

# FACING THE CSR CHALLENGE

**2008-2009  
SUSTAINABILITY  
REPORT**





› Gabions



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› Motto Barbed wire





› Nave of Gabions Column

## LETTER FROM THE GENERAL MANAGER

# LETTER FROM THE GENERAL MANAGER

Ten years ago, if someone had brought up the need to draw up a Company social balance sheet, he would have most likely been seen as someone involved in anthropological studies of a community from away from Peru. How have times changed! And, in this case, I have no doubt that for good. The globalized world has eased the flow of capital, making it possible to invest anywhere on the planet. Consequently, there may be dissimilarities on how to manage a specific company in light of very diverse realities. The developed world has come face-to-face with underdevelopment: social pressures by the most disadvantaged increases, while, the conscience of the most favored is shaken. In this context, solving the different dimensions of social inequality becomes an ethical urgency of any organization in order to generate a positive impact on its surrounding community. Hence, a concern for social responsibility timidly surfaced.

At PRODAC, the response to this new challenge was quick and forceful. Aware of our role in our society, our company shareholders implemented a social responsibility program taking into account the particularities of our reality. The task was not easy. At PRODAC, we had no experience in this field. The companies in the mechanical, metal industries involved in steel-related activities can generally be characterized for having low profit margins and the need to trade high volumes. Our *raison d'être* was to produce, sell, charge, and pay our taxes. However, we did not fear not knowing how to do things, but rather not doing them. Our Human Resource Department embarked on a project to find the proper counseling to redirect the efforts we had already been making randomly and to present them in a more structured way. This led us to contact *ProFuturo AFP* (Pension Fund Administrator), a company with fairly extensive experience on these topics. The contribution of this organization in our initial take-off was crucial and we will always be grateful to them.

In 2008, we took our first steps in the “*Programa Voluntades de Acero*” (“Strong-willed Program”), counting with the participation of more than 150 PRODAC collaborators volunteering in different activities with shanty towns. A year before, we had consolidated the first phase of the “*Tu Casa*” housing pilot program thanks to which 32 Company workers were given houses at preferential mortgage conditions with direct loans granted by the Company. Subsequently, in 2008 and in 2009, we offered a “*Vacaciones Útiles*” (summer school for children) in Sarita Colonia shanty town. This program was conducted with the support of the local Police and was aimed at developing skills among the people in the zone of influence of the local Police Station. Also, we responded promptly to requests for support from community organizations. In 2008, all these efforts and commitment to CSR have been further strengthened with PRODAC joining the United Nations Global Compact. Also, during 2008, Peru 2021 performed a CSR assessment and, hence, identified a number of actions that the Company had been developing spontaneously and which directly contribute to good CSR practices.

The challenges for 2010 shall be not less forthcoming. Social demands are increasing in many areas of our society and the steadfast progress and growth achieved by our country must be supported by a full commitment of all productive instances, so that the less favored can observe the commitment of all actors in the economy of Peru. This is why our vision of a better, fairer, and more egalitarian Peru will not let us surrender to limitations, but rather will encourage us to engage in more projects in the coming years.

Finally, I wish to express that it has been a very rewarding experience to have counted with the unconditional support of our collaborators, partner institutions, and suppliers, without whom we could not have accomplished the CSR projects this year.

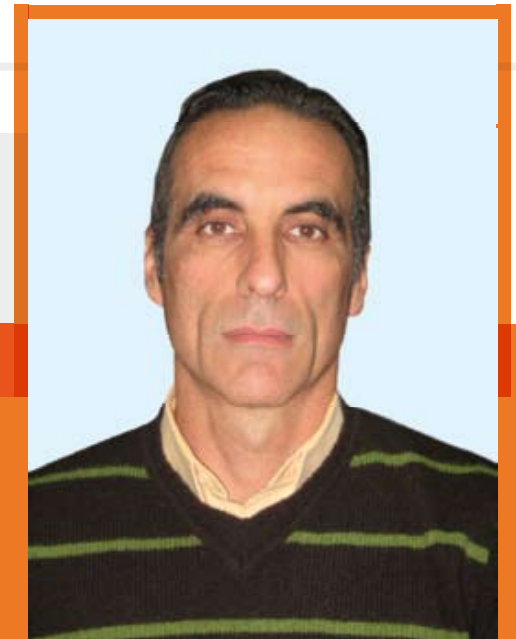
Moreover, I wish to share with you PRODAC shareholders’ deepest recognition and compliment to our fervent commitment to remain onboard this valuable project for society, which will ultimately be recognizant of us.

Thank you.

*(...) In this context, solving the different dimensions of social inequality becomes an ethical urgency of any organization (...)*



Manuel Gallofré Cassadó  
General Manager







› Electro welded foundation

## I. ABOUT PRODAC



# About **BEKAERT**

PRODUCTOS DE ACERO CASSADÓ S.A. (PRODAC) is a supplier of steel products and related product. It was founded in 1994 following the merger of the two largest wire manufacturers in Peru: INDUSTRIAS CASSADÓ S.A. and PROLANSA.

Aware of globalization, world trade, and Peru's openness in the 1990s, Peruvian capitals consisting of INDUSTRIAS CASSADÓ S.A. shareholders joined efforts and resources with the Belgian consortium NV BEKAERT - the largest manufacturer of wire products and related products in the world-, represented by its affiliated companies, IDEAL ALAMBREC in Ecuador and INCHALAM in Chile, to establish PRODAC. This is how the most ambitious project of wire production ever began in Peru.

PRODAC is currently the largest wire products manufacturer in Peru with more than 500 collaborators and works with the markets of South America, Central America, the Caribbean, North America, and Europe.

PRODAC business philosophy is based on offering total quality in all its products and services, constantly investing in cutting-edge technology and in training its collaborators.

PRODAC is currently an active member of the International Association for the Control of Erosion (ACE Inhibitors), USA, the largest and oldest of its kind, engaged in helping its members to solve problems caused by erosion and its by-product: sediment.

Our company has the highest national and international quality standards, for which we have been recognized with various certifications. In 2004 our Quality Management System was certified ISO 9001: 2000, and earlier, in 2003, the Bolivian Institute of Standards and Quality granted the Use Certificate for the IBNORCA seal to our product steel networks with hexagonal mesh double twist for the manufacture of gabions (mesh 8 x 10).

At PRODAC, we have a cross-sectional action line of being socially responsible in all our activities. Every year, we work on implementing new programs and initiatives to benefit our stakeholders. This is why in 2008 we were granted the Global Compact award in the Human Rights category for the "Tu casa" Program, which consisted in giving collaborators access to decent housing facilities.





› Nail

### III. CORPORATE SOCIAL RESPONSIBILITY



PRODAC follows an ethical management approach and carries out its activities based on a CSR-efficiency approach. Its commitment is based on the firm belief that the success of any company lies largely on the implementation of effective policies, ensuring the prosperity of its shareholders, healthy and productive interaction with collaborators and suppliers, and support to the communities in which it operates. The organization is also aware of the importance of caring for and preserving the environment, using resources in a responsible way, thinking of the next generations, and the legacy that they will receive.

2.1 Strategies

The CSR strategy has been designed by the Corporate Social Responsibility Committee, composed by the General Manager, the Mining Unit Manager, the Operations Manager, the Environmental Solutions Unit Deputy Manager, the Marketing Deputy Manager, and the Human Resources Deputy Manager. Its main objective is to ensure compliance with good business practices and the CSR principles in the territories where PRODAC operates.

In 2008, the Committee adopted a strategy reflecting the importance of CSR for achieving greater competitiveness in the Company and for generating greater value for stakeholders. One of the assumptions of this initiative is performing periodic surveys to measure the benefits and negative impacts of the Company's activities to the community, taking into account stakeholders' expectations.

Also, to strengthen our business within a modern social responsibility approach, we joined the United Nations Global Compact (The Global Compact) in 2008. This commitment means that every area must abide by the 10 principles set out in the Global Compact and submit progress reports.

Businesses shall...

- 1 support and respect the protection of internationally proclaimed human rights;
- 2 make sure that they are not complicit in human rights abuses;
- 3 uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 uphold the elimination of all forms of forced and compulsory labor;
- 5 uphold the effective abolition of child labor;
- 6 uphold the elimination of discrimination in respect of employment and occupation;
- 7 support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility;
- 9 encourage the development and diffusion of environmentally friendly technologies;
- 10 work against corruption in all its forms, including extortion and bribery.



2.2. CSR Principles

a) Investment in human capital

PRODAC recognizes that its human capital is a fundamental piece and a source of progress. Therefore, its actions are driven to increase the quality of life and potential of collaborators.

**Commitment to human rights:** PRODAC activity is driven by a philosophy of fervent respect for fundamental human rights; this commitment has been further evidenced by PRODAC joining the United Nations Global Compact.

**Capacity building:** PRODAC offers its employees development opportunities by encouraging them to develop their potentials, promoting educational growth and refining their skills to function properly in the workplace.

**Integrated health and safety:** PRODAC is constantly concerned about its workers' overall health. PRODAC strives to create a safe and healthy working environment, and takes appropriate measures to prevent work-related injuries and accidents.

**Quality of life at work:** PRODAC recognizes and complies with the legal provisions governing labor relations: it does not employ or promote child labor, forced labor, or take disciplinary action violating the integrity of collaborators. PRODAC respects the regular work time of 48 hours a week, the right to a day off at least once per week. Overtime is compensated with an hourly rate that is higher than is usual, overtime is voluntary, and under no circumstances exceeds 12 hours a week per worker.

**Family welfare:** PRODAC is permanently watchful of its workers' well-being. There is an open dialogue policy for collaborators and their families. The Human Resources Department promotes and carries out activities involving the active participation of family members of collaborators.

**Freedoms:** At PRODAC, we respect the right of our employees to bargain collectively and to associate freely forming organizations, like the Trade Union. We value diversity as a positive element in PRODAC: what makes us different is what makes us unique. For this reason, in our rapports and in the Company's multiple actions (recruitment, compensation, training, promotion, dismissal, or retirement), we do not tolerate or warrant any kind of discrimination whether based on race, caste, place of origin, religion, disability, gender, sexual orientation, participation in trade unions or other organizations, political affiliation, or age.



### b) Social development agent in the community

PRODAC has undertaken the commitment to become an agent of social development in the community in which it operates. PRODAC is not indifferent to the shortages and problems of the area in which we live. We are part of their dreams and goals of growth, development, and quality of life. For this reason, we have a number of development projects that contribute to the community's welfare.

### c) Awareness and environmental action

In recent years, under a context of global emergency, PRODAC has decided to take up the challenge of protecting and conserving the environment, educating and demonstrating environmental awareness at all levels; through its staff, activities, and rapports with other actors in the production chain.

### d) CSR Multiplier effect

PRODAC undertakes social responsibility as an ethical matrix of its actions. As such, CSR principles are embedded, promoted, shared, and encouraged through its rapports with all, in all its activities throughout its supply chain, among shareholders, employees, customers, suppliers, business partners, and in the communities where it works. Hence, PRODAC has a CSR multiplier effect encouraging the application of CSR legal standards, values, and principles, and placing emphasis on the community and the environment.

### e) Transparency policy ethics

This is one of the cornerstones of our business philosophy, as well as the driving principle of our managers. Hence, we are committed to apply good corporate governance principles; we convey to shareholders and the market truthful and complete information; and we guarantee our users strict confidentiality and privacy in handling their information.

## 2.3. Code of Conduct

PRODAC's Code of Conduct sets the basic rules of behavior for persons who are part of PRODAC, including those of other entities and organizations associated with the Company:



## VISION:

To be recognized as a supplier of world class products and services in the wire industry at large.

## MISSION:

We are a Company that satisfies needs in the wire business at large, in accordance with our Code of Conduct.

## Code of Conduct

We undertake our commitment under the following driving principles:

- 1. CUSTOMER-DRIVEN.** Because customers are our raison d'être, we seek to establish and build solid and lasting relationships with each customer.
- 2. RESPECT FOR THE COMMUNITY.** We respect ethnic diversity. We promise to initiate, forge, and build relationships with the communities in PRODAC's area of influence.
- 3. RESPECT FOR THE ENVIRONMENT.** We perform our activities responsibly, with special care on environmental conservation.
- 4. HONESTY AND INTEGRITY.** We promise to operate with honesty and integrity always.
- 5. COMMITMENT TO CHANGE.** We are committed to face the change with effort, creativity, continual improvement and innovation.



2.4 CSR Objectives

2008

For 2008, PRODAC set itself two CSR objectives: to accrue 1,260 man/hours of corporate volunteering and to perform three infrastructure projects for the community. Both goals were successfully achieved.

We carried out our projects in Sarita Colonia Shanty Town, Sarita Colonia Elementary & High School, and Sarita Colonia Police Station. Also, we worked in the Daniel Alcides Carrión Shanty Town, specifically in the Fernando Belaunde Terry School -all in Callao.

In addition, this year, as part of our “Programa Voluntades de Acero” (“Strong-willed Program”), we carried out four corporate volunteer programs, which accounted for a total of 1,403 man/hours of work. Both the first and second volunteer work focused on infrastructure projects, as well as medical and information campaigns aimed at students and parents of the Fernando Belaunde Terry School. In the third volunteer program we organized a Christmas Party for 130 children at this school. The fourth program was another Christmas Party for the children of members of the Emergency Police Squad.



› (1 y 2) Sarita Colonia Shanty Town, (3) Daniel Alcides Carrión Shanty Town

2009

For 2009, we set ourselves two CSR objectives: to accrue 240 man/hours of training in corporate social responsibility for customers and suppliers, and to offer dental care to 160 collaborators. The first goal was achieved successfully; however, the second was not.

50 representatives of 32 companies supplying raw materials, supplies, services, among others attended the 3 workshops on Corporate Social Responsibility. Additionally, we offered customers a workshop on the same subject -20 representatives from 3 different companies attended. In 2010, we will continue with this activity as part of our commitment to disseminate corporate social responsibility.

In 2009, we also offered dental care. Although we did not reach the goal, we did manage to provide dental care to 60 children (employees’ children) in “El Dorado” clinics. A total of S/. 6,180.00 were invested in this activity.

These activities have enabled us to bring joy to many children and to spread corporate social responsibility further. We also included, for the first time, our suppliers in various campaigns, thereby tightening and strengthening bonds with the links in our supply chain.

	2008	2009
Objectives	1,260 man/hours of volunteer work.  3 infrastructure enhancement projects for the community.	240 man/hours of training in Corporate Social Responsibility to customers and suppliers.  160 dental checkups for collaborators' children.
Level of compliance	Total: 1,403 man/hours of volunteer work.  Project: <ul style="list-style-type: none"><li>• Build and implement canteen in Sarita Colonia Police Station.</li><li>• Build toilettes in Sarita Colonia School.</li><li>• Improvement of Fernando Belaunde Terry School facilities.</li></ul>	Mid-term: 198 man/hours of training to suppliers.  57 man/hours of training to customers.  60 dental checkups for collaborators' children.



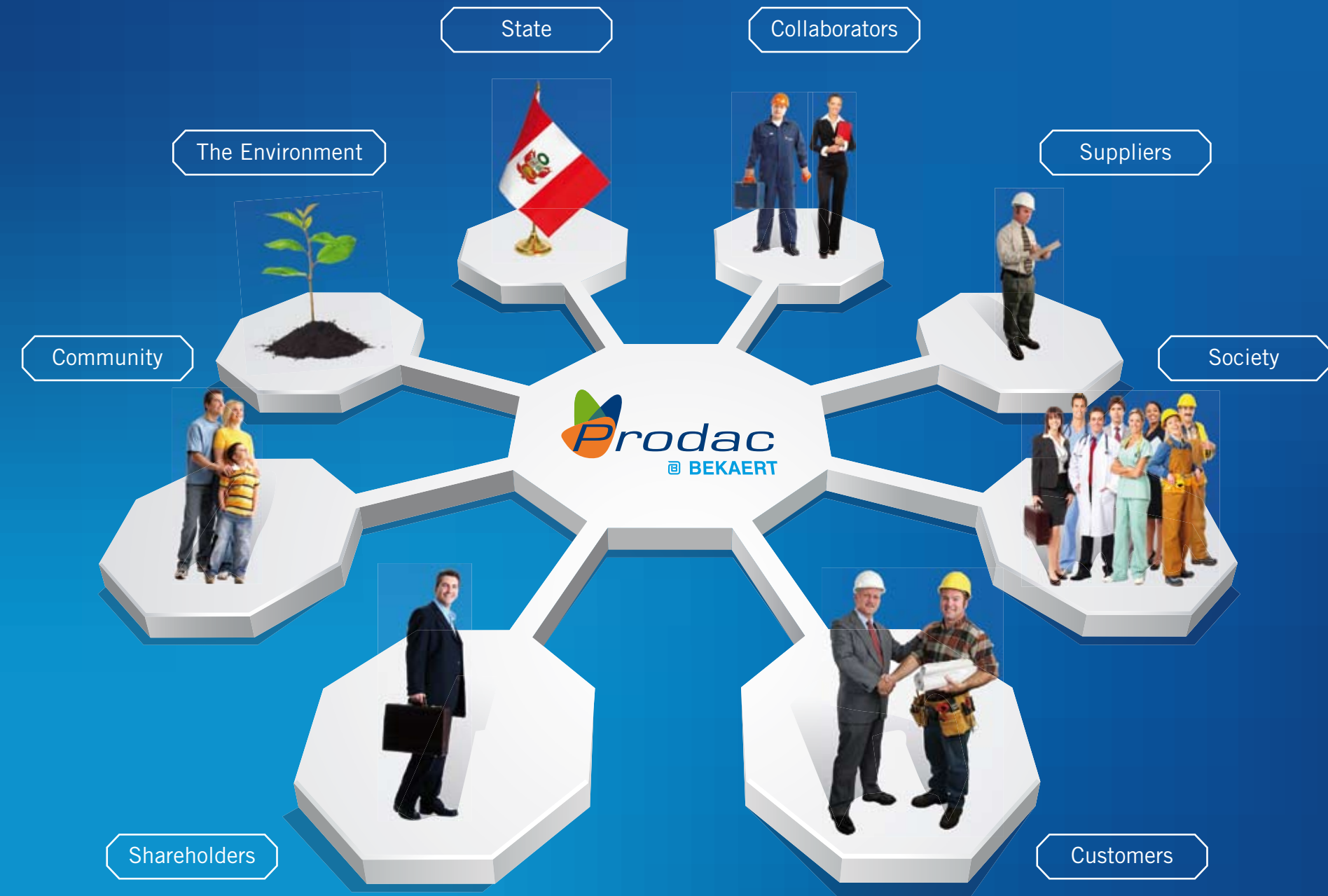
## 2.5 Greater Efficiency Approach

We have worked hard to develop a new CSR approach bringing together our stakeholders: shareholders, customers, collaborators, community, environment, State, and suppliers. Our actions and efforts are aimed at strengthening our relationships and at addressing the interests of our stakeholders. We count with the support of several specialized institutions, such as *Asociación Civil Trabajo Voluntario* and *ProFuturo AFP*, which have provided us advice, knowledge, and information.

In 2008, we also decided to contribute to Patronato de Peru 2021, a non-profit institution engaged in changing the vision of Peru based on a CSR approach. In 2009, this was not possible due to the world financial crisis; however, it should be noted that we did have CSR initiatives and we remained true to our guiding principles. For 2010, we have considered contributing to Patronato again.



## PRODAC AND ITS STAKEHOLDERS



**PRODAC**, a socially responsible company.





› Spring Wire

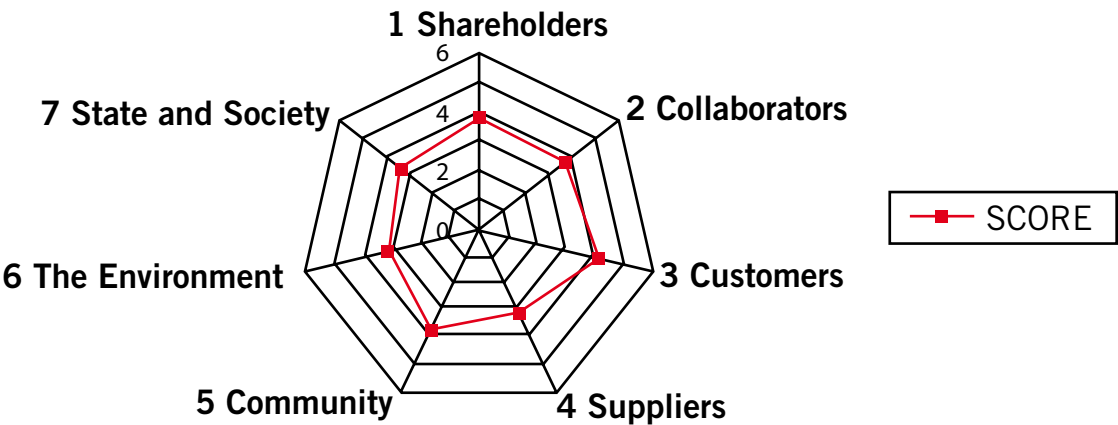
### III. STAKEHOLDERS



3.1 Diagnosis Results Peru 2010

In order to count with an instrument to assess better the articulation of the Company's CSR strategies, policies, and processes, PRODAC decided to apply Peru 2021 CSR indicators throughout 2008. Such indicators have been developed based on the most relevant CSR international standards and instruments. The outcome of such indicators in 2008 has been crucial in giving us an insight on where we stand and has enabled us to design programs and actions for 2009 so as to optimize our relations with different stakeholders. Below is a chart with the scorecard.

DEGREE OF PROGRESS	SCORE
Lower bottom	1.00-1.84
Upper bottom	1.85 - 2.69
Lower Intermediate	2.70 - 3.54
Upper Intermediate	3.55 - 4.38
Lower high	4.39 - 5.23
Upper high	5.24 - 6.00



PRODAC obtained a score of 3.77/6 which ranks us at an upper intermediate level in our CSR management. This score represents the opportunity to achieve improvements to face the future proactively with correctly defined goals and strategies.



› Voluntades de Acero Volunteers at Fernando Belaunde Terry School



3.2 Shareholders



Transparency, ethics, and good corporate culture

Our shareholders’ endorsement and business ethics have unquestionably contributed to create a robust and efficient Company. For more than 15 years of operations, we have worked on protecting and making profitable investments, achieving simultaneously good management of economic, social, and environmental issues, under strict CSR principles.

We give our shareholders and the market in general truthful and complete information which faithfully depicts the development of our Company, its business activities, and business strategies. We also guarantee users that their information will be held strictly confidential and privileged, thanks to the discretion and professionalism of our collaborators who have access to such information.

2008	2009
Awareness lectures to the Management Committee, Deputy Managers, and Department Heads.	Inclusion of CSR in the Integrated Management Policy.
Inclusion of the respect for the Code of Conduct in the Company mission.	

**2008**  
Since it is essential for those who run the company to understand the importance of managing the Company following social responsibility principles, in 2008, we gave a talk on CSR in PRODAC to the Management Committee and another one to Deputy Managers and Department Heads. This talk described what CSR is, what and who PRODAC stakeholders are, and what actions we have already been doing as a Company on social responsibility.

Another initiative related to this stakeholder is the declaration of respect for the Code of Conduct included in the Company’s mission statement. In this way, we explicitly avow that any action undertaken by any member of PRODAC must be consistent with the respect to the community and the environment, as well as ethical and customer-driven.

**2009**  
Based on the suggestions by Peru 2021, our 2009 plan has accommodated PRODAC’s desire to become a socially responsible company in its Integrated Management System Policy. Thus, PRODAC further strengthened its parameters for action as a Company.



Peru 2021 Diagnosis Report– Shareholders

SECTION	AVERAGE
Development of ethical principles	5.13
Organizational culture	4.78
Corporate governance	3.91
Dialogue with stakeholders	2.94
Relationship with the competition	3.63
Social Balance or Sustainability report	1.41
Average	3.84

Concerning shareholders, we got a score of 3.84 / 6, which ranks us in an upper intermediate level. It is worth highlighting the high score obtained in the development of ethical principles and organizational culture indicators; this proves that the PRODAC team is committed to and aligned with the Company policies and principles.

3.3 Collaborators



› Collaborators in the Goods Warehouse

Commitment, effort, and responsibility

At PRODAC, we recognize the capacity and the constant contribution of our collaborators, who are an essential part of our social responsibility policies. Taking into account the nature of our activities, we place special emphasis on providing high standards of safety at work, as well as a proper work environment where collaborators can develop not only as professionals but as human beings. We are convinced that a person’s well-being means the comfort of the collaborator’s whole family.

In addition, our corporate culture is based on open and honest communication among collaborators, as well as a merit-based recruitment policy. We choose competent and highly motivated people who share our Code of Conduct; moreover, we categorically prohibit any discriminatory practice. We have an interesting training program aligned with the Company’s objectives and taking into account the interests of each person.

Our promotion system is transparent and we constantly strive to create new mechanisms to ensure transparency. In 2008-2009, 23 collaborators were promoted due to their good performance. In addition, there were horizontal movements in different positions and levels of the organization.



	PERIOD 2008	PERIOD 2009
Promotions	18	5
Relations with the Trade Union	Donated a 1,250 m² plot for Trade Union meetings.	
Training	8022 man/hours S/. 218,815.10 invested	1800 man/hours S/. 85,801.69 invested
Free Office Basic courses	50 collaborators	14 collaborators
Internal communication	<ul style="list-style-type: none"><li>• Bugle galvanized</li><li>• D ' A-O Magazine</li><li>• Electronic panels</li><li>• Luncheons sponsored by Area Heads</li></ul>	<ul style="list-style-type: none"><li>• Bugle galvanized</li><li>• D ' A-O Magazine</li><li>• Electronic panels</li><li>• Luncheons sponsored by Area Heads.</li></ul>
Health and Safety	<ul style="list-style-type: none"><li>• Vaccination against Hepatitis B</li><li>• Vaccination against influenza</li><li>• Cancer examinations for collaborators and families</li><li>• Cancer insurance</li><li>• Self-care campaign</li><li>• Safe Hands campaign</li><li>• Safety Month</li><li>• Health care 24 hours a day</li><li>• Occupational medical examination</li></ul>	<ul style="list-style-type: none"><li>• Vaccination against Hepatitis B</li><li>• Vaccination against influenza</li><li>• Cancer examinations for collaborators and families</li><li>• Cancer insurance</li><li>• Implementation of the STOP method</li><li>• Incidents Investigation</li><li>• High risk work authorization</li><li>• Housekeeping- 5'S Audits</li><li>• Safety Month</li><li>• Health care 24 hours a day</li><li>• Occupational medical examination</li></ul>
Benefits	<ul style="list-style-type: none"><li>• Bonus and school package</li><li>• school loan (optional)</li><li>• Death compensation</li><li>• Emergency loan</li><li>• loans upon returning from Holidays</li><li>• social assistance</li><li>• Transportation Service</li><li>Graduate from high school</li></ul>	<ul style="list-style-type: none"><li>• Allocation and school package (optional)</li><li>• school loan comp death</li><li>• loan for emergency</li><li>• loans by Holiday return</li><li>• social assistance</li><li>• service transport</li><li>• high complete for all</li></ul>
Management of family and personal welfare	<ul style="list-style-type: none"><li>• Talent Night</li><li>• Useful holidays for children of employees</li><li>• Cinema afternoon</li><li>• Talks on responsible parenthood and family violence</li><li>• Prodac Olympics</li><li>• Christmas party</li><li>• Bowling tournament</li><li>• Family walk to the Navy Club</li></ul>	<ul style="list-style-type: none"><li>• Useful holidays for children of employees</li><li>• Family walk to the Navy Club</li><li>• Prodac Olympics</li><li>• Christmas party</li></ul>

Training Programs

Striving for constant and comprehensive progress of our collaborators, we formulate an annual training plan based on the needs, job profile, business goals, and each collaborator's skills. In 2008, we invested a total of S/. 218,815.10 on training (i.e. 8,022 hours) and 150 collaborators participated in various workshops and training programs. In 2009 the investment was S/. 85,801.69 with more than 1,800 hours of training mainly for supervisors and operators.

Finally, as has been a practice for several years, we set aside an area in the Company's facilities and scheduled after work shifts for collaborators to attend the free Office Basic and intermediate Excel courses; benefiting 50 collaborators in 2008 and 14 in 2009.





## Internal communication

### Bulletin Board

We have bulletin boards in various strategic places of the main office in Lima and in the branch offices in order to inform everyone about significant Company events. Clarín Galvanized bulletin boards are bi-weekly publications and report on activities, campaigns, and events sponsored by the different areas of the Company. The editorial is written by the General Manager once a month informing collaborators about the Company's current situation and the context in which we find ourselves. Collaborators who wish to publish information can do so by simply sending an e-mail.



### D' Acero Magazine

It is a monthly publication distributed to the collaborators with the objective of providing alternative entertainment for them and their families. It includes sections on culture and, in some cases, reports on the Company events aimed at personal welfare of collaborators, among others.

Any collaborator can submit comments, concerns or amenities to be published in the magazine.



### Electronic panels

Electronic panels are placed in areas visible to all collaborators. The 9 electronic panels are used to share, with our collaborators, information quickly and timely about various business achievements, sales, etc., as well as events, birthday greetings, and organizational culture messages.



### Luncheons sponsored by the Area Managers

Managers call collaborators from different departments to build relations beyond the daily work. It also serves to absolve common doubts, share plans, objectives and goals, among other things.





Health and safety

Prevention of deadly diseases

Program includes annual vaccination campaigns against hepatitis and influenza, cancer annual examinations, including the families of collaborators. In addition, we offer each collaborator cancer insurance “Oncomedic National” for free.



Health care, safety, and working conditions

Several policies, procedures, and campaigns to prevent occupational diseases and occupational accidents are in place. PRODAC, through its Integrated Management System Policy, portrays its strong commitment to the safety of its workers by establishing procedures and campaigns aimed at preventing industrial accidents and occupational diseases.



2008

In 2008, we carried out several safety campaigns: “take care of yourself” with the slogan, “stop, observe, think, and act” and “Safe Hands” campaign, after reviewing the statistics and concluding that the majority of accidents affect hands.

2009

In 2009, we began to develop the Quality, Safety, and Environment Integrated Management System, comprising key procedures such as incident investigations and the high risk working permits, which are vital management elements to support proactive security.

All accident and incident investigations aim at identifying the root causes of events and taking corrective and preventive measures in each case to prevent them from happening again.

Also in 2009, we began the Security Preventive Monitoring Program with the STOP method, based on the principle of security by observing unsafe conditions and immediately correcting it. This campaign encouraged collaborators to become active agents identifying any type of situation that could cause an accident. In addition, we conducted housekeeping assessments using the 5 ‘ S approach, a Japanese organizational method to maintain order and tidiness, which leads to preventing accidents.

Safety Month

The Safety Month was held in 2008 from September 25 to October 25, and, in 2009, from September 24 to October 24, 2009. Different activities were carried out, such as acknowledging the area with zero accidents with loss time, rewarding workers with the safest behavior, participation of workers' children in the safety drawing event, drafting of letters on work security, security crossword puzzles, contests among collaborators, safety workshops for mothers, among others.





## Permanent development and dissemination of Safety Procedures

In 2009, PRODAC's safety regulations were prepared; these regulations set standard operational controls that must be followed by all collaborators. In addition, group meetings between the Security Department and all other work areas serve as means to disseminate internal communication on safety procedures, in which security procedures and operational control mechanisms for risky areas are also disseminated.



## Health Room

Health Rooms are located inside our sites and are opened 24 hours a day, 7 days a week. They have a doctor on Monday, Wednesday and Friday, from 7: 30 am to 3: 30 pm and Tuesday and Thursday from 7: 30 am to 5: 30 pm. During the remaining time, the health rooms are covered by medical emergencies and disasters technicians.



## Occupational medical examinations

These are annually offered to all our collaborators. Occupational tests include mapping of work risks to identify areas for evaluation. Year after year, we add new tests, and three years ago we began running cancer evaluations sensitive to age and gender.

- El personal a pasar los exámenes médicos ocupacionales se guían de una "hoja de ruta de exámenes" la cual indica los exámenes médicos a seguir, una vez concluido el examen esta hoja será firmada.
- La participación del personal en estos exámenes es de carácter obligatorio. Esto constituye un requisito legal que debe cumplir la empresa.
- Es IMPORTANTE venir y permanecer en ayunas para el correcto resultado de los exámenes.

# CAMPAÑA DE SALUD

*Cuida de tu Salud, Participa !!*

**HORARIOS:**  
del 20 al 28 de Mayo  
Horario: de 7 am. a 5 pm.

**LUGAR : GESTION HUMANA**

Seguridad Industrial, Salud Ocupacional y Medio Ambiente.  
Nuestra meta "0" accidentes



PRODAC benefits



All collaborators are entitled to enjoy special benefits that the Company has provided after evaluating the main needs of its collaborators in order to contribute to their personal and family stability.

- SCHOOL PACKAGE AND BONUS: financial bonus and school supplies are given to all collaborators who have children in school age, and who have been with the Company a minimum of three months. It is given annually.
- SCHOOL LOAN: benefit granted to all collaborators who have children in school age. Such loan is granted upon request of collaborator and the maximum amount is S/.600.00. It is granted after evaluating worker's creditworthiness record.

- DEATH BONUS: an economic bonus granted to all collaborators whose wife (or husband), children, or parents die. This bonus includes the 3 day mourning paid leave in Lima and 5 days in provinces.
- EMERGENCY LOAN collaborators who have been with the Company for at least three months can be eligible for this benefit. It is requested by those facing emergency situations of different nature. Each case is assessed and served according to the needs.
- LOAN AFTER HOLIDAYS: It is awarded to collaborators who request it after returning from their vacation period.
- SOCIAL AID These are granted to collaborators facing health emergencies and whose economic situation does not allow them to address the problem. It is provided after evaluation on a case by case basis.
- TRANSPORTATION SERVICE, all collaborators enjoy free transportation in comfortable buses. We offer four daily routes in the areas where the majority of collaborators live. This service is offered both to go to and return from work.
- COMPLETE HIGH SCHOOL for everyone, program intended for collaborators who did not have a chance to graduate from high school. They are provided economic support and time to complete their education.





2008	2009
<b>Summer School for collaborators' children:</b> We offered dance, karate, theatre ("clauns"), mini-soccer, and volleyball workshops. More than 100 children participated.	<b>Summer School for collaborators' children:</b> We offered contemporary dance, painting, and singing workshops. More than 100 children participated.
<b>Family field trip to the Navy Club:</b> Approximately 100 children, who participated in the summer school, and their parents, enjoyed a fun morning at this club.	<b>Family field trip to the Navy Club:</b> Approximately 100 children, who participated in the summer school, and their parents, enjoyed a fun morning at this club.
<b>PRODAC cinema afternoon at Cineplanet:</b> special show organized for collaborators' children. With the participation of approximately 80 children.	<b>PRODAC cinema afternoon at Cineplanet:</b> special show organized for collaborators' children. With the participation of approximately 80 children.
<b>Crafts workshop for the wives of the collaborators:</b> Workshops on knitting and bijouterie were held in 2008. 30 mothers participated in each workshop.	<b>PRODAC Olympics:</b> Included 10 discipline competitions: soccer, mini-soccer, volleyball, Marathon, "sapo", chess, handball, table tennis, and pool. More than 200 collaborators and their families participated.
<b>PRODAC Olympics:</b> Included 10 discipline competitions: soccer, mini-soccer, volleyball, Marathon, "sapo", chess, handball, table tennis, bowling, and swimming. More than 200 collaborators and their families participated.	<b>Christmas Party:</b> "PRODAC Children's Christmas". 500 children of collaborators participated.
<b>Christmas Party:</b> "A Circus of Colors". 500 children of collaborators participated.	
<b>"PRODAC Idol" Talent Night:</b> 80 collaborators participated in different areas. This activity helped participants to become closer.	
<b>Talks on responsible parenthood and family violence:</b> held in 2008 and conducted by INPPARES staff and addressed to the 60 mothers who participated in the Knitting and Bijouterie workshops.	
<b>Bowling tournament:</b> Aimed at integrating collaborators, about 50 participated.	



➤ (1) PRODAC Idol – PRODAC Talent Night, (2) Cinema for children attending summer school, (3) Christmas Celebration for the PRODAC family, (4) Program “Tu Casa” - delivering houses.



Peru 2021 Diagnosis Report- Collaborators

SECTION	AVERAGE
Appreciation and respect for diversity	3.38
Participatory management	3.81
Relationship with groups of organized workers and trade unions	4.00
Compensation, benefits and career policy	3.37
Professional development and employability	4.43
Health care, safety, and working Conditions	3.87
Personal and family development	4.50
Retirement and resignations	2.91
Subcontracted staff	4.26
Average	3.72

The score obtained in this item was 3.72/6, which ranks PRODAC in an upper intermediate level. Our greatest strength lies in the promotion of family and professional development of our collaborators, as well as in relations with trade unions and workers. In the area of retirement and resignations, the results show that we must continue to work to achieve significant improvements.

3.4 Clients



› Sodimac employees in their visit to PRODAC Plant

The Company’s Engine

Our customers are those who motivate the Company’s actions, encouraging us continually to refine and improve the quality of our products and services with standardized practices, and responding to their specific needs.

One of our main strengths in this field is the implementation of a customer satisfaction assessment system. We have with them, in addition, smooth, constant, and direct dialogue channels to introduce them to our marketing and communication policies, as well as transparent and truthful information. We offer advice on products and services, and we have a fairly complete and friendly web page which provides diverse information about the Company.

Another important goal is to transmit PRODAC business values to our customers and to promote among them social and community values. Thus, we seek to involve them in social support programs designed by PRODAC, engaging more and more people in such initiatives.



2008	2009
Business Units	Costumer’s Voice Project

2008

We re-structured our company’s organizational flowchart by implementing business units, which are strategic units responding to the specific needs of different business sectors to which we provide services. These units have been designed to respond more effectively to the requirements of our customers, allowing us to better understand them and giving solution to their specific needs.

2009

As part of PRODAC’s effort to maintain satisfied customers, in 2009, we designed the “Consumers’ Voice” Project. This project was prepared to address a need we identified in our customers. Many of them, although they knew our products, had limited knowledge on the range of applications they could have. Therefore, we designed the “Consumers’ Voice” Project, an initiative to train our customers on the benefits, uses of our products and their suitability for specific applications. Also the “Consumers’ Voice” Project, scheduled for 2010, is a space to answer customers’ doubts and to get feedback which helps us to continuously improve.

Peru 2021 Diagnosis Results- Customers

SECTION	AVERAGE
Product development and management	4.07
Marketing and communication policies	4.11
Ethical sales	4.05
Respect for consumer’s privacy	4.35
Excellence in customer service	3.98
Average	4.09

In the evaluation of this stakeholder, PRODAC obtained an upper intermediate level with a score of 4.09/6. The Company has taken into account the specific recommendations made by Peru 2021, especially the preparation of this CSR report to be made available to the public through our website.



3.5 Community



› Summer School offered to Sarita Colonia Children

Committed to their development and welfare

PRODAC is a successful company, committed to the development of the communities where it operates; especially with more vulnerable and less-favored sectors of the population. The company has scheduled various plans to mitigate any negative impact that its activities could generate, as well as development projects to benefit children, young people, and adults, and the community in general.

PRODAC’s social program bases its actions on a thorough knowledge of the social problems of the places where it operates. It has a Social support Committee in charge of promoting and informing about the opportunities available, facilitating further logistical and financial aspects for the implementation of social programs.

2008	2009
<ul style="list-style-type: none"><li>• Corporate volunteer work.</li><li>• Construction of the canteen in Sarita Colonia's Police Station.</li><li>• Construction of toilettes for Sarita Colonia School.</li><li>• Summer School for children in the community.</li><li>• Fellowship luncheon.</li><li>• Workshops for mothers in the area.</li><li>• Responsible parenthood talk.</li></ul>	<ul style="list-style-type: none"><li>• Training and Development Centre.</li><li>• Fumigation ofn Sarita Colonia Police Station.</li><li>• Christmas baskets and toys for the children of the Police.</li><li>• Summer School for children in the community.</li><li>• Workshops for mothers in the area.</li></ul>

2008

Corporate volunteer program “Voluntades de Acero”

Our corporate volunteer program, “Voluntades de Acero”, brings together members from different areas and hierarchical levels of the Company. We also invited relatives and friends to participate of our various projects. The program aims at promoting and supporting volunteer work, so that collaborators gain ownership and join the Company's commitment to contribute to the development of society's less favored sectors.

In 2008, our volunteers organized and deployed a number of projects at the Fernando Belaunde Terry School located in Daniel Alcides Carrión Shanty Town in Callao. We performed civil works to improve the facilities and carried out activities geared to children and parents, benefiting 140 children - around 280 volunteers participated.

The main works were the following: laid school floor and built a library, repaired the electrical system in bathrooms and classrooms, install roof in master bathroom, built area for toilettes and put up a wooden fence and children's games for kindergarten students, among others. Our volunteer collaborators organized other campaigns: planting trees, dental campaigns, artistic activities with children, grooming habits and nutrition workshops for mothers, recycling workshops, and donated materials.





Daniel Alcides Carrión Shanty Town



Social Support Activities

During 2008, PRODAC focused its social responsibility efforts in the Sarita Colonia Shanty Town, located within area of influence. The investment made exceeds S/141, 000, providing the necessary material resources and hiring personnel for the implementation of infrastructure and other projects specified below:

- **SARITA COLONIA SHANTY TOWN POLICE STATION:**  
In 2008, we built a canteen with a built-in kitchen, fans, and a TV set in Sarita Colonia's Police Station. Other civil works were done in the vicinity of the dining room such as sidewalks, planting of grass in indoor and outdoor gardens, shelter for bicycles, and different areas were painted. On the second floor of the Police Station, a bedroom with bathroom was implemented so that policewomen could complete their shifts under better conditions. All this work benefited approximately 30 police officers.
- **VARIOUS ACTIVITIES IN SARITACOLONIA COMMUNITY:**  
The toilets for girls and first graders were rebuilt, ostensibly improving their quality. This work was carried out in 2008 and benefited approximately 70 school children.
- **SARITA COLONIA SCHOOL:**  
A way to help people improve their quality of life is to keep them informed about various topics, which is why we organized the following activities:
  - Summer school for children between 3 and 15 years old (100 children benefited).
  - Fellowship luncheons. (100 children participated in this event held on February 14,2008)
  - Workshops for mothers in the area. (Approximately 30 mothers benefit per year).
  - Responsible parenthood and domestic violence talks. (Held in 2008 and addressed to mothers; lectures were given by INPARES staff and 30 mothers participated)



➤ Police Station Canteen



➤ First Day of Summer School





2009

Training and Distribution Center

The South of Peru was hit by a strong earthquake on August 15, 2007, occurred; there were large human and material losses, mainly caused by the collapse of building poorly built or unsuitable for the zone. In response to this situation, and after identifying that Peru informal structures are the leading cause of deaths during earthquakes; PRODAC, along with *Cementos Lima* and *Unicom*, has implemented the Training and Distribution Centre (CCD) aimed at disseminating good practices in construction, forming, free of charge, professionals in the implementation of techniques for the production of reinforced concrete housing. The homes are earthquake resistant with limited ductility ideal for seismic areas. As part of this initiative, on December 19, 2009, 7 modules were donated to families in the South of the country affected by the earthquake of 2007.

Social Support Activities

Due to the economic crisis this year we did not carry out as many social support activities; however, we continued to work with the community of Sarita Colonia in our efforts to contribute to their welfare. This year, we invested S/.17, 800.

- **SARITA COLONIA POLICE STATION:**  
The police was supported with the fumigation of the facilities due to the proliferation of insects. We also gave 20 Christmas baskets and 33 gifts for children of Police personnel.
- **SUMMER SCHOOL:**  
We gave the children of Sarita Colonia the opportunity to have a productive and entertaining summer building their skills. This activity benefited about 100 children.
- **WORKSHOP FOR THE AREA MOTHERS:**  
We offered Bijouterie, manicure and children’s parties’ decoration workshops to mothers in the area with the aim of providing the necessary skills so that they can generate additional revenue. This activity benefited 30 mothers in Sarita Colonia community.

Peru 2021 Diagnosis Report- Community

SECTION	AVERAGE
Company’s impact on the community	3.52
Relations with community organizations	3.63
Support to projects and social programs	3.38
Company's participation in social action	4.24
Average	3.73

PRODAC’s score is 3.73, hence ranking in the upper intermediate level. We obtained the best result in participation in social action programs. Therefore, we have set a new challenge for the future: to structure a program reaching the entire community to articulate all Company social activities with a common objective by optimizing the scope and the sustainability of our projects.



3.6 The Environment



➤ Water Treatment Plant

Betting for a safer and healthier planet

At PRODAC, we worry about the conservation of the environment. Therefore our mission, vision, Code of Conduct and our Integrated Management System policy reflect the concern and commitment we have on the subject. Currently, we are developing the implementation of ISO 14001 in the Integrated Management System.

Among the most important environmental program of PRODAC stand out hazardous and non-hazardous solid waste management, water conservation and the continuous monitoring of our effluents and emissions, among other environmental parameters.

Operational controls adopted for the conservation of the environment not only contribute to its care but also reduce costs, while increasing the efficiency of all processes and giving legitimacy to the Company in the community.

Investment in environmental topics

Since 2005, PRODAC has been implementing an environmental adaptation program, with an initial investment of \$ 527,000 and that, to date, it accounts for more than US \$ 1 ‘ 285, 000.

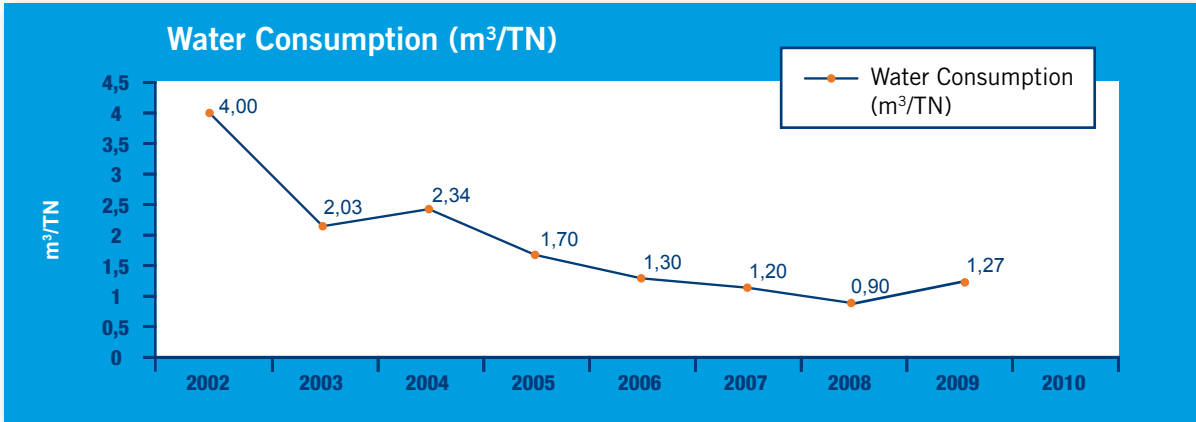
For 2010, PRODAC has budgeted US \$ 169, 000 for investments in environmental topics, within the framework of ISO 14001.

	PROJECT	Real Investment (NUEVOS SOLES)	OBSERVATIONS
1	Physico-chemical industrial effluent treatment plants.	394,400	Allows to treat the water used in processes by reducing to a minimum level contaminants.
2	Opening of a new water well	119,800	Allows to reduce water consumption in the production processes.
3	Change from fuel to natural gas	584,398	Natural gas is an energy which reduces the generation of polluting emissions for the Environment.
4	Solid waste management program	46,156	Activities falling within this program include segregation, classification and disposal of waste properly; training activities are also included.
5	Training program	5,028	This program aims at educating personnel regarding the protection of the environment, notably influencing the conservation of water and waste management.
6	Opening of a new water well	20,340	Independent and specialized companies on the subject perform environmental monitoring every six months.



Water Conservation

PRODAC has developed a project for the conservation of water that has allowed to reduce its consumption of 4 m³/TN in 2002 to 1.27 m³/TN in 2009.



To achieve this important objective, PRODAC installed and started up a plant for treatment of industrial effluents, which implied an investment of approximately \$ 400,000.

This plant, which is in operation since 2007, has allowed to obtain the following results:

Parameter	Input to Treatment plant	Value obtained after treatment	Legal requirement
pH	1	8	6 - 9
Lead(ppm)	60 a 200	0,08 a 0,15	0,1
Zinc (ppm)	50 a 150	0,1 a 0,5	2
SST (ppm)	50 a 90	20	50

Fuente: high light report

Lead is a highly harmful element; it is reduced on average from 60 to 200 ppm below 0.02 ppm before it is discharged to the outside, i.e. a reduction of more than 99.9% of pollution is achieved. Similarly zinc reduces at an average of 100 ppm below 0.03 ppm.

Two main processes take place in the processing plant: neutralization and precipitation of heavy metal; thereby outputting clarified water and industrial sludge , which is subsequently delivered to a company specialized in the treatment of industrial waste.

Solid Waste Management

Solid waste are elements, substances, compounds or mixtures of the above mentioned, which at the end of their useful life, become wastes and that, regardless of their physical state, are hazardous to the health or the environment due to its characteristics, corrosive, reactive, explosive, toxic, flammable or biologically infectious. In 2005, PRODAC started the Solid Wates Management Program , which is currently ongoing and which has achieved a sustainable reduction in the generation of waste, whether hazardous or not, in all production units.



The program consists of the following:

- Personnel training on solid waste management issues.
- Selection of quantity and characteristics of the containers to be used.
- Location of temporary storage of hazardous and non-hazardous wastes.
- Adequacy of final storage of solid waste.
- Transportation and disposal of domestic, industrial, and hazardous solid waste.
- Suitability of use and minimization techniques.
- Internal audits on the Solid Waste Management Plan.



Monitoring of Environmental Parameters

PRODAC keeps their atmospheric emissions within the permissible maximum limits; this is evidenced in the monitoring performed on a semi-annual basis. As a result, CO, NOx, SO2, particles greenhouse emissions are under the permissible limit, in all seasons.

Peru 2021 Diagnosis Reports- Environment

SECTION	AVERAGE
Impact on the environment	3.50
Environmental responsibility in the productive cycle	3.63
Care in incorporation of supplies and waste treatments	2.78
Environmental education and Company's commitment	3.06
Average	3.17

The score obtained in this item was 3.17/6, and although we rank in a lower intermediate level, we are aware that we still have a long way to go in this crucial point. We hope to show in the near future figures that underpin our real interest in contributing to the creation of a healthier environment for all.

3.7 Suppliers



Creating alliances

As a socially responsible company, PRODAC has undertaken a comprehensive task to transfer its values to organizations that are related to the Company, such as suppliers and contractors. We have internal criteria for working with suppliers based on factors such as the quality of products and services offered, and the ethical principles embedded in their philosophies. Therefore, we especially deal with companies who share our CSR principles and include as a requirement to work with suppliers that they comply with our Code of Supplier Conduct. Thus, we are looking for a commitment to society based on responsibility.



2009

Our commitment to suppliers also involves supporting their development. Hence, in 2009, we set ourselves the objective to achieve 240 man/hours of training customers and suppliers. We not only achieved this goal, but also surpassed it, reaching only considering training to suppliers 198 man/hours.

In addition, and considering that the first steps to set up a company can be complicated, this year we formalized our “Inclusive Business” program. This program seeks to promote the incorporation of small businesses providing seed capital and legal advice: examples of which are: *Transportes Aldair*, *Las Orquideas*, and *Transporte Zaavedra*.



› CSR training



› “Las Orquideas” Gardening company – Inclusive Business

Peru 2021 Diagnosis Report- Suppliers

SECTION	AVERAGE
Evaluation and selection of suppliers	3.45
Values in the market chain	2.56
Support in the development of suppliers	3.15
Average	3.08

The score achieved in this stakeholder was 3.08/6, ranking PRODAC in a lower intermediate level. It is true that the indicator evaluation and selection of suppliers obtained the highest score; however, we have to improve our relationship with this group and optimize the work we have been doing together.

Our commitment is to strengthen our CSR criteria regarding the selection and evaluation of suppliers, which pose greater demands for them and will result in benefits for PRODAC and their customers in terms of improving the quality of products and services. We will also offer job opportunities for SMEs upon closing attractive partnerships for this sector.



3.8 State



Establishing Proactive Ties

PRODAC recognizes that the State and public institutions are potential partners in the implementation of social development projects, and emphasizes on maintaining the best relations on the basis of respect and compliance with all relevant legal aspects. We also comply with national and international conventions regulating the industry in Peru, and we consider the other companies, not as enemies, but as partners. This perspective helps us to unite efforts to defend Peru; which we aspire as entrepreneurs and socially active and responsible business people.

2009

A PRODAC initiative in connection with this stakeholder is the talks held with other companies in view of establishing the Asociación de Empresas de Néstor Gambeta, whose purpose is to work for a better environment in the area, healthier, safer, with more trees, more human. In 2010, we expect to complete these talks and take the first steps to make this dream a reality.

Peru 2021 Diagnosis Report- State

SECTION	AVERAGE
Legality and transparency	5.30
Political transparency	3.17
Participation in government projects	2.00
Leadership and influence in society	2.25
Average	3.32

The outcome of the evaluation in relation to this stakeholder was 3.32/6, which ranks us at a lower intermediate level. It should be noted; however, that the score obtained in strict compliance with laws was 5.30. While it is true that we will work hard to raise initiatives and participate in various government projects linked to the welfare of society, we will focus our efforts on partnerships with community organizations, supporting public policies, and creating opportunities to open up other channels of dialogue with this group.





► Galvanize Steel Wires

## IV. CONCLUSIONS



General Results – Peru 2021 Indicators

SECTION		AVERAGE
1	Shareholders	3.84
2	Collaborators	3.72
3	Customers	4.09
4	Suppliers	3.08
5	Community	3.73
6	Environment	3.17
7	State	3.32
Average		3.77

According to the qualitative assessment of Peru 2021, PRODAC obtained a score of 3.77, showing upper intermediate performance in its CSR management during 2008. Customer Management had the highest score (4), which means that the company’s policy of giving customers a quality service and first-level care was successful. Supplier Management obtained the lowest score (3.08), a clear indicator that points out the need to develop a strategy that allows us to improve various aspects of our relationship with this important stakeholder.

With these results we determined the activities to be perform in 2009, with particular emphasis on those stakeholders where we scored the lowest but without neglecting the others. The results from the Peru 2021 indicators serve as grounds on which we can move forward in our CSR management with determination and firmness.

Overall Conclusion

We are a creative and dynamic Company that seeks to excel in all its capabilities, offering growth and welfare opportunities for all our stakeholders. We are aware that we have big challenges ahead and that the best way to face the future is through a comprehensive CSR, allowing all our actions to follow one direction to achieve the goals. We are confident that PRODAC has the ability to streamline its processes and achieve significant improvements in its results, which reflect the efficiency and proactivity of PRODAC collaborators , as well as the comprehensive development of an increasingly prosperous Company.



› Main Station





› Mesh woven for fences (Olympic mesh)



