

***VITIVINÍCOLA PÉREZ CRUZ LTDA.***

***SUSTAINABILITY REPORT***

***2007 - 2008***

**INDEX**

MESSAGE FROM THE CHAIRMAN	2
ECONOMIC - FINANCIAL DIMENSION	4
SOCIAL DIMENSION	4

## MESSAGE FROM THE CHAIRMAN

Dear Friends,

We are glad to present this third Sustainability Report of Vitivinicola Pérez Cruz Ltda. and Sociedad Agrícola El Lingal Ltda. which allows us to keep our stakeholders informed about our economic and financial performance together with our environmental and social development in the years 2007 and 2008 as well as the progress we have made by strengthening our commitment to Corporate Social Responsibility.

In a few years our winery has been consolidated as a producer of quality wines in our country supplying the most demanding world wine markets, winning several awards in prestigious competitions such as Selections Mundiales des Vins - Canada , Concours Mondial de Bruxelles - Belgium, International Wine and Spirit Competition & Decanter Award - England, Syrah du Monde - France, Korea Wine Challenge – Korea, Wine & Spirits Magazine – Chile and Annual Wines of Chile Awards, Descorchados Chile.

With this new approach to socially responsible management our goal has been to integrate the different areas involved in our wine industry, analyzing them as a whole, both within the organization and with regards to its relationship with their key stakeholders.

One of the key points was the valorization of human resources and its impact on our final operations results in 2008.

Although the company counts on quality certification and environmental protection programs, this report allows us to complement them and bring transparency to our ongoing commitment to continuous improvement in all aspects.

Cordially yours,

Andrés Pérez Cruz  
**President of the Board of Directors**



## GENERAL OVERVIEW

Our companies Vitivinícola Pérez Cruz Limitada with its fancy name Viña Perez Cruz, dedicated to the production, marketing and distribution of fine wines and Sociedad Agrícola el Lingal S.A., producer of wine grapes and almonds are located on the same site, Fundo Lingal" in Huelquén - Paine, in the Metropolitan Region of Chile.

With a total area of 560 hectares Fundo Lingual comprises 152.27 hectares planted with wine grapes and 60 hectares with almond trees where we also have our offices and wine cellar which is the basis for offering our customers our products and services.

The company Vitivinícola Pérez Cruz Ltda. produces fine wines for the international market and therefore has established an ongoing commitment to provide its customers with certified products and services meeting all quality standards. Sociedad Agrícola El Lingal Ltda. produces wine grapes of which 95% are used by Viña Perez Cruz in its wine production and the remaining 5% is sold to external wineries.

Our aim is to achieve an integrated production management development that can also help to protect the environment through a high dedication to our workers in terms of training and continuous improvement.

Our companies are certified according to ISO 9001 and ISO 14001 and since 2004 according to Good Agricultural Practices. We also joined the Clean Production Agreement (APL) which is administered by the Chilean Wine Corporation (CCV) becoming one of the first certified vineyards in 2005 in Chile.

In addition to the above, we adopted a socially responsible management approach which aims at improving our productivity and competitiveness with due respect for people and the environment.

In especially this context of permanent search to leadership Viña Pérez Cruz participated since 2005 as a pilot company in the project "Adoption of Corporate Social Responsibility in Small and Medium Companies in Chile", as a result of which we are introducing today our third sustainability report according to the Third Generation (G-3) methodology of the Global Reporting Initiative (GRI), which allows us to communicate our progress and actions taken in this field and to share relevant information about our performance from January 1<sup>st</sup> 2007 to December 31<sup>st</sup> 2008 compared with the results of previous years.

This task was guided and supported by Vincular - Centre of Corporate Social Responsibility at the Pontificia Universidad Católica de Valparaíso (PUCV), Chile

## HISTORICAL COMPANY SUMMARY

In the mid-twentieth century the Pérez Cruz Family, headed by Pablo Pérez Zañartu acquired "Fundo Ligual of Huelquén" which is located 45 kilometers southeast of Santiago in the Andean foothills of the Maipo Valley in Paine and began to develop agricultural activities. Due to the excellent weather and soil conditions, Mrs. Mariana Cruz Costa and his sons gave rise to the Viña Pérez Cruz project in the '90s in memory of their husband and father.

This project started with grapevines plantations choosing the red grapes which best fit to the natural conditions of the field, with the aim of producing wines with their own identity, giving rise to the company Sociedad Agrícola El Lingal Ltda. which is dedicated to the production of wine grapes and almonds.

Subsequently the company Vitivinícola Pérez Cruz Ltda was formed giving rise to the project of building the winery with high technology equipment for the production of fine wines together with an architectural design that allows an aesthetic harmony with the winery surrounding area.

Both companies are complementary, owned and operated by the Pérez Cruz Family and located at the same site, sharing the same business approach which enables strategic decisions to be taken and implemented together.

Within this framework, we incorporated the Corporate Social Responsibility to our management by implementing a model that can be easily evaluated and communicated to our stakeholders. Our SCR approach began in 2005 when we joined the project "Adoption of Corporate Social Responsibility in Small and Medium Companies in Chile", which was developed by "Vincular".

## STAKEHOLDERS

The dialogue with our stakeholders, ie those people, groups or organizations that affect and/or are affected by the actions of the company is one of the basic components of Corporate Social Responsibility. Therefore it is of particular importance to define and prioritize the different stakeholders so that the company can gauge their perceptions and expectations in order to incorporate this information into their decision-making and management processes.

The dialogue does not only facilitate the establishment of relationships of trust with stakeholders, but also provides them with information to achieve productivity increase, access to new market niches and customer loyalty.

One of our priority stakeholders is our **Board of Directors**, since it is responsible for the financial decision-making and business strategies development, optimizing the utilization

of the resources in the short, medium and long term in order to maximize return on investment.

Our products are purchased by third-parties, namely our **customers** who are divided into domestic and overseas customers, undoubtedly affected by the activity of the company. Therefore, it is essential to supply them with high quality products and services, focusing on traceability, on time delivery and production with respect for the environment. Undoubtedly, our customers' activities also affect the internal operations of our company where trade commitments and negotiations are met to the best of our knowledge.

To ensure business operation it is necessary to hire people - our **workers**, who are the heart of the production entity. They are also one of our main stakeholders whose interests must be satisfied with fair wages, recognition of merit, health and social security, employment stability and in general a good quality of working life, which turns out to be an issue of great importance for the company since Viña Pérez Cruz highlights its constant concern about its staff education and training. It is also important to intensify the training-education policies by making best use of the benefits granted by the State and other organizations.

As our companies are not self-sufficient and need a wide range of resources for our production processes such as consumables, machinery, capital and other external agents, our contracted **suppliers** and the commercial commitments with them must be met in a optimal manner. Besides we also expect that they meet our requirements with regards to quality, quantity and delivery according to the terms agreed so that we can form alliances that lead us to a business commitment going hand in hand with sustainable development.

Other stakeholders are the **health authorities** and **labor organizations** when it comes to specific demands, control, consultancy and collaboration within a framework of mutual cooperation in order to achieve sustained development of the sector with regard to consumer health care and respect for workers' rights.

When it comes to contributions to the **community** Huelquén-Paine, where Viña Pérez Cruz is located, it should be noted that we are aware that our production affects the community as we preserve the surroundings, provide employment for 100% of the community and seek the opportunity to strengthen relations, especially by channeling contributions through the establishment of similar alliances between companies, local authority and other organizations (through joint committees company - authority - community) to allow debate and actively participate in the planning, implementation and ultimately the allocation of resources to specific projects, which have been previously evaluated.

It must be stressed that the groups mentioned above don't represent the complete group of the companies' stakeholders, but they affect or are affected more closely and reflect the ones with whom we have established some direct communication channels.

## **MISSION**

"We are an agricultural and wine producing export company. We base our business on producing high quality according to the requirements and standards of the consumer markets of fine wines in the world, integrated management processes and highly qualified personnel. "

## **VISION**

"We seek to be recognized as a well- established winery for world-wide consumption of high-quality wines segments with a solid organizational structure based on its qualified staff and first class infrastructure."

## **STRATEGIC OBJECTIVES**

The main strategic objectives raised by Viña Pérez Cruz for the medium and long term are:

1. Growing and consolidating the current position of the company.
2. Ensuring compliance with our mission, vision and strategic business objectives
3. Establishing global policies and Management Systems in the area of CSR.
4. Optimizing Business strategies to manage direct export sales
5. Assuring quality production of fine wines by optimizing our infrastructure and technology.
6. Strengthening staff training and development to face new challenges.
7. Establishing staff performance evaluation systems.
8. Developing and implementing a Construction and Housing Project for the personnel.

## **CORPORATE GOVERNANCE AND OPERATIONAL STRUCTURE**

The companies set policies, actions and management systems that meet the strategic objective and, in turn, are aligned with the concerns of stakeholders and business objectives of the company

The companies have a board, chaired by Mr. Andrés Pérez Cruz. To this board reports directly the General Manager, Mr José Ignacio Laso Bambach, who in turn receives monthly reports by both the agricultural and the winemaking area.

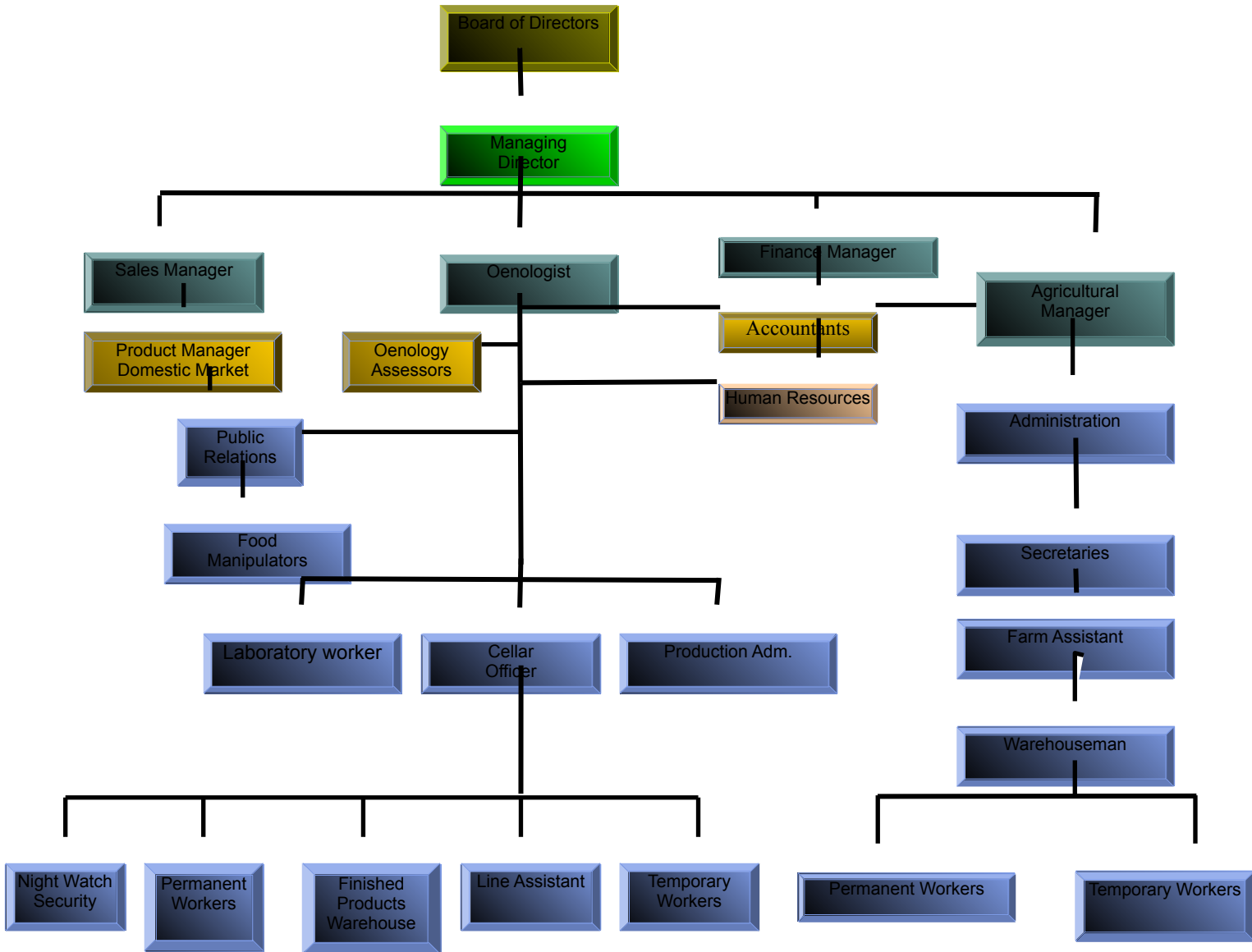
Pérez Cruz Winery has 22 permanent workers and at harvest time 10 people were hired temporarily. Sociedad Agrícola El Lingal Ltda. has a total of 28 permanent workers and during the year a total of 146 contract workers were hired for certain tasks.

In short, companies in 2008 had a total of 50 permanent workers and 156 contract workers for certain tasks throughout the year. This relative stability of workers who do not have a permanent contract is due to the complementarity of the activities of both companies and roughly divided into field work and work in wine cellar at harvest season.



In order to make an efficient use of the resources we seek to train the staff in every of the specific activities such as bottling and labeling of wine, grapes, pesticide application, pruning, machine control, and gap risk prevention.

### ORGANIZATION CHART



## PRODUCTS AND SERVICES

Both companies share a geographical location at Fundo Liguai s/n in the town Huelquén - Paine. In the said Fundo there are wine grapes and almond plants together with their offices and wine cellars, which are the basis for offering our products to the customer.

The products produced by Viña Pérez Cruz correspond to the segment of bottled wines with denomination of origin of the Maipo Valley. Highlights include Cabernet Sauvignon, Merlot, Cot, Carmenere, Syrah and Petit Verdot.

In 2007 our wine grape production reached 905.000 kilos of which 85.69% was directly processed in our vinification cellar. 14.31% of the grapes are sold in the local market.

In 2008 production reached a total of 702,000 kilos of which 95% was vinificated in our cellars and 5% were sold on the domestic market. This drop in wine grape production was due to pest attack, Lobesia Botrana (Bookworm Bunch of Grapes), affecting 40% of the estimated production.

Our wine lines correspond to single variety red wine or blended red wine of the category "Reserva". These products are sold in the domestic market (20%) and exported (80%). The details of the types of wines produced are the following:

- **Cabernet Sauvignon Reserve:** the grapes used for this wine is collected by hand and fermented in stainless steel tanks. 100% of the wine is aged in French oak barrels and its color is deep red, with scents of ripe red fruits and spices, accompanied by the aroma of toasted bread and vanilla. It contains a full bodied taste with ripe tannins and soft finish. Within the total production of wine in liters this variety has maintained 7.35% in 2006, 2007 and 2008.

- **Limited Edition Reserve Syrah:** their grapes come from sites with low yield and are collected and selected manually. After its alcohol fermentation the wine is transferred to French oak barrels where its second fermentation takes place and the aging process continues for more than twelve months. The characteristics of wine are: the deep red color, aroma of berry and spices and a full bodied taste. Within the total production of wine in liters this variety has maintained a 6% in 2006, 2007 and 2008.

- **Cot Reserva Limited Edition:** grapes are also obtained from sites with low yield (35 hl / ha) and collected manually. Alcoholic fermentation is carried out in stainless steel tanks with temperature control. After this, the process continues in new French oak barrels where it remains for more than a year. The characteristics of this wine are bright red color with reflections of violet. His aroma of ripe berries is accompanied by fine touch of species and flowers. Its taste reflects the aroma of red fruits going hand in hand with great balance and strength. Within the total production of wine in liters this variety in 2006 had a production of 2.7%, a 3.3% in 2007 and a 4,7% in 2008. Obviously this kind of wine production has been increasing due to the acquisition of a higher amount of grapes.

- **Carmenere Reserva Limited Edition:** their grapes are ripened slowly and carefully screened before fermentation. This wine is aged for more than twelve months in French oak barrels (60%) and American (40%). The aroma of ripe red fruit and moka provide with an original characteristic. In the mouth this wine is well structured with a long finish. Within the total production of wine in liters this variety has maintained a 7.3% in 2006, 2007 and 2008.

- **Liguai:** The grapes for this blend come from the selection of the best vineyards with very low yields and are collected manually. The fermentation takes place in stainless steel tanks with temperature control. The process of lactic fermentation is carried out in French oak barrels and is followed by 18 months of aging. His aroma is complex and elegant and highlighted by the notes of berries, black pepper and chocolate. The taste is concentrated, with a solid tannic structure and a long lingering finish. This wine is a blend of 40% Syrah, 40% Carmenere and 20% Cabernet Sauvignon and during the years 2006, 2007 and 2008 the percentage of liters of these varieties has remained unchanged.

- **Quelen:** The grapes for this blend come from the selection of our best vineyards with very low yields. The fermentation takes place in stainless steel tanks with temperature control. After this process lactic fermentation takes place in French oak barrels and it is followed by 14 months of aging. Complex and elegant aroma suggests a different wine, which combines tradition and modernity. Highlighted by notes of red fruits, tobacco, spices and a special note of minerals its taste is concentrated with a nice balance, soft tannins and a long and persistent finish where mineral notes reappear. This wine is a blend of 44% Petit Verdot, 30% Carmenère and 26% Cot.

The competition of Viña Pérez Cruz in the domestic market refers to high quality wines produced by boutique wineries of the central zone, while international competition comprises all the small family vineyards for the markets United Kingdom, United States and Canada.

Viña Pérez Cruz offers **Winemaking** service to wine grape producers in the area, as well as equipment for its **Events Center**. Furthermore, its agricultural surrounding area makes these facilities especially appropriate for activities such as seminars, weddings, workshops, conferences and product launches, among others.

## **ECONOMIC AND FINANCIAL DIMENSION**

Following the GRI G3 methodology established for large companies which we believe is applicable to all kinds of organizations, this year we have decided to report more information including sales, salaries, taxes and the use of the SENCE franchise (government training subsidy) as well as our liquidity and profitability indicators.

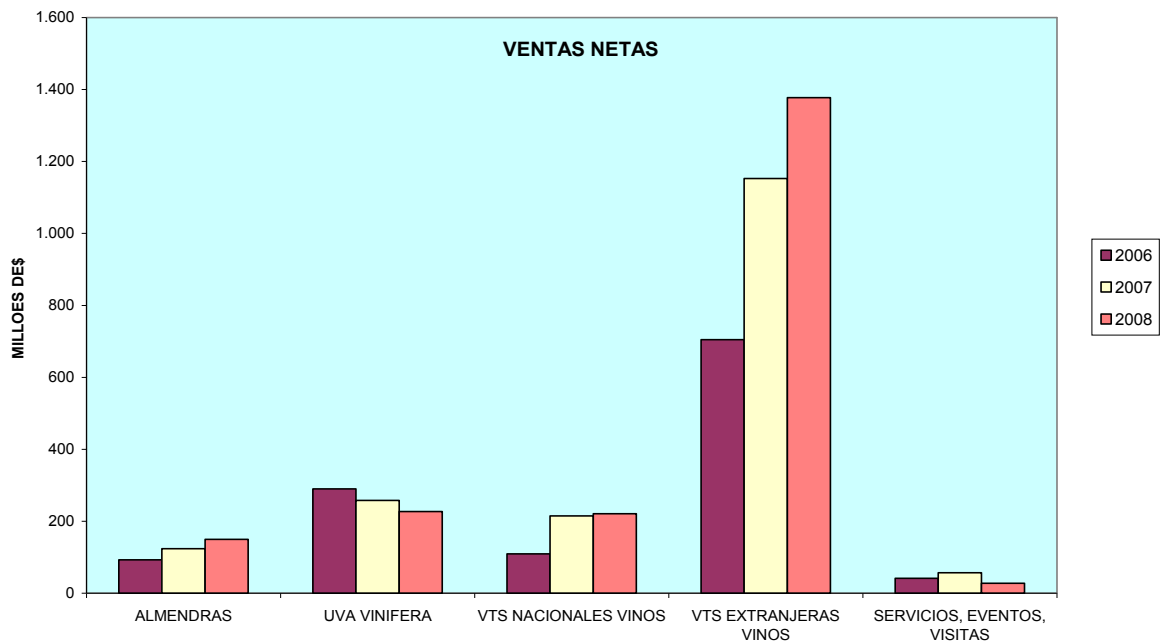
## NET SALES

In 2008 agricultural production net sales (wine grapes and almonds) amounted to M CLP 376. This net sales amount dropped compared to 2007's due to a plague that affected the agricultural sector (Lobesia Botrana or grape vine moth). Wine net sales (domestic and overseas) accounted for M CLP 1,599 and services sales reached M CLP 28, of which 98.61% was from product sales and 1.39% from service sales.

In 2007 agricultural production net sales (wine grapes and almonds) amounted to M CLP 381, domestic and overseas wine sales reached M CLP 1,367 and service sales amounted to M CLP 57, of which 96.86% was from product sales and 3.14% for service sales.

Meanwhile, in 2006 agricultural production net sales (wine grapes and almonds) reached M CLP 383, domestic and foreign wine net sales amounted to M CLP 814 and service sales reached M CLP 42, of which 96.65% was for product sales and 3.35% for service sales.

The following graph shows the sales for the past three years.



[EL GRÁFICO:](#)  
[NET SALES](#)

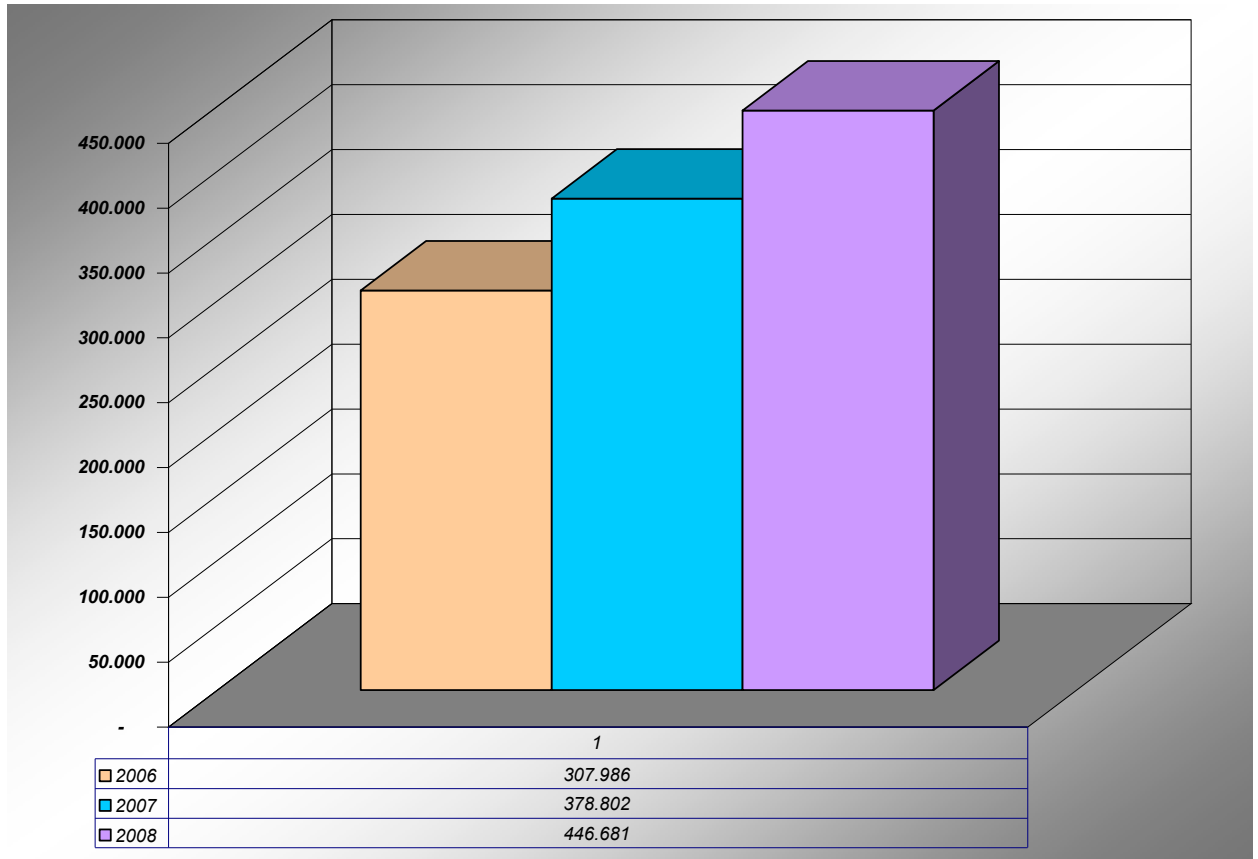
[MILLIONS OF CLP](#)

[ALMONDS – WINE GRAPES – DOMESTIC WINE SALES – OVERSEAS WINE SALES – EVENTS & VISITORS SERVICES,](#)

The reason for this decline in wine grapes sales in 2008 was the grape vine moth plague problem which deeply affected production. The increase in export sales was due to the opening of new overseas customers.

## SALARIES

In 2008 salary expenditure totaled M CLP 447 meanwhile in 2007 it amounted to M CLP 379. This growth was due to the increase in salaries in one year. Meanwhile, in 2006 total salary expenditure was M CLP 308.



The average value paid per day in 2008 was CLP 6,000 which corresponds to an average monthly salary of CLP 180,000. This is 8.8% higher than the minimum wage established by law.

CLP 41,736,495 paid to contractors during 2008 should be added to direct wages paid by the companies, representing 9.3% of total wages. In 2007 contractor payment was CLP 14,601,633 which corresponds to 3.8% of total wages and in 2006 payments amounted to CLP 20,204,586 which is equivalent to 6.5%.

## MINIMUM WAGES AND WAGE GAP

In 2008 the gap between the lowest and the highest salary was 25 times, the same as in previous year.

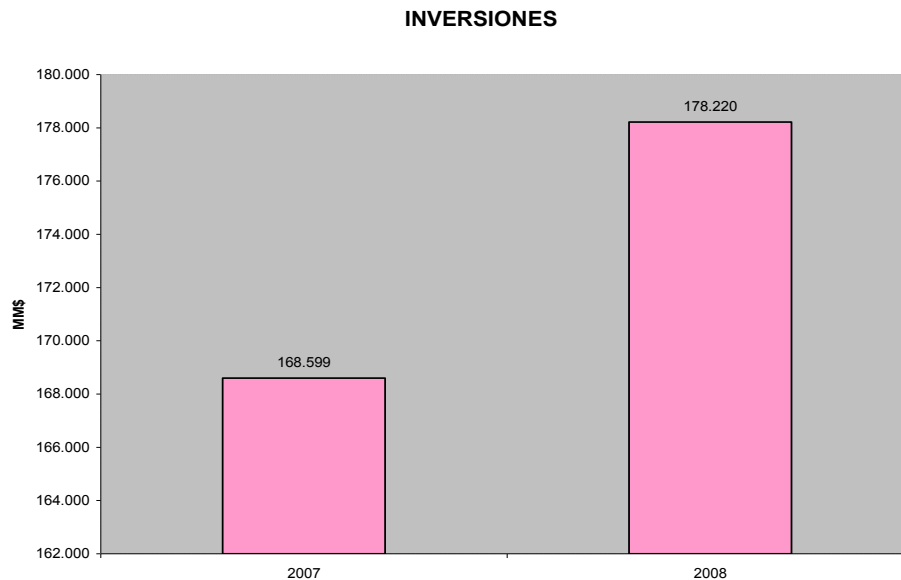
## TAXES

In 2008 CLP 1,330,958 were paid in taxes, CLP 19,889,154 in 2007 and CLP 35,046,938 in 2006. This decline in tax payments was due to investments made.

Vitivinícola Pérez Cruz Ltda. claims tax refund (exports VAT) on a monthly basis. Therefore, we are audited by the Internal Revenue Service which obliges us to be very strict in all tax aspects.

## INVESTMENTS

During 2007 and 2008 the companies made a total investment of CLP 113,014,534 in 24.2 hectares of almond plantation and a total of CLP 55,584,499 in 12.25 hectares of grape vine plantation. These investments were finished in 2008 where a new investment of 18 hectares of vines amounting to CLP 31,019,471 started. Furthermore, an investment amounting to CLP 147,200,332 was made in the construction of toilets and showers for events and for staff.



### EN EL GRÁFICO: INVESTMENTS

## SENCE

SENCE is a tax incentive offered by the Chilean Government to companies classified by the Internal Revenue Service. In 2008 our companies used CLP 1,789,200 in training 18 workers with a total of 447 hours. In 2007 we used a total of CLP 1,160,000 for 13 workers in 145 hours. Furthermore, our company paid a 40 hours- training program for 3 workers amounting to CLP 1,142,791 without using SENCE.

## OTHER FINANCIAL INDICATORS

In 2008 the company's debt amounted to M CLP 2,258.-, of which 5.5% correspond to suppliers and 94.5% to a long-term loan with CORFO. That year 22,000 UF (Unidades de Fomento) were paid and the short-term bank loan was fully paid.

In 2007, total debt amounted to M CLP 2,528.-, of which 4.3% correspond to suppliers, 10.3% to a short-term bank loan and 85.4% to a long-term loan with CORFO. During that year, 22,000 UF (Unidades de Fomento) were paid.

In 2006 the total company's debt was M CLP 2,779.-, of which 3.5% correspond to our vendors, 9.4% to a short-term bank loan and 87.1% to a long-term loan with CORFO.

## **SOCIAL DIMENSION**

In this report 2007 - 2008 both companies together account for progress and downfalls experienced in this period in terms of social performance towards detecting the gaps for improvement and progress in their management and control.

According to G3 GRI methodology, we include the main indicators of 4 key aspects of social dimension: Labor practices and Work Ethics, Human Rights, Society, and Product Liability.

## **LABOR PRACTICES AND WORK ETHICS**

Our companies have had a permanent concern about the quality of life of workers and their families. Therefore, several actions have been taken towards improving their security, training, employability and a pleasant working environment.

## **DETAILS OF THE GROUP OF WORKERS**

### **Description of employee types and contracts**

In 2008, total workforce was 206 people, of which 50 were permanent workers and 156 people were recruited for seasonal jobs.

In 2007 the total workforce was 196 people, where 49 were permanent workers and 147 people were recruited for seasonal jobs.

### **Breakdown of employees by gender and age**

In 2008 considering total permanent and season workers, 63.59% (131) correspond to men and 36.4% (75) to women. When it comes to age, only one person was younger than 18 years old (0,49%), 64 people were under 30 years old (31.07%), 85 people were between 30 and 45 years old (41.26%) and 56 workers were older than 45 years old (27.18%).

During 2007 total workforce was 196 people, where 60.71% (119) were men and 39.29% (77) were women. 68 people were younger than 30 years old (34.69%), 83 workers were

between 30 and 45 years old (42.35%) and 45 people were older than forty-five years old (22.96%).

Hiring mainly male labor force is not a way of discrimination but it is due to the need of ensuring a permanent workforce in certain specific agricultural jobs such as sprinklers, tractor drivers, supervisors, pruners and others.

Workers for a short period of time and for season jobs must be added to permanent workers. This recruitment is done through contractors who are responsible for all the necessary documentation involved. Besides, our company also controls and ensures compliance with labor and social laws regarding these contract workers. During 2007 and 2008, 20 workers were hired under this modality.

## OCCUPATIONAL HEALTH AND SAFETY

The companies are affiliates of the Chilean Safety Association (ACHS). Therefore, 100% of our workers are protected according to Law Nr. 16,744 on prevention of occupational accidents and diseases.

Sociedad Agrícola El Lingal Ltda is represented on the Health and Safety Committee that operates within the company, whose main task is to prevent accidents.

Year	Missed work days	Accidents
2006	93	12
2007	103	10
2008	89	13

Source: ACHS - Chilean Safety Association

It can be noted that during the years 2006, 2007 and 2008 the **number of accidents** remained within the same range, where missed work days decreased, as well as their severity.

There were no **fatalities** related to labor accidents during the reporting period. Since the company's inception, no fatalities have occurred.

The **accident rate** is the quotient between the number of labor accidents and the number of workers in the same period (annual workers average of 22.5) multiplied by 100. This gives an indicator on the frequency that these kinds of accidents happen.

**The rate of claims** corresponds to the quotient between the total days missed in one period and the annual workers average multiplied by 100. This is directly related to the severity of labor accidents. Still in the context of health, the company provides their permanent workers and their families with a health and life insurance that covers 70% of medical costs and in case of a worker's or family death, this insurance covers a total of 500 UF.



### Employee's testimony



"The complementary health insurance benefit given by the company is a great help for me since I have several health complications and need permanent medical control, medicines and medical examinations. All these costs are very high and this medical expenses reimbursement is really a great help to me."

Gabriela Vallejos C.  
Co-worker Vitivinícola Pérez Cruz

### TRAINING AND EDUCATION

In 2008, 18 workers were trained in 447 hours where 57% of the total SENCE franchise was used.

In 2007, 13 workers were trained in 145 hours by using 50% of SENCE and in 2006, 12 workers were trained in 72 hours, using 59% of SENCE.

In addition, all workers are trained in each new task to prevent labor related accidents, bodily injuries as well as preventing environment damage. For instance, we train our employees on how to prune vines considering the number of buds left after pruning, the proper technique of using pruning shears avoiding accidents and then what to do with the waste, avoiding negative effects on the environment.

### OTHER LABOR INDICATORS

#### Sanitary Services

The companies have toilet facilities and showers for their employees. In addition, chemical toilets are hired during specific periods like harvest when more workers are involved.

## **HUMAN RIGHTS**

In relation to Human Rights, the Constitution of the Republic of Chile and its laws safeguard all related rights. Therefore, it is not necessary to develop any special policies or parallel programs. All parties involved must observe the strict enforcement of existing legislation, including international treaties signed and ratified by Chile.

Nevertheless, it must be stressed that within the companies no incident of discrimination has been detected.

### **Labor Unions**

Meanwhile there is no labor union the company respects freedom of association and does not discriminate on the basis of gender, sexual orientation, political beliefs or disability.

### **Child Labor**

During 2007 and 2008 Sociedad Agrícola El Lingal Ltda. recruited teenagers between 16 and 18 years old who counted on formal authorization from their parents and during their summer vacation. They performed light work such as monitor tasks that did not affect their physical development.

### **Forced labor**

Our companies are against any practice of forced or non-consensual labor. No situation of this nature has ever been identified nor reprimanded.

## **SOCIETY**

In this case the company will refer to its behavior in terms of association and our eventual attitude to possible acts of corruption, public policies and regulatory compliance.

### **Community**

There is ongoing contact with social institutions in the surrounding area: schools, firefighters and sports clubs.

### **Associativity**

Our companies are associated with the Maipo Farmers Association, the Canal Huidobro Association, the Chilean Wine Corporation and the Maipo Alto Vineyard Association.

### **Corruption**

Meanwhile the activities of both companies are exposed to acts of corruption until today no incident of this nature have occurred. If any corruption event were detected, the person or persons involved would be immediately dismissed according to internal rules.

### **Public Policies**

Our companies do not make contributions to political campaigns and their facilities do not allow any political propaganda.

### **Compliance**

Due to our constant concern for compliance there have not been any penalties involved.

## **PRODUCT LIABILITY**

Our wine grapes are certified by the Pontificia Universidad Católica de Chile and our wines comply with the law of alcohols. In addition, the wines are subjected to physical-chemical analysis for bottling and are certified by the company VINOTEC S.A. On the other hand, they are subjected to monthly yeast, oxygen, acidity and pH analysis performed by the laboratory DICTUC SA.

Also dry materials such as corks and bottles are subjected to moisture, quality, diameter, pressure and volume analysis. This certification is performed by the company Centro Analítico del Corcho.

Vitivinícola Pérez Cruz has a modern laboratory for grapes, musts and wines basic chemical analysis. A laboratory worker works on a full-time basis under the Oenologist's supervision. When more specialized chemical analysis is required samples are sent to external laboratories with the ones we have previous agreements.

### **Wine Labels**

Products bottled by Vitivinícola Pérez Cruz Ltda. are destined for overseas markets and the information contained in their labels is required by our foreign customers. Therefore, it is strictly prohibited that labels include non-reliable information.

### **Compliance**

There have been no penalties for non-compliance.

## **ENVIRONMENTAL DIMENSION**

In this third sustainability report that is guided by the GRI G3 methodology we selected environmental indicators relating to commodities, materials, energy and water that are of greater relevance and materiality.

This kind of activity which is undertaken by both companies considers an integrated production management that controls the use of fitosanitary products and the actions that may have negative effects on the environment.

Therefore, our attitude is of respect and care for the environment seeks continuous environmental performance improvement by means of appropriate and economic possible technologies.

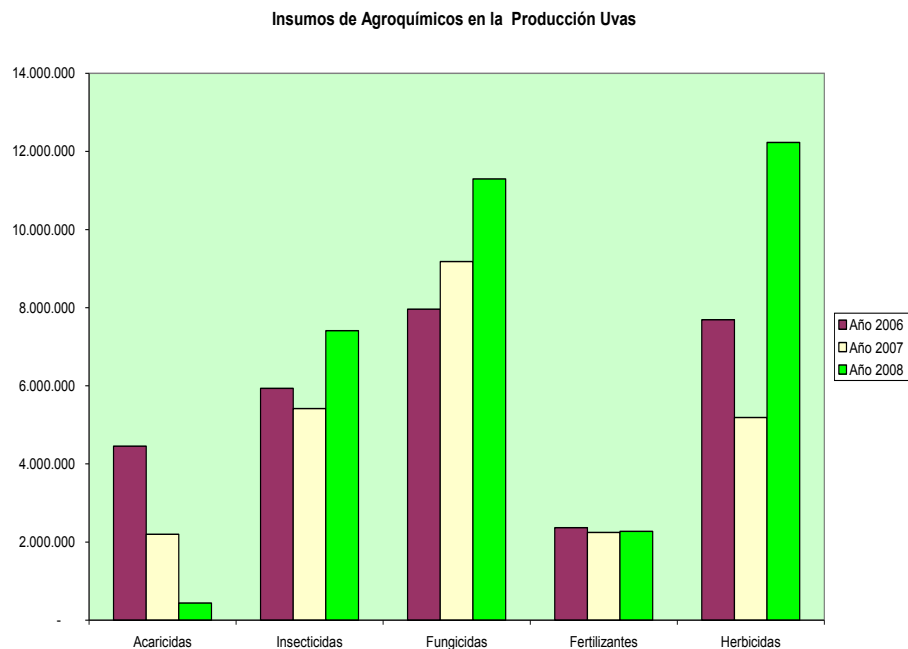
## RAW MATERIALS

The main raw materials used for winemaking are grapes supplied by the company through their agricultural plantations. In 2008, 673,273 kilos of grapes were used in our wine production, 775,806 kilos were used in 2007 and 979,523 kilos in 2006. This decline in recent years was due to the Lobesia Botrana plague.

## MATERIALS

The materials used for wine grape production processes are essentially chemicals which are divided into fertilizers and pesticides.

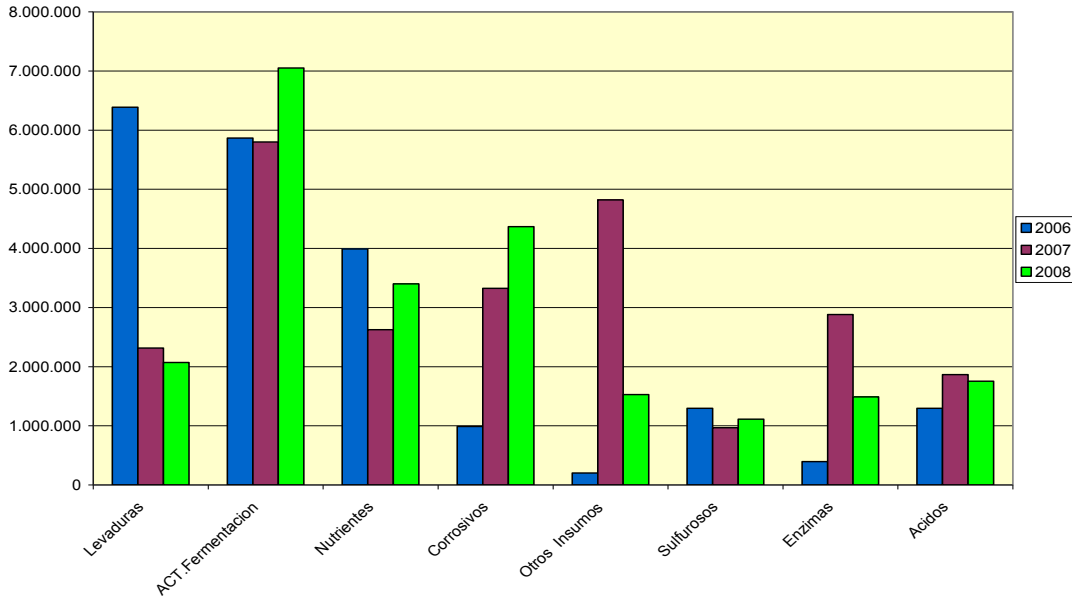
In 2008 CLP 33,645,299 were purchased in materials, CLP 24,236,484 in 2007 and CLP 28,461,137 in 2006. The increase experienced in 2008 was due to the pest Lobesia Botrana that affected our production. The use of these products was suggested by our specialist consultants based on the soil and plants nutritional status, as well as their fitosanitary condition which is continuously controlled through pest and disease monitoring.



**EN EL GRÁFICO:**  
**AGROCHEMICALS USED IN WINE PRODUCTION**  
**Acaricides – Insecticides – Fungicides – Fertilizers - Herbicides**

Total purchase amount in oenological supplies for winemaking processes such as nutrients, acids, enzymes, yeast, etc, reached CLP 22,771,190 in 2008, CLP 24,597,006 in 2007 and CLP 20,423,811 in 2006.

**Insumos Enologicos**



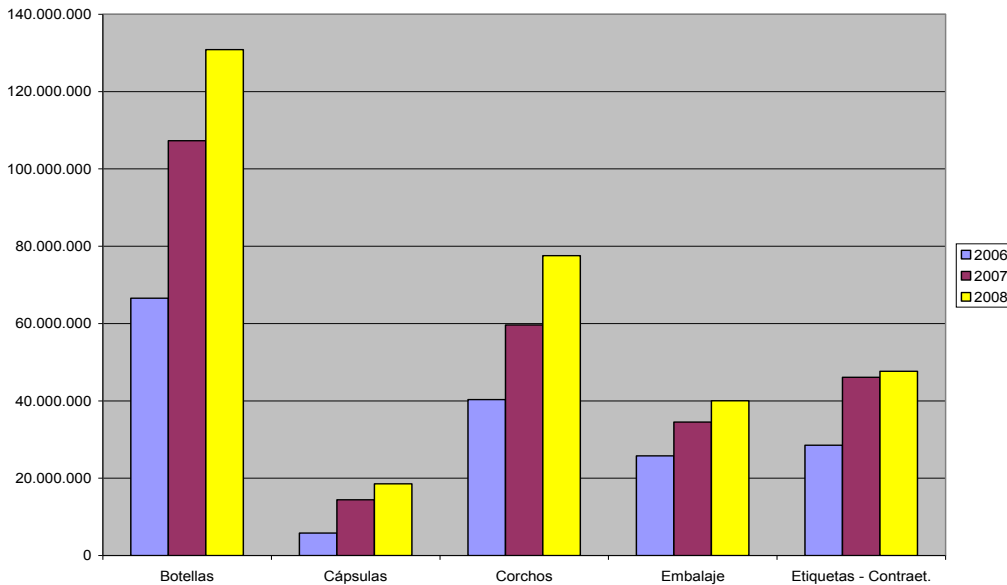
**EN EL GRÁFICO:**

*Oenological supplies – Yeast - Fermentation ACT- Nutrients – Corrosive - Other supplies – Sulfur - Enzymes*

Purchases of dry materials such as bottles, corks, labels, packaging and capsules used in production processes during 2008 amounted to CLP 314,674,602 representing an increase over 2007 (CLP 261,963,437). In 2006 they reached CLP 167,078,213.

This trend is shown in the following graph:

**MATERIAS SECAS**



**EN EL GRÁFICO:**

**DRY MATERIALS**

*Bottles – Capsules – Corks – Packing – Labels and Back Labels*

## ENERGY

Our main energy sources are diesel, industrial gas and electricity. The evolution of this consumption in recent years is shown in the table below.

Year	Electricity in KW/Hr	Industrial Gas in Liters	Diesel in Liters
2006	859.200	1.960	70.000
2007	803.800	5.900	85.000
2008	701.200	16.470	80.000

It can be noted that in recent years we have reduced the use of electricity and diesel. This is due to the increased use of industrial bulk gases in the engine room. We have chosen this fuel for its price and since its use has less impact on the environment.

## WATER

The water that is used by Vitivinícola Pérez Cruz Ltda. comes from a watershed located on the same site.

In 2008, 2,600 cubic meters of water were used. It means that for each liter of wine 2.19 liters of water was used. The drop in water consumption in 2007 and 2006 (2680 and 2716 cubic meters respectively) was due to the low production of wine during that period.

Total Water Consumption (M3)	2006	2007	2.008
Annual cubic meters	2.716	2.680	2.600
Liters of water per liter of wine	4,95	2,05	2,19

This table shows that in 2006 the use of water was higher than in 2007 and 2008. This was because in that year the liters of wine (720,722 liters) were higher than in the years 2007 (548,141 liters) and in 2008 (570.600 liters), since the quantity of water is related to the liters of wine.

Sociedad Agrícola El Lingal Ltda. has 25.06 irrigation sprinklers with 25 water sprinkler outputs through the Canal Huidobro.

Furthermore, in order to make the water use more efficient the company has an accumulation lock with a technical irrigation system in 88% of the land and a California surface irrigation system in the remaining 12% of the land.

## **BIODIVERSITY**

Our business activities take place in areas that are not declared as protected areas or declared as high biodiversity areas. Furthermore, we do not have any property near these kinds of areas. Our vision as a company is respectful of the environment.

## **EMISSIONS, SPILL RESIDUES AND WASTE**

There is no record of the total greenhouse gas emissions. We can only comment that our main gas emission sources are two hot water boilers. These boilers are authorized by sanitary resolution to comply with current regulations.

Wastewater coming from the washing process of tanks, equipment and facilities is mainly water processed by a plant for separating solids that is installed in our cellar. Then they are directed to a tailings decanter and finally deposited in a clarifier for farm irrigation.

As well as wastewater, solid waste materials which are basically organic are used as organic fertilizers and as road stabilizers.

The materials resulting from pruning, thinning and harvesting are scattered back into the field and incorporated into the soil to improve the level of organic matter.

Fitosanitary packing is subjected to triple washing according to Good Agricultural Practices protocols and then sent to an authorized company for chipping. These companies are Martinez and Valdivieso, Copeval and Coagra.

## **COMPLIANCE**

During the reporting period companies have had no fines or monetary penalties for non-compliance with environmental regulations.