



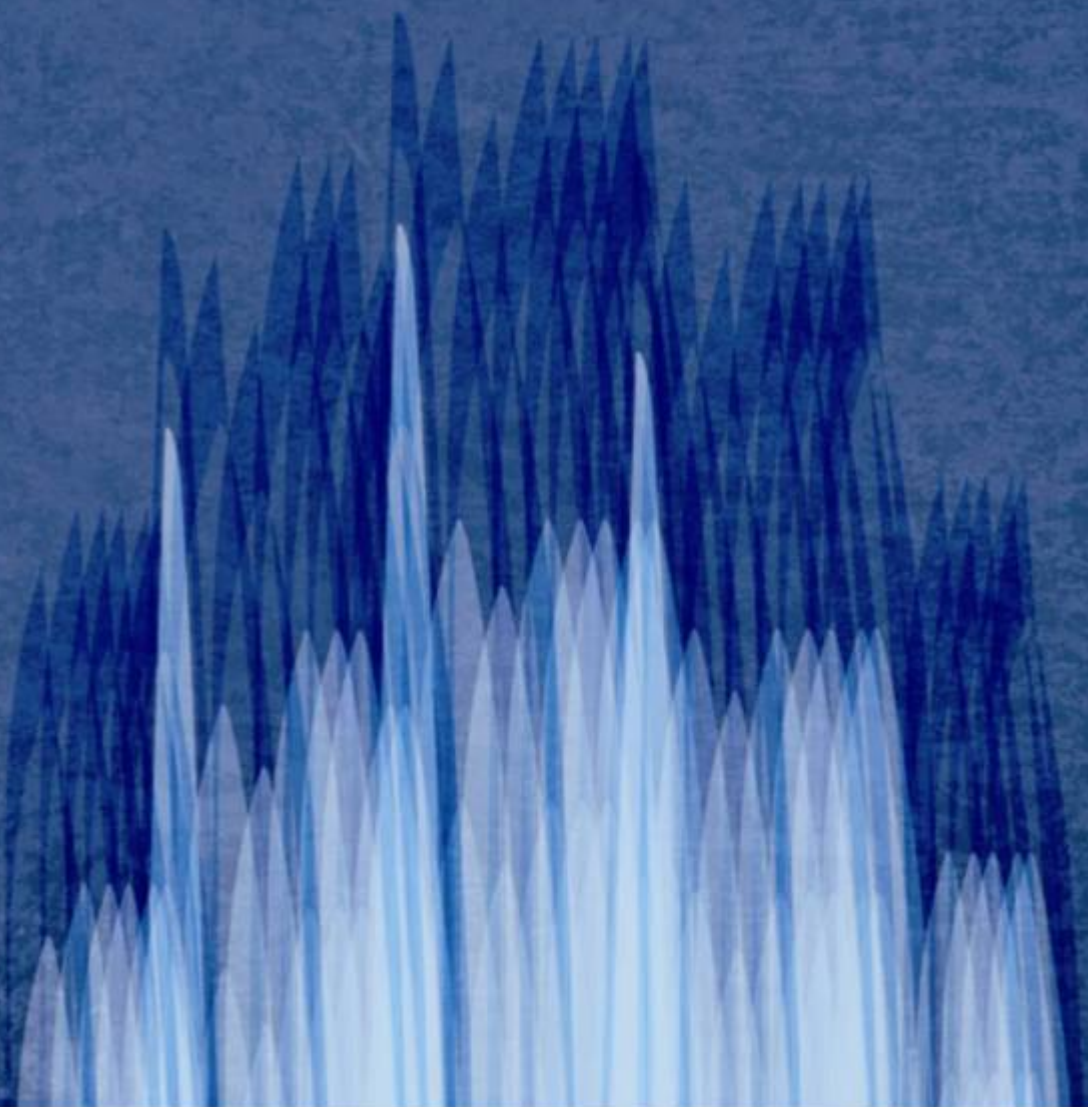
Communication on Progress UNITED NATIONS GLOBAL COMPACT PARTICIPATING COMPANY 2010

United Nations Global Compact

Launched in 2000 by the United Nations (UN), the Global Compact aims to encourage the alignment of business strategies and practices with internationally accepted values in the areas of human rights, labour, environment and anti-corruption, reflected in ten principles.

This international initiative incorporates a transparency and accountability policy known as the Communication on Progress (COP). The annual posting of this report by participating organisations is a significant demonstration of commitment to the Global Compact and its principles, vital to the success of this initiative.

The Global Compact is, today, the largest voluntary corporate responsibility initiative in the world, supported by more than 8,500 organisations in 130 countries. In Brazil it is supported by more than 350 corporate participants, including Souza Cruz, which is a signatory since 2003.





Message from the CEO

Sustainability is part of the Souza Cruz strategy, ranked as top priority for conducting its businesses. Ever since the Company was established, its quest for solid economic outcomes over the long term has been underpinned by its commitment to operate in a responsible manner at the social and environmental levels, throughout its entire production chain, and in society at large.

At the moment, we are focussed in consolidating the Souza Cruz Sustainability strategy, grounded on fostering entrepreneurship and education for Sustainability along our value chain. In order to underpin the implementation of this strategy, engagement and accountability in a wide variety of business areas has been crucial, allowing Company-wide integrated efforts.

In parallel to the quest for more up-to-date market references, such as the Global Compact and the ISO 26000 standard, this new Sustainability management model strengthens the culture of Social Responsibility of Souza Cruz, spurring the steady development of our strategy and its results.

This report presents all the initiatives implemented by Souza Cruz that ratify the principles established by the Global Compact, slotted into our four operating platforms: Sustainable Farmer; Sustainable Company; Sustainable Retail and Sustainable Society. By reiterating our commitment to the implementation of these principles, we are striving to enhance ethical standards in the business sector, while also promoting citizenship throughout our sphere of influence.

Dante Letti
CEO
Souza Cruz



Sustainable Farmer

Integrated Tobacco Production System

Technical and commercial partnership system with tobacco growers involving guaranteed purchases of contracted harvests, economic, social and environmental farm planning, technical assistance and supply of technology package and inputs.

2009: Continuity of the System with all growers integrated with Souza Cruz Integrated Tobacco Production System.

Review of the technical indices for cost surveys.

2010: Continuity of the System with all growers integrated with Souza Cruz Integrated Tobacco Production System.

Implementation of the Integrated Tobacco Programme (Programa Integrado de Tabaco - Pitab), which leads to certification of a Brazilian product. This Programme is being implemented through a partnership with the Ministry of Agriculture, Farming and Supplies, through the Integrated Agricultural Production System.

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The Principles of the United Nations Global Compact

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Sustainable Property Programme

Management training programme for small farmers, including financial planning and management, with respect for social and environmental issues, striving towards sustainable development of tobacco-growing properties.

Implemented through the following partnerships:

Santa Catarina State - Santa Catarina State Agricultural Workers' Federation (Fetaesc) and Santa Catarina Rural Extension and Agricultural Research Enterprise (Epagri);
Paraná State - Paraná State Rural Workers' Federation (Fetaep);

Rio Grande do Sul State - Rio Grande do Sul State Association of Enterprises Technical Assistance and Rural Extension (Emater) and Rio Grande do Sul State Rural Workers Federation (Fetag).

2009: Programme underway (duration: 3 years, starting in 2008).

2010: 110 families in the 3 southernmost states of Brazil participated in the Programme.

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Dissemination of Environmental and Social Responsibility practices among growers

Momento Rural Souza Cruz:

dissemination of information on property management, environmental preservation, safety, security and other topics broadcasted by radio in tobacco growing areas.

2009: 15 brief programmes broadcasted on 2 radio stations.

86 municipalities serviced throughout southern Brazil.

Satisfaction survey: 1,600 growers interviewed, 49% recall, 90.4% positive evaluation of content (good and very good).

2010: 15 brief programmes broadcasted on 124 radio stations.

110 municipalities serviced throughout southern Brazil, covering more than 70% of the tobacco growing areas.



O Produtor de Tabaco Journal:

institutional journal designed to provide help for growers on technical matters related to tobacco growing, in addition to articles on industrial safety, social and environmental responsibility, income upgrade opportunities, health hints, etc. This journal is distributed on a quarterly basis through the Souza Cruz agricultural advisors in South and Northeast Brazil.

2009: Some 40,000 growers receive this journal (100% of the growers integrated with Souza Cruz Integrated Tobacco Production System).

2010: Some 40,000 growers receive this journal (100% of the growers integrated with Souza Cruz Integrated Tobacco Production System).

Alterations in the layout and visual identity of the Journal, making it more dynamic and spotlighting its target public to a greater extent.



SOL Rural Programme (Safety, Organization and Cleanliness)

Training offered under a partnership with the National Rural Apprenticeship Service (SENAR) to growers on caring for their main houses and surroundings of the properties, clean leaf, safety of the environment, contributing to upgrading the quality of life of farmers.

2009: Paraná State - 65 training sessions conducted and 2,340 growers trained.
Santa Catarina State - 75 training sessions conducted and 2,100 growers trained.
Rio Grande do Sul State - 98 training sessions conducted and 1,766 growers trained.

2010: Paraná State - 40 training sessions conducted and 1,440 growers trained.
Santa Catarina State - 68 training sessions conducted and 1,904 growers trained.
Rio Grande do Sul State - 86 training sessions conducted and 2,064 growers trained.

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Soil Master Plan

Heightening awareness among tobacco growers about the importance of responsible use of water and soil, through planning of activities and technical assistance provided by Souza Cruz.

2009: Programme maintenance, striving to rehabilitate and conserve the soil through technologies tailored to each area, as shown below:

Green manure - 5,640,1 hectares;
Lime corrections - 2,827,2 hectares;
Minimum tillage - 3,066,7 hectares;
No-tillage - 4,304,2 hectares.

2010: Programme maintenance, striving to rehabilitate and conserve the soil through technologies tailored to each area, as shown below:

Green manure - 8,963 hectares;
Lime corrections - 2,540 hectares;
Minimum tillage - 4,598 hectares;
No-tillage - 5,114 hectares.

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Planting Corn and Beans After the Leaf Harvest

Partnerships set up with State Governments to encourage growing corn and beans, in a drive to diversify crops, protect the soil, make good use of fertiliser left over from the tobacco and increase income from rural properties.

2009: Partnerships established:
Rio Grande do Sul State - Agriculture Bureau and Emater;
Santa Catarina State - Agriculture Bureau and Epagri.

Number of corn growers participating:
Rio Grande do Sul State - 24,800 growers;
Santa Catarina State - 32,000 growers.

Number of bean growers participating:
Rio Grande do Sul State - 4,000 growers;
Santa Catarina State - 11,000 growers.

2010: Partnerships renewed and number of growers participating in the Programme maintained.

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Corn and Beans Festival

Travelling country fair designed for rural communities in the Rio Pardo River Valley in Rio Grande do Sul State, in order to foster diversification on small properties by planting these two food crops between tobacco harvests.

2009: 18,000 people attended the IV Festival held in the Vale do Sol municipality.

2010: 20,000 people attended the V Festival held in the Candelária municipality.

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Collecting empty pesticide packs

Partnership with the Leaf Industry Association (Sinditabaco) on collecting empty pesticide packs in Rio Grande do Sul and Santa Catarina States. In Paraná State, pick-ups of empty pesticide packs are coordinated and conducted through Collection Centres scattered throughout the state.

2009: Rio Grande do Sul State - 1,012,460 packs collected.
Santa Catarina State - collection cycle began in November 2009.
Paraná State - data not available.

2010: Rio Grande do Sul State - 473,701 packs collected during the last collection cycle (June 2010 to December 2010), with 61,625 from growers integrated with Souza Cruz Integrated Tobacco Production System.
Santa Catarina State - 675,197 packs collected during the last collection cycle (November 2009 to May 2010), with 199,448 from growers integrated with Souza Cruz Integrated Tobacco Production System.
PR - data not available.

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Know (Saber) Project

Computers financed for growers integrated with Souza Cruz Integrated Tobacco Production System, the 50% of the costs subsidised by the Company, helping bridge the digital divide and allowing growers to serve as agents of change in rural areas.

2009: 2,000 growers benefitted. Negotiation with a retail company in order to ensure good quality products at affordable prices.
2010: 2,000 growers benefitted, totalling 4,000 growers benefitted since this Programme was launched.

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Deed of Commitment with the Rio Grande do Sul State Department of Justice

Implementation of steps designed to protect children and adolescents in all states where are the tobacco-growing properties integrated with Souza Cruz, commitments accepted with some 40,000 growers integrated with Souza Cruz Integrated tobacco Production System (helping eradicate child and adolescent labour and leaf grower safety, security and health), training in safety and proper use of pesticides according to the regulamentation of the Department of Justice for tobacco growers and distribution of educational material.

2009: Inclusion of clauses in all tobacco purchase and sale agreements. Control of school attendance of grower offspring. Distribution of folder to all growers integrated with Souza Cruz Integrated Tobacco Production System on the signature of the Deed of Commitment and the commitments accepted. Training in safety and proper use of pesticides for tobacco growers in Rio Grande do Sul, Santa Catarina, Paraná, Paraíba, Pernambuco e Rio Grande do Norte States.

2010: Continuation of the measures implemented in 2009. Development of the system for controlling the documentation related to the Deed of Commitment. Non-renewal of the contract with 60 growers failing to comply with the law, filling this list of growers with the competent entities. Training in safety and proper use of pesticides for tobacco growers in Rio Grande do Sul, Santa Catarina, Paraná, Paraíba, Pernambuco e Rio Grande do Norte States.

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Preservation of biodiversity at native forest lands in tobacco growing areas

Reforest (Reflorestar) Programme: financing for exotic tree seedlings, allowing reforestation with forests planted for energy purposes, avoiding the use of fuel wood felled from native forests.

2009: R\$ 1.7 million used to finance seedlings for 6,983 growers assisted by this Programme.

2010: R\$ 1.4 million used to finance 6.1 million seedlings for 4,795 growers assisted by this Programme.

Friends of the Native Forest Programme: financing for reforested fuel wood for growers that do not have areas available for reforestation or who do not yet have reforested timber ready for cutting.

2009: Structuring of the Program.

2010: R\$ 2.23 million used to finance reforested fuel wood for 1,006 growers.

Green Corridors Project: charting risks to biodiversity triggered by tobacco growing on tobacco-growing properties integrated with Souza Cruz Integrated Tobacco Production System, leading to the development of a landscape planning model designed to conserve the biodiversity of the Araucaria Forests. This Project is a British American Tobacco - Biodiversity Partnership initiative implemented in partnership with the following NGOs: Wildlife Research and Environmental Education Society (Sociedade de Pesquisa em Vida Selvagem e Educação Ambiental - SPVS) and Fauna and Flora International (Fauna e Flora Internacional- FFI).

2009: Diagnosis drawn up at 120 properties charted in Paraná State, totalling 1,107 hectares.

2010: Diagnosis drawn up and rural properties charted in South and Northeast Brazil. 240 agricultural advisors trained in biodiversity, environmental law and property planning based on biodiversity conservation concepts. Seminar held in Paraná State attended by growers integrated with Souza Cruz Integrated Tobacco Production System and local leaders, in order to present the outcomes of this initiative and seeking new work prospects.

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The Future is Now! Programme

Participation in the network striving to eradicate child labour from tobacco growing. The initiative is implemented in partnership with the Leaf Industry Association (Sinditabaco) and the Tobacco Growers Association of Brazil.

2009: Attendance at monthly meetings of the outreach network consisting of public and private agents and representatives of the tobacco sector.
Distribution of leaflets to some 40,000 growers.

2010: Continuation of attendance at monthly meetings of this network.

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Extended School Day Programme

Investments through tax incentives in rural schools, underwriting activities outside normal classroom hours, helping eradicate child and adolescent labour.

2009: 26 projects benefitted.
24 municipalities assisted.
R\$ 1.6 million invested.

2010: 31 projects benefitted.
29 municipalities assisted in the 3 Southernmost States of Brazil.
R\$ 2.1 million invested.

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Young Apprentice Programme

Technical and business training for rural youngsters between 14 and 18 years old in Santa Catarina and Paraná States. This Programme encompasses environmental, social and economic modules, encouraging youngsters to remain in rural areas. The initiative is implemented in partnership with the National Rural Apprenticeship Service (SENAR) that developed and disseminates the course for tobacco growers.

2009: 75 youngsters benefitted.

2010: 400 youngsters benefitted.

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Outreach Computer Project

Establishment of information technology centres in rural schools through donations of reconditioned computers by Souza Cruz, in addition to setting up partnerships with unions, local councils, federations and rural schools. This initiative is one of the tools used to help eradicate child and adolescent labour.

2009: 410 computers donated.
33 municipalities assisted.

2010: 298 IT items of equipment donated, including desktops, notebooks and printers.
46 municipalities assisted in 6 States: Rio Grande do Sul, Santa Catarina, Paraná, São Paulo, Rio de Janeiro and Pernambuco.
8 tons of electronic waste from reconditioned computers were directioned for enterprises and cooperatives to recycle electronic waste.

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Sustainable
Company

Attendance at forums organised by entities linked to Sustainability

Attendance of Souza Cruz executives at forums run by entities linked to Sustainability, in order to cooperate with the steady progress and maturation of this movement.

2009: Ongoing participation in the following forums:
Brazilian Committee for the Global Compact;
Reference Centre in Sustainability, Dom Cabral Foundation;
Social Responsibility Council, FIRJAN;
Brazilian Business Volunteering Council;
Responsible Retail Development Centre, Dom Cabral Foundation.

2010: Ongoing participation in the following forums:
Brazilian Committee for the Global Compact;
Reference Centre in Sustainability, Dom Cabral Foundation;
Social Responsibility Council, FIRJAN;
Brazilian Business Volunteering Council;
Responsible Retail Development Centre, Dom Cabral Foundation;
Communications Theme Chamber, Brazilian Business Council for Sustainable Development;
Management Theme Chamber, Brazilian Business Council for Sustainable Development;
Working Group on the ISO 26000, FGV SP / GVces;
Brazilian GHG Protocol Programme, FGV SP / GVces.

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QuEnSH Certification

Certification of Company processes under the Environment, Safety and Occupational Health Quality Standards: ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:2007.

2009: Processes related to the production, sale and distribution of Souza Cruz products are certified (ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:2007) and the start of the Customer Service Centre certification process (Interaction Center).

2010: Certification maintained for processes related to the production, sale and distribution of Souza Cruz products (ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:2007) and completion of the Customer Service Centre certification (Interaction Center) under the ISO 9001 standard.

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Supplier Chain Sustainability

Business Enabler Survey Tool (BEST):
evaluation of strategic suppliers through a robust, complex process based on mutual benefits and ongoing upgrades in processes. Designed to disseminate and encourage the adoption of good social, environmental and ethical practices by Company suppliers.

2009: All the suppliers audited were rated as Qualified or Approved.



2010: All the suppliers audited were rated as Qualified or Approved.

Contractual requirements:
requirements imposed through contract clauses on the suppliers of goods and services, ensuring compliance with the law and the principles of good conduct in terms of environmental preservation, protection rights in childhood and adolescence and ethical behaviour.

2009: Inclusion of clauses in all contracts signed with the suppliers of goods and services.

2010: Inclusion of clauses in all contracts signed with the suppliers of goods and services.

Assigning high priority to the use of renewable energy sources

Reforestation Plantations for generating steam and energy:
maintenance of 3 plantations located in Rio Grande do Sul, Santa Catarina e Minas Gerais States.

2009: Maintenance of certification for 3 plantations with the Forest Stewardship Council (FSC) responsible stewardship seal.



2010: Maintenance of certification for 3 plantations with the Forest Stewardship Council (FSC) responsible stewardship seal.

Use of renewable energy in the Souza Cruz fleet:
gradual replacement of the Souza Cruz fleet by vehicle equipped with bi-fuel engine.

2009: Trade Marketing & Distribution Fleet:
30% of the vehicles are equipped with bi-fuel engine.
Leaf Business Fleet:
81% of the vehicles are equipped with bi-fuel engine.

2010: Trade Marketing & Distribution Fleet:
41% of the vehicles are equipped with bi-fuel engine.
17% increase in the number of bi-fuel vehicles.
Leaf Business Fleet:
89% of the vehicles are equipped with bi-fuel engine.
7% increase in the number of bi-fuel vehicles.

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Rain water uptake at the Cachoeirinha Plant in Rio Grande do Sul State

Area set aside for collecting rain water at the Cachoeirinha Factory in Rio Grande do Sul State, in order to reduce water consumption from the concessionaire.

2009: Some 59% of the total amount of water used by this Plant consisted of rain water. 16 hectares of total rain water collection area at the Cachoeirinha Plant, with 1.5 hectares added in 2009.

2010: Maintenance of the percentage of water used by this Plant consisting of rain water.

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Residue treatment

Recycling of solid wastes at Souza Cruz Plants: ongoing systematic evaluation of the solid wastes generated at all the Souza Cruz Plants, and identification of areas of opportunity.

2009: 95.79% recycling of all solid wastes generated.

2010: 96.14% recycling of all solid wastes generated.

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Electricity generated from waste biomass: tobacco dust generated in the Factories used to generate electricity.

2009: 595 tons of tobacco dust used to generate electricity.

2010: 391 tons of tobacco dust used to generate electricity.
A new type of tobacco dust burner started up operation at the Blumenau Plant, which will be running at full capacity in 2011, thus extending the possibilities of using this type of solid waste as a renewable energy source.

Treatment of sewerage and liquid wastes

Ongoing search for alternative ways of recycling treated sewerage and liquid wastes at the Souza Cruz Plants, that are equipped with Liquid Wastes Treatment Stations.

2009: 1.77m³ of treated sewerage produced per million cigarettes equivalent, of which some 30% was recycled.

2010: 1.67m³ (down by 5%) of treated sewerage produced per million cigarettes equivalent, of which some 30% was recycled.

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Climate Change Management

Annual data collection, collation process and publication of the Carbon Balance for all Souza Cruz activities, in addition to those of its main suppliers: the leaf growers.

2009: Published in 2009, the 2008 study concluded that 91% of the Souza Cruz's production chain emissions are carbon neutral, with the remaining 9% offset by preservation areas, environment parks and reforestation plantations maintained by the Company. Souza Cruz has been acknowledged and awarded prizes as a climate change management leader.

2010: Published in 2010, the 2009 study showed that 85% of the Souza Cruz's production chain emissions were carbon neutral, with the remaining 15% offset by preservation areas, environment parks and reforestation plantations maintained by the Company.

The emissions conversion factor used to quantify one of the operations of the Souza Cruz' production chain was changed (it was used the conversion factor recommended by the Brazilian GHG Protocol Programme) and some operations were included in the Balance.

In 2010, the Carbon Balance emissions were registered publicly through the Brazilian GHG Protocol Programme platform.

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Cultural Week at Cachoeirinha Plant in Rio Grande do Sul State

Cultural entertainment encouraging integration among the employees at Cachoeirinha Plant in Rio Grande do Sul State, through moments of learning, culture and recreation in the work-place.

2009: 420 participations in workshops. 100% participation among employees and outsourced workers (around 800 people) in activities during this week.

Activities conducted: circus group performance, playlet on the topic of social inclusion of people with disability, art workshops, guided tour of the Science and Technology Museum at the Pontifical Catholic University, yoga class and demonstration, cultural contest and performance by the Souza Cruz Choir.

2010: 450 participations in workshops. 100% participation among employees and outsourced workers (around 1.000 people) in activities during this week.

Activities conducted: performance by singing group, art workshops, inter-active games based on logic and rationale, performance by music group, cultural contest, performance by dance groups and the Souza Cruz Choir.

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Inclusion of people with disability

Inclusion of people with disability on the permanent staff of the Company.

2009: 116 people with disability hired.

Awareness-heightening workshops held in various areas of the Company, in order to strengthen a culture of diversity.

2010: 22 people with disability hired, making a total of 120 people with disability on the permanent staff, in addition to 10 young apprentices with special needs.

Workshops continue.

1 2 6

Ethical Conduct Code

Broad dissemination of the Ethical Conduct Code to the internal and external publics, through the Souza Cruz website (www.souzacruz.com.br).

2009: Percentage declaration of conformity signed by the employees:

Board of Officers - 100%

Senior Management - 100%

Other employees with e-mail - 70%

Other employees without e-mail - 70%

2010: Percentage declaration of conformity signed by the employees:

Board of Officers - 100%

Senior Management - 100%

Other employees with e-mail - 80%

Other employees without e-mail - 80%

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Evaluation of irregularities

Evaluation of situations indicated by the Operations Control Group (Grupo Operacional de Controle - GOC), or directly by Souza Cruz managers, involving Company employees, in order to investigate the existence of breaches of the law or Company policies and directives. If confirmed, decisions are taken on whether disciplinary measures will be applied.

2009: 136 cases evaluated, with:

86 dismissals for due cause;

23 suspensions;

07 warnings;

11 dismissals without due cause;

08 cases in which no penalty was applied.

2010: 132 cases evaluated, with:

94 dismissals for due cause;

19 suspensions;

12 warnings;

02 dismissals without due cause;

05 cases in which no penalty was applied.

35% drop in the number of frauds.

20% drop in the amounts involved in these frauds (R\$ 1.3 Mn x R\$ 1.6 Mn).

68% increase in successful recovery of amounts (R\$ 623,000 x R\$ 371,000).

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Acknowledgement Programmes - Highlight, Excellence and Golden Leaf Awards

Acknowledgement of employees engaged in notable projects that stand out in each Company Department.

2009: Acknowledgement Programme run in all Souza Cruz Departments.

1 2 6

2010: Continuation of Acknowledgement Programmes in all Souza Cruz Departments.

University Student Development Programme

Sponsorship of part of the monthly fees for undergraduate courses taken by employees, encouraging them to complete their university educations.

2009: 342 employees benefited.

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2010: 433 employees benefited.

Language Development Programme

Sponsorship of part of the monthly fees for language courses taken by employees requiring this expertise in order to perform current and/or future jobs.

2010: Introduction of Programme.
245 employees benefited.

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Retirement Preparation Programme

Advice for employees eligible for retirement on how to handle this transition after leaving Souza Cruz in a well-structured manner.

2009: Implementation of the Pilot Programme
5 groups with 89 enrolments in 4 Plants:
Cachoeirinha, in Rio Grande do Sul State;
Uberlândia, in Minas Gerais State; Head
Office, in Rio de Janeiro State; and São Paulo,
in São Paulo State.

2010: Completion of the groups that began in 2009.

1 2 6

Health club at Souza Cruz Plant

Area set aside for exercises with professional oversight for all employees at the Head Office in Rio de Janeiro State.

2009: 1,150 monthly sessions, on average.

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2010: 1,800 monthly sessions, on average.

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Weekly gym on the job

Quick stretching classes offered to all employees at Souza Cruz Plants.

2009: On-the-job gym at the following Plants: Cachoeirinha, in Rio Grande do Sul State; Uberlândia, Minas Gerais State; Santa Cruz do Sul, in Rio Grande do Sul State, Rio Negro, in Paraná State; Blumenau, in Santa Catarina State; São Paulo, in São Paulo State; as well as Head Offices, in Rio de Janeiro State.

2010: Continuation of on-the-job gym at the same Plants.

1 2 6

Souza Cruz Choir

Setting up a corporate choir for company employees.

2009: 18 members at Head Office, in Rio de Janeiro State.
19 members at the Cachoeirinha Plant, in Rio Grande do Sul State.

2010: 15 members at Head Office, in Rio de Janeiro State.
20 members at the Cachoeirinha Plant, in Rio Grande do Sul State.

1 2 6

Guided Personal Assistance Programme

Assistance provided free of charge offering financial, legal and psychological advice, as well as social welfare for employees and their direct dependants.

2009: 713 consultations completed.
46,7% of the consultations were clustered in Minas Gerais, Rio de Janeiro, Rio Grande do Sul and São Paulo States.

2010: 966 consultations completed.
53% of the consultations were clustered in Minas Gerais, Rio de Janeiro, Rio Grande do Sul and São Paulo States and 30% of the consultations were clustered in Rio Grande do Sul State.

1 2 10

Human Resources Ombudsman's Office

Channel of communications through which employees can express praise, submit criticisms, denunciations and/or suggestions, helping protect employee rights.

2009: 51 consultations.

2010: 30 consultations.

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Zero Accident Programme

Multiple actions conducted in order to strengthen a defensive driving culture, thus reaching the goal of zero traffic accidents. Encompasses the recruitment, selection, capacity-building and qualification processes for vehicle drivers, together with a motivational campaign and fleet monitoring and oversight activities.

2009: 100% of the employees trained in the Programme.

4 accidents with downtime involving vehicles.
0.109 accidents per hours worked (January - November 2009).

13% drop in the number of 0800 hotline calls for the Trade Marketing & Distribution Team.

1.8% accidents with vehicles in the Leaf Business Department.

Gradual replacement of the fleet by vehicles fitted with air bags and ABS braking systems.

Acquisition of new vehicles fitted with hydraulic steering.

Implementation of the Transportation Dashboard system.

Implementation of the Siemens System (monitoring driver behaviour) in all Regional Distribution offices.

Development of an accident evaluation technique with investigation of factors influencing these events: Preventive Driving Dialogue.

Distribution of qualification licenses to drivers trained under this Programme.

2010: 100% of the employees trained in the Programme.

Reduction in the number of accidents with downtime involving vehicles (3 accidents).

0.66 accidents per hours worked.

Down from 8% to 6.6% for the number of accidents with vehicles registered by the Trade Marketing & Distribution Team.

Maintenance of the percentage of accidents with vehicles in the Leaf Business Department (1.8%).

Gradual replacement of the fleet by vehicles fitted with air bags and ABS braking systems (Leaf Business: 84% and Trade Marketing & Distribution: 62%);

Acquisition of new vehicles fitted with hydraulic steering.

Implementation of the Integrated Transportation System helping managers take decisions by supplying driver track-records in terms of fines, accidents, 0800 hotline calls and driving license penalty scores.

Installation of air conditioning and internal upgrades of the Marketing Representatives' fleet.

Upgrading the interiors of the Merchandising Team's vehicles, with enhanced ergonomics, for better safety and higher productivity.

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Agent 0800 Programme

Channel available to employees in the Trade Marketing & Distribution Department to identify quasi accidents and risk situations, in addition to opportunities for upgrading work conditions and enhancing the quality of life. Designed to extend the support offered by the Occupational Health, Safety and Environment Team to the employees of this business unit all over Brazil, in addition to triggering changes in behaviour and upgrading work conditions.

2009: 2,300 employees trained.
50 calls received.

Various proposed improvements implemented, such as recycling and accident reduction projects.

2010: 2,500 employees trained.
207 calls received.

90% of the calls presented suggestions that had already been implemented.

1 2 8

Apprenticeship Programme

Technical training and qualification, for youngsters between 14 and 24 year old, paving their way for entering the job market, while also responding to demands from Souza Cruz for skilled human resources, in addition to ensuring compliance with the law.

2009: 134 youngsters took part in the Programme.
7 people hired by the Company.

2010: 137 youngsters took part in the Programme.
13 people hired by the Company.

1 2 6

Support and Safety System - 35

Legal, psychological, social and operational support for all employees in case of incidents related to urban violence.

Legal support - designed to ensure physical and moral integrity, assisting each person involved in the preparation of Incident Reports, ensuring that all rights are preserved.

Psychological and social support - designed to minimise the emotional impacts of these actions.

Operational support - designed to ensure the immediate replacement of an employee affected by violence, in order to uphold delivery service levels and protect the victim of the incident.

2009: Training new employees and maintenance of System.
1,418 consultations.

2010: Training new employees and maintenance of System.
1,107 consultations.

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Sustainable Retail

Awareness-heightening Campaign focused on the Ban on the Cigarette Sales to Minors under 18 Years Old

Support for the Campaign run by leading entities in the hospitality, gastronomy, baking, tourism and fuels sectors.

2009: Campaign launch event attended by representatives of the retail sector, the CEOs of major corporations and legislators.
Pre-launch Campaign in 3,500 convenience stores.

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2010: Implementation of the Campaign in 100% of the Souza Cruz retail customers (approximately 250,000).
Campaign assessment:
increase of 14 percentage points in the level of knowledge among retailers of the law forbidding cigarette sales to minors under 18 year old;
increase of 6 percentage points in the willingness of retailers to ask customers for an ID card in order to prove their age, before selling cigarettes to them;
this initiative offered more arguments and visual resources for applying the law.

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Re-using product delivery packs

Heightening awareness and ongoing encouragement for retailers to return the cardboard boxes used to deliver Souza Cruz products, for re-use.

2009: 50% pack return.

2010: 63% pack return.

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Tax Advisory Service

Tax and fiscal consulting services offered to Souza Cruz retail customers ensuring the correct application of the law allowing better tax management of the products that they sell, with more effective assessments of how these products impact the businesses of these retailers. Through common agreement with the customer, these explanations may be extended to the accountant.

2010: Introduction of Service.
1,316 consultations.
5% of the retailers assisted by this Service requested repeated consultations.
25% of the consultations also encompassed explanations for accountants.
23% of the consultations were related to calculating taxes without considering tax substitution, as a result, the retailers were paying more taxes than they should.

1 2 10

Dissemination of Social Responsibility practices to retailers

Investment in knowledge generation: support for the Responsible Retailing Development Centre at the Dom Cabral Foundation in order to generate knowledge about Social Responsibility in the retail sector.

Engagement initiatives with retailers: Social Responsibility principles are used as benchmarks for developing content for a wide variety of relationship and engagement activities with retailer customers, implemented by the Marketing Department.

2009: 2 workshops held (São Paulo and Belo Horizonte), in partnership with the Centre, attended by Souza Cruz guests and retailers, offering a critical appreciation of the Core Principles of Responsible Retailing and the Retailing of the Future Model.

2010: Completion and distribution of surveys of the Core Principles of Responsible Retailing and the Retailing of the Future Model, conducted by this Centre.

2009: Participation with a "Responsible Retailing" stand at the "Expopostos & Conveniência 2009", exhibition in São Paulo.

Inclusion of content on Sustainability addressing the retail sector in the Mais Varejo journal distributed on a bi-monthly basis to retail customers of Souza Cruz (more than 240,000 retail outlets in 2009).

2010: Lecture on sustainability in retailing and business management given on the Souza Cruz stand at the "Expopostos & Conveniência 2010" trade fair.

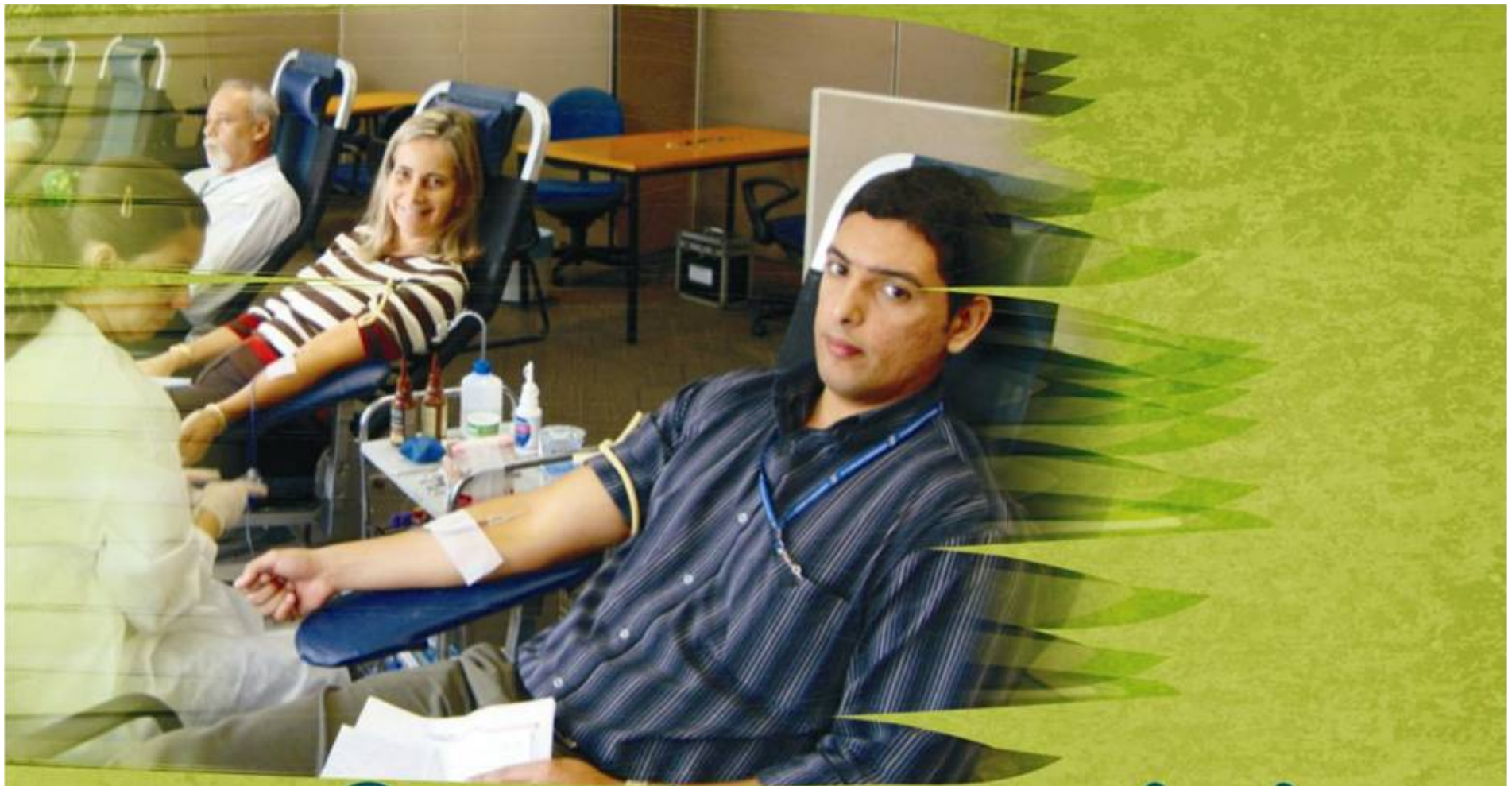
Inclusion of issues such as mitigating environmental impacts, customer service and respect, management and ethical principles in retailing, and activities implemented by Souza Cruz on these topics in 6 features broadcast on the O Empreendedor television programme, supported by Souza Cruz and designed for small and micro entrepreneurs in the baking sector.

Inclusion of sustainability content targeting the retail sector, including encouragement for the use of repeat-use bags, instead of their plastic counterparts, in the Mais Varejo journal, distributed on a bi-monthly basis to Souza Cruz retail customers (more than 250,000 retail outlets in 2010).



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Sustainable Society

University Dialogues Programme

Drive to supplement the academic, cultural and humanistic education of students at leading Brazilian universities, through discussions of issues important for this public. Also designed to encourage young entrepreneurship and team work.

2009: 17 events held all over Brazil.
9,500 participants.

2010: 19 events held all over Brazil.
11,150 participants.

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University Dialogues Portal (www.dialogosuniversitarios.com.br)

Democratic and interactive area for discussion and reflection, designed to contribute to the academic, civic, ethical and responsible training of university students all over Brazil, in addition to encouraging young entrepreneurship.

2009: 949,162 website hits.

2010: 1,359,008 website hits.

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Souza Cruz Volunteers Programme

Provides information, tools and resources that encourage employees to become more engaged with good causes through volunteer work, underpinning the success of these initiatives, strengthening links between Souza Cruz and neighbouring communities, while strengthening the culture of Social Responsibility in the Company.

2009: 219 actions undertaken in 63 municipalities.
25,200 beneficiaries.
218 institutions assisted.
3,000 volunteers.
38 volunteering projects financed by the Company.
74 simultaneous actions in 63 towns, on the Souza Cruz National Volunteering Day (Sorrisão), with more than 2,200 volunteers involved.

2010: 201 actions undertaken in 68 municipalities.
37,548 beneficiaries.
171 institutions assisted.
3,000 volunteers.
39 volunteering projects financed by the Company.
64 simultaneous actions in 52 towns, on the Souza Cruz National Volunteering Day (Sorrisão), with more than 2,300 volunteers involved.

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Cultural Project Sponsorships

Financing cultural projects through the Rouanet Culture Incentive Act.

2009: 55 projects sponsored.
More than R\$ 8,5 million invested.

2010: 49 projects sponsored.
More than R\$ 9,2 million invested.

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Senses Garden

Located in the Cachoeirinha Environment Park in Rio Grande do Sul State, this Garden is designed for the visually challenged, as well as everyone seeking closer contact with Nature through the senses.

2009: 120 visits by people with disability.

2010: 115 visits by people with disability.

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Environmental Parks Integrated with the Company Plants

Establishment and maintenance of Parks integrated with the Souza Cruz Plants, intended to preserve and rehabilitate the biodiversity of their respective regions. They are also intended to heighten awareness and offer environmental education for neighbouring communities and employees, through guided tours and projects, including biodiversity surveys.

2009: Cachoeirinha Environment Park, Rio Grande do Sul State:

2,300 visitors.

Environmental project implemented with local schools.

Santa Cruz do Sul Environment Park, Rio Grande do Sul State:

1,300 visitors.

Animal Succession Survey completed, with 33 new species of fungus discovered and 8 new insects.

Uberlândia Environment Park, Minas Gerais State:

2,960 visitors.

Mapping the plants and wildlife of the Serrado Savannahs, identifying 6 mammal species, more than 125 birdlife species and endangered plants in Minas Gerais State.

Recovery of area degraded by erosion and control of exotic plants.

2010: Cachoeirinha Environment Park, Rio Grande do Sul State:

1,550 visitors.

Environmental project implemented with local schools.

Biodiversity surveys conducted by students at the Lutheran University of Brazil.

Kitchen garden and composting workshops offered to employees and the community.

Santa Cruz do Sul Environment Park, Rio Grande do Sul State:

1,000 visitors.

Plant Succession Survey underway, coordinated by the Santa Cruz do Sul University, Rio Grande do Sul State.

Uberlândia Environment Park, Minas Gerais State:

6,978 visitors.

Continuation of the rehabilitation of areas degraded by erosion.

Partnership with the Uberlândia Municipal Chamber and the Uberlândia Industrial District's Company Association (UNEDI) on using the park area as an environmental education centre.

7 8

Policies, Systems, Processes and Programmes

Performance

Principles Pursued

Outreach Fleet Project

Donation of used vehicles from the Souza Cruz fleet to worthy entities all over Brazil, in order to foster local community development.

2009: 70 vehicles donated.

2010: 94 vehicles donated.

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Rural Youth Entrepreneurship Programme implemented by the Souza Cruz Institute

Supplements the formal education of rural youngsters through formative practices that encourage criticism, reflection, creativeness, ethics and citizenship. Designed to train youngsters as agents for sustainable and supportive rural development, through pinpointing opportunities for generating income and upgrading the quality of life in rural communities.

2009: 66 youngsters trained.

2010: 85 youngsters trained in the following areas: Vale do Rio Pardo, Rio Grande do Sul State; Caminhos do Tibagi, Paraná State; Centre-South Paraná State; Encostas da Serra Geral, Santa Catarina State.

There are still 64 youngsters being trained in the Médio Curu region of Ceará State and Sisal, Bahia State.

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Brazilian Global Compact Network

Souza Cruz is a member of the Brazilian Global Compact Network (Rede Brasileira do Pacto Global), which encompasses a wide variety of institutions representing the private sector, organised civil society, the academic world and the United Nations Organisations, in addition to other entities eager to promote in Brazil the principles addressed by the Global Compact.

The Network strives to foster the introduction and adoption of the principles of this international initiative into the business management practices of companies operating in Brazil, as a way of strengthening the Corporate Social Responsibility movement in Brazil.

To know more about the principles of this initiative, access:
www.pactoglobal.org.br



SOUZA CRUZ

www.souzacruz.com.br

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