MANAGEMENT
of the Supply Chain

MANAGEMENT OF THE SUPPLY CHAIN

OUTSOURCING AND SUPPLIERS

The main aim 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 and auxiliary raw materials. The 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.

With its structure as a multi-brand, multi-company, multi-country enterprise, certain management areas in the companies of the Ebro Group are decentralised, as is the case of the Procurements Area. In this scenario, each subsidiary has its own policies aligned with the laws and circumstances of the companies in which they operate. Therefore, no integral corporate management of our suppliers has been fully developed on a global level within the Group.

At present, we have three main tools on a corporate level to control our suppliers: 1) visits and meetings with the Procurements Departments of our subsidiaries; 2) the Sedex Platform, in which some of the suppliers of certain Group companies have been gradually included and are audited by an independent third party; 3) the Ebro Foods Supplier Code of Conduct, which sets out to regulate the rules of social and environmental conduct by the Group's suppliers. So far, 100% of the suppliers of our Herba Bangkok have subscribed to this Code, 99% of those of Herba Cambodia and 80% of those of Ebro India. The process is rather complicated and time-consuming.

In our desire to achieve integral management of the supply chain, we are starting to develop a work plan, according to which all the company's suppliers will be classified into three groups as from 2019: agricultural raw material suppliers, auxiliary raw material suppliers and service providers. We intend to map our subsidiaries and draw up a roadmap with them to achieve the goal that by 2030, 100% of our suppliers have signed the Group's Supplier Code of Conduct or incorporate ESG criteria in their policies.

LIST OF AUDITS ON SUPPLIERS MADE IN 2017-2018

SUPPLIER	PLANT	COUNTRY	DATE	AUDIT
RISO SCOTTI S.P.A.	RISO SCOTTI S.P.A.	ITALY	28/09/2018	BVCERT 4 Pilar Audits
MONDI BÉKÉS CS ABA LTD	MONDI BÉKÉS CS ABA KFT	HUNGARY	28/09/2018	BVCERT 4 Pilar Audits
GRAPHIC PACKAGING INTERNATIONAL LLC	MONDI PACKAGING IGUALADA	SPAIN	26/09/2018	BVCERT 4 Pilar Audits
VENUS GROWERS	ALEXANDRIA	GREECE	14/06/2018	Intertek Bulgaria
VENUS GROWERS	VERIA	GREECE	13/06/2018	Intertek Bulgaria
GREAT GIANT PINEAPPLE COMPANY	GRAT GIANT PINEAPLE CO CANNERY AND PLANTATION	INDONESIA	07/06/2018	BVCERT 4 Pilar Audits
ENGRO EXIMP AGRIPRODUCTS (PVT) LIMITED	INTEGRATED RICE PROCESSING COMPLEX (IRPC)	PAKISTAN	04/05/2018	Elevate Limited
GEOVITA SRL	GEOVITA SRL	ITALY	19/02/2018	SGS CBE
MONDI CONSUMER PACKAGING GMBH	MONDI KORNEUBURG GMBH	AUSTRIA	23/01/2018	BVCERT 4 Pilar Audits
MUNDI RISO SRL	MUNDI RISO	ITALY	18/12/2017	SGS CBE
EBRO FOODS NEDERLAND BV	LASSIE	NETHERLANDS	10/11/2017	Intertek UK
GALAXY RICE MILL	GALAXY RICE MILL	PAKISTAN	03/08/2017	Elevate Limited
CASARONE AGROINDUSTRIAL S.A.	ARROZUR S.A.	URUGUAY	28/06/2017	SGS
CASARONE AGROINDUSTRIAL S.A.	PLANTO JOSÉ P. VARELA	URUGUAY	27/06/2017	SGS

SUPPLY CHAIN FOR AGRICULTURAL RAW MATERIALS

SUSTAINABLE AGRICULTURAL RAW MATERIAL

After joining the SAI Platform in 2015, during 2016 the Ebro Group took 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 has begun to 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.

In this context, with regard to durum wheat and tomatoes, the French subsidiary Panzani is developing the programme “Nature” with a view to changing the growing practices of the suppliers in its supply chain so that their raw materials are free from pesticide residues by 2025.

With regard to rice, the Group has continued working in collaboration with other stakeholders on the development of projects to enhance environmental sustainability and preserve biodiversity in different production areas. The most representative examples of this work are:

- **"Sustainable Hom Mali Rice programme":** Our subsidiary Herba Bangkok, Mars Food, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Thai Rice Department have jointly created an innovative programme to improve the economic viability of 1,200 Thai rice growers and develop high quality, sustainable Hom Mali rice (Jazmine rice) using a Climate-Smart system to mitigate climate change in the province of Roi Et. This programme will be developed over a period of two and a half years, from 2018 to 2020.
- **Biodiversity in the Ebro Delta:** Through the collaboration of Ebro Foods and Kellogg with the Institute for Research and Technology in Food and Agriculture (IRTA), biodiversity management was studied for the benefit of the rice crop and its sustainability in the Ebro Delta. The IRTA researchers made this analysis with active collaboration from growers, along with sector and environmental experts, to identify the best measures to protect biodiversity in the paddy fields while assisting growers. They took into account agricultural, environmental, economic and social factors. The study concluded that the measures most highly valued by the agricultural community and most effective in in enhancing biodiversity in this region were to plant yellow flag to maintain the stability of the drainage channels and increase the bat population by installing artificial roosts (bat boxes) to improve pest control.
- **Oryzonte" Programme:** This project, developed at the Guadalquivir Marshes (Seville) together with Mars Food and Danone, works on three core areas:

  1. Good growing practices: training of growers in eco-friendly growing practices, such as the enhanced use of fertilizers and chemical products.
  2. Reduction of water consumption and GHG emissions.
  3. Biodiversity: the project will foster the implementation of measures to enhance biodiversity at the Seville rice farms, with demonstration fields and training activities.

- **EKTA Project (India):** With a view to improving the social and economic conditions of local farmers, increase the yield from their crops and ensure that their rice was of high quality and healthy, our subsidiary Ebro India began the EKTA (*Ebro Kissan Training and Awareness*) programme in 2015. EKTA is an agricultural training programme that stresses the need for adequate use of pesticides, one of the main problems for food safety in the country. During 2018 the programme was extended to a further 100 rural hamlets (50 in 2017), bringing on board around 2,500 new growers. The project, in which a large number of professionals from Ebro India participate as volunteers alongside an expert from Haryana University, extended its training tools this year and in addition to 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, as well as brochures and posters with technical information, warnings and indications. The results of subsequent pesticide measuring in the areas in which training has been given show a considerable reduction from the levels measured in the previous year.
- **Control Farming:** This is an agronomic improvement programme developed in India to educate farmers in the correct use of pesticides and fungicides in terms of quantity, quality and time. The implementation of correct agricultural practices has been fully monitored from sowing to harvesting. The rice produced in these harvests is bought by Ebro India, paying an extra per tonne.
- **Organic Farming:** This project is developed in India with 1,300 growers in the regions of Uttar Pradesh and Jammu, with a view to converting traditional rice-growing land to organic rice-growing land..
- **SAIRISI (Italia):** This is a project developed in collaboration with several members of SAI-P (Unilever, Kellogg, Migros), aiming to assess growers in accordance with the SAI-P standard, providing specific training given by Enterisi and professionals from the sector (Universities, NGOs, etc.) to improve their performance. The principal subject

matters studied are: precision agriculture, conservation agriculture, use of nutrients and fertilizers, and environmental, agronomic and biodiversity enhancement practices backed by El CAP / PSR. Another of the challenges that the SAIRISI group wants to address is the control and potential mitigation of methane emissions in rice fields. One of the special aspects of this project is that it brings under one roof growers, rice mills, business and retailers with the aim of improving the sustainability of the crop.

DETAILS OF OUR SUPPLY CHAIN

The information reported in this section only takes into account the supply chains of the agricultural raw materials rice, durum wheat and quinoa, 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
- Millers and/or plants
- Traders

Quinoa is mainly purchased from cooperatives of farmers and millers.

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 very considerably depending on our needs in respect of price, quality, customer specifications, etc.

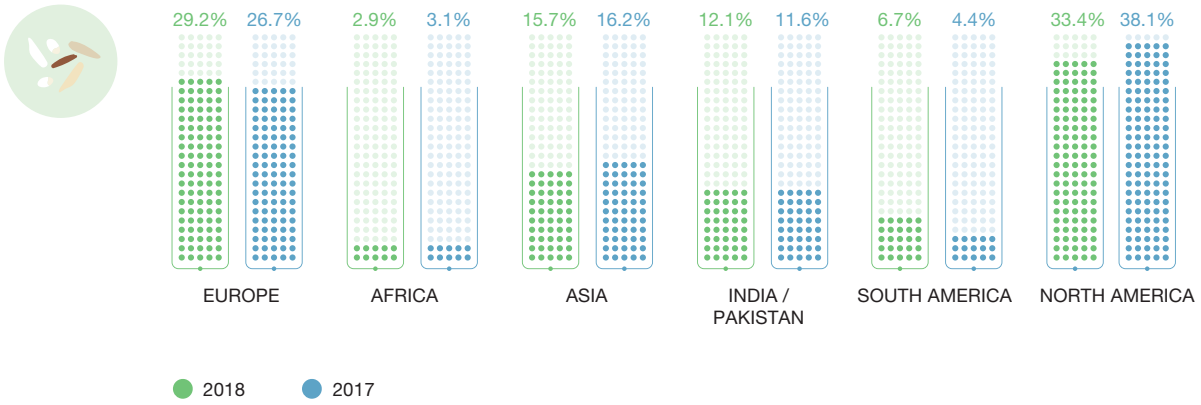
VOLUMES BY ORIGIN

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).

	2017	2018
	TONNES	TONNES
Europe	426,126	434,512
Africa	49,226	42,619
Asia	257,791	233,424
India/Pakistan	184,184	179,521
South America	69,815	100,090
North America	606,563	495,759
TOTAL	**1,593,705**	**1,485,925**

RICE SOURCING / ORIGINS (FIGURE 1)

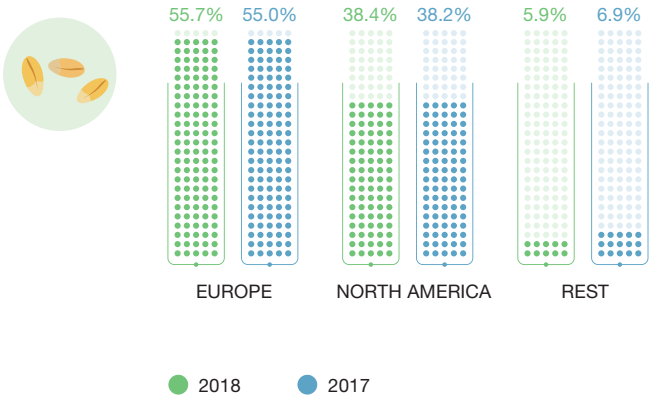


Durum wheat

The Ebro Group sources its durum wheat mainly in Europe and North America, France and the USA being the two most important countries in purchase volume. (see Fig. 2).

	2017	2018
	TONNES	TONNES
North America	315,828	326,250
Europe	455,218	472,741
Rest	56,800	49,982
TOTAL	**827,846**	**848,973**

WHEAT SOURCING / ORIGINS (FIGURE 2)

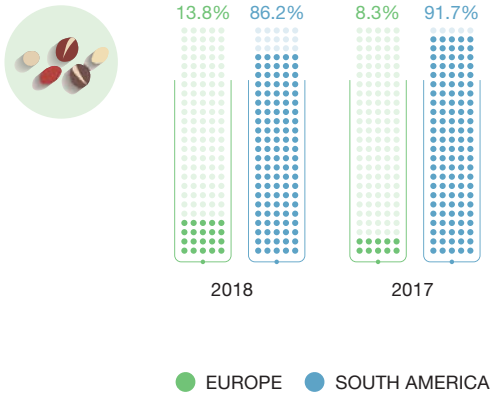


Quínoa

The Ebro Group sources its quinoa mainly in South America, and a very small percentage in Europe (see Fig. 3).

	2017	2018
	TONNES	TONNES
South America	3,272	3,255
Europe	298	521
TOTAL	**3,570**	**3,776**

QUINOA SOURCING / ORIGINS (FIGURE 3)



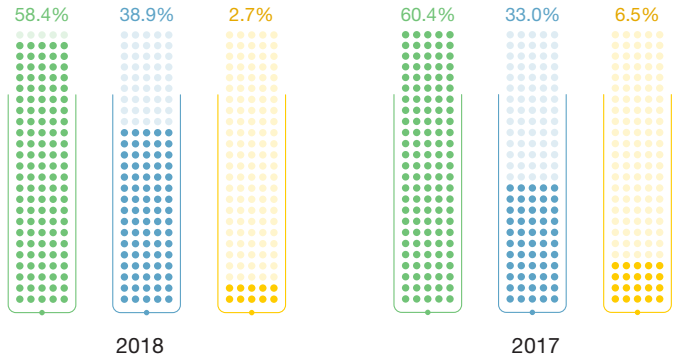
VOLUME BY SUPPLIER

Rice

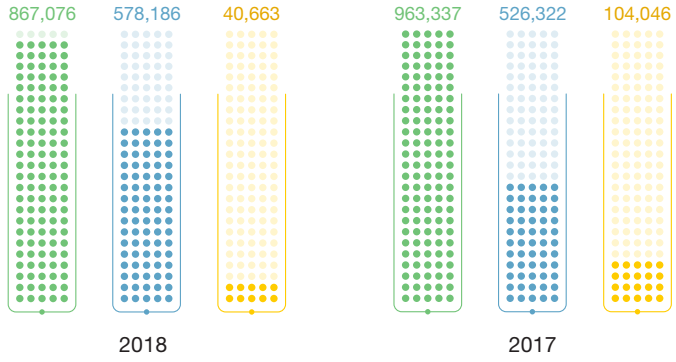
On a global level, the vast majority of the rice is bought directly from farmers or cooperatives and the rest from millers and traders (see Fig. 4).

FIGURE 4

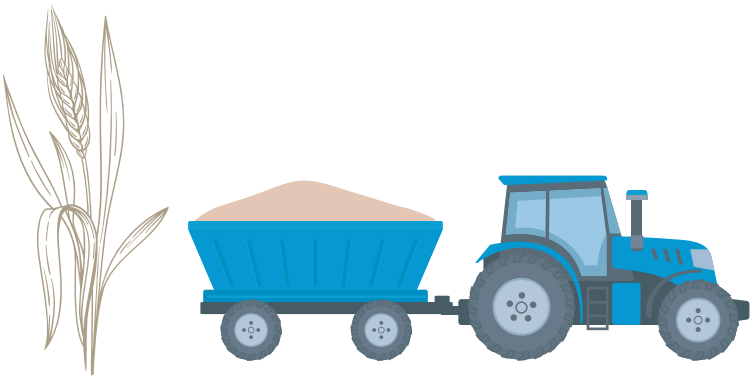
RICE SOURCING / 1ST TIER SUPPLIERS



RICE SOURCING / 1ST TIER SUPPLIERS (T)



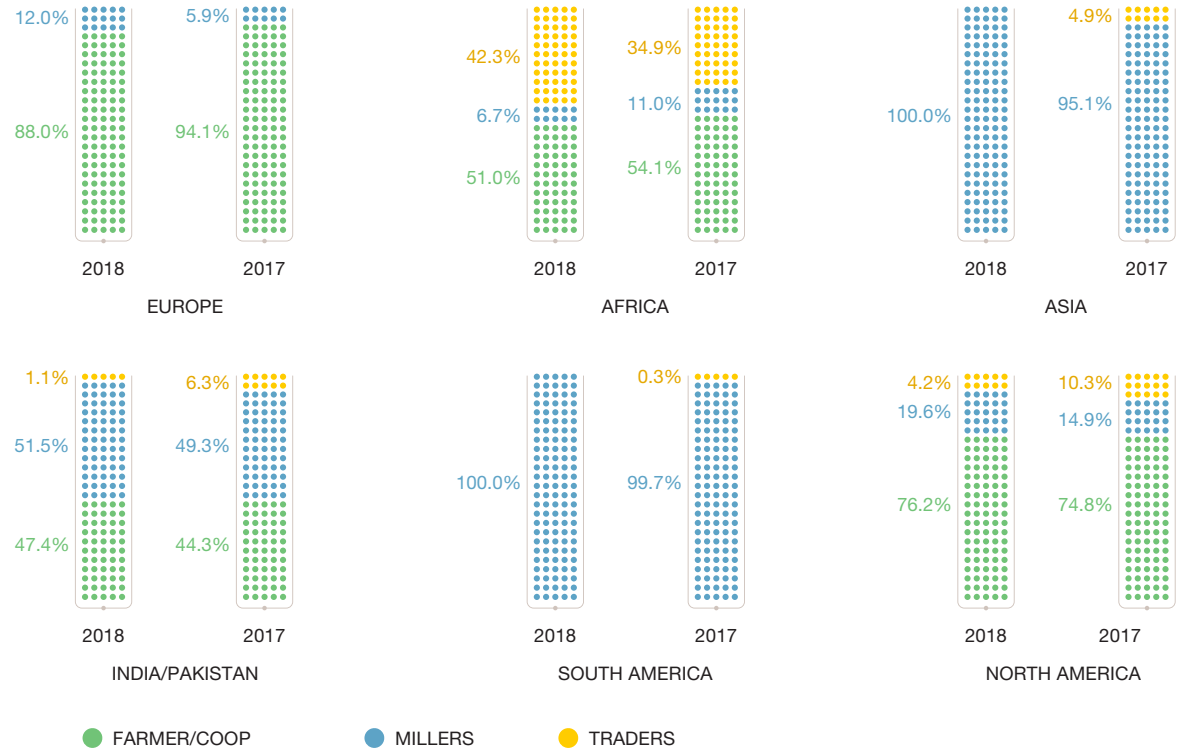
FARMER/COOP MILLERS TRADERS



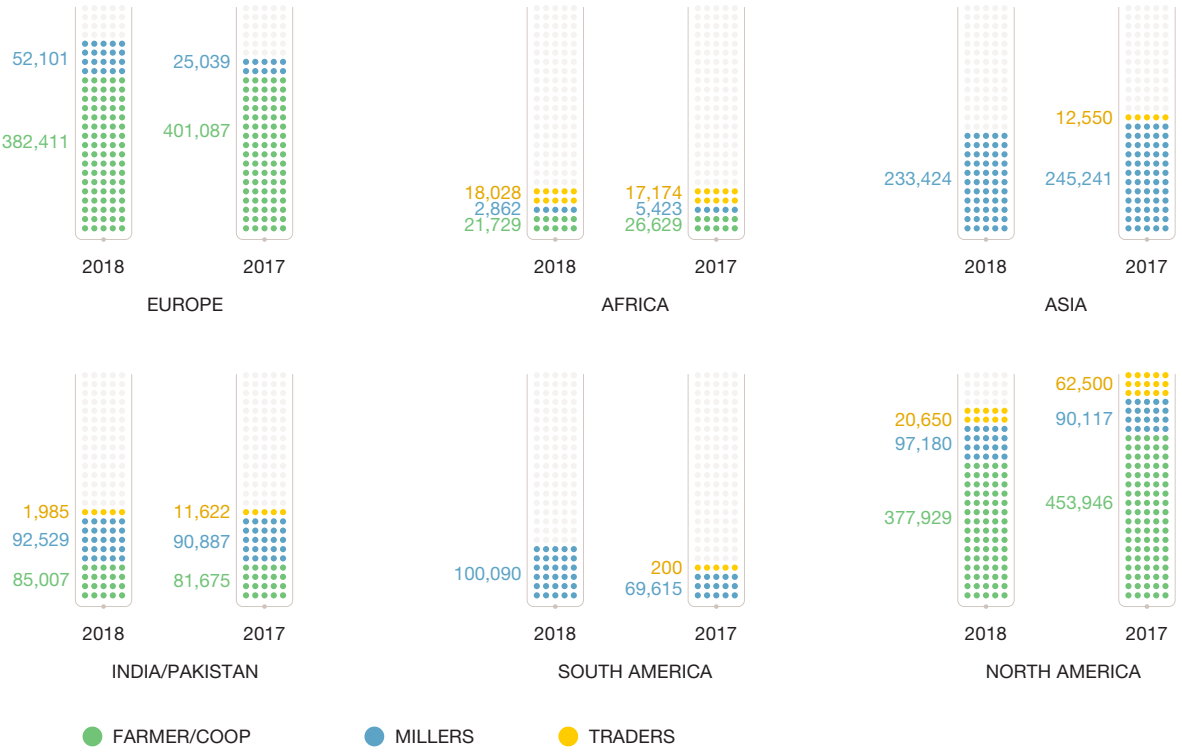
At a disaggregated level, this volume/supplier distribution varies considerably from one geographical region to another, but remains relatively constant for each region between 2017 and 2018 (see Fig. 5).

FIGURE 5

RICE SOURCING / 1ST TIER SUPPLIERS / ORIGINS



RICE SOURCING (T) / 1ST TIER SUPPLIERS / ORIGINS

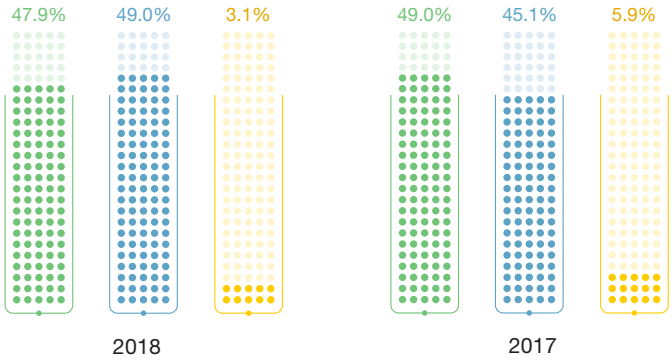


Durum wheat

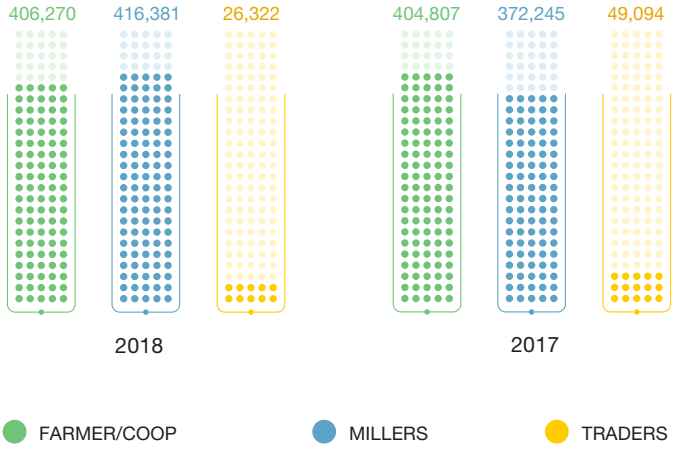
On a global level most of the wheat is sourced directly from farmers or cooperatives, and millers. The rest of the volume is bought from traders (see Fig. 6).

FIGURE 6

WHEAT SOURCING / 1ST TIER SUPPLIERS



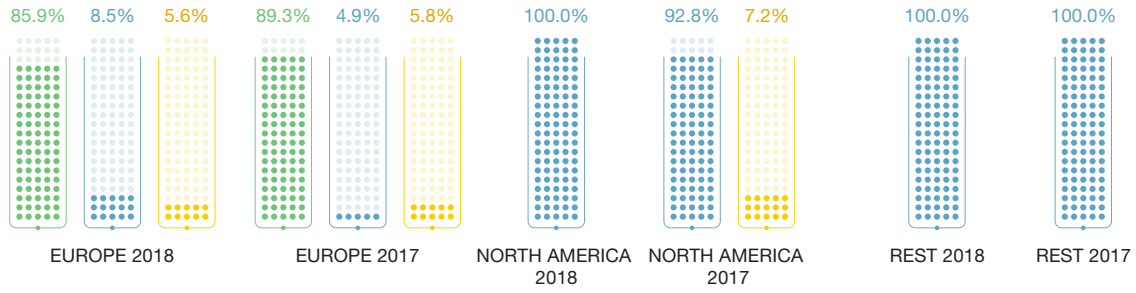
WHEAT SOURCING / 1ST TIER SUPPLIERS (T)



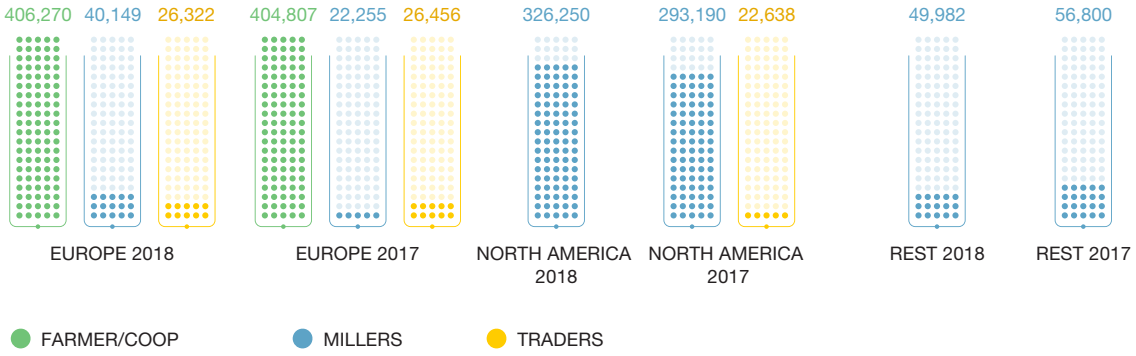
At a disaggregated level, the direct suppliers are totally different for each geographical region: mainly farmers or cooperatives in Europe and traders in North America (see Fig. 7).

FIGURE 7

WHEAT SOURCING / 1ST TIER SUPPLIERS / ORIGINS



WHEAT SOURCING (T) / 1ST TIER SUPPLIERS / ORIGINS

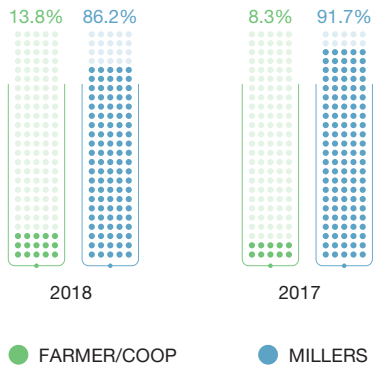


Quinoa

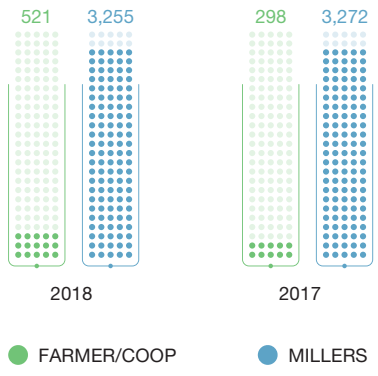
In 2018 most of the quinoa was sourced directly from mills. The remaining volume was purchased from farmers and cooperatives. (see Fig. 8).

FIGURE 8

QUINOA SOURCING / ORIGINS



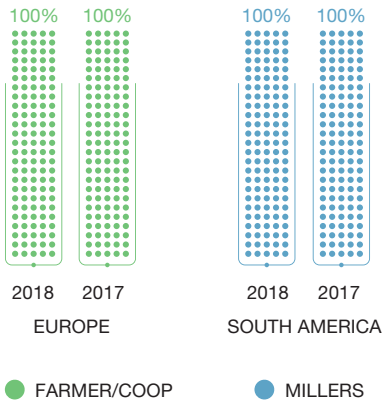
QUINOA SOURCING / ORIGINS (T)



At a disaggregated level, the direct suppliers are totally different for each geographical region: farmers or cooperatives in Europe and mills in North America (see Fig. 9).

FIGURE 9

WHEAT SOURCING /
1ST TIER SUPPLIERS / ORIGINS



QUINOA SOURCING (T) /
1ST TIER SUPPLIERS / ORIGINS