



**SUSTAINABLE SOURCING: MANAGEMENT
OF THE SUPPLY CHAIN
EBRO 2016**

1 NO POVERTY



2 ZERO HUNGER



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



15 LIFE ON LAND



Sustainable sourcing: management of the supply chain

One of the fundamental principles of the sustainable management of the Ebro Group is to guarantee the sustainability of its products throughout the entire value chain. The first and principal link in this chain is the production and sourcing of its agricultural raw materials. The Ebro Group is acting directly and in two ways with the main players in its supply chain. On the one hand, it is working side by side with growers to promote sustainable agriculture in environmental, economic and social aspects, and on the other, it is controlling the performance of its industrial suppliers in respect of corporate responsibility through internal or external audits and collaborating with them to secure continuous improvement.

Sustainable agricultural raw material

After joining the SAI Platform in 2015, during 2016 the Ebro Group has taken another step forward in its commitment to the sustainable production of its agricultural raw materials, particularly rice, by becoming a member of the Sustainable Rice Platform (SRP, <http://www.sustainablerice.org/>). The SRP is a multi-stakeholder initiative co-convened by the UN Environment (UNEP) and the International Rice Research Institute (IRRI, <http://irri.org/>) to promote sustainability in the rice sector, especially Asian (<http://www.sustainablerice.org/About-Us/>), paying special attention to smallholders.

In this context, the Ebro Group will use the sustainable crop standards of the SAI and the SRP as qualitative benchmarks in the different initiatives and projects that it has set up to improve the sustainability of growers in its sourcing regions.

SAIRISI Project in Italy

SAIRISI is a project coordinated by the SAI Platform, begun towards the end of 2015 by Unilever, Kellogg's, Migros and Ebro Foods, all members of the Rice Group of that platform.

Within this project in 2016, 60 growers attended three training sessions given by scientists from the Italian National Rice Research Centre (ENTERISI) and external experts from universities and NGOs. Those sessions addressed the topics of working the soil and nutrients, precision agriculture, crop protection, environment and biodiversity, as well as the latest EU Common Agricultural Policy.

The project also included two field visits, during which the growers were able to visit model farms at which agricultural and environmental best practices are applied. GHG emissions in the rice crop -a fundamental issue for this raw material- was addressed during one of the visit, through several presentations on the Life Cycle Analysis given by the researcher Alessandra Fusi, the Cool Farm Tool predictive model and the results of work done in Spain by Ebro Foods. Control and mitigation of methane emissions in the rice crop is crucial for the future of the sector and it is one of the focal points of the Ebro Group's sustainability strategy.

SAIRISI has been a great success with growers, but also with the other players in the Italian rice sector and will continue in 2017, covering a larger number of growers and partners. The training given will be improved after the results of the assessment made by Ebro Foods with its growers through the Farm Sustainability Assessment of SAI-P, the conclusions of which were shared with the project by the Ebro Group.

Farm Sustainability Assessment in Seville

Through our Spanish subsidiary Herba Ricemills, at the end of 2016 we asked an independent third party to assess a representative sample of the growers who supply rice in Seville for our Brillante brand, against the sustainable crop



standard of the SAI Platform. The samples in this assessment were rated very highly: 80% were rated GOLD and the remaining 20% Silver, classifying the Sevillian rice-growing region as one of the most sustainable in the world. This assessment entitles us to include the Gold Quality seal on the packaging of Brillante rice.

The assessment identified two aspects (GHG and biodiversity) in which there was room for improvement. The Ebro Group is currently discussing with several stakeholders how to help growers and the sector to improve their performance in these aspects.

Climate Smart Agriculture Project in the Ebro delta

This project, which we presented in our Sustainability Report 2015, produced its first results in 2016, establishing that most of the GHG emissions generated by the rice fields occur at the post-harvest stage (70%). With this information we are able to optimise our efforts to mitigate them. In fact, at the end of 2016 we began a project with mitigation strategies for that period, based on handling of the stubble and winter flooding.

We also compared the results of the direct measurements obtained in this project and in Italy with the Cool Farm Tool predictive model of the Cool Farm Alliance (<https://coolfarmtool.org/cool-farm-alliance/>), confirming that the model obtained in the Delta could be valid to estimate the GHG emissions in the rice fields situated in European production areas and establish base lines for action. However, it is not as precise as the Cool Farm Alliance model, so the Ebro Group has joined the alliance to improve all the measurements.

EKTA Project in India

The EKTA (Ebro Kissan Training and Awareness) programme, begun in 2015 and led by our subsidiary Ebro India, was extended in 2016 to 26 villages (compared to 6 in 2015), involving around 2,000 farmers.

The project, in which 10 professionals from Ebro India participate alongside an expert from Haryana University, extended its training tools this year and in addition to the informative sessions, it has made a radio programme available for farmers, in which farmers are able to ask questions live to a rice crop specialist.

A visit to Haryana University was also organised for 60 farmers, who attended a presentation on good agricultural practices and visited experimental fields.

Industrial suppliers

The Ebro Group is working actively within and outside its consolidated group to ensure compliance with the corporate responsibility and sustainability parameters in its supply chain and that of its customers.

In order to monitor its supply chain and ensure compliance with its Code of Conduct for Suppliers, Ebro Foods has updated its contract in Sedex (<https://www.sedexglobal.com/es>), becoming an AB member of the platform, enabling it to act as both supplier and client. Sedex is a global not-for-profit membership organisation, which has the world's largest collaborative platform for sharing responsible sourcing data on supply chains.

The Ebro Group

All the companies in the rice division are included in the new AB account of the Ebro Group and those of the pasta division are in the process of being included.

Ethical audits 2016 – Ebro Foods production plants

COMPANY	PLANT	STANDARD	AUDIT FIRM
Herba Ricemills	Seville	WCA	Intertek
S&B	Cambridge	SMETA 4-Pillar	Bureau Veritas
Herba Ingredients	Plant B/C/D	SMETA 4-Pillar	Intertek
Riviana	Delta	SMETA 4-Pillar	SGS
Herba Ricemills	Rinconada	SMETA 4-Pillar	Intertek
Riviana	Carlisle/Brinkley	SMETA 4-Pillar	SGS

The results of all these audits were positive, with only minor non-conformities.

External suppliers

In 2016, the Ebro Group embarked on an engagement process with its industrial suppliers through the Sedex platform to be able to monitor their ESG performance and help them to improve. This process, begun so far with rice suppliers, entails:

- ◆ Registration of the supplier as a B member in Sedex
- ◆ Self-assessment and relation with the Ebro Group account
- ◆ Risk assessment using specific tool provided by Sedex and definition of an audit plan
- ◆ Ethical audit



Details of our supply chain

The information reported in this section only takes into account the supply chains of agricultural raw materials (rice and durum wheat) of Ebro Foods, which account for the bulk of the raw materials used by the Ebro Group.

Both rice and durum wheat are purchased from three types of 1st tier suppliers, which may vary according to the countries in which the raw material is sourced:

- ◆ Farmers or cooperatives
- ◆ Mills and/or plants
- ◆ Traders

Most of the raw material is purchased on the local markets in the countries in which we operate and directly from farmers or cooperatives.

There is relatively little variation from one year to the next in the pool of countries in which we source materials but do not operate, the direct suppliers we use in those countries and the volumes purchased per supplier category. However, within those categories, the operators from whom we buy and the volumes bought from each one may vary considerably depending on our needs in respect of price, quality, customer specifications, etc.

Volumes by origin

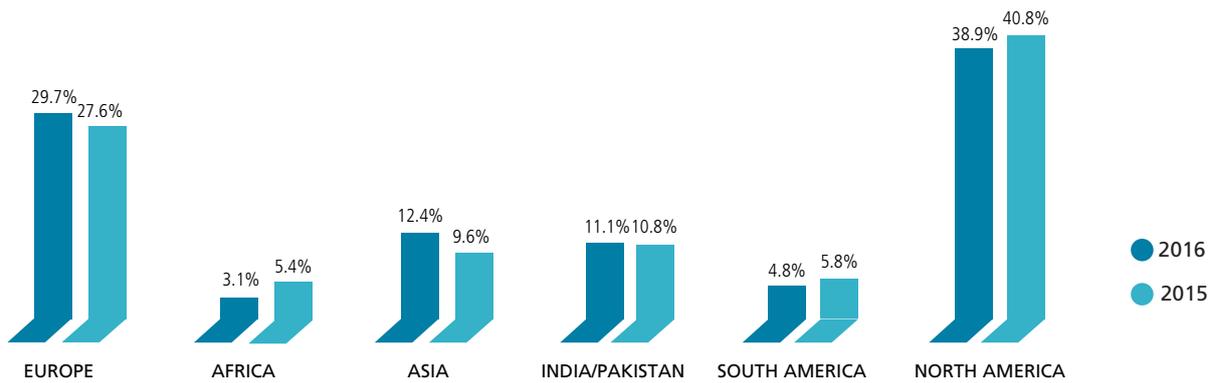
Rice

The rice supplies for the Ebro Group have been very stable over the past two years in both total volume and volume by origin, our most important sourcing regions being North America and Europe (see Fig. 1).

ORIGIN	2016 (t)	2015 (t)
Europe	451,816	421,085
North America	591,867	621,653
South America	72,456	88,149
India/Pakistan	168,533	164,846
Africa	47,632	82,169
Southeast Asia	188,178	147,115
TOTAL	1,520,483	1,525,017

FIGURE 1

Rice sourcing / Origins (%)



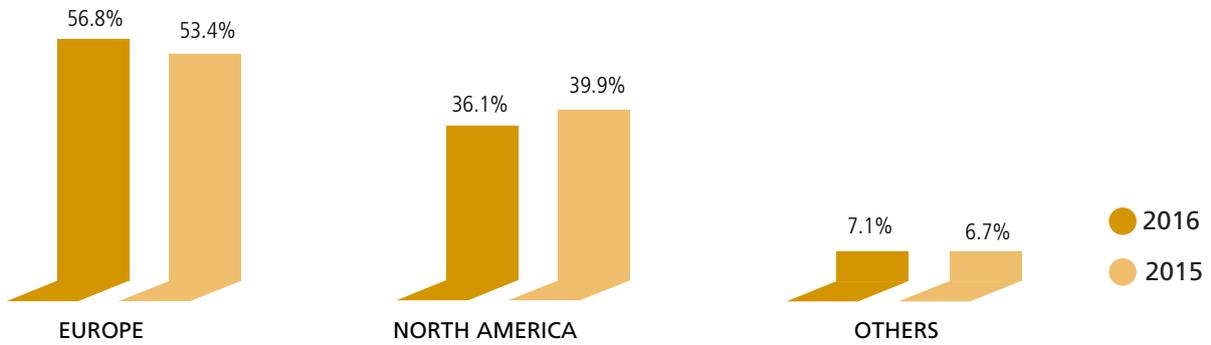
Durum wheat

The Ebro Group sources its wheat mainly in Europe and North America, France and the USA being the two most important countries in purchase volume.

ORIGIN	2016 (t)	2015 (t)
Europe	481,418	413,706
North America	305,764	309,665
Others	59,828	51,884
TOTAL	847,010	775,255

FIGURE 2

Wheat sourcing / Origins (%)



Volume by supplier

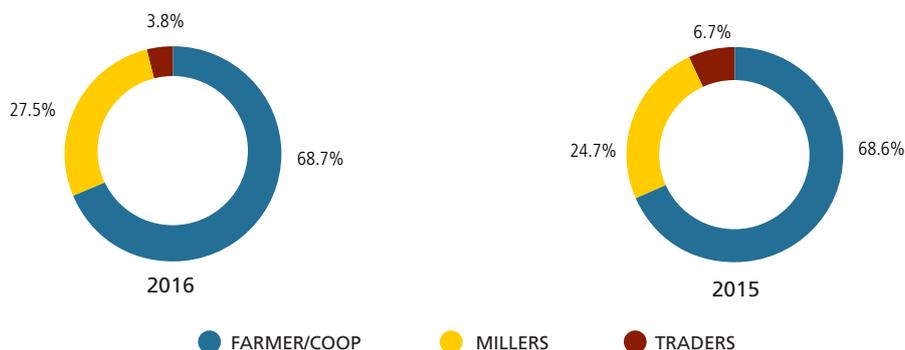
Rice

On a global level, the vast majority of the rice is bought directly from farmers or cooperatives and the rest from millers and traders (see Fig. 3).

1 ST TIER SUPPLIERS	2016 (t)	2015 (t)
Farmer/Coop	1,041,280	1,046,769
Millers	416,964	376,787
Traders	58,031	101,461

FIGURE 3

Rice sourcing / 1st tier suppliers (%)

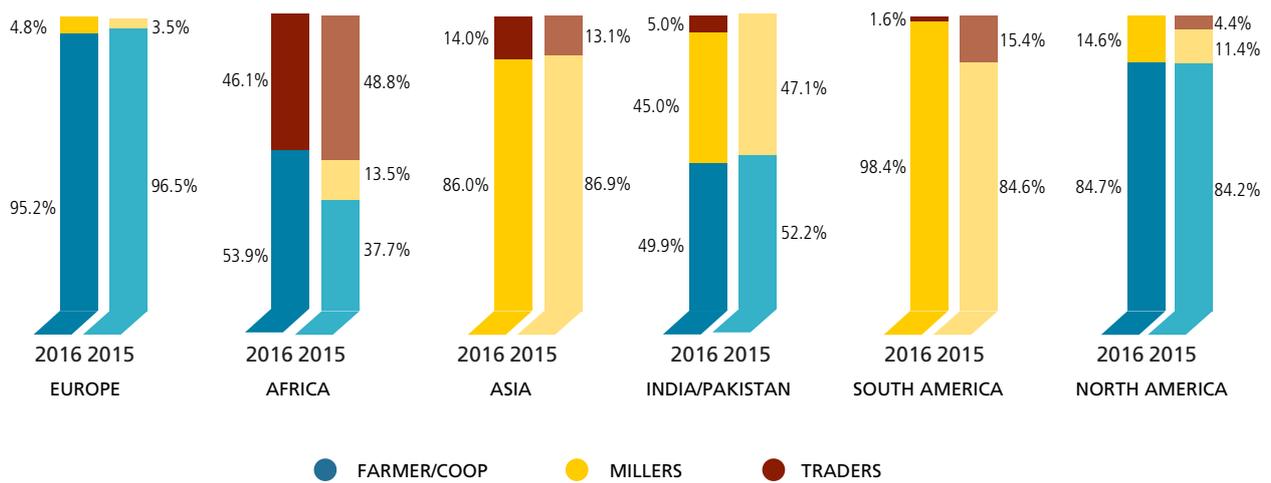


At a disaggregated level, this volume/supplier distribution varies considerably from one geographical region to another, but remains relatively constant for each region between 2015 and 2016 (see Fig. 4).

1 ST TIER SUPPLIERS / ORIGINS (t)	EUROPE 2016	EUROPE 2015	AFRICA 2016	AFRICA 2015	ASIA 2016	ASIA 2015	INDIA/PAK. 2016	INDIA/PAK. 2015	SOUTH AMERICA 2016	SOUTH AMERICA 2015	NORTH AMERICA 2016	NORTH AMERICA 2015
Farmer/Coop	430,198	406,216	25,660	30,965			84,154	86,047			501,268	523,541
Millers	21,618	14,869	1	11,098	161,778	127,865	75,877	77,663	71,298	74,577	86,391	70,715
Traders			21,971	40,106	26,400	19,250	8,502	1,136	1,158	13,572		27,397

FIGURE 4

Rice sourcing / 1st tier suppliers / Origins (%)



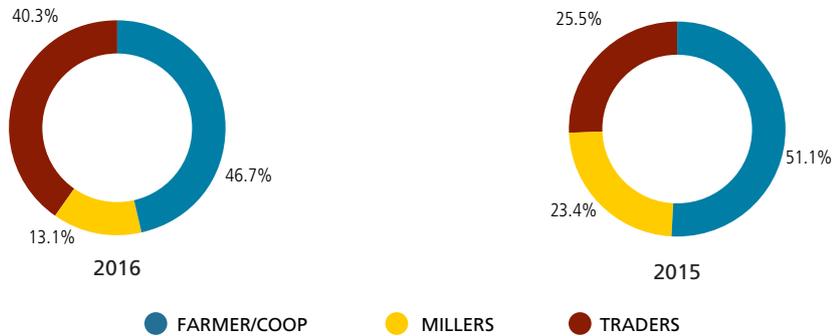
Durum wheat

Just as for rice, on a global level most of the wheat is sourced directly from farmers or cooperatives, although in a smaller proportion. The rest of the volume is bought from traders and millers (see Fig. 5).

1 ST TIER SUPPLIERS	2016 (t)	2015 (t)
Farmer/Coop	395,309	396,062
Millers	110,663	181,544
Traders	341,038	197,649

FIGURE 5

Wheat sourcing / 1st tier suppliers (%)



At a disaggregated level, the direct suppliers are totally different for each geographical region: mainly farmers or cooperatives in Europe and traders in North America (see Fig. 6).

1 ST TIER SUPPLIERS (t)	EUROPE 2016	EUROPE 2015	NORTH AMERICA 2016	NORTH AMERICA 2015	OTHERS 2016	OTHERS 2015
Farmer/Coop	395,309	396,062				
Millers	25,158	13,054	25,677	116,934	59,828	51,556
Traders	60,951	4,590	280,087	192,731		328

FIGURE 6

Wheat sourcing / 1st tier suppliers / Origins (%)

