

FOOD LOSS AND WASTE



Food loss and waste

In Arca Continental, we are well aware of the great challenge that efficient resource management represents. Therefore, aligned with our sustainable business strategy, we promote processes that minimize raw matter loss and waste.

As a fundamental part of our business strategy, we make optimal use of all our resources, and have continuously worked to develop guidelines to strengthen our ingredient efficiency.

We rely on annual targets to minimize food loss and waste, which are directly related to associate remuneration in production facilities.

Using a continuous improvement approach, we have established programs to quantify food loss and waste, reduce the total amount and give the produced waste a second use. In addition, we collaborate with our commercial partners to cope with this challenge throughout our entire value chain.

Waste reduction applying a continuous improvement approach

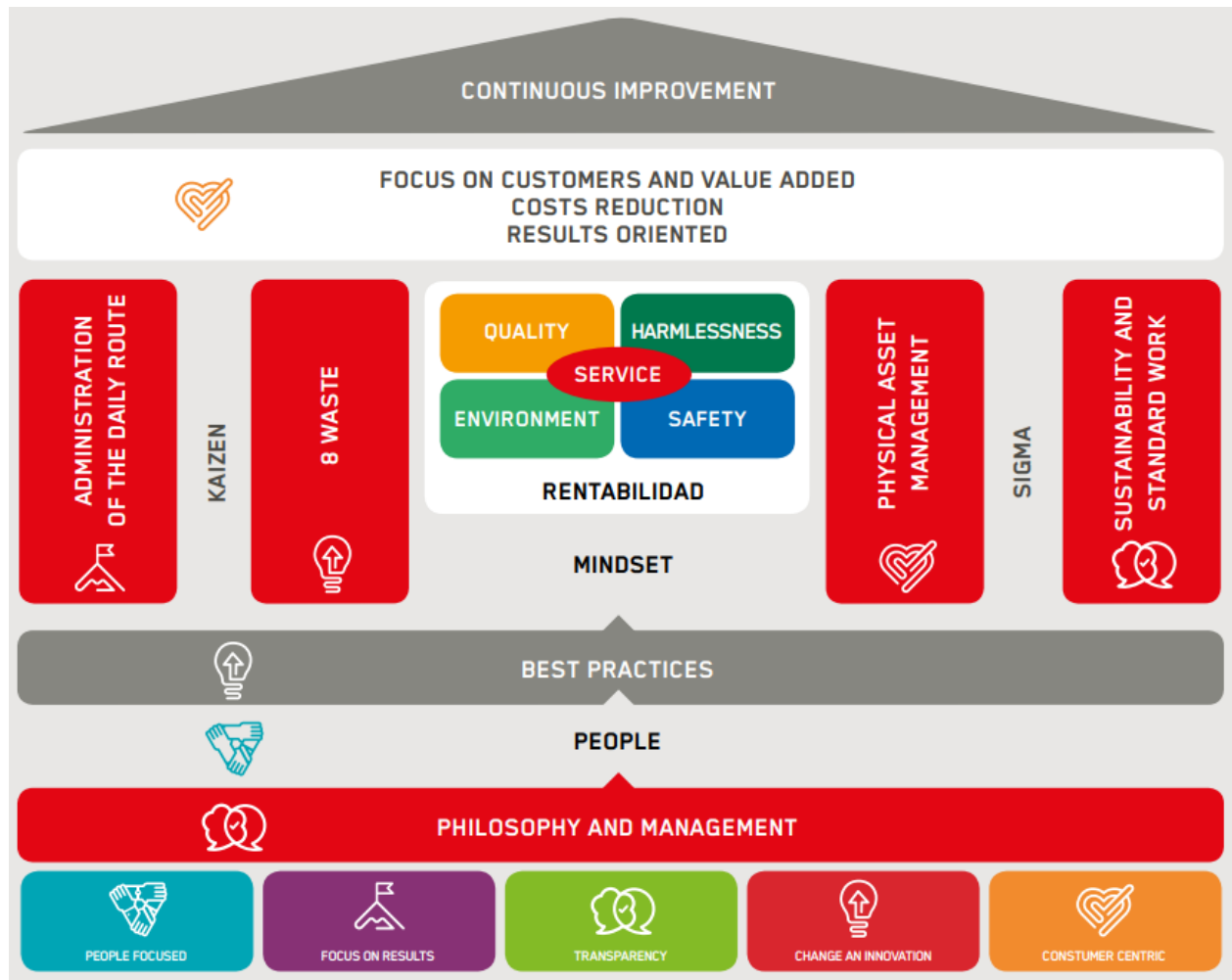
Historically, food loss and waste has been dealt-with using a cost control and reduction perspective. In collaboration with our commercial partners, covering from raw matter to non-consumed products, we identify and map food loss and waste opportunities.



We identified the food loss and waste problem as controllable and minimizable, and recognized it is generally caused by raw matter inefficacy in our processes. The main reasons for these inefficacies are product damages result of transportation or freshness loss.

For the previously mentioned reasons, our continuous improvement approach considers waste as a fundamental focus area. It is worth mentioning that this model is aligned with the Lean

Manufacturing principles, encouraging active learning, participation, innovation and overall day-to-day improvement. It is carried out even in high organizational levels under an Executive Director's responsibility and covers all organizational levels in Arca Continental. It relies on three main pillars: executive director-generated projects, operational initiatives and financial benchmarks that allow internal and external KPI comparison.



Since this model's implementation, it has facilitated the deployment of more than 700 projects regarding raw matter efficiency and damaged product revalorization.

Metrics and monitoring

In order to measure waste in our productive processes and final products, we apply several digital systems that allow resource efficiency control and monitoring.

Adequate monitoring and constant implementation of programs that contribute to waste minimization have lead our production centers to operate with low waste, reaching a 99% ingredient use efficiency.

Targets regarding food loss and waste are set annually, and they are directly related to variable manager compensation in production centers.

Initiatives for alternative use of food loss and waste

Our continuous improvement approach has played a vital role in attaining effective monitoring and high levels of efficiency, resulting in minimized waste through collaborations with sourcing, processing, and product stakeholders, particularly during the processing phase. Despite operating at a 99% efficiency rate, our commitment to excellence drives us to continually exceed our accomplishments. Therefore, our unwavering focus remains on revalorizing and repurposing food loss and waste volumes, ensuring they are not reduced to mere residues.

Arca Continental's snack business has implemented several initiatives to provide alternative uses for waste. We actively collaborate with stakeholders and organizations across the value chain to prevent waste from ending up in landfills. The following initiatives are in place:



Waste oil generated from the frying process is sold to MOPAC, a waste oil recycling company.



Sludge cake resulting from the treatment of potato processing water is skillfully applied to local farms through our collaborative partnership with CHAPIN.



Off-spec food processing waste, including potato peel waste, chips, stale products, and corn waste, is sold to Renewal Processing. They employ a process that separates bags (film) from food products, and these bags are subsequently utilized as fuel for an on-site incinerator.

Through these initiatives, Arca Continental demonstrates its commitment to minimizing food loss and waste, promoting environmental sustainability, and contributing to a circular economy.

Metrics and monitoring

We did a calculation within our snack business of the main indicators used to measure revenue from alternative uses of food loss and waste, shown in the following table.

	2020	2021	2022
a) Total food losses (tons)	9,030	8,116	8,314
b) Tons of food that was considered "loss" and used for alternative purposes (animal feed, energy, etc.)	8,666	7,870	8,026
c) Actual food losses (a - b)	364	246	288
d) Waste intensity (b / a)	0.04%	0.03%	0.03%
e) Revenue generated by food loss and waste-related initiatives	841,266.44	1,892,132.48	3,003,447.50