include emissions produced by the Zucamor operations since they will be included in the 2019 inventory.

● Reference: Green color represents CO₂ emissions biogenic (considered carbon neutral).

RESULTS FROM THE 2018 GHG INVENTORY

TOTAL MAPPED EMISSIONS:
1,223,720 tons of equivalent CO₂.

31% of emissions are produced by the burning of fuels in boilers and ovens for products manufacturing.

41% correspond to biogenic CO₂ (considered neutral in carbon, since it is generated and captured through its natural cycle)².

22% corresponds to emissions produced by the generation of electric power.

42% of the non-biogenic CO₂ emissions correspond to the transport of raw materials and distribution of products due to the fact that the logistics network in Argentina and Brazil, the main markets, is supplied by land transport.

In Argentina, large part of our electricity is produced through three thermoelectric plants: *Mario Seveso* plant in Arroyito, which is fed by natural gas; *José Gaii* Plant in Tucumán, which uses sugarcane bagasse from the Sugar Process at Ingenio La Providencia; and finally since 2017 with the incorporation of Zucamor to Arcor Group, *Central de Papel Misionero*, in Misiones, which produces electricity from the burning of biomass from wood by-products. This allowed reducing the non-biogenic emissions factor of the group.

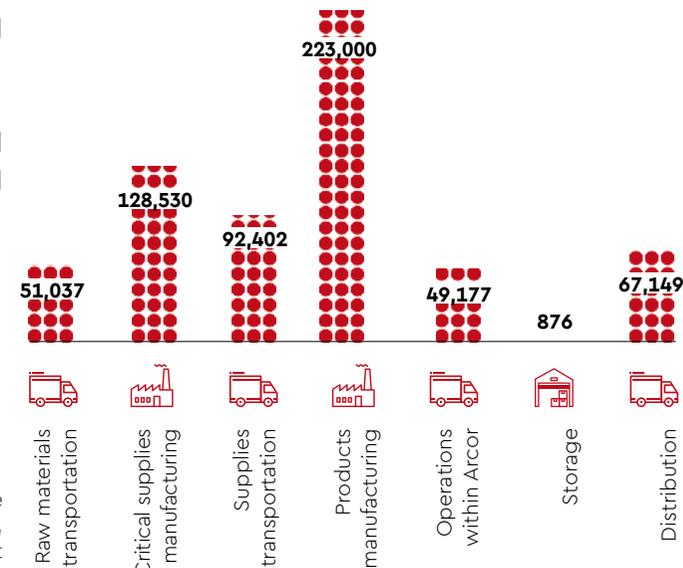
The group's demand in Argentina that is not supplied by these plants is purchased from the National Interconnected System.

The group's demand in Argentina that is not supplied by these plants is purchased from the National Interconnected System.

² Such neutral emissions correspond to the use of biomass to produce electric and thermal power, and substitute the use of fossil fuels, which are the main contributors to the greenhouse effect. At Arcor Group we use biomass as an energy source at Ingenio La Providencia (bagasse for boilers and power generation).

Arcor Group has always promoted a vertical integration strategy in Argentina. Today, we produce most of the raw materials we need the most, such as sugar, sweeteners and packaging material. The emissions produced along this supply chain are 612,170 tons of CO₂ in the country, 85% of the emissions generated in the Group.

2018 ARGENTINE CO₂ EMISSIONS
BY SUPPLY CHAIN STAGE



4.3. EMISSIONS REDUCTION STRATEGY

Our strategy for reducing emissions includes initiatives to improve the energy performance of our operations, access to carbon-free energy, reduction of transport emissions and reduction, reuse and recycling practice of materials and waste in the products' development and manufacturing.

ENERGY PERFORMANCE

■ ■ **Our society is facing deep worldwide technological changes that are revolutionizing the energy market. Being part of these changes, facilitators and referents, allows us to strategically position ourselves and to add value to our main businesses.**

In accordance with this, Arcor has decided to introduce on its daily management the continuous improvement of 'Energy Performance' in its activities, through a program that includes activities related to the self-generation of energy, the incorporation of high-efficiency technologies and their consumption management".

Bruno Brunetti, Energy Division Manager

The Program is currently focused on 15 plants in Argentina, which represent more than 70% of the Group's natural gas consumption and more than 40% of electric power consumption.

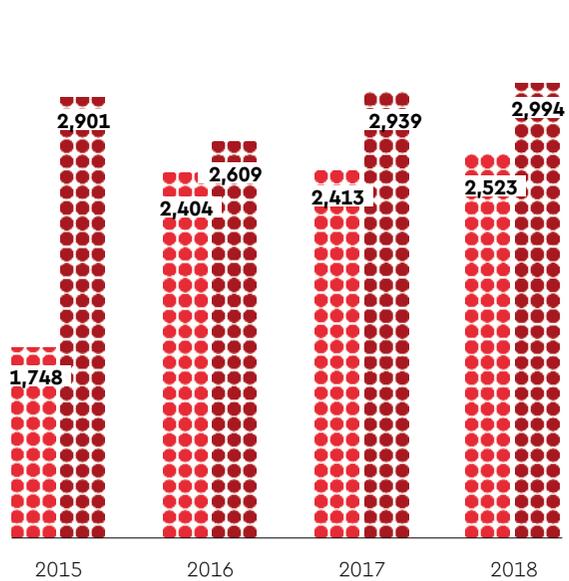
In the different stages, this Program will cover the rest of the Group's plants, including Brazil, Chile, Mexico and Peru, thus consolidating the culture of efficient consumption throughout the group.





ARCOR GROUP'S FUEL CONSUMPTION

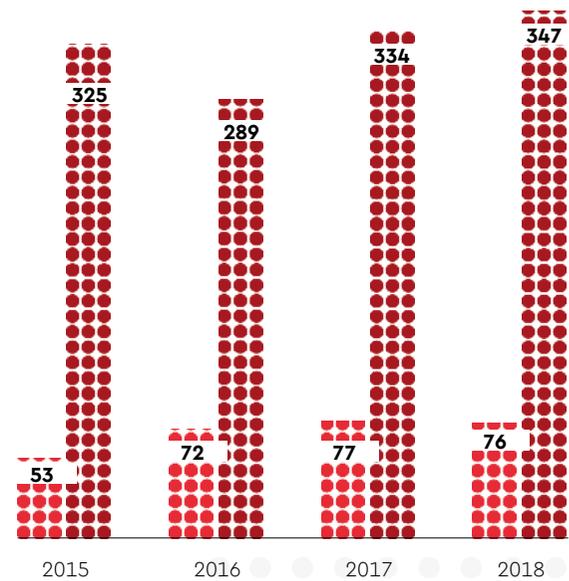
MJ/TN



- Industrial Consumption Transformation
- Mass Consumption

ARCOR GROUP'S FUEL CONSUMPTION

KWH/TN



- Industrial Consumption Transformation
- Mass Consumption

CARBON-FREE ENERGIES

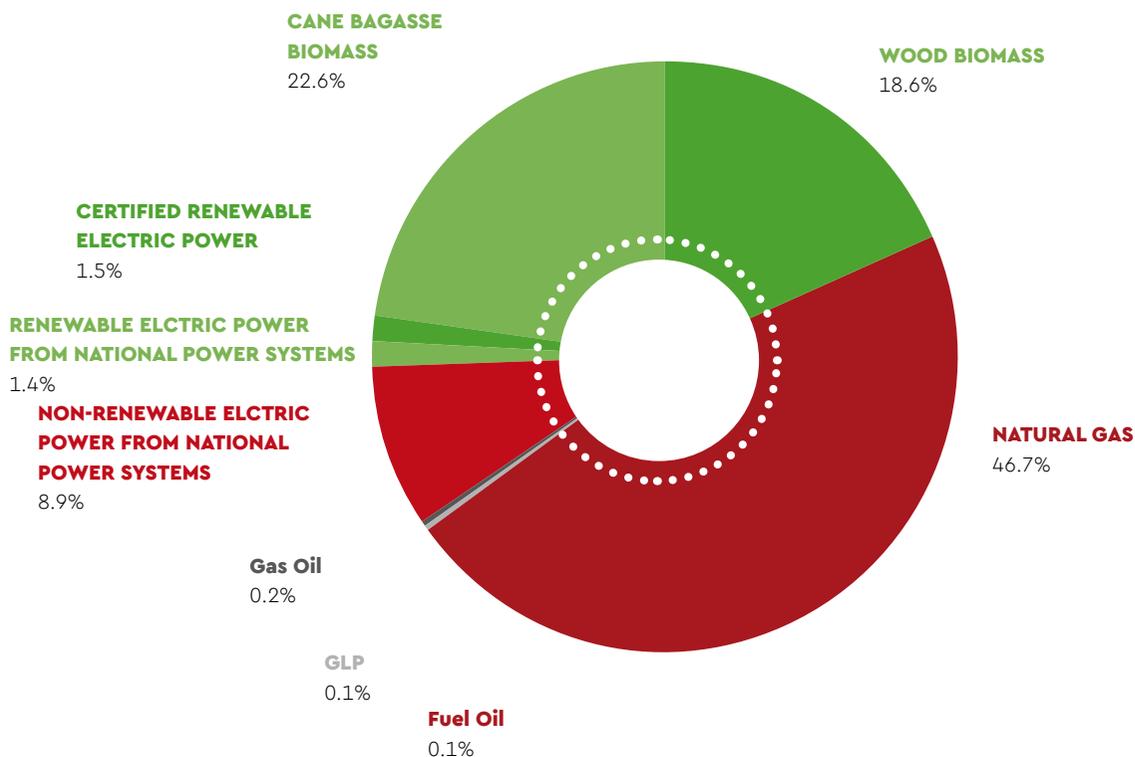
Most of the group's emissions are biogenic and almost all of them were produced by the use of biomass. With the "José A. Giai" Thermolectric Plant startup in Tucumán, we managed to incorporate 30,000 MWh per year of renewable origin into our energy matrix.

In addition, in Brazil we maintain the purchase of 100% renewable electricity from hydroelectric sources, and in Mexico there is a contract to provide at least 85% of the energy from a wind farm. In 2018 that percentage fell to 20% due to a partial detachment of the park's operation produced by the earthquake that affected that country in 2017.

With the incorporation of the Papel Misionero plant, which was also acquired from the Zucamor Group, we added an annual generation capacity of 120,000 MWh of renewable energy from wood biomass. With this, Arcor Group has an energy matrix composed of more than 50% renewable energy.

ARCOR GROUP'S ENERGY MATRIX LAYOUT

IN MJ



● Reference: renewable energies are identified with the green color.

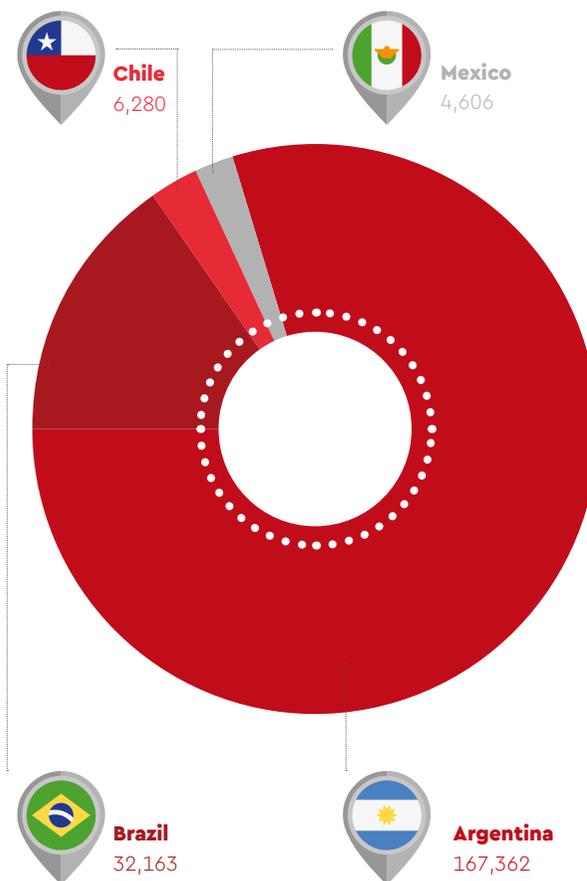
TRANSPORT EMISSIONS REDUCTION

Taking into account that transport emissions represent 42% of the total emissions of the group, we promoted several initiatives to reduce them. Mainly, the optimization of the logistic network to reduce the number of trips and circulation of trucks without load. In this way, costs are not only optimized, but also there is a significant contribution to reducing emissions.

On the other hand, the efficient use of loading space also reduces the number of trips. In Brazil, for example, we worked on the reduction of pallet's height with the aim of being able to overlapping them and thus increasing the trucks' loading space. With the same objective, we agreed with customers to change the height of the loads. This allowed to increase the loading space of the trucks from 59% to 63% and lower the number of trips in the same proportion.

2018 TRANSPORT CO₂ EMISSIONS BY COUNTRY

E(TN OF CO₂)



Arcor's Logistics for the transport of the raw materials and products implied to travel in 2018, 114 million km -84% land transport and 16% sea transport- worldwide.





EFFICIENT LOGISTICS FOR EMISSIONS REDUCTION

Savings in Argentina:

2,691 trips

392,950 liters of fuel

1,031,917 km

During 2018, we continued promoting initiatives to optimize fuel consumption in trips and thus reducing the impact generated by ton of cargo and kilometers traveled:

→ Through the measurement of loading space of transport units, we generated an "Optimization of the Enclosed Cargo Loading Space" transport units and achieved a fuel saving of 128,078 liters.

- Another initiative that contributed to optimizing fuel consumption and reducing GHG emissions was the "*Sinergia de Contenedores*" (Containers' Synergy), a project in partnership with Cordobese automotive companies, through which we share loaded containers that arrive.
- 772 trips saved thanks to the "*Entregas Directas*" (Direct Delivery) action: trips that leave directly from the production plant to the customer. In this way, the trip to the distribution center is avoided. With each direct delivery that is made, a trip from a production plant to a distribution center is saved.
- The "*Mix de Unidades*" (Units Mix) had a similar performance on saved trips. This action measured the number of trips made with small units to customers that can receive large units. Large units have a loading capacity three times bigger than small units.
- Finally, through the "*Reducción de Vacíos*" (Empty Units Reduction), which consists of reducing the movement of empty units from different places to the loading point, we managed to save 94,950 liters of fuel.

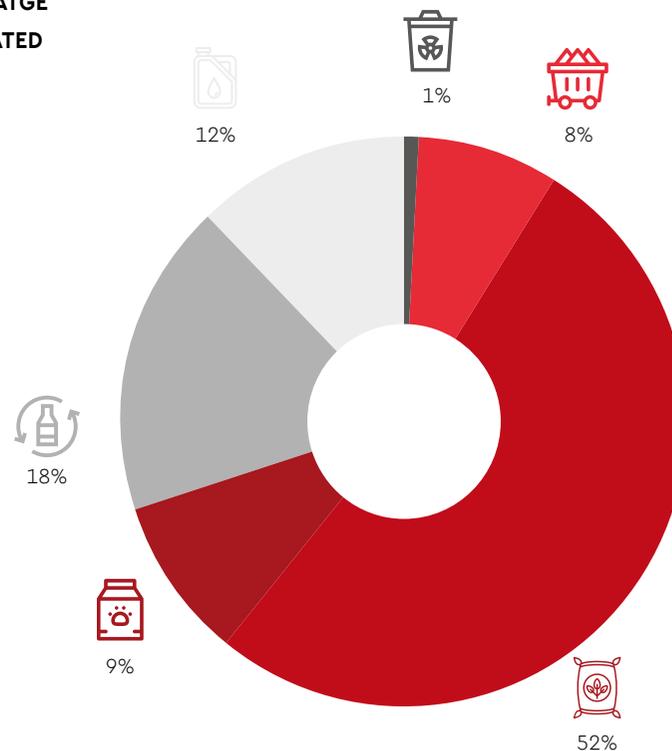
WASTE AND RECYCLING

The continuous search for solutions to reduce waste generation and increase recycling has allowed us to develop alternatives that give a better place to industrial scrap.

Thus, with the incorporation of composting technology, we were able to redirect a part of the organic waste that was sent to landfill. In this way, we highly value this waste and minimize the environmental impact that we generate through our operations.

Regarding plastics -and given that they have a limited reuse possibility -, we entered into an agreement with the Holcim cement plant by which we destined them for energy reuse in the cement production kilns together with the waste that, after being classified, cannot be recycled and has an important energy value. In Brazil, in 2018, a similar Zero Waste goal was set to be achieved in industrial and logistics operations, and it was met one year earlier than established.

ARCOR GROUP'S FINAL SATGE OF TOTAL WASTE GENERATED



-  **ANIMAL FEEDING**
-  **DESTRUCTION WITHOUT EXPLOITATION (HAZARDOUS WASTE)**
-  **REUSE AND RECYCLING**
-  **BURIAL**
-  **ALTERNATIVE FUEL**
-  **COMPOSTING**

During 2018, we were able to stop sending 3,428 tons of waste to landfills. We achieved this thanks to the increase in the recycling rate to 94% in the plants that produce raw materials for the manufacture of our products and 85% in the case of the manufacture of mass consumption products.

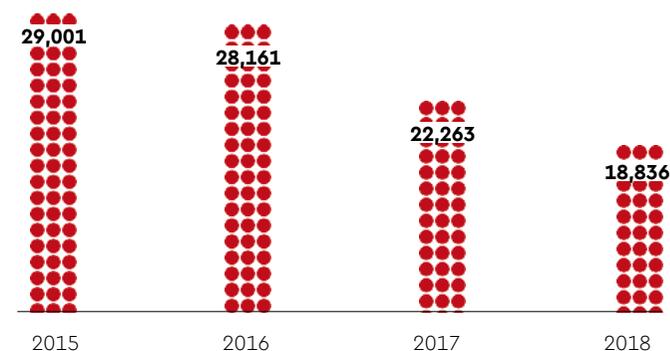


FINAL DESTINATION BY TYPE OF WASTE



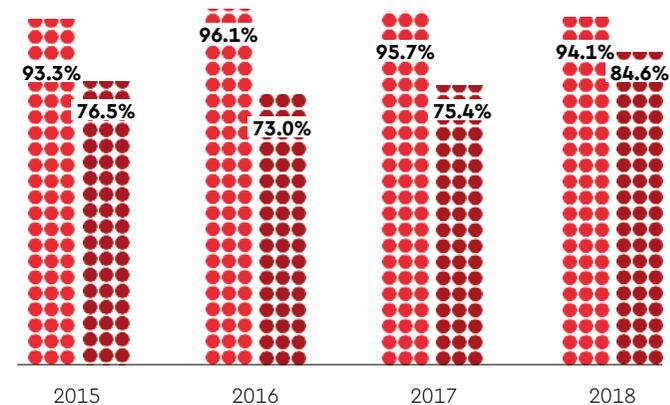
WASTE SENT TO BURIAL BY TON

ARCOR GROUP'S TOTAL



REUSED OR RECYCLED WASTE

(% RESPECT TO THE TOTAL OF WASTE GENERATED)



- Primary Transformation
- Mass Consumption



SYNERGIC AGREEMENTS - THE CAMPINAS DISTRIBUTION CENTER IN BRAZIL CASE

At the Campinas Distribution Center Arcor entered into an agreement with Reciclamp, a cooperatives group from that city, to carry out waste classification of finished products that were expired or confiscated and then sent to landfills.

Through this agreement, the waste is classified and separated into its different components, each of which is recovered, recycled or used as an alternative fuel. In this way, we managed to generate triple value: savings in costs for the group, greater working capital for the cooperatives and a lower environmental impact. We also reached the goal of Zero Waste one year earlier than expected.



Rational Use of Packaging Materials

Chapter 5



RATIONAL USE OF PACKAGING MATERIALS



5.1. SUSTAINABLE PACKAGING.

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5.2. REDUCING, REPLACING AND RECYCLING.

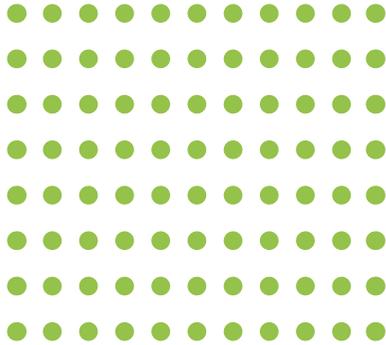
PAGE 106

5.3. PACKAGING BUSINESS.

PAGE 110



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



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

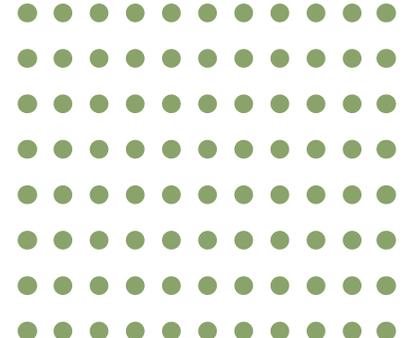
93% of the
**PAPER AND
CARDBOARD**
used is of
**SUSTAINABLE
ORIGIN** (certified
and / or recycled)

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

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

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

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



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



7,000 HA of pine
forests managed
in accordance
with the PEFC
standard
of **FOREST
MANAGEMENT.**

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

5.1. SUSTAINABLE PACKAGING

Due to the nature of Arcor's activities, and more specifically due to the need to ensure that our products reach all places unchanged, we are big consumers of packaging materials.

But, also, we are the main producer of corrugated cardboard in Argentina and one of the main producers of flexible material, both for our own consumption and for other companies in different markets.

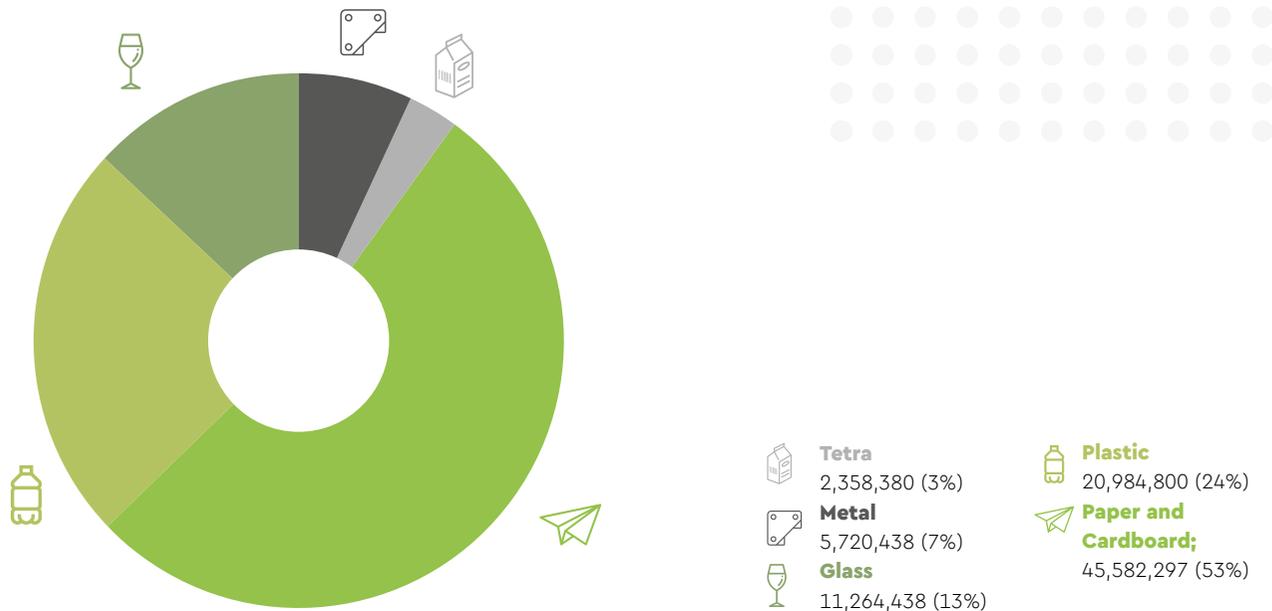
Therefore, Arcor's goal is to make a rational use of these materials and look for effective reduction or replacement opportunities with more efficient ones. Packaging material is vital to minimize food losses, preserve products throughout the marketing chain and communicate the information needed by consumers.

In this context and within the framework of Arcor's Sustainability Policy, we set in motion two lines of action to guarantee design and packaging's sustainable management:

1 To rationalize the use of packaging materials for our products

2 To manage innovation to offer the market even more sustainable packaging and solutions

MASS CONSUMPTION PRODUCTS PACKAGING MATERIAL
(QUANTITY USED/KG)



5.2. REDUCING, REPLACING AND RECYCLING

To carry out our commitment to rational use of packaging materials, we work with three strategic goals:

1 To reduce the use of materials without undermining their functionality

2 To constantly increase the use of eco-friendly materials

3 To incorporate into our packaging materials recycled or post-consumer materials

REDUCTION IN THE USE OF MATERIALS

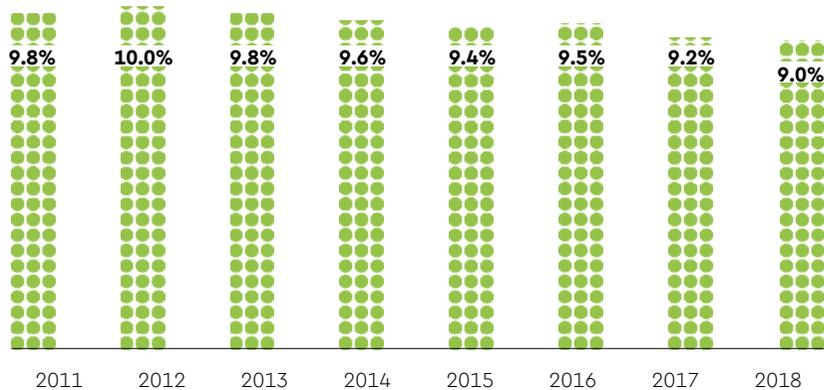
In 2018, through our Sustainability Operational Plans, we promoted 37 initiatives to reduce or replace packaging materials.

Since 2010, we have systematically worked on reducing the amount of packaging material of our products, always keeping their quality and functionality. So far, we have managed to reduce by 10% the amount of packaging material per kilogram of marketed product.



ARCOR GROUP'S PACKAGING MATERIAL USE INDICATOR

TNME/(TNME + TNMP)



.....

USE OF MORE ECO-FRIENDLY MATERIALS

SUSTAINABLE PAPER SUPPLY POLICY

Paper and cardboard account for almost 52% of all packaging materials used by Arcor Group in the manufacture of cases, cardboard displays and corrugated cardboard boxes, which led to the strategic decision to manage these materials through a Sustainable Paper Supply Policy, in force since 2014.

The spirit of the Policy is to establish supply chain control mechanisms and, in this way, to promote appropriate forest management practices, avoiding deforestation and its effects on climate change.

In 2018 we managed to reach a level of compliance of 93% of the policy, once again exceeding expected results.



The Policy poses the challenge of gradually increasing the percentage of raw materials purchased from certified virgin sources or made of recycled fibers for the manufacture of packaging materials, reaching:

- 50% in 2015
- 80% in 2020
- 100% in 2022

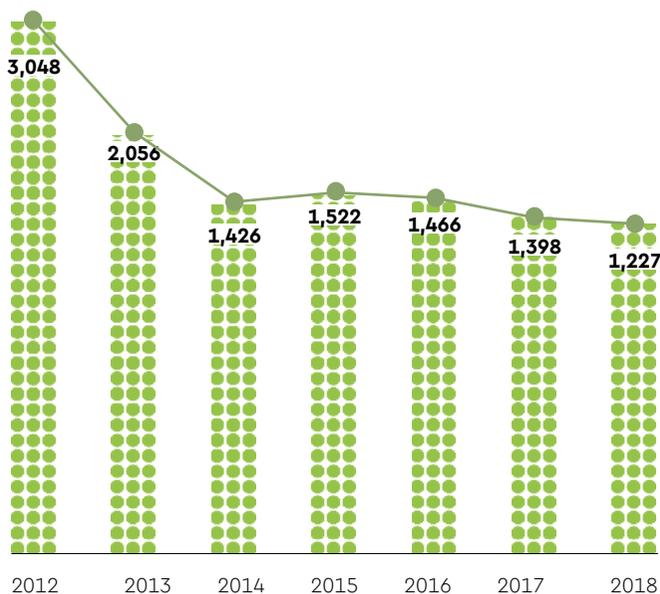


SUSTAINABLE AND FLEXIBLE PACKAGING

Within this priority line, we have developed several initiatives that allow the use of increasingly sustainable materials.

One of them is the replacement of PVC in the wrapping of our products - mainly candies, lollipops and chocolates - whenever possible to find an alternative material with the same functionalities. Since 2012, we have reduced the consumption of PVC by more than half, to the extent that, it currently represents less than 6% of the total of the plastics we use. Undoubtedly, we will continue working on reducing even further the use of this material to the point of not choosing it more as a packaging option.

CONSUMO DE PVC EN GRUPO ARCOR (TN)



On the other hand, we are exploring the possibility of using bioplastics in our packaging. This is how we managed to incorporate technology for the use of polylactic acid (PLA), produced from corn derivatives, to create *Politwist*. This material characterizes by having excellent wrapping properties and it is currently being implemented in high-productivity lines.





BUTTER TOFFEES, 60% COMPOSTABLE

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

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

The implementation process took 12 months and 18 industrial trials. The whole line was validated, together with all the Butter Toffees designs with its associated variables: micron testing, torsion, friction

coefficient, quality and production indicators. We managed to implement *Politwist* in the entire Butter Toffees wrapping line.

Undoubtedly, this progress made encourages us to continue working on the application of sustainable packaging for all products of the Confectionery Business.



5.3. PACKAGING BUSINESS

2018 was a year in which Packaging Business strengthened as a business. We expanded the division's scope with the incorporation of Papel Misionero, a virgin fiber paper factory, and the sack *kraft* paper bag factory in the province of San Luis in Argentina. We have 23,000 ha of pine forests managed in accordance with the Programme for the Endorsement of Forest Certification (PEFC) certification standard for forest management. Of this land extension, 7,000 ha are destined to the manufacture of virgin fiber paper at Papel Misionero plant and the rest, are protected native forests considered high conservation value areas. Arcor also has a boiler to generate biomass electricity.

These new businesses allow us to expand our products offer to the market with the possibility of even generating synergies among these products to innovate and expand that portfolio even more.

The main management milestones related to their chain of custody certification are: Cartocor certified 4 new sites according to the PEFC standard, and organized all the chains of custody of Zucamor and Papel Misionero plants, through which Arcor confirms its position and commitment to supply sustainable management.

“ The incorporation of the Zucamor Group companies raised the need to rethink the commitments that, as a business, we assumed with sustainable development. We started an interesting process, with the collaboration of both internal and external referents, to determine a new approach that considers the division's priority issues in terms of sustainability. These new challenging goals will guide and empower the daily actions of all our collaborators to promote to a greater extent the thrust of sustainable management in Cartocor, being circularity one of its main strategic focuses. ”

Fabián Vinderola, Sustainability Manager – Packaging Division



The following initiatives are highlighted from the 2018 Sustainability Business Plan of the business:

Material Reduction

- *Hotmelt* in toilet soap
- Elimination of container boxes for Aguila Pouch and Hamlet cases achieved by the POP division
- Inclusion of the new stretch film wrapper that eliminates cardboard protections (caps) to send products to all customers of Cartocor Chile
- Reduction of the use of kraft paper for the development of low grammage paper (90 gr / m²) for target customers such as the oil, food and refrigeration markets
- Optimization of cardboard combinations to improve productivity in corrugators

Material Replacement

- Replacement of Hardboard (commercially known as Chapadur) by cardboard plates, aimed at the beverages (water, soft drinks, etc.) and food business
- Use of lower melting temperature materials in clamps to increase productivity in packaging lines de envasado

Material Recycling

- Arcor is trying its best to strengthen Circular Economy
- In the case of the Flexibles Business, in the Converflex Luján and Totoral plants, work is being done on the exploitation of the scrap generated in the processes, by separating the polyethylene (PE) and bio-oriented polypropylene (BOPP) at source
- At corrugated cardboard plants, we incorporated recycling cooperatives from different areas in Argentina to increase the supply of cuts





INNOVATION FOR MORE SUSTAINABLE PACKAGING

■ ■ Mixing Arcor Group's Packaging Division's skills with its processes' diversity allows us to create distinctive materials and products to offer in the market. We are constantly trying to promote an innovation process to provide answers and sustainable solutions for the different needs and challenges faced by our customers, such as lengthening the life span of foodstuff, preserving products more effectively or minimizing the impacts on the environment when transporting or using a container. Achieving intrinsically sustainable innovations is a process that we promote, to the point that it has become the main guideline of our daily work schedule".

Diego Gordo, Innovation Manager – Packaging Division



PAMPA DRUM

In 2018 we created Pampa Drum, the first paper fiber drum used for the containment and transfer of liquid products, pastes (semi-liquid) and granulated solids.

Pampa Drum was thought of as an innovative and sustainable option to introduce into the food and agriculture industries, and also for some non-hazardous industrial products such as adhesives. It is unique in its type and can be used to replace drums made of plastics and sheet metal.

The body of this drum is constituted by several layers of virgin fiber paper, which make it highly resistant and it is 100% recyclable since it does not have additives or superficial treatments that deter its recycling.

The construction process allows versatility of formats, being able to respond to the broad market demand. Currently, there are three sizes marketed: 50, 55 and 60 gallons.

It is unique in its kind in the Argentine market, since there is no other product of the kind.





FOUR-CORNER GLUED TRAY FOR FROZEN PRAWNS

A case that deserves to be highlighted was the challenge we assumed in 2018 to offer an innovative solution to the fishing, refrigeration and related industries. We set out to develop a cellulose material that resists water immersion. Although the market uses expanded polystyrene structures, bleached pulp paper and multi-laminated materials with multiple barriers, there was no option like the one we offer.

That is how, during a first stage, we developed a virgin cellulose multi-layer material that has an external polyethylene extrusion which does not use bleached fiber. The structure that we managed to develop has 17% plastic and 83% unbleached virgin fiber, which facilitates its final layout. It is worth mentioning that, for this project, we promoted the development of a strategic supplier. To complete the process, the developed material was used to manufacture a four-corner glued tray used in the frozen prawns' market. The product is now on the market.

We managed to create a cost-effective competitive product that has 17% more of compostable fiber, through which we also generate a lower impact on the environment.

The biggest future challenge in the future is to replace the plastic used by bioplastic with equal performances in terms of water resistance and the possibility of delivering a 100% compostable structure.



30% REDUCTION IN THE USE OF *HOTMELT* EN ENVOLTORIOS DE JABÓN DE TOCADOR

During 2018 we worked with one of our clients on an initiative to reduce the use of *Hotmelt* material in toilet soap wrappers. This material is applied as a sealing structure together with other materials, which include PET glass, ink, adhesive and paper.

stages in the soap wrapping machines, the improvement was implemented for the laminated films of all the *Plusbelle* brand personal toilet soaps.

For every 10 tons of laminated film consumed for soap packaging, we managed to reduce packaging volume by 30%, use 5,709 MJ less energy, generate 518 kg of GHG emissions, and use 1,260 less liters of water for its manufacture.



The aim of the innovation was to improve the lines' productive efficiency and to reduce the total grammage of the packaging structure, thus lowering the use of products derived from fossil fuels. In turn, the 30% decrease in the amount of *Hotmelt* generates a drop in the total grammage of the flexible laminated film and therefore improves the yield per kilogram of the material while reducing the costs for the customer.

With these goals, we worked on a design assessment based on the Packaging Life Cycle using the COMPASS tool. After successfully overcoming different testing



Respect for and Protection of Human and Labor Rights

Chapter 6



RESPECT FOR AND PROTECTION OF HUMAN AND LABOR RIGHTS



6.1. RESPECT FOR HUMAN AND LABOR RIGHTS
in Line with the Highest International Standards.

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6.2. TOWARDS INCLUSION AND DIVERSITY.

PAGE 125

6.3. CARING FOR THE PEOPLE.

PAGE 132

6.4. Close to OUR PEOPLE.

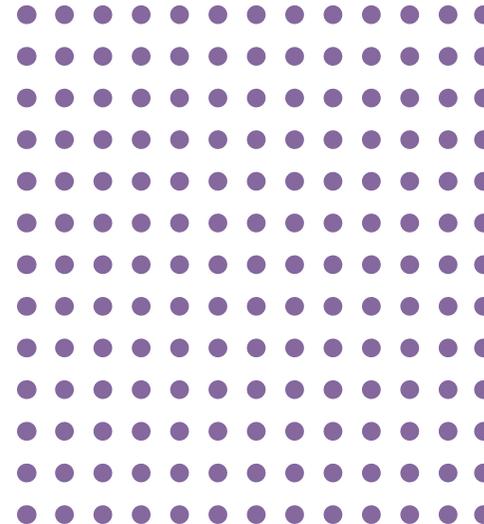
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6.5. Committed to the DEVELOPMENT OF OUR STAFF.

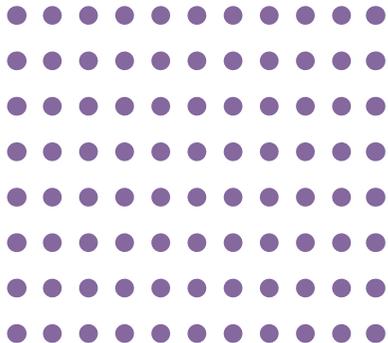
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6.6. Enhancing the SKILLS OF OUR EMPLOYEES.

PAGE 141



9.8% INCREASE IN WOMEN in leadership positions within the industrial area in the last 10 years.



292 PEOPLE WITH DISABILITIES are part of the company's staff.

UN EMPOWERMENT OF WOMEN Principles' Support.

138 employees hired through the **YOUNG ENTREPRENEURS PROGRAM.**

92% OF MANAGEMENT PROMOTIONS covered with Arcor talents.

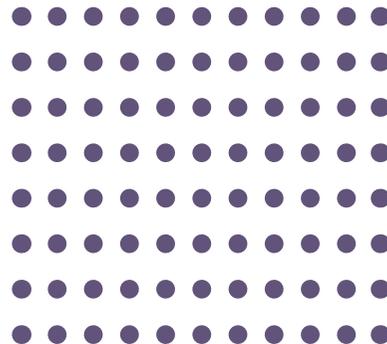
Policy on **COMMITMENT TOWARDS CHILDREN'S RIGHTS** since 2014.

770 YOUNG PEOPLE involved in the Relationship with Technical Schools.

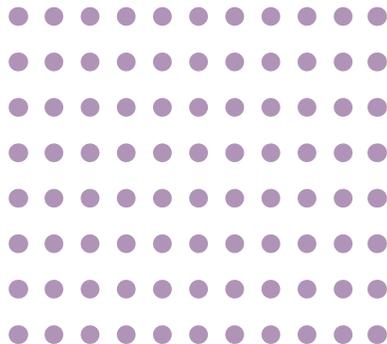


DUE DILIGENCE PROCESSES to diagnose, integrate, monitor and spread actions.

95% RESOLUTION in the 9,345 safety risk situations identified in the plant.



ARCOR UNIVERSITY'S 10TH ANNIVERSARY: 5,883 registered users + 7,583 hours of training.



6.1. RESPECT FOR HUMAN AND LABOR RIGHTS IN LINE WITH THE HIGHEST INTERNATIONAL STANDARDS

Arcor Group works towards enforcing the respect of human and labor rights both in its workplace and in its broader spheres of influence within the value chain.

Being aware of how significant these rights are, Arcor follows the highest standards set by relevant international organizations: the UN Global Compact; the UN Guiding Principles on Business and Human Rights; Children's Rights and Business Principles of the Global Compact, UNICEF and *Save the Children*; the International Labor Organization (ILO) Employer's Guide; ISO 26000 Corporate Social Responsibility Standard; and the Sustainable Development Goals.

Our Sustainability Policy sets forth an explicit commitment to the protection of these rights.

To truly support these rights, we promote various due diligence processes in human rights in order to identify, prevent, and render accounts in relation to the real or potential impacts that we can generate, contribute to or be related with as a company. Therefore, we promote measures and initiatives to protect, respect and remedy



our impact on human rights, seeking to extend the scope of this practice to our entire value chain.



Commitment

In our Sustainability Policy, we assume an explicit commitment to respect and protect human and labor rights. Arcor is committed to:

1 Complying with applicable legislation, ensuring fair working conditions, professional development, career training and equal opportunities, involving our value chain in this commitment.

2 Respecting voluntary union affiliation and recognizing the right to collective bargaining.

3 Contributing to the abolition of all forms of forced labor and child labor.



4 Promoting practices that improve inclusion and diversity within the company's scope of action.

5 Facilitating and supporting actions and projects, which help create equal opportunities during childhood.

Within this commitment, our priority lines of work refer to the rights that are most exposed to receiving negative impacts through our operations and through the links we generate with different actors in our value chain. These lines of work also consider those rights in which we have the greatest potential to promote, generating a positive impact on society. In particular, these lines point at:

- Creating a safe work environment to promote health and safety on our employees;
- Promoting transparent contracting conditions in accordance with the laws in force: registered work, freedom of association, elimination of child labor and forced labor;
- Promoting and supporting work inclusion of people with disabilities and promoting and supporting diversity with a focus on gender equality and intergenerational coexistence; and
- Promoting efficient management of the work environment.

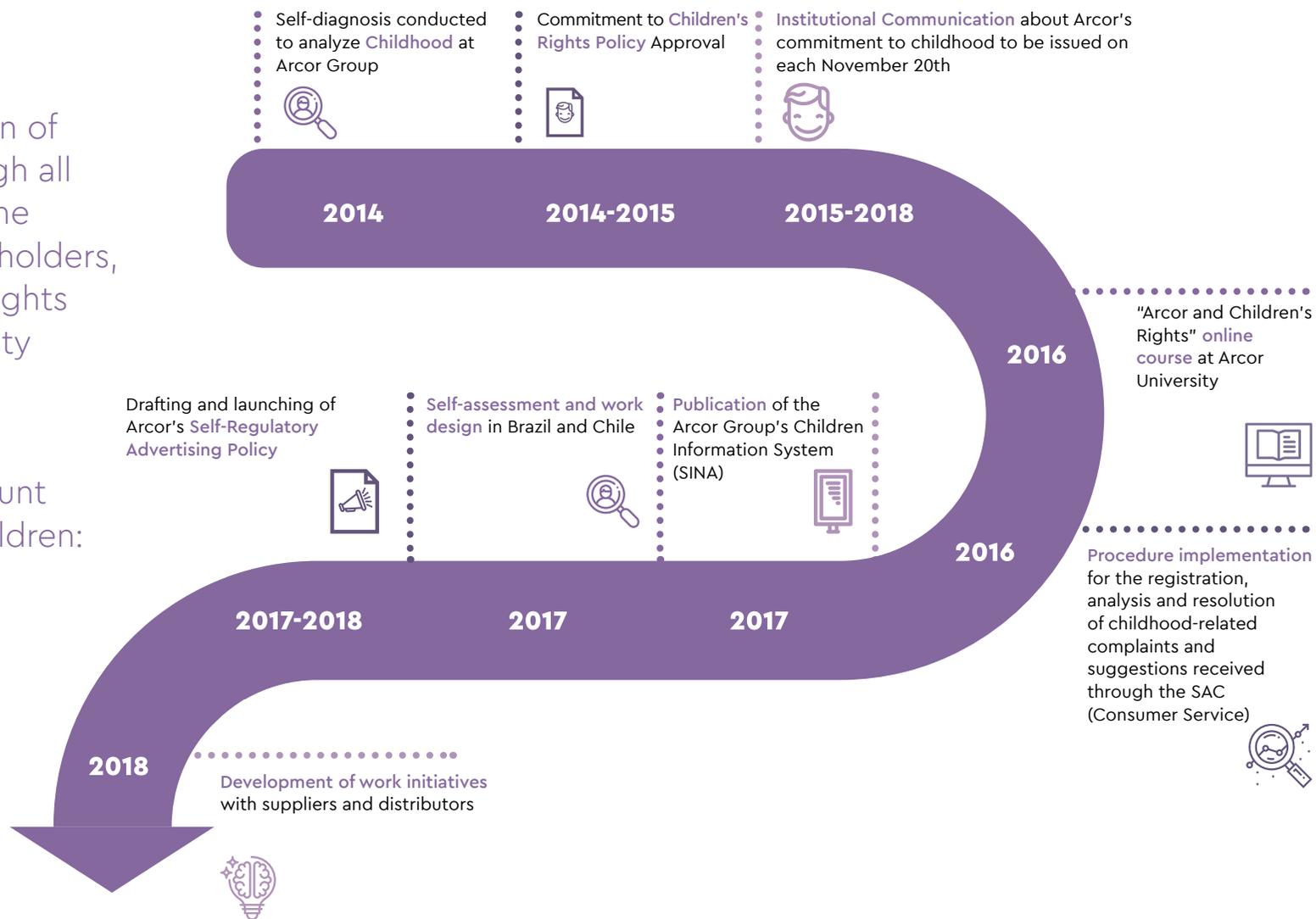




COMMITTED TO A FULFILLING CHILDHOOD

Respect for and promotion of children's rights go through all of our management and the relationship with our stakeholders, which is why Children's Rights are part of our Sustainability Policy and Strategy.

Between 2014 and 2018, the following results account for our commitment to children:



Due-diligence Processes¹ (PdDD)

From the Consumer Service (SAC), we monthly issue reports about inquiries or concerns that may arise in relation to childhood. It is really important for us to support Arcor's commitment to sustainability in order to respect children's rights. Today, the main concerns of consumers are responsible advertising and communication for children. Beyond addressing concerns and complaints, we have also been congratulated for our products, such as the new options for celiac consumers and ads that convey positive messages".

Gisele Castro, Supervisor | Deelo Contact Center & BPO – SAC in Argentina, Chile, Mexico and Uruguay.

These processes involve the diagnosis, integration, monitoring and broadcasting of implemented actions to ensure human and labor rights.

At Arcor, we translate this into action through different processes and tools that complement each other:

→ Sustainability diagnosis (including the impacts on Human Rights) of all initiatives undertaken in the value chain.

Initiative	Participants
Sustainable Agriculture Program: A Survey conducted through our own tool for corn, sugar cane, tomato, peach, corn, and dairy farms producers.	147
Reconocer (Recognize) Program – Sustainability and Business Quality Index for Suppliers	347
Outsourced Suppliers Assessment Procedure (social and environmental audits)	68
Sustainability Good Practices Guideline for Distributors	156
"Crece jugando, por una niñez sin trabajo infantil" (Grow up Playing, for a Childhood without Child Labor) Program's Audits	295



Assessment Matrix to Identify Potential CIR (Responsible Inclusive Purchases) Suppliers	8
Procedure to Control Outsourced Companies	1,500
Procedure to Control Outsourced Companies' Collaborators	7,000
Procedure to Control Transport Suppliers	300
Procedure to Control Transport Suppliers' Drivers	3,000

- Sustainability Risks and Opportunities Matrix applied by each business to outline its annual Operational Plans and decision making.
- 10 indicators to measure performance and trends of our management in human and labor rights within the Sustainability Scorecard.
- Management of community impacts and incorporation of this perspective in each of our operating bases.
- Sustainability training sessions throughout the entire value chain.

¹ Comprehensive and proactive process to identify the real and potential negative social, environmental and economic impacts of the decisions and activities of an organization throughout the entire life cycle of a project or an activity of the organization, with the aim of avoiding and mitigating these negative impacts (ISO 26000, 2010).

Complaint Mechanisms

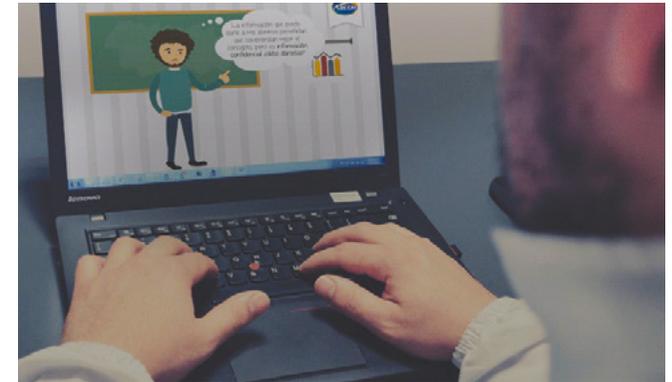
These mechanisms must be legitimate, accessible, predictable and equitable to ensure transparency, respect for internationally recognized human rights, for participation and dialogue with stakeholders, in addition to continuous learning.

That is why Arcor has:

The Consumer Service (SAC).

Open and continuous communication channels with communities.

The Ethics Line to make confidential and anonymous report available to our employees, suppliers and customers.



ARCOR OFFERED TRAINING IN SUSTAINABILITY AND HUMAN RIGHTS FOR THOSE WHO CARE FOR OUR PREMISES (PREVENTION):

93% of our 465 security guards from all plants in Argentina, Brazil and Chile were trained in sustainability, human rights and children's rights.



APPLICATION OF THE CODE OF ETHICS AND CONDUCT (PDDD + MDR):

Arcor's Code of Ethics and Conduct guides us in human rights protection matters. During 2018, our Ethics and Conduct Committee met 14 times with the purpose of analyzing and resolving potential non-compliance situations. 79 cases were received (29 queries and 50 complaints). We have not received any complaint or conflict related to Children's Rights.



FOR A CHILDHOOD WITHOUT CHILD LABOR (PDDD + MDR):

For the last 12 years, Arcor has been committed to the abolition of child labor in the fruit and vegetable supply chain in Mendoza, Río Negro and San Juan through the implementation of the "Crecer jugando, por una niñez sin trabajo infantil" (Grow up Playing, for a Childhood without Child Labor) program. We have promoted 25 Child Development Centers (CDI, as per its initials in Spanish) with extended hours for the care of more than 400 children of harvesters during the harvesting season; we have equipped 32 CDI with game kits to promote children's active life; we have entered into agreements and work alliances with municipal governments and civil society organizations; we have conducted 295 visits to a total of 65 producers for the early detection of social, environmental and occupational risks; and we have signed child labor free contracts, a step further towards its abolition.



PROTECTION OF HUMAN AND LABOR RIGHTS IN THE VALUE CHAIN (PDDD):

In order to ensure compliance with human and labor rights, 10,486 suppliers signed the Letter of Adherence to the Guiding Principles for Responsible Management, a guide of values related to the ten principles of the United Nations Global Compact, the international labor regulations set forth by the International Labor Organization (ILO) and the best business practices.



COMMUNITY IMPACT MANAGEMENT (PDDD):

In order to recognize the impacts of the company-community relations and to strategically manage risks and opportunities, we developed perception studies in communities, opening and enabling communication channels. We thus form impact matrices as part of our comprehensive process to respect and protect human rights in all the communities where we operate.



6.2. TOWARDS INCLUSION AND DIVERSITY

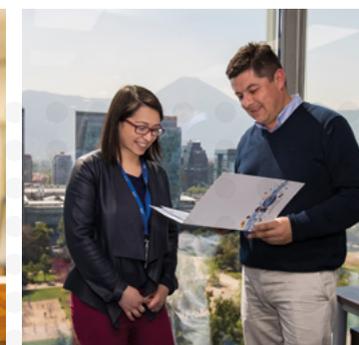
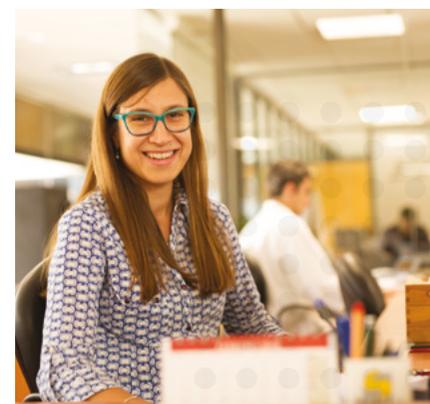
With 21,000 employees in different parts of the world, Arcor Group is one of the main industrial employers in Latin America.

WORK TEAM*	2018**		2017	
	Men	Women	Total	Total
Total	15,868	4,887	20,755	19,916
By Country				
Argentina	10,772	2,401	13,173	12,700
Brazil	2,504	1,636	4,140	3,890
Chile	1,534	195	1,729	1,684
Peru	256	74	330	322
Mexico	607	429	1,036	1,001
Rest of the World	195	152	347	319
By Category				
Director	6	3	9	11
Manager	378	52	430	423
Head	649	207	856	803
Analyst/Supervisor	2,114	954	3,068	2,887
Assistant/Worker	12,725	3,682	16,407	15,794
Staff under Collective Bargaining Agreement (%)	79,8%	68,2%	77,7%	78,7%

* The table includes: own employees, seasonal and temporary employees, and Arcor SAIC's Board of Directors as of 12/31/2018.

** The table includes staff from ZUCAMOR.

Arcor Group makes diversity and inclusion top-priority values of its Corporate Identity and Sustainability Strategy. Accordingly, the Company carries out projects throughout its value chain.



Gender Equality Project



With the aim of addressing the issue both systematically and strategically, in 2012 we developed the Gender Equality Project.

For this initiative we continuously work on three lines of action: income flow, to increase the number of women to join the company, especially at professional levels, ensuring that in each job search there is at least one female candidate; awareness and communication, through actions and campaigns that promote gender equality among our collaborators; and work-life balance, where we work to improve maternity protection based on specific programs and benefits.

BENEFITS TO SUPPORT MATERNITY AND 2018 RESULTS:

615 mothers with children under 6 **received financial aid**

170 children participated in summer camps

325 birth gifts

6,350 school kits distributed

Soft landing (reduced workday for maternity reasons) up to the year of the child's life

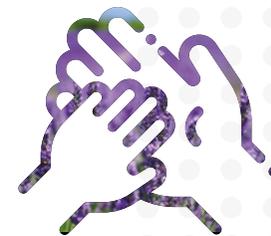
Program for the Protection of Pregnant Women at Work: 72.55% participation

Breastfeeding facilities in the bases of Maipú and Salto in Buenos Aires, Argentina and Mundo Dulce in Toluca, Mexico

Deepening our commitment to gender equality, in 2017 Arcor Group adhered to the Women's Empowerment Principles (WEP). We are currently carrying out a diagnosis and analysis of Arcor's situation based on the tool that these principles offer, in order to implement action plans aligned with the WEP throughout 2019.

LEADING WOMEN IN OUR OPERATIONS

In the last 10 years, the number of leading positions filled by women within the industrial area at Arcor increased by 9.8%. Currently, there are 157 women who assume leading positions in our operations.





“ In general terms, the industry has evolved regarding the access of women to certain positions that were traditionally filled by men. It is undeniable the fact that women have reached leading or top positions. I started working at Arcor in 2012 in the Quality Management area. Some years later, I was offered the possibility of working in Production, and I accepted happily.

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

The possibility that the company gave me and still gives to coexist with my two roles is really important. I am so proud to be part of this company and to make contributions from my place.

It is a great responsibility to lead the Production area, guide the team, strengthen ourselves with new challenges, create value with the changes the market demands in such an unpredictable context, always

trying to make the right decisions in order to become a more efficient team.

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

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



“

I have been part of Arcor's family for 16 years. My first steps were back in 2002 as an intern at the San Rafael Plant, Mendoza, my hometown.

My university career ended and my path as Quality Analyst began. In 2007 I had the opportunity to move to the Villa Mercedes plant in the neighboring province of San Luis. Without realizing it, I was there 10 years filling different positions and assuming more and more responsibilities within the Quality area.

2017 surprised me with a new challenge and a new transfer proposal. It meant returning to my native Mendoza, this time to San Martín, and filling the position of Plant Manager.

In the different positions in which I worked, the main challenges were focused on team-building, processes, and medium and long-term goals. Although sometimes being a female leader within an industrial area meant

an extra effort to demonstrate ability, I have navigated the cruise of my professional career very naturally. I never felt that my development possibilities were limited due to my gender. And this is, by far, thanks to the encouragement and support that I have always received from Arcor.

”

Miriam Casas, Plant Manager La Campagnola San Martín (Mendoza – Argentina)





“

I joined Arcor in 2003 as a Logistics Analyst at the Arroyito Complex. I had to move from Córdoba Capital, which was quite an experience, but I quickly integrated my team of colleagues.

area. I remember the moment with a lot of emotion. In every decision about my career, it was very important to have the support of my husband and my family. For me, it is necessary to be calm in relation to the care of our children to bet on our professional development.

My first challenge was 3 years after I entered. I had the opportunity to participate in a project in Buenos Aires, so I traveled weekly for 6 months. I assumed a senior role and I always showed interest in taking on new challenges and working in teams.

Women are recognized in the places where they work. It is important to develop a strong personality, security in what we do and the confidence to achieve our goals.

”

My second and great challenge was balancing work and motherhood. At the time, my boss supported me to be able to achieve it. When I returned from my maternity leave, I felt the need to generate a change, to bet on my professional career. The key was knowing what I wanted to do and where!

Carolina Coll, Divisional Planning Manager of Plant Lía (Córdoba – Argentina)

In 2014 I was offered the possibility of being Planning Head within the Bagley Business. I was in charge of a great team, which helped me to become a boss and from which I learned so much. Shortly afterwards, I was proposed position of Planning Manager of the



Work Inclusion

292 people with disabilities are part of the company's staff.

17 people with disabilities are integrated in the value chain.

This project began in 2012 aimed at promoting the Work Inclusion Project for People with Disabilities in order to make progress culture diversity and provide equal opportunities.

Throughout these years, we surveyed the positions and accessibility conditions of all our bases, and developed local recruitment sources.

We also promoted awareness with in-house training and recruited people with disabilities providing follow-up and support. To consolidate this initiative, Arcor Group has a "Management Toolkit", jointly developed with relevant social organizations, aiming to ensure successful employee onboarding

During 2018, we partnered with 5 new suppliers that are experts in the recruitment and selection of people with disabilities. In this way, we generated service

agreements that will collaborate with the different businesses of the group in 2019 to cover the vacancies that are generated throughout the year.

STAFF WITH DISABILITIES²

COUNTRY	WOMEN	MEN	TOTAL
Argentina	24	69	93
Brazil	89	102	191
Chile	3	4	7
Mexico	0	1	1
TOTAL	116	176	292



²The table above shows the number of people with disabilities who are part of Arcor Group's staff as of 31/12/2018, including all types of employment contracts. Throughout the year, taking into account contract terminations, seasonality and turnover, 388 people with disabilities were part of the Company's staff.

Foro de empresas
IBEROAMÉRICA INCLUYE
ARGENTINA 2018 
 Por la inclusión de personas con discapacidad

6 y 7 de diciembre de 2018
 Sheraton Buenos Aires Hotel y Convention Center,
 Park Tower Hotel Buenos Aires.

FORO IBEROAMÉRICA INCLUYE ARGENTINA 2018 (2018 IBERO-AMERICAN FORUM INCLUDES ARGENTINA)

We participated in the Ibero-American Forum for the hiring of people with disabilities.

The event was organized by the National Ministry of Production and Labor of Argentina, together with the Ibero-American Social Security Organization (OISS) and with the support of the Spanish Cooperation.

Its objective was to exchange experiences and good practices in the hiring of people with disabilities. We presented our inclusion program and the progress made over the years.

Intergenerational Coexistence Project

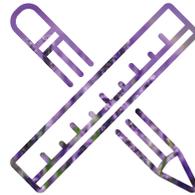


We are 21 thousand collaborators where both Baby Boomers and Millennials are part of our work teams. We care about understanding the needs that each generation has to live up to their expectations.

Therefore, Arcor conducted a research with aim of understanding what are the work motivators of Generation Y, which represents 36% of our staff. 160 employees from 8 operating bases in Argentina participated.

The Intergenerational Coexistence Project focused on two age segments: 18–25 years and 26–35 years of age. The objectives of the study were to investigate the role of work and how work and non-work motivators affect this generation, to understand how these motivators are related to the goals set by Arcor Group's Comprehensive Management System (SGI), and to analyze the impact of intergenerational coexistence on motivation and engagement with the Company.

Strengthening Technical Education



Ensuring the availability of skilled technical resources, contributing to training processes and increasing educational quality are the goals that we set ourselves for the Relationship with Technical Schools Program.

Through this initiative, which we implement every year, we collaborate with the training of teachers and students, promote internships and donate equipment. In addition, Arcor Group participated in different public-private sector articulation initiatives, contributing to the improvement of educational contents and methodologies

2018 RESULTS:

178 internships involving high-school students from 19 schools in Argentina and Chile

758 young students, 62 teachers and 31 schools were trained

Internship Program



This internship program aims to hire students currently enrolled in their final years of engineering, logistics, accountancy, business administration, marketing, human resources, law, social communication, health and safety studies, among others, with a view to link their vocational interests to job prospects through a first experience in the labor market.

2018 RESULTS

168 interns:
166 college students and 2 tertiary education students

71 interns hired

6.3. CARING FOR THE PEOPLE



Caring for the working and employment conditions of our employees is a priority. Therefore, we promote several initiatives so that those who work at Arcor can develop their activities in a safe and healthy workplace.

Working and Employment Conditions

To ensure that the work safely, every three years we conduct a risk analysis of job positions and, in the case of the Plants of the Packaging Division, of processes.

This allows us to identify situations of greater risk and be able to direct the necessary resources to reduce them.

Due to the type of industry and activities we promote, our work focuses on promoting and investing in ergonomic improvements and equipment protection to prevent accidents.

During 2018, we automated manual processes and adapted old equipment following the concept of physical protections with electronic controls. This type of solution requires

significant investments, but provides a much higher level of safety. With this technology, we adapted all the biscuit packers at Bagley, Villa Mercedes. In Brazil, we adapted the main chewing gum lines in the preparation stages of the dough and the cutting and extrusion systems. In agreement with the company 3M, which provides boxes' closing equipment, we also adapted the equipment to comply with the highest safety standard. The investment of this improvement raised to US \$ 350,000.

Promoting a Healthy Workplace

Every year we monitor the conditions in which our collaborators work by measuring levels of noise, heat, lighting conditions and the possible exposure to harmful substances.

Based on a sustained investment plan, in 2018 we made improvements in:



Ergonomics

The climate control of environments with high temperatures, such as baking areas in the manufacture of biscuits in Argentina and Brazil.

The installation of filters to retain suspended dust in the coating and the marshmallows lines at the Bicentenario plant in Chile.

Corn downloading process at the Lules plant in Tucumán.

The preparation of ammonium bicarbonate at Bagley, Villa del Totoral.

The incorporation of LED technology at Salto, Cartocor Villa del Totoral plants, Campinas warehouses and the Distribution Center in Uruguay.

Many of our processes require manual work that is why since 2012 we have been developing an Ergonomics Program.

Through this initiative, we relieve all situations that represent important physical efforts to our employees. Starting from their identification, depending on the case and the seriousness, we move forward towards eliminating those tasks, facilitating them or mitigating their effects.

In most of our businesses, we started with ergonomic improvements through the use of electrical equipment for the transport of pallets, the automation of the packaging processes and the lowering of pallets' height to avoid extra efforts. For example, at the Lules plant in Tucumán, the process of making caramel-coated peanuts involved many manual efforts that were replaced by using pneumatic systems that replaced critical tasks.

In Brazil, we incorporated technology to the manufacture of chewing gum that eliminated many manual tasks in the dough preparation, both in the loading of the mixers and the transport of the dough.

All these efforts have resulted in a significant decrease in accidents and occupational diseases and medical consultations for acute cases related to ergonomic matters.



BAGLEY: A SUCCESSFUL CASE OF ERGONOMIC MANAGEMENT

Since many of our processes involve manual work, the Bagley Business focused ergonomics management. By automating many manual tasks in the products' packaging and palletizing, mainly in the Salto and Villa Mercedes plants, and systematically studying the activities at the workplace, we were able to solve the vast majority of risks and significantly reduce the exposure of our collaborators to efforts that may affect their health.

This is a summary of the main improvements implemented:

Use of electrical equipment for the transport of pallets and doughs

Thrust systems in the mixers for dough containers removal

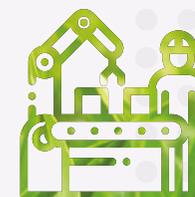
Vacuum systems for bag handling

Job height adjustments based on anthropometric studies

Thus, Bagley managed to reduce risks in 189 job positions, most of them in the plants of Córdoba, Totoral and Salto, where less than 10% of the positions present some ergonomic risk.

PROGRESS IN POSITIONS WITH ERGONOMIC RISK

	2012	2018
Salto	118	32
Córdoba	84	12
Villa Mercedes	126	107
Totoral	17	5



Preventive Health Management



During 2018, we developed several initiatives that contributed to achieving the following results:

- 11 nurses who attended the Postgraduate Diploma in Occupational Health at the Universidad Nacional de Córdoba (National University of Córdoba);
- 20 medical doctors that participated in 36 hours of training at the annual Occupational Health Meeting;
- 6,441 employees who were vaccinated against the seasonal flu and 1,805 who received one dose of tetanus vaccine within the Immunization Program; and
- 20,244 employees who received medical care.

Collaborative Work Environment

As an added value that allows us to strengthen our safety culture, we define most of the actions that are applied to improve safety along with the people who are exposed to those risks. In order to do it, we apply the Comprehensive Management System (SGI), through which people can detect risk situations and suggest the most suitable improvements.

Thus, during 2018, 9,345 risk situations were identified by the operators in the plant, 95% of which were resolved.

JOINT HEALTH AND SAFETY COMMITTEES

In addition to the already consolidated experiences of the Joint Safety and Health Committees in Brazil (CIPA) and Mexico, last year we made progress in the creation of these Committees in Argentina, with the experience of the San Pedro plant. In total, there are 6 plants of the group where these committees work, and involve a total of 110 people.

Occupational Safety Rates

Based on all the actions developed, we have maintained a steady decrease in the number of accidents at our Plants. We are happy to report that, during 2018, there were no fatalities neither in the plant nor due to accidents during transport.

TOTAL FREQUENCY RATE (TFR) IT MEASURES THE TOTAL NUMBER OF ACCIDENTS FOR EVERY ONE MILLION MAN-HOURS WORKED.

2014	2015	2016	2017	2018
15.0	11.7	10.5	7.3	7.4

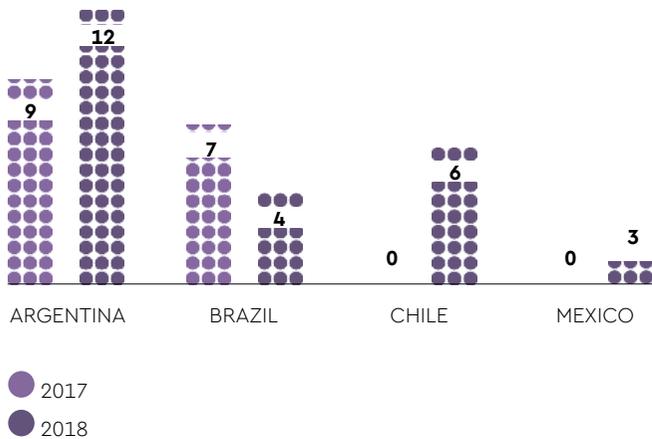
DISABLING FREQUENCY RATE (DFR) (NUMBER OF ACCIDENTS)³

2014	2015	2016	2017	2018
549	417	368	259	257

TOTAL CONTRACTOR ACCIDENTS

TOTAL CONTRACTOR ACCIDENTS AT ARCOR PLANTS

³ As of 2017, we began the process of gathering information on accidents that occurred with personnel from contracted companies that operate within the Arcor facilities. There was an increase in 2018 without serious accidents having occurred.



TOTAL 2017
16

TOTAL 2018
23

SAFETY AS A VALUE

The protection of people also requires raising awareness of the importance of promoting safe behavior at work.

For this reason, behavioral change programs have been developed seeking to transform safety into an essential value.

The *Programa Compromiso* (Commitment) is structured in phases that go along with the growth of people towards this goal. Since 2015, it has been applied through the *Programa Cambiar para Crecer* (Change to Grow Program) in our Packaging Division with the help of Dupont, a leader in this area.

During 2018, these programs continued to consolidate the safety culture as a natural way of working and to keep accident reduction results.



6.4. CLOSE TO OUR PEOPLE



Currently, organizational, technological and social changes occur so fast that it is essential that companies actively identify these changes so as to be able to manage them in a correct and concrete way.

At Arcor Group we decided to adopt and promote a close leadership. For this reason, we implemented:



WORK ENVIRONMENT ACTION PLANS:

Every three years we implement the *Encuesta de Clima Organizacional* (Work Environment Survey). The last one was carried out in 2016 and had a 97% of participation. During the years in which the survey is not conducted, we promote Work Environment Action Plans to respond to the needs and expectations of our employees, to promote listening and dialogue. During 2018, we continued with the execution of those plans, we worked on initiatives related to working and development processes, rewards, leadership and



institutional issues such as communication, ethical principles and the sustainable management of the group.



BUSINESS PULSE SURVEYS:

A pulse survey is one of the main sources of information get ready for the next work environment survey. Its goal is to know the opinion of a representative of a group of collaborators to assess whether the improvement plans made in response to the latest survey generated a positive impact on the lives of employees.



INTERNAL COMMUNICATION EVENTS:

in each of our plants we develop these meetings with the aim of highlighting suggestions, encouraging communication and integration of our teams, reporting on measures taken and monitoring the participants' perception of progress in the planned initiatives.

6.5. COMMITTED TO THE DEVELOPMENT OF OUR STAFF

A Campaign that Offers Opportunities

In 2018, through transparent and reliable selection processes, we received more than 482,000 CVs, which confirms our potential to consolidate as a company that offers opportunities for professional growth.

We are attracted by talent. That is why we are constantly looking for ways to offer development opportunities, both to our current employees and to those who in the future may become part of our company.



HOW DO WE DO IT?

LINK-UP PLAN WITH RELEVANT UNIVERSITIES

- **72 meetings** with national and international universities, congresses, job fairs, visits to the company's plants, and institutional presentations
- **Communication** of the Arcor Group's value proposal to potential candidates and relationship building in different markets
- **113** university and post-secondary education **agreements.**

YOUNG ENTREPRENEURS PROGRAM

Every year Arcor Group hires high-potential young candidates to work in the areas of Marketing, Trade Marketing, Administration and Production, Maintenance and Logistics. 19 young people joined the Program in 2018, which represents more a total of **138 new hires since the program's inception.**

JOB MANAGEMENT OPTIMIZATION

A multidisciplinary teamwork, with members of all the group's businesses, was created to promote **proposals and initiatives that contribute to improving and optimizing** next year's job management. It focused on detecting improvement opportunities, analyzing new technologies used in the market for recruitment processes and enhancing our brand.

Performance management



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



14 businesses and functional areas have set **divisional goals related to sustainability**.



3.208 employees subject to divisional sustainability goals (73.7% coverage rate).



811 employees set specific sustainability goals (92.2% coverage rate).

Not only we carry out evaluations to measure our performance, but also – and mainly – to detect opportunities that allow us to improve as a company and offer our collaborators the possibility of improving together.

For employees outside collective bargaining agreements, the main tool is the SGD (Performance Management System), through which the employee's performance is planned and evaluated each year according to: the primary responsibilities of his or her position, defined targets (both at the individual and business level), competencies set by the Company, and compliance with agreed development plans. In the SGD, since 2010, the sustainability dimension has been incorporated in its various phases.

This year, our Systems team worked together with *Wormhole* -a company that creates technological solutions that boost human development- functional and user-friendly improvements of a new tool to manage the SGD. This change and technology update also prompted the revision of the processes to adapt them to the performance and leadership management needs currently demanded by Arcor Group. This is how we incorporate, in addition to the self-assessment, the 360 ° assessment, which provides a comprehensive view that involves the direct manager and the reviewer, the views of peers and internal clients.

Our Human Capital

STRATEGIC RESOURCE PLANNING (PRE AS PER ITS INITIALS IN SPANISH)

92% of promotions to management level at Arcor are covered by employees as part of the PRE Program, a biannual plan that seeks to ensure the creation, development and retention of the Company's pool of talent. We are talent hunters and we value and reward it.

In 2018, we landed at the seventh planning cycle. During this period, the implementation of a new digital platform allowed us to promote a more agile process, which enriched the discussions in management meetings and contributed to the improvement of a key process for the definition of replacement staff list and future development actions.



BIA Program: Arcor's Internal Job Postings

EMERGING LEADERSHIP PROGRAM

The kickoff was a survey carried out with the company's top management. From that moment, our HR team and the selected participants themselves defined the development focuses and the methodology to be used for the implementation of a new program that would deepen in the upsurge of leadership within the company.

It was a progressive but continuous process. In addition to attending face-to-face workshops to be observant to emotions, the body and concepts through direct experience, individual coaching sessions were included for four months, and a group coaching in which participated the direct heads of the leaders.

The results collected exceeded expectations: 87% of the participants and managers responded that the program allowed "an internal change and towards the team".



CONCEPTUAL AXES OF THE PROGRAM:

Inspiring Leaders: Act and manage in a coherent way.

Developing Leaders: Lead from the potential of their team and work environment perspective.

Leaders with Systemic Vision: Manage from the awareness of interconnectivity.

Brinda a nuestros colaboradores oportunidades para alcanzar nuevos desafíos en tanto otorga la posibilidad a la compañía de identificar los perfiles más adecuados para cubrir ciertas posiciones.

ARGENTINA

120 job Postings
284 applications Received
38% positions Filled



BRAZIL

69 job Postings
58 applications Received
36% positions Filled



CHILE

3 job Job Postings
5 applications Received
33% positions Filled



6.6. ENHANCING THE SKILLS OF OUR EMPLOYEES



Updating, having new tools and being trained are Arcor's premises to enhance the skills of our employees and the sustainable growth of Arcor Group.

Arcor developed training programs that respond to the needs of each business, plant or country.



Training Indicators (*)	2018		2017	
	Men	Women	Total	Total
Total Training Hours/Person	254,876	85,718	340,594	385,751
Average Training Hours	17.96	18.9	18.19	20.3
Managers	12.41	13.8	12.59	29.1
Heads	18.47	25.2	20.14	36.4
Analysts/Supervisors	21.47	21.6	21.51	27.0
Administratives/Workers	17.54	18.0	17.65	18.0
Training Coverage Rate	92.9%	95.6%	93.6%	92%

(*) 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.

Universidad Arcor (Arcor University) 10th Anniversary

5.883
registered users

7.583
training
hours

16
in-house
courses

11
new online
courses

The Arcor University was born as a cultural and training platform to strengthen and develop the company's staff. Today this strategic venture is 10 years old.

In the courses, our training is focused on those behaviors that we consider valid and the knowledge that we are interested in transmitting, for example: how to negotiate, how to lead, or how to work as a team from a diversity perspective.

The changes of the market and the needs of the businesses were followed by the University. For example, the Management School led to the creation of Specialized Technical Schools through which the internal technical knowledge of the company is systematized. Among them, there are Quality, Environment, Hygiene and Industrial Protection (MAHPI, as per its initials in Spanish), Development, Procurement, Marketing, Vendedor del Futuro (Seller of the Future) Program and, coming soon, the Human Resources School.

“ When I started as Marketing Manager of the Confectionery Division, I took part in the Innovation course at Arcor University. As a result, a very interesting dynamic emerged which we used with the team for several years: ‘Innovation Fridays’. Several new products emerged from this initiative that later came to light, as well as some improvements in internal processes or communication concepts.”

Mariano Tamborini, New Agribusiness Business Manager.



Along these 10 years, Arcor University helped develop our current Arcor Competency Model, helped to promote a virtual learning format and, above all, developed the company's culture. Today the University is a recognized brand and a quality seal.

“ One of the great milestones was the Leadership and Skills Development Program that accompanied Arcor's evolution in the concept of what a leader is today. The challenge was to move from a model of hierarchical leadership and technical knowledge to a leadership link where the leaders are facilitators of the development of their teams. In fact, that is one of my dreams: that leaders are measured -in addition to their performance with business numbers- for their ability to inspire collaborators.”

Belén Vallone, Corporate Manager of Planning and Development of HR.

We celebrate our tenth anniversary with the launch of a digital platform. We seek to develop a digital culture according to the demand of the VICA context (versatile, uncertain, changing and ambiguous), where the collaborators have to master, in addition to business competences, tools and digital competences that allow to read, interpret and act fast and assertively in increasingly competitive markets and with increasingly informed and demanding consumers.

To this end, the new platform facilitates through virtual classrooms and forums the interaction of the student with the contents available in *e-learning*s and among collaborators.

In addition to being more user-friendly through easy navigation and content search by Training Schools, it allows access from different devices, share information and participate actively in synchronic virtual classrooms.

Also, we launched the “Learning Pills” which are online modules that can be done in less than 30 minutes about negotiation tips, time management, collaborative work.



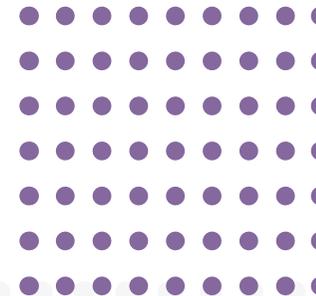


We bet that the different formats and channels complement and enrich each other. Currently, we are working on "10 self-development tools" to help people become the engine of their own growth and transformation.

2018 HIGHLIGHTED TRAINING PROGRAMS

AGILE METHODOLOGIES AND INNOVATION:

Creativity, Innovation and Change.

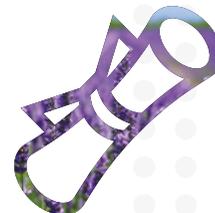


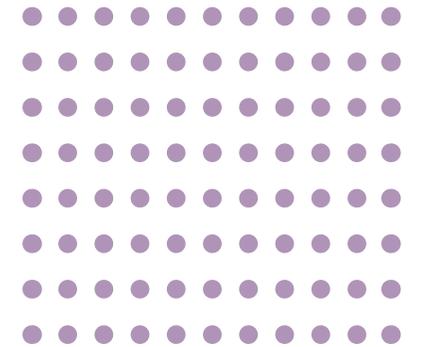
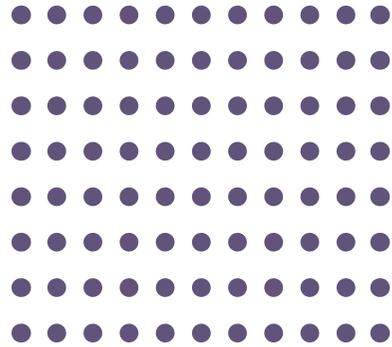
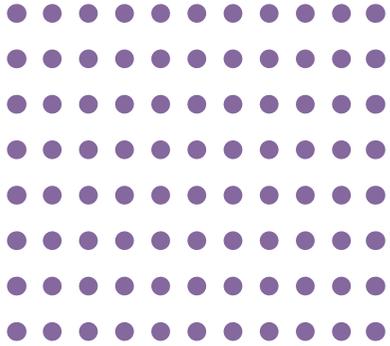
PROGRAMS

focused on the advantages generated through diversity.

TRAINING OF TECHNICAL SKILLS:

Quality, Development, Supply Chain, Human Resources and Marketing Schools.





Active Life and Healthy Nutrition

Chapter 7

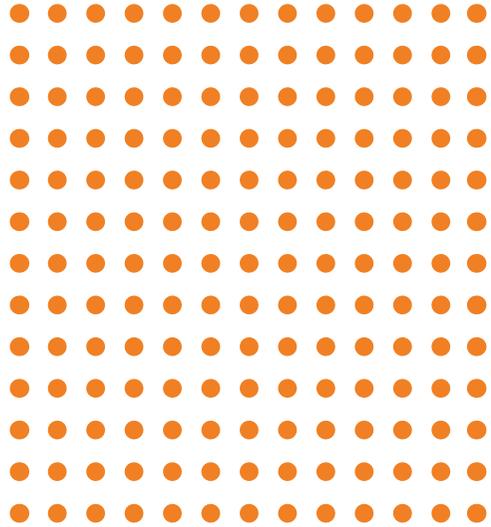


ACTIVE LIFE AND HEALTHY NUTRITION



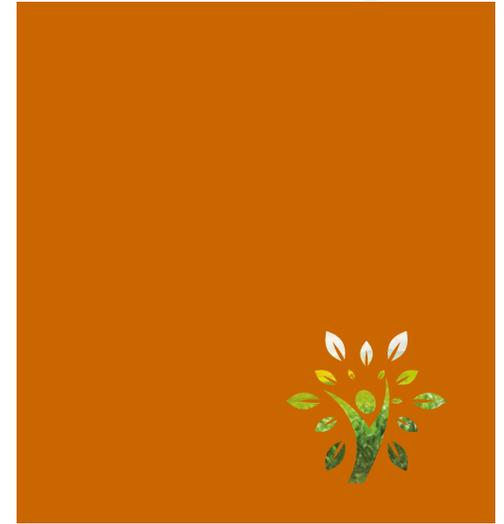
7.1. COMMITMENT to Active Life and Healthy Nutrition.

PAGE 149



7.2. A GROUNDBREAKING STRATEGY.

PAGE 150

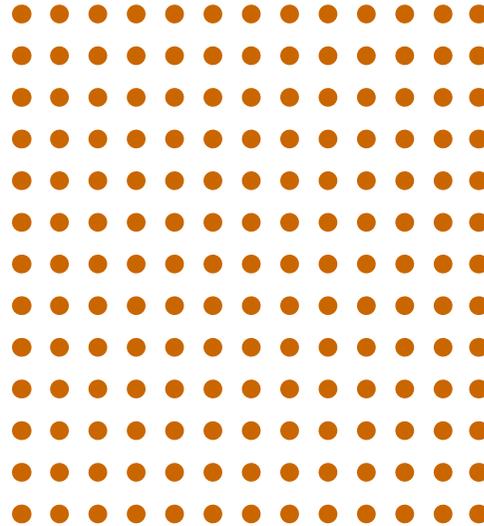


7.3. PARTNERSHIPS and Training.

PAGE 151

7.4. Product PORTFOLIO.

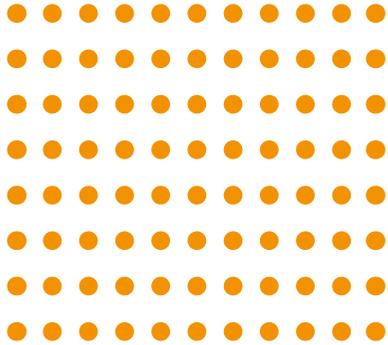
PAGE 158



7.5. COMMUNICATION AND PROMOTION.

PAGE 172

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



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

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

NATURAL BREAK dried fruit bar.

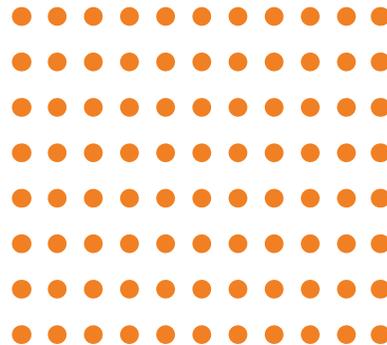
IMO FIBER, syrup, 1st one with prebiotic effect in Argentina.

SIMPLE, a dietary supplements line, in association with Laboratorios Bagó.

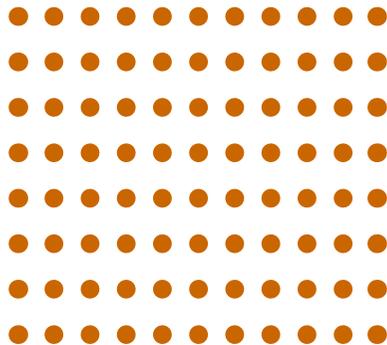
More than **380 GLUTEN-FREE** products.

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

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



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



7.1. COMMITMENT TO ACTIVE LIFE AND HEALTHY NUTRITION

Improving people's nutrition and helping them adopt a healthy lifestyle are great challenges these days. As a food company, we are aware of our responsibility towards this. That is why, in line with the recommendations of international organizations, Arcor Group is committed to:

1 Promoting healthy lifestyle habits, in particular a healthy diet, physical activity and the overcoming of addictions;

2 Adopting responsible advertising and promotion practices aimed at spreading healthy lifestyles;

3 Manufacturing food that contributes to balance nourishment with gratification, satisfying the needs of all consumers;

4 Researching and developing, product lines that follow the recommendations of the World Health Organization (WHO), considering products' acceptability of products and available technologies;

5 Using only safe ingredients for the manufacture of products, in compliance with the world health organization standards; and

6 Contributing to the scientific assessment of nutritional properties and the impacts on health the substances present in food.

We are a company that, through food, is present at all times of the day. That's why we promote healthy nutrition. Because we believe that feeding means nourishing, gratifying and bonding.

A healthy nutrition is a key element of a healthy life. A healthy diet implies a varied, sufficient, rewarding intake capable of providing the nutritional balance to each person at different life stages, based on their needs and activities.

HEALTHY LIFE



GOOD REST



HEALTHY NUTRITION



ACTIVE LIFE



HEALTHY BONDS



ENVIRONMENTAL CARE

HEALTHY NUTRITION



VARIED



ENJOYABLE
HEDONIC
SOCIAL
CULTURAL



RIGHT PORTION SIZE



BALANCED

7.2. A GROUNDBREAKING STRATEGY



During 2018, we reconfirmed our commitment to active life, work on the composition of products, recreation and play, and responsible communication. We did this together with our commitment on these issues which reflected and were formalized both in our Policy and in our Food and Healthy Lifestyle Strategy, based on three pillars: alliances and training; portfolio; and marketing and communication.



7.3. PARTNERSHIPS AND TRAINING

Greater Dialogue with Our Consumers and Health Professionals

We understand that through a close, continuous and responsible relationship can we satisfy the needs of our consumers. We are interested in listening to the different audiences with whom we relate, we are constantly trying to be open and proactively generate communication channels and enriching conversations.



That is why, during 2018, we diversified and deepened the way of listening to two specific audiences: consumers and health professionals. We also increased the number of foods, health and nutrition studies, which is reflected in the following results:

9 research about nutrition and healthy life in which we listened to more than 6,500 people.

First Conference on Market Research in Chile about health and nutrition.

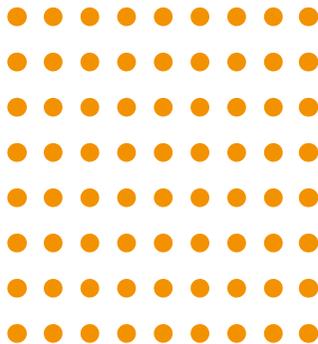
3 studies 100% aimed at health professionals.



Work in Partnership with Institutions and Health Professionals

In order to have a scientific endorsement in all our developments and contents, we encourage initiatives that Link with the Technical and Scientific Ecosystem. In addition, during 2018, we attended more than 15 congresses, fairs and exhibitions to learn about trends and new ideas that help us innovate. As a result of these actions, it can be highlighted that:

We signed more than 140 cooperation and technology transfer agreements with national and international companies and organizations;

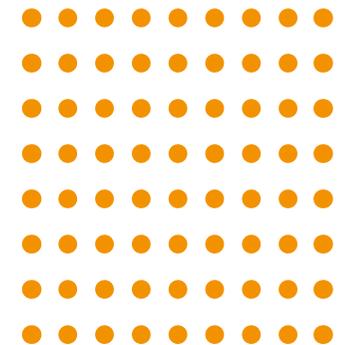


We organized the "Infoxicados, atrapados en la comunicación" symposium (Infoxicated, trapped in communication) in the XIV Argentine Conference of Nutrition 2018: Echoes of IUNS (International Union of Nutritional Sciences) 21st International Congress of Nutrition organized by the Argentine Society of Nutrition;

We continue working, together with COPAL, with the National Ministry of Health for the **reduction of sodium in Argentina**, approaching proposals for decreasing salt content in various product categories, among them, dressings such as mayonnaise and ketchup;

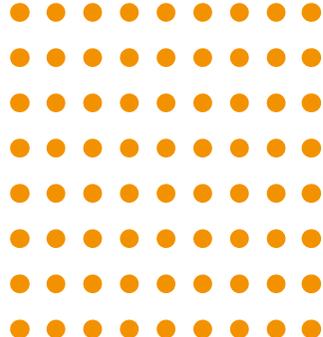


We supported and strengthened the collaborative work of the food industry through the Food Industry Coordinating Organization (COPAL, as per its initials in Spanish) and Chambers of the sector as CIPA (Foodstuff Industries Chamber). We also promoted initiatives arising from those spaces such as the launching of the Self-Regulation Policy for advertising;

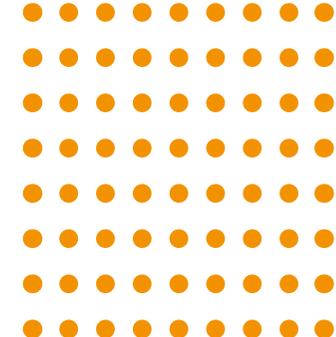


We organize the Arcor Innovation Award every two years together

with the Ministry of Education, Culture, Science and Technology of Argentina;



We are still members of ICGA (International Chewing Gum Association), **participating in the study** of issues related to the sector, with a comprehensive and sustainable vision;



We add contents and contributions

within the framework of initiatives and regulatory proposals on various topics, such as front-of-pack labeling in Latin America;



We signed cooperation framework agreements

with the Center for Studies on Child Nutrition (CESNI, as per its initials in Spanish), the Argentine Federation of Cardiology (FAC, as per its initials in Spanish) and the Argentine Society of Diabetes (SAD, as per its initials in Spanish) with the aim of formalizing the will to cooperate and do joint work.

We continue being members of ILSI ((International Life Sciences Institute)) and AATA (Argentine Association of Food Technologists), **supporting research work** and participating and interacting with leaders in healthy life and food technology;

We are founding partners of the Argentine Chamber of Biotechnology;

Innovation and Development as the heart of our Strategy



Arcor Group is used to transformation. Last year, we invested US \$ 12 million in research and development. We are continuously working on the nutritional improvement of our product portfolio with a team of 190 professionals".

Marcelo Siano, General Business Manager



GLOBAL TRENDS IN INNOVATION IN THE FOOD INDUSTRY



Reduction of the three critical nutrients: saturated fats, added sugars and sodium.



Development of new raw materials.



Reduction of the amount of ingredients.



Functional foods, which, in addition to having nutritional properties, contain active ingredients that act positively in the body.



Greater future expected impact, for example, in the use of enzymatic processes in food manufacturing.



Innovation defines us, it has always been our strategic axis to grow and seize opportunities. Innovation goes through all businesses and areas of our company.

Aiming at offering healthier products with high nutritional value, we reoriented our strategy so that research and development played a key role. These are some of the initiatives that exemplify it:

NEW INGREDIENTS

in Agribusiness with fewer calories, such as IMO FIBER syrup to sweeten jams and cereal bars.

Self-supply of gum base and presentation of **INNOVATIONS IN THE GUM CATEGORY.**

DEVELOPMENT OF THE DESIGN

AREA to investigate and understand the needs of users, discover opportunities, apply emerging technologies, collaborate with other disciplines and make strategic business decisions to achieve the goal of introducing innovative products.

NEW FUNCTIONAL BUSINESSES,

such as the launch of Simple, a product oriented to health care, with a pleasant taste and easy-to-incorporate on a day-to-day basis.



■ ■ **The world is changing; life expectancy is increasing and nutritional requirements and food formulas will have to adapt to the consumers' different age groups. There will not be a single product, but many products for different needs and that will require a great transformation through knowledge and applied science".**

Gabriel Raya Tonetti, R&D Corporate Manager



IMO FIBER, 1ST SYRUP WITH PREBIOTIC EFFECT IN ARGENTINA

One of Arcor's innovations during 2018 was the development of our IMO FIBER syrup, the first prebiotic in Argentina and one of the few that exists worldwide.

It is a syrup rich in isomalt and oligosaccharides, manufactured by a controlled and enzymatically catalyzed process, which transforms the corn starch molecules into molecules that have biological properties of nutritional interest: soluble fibers and sugar substitutes.

This initiative represents a far-reaching and groundbreaking innovation in the development of functional ingredients in our country since, although other sources of soluble fibers are commercialized in Argentina, none of them is produced locally.

In both, its liquid and powder versions, IMO FIBER can be easily incorporated into food (hard candies, popsicles, chocolate, yogurt, jams, lollipops, nougat candies, juices and pastry products), in the same way

as a traditional syrup. It effectively replaces glucose, sucrose or maltose syrup.

IMO FIBER adds soluble fiber of low molecular weight to the foods to which it is incorporated without affecting its texture. Due to the fact that it is an ingredient with a prebiotic effect, it is possible to obtain functional foods by incorporating the appropriate dose of IMO.

The development and approval of this syrup took more than 8 years, and required a whole network of research work, both internally and externally.

Through this development a change was promoted in the Argentine Food Code (CAA, as per its initials in Spanish), incorporating the description of the syrup as the first of its kind and thus allowing its use in the food industry.





SIMPLE, AN INNOVATION TOGETHER WITH LABORATORIOS BAGÓ

A trip to Germany to make trials, agreements with international suppliers, investments in equipment and developments that exceeded 90 million pesos, and import of special jars, helped the project make progress at a steady pace to become a reality.

After seven years of developing the necessary technical skills to respond to the demands of the market and be up to the needs of the consumer, in March 2018 and in alliance with Bagó Laboratories, we launched Simple, a line of over-the-counter health-care oriented

dietary supplements, which stands out for its pleasant taste and its easy incorporation on a day-to-day basis.

“Today, consumers are more aware, make thoughtful decisions about their nutrition and want to enjoy each stage of their lives to the fullest. That's why Simple is in line with these trends and explores the benefits of nutrition in a broad sense: how to feel good and complement our nutrition in a smart way.”

Fernando Samela, New Functional Businesses Manager.

The teams of both companies shared their experiences and background in the world of health and nutrition: Arcor developed the necessary dietary matrix to take care of the characteristics of texture and flavor, incorporate the main ingredients and reach a surpassing product; and Laboratorios Bagó contributed with all its scientific experience in the development of pharmaceutical products and the necessary protocols to guarantee the quality and functionality of this new line.

Arcor Group started producing Simple at the Recreo (province of Catamarca), Colonia Caroya and Arroyito (province of Córdoba) plants.

Simple comes in five versions:

Simple Vitalidad (Simple Vitality), to improve physical and mental performance (rubber pills).

Simple Fibra (Simple Fiber), focused on regularizing and normalizing bowel transit (rubber pills).

Simple Calcio + vitamina D (Simple Calcium + vitamin D), with the aim of keeping bones healthy (rubber pills).

Simple Dieta Control (Simple Diet Control), which helps control weight (chewing gum).

Simple Proteína + Energía (Simple Protein + Energy), so that the muscles recover faster after physical activity (bar).

This launching meant for Arcor to access a new channel: pharmacies. Today, we are present in 3,000 pharmacies, which represent 80% of sales nationwide.

7.4. PRODUCT PORTFOLIO

Improvement and Transformation of our Portfolio

With the Arcor System of Nutritional Profiles (SPNA for its initials in Spanish) launched in 2017, the company established its own nutritional standard that sets maximum limits for critical nutrients (sugars, saturated fats and sodium) and energy for each category of products. This development involved surveying more than 3,800 products (SKUs¹), identifying and studying international standards, obtaining scientific support and establishing compliance goals for business units.

OUR SEVEN WORK VECTORS ON ARCOR'S PORTFOLIO

1 Recipes modification: less sugar, sodium, saturated fats and trans fatty acids.

2 Increase in nutritional value: added vitamins, minerals, whole grain, fruits and dairy.

3 Portfolio expansion: food with special characteristics.

4 Caloric intake control: individual containers and communication of the right portion size.

5 Gratification and daily sharing: indulgent products to share.

6 Quality assurance: safe ingredients and controlled processes.

7 Sustainable traceability: responsible manufacturing inputs and processes.

The nutritional profiles guide us for the creation and reformulation of our products. This year we set ourselves a goal: to reach 2020 with 55% of our products under the standards set by the SPNA². To achieve this global goal, we set specific goals for each business and developed a corporate indicator that tracks progress and improvements achieved.

What is interesting about the Profiles System is that it is a nutritional compass that guides the composition of new launches and the improvements of existing products. First, we decided to come up with a strategy, and from that starting point we defined different methodological tools and actions. This represented a step forward towards promoting the incorporation of the nutritional



dimension in the business strategy from end-to-end: from conceiving a new product to developing ingredients that improve its nutritional profile. I am really proud of what we have decided to do as a company. The Profiles System is a strict, well-done and reliable guideline since there is a lot of effort behind it and we are pleased to know that what we do contributes to improving our offer and brings alternatives to consumers that help them have a healthier life".

María Florencia Canova Rindertsma, Head of Nutritional Development

¹ Stock-Keeping Unit. The SKU is a unique and internal identifier used by companies to uniquely identify an item in the inventory.

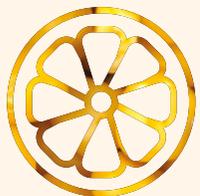
² Currently, 36% of our portfolio meets the goals of the SPNA.



What you like, in the Right Portion Size

At Arcor, we believe that a balanced life is a healthy life, in which allowing oneself to enjoy food goes together with taking care of our health. That is why, in 2018, we created the Tu Porción Justa (Your Right Portion Size) Program.

Through this program we included a logo in our products' packaging to help consumers easily recognize one (1) portion size on the product's label, in order to incorporate gratification options into a balanced diet without unbalancing it, either in individual portion presentations or packets.



8 REASONS FOR YOUR RIGHT PORTION SIZE PROGRAM:

1

Each type of food has an adequate portion size within a healthy diet and it is important to know what it means to nourish ourselves correctly.

2

Among other strategies against obesity, the World Health Organization recommends working on reducing portion sizes.

3

It is possible to include occasional food in a healthy diet, depending on the size of the portion, the frequency of the intake and the overall pattern of food, which should have protective foods.

4

Each person has a "credit" of calories to consume optional foods as long as they are in a state of energy balance and consume the adequate amount of protective foods.

5

People need help to self-regulate the right portion size.

6

It is important monitor the "right portion size" of snacks to avoid consuming more energy than needed, and thus prevent weight gain.

7

It is possible to prevent weight gain (concept of "energy gap") by moderating the consumption of optional foods to 100 kcal / day.

8

Food prohibition and satisfaction restrain when eating leads to lack of healthy lifestyle habits (people do not learn to self-regulate).

With *Your Right Portion Size*, we offer consumers alternative casual foods packed in a portion size that can be part of a varied and balanced intake.

These products comply with the portion size in grams stipulated by Mercosur's³ legislation for products within the same category. Together with this legislation, the Dietary Guidelines for the Argentinean Population (GAPA⁴, as per its initials in Spanish) stipulates that daily calorie consumption in optional foods shall not exceed the daily calorie consumption limit. That is why, the products included in this program have a maximum of 150 kcal per individual package, or less in those cases in which the product's category has a lower calorie limit pursuant to Arcor's System of Nutritional Profiles (SPNA, as per its initials in Spanish).

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

³ Mercosur, in its signage rules, defines a value in grams for the portion of the different food groups with a tolerance of +/- 30% in relation to the grams or milliliters established for food sold in units or fractions (Res. GMC 47/03).

⁴ Food Guides for the Argentine Population

"YOUR RIGHT PORTION SIZE"

DOUBLE RESTRICTION



QUANTITY

Not to exceed the weight or volume range set by the Mercosur legislation for the portion of that category of products.



CALORIES

Maximum limit of 150 kcal per individual container or declared portion or the value established in the Arcor System of Nutritional Profiles.

In this way, the calories limit for the different categories are the following:

150 KCAL

Cookies and crackers
alfajores
ice-creams



100 KCAL

Confectionery



135 KCAL

Snacks



120 KCAL

Chocolates



120 KCAL

Cereals for
breakfast





The products with this logo contain a portion that complies with the label. This amount can be consumed daily in the framework of a balanced diet. This type of products come in the ideal presentation for people who want to give themselves a daily "treat" knowing that they are not exceeding the right amount.



4 CAMELOS

www.arcor.com/tuporcionjusta

This logo appears on the products whose packaging has an educational function: to show the consumer what quantity represents a portion size.



In very small products that are packaged individually, the portion size may be composed of more than one unit. This logo appears indicating how many units a portion represents. Although the portion is larger, our recommendation is that, as far as possible, only one unit is consumed.



Currently, there are 30 labeled products in different packages with *Your Right Portion Size* logo. More products will be included progressively.



We want everyone to know how to incorporate healthier lifestyle habits. Therefore, we organized meetings where food experts, scientists and nutritionists made significant contributions. In addition, we carried out a commercial campaign, social networks campaigns together with chefs and nutritionist influencers, shared informative materials to deliver in the different points of sale, and launched a specific website of Your Right Portion Size⁵ to provide tools and information that improve the quality of life of our consumers.

⁵ www.arcor.com/tuporcionjusta

Product Portfolio



The food industry is going through a period of major changes: consumer trends have been modified both by the needs of people (today, there are more diabetes and celiac patients) and by their tastes (many opt for special diets, such as vegetarian or vegan, among others). And, in parallel, science made such progress that more products are being offered.

At Arcor Group, we are proud to be present at the family table and in the lives of people with a wide range of food products, covering their needs and expectations for every occasion: breakfast, snack, lunch, afternoon snack and dinner.

Following the new trends and our Nutrition Strategy, during 2018 we continued working to increase the nutritional value of the products and expand the offer to new categories.

This is how we progressed regarding the improvement our products' nutritional profile:



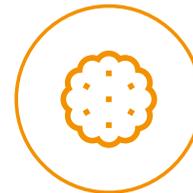
SUGAR



SODIUM



TRANS FATS:



SATURATED FATS



FOOD WITH SPECIAL CHARACTERISTICS



GLUTEN-FREE FOOD

Sugar



Maximum reference limits for product categories included in the Arcor System of Nutritional Profiles (SPNA, as per its initials in Spanish).

ACTION PLAN

with more reduction goals for 2020.

SUGAR REDUCTION

in 75 products (SKUs).

REDUCTION

from 53% to 88% in puddings, desserts and jellies, and 26% reduction in breakfast cereals.

340

product presentations (SKUs) with modified sugar content (sugar-free, low sugar content and/or no-added sugar).

1,800,000 KG

of sugars removed annually from the market due to improvements.

VOLUNTARY INDICATION

of total sugar content in the Nutrition Facts tables on the label of products.

THE FIRST JAMS IN THE MARKET WITH NO-ADDED SUGARS



“ We developed a one-of-a-kind and excellent product. It was not easy to remove all added sugar to a product that has been traditionally manufactured with sugar and it is remarkable that we have achieved a product with spreadable consistency, great taste, and one in which you notice the fiber of the fruit.”

Sofía Mallaviabarrena, Food Product Manager

With Arcor 0% we offer an alternative to those who, for health reasons or personal choice, decide not to consume added sugars.

After two years of intense teamwork, we launched the first jam with no-added sugars in Argentina.

Achieving a jam that lacked added sugar, but had good taste and consistency was a real technical challenge.

This new product represents a healthy as well as tasty option, with the right sweetness thanks to the use of sucralose, a non-caloric sweetener.

Initially, it is marketed in Argentina in two flavors: strawberry and peach, the two flavors that have the greatest rotation in the jam segment and the most popular among the varieties of “reds” and “yellows”. This is a first trial to know how the market reacts. We are already developing new flavors for 2019 and in the future have a full line of 0%.

Sodium



Mandatory compliance of maximum limits by product category (Sodium Content Policy)

REDUCTION OF SODIUM CONTENT in 190 products (SKUs).

99.9% of products that comply with the **SODIUM CONTENT POLICY**.

11% reduction in powdered juices and from 18% to 47% in canned vegetables, legumes and sauces.

100% of products that comply with the maximum sodium content established in the *Código Alimentario Argentino* (Argentine Food Code), after having made agreements with health authorities that implied reductions of between 5 and 55%, particularly in starchy food.

REDUCTION of 129,000 kg of sodium per year, equivalent to 328,400 kg less salt per year.

New version of the *Política de Contenido de Sodio* (Sodium Content Policy) with more demanding limits to be reached as of 2021.



OUR CANNED GRAINS, LEGUMES, VEGETABLES AND TOMATO SAUCE WITH LESS SALT!

Less salt, longer life. Through this national program that seeks to reduce the consumption of salt in the Argentine population, and after signing an agreement with the National Ministry of Health, since 2014, Arcor has continuously worked to achieve the reduction of this nutrient in our canned vegetables and tomato sauces.

As a company, we are interested in contributing to the health care of our consumers, that is why we developed lines of work to improve the nutritional profiles of our products by working on their essential components.

Salt has a leading role in the sensory characteristics of food. It is for this reason that within the commitment

we assumed with the Active Life and Healthy Nutrition program, we aligned our Sodium Policy to establish a plan for the progressive reduction of this nutrient by 2020.

In order to achieve this, we carried out different experimental and industrial prototypes and we analytically determined salt content in preserves and sauces. All this was represented in the packaging's product labeling. We achieved reductions between 18% and 47% in canned vegetables, legumes and sauces.

Our Early Management teams from La Campagnola (San Martín) and La Campagnola (San Juan) plants together with the Marketing team participated side-by-side in this project.

Our challenge is to continue developing healthy food. 2019 is approaching with many more releases. We have set ourselves even more challenging goals to offer our consumers canned food with 0% added sodium. Corn, peas and *jardinera* (canned peas, chopped carrots and potatoes) without added salt: always nutritious and delicious, available all year round!



Trans fats

Maximum of 2% of trans fatty acids of industrial origin in fats (Trans Fatty Acids Policy).

100% COMPLIANCE RATE
in Argentina, Chile, Brazil and Mexico.

99.9% COMPLIANCE over the total portfolio (% of kg produced in 2018).



REDUCTION OF TRANS FATTY ACIDS (AGT, AS PER ITS INITIALS IN SPANISH): ARCOR GROUP'S COMMITMENT AND CONTINUOUS WORK

In 2010 and with a demanding view that went even further of what the regulation established, we committed to reduce the content of AGT to less than 2% of the total fat content of finished products which contained partially hydrogenated⁶ fats or oils.

This forced us to introduce significant changes in raw materials supply and production processes, always thinking about keeping our competitive prices while maintaining efficiency and productivity standards.

Therefore, one of the biggest challenges to achieve the 2% goal was to raise awareness among the members of the areas involved and the supply chain about the need to move forward in this line.

We knew that the efforts were worth making: complying with the reduction of AGT, contributing to the health of our consumers, helping health authorities in the fight to reduce the development of non-communicable diseases and preserving the reputation and value of our brands.

With a lot of effort, and a transversal project that involved the referents of R&D of the businesses of Argentina, Chile, Brazil, Mexico and Peru, and the Purchasing, Innovation and Nutrition areas, during 2018 we achieved the goal for 99,9% of our products.

We have planned to go even further. By 2019, we intend to develop products partially-hydrogenated-oils-free, to comply with new legislations that are being put into effect worldwide (USA, Canada, Thailand, Taiwan and Saudi Arabia), to develop fats with lower content of saturated fatty acids and evaluate new suppliers and solutions that help us improve our competitiveness.

⁶ Hydrogenation is a chemical process by which oils are transformed into solid fats by means of addition of hydrogen at high pressures and temperatures, and in presence of a catalyst.



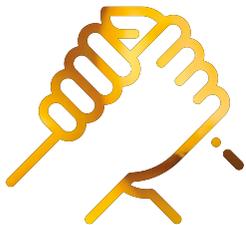
For this, we trained our teams about fats, so we not only raised awareness about technical issues, legislation and health, but also generated greater commitment among all employees.

Due to the scale and scope of the project, we worked in a multidisciplinary way, both with colleagues within Arcor and with other companies, which was and still is really enriching professionally.

The process continues. Although we have achieved the initially set goals, trends and demands from our consumers and food legislation are still evolving. We have to be at the forefront and continue to lead the way. It is the only way to achieve improvements in the nutritional profiles of our products without losing competitiveness, and continue to offer the best Argentine products to those who choose us."

■ ■ Since we started with the project in 2010, there have been many challenges faced and lessons learned. Although we had to work very hard in the creation of technical solutions, our main focus was on internal communication of the scope and relevance of the project.

Darío Argüello, Regional Development Expert.



Saturated fats



Maximum reference limits by product category included in the Arcor System of Nutritional Profiles (SPNA, as per its initials in Spanish).

DECREASE IN SATURATED FATTY ACIDS

mainly due to their replacement with high oleic sunflower oil.

REDUCTION OF SATURATED FAT CONTENT

187 presentations (SKUs).

REDUCTION of 3,880,000 kg per year of saturated fats delivered to the market.

79.8% REDUCTION of saturated fats in bran crackers, 72.9% in flan, 47% in desserts, 31% in puddings, 19% to 33% in sweet cookies and 36.85% in wafers without coating in Brazil.

ACTION PLAN with objectives to continue reducing saturated fatty acids by 2020.



FORMIS: MORE VITAMINS AND LESS SATURATED FATS

Our R&D team has a mission: to improve the nutritional profile of fatty acids in our products without modifying the sensory characteristics of the consumer. There are multiple examples of successful results that can be named regarding saturated fats reductions achieved in 2018: 69% in Oats and Raisins Cereal Mix; 38% chocolate-flavored pudding; 80% in Hogareñas Salvado crackers; 38% in coconut-flavored Maná Livianas; and 28% in assorted cookies Surtido Desfile and Surtido Lía.

Throughout the year we worked on children's cookies. We were interested in improving their nutritional profile while maintaining their main characteristics of taste, consistency and appearance.

We focused on Formis Ciano Neo and Formis Frutis. We managed to reduce saturated fats in all flavors, the total fat for the sweet milk and chocolate flavors, and the energy value for the chocolate and strawberry flavors.

Regarding Formis Frutis, we added vitamins B1, B2 and B9 and fruit sprinkles (4% dehydrated fruit).

We also met all requirements so as to turn Formis Frutis in source of these vitamins in a children-oriented stuffed cookie.

In both cases, we complied with the Arcor System of Nutritional Profiles (SPNA, as per its initials in Spanish) and we were able to offer consumers food with a better nutritional profile without modifying the sensory characteristics.

Our goal for the future is to continue adding nutritional value to the products by adding vitamins and minerals.

Food with special characteristics



In addition to addressing the improvement of our portfolio's nutritional profile, we have worked on the development of products aimed to provide additional nutritional benefits (they have low or no sugar content, are fortified with vitamins and minerals, are rich in fibers, are low in saturated fats) and products focused on well-being (balsamic and inhalant products, oriented to specific cultural groups).

31.5% of sales revenue comes from products with nutritional benefits (modified sugar content, gluten-free, source of vitamins and minerals, reduced saturated fat, Omega 9 intake, fiber intake) and 8.1% from products that provide well-being (inhalant foods and kosher products).

NATURAL BREAK, THE FIRST HEALTHY SNACK IN THE MARKET

In recent years, the consumption of nuts and seeds increased considerably. It is due to the fact that consumers began to look for more balanced snacks and greater nutritional contributions.

To respond to this demand, we developed Natural Break, a line of healthier and nutritious nutritional snacks, which have the Argentine Society of Nutrition (SAN as per its initials in Spanish) endorsement.

■ ■ **Natural Break was co-designed with the Argentine Society of Nutrition. This is not only a quality seal, but also a guarantee that this product is designed with a nutritional logic".**

Miguel Dillon, Confectionery Business Marketing Manager



In this product's manufacturing process, we individually weigh each of the nuts that compose Natural Break with state-of-the-art equipment. Thus, each snack offers the exact portion -between 24 and 30 grams- and the right mix, as they were conceived by the nutrition experts considering the best possible contribution to the health of our consumers.

In 2018, we launched the Natural Break bar, which contains the same nuts as the nutritious mix, but slightly changes the percentage of each one. It is very important to point out that this product does not contain added sugars.

Gluten-free food



380 gluten-free products, turn Arcor Group into one of the consumer foods company with the largest number of gluten-free products in the Argentine market.

In addition to the non-stop work to continue expanding our range of products -in 2018 we incorporated gluten-free chocolates, nougats, candies and Christmas candies-, we are committed to several actions that help to raise awareness of the issue, as well as the gluten-free products we offer.

Therefore, during 2018:

1 Celiac consumers were provided with information through the SAC (Consumer Service), the Facebook page, specific supermarket shelves, the list of products registered by the health authority as "Gluten-free"⁷, and the corporate website;

2 Arcor participated in the Celiac Expo and Expoacela fairs to exchange experiences and knowledge, and to display food suitable for celiac community; and

3 Arcor carried out the Celiac Disease Month Campaign, in which invited people to share gluten-free recipes.



⁷ <https://www.arcor.com/alimentacion-productos-sin-tacc>



GLUTEN-FREE, WITH LOVE

Did you know that it is estimated that 1 in 100 people in Argentina can be celiac? The disease is increasing year after year, so more and more people need gluten-free food.

To respond to the growing demand for products without T.A.C.C. (wheat, oats, barley and rye), Arcor committed to expanding the offer of this type of products year after year: we already have more than 380 foods available in the market. During 2018, we began producing the first gluten-free industrial chocolates at our Colonia Caroya plant in Córdoba.

With this development, we expanded our product portfolio with 17 new presentations under the Arcor, Godet, Misky and Águila brands, turning Arcor Group into one of the consumer foods company with the largest number of gluten-free products in the Argentine market.

In the framework of the Celiac Disease Month Campaign, we launched a contest for consumers throughout May. Under the concept "Gluten-Free, with LOVE", we invited people to share, through our Facebook and Instagram pages, *who would you prepare a #SinTaccConAmor (#GlutenFreeWithLove) recipe for and how is that recipe.* The award consisted in the shipment of gluten-free Arcor products and kitchen tools.

This initiative allowed us to continue deepening our relationship with the celiac community and the creation of shared value, by encouraging the exchange of recipes among consumers.



Ensuring the Quality of our Products

Global Food Safety Initiative (GFSI) certification, promoted by industry to promote food safety, in:

- **75%** of our mass consumption processing plants and primary packaging material
- **91%** of units manufactured
- **36%** of suppliers of raw materials and packaging materials in direct contact
- **Certificación ISO 9001** of the plants are ISO 9001 certified

Guaranteeing the quality of our products requires the commitment and work of our entire value chain.

This is reflected in the application of food safety standards and practices at our plants, logistics processes, distribution and sales to ensure that each product arrives in optimal conditions within the reach of our consumers. During 2018, we following achievements can be highlighted:

⁸ www.brcglobalstandards.com
⁹ Food Safety System Certification (www.fssc22000.com)
¹⁰ Audit report currently under review.
¹¹ ISO 9001 Certificate of Grupo Arcor that encompasses the scope of the ISO 9001 certifications at the different plants.
¹² Food and Drug Administration.
¹³ Hazard Analysis and Critical Control Points (HACCP).
¹⁴ Hazard Analysis and Risk-based Preventive Controls.

1 •Quality and food safety certifications:

1.1 BRC⁸ certification at the Bicentenario (Chile) and Aceites in San Pedro (Argentina) Plants.

1.2 FSSC 22.000⁹ at Ingenio La Providencia.¹⁰

1.3 GLOBAL G.A.P. in the four farms of La Campagnola (province of Mendoza, Argentina).

1.4 FSMA (Food Safety Modernization Act) voluntary module at the Confectionery plant in Tucumán (Misky) pursuant to the legal requirements of the new US BRC food safety law.

1.5 ISO 9,001 certification at Bicentenario (Chile) plant and the Mario Seveso Thermoelectric Power Plant in Arroyito (Argentina), and ISO 9,001 certification at Corporativo Madre¹¹ in the logistics operations in Colonia Caroya and Bagley Salto.

6 Reduction of consumers and customers' number of claims by integrating the logistic and commercial processes.

2 •The implementation of requirements to comply with the new FSMA regulations of the FDA¹² at the Group's plants that export products to the United States.

3 •A significant reduction of the findings during the external audits, as well as in the reviews carried out by the FDA of the United States.

7 The integration of La Serenísimas and Grupo Zucamor plants into Arcor's Integrated Management System, standardizing indicators, certifications, criteria, policies and management systems and quality control in the processes.

4 •The update of our Hazard Analysis and Risk-based Preventive Controls for HACCP¹³, HARPC¹⁴, Food Fraud, Food Defense and Allergen Management, based on new regulatory, legal and customer requirements.

5 •Development of a Market-Perceived Quality Index, an indicator that measures the quality level of Arcor Group's products at the point of sale, after their distribution.

7.5. COMMUNICATION AND PROMOTION

Responsible Advertising and Communication

Responsible advertising and communication are key aspects to maintain trusting relationships with consumers and the society in general.

Arcor Group reinforces its commitment to work together with the industry, the scientific world, the media and the State to generate responsible communication about food, which contributes to a better quality of life for the population.

Helping people to better understand the nutritional contribution of our products is one of the actions we continue fostering to respond to the food needs of our consumers. We met this goal by including the GDA¹⁵ scheme in the labeling of its packaging to help better understand the nutritional contribution of its products to people's daily needs. At present, 72 percent of product presentations (SKUs) includes this information.

Arcor Group takes part in:

¹⁵ Guide of Daily Amounts



ARGENTINA

- Consejo Publicitario Argentino (Argentine Advertising Council)
- Consejo Superior de la Cámara Argentina de Anunciantes (High Council of the Argentine Chamber of Advertisers)
- The Code of Advertising Ethics and Self-regulation of Argentina, which is published by Consejo de Autorregulación Publicitaria (Council for Advertising Self-Regulation) and provides for advertising targeted at children.



CHILE

- Asociación Nacional De Avisadores de Chile (Chilean Association of Advertising Agencies).
- Consejo de Autorregulación y Ética Publicitaria (Council for Advertising Ethics and Self-regulation).



BRAZIL

- Asociación Brasileña De Anunciantes (Brazilian Association of Advertisers)
- Consejo Nacional de Auto-Regulación Publicitaria (National Council for Advertising Self-Regulation)
- Code of Advertising Self-Regulation
- Code on Consumer Defense

ARCOR'S SELF-REGULATORY POLICY FOR CHILDREN'S ADVERTISING

We consider it essential to assume an active role in the communication of messages that help improve the life habits of the population, especially children. We were the first company in the region to include the perspective of children's rights within our sustainability strategy and it is our intention to continue working, through the promotion of different innovative actions, to revalue the place childhood deserves.

Following the WHO¹⁶ recommendations, in July 2018 Arcor Group implemented its Advertising Self-Regulation Policy that regulates communication targeted to children under 12 years of age.

This policy applies to all markets where the Company operates and sets out a commitment to In case a country has its own self-regulatory policy or its own agreements, we apply the most significant advertising. Among other policies, At Arcor Group child-targeted communication means when children's products are communicated to an audience of children under 12 years of age in a percentage equal to or greater than 50%. In this sense, only those children's Self-Regulatory Policy for Children's Advertising products that, based on scientific evidence, comply with Arcor's Nutritional Profile can be included in communications addressed to children.

PROMOTING A HEALTHY LIFE AND BALANCED NUTRITION, active life, care for the environment, healthy relationships and good rest.

PROVIDING NUTRITIONAL INFORMATION at the packaging's front and back, and on the institutional website.

Using our institutional character as an ally to provide **MESSAGES LINKED TO HEALTHY LIVING HABITS**.

DISCOURAGING EXCESSIVE OR COMPULSIVE CONSUMPTION.

NOT REPRESENTING OUR PRODUCTS (sweets, chocolates, cookies) **AS SUBSTITUTES FOR MAIN MEALS** (lunch and dinner).

NOT IDENTIFYING PRODUCTS AS THE MAIN VEHICLE OF SOCIAL ACCEPTANCE.

NOT INSTIGATING AGGRESSIVE, DANGEROUS OR DISCRIMINATORY BEHAVIOR.

In addition, we are committed to implementing the following policies in advertising aimed at children:

We understand that for the Policy to be properly implemented, awareness and training is essential. That is why, to guarantee that Arcor's commitment is real and genuine, we trained our collaborators from the Marketing teams as well as the Advertising Agencies with which we work. In this way, we empower those who are part of our company and we are committed to continue training our value chain.



¹⁶ World Health Organization

LAW ON FOOD LABELING IN CHILE

At the end of 2016, Law 20,606 "On the Nutritional Composition of Foods and their Advertising" came into force, which aims to define limits that determine the high content of energy, saturated fats, sugars and sodium in foods, and to regulate aspects related to labeling, child advertising and the sale prohibition of "high-content products" at educational institutions.

As part of its commitment to healthy nutrition, in June 2018 Arcor Group in June 2018 the 2nd stage of the law came into force. It includes stricter parameters of calories, saturated fats, sugars and sodium. That is why from Arcor Group we worked on the reformulation of 27 SKUs in order not to add new seals in the adjustment of 75 SKUs that must include the required seals. We continue working on the development of healthy products to enter new businesses with products without seals, such as powdered juices.

NOURISHING EVERY MOMENT OF THE DAY

Being part of each family, each person, at all times of the day with our products is a responsibility.

“ We are a company that is present in every moment of our consumers' day. This makes it essential to have a strategy that contributes to a better nutrition. Therefore, we work with researchers to launch products that adapt to new consumption trends, improve our nutritional profiles and optimize communication channels to bring useful information to the community. ”

Valeria Abadi, Institutional Communication and Marketing Services Corporate Manager.



Under the concept #LaVariedadTeHaceBien, (#varietyIsGoodForYou), we organized the first food meeting aimed at journalists and influencers. In this event we provided tools and information on nutrition from experts. In addition, we developed a communication campaign and launched the section "Alimentación y hábitos de vida saludable" (Healthy Nutrition and Lifestyle Habits) on our institutional website and the Instagram focusing on healthy eating.

Our message is clear: there are no perfect foods. What matters is what people consume as a whole and the variety of food consumed. As indicated by the Dietary Guidelines for the Argentine population, a healthy life requires – in addition to drinking water and doing physical activity – that it includes all food groups in recommended proportion sizes: fruits and vegetables; legumes, cereals, potatoes, bread and pasta; milk, yoghurts and cheeses; meats and eggs; oils, dried fruits and seeds, and gratification food options, such as chocolates and sweets.



Promoting Healthy Lifestyle Habits



INITIATIVES TO PROMOTE EMPLOYEES' WELL-BEING

We developed actions to promote the health and well-being of our employees, involving their families as well.

With this goal in mind, we carried out different initiatives that promoted healthy lifestyle habits. For example, we published useful content on the Intranet and in magazines, internal posters and digital billboards; we encouraged physical activity by offering discounts, access to gyms and orientation in physical activities in clubs and public and private spaces; we worked in the prevention of cardiovascular risks; we promoted a healthy nutrition in all our dining rooms, and carried out campaigns and awareness actions at plants, which are 80% certified as Smoke-Free.

In 2018 Arcor:

- Offered discounts in gyms to 707 employees.
- Provided an analysis of the main cardiovascular risks and of health recommendations to 1954 employees.
- Offered useful information to have a healthy lifestyle and published on the Intranet a health calendar with key dates.
- Promoted better nutrition through healthy snack options, nutrition counseling, and healthy cooking education workshops.

- Developed a corporate standard for the assessment of the plants' dining rooms.
- Developed more than 10 campaigns and initiatives to promote health issues, including workshops, training in first aid, healthy walks, among others.
- Launched the regional contest of drawings aimed at the collaborators' children, " To Play and Grow Healthy " and the brochure "A moment to learn while playing", with content on healthy lifestyle, which we included in the gift box of products that the company delivers to its collaborators on a quarterly basis.



FOR A HEALTHY CHILDHOOD

We want to contribute to children having a healthy lifestyle. This implies a balanced diet that, combined with physical activity and the development of healthy relationships, allows them to live fully and healthy.

Having this in mind, we developed diverse actions among which is the Aprendiendo a disfrutar (Learning to Enjoy) Program (PAD), our social investment program that aims at promoting healthy living habits in childhood and it is promoted and managed by Arcor Group and Arcor Foundation in Argentina and Chile, and by Arcor Institute in Brazil.

In cooperation with the Ministries of Education, schools and kindergartens of the three countries, we provided support and financing to educational projects that promoted an active life and a healthy nutrition since childhood. For this, we worked in three specific lines:



1 Support to educational projects

2 Training and awareness

3 Positioning and spreading of the topic



APRENDIENDO A DISFRUTAR (LEARNING TO ENJOY) PROGRAM:

An experience that has already reached more than 120 schools, trained 1,700 teachers and reached more than 35,000 children.

Promoted by Arcor Group, Arcor Foundation in Argentina and Chile and Arcor Institute in Brazil, this program aims at supporting initiatives for children in the region to have healthy lifestyle habits.

ARGENTINA



■ ■ What I liked the most was when we prepared a healthy breakfast and we all shared it together. I ate fruits, cereals, drank tea, so many things! What did I learn? That breakfast is the most important meal of the day and that, depending on what we eat, we act and feel".

Valentina Brochero, a student at the Margarita Latorre Mercado School, Córdoba



2018 HIGHLIGHTS:

30 projects supported in different locations of the province of Buenos Aires (Salto, San Pedro and Luján).

8,965 BENEFITED CHILDREN.

167 TEACHERS TRAINED.



PRESENTATION of the musical comedy "Super-healthy in the wonderful world of food", which in two years:

TOURED 7 LOCATIONS.

OFFERED 41 SHOWS with more than 14,000 attendees.

INVOLVED 135 SCHOOLS.

CHILE



“ The children enjoyed and had a happy day. What made me feel so good was to see children having fun while taking part in the different activities that we prepared for them, learning through games.”



Loreto Barsby, Category Manager

2018 HIGHLIGHTS:

10 PROJECTS SUPPORTED

at San Joaquin and Santiago Communes.

81 TEACHERS TRAINED.

Healthy Day in Chile with active play stations, psychomotricity and healthy eating, in which:

2,381 BENEFITED CHILDREN.

7 projects from the municipality of

RENCA IN SANTIAGO PARTICIPATED.

280 CHILDREN ATTENDED.

40 VOLUNTEERS collaborated with Arcor.

WE WORKED IN PARTNERSHIP WITH TWO UNIVERSITIES.



BRAZIL



■ ■ Our school is located in Nosso Teto, a neighborhood that is away from the central region of Ríó das Pedras, with a few community areas. That is why the school plays a key role in that society. A strong gale recently destroyed the school's sports area. With the collaboration of Arcor Institute, we are going to rebuild this area, and also build a playground and an orchard".

Christiane Aguiar De Queiroz, Principal of Profesora Inmaculada Grecco Civolani School of Ríó das Pedras, São Paulo, Brazil.



2018 HIGHLIGHTS:

20 PROJECTS SUPPORTED

in the towns of Rio das Pedras, Campinas and Bragança Paulista, in the State of São Paulo, Contagem in Minas Gerais, Cabo de Santo Agostinho and Ipojuca, in Pernambuco.

11 PROJECT

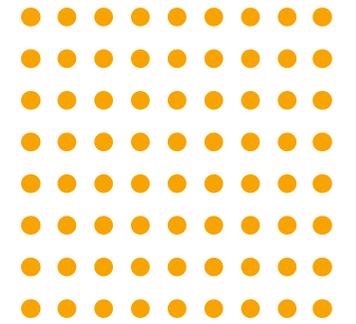
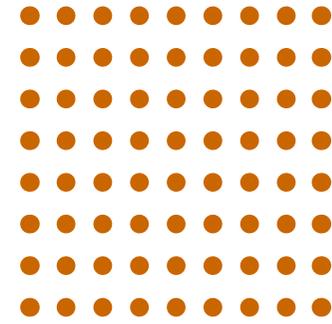
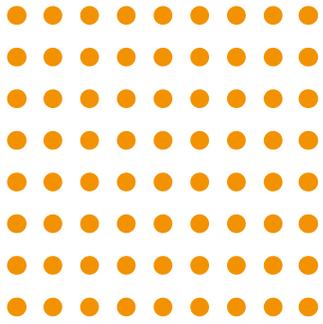
development and management workshops.

7637 BENEFITED CHILDREN.

8 TRAINING MEETINGS

on cooperative games.

721 TEACHERS TRAINED.



About This Report

Chapter 8

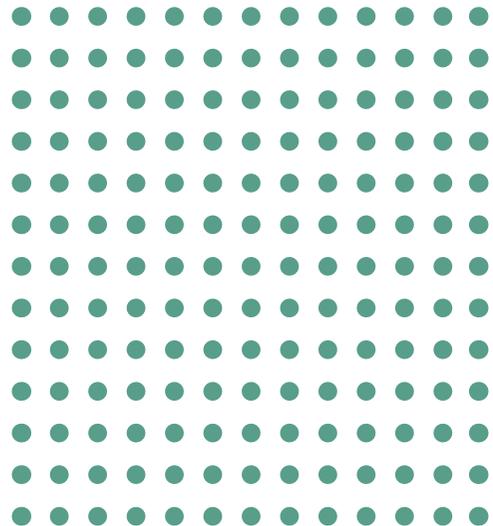




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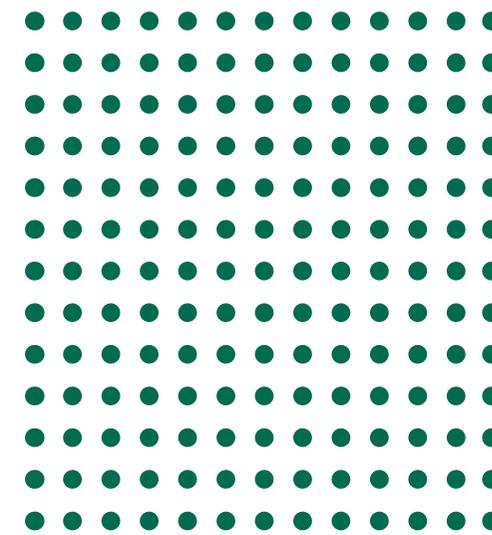


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This is the 14th Sustainability Report prepared by Arcor Group to provide all stakeholders with transparent and systematized information on its economic, social and environmental performance.

The information included covers all of the Company's operations, and any limitations with regard to its scope are included throughout the Report. This Report discloses the progress made concerning sustainable management during 2018, including comparative indicators corresponding to the previous period.



8.1 INTERNATIONAL GUIDELINES

The Report was prepared following the below mentioned international guidelines and standards on transparency and accountability.

GRI Standards: This report was prepared in accordance with GRI (Global Reporting Initiative) Standards, Core option. Currently, this is the best and most accepted practice worldwide for reporting publicly the economic, environmental and social impacts of an organization.

Sustainable Development Goals (SDGS): Within the GRI Content Index, we present the link with the SDGS in accordance with the SDG Compass tool, a guide developed between the United Nations and GRI that guides companies on how to align their strategies, measure and manage their contribution to the implementation of such strategies.

United Nations Global Compact: The Report includes the requirements to achieve the Advanced Level of the United Nations Global Compact Communication on Progress (COP).

Children's Rights and Business Principles: The Report follows the recommendations of the Children's Rights and Business Principle initiative.

ISO 26000 Standard on Social Responsibility: The Report follows the reporting recommendations of ISO 26000 Standard on Social Responsibility.

In addition, throughout the Report and in the GRI Content Index section, the key indicators for compliance with Arcor Group's sustainability policy and strategy are included. Likewise, as every year, we incorporate the vision of our stakeholders, including in this report testimonies of the protagonists of our projects and strategies.

Lastly, although there is no External Assurance for the Report, many of the processes disclosed have been certified by independent third parties under renowned international standards. (Please refer to the list of certifications and awards of the industrial facilities included after the GRI Content Index).



8.2 MATERIALITY ANALYSIS: CONTENT DEFINITION

For Arcor Group, material topics are those considered most relevant and significant according to the Company's business strategy and the needs of its different stakeholders' groups.

The contents of the Report are defined taking into consideration GRI principles of stakeholder inclusiveness, sustainability context, materiality and completeness. The definition process includes the following stages:



Identification: Based on the topics covered by the Sustainability Policy and Strategy, and the Sustainability Risk and Opportunity Matrix by business, the relevant GRI Standards are analyzed to define the ones to be incorporated in the Report.



Prioritization: At meetings held with key referents, the progress made during the year are analyzed, considering its impact both inside and outside the organization, the requirements of the international standards applied, and the expectations aroused in the consultation forums with different publics.



Review and Validation: The content of the Report is internally reviewed and validated by all the areas and referents that take part in its preparation. In addition, each time a report is prepared, opportunities for improvement are analyzed, taking into consideration opinions and reviews.

ASPECTS OF THE GRI GUIDELINES RELEVANT FOR ARCOR GROUP

Specific Commitment of Arcor's Sustainability Policy	Priority Line	Thematic GRI Standards Directly Related	Impact on Stakeholders
Rational Use of Water	Reduction in consumption Reuse and recycling Pollution control at source Treatment of effluents	GRI 303 Water GRI 306 Effluents and Waste	Employees, Community, Governance and Society.
Energy Efficiency and Minimizing Impact on the Global Climate Change	Reduction in consumption and emissions Reuse Replacement Use of materials	GRI 301 Materials GRI 302 Energy GRI 305 Emissions	Employees, Community, Governance and Society.
Rational Use of Packaging Materials	Reduction in use Material replacement Material recycling	GRI 301 Materials GRI 306 Effluents and Waste	Employees, Community, Governance and Society.
Respect for and Protection of Human and Labor Rights	Work environment conditions Hiring conditions Inclusion and diversity Work environment management	GRI 401 Employment GRI 403 Occupational Health and Safety GRI 404 Training and Education GRI 405 Diversity and Equal Opportunity GRI 414 Supplier Social Assessment GRI 406 Non-discrimination GRI 407 Freedom of Association and Collective Bargaining GRI 408 Child Labor GRI 409 Forced or Compulsory Labor	Employees, Suppliers, Customers and Community.



Specific Commitment of Arcor's Sustainability Policy	Priority Line	Thematic GRI Standards Directly Related	Impact on Stakeholders
Active Life and Healthy Nutrition	Food safety Product composition Products with special characteristics Healthy lifestyle habits Responsible Advertising and Communication	GRI 416 Customer Health and Safety GRI 417 Product and Service Labeling GRI 419 Socioeconomic Compliance	Employees, Consumers, Community, Governance and Society, Opinion Leaders.
General Commitment to Sustainable Development	Sustainable management Awareness, training, and responsible promotion Community relations	GRI 201 Economic Performance GRI 203 Indirect Economic Impacts GRI 204 Procurement Practices GRI 410 Security Practices GRI 412 Human Rights Assessment GRI 413 Local Communities GRI 414 Supplier Social Assessment	Shareholders, Employees, Suppliers, Customers, Consumers, Community, Governance and Society, Opinion Leaders.



GRI CONTENT INDEX

The 2018 Arcor Group Sustainability Report was mandatorily prepared "pursuant to" GRI Standards.

REFERENCES:

Indicators meet the criteria of Advanced COP of the Principles of the United Nations Global Compact.

MEF2018: Information reported in the 2018 Annual Report and Financial Statements of Arcor Group available at www.arcor.com

e: Reported contents that exceed the mandatory requirements for the essential level of the GRI Standards.

*: Specific material topics for Grupo Arcor (they are not included in the material topics of the GRI Standards, but the management approach is presented as suggested by GRI).

All the notes included in the table appear at the end of it.

GRI STANDARD	CONTENT	PAGE	OMISSION	SUSTAINABLE DEVELOPMENT GOALS (ODS, AS PER ITS INITIALS IN SPANISH)
GRI 101: 2016 Grounds				
General Contents				
GRI 102: 2016 General Statements	Organization Profile			
	102-1 Name of the organization	Cover		
	102-2 Activities, brands, products and services	9, 14-18		
	102-3 Location of headquarters	10		
	102-4 Location of operations	10		
	102-5 Property and legal status	MEF 2018: 17		
	102-6 Markets served	9-10, 14-18, 71		
	102-7 Organization size	9, 10, 13-18, 125		
	102-8 Information about employees and other workers	Note 1, Note 2		8.5, 10.3
	102-9 Supply Chain	38-51		
	102-10 Significant changes in the organization and its supply chain	11, Note 3		
	102-11 Principle or precautionary approach	19-20, 77-115		
	102-12 External initiatives	21, 27-32, 45,46, 47, 172, 185		
	102-13 Union affiliations	26, 61-62, 172, 185		



GRI STANDARD	CONTENT	PAGE	OMISSION	SUSTAINABLE DEVELOPMENT GOALS (ODS, AS PER ITS INITIALS IN SPANISH)
Strategy				
102-14	Statement by senior executives responsible for decision making	2-3,		
102-15	Main impacts, risks and opportunities e	2-5, 19, 20-22, 27-32, 36-50, 52, 55, 57-61, 68-69, 78-79, 90-91, 104-105, 118-124, 148-150		
Ethics and Integrity				
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102-27	Collective knowledge of the highest governance body e	28-32, MEF2018: Report on the degree of compliance with the Corporate Governance Code II.1.1.9		4.7
102-30	Risk management processes effectiveness e	20, MEF2018: Report on the degree of compliance with the Corporate Governance Code II.1.1.8, II.1.4, III.2, III.4.		
102-31	Review of economic, environmental and social issues e	19-20		
102-32	Role of the highest governance body in the preparation of Sustainability Report e	Note 5		



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GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
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GRI 201: 2016 Economic Performance	201-1 direct economic value generated and distributed (EVG&D)	13		9.4
	201-4 Financial aid received from the government e	Note 7		
Indirect Economic Impacts				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	43-51, 56, 58-59, 61-74, 111-115		
	103-3 Management approach assessment	20		
GRI 203: Indirect Economic Impacts 2016	203-1 Investments in infrastructure and supported services	56, 58-59, 61-67		9.4
	203-2 Significant indirect economic impacts e	43-51, 68-74, 111-115		1.2, 2.3, 8.5
Materials				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	104-115		
	103-3 Management approach assessment	20		
GRI 301: 2016 Materials	301-2 Recycled inputs	Note 8		12.2, 12.5
Energy				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
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GRI 302: 2016 Energy	302-3 Energy Intensity	95		7.4, 12.2
Water				
	103-1 Explanation of the material topic and its coverage	186-188		
GRI 103: 2016 Management Approach	103-2 Management approach and its components	78-86		
	103-3 Management approach assessment	20		
GRI 303: 2016 Water	303-1 Water extraction by source	80-82		6.4
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	103-1 Explanation of the material topic and its coverage	186-188		
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GRI 304: 2016 Biodiversity	304-3: Protected or restored habitats	37, 47		Grupo Arcor is in the process of systematizing this indicator more completely.
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GRI 103: 2016 Management Approach	103-2 Management approach and its components	91-101		
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GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	125-131		
	103-3 Management approach assessment	20		
GRI 401: 2016 Employment	401-1 New hiring of employees and staff turnover	Note 2, Note 11		5.1, 8.5, 8.6, 10.3
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Work Health and Safety				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	132-136		
	103-3 Management approach assessment	20		

GRI STANDARD	CONTENT	PAGE	OMISSION	SUSTAINABLE DEVELOPMENT GOALS (ODS, AS PER ITS INITIALS IN SPANISH)
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	403-4 Health and safety issues addressed in formal agreements with trade unions e	Note 14		
Training and Teaching				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	138-144		
	103-3 Management approach assessment	20		
GRI 404: 2016 Training and Teaching	404-1 Average hours of training per year per employee	141		4.4, 4.5, 5.1, 8.5
	404-3 Percentage of employees receiving regular performance and professional development evaluations e	139		5.1, 8.5, 10.3
Diversity and Equal Opportunities				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	125-131		
	103-3 Management approach assessment	20		
GRI 405: 2016 Diversity and Equal Opportunities	405-1 Diversity in governing bodies and employees	125, Note 15		5.1, 5.5, 8.1
No Discrimination				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	123, 125-131		
	103-3 Management approach assessment	20		
GRI 406: 2016 No Discrimination	406-1 Discrimination cases and corrective actions taken	Note 16		5.1, 8.8

GRI STANDARD	CONTENT	PAGE	OMISSION	SUSTAINABLE DEVELOPMENT GOALS (ODS, AS PER ITS INITIALS IN SPANISH)
Freedom of Association and Collective Bargaining Agreements				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	119-125		
	103-3 Management approach assessment	20		
GRI 407: 2016 Freedom of Association and Collective Bargaining Agreements	407-1 Operations and suppliers whose right to freedom of association and collective bargaining could be at risk	119-20, Note 17		8.8
Child Labor				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	119-124		
	103-3 Management approach assessment	20		
GRI 408: 2016 Child Labor	408-1 Operations and suppliers with significant risk of child labor cases	119-124		8.7, 16.2
Forced or Compulsory Labor				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	119-120		
	103-3 Management approach assessment	20		
GRI 409: 2016 Forced or Compulsory Labor	409-1 Operations and suppliers with significant risk of forced or compulsory labor cases	Note 18		8.7
Security Practices				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	119-120, 122-123		
	103-3 Management approach assessment	20		
GRI 410: 2016 Security Practices	410-1 Security personnel trained in human rights policies or procedures	123		



GRI STANDARD	CONTENT	PAGE	OMISSION	SUSTAINABLE DEVELOPMENT GOALS (ODS, AS PER ITS INITIALS IN SPANISH)
Human Rights Assessment				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	119-124		
	103-3 Management approach assessment	20		
GRI 412: 2016 Human Rights Assessment	412-2 Training of employees in human rights policies or procedures	121-123		
Local Communities				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	57-61		
	103-3 Management approach assessment	20		
GRI 413: 2016 Local Communities	413-1 Operations with local community participation, impact assessments and development programs	57-61		1.2, 2.3
Social Assessment to Suppliers				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	40-42, 124		
	103-3 Management approach assessment	20		
GRI 414: Evaluación Social de los Proveedores 2016	414-1 New suppliers that have passed selection filters according to social criteria	42-44, 124		5.2, 8.8
Clients' Health and Safety				
GRI 103: Social Assessment to Suppliers 2016	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	148-180		
	103-3 Management approach assessment	20		

GRI STANDARD	CONTENT	PAGE	OMISSION	SUSTAINABLE DEVELOPMENT GOALS (ODS, AS PER ITS INITIALS IN SPANISH)
GRI 416: 2016 Clients' Health and Safety	416-1 Evaluation of the health and safety impacts of the categories of products or services	158-171		
	416-2 Non-compliance cases related to the health and safety impacts of the categories of products and services e	Note 19		
Marketing and Labelling				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	172-175		
	103-3 Management approach assessment	20		
GRI 417: 2016 Marketing and Labelling	417-1 Requirements for the information and labelling of products and services	172-174		12.8
	417-2 Non-compliance cases related to information and labeling of products and services e	Note 20		
	417-3 Non-compliance cases related to marketing communications e	Note 21		
Socioeconomic Compliance				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	123		
	103-3 Management approach assessment	20		
GRI 419: 2016 Socioeconomic Compliance	419-1 Failure to comply with laws and regulations in the social and economic fields	Note 22		
* Food with Special Features				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	158-171		
	103-3 Management approach assessment	20		



GRI STANDARD	CONTENT	PAGE	OMISSION	SUSTAINABLE DEVELOPMENT GOALS (ODS, AS PER ITS INITIALS IN SPANISH)
*Healthy Lifestyle				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	176-180		
	103-3 Management approach assessment	20		
*Climate Management				
GRI 103: 2016 Management Approach	103-1 Explanation of the material topic and its coverage	186-188		
	103-2 Management approach and its components	137		
	103-3 Management approach assessment	20		



NOTES

Note 1

Employees by Employment Contract and Gender*				
	2018		2017	
	Men	Women	Men	Women
Permanent	14,978	4,376	14,313	4,639
Temporary	883	509	648	316

Employees by Employment Contract and Region*				
	2018		2017	
	Permanent	Temporary	Permanent	Temporary
Argentina	12,626	539	12,187	513
Brazil	3,539	600	3,649	241
Chile	1,666	63	1,624	60
Peru	198	132	213	109
Mexico	1,036	0	1,001	0
Rest of the world	289	58	278	41

* Only the Company's own active staff is considered. Permanent: active hired employees + active temporary employees. Temporary: own temporary employees. Data on the staff of Zucamor, the company acquired by Arcor Group in 2017, are not included, as they are in the process of being integrated into the Group's systems. Breakdown of employees by employment contract (full-time and part-time) is not included, as such segmentation type is not relevant to Arcor Group. All data presented are taken from the Group's Peoplesoft and Arcor BI systems.

Note 2

Arcor Group does not hire employees under 18 years and, therefore, the "young workers" category is not reflected in the Company's staff. The only exception to the above has to do with students from secondary schools who are not of legal age, concerning their "Internships for Secondary Schools" and/or "Practices Aimed at Becoming Professionals", which are regulated by the Argentine Internship Law (Ley de Pasantías en Argentina) and the corresponding provincial laws.

Note 3

The Chairman of the Board of Directors is the Company's CEO.

Note 4

Clarifications of the restatement of information from previous reports are specified in footnotes to the tables of indicators throughout the Report.

Note 5

In 2017, Arcor Group did not receive financial assistance from governments except for the forestry promotion of Zucamor Group, acquired by Arcor Group in 2017.



Note 6

Arcor Group has several business units that have set an example of material recycling and that are highly valuable:

- 1. Paper Plant – Cartocor Arroyito:** 100% of the paper is manufactured from recovered cardboard before and after consumption; In 2018, 63,323 tons of recovered material were used to produce 56,730 tons of recycled paper.
- 2. Paper Plant – Zucamor Ranelagh:** 100% of the paper is manufactured from recovered cardboard before and after consumption; In 2018, 83,080 tons of recovered material were used to produce 73,176 tons of recycled paper.
- 3. Paper Plant – Zucamor Mendoza:** 100% of the paper is manufactured from recovered cardboard before and after consumption; In 2018, 42673 tons of recovered material were used to produce 37167 tons of recycled paper.
- 4. Biomass Boiler – Missionary Role:** Fluidized bed boiler of 75 bar pressure, 115 tn / hour of production steam, which feeds a turbo generator capable of producing 16 MW of Electric Power. It consumes around 1,000 tn / day of Biomass, which is mainly composed of: wood chips, bark, sawdust and forest residues. It is considered a Clean Energy Mechanism.

- 5. Biomass boiler – Ingenio La Providencia:** Biomass boiler – Ingenio La Providencia: 92% of the bagasse was consumed as fuel in boilers (452,012 tons). The remaining 8% was used by a third party to manufacture paper (38,252 tons). 100% of the generated filter cake was used as an amendment to the soil itself (44,393 tons). Given the nature of the food industry and for reasons of food safety, the use of recycled raw materials in the production of the products is unfeasible. Other solid effluents that are available in the Ingenio field are humid ash (38,099 tons) and mud from cane washing (10,096 tons).

Note 7

Arcor Group does not use ozone-depleting substances.

Note 8

In 2018, no significant accidental spills were recorded.



Note 9

NEW EMPLOYEES HIRED				
	Men 2018	Women 2018	Total 2018	Total 2017
Under 30 Years	1,459	688	2,147	1,839
Argentina	605	227	832	782
Brazil	477	301	778	522
Chile	126	19	145	137
Peru	40	32	72	44
Mexico	203	97	300	316
Rest of the World	8	12	20	38
Between 30 and 50 years	846	479	1,325	1,059
Argentina	297	104	401	336
Brazil	282	236	518	361
Chile	130	14	144	157
Peru	41	44	85	46
Mexico	82	70	152	137
Rest of the World	14	11	25	22
Over 50 Years	74	6	80	56
Argentina	17	0	17	9
Brazil	14	4	18	20
Chile	37	1	38	25
Peru	3	0	3	0
Mexico	3	1	4	1
Rest of the World	0	0	0	1

RATE OF NEW HIRINGS (Hirings/Total Staff) 2018				
	Men 2018	Women 2018	Total 2018	Total 2017
Under 30 Years	33.66%	15.87%	49.54%	54.2%
Argentina	30.68%	11.51%	42.19%	50.1%
Brazil	31.72%	20.01%	51.73%	47.8%
Chile	44.37%	6.69%	51.06%	57.1%
Peru	39.22%	31.37%	70.59%	80.0%
Mexico	52.73%	25.19%	77.92%	84.7%
Rest of the World	9.20%	13.79%	22.99%	55.1%
Between 30 and 50 Years	6.43%	3.64%	10.08%	9.1%
Argentina	3.39%	1.19%	4.58%	4.4%
Brazil	11.75%	9.83%	21.57%	16.7%
Chile	14.29%	1.54%	15.82%	17.7%
Peru	19.62%	21.05%	40.67%	32.9%
Mexico	13.02%	11.11%	24.13%	23.4%
Rest of the World	6.01%	4.72%	10.73%	12.0%
Over 50 Years	2.09%	0.17%	2.26%	1.9%
Argentina	0.69%	0.00%	0.69%	0.5%
Brazil	3.10%	0.88%	3.98%	5.0%
Chile	6.80%	0.18%	6.99%	5.0%
Peru	14.29%	0.00%	14.29%	0.0%
Mexico	12.00%	4.00%	16.00%	4.2%
Rest of the World	0.00%	0.00%	0.00%	6.7%

STAFF TURNOVER *				
	Men 2018	Women 2018	Total 2018	Total 2017
Under 30 Years	8.30%	5.30%	13.61%	17.88%
Argentina	4.81%	1.27%	6.08%	5.19%
Brazil	11.86%	4.34%	16.20%	23.06%
Chile	8.06%	5.24%	13.31%	10.00%
Peru	4.55%	0.00%	4.55%	9.09%
Mexico	13.23%	24.87%	38.10%	62.47%
Rest of the World	3.08%	4.62%	7.69%	15.94%
Between 30 and 50 Years	4.93%	1.77%	6.71%	7.44%
Argentina	3.46%	0.71%	4.17%	3.61%
Brazil	7.73%	4.36%	12.09%	15.74%
Chile	7.26%	1.59%	8.84%	6.78%
Peru	9.70%	2.24%	11.94%	9.29%
Mexico	8.37%	6.28%	14.65%	24.10%
Rest of the World	10.75%	3.76%	14.52%	18.58%
Over 50 Years	7.98%	2.88%	10.86%	9.02%
Argentina	9.31%	3.41%	12.72%	8.32%
Brazil	5.39%	3.15%	8.54%	19.90%
Chile	4.82%	0.37%	5.19%	3.59%
Peru	15.00%	0.00%	15.00%	5.56%
Mexico	0.00%	8.00%	8.00%	4.17%
Rest of the World	0.00%	0.00%	0.00%	6.67%

* Calculated as total voluntary and involuntary annual total losses of the own personnel on the total allocation as of December 31, 2016 and 2017, respectively, of the effective own personnel.

Note 10

The policies that envisage the right to maternity or paternity leave are applied to 100% of Arcor Group's own staff.

Number of Employees Who Requested Maternity or Paternity Leave

	Men 2018	Women 2018	Total 2018	Total 2017
Adoption Leaves	0	0	0	1
Maternity Leaves	402	110	512	596
Paternity Leaves	-	246	246	244
Total	402	356	758	841

% of Employees Having Taken Maternity or Paternity Leave Who Returned to Work after

Men 2018	Women 2018	Total 2018	Total 2017
100%	98,9%	99,5%	99,0%

Employees Who Continued Holding their Positions after 12 Months*

	Men 2018	Women 2018	Total 2018	Total 2017
Adoption Maternity/Paternity Leaves	1	0	1	1
Maternity/Paternity Leaves	428	128	556	542
Reduced Workday for Maternity Reasons	-	184	184	155
Total	429	312	741	698

* The indicator has been calculated with 2017 population that took maternity leave and that after 12 months are still in the Company.

Retention Rate after Parental Leave

Men 2018	Women 2018	Total 2018	Total 2017
92.3%	83%	88.1%	91.1%

Note 11

As part of Arcor's Sustainability Policy and the Comprehensive Management System Policy, the Environment, Health and Industrial Protection (MAHPI) Division, as well as the medical departments, reach 100% of employees with regard to health, hygiene and safety.

Note 12

According to Argentine health legislation, all employees covered by a Collective Bargaining Agreement shall receive medical care through Trade Union-managed Health Insurance Plans, whose funding is secured by the employees' and companies' contributions. Health Insurance Plans cover 100% of non-occupational illnesses, something that is guaranteed by law through the Plan Médico Obligatorio (Mandatory Health Benefits Package).

Note 13

Arcor Group's Board of Directors (including regular and alternate members), by:

- Gender: male (73%), female (27%)
- Age: under 30 years old (0%), between 30-50 years old (27%), over 50 years old (73%)

% of Employees by Age 2018	Under 30 Years Old	Between 30 and 50	Over 50 Years
Director	0.0%	0.1%	0.1%
Manager	0.0%	1.5%	0.4%
Head	0.3%	3.2%	0.6%
Analyst/Supervisor	3.5%	9.7%	1.4%
Assistant/Worker	16.8%	48.1%	14.3%

Note 14

In 2018, no discrimination incidents were reported through the Ethics Line.

Note 15

As part of its commitment to the United Nations Global Compact, and pursuant to what is included in Arcor's Sustainability Policy and the Code of Ethics and Conduct, the Group respects freedom of association and effectively acknowledges the right to free collective bargaining. Arcor Group promotes voluntary trade union association, and 88% of its staff is under the applicable Collective Bargaining Agreement. In 2018, there were no incidents at the Company's major centers and suppliers that would put these rights at stake.

Note 16

As part of its commitment to the United Nations Global Compact, and pursuant to what is included in Arcor's Sustainability Policy and the Code of Ethics and Conduct, the Group is committed to the elimination of all types of forced or compulsory labor, including those types that affect children. In 2018, there were no incidents at the Company's major centers and suppliers that would put these rights at stake. In the cases of outsourced operations and suppliers

having significant risk for incidents of forced or unregistered labor, measures to prevent their occurrence have been adopted.

Note 17

In 2018 there were no incidents of non-compliance concerning the health and safety impacts of product categories.

Note 18

In 2018 there were no significant incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, or particularly related to children's rights.

Note 19

In 2018 there were no significant incidents of non-compliance with regulations and voluntary codes concerning marketing communications, such as advertising, promotion and sponsorship, or else related to marketing and advertising targeted at children.

Note 20

In 2018 there were no significant incidents of non-compliance with laws and regulations in the social and economic area.

CERTIFICATIONS AND AWARDS TO DECEMBER 2018

COMPANY	LOCATION	PLANT	CERTIFICATIONS / AWARDS ⁽¹⁾⁽²⁾				FOREST MANAGEMENT CERTIFICATIONS	TPM AWARD	OTHERS
			ISO 14001	OHSAS 18001	ISO 9001	FOOD SAFETY STANDARDS			
Arcor	Complejo Recreo, Catamarca	Powders to prepare desserts, gummy candies and bakery products	●	●	●	BRC/HACCP/BPM			
		Hard candies, chewing gums and wafers	●	●	●	BRC/HACCP/BPM		1 2	
	Complejo Arroyito, Córdoba	Milk candies	●	●	●	BRC/IFS/HACCP/BPM			UTZ y RSPO
		Wet milling Plant 1	●	●	●			1	
		Wet milling Plant 3	●		●	BRC/HACCP/BPM			
		Thermoelectric power plant	●	●	●				
		Distribution center	●	●	●				
	Arroyito, Cordoba	Dairy farm 1	●	●					
		Dairy farm 2	●	●					
		Dairy farm 6	●	●					
	Complejo Lules, Tucumán	Candies	●	●	●	BRC/FSMA/HACCP/BPM		1 2	
		Wet milling	●	●	●	HACCP		1	
	Complejo San Pedro, Buenos Aires	Silos, corn dry milling	●	●	●				
		Oil	●	●	●	BRC			

In orange the new certifications achieved in 2018. **MANAGEMENT SYSTEMS:** ISO 14001: Environmental Management. OHSAS 18001: Occupational Health and Safety Management. ISO 9001: Quality Management. **Food Safety Standards:** HACCP: Hazard Analysis and Critical Control Points. BRC: British Retail Consortium Global Standard – Food. GMP: Good Manufacturing Practices. FSSC 22000: Food Safety System Certification. IFS: International Featured Standards. **FOREST MANAGEMENT CERTIFICATIONS:** FSC: Forest Stewardship Council. PEFC: Programme for the Endorsement of Forest Certification. **TPM AND JIPM AWARDS:** TPM: Total Productive Maintenance. JIPM: Japan Institute of Plant Maintenance. 1 Award for Excellence in the Implementation of TPM (1st Level). 2 Award for Excellence in Consistent TPM (2nd Level). 3 Special Award TPM (3rd Level). **OTHER CERTIFICATIONS:** RSPO: Roundtable on Sustainable Palm Oil. UTZ: Sustainability Program for Coffee, Cocoa and Tea. **Global GAP:** Certification for own sugar cane crop.

COMPANY	LOCATION	PLANT	CERTIFICATIONS / AWARDS ⁽¹⁾⁽²⁾				FOREST MANAGEMENT CERTIFICATIONS	TPM AWARD	OTHERS
			ISO 14001	OHSAS 18001	ISO 9001	FOOD SAFETY STANDARDS			
		Alcohol	●	●	●	BRC/HACCP/BPM			
	Rio Seco, Tucumán	La Providencia sugar mill	●		●	FSSC 22000/BRC/BPM/Global GAP ⁽³⁾		Global GAP (1)	
		Thermoelectric power plant	●						
	Colonia Caroya, Córdoba	Chocolates	●	●	●	BRC/HACCP/BPM	1 2	UTZ	
	San Luis, San Luis	Chocolates, candies and chewing gums	●	●	●	BRC/HACCP/BPM	1		
	Talar de Pacheco, Buenos Aires	Distribution Center	●	●	●				
Arcor de Brazil	Rio das Pedras, San Pablo, Brazil	Candies and chewing gums	●	●	●	BRC/HACCP/BPM	1		
	Braganca Paulista, San Pablo, Brazil	Chocolates and candies	●	●	●	BRC/HACCP/BPM	1		
Arcor de Chile	Santiago, Chile	Bicentenario Plant	●	●	●	BRC/GMP			
Arcor de Perú	Chancay, Perú	Candies and chewing gums				HACCP			
Bagley Argentina	Córdoba, Córdoba	Cookies and crackers	●	●	●	BRC/HACCP/BPM			
	Salto, Buenos Aires	Cookies and crackers	●	●	●	BRC/HACCP/BPM		1	
	Complejo Villa del Totoral, Córdoba	Cookies and crackers	●	●	●	BRC/HACCP/BPM		1	

In orange the new certifications achieved in 2018 **MANAGEMENT SYSTEMS:** **ISO 14001:** Environmental Management. **OHSAS 18001:** Occupational Health and Safety Management. **ISO 9001:** Quality Management. **Food Safety Standards:** **HACCP:** Hazard Analysis and Critical Control Points. **BRC:** British Retail Consortium Global Standard – Food. **GMP:** Good Manufacturing Practices. **FSSC 22000:** Food Safety System Certification. **IFS:** International Featured Standards. **FOREST MANAGEMENT CERTIFICATIONS:** **FSC:** Forest Stewardship Council. **PEFC:** Programme for the Endorsement of Forest Certification. **TPM AND JIPM AWARDS:** **TPM:** Total Productive Maintenance. **JIPM:** Japan Institute of Plant Maintenance. **1** Award for Excellence in the Implementation of TPM (1st Level). **2** Award for Excellence in Consistent TPM (2nd Level). **3** Special Award TPM (3rd Level). **OTHER CERTIFICATIONS:** **RSPO:** Roundtable on Sustainable Palm Oil. **UTZ:** Sustainability Program for Coffee, Cocoa and Tea. **Global GAP:** Certification for own sugar cane crop.

COMPANY	LOCATION	PLANT	CERTIFICATIONS / AWARDS ⁽¹⁾⁽²⁾				FOREST MANAGEMENT CERTIFICATIONS	TPM AWARD	OTHERS
			ISO 14001	OHSAS 18001	ISO 9001	FOOD SAFETY STANDARDS			
	Villa Mercedes, San Luis	Galletitas	●	●	●	BRC/HACCP/BPM			
Bagley Brazil	Campinas, San Pablo, Brazil	Cookies and crackers	●	●	●	BRC/HACCP/BPM		1	
	Contagem, Mina Gerais, Brazil	Cookies and crackers	●	●	●	BRC/HACCP/BPM		1	
Bagley Chile	Santiago, Chile	Cookies and crackers	●	●	●	BRC/HACCP/BPM		1	
Cartocor	Complejo Arroyito, Córdoba	Manufacture of recycled paper and corrugated cardboard boxes	●	●	●		FSC	1 2	
	Complejo Luján, Buenos Aires	Corrugated Cardboard Manufacturing	●	●	●		FSC	1	
		POP material manufacturing			●				
		Film printing	●		●	FSSC 22000		1	
	Paraná, Entre Ríos	Corrugated Cardboard Manufacturing	●	●	●		FSC	1 2 3	
	Rancagua, Chile	Corrugated Cardboard Manufacturing	●		●		PEFC		
Complejo Villa Mercedes, San Luis	Film printing	●		●	FSSC 22000				

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	Complejo Villa del Totoral, Córdoba	Film printing and production of printing cylinders	●	●	●	FSSC 22000			
La Campagnola	San Rafael, Mendoza	Fruit pulp			●	BRC			
	San Martín, Mendoza	Canned vegetables and fruits			●	HACCP/BPM			
	San Martín, Mendoza	Distribution center			●	HACCP/BPM			
	Mar del Plata, Buenos Aires	Canned fish	●	●	●	BRC/HACCP/BPM			
	Complejo Villa Mercedes, San Luis	Marmalades and jams	●	●	●	BRC/HACCP/BPM	①		
	Rawson, San Juan	Canned tomato	●	●	●	BRC			
	Choele Choel, Río Negro	Canned tomato				HACCP/BPM			
	Junín, Mendoza	Nueva Aurora Farm			●	HACCP/BPM		Global GAP	
	Villa Seca, Mendoza	El Desafío Farm			●	HACCP/BPM		Global GAP	
	Villa Seca, Mendoza	El Porvenir Farm			●	HACCP/BPM		Global GAP	
San Martín, Mendoza	El Paraiso Farm			●	HACCP/BPM		Global GAP		
Mundo Dulce	Toluca, Mexico	Chocolates, candies and chewing gums			●	BRC/HACCP/BPM			

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Zucamor	Ranelagh, Buenos Aires	Recycled paper and corrugated cardboard			●		FSC		
	Quilmes, Buenos Aires	Corrugated cardboard	●		●		FSC		
	Misiones	Virgin paper	●		●		FSC – PEFC		
	San Luis, San Luis	Paper bags			●		FSC		
	Mendoza, Mendoza	Recycled paper and corrugated cardboard			●		FSC		
	San Juan, San Juan	Corrugated cardboard			●		FSC		

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This Sustainability Report is available on the corporate website of Grupo Arcor www.arcor.com
For any questions or suggestions, you can contact us at the email address sustentabilidad@arcor.com

GENERAL COORDINATION:

Corporate Sustainability Management

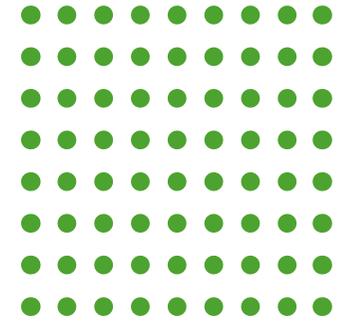
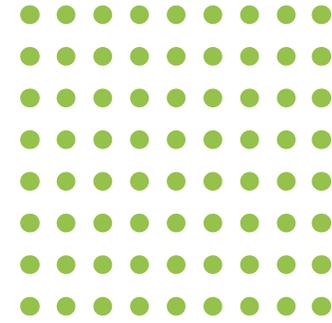
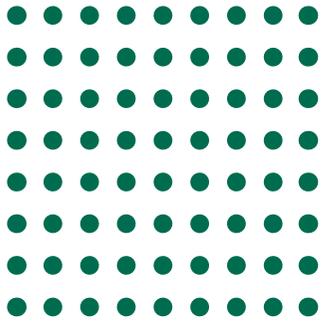
COORDINATION OF DESIGN AND PRODUCTION:

Corporate Management of Institutional Communications
Tholön Kunst, visual communication – www.tholon.com

Argentina Customer Service Coordination; Arcor Brazil Customer Service Coordination; Arcor Brazil Marketing Services Coordination; Mexico General Management; Arcor Foundation in Argentina, Arcor Foundation in Chile, and Arcor Brazil Institute; Corporate Management Division; Human Resources Corporate Management Division; Public Issues and Press Corporate Management Division; Internal Audit Corporate Management Division; Compensation Corporate Management Division; Institutional Communications and Marketing Services Corporate Management Division; Sustainability Strategies Corporate Management Division; Labor Relations Management Corporate Management Division; Research, Development and Innovation Corporate Management Division; Human Resources Planning Corporate Management Division; Labor Relations Corporate Management Division; Financial Soundness Corporate Management Division; Medical Service Corporate Management Division; Supply Corporate Management Division; Argentina Compensation Management Division; Consolidation Branch Administration Management Division; MAHPI Control Management Division; Industrial Food Legislation Management Division; Marketing Management Division – Andean Region; Community Relations Management Division; Food Safety Management Division; Company Management Division; Peru Branch Management Division; Arcor Brazil MAHPI Management Division; Arcor Brazil National Sales Management Division; Arcor Chile National Sales Management Division; Distribution Business Management Division; Arcor Brazil Territorial Sales Management Division; Purchasing Head Office of the Purchasing and Risk Management Department; Human Resources Development Head Office; Nutritional Development Head Office; and SGI Head Office of Argentina Logistics Management Division.

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